

Submission
No 408

**INQUIRY INTO IMPACT OF THE WESTCONNEX
PROJECT**

Name: Name suppressed

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**Public Accountability Committee Inquiry
into and report on the impact of the WestConnex project**

My submission addresses the lack of cost-benefit analysis in relation to investment in public transport infrastructure and investment in roads.

It is relevant to at least three terms of reference:

- (a) the adequacy of the business case for the WestConnex project, including the cost-benefits ratio
- (b) the cost of WestConnex project, including the size and reasons for overruns
- j) any other related impacts

The NSW Government should be held to account for not having undertaken a business case for the proposed toll road system before it was announced, and further, for not undertaking a cost-benefit analysis which compared the cost and benefit of building public transport compared with toll road infrastructure.

NOTE: The Infrastructure Decision-making Principles guidelines, released by Infrastructure Australia in July 2018, states in point 5:

“Governments should undertake detailed analysis of a potential project through a full business case and should not announce a preferred option or cost profile before undertaking detailed analysis involving multiple options. Business cases should include rigorous examination of the potential project’s benefits relative to its costs, show the project to be resilient to change under a range of future scenarios, and show the split between public and private benefits.”

1. On 2 Oct 2012, Infrastructure NSW announced support for WestConnex, including a funding strategy: a mix of state funding, private investment and user-pays via tolls on new or upgraded motorways. There was no Business Case. The next day, the NSW Premier announced that they would proceed with a 33km motorway. Despite having no Business Case, they forecast a total cost of \$10 billion.

NOTE: We now know this has increased to at least quadruple that pre-Business Case cost forecast, to \$48 billion, when additional stages and attendant road-widening projects are added.

- Over two months later, on 13th of Dec 2012, Minister for Roads, Duncan Gay announced that a Business Case for WestConnex would be developed by June 2013, despite planning for the project having already started.

NOTE: The Business Case for WestConnex was not, in fact, released until November 2015, over three years after the NSW Government committed to the project. By the time the Business Case was released, costs had increased by \$6.8 billion; from \$10 billion to \$16.8 billion, or “\$183 million every single month since the project was announced.” (*Sydney Morning Herald*, Nov 21 2015, p. 12)

- The initial deadline for the Business Case had been mid-year 2013, but they were unable to get the numbers right. According to documents released in NSW Parliament in April 2014, there was immense pressure on Sinclair Knight Merz and AECOM, the companies contracted to do the traffic modeling. “The traffic modeling would emerge as the most difficult part of the Business Case to wrestle with.”

(Jacob Saulwick, *SMH*, April 5-6, 2014, p. 33)

- The documents also reveal the early tussle around and dismissal of public transport as a necessary part of the proposed WestConnex project. Professor David Henshaw from the Institute of Transport and Logistics Studies at Sydney University was assigned a role as an academic peer reviewer of the traffic modeling.

‘But Henshaw could not understand why public transport was not part of the modeling. “We must understand opportunities for serious BRT [bus rapid transit] otherwise this entire exercise is nothing more than building another tolled road which is not what [WestConnex] is singularly about,” Henshaw wrote in comments to Sinclair Knight Merz in February 2014’. (*SMH*, April 5-6, 2014)

2. When the business case was finally released, all of the claimed benefits were shown to result from the claimed reduction in congestion.

For details see:

http://www.westconnex.com.au/library/key_documents_and_maps.html

However, the first independent review of WestConnex, commissioned by the City of Sydney and released nine months earlier than the Business Case, on 23 February 2015, *Strategic Review of the WestConnex Proposal*, concluded that 90% of commuters from Western Sydney commute to the city by rail.

Overwhelmingly, they rely on public transport that is increasingly overcrowded. Their report identified that most need to travel within and throughout Western Sydney and need public transport to do this.

Further, the report found that the WestConnex project was not subject to proper governance and independent assurance.

NOTE: See further reference to the SGS Economics and Planning report at end of submission.

3. Released even earlier, on 18 Dec 2014, the NSW Auditor-General's Report into WestConnex also identified concerns that WestConnex had not been subject to proper governance and independent assurance, and questioned its capacity to meet its stated aims of meeting Sydney's transport challenges.

The NSW Auditor-General's Report noted: "Public transport is the only reliable way to connect areas of more affordable housing to jobs in major centers" – Parramatta and the Sydney CBD.

4. Judging from the number of commuters and drivers avoiding the newly-tolled, formerly toll-free Parramatta to Homebush section of the M4 (2018), the NSW Government's Business Case claim that its main benefits would result from a reduction in congestion, was clearly erroneous. Drivers using the untolled routes are experiencing more congestion and slower travel times.

"Data obtained by the *Inner West Courier* shows 30% fewer motorists are using the M4 between Parramatta and Homebush since tolls of \$4.74 for cars and \$14.22 for trucks were introduced last August."

(*Inner West Courier*, 14 August 2018).

5. At no stage was a cost-benefit analysis undertaken, either before or within the Business Case, comparing the cost-benefit of spending on public transport infrastructure versus toll roads.

- John Stone, Urban Planning, University of Melbourne: "No city in the world with a population of 5 million or more can hope to solve its transport problems with the private car. The only affordable and effective solution is mass transit. ... that means expanding our rail system, and making it the centerpiece of a coordinated network of trains, trams and buses." (on-line interview, accessed 2 Sept 2013)

- The Chief Executive of the Committee for Sydney, Tim Williams, stated that "Public transport is the key to productivity" (*Sydney Morning Herald*, 9 April 2014). Commenting in the *Australian Financial Review* (24-25 September, 2016, p. 32), Williams noted that "Before we decide whether a particular project stacks up, we must do a mode-neutral appraisal of our options – comparing the relative benefits of road, rail and other options. Crucially, this appraisal must not be determined by how we fund each option – tolling provides a funding mechanism for roads but not a justification."

The former chief planner of Vancouver, Brent Toderian, reinforced this view at a public forum in Sydney (date not recorded), stating that "Vancouver's decision not to build freeways was pivotal in its suburban development."

- Economist Ross Gittens wrote in the Business section (*Sydney Morning Herald*, 26 May 2014), "I'm not convinced the Liberal's bias – federal and state – towards expressways and against public transport is the way to get the greatest productivity gain."

- Writing in 'Business Day', (*Sydney Morning Herald*, 12 Sept. 2014, p. 32), financial journalist Michael West concluded "Even before the case for a road project is made, a 'public sector comparator' should be done by government to assess whether the money might be better spent on rail than road, and then a comparison of funding and structural models for each (government versus PPP, for instance)."

- Transport expert Ron Christie is a rare authority, having led both the state's road and public transport arms, as a former chief executive of the Roads and Transport Authority (RTA), and, as coordinator-general of rail, ran transport operations during the Sydney Olympics. Until responding to the WestConnex proposal, he had not commented on transport issues since chairing the Herald's independent transport inquiry in 2009-10.

In an extended on-line and *Sydney Morning Herald* interview (15 October 2012), Christie pointed out that a second harbour tunnel rail crossing would increase the whole total rail system capacity by 60%. Instead, what is now proposed is a new Western Harbour crossing for motor vehicles.

In his capacity as chief executive of the RTA, 'he oversaw the widening of the M4 from four lanes to six between Penrith and Westmead before the Olympics in 2000. After the M4 was widened, it immediately became clogged again. "That example indicates that without other measures, just taking a roads approach to the problem is doomed to fail," he said. "It is back to the 1950s. It is a real LA-type solution." ... 'Mr Christie said that without investment in public transport, roads would inevitably become clogged. There was no plan to allow motorists to use the new motorways then change to public transport. The plan offered little detail on how to deal with congested traffic coming off the motorways.' (*SMH*, 15 October 2012)

All these observations remain true of the current planning and construction of the WestConnex toll roads.

6. We know this to be true: the history of the M5 provides clear evidence of new motorways reaching capacity within a very short time of being opened. Removing traffic through the provision of efficient and reliable public transport alternatives is a far more productive option than increasingly adding lanes and tunnels. Connecting the current airport line with a link to the Western rail lines, or a link connecting the existing Light Rail lines to the airport, and removing the airport line toll for travellers to and from the airport, would see a major reduction of traffic on the M5 and ease serious congestion around the airport, for a fraction of the cost of widening the M5. However, this would not enable companies like Transurban to profit from buying failed toll roads for below-cost price (as in Brisbane, and currently under negotiation in relation to WestConnex), and the current business model is based on these arrangements.

