

INQUIRY INTO IMPACT OF THE WESTCONNEX PROJECT

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Inquiry into the impact of the WestConnex project

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City of Sydney submission to the NSW Legislative Council Inquiry.



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1. Introduction

The City of Sydney strongly opposes WestConnex and this submission will outline the reasons why. The submission reflects a long held view by the Council that this is a destructive project that should be scrapped. Attached to the submission is a number of Council Minutes that outline the Council's concerns.

WestConnex is Australia's most expensive toll road project - the estimated cost is now \$16.8 billion.

Compared to other motorway projects built in Sydney over the last 20 - 30 years WestConnex is extraordinarily expensive. SGS Economics and Planning showed that in 2015 dollars, the M4, M5, Harbour Tunnel, M2 Eastern Distributor (62.5 km in total) cost \$6.1 billion while the 33km WestConnex is costing \$16.8 billion.

The Government's own preliminary cost estimates for the Western Harbour Tunnel, Beaches Link and F6 Stage 1 double the overall cost, to around \$32 billion. This is not taking into consideration future stages of the F6.

It also does not include the cost of supporting roadworks around WestConnex, such as the Sydney Gateway (once defined) and Alexandria to Moore Park Connectivity Upgrade (A2MP).

With no detail yet on the scope of these, the total cost could range from \$2 to \$8 billion.

The total overall cost of all the proposed roads is therefore likely to be in the range of \$40- \$50 billion. This makes it one of the most expensive collections of road projects ever undertaken in the world.

A project of this scale, funded by taxpayers, should be subject to the most rigorous assessment and quality assurance processes available. However it has been independently verified that there has been a shocking lack of due diligence and rigour associated with this massive investment of public funds.

The National Joint Committee of Public Accounts and Audit and Infrastructure Australia have criticised the project and both the State and Federal Auditor General have raised serious concerns about conflicts of interest and a lack of an independent assessment of the business case.

The project is marred by an absence of adequate governance and quality assurance processes, misalignment with broader state planning and development policies and a lack of strategic justification. It has been shrouded in secrecy and allowed to proceed without notification and proper approvals.

In 2014, the State Auditor General warned that the project had not been subjected to the same level of oversight as other initiatives and said the preliminary business case was deficient and fell well short of the standard required. That preliminary business case was superseded by an Updated Strategic Business Case that also fell short of standard NSW Government practice for major projects. Final Business Cases are required by NSW Treasury for projects with a total cost of over \$5 million. It is still not clear if a Final Business Case has been prepared for WestConnex noting that the Updated Strategic Business Case meets some requirements of a final business case, but not all.

The project fails to meet the Government's own processes and contracts were entered into and construction has commenced before the planning process for the broader network was complete.

To ensure the community had access to an independent assessment of the project, the City asked **SGS Economics and Planning** (SGSEP) to do an analysis of the Government's Updated Strategic Business Case. Their SGSEP findings were highly critical and said it did not meet the proper standards of a final Business Case and is "*a confused document filled with contradictions.*" Further, it did not analyze potentially cheaper alternatives such as demand management and public transport; selectively over-estimates benefits and under-estimates costs; and it is silent on the impact of the second airport on freight and commuter traffic in Sydney's west.

Accepting what SGS identified as flawed and optimistic assumptions, the optimistic figures estimate most users will save less than five minutes and the toll road will reach capacity as soon as 2031, only eight years after completion.

This finding suggests that the Government may spend up to \$40-50 billion on toll roads in order to save most motorists who use it five minutes travel time for only eight years.

SGS reports that any benefit of WestConnex "is likely to be marginal at best and it is quite possible that the actual BCR (Benefit-Cost Ratio) for WestConnex is less than one" (the benefits do not exceed costs).

The City's objections to the project centre on the:

- ***lack of consistency with the NSW Government's stated policy frameworks;***
- ***inadequate planning and changing aims with current goals not specified;***
- ***flawed business case based on assumptions that are no longer valid;***
- ***congestion impacts on the global city of Australia affecting business activity and competitiveness;***
- ***degraded resident amenity including reduced air quality and massive loss of parkland, trees and valuable inner city land; and***
- ***lack of transparency and consultation with affected communities.***

Congestion is already costing Sydney \$6 billion a year and the Australian Infrastructure Audit estimates this will rise to \$14.8 billion by 2031 if public transport isn't prioritised¹. Data shows that in the ten years between 2003 and 2013, the number of people driving into the Sydney City Centre remained fairly static while trips by public transport increased by around 40 per cent.

Since the light rail construction commenced in 2015, there has been an 11 per cent reduction in the number of inbound vehicles and a 9.4 per cent increase in public transport use into the CBD during the morning peak period.

This shows that productivity in the global city centre is boosted by more public transport capacity and additional road capacity is not required.

As a key driver for the national economy, the area covered by the City of Sydney is vital to Australia's future and the future of NSW. The City economy now totals approximately \$125 billion, or almost a quarter of the entire NSW economy. Independent analysts suggest the City economy alone is contributing more than 10 per cent of Australia's current economic growth. It has overtaken the mining sector as the principal driver of Australia's economy along with the inner centres of other major Australian cities like Melbourne and Brisbane.

This economic growth is driving an increase in jobs. Since 2006, job numbers have grown by 100,000 to 498,000², an increase of almost 30 per cent making the City of Sydney the epicentre of jobs and job growth in Australia.

¹ Infrastructure Australia, 2015, Australian Infrastructure Audit 2015, <http://infrastructureaustralia.gov.au/policy-publications/publications/files/Australian-Infrastructure-Audit-Volume-1.pdf>

² City of Sydney, 2016, Community Profile, <https://profile.id.com.au/sydney/workers>

But one of the most significant risks to this growth and the future economic viability of our city centre is congestion.

