

Attachment A



East West Link: Stage One

Payment mechanism – December 2013

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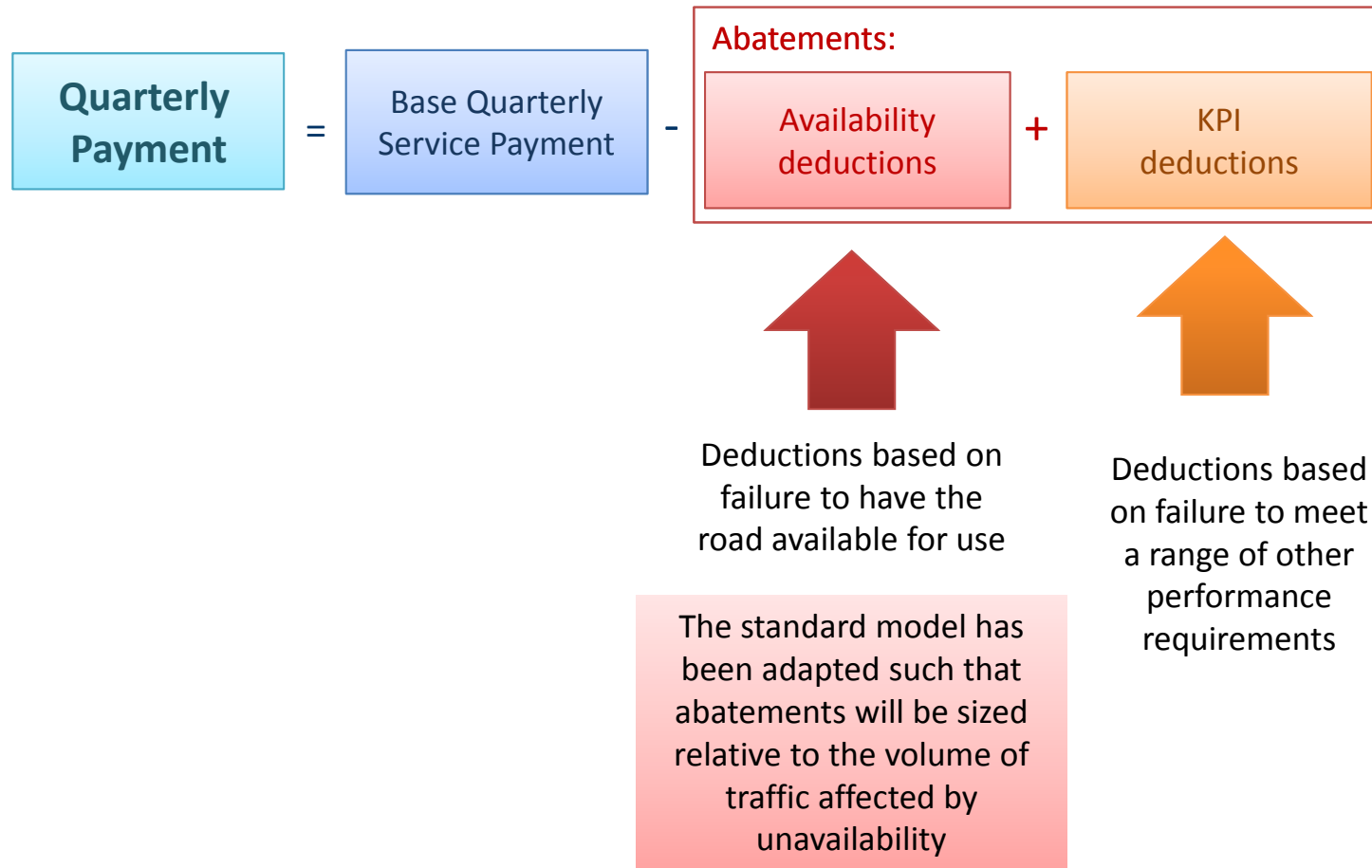
