

CORRECTED TRANSCRIPT

REPORT OF PROCEEDINGS BEFORE

**JOINT SELECT COMMITTEE ON THE CROSS CITY
TUNNEL**

INQUIRY INTO THE CROSS CITY TUNNEL

At Sydney on Wednesday 12 April 2006

The Committee met at 9.00 a.m.

PRESENT

Reverend the Hon. F. J. Nile (Chair)

Legislative Council

The Hon. A. R. Fazio
The Hon. G. S. Pearce

Legislative Assembly

Mr A. J. Constance
Mr P. E. McLeay

PAUL WILLOUGHBY, Director, Communications and Corporate Relations, Roads and Traffic Authority, 260 Elizabeth Street, Surry Hills, sworn and examined:

CHAIR: Welcome to the tenth public hearing of the Joint Select Committee on the Cross City Tunnel inquiry into the cross-city tunnel. The Committee has released its first report addressing terms of reference 1(a) to 1(e), which related specifically to the cross-city project, the disclosure of contractual documents and communications, and accountability mechanisms between the Roads and Traffic Authority [RTA] and the Government. Today's hearing will focus primarily on terms of reference 1(f)—the role of government agencies in entering into public-private partnership agreements. The Committee has recently had the scope of its inquiry extended to include terms of reference covering the Lane Cove tunnel project, and further hearings in relation to that issue will be held in future.

I would like to note that the New South Wales Public Accounts Committee is currently conducting an inquiry into public-private partnerships that will cover some of the same issues that this Committee inquiry is addressing. The two inquiries are complementary. The Committee has previously resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of guidelines governing the broadcast of proceedings are available from the table by the door. In accordance with Legislative Council guidelines for the broadcast of proceedings, members of the Committee and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee the media must take responsibility for what they publish or what interpretation is placed on anything that is said before the Committee.

Witnesses, members and their staff are advised that any messages should be delivered through attendants or the Committee clerks. I also advise that, under standing orders of the Legislative Council, any documents presented to the Committee that have not yet been tabled in Parliament may not, except with the permission of the Committee, be disclosed or published by any member of such Committee or by any other person. The Committee prefers to conduct its hearings in public. However, the Committee may decide to hear certain evidence in private if there is a need to do so. If such a case arises I will ask the public and the media to leave the room for a short period.

We are aware that people hold strong and divergent views regarding the cross-city tunnel and the Lane Cove tunnel. I wish to emphasise that, although this is a public hearing, it is not an open forum for comment from the floor. Only questions from the Committee and the evidence of the witnesses are recorded in the transcript. Uninvited interruptions are not recorded and may make it more difficult for witnesses to express their views fully. Finally, I ask everyone please to turn off their mobile phones for the duration of the hearing.

I welcome our first witness, Mr Paul Willoughby, former Director of Communications for the New South Wales Roads and Traffic Authority. What is your occupation?

Mr WILLOUGHBY: Despite suggestions to the contrary, I am still officially the Director of Communications and Corporate Relations at the RTA. As of Monday this week I am, however, on secondment to NSW Police acting as the Director of Public Affairs.

CHAIR: Thank you. In what capacity are you appearing before the Committee?

Mr WILLOUGHBY: I have been asked.

CHAIR: Are you appearing as an individual or as a representative of an organisation?

Mr WILLOUGHBY: I think as a representative of the RTA.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr WILLOUGHBY: I am.

CHAIR: As I said earlier, if you want to give certain evidence that should be seen or heard only by the Committee, please indicate that fact and the Committee will consider your request and decide whether we should go in camera. Would you like to start by making a short statement?

Mr WILLOUGHBY: Thank you. During a question in this Committee to the Chief Executive Officer of the CrossCity Motorway, Graham Mulligan, on, I think, 31 March, Mr Constance referred to me as "the RTA's media hack". I do not know Mr Constance; Mr Constance does not know me. He did not seek to justify his comment by reference to details of my career, my professional standards, views of me held by others or even comments or actions of mine in relation to the cross-city tunnel. I think Mr Constance's comment says more about the combative nature of New South Wales politics than about me or my career. Nevertheless, the comment was made and I take this opportunity in the same forum to defend myself.

I take pride in my work as a public servant in this Government over the past eight years. My contribution and that of my staff to transport for the Sydney 2000 Olympic Games over three years working for the Olympic Roads and Transport Authority was acknowledged by the International Olympic Committee, four awards from the Public Relations Institute of Australia, the New South Wales Government and even the New South Wales Opposition. I have since provided assistance to other Olympic bid cities, and the Chairman of London 2012, Lord Sebastian Coe, has a number of times publicly recognised my contribution to London's successful bid.

I have now worked for five years for the RTA as its first communications director. I believe I have done so with professionalism and integrity. I do not have good working and personal relationships with people such as the Chairmen of the Lane Cove Tunnel Company and Bilfinger Berger Australia, John Fahey and Nick Greiner respectively, because I am a "media hack". Nor do I have those relationships because, as one political whisper stream would have it, I am a "Labor Party spin doctor". I want to deal briefly with this subject not because I think I should have to but because experience in parliamentary inquiries and combat has shown that I regrettably might need to.

I am one of a number of journalists who chose to work for a time for politicians as part of my career development. I did not do so as a disciple. There are political connections in my family. Robert Willoughby was Federal Director of the Liberal Party for about 15 years. I have his OBE and CBE citations and medals. But, for the record, I am not a member of any political party. People who know me know that I would rather be tarred and feathered than participate in politics. I take being a public servant seriously and I believe I have always acted in a scrupulously non-partisan way—as I would for the government of the day regardless of its political persuasion. Far from being the work of media hacks, in large modern organisations communications is a legitimate and important operational area. It spans much more than media issues and its activities. My work at the RTA has done that.

In addition to contributing to operational outcomes, my work has been aimed at making the agency more publicly accessible and more publicly accountable. At a time when politicians, radio announcers, stakeholder groups and members of the general community are entitled to question and voice criticisms of government agencies, those agencies are entitled to have a voice too. I do not apologise for having been the voice of the RTA, even if it has sometimes made me a personal target for people who disagree with the RTA or the Government on particular issues.

People do not work in the public sector for the thanks. But I want to take this opportunity to publicly thank the people I have worked with at the RTA. I particularly want to acknowledge as people of great integrity and commitment Paul Forward, Mike Hannon, Les Wielinga, Chris Ford, Graham Read, Garry Humphrey and Jay Stricker; and also my staff, particularly Theresa Fairman, Jodie Brough, Tracey Arthur, Fiona Court, Alec Brown, Damon Baker, Claudine Pfeiffer and Jo Tulett. On the assumption that those cameras are from the media, I would also like to thank the media for what has overwhelmingly been a good working relationship for a long time now. Over the past five years I think I have answered more questions publicly about the Roads portfolio than anybody else—but never before the Parliament. Let's do it now.

CHAIR: Thank you very much, Mr Willoughby. What is your involvement with the cross-city tunnel project and the Lane Cove tunnel project?

Mr WILLOUGHBY: As the Director of Communications and Corporate Relations at the RTA and during the development and construction periods of these projects, for significant times I had responsibility for a range of areas relating to those projects. When I joined the RTA I realised that there was a growing involvement of community groups in infrastructure projects and a need to provide better information to community groups in relation to that. Part of my role in the RTA has been in relation to the sign-off and approval of that public information prepared by the subcontractors building the projects that they were required to prepare and that the RTA was required to sign off. There is a branch in my directorate that manages a range of public activities in relation to infrastructure projects. Public material from both the cross-city motorway contractor and the Lane Cove tunnel contractor and from the parent companies themselves has come through the RTA through my directorate for my sign-off.

I have also overseen the RTA's public activities in relation to both those projects, including an advertising campaign that ran to provide the public with details of full electronic tolling in the lead-up to the opening of the cross-city tunnel and other public information activities that were the responsibility of the RTA. I have also been required at times to speak publicly on these two projects generally to the media.

CHAIR: You are aware that there has been criticism by some resident groups and so on of a lack of communication about the implications and the impact of the cross-city tunnel. What is your response to that criticism?

Mr WILLOUGHBY: I guess, firstly, I sit in a different position: I cannot see things through the eyes of community groups. But I have looked at the very long history of community involvement and opportunity for community comment in relation to both these projects. I think it is undeniable that community groups are now much more active and much more demanding in relation to infrastructure projects, as they have a right to be. Equally, I think government agencies and the planning process allow that now much more than they ever have. In looking at the history of the development of both these projects, there has been a very, very large number of opportunities for members of the community to comment and participate and a very, very large amount of material provided in the public domain to assist that.

I accept—and I know because of my position perhaps better than most—that it is not possible at the end of the day on all projects for all people to be happy or even for all people to have been aware of opportunities to participate. I have heard those criticisms. In response to those criticisms—and quite frankly those criticisms are not a position agencies such as the RTA like to be in, in relation to delivering infrastructure projects—in conjunction with other people in the RTA, I have spent some time in the light of those criticisms looking at ways that we can provide increased opportunities for people to comment on how we can get information to people who, for whatever reason in this case, appear not to have had access to it.

CHAIR: In view of what you have just said, you are aware of the criticism and you said you reviewed what you did do in the way of communications. What would you have changed from what you did do if you had another opportunity?

Mr WILLOUGHBY: I only joined the RTA in early 2001. This project was already significantly advanced. It was being delivered under planning processes as they were then established. I have gone back and looked at the history of all of those opportunities to comment. As I said, I think they are pretty significant. In my period there I did whatever I could to ensure that information was public, and that included going public; it included proactively generating public material that was not strictly required under the planning processes.

In the review conducted by Professor Richmond about the guidelines going forward about the delivery of motorway projects, I participated strongly in the area of community involvement. These projects are part of an evolution of delivery by government agencies of infrastructure and services for the community. Having seen within the RTA an enormous amount of goodwill and an unequivocal desire to provide public information to the community, I have seen a real willingness to learn the lessons of projects and to try to find ways to do it better in the future.

To a certain extent what an agency does is directed and/or constrained by the rules in which it provides it, but I know from my experience and the experience of the other people who worked on this project that when it comes to doing another one, there will be every effort made to ensure that, to the greatest extent possible, people with a legitimate involvement and interest in projects such as these are given that opportunity.

CHAIR: Has the RTA's community consultation process changed as a consequence of some of that criticism, particularly the recommendations of this Committee in its first report?

Mr WILLOUGHBY: It changed even before any of those criticisms. I noted when I joined the RTA, through no conscious decision of the organisation, a need to provide better processes, structures and facilities to provide information to the community but, more importantly, to involve them. It was for that reason—and I saw lots of very well-intentioned and skilled engineering project directors struggle with requests and interest of communities groups, something that was out of their background and their professional experience. It was fundamentally the reason I established in my directorate a branch called infrastructure communications and community involvement. It was partly why I employed from the private sector a very senior and respected person to head that up and she has been, over the past couple of years in building that branch, very active in doing whatever can be done to improve and expand those opportunities for community involvement. As to any recommendations that come out of this Committee's report, I am sure the RTA will properly assess those.

The Hon. GREG PEARCE: What was your role on the cross-city tunnel air quality community consultative committee?

Mr WILLOUGHBY: I am not a member of that committee?

The Hon. GREG PEARCE: I did not say whether you were a member. I said what was your role.

Mr WILLOUGHBY: You asked me what was my role on that committee. I am not on that committee.

The Hon. GREG PEARCE: Well, in relation in that committee. The minutes of the committee say that you were the RTA representative and media spokesperson for everything in relation to that committee's work.

Mr WILLOUGHBY: No, that is not true.

The Hon. GREG PEARCE: Well, that is true. That is what the minutes say.

Mr WILLOUGHBY: If the minutes claim I have an official RTA role in relation to that committee, that is not correct. I am a public spokesperson, have been on many occasions on behalf of the RTA. I am happy to have a look at those minutes, if you would like me to. I do not know who has taken them. If that is what they have written, they are wrong.

The Hon. GREG PEARCE: Brian Elton from Elton Consulting. Have you seen the minutes?

Mr WILLOUGHBY: To the best of my knowledge, no. I am happy to have a look at them, but if it says I have an official role in relation to that committee; membership of that committee, that is simply not true.

The Hon. GREG PEARCE: It does say that. Would that then perhaps start to explain why the community is quoted throughout the minutes as saying things such as "community representatives complained about the lack of transparency and stated that the community had no faith in the process"; they were concerned about the integrity of the process and expressed dissatisfaction with the RTA's position.

Mr WILLOUGHBY: Sorry, what was the question?

The Hon. GREG PEARCE: If you were a representative of the RTA for that committee—

Mr WILLOUGHBY: Which I was not.

The Hon. GREG PEARCE: And you did not even see the minutes, it might help to explain why the participants of the committee—and I will pass these up to you in a minute and you can respond on notice on that?

Mr WILLOUGHBY: No, I can respond right now. I am not a member of that committee. I have no official role in relation to that committee. I assume the minutes have accurately reported what community members before that committee said. I am not in a position to explain why the community members before that committee said what they said.

The Hon. GREG PEARCE: How many trips did you have to London in relation to the London Olympics?

Mr WILLOUGHBY: One.

The Hon. GREG PEARCE: Only one. Who paid for that?

Mr WILLOUGHBY: London 2012.

The Hon. GREG PEARCE: I did a Google search on you and it was very interesting. Up came "Paul Willoughby", a web site.

Mr WILLOUGHBY: I do not have a web site.

The Hon. GREG PEARCE: This is true. It had "little white lies" as one of the things on the web site, which was quite extraordinary. I knew that was not your web site, though, because you do not tell little white lies; you only tell the big porky pies, don't you. You are sent out whenever the RTA wants to spin, are you not?

Mr WILLOUGHBY: I am happy to answer your question. I have been questioned by professionals and they do not get under my skin and you are not going to get under my skin today. I stand by everything I said in my statement about my professional integrity. I resent, and resent very, very strongly, not the insinuation you are making but the statement you are making. If you want to make that statement—

The Hon. GREG PEARCE: You are known to be an apologist for the Labor Party; an apologist for the RTA, are you not? You are known as that.

CHAIR: Can you just ask questions, Mr Pearce? Do not make allegations.

The Hon. GREG PEARCE: Look at the speed camera case where you went out after the court found that the speed cameras could not be relied on—the Hornsby case—and you said—

Mr PAUL McLEAY: Point of order: Is this a question?

The Hon. GREG PEARCE: "The lawyer acting on our behalf indicated that he had only been briefed the day before and he wasn't in a position to proceed." That was a lie, was it not?

Mr WILLOUGHBY: I have, in every single comment I have made public on behalf of the RTA, acted with professionalism and integrity and given that organisation a voice in the face of criticism and questioning that it had a right to have. I have always, to the absolute best of my ability, tried to provide information to assist in relation to questions and I have always told the truth. I resent—

The Hon. GREG PEARCE: So you claim that you told the truth when you said in relation to the Hornsby case that "A lawyer acting on behalf of the RTA had indicated he had only been briefed the day before and he wasn't in a position to proceed"?

