

INQUIRY INTO CROSS CITY TUNNEL

Organisation: State Chamber of Commerce
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Theme:

Summary

JSC CROSS CITY TUNNEL

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Rachel Simpson, Director
Joint Select Committee on the Cross City Tunnel
Parliament House
Macquarie Street
Sydney 2000

Dear Ms Simpson

Thank you for invitation to make a contribution to the Inquiry being conducted by the Joint Select Committee on the Cross City Tunnel.

As the peak industry group for business in New South Wales, the State Chamber of Commerce represents more than 50,000 businesses, ranging from small proprietors to multinational corporations.

From the outset, the Chamber supported the need for a tunnel under the city to ease the burden of traffic congestion on businesses in the CBD and surrounding areas.

Apart from this general support, the Chamber was not involved in the details of the planning and construction of the Cross City Tunnel itself so we are not in a position to comment on all the issues set out in the Inquiry's Terms of Reference.

Instead, this submission will address a range of issues important to our members – most of which will come under the Terms of Reference paragraph 1 (g) any related matters.

Introduction

The Chamber of Commerce strongly believes that unless we get the road infrastructure right for Sydney, then the congestion 'cost' for both business and the community will be huge, including the loss of business opportunities to other states. We know that there is already a perception that it is easier to do business in other states, partly because of the business tax structure in NSW but also because of the congestion associated with our road and rail transport.

It would be unfortunate if the Government allowed its potential to 'get it right' in terms of road planning to be affected by the adverse publicity surrounding Public Private Partnerships (PPP's) and the Cross City Tunnel project.

Public Private Partnerships (PPP's) and community consultation

The Chamber believes the Government should continue its commitment to PPP's for significant projects including major roads. The use of private financing and tolls has enabled Sydney's extensive network of motorways to be 'provided to the community much earlier than would have been the case if they had been funded by the public sector'.¹

Indeed the Prime Minister John Howard said at the opening of the Westlink M7 Motorway last December "This project is an excellent example of what can be achieved through Governments and the private sector working together".

While there is already an impressive list of new Motorways in and around Sydney, more still needs to be achieved and financially, this will be difficult without the use of PPP's.

However, any public private partnership must be effectively 'sold' to both the community surrounding the proposed road and the intended users. One criticism of the Cross City Tunnel consortium is that it consulted with residents and businesses in the immediate vicinity but failed to consult potential users in suburbs much further a field. It is these users who are now baulking at the cost of the toll and the changes to surrounding roads which attempt to force them into the tunnel.

Feedback from our members suggests even the community consultation conducted with nearby commercial and residential groups was felt to be inadequate and often 'heavy handed' and these groups were frustrated by the process.

There is clearly a need for a broader consultation process which goes further than the currently required community liaison groups and commences in the planning stages of the project. Any new regulations governing PPP's should ensure there is provision for this wider comprehensive consultation process. Potential road users need to be behind a major road project – they need to understand why the project is necessary and what will be in it for them.

Chamber Recommendation

That there are clear rules in any PPP agreement stipulating broad consultation with both the surrounding residential and commercial groups and potential users before construction begins.

The public release of contracts and other documents relating to PPP's

The Chamber supports calls for more transparency in the public private partnership process. Once the deal has been done and the contracts signed, all documents should be publicly released. More importantly, the terms of the

¹ Review of the Future Provision of Motorways in NSW December 2005, Infrastructure Implementation Group, Premier's Department, page 3.

contract should be explained up front so that there are no 'surprises' once the road is opened.

The Chamber notes that the RTA has argued before your Committee that details regarding lane changes and closures related to the Cross City Tunnel were publicly available early on in the project. However there is a difference between being 'publicly available' and the public being aware of an issue and its consequences.

Major road projects like the Cross City Tunnel need to 'take the community with them' from the very beginning and this means explaining all the benefits as well as the possible consequences at the start of the project.

It could be argued that both the Government and the Cross City Tunnel consortium failed to properly communicate with road users and community groups. Hence the resultant anger at the changes once the Tunnel opened.

It should be noted that the Lane Cove Tunnel is due to open at the end of 2006 and has the potential to cause more problems for both the Government and the building company unless the process of transparency, communication and public education begins immediately.

Chamber Recommendation

Once a contract is signed, all documents should be publicly released and explained so that the community and road users thoroughly understand the nature of the project

Tolls - How much to charge

The Chamber supports the recommendations concerning tolls in the recent report by the Government's Infrastructure Implementation Group 'Review of Future Provision of Motorways in NSW' – specifically the notion that any toll charged must represent value for money for the road user in comparison to alternative routes. As the report states 'Although it is very early in the life of the CCT, the RTA may have over-estimated its (early) perceived value to its users.'²

There is clearly a problem with setting the level of the toll in the tender documents for a project. Predicted traffic volumes are only ever an educated guess and as we have seen with the Cross City Tunnel, these predictions can be wide of the mark when motorists decide a toll does not represent 'value for money'.

The Chamber notes that the operators of the new Westlink M7 conducted extensive market research into what potential users would bear in terms of toll levels and came up with a range of toll packages to suit different needs.

² Review of the Future Provision of Motorways in NSW December 2005, Infrastructure Implementation Group, Premier's Department, page 24.

We also support the view that 'toll free periods should be mandatory under all new toll road contracts'³. If the Cross City tunnel operators had adopted this approach on opening, it might have allayed at least some of the immediate motorist anger and negative publicity.

Chamber Recommendation

Governments must retain the right to ensure tolls are set to reflect 'value for money' for the road user.

Conclusion

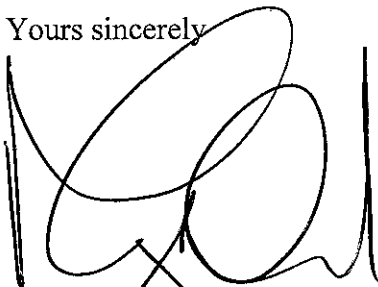
It must be said that a number of our members have registered concern regarding government use of Public Private Partnerships on major projects and indeed, the Chamber has stated that consideration should be given to quarantining some key State projects from PPP's. However, the level of concern has more to do with the way PPP's are negotiated and executed than with the idea itself.

As stated from the outset, we believe that well planned partnerships between the Government and the private sector are the best way to achieve the completion of Sydney's much needed road infrastructure.

The Chamber hopes the Committee's work and subsequent Report will help pave the way for an improved process in terms of Public Private Partnerships and ensure that the future operation of the Cross City Tunnel is free from the public controversy which has affected its early operation.

Should you have any questions about this submission please contact Kerrie Douglass, Manager of Policy, Research and Government Affairs on (02) 9350 8149

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Osmond', written over a horizontal line.

**MARGY OSMOND
CHIEF EXECUTIVE**

³ Ibid, page 5.