



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party **Proposal No:** C1594
Date Referred: 09/03/2023 **Date Published:** 20/03/2023
Proposal Title: Expedite Parramatta Light Rail Stage 2
Cluster: Transport

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation					-
Less: Offsets					
Revenue					
Net Operating Balance:	-				

Capital Expenditure					
Capital Offsets					
Net Capital Expenditure:					

Net Lending/(Borrowing):					
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Total State Sector Impacts

Net Lending/(Borrowing):					
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Notes and costing assumptions:

The policy proposes to commit up to an additional \$200 million to expedite the construction and delivery of the Parramatta Light Rail Stage 2 project. The \$200 million allocation is proposed to be used to commence property acquisitions, commence the market engagement and procurement processes for major civil contracts and begin early and enabling construction works. The policy assumes that this funding will enable construction to commence within the first term of Government.

The policy assumes that \$200 million in funding will come from Restart NSW. The Parliamentary Budget Office (PBO) considers this reasonable assumption given that NSW Treasury advised that the total of unallocated funds in Restart NSW is 1.2 billion as of 10 March 2023. As these funds have previously been recognised in existing State Budget estimates, the PBO assumes the policy the impact of this policy will be nil. This assumption relies on the total number of policies being funded from Restart NSW not exceeding the funds available, and this costing must be considered in relation to other policies seeking to spend Restart NSW funds. See the section below for further details of the fund (Restart NSW).

The PBO notes that the NSW Government announced it would proceed with Parramatta Light Rail (PLR) Stage 2, committing \$602.4 million in the NSW Budget 2022-23 for enabling works. Transport for NSW has advised that the estimated cost to deliver the remainder of PLR Stage 2 (excluding funded enabling works), with

Notes and costing assumptions continued:

construction commencing in Q2 2026, is \$3.286 billion (11 years) and the estimated cost over the forward estimates is \$705 million.

If only \$200 million over the forward estimates was allocated, not the full \$705 million required for the project, what could be achieved with \$200 million:

- Update to the final business case, detailed corridor design, and progress development of related procurement documentation
- Relocation and/or protection of Sydney Water utilities along the PLR2 alignment
- Partial construction of a stabling yard

Transport has cautioned that all of the above costs and deliverables are subject to confirmation following detailed review. This means that if \$200 million of the \$705 million was provided, then the Government will still need to provide further funding contribution of \$505 million at a later date in the forward estimates to construct the project. If only the \$200 million was provided then construction could still begin in Q2 2026 but is reliant on further funding and an investment decision being provided by early Q4 2023. Without the funding for infrastructure relocation design, the final business case cannot be updated and an investment decision cannot be made by Q4 2023.

The spending profile (see *Appendix 1*) from Transport was used to determine capital expenditure per year over the forward estimates. The PBO assumed that the \$200 million from Restart NSW is split across 2024-25 and 2025-26.

Status of Enabling works

The PLR Stage 2 enabling works consist of a light rail-enabled public transport bridge across the Parramatta River between Wentworth Point and Melrose Park.

The Environmental Impact Statement (EIS) for the entire PLR Stage 2 project went on public exhibition, with planning approval anticipated by second half of 2023.

Transport for NSW has advised that the assumed dates for the enabling works are:

- Contract award (Design and Construct Contract) - Q1 2024.
- Construction start – Q3 2024.

Assuming an investment decision for the residual PLR Stage 2 works by Q4 2023, Transport has advised that the dates for the remainder of PLR Stage 2 are:

- Award design and construct for main works infrastructure contract – by Q4 2025.
- Construction start – by Q2 2026.

Current funding and works for PLR Stage 2

No additional capital funding beyond the \$602.4 million for the enabling works is committed or reserved in the forward estimates. The estimated total cost of the PLR Stage 2 project is \$3.286 billion (P90¹, nominal). This cost estimate assumes that the enabling works would be carried out as a separate contract package and that an investment decision from Government would be made by Q4 2023. The \$3.286 billion can be broken down into:

- \$5 million in development funding in FY22-23 for long-lead design items, including engaging a Water Service Co-ordinator (WSC) from May 2023 to coordinate, prepare and certify the long-lead design with Sydney Water Corporation (SWC).
- \$10 million in development funding in FY23-24 for the update to the final business case for PLR Stage 2 to enable an investment decision by Q4 2023.
- \$3.271 billion from FY23-24 to FY32-33 to deliver the remainder of the PLR Stage 2 project.

¹ P90 means that there is 90 per cent probability that the project can be delivered within the cost estimate.

Notes and costing assumptions continued:

In addition to the \$3.271 billion, a net operating expenditure of \$73 million over six years (FY27-28 to FY32-33), including operator mobilisation costs, is required.

