



Office of Hon Simon Bridges

MP for Tauranga

Minister of Energy and Resources

Minister of Transport

Deputy Leader of the House

Associate Minister for Climate Change
Issues

Associate Minister of Justice

01 DEC 2016

Andrew Riddell

fyi-request-4885-a85ffc56@requests.fyi.org.nz

Dear Andrew

I refer to your request received as a transfer from Hon Craig Foss, Associate Minister of Transport on 9 November 2016, pursuant to the Official Information Act 1982:

"In answering a question from Phil Twyford yesterday you made the claim that the overseas experience is that light rail projects can have significant cost overruns. Please provide the reports, advice or other information from the Ministry of Transport or other public officials you are relying on in making that assertion."

Your request was transferred to me for a reply as the issues you raise fall within my portfolio responsibilities as Minister of Transport.

The following document falls within the scope of your request and is enclosed. Certain information in this document has been withheld under section 9(2)(a) of the Official Information Act, which relates to the privacy of natural persons.

Document type	Title	Date
Briefing to the Minister of Transport (relevant extracts)	Cost and Financing of Light Rail Projects	5 February 2015

In addition to providing the information within the scope of your request, I have provided two publicly available media reports regarding cost overruns of light rail projects in Australia, to which Hon Craig Foss referred to when answering the Oral Parliamentary Question on my behalf on 3 November 2016.

With respect to the information that has been withheld, I do not consider there are any other considerations which render it desirable, in the public interest, to make the information available. You have the right under section 28(3) of the Official Information Act to make a complaint about the withholding of information to the Ombudsman.

Yours sincerely,

Hon Simon Bridges
Minister of Transport

The Sydney Morning Herald

Parramatta light rail costs blow out to more than \$3.5 billion

Jacob Saulwick

Published: October 16, 2016 - 12:15AM

The cost of Mike Baird's signature public transport promise for western Sydney has ballooned to more than \$3.5 billion – \$2.5 billion above what has been budgeted, secret government documents show.

The Parramatta light rail project is the centrepiece of the government's plans to cement Parramatta as Sydney's second central business district, as well as its proposal this week to build thousands of apartments around Sydney Olympic Park.

But only \$1 billion has been allocated for a project which, according to a preliminary business case obtained by Fairfax Media, is costed at more than \$3.5 billion.

The business case also shows the light rail project is not expected to generate as much benefit as it costs.

The revelations follow a tumultuous week for the Baird government, in which the Premier has attempted to re-assert control over a number of difficult issues.

After insisting for months he would not back down, Mr Baird dramatically reversed his support for a ban on greyhound racing on Tuesday. He later backed down on his previous refusal to install shark nets on the NSW North Coast.

A "cabinet in confidence" costs assessment of the Parramatta light rail project dated January 2016 and prepared by consultancy Turner & Townsend puts a \$3.51 billion price-tag on the light rail routes the government has said it would build around Parramatta.

These are tram lines from Westmead through Parramatta to Carlingford on the existing Carlingford rail line and to Strathfield via Sydney Olympic Park.

Separate documents, meanwhile, show the project will deliver questionable benefits. If a project's benefit cost ratio is less than one, a project is expected to deliver less benefit than cost.

A business case dated May 2015 shows a maximum benefit cost ratio for light rail lines around Parramatta of 0.73.

An addendum dated July 2015 reports range benefit cost ratios from 0.66 if only transport benefits are included, potentially rising to 1.06 if "wider economic benefits" are included.

While the Parramatta light rail project will not be the scale of the \$8.3 billion Sydney Metro NorthWest, the tram lines are scheduled to be the only major public transport initiative in western Sydney begun in this term of government. Transport for NSW has said it wants to start construction in 2018.

"The light rail spine through Greater Parramatta will provide a new and convenient link for customers travelling between Parramatta CBD, Westmead, North Parramatta and Camellia providing enhanced connections to, through and within Sydney's Second CBD," the business case documents say.

"These customers will include hospital workers, university students, CBD based employees and customers seeking recreation and retail," they say.

The line is expected to run services every 10 minutes during the day, and carry around 10,000 passengers in a morning peak hour by 2036.

There will, however, be engineering and traffic challenges involved in the construction of the line. The project would require removing multiple lanes of traffic from major routes around Parramatta.

Fairfax Media has previously revealed the government is considering cutting back the length of the light rail project, or at least building it in stages, partly because it is considering an alternative metro rail line through the area.

However if the government cut back the line to a shuttle between the Westmead hospital precinct and Camellia, where major property development is planned, this would contradict the advice of the business case.

"Westmead-Camellia would not be a viable staging option on its own given the short length and lack of connectivity between trip origins and destinations," the July 2015 addendum to the business case says.

Not running the line through Sydney Olympic Park would also undermine the government's desire to promote high-rise residential in that area.

The government has said it wants to raise money from property developers to help cover the cost of the line, but these funds are unlikely to cover the \$2.5 billion shortfall.

A spokeswoman for Transport for NSW said "early construction" of the project was still scheduled to begin in 2018.

"Transport for NSW is continuing to conduct detailed route design of the preferred Parramatta Light Rail project, which is anticipated for release for public feedback in 2017," the spokeswoman said.

"Work is also ongoing on a final business case and assessment of the preferred network which will determine the final project cost," she said.

