

Managing the Level Crossing Removal Program

Tabled 14 December 2017

VAGO

This presentation provides an overview of the Victorian Auditor-General's report on Managing the Level Crossing Removal Program.

Background



Increasing population growth



Increasing demands for transport

The Level Crossing Removal Program (LXRP)—key infrastructure project to remove 50 level crossings

Two additional level crossings have been identified for removal since LXRP announcement

The program is managed by the Level Crossing Removal Authority (LXRA) which took over the responsibility from VicRoads in 2015



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The Level Crossing Removal Program (LXRP) is one of the Victorian Government's key transport infrastructure projects. It is part of an overarching policy to improve Melbourne's transport network, and its stated aim is to remove 50 of the most dangerous and congested level crossings.

Since LXRP's announcement, two additional level crossings for removal have been identified, bringing the total to 52.

The program is managed by the Level Crossing Removal Authority (LXRA) who took over responsibility from VicRoads in 2015.

What we looked at

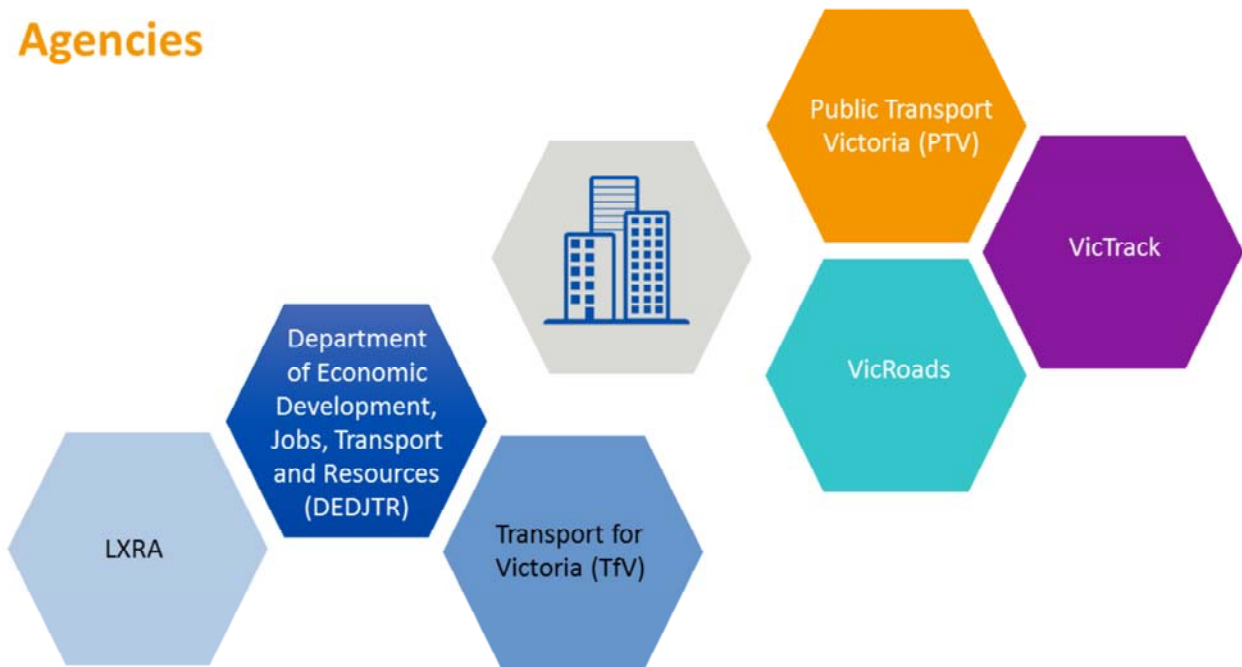


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As the LXP is only two years into an eight-year program, this audit identifies risks, lessons and opportunities for improvement for future works.

We have examined whether the LXP is cost-effective in terms of whether it has improved, or is expected to improve, the safety and efficiency of the state's road and rail network.

Agencies



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Our audit focused on the role of the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and LXRA in program delivery and benefits monitoring, Transport for Victoria (TfV) in providing oversight and strategic focus for the LXRP, and on PTV in its role of ensuring an effective public transport network.



