

2010/2011 Project Assessment Brief

Status as at 17 February 2011	Ready to Proceed
Initiative Name and IA ID No.:	Adelaide Rail Freight - Goodwood and Torrens Rail Junctions (10-030-01)
Location (State/Region/City):	South Australia, Adelaide
Proponent:	Government of South Australia
Project Description:	<p>This proposal is for the elimination of two at-grade rail-rail crossings and four level crossings, modifications to one other level crossing, station upgrade and associated works. The works are at:</p> <ul style="list-style-type: none"> • Goodwood, 3 km to the southwest of the city; and • North Adelaide, 2.5 km to the north west of the city, where the standard gauge interstate railway with Melbourne twice crosses Adelaide's urban passenger network. It also includes station development. (Map attached)
Capital Cost by Proponent Outturned (\$M):	\$418M
Contribution sought by Proponent including requests for project development funding (\$M):	\$418M
Start/Completion by Proponent (month/year):	Start with contractor engagement and land acquisition in 2011-12 with all project components completed by 2014-15.

PROFILING

Infrastructure Australia Profiling Assessment Summary:

- *National Significance:* The problem and the project are nationally significant. The east-west rail route dominates the national east-west freight market. The initiative addresses productivity improvements on the route by enabling freight train lengths to increase to 1800m.
- *Alignment with Infrastructure Australia's strategic priorities:* The initiative strongly aligns with the following priorities: 'Increase Australia's productivity' by facilitating use of longer trains and 'Develop our cities and regions' by facilitating transit-oriented development.
- *Application of Infrastructure Australia's Reform and Investment Framework:* The goals of the project are consistent with the emphasis on productivity improvements in both the *30 Year Plan for Greater Adelaide* and the *Strategic Infrastructure Plan for South Australia*. The recent Adelaide Rail Freight Movements Study found that other options to by-pass Adelaide would cost between \$2,400M – \$3,200M, and would be sub-economic (see attached map of route options). The current option therefore remains the most economic means of improving rail freight through Adelaide.
- *Conclusion:* The project would make a significant impact on national rail freight productivity, and support more sustainable development in one of Australia's largest cities.

APPRAISAL

Infrastructure Australia Appraisal Assessment Summary:

- *Depth of supporting information:* The proponent has provided a detailed economic evaluation report to support the submission and a peer review.
- *Demand:* Freight demand is currently based on most-likely level annual growth rates.
- *Capital costs/operating costs:* Based on the cost estimation methodologies employed, the capital and operating cost estimates appear sound.
- *Quality of economic assessment methodology:* Economic assessment methodology consistent with industry standards has been used. Further information has been requested from the South Australian Government regarding the calculation of urban consolidation benefits, the calculation of residual benefits, and the benefit calculation for 1800 metre trains.
- *Conclusion:* The project is economically viable. A more detailed explanation of residual value calculation and further work on the urban regeneration benefit would further justify this conclusion.

DELIVERABILITY

Infrastructure Australia Deliverability Assessment Summary:

- *Risk:* A preliminary risk assessment has been conducted. A detailed risk assessment will be undertaken in subsequent stages of the project's development. Further detail is required on how provision for contingent risk in the cost estimate has been determined. This risk assessment will confirm the veracity of the project's cost estimate and risk analysis.
- *Need for public/Commonwealth funding:* The submission suggests that government funding, rather than recovery of any contribution through freight rates, is in accordance with South Australian Government policy on shifting freight from road to rail. There appears to be a presumption that the existing freight rates effectively capture all benefits to freight users and a market failure exists above those rates. The proposal does not consider freight users' willingness to pay for improved levels of service.

The submission states that the project will facilitate significant transit oriented development (Bowden Village) and increased efficiency of freight and passenger movement. No detail has been provided on potential cash flows that could be captured from the project.

- *Delivery strategy:* A procurement strategy is yet to be developed and any packaging of works is not yet determined. The potential for a procurement strategy to deal with risks cannot presently be assessed.
- *Governance:* A range of governance bodies has been proposed. A separate Steering Committee for Bowden Village has already been established. The project has not been subject to 'Gateway' or similar reviews at this stage. Consideration should be given to having an independent expert on a Project Control Group or similar and having independent project health checks conducted.
- *Conclusion:* For a project at the 'Ready to Proceed' stage, continued detailed development of risk management, cost estimate, delivery strategy and governance arrangements and cost recovery potential is desirable.

