

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.

We believe that all appropriate controls are in place. The project is going through proper project management procedures and is being Gateway Reviewed at appropriate points.

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.

DRD are content that the costs, including the inflation uplift, are accurate. Since Belfast Bangor all major capital projects have come in under Budget.

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.

We are happy with the optimism bias as calculated for the preferred option and the methodology is consistent with the Bleach Green to Whitehead Relay which was delivered on time and on budget. We recognise that it would be preferable to have different optimism bias applied to each of the options but doing this would not change the preferred option in this case. We are currently undertaking a piece of work which will enable us to calculate accurate OB adjustments for different types of work and we will be using these estimates for future OB adjustments to projects

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.

This query along with the questions raised at points 11 and 12 below have previously been addressed in the NTT appraisal. The NTT appraisal was a comprehensive appraisal which looked at the future funding of the whole rail network. This appraisal provided the evidence base on which our Minister decided not to reduce the rail network and also to enhance the Derry line service. Given the condition of the existing track a full relay is essential to support the Minister's

decision. The NTT appraisal was also approved by DFP and indeed DFP were represented on the steering group overseeing the project. The NTT appraisal looked at the total costs (both capital and revenue costs) across the network as a whole as well as expected future revenues. This was then used to estimate the future PSO. On the basis of the detailed NTT appraisal (undertaken using WEBTAG Guidance) the future provision of rail services, including the future investment programme which included the Coleraine to Derry relay, was concluded to provide value for money. DRD believe that the business case for Derry to Coleraine should be looked at in this NTT context and a track relay appraisal is not the place to revisit some of these fundamental issues. DRD are aware that any future liability with regards to cost will have to be borne by DRD within its budget.

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.

The £86m also includes Bann Bridge, Brolley and McConaghy's, Ballast Wagons, New Tamper etc. This explanation has been provided to DFP as part of the CSR 2010 exercise.

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.

A Bid has been submitted under Budget 10 exercise. The project has received strong ministerial and departmental support and is very high priority but a decision on its affordability will still have to be made after approval of the business case and once the final budgetary position is known.

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.

The signalling works are clearly crucial to the project, both for safety reasons and to deliver the New Trains Two programme. The Park and Ride is not costed; however the track at Eglinton will be configured to provide the most advantageous layout to put in a Park and Ride in the future. When doing a relay, such configuring is of negligible / zero additional expense. To reconfigure after the relay in order to fit in a Park and Ride would cause considerable expenditure. It should be

noted that options which considered doing additional works at different times e.g. work on the bridges being done separately or park & ride facilities, were considered within the appraisal but ultimately rejected.

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.

The passenger numbers for the Derry to Coleraine section in the original appraisal were 2008/09 numbers. The attached appraisal uses the figures for 2009/10. Passenger numbers on the Derry Line have grown by over 100% since 2001/02 despite a 6% decline in 2009/10 when there was a blockade. Given the service improvements that we intend to deliver through the New Trains Two programme, 22.5% is achievable. See Figure 3.2 and the associated paragraphs.

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.

The Booz Allen Hamilton figures have been included in Section 3.3

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.

We are assuming that they will be achieved across all options; however the risk is now in the risk register.

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.

Like NIR as a whole this route will always require some form of subvention; however, with decreased maintenance costs this subvention should decrease. The NTT programme shows, in the long term, the level of PSO decreasing. I would also refer you to the answer given at point 4 which relates to the long term costs and viability of the NTT project.

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.

See Page 24 and I would also refer you to the answer given at point 4 which relates to the long term costs and viability of the NTT project.

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.

This has been included.

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.

Section 3.7 has been amended.

15. The business case does not include any objectives regarding increasing passenger numbers, reducing the levels of subsidy/ increasing fares, passenger comfort etc.

See sections 4.3.3 and 4.4