



The Hon Anthony Albanese MP

Minister for Infrastructure,
Transport, Regional Development
and Local Government
Leader of the House

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Reference: 01782-2009

The Hon Michael Daley MP
Minister for Roads
Level 31, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Minister

Michael,

I am writing in relation to the Nation Building Program Memorandum of Understanding. I am pleased NSW has taken the decision to sign up to the agreement, and I look forward to deliver this important infrastructure program in partnership with NSW.

As you know, an additional \$48 million for routine maintenance in 2008/09 was offered on the condition of the MOU agreement being signed by 1 March 2009. Given you did not meet this commitment the \$48 million has been retracted in the updated MOU schedule.

I am disappointed in your decision to limit your contribution to the Pacific Highway to \$500 million. There is an urgent need to invest in the upgrade and duplication of this important road. I am therefore pleased to note that you have indicated you will reconsider your contribution to the Pacific Highway, were your financial position to change.

In the current economic climate we need to act decisively to create employment opportunities across the nation and improve the nation's productivity through infrastructure investment. As such, I have taken a decision to direct an additional \$48 million to provide for further duplication works on the Pacific Highway in 2009/10.

I look forward to working with you on the delivery of the Nation Building Program over coming years.

Yours sincerely

Anthony Albanese
ANTHONY ALBANESE

PARLIAMENT HOUSE CANBERRA ACT 2600

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EXCLUSIVE

Rees bungle costs state \$50 million

Row over road and rail funds

Phillip Coorey

Chief Political Correspondent

THE Federal Government has docked NSW almost \$50 million in funding as punishment for the Rees Government cutting back its commitment to help upgrade the notorious Pacific Highway.

The money, which was to have been given to the state to help with the maintenance of federally funded road and rail projects, will instead be kept by the Rudd Government.

It will spend the money on duplicating a section of the highway between Coffs Harbour and Grafton.

The decision to penalise NSW was taken yesterday by the federal Transport and Infrastructure Minister, Anthony Albanese.

It follows a stand-off between the two governments that has existed since the Premier's mini-budget in November.

In that document, the cash-strapped NSW Government reduced from \$800 million to \$500 million the amount it would spend on the Pacific Highway between now and 2014.

The Federal Government has a joint funding agreement with NSW for the highway. It has

promised to spend \$2.45 billion on it between now and 2014 and it was unhappy at Nathan Rees's decision to cut his commitment.

In the private discussions that ensued, NSW argued that it needed to save money and preserve its triple-A credit rating. It is understood the Commonwealth argued there was little hope of that, given Queensland had already been downgraded.

The dispute concerned the Howard government's Auslink II road and rail funding scheme, which was rebadged by the Rudd Government as the \$22.3 billion Nation Building Program.

NSW stands to receive \$7.56 billion for road and rail between 2008-09 and 2013-14.

As an incentive to seal the agreement with all the states, any state that signed up before March 1 would receive extra millions for maintenance. NSW was eligible for \$48 million in maintenance funds but it held out from signing off on the deal because of the dispute over the Pacific Highway.

The NSW Treasurer, Eric Roozendaal, is believed to have written to Mr Albanese, promising to spend the \$800 million on the

highway if NSW's budget fortunes improved. This was not enough and the \$48 million was withheld.

Mr Roozendaal signed up to the agreement yesterday, making NSW the last state to do so.

The decision to deny NSW the extra money was also a clear signal that the Rudd Government will not abide the states using federal funds as an excuse to reduce their own budgeted infrastructure spending.

When Mr Rudd unveiled the \$42 billion economic stimulus package – which contains almost \$30 billion in infrastructure spending – he warned any state that used the extra funding to cut back its own budgeted commitment would be penalised.

Despite the \$48 million penalty NSW is still ahead by \$250 million. Mr Roozendaal's spokesman said yesterday: "The NSW Government remains committed to the multibillion-dollar upgrade of the Pacific Highway, in addition to the \$2.45 billion already invested in this major infrastructure project by the NSW Government since 1996.

"NSW will invest half a billion dollars on the upgrade over the



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next five years.”

Mr Albanese said: “The Rudd Government will now direct additional funding to the Pacific Highway over and above our election commitment of \$2.45 billion.”

Michael Daley, the NSW

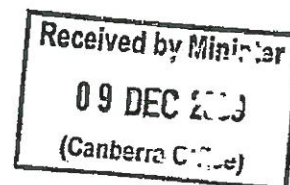
Roads Minister, said the Commonwealth had spent \$1.45 billion on the highway since 1996. “That puts NSW \$1 billion ahead over the period of the previous federal government.”