What we found

- Not all 50 are most 'dangerous and congested'
- Pace of delivery presents risks to achieving value-for-money
- Inadequate business case
- Poor indicators, measures and benefits



What needs to improve

- Site selection and prioritisation
- Site packaging and procurement
- Benefits management
- Integration of various rail projects

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Contrary to publicly stated objectives, not all of the 50 level crossings selected for removal are the most dangerous and congested. In this sense the program is not fully achieving its stated objective.

The delivery of the program is ahead of schedule and LXRA expects to surpass its target of removing 20 crossings by 2018. However, this pace presents risks to achieving value for money. These risks are compounded by an inadequate and delayed business case, and poor indicators to measure program benefits.

While LXRA is managing some aspects of the program well, there are some areas that require improvement, particularly site selection and prioritisation; site packaging and procurement; benefits management; and the integration of various rail projects.

Level crossing selection and cost



Business case not finalised until two years after program commenced



Not all of the selected level crossings are among the 50 most dangerous and congested

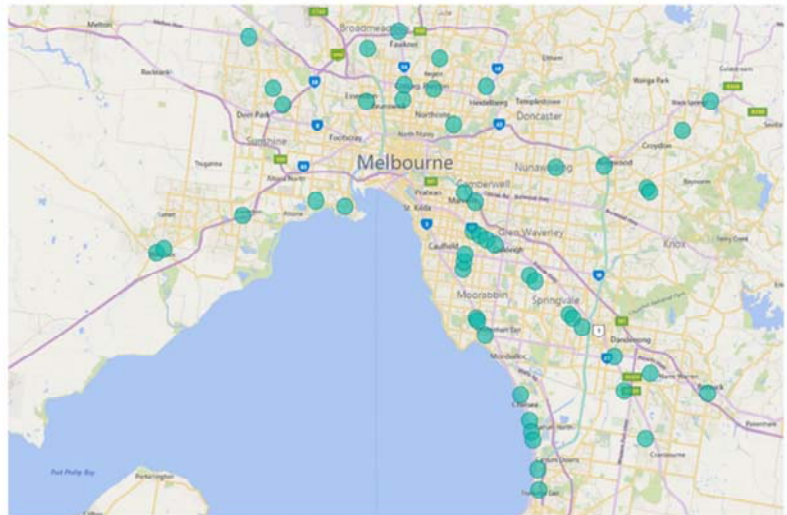


Selection of sites was based on election commitment



Government did not validate selection after the election

Locations of the level crossings to be removed



The program's business case was finalised in April 2017, almost two years after the program had commenced. Weaknesses in this business case undermine its value and ability to provide a sound basis for the government's decision to commit to the investment.

Not all of the selected level crossings are among the 50 most dangerous and congested. The government's election commitment was the basis for the selection of sites for the LXP. However, post-election advice to government did not test the validity of the selected sites against other site options.

Committed time frame impacts delivery

- Crossing removal sites are divided into packages for delivery
- The need to meet the time frame impacted on procurement, packaging and sequencing



LXRA prioritised crossings that:

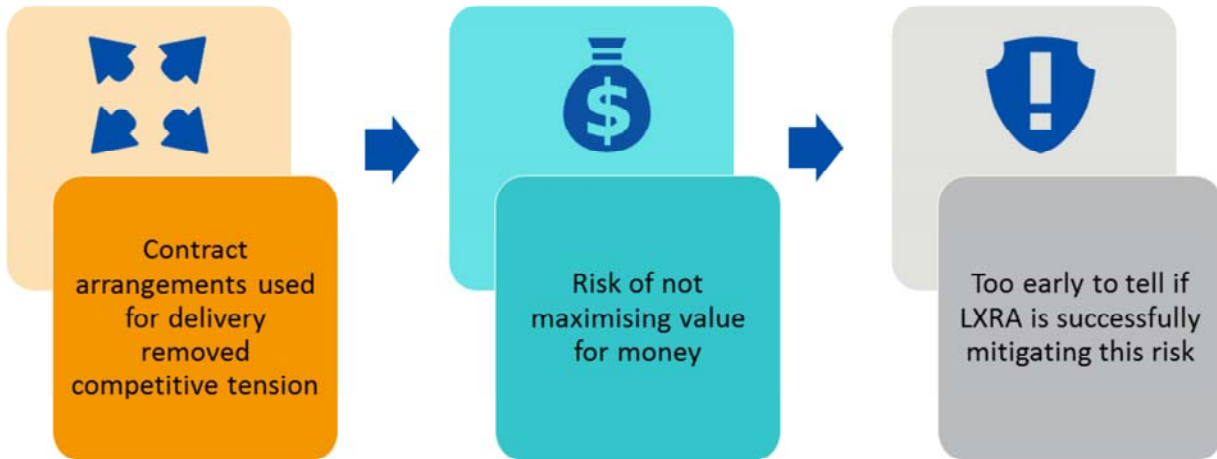
- had greater preparatory work completed
- were less complex

