

Submission Cover Sheet

West Gate Tunnel Project IAC

Sub no:

69

Request to be heard?: No,

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Address: PO Box 842
Sunbury 3429
Affected property:
Attachment: 170626_Letter_on
Comments: See attached letter

SUNBURY RESIDENTS ASSOCIATION

Established 1974

Mr Peter Free
President
Sunbury Residents Association
PO Box 842
Sunbury VIC 3429

West Gate Tunnel Independent Inquiry and Advisory Committee
Environment Effects Statement
By email: westgatetunnelproject@wda.vic.gov.au

Dear Sir/Madam

At our meeting on 14 June 2017 the Sunbury Residents Association passed the following motion:

“That the Sunbury Residents Association opposes an extension of the City Link Concession (an extra 15 years of tolls on Tullamarine Freeway) to allow for the construction of the \$5.5 billion West Gate Tunnel.”

The Sunbury Residents Association argues it is unfair to penalise motorists of Melbourne’s north-west and south-east with an additional 15 years of City Link tolls to pay for a western suburban motorway. When City Link was being constructed in the 1990s we were promised that it would transfer back to the Victorian public at the end of the Concession Deed in 2032.

The West Gate Tunnel will be rarely used by Sunbury motorists and provides no direct benefits. This would be different if the proposal included projects that benefited Sunbury such as (a) Lancefield Road duplication (b) Sunbury Road duplication and the Bulla Bypass and (c) Calder Park interchange on Calder Freeway.

The Sunbury Residents Association implores you to consider comments of Mr Laurie Cox former chair of the City Link Authority during the 1990s who has recently called for a review of City Link’s Concession Deed (Herald Sun, 14/2/17). The Concession Deed has provisions that allow the Victorian Government to terminate the Concession in August 2024, August 2026, August 2028, August 2030 and August 2032 if the initial equity investors have achieved a real after tax return of greater than 17.5% and all the debt facilities have been repaid (Transurban Prospectus, 1996, p.117).

Debts for construction of City Link were \$1.32 billion (Transurban Prospectus, 1996, p.30) and post-completion borrowings of \$1.266 billion (Transurban Prospectus, 1996, p.31). With a clause that allows toll rates to increase by a minimum of 4.5% each year (Concession Deed, 1995, Clause 2 Theoretical Tolls), the tolling revenues being generated are likely to be reaching the thresholds where the Victorian Government has rights under the Concession Deed to resume ownership, as early as August 2024.

The City Link Concession has been described as the most profitable toll road in the world. The Transurban Prospectus stated “Investors should be aware that the Concession Period may be shortened or extended in certain circumstances. The circumstances of a shorter Concession Period relate to the project producing significantly greater returns than predicted” (Transurban Prospectus, 1996, p.3).

The Sunbury Residents Association seeks a transparent and independent public review of the City Link Concession with a view to reducing the burden on motorists in Melbourne’s north-west and south-east who are currently subject to City Link tolls.

I look forward to hearing from you.

Regards

Peter Free
President
26 June 2017

Herald Sun article:

Call to 'tunnel down' and scrutinise CityLink

John Dagge, Herald Sun, February 14, 2017



CityLink is Transurban's most lucrative asset, returning 86c profit from every \$1 in revenue.

THE former chairman of the government body that oversaw the development of CityLink has added his voice to calls for an independent audit of the tollway before owner Transurban wins a lucrative contract extension.

John Laurie, the first Melbourne City Link Authority chairman, has backed calls by former premier Jeff Kennett for a public audit of CityLink given the tollway could return to public ownership a decade early if certain profitability markers are hit.

"Somebody ought to have an independent look at it," Mr Laurie told Business Daily.

Growing calls for an audit come as the State Government mulls giving Transurban the right to levy tolls on CityLink for another decade in return for building the proposed \$5.5 billion Western Distributor.

That would extend Transurban's concession deed for CityLink from 2035 to 2045 — 20 years later than the date that was initially proposed for the tollway to be handed back to taxpayers if it had generated super profits Transurban.

A 10year extension would deliver Transurban \$12 billion in extra revenue, in addition to the \$8 billion it is set to collect from 2025 to 2035.

The Melbourne based company has already milked close to \$7 billion from the 22km in tollways that opened in 1999 at a cost of \$1.8 billion.



Former premier Jeff Kennett has called on opposition leader Matthew Guy to promise an independent assessment of CityLink's profitability if he wins the state election, due late next year.

The Melbourne City Link Authority was established in 1994 and was tasked with determining the final CityLink route, picking the operator and ensuring it was built to contract. Mr Laurie said it made sense to get a clear picture of the financial position of CityLink before any major decisions were taken.

"You really need to reassess the whole arrangement and get some independent assessment on how each party is faring in that arrangement and whether it is still well balanced," Mr Laurie said.

"Transurban are very canny and very smart.

"I wouldn't lose any sleep at night wondering if they will make a profit from any arrangement they enter into.

"I'd be more looking for assurances on the other side that the state is given a fair return on that arrangement."

CityLink is Transurban's most lucrative asset, returning 86c profit from every \$1 in revenue.

A clause buried deep in the fine print of the original CityLink contract gives the government the authority to reclaim CityLink as early as 2025 if the road is generating super profits.

Transurban has repeatedly maintained it is not at risk of hitting these internal profitability markers.

Any early return would be made impossible if Transurban was awarded the Western Distributor as the cost of that project would reduce Transurban's overall profitability.

Mr Kennett has called on opposition leader Matthew Guy to promise an independent assessment of CityLink's profitability if he wins the state election, due late next year.

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