2011-2012 Assessment Brief

Recommended Status:	**Real Potential**
Status in June 2011 Report to COAG:	**Updated submission in 2011-12**
Initiative Name:	Melbourne Metro
Geography:	Victoria
Proponent:	Victorian Government
Project description:	

The Melbourne Metro submission outlines a proposal for a new metro-style rail line that will provide 17 additional train services across Melbourne.

This submission builds on previous submissions to Infrastructure Australia - Melbourne Metro 1 (**Ready to Proceed**) and Melbourne Metro 2 (**Real Potential**). It is an interim step towards a submission defining a single project that will deliver the benefits of the two metro schemes.

In doing so elements of the previous two submissions are combined and the project scope is being refined in an effort to reduce costs. The Victorian Government is seeking $130 million in project development funds to progress the project.

Objective:

The project aims to increase the capacity of Melbourne's public transport network to support the growth in demand driven by increasing population. It will enable a new metro service linking the west, north, central and south-east regions of Melbourne and introduce metro-style services across the Northern and Caulfield rail groups. The implementation of Melbourne Metro will achieve stage five of the Victorian Government's seven stage metropolitan rail upgrade program.

Problem:

The capacity of the existing transport network is constrained due to an increase in public transport use and increasing urban densification. There is an identified need to provide additional capacity in the inner city infill areas and greenfield development in the northwest and southeast of Melbourne.

Solution:

Melbourne Metro is a proposed nine kilometre rail tunnel between South Kensington in the west and South Yarra in the south-east, connecting the Sunshine and Dandenong rail corridors via Melbourne CBD, but bypassing the congested inner core rail network. This will enable a new metro service linking the west, north, central and south-east regions of Melbourne. The current proposal is designed to deliver the benefits of 17 additional city-bound train services per hour in peak periods.

The project is forecast to provide additional capacity for 24,000 passengers per hour initially, rising to 60,000 per hour when other capacity constraints of the network are removed. It is expected that 140,000 passengers will use the Melbourne Metro during the morning peak by 2030.

Proponent's capital cost estimate ($million, real, and base year):	$tbc
Contribution sought by Proponent including requests for project development funding ($million):	$130 million for pre-construction work
Project timing Start/Completion by Proponent (month/year):	2012/13 for preconstruction works
BCR by proponent, excluding Wider Economic Benefits:	1.6-1.8 including WEBs

Strategic alignment

Alignment with Infrastructure Australia's strategic priorities:

Developing core public transport infrastructure that will provide significant capacity increases to Melbourne is strongly aligned with Infrastructure Australia's strategic priorities. Melbourne Metro is expected to be a transformational project that will help deliver: long-term reshaping of the city to achieve more sustainable urban development patterns; and a significant increase in network capacity.

Alignment with state strategies:

While the Victorian Government develops its Metropolitan Planning Strategy, the submission reasonably states that *"the need or priority for Melbourne Metro will not change, as urban development patterns for the next ten to fifteen years are already largely set".* On this basis, the development of the Metro is aligned with land use plans supporting growth in Melbourne.

Problem analysis

Previous submissions identified the problem as unmet transport demand in the north, north-west and south-east of Melbourne, resulting in: overcrowding in the existing rail network; road congestion; and limited access to the CBD. Recent data indicates that private vehicle use is declining in Melbourne suggesting the problems remain.

Solution assessment

Options analysis:

The methodology of setting solution criteria and then identifying a broad range of options to fulfil these objectives is sound. The Office of the Infrastructure Coordinator's preliminary view is that the preferred option has the potential to deliver a 20 to 30 per cent increase in the capacity of the Melbourne railway network. This type of increase is significant, and the level of work that has been completed to date indicates that this benefit would most likely be realised if the project is delivered.

Deliverability:

In mid February 2012, the Victorian Government presented an updated business case for the project stating "this business case presents the most recent assessment undertaken for both Melbourne Metro 1 and full Melbourne Metro scheme in the 2010 business case. A new economic assessment will be prepared for the implementation business case." The updated business case analysis supported the case for developing a submission for a single Melbourne Metro project.

The business case includes a comprehensive risk assessment and details of direct costs of the project. The Office is seeking further details of the provisions for risk in the cost estimate. The business case does not provide details of the procurement options analysis for the new project or a procurement strategy. It relies on previous analysis for the Melbourne Metro 1 project.

