

A CASE AGAINST CAPITAL METRO STAGE 1

RELEVANT EXTRACTS FROM ORIGINAL PAPER

Note

These extracts from the original paper of October 2014, are still relevant today, in the context of the pending Light Rail Stages 2A and 2B, which together, would be very much more expensive than Stage 1.

Early cost estimates detailed in the paper were educated guesses, with very little information having been released to the public. Other papers published on this website give later cost estimates for the project.

The author did not receive funds from any external source; it was prepared only in the public interest to properly inform the voters and taxpayers of Canberra of the most probable financial liability they faced if the project were to proceed.

Introduction

At the Capital Metro industry briefing on 15 September 2014, Minister Corbell announced that the ACT Government had decided to proceed with Stage 1 of the Capital Metro project, being the Gungahlin-Civic tramway, and that it would be funded through a Public, Private Partnership (PPP). The supporting Business Case will be released on 31 October 2014, coincidentally with issue of the request for expressions of interest from prospective suppliers for Stage 1. In effect, the decision to proceed with the project has been made before details of the final Business Case have been released for public discussion.

Purpose

The main purpose of this paper is to advise what every Canberra voter and taxpayer should know about Capital Metro Stage 1 and what neither the ACT Government nor the Capital Metro Agency (CMA) has yet told them about this most expensive ever of ACT Government projects. It is an independent account of the state of play of the Capital Metro Project, as known from relevant information in the public domain at mid-October 2014.

Although it has already made the decision to proceed with construction, the Government has so far refused to tell citizens all the facts, especially about the huge capital costs and the ongoing subsidies required for operations and logistic support of the system. Its approach has been less than open and hardly fair to voters and taxpayers who will have to foot the bill.

It is imperative that all Canberra residents understand the real implications of this largest of projects and, as taxpayers, have every right to know both sides of the argument and to insist upon their say before irrevocable commitments are made.

The Government has been extraordinarily active in promoting the so-called benefits of the project, with no expense spared. One need only have a good look at the Capital Metro website. Unfortunately, it has been less than transparent in respect of the direct, indirect and opportunity costs of the project.

Questions every Canberra voter and taxpayer should be asking

Every Canberra taxpayer should ask himself or herself the following questions and demand answers from their Government:

- Why was the Light Rail Transit (LRT) chosen over the Bus Rapid Transit (BRT) solution that had almost half the cost and twice the benefit/cost ratio, as shown in the URS report of August 2012?
- Do I believe that the Government has been transparent and forthcoming with voters about this most expensive ever of ACT projects?
- Do I believe that ACT Government agencies and services would suffer from budgets that would have to be squeezed to make room for Capital Metro?
- Do I believe the ACT Government could afford to extend the network beyond Stage 1?

Principles

In responding (if ever) the foregoing questions, your government should be expected to adhere to the following principles:

- **Honesty:** The Government should practise its claim to be open, honest and transparent in communications with the public.
- **The right to know:** Canberra taxpayers have a right to know both sides of the argument concerning the project, so that they may form a reasoned opinion.

- **No taxation without true representation:** The Government should have a proper electoral mandate from taxpayers before starting construction on Capital Metro Stage 1.
- **Community support:** This major project should have clear majority support from the community at large and by taxpayers.
- **The right aim and right solution:** The purpose of the project must be clear and the chosen solution the correct one. The Government continues to ignore contention that the Gungahlin-Civic tramway is the most appropriate. There has been considerable criticism of both the chosen corridor and that light rail technology. Other, probably more practical routes that better serve Canberra institutions have been proposed. There are those who believe that light rail is an outmoded technology and relatively soon to be replaced by far superior modes of transport such as driverless cars and Personal Rapid Transit systems.
- **A justifiable case:** The project must make sense economically as well as socially.
- **User pays:** Canberrans not benefiting directly from the corridor should not be expected to pay for those who do benefit.
- **Negative consequences:** This project would impose huge opportunity costs and negative impact of investments on 80 per cent of Canberra residents, through restriction of funds for more worthy investments throughout all of Canberra.

Real Costs

See later papers posted under ‘Light Rail’ of this website.

Opportunity Costs

Opportunity cost is the cost of an alternative that must be forgone in order to pursue a certain action. Put another way, the benefits you could have received by taking an alternative action.

In this case, think of the more important infrastructure like hospitals, health centres, schools, tertiary institutions, roads, in-fill residences and a first-class ACTION bus network that could be bought for the many millions of dollars of taxpayers’ money the Government intends to spend on Capital Metro Stage 1.

Government Gains from real estate development

It is acknowledged that, as planned by the Government, there would be gains from land sales, betterment fees and ongoing rates from the developed corridor and that this paper has not attempted to quantify them. Although the Government has yet to make public any such estimates, there are important critics¹ who believe that the same gains would be obtained from comparable investment in real estate development around Canberra. Therefore, there is a definite question as to whether such gains by the Government could be validly included in a cost-benefit analysis of the project, in the same way that projected employment of some 3,000 plus jobs would not be counted in the

Conclusion

Ever since the ACT Government started taking light rail seriously it could be accused, unfortunately, of perpetuating certain fallacies:

- The Government claims that ‘benefits’ outweigh costs, on a ‘triple bottom line basis’ but has not yet offered proof. Many claimed ‘benefits’ are largely imaginary or do not have any real value in the Canberra context. It rests its case on unquantifiable social benefits being worth more than the huge, real expense.
- The Government says that the release of true cost estimates would prejudice tendering. This is simply a self-serving fallacy.
- The Government says that the project will produce more than 3,000 jobs. Maybe, but so would comparable investment in infrastructure.
- While the Government talks of a Canberra-wide light rail network beyond Stage 1, it has not given any timeframes or cost projections.

M.R. Flint

Australian Logistics Study Centre (ALSC), Canberra, ACT October 2014 [Reviewed 31Dec21]

¹ Note the article “*Light rail logic is flawed*” in The Canberra Times (15 October 2014) by Mr David Hughes.