

DEPARTMENT OF INFRASTRUCTURE AND TRANSPORT

FOR: The Hon Anthony Albanese MP cc:	eWorks Number: 01235-2013	For Decision by: 1 May 2013
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SUBJECT: Nation Building Program - Off Network Project – Perth Light Rail Planning Study (WA) - Request for Project and Funding Approval

Recommendation:

1. That you:
 - R1. **APPROVE** the Perth Light Rail Planning Study project (the Study project) as an Off-Network Project under Section 54(c) of the *Nation Building Program (National Land Transport) Act 2009* (the Act), and the funding of \$4 million in accordance with Section 61 of the Act and the *Financial Management and Accountability Regulations 1997* (FMA Regulation); and
 - R2. **SIGN** the attached Approval Instrument No. WPT34379.

Key Issues:

2. The WA Department of Transport (DOT) has sought project and funding approval of \$4 million to undertake development studies for stage 1 of the Metro Area Express Light Rail (MAX) in Perth (see map at **Attachment A**).
3. The Study project is to be funded by the Australian Government through the Nation Building Program. In the 2012-13 Budget \$4 million (capped) was committed to the Study project, with \$2 million allocated in the 2012/13 financial year. The WA Government is providing \$4 million in addition to its previous commitment of \$7.8 million for the Study Project.
4. The Study project will build on the scoping studies already undertaken by DOT and will be investigating:
 - technical and engineering requirements including the identification of the route alignment and development of design concepts;
 - economic and land use options which will include development opportunities along the corridor, and procurement and funding options; and
 - will also develop and implement community and stakeholder plans to mitigate two key risks relating to support for and approval of the route alignment.
5. The Study project will provide a Business Case to support an application for WA and/or Australian Government funding. The WA Government submitted an application to the Department and Infrastructure Australia for consideration of funding for the delivery project in Nation Building 2. Further discussion on the application is in Background.
6. Section 53 of the Act gives you the authority to approve a project as an Off-Network Project if you are satisfied that the conditions of Sections 54 and 55 have been met. The Project Assessment Report at **Attachment B** provides an assessment of the Study project against these requirements. Assessment against the *Financial Management and Accountability Act* is in the Background.

Sensitivity:

7. A draft media release is at **Attachment C**. It will need to be agreed to by the WA Government.

Division: Nation Building – Infrastructure Investment Written by: Fiona Carrick Contact No. : 02 6274 6607 Approved by: Richard Wood	R1. APPROVED / NOT APPROVED R2. SIGNED / NOT SIGNED
Signature: [Redacted] 17/04/2013 Contact No.: 02 6274 7413	ANTHONY ALBANESE 21/4/2013

Background:*Study Project Details*

8. The Study project will provide for:
- Preferred route alignment;
 - Concept design to $\pm 30\%$ for vehicles, facilities and associated infrastructure;
 - System requirements such as communications, power, operations, rolling stock, security, staffing and system integration;
 - Civil works requirements including identifying possible early works;
 - Project documentation for activities/approvals for environmental, heritage and social impact assessments required before the MAX project can go to tender;
 - Economical and financial analysis of the MAX project, including market sounding of potential interest in investment and/or ownership;
 - Patronage forecasts;
 - Finance options and procurement strategy, including value capture, commercial framework and contracting models;
 - Cost estimates compliant with the Australian Government Best Practice Cost Estimation Standard (P50 and P90);
 - Policy and legislative framework identified and agreed with relevant stakeholders;
 - Identify vision, objective and approaches for land use and urban design along the corridor; and
 - Document communications and stakeholder engagement activities and provide advice about key stakeholder positions and risks.
9. The Study project formally commenced 1 July 2011 and is expected to be completed by 30 June 2014.

MAX Project Submission

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12. It is expected that the project would be in a better position to be considered by the Australian Government once the Business Case is finalised in 2014 as part of the Study project.
13. On 8 April 2013, you received a letter from Mr Michael Deegan, National Infrastructure Coordinator, which outlined Infrastructure Australia's national infrastructure priority list for 2013. The Perth Rapid Transit project was identified as an 'early stage' project.

Financial Management and Accountability Act considerations

14. On the basis of our assessment, we consider that the proposed expenditure is in accordance with FMA Regulation 9 because the Study Project will provide an informed Business Case for the MAX project to support future applications for funding the construction phase of the MAX project.
15. The Department considers the Study project to be an efficient, effective, economical and ethical use of public money that is not inconsistent with the policies of the Commonwealth, based on the Study project's scope of works and the Project Proposal Report provided by the WA Government. The Planning study is included in the National Partnership Agreement with the WA Government. We therefore consider that the Study project meets the requirements of FMA Regulation 9.
16. By signing this Minute and the attached Variation Approval Instrument you have recorded the reasons for your approval as required by FMA Regulation 12.
17. The proposed funding approval outlined in this Minute is not supported by an available appropriation as the payments will be made by the Treasury. However, on 24 July 2009, the Minister for Finance and Deregulation authorised you under Regulation 10 of the FMA Regulations to consider approving spending proposals under FMA Regulation 9 that relate to National Partnership Agreements and National Partnership Implementation Plans under your responsibility. This includes the Nation Building Program for a period of five years until 30 June 2014.

18. Further justification against the FMA Regulations is provided in section 13 of the Project Assessment Report.

Resources:

19. The total commitment to the Study project is \$15.8 million, with the Australian Government contribution capped at \$4 million and WA Government providing the remaining funds in addition to its previous commitment of \$7.8 million.

	2011/12 \$m	2012/13 \$m	2013/14 \$m	Total \$m
Pre NB1 Commitment				
West Australian Government*	1.94	2.32	3.54	7.8
NB1 Commitment				
Australian Government	0	2	2	4
West Australian Government	0	2	2	4
NB1 Study Project SubTotal	0	4	4	8
Total	1.94	6.32	7.54	15.8

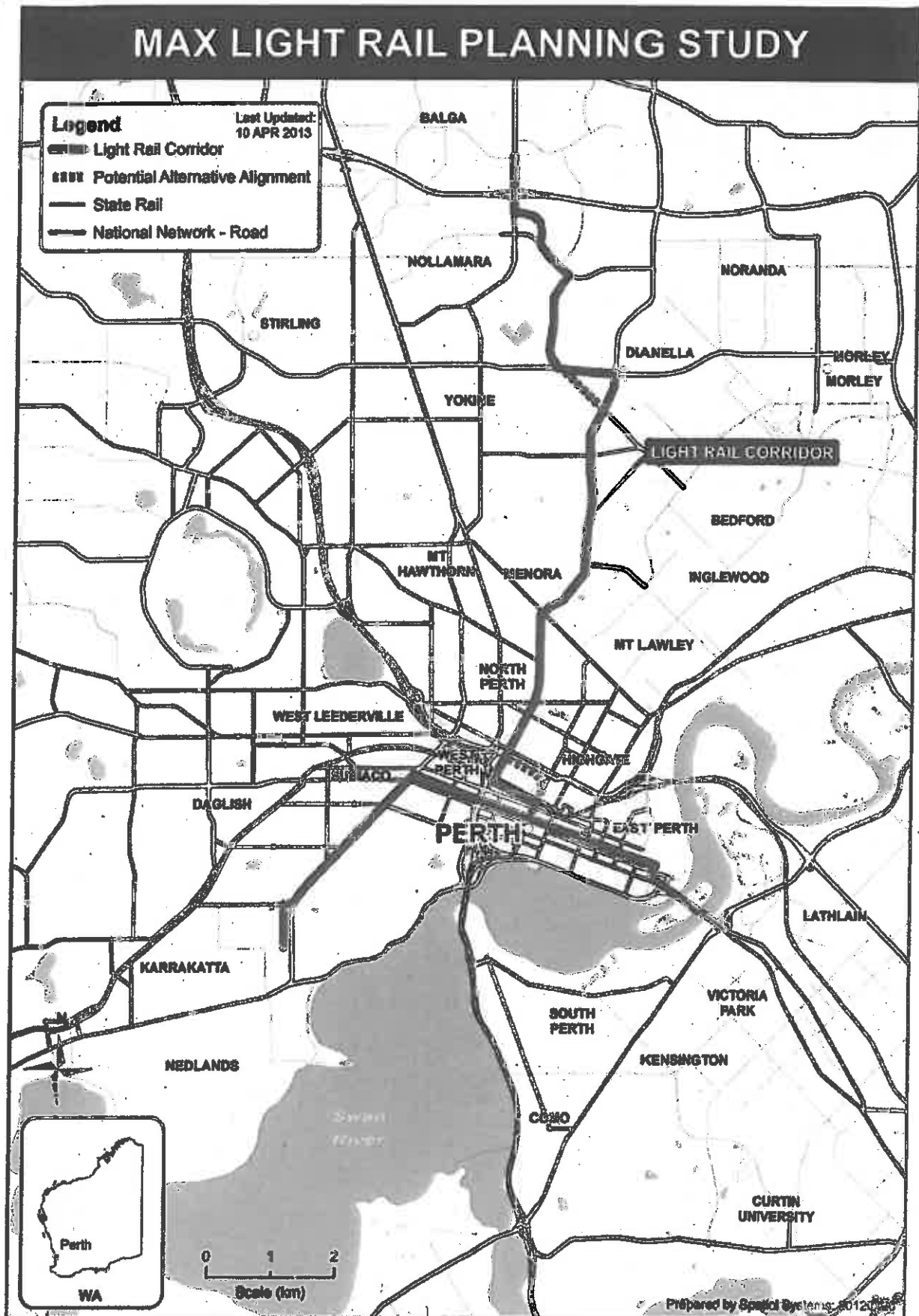
* Includes \$0.3 million Perth Parking funds

