

Cabinet Secretariat Reference	
Submission No.	BERC 94
Copy No.	

**Submission to:** Budget and Expenditure Review Committee

**Submission Title:** East West Link – Business case to Infrastructure Australia, market engagement and reference design

**Portfolio/s:** Public Transport, Roads

## SUBMISSION PROPOSAL

### Recommendation:

That the Budget and Expenditure Review Committee (BERC) agree to:

1. Approve in principle the Reference Design and community engagement plan set out in **Attachment A**, subject to final resolution of Government's position in relation to property acquisition and the management of the EVO apartment complex matters.
2. Note that the final position on the Reference Design, property acquisition and community engagement plan will be agreed by the Premier, Treasurer and Minister.
3. Approve the Expression of Interest (EOI) Evaluation Criteria, the proposed approach to other key EOI issues and the timeframes for Invitation for EOI development and release set out in **Attachment B**.
4. Delegate approval for the final Invitation for EOIs to the Treasurer and/or Premier and Minister.
5. Note the results of the analysis included in the *East West Link Stage One Short Form Business Case – Information for Infrastructure Australia* at **Attachment C** and note that the Premier, Treasurer and Minister will approve its transmittal to Infrastructure Australia.
6. Note the scope elements of the East West Link Stage One enabling works, as described in paragraph 16(b and c), and **Attachment D** which align with the investment decision made by the State as part of its BERC consideration on 8 April 2013.
7. Note the preliminary scope and costs of the Eastern Freeway enabling works and Public Transport improvements will be subject to further development of scalable solutions in a High Value/High Risk (HVHR) Business Case for BERC consideration in second quarter 2014.

### Objectives:

1. Approve in principle the project Reference Design and associated communications, media and community engagement plan to facilitate its public release on 15 July.

2. Approve key criteria and the proposed approach to the Expression of Interest to facilitate its release to the market on 18 July.
3. Note that the Premier, Treasurer and Minister will approve the submission of a Short Form Business Case information to Infrastructure Australia.
4. Provide advice on the optimum package of enabling works to maximise network and project benefits.
5. Note that further analysis of the Eastern Freeway enabling works and Public Transport improvement projects will be reported back to BERC once HVHR Business Cases are completed.

**Key Issues:**

**Background**

1. BERC considered a submission in relation to the East West Link on 8 April 2013 and resolved, inter alia, to:
  - a. commit funding to the delivery of Stage One of the East West Link
  - b. seek statutory State and Commonwealth approvals by the third quarter 2014
  - c. undertake a tender process for Stage One of the East West Link, with contract award to be secured by the third quarter 2014
  - d. receive further advice on any proposed early works and potential complementary (enabling) projects in June 2013
  - e. receive further advice in order to approve the Public Sector Comparator, including tolling principles for Stage One of the East West Link, by the third quarter 2013
  - f. provide a submission to Infrastructure Australia
2. Government has since announced funding of \$224m in 2013/14 and \$70m in 2014/15 to support further development, procurement and land acquisition and committed to the delivery of Stage One of the East West Link.
3. On 6 June 2013, Treasurer O'Brien and Minister Mulder welcomed 194 attendees representing 100 domestic and international construction contractors, toll road developers/owner-operators and debt and equity providers, to officially launch the East West Link project.

Key messages provided to attendees at the Industry Briefing included:

- a. Stage 1 of the East West Link comprises a road and tunnel connection between the Eastern Freeway and CityLink
- b. Fully committed funding from the State
- c. State to retain toll revenue risk
- d. Availability PPP for whole of life delivery and operation of the road
- e. Toll collection to be procured separately

4. At the industry briefing the following procurement timetable was also announced:

- Release of the reference design July 2013
- Invitations for EOI issued 18 July 2013
- EOI submissions close 29 August 2013
- Release of Request for Proposal (RFP) October 2013
- Closing date for RFP responses Second quarter 2014
- Contract Close Third quarter 2014

