



Strategic Overview

Submission to Infrastructure Australia



November 2011



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Executive Summary

This document provides an overview of the NSW Government's Submission to Infrastructure Australia (IA). The submission has been developed in partnership with Infrastructure NSW (INSW), the independent advisor to the NSW Government on infrastructure priorities, in conjunction with NSW's integrated transport authority, Transport for NSW and other NSW Government agencies.

This year's Submission sets out to directly address the criticisms by IA of past NSW Government Submissions. The year 2011 marks the beginning of a concerted effort to achieve not merely improvement but to position NSW as a national leader in infrastructure planning and as a constructive partner in national reform.

- Three key priorities are being put forward to the Australian Government for consideration in this Submission:
 - **The Pacific Highway Upgrade** – The submission seeks a commitment by the Australian Government to complete the Upgrade by 2016, with a continuation of the prevailing 80:20 Commonwealth to State funding ratio;
 - **The North West Rail Link** – The Submission outlines the project's status, objectives and benefits with a view to seeking funding support, including the reallocation of Commonwealth funding from the Parramatta Epping Rail Link to the North West Rail Link; and
 - **Port Botany and Sydney Airport Transport Improvement Plan** – NSW proposes the preparation of a landmark multimodal strategy to manage road and rail connections at these gateways, which has been recognised by IA as a nationally significant problem. The plan will develop road and rail options for delivery as soon as possible to address the immediate and longer-term infrastructure challenges faced by this important precinct.

The proposals are the NSW Government's highest priorities for immediate investment in terms of regional and rural strategy, urban connectivity and inter and intrastate freight movement. They have been developed to address the objectives of the new State Plan – NSW 2021 – and are in line with the national goals of the Australian Government. Each of the proposals is at a different stage of development, and will be refined further over the months to come, in collaboration with INSW, IA and other stakeholders. They will also serve as the backbone of INSW's work in developing a 20 year infrastructure strategy for NSW focused on driving efficiency in infrastructure services and productivity growth needed to improve NSW's economic performance.

2011 also marks a watershed in process, strategy, priority and delivery of infrastructure in NSW as reflected in this Submission. A new Government, new agencies, new legislation and new priorities have been key milestones. There is still much more to be done to achieve the standards of infrastructure planning and implementation to which the NSW Government aspires.

The NSW Government is committed to delivering on its infrastructure agenda and its key infrastructure policy commitments, with projects selected on the basis of merit. The establishment of INSW demonstrates NSW's determination to ensure a rigorous approach to project selection and project assessment is carried out and ensure the mistakes of previous governments are not repeated. In particular, INSW will pay close attention to ensuring that projects that will require considerable public funds, including all those set out in this submission, are subjected to comprehensive review and constructive and frank advice.

Over the four years to 2014-15, the NSW Government will undertake a record infrastructure investment program of \$62.6 billion. However, further investment is required to ensure NSW continues to be a major contributor to the national economy. Addressing this funding challenge should be a joint responsibility of the State and Australian Governments in order to realise significant benefits for NSW and the Australian people. This particularly relates to access to jobs through the North West Rail Link, improved access to the Port Botany and Kingsford Smith Airport International Gateways and the movement of freight on the Pacific Highway.

This Submission should further provide the private sector, which is an essential deliverer of and investor in infrastructure, with reassurance that working with the NSW Government will provide real opportunities for partnership and a consistent, predictable pipeline of work that encourages their participation.



1. Introduction

This document provides an overview to the NSW Government's Submission to Infrastructure Australia (IA).

It describes the NSW Government's proposals that have been developed on a cross-agency basis and in partnership with INSW.

2. Reform Context

Effective, well-connected transport infrastructure that enables the smooth and efficient movement of goods, services and people is essential for economic development in NSW. It makes a difference to the lives of people every day. Generating around a third of Australia's gross domestic product, the health of the NSW economy is essential to the overall health of the national economy.

In spite of its importance, the provision of infrastructure in NSW has been poorly executed in the recent past. Major projects have been identified as 'critical', promised to the community, developed at great expense to both taxpayers and private sector participants and then abandoned. Such outcomes indicate dysfunction in both the strategic and the technical sides of infrastructure development. Setting aside the public disappointment and cynicism this has generated, no State can afford to waste taxpayers' limited funds in this way. These failures of infrastructure policy have also incurred major economic costs to NSW in terms of lost opportunity, the creation of a project backlog and loss of private sector confidence. These failures cannot be repeated.