Mr WILLOUGHBY: I resent—

The Hon. GREG PEARCE: Did you tell the truth when you said that?

Mr WILLOUGHBY: I said I have always, in speaking publicly on behalf of the RTA, told the truth. What I am struggling with at the moment is to recall details of one speed camera matter in one court on one day—

The Hon. GREG PEARCE: It was a fairly major matter.

Mr WILLOUGHBY: —when you have read me one sentence of a comment I said. I am happy to stand publicly by everything I have uttered on the public record. There is no-one in the RTA who has spoken more on the public record than I have.

The Hon. GREG PEARCE: That is certainly true.

Mr WILLOUGHBY: And I do not apologise for having had that role. I resent from people who do not know me allegations that I have conducted my job in anything other than a professional one.

The Hon. GREG PEARCE: Well, if you do not tell the truth when you go out there, then I do not believe that is professional.

Mr WILLOUGHBY: I tell the truth.

The Hon. GREG PEARCE: Do you recall in 2005 there was a problem with a Segway where a disabled person using a Segway was intercepted by the police?

Mr WILLOUGHBY: I do.

The Hon. GREG PEARCE: And you were sent out to mollify that situation, were you not?

Mr WILLOUGHBY: No. I spoke publicly, I seem to recall, to Angela Catterns on ABC 702. I undertook to look at whether I could resolve that matter for the individual concerned. I spoke to the relevant policy area within the RTA. I got back to the individual concerned. My recollection is that I solved that to his satisfaction. He wrote to me and thanked me for it, and so did, I think, the importer or manufacturer of those pieces of equipment.

The Hon. GREG PEARCE: Why have you been seconded to Police?

Mr WILLOUGHBY: The Commissioner of Police asked me if I was prepared to come to NSW Police to help finalise a review of their public affairs branch and put in place the arrangements flowing from that review. I undertook to do that.

The Hon. GREG PEARCE: And you are still being paid by the RTA?

Mr WILLOUGHBY: I am seconded to the NSW Police. My understanding of those arrangements are that the RTA pays me; the NSW Police reimburses the RTA's for the period that I am acting in that position as Director, Public Affairs at the NSW Police.

The Hon. GREG PEARCE: How much are you paid now?

Mr PAUL McLEAY: Point of order—

Mr WILLOUGHBY: It is a matter of public record in the last annual report of the RTA that my position has been graded as an SES 6 position. That has occurred under the normal processes that apply in relation to the grading of public sector positions.

Mr PAUL McLEAY: Point of order: Can Mr Pearce ask questions to do with our terms of reference? It may be unusual for you to get a flogging from a public servant, Greg, but none of the questions are within our terms of reference.

The Hon. GREG PEARCE: I asked him about the community consultative committee, on which he is named as being the RTA's representative, but he says he does not know anything about it.

CHAIR: I uphold the point of order. Salary and other matters are not relevant to this inquiry.

Mr ANDREW CONSTANCE: When the Committee was asking questions in relation to changes to traffic light phasing of intersections around the tunnel you made a rather media hack-type statement when you stood up in front of the press.

CHAIR: Mr Constance, leave out the adjectives and just ask the question, thank you.

Mr ANDREW CONSTANCE: Mr Willoughby thought it was some form of smart-alec response to say that it would take truckloads of code to be brought into the Committee in relation to light traffic phasing. Do you not think that was a little bit snug, given the chaos that exists on the streets of Sydney?

Mr WILLOUGHBY: My memory is that the people who manage this area of light phasing within the RTA told me that there was something like 11,000 billion pages of code in relation to that.

The Hon. GREG PEARCE: What number was that?

Mr WILLOUGHBY: It is on the public record. It was 11,000 million or 11 billion, it was some time ago.

Mr ANDREW CONSTANCE: How many intersections, Mr Willoughby?

Mr WILLOUGHBY: I think the Director of Traffic and Transport at the RTA answered that. I am not in a position off the top of my head to give you an answer about the number of intersections.

Mr ANDREW CONSTANCE: Do you think that Sydney motorists appreciate that type of comment in relation to traffic light phasing, even the chaos that is occurring on Sydney streets?

Mr WILLOUGHBY: I am not in a position to make a judgment nor should I be about what Sydney motorists appreciate about my comment.

Mr ANDREW CONSTANCE: You would have thought they might be somewhat concerned about your comments as a communications director at the RTA? You are not concerned about that?

Mr WILLOUGHBY: All I can do is provide public comment on behalf of the organisation that I am employed by partly to provide that comment. I do it to the best of my ability, I do it honestly and I stand by what I say. It is up to members of the public to make a judgment about what I say. I have to say, despite the claims being made here today, over the past five years, I have had an enormous amount of goodwill and strong public feedback about my comments and my role in dealing with public issues even from members of the public and from the media.

Mr ANDREW CONSTANCE: I would have thought, given the response to this Committee from some community groups in around the tunnel that is not the case.

Mr WILLOUGHBY: They are entitled to have their opinion, and I am entitled to have mine.

Mr ANDREW CONSTANCE: You used to work for Carl Scully. How many people in Carl Scully's office have you employed directly since leaving Carl Scully's office, Mr Willoughby?

The Hon. Amanda Fazio: Point of order:

Mr WILLOUGHBY: I employed one person from a private sector organisation—

The Hon. Amanda Fazio: Excuse me, Mr Willoughby—

Mr WILLOUGHBY: who had previously worked in that Minister's office.

CHAIR: Mr Constance, would you keep your questions related to this Committee's inquiry?

Mr ANDREW CONSTANCE: Sure. In light of your comments about Mr Forward, do you believe that Mr Forward should have been sacked?

Mr WILLOUGHBY: I said in my opening statement that I take being a public servant seriously, and I do. Part of taking being a public servant seriously is accepting the role and responsibilities and authorities that Minister's have. In that regard that was a matter for a Minister to decide: It was a matter for me as a public servant to accept and to get on with my job. That is what I did.

Mr PAUL McLEAY: Would you explain the role of your directorate in the delivery of major infrastructure projects such as the Cross-city Tunnel?

The Hon. Greg Pearce: He already did. You did not listen!

Mr WILLOUGHBY: I briefly touched on this earlier in response to another question. I am happy to deal with that in more substance. As I said, one of the things I saw when I came to the RTA was, in some cases, a dramatically growing community involvement and interest in infrastructure projects. I saw in many cases a very strong demand for more involvement and more information. I believed that as the communications director of the organisation it was my responsibility to try to improve that involvement and that provision of information. I pulled in from across the RTA various parts of the organisation that had a role in that. In a disparate way I built it into a single branch within my directorate that has done a lot of work over the past few years to try to facilitate community involvement in infrastructure projects and to provide information. My directorate oversees all community newsletters and project information sheets that go out to the community. It works as part of the planning process to try to facilitate that involvement. It manages and has improved dramatically the provision of that information on the RTA web site.

Mr PAUL McLEAY: An issue that arose in the Committee's evidence this year and last year is an acknowledgment that some members of consultative committees and processes can have competing interests, and some of them are well organised and some members may even be politically motivated. Some stakeholders have felt they would have been in a better position if the RTA had provided definitions and a guidebook or handbook as to consultation and outcomes they could expect. Has the RTA given consideration to that kind of project?

Mr WILLOUGHBY: As I said earlier, the branch in my directorate responsible for this has been looking really closely at how we can better provide that sort of information. It is why I employed someone from the private sector with a long history of involvement in the development of these projects to look at that work. I know that in the wake of the opening of the Cross-city Tunnel and all the issues and community comments that have followed that, that branch in my directorate is looking, as it should be, at ways to improve that performance. If that involves providing information of the sort that you refer to, I am sure we will be happy to do that.

Mr PAUL McLEAY: Have you found consultation expectations to be different from regional areas to metropolitan areas? The Cross-city Tunnel has a big public profile, is there more interest in it? For example, in relation to the Sea Cliff Bridge on the Lawrence Hargrave Drive consultation was welcomed by the community, and perceived to have gone very smoothly, with a lot of platitudes to the RTA. I want to compare that with perceptions of consultation with the Cross-city Tunnel.

Mr WILLOUGHBY: There is no doubt that community involvement and views in relation to infrastructure projects being delivered by the RTA differ, in some cases, very significantly from one project to another. I think, despite my comments about the need to provide better community information, the public comments surrounding the Cross-city Tunnel do not give an accurate reflection of the totality of the RTA's efforts in this area nor the overwhelming community view. The truth is that the RTA now builds into its infrastructure projects as a result of community involvement many, many more aspects and facilities called for by the community than ever in the past.

The reality of looking at the totality of this work in the RTA is there are a very large number of communities who are really pleased with their involvement, the goodwill they get in return and the things delivered in projects as a result. The reconstruction of Lawrence Hargrave Drive is a fascinating case study because it is a project where some members of the community very, very strongly opposed the closure of that road and campaigned very strongly about it but the community then participated in the delivery of that piece of infrastructure. Even the people who opposed the closure of the road accept it.

The Cross-city Tunnel has had a level of community criticism for a range of reasons that is not reflective of the RTA's approach generally nor reflective of the success in delivering motorway projects. Essentially the same process is applied to the delivery of the M7 as did to the Cross-city Tunnel. There was not anywhere near the same level of criticism in relation to the delivery there of a project much, much bigger within some significant respects, a much more dramatic impact on a community that did not have a road there. The Cross-city Tunnel is an important case study, and learning exercise for the RTA in relation to how to work with communities, but it is not in a broad sense reflective of what is a very strong track record of commitment to, and success with, community involvement in these sorts of projects.

CHAIR: Obviously with all your experience and lessons learned would it have been better for you to stay with the RTA and improve that consultation process than to have taken this other secondment? Have you had a role in that decision?

Mr WILLOUGHBY: I have accepted the offer from the Commissioner of Police to come over and finalise that review for him. That does not involve me having taken a decision that I am relinquishing my position in the RTA or that I am leaving it. I have a contract to be the Director of Communications and Corporate Relations at the RTA: that remains my position. I have not taken a decision to relinquish that position. My understanding of the paperwork in relation to my secondment is it calls it a short-term secondment.

CHAIR: Is there a time?

Mr WILLOUGHBY: Today's my third day.

CHAIR: It could be three months?

Mr WILLOUGHBY: I do not know.

CHAIR: You said there was a disappointing amount of public criticism. As a media consultant how did you respond to the media criticism particularly the *Daily Telegraph*, 2GB and Alan Jones and so on?

Mr WILLOUGHBY: The only criticism that I resent publicly is inaccurate personal criticism. I accept absolutely the right of community groups and media commentators to make their point of view known. I have had very good working relationships with members of the media and in relation to radio stations, the staff of those presenters. I have been frustrated at times by the views expressed: equally I accept their right to express those views and I have done the best I can to express the views of the RTA. More often than not, I think it has been a happy experience. Sometimes we have agreed to disagree. In a number of cases in relation to the Cross-city Tunnel that is what has occurred.

Mr PAUL McLEAY: What role did the RTA play in advertising the need to have a tag to use the Cross-city Tunnel?

Mr WILLOUGHBY: Under the contract for the delivery of the Cross-city Tunnel the joint venture building it had the responsibility for providing public information about the tolling systems for the tunnel. But I believed, and the RTA accepted, that the RTA had a wider responsibility, as the organisation responsible for the introduction of full electronic tolling, to provide the community wider information about that system, and how it works. My directorate managed an advertising campaign to provide that information in the lead-up to the opening of the tunnel to, not only the Sydney community, but to regional communities.

We are currently again in the process of looking at the requirement for us to do that in relation to the opening, for instance, of the Lane Cove tunnel. There is a broader motorist issue associated with full electronic tolling. The RTA has a responsibility to communicate that information. I was not prepared to leave it solely to CrossCity Motorway to do that because I thought there was a responsibility on the RTA to provide that information more broadly than simply to the motorists that CrossCity Motorway believed might be using the tunnel.

The Hon. GREG PEARCE: In August 2005, in relation to the then opening of the tunnel, do you recall saying: "We are bracing ourselves to the worst traffic problems we have ever had in the CBD"?

Mr WILLOUGHBY: I do recall that.

The Hon. GREG PEARCE: Do you recall saying there was going to be an emergency response team modelled on the Olympics and special traffic cameras installed throughout the central business district able to change the timing of traffic lights, and direct crews to areas where the traffic banks up? Was that ever done?

Mr WILLOUGHBY: The latter part is not an accurate reflection of what I said. I recall that, in fact, I was criticised by the *Daily Telegraph* for having exaggerated the problems that might occur on city streets. It subsequently apologised to me in writing in the *Daily Telegraph* for that criticism.

The Hon. GREG PEARCE: I am quoting the *Sydney Morning Herald* actually.

Mr WILLOUGHBY: I am talking in relation to what I said more generally. I did say the RTA was bracing itself for significant traffic problems in the city. I suspect your view is that those have occurred.

The Hon. GREG PEARCE: How did you know that the opening of the tunnel was going to cause so much chaos?

Mr WILLOUGHBY: I was working within the RTA. I had the benefit of advice from a large number of people about the implications of opening a very large road in the middle of a very big city at the same time as that city was operating. I also had the benefit not of having worked at the RTA when the Eastern Distributor opened but the benefit of the knowledge of the problems and the public controversy and the traffic difficulties that the opening of the Eastern Distributor caused. All of the advice to me was that the opening of the cross-city tunnel would cause similar problems. I think you did not have to be a long experienced traffic engineer to have a look at William Street and to know that those problems would occur. I did my best to advise members of the community that when the project opened there would be these problems.

CHAIR: But maybe the road closures more than the tunnel caused the problems.

Mr WILLOUGHBY: My comments were directed entirely at conditions on the surface streets in the context of the tunnel opening.

Mr ANDREW CONSTANCE: Did you engage any public relations firms for the process of communications around the tunnel?

Mr WILLOUGHBY: No.

Mr ANDREW CONSTANCE: When did you become aware of the letter prepared by Minister Scully to Minister Knowles in relation to the leaking of Cabinet documentation about the filtration plant?

Mr WILLOUGHBY: I do not believe I was aware of that letter at the time of its preparation. I think I have only seen that letter in the context of this inquiry's deliberations.

CHAIR: Thank you for attending as a witness. We appreciate that. I apologise for some of the adjectives that should not have been used, which are unparliamentary.

(The witness withdrew)

ALAN BEDE MARSH, Deputy Director General, Office of Public Works and Services, Department of Commerce, McKell Building, Rawson Place, Sydney, and

BRIAN ELLIS BAKER, Group General Manager, Project Management, Department of Commerce, McKell Building, 2-24 Rawson Place, Sydney, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee? Are you appearing as an individual or as a representative of an organisation?

Mr MARSH: A representative of the Department of Commerce.

Mr BAKER: I am representing the organisation.

CHAIR: Are you conversant with the terms of reference for this inquiry?

Mr MARSH: Yes.

Mr BAKER: Yes, I am.