Consultation:

20. The Department has consulted with DOT.

Attachments:

- A Perth Light Rail Planning Study map
- B Project Assessment Report
- C Draft Media Release



PROJECT ASSESSMENT REPORT

1. Project Name

Perth Light Rail Planning Study (Study Project)

2. Project Description

The Study project will further develop phase 1 of the potential Metro Area Express Light Rail project (MAX), building on the scoping work already undertaken by WA.

The Study project will be investigating for the future MAX project:

Work Stream	Project development phase activities
Technical and Engineering	<p>Route assessments for central northern corridor and CBD, engineering traffic modelling, concept design and system performance requirements, transit integration with major places (including stations, depots and parking), environmental, heritage and social impact assessment, urban design of activity centres and system integration with existing transport services (buses, road signalling and ticketing).</p> <p>Specification of system infrastructure works, asset management and operations framework, including location of existing utilities. Constructability assessment of all aspects.</p>
Economics and Land Use (including legislation and regulation)	<p>Business case development, including patronage forecasting, cost-benefit analysis of options, procurement strategy development and funding options analysis.</p> <p>This will involve development of a financial model, market sounding activities and business case preparation.</p> <p>Definition of land use and development opportunities and identification of a planning governance framework. Identification and preparation of legislative changes required for light rail and buses and possible amendments to rail safety, road traffic code and vehicle licensing regimes.</p>
Communications and Stakeholder Relationships	<p>Stakeholder engagement and communications activities to support the Project's needs, including route alignment and urban design, land use planning, and market sounding.</p>

3. Project Scope

The Perth Light Rail Planning Study will undertake a range of development activities including, but not limited to, system investigation and development; road traffic, parking and utilities impacts and remedial measures; investigate constructability issues; community consultation; land use planning; environmental, heritage and social impacts; and investigation of investment and delivery options resulting in a business case for the next phase of Perth Light Rail.

4. Project Background

In the 2012-13 Budget, the Commonwealth Government committed \$4 million to advance the planning and design of MAX. The Australian Government required the WA Government to contribute an additional \$4 million, on top of its existing \$7.8 million. As result the joint commitment to the development phase of the Study project is \$15.8 million.

The Study formally commenced on 1 July 2011 and is expected to be completed by 30 June 2014.

MAX is expected to transform the way people move around the metropolitan area as Perth expands to an estimated 2.7 million people by 2031. It would provide a rapid transit service in the inner-north and central western and eastern suburbs of Perth, connecting people to key educational, employment, health and leisure centres along Perth's major growth corridors.

The introduction of stage 1 of MAX would involve the construction of a 22 kilometre light rail system that extends north from the Perth CBD to the Mirrabooka activity centre and an east-west inner city link through the CBD from Victoria Park in the east to the expanding Queen Elizabeth II Medical Centre in the west.

The introduction of the MAX Light Rail system to Perth will improve public transport travel times as well as help to address congestion into and around the city. The improved frequency and reliability of the light rail system will provide a catalyst for urban consolidation and commercial development as well as reduce the number of private vehicle trips from the central northern suburbs to the Perth CBD.

Construction of MAX is expected to commence in 2016, with the first phase of the system to be operational by the end of 2018.