The business case for WestConnex makes clear it will dramatically increase congestion by bringing 120,000 additional vehicles daily through the St Peters interchange, after which they will flow out on the already gridlocked inner city streets in the most densely populated neighbourhoods in Australia. This is a significant threat to our future liveability and to investment in the city centre and the Green Square renewal area.

The last business case showed that on key corridors using public transport will be quicker than using WestConnex.

The Government's own Regional and District plans acknowledge that the future of the city's competitiveness comes from creating connected places where people live in close proximity to jobs. This can only be delivered through affordable, reliable public transport. The Government's own transport plans acknowledge that public transport has superior carrying capacity – ***a train line can move 50 000 people an hour, compare this with a freeway lane that can only move 2500.***

WestConnex has changed from a project with specific aims to link Kingsford Smith Airport and Port Botany to the west and the bypassing and improvement of Parramatta Road to a toll driven money making venture for sale to the private sector. It will not benefit our city and will be increasingly expensive for users.

So if we know all this:

- ***Why is the Government still justifying all the expense and destruction this project has caused given the original goals have been abandoned?***
- ***Why is the Government building a road network of this scale, particularly before they embed their Regional Plan with its three cities model that will see more jobs closer to where people live?***
- ***Why isn't planning for the project taking the second airport in the west into account?***
- ***Why hasn't the Government exhausted all other means of getting people around first, such as completing the Metro West, before deciding the scale of motor way projects?***
- ***Why would this Government risk economic growth by driving more cars into the Harbour CBD when every plan about the CBDs competitiveness has been working to get cars out?***
- ***And why would the Government risk compromising the future of our city's economy, entrenching the east west social divide and condemning thousands of people to privatised, unsustainable, expensive and inefficient tolled car travel.***

WestConnex in its current form undermines everything we know about good city planning. It swallows up vast tracts of otherwise valuable and productive inner city land. It destroys significant tree coverage and eats into parklands and much needed recreational sporting space. It threatens the health and amenity of people increasingly living at higher densities in response to Government policies. The congestion resulting from the 120,000 extra vehicles channelled into our central city area threatens business activity, Sydney's competitiveness and jobs and employment. And the sheer cost of the project means more efficient and urgently needed public transport projects will be delayed or scrapped.

We believe it is critical for the future of the global city that this project is stopped before further damage is done.

Recommendation A

- *For reasons already outlined the Government should immediately halt the project.*
- *That funding set aside for WestConnex be instead directed into more efficient and urgently needed public transport projects.*
- *That the City's alternative proposal which outlined a direct route to the Airport and Port Botany be developed and proceeded with. The Premier was briefed on and given the proposal on 27 April 2017 and it is attached to this submission.*

Recommendation B - our alternate recommendation if the project is not, as it should be, scrapped:

- *The St Peters interchange to be dramatically and immediately reduced, for Stage Three to be reduced and the City's proposal to directly link the new M5 with the Airport and Port Botany to be undertaken to divert traffic and protect the city centre and high density neighbourhoods from crippling congestion.*
- *For better access to Sydney Park and to minimise regional traffic through local areas, the NSW Government ensures that Euston Road remains a 2-lane 2-way road, with 40km an hour speed limit and a signalised pedestrian crossing between Sydney Park Road and Campbell Road.*
- *The Roads and Maritime Services to provide a covered recreational facility in St Peters and significant tree planting to reduce impact of air pollution, and to reinstate land at Sydney Park.*
- *The NSW Government develop a plan to deal with the remaining traffic volumes on the reduced St Peters interchange, outlining how traffic will interact with existing traffic volumes on existing roads.*
- *Roads and Maritime Services commit to community consultation, and funding of, local traffic mitigation measures along the route of the reduced Stage 3 and a reduced A2MP McEvoy Street extension.*
- *Roads and Maritime Services to abandon the postponed Continuous Flow Interchange project.*
- *The NSW Government before the end of 2018, act on its commitment to transfer responsibility for air quality monitoring to the NSW Environmental Protection Authority.*

Both recommendations include the strong call for transparency, greater consultation with affected communities and an honest appraisal of impacts.

It would be in the public interest to abolish not privatise the Sydney Motorway Corporation and have the carriage of this expensive project managed by the elected State Government. The Government should also create a WestConnex Ombudsman, to achieve a balance between commercial in confidence, and the public's right to know.

If WestConnex Stage 3 proceeds, no tenders should be let before the Minister's Conditions of Approval are prescribed. And the NSW Government should ensure that the Department of Planning and Environment is sufficiently resourced to ensure compliance with any Conditions of Approval.

This submission is structured in accordance with the Terms of Reference (TOR) of the NSW Legislative Council Inquiry, with each subsequent section corresponding to a TOR.

2. Business cases are inadequate and fail to demonstrate WestConnex is justified

TOR A: Adequacy of the business case for the WestConnex project, including the cost - benefits ratio.

2.1. Limited strategic analysis

The original and Updated Strategic Business cases for WestConnex failed to justify the project and it should never have been allowed to proceed.

The original business case was approved by the New South Wales Government in August 2013. It stated that WestConnex would reduce traffic congestion, revitalise Parramatta Road and improve links to Sydney's Global Gateway (Port Botany and Sydney Airport).

The New South Wales Auditor³, Australian National Audit Office⁴ and Infrastructure Australia (IA) expressed a range of concerns in regards to the original business case, and did not rate the project as 'ready to proceed'⁵.

