

MOVING ON FROM THE FAILURE OF GLOBELINK

Why over a decade of cost benefit studies have failed to address the transport efficiency, safety and amenity issues that concern Adelaide's community



Simon Molloy
Systems Knowledge Concepts Pty Ltd
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This document was prepared on a public interest basis following 20 years of involvement in community discussion regarding a new multi-mode transport corridor to the East of the Mt Lofty Rangers and a broad range of related infrastructure, transport and economic development issues. It reflects the experience and views of the author as informed by numerous contributions from and interactions with the many stakeholders listed in the acknowledgements section below.

Simon Molloy, Director, Systems Knowledge Concepts Pty Ltd
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simon.molloy@skc.net.au
www.skc.net.au

Simon Molloy is an independent economic consultant with 30 years' experience. He has consulted to all Australian Governments, to companies and governments throughout the Indopacific, and to international organisations such as ASEAN, APAC, and the International Telecommunication Union.

ACKNOWLEDGMENTS

Throughout this document, there are frequent references to 'Adelaide's community', 'stakeholders' and 'advocates'. These are not nebulous or tenuous references. The following organisations have, over the past two decades, either directly or indirectly influenced and contributed to the ideas and propositions contained in this document.

Councils

Mitcham Council, Adelaide Hills Council, Mt Barker Council, Unley Council, The Rural City of Murray Bridge, and the Murraylands and Riverland RDA.

Community organisations

Blackwood Action Group Inc., Rail Freight Committee, Transport Action Group, Brownhill Creek Association, South Australia Regional Rail, Friends of Belair Line, Friends of Belair, National Park, Kensington Residents Association, Monarto Residents Association, Our Roads SA.

I also acknowledge the significant ongoing contribution of Nicholas Molloy (my brother and Hills resident) who has made an enormous contribution lobbying for a masterplan to guide the rapidly expanding economic development of the Eastern Mount Lofty Ranges (as described in his document ADELAIDE AT THE CROSSROADS, 2016). He has provided key inputs for this document.

DISCLAIMER

While every effort has been made to obtain accurate information on which to base the conclusions in this paper, it is emphasised that only information in the public domain was available. Information that was unavailable includes details of data sources and calculations for the reports cited in this paper. Given that these reports were undertaken using public funds, it is reasonable such details should be publicly available to enable interested parties to review the relative input data, calculation and analysis. The unavailability of such information may impact of conclusions in this paper in ways that are beyond the control of the author.

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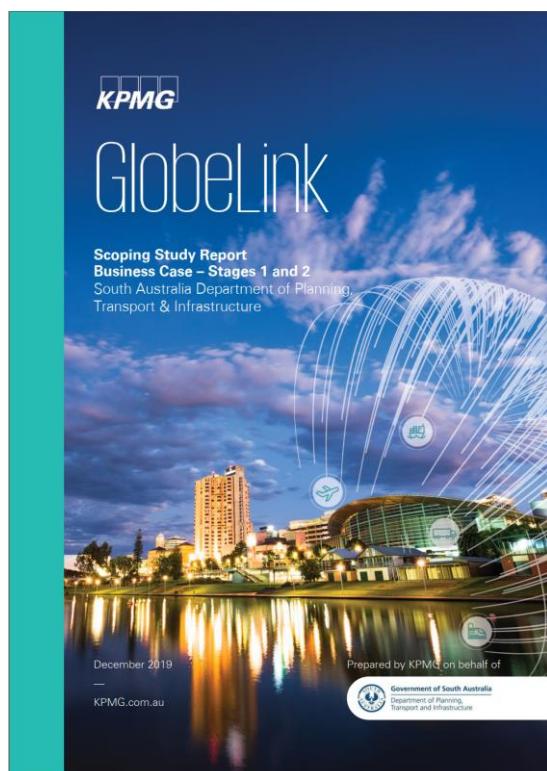
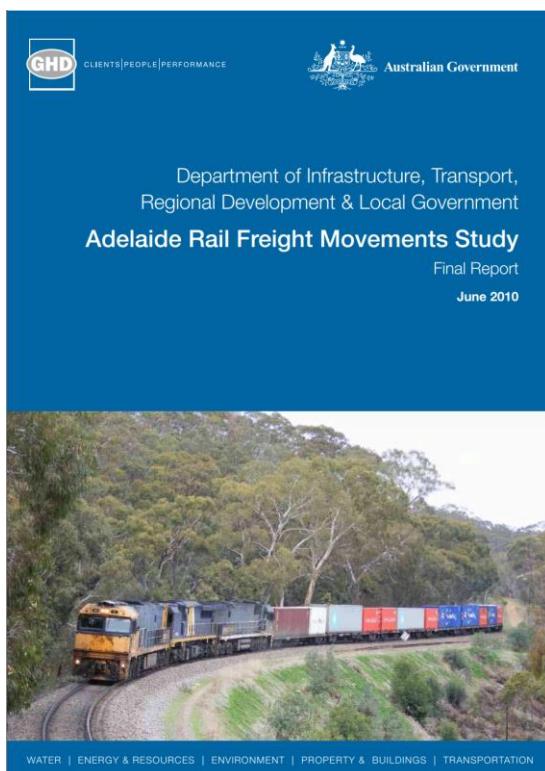
The cost benefit disconnect: community and politicians are talking past each other

