



TUNNEL AND STATIONS PUBLIC PRIVATE PARTNERSHIP PROJECT SUMMARY

FEBRUARY 2018



FOREWORD

On 16 December 2017, the Victorian Government entered into a Public Private Partnership (PPP) with Cross Yarra Partnership (**Project Co**) to deliver the Tunnel and Stations PPP work package of the Metro Tunnel Project. The Tunnel and Stations PPP was procured and will be delivered as an ‘availability-based’ PPP under the *Partnerships Victoria* framework.

Under this model, Project Co is responsible for the design, construction and financing of the twin nine kilometre tunnels under the CBD, five underground stations, station fit-out, mechanical and electrical systems and commercial opportunities at the new stations. Project Co will also be responsible for specific maintenance and other services to support the use of the infrastructure delivered by the package for 25 years.

This Project Summary provides information about the contractual and commercial aspects of the Tunnel and Stations PPP. The document is divided into three parts. The first part is an overview of the Tunnel and Stations PPP, including the rationale for PPP delivery, and summarises:

- the project objectives and scope;
- the tender process;
- the public interest considerations for the Tunnel and Stations PPP; and
- the Tunnel and Stations PPP timetable.

The second part details the financial outcome of the Tunnel and Stations PPP including the value for money calculation. The third part sets out the key commercial features of the Tunnel and Stations PPP, including the main parties and their general obligations, the broad allocation of risk between the public and private sectors and the treatment of various key project issues.

Partnerships Victoria forms part of the Victorian Government’s strategy for providing better services to all Victorians by expanding and improving Victoria’s public infrastructure and service delivery. The *Partnerships Victoria* framework uses private sector expertise to design, finance, build, operate and maintain infrastructure projects. The framework consists of the National Public Private Partnership Policy and Guidelines and supplementary *Partnerships Victoria* Requirements. Further information on the *Partnerships Victoria* framework is available at www.dtf.vic.gov.au.

This summary should not be relied upon to completely describe the rights and obligations of the parties in respect of the Tunnel and Stations PPP, which are governed by the Project Agreement and associated documents. The Project Agreement and associated documents are available online at www.tenders.vic.gov.au.



CONTENTS

1	PROJECT OVERVIEW	4
1.1	THE METRO TUNNEL PROJECT	4
1.2	THE TUNNEL AND STATIONS PPP	7
1.3	A PUBLIC PRIVATE PARTNERSHIP	8
1.4	TENDER PROCESS	8
1.5	TENDER PROCESS OUTCOMES	10
1.6	PUBLIC INTEREST CONSIDERATIONS	12
1.7	CONTRACT MILESTONES	12
1.8	STATE ADVISORS	12
2	FINANCIAL OUTCOME	13
2.1	VALUE FOR MONEY	13
2.2	ADDITIONAL VALUE FOR MONEY BENEFITS	14
2.3	OTHER COSTS	15
2.4	COSTS AND SERVICE PAYMENTS	15
2.5	STATE CONTRIBUTIONS	18
2.6	SUMMARY OF PAYMENT ARRANGEMENTS	19
2.7	BID COST REIMBURSEMENT	19
3	KEY COMMERCIAL FEATURES	20
3.1	PARTIES TO THE CONTRACT	20
3.2	CONTRACTUAL RELATIONSHIPS	22
3.3	RISK ALLOCATION	22
3.4	INTERFACE MANAGEMENT	28
3.5	GENERAL OBLIGATIONS OF PROJECT CO	29
3.6	GENERAL OBLIGATIONS OF THE STATE	31
3.7	OTHER CHANGES IN COST TO THE STATE	31
3.8	DEFAULT, STEP-IN AND TERMINATION REGIME	32
3.9	FINANCE AND SECURITY ARRANGEMENTS	33
3.10	STATE RIGHTS AT EXPIRY OF CONTRACT	34
3.11	AUDIT AND INSPECTION RIGHTS OF THE STATE	34
3.12	PROCESS FOR STATE MODIFICATION TO SERVICES/FACILITY	34
	APPENDICES	35
	APPENDIX A: GLOSSARY	35
	APPENDIX B: USEFUL REFERENCES/LINKS	39
	APPENDIX C: KEY CONTACT DETAILS	40
	APPENDIX D: RFP EVALUATION CRITERIA	41
	APPENDIX E: PUBLIC INTEREST TEST	43

1

PROJECT OVERVIEW

1.1 THE METRO TUNNEL PROJECT

The Victorian Government is committed to the design and delivery of high quality and integrated major transport infrastructure in Victoria. The Metro Tunnel Project will transform the way people move around Melbourne and is the first step towards the 'turn up and go' train services that are a feature of major cities around the world. The Metro Tunnel Project is the largest investment in Melbourne's CBD rail capacity since the City Loop was completed 30 years ago.

The Metro Tunnel Project will deliver twin nine-kilometre rail tunnels from Kensington to South Yarra as part of a new end-to-end Sunshine-Dandenong line and new underground stations at:

- North Melbourne (Arden);
- Parkville;
- State Library (with a direct pedestrian connection with Melbourne Central Station);
- Town Hall (with a direct pedestrian connection with Flinders Street Station); and
- Anzac (Domain).

Importantly, the alignment provides the opportunity to connect passengers to the Arden, Parkville and Domain precincts via heavy rail for the first time and provides much-needed relief to the heavily congested Swanston Street / St Kilda Road tram corridor, currently the busiest in the world.

The Metro Tunnel Project, when combined with other upgrades on the network, will allow more trains to run in and out of the city on the Sunbury, Cranbourne and Pakenham lines as well as the Werribee, Craigieburn, Upfield, Sandringham and Frankston lines. It will provide capacity to enable 39,000 more passengers to use the rail system during each peak period. The Metro Tunnel Project is on track to be completed by 2025.

The Metro Tunnel Project route alignment is shown in [Figure 1](#).

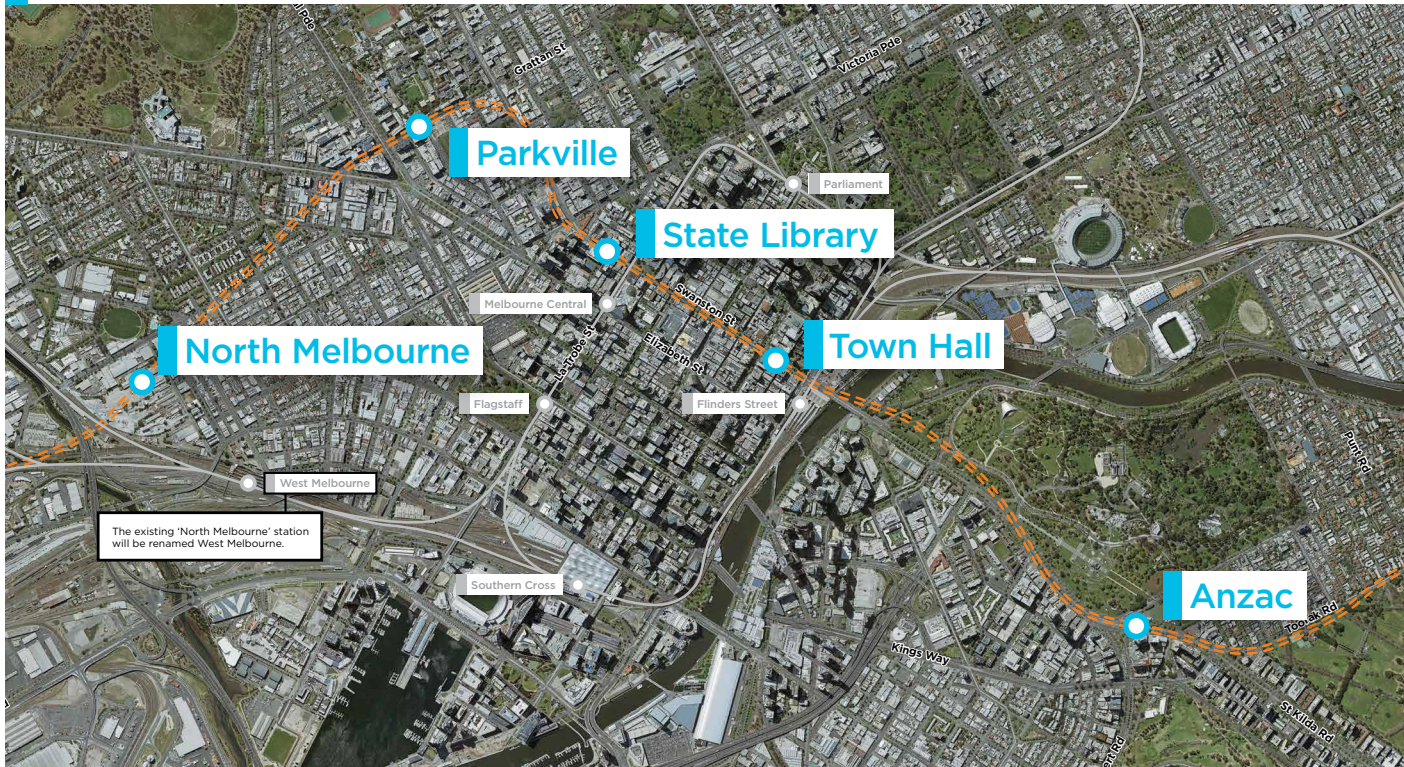
1.1.1 METRO TUNNEL PROJECT OBJECTIVES

The objectives governing the strategic direction for the Metro Tunnel Project are to:

- provide additional capacity on Melbourne's rail system to meet customer needs that, as part of a program of investment, meets projected medium-term demand and supports long-term patronage growth;

1. PROJECT OVERVIEW

Figure 1: The Metro Tunnel route alignment



- optimise the efficiency and reliability of operations and improve customer experience by moving towards a metro-style rail system;
- support the long-term plan and vision to develop and operate Victoria's rail network;
- improve access and reduce congestion of the tram system in the CBD and the road network in the north, west and south east by diverting travel to the metropolitan rail network;
- improve accessibility to jobs, education and other social and economic opportunities by enabling growth and more effective use of land in Melbourne;
- deliver strong productivity, sustainability and liveability benefits by providing a value for money transport solution; and
- contribute to a safe and accessible metropolitan rail network that supports the health and wellbeing of users.

1.1.2 METRO TUNNEL PROJECT WORK PACKAGES AND RELATED PROJECTS

The Metro Tunnel Project is being delivered through four major work packages (collectively, the **Work Packages**):

- an Early Works Managing Contractor arrangement which includes utility service relocations and works to prepare construction sites;
- the Tunnel and Stations PPP which includes the design and construction of the twin nine kilometre tunnels under the CBD, five underground stations and certain maintenance services;
- the Rail Systems Alliance (**RSA**) which includes design (including conventional signalling, high capacity signalling, train and power control systems and operational control systems), installation works, rail systems integration and commissioning along the Metro Tunnel Project alignment; and
- the Rail Infrastructure Alliance (**RIA**) which includes works at the eastern and western portals including cut and cover tunnelling, decline structures, turnbacks and local reconfiguration and realignment of existing lines.

