# Wonderland! Glory and Evaluation

Westconnex has earned the name ‘Wonderland’ as an example of the use of a word to mean exactly what a State Government intends, no more and no less. Just as Humpty Dumpty told Alice, scornfully in a discussion about ‘glory’. A portmanteau too.[[1]](#endnote-1)

Recent revelations in NSW Parliament, that connections to Sydney’s Kingsford Smith airport and Port Botany do not (any longer) form part of Wonderland/Westconnex, raised some eyebrows. It is still Westconnex, but not as you might know it Jim![[2]](#endnote-2)

The issue de jour is whether ‘Westies’ will be slugged yet another toll – for airport access. There is also an ‘unsolicited bid’ by Lendlease to build the airport access road, seemingly confirming the mighty motorway will no longer get to the airport, or Port Botany for that matter. All of this in spite of international gateways being a key part of its second or third attempt at a rationale.[[3]](#endnote-3)

Perhaps this is no bad thing. Economists might tell you the effect of an ‘access toll’ might not add as much to motoring costs as many think; it might constrain parking prices at Sydney airport. If so it is just an internal argument at the infrastructure club about how to carve up the spoils! If this is wrong it will work to keep the Westies in their place; near Badgerys Creek. Who cares?

In any event rail is a better way of getting to the airport. If there were single deck trains on the line, if the Metro didn’t go out of its way to avoid the airport and assuming NSW is not regressing to the bad old practice of ‘material adverse’ tollway clauses which basically prevent better public transport ……. let’s not get started![[4]](#endnote-4)

Back with Wonderland, Infrastructure Australia has published three summary ‘evaluations’ of projects bearing the Westconnex name. The latest, April 2016, recommended ‘the’ project with a proviso that benefits depend on it being fully completed.[[5]](#endnote-5)

While it is not entirely clear which particular version of Westconnex the latest evaluation referred to, in parts it did seem to assume it would connect to the airport. At a cost of $0.8 billion.

To quote:

*WestConnex is a program of interconnected road projects that involves…… ‘Sydney Gateway’ – a number of proposed road improvements between an interchange at St Peters and the Airport precinct, which would also provide some improvement in access to Port Botany;*

and

*WestConnex has evolved from the original business case, including by …… improved connectivity from WestConnex to Sydney Airport and Port Botany*

and

*Major cost items*

*● Capital costs: $16.8 billion (nominal) made up of:*

*o Stage 1: $4.3 billion*

*o Stage 2: $4.5 billion*

*o Sydney Gateway: $0.8 billion*

Costs of ‘Sydney Gateway’ are now said to be $1.0billion more than – greater than double - those assumed in the latest evaluation.[[6]](#endnote-6)

Does this matter? Some more from the evaluation:

*Infrastructure Australia is confident the project in its entirety will have net benefits. Sensitivity tests for substantial increases in capital and operating costs indicate that the BCR remains higher than 1. [sic 1.0:1.0]*

That statement might be compared with NSW claiming the benefit cost ratio to be 1.7:1.0. As there is a big difference between benefit/cost of 1.7 and 1.0 the statement could imply a belief that the ratio is closer to 1.0:1.0 than the NSW Government’s claim – even using information from NSW.

Unfortunately, the evaluation did not present either Infrastructure Australia’s estimate of the ratio or the ‘sensitivity tests’. We also do not know whether ‘toll saturation’ – a big topic in Sydney - was considered. Or how implied financial costs for other roads have been treated. Etcetera.[[7]](#endnote-7)

Leaving those matters aside, on rough arithmetic a billion-dollar extra cost would reduce the Wonderland ratio between 0.1 and 0.2. A dampening of ‘benefits’ due to less traffic from an additional airport access toll would reduce it further. As would cross-subsidies – if any – to the scheme. If the starting benefit/cost was say 1.5, maybe no real problem. However, if it was say below 1.3; maybe a big problem.

Hence it is possible – not certain – that the project is now uneconomic. Such a possibility would be increased if a West Metro was factored in – as helpfully pointed out by a NSW government memo.[[8]](#endnote-8)

Given the promoted importance of the project (centrepiece of the State Infrastructure Plan) and the lack of relevant clarity in the most recent evaluation this matter is worth clearing up. The beagle looks forward to Infrastructure Australia releasing an updated evaluation, or at least explaining what it makes of this new information.

The beagle wants advisers to advise and improve public confidence. ‘Educate the community’ etc.