BCR appraisal

The BCR provided has been inferred from those developed for Melbourne Metro 1 and the full scheme. A new assessment of the revised project on a 'stand alone' basis will be required to take account of changes to the project since the 2010 assessment. Therefore while the BCR is likely to be above 1, for a project of this size it is expected that this should be confirmed in a project-specific cost benefit analysis.

Infrastructure Australia Priority List Recommendation

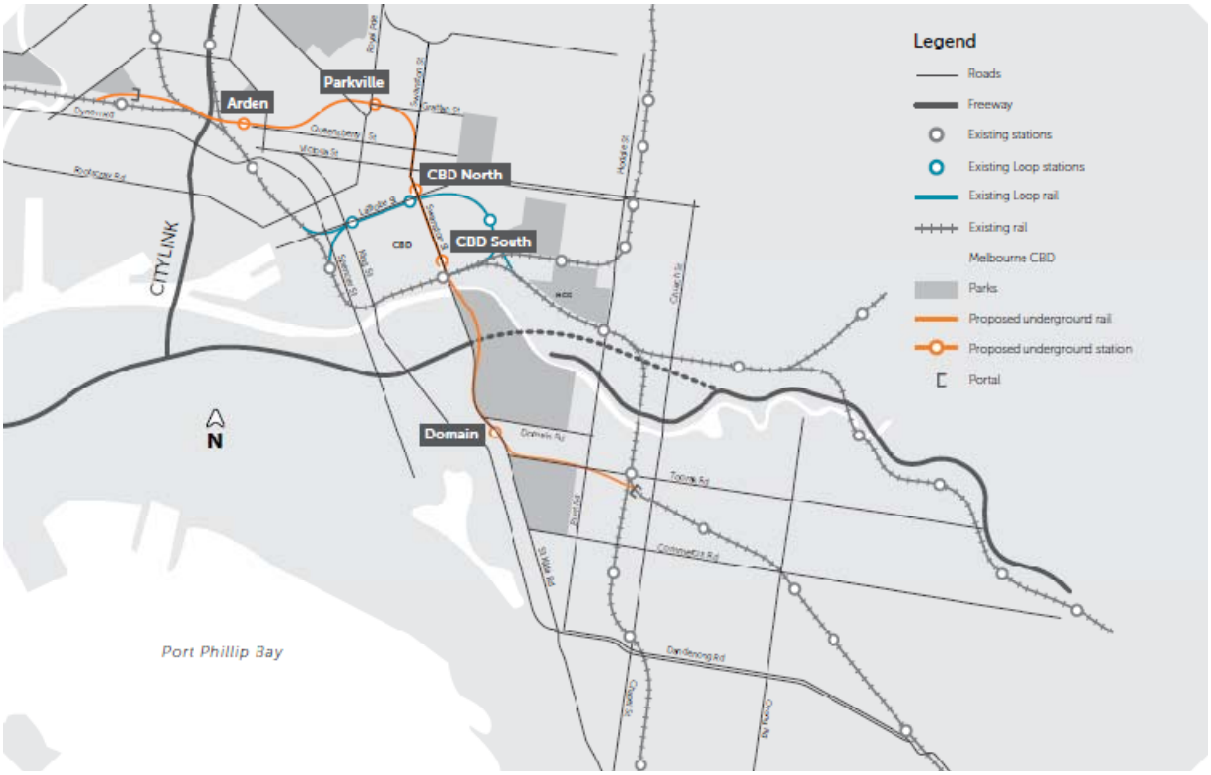
Melbourne Metro is a project that will shape Melbourne's future transport network and land use patterns. The preferred option presented could achieve up to 30 per cent capacity increase in the urban passenger rail network.

The project combines both Melbourne Metro 1 and 2 and is likely to deliver a better project outcome at a lower cost. Additional information has been sought to adequately assess the combined project.

The Office of the Infrastructure Coordinator recommends that:

- Melbourne Metro 1 be retained at **Ready to Proceed** and Melbourne Metro 2 be retained at **Real Potential** on the infrastructure pipeline pending a revised submission that combines both;
- additional Federal funds not be provided for the project at this stage above the $40 million previously awarded for project development of Melbourne Metro 1.

Attachment 1: Melbourne Metro Rail Tunnel



Attachment 2: City shaping impact of Total Melbourne Metro scheme