

**Submission
No 33**

SYDNEY METRO WEST PROJECT

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Partially
Confidential

Parliamentary Inquiry: Sydney Metro West

Preamble:

1. On 15 August this year, the Committee on Transport & Infrastructure announced an Inquiry into Sydney Metro West, who will *'inquire and report on the Sydney Metro West project, with reference to:*
 - a. *The original business case for the project*
 - b. *The establishment of the route and selection of station locations*
 - c. *The cause of blowouts in project cost and timelines*
 - d. *Whether the Minister at the time considered any other consequential benefits that could be achieved from the project*
 - e. *Other matters relevant to the Sydney Metro West project'*.
2. The announcement follows the incoming Minns Government commissioning an independent review into Sydney Metro¹ earlier this year that is due to report back to Cabinet by the end of the year. Chaired by Mike Mrdak who is currently the Chair of New South Wales Regional Growth Corporation and Chair of the Airport Development Group, with deputy chair Amanda Yeates, CEO of SunCentral [the Review Panel], they will *'examine value for money, delivery models, project governance and passenger impacts. It will evaluate the delivery of Sydney Metro to date, the current state of progress against delivery targets and make recommendations for getting the maximum value out of the project, including looking at better land use, urban renewal and better integration with the wider transport network.at better land use, urban renewal and better integration with the wider transport network'*.
3. Subsequently in August this year, an Interim Report² was published albeit the report *'excludes specific matters, findings and recommendations which are of a commercially sensitive nature, or which have market sensitivity...'*
4. The interim findings include news:
 - a. That the forward estimates for Sydney City Metro and Metro South West in part will impact Sydney Metro West procurement schedules and plans;

¹ <https://www.sydneymetro.info/about>

² <https://www.sydneymetro.info/media/document/35771>

Parliamentary Inquiry: Sydney Metro West

- b. That *Sydney Metro (supported by DPE) should provide advice to government regarding ‘unconstrained’ options for improved planning and approvals processes and land use development along this corridor, with a focus on optimising land use of existing Government-owned land within 1.2km of Metro Station locations’*. This may involve a refreshed Rapid Corridor Strategic [fast track] Assessment.
- c. Review the *‘extent to which current State Environmental Planning Policies (SEPP) drive integrated land use outcomes and maximise the opportunity to support additional housing supply in vicinity of Metro precincts’*.
- d. That *‘the Review Panel intend to further explore opportunities in relation to Precinct Planning to further enhance and accelerate housing outcomes, integrated place-based uplift, and the degree to which State Environmental Planning Policies (SEPP) efficiently drive and maximise investment and coordinated community amenity; and explore the nature of product and performance specifications with regard to global comparator projects and affordability/value-for-money. This is likely to include an analysis of design cost-effectiveness and the long-term viability of the 9-station alignment scope for Sydney West Metro. The panel intend to also explore procurement strategy and delivery models available for the remaining scope of works (that is: Stations, Linewide, Trains & Systems, and Operations & Maintenance), including the degree to which the current and proposed delivery models respond to a changing construction market and represent a credible option in light of Sydney Metro’s maturity & capability as a client’*
- e. That *‘Sydney Metro provides urgent advice regarding the feasibility, value-for-money, and overall alignment and station options relating to a potential eastern extension to Sydney Metro West’*.

Response to the Parliamentary Inquiry:

- 2. By 2041, the City of Parramatta is forecast to grow to a population of 446,021; up from the estimated residential population of 274,059 in 2023³; being one of the highest growth areas in Greater Sydney. Much of the growth is proposed to be accommodated

³ <https://forecast.id.com.au/parramatta>

Parliamentary Inquiry: Sydney Metro West

by redevelopment on the City of Parramatta's flood plain with new transport links critical to the success of council's plans. This includes the delivery of Sydney Metro West, and Light Rail routes, albeit further consideration should be given to recently released Draft Parramatta River Flood Study which is now on public exhibition.

