

## ASX Release

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9 November 2010

### ANNUAL MEETING OF UNITHOLDERS – 2010

The annual meeting of unitholders of ConnectEast will be held today at 10.00am. Copies of the address by the Chairman, Tony Shepherd, and the review of operations by the Managing Director, Dennis Cliche, are attached.

Mr Shepherd said that EastLink's continuing traffic ramp-up and positive operating cashflow were delivering very encouraging results for unitholders.

"Since the start of tolling on EastLink in late July 2008 to the end of October 2010, there has been a 45% rise in Average Daily Revenue driven by a 35% increase in Average Daily Trips," Mr Shepherd said.

"In the past year alone, traffic on EastLink has jumped by 15.4%, making the motorway busier than any private tollway in NSW or Queensland."

Mr Shepherd confirmed that ConnectEast will pay a distribution of 1 cent per unit for the six months ending 31 December 2010, funded from operating cashflow and the partial release of surplus cash reserves.

Mr Cliche noted that significant reductions in ConnectEast's cost base, including an 8.3% drop in the past financial year, had resulted in a 25.6% reduction in the operating cost per trip.

"Our declining operating costs, combined with fixed financing costs, means that each additional trip on EastLink is being converted into cash on our bottom line," Mr Cliche said.

Highlights of the meeting presentations are as follows:

#### Steadily Growing Traffic

- In October 2010 EastLink recorded its highest Average Daily Trips of 182,444, generating Average Daily Revenue of \$605,343.
- Average Workday Trips (**AWT**) of 209,021 in October 2010 was the highest monthly AWT recorded on EastLink.
- On Friday 29 October, EastLink recorded its highest workday trips to date, with 227,291 trips generating the highest daily revenue to date of \$797,054.

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- The past financial year has seen traffic growth on EastLink of 15.4% and revenue growth of 20.2% - reflecting a strong commercial traffic mix and a CPI toll price rise.
- Since opening, there have been nearly 133 million trips taken on EastLink, with more than 635 million transactions generating over \$425 million in revenue.
- Traffic in the EastLink corridor over the past financial year at the points monitored by ConnectEast has seen strong growth of 5-8% including EastLink, and 3-5% excluding EastLink, compared to overall rates of growth of less than 1% for Melbourne as a whole.

### Distributions

- ConnectEast will pay a distribution of 1 cent per unit for the six months ending 31 December 2010 – funded from operating cashflow and the partial release of surplus cash reserves.
- The distribution will have a record date of 31 December 2010 and will be paid on 25 February 2011; it will be partially tax deferred.
- Subject to the ongoing and prudent management of the Group's financial position, ConnectEast intends to continue to pay six monthly distributions at a minimum of 1 cent per unit.
- Future distributions will be aligned with operating cashflow and the progressive release of cash reserves no longer required by the Group.

### Removing Costs from the Business

- ConnectEast's operating costs in the past financial year have dropped by 8.3%; in the same period there has been a 25.6% reduction in the operating cost per trip.
- Renegotiation of ConnectEast's operations and maintenance contract with Transfield Services is realising \$3m in savings each year.
- Initiatives implemented to encourage higher levels of customer self service and the opening of accounts with fully automatic payment have reduced the cost to serve.
- Enhancements to the EastLink website have seen the proportion of trip passes purchased online jump from 37% a year ago to 58%.

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- ConnectEast has transitioned to positive operating cashflow; with operating costs declining combined with fixed financing costs, each additional trip on EastLink is being converted into cash on the bottom line.

### **EastLink Economic Development Corridor**

- EastLink is catering for existing regional development in the east and south-east of Melbourne, and has triggered further investment, with new commercial, retail, residential and recreational projects underway along the motorway corridor.
- These projects will drive future traffic growth as well as further investment and settlement in the region.
- Four of six Central Activities Districts (**CADs**) designated by the Victorian Government as focal points for investment and employment growth, are located in the immediate vicinity of, and are connected by, EastLink.
- Construction of the 27km untolled Peninsula Link at EastLink's southern end is well underway and will generate extra corridor traffic when it opens in early 2013 by making travel around Frankston and the Mornington Peninsula easier and more reliable.

