

## **Oral Ministerial Statement – 3 November 2014**

### **Coleraine to Londonderry Rail Track Phase 2 project**

1. With your permission, Mr Speaker (Deputy Speaker) I wish to make a statement on Londonderry to Coleraine Rail Track – specifically the Phase 2 project.

#### Background

2. I set out in a previous statement on the 10<sup>th</sup> October 2011 my continuing support for the key Programme for Government commitment to improve the rail link between the two main cities in Northern Ireland. Phase 2 is one part of this.

3. Members will recall that this key project is being taken forward in three phases.

4. Phase 1 involved the re-laying of the end sections of the rail line at Coleraine and Londonderry, completing essential bridge works in these locations. Phase 1 was completed in March 2013, within budget and ahead of time. This ensured that having addressed the immediate safety concerns Translink continued to run services in and out of Londonderry every week.

5. Phase 2 involves the completion of re-signalling works and construction of a new Passing Loop. Progress on this phase is the key focus of this statement. This creates the infrastructure for a more frequent hourly service.

6. Phase 3 involves a full relay of the middle sections of the track between Coleraine and Londonderry and the potential introduction of a half hourly train service.

7. There are always risks attached to major Capital projects, including procurement risks. I did refer to this previously in my statement in 2011. Whereas Phase 1 has been delivered smoothly, on time and within budget this has not been the case with Phase 2.

8. In September 2013 I explained in response to an Oral question that Translink had encountered difficulties in relation to the procurement on Phase 2. Translink took the decision last Summer to abandon the planned combined design and build procurement and start again. This meant that the project would be delayed by around one year. I made clear my disappointment at that time with Translink, specifically at the way this decision was communicated and its impact upon the timetable for the project. Therefore I mandated Translink to make the delivery of this project an absolute priority going forward.

#### Costs

9. On foot of this, Translink took the procurement forward on the basis of a separated design and build approach for the Signalling works. In light, however, of this detailed design work it has become clear that the projected cost of between £20-£22 million for Phase 2, prepared by Translink in September 2011, was a gross

underestimate. The detailed design work now suggests overall costs could be of the order of £40 million.

10. Translink made my Department aware of this development earlier this Summer. Given the gravity of the issue I immediately commissioned an external review of the project management and this updated cost estimate. The review was in the form of a Project Assessment Review (PAR) commissioned through the Major Projects Authority of the Cabinet Office a process normally reserved for projects seen as central to the UK economy such as high speed rail.

11. The review took place in mid September and a final report was presented to me at the end of September. Because the report deals with commercially sensitive information I do not intend to make it available at this stage. The key conclusions, Mr Speaker, are:

- That the original cost projection was a high level estimate not backed up by any detailed planning or design work. Translink did not make this clear at the time.
- The original projection was underestimated at least partly due to failure to build in contingency at an appropriate level for a complex Signalling project of this kind.
- That relying on a single, even if it is independent and specialist, source of cost estimation, both in the original appraisal and currently, represents a potential vulnerability. This remains an issue. The review recommends that a further review of the latest cost estimate is undertaken.
- That a figure of £40 million including an appropriate level of contingency is more realistic for the overall project.
- That although this is a significant project in Northern Ireland terms, this project is relatively small in national terms and thus may not be seen as particularly attractive by suppliers.
- That, based on the information provided to the review team, the Translink decision not to proceed with the single bidder last year was justified.

12. The review makes a number of recommendations on how to take the project forward, including:-

- An immediate engagement with the supplier market to generate interest;
- A further check on the cost estimate to inform a pre-tender estimate;
- Applying a higher level of contingency to a cost estimate for an updated Economic Appraisal, using guidance in use within the Department of Transport; and
- Reviewing the content of the contract for the signalling element of this project to ensure it is clear that contractor payments have an upper limit.

13. I have accepted the Project Assessment Review and its recommendations, and my officials have engaged with Translink to draw up an Implementation Action Plan. Progress will be subject to a further external review in December before a decision is made to enter into a contract.

