

Cabinet Secretariat Reference	
Submission No.	BERC 308
Copy No.	

Submission to: Budget and Expenditure Review Committee

Submission Title: East West Link Stage One – Complementary Project Business Cases (Enabling and Integrated Projects)

Portfolio/s: Public Transport, Roads

SUBMISSION PROPOSAL

Recommendation:

That the Budget and Expenditure Review Committee (BERC):

1. **Note** complementary business cases for East West Link Stage One have been developed for the Public Transport Upgrade (**Attachment 1**) and Eastern Freeway Upgrade by VicRoads, and Alexandra Parade Renewal (**Attachment 2**) by the Department of Transport, Planning and Local Infrastructure.
2. **Note** that the combined cost of the recommended scope of works for the three business cases is within the \$400 million nominal approved by BERC in April 2013, and cost phasings are consistent with those noted by BERC in February 2014.
3. **Approve** the Public Transport Upgrade business case with a total estimated investment of \$62 million nominal noting funding capacity is available within the approved East West Link Stage One budget.
4. **Approve** the Alexandra Parade Renewal business case with a total estimated investment of \$32 million nominal noting funding capacity is available within the approved East West Link Stage One budget.
5. **Note** the scope of works recommended in both the Public Transport Upgrade and Alexandra Parade Renewal business cases is consistent with the State's public announcement of 9 February 2014.
6. **Note** the Eastern Freeway Upgrade;
 - a. business case will be brought to BERC for consideration in the first quarter of 2015, consistent with construction commencement scheduled for mid 2016;
 - b. scope of works will be to a maximum total estimated investment of \$306 million nominal; and
 - c. is consistent with the scope contemplated in the *East West Link Stage One Short Form Business Case – Information for Infrastructure Australia*.
7. **Approve** delivery of the DART early works improvement package noting a construction tender is scheduled to be let in July, following completion of detailed design.
8. **Note** that the Public Transport Upgrade and Alexandra Parade Renewal projects have

been assessed as not being high risk, and therefore not subject to the High Value / High Risk (HV/HR) framework (noting that both projects are below \$100 million and therefore not high value).

Objectives:

1. To obtain approvals for the Public Transport Upgrade and Alexandra Parade Renewal business cases.
2. To obtain approval to commence delivery of the early works DART improvement package.
3. To note the Eastern Freeway Upgrade progress.

Key Issues:

BACKGROUND

1. The East West Link (EWL) Business Case was developed through 2012 and 2013. A range of complementary projects outside of the Public Private Partnership Road Link element had been identified to improve the operation of the overall transport network and maximise the benefit of the East West Link Stage One project.
2. In April 2013, the BERC considered the *East West Link Business Case*, and allocated \$200 million (nominal) for the Public Transport Upgrade and Alexandra Parade Renewal projects (requiring both to be subject to individual business cases) and \$200 million (nominal) for the Eastern Freeway Upgrade project (also required to develop an individual business case).
3. In June 2013, the BERC considered the *East West Link Stage One Short Form Business Case – Information for Infrastructure Australia*, which included the results of the analysis and the scope elements of East West Link Stage One, including the Public Transport Upgrade and Eastern Freeway Upgrade projects.
4. In September 2013, the Major and State Significant Projects Committee (MSSPC) considered the *East West Link Consolidated Business Case*, and noted that the East West Link project budget includes a \$400 million (nominal) allocation for the Public Transport Upgrade, Eastern Freeway Upgrade and Alexandra Parade Renewal projects.
5. In February 2014, the BERC considered the *East West Link – State Costs*, and noted the expected phasings for the revised complementary State costs over the 2014-15 to 2018-19 periods. These phasings are detailed in paragraph 58 of this submission. The business cases recommended cost profile remains consistent with this.
6. Over the past 12 months, the Department of Transport, Planning and Local Infrastructure (DTPLI) in conjunction with VicRoads have developed business cases for three of the EWL complementary projects; Eastern Freeway Upgrade, Public Transport Upgrade and Alexandra Parade Renewal.