HIGHWAY HELL

- ▶ NSW promises to spend \$800m on the Pacific Highway between now and 2014
- ▶ Cuts this to \$500m in November mini-budget
- ▶ Loses \$48m for road and rail maintenance
- ▶ Federal Government spends this on the Pacific Highway in addition to the \$2.45b it has already committed to spend by 2014
- ▶ The \$48m will be spent north of Coffs Harbour
- ▶ NSW will still receive \$7.6b for road and rail between now and 2014



David Campbell
Minister for Transport
Minister for the Illawarra



M09/8435

The Hon Anthony Albanese MP
Minister for Infrastructure, Transport
Regional Development and Local Government
Leader of the House
Parliament House
CANBERRA ACT 2600

RECEIVED Mr
11 DEC 2009

Dear Minister *Anthony*

The NSW Government, through the Roads and Traffic Authority (RTA), remains able to manage delivery of the Pacific Highway upgrade to meet the Australian Government's objective of completing a four-lane divided highway in 2016. Given recent intense community and media interest in the Pacific Highway upgrade, it is timely to provide you with updated advice on requirements to ensure completion by December 2016 remains achievable.

Completion by the end of 2016, seven years from now, only remains achievable if our governments make an early decision to proceed with the necessary pre-construction activities, and subsequently decide to fund construction over at least five years. This timeline is due to:

- Activities such as planning approvals, land acquisition and detailed geotechnical investigations remain to be completed for a substantial length of the highway, and are required prior to commencing detailed design and construction; and
- Extensive, and time-consuming, treatment of underlying soft soils is required in a variety of locations, particularly major river crossings and flood plains.

At the present time, the RTA is focussed on commencing construction of all major works already committed as part of the current five-year Nation Building Program and through the Building Australia Fund, being:

- Bulahdelah upgrade
- Herons Creek to Stills Road upgrade
- Kempsey Bypass
- Sapphire to Woolgoolga upgrade
- Glenugie upgrade
- Devil's Pulpit upgrade
- Tintenbar to Ewingsdale upgrade
- Banora Point upgrade.

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In addition, the Frederickton to Eungai project is being readied for construction. The RTA is also proceeding to obtain all remaining planning approvals for the section between Port Macquarie and Coffs Harbour, being the Oxley Highway to Kempsey and Warrell Creek to Urunga projects. The Warrell Creek to Urunga project also has funding allocated in the five-year Nation Building Program to prepare it for construction. For the remaining two-lane sections between Woolgoolga and Ballina, a preferred route has been identified and a concept design developed but the environmental assessments are not being actively progressed at this time (other than Glenugie and Devil's Pulpit upgrade projects).

Projects that would improve existing four-lane divided highway sections, such as F3 Freeway to Raymond Terrace, Failford Road to Tritton Road and Coffs Harbour bypass, are assumed to proceed after 2016.

The total funding required to complete four lanes on the Pacific Highway, additional to current commitments, is estimated at \$6.1 billion in 2009 dollars or \$8.2 billion in out-turn dollars (assuming completion in 2016). It should be noted that this program estimate is based on the best project cost estimates currently available. The project estimates are subject to change as planning and implementation is progressed and, of course, the escalation rate used to convert the estimates to out-turn dollars may vary, dependent on construction industry conditions.

In order to retain 2016 as an achievable target, I propose our governments consider additional funding decisions in three stages:

Stage 1: By January 2010, a decision is required to allocate \$5 million in 2009/10 to commence preparations to undertake the environmental assessment(s) for the remaining sections between Woolgoolga and Ballina.

It is proposed that the additional \$5 million in 2009/10 be re-allocated from within the existing NSW commitment to the current \$3.6 billion Pacific Highway program.

Stage 2: By the 2010 budgets, our governments allocate \$200 million to get the remainder of the highway "shovel ready". This would involve completing the environmental assessment(s) and planning approval(s) for the remaining sections between Woolgoolga and Ballina, along with critical land acquisition and other pre-construction activities for all remaining projects required to achieve a four-lane divided highway.

This would require additional funding of \$50 million in 2010/11 and \$150 million in 2011/12.

Stage 3: By the 2011 budgets, our governments make a funding commitment to proceed with contract procurement, detailed design and construction to complete a four-lane divided highway in 2016.

Stage 3 could potentially be achieved by bringing forward Nation Building 2 funding.