14. One of the key review recommendations is a lessons learned plan. I attach particular importance to that. I expect the Translink Board to address this urgently

and for the new Group Chief Executive to grasp this issue. I will not tolerate anything like this happening again.

15. I will also commission a review of how my Department assesses and reviews all major capital projects, not just those in Translink, and will review reporting arrangements to me on particularly important projects.

16. The findings of this report disappoint me. Translink continued to plan using figures that were not based on fact. The original estimate was frankly little more than a guesstimate. Unfortunately as a result of the review and the resolution of the issues arising there may now be a further minor delay to the project. Needless to say I am very disappointed and let down by this. Translink has had custodianship of this key Programme for Government commitment and has singularly failed to discharge it effectively. Nevertheless I remain committed to this project and to improving transport links between the two cities. My priority now is to move to procurement.

17. We are now at an important point in the project. Translink must begin the procurement process for the Signalling part of this project soon if we are to get close to the revised timetable of end of 2016. As I said I remain fully committed to the completion of Phase 2. There are two pressing priorities to enable the signalling procurement to proceed:-

- First an updated Economic Appraisal must be produced to validate Phase 2 remains value for money. This is already in hand. This will be supplemented by a further independent review of costs before the procurement. The revised appraisal will require DFP approval.
- Secondly I will engage with Translink and relook at Capital plans within my own Department over the next two years to establish how the project will be funded.

I realise, Mr Speaker, that this is not a pretty picture after the aborted procurement last year. It is clear this project cost was underestimated from the start but there have been no cost overruns and no taxpayer money wasted.

### **Conclusions**

18. Members will no doubt ask why more problems have arisen on Phase 2 when Phase 1 was delivered on time and on budget.

19. Translink started the process by combining both elements in one overarching Design and Build procurement. This appears to have been based on a template more relevant to a straight forward construction project than this project. The cost of the Signalling element of this project has clearly escalated partly because by splitting the project between Permanent way construction and Signalling involves two contractors being brought in at different times and, to avoid a line closure, overnight and weekend costs may increase. Combined with the fact that specialist staff rates have increased since 2011, because of market conditions, this means that the overall projected cost of Phase 2 is higher.

The decision made last Summer to separate the Signalling and Passing loop elements and then to separate design of the Signalling from its construction led to some delay. However it is this detailed design work which has laid bare the inadequacy of the previous estimate.

20. I am disappointed with the way Translink has managed this important project given the particular importance I attach to it and its Programme for Government status. I expect the Translink Board and new Chief Executive to comprehensively review the organisation's failings going forward. As I said I expect to see a comprehensive lessons learned exercise and follow up actions before too long.

21. My focus now is on sorting out a practical and affordable way forward. I must be candid with members and say that there remain risks with the project, notably land purchases around the Bellarena passing loop and a potential lack of interest from suppliers. I will, however, expect my officials, the Translink Board and Senior Executive team to pro-actively manage these risks and keep me fully informed.

22. Members will recall that I inherited a situation in 2011 where there was a real risk that the rail line between Coleraine and Londonderry would be closed for safety reasons because there was no budget set aside to carry out the essential track work needed. I took immediate action to ensure the line remained open and the completion of the first phase of the project in early 2013 demonstrates my commitment. I have made the newly installed Translink Chief Executive aware that the next stage of the project must be a priority for him and I can assure members I will deal with any further failings. But let us be clear if I had not intervened in the first place there wouldn't be a service operating on the line currently. I am committed to delivering an improved rail service on the line and my actions demonstrate this.

23. My record on delivering improved rail services is also clear. A record number of passenger journeys last year (13 million). Growth on all lines, including Coleraine to Londonderry. Record customer satisfaction levels and fares that compare very favourably with other parts of the UK and the Republic of Ireland.

24. Mr Speaker (Deputy Speaker) I commend this statement to the House.