INDEPENDENT REVIEW OF THE CAPITAL METRO FULL BUSINESS CASE

Derek Scrafton
Transport Systems
School of Natural and Built Environments
University of South Australia

Preface

The Terms of Reference for this review of the Capital Metro Agency's *Full Business Case* (FBC) are to comment on the appropriateness of the FBC that has been prepared in support of the decision to proceed with the first stage of the proposed light rail project linking Gungahlin with the Canberra city centre via Flemington Road and Northbourne Avenue, with particular focus on the suitability of the methodology adopted and the rigour applied in the analysis.

It is important to note that the review is not expected to comment on assumptions in or other inputs to the FBC, nor on detailed analysis, some of which is to be found in supporting technical documents.

Introduction

The purpose of the FBC is to seek ACT Government approval for the Capital Metro project to be procured as an Availability Public Private Partnership (PPP). The FBC is being released to advise potential respondents to a call for Expressions of Interest (EOI) and inform other interested parties and the wider Canberra community, including indicating to potential users the proposed service to be provided by light rail.

In responding to the terms of reference and considering the purposes for which the FBC was prepared, **this review concludes that the FBC has adopted an appropriate approach, contains sufficient detail and makes realistic conclusions and recommendations.**

The FBC is not so prescriptive (except as to the transport technology to be adopted) as to limit innovative responses to the EOI (and later to the RFP); it also leaves scope for continued debate amongst professionals and in the community about the planning and transport implications of the adoption of light rail in the Northbourne Avenue to Gungahlin corridor.

This introduction is followed by commentary on the content of the FBC, with the sections of the report considered in three groups, viz:

Analytical sections: Needs Analysis (Section 2); Economic Analysis (6); Financial Analysis (9); and Delivery Model (8).

Descriptive information: Project Outline (3); Cost & Contingency (5); Dependencies (7); and Timeline (13).

Basic information: Introduction & Background (2); Governance (10); Stakeholder & Adviser Engagement (11/12).

Conclusions follow the review of the sections, together with a note on the background and experience of the reviewer, including contact information.

The Analytical sections

The Needs Analysis, Economic Analysis, Financial Analysis, and Delivery Model sections together make up the 'meat' of the FBC. The methodologies used in these sections of the FBC and the rigour applied to the analysis are the tests against which the FBC satisfies the CMA's aims and objectives.

Needs Analysis (Section 2)

The aims of the proposed light rail service are to increase the mode share of public transport in Canberra and to assist densification in and revitalisation of the northern corridor. The analysis of the needs is thorough (see, for example, Figure 11), but contains some assertions that are aspirations and are difficult to quantify or justify. Nevertheless, the needs analysis as presented in Section 2 is appropriate for the FBC, adopting a sound approach to the issues raised. Whether the analysis is realistic will only be determined later, when it can be compared with responses to the EOI and the RFP, particularly the latter.

Whilst the adoption of tram technology is desirable, what really matters in public transport is the quality of the service to be provided: frequency, reliability, and implementation of the proposed focus on the passenger. It should be noted that the 2026 target of a 30% mode share includes cyclists and pedestrians – it would be useful to see the target figure for public transport separated out.

The extent to which public transport can contribute to overall ACT-wide economic performance or to the improvement of the northern corridor is a debatable issue raised in this section.

Economic Analysis (6)

Sound analysis following Austroads and ATC guidelines has been undertaken, delivering a BCR of 1.0 (1.2 with wider economic impacts -WEIs) which is reasonable – some successful public transport projects have been implemented despite BCRs as low as 0.7. The WEI analysis follows current UK and New Zealand guidelines, while the sensitivity analysis and time savings calculations follow established procedures and apply current standards.

There is conjecture in the FBC about the economic performance in the corridor with and without trams, and it is unclear whether the project case assumes all buses in the corridor will be affected to some extent.

Financial Analysis (9)

A thorough analysis following Infrastructure Australia guidelines, including provision of a Public Service Comparator to the preferred PPP option. Assumptions in this section are realistic, e.g. the average fare of $1.35, bearing in mind that feeder buses may be the primary recipient of some fares. Other assumptions are detailed at P50 and P90 levels, as a check against the P75 level that is applied in the analysis.
The operating term of 20 years is reasonable, as is the possible application of an affordability signal, while the proposed strategy of a government contribution of 50% of project debt is to be determined at a later date.

The financial impact on the bus system is uncertain. So long as the bus system continues to be owned and operated by a government agency, any issues can be internalised. However, if the bus system was to be privatised or contracted out, there could be problems, particularly if the light rail PPP included protection clauses that limited competition.