### **Reference Design**

5. The Reference Design will support planning approvals and land acquisition process under the Major Transport Projects Facilitation Act, and better inform EOI participants about the proposed scope of the Project. It establishes the project boundary, the extent of impacts on existing land use, private property acquisition requirements, and connections to the existing road network.
6. The date of 15 July has been targeted for public release of the Reference Design, to ensure it is available prior to the release of the EOI, and to ensure the timeline for the statutory approval process is consistent with the Government's overall timeline for delivery of the Project.
7. The Reference Design would create high amenity impacts on a large residential development currently under construction in West Parkville (the EVO apartments). These impacts are unprecedented for an urban fringe location in Melbourne, and significant negative public reaction is expected.
8. LMA has considered options to address this project risk, and recommends the Government consider altering the project boundary to affect a vacant section of the EVO title, and compensating owners for loss of value under the Land Acquisition and Compensation Act (1986). The cost associated with this recommendation is not funded or included in the forward estimates.
9. The Reference Design, proposals for the associated communications, media and community engagement plan and further detail on the EVO apartments issue, are presented in **Attachment A**.

### **Expression of Interest**

10. A critical milestone on the Procurement timeline is release of EOI scheduled for 18 July 2013.
11. The Linking Melbourne Authority is currently preparing the Invitation for EOIs, the purpose of which is to:
  - a. Provide information to potential respondents about the project
  - b. Outline the timetable for the project and the process and rules for the tender
  - c. Invite potential respondents to submit EOIs and identify the information which must be included
  - d. Set out the evaluation criteria which the State will use to select short-listed

respondents

- e. Elicit views and seek information on various issues related to the project

12. A critical aspect of the EOI process is the setting of the evaluation criteria that will be used to differentiate bidders. The Linking Melbourne Authority proposes to use the following criteria:

- a. Design & Construction capability and experience
- b. Operation & Maintenance capability and experience
- c. Stakeholder engagement
- d. Financing capacity and capability
- e. Commercial structure
- f. Innovation

13. The EOI will also provide further important information to bidders on the following key issues:

- a. Design and construction risk
- b. Government capital contributions
- c. Commonwealth funding
- d. Contract term
- e. Toll collection systems and services (separate procurement process)
- f. The intention to shortlist 2 bidders (subject to quality of submissions received)
- g. Bid cost reimbursement
- h. Probity and process requirements, and
- i. Variant bids.

14. Further detail on each evaluation criteria and the approach to key issues is set out in **Attachment B**.

### **Network Analysis**

15. The East West Link from the Eastern Freeway to Western Ring Road is a city shaping project of national importance, transforming Melbourne's freeway network. As well as the core tunnel project and connections between Eastern Freeway and CityLink as part of the Stage One works, further upgrades to the network are required to maximise the value of this significant investment for the State.

16. A transport network analysis, described in the attached *East West Link Stage One Short Form Business Case – Information to Infrastructure Australia*, has shown that maximising the benefits of Stage One requires delivery of the following four integral elements:

- a. The 6km tolled road between Eastern Freeway and CityLink (with north and south connections).
- b. The widening of Eastern Freeway from Hoddle Street to possibly Tram Road, Doncaster including managed motor ways (possibly to Springvale Road).

- c. The widening of CityLink generally between M1 and Bulla Road including managed motorways.
- d. Traffic priority enhancements for Doncaster buses and north-south trams on approaches to the central business district (CBD).

17. Delivery of these elements as part of an integrated project has high economic worth, with a benefit:cost ratio (BCR) of 1.4 including wider economic benefits (WEBs) related to the city shaping nature of this investment. The BCR excluding WEBs is 0.8.

#### **Infrastructure Australia**

- 18. The Premier publicly confirmed that a Business Case will be provided to Infrastructure Australia before end June 2013.
- 19. The submission to Infrastructure Australia includes all elements described at Paragraph 16, to align with the investment decision made by the State as part of its BERC consideration in April 2013.
- 20. The submission is included as **Attachment C**, *East West Link Stage One Short Form Business Case – Information for Infrastructure Australia*.

