Opinion: Queensland must start Cross River Rail with or without Commonwealth

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LAST week, Prime Minister Malcolm Turnbull said Infrastructure Australia described **Brisbane's Cross River Rail** proposal as inadequate in a number of respects.

Federal Infrastructure Minister Darren Chester also said more work was needed on the business case before money could be invested.

But with no clear time frame set for resolution, there are at least two good reasons why the Queensland Government should bite the bullet and lead off with its highest-priority infrastructure project.

First is the impressive wider benefit flowing from the project to Queenslanders around the southeast; and secondly, even with the state's fiscal constraints, the project is affordable.

Had the Cross River Rail track been laid "on-ground" rather than in underground tunnels below the clustered cityscape, its business case would have shown it being a "no-brainer".

But three project incarnations over eight years have each said on-ground rail is not possible for the majority of the route, meaning construction costs are at about $495 million per kilometre, rather than $80-$90 million per kilometre for standard passenger rail and stations.

When the business case fog finally clears, it will likely show a modest benefit-cost ratio either slightly above or below 1.0. This isn't surprising; in fact, it's in line with what's expected from this sort of project.

There are several reasons for that, but a key one is that projects in mature rail networks don't tend to produce the impressive BCRs of projects where connectivity is still poor.

For projects in alignments such as Cross River Rail, amassing benefits to balance the unusually high construction costs is problematic, but it's high time we moved past this.

You only have to look a little further south to see examples, where the Victorian Government is getting on with two of that state's transformative rail projects, both having BCRs either less or more marginal than Cross River Rail.

The much-lauded $8 billion level crossing removal project has a BCR of just 0.78, meaning economic benefits of just 78c for every $1 spent.

And with a hefty price tag of $10 billion, the wholly state-funded Melbourne Metro has an initial BCR of just 1.1, with extra scope and costs likely to drive the final BCR down a dot point or two below 1.0.

The fact that track needs to be laid underground, like The Tube in London, impacts on Cross River Rail's benefit-cost ratio.

Infrastructure Australia itself acknowledges that BCRs are simply an indicator of the economic merit of a proposed initiative, and that where projects have a broader social, environmental or economic impact that's difficult to monetise, a BCR of less than 1.0 may still be acceptable.

If the strength of BCRs alone had been reason to build the great underground metro systems of the world in places such as London, New York and Paris, they simply wouldn't have been built. Ditto the Sydney Harbour Bridge.

These city transformation projects often take time to accrue wider net benefits, not contemplated by any BCR.

But invariably they become indispensable infrastructure, increasing investment, liveability and connectivity of the city and its surrounds.

We have to get back to what people most value. TransLink customers from the Gold to Sunny coasts demand more frequent services, less waiting time at stations, more reliable on-time services, better safety and access to seats on trains.

It's this that should top our thinking, not the limitations of this particular cost-benefit assessment. And to southeast Queenslanders more broadly, it's the promise of safer journeys, not queuing as long for the bus, and not getting stuck for hours in congested arterial and M1 traffic.

So why is it affordable? Use of a public-private partnership for the project's $3.5 billion twin 5.9km tunnel underground stations allows the state to tap into private sector finance for an upfront capital injection, spreading repayments over a 25-year concession period.

Used extensively on major transport projects such as the Clem7 tunnel and second Toowoomba Range crossing, this delivery option would also create a seven-year "construction window", freeing up much needed funds to spend on other state projects.

The Federal Government has also invited the Cross River Rail project to be considered in its new $10 billion, 10-year National Rail Program announced in the Federal Budget, with money flowing in 2019-2020, well within the time-frame required to service PPP payments.

It's also no secret that Queensland persistently underspends its capital works budget, sometimes by more than $1.5 billion per year.

The 2016-17 Mid-Year Fiscal and Economic Review showed Queensland will be $2.5 billion lower in the period between 2015-16 to 2018-19, and $655 million lower than the 2016-17 Budget, with this figure likely to grow.

So even without a PPP to defer capital, the annual expenditure of this seven-year project would be about half of Budget underspend each year.

On the back of those figures, try telling our hungry builders and civil contractors that it's not affordable.

If Cross River Rail really is the state's No.1 priority project, I see good reason for the Palaszczuk Government to lead off and act decisively in the upcoming State Budget.

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