CHAIR: If either of you wish to give evidence or table documents that should only be seen or heard by the Committee, please indicate that fact and the Committee will consider your request. Would either of you like to make an opening statement?

Mr MARSH: No, thank you.

Mr BAKER: No, thank you.

CHAIR: What are the differences between the traditional procurement methods and PPPs, and when do you think the latter are appropriate?

Mr MARSH: PPPs a fairly wide-embracing term, and I would like to distinguish between our conventional type of procurement and PFPs, which are privately funded projects. It is a narrower range. As some of the previous people giving evidence here indicated, about 15 per cent of all the work—10 per cent to 15 per cent—is done through what we call PFPs. The other 85 per cent to 90 per cent is the more conventional side. If you look at the strict definition of what are PPPs, that would cover most of that other work. A lot of the work we do—between \$700 million to \$1 billion a year—is done by us engaging the private sector to do different elements of it, whether it be the construction side. So the main difference when it comes down to it with the privately funded projects is that element of private funding and the private ownership whereas in the more conventional means—and there are many different parts to the conventional means—you have a situation where it is usually government funded and the government continues to own and operate the asset. So those are the main differences as we see between them. PFPs are just a form of procurement, one of the many different options available that have been used for some time. When you would actually use a PFP, while Commerce has not been involved heavily in the PFP side, it has to be the right type of project, usually quite a large project in terms of you have to have, most of them under consideration are over \$25 million.

CHAIR: Can you give an example of a PFP?

Mr MARSH: PFP would be the school package where the first one put nine schools together. I think it was about \$120 million in that facility, usually over 30 years. There is usually some type of complexity. Often they are looking for some type of innovation, for example, when the football stadium Australia was tendered off I was involved in it. That is the one where it was put out so all that design work was actually done by the private sector. Mr Baker might like to elaborate on when you use them from his experience.

Mr BAKER: I suppose in simple terms the PFP would be considered relative to other procurement forms but obviously the PFP would have to offer greater value for money in the outcome. So it might be in terms of the capability of the private sector over the life of the PFP. Say, in

25 or 30 years, what it might be, they can actually deliver a better outcome in comparison with the public sector comparator. It could also be but the asset owner, the agency is looking for the PFP, is looking for the service delivery from a particular asset that has no need to be involved in servicing that asset, be it the cleaning, the maintenance, facilities management of that asset. Overall, it is better value outcome for that particular agency with that asset as aligned to the service they are trying to receive from the asset.

CHAIR: From what you have said it sounds as if all the projects either become PPPs or PFPs and there is very little left outside of that.

Mr BAKER: In terms of the way we would define PPPs it is basically where we are engaging with the private sector and on an annual basis we manage projects for agencies to the value of \$700 million to \$1 billion depending on what the capital program is. I would estimate 90 per cent or more of that is actually spent through the contracts with the private sector. So they are all forms of procurement and sitting within that broader definition of PPPs. With PFPs we are looking at finding some funding from the private sector and then also the concession period that the private sector might have would only be suitable for about 10 per cent or 15 per cent. There are still very strong reasons why you go to more conventional means of procurement. Looking at what the particular risk elements are, what the agency might require of the asset and how the agency might be already established in terms of its ability to service that asset. An example there might be the education department where they have in place a regime for maintenance management of the asset. Therefore the PFP set they have now is an exception. They have a capability. If over time it starts to demonstrate more value they could migrate more towards that model.

CHAIR: Do you still actually do public sector comparator tests? Is it necessary to do that from the way you operate?

Mr BAKER: There was a recent example—and I think it may have been Joe Shipp from Corrective Services may have put this in evidence as well—with the Wellington Correctional Centre where that has now been procured by more conventional means. In coming to that point they looked at the alternatives with PFP compared to a more conventional procurement and having carried out that comparison determined that the more conventional means was the better value approach to procuring that asset and then importantly servicing that asset over its life. So when it came to how to operate that facility it was deemed that that was the better value solution. So in that case you would apply the comparator but the outcome was that you adopted the more conventional means of procurement.

Mr MARSH: I might just add that on the conventional procurement before every tender goes out to you do a pre-tender estimate. The public service comparator is a benchmark to assess the value and in a kind of way the pre-tender estimate forms that same purpose.

CHAIR: That is really a method you use to test the value of the tenders then.

Mr MARSH: Yes.

CHAIR: Rather than saying the public sector will actually do it. What is the relationship between Treasury and the Department of Commerce in relation to PPPs or PFPs? Do you have any involvement with Treasury in consultation?

Mr BAKER: There is a very strong relationship between Commerce and Treasury in general. There are two parts of Commerce that have relationships with Treasury. New South Wales Procurement assists Treasury in terms of the procurement policy, putting in place the default Procurement system, conducting the gateway review process, and that is under a service level agreement between procurement and Treasury. So that is one part of Commerce's interface with Treasury. When it comes to the part of Commerce that both Allen and myself represent, that is the Office of Public Works and Services, our role is as a professional service provider to agencies so it is not directly to Treasury but we are accredited by Treasury as a service provider for those agencies under their procurement policy.

One of the benefits that Treasury gain out of the role we have is that we are out there in a doing role and the experiences that we gain from that doing role help to inform Treasury's policy setting. It helps them to determine if there is fine tuning required or other experiences being gained out there which might moderate contract conditions, et cetera. By having that participation and doing role, there is a benefit which is recognised. When it comes to PFPs, our relationship is more to the agency rather than to Treasury. If an agency was looking at an investment in a new asset, when it came to the stage of looking at the options for that asset procurement we quite often would assist them with various services, be they professional services associated with investigation of the site or services about conceptual designs. We have provided and developed over a long period of time for the Department of Education and Training codes and guides for facilities which inform PFPs.

So in the recent DET PFPs part of the documentation provided to the private sector was the codes and guides that have been prepared by Commerce on behalf of the DET over a long period of time. With other agencies looking into PFPs for the first time we can assist them in evaluating what the risks are around the relationship between the asset and the service. We can work with them, identifying the range of procurement options that they might have. If it appears to start to look as if a PFP might be something which is worthwhile exploring for a particular procurement, we would then certainly co-ordinate with Treasury to start to see whether that is something which is worthwhile considering, and if it did then, if you like get legs, and go further forward, working very closely with Treasury in terms of the rigorous process of developing a comparator and also looking at other critical factors may affect decision making around that PFP. So our direct relationship is with the agency, but we would embrace with Treasury as it became clear that a PFP may be a suitable procurement option.

The Hon. GREG PEARCE: There has been considerable public discussion about PPPs and whether governments should be involved in them. In what you have said earlier, you make the simple point that government generally does not actually provide construction services and a lot of other services, and that in most procurements you have to buy from the private sector anyway.

Mr MARSH: That is correct.

The Hon. GREG PEARCE: We asked the RTA people, when they were here, about it, and I think they said they have the capacity to do some maintenance and minor roadworks, and that they do about \$400 million a year themselves. What is your relationship with the other government departments? I am not clear in my mind as to when you are involved and why you are involved with them, and which of the other departments actually do their own projects.

Mr MARSH: Our range of involvement depends on the capability of those agencies. Obviously, an agency like the RTA has full capabilities, so that our involvement with them would be minimal. We are occasionally involved, but minimally involved. With other agencies, like the Department of Education and Training, we have a quite large role. We are a professional service provider. I have provided a brochure on Public Works and Services. The skills that we provide to an agency are usually skills that that agency would not have in-house, whether they be engineering services or land valuation services, or experts going out to a site and testing it for contamination or determination of endangered species and all those sorts of issues. So we help them put those parts together.

Mr BAKER: In terms of the Treasury procurement policy, we are an accredited agency for delivery of major infrastructure construction projects. A limited number of agencies have that accreditation, the view being that they have expertise around their service delivery but not necessarily expertise around delivering major infrastructure. So we would engage with those agencies. Our role is not mandated, but those agencies would need to determine that we could give them best value in the service, and we would then work with them in the delivery of their infrastructure projects. That would be by harnessing the capabilities coming out of Public Works and Services — architectural, engineering, project management — and we would work with the agency to put in place an appropriate management regime to address the risk and address the issues, to ensure their project is delivered within budget and within a timeframe. No doubt, in that regard, there is an ever-evolving process, of continuing improvement, to ensure we are getting certainty in delivery of projects against budgets.

The Hon. GREG PEARCE: Are those agencies able to use entities other than the Department of Commerce?

Mr MARSH: As Brian said, our work is no longer mandated, so we charge a fee for service. They are quite free to use a private provider for those same services. So there is a lot of emphasis by us on performance regarding the quality of our service and the special values we bring. I think we provide a very unique service, because we are one of the few service providers that cover the whole of New South Wales. A lot of our work is done in regional areas.

CHAIR: How do your fees compare with those in the private sector?

Mr MARSH: We benchmark our performance and we benchmark our fees. In fact, on many occasions we win at the tender box, so to speak, which is a good judgment on how your fees are structured. So we are pretty confident that our fees are reasonable. We benchmark our performance, and we are continually improving the mechanisms that we have in place. We have established a road map system as a guide to all our project managers, to make sure that the best knowledge is not kept in people's brains but is spread throughout the organisation. We have a centre of excellence to help us try to keep lifting our standards. In terms of our performance, I am very proud that two of our project managers in 2004 and 2005 were judged to be the best project managers in Australia by the Australian Institute of Project Managers. The people involved work for Brian—Gary Kennedy, from our North Coast office, and Merja Keppo. That is good acknowledgment that we provide a high level of service. Our personnel across the State are first rate.

CHAIR: You have provided the document "The Office of Public Works and Services".

Document tabled.

The Hon. GREG PEARCE: Obviously, architectural services, leasing advice and so on are areas in which you would, on a competitive basis, have to win. Is that correct?

Mr MARSH: Correct, but not all the time. Sometimes we are directly appointed, because we have a lot of special expertise across the organisation. For example, our Sustainable Water Services group would have some of the best expertise available about country water supply and country sewerage schemes, so a lot of organisations go straight to that group because of its history of involvement, plus they know that the group will develop the right solution for them.

The Hon. GREG PEARCE: That was what I was leading to. Are there areas, other than country water, in which your department would have unique experience and unique abilities that agencies could not get from elsewhere in the private sector?

Mr MARSH: I think, overall, someone else could do every one of our services. But we have a good body of that knowledge. When it comes to the schools codes, we have helped develop those over many years, and we do know how to work with government. We have things like heritage architecture; we have quite good expertise there. We have the only indigenous architectural service in Australia. So we are fairly unique.

Mr BAKER: Another unique aspect is our regional dispersion. We have approximately 1,200 staff distributed across New South Wales. So we are fully servicing regional areas of New South Wales. When we look around at others providing similar services, they are fairly much of a Sydney-centric or major cities on the east coast centric, and do not appear to have a great deal of appetite to service regional and rural areas. We believe that is something unique that we have, and it adds value on behalf of the State to have that capability out in those regional areas. We also ensure that our staff out there can share in the experiences that we are gaining out of major projects. The knowledge that is captured is distributed across our organisation, and therefore is available right throughout the whole of the State.

Mr MARSH: We have a management philosophy that we only stay in the work we do if we can provide value. So that, if there were a private sector provider out there who could provide services at a lower price, I am afraid our future would look bleak. But I am very confident that we provide a good service, and that is why I think we have a good future.

Mr BAKER: Going back to the early days of Public Works, which preceded the creation of Commerce, the private sector had limited capacity. So we may have engaged the private sector to do purely construction. As the private sector developed the capabilities to do design, we started to develop a design-construct nature of contract. As that capability has increased further, leading on to present times, when, to an extent, the private sector has capabilities in terms of financing, designing, constructing and operating, we start to adopt those as being viable procurements processes. Our view is that quite often we develop new procurements to match the capabilities of the private sector. Once the private sector reaches the capacity where they can carry it out at low risk, we are more than happy to shed that to the private sector. We then move on to the next form of most effective value-adding procurement. So it is an ever-evolving role, and I guess today we cannot contemplate what procurement might be in 20 years time. We certainly know we will be moving with that, and ahead of that, and, on behalf of government, ensuring that when they enter into those arrangements with the private sector the risks are understood and the risks are being appropriately managed, and then we can harness the benefit of the private sector but exercise control so that government is not exposed to greater risk.

Mr MARSH: One of the keys to successful procurement for government is the need to be informed by those services. One of the roles that the Department of Commerce plays is in being informed. That helps secure a good outcome. If you are not informed, you are going to have poor outcomes.

CHAIR: In view of these projects, will the staff of the Department of Commerce expand and reduce at certain stages, or do you bring in consultants, or how do you handle having a lot of projects and needing more staff?

Mr BAKER: You may be looking at a profile over 20 years. Our staff profile has changed greatly. Twenty years ago we had a lot of trades-based people, who were out there building and carrying out maintenance. We have a very, very small component of that now in specialised areas. Most of our staff now are involved with technical skills in terms of architecture, engineering, property management or project management. In terms of our workload, it does fluctuate to some extent, so we do rely upon having a core of skills and a core of expertise and retained knowledge, but we certainly do use contract staff as peak demands require. So we do adjust our staffing profile, depending upon the workload. That is very much driven by capital expenditure in New South Wales.

The Hon. GREG PEARCE: Do you provide your services to government trading enterprises?

Mr BAKER: Yes, we do. We provide a lot of service to local government as well. We are finding in the regional areas there is not a great deal of capability out there in the private sector, other than the service we are providing. We have established very good working relationships with local government, and we find that they come back on a repeat basis, on their assessment of the value that we are adding in their projects.

The Hon. GREG PEARCE: What is your overall revenue, roughly?

Mr MARSH: That is a good question.

Mr BAKER: In terms of the projects?

The Hon. GREG PEARCE: Yes. I should have looked at the annual report. Perhaps you could take that question on notice.

Mr MARSH: I will take it on notice, because there are different areas of commerce.

The Hon. GREG PEARCE: If you could break it down, as well, into agencies, government trading enterprises and local government, if that is not too difficult.

Mr BAKER: If I could clarify our hesitancy there. It was simply that, in terms of our accounting, there have been situations in the past where the capital funds have gone through our

agency, and we have a combination where some go through our agency and some go through the client agency. How that is defined in accounting terms is variable. But we will give a clear response in relation to that break-up.

The Hon. GREG PEARCE: Why would the capital funds go through your department?

Mr BAKER: We would be paying the contractor there. So the agency would receive the funds, we would invoice the agency, and we would pay the contractor. In some circumstances, say with local government, more often the arrangement would be that we would certify the payment and local government would pay the contractor. So there are variable models, depending on the funding arrangements of the client.

CHAIR: Have you been involved with the public sector all your careers, or have you come in from the private sector?

Mr MARSH: I have been with both. I spent seven years outside the public service.

Mr BAKER: Likewise, I have had six years experience in the private sector, and recently came back into the public sector.

CHAIR: So you have the benefit of both areas?

Mr BAKER: Yes. I think we have a good appreciation of capabilities on both sides.

