

Supply

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Date: 11 August 2010

Our Ref: DF1/10/312312

DRD – Translink – Coleraine/Derry Track Relay

Dear Seamus,

The above OBC was submitted to DFP Supply, seeking approval for £75m of capital expenditure (OB adjusted) to relay the track between Coleraine and Derry and additional associated works.

Due to time constraints an initial response on the case has already been forwarded to DRD. Before Supply are in a position to endorse the project we seek that the queries previously raised are addressed. In particular a number of key issues which need to be addressed are attached in Annex A.

As always we are content to discuss any of the following.

A handwritten signature in black ink that reads "Ian Fleming".

Ian Fleming
DFP Supply
Tel 68193

Annex A

1. Confirmation is sought from DRD that the criticisms of the Bangor-Belfast project have been fully considered by DRD/Translink and lessons learnt have been fully incorporated into the development of the Coleraine/Derry case. In particular DRD should confirm that the cost estimates, project management and governance arrangements are robust and that the risk of a repeat of the failures that occurred in the Bangor project are minimised.
2. In relation to cost estimates it is noted that these are dated 2009 which have subsequently been up lifted by 3% per annum to 2011 prices. DRD should provide confirmation that they are content that the cost figures are robust & reliable and that the inflation uplift is adequate.
3. DRD should confirm that the OB uplift is adequate and is representative of projects of this nature. Likewise it is queried why a separate OB assessment was not taken forward for each of the proposed options as these in places are quite different.
4. DRD should confirm that they are content with the costs analysis included in the business case. It is queried why the business case only looks at the incremental reduction in maintenance costs. The business case does not adopt a full cost approach and does not give any indication of the full cost of the services being provided and the impact the investment will have on these costs.
5. DRD should confirm they are content with the budget statement that is presented in page 64. It is noted that the capital cost of the project is presented as **£75m** over 4 years. This figure and spend profile does not correspond with the figures DRD presented to Supply in the recent budget 2010 exercises which show the capital cost as **£86m** with expenditure in each of the budget years being £11.9m (2011/12), £66.8m (2012/13) and £7.2m (2013/14). If the business case costs are accurate it is queried why DRD are bidding for funding for this project in excess of the OB adjusted capital cost.
6. As the funding of this project will remain highly dependent on the outcome of Budget 2010, DRD should provide an indication of where this project sits within the Departments priorities for capital expenditure over the 2010-14 budget period.
7. Given the constraints on capital budgets, DRD should confirm if all the works envisaged in the appraisal are essential, such as the Park and Ride and the signalling works. Is it possible that these other elements of the case could be subject to separate business cases to enable the main track relay to move forward at this stage.
8. DRD should provide confirmation that the passenger numbers indicated for Derry - Coleraine are robust and accurate. As highlighted in the previous note these are 3-4 years old. As such it is questioned

whether or not these figures should be updated. It is also questioned if the expected growth in passenger numbers of 25% is achievable given that project shows little improvement in journey times between Belfast and Derry.

9. The Booz Allen Hamilton Report should be attached to the business case as an annex. It is questioned why the Booz Allen Hamilton projections were not included in the business case and a comparison of these made against those included on pg 24.
10. Passenger number projections are provided on Pg 23, it however remains unclear if these figures will be achieved across all the options or if different options have are associated with different passenger growth numbers.
11. It is queried why neither DRD nor Translink have made any reference to the long-term economic viability/sustainability of the route. The appraisal contains little analysis on any business model. For example it is unclear if the route is operating at a profit or loss, there is no indication about the level of public subsidy (PSA) being provided to the route, there has been no information provided on the revenue generated in terms of fare income etc.
12. Although the business case includes forecasts of passenger numbers no attempt has been made to show the associated increase in revenue. Likewise the business case does not attempt to indicate if the capital investment will achieve payback due to the increase in fares, whether the increase passenger numbers will improve the economic viability of the line, reduce the level of subsidy required etc. This lack of analysis is a concern given that the Translink are a public corporation.
13. It is noted that the risk register does not include the risk that passenger numbers projected are not achieved, that expected revenues are not generated, that the line continues to operate at a loss etc.
14. Further analysis is required in terms of the duplication and displacement effects of the scheme. It remains unclear if Translink are providing a duplication of service i.e. if rail and bus services are directly competing against each other regarding this service. The business case does not indicate whether or not the investment will simply reduce the numbers using the bus service or if bus services will be reduced in the region.
15. The business case does not include any objectives regarding increasing passenger numbers, reducing the levels of subsidy/ increasing fares, passenger comfort etc.