In November 2015, the WestConnex Updated Strategic Business Case was released. It contained many contradictions and did not address concerns previously raised:

- No information was provided about where people are travelling to or from, or how WestConnex caters for those trips. Seventy five per cent of car trips to inner Sydney originate from inner Sydney or the Eastern Suburbs⁶. Seventy five per cent of commuter trips to Sydney and 45 per cent of trips to Parramatta CBD are by public transport.
- The Updated Strategic Business case claimed that the high level of Sydney's road congestion compared to other global cities justifies WestConnex. It is noteworthy that the cities against which Sydney was compared are not building major new motorways to address traffic congestion⁷.
- Figure 2.5 *Sydney's motorway network – the missing links* (p71) illustrates 'missing links' in Sydney's motorway network. Stage 3 of WestConnex, the M4-M5 Link, is not on that map. The project does not provide a 'missing link' between the M4 and M5. The M7, A6 and A3 roads already provide this function. The whole concept of a "missing link" as expressed by WestConnex is a furphy, as such links should respond to the need to serve future demand rather than filling an idealised geometric 'gap' Strategic modelling undertaken for the City confirms that there is very little demand for a link between the M4 and M5 where WestConnex proposes it.

A fundamental flaw of the Strategic Business Case is that it didn't analyse Sydney's growth and transport challenges and assess WestConnex as one of many potential options to meet them. Instead, the Business Case essentially assumes a motorway is needed and therefore does not even consider if WestConnex is a more effective or cheaper option than alternatives such as demand management, public transport or a combination.

The Business Case also failed to consider future developments that will affect land use and transport in Greater Sydney, such as the Western Sydney airport. The Updated Strategic Business

3 New South Wales Auditor-General (2014) WestConnex: Assurance to the Government. https://www.audit.nsw.gov.au/ArticleDocuments/351/01_Westconnex_Full_Report.pdf.aspx?Embed=Y

4 The Approval and Administration of Commonwealth Funding for the WestConnex Project, Australian National Audit Office, Chapter 3 points 20-23, <https://www.anao.gov.au/work/performance-audit/approval-and-administration-commonwealth-funding-westconnex-project>

5 Infrastructure Australia 2014-15 Assessment Brief: WestConnex. <http://infrastructureaustralia.gov.au/projects/files/NSW-WestConnex.pdf>

6 SGS Economics and Planning, 2016, WestConnex Business Case Review

7 Ibid

Case is silent on the second airport and how it will affect and potentially reduce freight movements in the M5 corridor- one of the key justifications for the project.

In comparison, the *East West Link Needs Assessment* undertaken by Sir Rod Eddington for the Victorian Government examined four options which combined a range of road and public transport options to improve east-west connectivity in Melbourne. The assessment examined the various costs and benefits that each option would generate.

No such analysis of alternatives has ever been provided for the WestConnex project.

Recommendation

The NSW Government must immediately halt the project and review the costs and benefits of WestConnex against other public transport networks that could fulfil its objectives.

2.2. Contradictory, incomplete benefit cost analysis

The Benefit Cost Analysis in the Updated Strategic Business Case is contradictory, inadequate and incomplete:

- A BCR of 1.71 is claimed, but a more careful analysis of the primary data in the report gives a BCR of 1.64⁸.
- A high expansion factor (345 days) is used to convert daily benefits to annual benefits. Using a more realistic factor of 320 days would further reduce the BCR from 1.64 to 1.52.
- Traffic projections (and tolls that motorists will pay) constitute a key source of benefits for the WestConnex business case, but the traffic modelling is based on outdated assumptions, flawed processes, and contains many unexplained and counterintuitive results.
- The traffic modelling feeding into the benefit cost analysis is inadequate and the assumptions on which the traffic projections were made are flawed. This is of particular concern because traffic projections (and associated toll earnings) are a key source of benefits. This is explained in detail at Sections 2.2.2 - 2.2.9.

The remainder of this section sets out the key failings of the benefit cost analysis.

2.2.1. Inadequate consideration of costs

Project costs are uncertain and very high, but consideration of them is scant:

- NSW Treasury⁹ requires Preliminary Business Cases to be prepared to enable a determination to be made as to whether the project is worthwhile. Treasury requires that these are informed by P75 cost estimates.
- If the preliminary business case makes a satisfactory case for a project, a Final Business case is then prepared to enable a final determination to be made. Treasury requires that these are informed by P90 cost estimates.
- The WestConnex Updated Strategic Business Case is part Preliminary and part Final business case¹⁰. Of the report's 319 pages, only six consider costs (and only four in the supporting KPMG report *WestConnex Full Scheme Economic Appraisal*). The Updated Strategic Business Case was informed by P50 cost estimates - meaning that there is a 50 per cent chance that they will be exceeded. It is not known whether a Final Business Case

⁸ Ibid

⁹ New South Wales Treasury (2012) Treasury Circular NSW TC12/19 11 October 2012 'Submission of Business Cases'. Available via https://www.treasury.nsw.gov.au/sites/default/files/2017-03/TC12-19_Submission_of_Business_Cases_dnd.pdf

¹⁰ SGS Economics and Planning, 2016, WestConnex Business Case Review

was prepared. Yet construction is well advanced. This is reckless for a project estimated to cost at least \$16.8 billion.