Over the past decade, South Australian State Governments have commissioned two major cost benefit studies or ‘scoping studies’ focusing on transport and infrastructure issues for the Adelaide Hills and the greater Adelaide metropolitan area.

Consultants, GHD, produced the 2010 Adelaide Rail Freight Movements Study¹ which rejected all five proposed infrastructure options as uneconomic. The 2019 GLOBELINK Scoping Study by KPMG², similarly, rejected all the options that were considered and Premier Marshall’s pre-election, transformative vision for the State was abandoned.

These negative cost benefit results left many Adelaide residents in a quandary. Their own experience and concerns tell them that the transport status quo generates significant congestion, inefficiency and dis-amenity, and the prognosis is for conditions to rapidly further deteriorate.

This perception suggests to them that substantial benefits would be realised from better transport infrastructure and services, and that it is inevitable that investments must be made sooner rather than later as the demands on existing infrastructure inexorably grow. This position is supported by local governments.



But, repeatedly, what are presented to the public as comprehensive cost benefit investigations, say otherwise – that the costs of infrastructure investments outweigh the

¹ Rail Freight Movements Study Final Report June 2010, GHD Pty Ltd, Department of Infrastructure, Transport, Regional Development & Local Government Adelaide

² GLOBELINK Scoping Study Report, Business Case – Stages 1 and 2, 2019, KPMG for Department of Planning, Transport and Infrastructure

benefits – they are uneconomic or, in the dismissive and superficial, language of the day, ‘it doesn’t stack up’. What’s going on?

In fact, the intuitions of Adelaideans are correct. There is a disconnect, a significant gap, between the questions that are being addressed in these economic studies and the problems that communities are seeking solutions for.

In essence, Adelaide’s community on the one hand, and the cost benefit studies on the other, are *talking about different things*.

A clear example of this disconnect is the 2010 GHD Adelaide Rail Freight Movements Study. In the pre-study public consultations and in the representations and submissions by local government, first responders, action groups and business, no one actually asked for a freight movement study. Yet that is what it became to the exclusion of the broader issues of amenity, congestion and safety that concern the community.

The strengths and weaknesses of cost benefit analysis

The purpose of cost benefit analysis is to determine whether government-funded projects are in the public interest. Before we commit taxpayer dollars, we need to be confident that any project’s benefits are greater than its costs – that it is, simply put, in the community’s interests or not to proceed. The idea is simple enough, but cost benefit analysis is one of those things that is simple in concept but difficult in execution.

One of the central objectives in a cost benefit analysis is to estimate a dollar value for all costs and benefits so that they can be incorporated into a single estimate of the project’s overall value to society. But some costs and benefits are easier to value than others. The construction costs of building a new road, for example, a relatively straightforward to estimate. So are some of the benefits in terms of time savings for commuters that better roads deliver.

But what about other costs and benefits that are more difficult to value? For example, there may be environmental and amenity improvements arising from a particular project. What if a new road leads to fewer accidents, injuries and deaths? How do we account for the broader economic development impacts of large infrastructure projects such as greater economic growth and more jobs?

Economists have developed many tools, methods and approaches for dealing with such questions but a degree of subjectivity, nonetheless, remains in any cost benefit study.

In addition to some irreducible subjectivity, one of the most important decisions that must be made at the outset of any cost benefit study is the study ‘scope’.

‘Scope’ in this context means several things, such as: What questions is the study trying to answer? What categories of benefits and costs should be considered? Over what geographic area should benefits and costs be considered? How broad should be the range of costs and benefits considered, for example, should long-term economic and social opportunities and developments that might emerge as a result of the investment be considered in the analysis?

