



17 April 2019

NEW CITY RAIL LINK VIDEO

<https://youtu.be/wdny5Rkmjlg> 1'40" duration

<https://youtu.be/EwXAZCCxOTU> 4'13" duration

REVISED COST FOR TRANSFORMATIONAL CITY RAIL LINK

City Rail Link Ltd (CRL Ltd) today announced a revised cost envelope for completing the entire Auckland City Rail Link project totalling \$4.419 billion, alongside naming its preferred bidder for its substantive C3 Contract to build the underground tunnels and stations and a \$75 million Early Works Contract.

CRL Ltd's Chief Executive, Dr Sean Sweeney, says after a rigorous and comprehensive review of project costs, a revised cost envelope has been submitted to the project's sponsors – the Crown and Auckland Council - for approval.

“The \$1 billion cost increase on the previous \$3.4 billion estimate made in 2014 reflects significant changes impacting the project in the past five years,” says Dr Sweeney.

“No-one could have foreseen the competitive pressures that have occurred in the construction industry over the past few years and the impact that has on costs, particularly for a project the scale and complexity of the City Rail Link.

“Eighteen months ago, the value of work in the infrastructure pipeline on both sides of the Tasman was \$80 billion – the value of that work is now estimated at \$230 billion.

“Last year, a decision was made to increase the scope of the project to accommodate longer, nine-car trains at stations. Planning today for a city that will be much bigger in the future reinforces the benefits the City Rail Link City will deliver to the way people travel, work and live in Auckland.

Other factors contributing to the revised cost envelope are higher escalation, or construction inflation costs, and an increase in the contingency risk allowance for any future unplanned events.

“Put together, they have all helped add costs to the project overall. Keeping a growing city moving is a serious challenge, but when we complete the City Rail Link it will double the number of Aucklanders within 30 minutes travel of the CBD.”

Dr Sweeney says CRL Ltd’s own cost review underwent a rigorous examination by two international assessors to ensure the project delivers the best value for money for Aucklanders.

Decisions by the Crown and Auckland Council regarding their endorsement of the revised cost envelope are expected in early May.

After an exhaustive competitive tender process, the Link Alliance (Vinci Construction Grands Projets S.A.S., Downer NZ Ltd, Soletanche Bachy International NZ Limited, WSP Opus (NZ) Limited, AECOM New Zealand Limited and Tonkin + Taylor Limited) has been announced as the preferred bidder for the C3 contract – the project’s largest package of work.

The Link Alliance was one of two groups of New Zealand and international infrastructure companies that submitted what Dr Sweeney, describes as “world class and competitive bids” for the contract. The other group was a consortium of: CPB Contractors Pty Limited, UGL (NZ) Limited, Beca Limited, Jacobs New Zealand Limited and McMillen Jacobs Limited.

Dr Sweeney says that both these joint-ventures consists of outstanding contractors with a wealth of experience delivering major project both here and overseas.

“The calibre of both the tenders were exceptional. Aucklanders can be confident that the project will be delivered to a high standard leaving behind an outstanding legacy for the city,” he says.

Dr Sweeney says progress on the project will still continue at pace as CRL Ltd starts negotiations with the Link Alliance to deliver the \$75 million Early Works Contract over a three-month period. The contract includes work relating to design, consents, permitting, utilities and mobilisation.

“The project is already well underway at Lower Queen Street/Britomart, Albert Street and Mt Eden, and momentum will continue. CRL Ltd will now work with the preferred bidder to get the Early Works Contract underway as quickly as possible.

“This keeps us on track to have this transformational project in place and delivering significant benefits for Aucklanders at the end of 2024.

“Today’s announcements represent huge step forwards for a project that will create accessibility and development opportunities that will allow Auckland to remodel itself as a city that is proudly international,” Dr Sweeney says. **ENDS**

Frequently Asked Questions

Why was the Link Alliance selected as the preferred bidder?

Two, tier-one consortia submitted world-class proposals to deliver CRL’s largest construction package, C3 main stations and tunnels.

Those proposals were evaluated through a rigorous and competitive tender process to get the best outcome for Aucklanders.