In calculating the BCR the alleged benefits of WestConnex have been overstated while costs were underestimated. Notably:

- The majority of benefits claimed for WestConnex are travel time savings. A large number of savings are less than five minutes. Travel time savings this small are unlikely to be realised because they are within the margin of error of the modelling or are too small to entice commuters onto the motorway. This was exactly the conclusion Roads and Maritime Services came to when evaluating the failed Lane Cove Tunnel and Cross City Tunnel projects. The removal of travel time savings of less than 5 minutes would reduce the BCR of the project by 55 per cent.
- The document shows WestConnex will reach capacity once the Western Harbour Tunnel is built in 2031, however the financial modelling assumes the benefits of WestConnex will continue to increase without justification until 2052.
- The assessment of induced demand – the amount of increased traffic caused by the project - appears to be deliberately played down. The Business Case only reduces the projected benefits of the project by 3 per cent due to induced demand yet a reduction of 30 per cent is more likely based on the experience of other motorways.
- While the overall cost of the project has increased due to additional road links and supporting works, the cost of the work described at that stage remains the same as it was in the 2013 Business Case. The project costs have not been refined at all in a three year period, particularly given that construction costs across Sydney significantly increased in that period.
- Not all costs of the project have been accounted for, or are only partly accounted. Nor have the reduced health benefits from potentially reduced public transport patronage and the cost of more severe car crashes.
- Acquisition of land which could be used for other higher value activities. SGS Economics and Planning estimate that the land taken for interchanges alone at Rozelle and St Peters has a market value of approximately \$3.7 billion. If this cost was taken into account of the BCR would fall from 1.64 to 1.23. This is a significant omission.
- Reduced amenity due to increases in traffic and reduction in pedestrian and cyclist safety, increases in noise, air and visual pollution, loss of trees and shade, which will negatively impact urban development, has not been adequately accounted for.
- For a project of this size it is normal practice to produce a P90 construction cost (a figure that confirms that there is only a 10 per cent chance it will be exceeded). The Strategic Business Case provides no information on what the P90 cost of the project could be despite being asked by Infrastructure Australia to do so. This could increase the cost of the project by at least another billion dollars.

2.2.2. Modelling process is unsuitable and unreliable

The strategic traffic model that forms the basis of the WestConnex traffic projections is an 'unconstrained' model. This model assumes that all vehicles will travel on roads with the lowest generalised cost (lowest time and money) and that the traffic will flow freely¹¹. It does not take into account whether all the traffic can actually fit on those roads. In the reality, people change their time of travel, method of travel and consider whether to make a trip at all to avoid heavily congested routes. As a result travel patterns would be very different to the patterns identified in the model.

¹¹ Bliemer, M., 2018, Sydney's Transport Modelling 60 years out of date and flawed.
<http://sydney.edu.au/business/news/2018/sydneys-transport-modelling-60-years-out-of-date-and-flawed-research>

For example, the traffic projections for the Anzac Bridge in the EIS ¹² show an increase of some 20,000 vehicles crossing the bridge in each direction (*24 h Total Vol*). However, the Bridge is already at capacity in the peak and some off-peak periods and could not take the additional demand via the Bridge or on the downstream road network.

2.2.3. Planning assumptions have changed

Traffic projections are only ever as reliable as the inputs to the traffic modelling process. In the case of WestConnex, a number of key planning inputs that informed traffic modelling assumptions are no longer relevant:

- The Sydney Metro West project was not considered in the original planning case. It is now likely to proceed by the late 2020s.
- The Second Sydney Airport has been announced with rail connections and new road connections, and was not considered in the original planning case.
- The Government is not currently able to deliver the 'Sydney Gateway', which includes improved road connection to the port and airport - this was a key justification of the original WestConnex project.
- Proposed additional projects (Western Harbour Tunnel, Beaches Link and F6 Stage 1) have been announced, and among other things did not take into account the total toll load created by the additional legs, which will reduce the overall capacity to pay tolls.

There is no publicly-available assessment of the impact of these changes on future traffic demand.

2.2.4. Unsubstantiated and unusual benefits to business and light commercial vehicles

Very high transport benefits for business and light commercial vehicles are not explained by the Updated Strategic Business Case. The origin and destination of these trips is not explained. Given these two vehicle classes account for half of the WestConnex user benefits this is also a major inadequacy.

The updated business case estimated that light commercial vehicles make up roughly 10 per cent of car trips but account for 45 per cent of benefits generated by cars. Another 19.4 per cent of benefits come from cars registered for business use. While this is partly due to the high cost of time assigned to business travellers (\$53.60) compared with commuters (\$21.32) (which is in line with guidelines) the high number of business travellers is not justified.

2.2.5. Travel time savings: too small to notice and not worth paying for

- The Updated Strategic Business Case states that travel time savings account for 58 per cent of the benefits of the project. Sixty per cent of these time savings are less than three minutes¹³. Small travel time savings are often not realised and can be too small to measure or notice in economic terms. Removing them from the transport modelling reduces the BCR from 1.64 to 1.12.
 - The link between toll prices and travel time savings does not appear to have been examined. Car users willingness to pay for toll roads is observed to decline with additional tolled road links, a concept known as 'toll budget constraint'¹⁴. Sydney already has more metropolitan toll kilometres than any other city in the world. If fewer car users are travelling on the road, aggregate travel time saving benefits decline.

¹² WestConnex M4-M5 Link EIS Volume 1A Figure 8-13. Difference in AWT between 2023 'with project' and 'without project' scenarios.

¹³ SGS Economics and Planning, 2016, WestConnex Business Case Review

¹⁴ Hensher, D., Ho, C., Liu, W. (2015) How much is too much for tolled road users: toll saturation and the implications for car commuting value of travel time savings? Research paper. 10 November 2015. Institute of Transport and Logistics Studies, the University of Sydney Business School.