How a cost benefit study is initially scoped will exert a considerable influence on how it will turn out. A cost benefit study that is well executed but not well scoped will achieve nothing more than providing accurate answers to the wrong questions.

In all cost benefit studies, many assumptions and forecasts will need to be made, because, obviously, cost benefit studies are mostly about the future. For example, future levels of

freight traffic and other variables will need to be estimated and the quality of these forecasts will strongly influence outcomes.

Additional information on the Commonwealth Government's guidelines is provided in the document, *Cost benefit analysis, Guidance note*³. This guide includes the table below which outlines the main steps in a cost benefits analysis. Note, in particular, Step 2 – 'Decide whose costs and benefits count'. This step along with 'Specify the set of options', constitute the all-important scoping phase.

Step	Action
1	Specify the set of options.
2	Decide whose costs and benefits count.
3	Identify the impacts and select measurement indicators.
4	Predict the impacts over the life of the proposed regulation.
5	Monetise (attach dollar values to) impacts.
6	Discount future costs and benefits to obtain present values.
7	Compute the net present value of each option.
8	Perform sensitivity analysis.
9	Reach a conclusion.

Given all this complexity, cost benefit studies should be written in such a way that their assumptions, projections and detailed methods are all transparent and can therefore be checked and replicated. Neither of these two studies can be replicated on the basis of the information provided within their pages.

Perhaps the most significant deficiency of these studies from the perspective of the concerns of Adelaide's community, is that they simply did not encompass and consider a broad enough range of costs and benefits and, importantly they did not focus sufficiently on the long term and broadscale benefits which are commensurate with the scale of the investment expenditure being contemplated.

What questions were the GHD and KMPG studies actually trying to answer?

As context for this discussion, it is important to understand the background to the 2010 GHD study. In 2010 sixty-five of South Australia's sixty-eight Local Governments voted in favour to lobby state and federal governments for the removal of trans-national freight trains from the Adelaide Hills and metropolitan suburbs. Work by the Mitcham Rail Freight Committee, Unley, Mount Barker, Adelaide Hills, Murray Bridge and Alexandria councils, and regional development organisations as well as lobbying by community groups and stakeholders, were instrumental in attracting funding for the GHD cost benefit analysis. The community expectation was that their broad concerns about road and rail transport, safety,

³ see: Cost benefit analysis, Guidance note, obpr.pmc.gov.au/sites/default/files/2021-09/cost-benefit-analysis.pdf

productivity, amenity and long-term development planning would be addressed in the study. But this did not happen.

According to the GHD study its key purpose was “*to determine how Adelaide’s freight rail network can be made to work better*”. The study made some attempt to address questions of amenity but did not consider all of the metropolitan-wide benefits of removing heavy road vehicles from the Hills and Adelaide’s metropolitan road network. It didn’t consider the national benefits arising from the removal of the weakest link in the national rail network. It did not attempt to evaluate the broader economic development opportunities arising from the infrastructure options considered.

Three of the councils were sufficiently disappointed with the study to commission an independent review. This review stated: “a much broader perspective should be taken in the evaluation of the rail freight corridor options, with careful consideration being given to a range of ‘cross-sectoral’ issues. These include the differential impacts of the options on settlement patterns and regional productivity in industries other than those generating or receiving rail freight.”⁴

The 2019 KPMG GLOBELINK study, while considering a somewhat broader range of issues, again failed to address key stakeholder concerns. This was, in part, because the study was focused on GLOBELINK as proposed by the State Government rather than the issues being articulated by stakeholders. The community wanted less congested metropolitan roads, an unclogged South Eastern Freeway, and Adelaide Hills rail passenger services, not a ‘freight only’ airport East of Adelaide – one of the key elements of the GLOBELINK vision that was proposed without either community or industry consultation.

Again, this disconnect is the result of the choices made in scoping the study. The question that is too often given too little scrutiny is: does this proposed study reflect the concerns of stakeholders?

These stakeholders could be forgiven for thinking that they are being given the appearance of their concerns being addressed rather than the substance.

According to the KPMG GLOBELINK Scoping Study Executive Summary, the objective of the study was the “understanding and quantifying of South Australia’s supply chain challenges and constraints and identifying solutions that support increased trade and investment”.

This does not align with the concerns of the Mount Barker Council, for example, that Mount Barker risks becoming a dysfunctional city if the State Government continues to neglect its urgent infrastructure needs.

Thus, whole categories of issues were simply ‘out-of-scope’ for the KPMG study. The exclusion of whole sets of benefits from any study will lead to its outcome being skewed, perhaps heavily skewed, in a particular direction. Of course, any infrastructure investment will look less economic if whole categories of important benefits are simply not considered.

