

**From:** Edghill, Duncan  
**To:** Allday, Stephen  
**Cc:** Bain, Glenn  
**Subject:** Risk Allocation and Quantification  
**Date:** Sunday, 18 May 2014 9:03:09 PM

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Steve,

So that EY may build the PSC and PPP Proxy financial models, we need to (among other items) undertake risk *quantification and allocation* work. As (a) this feeds directly into the EY financial modelling, (b) EY have experience in this element of risk work, and (c) it's not within the existing scope of Evans & Peck, I intend to get EY to do this work. This is separate to future risk *management* work, which is worth a separate discussion with yourself and Glen.

To do this; EY are seeking at least a half day workshop. It will need to involve key advisors, most of whom fall into your field. To this end, might they be available this Wednesday from say lunch onwards? If not, might you please advise when a suitable time for such a workshop might be?

Many thanks.

Kind Regards  
Duncan

**From:** Thomas, Emma  
**To:** [REDACTED]  
**Cc:** Edghill, Duncan  
**Subject:** RE: Canceled: Business Case Page Turn  
**Date:** Friday, 8 August 2014 8:10:44 AM

Hi [REDACTED],

I am sure that won't be a problem. The write up, particularly around the ppp elements such as PSC, PPP proxy etc would be very useful for you to review carefully.

Many thanks,  
Emma

**From:** [REDACTED]  
**Sent:** Thursday, 7 August 2014 9:01 PM  
**To:** Edghill, Duncan; [REDACTED]; Thomas, Emma; Allday, Stephen; Rutledge, Geoffrey; Smith, BenjaminM  
**Cc:** [REDACTED]  
**Subject:** RE: Canceled: Business Case Page Turn

This email is to be read subject to the disclaimer below.

Duncan,

apologies next Wednesday doesn't work for me to travel to Canberra. I can probably do my review remotely particularly as my involvement on business case is limited to procurement and risk.

Hope that is alright with you.

Regards,

[REDACTED]

**From:** Edghill, Duncan  
**Sent:** Thursday, August 07, 2014 6:32:45 PM  
**To:** [REDACTED]; Thomas, Emma; Allday, Stephen; Rutledge, Geoffrey; Smith, BenjaminM  
**Cc:** [REDACTED]  
**Subject:** Canceled: Business Case Page Turn  
**When:** Friday, August 08, 2014 11:30 AM-4:30 PM.  
**Where:** CMA Board Room

When: Friday, 8 August 2014 1:30 PM-6:30 PM (UTC+10:00) Canberra, Melbourne, Sydney.  
 Where: CMA Board Room

Note: The GMT offset above does not reflect daylight saving time adjustments.

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Dear All,

Te proposal to push back next week's Board meeting, I will replace this page turn meeting





## Simon Corbell MLA

ATTORNEY-GENERAL  
 MINISTER FOR THE ENVIRONMENT  
 MINISTER FOR POLICE AND EMERGENCY SERVICES  
 MINISTER FOR CAPITAL METRO

MEMBER FOR MOLONGLO

ERINDALE ACT 2903

Dear [REDACTED]

Thank you for your letter to the Chief Minister on 27 August 2014. As Minister for Capital Metro, I would like to take the opportunity to respond on the Chief Minister's behalf.

May I first say that it was a great pleasure to attend Erindale shopping centre and discuss the light rail project with residents. Thank you for taking the time to attend and discuss the project with me.

The Government has approved the final business case for the Capital Metro project to proceed as a Public Private Partnership (PPP). The Government is confident that the project will provide a positive economic return on investment. Following positive market sounding and the excellent turn out for the industry briefing held on Monday 15 September, we are confident that the project will attract strong interest and proposals from the market, which in turn will drive a competitive price and high quality outcomes for the Territory.

A PPP was selected following discussions with industry, comparisons to other light rail projects and expert advice. It is a commonsense decision that will provide the best value outcome for the Territory by providing cost certainty and minimising risk. Under a PPP, the Territory does not begin paying for the service until it's operational, with expenditure spread over 20 years, ensuring that light rail costs are paid for by future users and beneficiaries. The matter of the annual payment will form part of contractual negotiations with the selected tenderer.

In answer to your questions regarding cost information, the cost of the project will be determined by a competitive market process, however, the estimated capital cost of the project is \$610 million plus a \$173 million contingency in nominal dollars. The cost is provided as an estimate based on the detailed design work completed this year. The actual cost will be determined through a competitive market process that will start with an invitation for expressions of interest on 31 October 2014.

It is an unusual step for a Government to release a project's business case, but one which demonstrates the Government's commitment to transparency. It is the Government's intent to

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release the business case to the public at the start of the procurement process on 31 October 2014.

The Government's commitment to publicly release information exceeds the recommendations of the cross-party Select Committee on Estimates, which advised only to release the cost benefit analysis after the preferred tenderer is selected. I hope this demonstrates to you the intent of the Government to plan for, and deliver this project in an open and transparent manner.

As a part of the 2012 election, one of the ACT Government's key commitments was to establish the ACT's first large-scale private sector partnership to plan, finance and develop the first stage of a Light Rail Network for Canberra – the Capital Metro. The Canberra community has shown strong support for the project and improvement of public transport through their votes to re-elect the ACT Labor Party to govern the Territory.