Report available at: <http://www.smh.com.au/nsw/parramatta-light-rail-costs-blow-out-to-more-than-35-billion-20161015-qs300q.html>

The Sydney Morning Herald

Sydney light rail line costs blow out to \$2.2 billion – \$600 million more than budgeted

Jacob Saulwick

Published: November 10, 2014 - 12:56AM

The cost of building the light rail line from the city to the eastern suburbs is likely to blow out to around \$2.2 billion – \$600 million more than first budgeted.

Transport Minister Gladys Berejiklian will not confirm the final figure, but sources said the size of the blow-out has caused consternation within the government, with major work on the project not due to start for half a year.

"People are agog that they have managed to get away with it," one source said.

The cost of the light rail line, which is planned to run from Circular Quay to George Street through Surry Hills to Randwick and Kingsford, is also dismaying public transport advocates concerned the price tag will prevent future governments from building new tram lines.

Fairfax Media revealed in February cost advisers for Transport for NSW were concerned about numerous aspects of the initial \$1.6 billion light rail budget.

The Evans & Peck analysis was troubled by the under-estimation of the cost of moving utilities such as power cables from under George Street, and was also concerned about the lack of analysis used to measure the cost of managing changed traffic conditions.

At the time, Ms Berejiklian insisted the cost of the project would still fall within its \$1.6 billion budget.

But the minister said last month that a preferred bidder had been chosen for the light rail line – a consortium called "Connecting Sydney" – and that the cost would be an unspecified figure higher than \$1.6 billion.

She attributed the extra cost to an increase in capacity along the line – longer and more frequent to be able to carry 13,500 people an hour in each direction, not 9000 as first promised – and extra support staff for managing road closures.

"The NSW government is still negotiating with the Connecting Sydney consortium to finalise the cost and details of this major contract," the minister told Fairfax Media last week.

The government first announced the expected \$1.6 billion cost of the light rail project almost two years ago, before it had done detailed investigations into the complexity of the route, and before it had undertaken negotiations with some of the major organisations along the route.

For instance, Transport for NSW remains in talks with the Australian Turf Club, the operator of the Royal Randwick Racecourse, about plans to build a stabling yard for trams on land used for parking at the racecourse.

The department agreed to build Randwick Racecourse a multi-storey car park to replace the 420-odd parking spots it would remove when building the yard.

But the department has been pushing for a cheaper parking lot, while the ATC wants something in keeping with the look of its redeveloped grandstand.

"It has probably taken a bit longer for us than other stakeholders because we have made this massive investment in our facilities," said ATC chief executive Darren Pearce, who added that the ATC was a big supporter of the light rail project.

"We have spent over \$220 million on improvements to Randwick Race course to make the facilities world class and Randwick is the front door to racing in this state ... we are absolutely motivated to make sure that things that adjoin and support Randwick are complimentary to this," said Mr Pearce, who said he was hopeful of an agreement within weeks.

Gavin Gatenby, from the advocacy group EcoTransit, said NSW estimates of the cost of light rail projects were about four times those in Europe.

"The whole point about light rail is that it's affordable, high-capacity and very flexible," Mr Gatenby said. "It should be much cheaper than this. The fact that prices have been driven up so high means that we are not able to afford the amount of light rail we should be able to get"

Major construction on the light rail project is expected to start in April, and be finished by 2018 or 2019.

Report available at: <http://www.smh.com.au/nsw/sydney-light-rail-line-costs-blow-out-to-22-billion-8211-600-million-more-than-budgeted-20141109-11jazn.html>



COST AND FINANCING OF LIGHT RAIL PROJECTS

Reason for this briefing	You have requested information on the costs and financing of light rail projects overseas.
Action required	Note the contents of the briefing.
Deadline	At your discretion.
Reason for Deadline	This briefing is for your information only. No decisions are required.

Contact for telephone discussion (if required)

Name	Position	Telephone		First Contact
		Direct Line	After Hours	
Matthew Ireland	Adviser	09 985 4864		
Hamish Bunn	Principal Adviser	09 985 4828	[REDACTED]	✓
Martin Glynn	Director Auckland	09 985 4829	[REDACTED]	

Withheld under section 9(2)(a)

MINISTER'S COMMENTS:

Date:	5 February 2015	Briefing Number:	OC02836
Attention:	Hon Simon Bridges	Security level:	In-Confidence

Minister of Transport's office actions

- | | | |
|---------------------------------------|---|--|
| <input type="checkbox"/> Noted | <input type="checkbox"/> Seen | <input type="checkbox"/> Approved |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Referred to | |
| <input type="checkbox"/> Withdrawn | <input type="checkbox"/> Not seen by Minister | <input type="checkbox"/> Overtaken by events |

Purpose of report

1. The purpose of this report is to provide you with information about the costs and financing of light rail projects, following Auckland Transport recently signalling it is investigating a potential light rail network for Auckland.

Light rail capital costs

Out of scope

2. [Redacted text]
3. [Redacted text]
4. [Redacted text]

4. We have also identified the capital costs of some recent Australian projects which provide a good basis for comparison for New Zealand. Table 1 below compares these projects with the first stage of the proposed Auckland light rail network.

Table 1 - Light rail capital costs

City	Project outline	Approximate capital cost per kilometre	Total capital cost
[Redacted]	[Redacted]	Out of scope	[Redacted]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Out of scope

RELEASSED UNDER THE OFFICIAL INFORMATION ACT

Out of scope

		[REDACTED]
		[REDACTED]
		[REDACTED]
		[REDACTED]

Matthew Ireland
Adviser

Martin Glynn
Director Auckland

MINISTER'S SIGNATURE:

DATE:

