

## **Response to the Economy and Infrastructure fourth report into infrastructure projects**

The Economic and Infrastructure Committee tabled its fourth report on infrastructure on 22 February 2018. The Committee recommended:

*Recommendation 1: That the Government make publicly available information about the following aspects of the West Gate Tunnel Project:*

- i. The amount of funding Transurban will be contributing to the cost of the construction of the West Gate Tunnel Project.*
- ii. The amount of funding the Government will be contributing to the cost of the construction of the West Gate Tunnel Project.*
- iii. How much motorists in each vehicle class will pay in tolls on the West Gate Tunnel and CityLink for each year between 2019 and 2029.*
- iv. An estimate of how much Transurban will receive in toll revenue for the life of the CityLink and West Gate Tunnel toll concession period until 2045.*
- v. Information from Transurban illustrating that it will not meet the equity return threshold of 17.5 per cent, even with the increased toll revenue from the West Gate Tunnel.*

*Recommendation 2: That businesses affected by construction activities for public infrastructure projects should receive compensation for lost revenue, or, where businesses are forced to close, compensation should be provided for the value of the business and costs associated with closing. This should only apply to businesses that demonstrate all of the following:*

- i. The business was not acquired and did not receive compensation under the Land Acquisition and Compensation Act 1986.*
- ii. The business is or was located in the designated project area of public infrastructure works. This includes projects declared public works under the Environment Effects Act 1978 or to which the Major Transport Projects Facilitation Act 2009 applies, as well as other large public infrastructure projects.*
- iii. Evidence of a loss of revenue over a sustained period as a result of public infrastructure construction work, as determined by a third-party government agency.*
- iv. Efforts by the authority responsible for the project to support the business were inadequate, as determined by a third-party government agency.*

*Recommendation 3: That the Government develop a best practice communication and consultation guide for public infrastructure projects which should include, but not be limited to, the following points:*

- i. Risk identification and performance management criteria for stakeholder consultation processes should be documented in the project's business case or plan*
- ii. Information about complaints mechanisms and responsibility hierarchies should be provided to stakeholders directly and through a central information hub such as a website, by both the Government and relevant project partners*
- iii. Consultation should consider culturally and linguistically diverse communities affected by the project and steps should be taken to facilitate engagement with these groups*
- iv. Projects should provide substantive documentation to stakeholders well in advance (ideally 60 days prior to being asked to provide feedback or make decisions based on it)*
- v. Project documentation for stakeholders should focus on areas of direct relevance to different groups and be available in varying degrees of length and complexity*
- vi. Stakeholder consultation should include collaborative consultation approaches and use of a broad range of consultation activities across all project phases, and should not be limited to requesting feedback or consultation after a decision has been made*

- vii. *Information about the impacts of the project (for example noise, road closures, changed traffic conditions and public transport disruptions) should be provided to affected stakeholders across a range of communication platforms, including a central platform such as a website with as much notice as possible*

*Recommendation 4: That stakeholder consultation processes and activities for public infrastructure projects be evaluated against the stated planning outcomes, objectives and activities and be made publicly available. This should include:*

- i. Collection and maintenance of data documenting consultation and stakeholder engagement processes, outcomes, and lessons learned*
- ii. Reports of stakeholder feedback on the project, responses to this feedback, and stakeholder responses to the consultation process*

In response to **Recommendation 1:**

In addition to standard public disclosure in Government publications such as the State Budget and Annual Financial Report, the Government has made an unprecedented level of public disclosure on the West Gate Tunnel project, including:

- Business Case (available on the Transport for Victoria website)
- Project Summary (available on the Partnerships Victoria website)
- Summary Value for Money Report (available on the Partnerships Victoria website)
- Project Agreement (available on the Partnerships Victoria website)
- West Gate Tunnel Project Bill (available on the Partnerships Victoria website)
- CityLink Concession Deed Amendments (available on the Partnerships Victoria website).

The total cost of the project is \$6.7 billion including the Monash Freeway Upgrade and Webb Dock Access Improvement projects, with the State contributing \$2.7 billion and Transurban financing the rest. Details can be found in the 2018-19 Budget and 2017-18 Annual Financial Report.

Tolls paid by each vehicle class on the West Gate Tunnel Project are detailed on the publicly available Project Agreement and in a fact sheet on the West Gate Tunnel Project website at <http://westgatetunnelproject.vic.gov.au/tolls>. Tolls on City Link are available at <https://www.linkt.com.au/melbourne/using-toll-roads/toll-calculator> and under the commercial arrangements would escalate at 4.25% per annum for 10 years from 2019.

Transurban's forecast toll revenue over its concession period for CityLink and West Gate Tunnel is proprietary and therefore commercially sensitive as it contains trade secrets of a publicly traded company. It is noted that any forecast revenue by nature is uncertain and Transurban takes full risk on realising the forecast over the concession period.

The Equity Return Condition (17.5 per cent) set in the original CityLink Concession Deed was at a level where CityLink traffic needed to grow in the order of 10 per cent every year for the full length of the concession. To date traffic has grown at well below these rates (around 2 to 3 per cent per annum). The CityLink Concession Deed specifies the dates at which the State is able to test the Equity Return Condition, and the earliest opportunity is not until 2026. The State continues to monitor CityLink performance to determine if the Equity Return Condition might be met at any of the relevant trigger dates in the future. The Government will release an independent expert report by PwC examining the likelihood of the Equity Return Condition being met at future trigger dates. The report shows it is unlikely that the Equity Return Condition will be met.

In response to **Recommendation 2:**

Businesses affected by compulsory acquisition for the project are being treated fairly and are receiving compensation under the relevant legislation (*Land Acquisition and Compensation Act 1986*).

Infrastructure delivery authorities and their contractors are working with property owners and business tenants on a case by case basis to assess how transport projects may affect them and to identify what options for assistance might be appropriate to their individual circumstances. Delivery authorities have a range of support measures in place to support businesses, mitigate the negative impacts of construction activities and support owners or operators to keep their businesses open. These efforts complement any financial compensation arrangements they may already be entitled to under legislation.

Additional initiatives across the Major Transport Infrastructure Program to support impacted businesses include:

- The establishment of Stakeholder Liaison Groups (SLG) for local communities impacted by construction activities, comprising local businesses, community groups and residents providing input to the project and sharing information with the community and with the authority,
- Maintaining access to businesses for deliveries and customers,
- Regular meetings with traders to discuss project works and ways to manage temporary impacts,
- On-site signage and project communications distributed to the local community,
- Changes to parking conditions to provide parking for customers of local businesses during construction.

For example, with the large number of communities impacted by the Level Crossing Removal Program, LXRA has encouraged its construction workforce and affected commuters to 'shop local' while construction works are undertaken, including forming partnerships with local small businesses for the #StationDelights social media campaign.

Offering further financial compensation would put additional cost pressures on project budgets as well as representing a significant administrative burden on delivery authorities.

In response to **Recommendation 3**:

All of the above activities are already undertaken by individual projects, consistent with Public Participation Guidelines developed by the Victorian Auditor General's Office. The Office of the Coordinator-General will produce a guide to align consistent communications and engagement across the projects within the Major Transport Infrastructure Program.

In response to **Recommendation 4**:

Transparency is a key component of successful community engagement. Stakeholder engagement outcomes are already shared with communities during project development processes, including those undertaken as part of formal planning processes. Consistent guidance will be developed by the Office of the Coordinator-General for the projects in the Major Transport Infrastructure Program to address evaluation and lessons learned, which will include ensuring transparency of outcomes with the broader community.