1. PROJECT OVERVIEW

This Project Summary provides information on the Tunnel and Stations PPP package. Information on the other packages can be found at <http://metrotunnel.vic.gov.au/>.

The Victorian Government has committed to a number of related projects that will support the benefits of the Metro Tunnel Project including the High Capacity Metro Trains Project (**HCMT Project**) that will deliver 65 High Capacity Metro Trains (**HCMTs**) to operate on the new Sunshine-Dandenong Line, the Level Crossing Removal Project (**LXRP**), and a range of other network-wide enhancements (collectively, the '**Related State Projects**').

1.1.3 KEY PARTIES

The Melbourne Metro Rail Authority (**MMRA**) is the Victorian Government body responsible for delivering the Metro Tunnel Project. MMRA is responsible for overseeing all aspects of the Metro Tunnel Project including planning and developing a project reference design, site investigations, stakeholder engagement, planning approvals and procurement, through to overseeing construction delivery and project commissioning.

The Metropolitan Rail Franchisee (the **Train Franchisee**) will operate the rail services utilising the infrastructure delivered by the Metro Tunnel Project and the rolling stock delivered by the HCMT Project.

The Cross Yarra Partnership consortium (**Project Co**) is the private party contracted under the PPP arrangement. The consortium comprises a design and construction unincorporated joint venture of Lendlease Engineering Pty Ltd, John Holland Pty Ltd and Bouygues Construction Australia Pty Ltd, John Holland Pty Ltd as maintenance subcontractor, Capella Capital as financial sponsor and multiple equity and debt providers. Further information on the parties is provided in section 3.

1.1.4 ENVIRONMENTAL ASSESSMENT AND STAKEHOLDER ENGAGEMENT

Key Government stakeholders have been consulted during the procurement of the Metro Tunnel Project, and will continue to be consulted during delivery. The following individuals/groups were identified as being affected by the Metro Tunnel Project:

- transport users;
- local businesses and local residents;
- Metro Trains Melbourne (**Train Franchisee**);
- Yarra Trams (**Tram Franchisee**);
- V/Line;
- VicTrack;
- VicRoads;
- Transurban / CityLink;
- Signal Sighting Steering Committee;
- other Accredited Rail Transport Operators;
- Government stakeholders including Transport for Victoria, Public Transport Victoria, Department of Premier and Cabinet, Department of Treasury and Finance, Department of Environment, Land, Water and Planning, Aboriginal Affairs Victoria, Office of the Victorian Government Architect, Heritage Victoria, Environmental Protection Authority Victoria and the Commonwealth Department of Environment; and
- local councils including Cities of Melbourne, Stonnington, Port Phillip, Maribyrnong and other relevant councils.

In addition, a range of non-Government organisations and transport advocacy stakeholders were, and will continue to be, consulted including local residents, businesses, hospitals, universities and other institutions along the Metro Tunnel Project route.

The Metro Tunnel Project was assessed through an Environment Effects Statement (**EES**) process, a requirement of the Minister for Planning's original 'public works' declaration (published in an Order on 3 September 2015 and accompanied by a 'Statement of Reasons').

The EES included an integrated assessment of the potential environmental, social, economic and planning impacts of the Metro Tunnel Project, and the approach to managing these impacts. The EES was supported by a range of technical studies that identified and assessed the potential effects of the project and provide guidance on mitigation measures.

1. PROJECT OVERVIEW

A comprehensive engagement program was undertaken by the State since early 2015, including as part of developing the EES, to provide directly affected stakeholders and the broader public with an opportunity to input into the planning process and have their say on the concept design and proposed construction approach for the Metro Tunnel Project.

1.2 THE TUNNEL AND STATIONS PPP

1.2.1 OVERVIEW

The Tunnel and Stations PPP will deliver the twin nine kilometre tunnels from South Kensington to South Yarra, five underground Stations, station fit-out, mechanical and electrical systems and commercial opportunities at the new Stations. Project Co is also required to provide a range of asset management services in respect of various assets and infrastructure, including the maintenance of the Tunnel and Stations during the Maintenance Phase of the project.

The Tunnel and Stations PPP will create more than 5,000 new jobs in Victoria and create new opportunities for the local industry, with the Tunnel and Stations PPP including a minimum of 88.3 per cent local content for the D&C Activities. The Tunnel and Stations PPP will be the centrepiece of the Metro Tunnel Project and is the largest package of works.

1.2.2 SCOPE OVERVIEW

The Tunnel and Stations PPP is divided into a number of phases and Project Co's activities will vary by phase. In summary, Project Co is responsible for:

- designing and constructing the following assets and systems:
 - the Tunnel, including all cross passages, ventilation shafts, access shafts (including at the western and eastern portals (collectively, **the Portals**), walkways, tunnel drainage system, cable ducts, embedded pipework and civil supports for high capacity signalling wayside equipment;
 - the Stations, including at-grade station entrances and ventilation shafts;
 - public realm works around the Stations, where urban design is paramount, and including hard landscaping and irrigation systems for trees;
 - tram works in the precincts at Town Hall, Anzac and Parkville;

- power and traction power infrastructure; and
- mechanical and electrical systems, including the tunnel ventilation systems, vertical transport and lighting;
- systems integration, commissioning and operational readiness activities to ensure the Tunnel and Stations PPP works are fully commissioned, accredited and "ready for service", noting these activities will also involve the RSA, RIA, the Train Franchisee, MMRA, the HCMT Project and other stakeholders such as the Office of the National Rail Safety Regulator (**ONRSR**), PTV, Melbourne Fire Brigade and Victoria Police;
- providing commercial opportunities within the Stations that are synergistic and complementary to the functions and operations of the Tunnel and Stations PPP;
- maintaining specified assets and systems (**Maintained Assets**) and providing other asset management services (**Services**) during the 25 year Maintenance Phase; and
- providing private sector finance required for the Tunnel and Stations PPP.

In addition to the above, Project Co is also responsible for installing specific assets and systems that the RSA designs in the Tunnel and Stations, and certain design and installation works at the tunnel Portals.

1.2.3 OVER SITE DEVELOPMENTS

Land will be acquired by the State for the station entrances for the State Library and Town Hall stations. As part of the works outlined above, Project Co is required to design and construct the State Library and Town Hall Stations to support over site developments (**OSD**) on and above this land.

The OSD buildings will be developed under separate contractual arrangements (not as part of the PPP) by related entities of members of the Cross Yarra Partnership consortium (and in relation to OSD at State Library, a joint venture partner). The OSDs were packaged together with the Tunnel and Stations PPP works on the basis that an integrated process would result in optimised functional design outcomes, reduced interface risk between the Tunnel and Stations PPP D&C Subcontractor and OSD Developers, potential for cost efficiencies, reduced disruption for stakeholders including transport users and overall truncated construction timeframes.

1. PROJECT OVERVIEW

The integrated OSDs will improve customer experience and amenity, aspire to deliver excellent urban design and architectural outcomes and, ultimately, result in value creation for the State and a lasting legacy for Victorians.

OSD AT STATE LIBRARY

The OSD at State Library will be developed by a joint venture between John Holland and Scape, a student accommodation provider. The development will include student housing and other accommodation, co-working and education facilities, retail and other complementary facilities.

OSD AT TOWN HALL

The OSD at Town Hall will be developed by Lendlease. The development is expected to include a City of Melbourne visitor centre, retail and office accommodation.

1.3 A PUBLIC PRIVATE PARTNERSHIP

The Tunnel and Stations PPP is an 'availability-based' Public Private Partnership being procured under the *Partnerships Victoria* framework. This is a long-term service contract between the public and private sectors where the State pays the private sector a service fee to deliver infrastructure and related services over the 25 year term. The *Partnerships Victoria* model seeks to achieve better value for money by capturing the expertise and efficiencies of the private sector in designing, financing, building and maintaining infrastructure projects and providing services on a whole-of-life basis.

The decision to procure the Tunnel and Stations as a PPP focuses on achieving value for money outcomes by:

- allocating risks to the party, or parties, best placed to manage them, with the majority of design, construction, maintenance and facility management services risks being transferred to the private sector on a whole-of-life basis. Introducing private finance also provides additional discipline and scrutiny of risk (for example, financier due diligence and oversight);
- increasing opportunity for the State to harness private sector innovation in whole of life design, construction and service delivery to enhance customer experience; and
- incentivising delivery of the Tunnel and Stations package on time and within budget. The additional cost and budget certainty was considered to be a material issue for the Tunnel and Stations package given its risk profile, complexity of the works and the value of the package.

Further information on procurement analysis is available in the Metro Tunnel Project Business Case available at <http://metrotunnel.vic.gov.au/library/business-case>.

The *Partnerships Victoria* framework requires that projects comply with the:

- National PPP Policy and Guidelines that apply across all state, territory and commonwealth arrangements; and
- requirements specific to Victoria as detailed in the *Partnerships Victoria* Requirements (November 2016).

Details of the National PPP Guidelines and the *Partnerships Victoria* Requirements are available at <https://infrastructure.gov.au/infrastructure/ngpd/index.aspx> and www.dtf.vic.gov.au respectively.

1.4 TENDER PROCESS

1.4.1 OVERVIEW

The State conducted a competitive tender process to select a private sector party to deliver the Tunnel and Stations PPP. The tender process was implemented in accordance with the *Partnerships Victoria* framework to ensure the State received the best value for money outcome. The tender process involved three phases as described below:

- Expressions of Interest (**EOI**) phase, involving releasing the invitation for EOI and then selecting three Shortlisted Respondents.
- Request for Proposal (**RFP**) phase, involving issuing a RFP to Shortlisted Respondents, an intensive interactive tender process, Shortlisted Respondents submitting Proposals, and clarifying and evaluating the Proposals.
- Negotiation and completion phase, involving a negotiation period, appointing a Preferred Respondent, final negotiations, executing the Project Agreement and achieving Financial Close.

1.4.2 TENDER PROCESS TIMETABLE

The tender process for the Tunnel and Stations PPP commenced when the EOI was released on 26 April 2016 and concluded when Financial Close was achieved on 18 December 2017. [Table 1](#) summarises the key dates of the tender process.

