

2010-2011 Project Assessment Brief

Current Status:	Ready to Proceed
Status in June 2010 Report to COAG	Ready to Proceed
Initiative Name and IA ID No.:	Federal Highway Link to Monaro Highway - Majura Parkway (10-035-01)
Location (State/Region/City):	Australian Capital Territory, East Canberra
Proponent:	ACT Government
Project Description:	
<p>The project involves the upgrade of the existing road link between the Federal Highway and the Monaro Highway and consists of construction of an 11.5 km limited-access four-lane road and grade separated interchanges with the Federal Highway, Fairbairn Avenue and Monaro Highway.</p>	
Capital Cost by Proponent Outturned (\$M):	\$288M (previously estimated at \$250M in the ACT's 2009-10 Submission)
Contribution sought by Proponent including requests for project development funding (\$M):	\$144M (50% funding by ACT Government).
Start/Completion by Proponent (month/year):	Not stated (2013 and 2014 construction years in economic analysis)

PROFILING

Infrastructure Australia Profiling Assessment Summary:

- National Significance:* The project is the main freight route linking the regions north and south of the Australian Capital Territory. It would form part of the Territory's arterial road network, improving north-south transit, particularly to the Airport and eastwards towards Queanbeyan.
- Alignment with Infrastructure Australia's strategic priorities:* The initiative would make a contribution to the 'Increasing Australia's Productivity' and 'Developing Our Cities/Regions' priorities. The potential to sustain these priority objectives into the medium and longer term may be compromised if the freight benefits of the project are impacted by growth in passenger car volumes.
- Application of Infrastructure Australia's Reform and Investment Framework:* The initiative has a long history of being considered in strategic planning for the ACT. Both the *Territory Plan* and the *General Policy Plan* of the *National Capital Plan* refer to the future construction of the road.
- Conclusion:* Majura Parkway is a nationally significant project that aligns with a number of Infrastructure Australia's strategic priorities. The project is a priority in ACT planning documents and a funding priority, which is supported by willingness of ACT to offer 50% funding.

APPRAISAL

Infrastructure Australia Appraisal Assessment Summary:

- *Depth of supporting information:* The economic analysis report is thorough and benefit calculations and parameter values are outlined.
- *Demand:* Demand estimates have been derived from Quadstone Paramics model. The projections seem reasonable and the associated details have been provided.
- *Capital costs/operating costs:* The final design continues to be refined and capital costs could therefore change, although significant changes are not expected. Capital costs have been provided on a P90 basis. The ACT has advised that it has engaged a consultant to update the cost estimates based on a more detailed risk based approach. The results of this more detailed analysis will be available late 2011.
- *Quality of economic assessment methodology:* The economic assessment methodology is robust and consistent with the NSW Roads and Traffic Authority's and Infrastructure Australia's guidelines.
- *Conclusion:* The proponent states the benefit-cost ratio is 3.32. The economic appraisal appears sound and conforms to Infrastructure Australia's requirements and demonstrates the strong economic benefits of the project.

DELIVERABILITY

Infrastructure Australia Deliverability Assessment Summary:

- *Risk:* Further information needs to be provided to confirm that adequate risk assessment has been undertaken and that the provision for risk in the cost estimate is appropriate. ACT advised in March 2011 that an independent review of the estimate is being conducted.
- *Need for public/Commonwealth funding:* The ACT Government engaged Ernst & Young to conduct a procurement options analysis that concluded a private public partnership (PPP) option was not appropriate.

The justification for Australian Government funding is that this proposal links National Highways – a Commonwealth responsibility. The ACT submission states that it has funded complementary work, although the value of these works has not been included.