5. Assessment Against Nation Building Program Act

Eligible Project – Section 54 of the Act - How the Project meets Section 54 of the Act requirements

The Project is eligible for approval under Section 54 (c) of the Act as it concerns the construction of an existing or proposed railway, in a State or Indian Ocean Territory, that is not included in the National Land Transport Network. The Study project provides planning for the construction of stage 1 of a light rail network in Perth in Western Australia.

Appropriate Project – Section 55 of the Act - How the Project meets Section 55 of the Act requirements or any other matters the Minister may have regard to

The Project is considered appropriate to approve in accordance with Section 55 of the Act as the Study project will be informing the construction the MAX project which once completed will:

- improve the ability of industries and communities to compete in international, inter-State or inter-regional trade and commerce by reducing congestion on Perth roads, allowing road freight to move more freely and provide improved travel time, reliability and frequency of public transport for Perth-based workforce (s55(a));
- provide a cost effective method of public transport that will reduce pollution from private vehicles, provide a time efficient mode of transport to and from Perth, reduce congestion, and provide opportunities for land development and urban redevelopment along the alignment (s55(c));
- will improve safety on local roads through the reduction of congestion (s55(d)); and
- the Western Australian Government will contribute \$4 million towards the Study project, in addition to the \$7.8 million previously committed (s55(g)).

6. Project Merits

The Study project will result in a Business Case that will provide a sound basis for governments' investment decisions for the MAX project.

The Business Case will detail the next steps required for MAX to proceed following a funding commitment, including tender processes and documentation and project approvals.

7. Funding

The Australian Government contribution is capped at \$4 million, with \$2 million available in both the 2012-13 and 2013-14 financial years. The Study project is anticipated to be completed in June 2014.

8. Risks and Contingencies

WA DOT has undertaken a risk assessment for the Study project. The three key risks for the Study project, identified below, may cause delays and increased cost for the MAX project even with the identified mitigation strategies in place. The Deputy Director General of WA DOT is responsible for the high level risks and will review, monitor controls and implement risk treatments as required. The Department considers the mitigation strategies in place to be satisfactory to manage the risk.

Risk name	Impact	Mitigation
Major Stakeholders do not support the project	Delays to the approval of the Draft Business Case Loss of stakeholder confidence in the Study project and delays in delivery the final Business Case.	Stakeholder engagement commenced 2 September 2012 following the WA Government announcement of the Stakeholder Engagement Plan
Demand model not validated for use in the Business Case	Unable to estimate benefits and impacts with confidence Business Case undermined by poor data Funding delayed or withdrawn for the Study project	Independent peer review of the demand model will be carried out early 2013
CBD alignment not approved by Steering Committee	Changes in CBD alignment required to meet City of Perth requirements Key stakeholder support for the Study and MAX projects withdrawn	Consultation progressing with major stakeholder City of Perth to resolve this matter.

10. Key Timelines, including Project Commencement and Completion Dates

Scoping work has been completed. The Study Project is underway (utilising WA Government funds) and is currently tracking on budget. A work program for awarding contracts to various consultants has been considered by the Steering Committee. The expected project completion date is June 2014.

12. Environmental Obligations

The Study Project will be investigating environmental issues for the MAX project.

13. Financial Management and Accountability Regulations 1997

Regulation 9

Regulation 9 of the FMA Regulations requires that proposals to spend public money not be approved unless the approver is satisfied, after inquiries, that giving effect to the spending proposal would be a proper use of Commonwealth resources (within the meaning given by subsection 44(3) of the *Financial Management and Accountability Act 1997*). Section 44(3) defines 'proper use' as the efficient, effective and ethical use that is not inconsistent with the policies of the Commonwealth.

This project is part of the Government's Nation Building Program. A detailed Project Proposal Report has been submitted by the WA DOT and it has been assessed by the Department as meeting the requirements under Sections 54 and 55 of the *Nation Building Program (National Land Transport) Act 2009* (the Act). The PPR has been developed consistent with the "Notes on Administration for the Nation Building Program for projects funded under Parts 3 and 6 of the *Nation Building Program (National Land*

Transport) Act 2009 where payments are made directly to a State, an authority of a State or any other body corporate" (the NOAs). The Project will deliver a robust Business Case to inform governments' decision on future funding for the MAX project.