PUBLIC TRANSPORT UPGRADE BUSINESS CASE

7. VicRoads have prepared the Public Transport Upgrade Business Case which includes

a range of public transport upgrades that are enabled with the new Road Link, and which support greater productivity in inner Melbourne.

8. The recommended scope of works with a total estimated investment (TEI) of \$62 million (nominal) includes a package of bus and tram service improvements.
9. Given the TEI is below \$100 million, DTPLI, in consultation with DTF, has completed a Project Profile Model (PPM) for the Public Transport Upgrade proposal to determine whether it is high risk and therefore subject to the High Value High Risk (HVHR) process. The PPM is a tool used to ascertain or profile a projects' level of risk across a number of areas.
10. The completed PPM supports the DTPLI/DTF view that the Public Transport Upgrade proposal is relatively low risk, and therefore subjecting the project to the full rigours of the HVHR process would be unnecessary.
11. DTF will however continue to monitor the project closely.

Bus Improvements

12. The bus package consists of improvements to the Doncaster Area Rapid Transit (DART) bus service along Hoddle Street and Victoria Parade between the Eastern Freeway and Spring Street.
13. The scope of the DART works package is proposed as follows:
 - a. full time bus lanes next to the kerbside parking lane on both sides of Victoria Parade between Hoddle Street and Spring Street facilitated by removing centre median parking, reinstating kerbside parking and relocating traffic lanes. Bicycle and pedestrian improvements will also be implemented;
 - b. a Lane Management System for part of Hoddle Street northbound providing for a bus lane in the kerbside lane during clearway hours and the lane next to the kerbside lane outside of clearway hours. To facilitate this some widening of Hoddle Street would be required. On-street parking could be maintained outside of clearway hours;
 - c. a full time bus lane on Hoddle Street southbound in the kerbside lane with indented parking to be provided;
 - d. bus priority and bus stop improvements at various intersections including the Victoria Parade / Hoddle Street intersection;
 - e. re-routing of the bus service from Gisborne Street / Albert Street to Victoria Parade / Spring Street;
 - f. traffic signal changes required post completion of EWL to optimise public transport priority to reflect the changed traffic conditions;
 - g. DART improvements to be located on the Eastern Freeway (included within the Eastern Freeway Upgrade Business Case); and
 - h. Legislation change required to regulate new bus lane enforcement technology.
14. The DART works package is expected to deliver travel time savings (benefits) for DART bus users of approximately 2 – 4 minutes in the AM peak inbound (a bus lane is already in place inbound along Hoddle Street) and approximately 6 – 8 minutes for the PM peak outbound. Travel time savings of 2 – 3 minutes in both directions is expected in the counter-peak directions. The bus lanes package is proposed to operate in both directions over the entire day, however specific operating hours will be subject to stakeholder engagement currently underway. In addition to the travel time savings

there will be improvements to reliability, a main driver for patronage increases and no impact to other modes of travel.

15. The total estimated investment for the bus improvement package of \$34.5 million (nominal) delivers a benefit cost ratio of 4.3.
16. The bus improvement package is proposed to be delivered in two phases – the significant majority as early works over the two years 2014-15 and 2015-16 (scope elements a. – e. from paragraph 13) with a second phase (scope elements f. – h. from paragraph 13) delivering the remaining works before or shortly after the Road Link opens.

DART Early Works Package

17. The DART early works package scope consists of elements a. – e. outlined in paragraph 13 above.
18. In February 2014, MSSPC considered the *EWL Stage One Early Works* and noted the scope of the DART early works package as noted at paragraph 17 and, subject to BERC approval, approve delivery of the package of works.
19. VicRoads is responsible for delivering the DART early works package. VicRoads advises the package can be delivered over the two years 2014-15 and 2015-16.
20. The total cost for the DART early works package is estimated at \$31.8 million nominal.
21. Project development for the DART improvement package is well advanced.
22. The DART early works package will be delivered as three separate parcels to maximise the earliest possible commencement of on-the-ground works. The delivery parcels and programs are:
 - a. Victoria Parade (both directions)
 - b. Hoddle Street (both directions) – civil works
 - c. Hoddle Street (northbound direction) – lane use management system

