



**LEGISLATIVE ASSEMBLY**  
FOR THE AUSTRALIAN CAPITAL TERRITORY

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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## Submission Cover Sheet

Inquiry into Auditor-General Report 8/2021  
- Canberra Light Rail Stage 2A:  
Economic Analysis

**Submission Number: 01**

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**ACT Government Submission to the Standing Committee on Public Accounts  
– Inquiry into Auditor-General Report: 8/2021- Canberra Light Rail Stage 2A:  
Economic Analysis**

## **Introduction**

The ACT Government welcomes the opportunity to make a submission to the Standing Committee on Public Accounts Inquiry into the Auditor-General's Report 8/2021- Canberra Light Rail Stage 2A: Economic Analysis.

The ACT Government is developing Canberra's light rail network to improve transport accessibility by providing more convenient, reliable and high-quality public transport services that better connect Canberrans while supporting opportunities for urban renewal across the Territory.

Light rail plays an important city-shaping role, helping to influence the way Canberra grows and supporting the creation of more compact, vibrant and highly accessible employment centres and communities.

Light Rail Stage 2 will extend light rail south from the City to Woden, creating a north-south public transport spine for Canberra.

## **The Audit Report**

The ACT Auditor-General lodged the Performance Audit Report No.8/2021 on Canberra Light Rail Stage 2A: Economic Analysis with the speaker of the ACT Legislative Assembly on 24 September 2021 (Audit Report).

The audit report considered the effectiveness of the economic analysis for the City to Woden Light Rail: Stage 2A City to Commonwealth Park Business Case, August 2019.

The scope of the audit included an examination and consideration of Major Project Canberra's methodology and processes for the economic analysis of Stage 2A, including:

1. the independent economic advice that was provided to Major Projects Canberra in relation to Stage 2A;
2. the critical dependencies of Stage 2A, including those that are not directly managed by Major Projects Canberra; and
3. recommendations arising from the Audit Office's Report No.5/2016 Initiation of the Light Rail Project.

The audit report documented key findings in three broad areas:

1. Project cost estimates: the report considers the estimated capital, operating and development costs used in undertaking the economic analysis and discusses the appropriateness of the assumptions that underpin the estimated costs of the project.
2. Project benefit estimates: the report considers the estimated benefits associated with the Economic analysis and discusses the appropriateness of assumptions that underpin the analysis.
3. Benefits management: the report considers ACT Government agencies' approach to identifying, planning and managing the realisation of the benefits for the project.

The audit report made three (3) recommendations:

No.	Recommendations
<p><b>Recommendation 1</b></p>	<p><b>ECONOMIC ANALYSIS</b></p> <p>Major Projects Canberra should review and update the economic analysis associated with Light Rail Stage 2A. In doing so, Major Projects Canberra should:</p> <ul style="list-style-type: none"> <li>a) review the assumptions underpinning the economic analysis, including the identified costs and benefits associated with Light Rail Stage 2A, since the publication of the redacted Stage 2A Business Case in September 2019; and</li> <li>b) make publicly available the revised and updated economic analysis in an updated Stage 2A Business Case.</li> </ul>
<p><b>Recommendation 2</b></p>	<p><b>DEVELOPMENT COSTS AND BENEFITS</b></p> <p>As part of the revised and updated and publicly available economic analysis for Light Rail Stage 2A, Major Projects Canberra should explicitly identify the nature of the development costs and benefits associated with the project. This should include detailed identification of:</p> <ul style="list-style-type: none"> <li>a) the different components of the development costs and their timing, the methodology for quantification and the assumptions underpinning the calculation; and</li> <li>b) the different components of the land use and city shaping benefits to be derived from Light Rail Stage 2A and their relationship to the development of the Acton Waterfront.</li> </ul>
<p><b>Recommendation 3</b></p>	<p><b>BENEFITS REALISATION PLAN</b></p> <p>The Chief Minister, Treasury and Economic Development Directorate (ACT Treasury), in cooperation with Major Projects Canberra and the Transport Canberra and City Services Directorate, should develop a Benefits Realisation Plan for Light Rail Stage 2A.</p>

### Project context

In 2019, the ACT Government announced an intention to deliver Stage 2A of light rail as the first step in delivering light rail to Woden.

Building light rail will help make Canberra a more connected, sustainable, and vibrant city. Stage 2 to Woden will provide more convenient and reliable transport options for people on the southside, help prevent future traffic congestion, and cut transport emissions for a cleaner environment.

Linking Woden in the south through the city and to Gungahlin in the north will create a central transport spine that better connects major town centres with residential and employment hubs.

The ACT Government prepared a detailed business case for the delivery of Stage 2A to support government decision-making about the costs and benefits of this project, as well as options for its delivery and timing. This project would deliver important benefits in better connecting Canberra's city to the lake and improving opportunities for public transport and active travel along the

alignment. However, its full benefits must be considered in the context of the complete light rail alignment from the city to Woden.

The 2019 business case was developed to inform an investment decision at a particular point in time. As with other major infrastructure projects, it is not intended to be a living document that is constantly updated.

The ACT Government has a commitment to transparency when it comes to light rail. When the decision was made to invest in Stage 2A, we publicly released the business case, including benefit cost ratios for Stage 2A from the City to Commonwealth Park and for the full Stage 2 alignment from the City to Woden. Certain disaggregated figures and cost estimates were redacted to protect the commercial interests of taxpayers as procurement activities had not yet commenced. The publication of the business case demonstrated the ACT Government's openness on this project and continued the strong track record of transparency seen with the public release of the full business case for Stage 1.

