

ITEM 3.5. WESTCONNEX COSTS TO OUTWEIGH ANY BENEFITS**FILE NO: S051491****MINUTE BY THE LORD MAYOR**To Council:

WestConnex is Australia's most expensive toll road project. The estimated cost is now \$16.8 billion – a 68 per cent increase on the original estimate of \$10 billion only four years ago.

It is nearly triple the combined cost of recent motorways built in Sydney - if you had to build the M4, M5, Harbour Tunnel, M2 and Eastern Distributor today they would cost \$6.1 billion in total in today's dollars.

The Government is already planning future stages of WestConnex – such as the Western Harbour Tunnel – which could see the total cost reach at least \$30 billion.

This makes it one of the most expensive road projects ever undertaken in the world.

The future stages are being planned to mitigate the crippling congestion that will be created around the WestConnex tunnel portals. The Government's own documents make it clear that congestion will increase on the ANZAC and Sydney Harbour Bridges as a direct result of the M4-M5 Link and the Rozelle Interchange, overwhelming these vital links.

A project of this scale, funded by taxpayers, should be subject to rigorous assessment and a high level of quality assurance. However, both the NSW Auditor-General and Infrastructure Australia have criticised the governance, quality assurance and business case of this project.

The project is marred by an absence of adequate governance and quality assurance processes, mis-alignment with broader state planning and development policies and a lack of strategic justification

Only one independent, externally managed gateway review has been conducted for the WestConnex project up to the pre-tender stage for the Parramatta to Homebush M4 widening. If the NSW Treasury Major Projects Assurance Framework had been fully implemented, four additional gateway reviews should have been conducted by that stage.

In 2014, the Auditor General warned that the project had not been subjected to the same level of oversight as other initiatives and said the preliminary business case was deficient and fell well short of the standard required.

That preliminary business case has now been superseded by an Updated Strategic Business Case which was released late last year. The Updated Business Case meets some requirements, but not all.

This again falls short of standard NSW Government practice for major projects. Final Business Cases are required by NSW Treasury for projects with a total cost of over \$5 million. It is not clear if a Final Business Case has been prepared for WestConnex.

Shockingly not only has the project failed to meet the Government's own processes – construction is already underway on the M4 widening and tunnelling for the M4 East extension is imminent.

The Updated Business Case included indicative plans for the M4-M5 Link and these plans are shocking. We already know about the impacts to the St Peters community and Sydney Park, and beyond our boundary, the impacts to people living in Haberfield and Leichhardt.

The M4-M5 Link will see another massive, spaghetti style interchange built on the site of the Rozelle Goods Yards, with connections linking the ANZAC Bridge, Victoria Road and WestConnex. This Link will not only impact people in Lilyfield, Rozelle and the Bays Precinct but also those living in Annandale, Leichhardt and Glebe.

At Camperdown, close to Prince Alfred Hospital, east facing ramps will connect WestConnex to the city centre, leading to massive increases in traffic on Parramatta Road and Broadway.

If it's built, WestConnex will have a disastrous impact on our area and on the people who live and work here. It will massively worsen congestion and severely impact air quality in many parts of our city.

To ensure the community would have an independent assessment we asked SGS Economics and Planning to do an analysis of the Government's Updated Strategic Business Case. SGS is renowned for its expertise in transport and planning and the preparation of business cases for major transport infrastructure projects, including tollway proponents.

SGS is damning about the Updated Strategic Business Case for WestConnex. They say it does not meet the proper standards of a final Business Case and is "*a confused document filled with contradictions.*" It does not properly analyse potentially cheaper alternatives such as demand management and public transport, it selectively over-estimates benefits and under-estimates costs, and it ignores the fact that the second airport will change freight and commuter traffic patterns.

Even using what SGS identify as flawed and optimistic assumptions, the figures estimate most users will save less than five minutes and that the road network serving the toll road and some sections of tunnel will reach capacity as soon as 2031, only eight years after completion – an appalling investment for NSW taxpayers.

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

No strategic analysis and justification

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

The Updated Business Case fails to consider future developments that will affect land use and transport in Greater Sydney, such as the establishment of the Western Sydney airport. In fact it is silent on the second airport and how it will affect and potentially reduce freight and general traffic movements in the M5 corridor - one of the key justifications for the project.

In comparison, the *East West Link Needs Assessment* undertaken by Sir Rod Eddington for the Victorian Government examined four options which combined a range of road and public transport proposals to reduce congestion in Melbourne.

The NSW Government has never provided a similar analysis of alternatives to WestConnex.