Table 1: Tender process – key dates

Tender Process Phase	Date
EOI phase	
Invitation for EOI issued	26 April 2016
EOIs received	9 June 2016
Shortlisted Respondents announced	11 August 2016
RFP phase	
RFP issued	21 September 2016
Proposals received	6 April 2017
Negotiation and completion phase	
Preferred Respondent announced	17 July 2017
Contract Close	16 December 2017
Financial Close	18 December 2017

1.4.3 TENDER PROCESS GOVERNANCE

The State established a formal evaluation and governance structure to oversee the EOI and RFP evaluation processes. An evaluation panel supported by three specialist evaluation Sub-Panels, whose members were specifically selected for their skills in a particular area, conducted the EOI and RFP evaluations. The specialist evaluation Sub-Panels comprised:

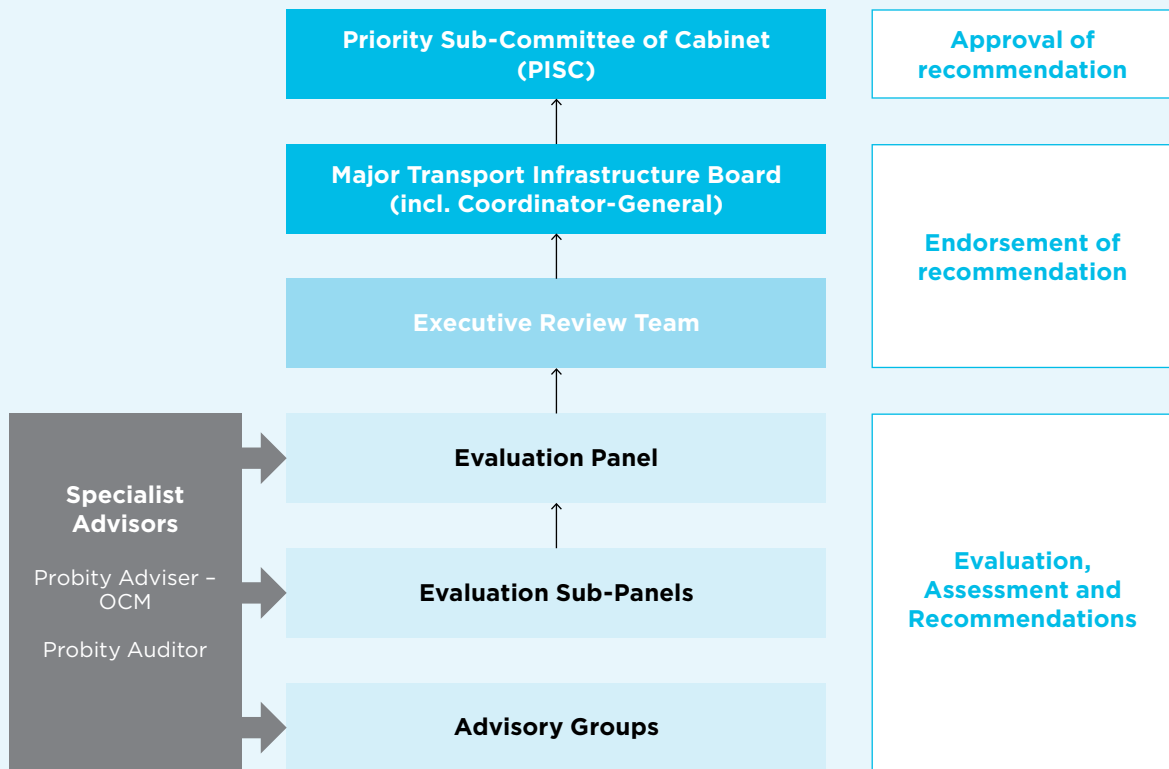
- a Commercial and Legal Sub-Panel that evaluated the commercial, financial, contractual, commercial opportunities and insurance aspects of the Proposals;
- a Design and Technical Sub-Panel that evaluated the master plans, civil design, architectural, engineering, project management, stakeholder engagement, construction methodology and program related aspects of the Proposals; and
- a Facilities Management Sub-Panel that evaluated the facilities management related aspects of the Proposals.

Specialist advisers and other Government agencies supported the evaluation panel as required. For example the Office of the Victorian Government Architect was a member of the Urban Design and Architectural Advisory Panel. The Evaluation Criteria used in assessing Proposals are presented in Appendix D.

The evaluation panel reported to an Executive Review Team (**ERT**), which included senior representatives of the Department of Treasury and Finance and the Department of Premier and Cabinet, which in-turn reported to the Major Transport Infrastructure Board (including the Coordinator General) (**MTIB**). MTIB is responsible for advising Government of the recommendations of the tender evaluation process.

The governance structure for the evaluation process is illustrated in [Figure 2](#).

Figure 2: Evaluation governance structure



1.4.4 PROBITY

Probity and maintaining the integrity of the tender process was of utmost importance to the State. To assist the State monitor and maintain high probity standards throughout the tender process, the State engaged the services of a Probity Adviser and a separate Probity Auditor who both oversaw the evaluation process for the Tunnel and Stations PPP, performing two separate distinct roles.

The role of the Probity Adviser was to independently monitor procedural aspects of the tender process to ensure compliance with all relevant tender documentation and to advise the Project in relation to probity and process matters.

The role of the Probity Auditor in relation to the RFP phase involved an independent validation role at the end of the evaluation process to check and sign off compliance with Government Procurement guidelines, State probity and procurement procedures and the RFP and any associated documentation. At the completion of the tender process, the Probity Auditor concluded that the tender process had been conducted in a manner consistent with the probity principles.

1.5 TENDER PROCESS OUTCOMES

1.5.1 OVERVIEW

Three consortia submitted EOIs and three were selected to proceed to the RFP phase, including:

- Continuum – comprising ACCIONA Infrastructure, Ferrovia Agroman, Honeywell, Downer EDI and Plenary Origination;
- Cross Yarra Partnership – comprising Lendlease Engineering, John Holland, Bouygues Construction and Capella Capital; and
- Moving Melbourne Together – comprising Pacific Partnerships, CPB Contractors, Ghella, Salini Impregilo, Serco and Macquarie Capital.

1. PROJECT OVERVIEW

The RFP was issued to the three Shortlisted Respondents on 21 September 2016. The State conducted a comprehensive interactive tender process, involving numerous workshops with each Shortlisted Respondent. The Shortlisted Respondents submitted their Proposals on 6 April 2017.

Following an extensive evaluation of the Proposals, including a structured clarification process, the State formally announced Cross Yarra Partnership as its Preferred Respondent on 17 July 2017. Following this announcement, both parties negotiated the final form of the Project Documents and executed the Project Agreement and ancillary contracts that govern the Tunnel and Stations PPP on 16 December 2017.

Project Co's offer was assessed as providing value and affordability relative to the Public Sector Comparator (**PSC**) and the best overall value for money relative to the other two Shortlisted Respondents.

1.5.2 OUTCOMES AGAINST GOVERNMENT POLICY REQUIREMENTS

Table 2 summarises key project outcomes in relation to Government policy requirements, and where appropriate indicates the degree to which the Tunnel and Stations PPP has exceeded the State's minimum requirements as contained in the RFP.

In addition to the Government policy outcomes, Project Co is required to achieve a number of sustainability targets for the Tunnel and Stations PPP works, including:

- a certified design and as built *Infrastructure Sustainability Council Australia's (ISCA) Infrastructure Sustainability Rating Tool* score of 84 for the works, corresponding to a rating of 'Leading'; and
- a minimum 5 star certified rating under the *Green Building Council Australia's Green Star Custom Rating Tool for Below Ground Stations* for each of the five new Stations.

Table 2: Summary of Government policy outcomes

Government Policy	Contracted outcome	Minimum requirement	Difference
Victorian Industry Participation Policy local content target			
Local content (ANZ) – (D&C Activities)	88.23%	84%	+4.23%
Local content (ANZ) – Tunnel prefabricated concrete casings	95%	95%	Nil
Local content (ANZ) – railway tracks (locally milled steel) ¹	95%	90%	+5%
Local content (ANZ) – concrete sleepers	95%	95%	Nil
Major Projects Skills Guarantee			
Vocational training (D&C Phase) ²	10%	10%	Nil
Other Government policy objectives			
Priority Jobseekers (D&C Phase)	10%	2.5% ³	+7.5%

Notes:

1. Project Co will more broadly seek to maximise the use of locally milled steel fabricated products where possible, targeting 92.6% local content for steel.
2. Project Co has an aspirational target of 16% of its workforce comprising of apprentices, trainees and engineering cadets, noting that the contracted requirement is 10%.
3. The Project Scope and Technical Requirements (**PS&TR**) provides for a minimum Aboriginal Employment Target of 2.5%. The 2.5% minimum requirement does not apply for other Priority Jobseekers.

1. PROJECT OVERVIEW

1.6 PUBLIC INTEREST CONSIDERATIONS

The State assessed the extent to which the project was in the public interest prior to entering into the PPP contract. The analysis was undertaken in accordance with the *Partnerships Victoria* guidance on how to evaluate whether a project meets the public interest.

The assessment against criteria such as public access, security, consumer rights, concluded that, on balance, the public interest was being protected. Appendix E contains the Public Interest Test.

1.7 CONTRACT MILESTONES

The Project Agreement contains a number of contract milestones for Project Co to meet that also interact with the broader Metro Tunnel Project milestones, as summarised in [Table 3](#).

Table 3: Contract milestone summary

Contract milestone	Date
Contract Close	16 December 2017
Financial Close	18 December 2017
Date for Provisional Acceptance of the Tunnel and Stations PPP	17 September 2023
Date for Final Acceptance of the Tunnel and Stations PPP	17 September 2024
Maintenance Phase	17 September 2023 to 17 September 2048
Contract expiry date	17 September 2048

As noted above, the Metro Tunnel Project is on track to be completed by 2025. Tunnel and Stations PPP Final Acceptance does not represent completion of the broader Metro Tunnel Project and the commencement of passenger services. Completion of the broader Metro Tunnel Project and commencement of passenger services requires completion of all Metro Tunnel Project packages and a range of operational readiness activities to be finalised.

1.8 STATE ADVISORS

The following external advisors were engaged to assist the State in undertaking the tender process ([Table 4](#)).

Table 4: State Advisers

Role	Advisors
Technical, Planning and Engagement Adviser (including design)	Aurecon Jacobs Mott McDonald JV
Legal Advisers	Herbert Smith Freehills (HSF)
Commercial Adviser and Financial Auditor	KPMG
Independent Estimator	Aquenta Consulting
Constructability Adviser	Advisian
Probity Adviser	O'Connor Marsden
Probity Auditor	Pitcher Partners Pty Ltd

2

FINANCIAL OUTCOME

2.1 VALUE FOR MONEY

2.1.1 OVERVIEW

The *Partnerships Victoria* framework seeks to identify and implement the most efficient form of infrastructure and service delivery. The concept of value for money goes beyond selecting the cheapest solution, focusing on the value of each aspect of a Proposal. This involves an in-depth analysis of each Proposal received from the private sector and comparison against a State-managed delivery option. The evaluation considered quantifiable elements (for example, items that can be quantified in monetary terms) as well as qualitative considerations.

