



EastLink
Time better spent.

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CONNECTEAST'S SUBMISSION ON OPERATIONS OF EXISTING AND PROPOSED TOLL ROADS

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INTRODUCTION

ConnectEast Pty Ltd (**ConnectEast**) as the concessionaire of the EastLink tollway until 2043 appreciates the opportunity to make a submission to the Australian Senate Economics References Committee's enquiry into the *Operations of existing and proposed toll roads in Australia*.

Our submission matches the structure of the enquiry's terms of reference, which are:

- > Financial arrangements of existing and proposed private toll roads, and transparency, accountability and equity aspects of these arrangements
- > Interaction of commercial considerations of private toll road operators with federal and state transport and infrastructure policy
- > Any other related matters.

ABOUT CONNECTEAST AND EASTLINK

ConnectEast financed, developed and now operates the EastLink tollway and Ringwood Bypass. With a combined length of 40km, this is Victoria's largest privately operated road network. EastLink is Australia's second busiest tollway, carrying 250,000 vehicles per day on average.

EastLink is the major transport artery that connects the Eastern, Monash, Frankston and Peninsula Link Freeways. EastLink also has interchanges with the major east-west arterials that service Melbourne's east.

EastLink is 25km east of the Melbourne CBD in a growing residential, commercial and industrial region. Running predominantly north-south, EastLink connects Melbourne's eastern and south-eastern suburbs, which have only limited public transport options. These eastern and south-eastern areas contain 1.8 million residents, 40% of Melbourne's population and provide 800,000 full time equivalent jobs, 34% of Melbourne's workforce¹.

EastLink connects five of Plan Melbourne's nine designated Metropolitan Activity Centres: Box Hill, Ringwood, Dandenong, Fountain Gate-Narre Warren and Frankston.

The EastLink corridor contains two of the three National Employment Clusters identified in the Victorian Metropolitan Planning Strategy, produces Gross Regional Product of \$63 billion (19% of Victoria Gross

¹ SGS economics ConnectEast Land Use projections November 2016

State Product)² and has Wholesale trade, Financial and Professional Services, Education and Health care as leading growth areas.

The Victorian Government has now started the planning for North East Link, which will complete Melbourne's orbital freeway by connecting the Metropolitan Ring Road at Greensborough with the Eastern Freeway or EastLink. Whichever corridor is chosen for North East Link, this project will make EastLink a major part of Melbourne's completed orbital freeway.

FINANCIAL ARRANGEMENTS, TRANSPARENCY, ACCOUNTABILITY & EQUITY

Financial arrangements

Under the EastLink Concession Deed arrangement with the State of Victoria, ConnectEast funded and procured the design and construction of the EastLink tollway as well as the un-tolled Ringwood Bypass and Dandenong Bypass. A government funding contribution was not required for design and construction.

Design and construction costs totalled \$2.5 billion, making this Australia's largest urban road construction project at that time. Construction began in March 2005. ConnectEast opened EastLink to traffic in June 2008, five months early.

ConnectEast is responsible for maintaining and operating EastLink and Ringwood Bypass until the EastLink concession ends in 2043. No funding contribution is required from government throughout that time.

At the end of the concession in 2043, EastLink and Ringwood Bypass will be handed to the State. (Dandenong Bypass was handed to the State upon its completion in 2007.)

Transparency and accountability

ConnectEast operates according to, and is held to account by, the terms of the EastLink Concession Deed. The EastLink Concession Deed is a public document and was entered into after a market bidding process with a number of potential concessionaires

VicRoads is the State's responsible entity for EastLink, with over-sight of our compliance with the terms of the EastLink Concession Deed and associated matters. VicRoads also over-sees the CityLink tollway and Peninsula Link (which is a privately operated freeway with an availability charge rather than user pay charges).

Under the terms of EastLink's Concession Deed, EastLink's performance in delivering a satisfactory level of customer service, operations and maintenance activities is assessed using a comprehensive set of key performance indicators (**KPIs**).

There are 28 KPIs relating to customer service, tolling accuracy, incident response, road condition and asset maintenance, and environmental impact.

