

# Progress on the CBD Rail Link Business Case Review

## Purpose

To update the Board on progress with the CBD Rail Link Business Case Review being led by the Ministry of Transport and the Treasury.

## Background

In February the Board was advised that the Minister of Transport had established a review of the business case for the CBD rail tunnel. While the review is being led by the Ministries of Transport and the Treasury in consultation with NZTA, the Minister agreed that Auckland Transport and Auckland Council should participate in the review, along with KiwiRail. The main objectives of the review are to provide advice to the government on:

- the merits of the CBD rail tunnel as a transport and economic investment
- when the project might be required

The scope of the review is to:

- i. assess the strategic fit of the proposal against central and local government policy objectives
- ii. review the transport modelling, patronage increases and wider transport impacts of the tunnel, including reductions in car use as well as the assumptions for residential development around the rail network
- iii. review the transport economics, including for individual stations
- iv. review the operational expenditure assumptions
- v. assess the additional network infrastructure associated with the tunnel
- vi. review the construction cost assumptions
- vii. assess the wider economic benefits and the scenarios for job growth in the CBD, including where the benefits fall (regional or national)
- viii. review and assess the alternatives
- ix. review and assess the possible timing for construction of the project
- x. update the benefit cost analysis in light of any changes as a result of the above work (paragraphs (i) to (ix)).

Workstreams have been established to address each of these items.

The governance structure for the review comprises:

- a Senior Group - the key forum for governance comprising the chief executive or delegate of the participating agencies
- a Working Group - comprising representatives from participating agencies who will assess the business case and report its draft observations and recommendations to the Senior Group. The Ministry of Transport and the Treasury will prepare the Working Group report.

The review was to be completed by the end of April, with a government official's report to Ministers summarising the findings of the review and advising on whether to proceed on route protection and whether or not to proceed with further work on funding and procurement options.

## Progress

The Minister of Transport has extended the timeframe of the review by 2 weeks to ensure that its findings are robust. This has required further work including additional modeling and analysis of wider economic benefits to be undertaken. The revised timeframe is shown below:

<b>Deliverable</b>	<b>Description</b>	<b>Initial Programme Due Date</b>	<b>Revised Programme Due Date</b>
Finalise the TOR	Senior Group to agree final TOR	1 February 2011	1 February 2011
Finalise process for review	Senior Group to endorse broad project plan	1 February 2011	1 February 2011
Draft Working Group report to Senior Group	The draft report will summarise the review's initial findings	13 April 2011	TBC but post 26-April (i.e. after Easter)
Final Working Group report to ministers	The final report will address feedback from the Senior Group on the draft report	29 April 2011	16 May 2011
Ministry of Transport and Treasury advice to ministers on next steps	Separate government officials' report to ministers covering the Working Group report and advising on whether to proceed with route protection, and whether to proceed with further work on funding and procurement options	29 April 2011	16 May 2011

## Emerging Issues

The workstreams have made significant progress and there are 3 key issues emerging:

### **Construction Costs**

The review endorses APB&B's estimates of the construction costs of the CBD Link Tunnel developed for the Business Case (ranging between \$2bn and \$2.4bn) and even suggests that there are opportunities to reduce them. This work has been led by NZTA who have provided good support.

### **Wider Economic Benefits (WEBs)**

Steer Davies Gleave (SDG - a UK based firm) were engaged to review APB&B's estimate of the WEBs presented in the business case (estimated at a net present value of \$3,3bn). SDG's review raised several issues which would result in a much lower WEBs estimate than those provided by APB&B in the original business case.

APB&B provided a response to the SDG review and this reaffirmed APB&B's original position that their estimate was robust and defensible.

A key reason for the difference is that the SDG approach is based on developing UK methodology and APB&B's on US methodology. APB&B's estimates were reviewed and endorsed by Price, Waterhouse, Coopers during the preparation of the original business case.

The WEBs workstream (including MoT, Treasury and Auckland Council) do not support APB&B's response and have briefed SDG to prepare a new set of WEBs inputs for APB&B to evaluate in their WEB model.

### ***Standard Transport Benefits***

MoT produced a critique of APB&B's estimate of the standard transport benefits, concluding that they had been overestimated and this would result in a significant reduction of the benefit cost estimate for standard transport benefits in the business case (which was 1.1).

APB&B's response supported their original estimate and showed that with new information, the benefits could be even higher than in the original business case.

The review will be producing an upper and lower range of standard transport benefits with the lower range likely to be considerably less than 1 and the upper range closer to 1. However, when combined with the wider economic benefits, the benefit to cost ratio should be closer to 1 or above – even using the lower range of standard transport benefits. The exact numbers will be determined over the next 2 weeks.

An important comparison is with the preliminary benefit cost ratios of the recently released Additional Waitemata Harbour Crossing analysis which range between 0.6 for a bridge and 0.4 for a tunnel.

## **Next Steps**

Key next steps are:

### ***Complete the MoT led Review of the Business Case***

- The senior group are meeting on Tuesday 29 March to discuss differences in the working group and to explore ways to resolve them
- Complete the technical analysis for each of the workstreams identified in the scope of the review.
- Compile the draft summary report for review and comment by the Senior Group
- Provide a progress report to the April Board meeting on the key findings of the draft summary report.
- MoT and Treasury to complete their report to Ministers based on the technical analysis and feedback from the Senior Group and to provide advice on whether to proceed on route protection and whether or not to proceed with further work on funding and procurement options. An important aspect of the final report to Ministers is that it should indicate where there is broad agreement between the organisations involved in the review and where there are differences.

### ***Progress Delivery of the CBD Link***

At its February meeting a project management structure was presented to the Board outlining how the CBD Link Project would be delivered (this includes Funding, Notice of Requirement and Construction work streams). This will be led by Auckland Transport based on a partnership between Auckland Transport, Auckland Council, NZTA and KiwiRail. Since then the structure has been agreed by key stakeholders. Claire Stewart has been appointed by Auckland Transport as the overall Project Manager and all workstreams will be controlled through her. This will be rolled out over the next few weeks.

## Recommendation

It is recommended that this report be received.

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<b>APPROVED FOR SUBMISSION by</b>	Name: David Warburton Title: <b>Chief Executive</b>	