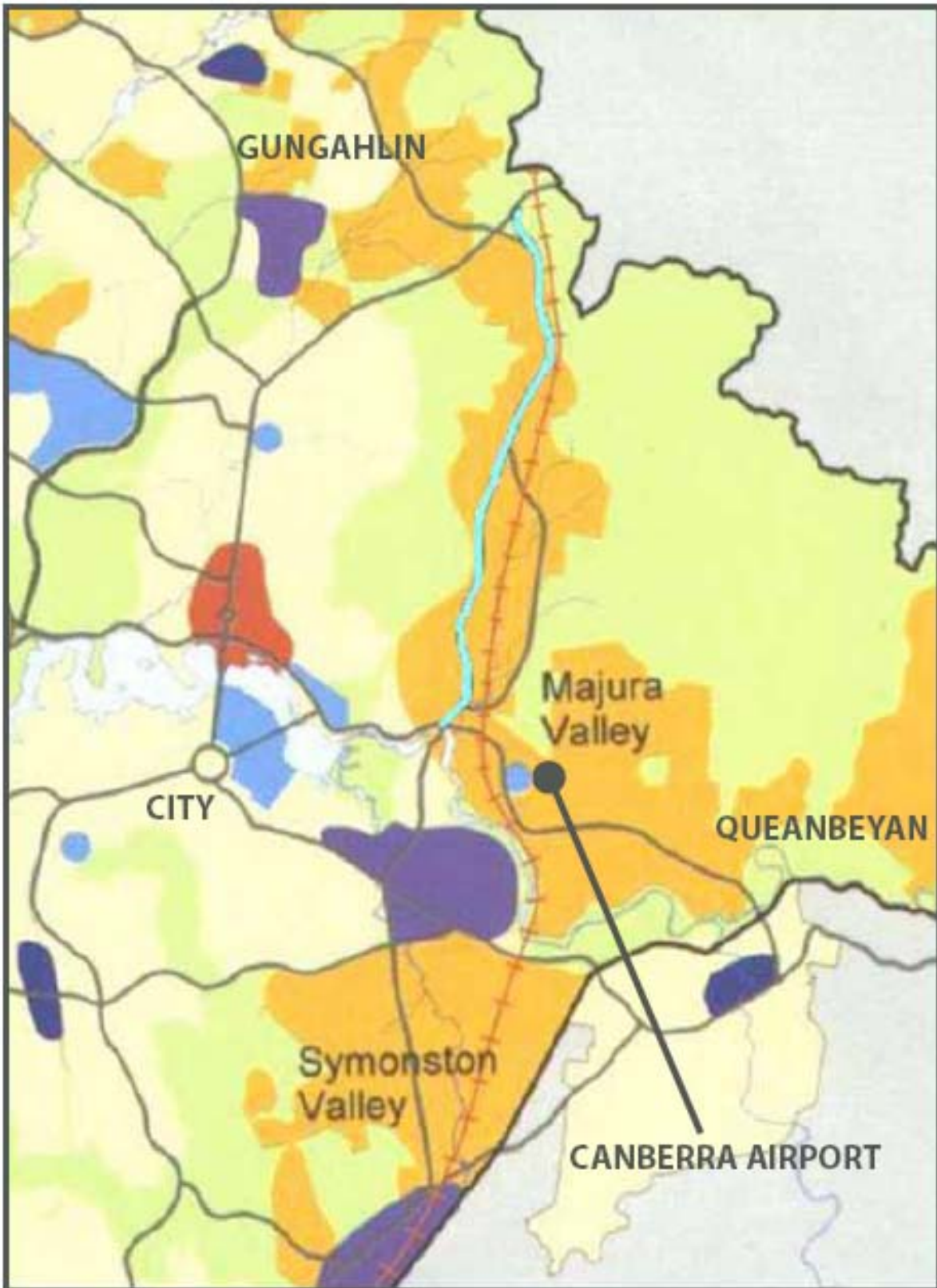
Capital costs are being revised, which may increase the level of funding required. However, the proponent is proposing to take on upside capital cost risk.
- *Delivery strategy:* A delivery strategy has not yet been determined. Ernst & Young has recommended a two-package contracting strategy using design and construct or construct only contracts for both packages.
- *Governance:* Governance arrangements for delivery have yet to be proposed. The proponent maintains that this will be influenced heavily by the preferred procurement strategy.
- *Conclusion:* A more detailed development of risk management, options for cost recovery, delivery strategy and governance should be made available.

OVERALL RECOMMENDATION

Infrastructure Australia Priority List Recommendation:

- It is recommended that the initiative remains in the Infrastructure priority list as a 'Ready to Proceed' project. The initiative makes a clear and positive contribution to Australia's policy priorities. It demonstrates long term national benefits (economic benefit-cost ratio significantly above 1:1) and a robust delivery mechanism. Conditions on Infrastructure Australia's support for the project include:
 - The road be configured to high productivity vehicle standards and the ACT Government be required to enter an intergovernmental agreement with the Commonwealth for High Productivity Vehicle Access (HPVA);
 - The road be tolled, with a view to ensuring that a reasonable proportion of capital costs, and all of the road's operational and maintenance costs, are recovered through tolls;
 - The ACT government continue to undertake project development work to provide further confidence that the project will be completed within scope, and on time and budget; and
 - The ACT Government agreeing to undertake an agreed post-completion evaluation of the project:
 - Upon completion (e.g. to test whether the project was completed within scope, on time and on budget); and
 - At agreed future intervals, to assess whether traffic projections underpinning the project's development were robust, and whether other project benefits have been realised.

Majura Parkway – Local Context



Source: ACT Government submission to Infrastructure Australia

This assessment was prepared by the Office of the Infrastructure Coordinator in April 2011 for the 2011 Infrastructure Priority List.

Proposed Majura Parkway Alignment



Source: ACT Government submission to Infrastructure Australia

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