- The Updated Strategic Business Case makes clear that the opening of the Western Harbour Tunnel will push up traffic volumes, reducing travel time savings and reducing the benefits. This is not accounted for in calculating the BCR.
- The City notes that the traffic projections for the Lane Cove Tunnel, Cross City Tunnel and the Clem 7 Tunnel in Brisbane overestimated travel time savings and drivers' propensity to use the toll road to the point where the toll roads have been financial disasters. The WestConnex business case and Environmental Impact Statement used the same traffic modelling methodology, but in a far more complex context – making it highly likely that it, too, overestimated toll earnings. The City is concerned that the same methodology is again being used and has questions about its suitability.

2.2.6. Induced demand not considered

Infrastructure Australia requested that the impact of induced demand, which reduces travel time savings, be assessed. Induced demand arises from people making new car trips, shifting from public transport or changing routes to make use of a new infrastructure project. In response the updated business case reduced overall transport benefits by 3 per cent. The independent review by SGS Economics and Planning suggests a figure ten times that amount would be more likely¹⁵. A 30 per cent reduction in transport benefits resulting from induced demand would reduce the BCR from the recalculated 1.64 to 1.15.

The Updated Strategic Business case consistently uses questionable data, leading to potential underestimation of patronage risk.

2.2.7. Claiming benefits that aren't there

Travel time reductions to Sydney Airport and Port Botany are claimed as a key benefit of the project. However, while WestConnex encompasses works supporting access to the airport, ***the project ends seven kilometres away. Traffic from WestConnex will be deposited onto local streets and forced to navigate local roads to access the Port and Airport.*** The costs of the complex road works to the airport are not in the business case even though the travel time saving benefits are.

A claim is made that WestConnex will help ***renew Parramatta Road*** by reducing traffic on the road. Yet data presented in the updated business case shows that many parts of the road will carry more traffic, not less, due to WestConnex.

2.2.8. Modelling boundaries

The traffic modelling boundaries are constrained to the area immediately around WestConnex portals even though in practice the traffic impacts associated with the project would extend many kilometres from the portals. This makes it impossible to understand impacts on nearby local streets without doing additional analysis.

This lack of information provided by the project is particularly concerning in relation to the functioning of the Sydney City Centre, where traffic impacts of WestConnex could materially impact on access, efficiency and safety in Australia's global city centre. It is also an issue for streets in other local areas such as Maddox Street and The Crescent.

2.2.9. Modelling horizon too short

The traffic modelling horizon is 2031, there is no information on how WestConnex will perform in the longer term. Despite the Western Harbour Tunnel creating capacity constraints for WestConnex, benefits of the road are assumed to continue to increase until 2052. The modelling

¹⁵ SGS Economics and Planning, 2016, WestConnex Business Case Review

also fails to account for other matters that will have an impact on Sydney's transport network including: Western Sydney Airport, South Metro West; smart motorways; autonomous vehicles; electric vehicles; and road pricing.

Recommendation

As SGS reports any benefit of WestConnex *"is likely to be marginal at best and it is quite possible that the actual BCR (Benefit-Cost Ratio) for WestConnex is less than one"*¹⁶, that is, the benefits do not exceed the costs - ***therefore this project should be immediately scrapped.***

3. Cost of project

ToR B: The cost of WestConnex project, including the size and reasons for overruns.

The cost of WestConnex is prohibitively high. The project has a history of repeated design changes, with the NSW Government's projected costs shifting from \$10 billion in 2012 to \$16.8 billion today.

At \$509 million per kilometre, WestConnex will be the most expensive land-based project in Australia's history and more expensive per kilometre than the high speed rail tunnel between France and England under the English Channel¹⁷.

The NSW Government and federal Auditors General note there is a high likelihood of further cost increases. SGS Economics and Planning note that a conservative estimate of likely cost increases is \$1 billion.

Section 2: Business case (above) contains further discussion about the treatment of costs.

4. Governance and structure of project

ToR C: Consideration of the governance and structure of the WestConnex project including the relationship between Sydney Motorway Corporation (SMC), Roads and Maritime Services, the Treasury and its shareholding Ministers.

The structure and terms of contract for WestConnex are resulting in poor outcomes for the people of NSW in terms of value for money, impact on surrounding communities and integrated land use and transport outcomes.

4.1. Opaque governance and structure avoids accountability

The Government created the SMC to build WestConnex and legislated to remove it from public scrutiny, avoiding the checks and balances that have either limited or exposed poor governance and planning process in other government agencies.

The structure of the project is diffuse and opaque, seemingly designed for cost shifting and lack of accountability. RMS, contractors, subcontractors and the SMC variously avoid responsibility for key project deliverables. The poor structure and terms of the various contracts result in poor outcomes for the people of NSW: financially, impacts on surrounding communities and failure to achieve integration of land use and transport outcomes. Examples of this are outlined below in Sections 7.1.1, 0.

¹⁶ SGS Economics and Planning, 2016, WestConnex Business Case Review

¹⁷ SGS Economics and Planning, 2016, WestConnex Business Case Review

This in turn raises questions about the strength of the WestConnex delivery model which relies on out-sourcing project delivery to the unaccountable Sydney Motorway Corporation. For example, given the complexity of the Rozelle Interchange where only one bid to build the interchange was received in 2017, with most contractors deeming the proposed design too complex, RMS has been forced to take over responsibility for its delivery from the SMC.

The City supports Cabinet confidentiality and recognises that some commercial aspects of public private partnerships need to be held confidential. Nevertheless, a contract to build a road that will become a public asset and funded using a road tax (toll) should not be commercial in confidence. A high degree of transparency is required and expected to protect the public investment.