The Hon. GREG PEARCE: Just looking at the brochure you gave us: areas like project management, properties, sustainable water and architects office are obviously the sorts of areas you can speak for. You probably cannot answer this, but what is the role of the Central Corporate Services Unit?

Mr MARSH: The Central Corporate Services Unit is a shared service. Its main clients are Premier's Department, Treasury and the Cabinet Office. I think it has about 50 client agencies, providing different types of services. For some agencies it might provide a payroll service; for some it will do a full corporate service on fee-for-service. So it is a shared service. They are doing the back-room type of work for those agencies. There are economies of scale, and they perform those roles better. Their performances also benchmark quite well.

Mr PAUL McLEAY: Do you have any private sector clients? Do you do work for the private sector?

Mr BAKER: We do a small amount of work from time to time. It generally relates to where we have specialist areas. We have what is called the Manly Hydraulics Laboratory, which is expert in data collection and data analysis, and it is recognised by the private sector, and from time to time it will provide a consultancy service to that sector.

Very much our prime focus is adding value to the Government of New South Wales. We would only engage with the private sector if we thought, perhaps, there might be some experience to be gained that would be of benefit back to the community of New South Wales, or it could be a specialist area from which there would be an indirect benefit.

Mr MARSH: Our major focus is the New South Wales public sector. Possibly in our Sustainable Water group there may be occasions where we might do a partnership with a provider, but usually there is some new knowledge or some research and development system.

Mr BAKER: Quite often we are approached by the private sector to team with them and we would see that as a recognition of expertise we have already. They want us to come into their tenders or their proposals. But our resources are purely, or primarily, focused on servicing New South Wales.

Mr PAUL McLEAY: Earlier you talked about your initial cost estimate, which sometimes can work as the public sector comparator. We have your initial cost estimate. If you presume it will be

used by the traditional financing models do you then do another public sector comparator or do you do it only if you are thinking about doing a PFP?

Mr MARSH: With a public sector comparator a unit in Treasury looks after that. They are the ones that compile the public sector comparator, which is a little bit different from the pre-tender estimate. The public sector comparator looks at what is the most efficient means by which the service can be delivered in the public sector, and that can be over a 30-year period. Then they discount it back using the present value into today's dollars. It is a little bit different. I have had no involvement and I do not think our organisation has had any involvement in compiling it. Some of the information from our projects may be used to help to put it together.

CHAIR: What is the other term you were using? You said you compare that with something else.

Mr MARSH: The pre-tender estimate.

CHAIR: Which is similar to the comparator?

Mr MARSH: Yes. It is a price that we work out whether we are getting value for money where the public sector comparator is over 30 years. We work out the cost and it is brought back to our present value. It is slightly different.

Mr PAUL McLEAY: You work out the pre-tender estimate and Treasury does the public sector comparator?

Mr MARSH: Yes.

Mr BAKER: In terms of conventional procurement, normally we would look at the cost of the capital only. A pre-tender estimate, which forms the project budget, is looking at the procurement of the asset not the operation of the asset. But the operation of the asset would be in the business case, but you would have to go to both the pre-tender estimate plus the business case to look at what the whole-of-life cost would be for that particular asset. Whereas once you start looking at a PFP you need to look at both the capital cost and the whole-of-life cost and then bring that back to a public sector comparator. In that instance there is no need to create the public sector comparator. You want to know what the capital cost is going to be and you want to know, through your business case, what the whole-of-life cost will be. In that respect you have the information, but not in a vehicle called a comparator.

Mr PAUL McLEAY: What other capabilities do you have to help manage the PFPs if there were another form of capital procurement?

Mr MARSH: If we are looking at a PFP, the first thing is to understand what are the risks about procurement. We certainly can help them to understand the risks. We have systems and documentation that can address those risks, be they forms of contract in terms of how the risk might be allocated, or you can assist the agencies in looking at that relationship between the service delivery and the physical assets they require, but in some respects that would be the skill of an architect to understand how a facility might be operated, how that translates into a physical asset—a layout and a design. We assist the agencies in developing a business case, which is owned by the agency, but there may be various skill sets and capabilities required to bring that business case together. We can bring a management framework to the agency to assist in developing that business case. Quite often we assist agencies preparing business cases to go through the Treasury gateway review process. If there is a need to move to a procurement with the PFP, we have capabilities of managing that process. In our view a PFP is another legitimate form of procurement. It is an interface with the private sector. We have capabilities in managing that, and we can apply that to assist the agencies in that regard.

Mr PAUL McLEAY: You talk about risk. What are some of the major risks when it comes to capital procurement and how does commerce help manage those risks?

Mr MARSH: Obviously, the biggest risk would be whether the built asset achieves the service or outcome required. You could have a project based on certain operational changes. For

example, it could be that certain facilities can operate with three staff and it is built on that outcome. It could be that it is built to require five staff and, therefore, it is not achieving it. A good example of doing something that does not achieve its outcome would be if you build a swimming pool that was only 48 metres long, which would not achieve its purpose. The other key ones, before I hand over to Mr Baker to talk about the more specific ones, is bringing it in on time and on budget—budget certainty. They are the biggest risks we try to overcome. If you look at the major thrust of the procurement policy now and some of the comments that Professor Richmond and Treasury made, there is a lot more emphasis on getting the scoping rights. The more you can put into that scoping, identifying risk, and who should share those risks right up front usually the better the outcome. If you do your scoping right on design there is less client change as you go through them. In the overview that is the best way of managing risk. There is quite a lot of other specific risk that we handle from the project management side, which I might get Mr Baker to elaborate on.

Mr BAKER: There is a very wide range of risk, but to try to touch on a few, one fairly important one would be the contractor's performance in terms of the contractor's ability from a technical point of view. Do they have the ability to carry out what is asked of them? Are they likely to collapse financially part way through a project? Do they have the management capability? Can they manage the risk and issues that are being given to them, be they issues about industrial relations management, be they safety management, environmental management? What we would do is to look at the capability of the contractor against the particular project and what they have been asked to do. Generally we have an accreditation system, so we go through and pre-accredit contractors based on the capability and we review the performance continually to monitor how well they are going. If we start to see signs of weakness we can intervene so that we can derisk the contractor's performance or potential failure scenario by our systems and our processes. Our experiences in terms of contracts, generally contracts have been fairly adversarial leading to disputes, variations, et cetera from those experiences we are developing more appropriate forms of contracts, more relationship-type contracts, so that we can manage that risk during the currency of the contract. Another major risk really is to do with the major overall management of the project and that is in the context that the project and the asset being delivered are owned by the agency.

But more often than not the agency will bring in a project manager and the contractor. There is a need to have management discipline in the agency itself, which might be by way of a steering committee or a project control group. Certainly there needs to be a governance arrangement within the agency. If that arrangement is not in place and working well you can find that the project has the capability to deliver, but it may be delayed or frustrated by the fact that the agency cannot match the needs of the project, be it in terms of approvals or guidance that may be required. Getting appropriate governance and other management arrangements in place is a major issue around risk. Some of the key ones would be safety on site and safety management, which is a major issue on all our projects. We have high-level risks on construction projects. Ensuring that proper safety management arrangements are in place, that there is a clear understanding of roles and responsibilities and a system to support that, which is most important. Likewise, when it comes to environmental risks, quite often a construction project will pose risks on environment. How well they are being managed. I could go on with a number of others, but that may give you some sense of the risks that we can manage.

CHAIR: Have you had any role with the cross-city tunnel or the Lane Cove tunnel?

Mr BAKER: No role in those two projects.

CHAIR: You mentioned safety, but you have had no role in those projects?

Mr BAKER: No role in those projects, but we network and liaise fairly strongly, so we meet with WorkCover on a fairly regular basis. From that involvement we are aware of what WorkCover is doing about safety in tunnel construction, developing guidelines, and we are working with WorkCover where we are looking at tunnel construction to ensure that we are adopting those guidelines in our practice. We learn from those projects, even though we may not be involved directly. It comes back to Mr Marsh's earlier point about the capability of the RTA as an organisation. From time to time they may need some specialist advice, but they have the capability as an organisation to manage the procurement. But certainly we like to stay close to what is involved, in what is developing, to learn from that and to take those experiences into our other projects.

CHAIR: It seems that a lot of major projects are being finished earlier than their projected date and then there is some formula whereby the contractor receives some additional payment. Are you involved in any of those calculations or the giving of advice? It seems that the conclusion date was unrealistic because the project could have been completed sooner. Contractors are getting a bonus, is that correct?

Mr BAKER: The way it is cast would be viewed as incentive. In terms of involvement in calculations, we have not been involved with the RTA or others in calculating that for their projects. But it is almost in a reverse way that under what is called an AS212 form of contract, or similar form of contract, usually there is a liquidated damages provision. If the contractor is running late there is an estimate of damages that the agency is bearing, so we calculate what those damages will be. What is the cost of that service of not being able to be provided because the asset is not there? We certainly have skills and abilities around calculating that. You could bring that forward to say that if a project comes in earlier is there a benefit to the client, and also the contractor, that can create an incentive to complete early.

CHAIR: It is correct that the contractor would get an incentive payment if he finishes earlier?

Mr BAKER: Not under our arrangements at present, but under an alliance arrangement I am aware that in those projects you can build in incentives, and in those incentives part of that would be a sharing of profit, if you like, or dollars saved between the alliance partners. I am not aware of the arrangements on the cross-city tunnel in terms of what they might be, but generically—

CHAIR: Or the M7, which is a good example of a project finishing early.

Mr BAKER: Generally they are out there as a vehicle for incentive.

CHAIR: Do you think that incentive payments are a good policy?

Mr MARSH: I think it has its place. Likewise, penalties have their place, too, if they are slow in their delivery. Mr Chair, you made a comment about the Lane Cove tunnel. Just by way of clarification, whilst we were not involved in the project I should just point out that we undertake an engineering emergency function on behalf of the State. When the tunnel collapsed we had an involvement in the respect that the police commander called on our services. We had a building engineer out there who was giving advice to that police commander on the safety or otherwise of the building. Whilst we were not involved in the project per se, we had that small role in that project.

CHAIR: It works back with WorkCover, as you said, that safety issue?

Mr BAKER: It is a separate role with WorkCover. Our involvement with WorkCover is that we are planning our projects, putting in place our safety management systems to avoid such occurrences. The role Mr Marsh was describing is part of State Emergency Management. Another example was the Thredbo landslip. Our resources were down there mobilising and bringing in engineering resources to assist the services to recover from that incident and, subsequent to that, to manage engineering works to secure the hill down there. They are a vital part of the emergency management response in New South Wales.

CHAIR: That engineer you said was involved in giving some advice about the collapse of the flats or the units falling into the hole, did that include telling them how to repair it, the pouring in of the concrete?

Mr MARSH: No.

CHAIR: This was done by the contractor?

Mr MARSH: That was all the responsibility of the contractor. Our role was purely to provide some independent expert advice for the police commander.

The Hon. AMANDA FAZIO: Can I just ask you a question in relation your approach to public-private partnerships? Can you give us any comments on how the New South Wales Department of Commerce approach compares to that taken by your equivalent department in other States and Territories?

Mr MARSH: Interesting question, but I would have thought—Queensland has a Department of Public Works. Victoria has no longer a similar department so a lot of it is done within the individual agencies themselves.

Mr BAKER: In terms of policy setting, that clearly is a role of Treasury and we do not have a role in that. We certainly do inform Treasury in terms of our views about the capabilities of the private sector and risks associated with forms of procurement, but policy setting is purely with Treasury. When it comes down though to the fundamentals of procurement in terms of capability and risk allocation, I believe that our views would be very similar to other organisations across Australia. The fundamentals I would see as being universally agreed.

The Hon. AMANDA FAZIO: I might just say we did have evidence I think at one of our recent hearings from somebody who said that nobody these days still has a department of public works. I thought that that was a very narrow approach.

Mr PAUL McLEAY: That was from Victoria, though.

The Hon. AMANDA FAZIO: Yes. I think it was a Victorian Treasury officer. I thought that that does not quite fit in with the way we do things here.

Mr MARSH: Sometimes what happens is that the individual agencies re-create that function where I think our arrangement is more like a shared service type of arrangement where small agencies can acquire the service.

CHAIR: I gather the States have more duplication.

Mr MARSH: Well, they could. Queensland has quite a vibrant Department of Public Works.

Mr BAKER: I think we would see our role also as assisting the state in being an informed purchaser or an informed buyer and if we do not have that, it becomes quite fragmented and quite variable in terms of the skills to interface with the private sector.

The Hon. GREG PEARCE: Do you do work for RailCorp or do they have their own procurement people?

Mr BAKER: We do a little bit of work for RailCorp in specialist areas. When it comes to their major infrastructure, a lot of it is contracted by the Transport Infrastructure Development Corporation [TIDIC], the corporation that was created for that. They too have in-house capabilities as well and we do supplement that from time to time, but not a great deal.

The Hon. GREG PEARCE: And Sydney Water?

Mr MARSH: Yes. Our Manly hydraulic laboratory part of the time does some work for Sydney Water, mainly on monitoring of flows. For example, one of the projects I know we are working on is the monitoring of sewerage pipes. It does not sound interesting, but the type of purpose there is if you are monitoring the flow of sewerage, you work out which pipes are the high priority ones in terms of capacity.

Mr BAKER: We also do work for the Sydney Catchment Authority on some of their major projects which they are currently undertaking.

CHAIR: Good. Thank you very much for appearing before our inquiry and for the information you have provided. It is very valuable, thank you.

Mr MARSH: Thank you.

(The witnesses withdrew)

VINCENT JOHN GRAHAM, Chief Executive, RailCorp, and Acting Chief Executive of State Rail, 18 Lee Street, Sydney, sworn and examined:

CHAIR: Thank you for appearing as a witness at our inquiry. I appreciate your attending. Are you conversant with the terms of reference for this inquiry?

Mr GRAHAM: Yes, I am.

CHAIR: If you should consider at any stage that certain evidence you may wish to give or documents you may wish to tender should be seen or heard only the Committee, please indicate that fact and the Committee will consider your request. Would you like to start with a short statement?

Mr GRAHAM: No. I am happy to go straight to questions.

CHAIR: As you know, under the terms of reference we are looking at the whole issue of public-private partnerships but also we should be overlapping with private finance partnerships [PFPS]. Could you outline RailCorp's involvement in this area?

Mr GRAHAM: Yes. I will outline the involvement of RailCorp which, as an organisation, has existed since January 2004. But also the involvement of its predecessor organisation, State Rail Authority. As far as PPP projects are concerned, the organisation I think has been involved in one and is involved currently in a second. The first is the airport line project which was a contract signed in 1995 for the construction and operation of the line from Central through the airport line stations connecting back to the network at Wolli Creek. That railway line was commissioned in early 2000. The second involvement is the current involvement where we are currently in the marketplace for the replacement of 500 non-air conditioned carriages on our network utilising a PPP structure. The successful proponent or proponents will design, build, finance and maintain the carriages for a period of approximately 30 years and RailCorp as an organisation will pay for these carriages on a daily availability basis. They are the two involvements that the organisation and its predecessor have.