In regards to the transformation potential you mentioned in your letter, Canberra's dependence on cars is not sustainable. As you will know, our population is increasing and congestion will follow in a car dependent city. Congestion is already estimated to cost the Territory over \$100 million every year. We need to change the way we grow and move around the city. With this aim, we are closely linking transport and planning strategies, encouraging transit orientated development and ensuring that urban infill occurs along high quality public transport infrastructure. This approach will reduce car dependence, provide greater accessibility to services and reduce carbon emissions.

Through the *Transport for Canberra* policy and the Light Rail Master Plan we are planning a city-wide network and exploring all possible routes. The success of Stage 1 is imperative to lay the foundation for light rail to the rest of the city. It is the Government's intent that the whole of the city is serviced by a high quality, strongly integrated public transport system. This is a long-term project but one that will bring great economic, social and environmental benefits over many generations.

Thank you again for your correspondence.

Yours sincerely

Simon Corbell MLA  
Minister for Capital Metro



## Simon Corbell MLA

ATTORNEY-GENERAL  
 MINISTER FOR THE ENVIRONMENT  
 MINISTER FOR POLICE AND EMERGENCY SERVICES  
 MINISTER FOR CAPITAL METRO

MEMBER FOR MOLONGLO

[REDACTED]  
 [REDACTED]

Dear [REDACTED]

Thank you for your email of 19 November 2014 in which you raised a number of concerns about the Capital Metro light rail business case. I appreciate you taking the time to write to me on these matters.

The Capital Metro project's business case was prepared by the Capital Metro Agency (CMA) with professional assistance and input from its commercial, cost and other advisors and followed the preparation of design and other technical reports, extensive consultation activities with the community and across Government.

I would like to offer the following comments on your critique.

### Omissions from Estimated Capital Costs

The \$783 million figure in the business case is the infrastructure building cost. Operating, maintenance and lifecycle costs are detailed on Page 85 of the business case. The cost of finance is contemplated within the PPP (public private partnership) proxy analysis contained in Chapter 9.

Consequently, the questions you raise do not affect the benefit cost ratio.

### Patronage and Revenue Risk

The procurement model was determined following advice received from the CMA's advisors as well as market soundings. Under the availability based PPP delivery model selected, lower than anticipated patronage will not result in additional payments being made by the ACT Government.

Patronage modelling has been undertaken by the CMA's transportation advisors for light rail between the City and Gungahlin. The modelling simulates all travel undertaken by households, firms, and visitors to the ACT region during an average weekday in each forecast year and reflects the level of participation in a range of activities (e.g. work, education, shopping, recreation) across the ACT region and the frequency of travel to them, as well as

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the choice of destination, mode and route. We are confident that the patronage figures are robust and support the project.

### **Annual Payment Stream**

The project is currently in its procurement phase. The Government does not intend to provide the market with its expectations of annual availability payments at this stage. However, with regard to the net present cost of such payments, I refer you to the PPP proxy discussion contained in Chapter 9.

### **Train Fares**

Fare revenue assumptions in the business case were deliberately conservative for demonstration purposes. Fare arrangements will be a matter for future consideration by the Government.

### **Electricity Supply for Train**

This is a matter for consideration in conjunction with the shortlisted bidders during the Request for Proposals (RFP) stage.

### **Externality Benefits**

The business case does not confine emission production assumptions to only the ACT.

### **Northbourne Avenue Redevelopment**

Experience in cities all over the world demonstrates that light rail is a catalyst for urban renewal. This unique ability to change the way cities develop and grow is one of the key reasons why it has been chosen as the most suitable mode of public transport along Northbourne Avenue.

Over recent years, people are starting to choose to live in the city centre. Its character is changing from a place of work and business, to a place where people are seeking recreation and community life. The city centre will house 10% of the Territory's population growth over the next 20 years. To accommodate this growth, it needs housing, community and recreation facilities, together with the retail, lifestyle and other services that a local community needs. But it also needs to maintain its core business and commercial focus.

Urban renewal and transformation along the transport corridor is expected to drive new opportunities for Canberra as a whole, such as employment opportunities and new investment. One of the main reasons for choosing light rail is its ability to encourage urban transformation and revitalisation along the declining Northbourne Avenue corridor.

Capital Metro will provide business and investment certainty along the corridor, stimulating significant economic activity as land surrounding the light rail increases in value and is used more efficiently. This investment will stimulate a much needed transformation to the entrance of the Nation's Capital.

The Capital Metro project will greatly assist the ACT Government in achieving urban revitalisation and densification along the corridor.

#### **Invoking Walter Burley Griffin's Plan**

The business case does not rely on Walter Burley Griffin's legacy for its rationale, but is consistent with that legacy.

#### **Removal of Trees**

We now know that many of the trees remaining on Northbourne Avenue are in decline and will need to be replaced in the near future regardless of the light rail project. To improve the future look and feel of the corridor, we are currently considering options for replacement trees.

The ACT Government is committed to renewing Northbourne Avenue as a tree-lined avenue that is safe for motorists and pedestrians. Light rail can work really well with the right combination of trees and make Northbourne Avenue a truly inspirational corridor throughout the year.

Again thank you for taking such a keen interest in this project and for raising your concerns with me.

Yours sincerely

Simon Corbell MLA  
Minister for Capital Metro