Benefits overstated and costs underestimated

In calculating a Benefit Cost Ratio (BCR) the Updated Business Case overstates the alleged benefits of WestConnex while underestimating the costs. Notably:

- The majority of benefits claimed for WestConnex are travel time savings. A large proportion of these savings are less than five minutes. Travel time savings this small are unlikely to be realised because they are within the margin of error of the modelling or are too small to entice drivers onto the motorway. This was exactly the conclusion Roads and Maritime Services came to when evaluating the failed Lane Cove Tunnel and Cross City Tunnel projects. The removal of travel time savings of less than 5 minutes would reduce the BCR of the project by 55 per cent.
- The document shows roads around the tunnel portals and sections of WestConnex will reach capacity by 2031 following the completion of the M4-M5 Link in 2023, however the financial modelling assumes the benefits of WestConnex will continue to increase until 2052 – defying logic;
- The assessment of induced demand – the amount of increased traffic directly resulting from the project and above otherwise projected growth - appears to be deliberately played down with numbers averaged across the whole metropolitan area when in reality the effects will be concentrated within the WestConnex corridor. The Updated Business Case only reduces the projected benefits of the project by 3 per cent due to induced demand yet a reduction of 30 per cent is more likely based on the experience of other motorways;
- While the overall cost of the project has increased due to additional road links and supporting works, the costs of specific sections included in the 2013 Business Case remain exactly the same. It is incredulous that project costs have not been refined at all in a two year period, particularly given the extent of design development work by Sydney Motorway Corporation and the fact that construction costs across Sydney have significantly increased in the last few years;
- Not all costs of the project have been accounted for, or are only partly accounted. Nor have the reduced health benefits from potentially reduced public transport patronage and the cost of more severe car crashes due to much increased speeds across the network; and

- For a project of this size and at this stage of development it is normal practice to produce a P90 construction cost (a figure that confirms that there is only a 10 per cent chance it will be exceeded). The Strategic Business Case provides no information on what the P90 cost of the project could be despite the Government being asked by Infrastructure Australia to provide a P90 cost. Moving to a P90 cost estimate could increase the cost of the project by at least another billion dollars.

Basic errors and contradictions

Incredibly for such an important project, the Updated Strategic Business Case contains basic errors and contradictions:

- **The BCR for the project is miscalculated. Dividing the present value of benefits (\$22,204.9 million) by the present value of costs (\$13,547 million) results in a benefit cost ratio of 1.64, not the 1.71 presented in the business case. The difference is equivalent to a phenomenal half a billion dollar hole.**
- The Updated Business Case claims WestConnex will help renew Parramatta Road by reducing traffic on it, but its own figures estimate that many parts of Parramatta Road - including the western section between Parramatta and Homebush and the eastern section, approaching the city centre - will carry more traffic, not less; and
- Access to the Airport and Port Botany is touted as a key benefit of the project, yet the Sydney Gateway - which will link WestConnex to the Airport and Port Botany - does not appear to be included in the scope or cost.

New M5 St Peters Interchange EIS

The massive, multi-volume EIS for the New M5 St Peters Interchange was placed on public exhibition in late November with a deadline for submissions of 31 January 2016. It was always going to be a challenge for community groups and affected residents to respond adequately to such a dense, technical document, but putting it on exhibition over Christmas and New Year made it more difficult.

The general inadequacy of the New M5 EIS is so profound that it cannot form the basis for a Ministerial determination as to whether the project should be approved.

No project justification

The New M5 St Peters Interchange simply does not deliver the primary justification for the project. This is identified in the EIS as; *"The New M5 will offer quicker, more reliable trips between Western Sydney and the Sydney Airport / Port Botany precinct... by providing additional motorway capacity within the M5 corridor"*.

Yet the New M5 does not provide a direct link between south-western Sydney and the Sydney Airport / Port Botany precinct.

Traffic using the New M5 tunnel will head north from around Arncliffe, then surface at the St Peters Interchange and head back to the airport or port on the existing road network.

It seems extremely unlikely that many vehicles will do that when the existing M5 is so much more direct. The traffic modelling in the EIS shows that it is much more likely that traffic using the New M5 will head north, into an already congested road network through south Sydney.

And even assuming the Sydney Gateway is built – a big assumption given the lack of a design or funding - the existing M5 East will still provide much more direct access between Western Sydney and the Port and Airport but it will be tolled to contribute to the huge cost of WestConnex.

And this is the irony of the WestConnex project. Introducing tolls onto the existing M5 East will reduce demand which will mean “*quicker, more reliable trips*” to the Airport and Port for freight.