NOTE: 'The government, in 2011, removed the station access fee from nearby Green Square and Mascot stations, [after which] patronage increased 260 per

cent and 130 per cent respectively.”
(*Sydney Morning Herald*, p. 17, March 12 2014)

- The *SMH* Editorial, 7 July 2014, called for strategies to end Sydney’s transport woes, after the WestConnex Delivery Authority ‘delayed yet again the release of a detailed route until mid 2015. ... there is so little in the public domain about what the project actually is ... no traffic forecasts for the 33-kilometre WestConnex, a motorway which would be the biggest such project in the country’s history ... no detailed proposal showing how ... it will boost the public transport system.’ The great risk, concluded the editorial, was that WestConnex might just ‘add another motorway to the city’s traffic-clogged streets.’ ... If for no other reason than opportunity cost – the other things that could be done with the money – the WestConnex also needs to significantly improve the public transport options for residents through inner Sydney.”

NOTE: A single motorway lane can transport only 2000 people an hour; a single railway line can transport 20,000 people an hour.
(Chris Standen, Transport Analyst, *SMH* 21 October 2015).

7. SGS Economics and Planning, a company that prepares business cases for tolling companies, was commissioned in 2015 by the City of Sydney ‘to review the updated business case, and its response was damning.’

A summary of its findings was published in *SMH*, Feb 29, 2016:
SGS called the Business Case ‘a confused document filled with contradictions. It doesn’t properly analyse potentially cheaper alternatives such as public transport and demand management, it selectively over-estimates benefits and underestimates costs and ignores that the second airport will change freight and commuter patterns. ... SGS report that any benefit of WestConnex “is likely to be marginal at best and it is quite possible that the actual BCR (Benefit-Cost Ratio) is less than one” – meaning the costs will exceed any potential benefits.’

NOTE: The Business Case also fails to take into account any of the many significant the health and pollution effects of building the toll roads.

(cont.) ‘Even using the government’s own figures, the estimates show that most drivers will save less than five minutes, and the road network around the toll road and some sections of the tunnel will reach capacity as soon as 2031, only eight years after completion – an appalling return for a \$30 billion project.

Their figures also show that on key corridors public transport is quicker than driving and will be in the future, too, so it’s a fantasy to think that saving less than five minutes will encourage more people to drive, paying hundreds of dollars on road tolls for the privilege.

It’s why the Lane Cove Tunnel and the Cross City Tunnel projects both failed. Unlike those projects, however, which were owned by the private sector, this time the government will wear the financial risk. WestConnex is diverting funding from public transport which is desperately needed and it actively works against the government’s own Metropolitan Strategy, which calls for a number of economic centres in Sydney’s west so people can work closer to where they live.

It will bring tens of thousands of cars into already congested areas in the inner city and it will put thousands of young children at risk by exceeding the allowable air pollution levels' [in many locations along the proposed routes]. ...it is not too late to stop this. ... - no other comparable city in the world is currently tackling congestion by building motorways – but this is not just a question about the right way to move people around our city. This is about the way a government should make decisions about how to spend billions of dollars of taxpayer's money.

The government has a moral responsibility to follow proper processes when funding multibillion-dollar projects. They must be able to prove that WestConnex provides better returns for NSW taxpayers than other options such as public transport or demand management. Its time for all work on this project to be suspended until they can do that.'

CONCLUSION

Since that 2016 report on SGS Economics findings, all the issues raised have become even more urgent and the negative effects on communities have been significantly exacerbated.

The NSW Government showed itself to be unaccountable when it announced a project with major implications for tax payer funds and for city planning, without a Business Case. It showed a complete lack of accountability or appropriate governance when it then ignored the warnings and recommendations of both the NSW Auditor-General's report and the following Commonwealth Auditor's report.

On 9 November 2017, *SMH* published a feature investigating how a 'Jobs boom puts strain on Sydney'. As predicted by those quoted earlier in my submission, this is placing a strain on the transport network. Today, we are seeing unprecedented breakdowns and service disruptions across the entire rail network.

The findings of this Parliamentary Inquiry will be crucial to the halting of toll road projects and the conversion, where possible, to much need integrated public transport projects.

Yours sincerely,