Delivery Model Analysis (8)

This is an important and reasoned section of the report that justifies the recommendation to proceed using an Availability PPP approach. Detailed comparison is with a DCMO model (i.e. Design, Construct, Maintain and Operate); other systems were discarded early in the evaluation.

Validation of the PPP model is described in detail and the risk analysis is extensive. I concur with the view expressed that there is likely to be strong bidding but a limited number of consortia expressing interest in the project.

In summary, this section is appropriate and rigorous.

Descriptive information

Four sections of the FBC are descriptive, containing essential information for potential respondents to the request for Expressions of Interest, but also reminding involved agencies and other parties that their activities in the immediate future may have implications for the light rail project.

Project Outline (3)

This section contains mainly factual material relating to the economic, social and environmental objectives, listing previous relevant studies and activities, and including the first reference to the timeline. It identifies areas of potential innovation (e.g. in power transmission), and contains much detail on the scope of works involved in the light rail project. The section could be considered to be too prescriptive, but section 3.2 leaves it open to respondents to suggest alternative approaches.

The ‘line of sight’ approach, avoiding expensive railway signalling, is significant and appropriate, given that traffic lights will operate (with tram priority) at major intersections.

Cost & Contingency (5)

This is an important section of the report that is comprehensive; the methodology is sound, embracing construction, operations and maintenance. The final cost is subject to revision after detailed design is completed, and a P75 contingency is justified in the text. The Gold Coast LRT is a recent and valid comparator.

Dependencies (7)

This section identifies activities that can have an impact on the light rail project between now and commissioning, thereby advising responsible agencies and their principal officers.

Timeline (13)

This section contains important advice to CMA, other agencies and interested parties of the proposed timelines for each stage of the project: bidding, construction, and commissioning.

Basic information

Introduction & Background (2)

This section contains useful material on the history of the project, reference to official documents, lists of approvals and qualifications, and a summary of consultations to date. Sources are not quoted in the FBC but are retained in a separate file.

Governance (10)

This section contains descriptive information on organisation and control.

Stakeholder and Adviser Engagement (11/12)

Release of the report to the public is itself a positive form of stakeholder engagement, stimulating interest and encouraging debate about the project. In some jurisdictions, such a report would be made available only to interested parties.

Consumer centric principles are stressed in the FBC, but the accounts of engagement are mainly with stakeholders such as NCA and ACT Government departments. Earlier consultation processes are described fully and responses summarised.

Section 12 outlines the principles of adviser engagement and a list of tasks for which external advice has been sought, without names or other information.

Some concluding comments

The Capital Metro Full Business Case is an appropriate document to circulate to companies and consortia who might respond to the EOI, and for general release to the public for comment and discussion.

Most of the content of the FBC is factual material for information, the most important of which is a comprehensive description of the proposed light rail project. Where analysis is involved, particularly in the economic and financial analysis sections, considerable detail is presented, the development of the analytical work is described, and some supporting documentation is also available. Good use is made of tables and diagrams, and the Executive Summary is an accurate representation of the content of the full report.

Some data that might have been useful in interpreting the aspirations for the project is absent or is not readily discernable, e.g. total public transport trips (or boardings) in the northern corridor in a recent year for which accurate numbers are available.

There is some use of assertion without source or attribution, and could result in further debate. One issue that remains unresolved could have an impact on existing bus passengers: while walk-on and park-&-ride passengers will benefit clearly from the new light rail, existing bus passengers will, to an extent that is unclear, be expected to transfer to the light rail. There needs to be a guarantee that such users will not be disadvantaged: any interchange from bus to tram (and from tram to bus) that is required must be seamless, executed quickly and operated efficiently, particularly if the tram headway in peak hours is to be provided at 10 minute intervals.

In conclusion, the *Full Business Case* is a document that is fit for the purposes for which it was prepared. It uses appropriate and realistic methodologies in the analytical sections and follows guidelines which are recommended and approved by national organisations.

Derek Scrafton 31 Oct 2014

Reviewer profile:

Dr Scrafton has 50 years direct experience, mainly in Canada and Australia, in transport planning, research, administration, regulation, finance, construction and operation, including 25 years as Director General of Transport in South Australia. Concurrent appointments included operating boards, planning commissions, and national transport inquiries. Direct involvement in planning for light rail and alternative technologies included several years leading the North East Area Transport Planning Review in Adelaide, followed by the North East LRT project, and finally planning and construction of the Northeast Busway.

Contact: derek.scrafton @unisa.edu.au

Phone: 08 8302 1860 (a.m.)
or 08 8331 9478 (p.m.)