### **Initiatives to Support Traffic Ramp-up**

- An account opening offer enclosed with toll invoices is delivering more than 10% of new accounts, thereby reducing the proportion of trips requiring a toll invoice.
- Cost effective TV advertising is promoting EastLink's travel time savings and affordability, supported by targeted marketing to new residents moving into suburbs along the EastLink corridor, and to drivers of heavy commercial vehicles.
- A marketing program that provides account holders with added value offers promoting local events and businesses, thereby encouraging customer loyalty and greater usage of EastLink.

### **Solid Operational Performance**

- EastLink has maintained its high safety standards for motorists to use and for staff to operate, through high quality road design, proactive traffic management systems, and rapid incident response.

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- EastLink has a rate of 2.8 casualty accidents per 100 million vehicle kilometres travelled, compared to the Victorian average for urban freeways of 7 per 100 million vehicle kilometres travelled (VicRoads data 2006-2008).
- Tolling system enhancements, specifically to roadside equipment and image viewing technology, have increased the proportion of trips billed and reduced the number of images requiring manual reading.
- ConnectEast now has more than 250,000 customer accounts linked to over 385,000 active tags.
- Around 1,100 accounts and some 2,000 new tags are still being issued every week – with new account holders spending an average of \$25 per month following the opening of their account.
- An increase in the frequency of toll invoices issued to casual users of EastLink is generating more regular payments, encouraging account openings, and resulting in a substantial rise in fee revenue (\$10.6m in FY10 compared to \$5.9m in FY09).

### Conclusion

- EastLink's ongoing traffic ramp-up will benefit from the economic growth in the motorway corridor generated by the development that typically follows the delivery of a transformational piece of infrastructure such as EastLink.
- EastLink is a high quality asset, and ConnectEast is a long term investment which is well positioned with positive operating cashflow, fixed financing costs, an expanding customer base and reducing operating costs.



Tony Hudson  
Company Secretary  
ConnectEast Group

## **ConnectEast Group – Annual Meeting of Unitholders – 9 November 2010**

### **Chairman's Address**

On behalf of the ConnectEast Board and management, I welcome you all to the 2010 Annual Meeting of the ConnectEast Group. My name is Tony Shepherd and I'm the Chairman of ConnectEast.

Thank you for joining us this year at the Manningham Function Centre in Doncaster. Twelve months ago we were at the other end of EastLink at the Frankston Arts Centre; this year we are holding this meeting close to the EastLink corridor off the Eastern Freeway, where much of our traffic either starts or ends.

Firstly I would like to introduce the ConnectEast directors and senior managers. I ask directors and managers to stand when I call their name. Your Managing Director, Dennis Cliche. To his left is Paul Douglas, who was appointed in December last year and John Collier, who joined the Board in August this year. Both Paul and John are today standing for re-election. Then Jim Hall, Bruce Beeren, Yvonne von Hartel, Mark Snape and Dr Max Lay. This will be Max's final meeting as a Director of ConnectEast and I shall have more to say about his retirement shortly. Next to Max is Tony Hudson, the Company Secretary and Nick McKechnie, our Chief Financial Officer.

Other members of the management team are here today and will be available to speak with you during morning tea. In addition, we have representatives from our Customer Operations team who can address any customer-related issues that you may wish to discuss after the meeting.

ConnectEast's independent auditors, PwC, are also with us today and I welcome their audit partner, Charles Christie.

Although there is no statutory requirement to do so, from our beginnings in 2004/2005 we have made it our practice to hold annual meetings for our unitholders. At last year's annual meeting, we entrenched the requirement for an annual meeting in our Constitutions.

This reflects our stringent approach to corporate governance and demonstrates that we acknowledge the value of meeting and reporting in person to our unitholders. We welcome the opportunity to outline to you the ongoing efforts of the Group to build our business and your investment.

In addition, as you have heard, our ongoing process of Board succession planning has seen some changes in the Board line-up, with Paul Douglas and John Collier joining us during the year, and unitholders will have a chance to vote on approving their appointments as directors.

We are also asking unitholders today to consider amendments to the Trust Constitutions as part of our efforts to add value to our activities by leveraging ConnectEast's existing resources and expertise via a tender to the Victorian Department of Transport.

We have received questions from many of you in advance of the meeting and I thank you for these and your interest. The most frequently asked questions will be covered either in my report or in the review of operations by Dennis Cliche, which follows my presentation. Naturally, there will be other opportunities, during formal proceedings and at the end, for you to ask any further questions or make comments on the ConnectEast Group.

Once the business of the meeting has been addressed then we look forward to you joining us for morning tea at the back of the room.

I shall now progress with the formal business of the meeting. The first item is tabling the ConnectEast Group's Financial Statements, together with the Directors' Report and the Auditor's Report for the financial year ended 30 June 2010.

I'm pleased to report that the past 12 months have been a period of consolidation and solid achievement for ConnectEast. In response to the challenging economic conditions of the previous year, your Board and management got on the front foot and took some tough decisions; and we are now seeing the fruits of this hard work start to emerge. With a more robust and sustainable capital structure and positive operating cashflow, ConnectEast is well positioned to make the most of Australia's strengthening economy and EastLink's continuing traffic growth.

As you know, we now have no refinancing required until late 2012 and, in the meantime, have been able to lock in the low interest margins that were negotiated prior to the global financial crisis. At the same time we have reduced the Group's annual interest costs by around \$60 million as a result of the prepayment of debt.

The past financial year has seen the following significant outcomes achieved for EastLink and ConnectEast:

- Traffic growth of 15.4 per cent
- Revenue growth of 20.2 per cent – a figure higher than traffic due to a strong commercial traffic mix and a CPI toll price rise
- Operating costs reduced by 8.3 per cent
- A transition to positive operating cashflow, and
- A 25.6 per cent drop in our operating costs per trip.

Since the start of tolling in late July 2008 to the end of October this year there has been a 35 per cent increase in Average Daily Trips and a 45 per cent rise in Average Daily Revenue.

As outlined in the independent traffic re-forecast undertaken by IMIS and released in August 2009, the traffic ramp-up period on EastLink is continuing as more drivers change their travel patterns and rely on the time savings it consistently delivers. Ramp-up is the initial period after a road opens when drivers are becoming accustomed to the road and traffic builds until it reaches a steady state.

From EastLink's opening in mid-2008, there have been nearly 133 million trips taken, generating more than \$425 million in revenue. It is one of Victoria's busiest roads and carries more traffic than any of the private tollways in New South Wales or Queensland.

Last month, EastLink reached more than 182,000 Average Daily Trips – the highest monthly result so far, and an 8 per cent increase on October 2009. Average workday traffic in the last month was over 209,000 trips – an increase of more than 11 per cent compared to a year ago.

Complementing this growth has been management's ongoing focus on operating the road safely, reducing costs, accelerating traffic growth, improving our customer service channels and optimising our tolling and customer management systems.

I can report that we continue to present the Group's credentials and results to equity market analysts and investors to ensure the market is kept updated about ConnectEast and EastLink so that our long term value is recognised and understood by the market.

I can also provide an update to unitholders about our distribution policy. ConnectEast's cashflow should now continue to grow with the Group's increasing revenue on a declining cost base. As a result, this has enabled the planned shift in our distribution policy as announced previously.

I am pleased to advise that ConnectEast will pay a distribution of 1 cent per unit for the six months ending 31 December 2010. The distribution will be funded from operating cash flow and partial release of cash reserves that are no longer required by the Group. The distribution will have a record date of 31 December 2010 and will be paid on 25 February 2011. The distribution will be partially tax-deferred. Subject to the ongoing and prudent management of the Group's financial position, future distributions will be aligned with operating cashflow and with the progressive release of surplus cash reserves. On this basis, ConnectEast intends to continue to pay six monthly distributions at a minimum of one cent per unit.

It is also timely for your Board to renew itself through a process of detailed succession planning. A thorough review of the Group's needs over the next three-to-five years led to the appointment of Paul Douglas as an additional independent director. John Collier has also joined the Board as a nominee of our largest unitholder, CP2. Both have very relevant experience and expertise for ConnectEast and are already active participants in the Board's processes. I will ask them to address you later in today's meeting in support of the resolutions to approve their appointment.

Sadly, for me personally and for the Group as a whole, our esteemed colleague, Dr Max Lay has given notice that he will retire from the Board at the completion of this Annual General Meeting. It is difficult to overstate Max's contribution to the successful construction and completion of our impressive piece of infrastructure and also ConnectEast's smooth transition to an operating business running an exceptionally safe asset.

Max was one of the first to be appointed to the Group's Board – a natural choice given his extraordinary record of achievement and influence in the roads sector over several decades. He has been intimately involved with a number of transformational road projects such as CityLink and EastLink, both of which benefited from his fierce advocacy of high quality road design.

He has also filled many senior positions during a distinguished career, including with VicRoads, the Australian Road Research Board, the RACV, SKM, the Royal Society of Victoria and Intelligent Transport Systems.

The fact Max has received the recognition of his peers on countless occasions, both in Australia and around the world, speaks volumes of the key role he has played as a civil engineer and also as an accomplished scholar, with hundreds of significant books and papers to his name. His textbook, Handbook of Road Technology, is internationally renowned and in its fourth edition.

To mention just a few of the honours bestowed on Max over the years:

- In 1999, he was named Victorian Professional Engineer of the Year;
- In 2002, the Australian Road Research Board named its library after him;
- In the same year he was made an Honorary Fellow of the Institution of Engineers Australia;
- In 2003, Max was awarded a Centenary Medal by the Prime Minister;
- In 2009, he was the recipient of the John Shaw Medal, the Australian Road industry's top award for outstanding achievement; and
- In 2005 he was made a member of the Order of Australia.

As you can see, we have been extremely privileged to have Max on the ConnectEast Board for the past six years and to draw on his expertise and wisdom as we set out to build and run EastLink to the highest standards possible.



Max has served on the Board with distinction and also as Chairman of our Health, Safety and Environment Committee and as a member of the Audit, Risk and Compliance Committee. EastLink's exceptional safety record to date is partly due to Max's diligence and insight in overseeing this aspect of our operations.

As I said, I'm sad to see Max retire but pleased to report that Max will continue as Chairman of the Board's Health, Safety and Environment Committee for the next year, and will also continue to make his knowledge and advice on road-related matters available to ConnectEast. Please join me in thanking Max and acknowledging his invaluable service.

The most encouraging thing to report to you all today is EastLink's positioning as an asset which is ideally placed to benefit from the continuing expansion and development of one of Melbourne's economic and population growth corridors.

With a Concession that runs until 2043, ConnectEast has a high quality road which is not only catering for existing regional development but has also triggered a new round of investment by people and businesses who want to take advantage of the lifestyle and competitive benefits that come with a well connected 39km stretch of motorway.

The EastLink economic development corridor, as it is becoming known, is seeing a range of new projects, retail and commercial, residential and recreational, spring up close to the road – many of which were highlighted in our Annual Report this year. These projects will help drive traffic growth into the future and, in turn, will foster further investment and settlement in the east and south-east of Melbourne.

In addition, as we have emphasised previously, four of the six Central Activities Districts designated by the Victorian Government as focal points for investment and employment growth under its 'Melbourne at five million' plan are located in the immediate vicinity of, and connected by EastLink.

And construction of the untolled Peninsula Link gathers pace. Peninsula Link will generate extra trips on EastLink when it opens in early 2013 by making travel around Frankston and the Mornington Peninsula easier and more reliable.

As you all know, we are in the midst of a State election campaign. If I can allow myself the luxury for a moment of offering some free advice to the politicians running for office, I would suggest that they look to the EastLink experience.

What we have done with this project is demonstrate the long term value created for an economy and a growing population by planning ahead, setting aside freeway reserves and creating an environment in which people are willing to invest in the provision of transformational infrastructure. EastLink's legacy will

last for generations, but it required some short term political willpower and courage to see it delivered under a Public Private Partnership model of which Victoria can be justifiably proud.

If this State wants to remain at the forefront of economic development and liveability, then now is the time to look at other 'nation-building' projects such as the proposed North East Link to complete the Metropolitan Ring Road and the extension of the Eastern Freeway at the city end.

EastLink demonstrates that these types of projects can be delivered in an innovative and environmentally responsible way which enhances the amenity for local communities.

In conclusion, I would like to thank the management and staff of ConnectEast for their hard work over the past year to build on the foundations laid down for our business. I also thank my fellow directors for their diligence and advice.

Finally, I want to acknowledge the smooth and effective transition that Dennis Cliche has made to the Managing Director's position and his strategic work to maximise the benefits of EastLink's continuing traffic and revenue growth whilst reducing the Group's operational costs. We are fortunate to have a CEO of the calibre of Dennis.