What Adelaide stakeholders want is an analysis that is comprehensive and considers the long-term planning and economic development issues confronting greater Adelaide.

⁴ Adelaide Interstate Rail Freight, Brief for Strategic Assessment of Corridor Options, Report Prepared for City of Unley, City of Mitcham, Rural City of Murray Bridge, June 2010

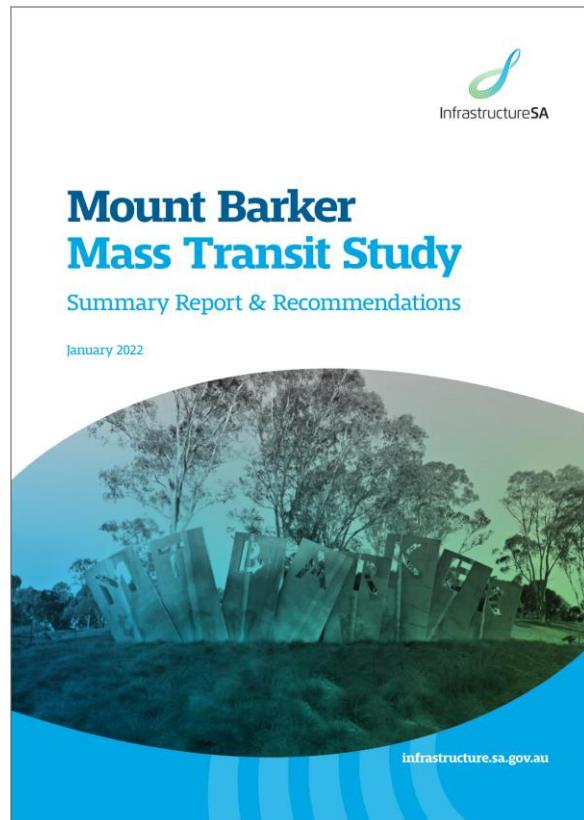
2022 Mount Barker Mass Transit Study

In January 2022, Infrastructure SA published the *Mount Barker Mass Transit Study*.⁵ The analysis for the report was undertaken by international engineering consultants WSP⁶.

This report's stated purpose was to "provide a holistic, independent view and direction for options to address passenger transport issues from Adelaide to Mount Barker". This report also noted that, "Both current road and rail corridors are utilised by freight; however, freight movements were not within the scope of this study and are not considered in detail."

Nonetheless, throughout this report, the constraints that both road and rail freight traffic impose on commuter traffic are emphasised. In the case of potential commuter rail services:

Interacting with freight trains on the existing line would add to [commuter rail] journey times and unreliability. Freight trains travel at very slow speeds, can be up to 1800m long and utilise the track during peak commute times. Any passenger services on this line would be limited in frequency and speed by freight services, likely spending extended time waiting on passing loops (p 3).



In relation to road freight traffic, the report states:

The SEF is a key freight route between Adelaide and Melbourne and Adelaide and the South East. Heavy vehicles account for 10.5% of total vehicles at the Mount Barker end of the freeway and are overrepresented in crashes (12% of vehicles involved in crashes between 2018–2020). Due to safety concerns associated with the steep descent from Crafers to Tollgate, they are mandated to travel in the left lane and restricted to a maximum speed of 60kph. This essentially provides only a two-lane route for light vehicles (which can travel at up to 90kph). Having vehicles travelling at different speeds on the same corridor adds to safety risks and limits the capacity of the corridor to some extent.

By operating under the assumption that the presence of national freight traffic on the South Easter Freeway is an immutable fact, the analysis remains partial and cannot provide responses for the majority of the community's concerns.

⁵ Mount Barker, Mass Transit Study Summary Report & Recommendations, Infrastructure SA, January 2022. <https://www.infrastructure.sa.gov.au/our-work/independent-advice/ISA-MBMT-Report.pdf> (accessed 8/2/22)

⁶ see www.wsp.com/en-AU

One of the conclusions in the original WSP report⁷ which was not reproduced in the report published by Infrastructure SA was:

It is apparent that there is a significant gap in knowledge and understanding of issues associated with both bus and rail transport within the Hills community. This high-level assessment of the many options put forward has identified these and described the challenges that would need to be overcome and the limitations they pose on any new service. Sharing this information with the community may assist in helping to understand why many of the proposals put forward are not appropriate.

The large collection of South Australian councils and community action groups that have been advocating for two decades for meaningful change, are unlikely to be placated by the assertion that they are ignorant of the key issues and are likely to be sceptical that a re-education process will change their views.

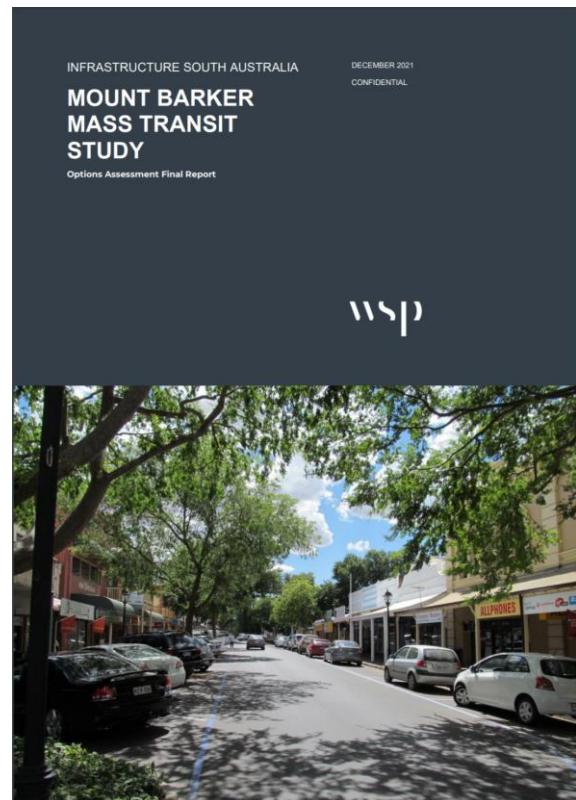
Again, this analysis and report is partial, not holistic as claimed, and presumes that a truly broad perspective is simply irrelevant. Like the reports and analyses before it, it does not address the broad scope of issues the community is concerned with.

Towards a meaningful cost benefit scope

The persistence of the demand for an Adelaide city bypass corridor for trans-national freight and as a solution for amenity and congestion issues, at minimum, supports a comprehensive consideration of its broadly defined costs and benefits and long-term economic development implications.

A new city bypass multimode transport corridor East of the Mount Lofty Ranges is the only development which enables:

- The substantive removal of trans-national road freight from Adelaide's metropolitan road network, particularly the South Eastern Freeway.
- The removal of freight trains from Adelaide's metro rail and road networks (including twenty-four level crossings)
- The freeing-up of Hills rail capacity for effective express commuter services from the Adelaide Hills to the city and possible future Murray Bridge and Victor Harbour services.
- Improved capability, capacity, safety and efficiency of the Adelaide metropolitan road network and the National Rail Network.
- Substantial new long-term economic and community development opportunities such as modern industry precincts as well as opening up substantial new areas for sustainable and affordable residential growth.



⁷ Infrastructure South Australia, Mount Barker Mass Transit Study, Options Assessment Final Report, www.infrastructure.sa.gov.au/our-work/independent-advice/WSP-MBMT-Report-ES.pdf (accessed 8/2/22)

- The protection of Adelaide's historic urban form, character and amenity for generations to come.

Considering these points, a comprehensive cost benefit analysis of a multi-mode transport corridor to the East of Adelaide would include in its scope:

- The benefits for Adelaide's metropolitan transport network beyond simply reductions in level crossing waiting times for motorists.
- Benefits of significant improvements to public safety and commuter congestion on the South-Eastern Freeway and resulting improvements in roadway operational life, maintenance costs and road work disruptions.
- The benefits of an express passenger rail service for commuters to Adelaide from the rapidly growing residential base in the Adelaide Hills and regions.
- Benefits to the National Rail Network and efficiency gains for the national freight task from the removal of the Adelaide Hills/metropolitan alignment from the freight network.
- The economic benefits of a significant improvement in land availability and affordable housing in its own right and as an alternative to increasing urban density and infill in the Adelaide metropolitan area.
- The growth opportunities for industry resulting from better connectivity with the National Freight Network.
- Consideration of the long-term economic development benefits arising from significant improvement of Adelaide's transport infrastructure (including avoiding the negative consequences of Adelaide's marginalisation from the national rail freight task if no new corridor is built).
- The contribution of such infrastructure towards the goals of the United Nation's Decade of Action on Road Safety charter to reduce road deaths by 50% by 2030, a principal strategy being the separation of heavy vehicle operations from community road networks and pedestrian throughfares.
- Value of the investment to public health and the environment, including reduced CO2 and particulate emissions over metropolitan Adelaide.
- Benefits to the nation, national security and industry of a more advanced road and upgraded alignment for National Highway One and the National Rail Network.
- Benefits for Adelaide and South Australia to progressively relocate heavy industry out of the metropolitan area to modern, clean, innovation precincts connected directly to the National Transport Network.