² GHD report for MDE, RDA Southern Melbourne & RDA Gippsland - Port of Hastings Economic impact analysis

The objectives of the KPI Regime are to provide:

- > An accurate, verifiable and effective means of measuring performance
- > In the event of failures by ConnectEast to deliver the services and perform to the benchmarks identified in the KPI Regime, payment by ConnectEast of financial penalties (**KPI Credits**).

Under the KPI Regime, failure to meet any KPI incurs KPI penalty points. KPI Credits apply if 500 or more KPI points accumulate in any calendar year. In 2017, accumulation of 500 KPI points would incur ConnectEast KPI Credits of \$2.5 million. The maximum KPI Credits of \$17 million would be incurred if 2,000 or more KPI points were accumulated.

If controls are not managed effectively, KPI Credits have the potential to escalate quickly.

ConnectEast has not incurred any KPI Credits since the KPI regime took effect on 1 January 2009.

To remain current to community expectations, payment gateways and new technologies, KPIs should have the ability to change over the life of a concession deed. The EastLink Concession Deed allows for a KPI Regime review every five years.

The EastLink Concession Deed also precisely defines the tolls and the toll review mechanism as agreed between ConnectEast and the State. EastLink tolls are reviewed exactly once per annum in line with CPI, as published by ABS. If CPI is negative (deflation) then EastLink tolls would reduce accordingly.

These same principles also apply to the various fees and amounts that apply to EastLink's tolling accounts, trip passes and toll invoices, which are also precisely defined in the EastLink Concession Deed.

Currently, for a one-way full length car trip, EastLink has a toll cap of \$6.13, which reduces by 20% to \$4.91 on weekends and Victorian public holidays.

Equity

EastLink provides good value to road users and additional benefits to the broader community.

EastLink has the lowest tolls in Australia. For a comparison of toll prices across Australia's major tollways, see **Appendix A – Comparison of toll prices**.

EastLink's systems measure average speed for all vehicles (for road management and planning purposes, not for enforcement of speed limits³). Currently, the average speed on EastLink across all vehicle trips is approximately 95 km/hr against a speed limit of 100 km/hr (excluding trips through the tunnels, which have a lower speed limit of 80 km/hr). EastLink has the fastest average speed of any road in Melbourne.

EastLink's design, safety systems and processes also make it a very safe freeway. EastLink's most recently published casualty crash rate is 2.63 per 100 million vehicle kilometres travelled. This is significantly lower than other freeways in Melbourne.

³ Victoria Police has separate road safety cameras installed on EastLink to enforce speed limits.

Since 2008, EastLink's traffic has increased from 135,000 to 250,000 vehicles per day, which reflects the value that EastLink provides.

There is still considerable capacity for future traffic growth on EastLink.

Furthermore, with the roll out of automated vehicle technologies over the coming years, we expect that the available capacity will increase significantly. While we have not yet analysed this for EastLink, some forecasts range from +50% to +100% capacity increase for a freeway lane⁴.

For those who do not wish to pay the toll, there are alternative routes available including Maroondah Highway, Springvale Road and Stud Road. None of these alternative routes have been restricted, and the State retains full control of traffic operations on these roads.

EastLink also provides benefits to the broader community, including:

- > Helping to unlock economic development
- > Delivered the un-tolled Ringwood Bypass and Dandenong Bypass
- > Contributes to the region's identity through features such as landscaping, wetlands, public architecture and artworks
- > Boosts property values
- > See **Appendix B – EastLink's community benefits** for details.

COMMERCIAL CONSIDERATIONS AND PUBLIC POLICY

Interaction of commercial considerations of private toll road operators with federal and state transport and infrastructure policy

ConnectEast has supported and continues to support transport and infrastructure policy:

- > The EastLink road corridor had been included in transport and infrastructure planning for decades (albeit under different names).
- > While the EastLink corridor land was reserved by the State in the 1960s, very little additional land needed to be acquired for the construction of EastLink in the 2000s.
- > Environmental Effects Statements were developed by the State in 1989 and 1998 in preparation for development.
- > Following the State's policy change, announced in April 2003, that EastLink would be delivered as a tollway, the State conducted an efficient tender process with the cooperation of the private sector. The EOI was released in May 2003. The RFP was released in October 2003. Bids closed in April 2004.
- > ConnectEast was awarded the tender in October 2004. Financial close was achieved in November 2004. Construction started in March 2005.
- > ConnectEast opened EastLink in June 2008, 5 months early.
- > Alternative routes including Springvale Road, Stud Road and Maroondah Highway were not adversely affected by EastLink and there was no requirement or expectation that these routes would be restricted in any way. The State retains full control of traffic operations on these roads.

⁴ <http://www.ssti.us/2016/12/automated-vehicles-will-bring-big-highway-capacity-increases>

In fact, the opening of EastLink resulted in reduced traffic volumes on those routes and improved traffic conditions.

- > EastLink complements public transport by providing a fast, high capacity north-south transport connection in Melbourne's east where there are no plans for a north-south heavy or light rail project, and there are relatively slow north-south bus connections.
- > ConnectEast proactively engaged with the State's Peninsula Link freeway project to ensure that the project's construction of the new freeway's interchange with EastLink proceeded to plan. ConnectEast contributed to the success of the Peninsula Link freeway by raising awareness among EastLink customers around the time of its opening in 2013.
- > ConnectEast is proactively engaging with the State's Monash Freeway Upgrade project to facilitate those aspects that affect EastLink users, and in preparation for the State's implementation of ramp metering on the ramps from EastLink to Monash Freeway.
- > ConnectEast is proactively engaging with the State's new North East Link Authority. The North East Link will complete Melbourne's ring road by connecting the Metropolitan Ring Road at Greensborough with the Eastern Freeway or EastLink. ConnectEast is a major stakeholder of the North East Link project.

OTHER RELATED MATTERS

Automated vehicle technologies

Automated vehicle technologies will significantly improve road safety, and once high adoption rates are reached, they will also increase the capacity of existing freeways.

We anticipate that hands-free driving will become possible on EastLink and other freeways in the next few years, subject to legislative changes, and using vehicles with the latest automated vehicle technologies.

To prepare for this, ConnectEast has partnered with VicRoads, ARRB, LaTrobe University and RACV in trials on EastLink and other freeways involving testing of Level.2 and Level.3 Connected Autonomous Vehicle (C-AV) capability and interaction with existing freeway infrastructure. Additional testing of vehicle connectivity (5.9 GHz and Cellular) is also included within this trial program. The reporting from these projects will be used by VicRoads, ARRB, NTC and ConnectEast on the possible impacts/upgrades required for existing freeway infrastructure.

Trials and demonstrations have already been conducted on EastLink, with vehicles provided by a range of manufacturers including BMW, Honda, Mercedes, Mitsubishi, Tesla and Volvo.

ConnectEast is also raising awareness of automated vehicle capabilities and communicating the progress of these trials with the EastLink customer base and by media engagement (with extensive coverage already achieved on TV, print, radio, industry and automotive news media).

Road pricing

On 14 July 2017, ConnectEast separately provided a submission in response to the Australian Government Department of Infrastructure and Regional Development discussion paper *Land Transport Reform – Independent price regulation of heavy vehicles*.

ENQUIRIES

Doug Spencer-Roy
Corporate Affairs & Marketing Manager



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APPENDIX A – COMPARISON OF TOLL PRICES

The following table shows the current car toll prices for full length trips along each of Australia’s major tollways (those longer than 5km).

Tollway, State	Maximum car toll	Approx. distance	Approx. price per km
EastLink, VIC	Weekends \$4.91	39km	13 cents
	Weekdays \$6.13		16 cents
Westlink M7, NSW	\$7.93	40km	20 cents
M5 South-West, NSW	\$4.60	22km	21 cents
Gateway Motorway, QLD	\$7.11	32km	22 cents
Logan Motorway, QLD	\$7.27	29km	25 cents
Hills M2, NSW	\$7.02	21km	33 cents
CityLink, VIC	\$9.05	22km	41 cents
Airportlink M7, QLD	\$5.38	7km	77 cents
Eastern Distributor, NSW	\$7.09	6km	118 cents ⁵

Information sourced from public websites

⁵ Eastern Distributor tolls are charged in one direction only. The reverse direction is free. A return trip would therefore be approximately 59 cents per km.