And of course, I want to thank you, our unitholders, for your continuing support for this venture.

As you have heard, ConnectEast is well-positioned to benefit from the ongoing economic growth in the EastLink corridor and surrounds. Your Board and management are committed to building on what has already been achieved to maximise returns for the Group and for unitholders over the long term.

I now ask Dennis Cliche to give his report on operations.

Thank you.

### **Chief Executive Officer's report on operations**

Thank you Tony. I also want to welcome all ConnectEast unitholders and my fellow Board members to this annual meeting. Naturally I hope that many of you spent at least part of your journey here this morning on EastLink.

In my first presentation to you as Managing Director and Chief Executive Officer, I am pleased to be able to report on our progress in delivering on the goals we set 12 months ago – to grow traffic on EastLink, to maintain a high standard of operational performance, and to remove costs from the business.

With the Group's more robust capital position resulting from our proactive measures to pay down debt early and stabilise our balance sheet, the past year has been a period of ongoing consolidation for ConnectEast as we have sought to enhance our systems and drive efficiencies.

I can confirm that EastLink is now well integrated into the surrounding road network and traffic is growing steadily. In fact, traffic ramp-up on the motorway is still continuing more than two years after opening. What is clear right now is that more businesses, residents and travellers are using EastLink with greater regularity as the value proposition becomes more compelling.

As Tony mentioned, our latest traffic data for October this year, released to the market yesterday, details this ongoing growth with record Average Daily Trips of 182,444 and Average Daily Revenue of \$605,343. Notably, on the last Friday in the month we recorded our highest workday so far, with 227,291 trips, generating the highest daily revenue to date of \$797,054. Average workday trips taken on EastLink now sits at around 209,000.

In fact, with close to 133 million trips and more than 635 million transactions since it opened in 2008, our motorway is one of Victoria's busiest roads and one of the busiest tollroads in the nation.

The next slide shows our weekly traffic profile since tolling commenced. This graph shows the steady increase in traffic over the first two years – an increase that is continuing into the current financial year.

This amazingly consistent profile also demonstrates that seasonality on EastLink has been rapidly established, with the road experiencing a regular pattern of traffic growth interspersed with holiday periods such as Christmas and Easter.

As an aside, you may be interested to hear that AFL Grand Final day does see a fairly dramatic drop-off in traffic on the Saturday as people stay at home to watch the big game. Obviously we are hopeful that Grand Final draws and replays do not become a regular feature of the AFL calendar!

Another type of analysis that we do regularly is monitor traffic trends in the EastLink corridor. As can be seen from the next slide, our growth over the past financial year has been very strong at between 5 and 8 per cent at the points we monitor. Equally encouraging, the growth rate without EastLink is still a robust 3 to 5 per cent. This compares to overall rates of growth of less than 1 per cent for Melbourne as a whole and is indicative of the underlying strength of the corridor.

A case for continued optimism is that competing routes such as Springvale Road are returning to pre-EastLink traffic levels. As a result, we believe that future traffic growth will be weighted towards EastLink and its spare capacity as alternate routes become more congested.

Our firm belief is that your motorway has served as a catalyst for growth and investment in Melbourne's east and south-east. As the ConnectEast Annual Report sought to describe this year, there are a number of exciting developments occurring in the corridor to encourage more utilization of your asset.

This next slide highlights some of these development opportunities. The light blue shaded areas represent designated Central Activities Districts from the Melbourne 2030 Victorian Government plan. These Districts have been identified as the focus for commercial and industrial development to relieve the infrastructure pressures associated with the traditional reliance on the CBD.

Four of these six areas sit within our corridor, being Box Hill, Ringwood, Dandenong and Frankston. The potential benefits to ConnectEast of this strategy can be seen in Ringwood where there are plans for a redevelopment of the town centre and for a significant upgrade and expansion of the Eastland shopping centre, with new commercial office development as well as a significant increase in retail space. This level of new commercial activity will flow on to increased commercial and private car usage of the road.

A little further south sees the Eastern Recreation Precinct being developed in Knox which will be the home for the Victorian State basketball centre. Below that on the map, twin fuel and food service centres are being constructed on land adjoining the freeway which will add to the attractiveness of EastLink for our customers. Continuing further south are two more major developments – the Somerfield residential housing estate and The Key industrial park, both of which are under development. In addition to this, to the east of the motorway, Casey and Cardinia remain significant areas of residential growth and development within Melbourne.

