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Public Infrastructure Inquiry  
Productivity Commission  
LB2 Collins Street East  
MELBOURNE VIC 8003

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## TRANSURBAN SUBMISSION TO PUBLIC INFRASTRUCTURE INQUIRY

Transurban Group appreciates the opportunity to provide a submission in response to the Productivity Commission's Public Infrastructure Inquiry.

Transurban is an international toll road owner, developer and operator with interests in Australia and the United States. The Group is focused on the long-term management of toll roads to achieve the best outcomes for government partners, the community and investors.

In Australia, Transurban has ownership interests in one Melbourne motorway (CityLink) and five in Sydney (Hills M2, Lane Cove Tunnel, Eastern Distributor, Westlink M7 and M5 South West). Each of these assets are strategically located between ports, central business districts and high-growth residential areas, and play an important role in the economic and social development of Australia's cities.

Transurban has also recently acquired the senior secured debt in Sydney's Cross City Tunnel from the Royal Bank of Scotland with a view to participating in the bidding process to acquire the asset.

### Investment in infrastructure and the role of the private sector

Transurban considers the Public Infrastructure Inquiry as important and timely. We recently released a discussion paper - *Transport Infrastructure: getting the mix right* – that explains Transurban's position on a number of issues raised in the Commission's Inquiry Discussion Paper, particularly in regard to the funding models for major public infrastructure.

In summary, it is Transurban's view that:

- The private sector stands ready to work in partnership with governments to deliver effective and much needed infrastructure by bringing in additional capital and experience. Transurban's long term approach to developing and operating toll road assets offers an example of the experienced and trusted partners that can be found in the private sector.
- Governments and private sector parties alike must be flexible in considering funding models for different projects, as assets at different stages of maturity will attract varying levels of private sector interest.

### Private sector risk appetite

A misconception that the risk appetite of the private sector has diminished to the point where patronage risk will not be taken on by private sector participants has the potential to limit the infrastructure funding models considered for new projects. This in turn could lead to missed

opportunities to bring new capital for infrastructure funding from the private sector through user pays funding models.

There remains appetite in the private sector—among those with a longer investment horizon—to take patronage risk on projects. The skills and experience of the private sector organisations are critical to the effective management of this risk. Transurban, as a long-term owner and operator of road infrastructure, provides an example of a group in the road infrastructure sector capable of working with government to appropriately estimate and price patronage risk.

### **Unsolicited proposal framework**

Having a clearly articulated framework for unsolicited proposals is working well in NSW, with Transurban making significant progress in discussion with the NSW Government to develop the F3-M2 link. The result is a transparent process that facilitates and encourages innovation by the private sector and governments.

While the F3-M2 proposal is the subject of ongoing review by the NSW Government, it demonstrates the kind of opportunities that are available through constructive dialogue with specialist, private-sector infrastructure providers who have a long-term approach to the development and management of infrastructure. One of the critical benefits of the F3-M2 proposal is that it introduces new money to the infrastructure funding pool and encourages long-term thinking. By partnering with the NSW Government to deliver a unique offering, this project has been brought forward by a decade, allowing the Government to focus its funding on other projects.

### **Infrastructure project costs and procurement**

Transurban and its partners have committed or invested more than \$1 billion in the past five years in NSW and Victoria to improve capacity on the road networks it manages. As a sector specialist Transurban is well positioned to deliver these major projects and the risk associated with the implementation and delivery of these projects has been assumed and managed by Transurban.

Transurban's experience shows that there can be significant efficiency gains, both in terms of cost and timing, when the procurement process for infrastructure project construction is managed by the private sector. This has the potential to free up government resources and reduce the overall costs of the project.

### **Conclusion**

The private sector has a long history of working with governments to successfully develop infrastructure and bring additional capital to the funding mix of projects. The challenge for governments and the private sector is to match the right funding model to the right project. The attached discussion paper outlines our position in more detail.

We note that the Issues Paper refers to a process of informal consultation and roundtables to be conducted. Transurban would be interested in being involved in this process. The contact for coordination within Transurban is **Henry Byrne**, General Manager, Communications, Media and Investor Relations (hbyrne@transurban.com / 0438 564 245).



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**Attachment:** Transurban 2013 '*Transport Infrastructure: getting the mix right*'