

Victorian Government and Transurban to Build the Western Distributor

December 2015

On 8 December 2015, the Andrews Labor Government announced it would partner with Transurban to build the \$5.5 billion Western Distributor.

The Western Distributor proposal has been developed by Transurban and submitted to the Victorian Government as a market-led proposal.

The proposal has progressed through to exclusive negotiations between Transurban and the Victorian Government as part of the Government's Market-led Proposals Guideline: Stage 4.

The project will be funded through a combination of tolling on the Western Distributor, an extension of Transurban's CityLink concession and State and Commonwealth contributions.

Key features of the project include:

- Widening the West Gate Freeway from 8 to 12 lanes between the M80 and Williamstown Road;
- A tunnel under Yarraville and a second river crossing over the Maribyrnong;
- An elevated road along Footscray Road with direct links to the Port of Melbourne;
- The longest managed motorway system in Australia from Geelong to Pakenham;
- 4.5km of new cycling and pedestrian paths including completion of the Federation Trail;
- Widening the Monash Freeway from 8 to 10 lanes between EastLink and South Gippsland Highway, and from 4 to 6 lanes to Clyde Road in Berwick; and
- Upgrades to Webb Dock.

Transurban has said it would continue to work with the Victorian Government to reach an in-principle agreement to deliver the project.

The Government has indicated the project will be delivered in three distinct parts:

- Expressions of Interest for the Monash Freeway Upgrade will be invited from the construction industry in the near future with construction forecast to begin in 2016 and completion in 2018;

- Design and early works to start immediately on a new link to provide direct truck access from Webb Dock to CityLink, with completion in early 2018; and
- Construction on the Western Distributor to start in 2018 with the full project to be completed by 2022.

The community, local government and industry will be consulted during a planning process to determine the final scope and design of the project. Consultations are forecast to commence in 2016.

The Government believes this project will provide an appropriate alternative to the highly congested West Gate Bridge and deliver travel time savings of up to 20 minutes a day.

The Government has submitted the business case to the Commonwealth Government and Infrastructure Australia for assessment and funding consideration.

Economic Analysis of the Business Case Review

The State Government-prepared business case for the Western Distributor outlines this project will deliver a return of \$1.30 for every dollar invested, an \$11 billion increase in gross state product, (\$June 2015, discounted, 2016-2072) and the creation of 5600 jobs.

Extracts from the business case reflecting the above figures are shown in Table 4 and Table 5.

Table 4: Economic appraisal of the Project (\$ June 2015 millions, real, discounted present values)

| Costs and benefits | A. Consistent with Victorian guidelines and practice | B. Consistent with IA guidelines for national comparison |
|-----------------------------------|--|--|
| Costs* | \$3,570 | \$3,541 |
| Benefits (excluding WEBs) | \$4,642 | \$6,615 |
| Benefit Cost Ratio | 1.3 | 1.9 |
| Net Present Value | \$1,072 | \$3,074 |
| Benefit Cost Ratio including WEBs | 1.6 | 2.2 |
| Net Present Value including WEBs | \$2,285 | \$4,149 |

**Note: the costs differ from out-turn capital cost estimates as they have been adjusted for inclusion in the economic appraisal to represent real, discounted (present value) costs over the lifecycle*

Note: estimated incremental to the base case, discounted based on a 7% real discount rate, based on P50 capital and operating costs; (A) Consistent with Victorian Government economic guidelines therefore analysed over the period 2015/16 – 2071/72, and applying Victorian Auditor-General's Office recommendations for traffic modelling; (B) Consistent with Infrastructure Australia December 2013 published economic guidelines therefore analysed over the period 2015/16 – 2051/52 and not applying VAGO recommendations for traffic modelling;

Source: PwC, 2015

Table 5: Macroeconomic impact assessment (\$ June 2015 millions, real, discounted present values)

| Economic impact (direct and indirect) | | Construction period 2017/18 – 2021/22 | Operating period 2022/23 – 2071/72 | Total period 2017/18 – 2071/72 |
|---------------------------------------|---------|---|--|--------------------------------------|
| Increase in Gross State Product | | \$1,126 | \$9,681 | \$10,807 |
| Jobs created (FTE) | Maximum | 5,600 | 2,700 | 5,600 |
| | Average | 2,400 | 700 | 900 |

Note: estimated incremental to the base case, analysed over the period 2015/16 to 2071/72, GSP discounted based on a 7% real discount rate and provided in \$ June 2015, jobs estimated on Full Time Equivalent basis.

Source: PwC, 2015

Further information

The Victorian Treasurer’s Media Release is available [here](#).

The Victorian Government Developed Western Distributor Business Case November 2015, is available [here](#).

Transurban’s Media Release relating to the announcement is available [here](#).

The Hawker Britton Occasional Paper on the Market-Led Proposal Guideline is available [here](#).