Three milestones have changed the operating environment in NSW in 2011: the election of a new Government with a mandate to improve the delivery of infrastructure; the creation of INSW, an entity with a legislative imperative to enhance long-term planning and evaluation and so to help get infrastructure in NSW going again; and the establishment of Transport for NSW, which has integrated all policy and planning functions for transport and roads.

While it will take some time for all of the necessary changes to be implemented, and for the full benefits to be realised, the NSW Government has embraced the need for fundamental reform and delivered some important foundational elements of a new approach to infrastructure planning.

Key achievements so far include:

- Creating INSW to identify and prioritise the delivery of critical public infrastructure. Established on July 1 this year, it is the first time there has been an entity in NSW with clear responsibility for overseeing and coordinating the development of a long-term cross-sectoral infrastructure strategy for the State. Work has already begun to develop the State Infrastructure Strategy, which will help to ensure the efficient, effective, economic and timely planning and co-ordination of infrastructure investment;
- Making administrative changes to help drive infrastructure reform. This includes creating an integrated transport authority, Transport for NSW (TfNSW), to engage in holistic, rather than modal, planning and delivery consistent with interstate and global best practice. The NSW Government has also established a Cabinet Infrastructure Committee (CIC) to make sure the delivery of infrastructure is given the highest focus; and
- Developing options for financing reform and greater private sector participation to close the gap between the State's infrastructure needs and the financial capacity of Governments. To this end, the NSW Government has announced a Public Private Partnership for the development of a new 12-hectare entertainment, convention and exhibition precinct at Darling Harbour as well as adopting a franchise model for the operation of Sydney Ferries, and the refinancing of Port Botany and the Desalination Plant.

3. Improving NSW Submissions to IA

A number of important concerns have been raised by IA regarding past NSW submissions, including:

- Lack of consistency with State objectives and national infrastructure priorities;
- Projects being selected and positioned in isolation without an appropriate strategic context;
- Lack of rigour in project evaluation, including inadequate project scoping and underestimated costs; and
- Lack of proper consideration of “non-build” options, including demand management measures.

Consequently, this Submission should be regarded as an important first step in the transformation of NSW’s approach. As noted above, the State has begun the process of wholesale changes in the planning policy development, project evaluation and funding of infrastructure. The full effects of these reforms will be seen in future Submissions. To borrow IA’s phraseology, there is a “sense of the urgent need for action” in NSW to deliver a better outcome for people and businesses in this State.

The preparation of this Submission has embraced IA’s concerns in the following ways:

3.1 An Objective-Led Approach

In coordinating this Submission, INSW has ensured that the Submission clearly supports the State’s objectives and is consistent with both the State’s strategic priorities and national infrastructure priorities.

The NSW Government has developed clear and realistic goals for NSW through the publication of the State Plan, NSW 2021¹ in September 2011:

1. Improve the performance of the NSW economy;
2. Rebuild State finances;
3. Drive economic growth in regional NSW;
4. Increase the competitiveness of doing business in NSW;
5. Place downward pressure on the cost of living; and
6. Strengthen the NSW skill base.

For the transport sector, the goals are related to improving the quality of services:

1. Reduce travel times;
2. Grow patronage on public transport by making it a more attractive choice;
3. Improve customer experience with transport services; and
4. Improve road safety.

Developing the right transport infrastructure will be a major contributor to achieving these goals.

¹ NSW Government (2011), **NSW 2021**.

The NSW Government also recognises the need to ensure its Submission helps to address national infrastructure priorities. The projects included in this submission align with a number of Infrastructure Australia's core themes, including:

- Competitive International Gateways;
- National Freight Network; and
- Transforming Our Cities.

This Submission has been developed having regard to work already completed by IA on the National Port Strategy and National Land Freight Strategy, as well as the Australian Government's National Urban Policy and Sustainable Population Policy Strategy. The National Urban Policy reflects similar themes, most notably investing in urban passenger transport. A key message from the Sustainable Population Strategy – the shared responsibility for high quality infrastructure planning – is the cornerstone of the NSW Government's new approach to infrastructure planning.

3.2 Establishing the strategic context and improving project selection

The NSW Government concurs with IA that robust economic analyses and business cases need to be considered in a strategic context and as part of a 'big picture' vision. The NSW Government believes the culture of focus on individual projects must be replaced by an emphasis on the integrity of the overall strategy.