3. The T1 and Sydney Metro West lines follow separate route alignments with the introduction of Sydney Metro West intended in part to relieve traffic on the T1 line which is expected to be overcrowded by 2030⁴.
4. The current journey time between Central and Parramatta on the T1 line is as little as 25 minutes in peak hour. From Redfern the trip is a little over 20 minutes. The introduction of Sydney Metro West will reportedly cut journey times to Parramatta and a number of destinations. However additional stations will increase journey times from Sydney's CBD to Parramatta and Westmead, potentially making the journey greater than a '30 minute city' vision⁵ by the Greater Cities Commission⁵.
5. Longer journey times also have the potential to see commuters and other passengers continue to use the T1 line rather than use the Metro West for Parramatta and Westmead Stations. In addition, there is the impact from changes to bus and light rail feeder services, which will follow the opening of Sydney Metro West, which is generally not understood by the public.
6. The City of Parramatta's draft Parramatta River Flood Study (the Study)⁶ is now on public exhibition⁷. Once finalised, a revised Floodplain Management Plan will follow which is due to be completed next year.

⁴ <https://infrastructurepipeline.org/project/sydney-metro-west-maintenance-and-operations#:~:text=Sydney%20Metro%20West%20will%20deliver,2030s%2C%20despite%20ongoing%20upgrade%20works.>

⁵ <https://greatercities.au/strategic-planning/region-plans/metropolis-three-cities>

⁶ <https://www.cityofparramatta.nsw.gov.au/environment/connected-resilient-communities/flooding/2023-draft-parramatta-flood-study>

⁷ <https://www.cityofparramatta.nsw.gov.au/environment/connected-resilient-communities/flooding/2023-draft-parramatta-flood-study>

Parliamentary Inquiry: Sydney Metro West

7. Long awaited, the *'Study is the first major update to flood modelling in twenty years⁸ and represents a significant change to how flooding within the Parramatta LGA will be understood'*. Importantly the Study highlights the increased flooding risk for large parts of the City of Parramatta Local Government Area with much of the proposed redevelopment planned for precincts that pose the greatest risk. These include Parramatta's CBD and Camellia, where contamination poses additional risks. Other areas facing significant risk include Westmead and Rydalmere.
8. Notably the Study does not include flood data after 2016, other than that provided informally via a public survey in 2018. This includes flood events for 2021.
9. Significantly, the Study shows that in the case of the Probable Maximum Flood Level, the scenarios for Parramatta's CBD and areas such as Western Sydney University (adjacent to Parramatta River), Westmead Hospital, and Camellia are potentially precarious. This has major implications for considerations for Sydney Metro West route, and the addition of any other stations and associated urban renewal precincts.
10. In particular, the location of the Metro Station in Parramatta's prompts the question whether the plans will have sufficient capacity to stop the station and underground lines from being flooded; and whether the reliance on vertical evacuation strategy (shelter in place, aka SIP) evacuation strategy will suffice noting the higher risks associated with such a strategy.
11. Moreover, while the Study continues to use traditional metrics in terms of probability, given the increase in the duration and frequency of more intense weather events⁹ as a result of climate change, rarer events are likely to occur with increased frequency, posing additional risks and costs that may not have been adequately considered.
12. The detailed Business Case is not available to the public. Consequently, many costs and benefits are not understood. These may also include the costs for the acquisition of

⁸ The Study does not include flood data after 2016.

⁹ https://www.climatecouncil.org.au/wp-content/uploads/2022/03/Final_Embargoed-Copy_Flooding-A-Supercharged-Climate_Climate-Council_ILedit_220310.pdf

Parliamentary Inquiry: Sydney Metro West

hundreds of compulsorily acquired properties.