Recommendations

The NSW Government should abolish the Sydney Motorway Corporation.

Greater transparency should be provided through the establishment of an independent WestConnex Ombudsman, protecting commercially confidential information, but making sure the public know what is being spent, on what and why.

All WestConnex contracts must be published, redacted where necessary by the proposed WestConnex Ombudsman.

4.2. Letting tenders before conditions of approval issued

RMS has difficulties ensuring its contractors meet the spirit of the Conditions of Approval for Stage 2. Many of these issues arise because the Stage 2 project contract was let before the Minister's Conditions of Approval were developed. This is discussed in further detail at section 0.

Recommendation

In future no tenders should be let until the Minister's Conditions of Approval have been finalised.

4.3. Independent oversight of air quality monitoring required

High levels of air pollution are known to increase respiratory illnesses and the likelihood of contracting life threatening diseases and shorten life spans. ***The City notes with concern that based on the results from the air quality monitoring stations installed at St Peters Public School, air quality around the school has been found to be significantly negatively impacted by WestConnex construction.***

The City is also concerned that the reports from the air quality monitoring station were not passed on to the school or parents, despite frequent requests. The City has been advised that concerns about air quality raised by residents with Ministers and government agencies are forwarded to the SMC. ***We believe it is entirely inappropriate for the proponent to monitor their own impacts.***

With the adoption of an updated Ambient Air Quality National Environment Pollution Measure standards for particulates in 2015, emissions at various sites along the M5 are likely to exceed the new standards, putting thousands of young children and the elderly at risk¹⁸.

As well, the results of the proponent's modelling indicate that the discharge of particulates and NO₂ may exceed criteria levels at certain sites around the M4-M5 Link. Yet no mitigation or air quality monitoring has been proposed for emissions from surface roads, particularly at the locations which are predicted to be significantly impacted by changes in traffic flows.

18 City of Sydney, 2016, Submission into the New M5 Environmental Impact Statement.
http://www.cityofsydney.nsw.gov.au/__data/assets/pdf_file/0004/250627/City-of-Sydney-submission-WestConnex-New-M5-Environmental-Impact-Statement.PDF

Recommendation

Responsibility for monitoring air quality must be transferred from the SMC to the NSW Environmental Protection Authority. It was announced in February 2018 by the Premier that future road ventilation outlets would be regulated by the EPA under the Protection of the Environment Operations Act 1993 but the necessary legislative amendments have not yet been made.

5. Compulsory acquisition of property

ToR D: The compulsory acquisition of property for the project.

The City has commenced a number of proceedings in the Land and Environment Court against RMS relating to compulsory acquisitions associated with WestConnex. Certain proceedings have settled whilst others, relating to acquisitions of parts of Sydney Park, are set for hearing in the Land and Environment Court in August 2018. As these matters are presently before the court the City is not in a position to comment on this matter further at this time.

6. Audit Office Recommendations

ToR E: The Recommendations of the Audit Office of New South Wales and the Australian National Audit Office in regards to WestConnex.

The NSW Audit Office¹⁹ and the Australian National Audit Office²⁰ found that shortcomings of the project governance of the project meant that the risks, costs and benefits of the project were not adequately assessed. It is appalling that the advice of both the State and Federal agencies charged with helping parliament hold government accountable for its use of public resources has been ignored. The City supports the following recommendations from the NSW Audit Office.

Recommendations

In future Infrastructure NSW must ensure the Major Projects Assurance Framework is applied to all major capital projects valued at \$100 million or more.

NSW government sector agencies should ensure the governance arrangements for future major capital projects include a clear separation of those responsible for delivery, commissioning and assurance.

7. WestConnex does not achieve what it set out to do

ToR F: The extent to which the project is meeting the original goals of the project as articulated in 2012.

The original project goals for WestConnex were to reduce traffic congestion, revitalise Parramatta Road and improve links to Sydney's Global Gateway (Port Botany and Sydney Airport).

As clearly demonstrated above, it does not achieve these goals and should not be allowed to continue in its current form.

19 New South Wales Auditor-General (2014) WestConnex: Assurance to the Government. https://www.audit.nsw.gov.au/ArticleDocuments/351/01_Westconnex_Full_Report.pdf.aspx?Embed=Y

20 The Approval and Administration of Commonwealth Funding for the WestConnex Project, Australian National Audit Office, Chapter 3 points 20-23, <https://www.anao.gov.au/work/performance-audit/approval-and-administration-commonwealth-funding-westconnex-project>

7.1. Condition of approval works do not achieve project goals

A key concern for the City is the proponent's failure to comply with the Minister's Conditions of Approval. The proponent is only prepared to deliver the minimum requirement, with little attempt to achieve the project's strategic outcomes.

7.1.1. St Peters Recreation Area

The St Peters interchange is a large 'spaghetti junction' comprised of elevated roadways 30 metres high with ramps to connecting roads. It will cover an area of approximately 27 hectares the size of Sydney Park.

Shockingly the St Peters Interchange and the A2MP project sees 10 mature figs planted around 1900 threatened by road widening next to Waterloo Oval and Mt Carmel Reserve, with up to 100 street trees also at risk. 14 mature fig trees and 11 Washington palms planted in the 1920s are at risk on South Dowling Street near Dacey Avenue. 41 mature figs planted in the 1960s along Dacey Avenue are threatened.

WestConnex Stage 2 New M5 Condition B62 (a) requires the preparation of:

a St Peters interchange Recreational Area Sub-plan to maximise the amount of open space available for the provision of active recreation areas and multifunctional and adaptable active recreation support facilities on the St Peters interchange site (located to the south of Campbell Road).

