



The Hon Duncan Gay MLC

Minister for Roads and Ports

Deputy Leader of the Government
Legislative Council

MEDIA RELEASE

19 July 2012

NSW GOVERNMENT STUDIES UNSOLICITED PROPOSAL FOR F3 TO M2 LINK

NSW Roads Minister Duncan Gay today announced the NSW Government had received an unsolicited proposal from private motorway operator Transurban for a possible F3 to M2 Motorway Tunnel link underneath Pennant Hills Road.

"Let me make it clear this proposal is in its very early stages," Mr Gay said.

"But it is encouraging that the private sector is interested in investing in Sydney's motorways and has come to Government with a proposal," he said.

"As part of the normal process for unsolicited private sector proposals, we have set up a cross-agency assessment committee to investigate its merits.

"The committee includes representatives of Department of Premier and Cabinet, NSW Treasury, Transport for NSW, Infrastructure NSW and Roads and Maritime Services.

"There are potentially three stages to the assessment, which include strategic assessment of the initial submission, development of a detailed proposal and negotiation of a final binding offer.

"Following the initial consideration of the proposal, it has been decided to progress to Stage 2.

"In the next six months the committee will work with Transurban to complete Stage 2 of the assessment. This requires the proponent and Government to work cooperatively in the development and assessment of a detailed proposal, from which it can be determined whether the parties want to proceed to negotiate a final binding offer.

"It is important to note that we are still in the initial stages of the assessment process, so while we are looking into the proposal, there is no guarantee or commitment from either Government or Transurban that it will lead to delivery of a project.

"We need to be assured any proposal like this offers not only value for money for NSW taxpayers but that it also meets the NSW government's long term transport objectives."

Information and the status of the assessment of this proposal can be found on the NSW Government's Unsolicited Proposals webpage - www.nsw.gov.au/unsolicitedproposals

Media: Lance Northey 0467 743 192

19 July 2012

NSW Government in discussions with Transurban for the potential delivery of F3/M2 connector

Transurban today welcomed the NSW Government's announcement (attached) to conduct an exclusive assessment of the merits of a proposal for the delivery of a freeway grade connection of the F3 Freeway to the M2 Motorway (F3/M2) with Transurban.

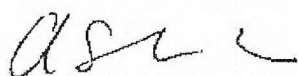
While the NSW Government's announcement does not commit the parties to a project, Transurban welcomes the opportunity to work with NSW to develop a detailed proposal and potentially deliver a project that would add significant value to Sydney's northern corridor and the city more generally.

Transurban will provide significant expertise to Stage 2 of the NSW Government's process with engineering, traffic forecasting and financing specialists.

Transurban CEO, Scott Charlton, said: "We are encouraged by the NSW Government's announcement and the potential opportunity to enhance the Sydney road network. The design, construction and financing of major city infrastructure remains a huge challenge for Governments and I consider Transurban to be ideally positioned to assist the NSW Government in achieving the best outcome for motorists and the community."

"The Board and I are conscious of the outstanding NSW asset base Transurban currently has in place and the role it plays in the community. It is important to understand today's announcement in context; it gives us the opportunity, but does not mandate Transurban, to assist the NSW Government in achieving one of the three key "missing links" in the Sydney road network."

"We now look forward to progressing the transport agenda in Sydney by working diligently through Stage 2 of the process".



Amanda Street
Company Secretary

Investor and media enquiries

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General Manager Investor Relations, Media and Government

01 JUL 2012

Public

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28 Warne Street,
Pennant Hills, NSW 2120
23 July 2012

Mr Lance Northey
c/- The Hon Duncan Gay MLC
Parliament House
Macquarie Street
Sydney NSW 2000

Re: *Unsolicited Proposal for F3 to M2 link*

Dear Mr Northey

As promised this afternoon attached are some papers that indicate **Transurban's offer is a poison chalice.**

1. July 7, 1982 Northern Standard article about my concerns.
2. August 2002 extract from SKM's F3 to M2 '*hidden*' papers. DOTARS cans other options
3. B O'F's 27 March 2012 letter to me about this September's Infrastructure proposals
4. Hornsby Council's 21 May Media release; contact NSROC President Nic Berman
5. My 8 June reply to Berman's council election campaign
6. survey re *Missing Link*
7. Hornsby Council's acknowledgement of my GIPA application re F3 M7 link details
8. Philip Ruddock's secretary 17 July email re NSROC's decision. Meeting 6 August
9. Duncan Gay's 19 July media release with Transurban's offer
10. SMH 20 July article
11. Hornsby Council's 20 July website: NSROC supports unsolicited F3 M2 tunnel
12. Waite 20 July cautioning Gay, Berejiklian and Kean to be careful
13. Waite to Alex Hawke Federal MP seeking his support for the F3 to M7 option

If Alex Hawke replies I will send a copy to you. I will be providing a copy of this letter to Philip Ruddock at our 6 August meeting.