2.1.2 PUBLIC SECTOR COMPARATOR

The PSC is an estimate of the hypothetical, risk-adjusted, whole-of-life cost of the project if delivered by the State. The PSC is developed in accordance with the project scope and technical requirements and risk allocation proposed for the private sector party arrangement, and is based on the most likely and efficient form of conventional (that is, non-public private partnership) delivery by the State.

The PSC is expressed in terms of the Net Present Cost (**NPC**) to the State, calculated using a discounted cash flow method taking full account of the costs and risks that would arise through State delivery. The PSC includes amounts for the design and construction of the Tunnel and Stations PPP as well as maintenance and lifecycle costs during the Maintenance Phase of the Tunnel and Stations PPP.

2. FINANCIAL OUTCOME

The PSC is made up of a number of elements as contained in [Table 5](#).

Table 5: Components of the public sector comparator

Components of the PSC	Net present cost (\$millions)
Capital costs	4,482.7
Maintenance and lifecycle costs	366.5
Raw PSC	4,849.2
Transferred risks	478.6
PSC (excluding retained risk)	5,327.8

Notes:

1. All numbers are expressed in net present values as at 30 September 2017.
2. In accordance with the National PPP Guidance, a risk free rate of 3.09 per cent was used in calculating the net present value of the PSC and its components.
3. The Raw PSC represents the base raw costs to the State to deliver the Tunnel and Stations PPP. The term 'raw' refers to the estimate of costs to the State of delivering the project before taking into account adjustments for competitive neutrality and risk.
4. The PSC includes adjustments for 'competitive neutrality' where necessary, i.e. removing the net competitive advantages or disadvantages that accrue to Government by virtue of its public ownership. A competitive neutrality adjustment is not deemed applicable in the context of the Tunnel and Stations PPP.
5. The PSC includes transferred risk estimates but excludes State retained risk estimates to enable a like-for-like comparison to be made between Proposals.

2.1.3 NET PRESENT COST OF PROJECT CO'S PROPOSAL

The quantitative value for money assessment, as demonstrated by the estimated savings between the PSC and private sector contract cost is shown in [Table 6](#).

Table 6: Value-for-money comparison – PSC versus private sector delivery

Public sector comparator (\$millions)	Private sector comparator (\$millions)	Estimated savings (\$millions)	Estimated savings (%)
5,327.8	5,240.4	87.4	1.6%

Notes:

1. All non-percentile numbers are expressed in net present values as at 30 September 2017.
2. The lease liability has been calculated under current accounting practice using the leasing standard AASB117. The recognition may change under the new standard *Service Concession Arrangements: Grantors* AASB1059.
3. In accordance with the National PPP Guidance, a Proposal evaluation discount rate of 5.19 per cent was used in calculating the net present cost of the State Contributions.

2.2 ADDITIONAL VALUE FOR MONEY BENEFITS

In addition to meeting all of the State's requirements for the Tunnel and Stations PPP at a price that is \$87.4 million less than the State's PSC, Project Co's Proposal also contained a number of additional benefits for the State and public compared to the State's reference design, including the following:

- meeting or exceeding all State policy requirements targets including for local jobs, industry and content, as outlined in section 1.5.2;
- the D&C Subcontractor has committed to achieve a minimum of 15.5% female participation in the performance of its obligations in respect of the Project, which significantly exceeds the 10% national construction industry average;
- establishment of 'MetroHub', a dedicated learning and job access hub bringing together key industry and workforce stakeholders to maximise local participation in the Tunnel and Stations PPP through workforce development, local industry development and social outcomes;
- each of the five new Stations will have its own unique identity. The innovative designs will include wider platforms, more natural light, bringing world-class urban design to the heart of Melbourne and its train network;
- an additional entrance is provided at Royal Melbourne Hospital at Parkville, a wider tram interchange platform and additional escalators are provided at Domain;
- the connection to Flinders Street station uses the Degraeves Street entrance and Campbell Arcade to connect straight onto each platform at Flinders Street station;

2. FINANCIAL OUTCOME

- the Proposal delivered the highest value to the State for both OSD sites, capturing value to reduce the overall cost of the Metro Tunnel Project;
- high quality in-station retail, providing activation and an enhanced passenger experience;
- innovative 'Meanwhile Metro' strategy for managing disruption to the community during construction, which will also seek to use the construction intervention to celebrate and trial long term urban outcomes for Melbourne;
- sustainability initiatives across all stations to reduce emissions, save water and increase green space;
- tree removals along the alignment were minimised;
- providing changing places facilities for people with disabilities at each new Station; and
- greater public realm allocated to pedestrians.

2.3 OTHER COSTS

In addition to the costs shown above for the PSC and the NPC of Project Co's Proposal, the State will meet a range of other costs in relation to the Project, including:

- State project management costs of administering the Project Agreement;
- Tunnel and Stations PPP delivery risks retained by the State;
- the State's 50 per cent share of Independent Reviewer costs;
- land acquisition and leasing costs to support construction;
- costs associated with delivering the other Metro Tunnel Project Works Packages;
- costs associated with 'occupying' parts of the existing train and tram network through construction; and
- certain Metro Tunnel Project insurances.

2.4 COSTS AND SERVICE PAYMENTS

The payment mechanism for the Tunnel and Stations PPP is consistent with the mechanisms developed in precedent 'availability based' PPP projects and has been developed to drive performance, innovation and value for money.

Payments to Project Co will be determined in accordance with a defined Quarterly Service Payment (**QSP**) formula that reflects a traditional payment mechanism alongside an abatement regime.

2.4.1 QUARTERLY SERVICE PAYMENTS

The key components of the Tunnel and Stations PPP QSPs comprise:

- one-off D&C Phase adjustments following Final Acceptance, including for Local Content Requirements, Major Project Skills Guarantee and Priority Jobseekers' Requirements. The QSPs made to Project Co may be adjusted (reduced) if Project Co fails to meet its contractually specified targets, as outlined in section 1.5.2;
- payments for works during the Final Acceptance Works phase (**Final Acceptance Works Payments**), being the period between Provisional Acceptance and Final Acceptance. The Final Acceptance Works Payments comprise a payment to cover fixed debt and equity repayments during the Final Acceptance Works phase, a Final Acceptance Works component to cover the costs of Project Co undertaking the Final Acceptance Works and a lifecycle component to cover lifecycle costs; and
- Maintenance Phase payments, comprising:
 - a payment to cover fixed debt and equity repayments during the Maintenance Phase;
 - a maintenance component to cover all maintenance and other services costs; and
 - a lifecycle component to cover lifecycle costs.

Figure 3: Performance regime overview



2.4.2 ABATEMENT REGIME

Abatements to the QSPs may be made every quarter during the Maintenance Phase based on Project Co’s performance. The Tunnel and Stations PPP performance regime is structured to incentivise Project Co to design, install, construct and maintain assets that comply with the State’s functional requirements, stated in terms of functionality, availability / reliability and appearance, and to minimise disruption to rail operations. The performance regime is primarily related to the performance of assets rather than the operation of a rail system, and is broadly structured in line with the performance regimes adopted for previous *Partnerships Victoria* infrastructure projects.

An outline of the performance regime is provided in *Figure 3*.

Each element is described below:

- **System Failure Event (SFE)** – SFEs relate to events where pre-determined service-affecting failures occur resulting in significant operational disruption. SFEs may affect a platform, station, single tunnel, or the total system, each of which will result in a different level of abatement. Abatements for SFEs are significant.
- **Failure Event (FE)** – FEs relate to events where a space or individual asset is unavailable with an abatement applicable if the event is not rectified within a prescribed timeframe. The size of abatement is determined primarily according to the importance of that space or individual asset and impact of unavailability (e.g. office light out vs escalator out). The regime differentiates between differing peak and off-peak operational impacts in setting rectification times and abatement amounts.

- **Reliability Adjustment (RA)** – The RA is designed to increase vertical transport (escalators and lifts) abatements on the basis of whether the vertical transport assets have achieved their designed reliability target over a one year period. The annual reliability target is 99.60% per escalator and 99.60% per lift. Failure to meet either one of these reliability targets may result in abatement of the QSPs.
- **Quality Failure (QF)** – QFs relate to a non-infrastructure based failures (e.g. monthly report delivered late) and are calibrated to encourage Project Co to invest in an appropriate level of management resources and systems.

Full details of the abatement regime are contained in the Project Agreement, including the Services Specification.

2.4.3 FINAL ACCEPTANCE PAYMENT

The Final Acceptance Payment is designed to incentivise Project Co to work collaboratively with RSA, RIA and the Train Franchisee to ensure that the Metro Tunnel Project is ready to be integrated with the existing rail network and signalling system at the earliest opportunity. The Final Acceptance Payment is structured as follows:

- if Final Acceptance occurs on the Date for Final Acceptance: Project Co will receive an incentive payment of \$12.5 million (nominal);
- if Final Acceptance occurs early, Project Co’s incentive payment will be increased by \$40,000 (nominal) for each day by which the Date of Final Acceptance is earlier than the Date for Final Acceptance, capped at a maximum payment of \$20 million (nominal); or

2. FINANCIAL OUTCOME

- if Final Acceptance occurs late, Project Co's incentive payment will be reduced by \$40,000 (nominal) for each day by which the Date of Final Acceptance is later than the Date for Final Acceptance, subject to a minimum payment of \$5 million (nominal).

As much of the systems integration and commissioning work required for Final Acceptance will be undertaken by RSA, RIA and the Train Franchisee, the minimum incentive payment is designed to ensure that Project Co is incentivised to work collaboratively to achieve Final Acceptance even if Final Acceptance does not occur within 6 months of the target Date for Final Acceptance.

2.4.4 QSPS AND LEASE TREATMENT

Tables 7, 8 and 9 provide further details on the quantum of the QSPs and the lease treatment for the Tunnel and Stations PPP.

Table 7: Disclosure of nominal flows

Cost of contracted proposal (net present cost) as at 30 September 2017	Discount rate used to arrive at net present cost	Total cost of contracted proposal (nominal)	First full year payment (nominal)
\$'million	%	\$'million	\$'million
5,240.4	5.70% and 5.19% for the State Contribution	9,580.7	187.0

Notes:

- The first full financial year payment is measured from 1 July 2024 until 30 June 2025.

Table 8: Disclosure of lease liability

Lease liability expected to be recognised at completion (nominal)	Lease liability expected to be recognised at completion (NPC)	Expected year of recognition	Implied interest rate in lease liability
\$'million	\$'million	Financial year	%
2,008.8	1,440.2	2023-24	6.43%

Notes:

- The lease liability has been measured as at the Date for Provisional Acceptance based on the Financial Close Financial Model.
- The lease asset and liability will be recognised progressively as assets become available for public use up until the achievement of Provisional Acceptance.
- The lease liability may be further reduced if the State elects to pay the State Maintenance Phase Contribution.

