

**Submission
No 16**

INQUIRY INTO IMPACT OF THE CBD AND SOUTH EAST LIGHT RAIL PROJECT

Organisation: Sydney Business Chamber

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The Hon. Rev. Fred Nile MLC
Chair
Public Accountability Committee
Legislative Council
Parliament House
Sydney NSW 2000

Sent electronically: public.accountability@parliament.nsw.gov.au

Dear Chair

Inquiry into the Impact of the CBD and South East Light Rail Project

The Sydney Business Chamber (SBC) welcomes the opportunity to provide a response to the Inquiry on the impact of the construction of the CBD and South East Light Rail Project (the Project) on residents and businesses in the vicinity of the light rail route.

SBC is a leading advocate for Sydney as a competitive and liveable global city. A division of the NSW Business Chamber, SBC has offices in the Sydney CBD and Parramatta CBD and represents over 135 leading Sydney corporations. While the SBC acts for and on behalf of its members, SBC is committed to supporting businesses of all sizes reach their potential and recognises their contribution to the vibrancy of Sydney.

A number of our members have operations or own property on, or in the vicinity of, George Street.

Introduction

CBD light rail is a transformative project that has the potential to facilitate a significant and sustained uplift in investment both within the Sydney CBD and along its corridor. However, significant infrastructure projects particularly those in central business districts often negatively impact the trading conditions of businesses during the construction phase on account of restricted access, noise, dust and the general diminution of social amenity.

While noting the broad terms of reference of this inquiry, the Chamber in this submission will focus on the following :

- a) The adequacy of the government's response to the financial impact and diminution in social amenity caused by the project on residents and businesses including access to financial compensation and business support services,
- b) The appropriateness and adequacy of the financial compensation process established by the assessment process and consistency of outcomes.
- c) The effectiveness of the government's communication with residents and business concerning project delays and financial compensation.

A division of NSW Business Chamber Limited ABN 63 000 014 504

Factors exacerbating complications associated with construction

While the CBD Light Rail is the most significant construction project within the core CBD precinct, it should be recognised that CBD Light Rail is not being delivered in isolation from other significant construction activity.

Accordingly, in assessing the impact of the Project, particularly on businesses in the corridor from Alfred to Bathurst Street (which represents the core CBD Precinct) it should be noted that private sector investment in construction of new or refurbishment of major buildings is also underway or recently completed. These projects include the Wynyard Place development, 333 George Street and renewal of buildings between King and Market Streets.

Elsewhere demolition of buildings for the next stage of the Metro Project are underway. The impact of public and private sector projects is that residents, businesses and users of the CBD are facing the impact of multiple construction sites which taken as a whole is both unprecedented in the CBD and the likely source of some of the shifts in consumer behaviour and what is being described as 'construction fatigue'.

Effectiveness of the Government's communication

Since the commencement of the project in 2014, SBC has been a participant in regular business forums that have been hosted by Transport for NSW or the Light Rail project team. These forums are attended by a cross-section of peak groups, government agencies and business owners. For example invitation to the quarterly Business Reference Group is extended to not only SBC but local chambers of commerce representing local precincts, the Property Council, retail peak bodies, tourism peak bodies and the major 5 star hotels and other peak bodies.

SBC is also a participant in the Light Rail Delivery Roundtable which is convened to discuss the project, share information and respond to stakeholder questions. Other participants include but not limited to local members of parliament, City of Sydney and Randwick Council, University of NSW, Australian Turf Club and government agencies, including the NSW Small Business Commissioner.

Since 2014 each group has been addressed on a number of occasions by the Minister for Transport, the Secretary of Transport for NSW and numerous members of the Project team. Every effort is made to provide up-to-date information and respond to questions.

From these meetings key decisions impacting on local business such as the design of hoardings, access to loading docks, closure of key intersections and general construction scheduling were explored and in some cases decisions were changed.

Short term impacts

As a general observation, businesses within precincts and along corridors impacted by transport or related construction activity face short term or temporary impacts associated with construction activity. For businesses reliant on traditional customers, reduced accessibility, and/or access to parking along with interruptions to essential services (water, electricity and communications), dust and noise can have a material impact on revenue and business operations.