As suggested in my the last par of my email to local newspapers copied to Alex Hawke, it would be interesting to ask Transurban if it would build the Western option at no cost instead.

Apart from exercising caution, at this stage I do not see it necessary to take any further action. However, please let me know if you require further information.

Yours sincerely

Peter Waite – 9484 3471 or waitepeter@bigpond.com

Copy: Barry O'Farrell without attachments

Volunteers

After much discussion with family, friends and Hornsby Shire residents, I have decided to stand for re-election as Mayor at the local government elections on 8 September 2012.

As an independent I hope to ensure the Hornsby Shire has a strong local voice and that the local community is not taken for granted.

If re-elected, I will ensure Hornsby Council continues to work across the political spectrum and with other levels of government to ensure that a number of very important issues are addressed.

These include:

- The re-building of Hornsby Aquatic Centre
- Ensuring that the delivery of infrastructure projects by Council continue on time and on budget
- Getting state and federal governments to work together to build the F3 to M2 link
- Ensuring the Hornsby Shire continues to protect the built character of the Hornsby Shire while meeting development targets set by the state government
- Working with the state government to address issues that have been neglected for many years, including New Line Road and the provision of a commuter car park at Hornsby Railway Station - twice promised, never delivered, and
- Working with the state government to re-build the pedestrian bridge next to Hornsby Railway Station.

After serving the Hornsby Shire for eight years as Mayor there are many projects that are currently being delivered. It is important that the job is finished.

Any support you can provide will help greatly.

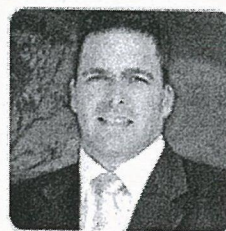
Please contact us via volunteers@nickberman.com.au if you are happy to assist with any of the following:

- The delivery of brochures
- Door knocking
- Street stalls
- Online & social media
- Peak hour transport location campaigning
- Assistance at pre-poll booth 14-18 March and 21-25 March
- Assistance on polling day - Saturday 26 March.

A raffle is currently being held in support of my re-election campaign. Please contact my campaign team at volunteers@nickberman.com.au if you are interested in purchasing tickets.

Thank you for your support.

Nick Berman Mayor



Please do not hesitate to contact me via the **FEEDBACK** function if there are any issues you wish to raise with Nick or if you believe he can be of assistance.

You are also welcome to subscribe to Nick Berman's regular e-newsletter.

Hornsby Shire Council

Keep up to date with our
NEWSLETTER
Subscribe Here!