Accordingly, the estimated cash-flow required, additional to currently committed funding, is as follows:

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Funding \$M out-turn	200	1200	2000	2200	1800	595

If the commitments detailed above are not made within the timetable outlined, the opportunity to complete the upgrade in 2016 will quickly become unachievable.

Subject to your agreement to the above course of action, I will undertake to seek confirmation of a 20% NSW government commitment to the additional funding required. This would be consistent with the funding arrangements on many other National Land Transport Network projects in NSW, and our recent agreement for funding preconstruction for Frederickton to Eungai.

As we have discussed, NSW remains able to manage delivery of the Pacific Highway upgrade to meet the Australian Government's objective of completing a four-lane route in 2016. However, to meet that objective, the additional funding required to complete the remaining projects would need to be committed as proposed having regard to the time constraints outlined.

Yours sincerely



David Campbell MP
Minister for Transport
Minister for the Illawarra



The Hon Anthony Albanese MP

Minister for Infrastructure,
Transport, Regional Development
and Local Government
Leader of the House

A

28 JAN 2010

Reference: 08647-2009

The Hon David Campbell MP
Minister for Transport
PO Box 5341
SYDNEY NSW 2001

Dear Minister

David,

Thank you for your letter received 9 December 2009 about the duplication of the Pacific Highway.

I can confirm the Australian Government remains committed to the full duplication of the Pacific Highway by 2016. I note that the New South Wales Government also remains committed to the same timeline, based on recent public statements.

In relation to your request for funding for additional planning, I would like to reiterate that the Australian Government is investing \$3.1 billion in the Pacific Highway over 6 years (2008-09 to 2013-14). This is our biggest investment in any single road in the country. In total, the Australian Government is investing \$11.6 billion in transport infrastructure in New South Wales (NSW).

I would also like to draw your attention to the funding negotiation for the Nation Building Program that I undertook with your two predecessors, the Hon Eric Roozendaal and the Hon Michael Daley, throughout 2008 and early 2009.

In these negotiations, the NSW Government scaled back its contribution for the Pacific Highway from \$1.45 billion to \$800 million. The subsequent NSW mini-budget, in November 2008, saw the NSW Government cut its commitment to the Pacific Highway by a further \$300 million, to \$500 million.

The Australian Government did appreciate the difficult financial circumstances the NSW Government faced in its mini-budget, but was nevertheless very disappointed in the decision to reduce its funding further. You would be aware that commitments were subsequently made to reverse this decision and reinstate the \$300 million.

Had the NSW Government not reduced its contribution to the Pacific Highway in the mini-budget, there would be more than sufficient funding to undertake the planning work you have identified. As a matter of fact, if the NSW Government had maintained its original commitment work on the Pacific Highway would have been much further progressed by the end of the current Nation Building Program in 2013-14.

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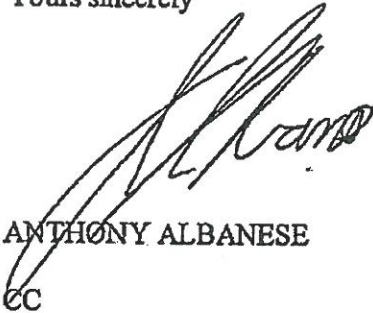
On 9 December 2009 I noted with interest Premier Keneally's statement about the Half Yearly Review of the 2009-10 Budget. It showed the NSW Budget will be back in surplus in 2010-11, one year earlier than forecast. In that statement, Premier Keneally also points out that supporting jobs is the NSW Government's key priority. As you are aware, investment in – and the construction of – transport infrastructure is a key contributor to creating and supporting local jobs.

Premier Keneally would have witnessed this first hand in December last year when she turned the sod on the Banora Point Upgrade of the Pacific Highway, a \$310 million project to which the Australian Government is contributing \$298 million. NSW will again benefit from our unprecedented Nation Building agenda when construction on the Hunter Expressway commences in the first half of this year. This \$1.65 billion project – of which the Australian Government is contributing \$1.45 billion – will help take pressure of the New England and Pacific Highways.

Given the improved budget outlook for NSW, I would again urge the NSW Government to reconsider its funding for the Pacific Highway and increase your contribution to enable the necessary environmental assessments, land acquisitions and preconstruction activities to be completed as soon as possible.

I would be pleased to discuss these issues in further detail with you.

Yours sincerely



ANTHONY ALBANESE
cc

THE HON KRISTINA KENEALLY, NSW PREMIER AND MINISTER FOR
REDFERN WATERLOO
THE HON ERIC ROOZENDAAL, NSW TREASURER AND SPECIAL MINISTER
OF STATE