The RMS has previously advised that the St Peters interchange Recreational Area would be constructed as part of Stage 3: M4-M5 Link. However the planning documents for the M4-M5 Link contain no references to a recreation area.

Given the significant research and the concern about air quality in St Peters, the City strongly believes any recreational facility in that area must be an indoor sporting facility to protect the health of people using it, especially children.

Recommendation

Any recreational facilities within the St Peters Recreational Area must be delivered by SMC and be indoor sporting facilities to ensure users won't be at risk from the proven health impacts associated with vehicle emissions.

7.1.2. Euston Road

SMC's proposed road widening of Euston Road alongside and north of Sydney Park has been poorly planned and creates unacceptable impacts (community, noise, safety etc.). The City is continuing to advocate for better outcomes for people living adjacent to Euston Road as well as local residents.

At Euston Road, we've already lost 8,500 square metres of Sydney Park and 238 trees, including 159 well-established paperbarks for the St Peters Interchange.

Recommendation

Euston Road should be a 40km/h zone. It should be narrowed from three through lanes to two through lanes north of Maddox Street as this reflects the capacity of the road corridor north of this location. The narrowing of Euston Road should extend south of Sydney Park Road. The space freed-up should be converted to re-instating a wide landscaped verge. Signalised

pedestrian access must be provided across Euston Road to enable safe access to Sydney Park.

7.2. Additional works required

While the conditions of approval set out a range of mitigation measures, a number of additional measures are required.

7.2.1. Community involvement in detailed design Stage 3: M4-M5 Link

The design and construction presented in the Stage 3 M4-M5 Link EIS is based on a concept design only. Over 10,000 submissions were lodged in response to the EIS including formal advice from the NSW Environmental Protection Authority (EPA) that a more detailed environmental assessment of its impacts on the community was needed.

Despite all that NSW Planning approved Stage 3 of WestConnex with scant response to the concerns raised.

They say detailed design and construction planning is to be undertaken by the successful contractor. It is not clear whether local councils will have the opportunity for any detailed assessment of the design or input to the approvals process.

Recommendations

Stage Three should be scrapped.

Otherwise the NSW Government must incorporate public input at the detailed design phase of WestConnex and the EIS revisited to ensure the previous findings are still valid.

As part of the Stage 3 M4-M5 link, a working group must be convened for the development and implementation of network integration strategies for the areas surrounding the Rozelle interchange to ensure that adjacent residential areas are not impacted by regional traffic.

7.2.2. Mitigate impacts on local streets

It is unclear that any planning has been undertaken by RMS to manage the impact of WestConnex on local streets, in areas such as the Sydney City Centre, Green Square, Alexandria and Glebe/Forest Lodge.

In the absence of traffic data and information relating to these areas from RMS, the City has carried out a Local Area Traffic Management study for affected areas of Alexandria and Erskineville. This investigated how the flow of increased traffic from the WestConnex St Peters interchange can be mitigated.

In terms of Glebe/Forest Lodge, the AECOM traffic report for the WestConnex Stage 3 Environmental Impact Statement (EIS) acknowledges that building and operating WestConnex will affect The Crescent. Sydney Motorways Corporation (SMC) is required to complete a Construction Traffic and Access Management Plan and post-construction measures to mitigate the impacts. The specific work has not yet been determined.

Recommendation

More detailed traffic analysis of the major road network in the Sydney City Centre, Green Square, Alexandria and Glebe/Forest Lodge is needed to assess WestConnex impacts and

verify whether the mitigation measures will be effective. RMS and SMC should make the traffic data available so it can be comprehensively assessed. This should be done before construction commences.

8. WestConnex and other toll roads

ToR G: The relationship between WestConnex and other toll road projects including the Sydney Gateway, Western Harbour Tunnel, F6 and Beaches Link.

As noted in Section 2, from the limited information that is publically available, WestConnex Stages 1, 2 and 3 do not appear to be financially viable. It depends on other new tollways (the Sydney Gateway, Western Harbour Tunnel and Beaches Link and F6 Extension) to be built to generate enough traffic for tolls to deliver sufficient revenue to cover the capital costs of WestConnex within a reasonable time frame, as well as cross subsidies from Sydney Harbour Bridge and Sydney Harbour Tunnel tolls.

In this way WestConnex will create road network failures and major impacts on communities to justify building more tollways, the majority of which are not priority projects in any State or Federal transport plan. There is no evidence they are appropriate solutions for problems in these corridors. As no business cases have been prepared for these new tollways, there is no information about the demand for them, likely travel time savings, impacts, costs or the level of tolls proposed to be levied. No funding commitments or delivery times have been identified.

In the absence of this information it is impossible to accurately determine the final benefits and costs of the combined impact of these tollways on Sydney.

9. Declaration of separate projects

ToR H: The circumstances by which WestConnex and the Sydney Gateway were declared to be separate projects in 2017.

There is a lack of clarity about the status of the Sydney Gateway project. It has been described as both a WestConnex project and a separate project by different arms of the state government.

Given that a key justification of WestConnex is to improve access to Sydney Airport, the separation of Sydney Gateway from WestConnex calls into question the value of WestConnex without it.

10. Return on investment

ToR I: The cost of the project against its current valuation as determined through the sale of the SMC and whether it represents a good investment for NSW taxpayers.

10.1. Financial risks to the NSW taxpayer

The issues outlined in this submission raise considerable doubt about the effectiveness and accuracy of the transport demand forecasts and the economic benefits claimed for the WestConnex project and suggest that the benefit of the project is likely to be marginal at best. It is quite possible that the actual BCR for WestConnex is less than one.