More complex and challenging crossings to complete within time frame and budget

The 52 level crossing removal sites are divided into packages for delivery. The need for LXRA to meet the government's committed time frame has had an impact on procurement, packaging and sequencing.

LXRA has prioritised level crossings that had greater preparatory work completed, and less complex design solutions, for removal. The remaining crossings are more complex and potentially more challenging to complete within the allocated time frame and budget.

Contract arrangements

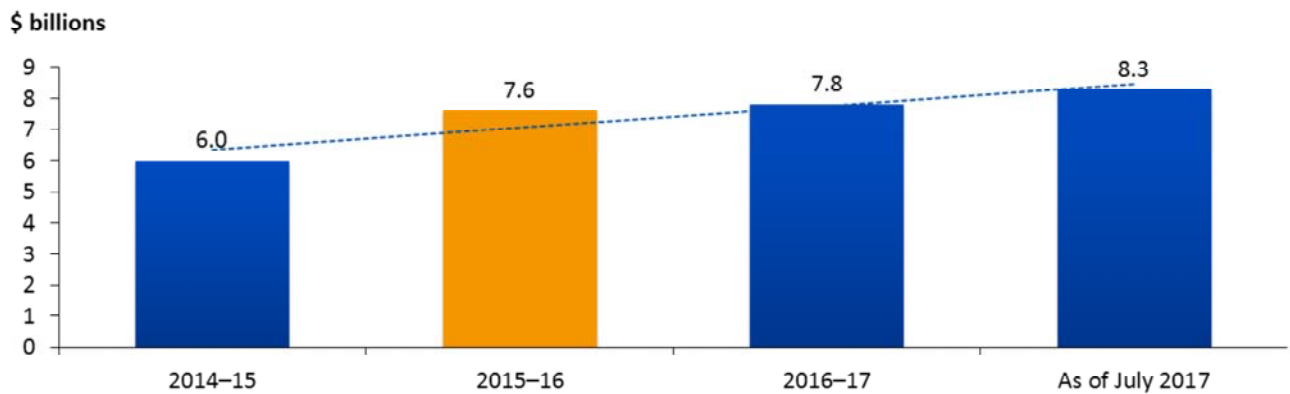


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Some of the contract arrangements used for delivery removed competitive tension and created the risk of not maximising value for money. It is too early to tell if LXRA is successfully mitigating this risk because not all of its risk mitigation tools are fully developed.

Increasing program cost

- Cost has increased at least 38%
- Business case not updated in line with High Value High Risk (HVHR) process—including costs



The business case provides a total program cost estimate of \$7.6 billion—made up of \$6.6 billion for level crossings and \$1.0 billion in associated network improvements. A High Value High Risk gateway review of this business case highlighted that the program cost in the business case is greater than the \$5–6 billion election commitment.

The cost of the program as at July 2017 is \$8.3 billion. The business case was not updated to reflect ongoing changes to program cost estimates.

