



The Director
Public Accountability Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

Contact: Barry Underwood
Phone No:
Ref:

7 November 2018

Dear Director

I write in response to the Committee's request to provide answers to supplementary questions relating to the *Inquiry into the Impact of the WestConnex Project* on 11 October 2018.

My responses to your questions are based on my reports to Parliament and the scope of my audit work. My report to Parliament on transport agencies – issued annually - is informed by my audits of the financial reports of agencies within the Transport cluster. These audits do not provide assurance over major capital work project budgets, such as WestConnex, nor do they provide assurance about how an agency has performed against budget. The information on projects such as WestConnex in my reports to Parliament is primarily drawn from NSW Budget Papers and is sometimes supplemented by unaudited information provided by the agencies.

1. When did you become aware that the Sydney Gateway was no longer part of the WestConnex scope of works?

The State's Budget Papers are generally the source of information relating to major project budgets as they reflect the Government's intentions and/or decisions at a point in time.

The 2017-18 NSW Budget Papers, presented to Parliament in June 2017, included the costs associated with Sydney Gateway within the \$16.8 billion estimated total cost for the WestConnex project (page 4-11 of 2017-18 Infrastructure Statement).

I note that in August and September 2017, there were media reports indicating the Sydney Gateway was a separate project that did not come under the WestConnex program and was not included in the WestConnex tolling regime.

However, the 2018-19 NSW Budget Papers, presented to Parliament in June 2018, includes an allocation of \$800 million to Sydney Gateway within the \$16.8 billion estimated total cost for the WestConnex project (pages A-5 and A-7 of 2018-19 Infrastructure Statement).

2. Given your Report on Transport 2017 pointed out additions to the scope of WestConnex, why did it not mention a major reduction to the scope of the project – being that the Sydney Gateway was no longer part of the WestConnex?

The 2017-18 NSW Budget Papers, presented to Parliament in June 2017, provided a total budget for the WestConnex project of \$16.8 billion.

My Report on Transport 2017 volume included reasons why the total budget for WestConnex had increased to \$16.8 billion from amounts reported in previous Budget Papers as follows:

Although TfNSW expect this project to be completed on schedule in mid-2023, there were two budget revisions since 2014. The project budget was increased to \$15.4 billion in May 2015 and a further increase of \$1.4 billion in October 2015 due to changes to the scope of work. Transport advises the changes include an extension of stage three to Anzac Bridge, Victoria Road and the future connection of the Western Harbour Tunnel and Beaches Link.

The 2018-19 Budget Papers, presented to Parliament in June 2018, includes an allocation of \$800 million to Sydney Gateway within the \$16.8 billion estimated total cost for the WestConnex project. Refer pages A-5 and A-7 of 2018-19 Infrastructure Statement, Budget Paper No. 2.

Table A.2: Major projects and programs for urban roads

Project Name	Estimated Total Cost (unless otherwise stated)	Description
WestConnex	\$16.8 billion	Widening and extending the M4 and M5 and joining them together to form a continuous free flowing motorway, with connections to northern and southern Sydney. The project is being delivered in three stages – Stage 1 between Parramatta and the City West Link, Stage 2 is the New M5 and Stage 3 is a new tunnel linking the M4 and M5 motorways and the Sydney CBD. The project also allocates \$800.0 million to Sydney Gateway. Funding for WestConnex includes Commonwealth Government and Restart NSW contributions.

Table A.3: Major projects and programs for international gateways

Project Name	Estimated Total Cost (unless otherwise stated)	Description
Sydney Gateway (planning)	\$7.5 million (2018-19)	Sydney Gateway will provide an improved road connection between WestConnex and Sydney Airport and Port Botany, Australia's largest international gateways. A total of \$800.0 million will be provided from the WestConnex project.

3. Given that your *Report on Transport 2017* points out that the WestConnex budget had increased due to “changes to the scope of work”, why was there no mention that the budget had not been reduced despite a major reduction in the scope of work coming with the exclusion of the \$2.6 billion Sydney Gateway from the WestConnex project?

Refer to my response in Question 2.

4. Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services NSW gave evidence to the Committee that the Sydney Gateway ceased to be part of the WestConnex in 2015. Did your *Report on Transport 2017* acknowledge that the Sydney Gateway was no longer part of the WestConnex?

No. Budget information was drawn from the 2017-18 Budget Papers tabled in Parliament in June 2017. Refer page 4-11 of 2017-18 Infrastructure Statement, Budget Paper No. 2

Table 4.5: Major projects for international gateways

Project Name	Estimated Total Cost (unless otherwise stated)	Description
Sydney Gateway	\$800.0 million	Sydney Gateway is a link from WestConnex to Sydney Airport and Port Botany, Australia's largest international gateways. The cost is included within the \$16.8 billion estimated total cost for the WestConnex project

5. **Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services NSW gave evidence to the Committee that the Sydney Gateway ceased to be part of the WestConnex in 2015. Was there a change in the WestConnex budget to reflect this reduction in scope?**

Refer to my response in Question 4.

6. **Did you consider the implications that reducing the scope of WestConnex by excluding the Sydney Gateway should have had on the project's budget in your *Report on Transport 2017*?**

The State Government determines project budgets. Both the 2017-18 and 2018-19 Budget Papers include the costs or allocations associated with the Sydney Gateway in the total WestConnex budget.

7. **Is it appropriate for the budget of WestConnex to be unchanged when a major component is withdrawn from the project's scope?**

We have not audited the WestConnex budget and therefore can't provide a response. This question should be referred to the Government.

8. **Why would an agency reduce the scope of a project but not reduce the budget correspondingly?**

We have not audited the WestConnex budget and therefore can't provide a response. This question should be referred to the Government.

9. **Could this be an attempt to increase the overall budget of a project without having to admit to a multi-billion dollar budget blow-out?**

We have not audited the WestConnex budget and therefore can't provide a response. This question should be referred to the Government.

I trust this information is of assistance to the Committee and the Inquiry. Should you require further information, please contact Barry Underwood, Director, Auditor-General's Office on or email

Kind regards

Margaret Crawford
Auditor-General of NSW