

Audit report reveals public misled on Sydney's light rail cost blowout

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Two of the NSW government's most senior ministers are under pressure over misleading the public and possibly the Parliament about the reasons for the \$549 million blowout in the cost of Sydney's inner-city light rail project.

Treasurer Gladys Berejiklian and Transport Minister Andrew Constance came under fire on Wednesday over whether they failed to reveal the facts behind the escalating costs for up to two years, following the release of a damning Auditor-General report.



Tree protesters lose fight against light rail

Sydney residents chain themselves to 100-year-old trees in Centennial Park, protesting against contractors chopping them down to make way for Sydney's light rail. Courtesy ABC News 24.

The Auditor-General described as "incorrect" the government's explanation in 2014 that the costs had increased due to "huge wins" in the project's scope, such as the light rail line's ability to carry more passengers than originally planned.

Instead, the report found that 94 per cent of the blowout was "due to incorrect estimates" in the project's business case a year earlier.



"Always upfront with what I knew at the time": Gladys Berejiklian. Photo: Sydney Morning Herald

Yet when she announced the cost of the tram line had increased from \$1.6 billion to \$2.1 billion in a press release in December 2014, Ms Berejiklian – then the transport minister – said it was due to "customer improvements to the original scope" such as longer trams and stops.

But after this claim was rejected in the report released on Wednesday, Ms Berejiklian said she was "always upfront with what I knew at the time".

"At the time, when I explained the costs going from \$1.6 to \$2.1 [billion], I explained fully what we knew at the time to be the main reasons for that," she said.

However, the Auditor-General's report reveals that the government's own transport agency reported two months earlier that "mispricing and omissions in the business case had caused \$517 million of the \$549 million capital cost increase".

Last year, during budget estimates at Parliament, Mr Constance – who took over as Transport Minister in early 2015 – was asked the reason for the blowout.

"There were a number of key scope changes to the project," he replied.

In questions on notice, Mr Constance was asked by the opposition if there were any reasons for the cost increase other than a larger project scope. In his answer, the minister referred the opposition to Ms Berejiklian's December 2014 press release.



The Auditor-General has been highly critical of the light rail project. Photo: Peter Rae

On Wednesday, both Ms Berejiklian and Mr Constance repeatedly refused to say when the government learned that their earlier statements about the main reasons for the cost blowout were incorrect.

They also refused to say whether they were informed by Transport for NSW in October 2014 of the real reasons for the surge in the cost of the project.

The *Herald* reported in February 2014 that costs were likely to blow out on the project because of the difficulty of construction.

Labor leader Luke Foley said Ms Berejiklian needed to "front up with the truth".

"The Treasurer has plenty of explaining to do. She said in a December 2014 media release that the 'increased project cost [was] due to customer improvements to the original scope' and yet Transport for NSW knew two months earlier that the blowout was due to 'mispricing and omissions in the business case'," he said.

The Auditor-General found the government's management of the light rail project "suffered many of the same problems" as found with the [\\$16.8 billion WestConnex motorway](#) and the [Albert "Tibby" Cotter bridge](#) at Moore Park.

"Common problems include tight timeframes without justification, project scope defined too narrowly, underestimated costs and overestimated benefits," the report said.

The 2013 business case for the light rail line from Circular Quay to Randwick and Kensington in the city's east budgeted on the project costing \$1.6 billion, but a year later it had blown out to \$2.1 billion.

"Some of this increase was due to scope changes and planning modifications, but the majority – \$517 million – was due to mispricing and omissions in the business case," the Auditor-General's report said.

The report found Transport for NSW had pursued tight timeframes for the project without fully documenting their impact on costs, risks and benefits, and it "presented a business case with an inadequate economic appraisal".

As a result, the government agency was continuing to "manage problems created because of these shortcomings".

"Above all, it did not finalise key third-party agreements that affected the design and scope of works before issuing tenders and signing the major public-private partnership contract," the report said.

"This has increased the project's complexity and risks, and reduced value for money."

The potential problems caused by the failure to assess the risks for the 12-kilometre line were exposed in a [Herald report in 2014](#).

The Auditor-General also found that one of the main reasons the value of the project's benefits fell by 25 per cent to \$3 billion between 2013 and 2014 was because trams would not get priority at traffic lights, leading to longer journey times.

Greens transport spokeswoman Mehreen Faruqi said it was clear from the report that the government had no idea what it was doing.

"It has mismanaged, misled and lied to the community," she said.

<http://www.smh.com.au/nsw/audit-report-reveals-major-failures-in-sydneys-21-billion-light-rail-project-20161129-gt0imv.html>