Victoria Parade (both directions)

Activity	Commencement	Completion
Stakeholder Engagement	March 2014	July 2014
Contract Award (design)		April 2014
Planning Approvals	June 2014	September 2014
Design & Development	May 2014	July 2014
Contact Award (construction)		August 2014
Construction Period	October 2014	March 2015

Hoddle Street (both directions) – Civil Works

Activity	Commencement	Completion
Stakeholder Engagement	June 2014	July 2014
Functional Design	July 2014	September 2014
Tender Process (Design and Construct)	August 2014	December 2014
Contract Award		December 2014
Detailed Design and Development	December 2014	March 2015
Construction Period	February 2015	June 2015

23. The final delivery parcel; Hoddle Street (northbound direction) Lane Use Management System, will follow implementation of the Hoddle Street civil works and be completed in 2015-16.

24. There are two key risks which could impact on the start date for the first parcel of works (Victoria Parade). These are:

a. Statutory Planning Approval; There may be a need to obtain a planning permit under the existing heritage overlay. Changes to project elements such as bluestone kerbing and tree removal may trigger the requirement with lead times up to 3 months. VicRoads has advised a planning permit application will be lodged in the week beginning 23 June 2014.

b. Local Government Approval to Remove Parking; There is a risk the net parking losses on Victoria Parade, after agreement to mitigation measures, may not be supported / accepted by the respective Local Governments', particularly the City of Yarra where parking revenue losses will have a more significant impact on Council's financial position. Having stated this, in principle agreement with City of Yarra Council officers on the Victoria Parade parking mitigation strategy has been reached with Council to consider the matter at its meeting of the 23 June 2014. VicRoads does have the power to implement parking changes (removal of parking) without Council consent if required, however this is not contemplated at this time.

25. Any significant issues will be reported back to MSSPC.

Stakeholder Engagement

26. VicRoads has undertaken extensive stakeholder engagement including three Council officer workshops with the Cities of Melbourne and Yarra, a 600+ distribution to affected households and businesses providing an information and feedback brochure, 51 face-to-face briefings with businesses, on-site meetings with hospitals and other stakeholders, and two Councillor presentations to the City of Yarra (19 May 2014) and City of Melbourne (20 May 2014).

27. The outcomes of the stakeholder engagement to date include:

a. The loss of median parking remains a major issue for all concerned;

b. The City of Melbourne, Eye and Ear Hospital and Epworth Hospital have all requested parking be maintained against the central median area between 10am-3pm;

- c. Positive feedback has been received from both councillor presentations; and
- d. The loss of parking revenue remains an issue, particularly for the City of Yarra.

28. VicRoads is continuing to work with both Councils and other stakeholders on parking supply loss off-set initiatives. To date, the working relationship between VicRoads and the Local Governments’ to resolve the parking issues effectively and timely has remained very positive, with significant progress towards a shared position.

Tram Improvements

29. The tram package scope of works consists of a combination of tram priority improvements (traffic signal priority, improved tram / vehicle segregation, and tram stop optimisation and upgrade) to tram routes 86, 112 and 1&8 as follows:

- a. Improving tram route 86 travel time and reliability along Smith Street and Gertrude Street between Westgarth Street and Nicholson Street;
- b. Improving tram route 112 travel time and reliability along Brunswick Street and St. Georges Road between Normanby Avenue and Victoria Parade; and
- c. Improving tram route 1&8 travel time and reliability along Lygon Street between Normanby Road and Melbourne University.

30. Similar to the bus improvement works, the scope of works also includes traffic signal changes required post completion of EWL to optimise public transport priority to reflect the changed traffic conditions.