Both consortia bring a wealth of experience both internationally and in New Zealand and have the skills and means to deliver a project of this scale and City Rail Link could not be more pleased to have two such high calibre proposals.

The Link Alliance was selected on the basis of a strong proposal that offered an experienced construction management team, significant commitment to the Alliance from the Executives of the construction firms involved. An efficient construction methodology and innovative engineering ideas.

The Link Alliance brings a phenomenal amount of experience delivering major projects including:

- NZ Transport Agency: Memorial Park Alliance Projects
- MTR Hong Kong: Shatin to Central Link 1103
- Qatar Railways Company: Doha Metro – Red Line South
- Qatar Railways Company: Lusail Light Rail Transit, Contracts 1&2

To have two such exceptional bidders in today’s climate where the pipeline of infrastructure work is so extensive, is testament to the benefits that this project will deliver and the readiness for it to proceed to the next stage.

What is the contract that CRL Ltd has signed with the preferred bidder?

At this stage no contract has been signed and there are still a number of processes to go through before a contract award recommendation.

CRL Ltd will continue to resolve several commercial matters before the Contract Award Recommendation for C3 is announced in May, subject to all necessary approvals from the project's Sponsors – the Crown and Auckland Council.

In the meantime, to ensure project momentum continues, CRL Ltd will enter into an Early Works Contract with Link Alliance to carry out design, permitting, utilities and mobilisation works on the contract. The Early Works Contract is valued up to \$75m.

While the Early Works Contract is not a commitment to carry out the full C3 contract, it is recognition that Link Alliance is the preferred contractor for C3.

What does the C3 Contract include?

The C3 (main stations and tunnels) contract is the largest of all the CRL contract packages. It includes construction of twin rail tunnels, construction of two underground stations and rebuilding Mt Eden station. The City Rail Link is the largest infrastructure project undertaken in New Zealand.

Why is the revised cost envelope higher?

The revised cost envelope reflects higher costs in four key areas:

- Contingency and escalation costs (\$310 million)
- Construction costs (\$327 million)
- Accommodating longer, nine-car trains (\$250 million)
- Non-direct cost (\$152 million)

The cost of the City Rail Link project was last estimated in 2014 and there has been significant change since that time.

The construction climate has experienced a significant increase in demand. Less than two years ago, the infrastructure pipeline in Australasia valued approximately \$80 billion, whereas it is now valued at approximately \$230 billion.

This is particularly evident in Auckland, where there are currently 98 cranes in the city – more than any city in the USA.

This kind of climate has significant impact on constructor availability and appetite for projects and risk as well as things like escalation.

In 2014 the project assumed an escalation of two percent. New Zealand is now experiencing escalation of more than six percent and will do so for the foreseeable future.

Allocation for contingency on the project was underestimated when the project was last estimated in 2014, an independent audit concluded that contingency on the City Rail Link project was below international benchmarking.

Changing the scope and future proofing the project to allow for Auckland's growth and projected increase in passengers numbers, together with the establishment of City Rail Link Ltd as a Crown Entity, also contribute to the revised cost envelope.

Stations at Mt Eden, Karangahape Road and Aotea in the central CBD are being designed for longer, nine-car trains to allow up to 54,000 people to move in and out of Auckland's CBD during the rush hours – the equivalent capacity of three Auckland Harbour Bridges or 16 extra traffic lanes. The original scope allowed for 36,000 people at peak times.

Creation of CRL Ltd – with the Crown and Auckland Council has the project's sponsors – incurred set-up costs not included in the 2014 estimate.

What are the next steps?

City Rail Link Ltd has submitted the revised cost envelope to its sponsors - The project's two sponsors – the Crown and Auckland Council – will now consider that cost through their processes. A decision regarding their endorsement is expected in early May.

In the meantime, CRL Ltd and the Link Alliance are negotiating the \$75 million Early Works Contract and expect work on that to get underway quickly.

CRL Ltd will continue to resolve several commercial matters before the Contract Award Recommendation for C3 is announced in May, subject to all necessary approvals from the project's Sponsors – the Crown and Auckland Council.

Ngā mihi,

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