Transport for NSW has prepared the spending profile (see *Appendix 1*) using the following assumptions and notes the profile is indicative and subject to the updated final business case analysis and further design development, including the EIS process.

Costing assumptions and risks

- Transport for NSW has advised that the above dates for the remainder of PLR Stage 2 are based on the following assumptions, but are subject to confirmation:
 - The dates are indicative and subject to detailed project planning, analysis and cross-government agreement as part of the updated final business case (FBC).
 - A final investment decision is made on the remainder of the PLR Stage 2 alignment no later than Q4 2023, following an update to the PLR Stage 2 FBC.
 - PLR Stage 2 will use the options within the PLR Stage 1 contract to supply, operate and maintain (this delivery strategy is subject to confirmation).
 - Light Rail Vehicle (LRV) costings are based on the pre-priced option within the existing PLR Stage 1 contract, which assumes overseas manufacture. For local content manufacture, costings are likely to increase and lead to delays for new procurement and delivery.
 - Procurement of a design and construct contract occurs for the remainder of the PLR Stage 2 infrastructure works.
 - Procurement and delivery of enabling works are a separate contract, with Transport managing any interfaces between the enabling works and PLR Stage 2 main works contracts.
 - Progression of an updated FBC and related assessments, including commencing governance and assurance processes, occurs from early Q2 2023.
 - WSC is engaged from May 2023 to coordinate, prepare and certify the long-lead design with SWC to relocate or protect three water trunk mains along the alignment. In the event that commitment and funding are not available to start the procurement of a WSC and progress other project development activities in April 2023, the overall PLR-2 Program and costs may be affected due to the criticality of these activities.
- The three SWC water trunk mains are critical supply assets with works on them seasonally constrained to the winter period. The working assumption with SWC is that Transport can only relocate one trunk main per calendar year.
- To prevent a one-year delay to the PLR-2 delivery schedule, the first water main must be relocated in the winter of 2026. To achieve this relocation date, Transport will need to progress the long-lead design and its certification from a WSC from May 2023.
- During the FBC update in FY23-24, the opportunity for financing and contracting alternatives could be further investigated, in addition to the validation of the SWC design and procurement strategy.

Restart NSW Fund

The Restart NSW Fund (the Fund) was established by the NSW Government under the [Restart NSW Fund Act 2011](#) for the purpose of setting aside funding for and securing the delivery of major infrastructure projects and other necessary infrastructure. The purpose of the Fund is to improve economic growth and productivity in NSW through funding infrastructure projects, such as roads, public transport, health facilities and workplaces for providing public services, among others.

Under the Act, Infrastructure NSW is responsible for assessing and recommending Restart NSW projects, and the Treasurer is responsible for approving funding for all or part of any projects.²

To use the funds from Restart NSW, the Treasurer would need to be satisfied that the project satisfy the purpose of the fund. The costing assumes Stage 2 of the Parramatta Light Rail would meet the definition of major infrastructure projects as set out in the act.³

² *Restart NSW Fund Act*, s 8

³ *Restart NSW Fund Act*, s 4(1)(a)



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Appendix 1. Parramatta Light Rail Stage 2 Project spending profile (excludes enabling works)

General Government Sector Impacts	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	2029-30 \$'000	2030-31 \$'000	2031-32 \$'000	2032-33 \$'000	Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-	-1,252	-857	-878	-12,432	-28,394	-29,200	-73,013
Depreciation ⁴	-	-	-	-	-	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Less: Offsets ⁵	-	-	-	-	-	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Revenue ⁶	-	-	-	-	-	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Net Operating Result (Budget Result):	-	-	-	-	-	-1,252	-857	-878	-12,432	-28,394	-29,200	-73,013
Capital Expenditure	-5,000	-120,017	-337,896	-242,205	-521,670	-857,934	-717,038	-341,379	-123,202	-19,683		-3,286,024
Capital Offsets												
Net Capital Expenditure:	-5,000	-120,017	-337,896	-242,205	-521,670	-857,934	-717,038	-341,379	-123,202	-19,683		-3,286,024
Net Lending/Borrowing:	-5,000	-120,017	-337,896	-242,205	-521,670	-859,186	-717,895	-342,257	-135,634	-48,077	-29,200	-3,359,037
Net Financial Liabilities:	-	-	-	-	-	-	-	-	-	-	-	-
Total State Sector Impacts	-	-	-	-	-	-	-	-	-	-	-	-

⁴ TfNSW will determine depreciation through the Final Business Case development in Q4 2023.

⁵ TfNSW will evaluate (post Investment Decision) the need for any Third Party Asset transfers arising from project delivery of the capital works and manage any reclassifications in expenditure through future budget processes.

⁶ TfNSW will determine farebox revenue (revenues collected from fare paying passengers) through the Final Business Case development up to Q4 2023.