31. The tram improvements package is expected to deliver travel time savings (benefits) for tram users as follows:

Tram Route	Travel time savings (secs per tram)	
	Southbound	Northbound
Lygon Street (R1/8)	65-80	45-60
Brunswick Street (R112)	70-85	50-70
Smith Street (R86)	45-70	30-45

32. The travel time benefits for tram users utilise the released surface road capacity provided by redistributing some existing surface demand to the EWL. Therefore the travel time benefits to tram users do not come at the expense of existing road users.

33. The total estimated investment for the tram improvement package of \$27.6 million (nominal) delivers a benefit cost ratio of 2.8.

34. The tram improvement package will be delivered by VicRoads in conjunction with Public Transport Victoria via route corridor, and for routes 1&8 and 112, undertaken in conjunction with the State’s pre-existing tram track renewal schedule, in order to minimise cost, and construction and disruption impacts.

Package	Timing
Tram Infrastructure – Route 1/8	2014/2015 – to tie in with Yarra Trams and Public Transport Victoria’s track renewal program
Tram Infrastructure – Route 112	2014/2015 – northern section to tie in with Yarra Trams and Public Transport Victoria’s track renewal program
Tram Infrastructure – Route 86	2017/2019 to tie in with Alexandra Parade renewal works
Signal Route Review – Trams	2018/2019 these works are linked to the opening of East West Link Stage 1

ALEXANDRA PARADE RENEWAL BUSINESS CASE

35. DTPLI have prepared the Alexandra Parade Renewal Business Case which includes a range of improvement initiatives to enhance Alexandra Parade.
36. The project seeks to:
 - a. Improve the attractiveness and functionality of the public realm;
 - b. Promote and enhance active and public transport between key destinations and services; and
 - c. More effectively influence investment and development along Alexandra Parade.
37. To this end, the Alexandra Parade Renewal Business Case entails two distinct streams of activity: a master planning / urban renewal facilitation exercise for the broader precinct; and capital works within the carriageway to allow better integration of other modes of transportation.
38. At the completion of the EWL there will be a number of potential development sites available for redevelopment. There are a range of roles that Government can play in facilitating redevelopment, realise uplift in land value and contribute to the urban renewal agenda. Further detail covering the redevelopment potential of the identified sites and possible paths for planning and development are contemplated in the Business Case.
39. The scope of the recommended capital works includes:
 - a. Widening verges to provide for additional planting and pedestrian space. Most of the existing trees will remain;
 - b. Central median will remain as it is and the carriageways will not be moved;
 - c. Planting in the median, however only limited planting opportunities exist without boring of the Main Drain;
 - d. Cycling path in the central median; and
 - e. No impact on the Main Drain, other than re-decking of the drain as scheduled by Melbourne Water.
40. The benefits of the project include those associated with redevelopment of the former industrial sites in the corridor, benefits from improved safety for cyclists in the corridor, and benefits from expected amenity improvements for pedestrians and cyclists from tree planting and widening of verges.
41. The total estimated investment for the Alexandra Parade Renewal, consisting of

master planning / urban renewal facilitation and capital program of \$32 million (nominal) delivers a benefit cost ratio of around 1.0.

42. It is envisaged that the project will be developed in a number of stages. Development would commence in 2015 and end in or around 2019. The proposed timeline of works is as follows:

Stage 1 – Possible early works (2015)

- a. Master plan all stages, including community engagement and resolution of key interdependencies;
- b. Tree planting along existing kerb-side verges, including some additional planting within existing indented parking; and
- c. Maintenance of 3 traffic lanes and no impact on existing central median kerb lines.

Stage 2 – Post Main Drain Rehabilitation Works (2018 or earlier)

- a. Dedicated cycling path over recapped drain;
- b. Traffic signal works at intersections to manage cycling turning movements;
- c. New tree planting and soil replacement and irrigation system repair within central median; and
- d. Commence master planning and development guidance for future redevelopment sites.