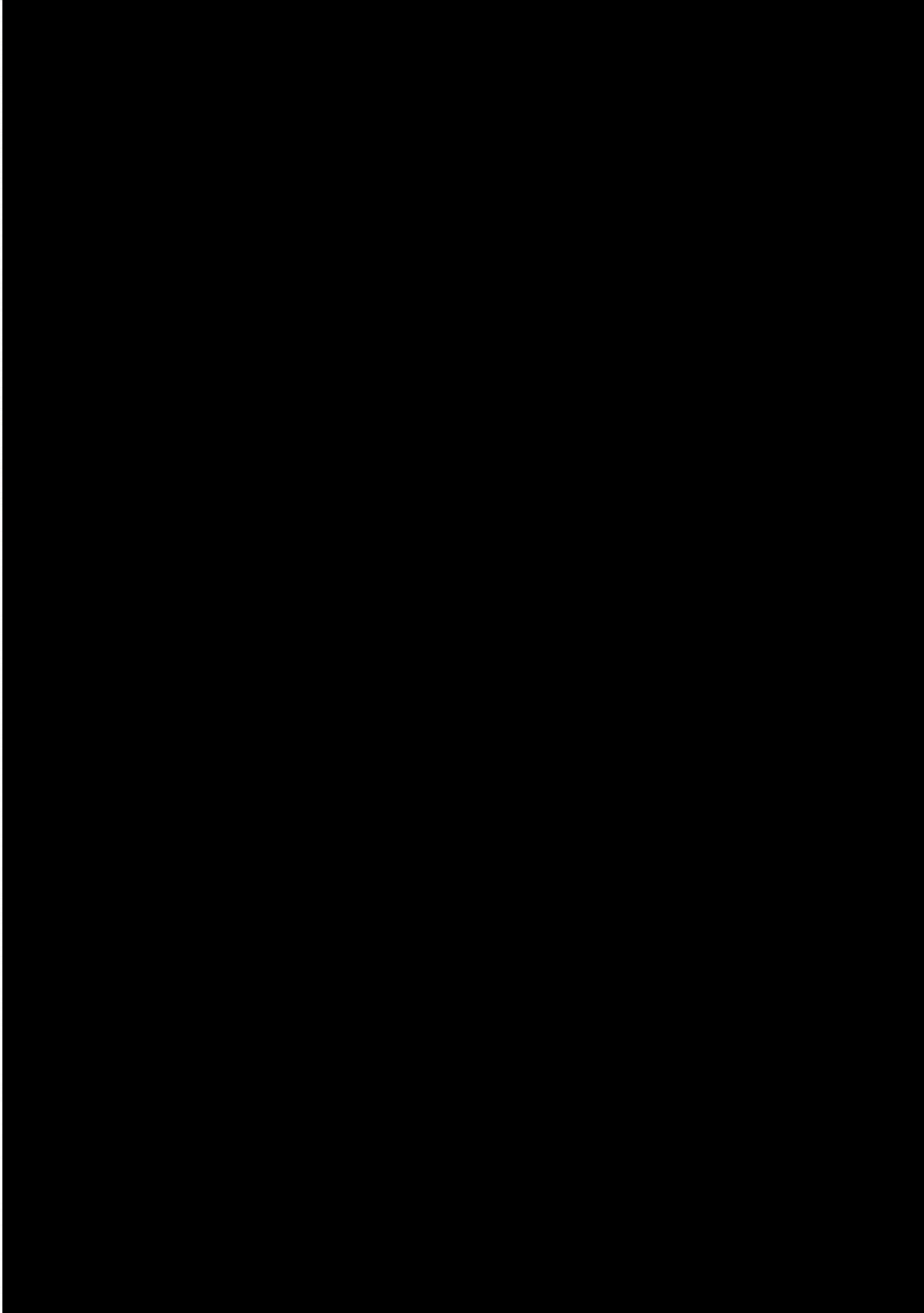
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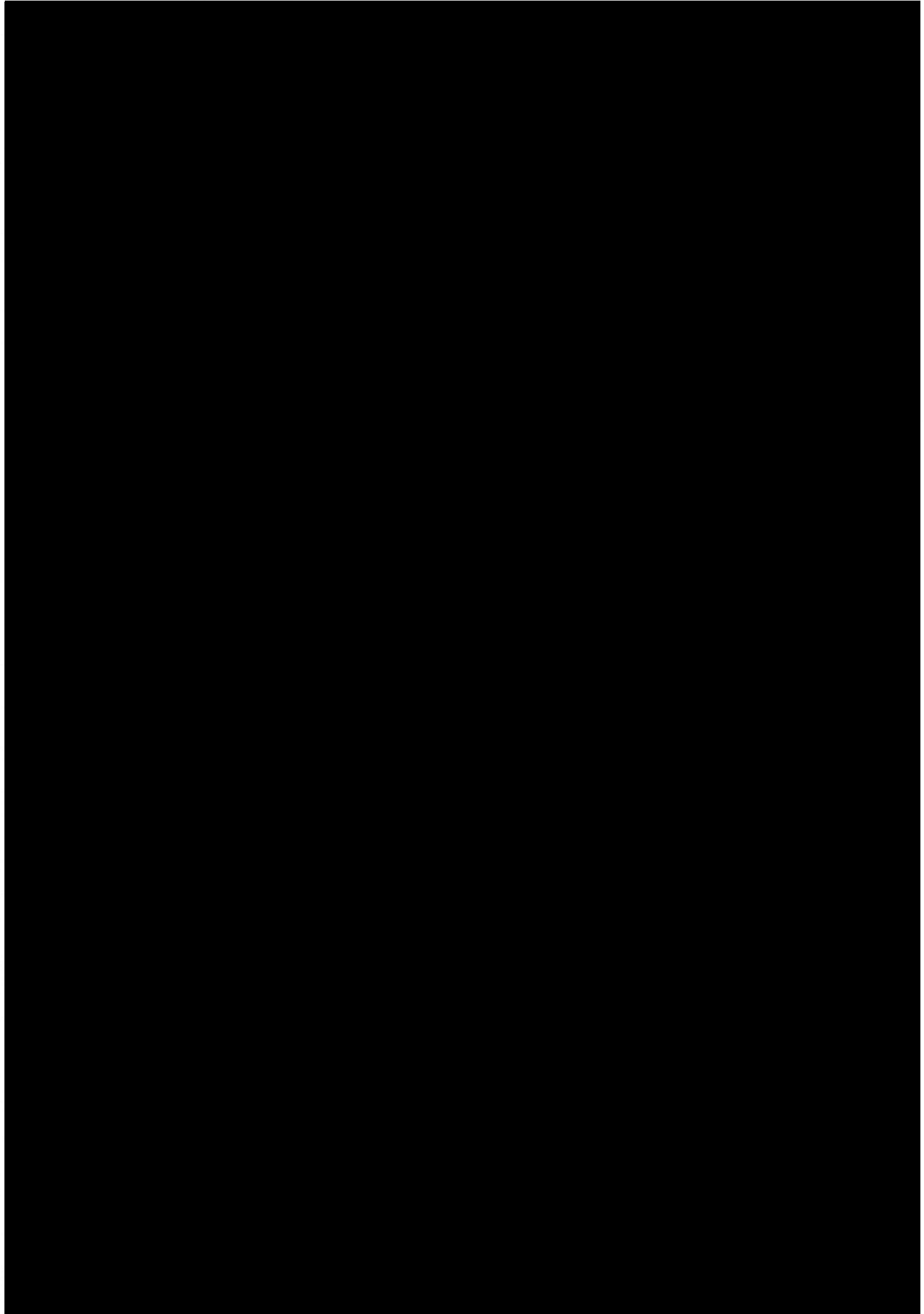
Last Name