13. The Auditor General's report into '*The Government's acquisition of private property; Sydney Metro*' released in February this year, reviewed the effectiveness of the acquisition of private properties for the Sydney Metro projects. While only a small sample size (20) was made available by Sydney Metro for detailed review, nonetheless, the agency feedback indicates the number of completed acquisitions across all Metro projects totalled 511 between 2020 and mid-2022.
14. Valued over \$2 Billion, a significant number it is assumed to relate to Sydney Metro West given a large number of acquisition notices were issued in March 2021 that specifically relate to property acquisitions in Parramatta, Westmead, Clyde, Burwood, Five Dick and Sydney Olympic Park¹⁰. Notably, only compulsory acquisition notices are issued where agreement has not been reached, typically after six months. While negotiations can continue after a notice is issued, some parties at this time choose to take action through the Land & Environment Court. The lack of timeliness for determinations has been a persistent issue in recent years, with the average time for 2021 - 2022 180 vs a target of 45 days. This has the potential to impact construction start dates.
15. In the case of Sydney Metro West, it is also not known how many property acquisitions are still in progress; or what additional costs are incurred by the state when offers are contested. Two examples demonstrate the impact from proceedings in the Land & Environment Court:
 - a. G & J Drivas Pty Ltd and Telado Pty Ltd vs Sydney Metro¹¹

A Compensation Notice under the 'Just Terms' Act was issued in October 2021 for \$145,611,457; namely \$145,000,000 for market value pursuant to section 55(a) plus \$611,457 for disturbance pursuant to section 55(d). In comparison the Judgement handed on 13 March this year for \$178,986,153 for the market value, plus

¹⁰

¹¹ <https://www.caselaw.nsw.gov.au/decision/186c8713dc7aee77fbb79a07>

Parliamentary Inquiry: Sydney Metro West

\$10,819,388.85 as compensation for disturbance. In addition interest and the applicant's legal costs are to be paid.

- b. Nohra v Sydney Metro; C & P Automotive Engineers Pty Ltd vs Sydney Metro¹²:

The determination by the Valuer General for compensation for \$5,721,207 was issued in November 2021, whereas the Judgement handed down (for Nohra) on 15 September this year, determined \$6,920,000 for the market value under section 55 (a) and \$54,472.09 for disturbance under section 55 (d) plus statutory interest and costs to be determined; and for C & P Automotive Engineers, \$231,000 for market value under section 55 (a) plus \$2,187,759.99 for disturbance losses with statutory interest in addition, along with costs to be determined.

16. The costs and benefits relating to over-station development (OSD) and adjacent precinct development that flow out of the Metro line are also not understood by the public or the communities who are impacted by sudden precinct planning.

17. Moreover, the former Coalition Government controversially moved NSW's rail assets to a for profit corporation, Transit Asset Holdings Entity (TAHE), with speculation, the decision followed a Discussion Paper such as that prepared by LUT Consulting in partnership with Mecone (2015)¹³ in 2015 for the Department of Premier & Cabinet in association with Treasury, the Department of Planning and Transport for NSW¹⁴, which study explored *'the benefits of integrating transport projects with land use plans and outlines infrastructure funding mechanisms through which urban development can assist the business case for investment in urban renewal and transportation infrastructure in a NSW'*. Analysing the *'value created in land markets surrounding transportation and urban renewal projects in the Sydney metropolitan area for the period from 2000 to 2014'*, the findings highlighted that the value *'created by investment in transportation projects could be characterised by three consecutive phrases: the monetisation of improved accessibility benefits, the rezoning of land parcels to their highest and best use, and the increase in development capacity by the increase in floor space ration'*. Today, the research raises questions around the monetisation of land markets, and the longer

¹² https://www.caselaw.nsw.gov.au/decision/18a967d27029a5d48968baf0#_Toc145668100

¹³ <https://www.luticonsulting.com.au/projects/hedonic-price-modelling-assessment-of-sydneys-key-transit/>

¹⁴ Sydney Transit & Urban Renewal Value Creation, LUTI Consulting & Mecone, 2015

Parliamentary Inquiry: Sydney Metro West

term impact on housing affordability.