Stage 3 – Tunnel Opening (2019)

- a. Extend verge kerbs to reduce carriageway width to 10m;
- b. Remove further indented parking (some or all – subject to community consultation and more detailed analysis);
- c. Possibly provide off-peak on-street parking on the reduced width carriageway – subject to community consultation and further detailed analysis; and
- d. Landscaping works in widened verge with planting of large trees.

43. At this time DTPLI is responsible for progressing development and delivery of this project, however the newly established Metropolitan Planning Authority has significant experience producing corridor plans that have a focus on redevelopment and thus could be expected to be responsible for the first stages of planning work post business case approval.

44. A PPM has also been completed for the Alexandra Parade Renewal project to test whether it is high risk and therefore subject to the HVHR process. The completed PPM supports the DTPLI/DTF view that the Alexandra Parade Renewal project is low risk, and therefore subjecting the project to the full rigours of the HVHR process would be unnecessary. DTF will however continue to monitor the project closely.

EASTERN FREEWAY UPGRADE BUSINESS CASE

45. VicRoads has prepared the Eastern Freeway Upgrade business case. The objectives that have guided the options development and preferred option recommendation include:

- a. To maximise the return on investment of the EWL project;
- b. To maximise the throughput of people and goods along the Eastern Freeway; and
- c. To improve public transport efficiency.

46. The scope of the Eastern Freeway Upgrade includes the addition of one traffic lane in both directions between Yarra Bend Road and Tram Road and the implementation of

managed motorways for the entire length of the Eastern Freeway between Hoddle Street and Springvale Road.

47. Specifically, the location and extent of the widening are:
 - a. Construction of one additional traffic lane and shoulder into the median in both directions, between Yarra Bend Road and Bulleen Road;
 - b. Utilisation of the existing outer shoulder in both directions, between Bulleen Road and Tram Road as a traffic lane;
 - c. Construction of a new auxiliary traffic lane and outside shoulder in both directions, between Bulleen Road and Doncaster Road; and
 - d. Construction of a new outside shoulder in both directions between Doncaster Road and Tram Road. The outside shoulder will be required to be narrowed at localised constraints in order to avoid existing structures
48. The scope of works also includes freeway ramp management and significant DART bus improvements, including ramp signal bypass lanes, provision of new intersection priority through the provision of queue jump lanes and traffic signal prioritisation, and increases in ramp storage capacity to limit bus delay.
49. The maximum investment for the Eastern Freeway Upgrade will be \$306 million (nominal). The recommended scope achieves a significantly positive benefit cost ratio.
50. Substantial work has been undertaken on the Eastern Freeway Upgrade Business Case to date. However further work is required to refine aspects of the business case to provide greater certainty in the cost and deliverability of the project, and in particular risk and procurement analysis. VicRoads will undertake this work over the next 6 – 9 months. Works will include a feature survey, functional design, geotechnical investigations, and further detailed discussions with key stakeholders including Councils and utility companies. This further work will also clarify planning and land acquisition requirements (expected to be minor), impacts on bridges, additional noise wall requirements (if any), and interfaces with the arterial road network.
51. It should be noted that this does not represent a delay to the delivery of this project, as the work program over the next 6 – 9 months is as per the original program. It does mean however that the outcomes of this work will inform the business case, and therefore give greater certainty to the investment decision.
52. The Business Case will be brought to BERC for consideration in the first quarter of 2015. As the Eastern Freeway Upgrade project is a HVHR project (given its scale), DTF will complete a HVHR deliverability assessment prior to any BERC consideration of the business case.
53. Detailed design and planning approvals will be progressed over the next 18 months (in conjunction with the completion of the business case). Construction is expected to commence in mid-2016 with completion shortly before the EWL opening, expected end 2019.

GOVERNMENT ANNOUNCEMENT

54. On 9 February 2014 the Government announced a \$108 million package of public

transport and urban renewal initiatives as part of the EWL Project. This commitment encompassed a \$47 million DART improvement package (including \$14 million improvements on the Eastern Freeway incorporated in the Eastern Freeway Upgrade business case), \$62 million Public Transport Upgrade (including the \$31.8 million DART early works package), and \$32 million Alexandra Parade Renewal.