Talk of infrastructure/Wonderland ‘glory’ should be left to the Humpty Dumpties.

There remains the conflict between endorsing road projects with individual tolling – like Wonderland - and ‘promoting’ road pricing. That can be for later.[[9]](#endnote-9)

J Austen

8 September 2017

1. Yes, Humpty Dumpty appeared in the sequel to Alice in Wonderland, *Through the Looking Glass*, but as in so many infrastructure things complete accuracy would ruin the story. See: <https://ww.fecundity.com/pmagnus/humpty.html> [↑](#endnote-ref-1)
2. Two mistaken metaphors in the one article. The beagle will sack the editor! <http://oupacademic.tumblr.com/post/45375455323/misquotation-its-life-jim-but-not-as-we-know> [↑](#endnote-ref-2)
3. Issue du jour: <http://www.smh.com.au/nsw/double-toll-looms-as-lendlease-bids-to-build-motorway-to-sydney-airport-20170903-gy9nk8.html>

   The first attempted rationale, by Infrastructure NSW, was reinvigoration of lands around Parramatta Rd. See: <http://www.thejadebeagle.com/sydney-2-exhibit-2-toucheth-not-the-monorail.html>

   For the second attempted rationale, including international gateways, see note v (below).

   So far, no commentator has picked up the international gateways dangerous goods issue; at present trucks carrying dangerous goods are not permitted to use road tunnels in Sydney, for example the M5 tunnel. Continuation of this policy would see significant amounts of truck traffic e.g. ex Botany avoiding Westconnex. There is a question whether the ‘modelling’ for Westconnex took this into account.

   For unsolicited bid: <http://www.abc.net.au/news/2017-09-04/sydney-gateway-plan-reportedly-submitted-as-fears-grow-for-toll/8869066> [↑](#endnote-ref-3)
4. See: <http://www.thejadebeagle.com/badgerys-creek.html> [↑](#endnote-ref-4)
5. <http://infrastructureaustralia.gov.au/projects/files/Final_WestConnex_Project_Evaluation_Summary.pdf> [↑](#endnote-ref-5)
6. <http://www.smh.com.au/nsw/1-billion-cost-blowout-in-westconnex-gateway-project-to-sydney-airport-20170810-gxt6wc.html> [↑](#endnote-ref-6)
7. See for example: <http://www.dailytelegraph.com.au/news/nsw/sydney-commuters-spending-more-than-8000-a-year-on-toll-roads/news-story/cba131f5b8ae63954185b8072260b92e>

   <http://sydney.edu.au/business/itls/research/seminars/2016/how_much_is_too_much_for_tolled_road> [↑](#endnote-ref-7)
8. <http://www.smh.com.au/nsw/cabinet-leak-sydney-to-parramatta-in-15-minutes-possible-but-not-preferred-20170813-gxv226.html> [↑](#endnote-ref-8)
9. A recent speech by Infrastructure Australia (unattributed) argued that a significant impediment to ‘road reform’ was lack of community understanding of the issues, and hence the (forthcoming?) inquiry into road pricing:

   *‘must focus on—and I stress it again:*

   * *Explaining the problem;*
   * *Educating the community about the flaws in the current approach, and most importantly;*
   * *Drawing a link between the symptoms—the broken road and congested streets—and the cause of the disease—the broken road charging system.’*

   <http://infrastructureaustralia.gov.au/news-media/speeches-presentations/managing_the_consultation_challenges_of_road_reform.aspx>

   Such activities, especially ‘educating’ the community, will be more difficult as disparate tolls, driven by financing ‘requirements’ (of perhaps public private partnerships) for different road project undermine the potential for economically efficient network prices.

   That economically efficient network prices may differ from financing charges was overlooked in the Australian Infrastructure Plan.

   The differences between road pricing (to clear the road use market at an equilibrium) and road charging (to recover financial direct costs of road provision) are explained in <http://www.thejadebeagle.com/road-pricing.html> and <http://www.thejadebeagle.com/road-reform.html>.

   Given Infrastructure Australia’s categorisation of Westconnex as aimed at resolving congestion, pricing rather than cost recovery tolling would be appropriate. This evaluation does not appear to understand this. It stated: ‘*Infrastructure Australia supports the proponent’s intention to use tolling to fund a significant proportion of the costs [sic: direct financial costs] of the project’*. [↑](#endnote-ref-9)