2010-2011 Project Assessment Brief[1]

Current Status:	Threshold
Status in June 2010 Report to COAG:	Real Potential
Initiative Name and IA ID No.:	Brisbane Cross River Rail (previously Brisbane Inner rail Capacity) (10-010-3)
Location (State/Region/City):	Queensland, Central area of Brisbane
Proponent:	Queensland Government
Project Description:	
The proposal involves construction of an 18km rail line from near Salisbury, under the Brisbane CBD, to Bowen Hills (north of the CBD). Some 9.8km of the project is proposed to be in tunnel. Three new stations are proposed, in addition to an interchange station at Roma Street (in the CBD), and upgrades to four other stations. (Maps attached) A 'staged development' option has also been submitted. In this option, Stage 1 would extend from Yeerongpilly (just north of Salisbury) to Roma Street station.	
Capital Cost by Proponent Outturned ($M):	$7,731M (full Project). $5,144M (Stage 1)
Contribution sought by Proponent including requests for project development funding ($M):	$5,798M (full project) $3,858M (Stage 1)
Start/Completion by Proponent (month/year):	To be determined. The Queensland Government has stated that, given the flood response, it needs to defer construction by two years, to commence in 2013/14.

PROFILING

Infrastructure Australia Profiling Assessment Summary:
• *National Significance*: South East Queensland is one of Australia's major growth centres, and this initiative would have a significant impact on improving transport options for a large proportion of people within this area. The project is also likely to provide considerable benefits for freight movement to and from the Port of Brisbane and associated inter-modal facilities, including inter-regional, inter-state and international movements. The project has national significance.

[1] This assessment was based on the proponent's December 2010 submission to Infrastructure Australia. As a result of the severe weather events over the summer of 2010-11, the Queensland Government announced that construction of the Cross River Rail project, proposed to commence in 2013, would be delayed by at least two years. Since then the proponent has been updating project information and addressing many of the issues identified in this assessment. An updated assessment will be provided once the proponent formally submits this information.

- *Alignment with Infrastructure Australia's strategic priorities:* The project aligns well with Infrastructure Australia's strategic priorities of 'Developing our cities and regions' and 'Reducing greenhouse emissions.' By facilitating ongoing public transport development in Brisbane, the proposal supports Infrastructure Australia's 'Improving social equity and quality of life in Australia's cities' priority. By improving the functioning of one of Australia's largest cities (by facilitating the efficient movement of people and freight), the project also has the potential to contribute to priorities such as 'Expanding Australia's productive capacity' and 'Improving productivity'.
- *Application of Infrastructure Australia's Reform and Investment Framework:* Appropriately, for a project of this scale, this proposal presents the most complete application of the Reform and Investment Framework of any initiative presented to Infrastructure Australia. The problem analysis is well defined. More detailed options analysis for better use of existing infrastructure and the further exploration of measures to ensure higher take up of public transport in Brisbane would provide greater alignment with the Framework. The staging and relative priority and the timing of the need for the project need to be further clarified in light of a recent decision to postpone the project following the Queensland floods disaster.
- *Conclusion:* This proposal has very strong alignment with Infrastructure Australia's profiling criteria and the application of the Reform and Investment Framework. Further exploration of options for better use of existing infrastructure and to ensure higher take up of public transport in Brisbane would provide even greater alignment with the Framework.

APPRAISAL

Infrastructure Australia Appraisal Assessment Summary:

- *Depth of supporting information*: The proponent has provided a detailed economic evaluation report to support the submission. The capital costs and economic analysis reports have been peer reviewed and these reports have also been provided. The Queensland Government will subsequently provide a response to the peer reviews. Demand estimates have not been externally peer reviewed, though an internal review has been provided. Given the size of this project, the proponent has indicated an external review of demand model inputs and forecasts will be commissioned.
- *Demand*: While the main transport model for the Cross River Rail is under development, a benchmark model based on the Brisbane strategic transport model has been prepared and used in the economic appraisal. Demand estimates appear to be detailed and calculated on a reasonable basis. External peer review may provide greater confidence in this conclusion. As discussed below, the analyst has raised some queries about the impact of including the North West Transit Corridor and a $1.5 billion tunnel to connect Cross River Rail to the Corridor in the demand model and economic appraisal.
- *Capital costs/operating costs*: Based on the cost estimation methodologies employed, the capital cost estimates seem reasonable. The peer review raised questions as to whether the P90 calculations adequately accommodate escalation and risk, and the proponent is currently refining capital costs.
- *Quality of economic assessment methodology*: Generally a sound methodology has been employed. The analyst has raised some queries about the impact on overall demand and resulting economic results from inclusion of the North West Transit Corridor and a $1.5 billion tunnel to connect Cross River Rail to the Corridor. If funding has not been committed for this by the Queensland Government, then this project should potentially be excluded from the base case and Cross River Rail demand modelling and subsequent economic appraisal. The inclusion of the North West Transit Corridor in both scenarios may be understating incremental capital costs or overstating benefits attributable directly to the Cross River Rail.