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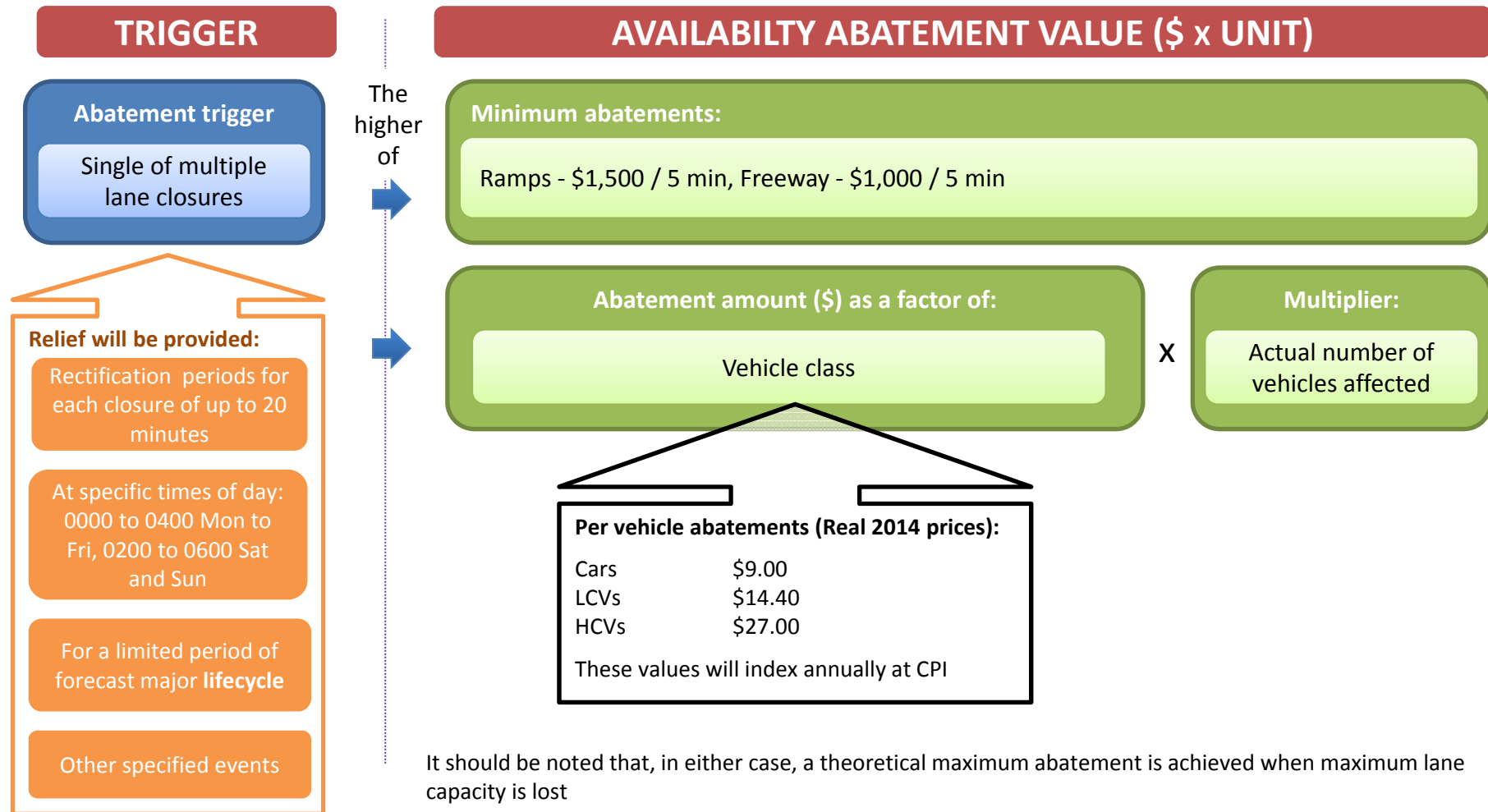
1. Payment mechanism overview
2. Availability payments
3. Other performance requirements