So, as you can see, the EastLink economic development corridor is primed for ongoing growth and this, coupled with the positive impact of infrastructure projects such as Peninsula Link (due to open early in 2013), augurs well for our asset over the medium to long term.

The key takeaways from this story are clear. First, the growth rates in the EastLink corridor as a whole are very healthy. Second, EastLink is continuing to attract a major share of the corridor growth.

This is the result of both the increase in network capacity that the opening of EastLink has created and from the development that is occurring in the corridor that typically follows the delivery of a major piece of infrastructure. Your asset is well placed to capitalize on this continued growth.



But we are not content to merely ride the back of this growth. Identifying cost effective and innovative ways to grow traffic and revenue on EastLink whilst enhancing the customer experience remains a key objective for your management team.

For example, using customer segmentation analyses and usage patterns, we have tested targeted incentive schemes aimed at converting occasional users to frequent users and encouraging same-day return trips on the road without resorting to widespread toll discounts. By utilising the wealth of information in our database, we were able to offer these discounts to selected customers as opposed to offering a widespread toll discount. The results of this initiative are being evaluated to see whether it justifies further investment.

A new account opening offer has been enclosed with all toll invoices, directed at motorists who have used EastLink without an account and without buying a trip pass. This offer is now delivering more than 10 per cent of all new accounts being opened and has helped reduce the proportion of trips requiring a toll invoice from 4.5 per cent six months ago to around 4.0 per cent today, saving money for both us and our customers.

We have also been running a series of short, cost effective television commercials designed to attract new users by promoting the travel time savings and affordability of EastLink while demystifying the complexity of account opening and administration. Other initiatives have included ongoing enhancements to network signage; marketing to new residents moving into the corridor; the installation of information signs alongside the motorway; and a promotion that specifically targets the drivers of heavy commercial vehicles.

And this year we have launched a marketing program aptly named Let's Go EastLink. This program sees 200,000 emails go out each month to our account holders with added value offers that promote popular local events and destinations in the corridor to encourage customer loyalty and greater usage of your road.

All of these measures are designed to add to the momentum of traffic growth that ramp-up is delivering.

I would now like to turn to aspects of the operational performance of EastLink over the past year.

Safety remains a key focus for the Board and management team, and I am pleased to report that our motorway has maintained its status as a world class asset that is very safe for motorists to use and for our staff to operate.

The potent combination of high quality road design with pro-active traffic management systems and rapid incident response has enabled us to minimise accidents, injuries and disruptions for motorists.

The safe operation of EastLink and its twin 1.6km tunnels is demonstrated by the achievement of a rate of 2.8 casualty accidents per 100 million vehicle kilometres travelled. This compares very favourably to the Victorian urban freeway average of 7 casualty accidents per 100 million vehicle kilometres travelled for the period 2006-2008. These statistics rank EastLink as one of Australia's safest roads.

Away from the road pavement itself, EastLink's maintenance crews have established a high standard of landscaping quality and environmental compliance as they maintain the trees, plants, wetlands and waterways alongside both the motorway and the EastLink Trail pedestrian and cycle path.

From a tolling perspective, we continue to implement initiatives that ensure our systems remain at the forefront of the industry. The motorway's 13 tolling points or 26 gantries process on average more than one million transactions each working day. Enhancements to our roadside equipment and image viewing screens have increased the proportion of trips that are billed, and have substantially reduced the number of images requiring manual reading.

It is encouraging to report that the past year has seen ongoing expansion in our customer account base, with around 1,100 accounts and some 2,000 new tags being issued every week. ConnectEast now has over 250,000 customer accounts linked to more than 385,000 active tags. New account openings remain a leading indicator of future demand and new account holders are spending on average \$25 a month following the opening of their account.

The proportion of tag trips on EastLink remains steady at around 85%, which means lower administration and recovery costs for ConnectEast. Interoperability with CityLink and other Australian toll roads continues to deliver convenience for those using our motorway, with about 34 per cent of motorists on EastLink being our customers, and 62 per cent being CityLink account holders.

