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Your reference: DALO 11/4/2014
Our reference: SUB/915/2014

03 December 2014

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Dear Paul

COMMITTEE INQUIRY INTO THE COLERAINE TO LONDONDERRY RAIL TRACK PHASE TWO PROJECT

Thank you for your letter dated 7 November 2014 following the Committee meeting which took place on 5 November 2014.

I understand the Committee has now agreed a Terms of Reference for the Committee Inquiry into the Coleraine to Londonderry Rail Track Phase 2 Project. You asked for the following information in advance of the terms of reference being announced with a due date of 20 November.

In responding we have tried to put the information in time order to make it more understandable. In doing this we refer to the specific questions (Q1 etc.) asked.

- Q1 A copy of the Project Assessment Review undertaken by the Major Projects Authority of the Cabinet Office (redacted of commercial information not critical to the findings and recommendations).**
- Q2 The original cost projection together with the supporting documentation.**
- Q3 Details of the land survey for the project.**
- Q4 The Preliminary Business Case for the project.**
- Q5 The Outline Business Case for the project.**
- Q6 The Full Business Case for the project.**
- Q7 The DRD economist's evaluation of the Business Case.**

- Q8 DRD's formal approval of the project.**
- Q9 The feedback from DFP on the Business Case, including requests for revisions to the submission.**
- Q10 The ranking of alternative options and explanations for the dismissal of other options.**
- Q11 Details of the constraints identified at the planning phase.**
- Q12 The costs and benefits of the project together with the assumptions used for each option (the high level figures, together with the detailed spreadsheets that feed into these figures, preferably a soft copy, if that is possible).**
- Q13 Details of the Gateway Review process that was conducted on the project.**
- Q14 Information on the post project evaluation.**
- Q15 Details of the level of contingency added to the project together with the explanations for the level chosen.**

Context

To put the information requested into context, I have set out below some background to the development of the project together with a timeline of the overall Coleraine to Londonderry project below, cross-referenced to the above information. Annex A contains an index of all the supporting documentation attached.

Originally the project was intended to be delivered in one Phase. The business case for this had a cost estimate of £75m and was approved by DFP as a value for money solution. However the budget settlement at the time provided only £20m in 2014/2015 for the project to start. This was notified to the Sponsor division and Translink. The incoming Minister met representatives in the North West on 24 August 2011 and agreed to relook at the position.

As a result of this, a decision was made to split the overall project into three phases and to set aside funding for parts of the project. An addendum to the original business case was prepared, with a total cost estimate for the three phases of £78m. In broad terms the addendum was based on the same value for money justification as the one phase business case. This addendum was then also approved by DFP, and after Executive approval of the related Programme for Government target, was announced by the

Minister and work commenced on Phase 1. Much of the feasibility work and costings for the three phase addendum derived from the original one phase project.

[Q3 above] In 2009 Translink carried out extensive land surveys of the entire stretch of track under consideration for the project. These produced thousands of drawings which are held on specialist software and are not easily reproduced in full. Some examples of the outputs from the topographical survey are attached (see attachments [A3a] to [A3d]).

[Q4] In early 2010 Translink worked with Departmental economists to produce the original Strategic Outline Case (SOC) (i.e. the Preliminary Business Case [A4a]). It was forwarded to DFP for approval on 24 February 2010 [A4b/c]. DFP responded on 2 March 2010 with a number of comments [A4d] and DRD replied on 18 March 2010, [A4e] & [A4f], sending up a slightly revised SOC [A4g]. DFP approval was received on 14 April 2010[A4h].

[Q2] The original cost projections for this business case [A2a] were prepared by Arup, a specialist engineering firm commissioned by Translink to provide costs for each of the options in the SOC. Supporting documentation, [A2b] to [A2f], is also attached, prepared by Scott Wilson, another Engineering specialist firm. That is, the outline specification and drawings for the Signalling and Telecomms element of the project which eventually became Phase 2 within the addendum. [A2f] is the key underpinning supporting document for the £20m estimate now referenced. **Q2/Q12 both refer.**

[Q5] / [Q7] In September 2010 one business case was completed which effectively covered both the Outline Business Case (OBC) and the Full Business Case (FBC), [A5a] to [A5f]. Again there were numerous interactions between DRD Economists and Translink before this was finalised, [A7a] to [A7f], and DRD signed off a final draft by 17 June 2010 [A7g]. This was submitted to DFP for approval on 21 June 2010, [A5g] & [A5h]. DFP provided its comments on 11 August 2010, [A5i] & [A5j], and the Department replied on 20 September 2010, [A5k] & [A5L]. DFP approval was received on 9 November 2010 [A5m] & [A5n].

[Q10] Section 5 of the original business case covered the identification of original options. It commenced by detailing the long list of options identified by Translink for the project. It then discussed the merits and downsides of each of the options and

concluded by setting out the options short-listed for in-depth appraisal. Each identified option had been assessed in the context of whether its anticipated effect would satisfy the principal objectives or violate important constraints.

The following Options were taken forward for full appraisal:

- Option 2a Do Minimum: Heavy Maintenance;
- Option 3a Full Renewal with One Loop Only (Baseline);
- Option 3b Full Renewal with One Loop Only (without the Bridge Works);
- Option 4a Full Renewal with Two Loops including a DDA compliant halt at Bellarena; and
- Option 4b Full Renewal with Two Loops including a DDA compliant halt at Bellarena (without the Bridge Works).