#### **Enabling Works**

- 21. The scope of the enabling works is defined as those existing transport network improvements required to realise the full benefit potential created by the construction of the new toll road. These are described in more detail at **Attachment D**.
- 22. In effect this means widening of CityLink and Eastern Freeway over those sections experiencing the most significant increase in traffic due to the new toll road, as well as exploiting changed traffic patterns on Alexander Parade, Hoddle Street and Victoria Parade in order to improve public transport services.
- 23. The Eastern Freeway enabling works focus on developing scalable solutions for possible widening between Yarra Bend Road and Tram Road and possible implementation of managed motorways between Hoddle Street and Springvale Road.

#### **Early Works**

- 24. The scope of any early works is being finalised and BERC consideration of any proposed early works will be sought in July 2013.

#### **Public Sector Comparator**

- 25. The Public Sector Comparator for Stage One of the East West Link is being developed and will be submitted to BERC, together with the proposed tolling principles, for approval in the third quarter 2013.

#### **Risks:**

- 1. Achievement of project deadlines requires timely decision making on key elements of the procurement and statutory approvals.
- 2. Stage One of the project requires acquisition of 96 residential properties and 33 private businesses. In addition, a 7-storey, 175-apartment residential development currently under construction, whilst not required for acquisition, will have high noise and visual impacts associated with the project's on-ramps to CityLink.

3. The Eastern Freeway enabling works have only been subject to preliminary costing, however this will be addressed through preparation of a HVHR Business Case.

**Support/Criticism:**

1. There has been strong industry and community support for the project to date.
2. Initial community engagement has highlighted some local concerns about impacts along the East West corridor.
3. Community engagement to gather input and inform the project development will continue throughout project delivery.

**Terry Mulder MP  
Minister for Public Transport  
Minister for Roads**

**Date:**

## FUNDING

The East West Link between Eastern Freeway and CityLink has been included in Government Forward projections, including \$200m for Public Transport Improvement Works as part of the East West Link funding decision of 8 April 2013. In addition, a provision of \$200m for enabling works to maximise the benefits of East West Link Stage One was agreed at the 8 April 2013 BERC meeting.

Full scoping and costing of Eastern Freeway upgrades and Public Transport improvements will be further investigated and analysed as part of the HVHR Business Cases that will be prepared for BERC consideration at the time of procurement of the core tunnelling contract.

**DTF and the Department have agreed the financial implications and costings in this submission:**

**Yes**

**No**

## IMPACT ASSESSMENTS

### **Social Impacts:**

1. Enhanced transport networks, for both private vehicles and public transport, will facilitate improved mobility and access for all.
2. Potential negative impacts from construction activity, changed traffic conditions and changed urban form will need to be considered and mitigated as part of the project.

### **Family Impacts:**

1. The project will create benefits for families through improved access to jobs and services.

### **Regional and Rural Victorian Impacts:**

1. The East West Link Stage One will provide more cross Melbourne transport options and improved access to the Port of Melbourne in support of rural and regional economies.

### **Economic Impacts:**

1. Enhancing the transport network will assist supply chain efficiency, business to business interaction and improve the competitiveness of the Victorian economy.
2. Improved freight network capacity and efficiency will contribute to State productivity.
3. Significant construction activity will support the Victorian economy during project delivery, noting that funding options and impacts are yet to be determined.

### **Regulatory burden, offsetting reductions and evaluation strategy:**

Does the submission propose an increase in regulatory burden on the business or not-for-profit sectors that is likely to be 'material' as defined in the Victorian Regulatory Change Measurement (RCM) Manual?

Yes

No

### **Environmental Impacts:**

1. The project will achieve a number of outcomes, such as smoother traffic flow, improved access to employment and housing and more efficient public transport that will create a positive environmental outcome.
2. The project will be developed in a manner that seeks to minimise any potential negative environmental impacts of construction, operation and traffic use.

### **Charter of Human Rights and Responsibilities Impacts:**

1. The process will be managed to take account of relevant obligations and ensure that any recommendations to government are consistent with relevant responsibilities.