Email

Subscribe

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**TITLE NOTICE OF MOTION - SUPPORT INFRASTRUCTURE NSW
RECOMMENDATIONS CONCERNING THE F3-M2 MISSING LINK (IR
12495662)**

Councillor: Bob Ward

Political Donation: None Declared

BACKGROUND

The F3-M2 Missing Link represents the remaining "missing link" between Sydney's orbital motorways network and the F3 Freeway, which connects Sydney to the Central Coast and Newcastle and beyond. It would complement the current section of national highway on Pennant Hills Road to complete the Sydney orbital network.

In 2002 the RTA commissioned a study, on behalf of the Federal Government, to identify a route connecting the Western Sydney Orbital (M2/M7) to the F3, in Sydney's north, to relieve pressure on Pennant Hills Road and Pacific Highway.

The F3 to Sydney Orbital Link Study, carried out by consultants Sinclair Knight Merz, (SKM) recommended that the preferred route should link the F3 to the M2 via an 8 km road tunnel beneath Pennant Hills Road. The Australian Government endorsed this recommendation in July 2004.

A review of these recommendations was undertaken the Hon. Mahla Pearlman AO, former Chief Judge of the NSW Land and Environment Court, following substantial opposition to them.

The Pearlman Report of September 2007 recognised that there had been changes in land use and transport flows since the study, but confirmed the SKM preferred route. The report found that the most viable option would be an uninterrupted motorway road of 8 kilometres, which would incorporate 2 uni-directional tunnels between the F3 Freeway at Wahroonga and the Pennant Hills Road - M2 interchange.

Fast forward to 2012 and the 2012-2013 Federal Budget includes the sum of \$150 million for a feasibility study for the F2-M3 Missing Link.

In May, 2012, the Northern Sydney Regional Organisation of Councils (NSROC), which comprises 7 councils - Hornsby, Hunter's Hill, Ku-ring-gai, Lane Cove, North Sydney, Ryde and Willoughby, released a research report, *Missing Link and Missing Out*, which was prepared by PricewaterhouseCoopers and highlighted the urgent need for action on the F3-M2 missing link.

"We believe the F3-M2 Link is a national priority. It completes the National Road Network and provides a continuous uninterrupted motorway around Sydney," Hornsby Mayor and NSROC President Nick Berman said.

"Our region will benefit greatly from the easing of heavy truck congestion, but that's only the beginning of the reasons this should be done.

"This bottleneck is holding back both our nation and our state. It stifles transport movements and undermines business productivity." Mayor Berman said.

The NSROC report indicated that higher costs and constraints on freight movements were created by the current bottleneck on Pennant Hills Road.

In July, 2012, NSW Roads Minister Duncan Gay announced the NSW Government had received an unsolicited proposal from private motorway operator Transurban for a possible F3 to M2 Motorway Tunnel link underneath Pennant Hills Road. In his media release, Mr. Gay, stated:-

"As part of the normal process for unsolicited private sector proposals, we have set up a cross-agency assessment committee to investigate its merits.

"The committee includes representatives of Department of Premier and Cabinet, NSW Treasury, Transport for NSW, Infrastructure NSW and Roads and Maritime Services.

"There are potentially three stages to the assessment, which include strategic assessment of the initial submission, development of a detailed proposal and negotiation of a final binding offer.

"Following the initial consideration of the proposal, it has been decided to progress to Stage 2.

"In the next six months the committee will work with Transurban to complete Stage 2 of the assessment. This requires the proponent and Government to work cooperatively in the development and assessment of a detailed proposal, from which it can be determined whether the parties want to proceed to negotiate a final binding offer.

"We need to be assured any proposal like this offers not only value for money for NSW taxpayers but that it also meets the NSW government's long term transport objectives."

NSW Premier, the Hon. Barry O'Farrell MP and Transport Minister, the Hon. Gladys Berejiklian, released the Draft 20 Year Transport Master Plan in September, 2012.

The plan included the F3-M2 missing link as a medium term priority over the next 5-10 years.

The final link in the chain was the release, this month, of the Infrastructure NSW report - "The State Infrastructure Strategy 2012-2032", which is Infrastructure NSW's independent advice to the NSW Government on the priority infrastructure investments and reforms required to drive productivity and economic growth.

Prioritising the F3-M2 Freeway "missing link" to start construction within five years and a one-hour express service for rail commuters between Gosford and Sydney within 10 years, are among key recommendations for the Central Coast in the strategy.

Commenting on the report, Infrastructure NSW Chief Executive, Paul Broad, said

"Infrastructure NSW has recommended a high priority be placed on completing the F3-M2 link, ideally starting work within five years. In our view it is among the highest priority road infrastructure projects with private sector funding.

"This is an important missing link for eastern seaboard freight movements and a solution is needed to ease the congestion for commuters and freight businesses.

"Infrastructure NSW considers the most likely solution for the F3-M2 is private sector funding and an unsolicited proposal is currently being assessed by Infrastructure NSW and other NSW Government agencies. If this can be achieved then the time frame for delivery should be accelerated."

Completion of the F3-M2 Missing Link would have enormous benefits to residents of the Gosford LGA.

Attachments: Nil

Tabled Items: Nil

MOTION

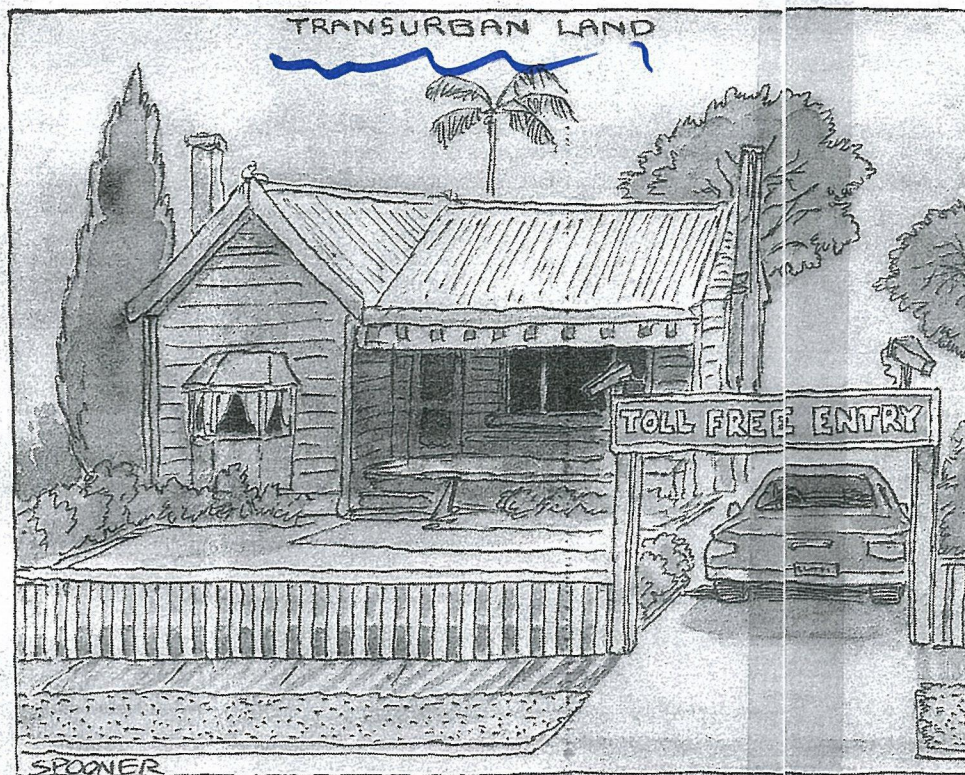
- A Council supports the Infrastructure NSW recommendations concerning the completion of the F3-M2 Missing Link.
- B Council calls on the Member for Robertson, Ms Deborah O'Neill MP, seeking the continued support of the Federal Government for the F3-M2 Missing Link.
- C Council writes to The Hon Chris Hartcher, MP, Minister for the Central Coast requesting the NSW Government bring forward the prioritisation of the F3-M2 Missing Link project should the Transurban proposal be successful after its assessment.

Opinion



le Ferguson

road to fame and fortune?



concessions such as the Eastern Distributor and the M5 South West motorway, gives it further advantages to leverage – and may present new opportunities to innovate around delivery.

Charlton's decision to go direct to RBS and negotiate to buy the debt at a discount to face value, puts it in the box seat to do what nobody else has been able to do: make money out of Cross City Tunnel.

As the secured creditor Transurban can either cut a deal with the receiver to swap the debt for the asset or, if another party makes an offer that is higher than the face value of the debt, Transurban can outbid it or earn a bucket load of cash. If it chooses the latter it could make more than \$100 million in profit.

In a statement to the Australian Securities Exchange, Transurban said it would also pay an additional

fee of up to \$27.5 million over four years to RBS if traffic numbers on the Cross City Tunnel picked up relative to Transurban's assumptions.

This isn't the first time Charlton has woven his magic. He did it this year when he managed to pull off funding from the state and federal governments by lodging an unsolicited proposal to build an eight-kilometre toll road between the F3 and M2 roads in northern Sydney. The cost of building the new motorway link is \$2.65 billion.

But the jewel in the crown for Transurban would be buying Queensland Motorways, which owns the tolling rights to five Queensland roads. At \$4 billion-plus it wouldn't bid alone but with a consortium of superannuation funds, maybe including Uni Super.

The former Bligh government shocked the investment community in November 2010

when it abandoned the sale of Queensland Motorways and instead offloaded it in an off-market transaction to the state's investment arm Queensland Investment Corporation (QIC) at a discount of at least \$1 billion despite private sector interest. At the time several companies, including Transurban, had completed some preparatory work for a bid, only to find the government had pulled the plug. Not surprisingly it attracted a great deal of criticism.

Three years on QIC is looking at offloading the toll road business. There is speculation it will try to structure a sale that enables it to hang on to the lucrative management rights – and fat fees – by introducing a passive investor.

The feeling is that QIC is overexposed to infrastructure assets, particularly toll roads. But there will be a long list of interested parties, including Industry Funds Management and the Canadian pension funds.

"We think Queensland Motorways is a great asset ... We don't know what the process that QIC is proposing yet. We could play various different roles as operator, owner, back office and potentially working with partners," Charlton told a news conference on Monday.

Transurban's shares have jumped more than 16 per cent in the past year to \$7 a share as the market has renewed its interest in the dwindling number of listed infrastructure assets. Most of them came a cropper during the global financial crisis, either blowing up, being restructured or taken out. Transurban is one of the few survivors after deleveraging itself and ignoring an unsolicited takeover offer by two foreign pension funds at \$5.25 a share in November 2009.

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Adele Fer



New toll road to fame a

Just over a year into the top job, Transurban boss Scott Charlton has put excitement back into listed toll roads by positioning the company as the next owner of Sydney's Cross City Tunnel and flagging interest in buying the \$4 billion-plus Queensland Motorways.

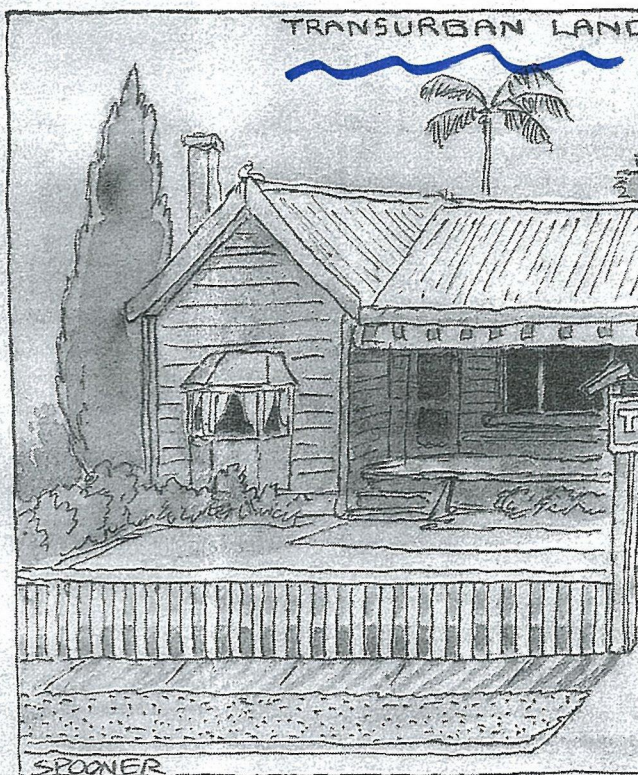
If Charlton can pull off both deals he will have created the most efficient toll road operator in the world and in the process achieved world dominance in the listed toll road operator space. It now owns all or part of nine toll roads in Sydney, Melbourne and the US.

He has also shown that the owner and operator model for toll roads can work, in sharp contrast to the litany of disasters over the past few years with traffic forecasts for toll roads by third parties inflated, resulting in several toll roads being placed in receivership, costing investors and banks billions of dollars.

In the case of the Cross City Tunnel, which was put into receivership in September for a second time in seven years, Charlton has pulled off a master stroke with the purchase of Royal Bank of Scotland's debt exposure to the toll road for \$475 million, a significant discount to its estimated \$612 million face value.

It was a smart deal on both sides because RBS is keen to reduce its debt before a December 31 calendar balance date and had decided that the Cross City Tunnel was one headache too many. RBS called in the receivers in September with a view to selling the asset and getting repaid.

Transurban has made no secret it would like to buy Cross City Tunnel – at the right price. The tunnel connects with Transurban's 75 per cent-owned Eastern Distributor motorway, which, combined with its ownership of key Sydney Motorway Network



concessions such as the Eastern Distributor and the M5 South West motorway, gives it further advantages to leverage – and may present new opportunities to innovate around delivery.

Charlton's decision to go direct to RBS and negotiate to buy the debt at a discount to face value, puts it in the box seat to do what nobody else has been able to do: make money out of Cross City Tunnel.

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In a statement to the Australian Securities Exchange, Transurban said it would also pay an additional

fee of up to \$27.5 million over the next five years to RBS if traffic on the Cross City Tunnel falls below assumptions relative to Transurban assumptions.

This isn't the first time Charlton has woven his magic. A year ago he managed to secure funding from the state governments by lodging an unsolicited proposal to build an eight-kilometre toll road on the F3 and M2 roads in Sydney. The cost of building a new motorway link is

But the jewel in the Transurban crown would be Queensland Motorways, which owns the tolling rights on Queensland roads. At the moment it wouldn't bid alone but as part of a consortium of superannuation funds, maybe including

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