This year, an increase in the frequency of toll invoices being sent to casual users of EastLink has generated more regular payments and encouraged people to open accounts. It has also resulted in a welcome rise in fee revenue. Full fee revenue for FY2010 was \$10.6 million compared to \$5.9 million in FY2009.

Management's other key focus has been to pursue efficiencies and remove costs from the business.

Significant reductions have been made in the operating cost base in the two years since opening, with a net 8.3 per cent reduction in operating costs in the last financial year despite a 15.4 per cent increase in trips.

This has translated to a 25.6 per cent reduction in operating cost per trip in the past 12 months. As the business has transitioned from its start up phase into steady state operations, costs have been removed in all areas of the organisation.

The most significant change this financial year was the renegotiation of our operations and maintenance contract with Transfield Services which will realise \$3 million in savings each year.

In addition, we completed a range of customer service initiatives that delivered an increase in the proportion of new tolling accounts opened with fully automatic payment, thereby reducing the cost to ConnectEast to service these accounts. We have also enhanced the self service option for casual users so that it is now quicker and easier to purchase a trip pass via the EastLink website rather than having to call the ConnectEast contact centre. This has seen the proportion of trip passes purchased online rise dramatically from 37 per cent a year ago to 58 per cent.

Looking forward, further opportunities exist but the level and rate of cost reduction will slow as savings are harder to realise. As I touched on earlier, a major upgrade to our image processing system, successfully launched in September, is providing substantial reductions in the volumes of images that require manual verification.

We are also achieving greater levels of customer self service through improvements to our automated service channels, principally the web, and by encouraging automated payment options on account establishment. These measures are providing customers with an enhanced but more cost effective service offering. Significantly, we continue to receive very positive feedback about the quality of customer service we provide.

The benefits to the business of reducing costs are clear. With operating costs declining, and with fixed financing costs, each additional trip on the road is converted into cash on the bottom line. The sharp increase in operating cashflow over the last two years highlights the structural benefit that a business with our high operating leverage provides.

As you are aware, a major milestone was reached in the first half of the last financial year when the business transitioned to positive operating cashflow. In addition to reduced operating costs, a number of other factors contributed to this outcome: increasing traffic volumes; the annual CPI price rise; and the lower interest costs that followed the deleveraging of the balance sheet in 2009.

Our success in operating and refining our tolling and customer management systems has put us in a position where we can take advantage of a relatively low risk opportunity to generate new revenue by leveraging our existing systems and expertise. That opportunity is the Freight Infrastructure Charge tender for the Port of Melbourne, which is the subject of the constitutional amendments to be considered by you today, is an important step in the State's freight strategy. We believe it provides ConnectEast with an opportunity to generate additional revenue while also participating in this strategic initiative in freight infrastructure charging and Management encourages you to endorse this change to our constitution.

We continue our efforts to enhance ConnectEast's profile in the community as a responsible corporate citizen and to improve our standing with key stakeholders. Well received community investment activities have included the EastLink Cup primary schools football competition; support for the Monash Gallery and National Boys Choir, and the EastLink Road Safety program, which is delivered to young at-risk drivers in partnership with major local football and netball leagues.

Our commitment to social sustainability will culminate next Sunday morning with the inaugural *Ride for Home* cycling event. EastLink will be fully closed for several hours to enable cyclists to take part in a community ride along the motorway. ConnectEast will forego tolling revenue in support of Hanover Welfare Services, which is putting on the event. Hanover is a leading agency working to assist families impacted by homelessness. Not only is *Ride for Home* raising valuable funds for Hanover's work but it is also raising awareness of ConnectEast's support for communities along our corridor and promoting EastLink as well.

In summary, ConnectEast is focused on maximising the returns for unitholders from the efficient operation of the business and, as traffic ramp-up continues, from the growth prospects associated with the EastLink economic development corridor. These prospects will only be enhanced by the opening in 2013 of the untolled Peninsula Link at the motorway's southern end.

I would like to thank everyone at ConnectEast and particularly my management team for their hard work and dedication throughout the year. I'd also like to thank Tony Shepherd and my other Board colleagues for the strong guidance and expertise they've provided me since I assumed the role of CEO almost a year ago.

And most importantly, to all our unitholders, I thank you for your continuing support for ConnectEast and for your attendance today.

Thank you.