18. Moreover, in the case of the state's independent Auditor-General, who consequently refused to sign off the accuracy of valuation and classification of the state's transport's assets¹⁵ in 2021, notably the key objectives for TAHE include the redevelopment of station assets effectively turn the entity into a mega property developer¹⁶. This followed the introduction of Transport Administration Amendment (Sydney Metro) Act in 2018 which principal objectives include *'to facilitate and carry out the orderly and efficient development of land in the locality of metro stations, depots and stabling yards, and proposed metro stations, depots and stabling yards'*.
19. While the incoming Labor government is committed to abolishing TAHE, recently released budget papers indicate the government will continue to prioritise its objectives for property development, with the terms of reference for the Mrdak Review reinforcing this view. To this end it is assumed this will be facilitated by Precinct Planning for Sydney's Metro projects with the interim Mrdak Review indicating much of the Business Case will be hidden from public view.
20. Likewise, factors such as development capacity planned for station precincts remains unknown despite the Premier indicating new precincts will absorb a greater uplift than previously planned, with the government, largely the beneficiary in response to major land use changes and optimisation, with the mantra, 'supply, supply, supply' being expounded by the government, developers and key lobby groups.
21. Notably, over-station development for Parramatta, Sydney Olympic Park, the Bays, Pyrmont and Hunter Street are proposed to be delivered as an Integrated Station Development (ISD) model, which will include commercial, retail and residential space.

¹⁵ <https://www.theguardian.com/australia-news/2022/jan/24/accounting-sham-transport-body-set-up-to-improve-nsws-budget-bottom-line-could-need-41bn-injection>

¹⁶ <https://www.parliament.nsw.gov.au/tp/files/79148/Statement%20of%20Corporate%20Intent%20of%20Transport%20Asset%20Holding%20Entity%20of%20NSW%20for%20year%20ending%2030%20June%202021%20.pdf>

Parliamentary Inquiry: Sydney Metro West

22. Proposed to be delivered via ‘Partnership Model, where contractors, investors, and Sydney Metro enter into a *‘partnership’*, delivery will be via different works packages with details for the contract not publically available.
23. Notably, the former NSW government appointed Ricardo PLD [UK]¹⁷ in 2020 as the *‘Shadow Operator’* for Sydney’s Metro West and Western Sydney Airport lines. Supported by Seoul Metro, Ricardo’s experts were appointed to provide advice and technical input from the viewpoint of the prospective operations and maintenance contractor. Once the actual operator is in place, Ricardo will support the handover process. In addition, KPMG/IAG¹⁸ were appointed to provide *‘transaction management services’* with the agreement between Sydney Metro subject to confidentiality provisions, thereby further limiting the public’s access to information.
24. Pyrmont Station ¹⁹ is proposed to apply a *‘value share contribution mechanism’* to offset costs to build a new station. Applied once the Metro West project opens, it will require commercial property owners (other than small businesses) that benefit from increased land values associated with the new station to make an annual contribution. In addition, a one-off Transport Special Infrastructure Contribution is proposed to be applied on certain new developments before the station opens.
25. In the case of Westmead, North Strathfield, Burwood North and Five Dock, single station packages are proposed.
26. In May 2022, the Committee for Sydney’s (CfS) launched its discussion paper *‘Rethinking Station Precincts’*²⁰ arguing the case for major redevelopment along Sydney Metro and Sydney Trains lines. Prepared in association with a number of consultants, SGS Economics suggest the plans could *‘create a massive \$9.3 billion economic windfall for*

¹⁷ <https://www.ricardo.com/media/2mskyzq2/ricardo-appointed-to-shadow-operator-role-for-new-sydney-metro-lines.pdf>

¹⁸ <https://www.transport.nsw.gov.au/system/files/media/documents/2020/Attachment%20B%20-%20TMS%20-%20PSC%20%2815%20June%202020%29%20%28Execution%20Version%29%20%5BRedacted%5D.pdf>

¹⁹ <https://infrastructurepipeline.org/project/sydney-metro-west-pyrmont-station>

²⁰ <https://sydney.org.au/wp-content/uploads/2022/05/Committee-for-Sydney-Rethinking-Station-Precincts-May-2022.pdf>

Parliamentary Inquiry: Sydney Metro West

*the state, along with \$16.3 billion in financial value through land appreciation and rezoning*²¹. 120 station precincts are proposed, with 70 prioritised, with the uplift potentially absorbing up to 45% (stretch target) in terms of Sydney's projected [high] population growth. This assumes station precincts are extended to a 1.5 km radius compared with a radius of 800 metres that was previously assumed.