Infrastructure Australia identifies *Patronage Risk* as a key issue in toll road projects. The City's independent analysis of the Updated Strategic Business case suggests New South Wales taxpayers will be exposed to the patronage risk of the project not succeeding in the short to medium term in the absence of appropriate measures to limit this risk.

Sydney Harbour Tunnel has cost the government many hundreds of millions of dollars because the revenue earned from the toll has never reached the government's predictions and the private operators demanded a revenue guarantee.

If the tolls on WestConnex do not reach the government's predictions, the government may have to subsidise the private sector to operate the toll road as it does with the Sydney Harbour Tunnel. This would potentially cost taxpayers billions of dollars over the life of the project.

Recommendations

The project should be scrapped to avoid the unacceptable levels of risk to NSW taxpayers.

Any contract between the State and the toll road operator must not limit planning and investment in other transport initiatives that reduce competition for the toll operator such as parallel public transport like Sydney Metro West.

10.2. Uncompetitive sale places taxpayers at risk

The NSW government is proceeding with the sale of WestConnex despite there being only two bidders and despite the delay of the Australian Competition and Consumer Commission's investigation of the competition impact of a sale to Transurban (owner of seven of the nine tollways in NSW) due to 'important concerns'²¹.

With the delay of the ACCC investigation until September, and Transurban's submission of a bid conditional on ACCC approval, questions must be raised about how truly competitive the current sale process is and the political motivations behind its fast-tracking.

Also concerning is the secrecy surrounding the sale. There have been many examples of contracts that contain elements that favour the operator's commercial returns over outcomes for the broader community.

For WestConnex, the public hasn't been told what the State is promising potential buyers – is it preferential bidding for future toll roads? Is it the right to collect tolls beyond the expected life of toll roads? Is it agreeing not to build or improve public transport in areas that would impact on WestConnex?

Recommendation

The WestConnex sale and the NSW Government entering into any contracts must be delayed until the Australian Competition and Consumer Commission's inquiry into the market dominance of Transurban has concluded and a full, independent assessment of the planning and business cases has been undertaken.

The Government must state publicly what they are promising potential buyers.

11. Review the future stages of WestConnex (Stage 3 and beyond)

ToR J: Any other matter.

²¹ AFR, July 19 2018, WestConnex sale delayed as ACCC extends review of Transurban bid.
<https://www.afr.com/business/westconnex-sale-delayed-as-accc-extends-review-of-transurban-bid-20180718-h12u0h>

Given the significant concerns raised in this submission, it is clear that the NSW Government must review the planning case for WestConnex, given so many fundamental considerations have changed since the original decision.

Smart modern cities are now rejecting motorway building as transport solutions.

Evidence from around the world shows that urban motorway projects like WestConnex do not deliver cost effective or lasting transport solutions. Rather they impact on the efficiency and liveability of our cities and contribute to poor economic outcomes.

Other global cities are investing in fast and efficient public transport that connects homes and jobs, and supports the decentralisation of commercial investment.

Recommendation

The NSW Government must scrap current and future stages of this project

ATTACHMENTS

- **8 December 2014 Lord Mayoral Minute – WestConnex**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20141208/Agenda/141208_COUNCIL_ITE_M35.pdf
- **23 February 2015 Lord Mayoral Minute – WestConnex Strategic Review**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20150223/Agenda/150223_COUNCIL_ITE_M37.pdf
- **27 April 2015 Lord Mayoral Minute – WestConnex Transport Modelling**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20150427/Agenda/150427_COUNCIL_ITE_M35.pdf
- **29 June 2016 Lord Mayoral Minute – WestConnex Funding for Community Coordinator**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20150629/Agenda/150629_COUNCIL_ITE_M34.pdf
- **14 September 2015 Lord Mayoral Minute - WestConnex New M5 and St Peters Interchange**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20150914/Agenda/150914_COUNCIL_ITE_M32.pdf
- **14 December 2015 Lord Mayoral Minute – WestConnex**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20151214/Agenda/151214_COUNCIL_ITE_M32.pdf
- **29 February 2016 Lord Mayoral Minute – WestConnex Costs to Outweigh any Benefits**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20160229/Agenda/160229_COUNCIL_ITE_M35.pdf
- **16 May 2016 Lord Mayoral Minute – WestConnex**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20160516/Agenda/160516_COUNCIL_ITE_M32.pdf
- **26 June 2017 Lord Mayoral Minute - Protecting the City from WestConnex Traffic and Alternatives**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20170626/Agenda/170626_COUNCIL_ITE_M31.pdf

- **16 April 2018 Lord Mayoral Minute – WestConnex Deals Demand Urgent Review**
<https://meetings.cityofsydney.nsw.gov.au/documents/s10272/WestConnex%20Deals%20Demand%20Urgent%20Review.pdf>
- **City of Sydney WestConnex Alternative Proposal**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20170626/Agenda/170626_COUNCIL_ITEM31_ATTACHMENTS.pdf
- **SGS Strategic Review of the WestConnex Proposal**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20150223/Agenda/150223_COUNCIL_ITEM37_ATTACHMENTS.pdf
- **SGS WestConnex Transport Modelling**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20150223/Agenda/150223_COUNCIL_ITEM37_ATTACHMENTS.pdf
- **SGS WestConnex Business Case Review**
https://meetings.cityofsydney.nsw.gov.au/Data/Council/20160229/Agenda/160229_COUNCIL_ITEM35_ATTACHMENTS.pdf