Impacts of the St Peters Interchange on the City of Sydney

The EIS shows that the New M5 and in particular the St Peters Interchange will have a significantly negative impact on residents and businesses located in the City of Sydney:

- The new toll on the existing M5 and the increase in road capacity on Euston Road from four lanes to up to six lanes, and Campbell Road from two lanes to six lanes, will see tens of thousands of additional cars pouring into already congested major urban renewal areas of Green Square, Alexandria, Erskineville, Ashmore and Redfern;
- Air quality, even at existing levels, is close to the allowable limits, and will only get worse with a major interchange, road upgrades and ventilation stacks at the St Peters Interchange and surrounds. If new air quality standards as proposed by the Council of Australian Governments (COAG) in 2012 are implemented, the New M5 will exceed allowable air pollution levels putting thousands of young children and the elderly at risk;
- The proposed project will have unacceptable impacts on Sydney Park. As well as surrounding it on three sides with large, high-volume roads, and the removal of hundreds of trees, the Government will take land on the southern side of the park for a construction compound.

A negative Benefit Cost Ratio

The Updated Strategic Business Case shows the first two stages of WestConnex – the New M5 and M4 widening and extension – do not have positive Benefit Cost Ratios on their own. So when considered as stand-alone projects, any benefits they have are outweighed by the costs.

They only start to deliver more benefits than costs if stage 3 is built – the tunnel connecting the M4 and New M5. But there is no guarantee that link will ever go ahead, there is no firm design, it has not been costed and there is no secured funding for it.

The Government is essentially asking permission to build the New M5 and St Peters Interchange hoping that an uncertain, unfunded, new multi-billion dollar project will be built at some stage which will justify the project. This is reckless in the extreme.

Risks to NSW taxpayers

Due to the financing structure of WestConnex, the NSW Government and therefore NSW taxpayers, will assume the risk of the project failing.

The direct costs of WestConnex will be huge – in the billions – and the opportunity cost will be disgraceful, measured in hospitals and schools not built, land no longer available for homes and public transport not delivered.

It is unbelievable that after all the financial failures of NSW's past motorways, like the Cross City Tunnel and the Lane Cove Tunnel, the NSW Government is assuming all the financial risk for a project with such little benefit for NSW taxpayers.

It is staggering that the NSW Roads Minister has been allowed to put the Government and taxpayers at such risk with no proper scrutiny.

Last year, the Government transferred control of WestConnex to the Sydney Motorway Corporation, which means information about the project cannot be captured by freedom of information requests.

If they are so confident about this project and its benefits then why the secrecy? We know it is being built with public money which means the public are the owners of the project and deserve to know all the facts about it.

Setting aside the question of whether building motorways is the right way to tackle congestion, this is about the due diligence and rigour with which a Government should make decisions about how to spend billions of dollars of taxpayers money.

There is no excuse for secrecy and incompetence on such an expensive project. It is time for all work on WestConnex to be suspended till the final and complete Business Case is released.

Next steps

The NSW Government should not continue to commit billions of dollars of public money to a multi-decade toll road that has not gone through the proper review process and which does not meet rigorous governance standards.

I propose writing to the relevant State and Federal Ministers and Opposition Members urging them to halt construction of WestConnex until a final Business Case, which meets the standard of other Business Cases for large projects, is released.

Councillors, we have also been approached by the two main WestConnex community groups for funding to help inform the public about this project.

The WestConnex Action Group has asked for \$15,000 to help raise awareness of the project and to inform the community about what they can do to help. The No WestConnex Public Transport group have asked the City to contribute a further \$10,000 towards the salary of their Community Organiser so that they can work more intensively with the ever-growing number of community groups fighting WestConnex.

RECOMMENDATION

It is resolved that Council:

- (A) note the attached SGS analysis of the WestConnex Updated Strategic Business Case which finds that the benefits of the project may well be exceeded by the costs;
- (B) note the attached City of Sydney's submission to the New M5 St Peters Interchange EIS which finds that there is no strategic rationale for the New M5, the significant impacts on the City of Sydney if it were to be built, and that the EIS is so deficient it cannot be used as the basis for a Ministerial decision to approve the project;

- (C) grant \$15,000 in funding to the WestConnex Action Group and \$10,000 to the No WestConnex Public Transport group to help them raise community awareness of this project; and
- (D) request the Lord Mayor write to the relevant State and Federal Ministers and Opposition Members and call on them to halt work on WestConnex until a final Business Case is released that can show that WestConnex has a better cost benefit ratio than potentially cheaper options such as public transport or demand management.

COUNCILLOR CLOVER MOORE

Lord Mayor

ATTACHMENTS:

Attachment A: Westconnex Business Case Review – Final Report

Attachment B: Westconnex New M5 Environmental Impact Statement – City of Sydney Submission

Attachment C: Letter from Westconnex Action Group dated 26 February 2016

Attachment D: Letter from NOW Public Transport Incorporated dated 26 February 2016