Minimising impact

To minimise the impact on businesses it is essential that construction timeframes are managed effectively, alternate access is maintained and effective communication through signage and public announcements provided to both patrons and visitors to the area. Community engagement should provide clear instructions on how to access the impacted area and where possible, engage the public in a way that encourages them to continue to visit the precinct so that they are not only supporting affected local businesses but observing the physical/infrastructure changes in the area.

While it is understood that significant construction activity will restrict access in some locations, there have been examples which include construction activity at Barangaroo where the public have been able to observe and move around significant construction activity/zones in a way that has supported local businesses and engendered a sense of community engagement with both the construction activity and project.

Key to minimising impact is effective project management, which accurately defines the duration of impact. In respect to the CBD and South East Light Rail Project, it is understood that delays have been incurred on account of the substantial works required to relocate pipes, conduits and cables, some of which were not identified in drawings or assessments. Adding to delays have been negotiations with utilities providers and contractual disputes. It is clear that more activity should have been directed to the management and relocation of underground pipes and utilities. Although it not clear of the extent to which this may, or may not have, reduced delays and disruptions experienced by local businesses.

However it should also be noted that prior to the commencement of the Project and at key times such as in relation to the Christmas retail period the delivery team planned for and undertook local activation strategies. SBC was a participant in and was consulted on the Business Activation Program.

Access to financial compensation and business support services

The Chamber understands that small businesses are eligible to request financial assistance provided they meet certain criteria. Businesses must employ fewer than 50 full-time equivalent employees; be situated along the alignment in close proximity to and impacted by construction activity; and located in a zone where construction is taking or is expected to take significantly longer than initially expected by Government.

The offer to assess the impact of light rail construction on any particular business is contingent on the business providing certified financial information. We understand that accounting fees will be covered, and rental assistance will be extended until the end of the construction period. This paperwork is already prepared by the businesses for tax purposes.

The Chamber believes the current compensation arrangements for businesses impacted by the light rail project could be improved through the establishment of a centralised portal administered by Service NSW that allows businesses to upload compensation claims against clear and defined criteria, which at the minimum would provide temporary rent relief payable within ten business days.

In terms of the business support services, we note there has been some signage and marketing assistance but more could be done and we suggest regular communications with affected businesses to meet their particular needs.

What can be done to minimise impacts of major CBD transport projects

The Government should develop a disruption mitigation plan for all major projects (funded from the Department of Planning and/Transport). The plan should not focus exclusively on compensation, but rather set out communication initiatives, other support services (marketing/signage/street art for interest etc.) and advice. Advice should include support for businesses to navigate the disruption and provide for alternate business growth strategies and business sustainability measures pre, during and post construction activity.

Contract management considerations

The SBC notes the Government's recent announcement of a new 10 point plan to establish more collaborative relationships with contractors for major projects may provide a turning point in the direction and delivery of major projects. While we share the concerns of other stakeholders that more needs to be done in terms of oversight and project governance to ensure individual agencies meet the objectives of the plan, we support its underlying intent.

The SBC believes there may be value in the Government considering revised contractual arrangements that allow for the broader application of provisions that would allow the calculation of liquidated damages for affected businesses and/or specific penalties for failures to deliver in accordance with contracted terms. In respect to project management, it is clear there is also a need for relevant Departments to engage more experienced contract and project managers for such projects.

Consideration should also be given to a greater use of bank guarantees and related 'security' from prime and major contractors to incentivise specific performance of contracts and help mitigate delays and disruption to communities and/or businesses. While it may be argued the imposition of such arrangements may inflate tender prices, such arrangements would provide a source of funds to compensate impacted parties and help ensure a greater focus on key risk items that would be quantified and held to account by a commensurate bank guarantee.

Independent Report of Departmental project management

Commercial skills are essential to success in complex projects and a great deal of money rests on this; but there does not appear to be a coherent system for providing skills across government or for using the existing skills as efficiently as possible. Further to this, given the value of construction projects across NSW there should be a more direct focus on securing in-house capability that can more efficiently and professionally deliver key strategic projects.

In addition to the above, the Chamber recommends that an independent assessment be undertaken on the project management and delivery performance of all major projects and that these assessments be made public on an annual basis. All projects exceeding \$250 million should be subject to an annual assessment with all findings published and lessons learnt incorporated into future tender/contract documentation or project management procedures.

Thank you for the opportunity to provide input into this Inquiry. If you have any further questions in relation to this submission, please feel free to contact

Yours sincerely

Hon Patricia Forsythe
Executive Director