Since the release of the Stage 2A business case, Major Projects Canberra has significantly progressed design and planning activities. This has identified project delivery requirements and design options which had not been fully scoped at the time the business case was prepared. In parallel with the ACT Government's investment in light rail, state and territory governments across Australia are currently undertaking an unprecedented level of infrastructure investment and delivery. As a combined result of these factors, the ACT Government expects that project delivery costs will differ from those initially estimated during preparation of the 2019 business case.

The Commonwealth Government has provided \$132.5 million of funding towards delivery of Stage 2A. This is a welcome and important contribution to delivering better public transport for Canberra's southside. This funding was also not captured by the 2019 business case due to the timing of the Commonwealth's announcement.

The ACT Government will continue to provide the Canberra community with updated information on the project's costs once we have concluded procurement and commercial negotiations and reached contract award. This will be through established reporting, procurement and public disclosure channels.

### **Government response to the Audit Report**

The Government response to the Audit Report was tabled in the Legislative Assembly on 2 December 2021.

### **Recommendation 1 ECONOMIC ANALYSIS**

Major Projects Canberra should review and update the economic analysis associated with Light Rail Stage 2A. In doing so, Major Projects Canberra should:

- a) review the assumptions underpinning the economic analysis, including the identified costs and benefits associated with Light Rail Stage 2A, since the publication of the redacted Stage 2a Business Case in September 2019; and
- b) make publicly available the revised and updated economic analysis in an updated Stage 2a Business Case.

## Response

### a) **AGREE IN PRINCIPLE**

Major Projects Canberra will continue to identify project costs as procurement and construction works progress. This will include the presentation of project costs to Cabinet for consideration and agreement, and the public notification of project contracts – including associated contract costs – in line with ACT Government procurement requirements.

The ACT Government will consider performance against the assumed project benefits as part of the establishment of a Benefits Realisation Plan, as discussed below.

### b) **NOT AGREED**

The economic analysis for Light Rail Stage 2A was prepared as a point-in-time undertaking as part of the City to Woden Light Rail: Stage 2A City to Commonwealth Park Business Case in accordance with the *Capital Framework*. The economic modelling was developed as a part of the business case in accordance with established national guidance and used to inform Government's investment decision in 2019 for Light Rail Stage 2A.

The ACT Government does not propose to re-acquit the 2019 business case or associated economic analysis as the project has moved past this formative stage. This analysis was only one of a number of inputs that informed the ACT Government's decisions regarding Light Rail Stage 2A.

Major Projects Canberra will continue to monitor all aspects of the development of the next stage of Light Rail, in accordance with the governance arrangements as defined in the approved business case.

The ACT Government is committed to delivering light rail to Woden, with the focus now being on the efficient procurement and cost-effective delivery of the first stage of this city-shaping infrastructure project.

## **Recommendation 2    DEVELOPMENT COSTS AND BENEFITS**

As part of the revised and updated and publicly available economic analysis for Light Rail Stage 2A, Major Projects Canberra should explicitly identify the nature of the development costs and benefits associated with the project. This should include detailed identification of:

- a) the different components of the development costs and their timing, the methodology for quantification and the assumptions underpinning the calculation; and
- b) the different components of the land use and city shaping benefits to be derived from Light Rail Stage 2a and their relationship to the development of the Acton Waterfront.

## Response

### a) **AGREE IN PRINCIPLE**

### b) **AGREE IN PRINCIPLE**

As noted in the ACT Government's response to recommendation 1, the ACT Government does not propose to revise the historic economic analysis contained within the Light Rail Stage 2A business case. The focus of the ACT Government is now upon the delivery of an expanded light rail network.

The ACT Government agrees in principle to:

- Continue to provide open and transparent public disclosure of ACT Government corridor developments (including their costs and benefits) as those developments progress, through existing reporting and established public disclosure channels; and
- Continue to communicate the land use and city shaping benefits to be derived from the components of Stage 2 of light rail, including benefits relating to the Acton Waterfront.

### **Recommendation 3    BENEFITS REALISATION PLAN**

The Chief Minister, Treasury and Economic Development Directorate (ACT Treasury), in cooperation with Major Projects Canberra and the Transport Canberra and City Services Directorate, should develop a Benefits Realisation Plan for Light Rail Stage 2A.

#### **Response**

#### **AGREED**

The Government supports the continuation of a structured approach to embedding and improving benefits realisation processes for key infrastructure investments in the ACT.

Consistent with the approach previously established in Light Rail Stage 1, the Government agrees that a Benefits Realisation Plan (BRP) will be implemented.

The Plan will identify key metrics for measuring project benefits and establish governance and reporting arrangements for the ongoing assessment of the actual benefits and economic costs realised by the project against expected benefits and economic costs.

CMTEDD (ACT Treasury) will lead the development of the plan and this will be monitored through the Light Rail Advisory Board. As with Light Rail Stage 1, it is envisaged this Benefits Realisation Plan will be developed subsequent to the main works contract for the project being entered into.

#### **Conclusion**

In early 2022, Canberra's next stage of light rail has made important steps forward in the development of early works, and by progressing complex planning and development approvals.

On 30 March 2022, Works Approval was granted by the National Capital Authority for the Raising London Circuit works. These are a key enabling road project for the delivery of Light Rail Stage 2. The procurement process for the raising of London Circuit is well developed, and construction works are planned to get underway later in 2022.

As demonstrated by the publication of the City to Woden Light Rail: Stage 2A City to Commonwealth Park Business Case, the ACT Government is committed to transparency in developing Canberra's light rail network. This open and transparent approach will continue through the coming years as the project advances and a range of social and economic benefits from the project are realised.

The ACT Government is on track to implement Recommendation 3, which will see a Benefits Realisation Plan being developed subsequent to the main works contract for the project being entered into.