CHAIR: Could you explain the daily availability basis? Is it almost like a lease?

Mr GRAHAM: I think the simple layman's analogy would be hiring a car from Avis, only doing it over a very efficient and long-term period. So we are, from our customers' point of view, obviously interested in a clean, safe, reliable service, not having an airconditioned fleet in the Sydney summers will be obviously something, as you would appreciate, that is far from desirable. This project will allow us to replace all remaining non-airconditioned trains and we effectively pay for them only on the basis of the availability. So the proposal that has been tendered by the marketplace requires the contractor or contractors to make available to us 59, eight car train sets on a daily basis. The number of train sets that they need to build and maintain in order to give us 59 available trains is a matter for their commercial judgment. Obviously they need maintenance and operational spares. That is what they are tendering for, 59 available eight car trains to the network on a daily basis.

CHAIR: So if there is a breakdown, they have to replace it and you would not pay, obviously, for the breakdown?

Mr GRAHAM: That is right and if they fail to meet their obligations to provide 59 available eight car trains, there are financial penalties in place, not only on a daily basis but on an a.m. and p.m. peak period basis. So that the financial burden of failing to perform on availability is borne by the proponent.

CHAIR: So there must be some close co-operation then between you and the head of this private company to ensure that that happens?

Mr GRAHAM: There is obviously a need to be a close-working relationship but the project at this point in time has been tendered. Tenders have closed. We are in the evaluation phase of those tenders and no recommendations at this point in time have gone forward to Government.

CHAIR: That would include that company providing all the cleaning staff, the maintenance staff and so on. You would not be using RailCorp staff any longer?

Mr GRAHAM: Not quite. In terms of the maintenance, these trains of course go back to stabling locations overnight which could be varying places on the network. But there is part of the project that is a green fields maintenance facility to be constructed at Auburn—constructed and operated, obviously, by the successful contractor. They have the responsibility for maintaining the trains. The cleaning of trains on the network or the cleaning of trains when they are stabled in outlying locations, like Campbelltown, Penrith, or Hornsby, the cleaning will be undertaken by RailCorp staff, consistent with the other trains stabled at that location.

CHAIR: In your view, does RailCorp have the necessary skills to negotiate such large scale PPPs with the private sector? Obviously, you think so, or you would not be doing it.

Mr GRAHAM: I think that any operating organisation like ours, when you look at the history and you say there has been an 11-year gap between the signing of contracts for PPPs, I do not think organisations like ourselves would continue to carry the internal competence for that length of time and obviously in terms of ensuring that you have the capability to effectively manage these projects, adequate governance needs to be put in place. We are a corporation, therefore we have a commercial board and the directors on our board have varying experiences in the private sector in both legal and financial areas, so we are blessed in the sense that we have competency and capability in our board. We have also ensured that we have recruited a project director to represent our interests as an employee who is competent. We have recruited a person from the United Kingdom who has a legal background and has been involved in United Kingdom projects, including the channel tunnel, so that we can capture that experience.

We have also ensured that, in building our internal team, we get the necessary competency, and generally from the private sector. We also employ professional advisers in the legal-financial-commercial areas to advise our project team and our board. Part of the governance arrangements for our PPP also involves an interdepartmental group that I chair and that includes Treasury officers who are obviously across government involvement in these projects on an ongoing basis. So it is an important element of these to ensure that you fill both the governance and the capability internally to adequately and effectively manage the process.

CHAIR: Is there a model for what you are doing in New South Wales? Is there some other place, some other city or country, that has had a similar arrangement on such a large scale, with 500 additional trains?

Mr GRAHAM: I think you can go around the world and find examples of people who have done similar things, but who do it in a different way. Prior to this position I was managing director of National Rail Corporation. During that 10-year period we acquired 120 freight locomotives that were built and maintained by the private sector. That is a slightly different model, but nonetheless it does involve similar governance—similar risk management issues.

CHAIR: Is there a great deal of interest by the private sector in taking on large-scale rail infrastructure projects? Did you have many tenderers for this particular project?

Mr GRAHAM: Yes. This particular project has been through an expressions of interest phase prior to short listing and for this contract we have listed four consortia who have gone through and submitted tenders. Given the magnitude of the project—and just to give you an understanding of the broad magnitude—the capital cost of building 500 carriages, this the manufacturing cost I am talking about now, not the 30-year maintenance arrangement, but the manufacturing costs, are of the order of \$1.5 billion in today's dollars, and I would expect that the net present cost of this contract, including capital and future through-life support maintenance would be in the order of \$4 billion over the life of the agreement.

CHAIR: So what would you say are the main advantages then to adopting this policy of this 30-year period with the private sector providing the carriages, compared to the old system?

Mr GRAHAM: I think the most significant advantage is for our customers. Travelling in a non-airconditioned carriage in the heat of Sydney summers, as I said earlier, is obviously not desirable. Because of normal capital available through the Government's standard capital works funding arrangements, we would not attract sufficient funding to replace these cars much before 2016-2017. But by adopting a PPP structure, we have the opportunity to replace 500 non-airconditioned carriages more quickly. That clearly is of benefit to our customers, and given the experience we have already had with the Millennium train, which is maintained by the private sector, in spite of issues that we have had with that train, going back 18 months two years, it is now the most reliable train operating on our network and consistently so. So the customer is the winner in this particular PPP project I think, both in terms of more reliable service and certainly in terms of comfort and travelling in air-conditioning rather than non-airconditioned trains.

CHAIR: Did it have a positive impact on the Government's budget? At present there is a loss that I think is \$1 million a day on the rail system.

Mr GRAHAM: Just to articulate the broad financials of RailCorp, our annual cost is around \$2 billion and the fare box revenue paid by passengers is \$500 million. So only a quarter of the cost of operating the rail network comes from the passengers; 75 per cent comes from the taxpayers.

CHAIR: Will that increase or decrease under this new arrangement?

Mr GRAHAM: I think the accepted methodology of doing that comparison is through the public sector comparator process that is articulated in the Working with Government guidelines. We have, with the support of our advisers and in consultation with Treasury, developed the public sector comparator numbers. So in doing the evaluation of the bid submitted by the private sector, a clear reference to the public sector comparator cost will be available. That is the methodology that is used to ensure that it is a better deal, if you like, than the alternatives that might be available.

The public sector comparator, of necessity, is a hypothetical assessment. Because we are talking about building trains, building rolling stock, there is no public sector capability to build trains. Trains have been built in this State by the private sector for a considerable period. In constructing the public sector comparator, as I say, some hypothetical assumptions need to be made. In relation to the through life support maintenance we are able to establish the public sector comparator.

CHAIR: Does RailCorp have in mind any other large future infrastructure plans?

Mr GRAHAM: Yes. The Government has announced future new rail projects, that is, the development of a new heavy rail solution in the south-western suburbs of Sydney from Glenfield out to Leppington. It has announced the north-west rail link. An essential part of future infrastructure for the city will be another harbour crossing, around 2016, to ensure we continue to have the network capacity to cater for the growth of Sydney as a global city. In making that announcement and in looking at funding options, the Government has identified that Treasury will examine a range of options and those options will include the potential for PPP-type financing.

CHAIR: I suppose it is too far ahead to say what the harbour crossing will be—whether it is a tunnel or a bridge?

Mr GRAHAM: No. I think the only options that are available to us realistically are tunnel options. When Bradfield constructed the Sydney Harbour Bridge he provided for four rail tracks on the bridge. But two were taken over by road traffic many years ago. So the opportunities now for future harbour crossings I think are very much tunnel options. Two options have been subject to further detail—one that broadly follows the alignment of Pitt Street down to Circular Quay and under the harbour, and the other one is down closer to Darling Harbour and Sussex Street, and going through that part of the city.

Mr ANDREW CONSTANCE: Given the 500 new carriages that you are talking about, will that result in an increase in the price of tickets for commuters?

Mr GRAHAM: No. The costs of operating the rail network are not coupled to the revenue decisions that are made. The price of fares for commuters is something that is determined by the

independent pricing authority, on reference from the Government. So the costs and revenue are not directly coupled.

Mr ANDREW CONSTANCE: What is the life of the project?

Mr GRAHAM: The project, to be very technical, runs for 30 years from the delivery of the tenth of 59 sets.

The Hon. GREG PEARCE: When is that expected to be?

Mr GRAHAM: As I say, we are now in the process of tender evaluation. I would expect within the next couple of months to be able to make recommendations to the Government. From that point the future bid strategy will determine precisely when the financial close of the contract might be. On current programming I expect to be able to enter into a contract, subject to government consideration and government approval, probably in the last quarter of this calendar year.

The Hon. GREG PEARCE: Just going back on the Millennium train experience, it took about two years before the Government delivered the bulk of the trains. Then there was a train every month or thereabouts. Is that about right?

Mr GRAHAM: Yes. There is an extensive lead-time between the letting of the contract and the finalising of the design to producing the first train.

The Hon. GREG PEARCE: So we are not likely to see any of the new trains for about three years or something?

Mr GRAHAM: If you pressed me on that issue—which you are probably about to do so I may as well yield up-front—I expect that the first of the new trains would not be available to the network until the 2008-09 financial year.

The Hon. GREG PEARCE: Are these trains replacing existing trains? They are not additional capacity?

Mr GRAHAM: That is correct.

The Hon. GREG PEARCE: How old are the existing carriages that are to be replaced?

Mr GRAHAM: Because they have been delivered at various times, of the order of 35 years.

The Hon. GREG PEARCE: You did not mention the Chatswood to Epping rail line when you were talking about projects. Do you count that as a straight acquisition?

Mr GRAHAM: Well, it is. It has certainly been constructed by the private sector, but it has been funded in a traditional way, through a capital works program.

The Hon. GREG PEARCE: What is your capital works program availability at the moment?

Mr GRAHAM: Our capital works program is of the order of \$500 million per annum.

The Hon. GREG PEARCE: So where are we going to get the \$8 billion that has been touted as the cost of the north-west, south-west and harbour crossing?

Mr GRAHAM: I think those matters have been subject to government announcement. In the media release announcement at the time by the Premier the funding options were articulated. It is the task that Treasury has to look at those funding options and to advise government on the appropriate funding arrangements.

The Hon. GREG PEARCE: One thing that mystifies me about the announcement is that there was no announcement in relation to rolling stock to run on those rail lines. Do you already have the capacity to do that, or will you have to buy rolling stock as well?

Mr GRAHAM: No. We have two types of future demand for rolling stock, that which is generated by what I would call the organic growth of the network and that growth, on an historical basis, is of the order of 1 per cent per annum. The substantial growth that we experience is passengers coming into the central business district [CBD]. As the city continues to expand as a global city we would expect the growth destination to continue to be that CBD arc that runs from Redfern, Central across into North Sydney, Chatswood. That is where the substantial growth is.

We have already on order, contracts let and the first train currently under test on the network, a contract for 122 cars that Goninan at Newcastle is manufacturing. Those cars are intended to deal with organic growth and also to provide the rolling stock for the Epping to Chatswood railway which commissions in mid-2008 that you mentioned earlier. Currently, we have under consideration the procurement arrangements that might be appropriate for growth beyond the opening of the Epping to Chatswood rail link.

The Hon. GREG PEARCE: So how many trains are you expecting to need for the north-west and south-west rail services?

Mr GRAHAM: Obviously, that will grow as patronage on those lines grows. To give you an example, we would expect the south-west rail link that comes on first to generate the need of the order of an additional 10 eight-car services to provide the initial service level.

The Hon. GREG PEARCE: And the north-west sector?

Mr GRAHAM: At this point in time we have not yet developed that. But, clearly, given the time frames we are talking about there, you would expect that they would at least be of the same order as the south-west rail link, and potentially larger.

The Hon. GREG PEARCE: I presume they will have to be funded via privately financed programs [PFPs] as well?

Mr GRAHAM: They certainly will have to be purchased. I think the appropriate procurement strategy for those, as I say, is something that is currently under consideration.

The Hon. GREG PEARCE: But based on the comments you made earlier, that the current carriage tender would not have been funded until 2016 or 2017, the south-west would be constructed from 2012. So there is a bit of a gap there in buying another 10 sets of trains?

Mr GRAHAM: That is correct.

The Hon. GREG PEARCE: What is the likely construction time for the south-west and north-west rail lines?

Mr GRAHAM: I am not able to give you the detail on that. That project has not been constructed by RailCorp; it has been constructed by the Transport Infrastructure Development Corporation. It is the constructing authority for the new rail project.

The Hon. GREG PEARCE: But surely you have been consulted? Are you going to tell me that it is going to plan and build a railway without you being consulted?

Mr GRAHAM: No. To be fair, I do not think that was either your question or my answer. All I am saying is that I am not familiar with the detail of the project timeline for that. I do not feel confident in giving you a detailed answer because it is not within the realm of my direct accountability. That is for the Transport Infrastructure Development Corporation.

The Hon. GREG PEARCE: Your responsibility, clearly, is to plan the future for RailCorp to ensure you can undertake your operations. You must have a starting time in mind, or a reasonably

defined period within which you think it will impact because of the long lead times in obtaining all your equipment and rolling stock.

Mr GRAHAM: I think if you go back to the announcement made by the Government, the intended time for commissioning the south-west rail link is 2011 or 2012. The detail of the program to achieve that is what I am commenting on. I do not feel confident to answer that question because it is not something that is subject to my direct accountability.

The Hon. GREG PEARCE: It has given 2012 as the time to buy rolling stock. Given the lead time, you ought to be out contracting now, should you not?

Mr GRAHAM: As I said earlier, I think that matter is currently under consideration. I do not intend to pre-empt government policy on that issue. My role is to advise government. Its role is to determine policy and to make the appropriate announcements.

The Hon. GREG PEARCE: What are the rest of your major projects that are going on at the moment? Just give us an outline of the clearways projects and what sorts of contracts you have there.

Mr GRAHAM: The clearways projects, which are in two stages, represent \$1.5 billion of expenditure all up. Again, that is being constructed by the Transport Infrastructure Development Corporation. Stage one of the clearways projects, which is scheduled for commissioning in mid-2008, involves a number of projects, including the Cronulla line duplication; turn-back facilities at Lidcombe, Homebush, Macarthur and Berowra; additional stabling locations at Macdonaldtown; and the Bondi junction turn-back facility that has been constructed to enable enhanced capacity on the Illawarra line. The Bondi Junction turn-back facility, which commissions this weekend, is a \$55 million project. That is the necessary prerequisite for us implementing the new Illawarra line timetable on 28 May.

The remainder of those stage one projects are very much in the planning and tendering stage. Berowra, I think, is already tendered and, if my memory serves me correctly, it is under construction. The stage two projects of the clearways include the duplication to Schofields on the Richmond line and quadruplication on the East Hills line. All those projects have as their common objective improvements both in the capacity and the reliability of the network. Those of you who have travelled on the London Underground would appreciate that the London Underground, effectively, is a series of nine separate railways. Sydney, by contrast is a very complex, spaghetti network.

Part of the strategic objective in improving capacity and reliability is to sectorise Sydney's network so that we gain some of the benefits of the London Underground. They have this benefit: if they have a disruption on line two it does not affect line seven or any other line. The complexity of Sydney's network, historically, has meant that a disruption in one sector will very rapidly infect the reliability of other sectors. In constructing the timetable that was introduced in September this year—a very successful timetable—it has taken our reliability in the six months after the timetable compared to the six months before the timetable from a figure of 65 per cent and we are now consistently running over 90 per cent.

That is because the timetable is far more robust. We have been able to adopt a number of sectorisation principles in terms of both the operation trains and train crew scheduling. The clearways process will enable us to go further with that sectorisation and, therefore, improve both the robustness and the capacity of the network.

The Hon. GREG PEARCE: What role does RailCorp play in terms of planning the future rail network?

Mr GRAHAM: The overarching responsibility for metropolitan strategy planning is with DIPNR—the Department of Planning. RailCorp plays a supporting and advisory role in that process. We have officers who are involved in the overall DIPNR planning process.

The Hon. GREG PEARCE: So you do not initiate the plans or proposals yourselves.

Mr GRAHAM: No. They very much come from that overarching process.

The Hon. GREG PEARCE: In terms of entering contracts for the various clearways projects that you talked about, what role does RailCorp have in recommending the type of contract and whether it is financed publicly or otherwise? Or do you have no role at all?

Mr GRAHAM: Again, I think the considerations of those options and the funding options are issues that are fundamentally led, in terms of advice, by Treasury. I think the consultative and interactive arrangements provide ample opportunities for agencies like ours to ensure that if we have constructive suggestions and input they can be readily heard.

The Hon. GREG PEARCE: Do you do a cost estimate that forms the basis of Treasury's view of the cost, or do they do it independently?

Mr GRAHAM: No, we are obviously the competent authority in terms of determining what the likely projected cost of acquiring rolling stock might be. So we provide that advice.

The Hon. GREG PEARCE: And the rail lines themselves?

Mr GRAHAM: And the rail lines themselves. But that role of detailed budget estimating for the new rail projects that I referred to in clearways is now undertaken by the Transport Infrastructure Development Corporation.

CHAIR: To clarify another matter, you mentioned the 500 new carriages. There has been criticism of some other models, such as Millennium and Tangara. Are you playing a major role in the design of the new carriages? Who is designing the new carriages?

Mr GRAHAM: We have produced the specification that needs to be met by the successful tenderers. There is an added incentive, however, in a PPP versus traditional acquisition means in terms of reliability. When we purchased the Tangaras—if I could back there because Millennium is a little bit of a mix in that—

The Hon. GREG PEARCE: It had its own problems.

Mr GRAHAM: In terms of the financing structure, Millennium trains were directly funded by government in the normal way. It does, however, have a separable maintenance arrangement in that the builder of the trains had entered into a term of maintenance of those trains. But the ownership of the asset—if I could use that description—is with RailCorp, not with the proponent. The PPP structure is fundamentally different in that ownership of the asset remains with the PPP. Because of the availability payment arrangements—in other words, unless you supply the train for passenger service you do not get paid—there is now an enormous incentive for those who design and build the train to build in the reliability because otherwise they are going to suffer the consequences of unreliability for an extended period of time.

We have seen the benefit of that within the Millennium maintenance contract arrangement, where our contractor, because of not meeting the reliability targets of the contract—let me again reinforce that the Millennium train is twice as reliable as any other train we have on the network but the Millennium contractor—

The Hon. GREG PEARCE: As long as you do not run them over the Harbour Bridge.

The Hon. AMANDA FAZIO: Stop with your silly remarks; this is serious.

The Hon. GREG PEARCE: Can you run them over the Harbour Bridge now?

Mr GRAHAM: Yes, we can run them anywhere on the network.

The Hon. AMANDA FAZIO: There are train tracks on the bridge, Greg.

The Hon. GREG PEARCE: It is the power that is the problem.

CHAIR: Let Mr Graham finish his answer.

Mr GRAHAM: There is no restriction, electrical or other, on operating the Millennium train anywhere on the network. In spite of what one reads from time to time, I can assure you that that is not the case. Even though it is twice as reliable as any other train, the contractor is not yet meeting the contractual reliability targets and there are monthly financial penalties applied to that contract. That has been, and continues to be, an enormous incentive for the builders of the Millennium train to continue with their very significant efforts to improve the reliability of that train. And they are having considerable success in doing that. But the great advantage of these financing structures is that when they wake up of a morning the reliability of that train, because of the financial implications to their shareholders, is at the top of their mind.

CHAIR: That covers reliability and safety. The other question in my mind is about passenger comfort. Are you involved in the internal design of the train?

Mr GRAHAM: Yes, we are.

CHAIR: Will they be double or single deckers?

Mr GRAHAM: The contract that has been put to the market contains options for single and double decks, and part of the tender evaluation will be to determine the way forward for our network. We know that we can operate single decks in parts of our network. We can operate them successfully. If there were to be a significant financial difference between the cost of a single deck and a double deck it would become potentially an attractive proposition. If there are not those financial savings to the extent that we think there should be then it becomes less of an option. But that is what the tender evaluation process is about.

Mr PAUL McLEAY: RailCorp has now finalised the airport rail link agreement. What does this mean for the line?

Mr GRAHAM: The rail link for the airport line was originally signed in 1995. The project was commissioned in early 2000 and, because of the failure of the project to meet its volume patronage targets within a relatively short period of time, the consortium went into receivership. As a result of issues flowing from that receivership, we have negotiated and executed, with the approval of Cabinet, what is referred to as a restated stations agreement. Bear in mind on the airport line that, while the consortium built the track and the tunnels, it was paid for by government at the time in the order of cost of about \$700 million. The private sector built the stations and continues to operate and maintain the stations. There are revenue arrangements in place where there is a surcharge applied by the consortium for passengers using the airport line stations. For the domestic and international terminal stations, for an adult single fare it is \$9.80; and for the other two stations, Green Park and Mascot, it is of the order of \$2. So we have successfully renegotiated that agreement. We have tabled that restated and signed stations agreement for the airport line in Parliament in accordance with the requirements.

Mr PAUL McLEAY: What will be the final cost to the taxpayers of the agreement signed by the Fahey Government?

Mr GRAHAM: As I said earlier, the track and tunnels cost \$700 million. As a result of the receivership and of, in hindsight, the poor quality documentation that was part of the original agreement, a further \$80 million has been negotiated with the consortium and approved by government. Of that \$80 million, all is being paid on an annual basis, not as an upfront payment based on a revenue formula. I believe of the \$80 million, \$27 million has been paid to date. There is an expectation that the remainder will be paid for in a number of years. I will have to come back to you; I do not have the precise date in my mind.

CHAIR: Will you take that question on notice?

Mr GRAHAM: I am happy to.

Mr PAUL McLEAY: Moving to the rolling stock PPP, were special local content provisions built into that PPP for rolling stock?

Mr GRAHAM: Yes, there were. There are two mandatory criteria for the PPP. Mandatory criteria, as the name implies, are requirements that if you do not meet them you do not proceed in the tender evaluation. The two mandatory requirements are that there would be a minimum of 20 per cent local content in the manufacture of the trains. The second requirement is that there be an apprenticeship to tradesmen ratio of 1:9 to ensure that this government project maintains a commitment to training apprentices more broadly in the industry. To go back to the 20 per cent local content, bear in mind that trains already manufactured in New South Wales would have local content of the order of 50 per cent to 60 per cent. There are a number of components of a train that, of necessity, are imported. Stainless steel, for example, is not made in Australia and must be imported. Most of the major traction systems of a train are not manufactured in Australia and need to be imported.

CHAIR: Are those mandatory requirements laid down by RailCorp or is it government policy?

Mr GRAHAM: Government policy.

CHAIR: It comes from the Minister's level.

Mr GRAHAM: Cabinet level.

The Hon. AMANDA FAZIO: Mr Graham, you said that RailCorp would oversight the design of these carriages. Will there be adequate consumer and disability group input in that process?

Mr GRAHAM: Yes, there is. Let me make sure that I have not created any misunderstanding. The design of the train is the responsibility of the proponents. There is a range of both output standards and other standards that we apply in the contract. For example, the type of material that covers the seats is specified in some detail because of the requirement to have an anti-vandalism, fireproof fabric. Some things we do not leave to the judgment of the designer; some things it is important to specify. There are disability standards that apply to stations and rolling stock, and those disability standards are applied to the design of carriages. In this day and age that ensures that there is disability access within the train. In a double-deck train, that is not in the upper and lower decks but in the vestibule areas of the train.

The Hon. AMANDA FAZIO: In relation to that, a major criticism that people make of the airport rail link is that it is an ordinary suburban train that does not have anywhere to put luggage. You mentioned the London Underground earlier. You would probably be aware that train carriages on the Piccadilly Line are designed differently from other trains on the network in that they have space for luggage. As part of this new PPP has any thought been given to trying to overcome some of those design problems so that you can run some of the 59 eight-car train sets on the airport rail link line that would provide space for luggage?

Mr GRAHAM: No, there is no intention of modifying the design for that purpose. Our service differs from the Heathrow to London service in that it is not a dedicated train that operates only on the airport to Central line. It is a network-integrated train. The same train that might run an airport service from Central on the airport line to Wollie Creek could then provide a commuter Campbelltown to Central service on its next run. It is that integration that prevents the allocation of that specific design criteria.

Mr PAUL McLEAY: Yesterday the *Sydney Morning Herald* editorial said PPPs are on the nose and it is unlikely that anyone will be contributing to a New South Wales Government PPP. Given you are in the middle of a couple of them, what is your view on that comment?

Mr GRAHAM: I think I have got a very broad view of that. PPPs are horses for courses. There are circumstances where the funding arrangements and the opportunity offered by a PPP will enhance service delivery for the community; there are other projects that perhaps do not meet some broad criteria of PPPs. I think it is always unfortunate for these generalisations to be made. There are

some excellent public sector projects that have been delivered: there are some public sector projects that have been rather unsuccessful in their delivery as there have been PPP projects in each category. I think it is unfortunate to generalise about PPPs. While understanding that is a current populace view, I think it is unfortunate.

CHAIR: You say that the Government or agencies are learning from some of PPP problems to eliminate in any future PPPs? In other words, there will be an improvement in the whole process?

Mr GRAHAM: I think if we were doing an airport line today, with the benefit of the obvious errors that were made back in 1995, one would do that differently. Is the airport line now a valuable part of our city's transport infrastructure? Yes, it certainly is. I think you are quite right there are a number of significant lessons that learning organisations do seriously look at and say "Given what we have learned there how do we mitigate that risk in the future structuring of PPPs?"

The Hon. GREG PEARCE: In relation to the airport line you said \$700 million was the actual construction costs of the railway itself, and that was paid from day one?

Mr GRAHAM: That is for the track and the tunnels—

The Hon. GREG PEARCE: Not the stations?

Mr GRAHAM: Well, as part of the construction of track and tunnel, what we refer to as the station boxes, so just the raw box of the station. The stations themselves were then built by the private sector at a cost, I think, of approximately \$220 million.

The Hon. GREG PEARCE: The \$700 million was there from day one as a construction cost for the State?

Mr GRAHAM: That is right, built by the consortia and paid for by the State.

The Hon. GREG PEARCE: The \$80 million you mentioned, over what period is that effective for subsidy?

Mr GRAHAM: That is what I have taken on notice. I have read it, I have not retained it.

The Hon. GREG PEARCE: That \$80 million is not part of the \$1½ billion a year that the State is presently subsidising rail?

Mr GRAHAM: It would reflect itself in our operating budget, and therefore would be part of future subsidy arrangements.

The Hon. GREG PEARCE: So it might be \$3 million or \$4 million a year against \$1½ billion that is the present operating subsidy?

Mr GRAHAM: Yes, and if you like to add to that question on notice, I can pick up that point up for you as well.

(The witness withdrew)

GARRY JOHN GLAZEBROOK, Urban Planning Transport Consultant, of 31 The Boulevard, Lewisham, sworn and examined:

CHAIR: In what capacity do you appear before this committee?

Dr GLAZEBROOK: As a consultant and lecturer in urban planning.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Dr GLAZEBROOK: Yes.

CHAIR: If at any point you want to table documents or be heard in camera, the committee is happy to consider your request. Do you want to make an opening statement?

Dr GLAZEBROOK: Certainly, I just prepared a short document to hand around.

CHAIR: We will regard that as a submission from you?

Dr GLAZEBROOK: Yes.

Document tabled.

CHAIR: You may proceed.

Dr GLAZEBROOK: I was informed the first question would be what has been my involvement in strategic planning for Sydney so I have outlined in the submission some of my involvement. I am happy to go through it if you want but it lists some of my activities both within government as a consultant, my involvement in metropolitan planning seminars and strategy working parties, my involvement in the Sustainable Transport for Sustainable Cities project by the Warren Centre, my academic experience and a list of publications.

CHAIR: It is a very expansive list of projects and relevant publications and conference papers.

Dr GLAZEBROOK: I am happy to make any of those available to the committee if it is interested.

CHAIR: I am sure committee members will examine those more closely and may get back to you in relation to that offer. What are the infrastructure challenges facing Sydney? Do PPPs offer a way to meet those challenges?

Dr GLAZEBROOK: I thought it was necessary perhaps to give a bit of background before going on to the PPP issue. As I see it the infrastructure challenges for Sydney are basically it is a growing city with an expected population growth of another 1.1 million or so in the next 20 years. The metropolitan strategy envisages a fair bit of that growth happening in established areas. We know historically that houses as a percentage of new dwellings in Sydney have fallen from about two-thirds to just over one-third of the new dwellings in Sydney. So we have seen a lot of urban consolidation in the past decade.

The point here is though, irrespective of really where the growth happens in Sydney, we are going to have additional demand for travel. Employment growth is going to continue to occur in the major centres, including the central business district, as well as employment zones, such as alongside the M7. I think if you look back historically you will find that the share of jobs in Sydney actually located in centres has been increasing, and is expected to increase in the future. So I think there is a misunderstanding by some people that jobs are dispersing in Sydney. They are not really dispersing, we are moving into a multcentred city. What that means with increasing densities and increasing concentrations of jobs in centres is that we need to have more reliance on public transport, not less.

The next point really is that both our road and public transport systems in Sydney are nearing practical capacity. We have had road traffic growing at twice the population growth rate and strong growth in traffic, let alone on existing roads, not counting even the new roads. The Centre for International Economics has estimated road congestion costs in Sydney to rise from about \$12 million per annum in 2005 to about \$18 billion per annum in 2025. We know that the rail system has been severely congested, and they had to slow down the trains by 5 to 10 per cent to try to make the system more reliable. We also know that the city centre is congested with 7,500 State Transit, plus hundreds of private buses driving through the city on a daily basis. So our transport infrastructure in Sydney is really facing some severe problems.

We also know that fuel prices are rising—they have risen substantially in the past year. I think last night they hit \$US69 a barrel. We also know that global warming is a major public issue and that cities with high dependence on cars in the future are going to be vulnerable. So that is really by way of background to the transport infrastructure challenge for Sydney. What has been happening over the past 15 years has been a very heavy dependence on roads, and specifically toll roads. So we have had the harbour tunnel, the M4, M5, M2, the Eastern Distributor, the Cross-city Tunnel and the M7. There are other toll roads under construction or under consideration. There have been a series of other major roadworks as well, such as the Anzac Bridge and the M5 East, upgrading of ring roads, Windsor Road, et cetera.

In all of that time, something like 200 kilometres of new roads have been added, we have only had one essential rail link added, that is, the airport rail link, about which we just heard. We have had the Liverpool-Parramatta Transitway, the Parramatta Y-Link and the Olympic Park rail extension. That is really the extent of the major public transport investments that have been completed in the past 15 years. So our problem is that our current priorities, in my view, are unbalanced and are not going to solve congestion problems. The main reason why I think the Government has been focusing on private toll roads is because it is cheaper for the Government. The question is whether it is cheaper for the community as a whole.

Currently, the major toll roads in Sydney generate now about \$1 billion per annum in toll revenue for toll road operators. It is about the same as the total fare box revenue for CityRail and all the buses combined—private and State Transit. So we now have a situation where there has been a large amount of extra money coming from the public to fund transport infrastructure but all of it is being used to fund toll roads. We also know that cars are more expensive than public transport in a total social cost. My estimates are about 66¢ a passenger kilometre, including both the private costs for the motorist and the externality costs for society. Compared to a car, it is compared with about 46¢ for public transport.

The problem we face is that motorists only perceive basically the petrol cost when they make their trips so they do not perceive the full cost of their trip so we tend to over-rely on cars. We also know there has been a rise in traffic as a result of all these new roads, including traffic on all the existing roads. For example, in the inner suburbs traffic growth has grown by 20 per cent in the past 15 years, that is not counting new roads such as the Eastern Distributor. I think we have had a failure of long-term planning for public transport in this city, and the real problem is a lack of guaranteed funding plan to underpin that long-term planning. You can plan all you like but if there is no money there it is really fairly meaningless.

If I could just highlight a few of the problems that I think have arisen from that. Some years ago the Parramatta Y-Link was built to provide extra access into Parramatta, between Liverpool and Parramatta, but in the last timetable change virtually all the trains on that link were withdrawn, due to capacity constraints on the network and cost-cutting. We had an Olympics in Homebush Bay and we put in an Olympic rail link which serves very well major events, but if a bit more money had been spent, a bit more thought had been put into it, that could have been the beginning of a high-speed link between Strathfield and Parramatta which would have serviced Homebush Bay in an ongoing sense for all trip purposes. That Homebush Bay area is one of the biggest development opportunities in Sydney. Again we put in the cheapest thing we could which is not a long-term solution.

We have heard about the airport rail link being under-utilised for various reasons. The light rail line in Sydney was to have been extended when the Cross-city Tunnel was completed but that has yet to happen. So we are not really getting any of the social benefits out of the Cross-city Tunnel that

we were expected to get. We have major new land development projects like the East Darling Harbour project announced a few weeks ago—an extra 11,000 jobs at least, plus housing and everything else—no extra public transport. I think this really flows from a misunderstanding in our planning community about the real cost of transport. There is a tendency to focus on public transport subsidies as being a financial cost to government.

There is a failure to realise that in fact, when you look at passenger kilometres—which is the real measure of what is done and what is achieved in transport in cities—CityRail carries two-thirds of all passenger kilometres on public transport—twice as much as all the buses combined. In fact, it carries about 20 per cent of passenger kilometres in peak hours. If you tried to replace rail with either buses or cars, you simply could not do it. The other thing is that CityRail—despite the fact it could be made more efficient—nevertheless has the lowest cost of any mode in Sydney on a passenger kilometre basis. The subsidies for CityRail are higher than they are for buses because the fares per kilometre are lower, and that flows from the fact that the average CityRail trip is about 17 kilometres, whereas bus trips are about 6 to 8 kilometres.

So I believe we need a more balanced transport investment strategy, based on long-term goals, which covers the full economic, social and environmental costs. I have listed a number of key public transport and rail infrastructure needs over the next 15 years, and the current status. I also indicate which areas of Sydney those transport projects would benefit. Some of them would benefit the inner suburbs, some of them the middle suburbs, some the outer suburbs. In fact, we need to do things in all of those three zones of Sydney. It is no good saying, "We will do something in one part of Sydney and just ignore the other parts of Sydney." There are bus projects, there are rail projects, and there are smartcard ticketing projects, information projects and freight rail projects. I believe all of those things are absolutely essential for Sydney in the next 15 years if we are going to get back on track.

Longer term, there has been talk of high-speed rail links between Sydney, Newcastle and Wollongong, and there was a private sector proposal for one between Sydney and Parramatta called Western Fast Rail. All of those things, in my view, need to be examined fairly closely, as well as potential metropolitan lines, in the Warringah corridor, the F6 corridor and the Victorian Road corridor. All of those things are probably somewhat longer term than are the other projects listed.

I believe we also need to improve facilities for cyclists and pedestrians. We have a major obesity epidemic in Australia. People are simply not walking enough; they are not getting enough exercise. It is often forgotten that nearly half of all walking trips in Sydney are associated with public transport trips, so the more public transport trips you do, the more walking you have; but the more car trips you do, the less walking you have. That is yet another reason why we need to boost our public transport. We also need to make it safer and more convenient for pedestrians and cyclists, and there need to be major programs in that area. We are well behind the world's best practice of cities in Europe and so forth in that respect.

With regard to roads and parking, the basic problem we face is that we under-price our roads and we under-price our parking. In parking, in my view, we need to bring in a metropolitan-wide parking policy that puts parking into four suggested categories. Category 1 is for the CBD; category 2 is for other major centres, such as North Sydney, Bondi Junction, Chatswood and Parramatta; category 3 is for other, smaller centres, as well as stand-alone business parks, major recreation facilities, hospitals, education facilities, and all other locations of more than 1,000 car parking spaces; and category 4 is for all other parking.

Basically, we need to extend the current parking space levy gradually, over a period of 15 years or so, from the current levy, which applies really to categories 1 and 2, to eventually apply to parking right across the metropolitan area. The reason for that is that if we simply make it expensive to park just in the city, then some of the jobs will decant, if you like, to other centres, such as the Norwest Business Park, which is almost 100 per cent car dependent. The money from parking needs to go into a sustainable transport fund—and I will talk about that in a second.

With road pricing, in my view, we have been relying on tolls to pay for additional roads, rather than using road pricing as a traffic demand management measure. Cities like London, Stockholm and Singapore have introduced congestion charging. We need to do the same thing in

Sydney. We could, for example, add peak period surcharges to the toll roads that exist now. A 10 per cent surcharge would raise nearly \$100 million a year, and some of that money could help build much better public transport.

I think, the world is moving towards full-blown electronic road pricing in the future, and one option for that is that all cars could be fitted with a GPS receiver that would measure where you drove, when you drove, what road you drove on, and give you an appropriate road user charge. We have come to the realisation that we simply cannot allow water to be free, and that we have to start charging for our scarce resources. Road space is a scarce resource in Sydney.

With road investment, I would personally favour a moratorium on any major new toll roads until a series of major improvements have been made to public transport and pedestrian/cycling access. I have listed the projects that I believe should be started, or in some cases completed, before any new major toll roads are built, as well as road demand management and cyclist/pedestrian measures. The reason for that is that over the past 15 years we have had an unbalanced history of investment in transport. We need to get much more balance into the system. I would then suggest that we must review the need for additional roads, perhaps in five years time, after these projects are either implemented or completed.

In terms of transport funding—and this is the key issue, in my view—we should establish a sustainable transport fund, so that we can accelerate initiatives in this area. That could take revenue from parking, from some percentage of the toll road peak period surcharges, a CBD congestion charge, and perhaps a levy on new houses right across the Sydney region. At the moment, we are levying houses out in western Sydney up to \$60,000 for a transport levy, but houses built in inner Sydney are not levied at all. This is completely inequitable and incorrect. Even urban consolidation will increase the demand for transport. We need to have a more affordable levy across the whole of Sydney. That would raise sufficient funds, in my view, to build us a world-class public transport system inside 15 years. But we should also seek funding from Federal and local governments. I think if we had a more open process of planning, and involved those levels of governments in the planning for Sydney, we could well attract funding from those sources as well.

The final recommendation is that there should be an annual publication on all these projects and potential projects, as well as comprehensive measures on how Sydney's transport system is performing. And we need to have an independent body to produce that report, so that we depoliticise the whole issue of transport. Essentially, transport is too important an issue, in my view, to be dealt with on a short-term basis.

Finally, with respect to public-private partnerships, these are a means to an end, not an end in themselves. They are not a substitute for well-considered public policy. In my view, there are some benefits to be obtained from engaging the private sector in major infrastructure projects. Sometimes they come up with innovative ideas. They usually are very good at producing projects on time and within budget. They claim to be better managers of risk and to enhance access to capital. But there are a lot of potential problems as well. Clearly, the cost of funds is much higher than it is for government. Secondly, they create risks where those risks did not actually occur before. Thirdly, there are limitations on competition usually included in these projects, and they distort investment strategies. And, finally, they often send inappropriate pricing signals. I think the airport rail line and the cross-city tunnel are both examples of that.

It is argued that PPPs are better than government at handling traffic or patronage risk, but most of that risk really arises because the facility in question is being charged for, whereas surrounding alternative facilities are not. The use of tolls to fund particular components of a total transport network creates distortions. Furthermore, measures to limit the risk, which is what the private sector usually incorporates in its contracts, which could be road closures, or could be improvements to feeder roads, or could be limitations on public transport alternatives, or whatever—all of those limitations also create further distortions, and they can be quite serious.

A long-term traffic or patronage risk is really a function of land use and behaviour change. The real risk—and one which I think toll road operators should be concerned about—is what happens if fuel prices really do change dramatically in the future? We could find a whole lot of toll road operators bailing out of their projects. If governments took a sensible approach to long-term

infrastructure funding, and their ability to incur debt, we would have very little need for PPPs in my view.

Australia has followed the United Kingdom with the privatisation of public assets and with areas previously within the domain of government. A lot of people are starting to question the economics of those as to the financial case from a Treasury perspective. For the specific case of PPP toll roads, it has introduced a form of user charging on roads and has accelerated provision of the roads. But a more economically rational approach would be to start to introduce road pricing to manage the traffic. The main issue, in my view, underlying the growth in toll roads in this city particularly has been a way for government to divert funds to health, education, paying off debt, or to hold down taxes.

Finally, if we are going to have PPPs for toll roads, I would suggest that there should be full disclosure of all terms and conditions. There should be no limits placed on current or potential public transport improvements. And any toll road built in future should have peak period surcharges, with some of that money going to public transport provision.

CHAIR: Thank you for that very comprehensive reply to our question. I note in your chart "Public transport and freight rail" you indicate that there seems to be very little support for light rail for the CBD and inner suburbs. Is there any reason for that? There is a lot of talk about light rail, but there has been very little action. Do you think there is some mental block to it, or is there some economic reasoning, or is there a fear that if they build a light rail system at some point in the future they will have to dig it up—as happened with the old tramways?

Dr GLAZEBROOK: I do not know. It is very strange, because something like 100 cities world wide have introduced or reintroduced light rail in the last decade. So it is happening right around the world; it is happening in North America, it is happening in Asia, it is happening in Europe, and it is happening in the Middle East. In Australia, Adelaide, which has one of the first O-Bahns and busways in the world, is now extending its light rail through the CBD and extending it through to the other side of the CBD as well. Melbourne is expanding its light rail system. The Gold Coast and Brisbane are both talking about it. So it is very strange to me that the government is not doing that for Sydney, which has the highest population density in inner suburbs of any city in Australia, and with some corridors already available for light rail, such as extending the existing light rail corridor, or for example the Anzac Parade corridor out to Maroubra, where trams used to run. When Sydney has a number of corridors that would be ideal for light rail, and when something like 49 reports have been done by government on inner city transport and all the reports that have looked at light rail have recommended that light rail is the best and most appropriate mode for the inner city, it is very strange to me that the government is not doing it.

CHAIR: What is your explanation for that, or do you have no explanation for that?

Dr GLAZEBROOK: All I could say is that there appear to be some advisers in government who are just dead-set against it—for whatever reason, I don't know.

CHAIR: There is actually opposition to light rail within government?

Dr GLAZEBROOK: I believe there is, yes.

The Hon. GREG PEARCE: Could you give the Committee a short explanation of the congestion costs? You mentioned a figure of \$12 billion in 2005, projected to rise to \$18 billion in 2025. Can you give us an outline of how that cost is calculated?

Dr GLAZEBROOK: There is a report of studies done by the Centre for International Economics, undertaken for the Herald, which looked at the real economics of Sydney's transport infrastructure. They looked at all the externality costs in Sydney—not only congestion, but air pollution, traffic accidents, greenhouse gas emissions—and the total cost in 2025 was \$18 billion. That included also the cost for RTA subsidies, airborne pollution, greenhouse gas emissions, motor vehicle accidents and motor vehicle congestion.

As you probably know, with cars on roads, adding an extra car into the traffic stream slows everybody else down. You would have experienced that on the new roads, but particularly if you go on the F3 freeway to Newcastle. You will notice as you are driving along, that if you get extra traffic coming in, you will find that the whole thing will suddenly get much slower. That adds traffic time and cost to both commercial drivers and other road users. Sydney has the worst congestion of any of the State capitals, and it is getting worse, despite all the new roads, in fact you might say because of the new roads, because temporarily they increase road space, but they also create end-use traffic demands.

There was a noted impact on the East Hills rail line when the M5 went on. There was an effect on the western rail line when the M4 was built. In other words, people get off the train, or off public transport, and into cars. We know from the data that people are making a lot more long car trips in Sydney than they used to. And most of the really long commuting trips used to be on rail. Gradually, that is shifting to be on the road system, and that is adding a lot of vehicles to the road network.

CHAIR: I might ask you to table the report, if you would read the title of it.

Dr GLAZEBROOK: It is called "Sydney's Transport Infrastructure: The real economics", produced by the Centre for International Economics.

Document tabled.

The Hon. GREG PEARCE: One of the clear problems that you referred to was the lack of long-term planning for public transport. What is your view on the release of the Metropolitan Strategy and its value in having an infrastructure or transport plan, or commitment?

Dr GLAZEBROOK: There is a section in the Metropolitan Strategy with a series of plans for rail and bus and so forth. What there is not, really, is a funding plan to go with it or commitment by the Government to go with it. They have identified as one of the really key rail projects the north west-south west rail link, as you are probably aware. I would certainly agree. I think that is an absolutely key project for the future of Sydney. It connects two of the fastest-growing regions with a big arc of jobs, something like half a million jobs, located from the airport right through to Epping. It is absolutely vital that that project be built. However, in my view, it probably needs to be operated essentially as a separate rail system from the rest of the rail network.

