



Department of Treasury and Finance

1 Treasury Place
Melbourne Victoria 3002 Australia
Telephone: +61 3 9651 5111
dtf.vic.gov.au
DX210759

Mr Danny Pearson MP
Chair
Public Accounts and Estimates Committee
Level 3, 55 St Andrews Place
EAST MELBOURNE VIC 3002

27 FEB 2017

Dear Mr Pearson

INQUIRY INTO THE 2015-16 FINANCIAL AND PERFORMANCE OUTCOMES PUBLIC HEARINGS – SUPPLEMENTAL INFORMATION

Thank you for the opportunity to attend the public hearing on Monday 13 February 2017 for the Department of Treasury and Finance as part of the Public Accounts and Estimates Committee's Inquiry into the 2015-16 Financial and Performance Outcomes.

Please find below supplemental information from the department to further clarify points raised during the hearing.

Clarification on the CityLink toll road concession

Page 19 of the transcript refers to a discussion on the calculation of "equity return" under the CityLink concession and a reference to the treatment of debt repayment by Transurban in that calculation. A short extract of page 19 of the transcript is provided below:

Mr WEBSTER — To be clear, the calculation which you were referring to refers to project level debt, which was done at the time of the original agreement. That is completely separate to any financial arrangements they may have entered into for the CityLink-Tulla widening.

To provide further clarification on this point made by Mr Webster, I note that the phrase "project level debt" used by him refers to the project debt at the CityLink Melbourne Limited (CML) entity level that the contracting parties agreed at the time of the agreements. It is completely separate to any actual financial arrangements that Transurban may have entered into at the corporate level for the CityLink-Tulla widening (CTW).

The Citylink structure consists of a "ring fenced" entity ("CML") and its parent group ("Transurban"). Two questions from the Committee were about debt assumed by Transurban and the repayment of that debt by Transurban. To fund the CTW through the ring fenced CML, Transurban had access to its existing corporate balance sheet, headroom on its existing facilities and the ability to choose to either raise new external debt or raise new equity.

How the Transurban parent (outside of the ring fence) determined its external finances is not commercially or contractually relevant to whether CML (inside the ring fence) is deemed to have CTW Project Debt outstanding at dates for possible early end of the concession period.

The definition of concession period was amended in the Agreement for the Melbourne City Link (**Agreement**) to account for the extension agreed under CTW. The Agreement is available at:

[http://www.legislation.vic.gov.au/domino/Web_Notes/LDMS/LTObject_Store/ltobjst9.nsf/DD E300B846EED9C7CA257616000A3571/09085F1A2745DCE7CA2580A400016308/\\$FILE/95-107agreements.pdf](http://www.legislation.vic.gov.au/domino/Web_Notes/LDMS/LTObject_Store/ltobjst9.nsf/DD E300B846EED9C7CA257616000A3571/09085F1A2745DCE7CA2580A400016308/$FILE/95-107agreements.pdf)

The amendments for CTW introduced a new term "CTW Project Debt" for the purposes of the CityLink Concession Deed (**Concession Deed**).

The "CTW Project Debt" (as defined in the Concession Deed) is effectively constrained by notional amounts in an agreed profile in Schedule 5A to the Integration and Facilitation Agreement (**IFA**) for the CityLink project (refer to page 885 of the PDF file in the above internet link). Under the Concession Deed, Project Debt is assumed to be repaid in accordance with an agreed notional debt profile. That debt profile was updated as part of the CTW and is set out in Schedule 5A to the IFA. At any time, the level of "Project Debt" for the purposes of the Concession Deed is the lesser of actual debt and the level of debt set out in the notional debt profile (Schedule 5A).

The State negotiated an outcome with Transurban for CTW whereby CTW Project Debt is effectively deemed to be fully repaid prior to any possible dates for early end of the concession period, preserving the point in time where debt is assumed to be zero.

The amount and repayment terms of any finance externally raised by the Transurban parent group is irrelevant to the CTW Project Debt. The effect of the Agreement and the IFA is that CTW Project Debt is deemed fully repaid prior to the earliest possible early end date of the concession period calculations.

Clarification around government advertising

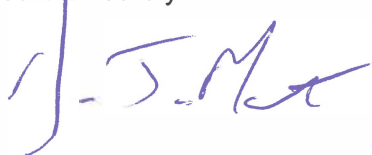
Page 8 of the transcript refers to a discussion on the Back to Work scheme. A short extract of page 8 of the transcript is provided below:

Mr Martine – No. We do not administer or get involved in government advertising. That is effectively run out of the Premier's department. In terms of the split of responsibilities, my department is responsible for the policy. The SRO has certainly administered the scheme, which closed on July, but certainly any advertising would have been run by the Department of Premier and Cabinet.

My answer in the Committee hearing was in reference to advertising which involved VECCI. I wish to note for completeness that my Department did arrange an initial advertising campaign to support the Back to Work scheme, but VECCI had no role in this campaign. The Department of Premier and Cabinet subsequently engaged VECCI to assist in a targeted advertising approach.

I trust that this letter is of assistance.

Yours sincerely



David Martine
Secretary