Table 9: Breakdown of quarterly service payments

	Sum of quarterly service payments over the life of contract	Principal payments on lease liability	Interest payments on lease liability	Implied maintenance and lifecycle component of quarterly service payments
	\$'million	\$'million	\$'million	\$'million
Nominal	5,512.4	2,015.3	2,046.8	1,450.3

Notes:

- The lease liability has been measured as at the Date for Provisional Acceptance based on the Financial Close Financial Model.

2.5 STATE CONTRIBUTIONS

In order to support the financing task, reduce the total cost of the Tunnel and Stations PPP and enhance value for money, the State will make State Construction Contributions to Project Co during the D&C Phase and a State Capital Contribution following Provisional Acceptance (collectively, the ‘**State Contributions**’).

The State Contributions will be available as described below:

- State Construction Contribution – Progressive capital contributions during D&C Phase up to a total of \$2.5 billion (nominal), or approximately 42% of the \$6 billion financed design and construct cost, will be provided to Project Co in tranches during the D&C Phase between January 2020 and Provisional Acceptance; and
- State Capital Contribution – A capital contribution at Provisional Acceptance of \$1.5 billion (nominal), or approximately 25% of the \$6 billion financed design and construct cost, will be provided to Project Co shortly after the Date of Provisional Acceptance.

In addition to the State Contributions, as a further option to optimise value for money, the State may elect to pay a State Maintenance Phase Contribution to Project Co between 3 to 5 years after the Date for Final Acceptance. This payment must be used by Project Co to reduce project debt to \$500 million (nominal).

Whilst a component of debt will be repaid upon payment of each State contribution, the payments will have no material impact on the risk allocation for the Tunnel and Stations PPP, as Project Co may still incur significant payment reductions if the Services are not delivered to the required standard.

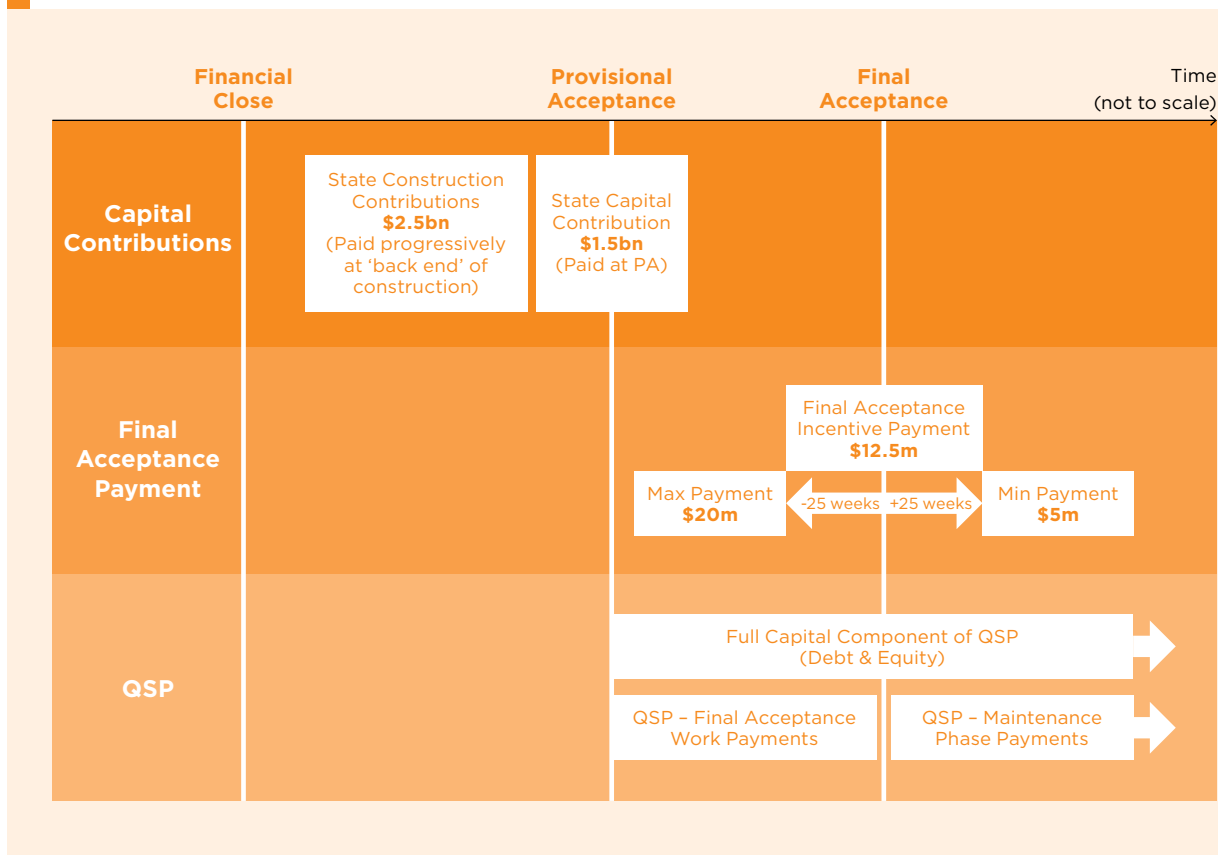
Table 10 summarises the capital contributions to Project Co.

Table 10: Capital contributions

State Capital Contributions made to Project Co	Amount (\$'million)
Capital contribution during D&C Phase	2,500.0
Capital contribution at Provisional Acceptance	1,500.0
Total capital contributions	\$4,000.0

2. FINANCIAL OUTCOME

Figure 4: Summary of payment arrangements



2.6 SUMMARY OF PAYMENT ARRANGEMENTS

A high-level summary of the payment arrangements between the State and Project Co is set out in *Figure 4*.

2.7 BID COST REIMBURSEMENT

The State will make a contribution to the unsuccessful Shortlisted Respondents equal to 50 per cent of each unsuccessful Shortlisted Respondent's verifiable and reasonable external costs incurred in preparing a Proposal (capped to a maximum payment to each unsuccessful Shortlisted Respondent of \$15 million). Payment of the contribution to Proposal costs is subject to the unsuccessful Shortlisted Respondents satisfying certain terms and conditions.

Reimbursement of a proportion of unsuccessful bidders bid costs is consistent with the *Partnerships Victoria* Requirements where it will maximise competition by incentivising stronger market responses and attracting better quality Proposals. Given the value of bid costs for a project as large and complex as the Tunnel and Stations PPP and the number of local and interstate projects that were competing for resources at the time the Tunnel and Stations PPP was tendered, provision of bid cost reimbursement for the Tunnel and Stations PPP was considered necessary in order to optimise value for money by incentivising stronger market responses and attracting better quality bids. The State retains the intellectual property contained in each unsuccessful Shortlist Respondent's Proposal.

3

KEY COMMERCIAL FEATURES

3.1 PARTIES TO THE CONTRACT

The relevant parties under the contractual arrangements are summarised in [Table 11](#).

Table 11: Summary of contact parties

Entity	Description
State parties	
The State	The State is a signatory to the Project Agreement and other relevant ancillary Project Documents. The Minister for Public Transport executed these contracts on behalf of the State.
Key private sector parties	
Project Co	Cross Yarra Partnership is the counterparty to the Project Agreement, and is the primary contracting entity with the State. Cross Yarra Partnership, in turn, has entered into a range of contracts with its consortium partners to deliver elements of the Tunnel and Stations PPP. Notwithstanding this, Cross Yarra Partnership is the organisation ultimately responsible for the delivery of the Tunnel and Stations PPP. Cross Yarra Partnership is a partnership between the four Equity Investors (see below).
D&C Subcontractor	Project Co has engaged Lendlease Engineering Pty Ltd, John Holland Pty Ltd and Bouygues Construction Australia Pty Ltd under an unincorporated joint venture arrangement to undertake the design and construction of the Tunnel and Stations PPP works.

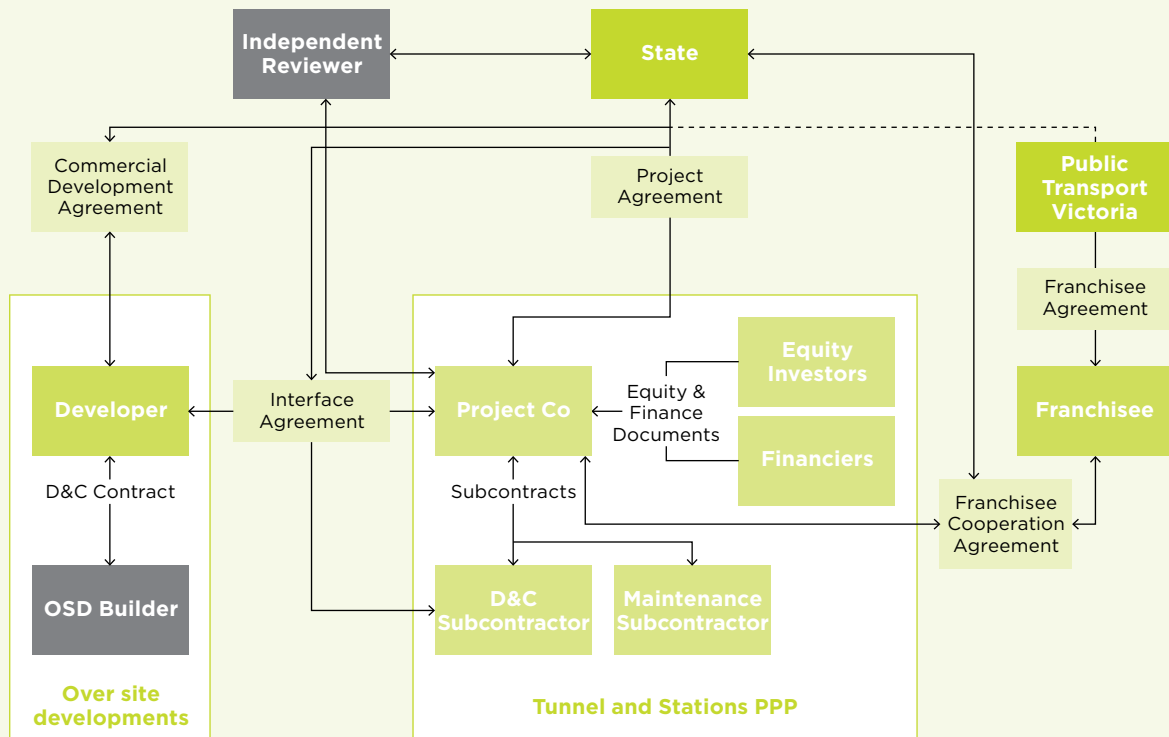
3. KEY COMMERCIAL FEATURES

Table 11: Summary of contact parties (continued)