This list of factors may seem long and detailed, but it would be quite normal practice for a cost benefit study that seeks a comprehensive and holistic analysis of a major infrastructure project. Ultimately, the question of scope comes down to the motivation and vision for conducting the study.

Given the history of these issues, community involvement in any future scoping process is critical. Such involvement should not be superficial in the sense that community inputs are sought and then effectively ignored.

The mistaken presumption of the need for full government funding

A major factor that influences the viability of any large infrastructure project is the manner in which it is financed. If a private sector company is contemplating a large investment, it does not undertake a cost benefit analysis, it develops a business case. The difference between the two is, in essence, a difference of scope. A business case does not need to take into account issues of community amenity (beyond requirements under law) and broader

economic development considerations. The purpose of the business case is to determine whether the investment being contemplated will generate an acceptable commercial return.

The cost benefit and scoping analysis that has been undertaken by South Australian governments so far assumes that infrastructure will be government funded. This presumption needs to be examined, especially in an environment of low interest rates and the extraordinary interest of global private capital seeking Australian infrastructure and logistics industry investments.

Public Private Funding models are complex and need to be carefully approached by governments with the public interest clearly in focus. They do, however, offer new options and considerable opportunities for developing major infrastructure projects particularly at this time.

The lack of focus on national level benefit also misses opportunities for Federal funding contributions. The proposed Eastern Transport Corridor represents nothing less than an upgrade of the weakest link in National Highway One and the elimination of the weakest link in the national rail network.

Alternative funding models, for example value capture models, which operate in the public interest should also be explored as part of any thorough consideration of a project like the Eastern Transport Corridor.

Conclusions

South Australian politicians make much of Adelaide's unique heritage and inherent attractiveness. These characteristics emerge from the unique historical origins of Adelaide and are, to a very large extent, the manifestation of Colonel Light's unique plan for Adelaide. But a successful future for South Australia entails the ongoing growth of Adelaide. How can this growth be accommodated within Light's vision?

As the primary mechanism to accommodate Adelaide's growth, both major South Australian political parties advocate that we adopt the international urban planning practices of infill and densification occurring in many global cities. An alternative is to expand Adelaide's footprint to the East of the Mount Lofty Ranges supported by modern transport corridors.

The modelling of the economics of infill and densification that have led to this approach can also be reasonably questioned, with different conclusions arising from alternative assumptions and scoping. The behaviour of the residential accommodation market would seem to suggest that planners are out of touch with community preferences. The current growth of residential land use in the Adelaide Hills and on the Fleurieu show that Adelaide's residents want space not densification. The COVID pandemic and increased incidence of work-from-home has driven preferences further in this direction.

The international homogenisation of Adelaide's urban and suburban landscape is inconsistent with Light's plan and legacy. It undermines the unique amenity that Adelaidean's prize. The now pervasive in-fill developments are regularly and viscerally opposed by residents and local governments who are concerned with the inadequacy of infrastructure, the environmental impact and the loss of community stability, amenity and identity.

Adelaide remains the only Australian capital without a city bypass corridor for trans-national road and rail freight. The absurdity of funnelling trans-national heavy and bulk freight through the heart of a major modern city seems lost on our politicians and bureaucrats. It is

inefficient, polluting, amenity destroying and unsafe. Furthermore, the foreseeable growth in such traffic makes this practice increasingly unsustainable.

An advanced high-speed multimode transport corridor to the East of Adelaide is the only solution to future-proof Adelaide's transport infrastructure and is the only way to enable Adelaide's ongoing economic development while preserving Colonel Light's unique and historic vision for our city. It's the only way to break the nexus between ambitious economic development and the preservation of Adelaide's amenity, distinctiveness and character.

As a critical development option for Adelaide, an Eastern Transport Corridor should be considered and evaluated in a careful holistic manner taking into account all of the wide-ranging community, economic, safety and environmental benefits such infrastructure investments create.

An Eastern Transport Corridor is also the only solution that addresses all the concerns expressed for many years by Adelaide councils and community groups. Whether such a corridor is in the economic interest of the State and the Nation is a separate question. But it's a question that hasn't been answered yet because it's a question that hasn't been properly asked.