The proposed expenditure is considered an efficient, effective and ethical use of public money because it will provide a thorough analysis of the three key elements in the development phase of the project: technical and engineering; economics and land use; and communications and stakeholder management. As part of these elements, route alignment, transport integration, environmental and social impacts, urban design opportunities, cost benefit analysis, funding options, and land use and development issues will be analysed. This project is the continuation of scoping works already undertaken by the WA Government.

Regulation 10

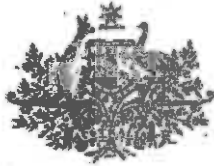
Regulation 10 of the FMA Regulation requires that if a person proposes to enter into an arrangement; and the relevant Agency has an insufficient appropriation, under the provisions of an existing law or a proposed law that is before Parliament, to meet expenditure that might be payable under the arrangement; the person must not enter into the arrangement unless the Finance Minister has agreed, in writing, to the expenditure that might become payable under the arrangement.

As noted in paragraph 7 of the Minute, the Minister for Finance and Deregulation has authorised you to consider approving spending proposals under FMA Regulation 9 that relate to National Partnership Agreements and National Partnership Implementation Plans under your responsibility. This includes the Nation Building Program and the Nation Building Plan for the Future – Investing in public transport links for our major cities programs, for a period of five years until 30 June 2014. This Project is included in the National Partnership Agreement with the WA Government.

Regulation 12

Regulation 12 of the FMA Regulation requires the approver to record the terms of the approval in writing as soon as practicable after giving the approval.

Should you agree to the recommendations of the Minute and sign the Minute and the attached Approval Instrument, you are recording the terms for project and funding approval for this Project.



Anthony Albanese
Federal Minister for Infrastructure and Transport



Troy Buswell
WA Minister for Transport

Joint Media Statement

FEDERAL FUNDING FOR MAX LIGHT RAIL PLANNING

The Australian Government today approved funding for further planning work on the Metro Area Express Light Rail (MAX) project in Perth.

Federal Minister for Infrastructure and Transport, Anthony Albanese recognised the importance of public transport and the need for robust planning to ensure the best solution is identified.

"Perth is growing, and with that comes added commuting pressure.

"Governments must not assume that the construction of roads is the only way to address congestion in our cities.

"The planning study will investigate many options for addressing urban congestion in Perth, and ensure that a light rail network is the solution that best meet the needs of commuters now and into the future," said Mr Albanese.

WA Minister for Transport, Troy Buswell said the proposed 22 kilometre MAX would connect the CBD to Mirabooka in the north, Nedlands in the west and Victoria Park in the east.

"It is intended for MAX to transform the way people move around Perth in the years to come, providing rapid transit services that will connect people to education, employment, health and leisure facilities along the corridor.

"This funding will support the scoping and development work already being undertaken by the Government of Western Australia and will assist both governments consider this important project in relation to other infrastructure priorities," said Mr Buswell

The Australian Government today approved \$4 million towards the planning study, with the Government of Western Australia providing \$11.8 million.

Mr Albanese said this was just a fraction of the Australian Government's \$3.6 billion commitment to Nation Building Program projects in Western Australia, which are renewing and rebuilding the state's road, rail and public transport infrastructure.