Payment mechanism overview



Availability payments

Proposed structure



Benefits of proposed approach

The proposed approach is consistent with the objectives of key stakeholders:

	What	How
The State	The proposed abatement regime incentivises effective operation of the freeway, supporting the State's desired network compliance and operational outcomes.	<ol style="list-style-type: none"> 1. An availability abatement regime linked to actual traffic volumes. 2. KPIs that target other important aspects of operational performance.
The toll revenue "owner"	The proposed abatement regime supports the generation of toll revenues (for any given level of demand) by linking Project Co performance payments to impact on actual traffic volumes.	<ol style="list-style-type: none"> 1. \$9 abatement per car is higher than \$5 - \$6 proposed for tolls (similar for other vehicle classes). 2. Rectification periods (of up to 20mins) are consistent with standards applied by other toll road owners.
Project Co	The proposed abatement regime allows a "good" operator to receive a reasonable return, supporting the needs of financiers.	<p>The proposed abatement regime targets aspects of performance that are within Project Co's control:</p> <ul style="list-style-type: none"> – Rectification periods provide adequate time (where appropriate) for Project Co to remedy without abatement. – Assessment of "reasonable" performance outcome suggests abatements of 1-2% of QSP.

Availability payments

Potential abatement levels

The following table compares estimates of the unavailability abatement occurring in 2031 for select closures:

Duration	Lanes closed	Time period	2020 Abatement	2031 Abatement
Short term unavailability				
30 minutes	1	Peak	\$7,100*	\$9,100* - 10,000
30 minutes	2	Peak	\$13,000 – 15,000	\$20,000 – 23,000
2 hours	1	Peak	\$28,500*	\$36,500* – 42,000
Long term unavailability				
Peak period (2hrs)	3	Peak	\$90,000	\$135,000
One day full closure	6	All day	\$1,100,00	\$1.6 million
One week	6	Week	\$7.6 million	\$11.6 million
One month	6	Month	\$30 million	\$45.3 million

* Minimum abatement (\$1,000 / 5 min in 2014 prices) escalated to relevant year at CPI

The Project Agreement includes:

- a Major Default level of abatement (requiring development of remedy plan) of 10% in a quarter (approx. \$10m in 2031) or 15% in 6 months (approx. \$28m in 2031).
- Default Termination level of abatement of 20% in a quarter or 30% in 6 months.

Other performance requirements

Key Performance Indicator (KPI) regime

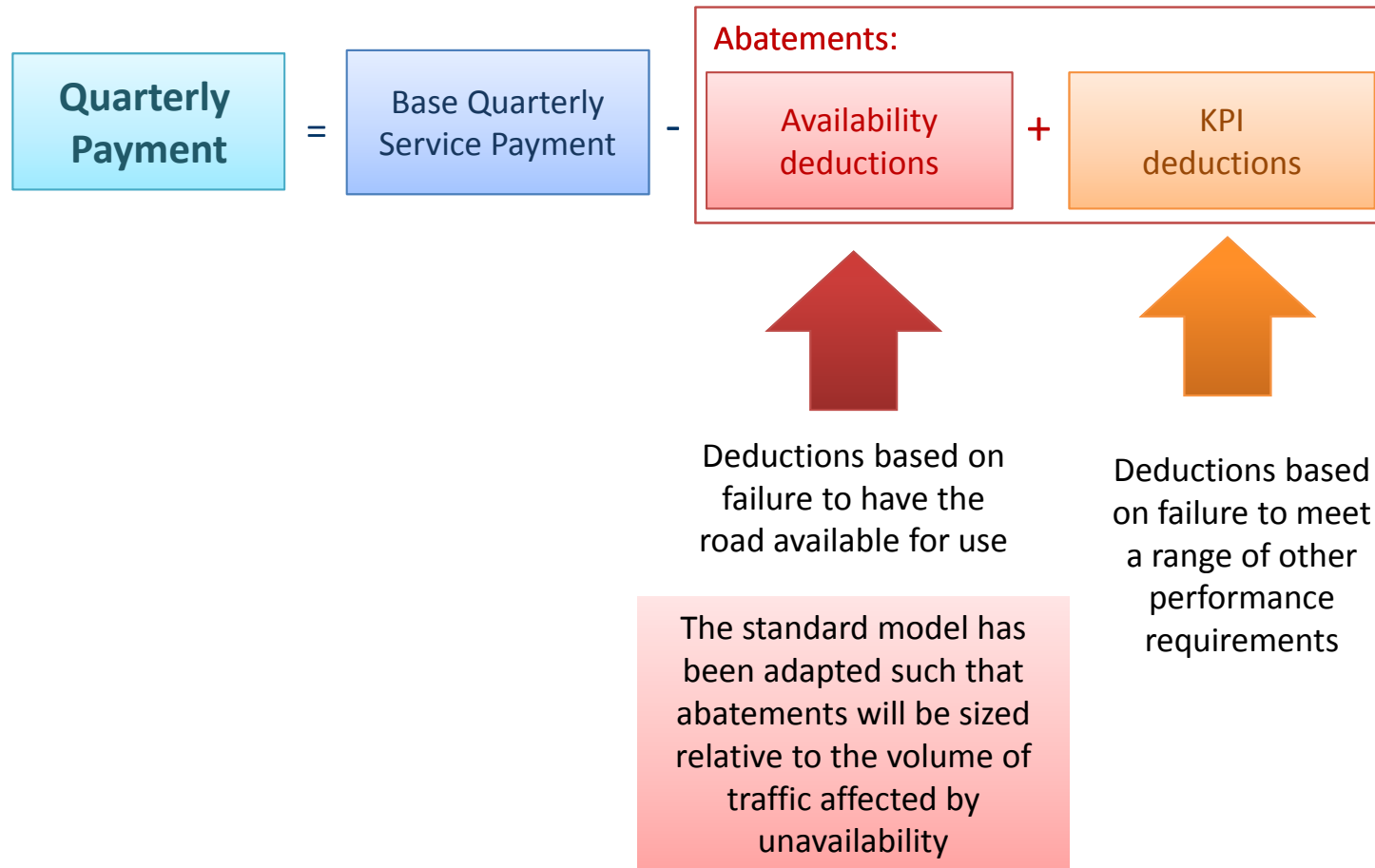
Performance requirements	
Incident management	Incident detection, incident response on EWL and Eastern Freeway
Incident clearance	Eastern Freeway only (incident clearance on EWL incentivised through availability abatements)
Safety	Road safety / Over height incidents
Environment	Tunnel seepage / Air quality / Noise / Water quality
Maintenance	Code of Maintenance standards / Forecast maintenance and refurbishment / Electrical availability
Communications	Emergency contact / Various components of ITS / User Services and Community and Communications
General reporting	Payment performance / General Reporting

- Failure to meet the performance requirements of a each particular KPI will result in a specified \$ abatement

Agenda

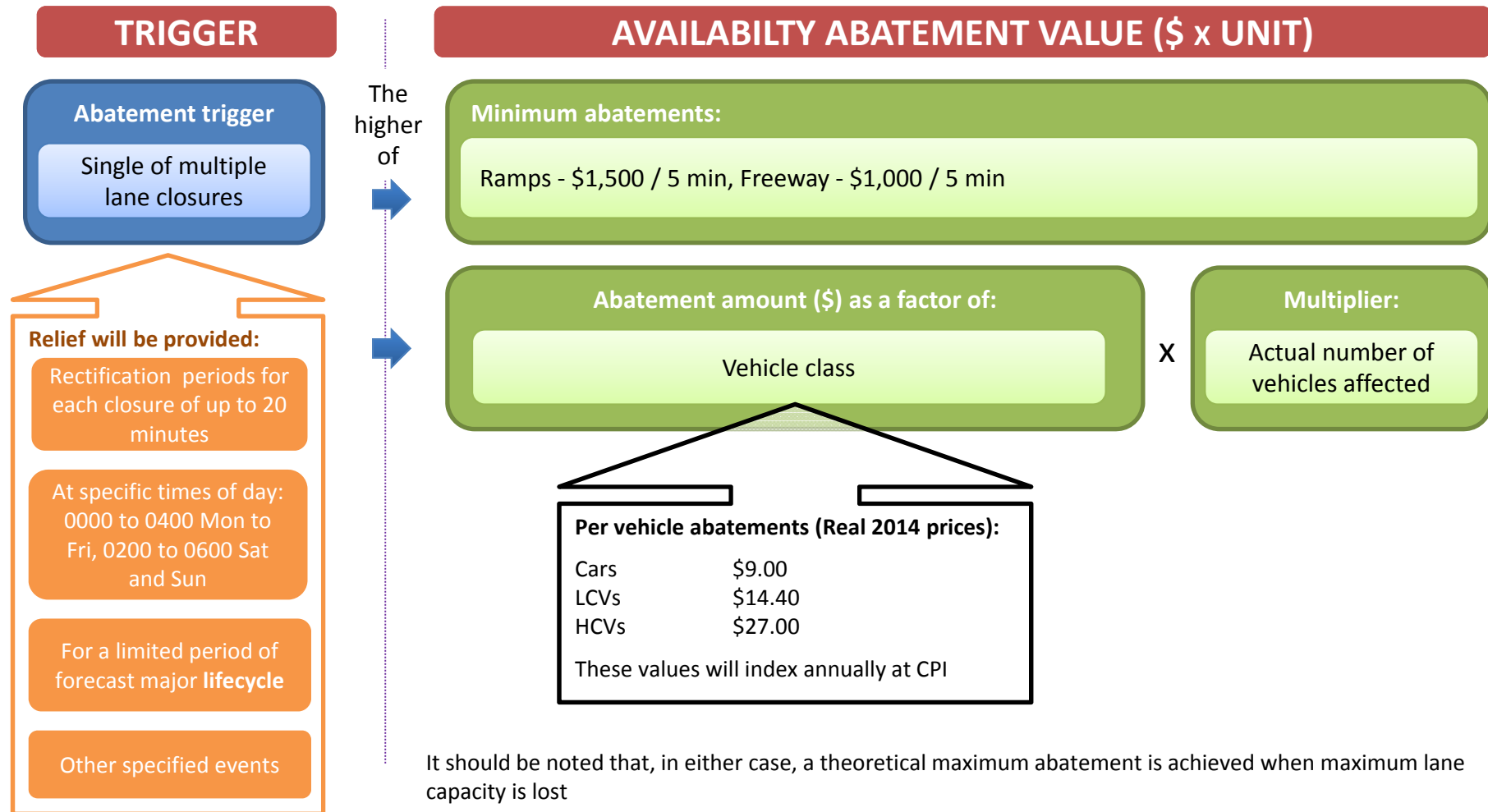
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