The selection of the Preferred Option was detailed in section 11 of the OBC. The selection was based on a combination of the monetary and non monetary assessments completed within the business case. Option 2a had the highest NPC and the lowest non-monetary score so was rejected. Option 4a had the highest non-monetary score, marginally ahead of Option 3a. However, Option 3a had the lowest monetary cost and was considered almost £5 million less costly in NPC terms than Option 4a. The marginal non-monetary advantage of Option 4a over Option 3a did not justify the additional monetary cost of Option 4a. Option 3a was therefore chosen as the preferred option.

Due to budget constraints Option 3a was no longer considered affordable and the decision was made to defer investment until a later date.

The Identification of options was therefore updated within the Addendum. Section 5 of the addendum lists the options considered after a three phase project was produced. The selection of the preferred option is detailed in Section 8 of the Addendum based on monetary and non-monetary analysis. On this basis Option B was considered the preferred option.

[Q11] The constraints identified at the planning phase are addressed at section 4.5 of the original business case. The detail included is shown below:

- Availability of land (if applicable): There may be a requirement to acquire additional land in order to extend the platforms. This may be costly, time consuming and there may be regulations to consider;
- Existing Infrastructure (e.g. bridges, embankments, cuttings, etc.): Thought will need to be given to the existing infrastructure and any modifications which may be required;
- Regulatory and Planning constraints: The proposed work to be carried out must comply with relevant legislation and regulations, including Health and Safety legislation;
- Allocated budget: The project can only proceed if the appropriate financing is secured; and
- Time: The project needs to be completed within a required time frame (by August 2013).

The constraints associated with the project were updated within the addendum and listed on page 9, section 4 of the Addendum. The detail included is shown below:

- Allocated budget – the project can only proceed if the appropriate financing is secured. The PE implications are set out later in the addendum.
- Time constraint – the Coleraine to Derry line needs to be open for as much of 2013 as possible as this is the year that Derry is the UK City of Culture.
- Availability of land (if applicable) – there may be a requirement to acquire additional land in order to construct the passing loop.
- Regulatory and Planning constraints – the proposed work to be carried out must comply with relevant legislation and regulations, including Health and Safety legislation.

The preferred option in the original business case was option 3a, which was a full relay of the existing track with the addition of a new passing loop and a new signalling system to be operated from Coleraine.

[Q12] Section 6.3.3 of the Original business case provides details of the costs of the preferred project option and Appendix 5 to the Original business case provides the whole life costing for the preferred option.

[Q5] As explained above the one phase project as envisaged by this business case could not be implemented due to funding constraints upon the Department. So instead an Addendum to the original business case, [A5o] to [A5q], was produced which detailed four options, of which the preferred one was Option B (Re-rail middle section, relay end sections of rail by the end of March 2013, upgrade signalling and provide passing loop by the end of June 2015 and relay middle section by 2021).

[Q12] Annex 1 of the Addendum provides a detailed breakdown of the capital costs associated with the preferred option, i.e. Option B. The whole life costing for the preferred option, Option B, is included in the NPV analysis [A5p]. The difference in cost between the OBC and the Addendum reflect the fact that the costs were uplifted to 2011/12 prices and reflects the higher costs associated with splitting the project into three phases. There would therefore be an increase in Preliminaries, Preparation and Supervision (these need to be done three times as opposed to just once), an increase in signalling costs (the relay of the middle section in Phase 3 will involve the disconnecting and reconnecting of the signalling in that section) and the work will involve two major blockades in Phases 1 and 3 as well as smaller blockades in Phase 2 (in the original business case it was assumed that one blockade would do for the whole works). This explains the increase from £75m to £78m.

[Q7] Once content with the Addendum and having discussed it with senior officials in the Department, [A7h] & [A7i], DRD economists sought approval from DFP on 27 September 2011 [A7j]. In doing so the Department confirmed that it was content with the regularity, propriety and value-for-money of the business case.

[Q9] DFP approved the Addendum on 10 October 2011 with no additional amendments required [A9a] & [A9b]. This approval which remains in place based on the costings

provided originally confirms DFP as being content on regularity, propriety and value-for-money grounds.

[Q8] DRD formally issued its Letter Of Offer to Translink for Phase 1 on 12 October 2011 and the Letter Of Offer for Phase 2 on 26 October 2011 [A8]. This was aligned to Translink Corporate Plans agreed by the Minister but is subject to annual Capital budgets being agreed.

[Q1] The Project Assessment Review (PAR) was commissioned in August 2014. As the Minister explained in his statement to the Assembly on 3 November, commercial confidentiality prevents him from disclosing the PAR report at this time. However, as he indicated to the Committee for Regional Development on 12 November, he will release the report in full at the appropriate time, after the conclusion of the procurement process. As promised he is content to release the Scope of the review [A1].

[Q13] The Gateway Review Process for Phase 1 commenced in June 2009. A second review was carried out in June 2010 and a third review in May 2012. The next review is currently scheduled for March/April 2015 just prior the awarding of the signalling construction contract. No Gateway reviews have been completed for Phase 2 but it is intended to undertake one if and when current issues are resolved.

[Q14] It has been agreed with DFP that one overarching Post Project Evaluation should be completed in respect of Phases 1 and 2 within three months of the completion of Phase 2. Thus it is anticipated that this will take place in early 2017.

[Q15] An Optimism Bias figure of 20.2% was used for the project in the Addendum. Section 7.4 of the original business case explains the rationale behind this figure. This figure was also used in the Addendum. Following the recommendations of the PAR review, the Optimism Bias has been increased to 40% with a resultant increase in the total estimated project cost.

The content of this letter and enclosures are fully disclosable under FOI.

I trust that this clarifies the position.

Yours sincerely

[SIGNED]

ALAN DOHERTY
Departmental Assembly Liaison Officer

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