

## 2011-2012 Assessment Brief

Recommended Status:	<b>Ready to Proceed</b>
Status in June 2011 Report to COAG:	<b>Threshold</b>
Initiative Name:	Cross River Rail
Geography:	Brisbane
Proponent:	Queensland Government
Project description:	
<p>The Queensland Government is seeking \$3.98 billion of Commonwealth funding to construct the core Cross River Rail project. This is the first stage of a program of works to develop an 18 kilometre rail line from near Salisbury, under the Brisbane CBD, to Bowen Hills, north of the CBD.</p> <p><b>Objectives:</b></p> <p>The objectives of the Cross River Rail project are to provide the necessary infrastructure to support the transformation of Brisbane into Australia's third internationally competitive city, support critical freight networks.</p> <p><b>Problem:</b></p> <p>The submission identifies a range of challenges that the project is designed to address: rapid population growth; growth in CBD employment; low density development; continued car dependency; increased road congestion; growth in freight; increased transport-related emissions; oil dependency; rapid public transport patronage growth; overcrowding; limited CBD rail capacity; limited inner city coverage by rail; an indirect rail service; and passenger and freight rail conflicts.</p> <p><b>Solution:</b></p> <p>The core Cross River Rail project is the river crossing, which is scheduled to be delivered by 2020. It includes:</p> <ul style="list-style-type: none"> <li>• 10 kilometres of twin single track tunnels between Yeerongpilly and Victoria Park; and</li> <li>• Development of four new underground stations along the tunnel - in Woolloongabba, Boggo Road, Albert Street and Roma Street.</li> </ul> <p>This core project forms the first stage of a broader program of works that may be developed in the future. The staged approach to delivery of the full project has been adopted by the Queensland Government following advice from Office of the Infrastructure Coordinator.</p> <p>In addition to the core project, the full Cross River Rail solution includes:</p> <ul style="list-style-type: none"> <li>• New surface stations at Yeerongpilly and Exhibition;</li> <li>• Minor station upgrades at Moorooka and Rocklea; and</li> <li>• 5 kilometres of additional corridor surface tracks from Yeerongpilly to south of Salisbury (includes 4 kilometres of additional freight track, 3 kilometres of two additional passenger tracks and various track realignments).</li> </ul>	
Proponent's capital cost estimate (\$million):	\$5,300 million
Contribution sought by Proponent including requests for project development funding (\$million):	\$3,980 million (75 per cent of costs)
Project timing Start/Completion by Proponent (month/year):	2012 to 2020 (for core project)
BCR by proponent, excluding Wider Economic Benefits:	1.41

*This assessment was prepared by the Office of the Infrastructure Coordinator in February 2012 for the Infrastructure Priority List.*

## Strategic alignment

### **Alignment with Infrastructure Australia's strategic priorities:**

Cross River Rail is closely aligned with a number of Infrastructure Australia's strategic priorities, and will contribute to developing our cities and regions, improving social equity and quality of life in Australia's cities, as well as expanding Australia's productive capacity and improving productivity.

The Office of the Infrastructure Coordinator has previously recognised the Cross River Rail as a project of 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 the population.

Furthermore, the project is 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.

### **Alignment with state strategies:**

The Office of the Infrastructure Coordinator has previously recognised the alignment with Queensland state strategies and the high prioritisation the Queensland Government has given to the Cross River Rail project.

## Problem analysis

The Office of the Infrastructure Coordinator has previously acknowledged the strength of the problem analysis presented in the Cross River Rail submission.

## Solution assessment

In the 2010/11 assessment round, the Office of the Infrastructure Coordinator concluded that, while closely aligned with the reform and investment framework, the Cross River Rail submission would benefit from a more detailed options analysis, including options for better use of existing infrastructure and to facilitate higher take up of public transport in Brisbane.

In considering the deliverability of the project, the Office of the Infrastructure Coordinator also recommended the Queensland Government take a number of other steps:

- Further development of risk assessment to provide confidence in cost estimates;
- Further investigation of revenue options and level of commonwealth funding;
- Further detailed work on the proposed procurement approach, particularly the approach to allocating risk for property development in the public private partnership model; and
- Clarification of the proposed governance approach and the handling of recommendations from the project's 'gateway review' relating to governance.

Having reviewed the 2011/12 submission and having held a number of discussions with the Cross River Rail project team, it is the Office of the Infrastructure Coordinator's view that these issues have either been adequately addressed or the Queensland Government is taking appropriate steps to justify the Cross River Rail project to progressing to Ready to Proceed on the priority list.

It is the Office of the Infrastructure Coordinator's view that the approach to risk assessment is comprehensive.

## BCR appraisal

The economic appraisal has been updated to address a number of concerns raised in 2011. While there remain some minor areas of contention (including the inclusion of the North West Transit Corridor in the base case), the Office of the Infrastructure Coordinator is comfortable that the cost benefit analysis methodology is robust and that the BCR remains above 1:1 under a number of scenarios.

## Infrastructure Australia Priority List Recommendation

The Cross River Rail project was included on the Priority List at **Threshold** in 2011 as Infrastructure Australia recognised the national significance and validity of the overarching project, with the potential to transform the city of Brisbane.

Following last year's assessment, the Queensland Government has taken a number of steps to address the Office of the Infrastructure Coordinator's concerns regarding the extent of options analysis, robustness of the economic appraisal, reliability of cost estimates and implementation plans. It is the Office of the Infrastructure Coordinator's view that the primary issues have been adequately addressed.

It is recommended that:

- The project progress to **Ready to Proceed** on the infrastructure priority list
- In taking forward the design and delivery of this project, the Queensland Government should consider:
  - Alternative options for revenue generation, including a parking levy and congestion charging. The analysis undertaken on the land value capture opportunity would benefit from an independent review;
  - Further market sounding to ensure that procurement options are based on up to date feedback. Market sounding for the project was undertaken in July 2010. Given the changes in debt and equity markets and in risk appetite over the past 18 months and the potential changes in Europe, this analysis should be updated; and
  - The development of a comprehensive governance model for procurement and delivery.