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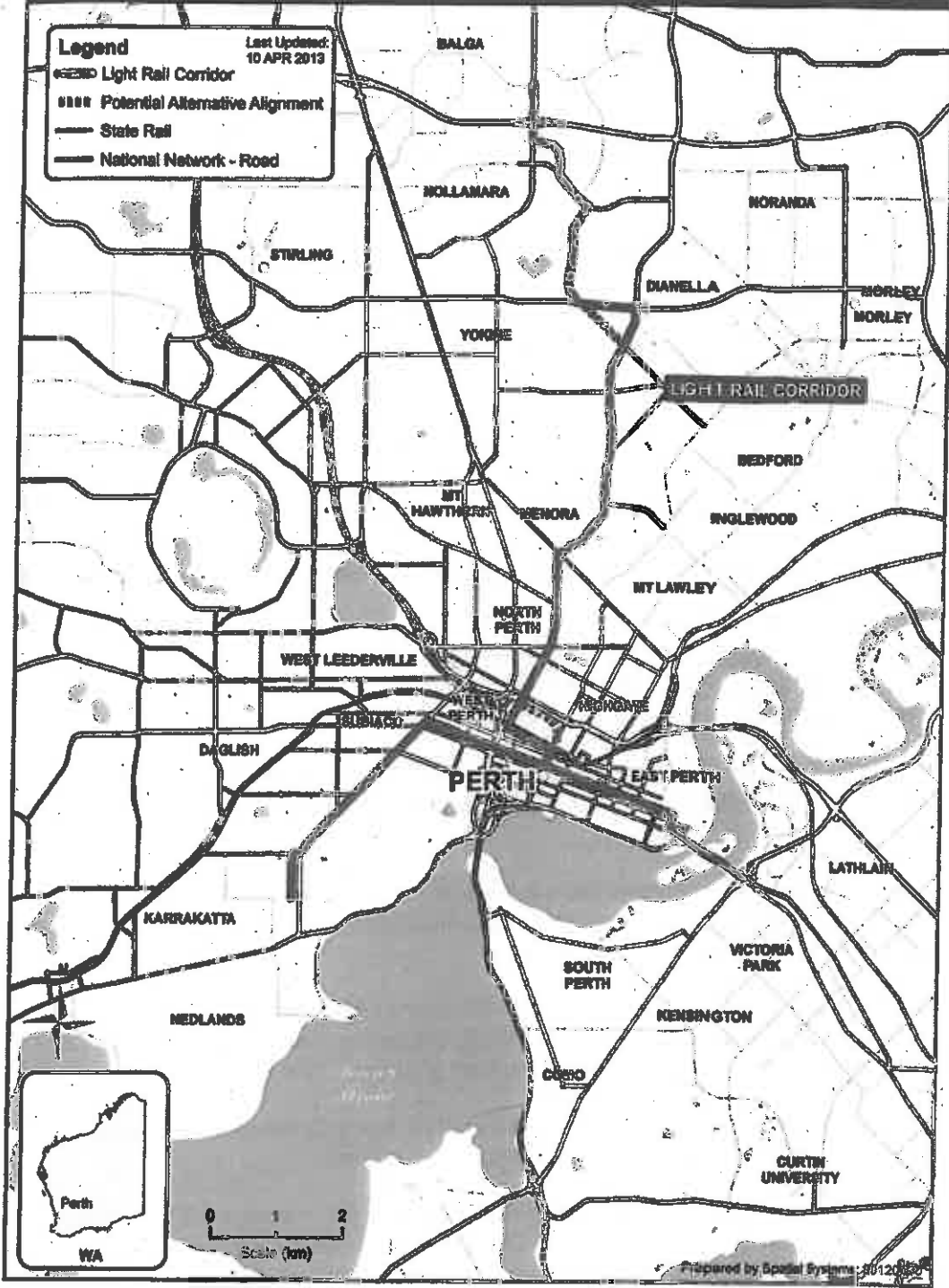
Media Contacts

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For Mr Buswell:

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MAX LIGHT RAIL PLANNING STUDY

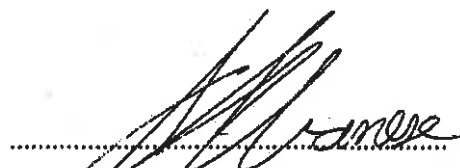


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Nation Building Program (National Land Transport) Act 2009
Nation Building Program Off-Network Project
Project Approval No. WPT34379

I, ANTHONY NORMAN ALBANESE, Minister for Infrastructure and Transport:

- a) being satisfied that the project referred to below (the Project) is eligible for approval in accordance with section 54 of the *Nation Building Program (National Land Transport) Act 2009* (the Act) and considering that it is appropriate to approve the Project in accordance with section 55 of the Act, approve the project as an Off-Network Project under subsection 53(1) of the Act; and
- b) approve, under subsection 61(1) of the Act, the provision of Commonwealth funding for the Project to the eligible funding recipient identified below.


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ANTHONY ALBANESE

29.4.13

Project No.	045649-11WA-OFF
Project Name	Perth Light Rail Planning Study
Road Name	
Project Scope	The Perth Light Rail Planning Study will undertake a range of scoping and development activities including, but not limited to, system investigation and development; road traffic, parking and utilities impacts and remedial measures; investigate constructability issues; community consultation; land use planning; environmental, heritage and social impacts; and investigation of investment and delivery options resulting in a business case for the next phase of Perth Light Rail.
Maximum Funding Amount that the Commonwealth may Contribute	\$4,000,000
Eligible Funding Recipient	Department of Transport