As probably Vince Graham mentioned earlier, on, the rail network in Sydney is very complex in terms of the way it is operated. For example, if you go to Glenfield Station there are five routes into the city from that station. There is no other system in the worlds that I am aware of where you can go from an outer suburb to the city by five different routes. That creates tremendous complexities in timetabling and creates reliability problems on the CityRail network. The north west-south west rail link will in fact combine with the clearways project to unblock the rail system and eventually allow up to 50 per cent increase in capacity on the total rail network for Sydney. It is essential that that project goes ahead, but it is very expensive and does really mean that the Government will have to borrow some money and get in and start building it.

The other projects listed in the Metropolitan Strategy essentially are a series of bus ways and bus priority measures, and 43 regional bus corridors. The first couple of those have been agreed to, but it seems to be a very slow process. Again, that needs to be accelerated. The Metropolitan Strategy specifically ruled out at this stage light rail in the inner suburbs. It simply said it would look at it in the future and yet there have been 49 reports already looked at. I think, as you mentioned, there is a bit of a blockage there. Smartcard ticketing is mentioned and Sydney is slowly progressing towards that goal. We started about eight years ago in Sydney trying to introduce the smartcard ticketing but still have not got there. With real time information we are well behind world's best practice in that respect. We do not really have reliable real time information on the trains, and only in a few places on the buses, such as the transit way in western Sydney. You should be able to pull out your mobile phone and find out the real time when any bus is going to arrive at any bus stop. That should be the target.

The Hon. GREG PEARCE: You mentioned as one of your future longer-term projects high-speed rail linking Sydney and Wollongong. Is that feasible, given the terrain?

Dr GLAZEBROOK: When I say high-speed rail, there is, as you are probably aware, a single-track section and a tunnel section that is very winding and goes around through Coal Cliff and so forth, which is a very old piece of rail infrastructure and has been looked at for a bypass tunnel right through on the length of the escarpment—both for reasons of safety in terms of rock falls and all the rest of it, but also capacity and speed—to improve rail travel times between Wollongong and Sydney. So, yes, I think that is entirely feasible and it has been costed. It has been on the books for years. Again, it is one of those projects that just does not get funded because we do not have a guaranteed funding source.

Mr ANDREW CONSTANCE: You made mention of the fact that advisers are adverse to light rail. To what do you attribute that?

Dr GLAZEBROOK: For some reason in the transport area a lot of people are wedded to one solution only. They believe heavy rail is the answer to everything, or buses are the answer to everything, or light rail is the answer everything. I do not think that is the reality in a big, complex city like Sydney. You can go to a city like Tokyo and you will find six or seven different modes of transport. Any big city will need to have multiple modes of transport. No one mode serves all needs perfectly, so you need to have different things to do different tasks. In my view, heavy rail is the ideal mode for high-capacity long-distance travel and we have the bones of a good heavy rail system in Sydney, but it does need to be substantially improved and expanded.

Buses are terrific for light-capacity routes into the central business district [CBD] or for cross-regional routes. They are not ideal for heavy-capacity routes into the CBD, such as Oxford Street, Anzac Parade or Parramatta Road, where we now have so many buses running up and down George Street and Elizabeth Street. It does nothing for the amenity of the city, it is not efficient—it can take half an hour to get from central to Circular Quay and so forth. Beyond a certain point you run out of capacity on the bus system, and it also does nothing, as I mentioned, for pollution and amenity in the city centre. That is why so many cities around the world agreed to introduce light rail in the last 10 years. They realise that if you want to have a quality public transport system that is attractive to use and makes a minimal impact on the environment—for example, there is no local air pollution—and that is the cities are going for light rail. In Sydney, in my view, it is time to do that now.

Mr ANDREW CONSTANCE: Do you have any direct evidence of advisers who are not willing to look closely at light rail? Do you just see it as the result of the overall planning and strategy?

Dr GLAZEBROOK: I think it is fairly well known amongst the transport planning fraternity that there are people who are just totally opposed to it. I do not believe that is from necessarily sound logical reasons; I think they just believe that buses are the answer, for example, because buses are really the cheapest thing. Buses are employed for certain things and they are the cheapest thing you can do but that are not necessarily efficient.

The Hon. AMANDA FAZIO: In relation to light rail in the Sydney CBD, one of the major criticisms of proposals to run light rail through the CBD is that its passenger capacity is less than that of buses and could not cope with the peak-hour passenger loads. What is your view on that?

Dr GLAZEBROOK: I do not think that is correct, if you look at all the studies I have mentioned. There were studies done by Booz Allan Hamilton, by GHT, by me and by lots of different consultants who looked specifically at all of those capacity issues. Buses approaching the city centre come in on about five major corridors. The biggest corridor is over the Harbour Bridge corridor, which is a bus lane that then feeds the whole collection of buses around Wynyard and draws on three major bus corridors north of the harbour. The other corridors coming into the city, the big ones, are Oxford Street, Anzac Parade and Parramatta Road. All of those corridors are in fact suitable long term for conversion to light rail, but the first step would have to be light rail in the CBD itself.

There have been three or four alternative routes examined for north-south traffic in the CBD. The first priority for that would-be Castlereagh Street, which has been looked at in detail again by the Council of the city of Sydney. It is not correct to say that buses have more capacity than light rail. That is only true, perhaps, if you allow buses to use two lanes in each direction, as they do for

example, in parts of George Street where buses pull out around each other and all pull up at different stops. It creates a real mess in George Street. Light rail is certainly a more efficient mode. The vehicles carry a lot more people than a bus. When they I pull up at a stop all doors open simultaneously, people load and unload much more quickly, and the vehicle then moves off as a single vehicle. You can get more people through an intersection on a single track of light rail than you can on buses. It's a very technical question, but certainly it is not the case that buses have less capacity than light rail.

CHAIR: You would have to almost ban cars from using Castlereagh Street if you put all that light rail there, because it is such a narrow street.

Dr GLAZEBROOK: There are not that many cars that use Castlereagh Street, anyway. It is a fairly low traffic street. Yes, you would have to limit car traffic and give light rail priority. We already have a situation in Sydney where they have put in bus lanes in George Street, Elizabeth Street and Castlereagh Street already, and still the buses take an awfully long time to get from one end of the city to the other. We have to look at complementary measures to limit traffic in the CBD to make any form of public transport efficient. That is really what we should have been doing following the cross-city tunnel. Unfortunately, in the whole debate about the cross-city tunnel we lost track of what really were going to be some of the advantages of that project.

Mr PAUL McLEAY: Instead of removing cars from the streets, my understanding is that the proposal you supported was to impact remove buses from the CBD.

Dr GLAZEBROOK: Not all buses, but certainly a lot of the north-south buses on those key routes and replace them with light rail, yes.

Mr PAUL McLEAY: So you would catch a bus from Newtown into central, get off the bus and change your transport mode to light rail. Is that right?

Dr GLAZEBROOK: Well, lots of people transfer between rail and/or ferry and bus at the moment, or between bus and bus. In fact, there are so many buses in the city now that there are many bus routes that will have to be curtailed, in any event. We simply cannot fit all the buses into Sydney. If you go to Circular Quay you will find all the streets around Circular Quay are clogged with buses, because there are buses layover areas. You have so many buses now running across the Harbour Bridge that they cannot all stop at Wynyard and so they are trying to run them down York Street and George Street, creating a lot of problems.

Mr PAUL McLEAY: Is that not a good thing, the city clogged with public transport?

Dr GLAZEBROOK: Not with buses, no.

The Hon. AMANDA FAZIO: What have you got against buses? I like buses.

Dr GLAZEBROOK: Why would you put the biggest concentration of polluting diesel engine vehicles—

The Hon. AMANDA FAZIO: But, are not all diesels; some of them are gas.

Dr GLAZEBROOK: Even gas engines create pollution as well. I think you have to consider the quality of the environment in the city centre.

Mr PAUL McLEAY: Particularly down the northern end of the CBD, which we just talked about, would you have to close roads to buses and cars to allow for light rail?

Dr GLAZEBROOK: No. No more roads that are closed at the moment. There is a short section Alfred Street that is closed to other than taxis.

The Hon. GREG PEARCE: Have you ever been to Melbourne?

Mr PAUL McLEAY: Yes. I have been to Melbourne and what happens is that in the high-density areas you have whole lanes that are exclusively for light rail. Is that what you would want, or that cars could go on the light rail tracks as well?

Dr GLAZEBROOK: We have bus lanes now in Sydney, so if we use those bus lanes for light rail we would get a more efficient system.

Mr PAUL McLEAY: So you would have to remove the vast majority of buses?

Dr GLAZEBROOK: Yes, over time. It is a 15-year project. You would do it in stages and you would have a series of interchanges in various locations, just as we have bus-rail interchanges at Parramatta Road, Liverpool, Blacktown, Burwood, Chatswood and St Leonards. In lots of places in Sydney we have bus-rail interchanges. We have ferry-rail interchanges and all sorts of interchanges. Any large city has interchanges, it is a matter of how you handle those interchanges.

Mr PAUL McLEAY: Given your knowledge of systems around the world, should government fund this kind of initiative, light rail, or should it be a public-private partnership [PPP]?

Dr GLAZEBROOK: I believe it could be a PPP, although I doubt that the fare box would fund the whole capital cost. It does not normally fund the whole capital cost in any public transport system anywhere in the world. Even in Hong Kong, the densest city in the world, public transport relies on, in that case, basically making money out of developments built over the top of railway stations. In Singapore, which is also a fairly high-density city, government funds the rail line and the private sector funds the carriages and runs the trains. It funds all the operating costs out of the fare box, but the capital cost of the railway line itself is paid for by the Government. That is the normal sort of model that I think is a sensible model for public transport in cities.

Mr PAUL McLEAY: In your view, is unacceptable to have the air space above the public transport corridors to be developed?

Dr GLAZEBROOK: The air space above stations and so forth, where it is appropriate, yes. Where it is appropriate. We already do that, of course. We have done that in Sydney at St Leonards, North Sydney and so forth.

Mr PAUL McLEAY: Did it surprise you about this committee recommended the reversal of certain road changes associated with the cross-city tunnel, including transit lanes, bus lanes and bicycle lanes? I think the resolution was moved by the Greens to close the bus lane. Where you surprised that the Greens would do that?

Dr GLAZEBROOK: Perhaps not surprised, given the way in which the whole issue was handled. The problem with the cross-city tunnel, in my view, was first of all that is very expensive—\$3.80-odd for 2.1 kilometres. Most people probably did not see that as being of tremendous value. Therefore, very few people were using it. That was one issue. Secondly, people objected to all these various changes to the road system when they could not see that other alternative was necessary or all that good. If you were really approaching it from an overall integrated approach, you would have said okay, the objective is to get some of the surface through traffic off Bathurst Street and so forth, instead of having people drive through the actual heart of the CBD, which of course is not a very attractive thing to do. You would make it free to use the cross-city tunnel and actually charge people to drive through on the surface. Now we do not have the technology to do that at the moment because we do have electronic tolling that relies on people having tags.

If all vehicles were tagged, in maybe five or 10 years time, then we would be able to charge people to drive through from one side of the city through the surface through to the other side of the city, which we do not really want them to do. We want that space in the city centre for pedestrians and public transport. We do not want car drivers unnecessarily clogging up the city streets. The problem is that we built a project that might be suitable for something like the M7 in terms of building a new road in a whole new area, which does not have a lot of other parallel routes, but we put it right in the heart of the city and then used the technology to try to toll people to use that road. I think it was an inappropriate project to use for a toll road project. Some of the objectives of the cross-city tunnel were desirable. One of the things that was lost in the whole process was that, originally, there was going to

be an underground bus station right in the heart of the city where buses could have come in from the Western Distributor, turned around, gone into an underground bus depot and gone out again. It would have saved buses on the city surface and it would have made it very efficient and very good for commuters. But somehow that was dropped through the whole process of taking it to a PPP. Again, you have to get your transport planning right first before you can consider whether it should be a PPP.

Mr PAUL McLEAY: With congestion charging, does this lead to congestion on the streets immediately outside the charge area?

Dr GLAZEBROOK: That has not been the case in London. They were worried about that and they did a lot of traffic modelling before they brought it in. In fact, they found the reduction in traffic through the cordoned area was more than sufficient to compensate for any attempts to try to run around the edges of the cordoned area, if you like. It was not experienced there. It has to be well designed, but we have a Western Distributor and an Eastern distributor and now we have a cross-city tunnel, so we have some routes that can take through traffic. In fact, there is a lot of capacity in the cross-city tunnel. If the whole thing were priced correctly we might be able to get some of the traffic off some of the other east-west streets, like Cleveland Street, and put it in the cross-city tunnel. But we need to really address improving public transport.

Mr PAUL McLEAY: Previously you gave some examples of how different governments have come up with their pricing and ensuring the cost of providing transport solutions, like privately built stations, the Government are paying for the track and commuters are paying at the fare box. Do you have a view on whether commuters should pay the full price of their transport modes, whether it be drivers paying the full price of their car trip or public transport commuters paying the actual cost of the transport provided?

Dr GLAZEBROOK: I do not believe they would ever pay the full price, if you include all the extras. I mentioned that Sydney is about 66¢ a passenger kilometre or about \$1 per vehicle kilometre, if you include not only the cost of owning the car and running the car, but also all the extra costs. If you only perceive the petrol cost, typically it is now about 9¢ per passenger kilometre and 13¢ per vehicle kilometre in Sydney with petrol prices the way they are. At the moment you are receiving only about 13 per cent of the full cost. We could not suddenly require people to pay \$1 per kilometre to drive their car.

Mr PAUL McLEAY: If there is a cost surely someone is paying, whether you are paying for it out of your lost time or you are paying for it out of taxes—people are paying for it collectively. Someone is paying. Who is paying?

Dr GLAZEBROOK: Someone is, but the problem is that it distorts decisions. For example, if you go to a major retail shopping centre and get three hours free parking the cost of that is actually covered in the cost of the goods that are sold in that shopping centre. If you arrive by bus or if you walk into a centre you are basically cross-subsidising the people who drive. In America they have produced a 700-page report, which has identified the cost of so-called free parking, which in America is similar to the cost of the defence budget. How is that paid for? It is paid for in the cost of housing, land and offices. Yes, we pay for it, but we do not pay for it in relation to our transport, so it distorts our transport choices. That is one reason why America and Australia so grossly overuse the car. European and Asian cities have much greater use of public transport. Pricing really is a key part of the issue.

Mr PAUL McLEAY: Public transport patrons should not pay the full price?

Dr GLAZEBROOK: No, not in my view.

Mr PAUL McLEAY: Because car people do not?

Dr GLAZEBROOK: Yes, and I do not think it is feasible ever to pay full price, but we need to move closer towards recovering some of those costs.

CHAIR: Thank you very much for providing that quite challenging information.

(The witness withdrew)

(The Committee concluded at 12.21 p.m.)