OVERALL RECOMMENDATION

Infrastructure Australia Priority List Recommendation:

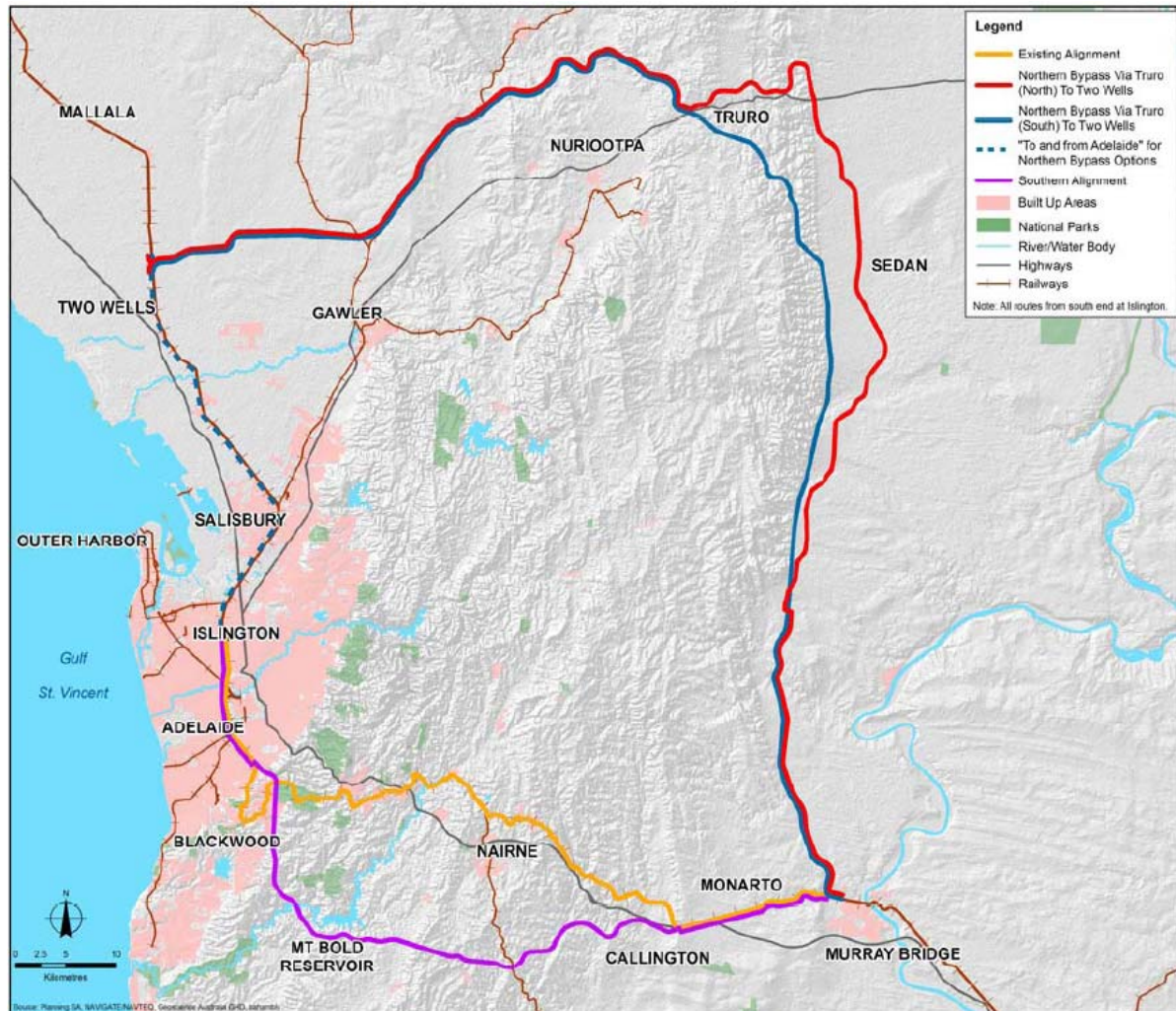
The project should remain at 'Ready to Proceed' stage. Conditions on Infrastructure Australia's support include that the South Australian Government:

- Continue to undertake project development work to provide further confidence that the project will be completed within scope, and on time and budget;
- Finalise a proposal for the transit orientated development aspects of the project; and
- Develop a proposal for obtaining a material financial contribution to the project from the freight industry and from commercial revenues from the transit orientated development.
- Agree 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.



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

Existing Adelaide Rail Alignment and Possible By-Pass Route Options



Source: Adelaide Freight Movements Study, June 2010