

GENERAL PURPOSE STANDING COMMITTEE NO. 3
INQUIRY INTO RAIL INFRASTRUCTURE PROJECT COSTING IN NSW
21 November 2011

Supplementary Questions on Notice –

1. Your submission states that the Transport Construction Authority and the RTA require a 90 per cent statistical probability that the actual cost of a project will not exceed the estimated cost in order to approve a project. Yet it has been suggested to the Committee that rail infrastructure projects in NSW often exceed the estimated cost.

- What do you suggest are the reasons for this?
- Can you provide any example of a rail project in NSW that has been delivered in accordance with its original cost estimate?

Response

It is important to recognise the distinction between what might be a strategic, concept and P90 estimate.

As described in Transport for NSW's submission to the Inquiry, projects go through four phases: identification, scoping, development and delivery.

Transport Projects Division (TPD), and its predecessor Transport Construction Authority (TCA), prepares 'strategic estimates' at the project identification phase and 'concept estimates' at the project scoping phase.

These estimates are prepared prior to a detailed level of cost planning, engineering and design work being undertaken.

Quite often at these stages, there is a desire for a media/public announcement of the estimated project cost. The unintended consequence of such an announcement is that this cost estimate is then carried forward over the life of a project and, quite unfairly, used as a comparison.

As a project progresses through its project lifecycle, the scope becomes better defined and the confidence in the components and timing of the delivery process increases. A P90 cost estimate is developed at this time.

With regards to providing an example of a rail project delivered in accordance with its original cost estimate, if the definition of 'original' is when the project was first announced, we are not able to provide an example. If the definition of 'original' is when the project was first approved with full funding, then an example is the Bondi Junction Turnback project within the Rail Clearways Program. The original cost estimate for the project was \$68million and the final cost was \$65million.

It should also be noted that historically, announced rail project costs were provided in the dollars of the day and excluded escalation i.e. the estimates were NOT provided

as an outturn cost. As a result, completed rail projects were subject to very significant amounts of escalation which gave the false impression that the cost exceeded the initial estimate.

Current estimates are provided in outturn costs.



Date:



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Transport for New South Wales