Intended benefits



Benefits management framework needs improvement



Limited outcomes reporting



Lack of comprehensive indicators and targets



Insufficient data

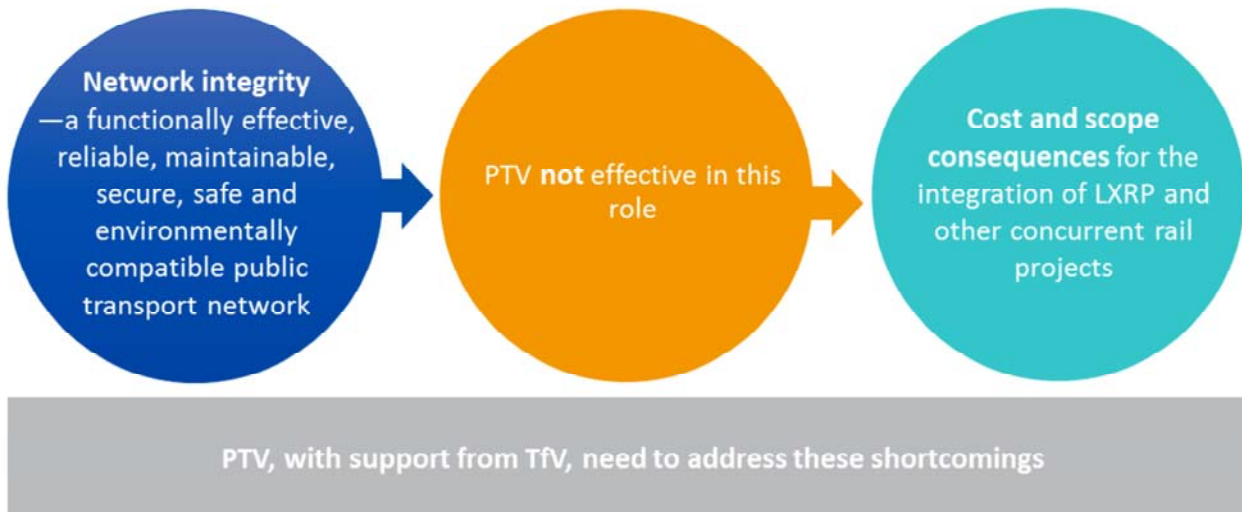


Cannot determine if LXRP is achieving outcomes

As completion of the LXRP is not due until 2022, with only 10 of 52 crossings removed as at September 2017, there is currently insufficient data to judge how well the program is achieving intended outcomes.

DEDJTR has developed a benefits management framework in accordance with Department of Treasury and Finance (DTF) requirements. This includes an investment logic map, benefit map and benefit management plan. LXRA is responsible for monitoring achievement of outcomes. However, current monitoring and reporting is not meaningful due to the lack of comprehensive key performance indicators and targets. Without these, LXRA cannot assess the extent to which the program is achieving intended outcomes.

Adequacy of network integration and integrity



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One of PTV's key functions, since September 2016, is to ensure public transport network integrity, that is maintaining a functionally effective, reliable, maintainable, secure, safe and environmentally compatible public transport network.

PTV does not have adequate resources to effectively perform this role. This has negative cost and scope consequences for the integration of LXP and other concurrent rail projects into the rail network.

PTV, with support from TfV, which is now responsible for transport planning, will need to address these shortcomings.

Recommendations

2 recommendations for DEDJTR

- Follow HVHR guidelines in developing the business case
- Develop more meaningful KPI and targets

4 recommendations for LRXA

- Apply options assessments transparently and consistently
- Commission an independent evaluation of deferred pricing contractual structure
- Embed its benchmarking tool into the procurement process
- Progressive monitoring achievement of outcomes

2 recommendations for DEDJTR in conjunction with LXRA and TfV

- Develop a transparent selection and prioritisation process for targeted removal of level crossings
- Evaluate the packaging approach and incorporate lessons into future removals

2 recommendations for DEDJTR in conjunction with PTV

- Develop contemporary network rail standards, so that agencies delivering rail projects have an understanding of network requirements
- Monitor the effectiveness of PTV's controls to improve its network integrity function

We made six recommendations to DEDJTR aimed at improving monitoring reporting and transparency.

We made four recommendations to LXRA aimed at improving transparency and cost effectiveness.

All agencies have accepted their recommendations.

Overall message

While delivery of LXR is ahead of schedule, the program is not fully achieving its stated objective. There are risks to achieving value for money, and some aspects need improvement, such as, site selection and prioritisation, site packaging and procurement, benefits management, and the integration of various rail projects.

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For further information, please view the full report on our website:
www.audit.vic.gov.au

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