27. The paper also proposes the introduction of an annual broad-based land tax that would be targeted to all property owners within a precinct for the purpose of encouraging the sale of smaller land holdings to enable land amalgamation. Similarly Urban Taskforce's 2016 paper 'Value Capture Is Not a Magic Pudding' proposes a broad based land tax²². Notably, communities likely to be impacted are unaware of these proposals.

28. According to a 2016 Infrastructure Australia paper²³ however, caution should be exercised, where value capture should not change a project's economic viability: *'Opportunities to undertake value capture should not lead a government's decision making on what to build and where. While value uplift stems from some incidental benefits of infrastructure investments, governments should seek to maximise these through project development, not project selection. Projects should be prioritised and selected for their economic impact and strategic merit. Value capture, alongside other potential funding mechanisms, should be a second order consideration. So while value capture can help to fund a project, it cannot improve its fundamental characteristics. In other words, value capture cannot make a bad project good.'*

29. The CFS's paper also includes detailed development capacity analysis for Westmead and Five Dock, with Westmead identified as an 'Activity Centre' and Five Dock a 'Suburban Upgrade'. Nominally, the Bays Precinct is classified as a 'CBD Centre', Burwood North and North Strathfield 'Suburban Upgrades' and Sydney Olympic Park and Westmead

²¹ <https://sgsep.com.au/publications/insights/rail-boom-could-solve-sydneys-housing-crisis>

²² https://www.urbantaskforce.com.au/wordpress/wp-content/uploads/2017/06/UT_Value-Capture-Report_FA_A_LR.pdf

²³ https://www.infrastructureaustralia.gov.au/sites/default/files/2019-06/Capturing_Value-Advice_on_making_value_capture_work_in_Australia-acc.pdf

Parliamentary Inquiry: Sydney Metro West

Station Precincts '*Activity Centres*'.

30. Other contentious considerations in the CfS paper include the potential introduction of 99-year leaseholds for public assets, i.e. for new town centres at Parramatta, Sydney Olympic Park, the Bays and strategic foreshores at Pyrmont, with the rezoning process potentially facilitated by a Section 9.1 Ministerial Direction, and a Delivery Authority proposed for each major station precincts, and where there are significant government landholdings.
31. While it is unknown if the CfS paper was prepared in association with the former government's plans for TAHE/Transport for NSW, it is highly likely given the Committee's members include the Department of Premier and Cabinet, the Department of Planning and Transport for NSW along with major property developers, bankers, industry and management consultants.
32. While the concept of Transit Orientated Development (TOD) was first introduced in Singapore in the 1970s, in the case of Sydney, its large scale introduction is relatively new. However, there are a number of significant challenges. These include housing affordability, particularly, where suburbs that are more affordable and close to the city are potentially targeted due to the land cost. In turn, these often become unaffordable as a result of major urban renewal. For example, in the case of Chippendale, the introduction of more than 1,000 'dwellings' in purpose built high rise student housing at Central Park inflated local rental values despite a 20% discount to market under the National Rental Affordability Scheme. Consequently, in 2021 (Census) c 50% of the local population is experiencing rental stress.
33. Likewise, a number of other suburbs within a 10 km radius of Sydney's and Parramatta's CBD provide more affordable low rise accommodation for a number of communities, many of which are multicultural communities who traditionally prefer to live in lower scale larger family homes. The introduction of high-rise precincts runs the risk of similarly inflating land values, while impacting important social structures and services.

Parliamentary Inquiry: Sydney Metro West

34. Other challenges include the retention of Heritage Conservation Areas, which has been more recently actively questioned by the recently established groups Sydney Yimby.

35. The introduction of Business Improvement Districts (BID) is another factor. Introduced by the former Coalition government, Sydney's Western Harbour BID is the first trial program. Extending from Walsh Bay to Pyrmont to Rozelle, it was proposed Tech Central and Central SSP follow. While the CfS paper likewise, suggests the introduction of governance programs, the '*privatisation*' of public land around precinct station is a potentially contentious issue. To this end, it is not known what assumptions were included in the former government's plans for TAHE and station precinct plans.

30 September 2023