To address this, the NSW Government has tasked INSW to establish the strategic context for infrastructure investment in NSW. This context will be set through a comprehensive range of measures that will impose a new discipline and critical analysis in NSW infrastructure strategy, planning, procurement and delivery. They include:

- Developing a 20-year State Infrastructure Strategy to set out long term priorities across all sectors, with major updates to the strategy every five years;
- Developing a Better Value Infrastructure Plan for the Council of Australian Governments (COAG) to consider reform options across the infrastructure delivery chain;
- Developing detailed 5-year Infrastructure Plans, to be updated annually, that set out the immediate priorities for investment in NSW;
- Evaluating major infrastructure projects, including all projects worth more than \$100 million;
- Preparing sectoral State infrastructure statements at the direction of the NSW Premier;
- By exception, 'stepping in' to direct or deliver projects; and
- Reviewing completed infrastructure projects.

The effect of these efforts will be to develop a "pipeline" of well-founded infrastructure projects integrated with the Government's land use policies so that the Government can make the right investment choice at the right time to grow NSW's economy. This will provide the private sector and the community certainty and confidence that infrastructure will be provided by the State to support business and individual investment decisions.

None of these arrangements is intended to lead to doubling up with existing agencies. Operational agencies will continue to manage daily operations as is appropriate. INSW's role of review and coordination will, however, mean greater scrutiny of agency decisions and this will lead to better, more considered outcomes.

Turning around the current situation will not be achieved quickly. It will require a disciplined and collaborative approach. Accordingly, the 20 year State Infrastructure Strategy will be developed over the next year, working with Government, the private sector and community stakeholders.

While it will take some time to re-establish NSW's reputation, the improved certainty that will be created by getting the planning right and establishing a pipeline of the right projects will ultimately allow confidence in NSW to be restored and an environment where the community benefits from access to leading private sector capability at competitive rates.

3.3 The Role of Transport for NSW

Transport for NSW will consolidate and integrate planning and project selection across the transport portfolio and manage the single transport budget. The new agency is responsible for rigorously assessing the trade-offs across the different transport modes between service and infrastructure alternatives, including optimising the use of existing infrastructure and driving the economic reforms needed to increase productivity of the Government's investment in transport capability.

As part of this, TfNSW is responsible for strategic transport procurement. It has consolidated infrastructure delivery and strategic procurement functions that were previously performed by the various transport agencies. The new single agency will build a centre of excellence for infrastructure delivery, utilising the capability and expertise of both the public and private sectors.

Above all, TfNSW will place a strong focus on better customer service. TfNSW intends to design the transport system around the needs and expectations of the customer. The focus will be on improving transport coordination. To this end, TfNSW will ensure public transport timetables are aligned to improve interchange between different transport modes, and deliver integrated transport programs on time.

TfNSW will set out the long-term plans for the transport system in NSW through the Transport Master Plan. INSW will work closely with TfNSW on this plan, which will be developed in accordance with the priorities of the State Infrastructure Strategy.

3.4 INSW: Leading the Debate

IA has raised the need to move away from a "build" mentality and to additionally focus on reforms on funding, demand management and the role of pricing. The NSW Government agrees that the debate has to be informed by a serious look at the options and alternatives and, in particular, the consequences of inaction and we have established INSW with the purpose of leading the debate within this jurisdiction. Following the Premier's agreement with the Prime Minister at COAG in August 2011, INSW is in the process of preparing a Better Value Infrastructure Plan for COAG, working constructively with other governments to undertake the analysis that has to be done. This will establish a deeper, more productive dialogue about national directions and leadership on key reforms.

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3.5 Increased Investment in Infrastructure

Notwithstanding the time needed to implement the above critical reforms, the NSW Government is progressing the development of the State's infrastructure. Over the four years to 2014-15, the NSW Government will undertake \$62.6 billion in infrastructure investments including:

- \$23.7 billion for transport, including:
 - \$10.3 billion for roads, including \$3.6 billion for the Pacific Highway, \$1.3 billion for the Hunter Expressway, \$540 million for the Great Western Highway, \$470 million for the Princes Highway and over \$200 million for the safety and congestion package
 - \$1.7 billion for the South West Rail Link
 - \$2.5 billion for the North West Rail Link.
- \$16.8 billion for electricity infrastructure to ensure a reliable electricity supply that meets growing demand in New South Wales, including
 - \$13.6 billion on distribution systems
 - \$2.8 billion by TransGrid on the transmission network.
 - \$314 million for upgrades of the State's generation capacity.
- \$4.7 billion for water and sewerage, including:
 - \$799 million on growth works to service urban development
 - \$480 million to maintain the water distribution network
 - \$399 million to maintain sewer reliability.
- \$4.3 billion for health including:
 - \$741 million for the Royal North Shore Hospital redevelopment
 - \$110 million for Port Macquarie Hospital expansion.
- \$2.2 billion for education and training
- \$2.1 billion for housing, including:
 - \$1.7 billion for 3,900 new dwellings under the NSW Land and Housing Corporation's social housing program.