Some technical questions are being followed up by the proponent. Wider economic benefits have been separately modelled to a high standard, and there is a case to include some of these when considering the overall economic benefit of the project.

- *Conclusion*: In general, the economic appraisal is robust and has a reported benefit-cost ratio above 1:1. There are some areas being followed up with the proponent that may potentially overstate the benefit cost ratio.

DELIVERABILITY

Infrastructure Australia Deliverability Assessment Summary:

- *Risk:* The submission acknowledges limitations to the current risk assessment related to the project's stage of development. Environmental issues have been assessed in some depth, as part of a draft Environmental Impact Statement that is scheduled to be exhibited in the near future. Staging appears to be a fundamental issue for the project particularly for affordability, and is yet to be resolved. The decision to defer the project for two years elevates the importance of staging, given the likely growth in demand for the rail system. The project acknowledges that cost estimates need to be further developed, including the provision for risk.
- *Need for government funding*: The project contends that the effectiveness of complementary revenue options is limited. Further evidence is required to justify the rejection of options such as congestion charging and parking levies, and of rejecting fare increases over the Consumer Price Index.
- *Need for Commonwealth funding*: Revenue options and the level of any Commonwealth contribution need to be investigated further.
- *Delivery strategy*: The proposed procurement strategy appears to be appropriate. More information is needed on the proposed approach to allocating risk for property development in the private public partnership (PPP) model.
- *Governance model*: The approach to governance for this stage of the project's development seems appropriate. Clarification is required on whether recommendations from the project's 'gateway review' relating to governance were adopted. The report from the December gateway review would provide this clarification. Information provided recently on the proposed approach to governance during procurement and delivery indicates responsibility for the PPP elements of the project being managed by the Cross River Rail Project Director. Responsibility for the north and south surface works is being managed by Queensland Rail and some elements of the project being jointly managed. Clarification of the proposed approach will need to be provided.
- *Conclusion*: At this stage, the project has made significant progress on most aspects of delivery. Further development of risk assessment is required before confidence could be assumed in the cost estimate. Potential revenue sources should also be explored further before assuming public/Commonwealth bearing costs. Further detailed work is required on the proposal to include property development risk into a PPP contract. Further development of the governance arrangements is also necessary.

OVERALL RECOMMENDATION

Infrastructure Australia Priority List Recommendation:
• The initiative is recommended for inclusion in the infrastructure priority list as a 'Threshold' project. The initiative addresses a nationally significant problem. While there has been extensive project development work undertaken since the 2009-10 submission to justify the project moving from 'Real Potential' to 'Threshold', specific issues noted above need to be addressed prior to the project being recommended as 'Ready to Proceed'. The Queensland Government is following up these issues in the detailed feasibility stage of the project, including updated information to reflect the recent proposed rescheduling of project implementation.


Connecting SEQ 2031 – the rail strategy
Key
CoastLink
-express (limited stops)
ExpressLink
-express (limited stops)
UrbanLink
Light rail
Brisbane Subway
Existing rail
Protect for long-term rail development
Major park 'n' ride
Key projects to deliver the 2031 rail network
Cross River Rail
Construct Sunshine Coast line from Beerwah to Maroochydore
Upgrade and realign north coast line Beerburrum to Landsborough
Petrie to Kippa Ring
Northwest Corridor – Alderley to Strathpine
Salisbury to Flagstone
Darra to Springfield
Ripley to Ipswich
Extend Gold Coast line to Coolangatta
Sunshine Coast
Nambour
Maroochydore
Kawana
Beerwah
Caloundra South
Caboolture
Kippa-Ring
North Lakes
Petrie
Strathpine
Shorncliffe
Airport Domestic
Airport International
Airport Village
Greater Brisbane
Ferny Grove
Northgate
Doomben
Bowen Hills
Inner City Stations
Bulimba
Manly
Toowong
Park Road
Buranda
Indooroopilly
Cleveland
Salisbury
Darra
Redbank
Richlands
Walloon
Ipswich
Dinmore
Rosewood
Loganlea
Beenleigh
Gold Coast
Ormeau
Coomera
Helensvale
Southport
Springfield
Ripley
Hillcrest
Flagstone
Beaudesert
Robina
Elanora
Coolangatta
N
Map not to scale

Map of Reference Design for Cross River Rail