Entity	Description
Maintenance Subcontractor	Project Co has engaged John Holland Pty Ltd to undertake the maintenance and repair of various assets and to provide other associated lifecycle and other services.
Equity Investors	The following entities have committed to provide the equity required for Project Co: <ul style="list-style-type: none"> • Lendlease Infrastructure Investments Pty Ltd; • John Holland Group Pty Ltd; • Bouygues Construction Australia Pty Ltd; and • John Laing Investments Limited.
Financiers	The following entities have committed to provide the senior debt required for the Tunnel and Stations PPP (noting this is the initial bank group only and it may change following completion of the syndication process): <ul style="list-style-type: none"> • Australia and New Zealand Banking Group; • Credit Agricole CIB Australia Limited; • Mizuho Bank, Ltd; • Westpac Banking Corporation; • Bank of China Limited; • Canadian Imperial Bank of Commerce; • Crédit Industriel et Commercial; • DZ BANK AG Deutsche Zentral-Genossenschaftsbank; • Industrial and Commercial Bank of China Limited; • KfW IPEX-Bank GmbH; and • United Overseas Bank Limited.
Other parties	
Train Franchisee	The franchisee for the Melbourne metropolitan rail network is Metro Trains Melbourne Pty Ltd. Metro Trains Melbourne Pty Ltd, as the operator of the Melbourne metropolitan rail network, will coordinate various activities with Project Co during both the D&C and Maintenance Phases.
Tram Franchisee	The franchisee for the Melbourne tram network is KDR Victoria Pty Ltd. KDR Victoria Pty Ltd, as the operator of the Melbourne tram network, will coordinate various activities with Project Co during the construction of the Tunnel and Stations PPP.
Independent Reviewer	The State and Project Co have jointly appointed AECOM Australia Pty Ltd to oversee the design and construction of the Tunnel and Stations PPP in accordance with the Independent Reviewer Deed of Appointment.
OSD Developers	An unincorporated joint venture comprising John Holland Nth OSD Developer Pty Ltd and Scape Little Latrobe Operator Pty Ltd have entered into contracts for the development of the OSD at State Library. Lendlease (OSD South) Pty Ltd as trustee for Lendlease (OSD South) Trust has entered into contracts for the development of the OSD at Town Hall.

3. KEY COMMERCIAL FEATURES

Figure 5: Contractual arrangements and relationships



Notes:

1. Direct deeds and other ancillary agreements are not shown in this figure.
2. There are two separate Developers for the OSDs at State Library and Town Hall, which will be delivered under separate Commercial Development Agreements and Interface Agreements. Only one has been depicted for simplicity.
3. There are two separate Franchisee Cooperation Agreements, one with the Train Franchisee and another with the Tram Franchisee. Only one has been depicted for simplicity.

3.2 CONTRACTUAL RELATIONSHIPS

The relationship between the State, Project Co and other related parties is detailed in the Project Agreement and associated documents. Figure 5 sets out a high-level overview of the commercial structure for the Tunnel and Stations PPP and OSDs.

Project Co has also entered into a number of other contractual arrangements governing the management of interfaces. These are described in section 3.4.

3.3 RISK ALLOCATION

The risk allocation in the Project Agreement allocates risks to the party best able to manage them in order to achieve the best value for money for the State. This results in various risks being:

- retained by the State;
- transferred to the private sector; or
- shared between the parties.

The Project Agreement and associated documents establish the obligations of each party in managing these risks. Table 12 provides a high level outline of the risk allocation for the Tunnel and Stations PPP. Where a risk is allocated to more than one party, those parties may not share that allocation equally. Detail on all risks, as well as further detail on the risks identified in Table 12, is provided in the Project Agreement and associated Project Documents.

3. KEY COMMERCIAL FEATURES

Table 12: Tunnel and Stations PPP risk summary

No.	Type of Risk	Description	Allocation		
			State	Project Co	Shared
Site Risks					
1	Land acquisition	Risk associated with acquiring land identified at Contract Close as required for Project Co's design accepted by the State.	✓ ¹		
		Risk associated with acquiring land as a result of design changes requested by the State after Contract Close.	✓		
		Risk associated with acquiring land as a result of design changes requested by Project Co after Contract Close.		✓	
2	Planning Approvals	Risk of obtaining State approvals and planning reservations of the land required for the Tunnel and Stations PPP based on the design agreed at Contract Close.	✓ ²		
3	Native title claims	Risk of native title claims affecting the Tunnel and Stations PPP.	✓		
4	Aboriginal heritage and artefacts	Risk of discovery of items of aboriginal heritage and artefacts at the site.		✓	
5	Site conditions	Risk of unanticipated geotechnical or other ground conditions (including services and utilities) in respect of the Tunnel and Stations PPP.		✓ ³	
		Risk of managing, removing and remediating contamination caused or disturbed by Project Co.		✓ ³	
Design, Construction and Commissioning Risks					
6	Force majeure	Risk of delay caused by force majeure events which prevent construction milestones being met.			✓
7	Design risk	Risk that the design does not meet the PS&TR.		✓	
8	Construction risk	Risk that construction activities cannot be completed on time and/or to budget.		✓	

3. KEY COMMERCIAL FEATURES

Table 12: Tunnel and Stations PPP risk summary (continued)

No.	Type of Risk	Description	Allocation		
			State	Project Co	Shared
9	Franchisee interface risk	Risk of managing interfaces with the Franchisee during the D&C Phase in relation to:			
		• track occupations;			✓ ⁴
		• design development process;		✓	
		• safety and accreditation; and		✓	
		• testing and commissioning.		✓	
10	Interface with other Metro Tunnel work packages	Risk in relation to managing interfaces and coordinating design and construction activities with other Metro Tunnel work packages in accordance with the requirements of the Project Agreement.		✓	
		Risk in relation to meeting defined Tunnel and Stations PPP milestones such as the provision of design information or site access from / by other Work Packages.		✓	
		Risk in relation to other Metro Tunnel work packages failing to meet specified requirements.	✓		
11	Other existing transport infrastructure interface risk	Risk associated with obtaining occupations of tram infrastructure and for complying with associated operator requirements.		✓	
		Risk that construction activities cause damage to CityLink and/or impact on its operations.			✓ ⁵
12	Other State projects	Impact of other State projects which result in a modification or delay to the Tunnel and Stations PPP.	✓		
13	Defects risk	Risk that defects are identified following completion of construction.		✓	
14	Equipment	Responsibility for the selection and procurement of equipment.			✓ ⁶
		Responsibility for the installation of equipment.		✓	

3. KEY COMMERCIAL FEATURES

Table 12: Tunnel and Stations PPP risk summary (continued)

No.	Type of Risk	Description	Allocation		
			State	Project Co	Shared
15	Commissioning	Risk that the Works are not constructed so as to be fit for purpose or do not comply with contractual obligations.		✓	
		Risk that the Works cannot be commissioned in accordance with the commissioning regime agreed with the other Metro Tunnel work packages and the Train Franchisee.			✓
Operating risks					
16	Force majeure	Risk that force majeure events affect the operation or availability of the Tunnel and Stations PPP.			✓
17	Franchisee interface risk	Risk of managing interfaces with the Train Franchisee during the Maintenance Phase in relation to:			
		• incident and fault management;		✓	
		• safety and accreditation			✓ ⁷
		• maintenance of the Tunnel and Stations.		✓	
18	Ticketing and farebox revenue	Provision and performance of the electronic ticketing system at the new Stations, including collection of fare box revenue.	✓		
19	Asset availability and maintenance	Making the Tunnel and Stations available for the Franchisee in accordance with availability requirements and levels.		✓	
20	Meeting performance requirements	Tunnel and Stations performance does not meet the performance requirements.		✓	
21	Lifecycle costs	Risks associated with the replacement and refurbishment of Tunnel and Stations assets over the Maintenance Phase (excluding Returned Works).		✓	

3. KEY COMMERCIAL FEATURES

Table 12: Tunnel and Stations PPP risk summary (continued)

No.	Type of Risk	Description	Allocation		
			State	Project Co	Shared
22	Changes in rail services levels	Changes in rail service levels impacting the maintenance and lifecycle of Tunnel and Stations assets:			
		<ul style="list-style-type: none"> within parameters specified in the Project Agreement; and 		✓	
		<ul style="list-style-type: none"> modification to service levels and service plan outside the agreed parameters. 	✓		
23	In station commercial opportunities	Risk that actual revenues generated by in station commercial opportunities differs from the base case financial model.		✓	
24	Residual life and end of Term handover	Satisfying the residual design life requirements for the Tunnel and Stations at the end of the Maintenance Phase.		✓	
Accreditation					
25	Rail safety accreditation	Obtaining and maintaining accreditation for the construction (and associated activities) of the Tunnel and Stations PPP.		✓	
		Providing assistance to Franchisee to vary its accreditation as necessary for operation of the Tunnel and Stations PPP.		✓	
		Accreditation for Maintenance Phase services of the Tunnel and Stations PPP.	✓ ⁷		
Industrial Relations					
26	Industrial relations risk	Risks of industrial action and industrial relations matters affecting the Tunnel and Stations PPP (excluding those actions which directly result from an act or omission of the State and only affect the Project or the sites).		✓	
Change in law					
27	Project specific change in law	Risk of additional cost or delay resulting from changes in State policy or law which directly affect the Tunnel and Stations PPP.	✓ ⁸		

3. KEY COMMERCIAL FEATURES

Table 12: Tunnel and Stations PPP risk summary (continued)

No.	Type of Risk	Description	Allocation		
			State	Project Co	Shared
28	General change in law	Risk of a general change in law during D&C Phase.		✓	
		Risk of a general change in law during the Maintenance Phase.	✓		
Financing and Insurance Risks					
29	Financing	Obtaining and maintaining private sector financing.		✓	
30	Base interest rate risk	Base interest rate risk prior to Financial Close.	✓		
		Base interest rate risk from Financial Close to the first re-finance date.		✓	
		Base interest rate risk from the first re-finance date.	✓		
31	Refinancing	Risk of refinancing losses.		✓	
		Benefit of refinancing gains.			✓
32	Tax	Risk that actual tax payable by Project Co differs from the base case financial model.		✓	
33	Forex risk	Risk of forex movements after Financial Close.		✓	
34	Insurance	Responsibility for effecting insurances required for construction and operation of the Tunnel and Stations.			✓ ⁹

Notes:

- The State has agreed to provide access to various additional parcels of land. Project Co is required to furnish the State with information in order to enable the State to procure access to these parcels.
- Project Co's Proposal was premised on a change to the reference design rail alignment. The State retains the risk of obtaining the Planning Scheme Amendment and change to the Project Area to reflect the change of alignment.
- Reasonable mitigation and remediation measures in respect of groundwater contamination are set out in a mitigation plan. To the extent additional activities become necessary to remediate groundwater contamination, the State will pay the additional cost. Project Co will remain liable for the first \$20 million of additional remediation costs. Project Co's obligations in relation to the remediation of soil contamination at North Melbourne, Anzac and outside of the footprint occupied by the works are modified such that Project Co is not required to remediate soil contamination that it does not physically encounter, and at North Melbourne by reference to either the existing contamination level, or a contamination level determined by reference to its anticipated use on completion of the works.
- The State will pay for track occupations, as set out in the Potential Base Track Occupations Schedule (unless due to a change to the agreed methodology), and otherwise in replacement of track occupations cancelled by the Train Franchisee. All other track occupations are at Project Co's cost.
- The State retains the risk that claims by the CityLink Manager for a loss of use of CityLink exceeds insurance proceeds.
- Project Co will be responsible for the selection, procurement and installation of the majority of equipment required in the Tunnel and Stations. Exceptions may include ticketing and other equipment to be selected, procured and/or installed by the RSA or the Train Franchisee.
- Project Co will perform its services under the accreditation of the Train Franchisee.
- The State retains the risk that the St Kilda Road precinct is temporarily or permanently included in the Federal 'National Heritage List'.
- Where the Maintenance Phase insurance is procured by the State as part of the wider Government Rail Insurance Program (or otherwise on a non-project specific basis) the State will indemnify Project Co to the extent that insurance proceeds paid to Project Co are less than would have been payable under a project-specific policy.

3.4 INTERFACE MANAGEMENT

Successful delivery of the Metro Tunnel Project requires significant coordination and cooperation between MMRA, Project Co, the RIA and the RSA (each a **Package Contractor**), as well as with other Related State Project contractors (including the HCMT Project and LXP) and third parties (such as the Train Franchisee).

3.4.1 INTERFACES BETWEEN WORK PACKAGES

Each Work Package will be responsible for developing, managing and implementing the works and systems (or sub systems) within their respective scope throughout the project lifecycle as necessary to achieve a fully integrated and operational system. The level and timing of coordination and cooperation will be different as between Work Packages, and across the whole of the Metro Tunnel Project program of works.

MMRA has undertaken significant work to understand the potential interfaces associated with the Work Packages and to develop strategies to manage them, including establishing a commercial framework that encourages Package Contractors to work together in a cooperative and collaborative manner with an appropriate level of risk transfer. The State's interface management framework includes:

- joint coordination and interface management – all Package Contractors are required to enter into a Coordination and Interface Deed Poll agreeing to a common set of Framework Coordination and Interface Principles and to establish and actively participate in a Joint Coordination Committee (**JCC**); and

- direct package interfaces – a process, reflected in individual Work Package contracts, by which direct Work Package to Work Package interfaces must be identified, agreed and addressed, including defined contractual milestones for a limited number of critical interfaces between Project Co and other Package Contractors – these are known as the Critical Interface Milestones (**CIMs**) that are used as a key part of the respective Work Package performance regimes. Project Co is contractually required to complete the CIMs for which it is responsible by the dates specified. Failure to achieve these milestones may result in financial consequences for Project Co. If another Package Contractor fails to achieve a CIM for which Project Co was the dependant party, this may result in Project Co being entitled to relief and compensation.

3.4.2 INTERFACES WITH TRAIN AND TRAM FRANCHISEES

There will be significant interfaces between Project Co and the Train Franchisee both during the D&C Phase (in relation to design, construction, integration, commissioning and operational readiness activities) and the Maintenance Phase in terms of the provision of Project Co's asset management services. These interfaces will be governed by the Train Franchisee Cooperation Agreement.

In addition, there will be a level of interface between Project Co and the Tram Franchisee during the D&C Phase in relation to Project Co's tram works, including in relation to the design of the works, construction access, overhead power, commissioning and handback. These interfaces will be governed by the Tram Franchisee Cooperation Agreement. As these works are returned to the Tram Franchisee on completion there will be no ongoing direct contractual interface between Project Co and the Tram Franchisee during the Maintenance Phase.

3.4.3 OTHER INTERFACES

The Tunnel and Stations PPP also includes a number of interfaces, as summarised in [Table 13](#).

3. KEY COMMERCIAL FEATURES

Table 13: Summary of other interfaces

Interface	Description	Interface management
Early Works Managing Contractor (EWMC)	There are design and construction interfaces between the early works and the Tunnel and Stations PPP.	The State has delegated to the D&C Subcontractor certain responsibilities in relation to the management of the EWMC agreement and, subject to certain limited exceptions, Project Co and the D&C Subcontractor have assumed program risk in relation to the delivery of these early works.
Construction power contractor	The State has procured a contractor to deliver temporary construction power for tunnel boring machines. Project Co will rely on these works during the D&C Phase.	The D&C Subcontractor will assume direct responsibility for these works.
OSD Developers	OSD buildings will be constructed directly above and adjacent to the Stations at State Library and Town Hall.	These interfaces are managed under Interface Agreements between the State, Project Co, the D&C Subcontractor and each of the OSD Developers (two separate agreements, one for each site).
Transurban	The Tunnel will travel under the CityLink tunnel.	This interface is managed via an interface deed between the State and Transurban and a separate interface deed between Project Co and Transurban.
Other Related State Projects	The Tunnel and Stations PPP will interface with the HCMT PPP and may interface or need to coordinate activities with the LXRPP.	Project Co has no direct contractual relationship with these parties/projects. Representatives from the HCMT PPP and/or LXRPP may be invited to participate in meetings of the JCC (or its subcommittees), as required.

3.5 GENERAL OBLIGATIONS OF PROJECT CO

3.5.1 D&C PHASE

Project Co will be responsible for the design and construction of the following assets and systems:

- the Tunnel, including all cross passages, ventilation shafts, access shafts including at the Portals, walkways, tunnel drainage system, cable ducts, embedded pipework and civil supports for high capacity signalling wayside equipment;
- the Stations, including at-grade station entrances and ventilation shafts;
- public realm works around the Stations, where urban design is paramount, and including hard landscaping and irrigation systems for trees;
- foundation works to enable OSD at State Library and Town Hall;
- reinstated roads, pavements and landscaping;
- tram works in the precincts at Town Hall, Anzac and Parkville;
- track works within the Tunnel, including first and second stage concrete, track slab, rail and fasteners;
- power, including the western intake substation, traction power including overhead line equipment, Station substations, the eastern distribution substation and the eastern 22kV substation;
- mechanical and electrical systems, including the tunnel ventilation systems, vertical transport and lighting; and
- control systems and other Project Co systems such as the station intranet.

3. KEY COMMERCIAL FEATURES

Project Co will also be responsible for:

- the Final Acceptance Works between Provisional Acceptance and Final Acceptance, which includes systems integration, commissioning and operational readiness activities to ensure the Tunnel and Stations PPP works are ready to be integrated with the existing rail network and signalling system. It is noted that these activities will also involve the RSA, RIA, the Train Franchisee, MMRA, the HCMT PPP and other stakeholders and that Tunnel and Stations PPP Final Acceptance does not represent completion of the broader Metro Tunnel Project and the commencement of passenger services;
- providing private sector finance required for the Tunnel and Stations PPP;
- design and construction of certain assets which must be completed and handed back to the relevant owner or other third parties (**Returned Works**). The Returned Works will not form part of Project Co's asset management obligations during the Maintenance Phase (refer below). By way of example, the Returned Works include certain infrastructure and rail systems which are to be returned to (and maintained by) the Train Franchisee and the Tram Franchisee respectively. Road works, utilities and public spaces will also be separately returned to (and maintained by) the relevant authority or asset owner (as applicable);
- delivering the Tunnel and Stations PPP works in accordance with the environmental performance requirements contained in the Environmental Management Framework procured by the State for the construction and operation of the works and approved by the Victorian Minister for Planning as part of the EES; and
- managing community disruption and engaging with relevant approval authorities including the ONRSR, PTV and MFB.

3.5.2 MAINTENANCE PHASE

Project Co is required to provide a range of asset management services in respect of various assets and infrastructure, including the maintenance of the Tunnel and Stations during the Maintenance Phase of the project. Project Co will not hold any operational responsibility over train services or the Tunnel and Stations. This will be the responsibility of the Train Franchisee. The Train Franchisee will also be responsible for the provision of security services in the Tunnel and Stations.

Project Co's asset management responsibilities during the Maintenance Phase include:

- asset management services within the Tunnel and Stations including, subject to certain limited exceptions, maintenance of all structures, buildings, plant, machinery, equipment, fixtures, furniture, fittings, landscaping, spare parts and other improvements on or in the Licensed Maintenance Areas;
- asset management services within the Portals including maintenance of all structures, plant, machinery, equipment, fixtures, fittings, spare parts and other improvements on or in the Portals;
- lifecycle asset replacement for the assets it is required to maintain;
- pest control services;
- cleaning services;
- contract management and administration services; and
- help desk services.

Full details of the services and the key performance indicators are contained in the Project Agreement.

Project Co will also be responsible for:

- ensuring the Tunnel and Stations PPP infrastructure is available to the Train Franchisee for operation of train services. Details of the regime regarding the required availability and performance standards are set out in the Project Agreement; and
- providing commercial opportunities within the stations that are synergistic and complementary to the functions and operations of the Tunnel and Stations PPP. These commercial opportunities will include a variety of retail including food, convenience and café stores, kiosks, laneway/small format food, other non-food retail, and vending machines and ATMs in all stations.

3.6 GENERAL OBLIGATIONS OF THE STATE

Under the Project Agreement, the State's obligations include the following:

- the State must procure a number of key approvals in relation to the Tunnel and Stations PPP;
- the State must provide Project Co with the necessary access to allow it to perform its obligations;
- the State may review and comment on design documentation and other material that will be submitted by Project Co in accordance with the Project Agreement; and
- the State must pay to Project Co the State Contributions on the relevant dates, the Final Acceptance Works Payments during the Final Acceptance Works Phase and the QSPs during the Maintenance Phase, subject to any abatement that may apply if services are not delivered to the required standard.

3.7 OTHER CHANGES IN COST TO THE STATE

3.7.1 MODIFICATIONS

The State may, at its sole discretion, request Project Co to implement modifications to the Tunnel and Stations PPP or the asset management services, provided that the State adequately compensates Project Co in accordance with the Project Agreement.

With regard to modifications, the Project Agreement includes a number of pre-agreed scope modifications where the scope, modification election date and modification cost / saving is 'pre-agreed' between the State and Project Co.

3.7.2 CHANGE IN LAW

The State bears the risk of cost increases or savings arising from certain changes in law and policy that occur after Contract Close.