The NSW Government's 2011-12 Budget puts forward a record investment in the State's infrastructure. However, further investment will be required to provide NSW with the infrastructure it needs. Addressing this funding challenge should be a joint responsibility of the State and Australian Governments.



4. Focus on Transport Priorities

In 2011 the NSW Government has put forward three core priority projects for consideration:

- The Pacific Highway Upgrade Program;
- The North West Rail Link Project; and
- The Port Botany Sydney Airport Transport Improvement Plan.

Each of the proposals is at a different stage of development and will be refined further over the months to come.

These projects address issues which IA has confirmed are of shared interest to both the NSW and Australian Governments in the areas of improving Australia's freight capacity, delivering improved connectivity between capital cities through the duplication of the Pacific Highway and improved public transport across major cities through the delivery of new rail services, such as the North West Rail Link. They will support the considerable investment already provided by the NSW Government to achieve these outcomes.



5. Pacific Highway Upgrade Program

The Pacific Highway Upgrade Program commenced as a joint initiative of the Australian and NSW Governments in 1996, with the objective of creating a minimum 4-lane divided highway between Sydney and Brisbane.

In combination with projects presently under construction that will complete the duplication of the Hume Highway in Southern NSW in 2013, the Pacific Highway Upgrade Program will result in a high quality road network connecting the four east coast capital cities - Brisbane, Sydney, Canberra and Melbourne.

Some 76 per cent of freight movements between Sydney and Brisbane are undertaken by road, most of them by the Pacific Highway. Equally, the route supports an ever increasing population – within the next 13 years, it is expected that the Pacific Highway coastal corridor will be home to about one million people.

The Pacific Highway has been a consistent, shared priority for the NSW and Australian Governments. A renewed commitment is essential to achieving dual carriageway for the full length of the route. This will bring a range of economic, travel time and safety benefits to this important national corridor.

The Submission seeks a commitment by the Australian Government to complete the Upgrade by 2016, with a continuation of the prevailing 80:20 Commonwealth to State funding ratio. The total cost of the completion of this program is estimated at \$7.8 billion.

6. North West Rail Link (NWRL)

The CityRail passenger network is the backbone of the public transport system in the greater metropolitan area of Sydney. The objective of the NWRL project is to connect the urban growth areas in north western Sydney to the CityRail network and to employment, educational and commercial opportunities in the CBD and intermediate economic zones (Macquarie Park/North Ryde and Chatswood).

As the NWRL submission highlights, the delivery of the NWRL has been assessed as the most effective option for meeting the growing demand for timely, effective and reliable access for the people of north west Sydney to jobs and services (particularly within the extended global economic corridor), as well as significantly improving transport connections between communities in the North West.

With population and jobs growth set to continue in this corridor, the NWRL will have a significant impact on the future shape of the city, especially in relation to the development of key centres of economic and business activity.

The NWRL will substantially improve connections from the North West to the Sydney CBD via Macquarie Park, including serving the employment centres of Norwest, Castle Hill and Rouse Hill. These improved connections will be a catalyst for change in these centres, supporting the development of more sustainable transport strategies, a reduction in car dependency and more accessible and viable retail and commercial centres.

The NWRL is not a stand-alone transport solution. It will be part of an integrated network of bus, rail, cycling and walking options that will together improve access and movement within, to and from north west Sydney and the Hills District. This improved accessibility will influence the shape of Sydney as people from the North West take up jobs in the global economic corridor and new employment, business and residential opportunities opening up along the NWRL corridor.

INSW is playing a critical role in the delivery of the North West Rail Link, working constructively with TfNSW in ensuring the project is scoped to maximise value for money, with a delivery model that represents the most efficient and achievable among the available alternatives.

This Submission seeks to:

- Commence a dialogue with IA on the development of the NWRL and its alignment with Australian Government objectives;
- Report the current status of the NWRL project and advise IA of the proposed forward development program;
- Confirm that additional information will be submitted to IA following NSW Government approval with a view to seeking IA's endorsement that the NWRL is a project "ready to proceed" under IA guidelines;
- Seek, through IA, Australian Government support for the project and facilitation of its delivery through relevant planning processes; and
- Requests the Commonwealth Government to reallocate the \$2.1 billion currently provided for the Parramatta to Epping Rail Link (PERL) to the North West Rail Link. Building a rail link to the North West (and the South West) are the clear priorities for New South Wales.

