*Estimates 2023 - QTON No. 29

LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2023-2024
Mr Mark Parton MLA (Chair), Ms Jo Clay MLA (Deputy Chair),
Mr Michael Pettersson MLA

ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS

Asked by Ms Jo Clay MLA on 18 July 2023: Mr Chris Steel took on notice the following question(s):

Ref: Uncorrected Proof Transcript 18 July 2023 - Pages 80-81

In relation to:

MS CLAY: On William Hovell Drive, ACT costs have tripled. We have gone from $26.5 million up to $80 million.

Mr Steel: I do not think that is quite correct, actually.

MS CLAY: Great. Correct me. Please do.

Ms Clement: I would have to take that on notice—the specifics of the cost increase—but we have through this budget sought and had approved an additional $44 million to address those cost pressure issues that we are experiencing on the project.

Mr Steel: I think the original cost was 63, but we can come back on notice and just actually confirm that.

MS CLAY: I would love to get that on notice. Both the ACT and commonwealth components, so not just the project cost, and what they have changed, and also what the elements of the changes are. Is it supplies? Like, what actually has led to those cost increases. Can we have that whole answer on notice?

Ms Clement: I can speak to what has led to the cost increases now. Primarily those cost increases are around the escalation that we have seen across the market over the last 18 months to 24 months. That is something that has been shared across all jurisdictions in Australia. We have done some really considerable work—TCCS has done some considerable work working with MPC to look at ways of addressing those cost pressures. On William Hovell Drive, with our detailed design cost estimates, it became clear that it was tracking along the same trajectory in terms of those increases. Primarily those are caused from this high inflationary environment that I think everyone is experiencing at the moment, and that is coming from some of the global instability issues: higher costs and demands for raw construction materials and global demand on international freight; some of the impacts with goods coming to and from China as well, and that is putting some extra pressure on the market.

What we have seen and heard from other jurisdictions is that things like gravel and bitumen are in the 28 to 35 per cent increase; asphalt, concrete, precast bridge decks are looking at in the 10 to 15 per cent increase; and steel reinforcing is up at 67 per cent increase. Those cost pressures and escalation costs cannot be ignored, and we have been having to address those across a number of projects.

On William Hovell Drive, we also had to do a little bit of additional work around the alignment of the active travel infrastructure in order to respond to some community feedback and other site constraints. It is in a tricky position between two high quality nature reserves. So there is some complexity with that particular site. So part of that has contributed, not as much, but has contributed to some of those cost increases.

MS CLAY: I will be interested in seeing the details. I very much doubt the active travel component has taken a project from 26 and a half million to 80 million. So it would be great to get that detail.

Ms Clement: It contributed the—yes, yes.

MS CLAY: It will be a pretty small element, I am betting.

Mr Steel: No, no. It is a considerable element, and we could have de-scoped the project to cut that from the project, but stakeholders would have been screaming about that, and we have been clear that we wanted to develop the multi-modal corridor with those elements included. Now, they have not supported the corridor**.**

Pedal Power, I think, spoke yesterday, on their statement supported the road being built, but they would be the first complain if we did not build it with the active travel component. But it is part of the cost increase that has been associated with the project.

MS CLAY: I think we have a pretty clear call not for or against the project but to see the business case. Given that we already have published budget figures, it is quite mysterious.

Mr Steel: No, I think they were directly opposing the road project, sorry.

MS CLAY: Okay.

Mr Steel: We would have to agree to disagree on that one.

MS CLAY: We have got a few other road projects where the costs have escalated, and I do not know, this may turn into one big "on notice," which is absolutely fine. So Molonglo River Bridge, it is looking like it has gone from 175 to 201. That is another—

Ms Clement: That is correct, and we have an increase in budget allocation of $50 million against that project to bring it up to the $200 million. Yes.

MS CLAY: Great. Can you include those details and whether it is the same reasons for the cost?

Ms Clement: I can, yes. The Molonglo Bridge is based around the cost escalation issues that we have experienced. A large portion of that bridge is made out of steel, and I think some of those figures that I have just read out there, you can see there has been a big increase in the cost of steel, and that supply is quite difficult.

CHRIS STEEL MLA: The answer to the Member's question is as follows: –

The original construction budget[1] of **William Hovell Drive duplication**, as published in the 2021-22 Budget, *Connected and sustainable Canberra – Constructing the William Hovell Drive duplication* initiative, was $63.25 million. This included $36.75 million of ACT contribution and $26.50 million of Commonwealth contribution. The budget was increased in the 2023-24 Budget by $44 million. The budget increase is based on detailed design construction cost estimates.

These costs have increased as a result of a number of factors, including global instability causing higher costs and demand for raw construction materials, global demand on international freight, particularly on materials and goods to and from China which has reduced output during the post-pandemic market and the high level of post-pandemic construction work being undertaken nationally and globally to progress a backlog of infrastructure works. Further, additional cost increases on this project are due to the alignment of the shared path which was required to be changed in response to community concerns. This came with significant additional cost, due to the site constraints (between two nature reserves) primarily around the need for significant additional retaining walls to support the new shared path alignment.

The original construction delivery budget[2] of the **John Gorton Drive extension and Molonglo River Bridge**, as published in the 2020-21 Budget, *John Gorton Drive and Molonglo River Bridge Crossing* initiative, was $174.20 million. Combined with the $2.00 million funding provided in the 2020-21 Economic and Fiscal Update for design and planning, the total construction delivery budget is $176.20 million. This included $88.70 million of ACT contribution and $87.50 million of Commonwealth contribution.

The budget was increased in the 2022-23 Budget Review by $25.00 million. This is due to market wide cost escalation in the Producer Price Index since the 2019 cost estimates were established, attributable to the following:

- Significant demand for transport infrastructure in NSW, particularly around greater Sydney and projects such as the Western Sydney International Airport;
- Global instability causing higher costs and demand for raw construction materials;
- Global demand on international freight, particularly on materials and goods to and from China which has reduced output during the pandemic; and
- The general high level of post-pandemic economic stimulus being undertaken nationally and globally to progress a backlog of infrastructure works.

Approved for circulation to the Select Committee on Estimates 2023-2024

Signature: Date: 25/7/23

By the Minister for Transport and City Services, Chris Steel MLA

[1] The original budget detailed above excludes the cost of feasibility study ($0.30 million) provided in the 2017-18 Budget and detailed design ($2.00 million) provided in the 2019-20 Budget.

[2] The original delivery budget excludes the following costs:

- Procurement and delivery options study ($0.25 million) funded in the 2016-17 Budget;
- Concept design ($0.44 million) funded in the 2017-18 Budget; and
- Phase 1 Early design ($1.25 million) funded in the 2018-19 Budget.