APPENDIX B – EASTLINK'S COMMUNITY BENEFITS

Helping to unlock economic development

EastLink is helping to unlock economic development in the immediate vicinity, for example:

- > Places Victoria's \$480 million 154 hectares Dandenong LOGIS eco-industrial park is now largely completed.
- > Stage 6 of Frasers Property's 114 hectares The Key industrial park is currently under construction.
- > Caribbean Business Park's extensive logistics park (with direct connections to EastLink via the BP service centre ramps) continues to expand, and is now joined by a major office precinct with 5 star Greenstar accreditation. The first four office buildings are nearing completion, and Caribbean plans to build a total of 235,000sqm of office space supporting 20,000 people.
- > The \$655 million redevelopment of Eastland shopping centre completed in May 2016.
- > The planned \$450 million redevelopment of Knox shopping centre is expected to start soon.
- > Knox City Council has recently announced an urban renewal plan to create a new development of 6,000 homes on Council land adjacent to Knox shopping centre.
- > Intrapac's 120 hectares Somerfield residential development of 1850 homes is nearing complete with the final release of land packages now selling.

Delivered the un-tolled Ringwood Bypass and Dandenong Bypass

The un-tolled Ringwood Bypass was constructed by ConnectEast and is now maintained and operated by ConnectEast without a funding contribution from Government. Ringwood Bypass has allowed traffic measures to be put in place on Maroondah Highway in Ringwood, to improve pedestrian connections between the recently redeveloped Ringwood public transport interchange and the Eastland shopping centre's impressive Ringwood Town Square.

Dandenong Bypass was constructed by ConnectEast without a funding contribution from Government. The Dandenong Bypass divided highway has subsequently been extended by the State from Perry Road to Springvale Road (opening in December 2012). A further extension from Westall Road to Warrigal Road opened in March 2016.

Contributes to the region's identity

Twin 1.6km tunnels were built to protect the environmentally sensitive Mullum Mullum valley.

The 35km EastLink Trail shared use path is provided as a community resource for cyclists, runners and pedestrians. The EastLink Trail connects with other trails, and also connects parklands and reserves throughout Melbourne's east.

EastLink's landscaping extends to 480 hectares with 4 million native trees, shrubs and plants.

More than 60 wetlands treat EastLink's road surface rainwater run-off before it is released to local waterways, contributing to the health of the waterways.

Distinctive public architecture along the length of EastLink in conjunction with the landscaping and wetlands has enhanced the overall landscape of Melbourne's east. In March 2017, Landscape

Architecture Australia Magazine named EastLink one of Australia's ten most significant works of Australian landscape architecture in 2001-2017. The other two Victorian landscapes in this list were Federation Square, Melbourne and Botanic Gardens Australian Garden, Cranbourne.

Public artworks, all by recognized artists, include four large-scale artworks along EastLink and a further eight smaller-scale artworks along the EastLink Trail. Two of the large artworks have become iconic in the community: Hotel by Callum Morton, and Public Art Strategy (the large bird) by Emily Floyd.

Investment in local public transport upgrades

During the construction of EastLink, ConnectEast provided \$20 million towards the State's upgrade of four local train stations (Heatherdale, Noble Park, Dandenong and Kananook). The upgrade works included upgraded lighting and CCTV, new car parking facilities, new platform shelters and a station building, waiting rooms.

Boosted property values

EastLink has boosted property values in the EastLink corridor. For example, the Urbis report Review of Historic Urban Land Value Growth prepared for Infrastructure Australia in July 2013, concluded its assessment of EastLink's impact in industrial land values:

"[The Urbis] review of land value movements during the EastLink project period, being 2003-2008, suggests that values within the EastLink Catchment escalated more quickly during this period, particularly during the construction phase of the project. Additionally, the EastLink Catchment has consistently achieved higher growth for the operational period following construction, during a period [the GFC crisis] of limited to no land value appreciation."

The Urbis report includes the following chart, among others, to demonstrate the increase in industrial land values attributed to the development and operation of EastLink:

Comparison - Industrial Land Growth Rates

% CHANGE IN ANNUAL LAND VALUES OVER PROJECT PERIOD (2003-2012)

CHART 80



Source :Local Government Authorities (LGA)

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