7. Port Botany and Sydney Airport Transport Improvement Plan

As the Port Botany and Sydney Airport Transport Improvement Plan submission highlights, the efficient and effective movement of freight and people to and from the Port Botany and Sydney Airport precinct are critical to the State and national economy, productivity growth and ongoing investment and are of national significance.

The NSW Government has tasked INSW with developing a high level Strategy Statement for the Port Botany – Sydney Airport Precinct. This work, which will report in the first quarter of 2012, will form the basis for the proposed joint NSW/Commonwealth transport plan for NSW's international gateways that is set out in this proposal.

This proposal continues a key theme in recent NSW submissions – addressing the future growth of Port Botany and Sydney Airport:

- Sydney Airport accounts for nearly half of all international journeys, a quarter of all domestic journeys and half of international air freight. Passenger volumes are forecast to more than double by 2029, an extra 38 million trips while air freight is expected to increase by 85 per cent in the same period.
- Port Botany is the nation's second largest container port and container volumes are expected to increase over 3.5 times or by 5.5 million containers a year by 2030-31, subject to an approved increase in the port's current planning limit of 3.2 million containers a year.
- Heavy vehicle trips in the precinct are forecast to grow by 2.2 per cent a year by 2036 and light commercial trips by 1.1 per cent a year.

A joint process of developing a package of options is proposed, with Australian Government funding of \$28 million and a further \$7 million provided by the State. The plan will progress the preferred package through the development and planning approval stages to be ready for implementation as soon as possible, reflecting the pressing need to deliver real improvements to the transport challenges in this precinct.

The Plan will consider the relationships between the two key gateways, the freight task, the passenger task, rail, road and intermodal planning, as well as examining the area's reliance on road transport and capacity to manage expected future growth and congestion. This will include the various M4 and M5 motorway studies, the Container Freight Strategy and proposals in respect of the Moorebank intermodal precinct.

8. Status of NSW Submissions to Infrastructure Australia

Table 1 below shows the status of the projects previously submitted to IA. While the Submissions of some projects have been re-packaged for greater clarity and relevance, there are other projects that remain in the pipeline. These projects have not been withdrawn. The NSW Government will submit additional projects and information as the 20-year State Infrastructure Strategy and sector strategies are developed and priorities reviewed.

Table 1: Status of Submissions to IA

| This Submission | Previous Submission | Status | Comments |
|---|---|---|---|
| North West Rail Link | North West Rail Hills District Line | This Submission replaces previous Submissions | |
| Port Botany to Sydney Airport Road Enhancements | M4 East Extension - Freight Access to Port Botany and Kingsford Smith Airport; | This Submission replaces three separate earlier Submissions. | |
| | M5 East Upgrade Freight Access to Port Botany and Kingsford Smith Airport | | |
| | Container Freight Improvement Strategy | | |
| Pacific Highway Corridor Upgrades | Pacific Highway Corridor Upgrades | Assessed by IA as "Ready to proceed". This Submission seeks higher Australian Government contribution | This Submission should be read in conjunction with the previous submission. |
| | Capacity Improvements and Expansion of the Metropolitan Commuter Rail Network | To be updated as part of the Transport Master Plan | |
| | F3-M2 Link Sydney | Early Stage | This previous submission stand as is |
| | Northern Sydney (part of North South) Rail Freight Corridor Program | Funding MOU is under discussion between the NSW and Australian Governments | No Submissions required |
| | National Managed Motorways Programme – National Submission (NSW, Qld, SA, Vic & WA Governments) | Ready to proceed. Jurisdictions to establish Working Group and National Partnership Agreements. | No Submissions required |

Source: INSW, October 2011



9. Conclusion and Next Steps

The NSW Government is focused on its agenda in delivering the infrastructure services needed to improve the State's economic performance. INSW has been in operation only four months. Just two months ago, legislation for Transport for NSW was passed by the NSW Parliament.

The Government is particularly supportive of INSW's work in building a strong and productive and collaborative working relationship with IA and the Australian Government in order to advance the proper development, financing and delivery of the projects set out in this Submission.

The NSW Government looks forward to a constructive dialogue and further exchanges of information over the coming months.