55. This announcement is consistent with the \$62 million Public Transport Upgrade and \$32 million Alexandra Parade Renewal scope of works described in this submission.

BUDGET

56. In April 2013, the BERC considered the *East West Link Business Case*, and in part, allocated \$200 million (nominal) for the Public Transport Upgrade and Alexandra Parade Renewal projects (both subject to individual business cases) and \$200 million (nominal) for the Eastern Freeway Upgrade project (also the subject of an individual business case).

57. In September 2013, the Major and State Significant Projects Committee (MSSPC) considered the *East West Link Consolidated Business Case*, and in part, noted that the East West Link project budget includes a \$400 million (nominal) allocation for the Public Transport Upgrade, Eastern Freeway Upgrade and Alexandra Parade Renewal projects.

58. In February 2014, the BERC considered the *East West Link – State Costs* and noted the updated EWL Stage One State costs included a revised funding profile for the complementary projects. The noted funding profile is shown in the following table.

Project	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL (\$M)
Eastern Freeway Upgrade	5	5	50	125	121	306
Public Transport Upgrade – DART	18.2	13.6	0	0	2.7	34.5
Public Transport Upgrade – Trams	5	14.2	2	3.3	3	27.5
Alexandra Parade Renewal	1	4	1	1	25	32
TOTAL (\$M)	29.2	36.8	53	129.3	151.7	400

59. At the February 2014 meeting, BERC also:
- a. approved State Costs of \$290 million for 2014-15. This included \$29.2 million required to commence delivery of the complementary projects, and
 - b. noted expected phasings for State costs over the 2015-16 to 2018-19 period, which also included the complementary project phasings as described in the Table 1.
60. It is expected that BERC will consider EWL Stage One State costs for 2015-16 to 2018-19 before the 2015 State Budget.

Risks:

1. DART Early Works: There is a risk the net parking losses on Victoria Parade, after agreement to mitigation measures, may not be supported / accepted by the respective Local Governments', particularly the City of Yarra where parking revenue losses will have a more significant impact on Council's financial position.
2. DART Early Works; Statutory Planning Risk exists. The project may need to obtain a planning permit under the existing heritage overlay. Changes to project elements such as bluestone kerbing and tree removal may trigger the requirement with lead times up to 3 months.
3. The maximum funding left of \$306 million for the Eastern Freeway scope of works is considered to be conservative, however further work to complete the Business Case presents a small risk that the project cost will increase. This would then require consideration of reducing the project scope, or alternatively increasing the project budget. The current project scope has been included in the EWL business case, including the *East West Link Stage One Short Form Business Case – Information for Infrastructure Australia*.

Support/Criticism:

1. DART improvement works for Hoddle Street and Victoria Parade are the subject of previous proposals over the past 5 years which have not been supported by some stakeholders relating to the impacts resulting from the loss of on-street parking, road widening on Hoddle Street and perceived impacts to cyclists and pedestrian safety
2. The current DART scope of works provides differing strategic responses to ameliorate or eliminate all of the impacts of concern.
3. There will however continue to be on-street parking impacts which will need to be sensitively managed and appropriate responses proposed.

Terry Mulder, MP
Minister for Roads
Minister for Public Transport
Date:

FUNDING

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 and will 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.
2. The project will improve residential amenity through the Alexandra Parade Renewal project.
3. The project may impact families by restricting the level of on-street in both Victoria Parade and Hoddle Street

Regional and Rural Victorian Impacts:

1. Nil

Economic Impacts:

1. Enhancing the public transport network and the application of intelligent transport systems will assist to ameliorate the effects of traffic congestion, and improve the efficiency of the overall transport network.
2. Construction activity will support sectors of the Victorian economy during project delivery.

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. Increasing public transport service provision is expected to encourage higher levels of patronage, and potential mode shift towards public transport both of which has significant environmental benefits, including reducing greenhouse gases.

Charter of Human Rights and Responsibilities Impacts:

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