3.7.3 OTHER CHANGES IN COSTS

Subject to certain conditions, Project Co may be entitled to performance relief under the Project Agreement and to payment by the State of certain additional costs and expenses incurred by it as a result of the following key events:

- during the Project term:
 - breach by the State of any Project Documents;
 - a breach by either the Train and/or Tram Franchisees of their obligations under the respective Franchisee Cooperation Agreements or the fraud or wilful default of either Franchisee;
 - suspension of the works / services, as required by law, the Commonwealth or the State because of a native title claim or the discovery of artefacts;
 - a legal action to, or any review or revocation of, alteration, amendment, variation or change to, certain planning or environmental approvals for which the State is responsible;
 - industrial action which directly affects the Tunnel and Stations PPP and which Project Co can demonstrate is a direct result of an act or omission of the State or a State-related party within the relevant licensed areas, other than any act or omission authorised or permitted under any State Project Document;
 - if the State directs the suspension of the works / services, except to the extent such suspension was due to a breach of a State Project Document or a negligent act or omission of Project Co or its associates, or a force majeure event;
 - a collision, accident or rail safety related incident involving a train which causes damage to the Tunnel and Stations PPP infrastructure where the cause or occurrence of the damage was beyond the reasonable control of Project Co;
 - a failure by the State to procure certain planning and/or key approvals it is required to secure in relation to the Tunnel and Stations PPP; or
 - the carrying out of works by the State which are proximate to the project site (other than the Works Packages, and provided Project Co complies with its obligations to cooperate);

3. KEY COMMERCIAL FEATURES

- during the D&C Phase:
 - a failure by the State to make certain land available by the agreed dates;
 - a failure by a non-Project Co Package Contractor to achieve a CIM for which Project Co was dependant;
 - an act or omission of a Metro Tunnel Package Contractor or their associates causes loss or damage to the Tunnel and Stations PPP infrastructure;
 - the Train Franchisee:
 - cancels an agreed occupation;
 - fails to give Project Co an agreed occupation by the agreed time or at all; or
 - requires Project Co to hand back the Train Franchisee land the subject of an agreed occupation to the Train Franchisee prior to the agreed hand back time, as a result of a direction by the State or PTV to the Train Franchisee to cancel an Agreed Occupation to accommodate a Track Occupation required for another project;
 - any act or omission of the State (in its contracting capacity) or the State's associates, other than any act or omission which is authorised or permitted under the Project Agreement or is an exercise of a Government authority's statutory authority;
 - failure by the Construction Power Contractor to complete the construction power supply assets by the agreed date;
 - the State directs that additional tests be carried out, except where the results of that test show that there is a problem with the works;
 - a step-in by the State as a result of an incident or under a statutory power (but not step-in in circumstances related to a force majeure event or a Project Co default); or
 - remediation of contamination for which the State is responsible under the Project Agreement.

3.8 DEFAULT, STEP-IN AND TERMINATION REGIME

3.8.1 DEFAULT

A default by Project Co under the contractual arrangements will entitle the State to various remedies. Where a default has occurred, the State will, in most circumstances, be required to give Project Co an opportunity to cure the default. If the default is not cured by Project Co within the required cure period, it will escalate to a major default.

The Project Agreement also elevates a number of events to be immediately classified in the major default category (such as persistent breaches).

In respect of major defaults, Project Co will be given the opportunity to agree a cure plan with the State. Where Project Co fails to cure the major default in accordance with the cure plan, this will generally, subject to financier step-in rights, give rise to the State's right to terminate the Project Agreement.

Certain events of default are so severe that they are not subject to a cure regime. They give rise to a State termination right immediately upon their occurrence (for example, insolvency of Project Co or whole or partial abandonment of the activities by Project Co). These events are called default termination events.

3.8.2 STEP-IN

In addition to triggering termination rights (or potential termination rights), events of major default and default termination events may trigger additional State rights and remedies including the right to step-in to remedy the situation (that is, the right to assume control and management of the Tunnel and Stations PPP).

Step-in rights for the State, as specified in the Project Agreement, can be triggered when:

- a major default has occurred and Project Co is not complying with its cure plan;
- a default termination event has occurred;
- a cure notice has been issued by a key subcontractor; or
- a law entitles the State to a statutory right of step-in.

The default-related step-in right is subject to any step-in rights the financiers may have. During any step-in associated with a default, the QSP will be abated to the extent that the services are not being provided.

3. KEY COMMERCIAL FEATURES

Table 14: Basis for the calculation of the termination payment

Event	Trigger	Termination payment
Default termination event	The State may terminate the Project Agreement if a default termination event occurs.	The Tunnel and Stations' fair market value determined by tendering or by an independent valuer, including where there is no liquid market.
Termination for force majeure	The occurrence of a force majeure termination event.	The outstanding debt as at the termination date plus other costs.
Voluntary termination	The State may, at any time, for reasons of its own choosing, unilaterally elect to terminate the Project Agreement for convenience.	The outstanding debt as at termination date and other reasonable costs (including a capped amount of break costs during the D&C Phase (e.g. amounts payable to the D&C Subcontractor) and a return to equity, subject to the timing of the voluntary termination).

3.8.3 TERMINATION

Where the Project Agreement is terminated before the natural expiry of the intended 25 year Maintenance Phase, Project Co may be entitled to a termination payment. The Project Agreement can be terminated as a result of the following:

- certain events of default (as outlined above);
- a force majeure termination event; or
- voluntarily by the State.

The basis for the calculation of the termination payment will be determined by the reason for the termination, as summarised in [Table 14](#). In the event that the termination payment is a negative amount, Project Co must pay that amount to the State.

3.9 FINANCE AND SECURITY ARRANGEMENTS

Project Co is responsible for the provision of debt and equity finance for the Tunnel and Stations PPP. Its funding structure comprises senior debt drawn progressively from Financial Close and equity committed at Financial Close by way of equity letters of credit, with the equity funding drawn during the D&C Phase.

If the State elects to pay the State Maintenance Phase Contribution, the outstanding debt will be reduced to \$500 million (nominal), noting that this payment would occur 3 to 5 years after the Date for Final Acceptance. Debt will then be refinanced at intervals over the project term. The State will not share in any refinancing losses, but will be entitled to 100 per cent of the benefit of any refinancing gain where arising from a change in the payment of a State Contribution, and 50 per cent of the benefit of any other refinancing gains (after allowing Project Co to recoup any prior refinancing losses).

The State takes security over all of Project Co's rights and undertakings as security for performance of Project Co's obligations under the State Project Documents. Under the Finance Direct Deed, the State, Financiers and Project Co agree the usual priority and enforcement rights whereby the State obtains first priority for out of pocket amounts (e.g. on step-in) and amounts payable to it on termination.

3. KEY COMMERCIAL FEATURES

3.10 STATE RIGHTS AT EXPIRY OF CONTRACT

The Project Agreement requires Project Co to hand back the Tunnel and Stations PPP assets at the expiry of the Maintenance Phase (or on an earlier termination) in a condition that meets the requirements of the Project Agreement. The State will then resume responsibility for those sites and assets. To ensure that the assets are in sound working order at the expiry of the Project Agreement, the Project Agreement includes the following handover obligations:

- a requirement that Project Co handover the Maintained Assets in the condition that these assets would be in if Project Co had satisfied all relevant obligations in accordance with the Project Agreement;
- the joint appointment by the State and Project Co of a handover reviewer to undertake joint inspections of the Project Co maintained assets at least 5 years before the end of the term and every 6 months thereafter until the end of the Maintenance Phase (or where there is an early termination, within such shorter period as is required by the State); and
- a requirement that Project Co handover the Maintained Assets in a condition that there are no major lifecycle works required in the first 5 years following the end of the project term.

If Project Co fails to maintain the relevant assets to the standards required to satisfy the handover requirements and the estimated cost of delivering the works to meet the handover condition is more than 120% of the remaining QSPs, the State will be entitled to require that Project Co elect to provide additional bonding, or deposit a portion of the remaining QSPs into an escrow account to cover the expense of any shortfall.

3.11 AUDIT AND INSPECTION RIGHTS OF THE STATE

The Project Agreement includes contractual rights for the State to be given access to information and data, including to:

- inspect or observe any part of the assets or project activities; and/or
- examine and make copies of the accounts and other records, reports and all documents reasonably requested of Project Co or any of its subcontractors in connection with the Tunnel and Stations PPP.

The State also has the ability to disclose information in connection with the Tunnel and Stations PPP to satisfy the disclosure requirements of the Victorian Auditor-General or to satisfy the requirements of Parliamentary accountability.

3.12 PROCESS FOR STATE MODIFICATION TO SERVICES/ FACILITY

The State may, at its sole discretion, request Project Co implement modifications to the Tunnel and Stations PPP assets provided the State adequately compensates Project Co.

This includes an ability to remove works or services from the Tunnel and Stations PPP scope. Under the modifications regime, Project Co must provide an estimate of the costs or savings impact of any modification proposed by the State in a manner which complies with the requirements of the Project Agreement. All costs or savings must be provided on an open book basis. To provide greater transparency and certainty around modification costs, the Project Agreement specifies a range of pre-agreed margins and other on-costs Project Co can claim in such circumstances. As noted above, there are a number of pre-agreed costs for modifications which may be requested by the State.

The State may pay for the modification either by way of a lump sum, milestone payments or an adjustment to the QSP or a combination of such methods.

APPENDICES

APPENDIX A: GLOSSARY

Term	Definition
ANZ	means Australian and New Zealand.
Business Case	the publically released business case for the Metro Tunnel Project available at http://metrotunnel.vic.gov.au/library/business-case .
CDA	means a Commercial Development Agreement as described in section 3.2.
Coordination and Interface Deed Poll	a coordination and interface deed poll signed by each Package Contractor setting out coordination and interface requirements with each other Metro Tunnel Project Work Package.
Contract Close	the date on which the State and Project Co entered into the Project Agreement. This occurred on 16 December 2017.
Critical Interface Milestone (CIM)	has the meaning given in section 3.4.1.
D&C Phase	means the phase from Contract Close until Final Acceptance.
Developer	means the OSD developer.
Early Works	means works that began prior to the commencement of the Tunnel and Stations PPP.
Early Works Managing Contractor (MC)	means the managing contractor appointed for the delivery of the Early Works, John Holland Pty Ltd.

Term	Definition
Eastern Portal	means the Tunnel entrance at South Yarra.
Environmental Management Framework	means the environmental management framework procured by the State for the construction and operation of the project works and approved by the Victorian Minister for Planning.
Evaluation Criteria	the criteria used by the State to evaluate Proposals as set out in Appendix D.
Final Acceptance	has the meaning given in the Project Agreement, but in general terms means the date at which the Tunnel and Stations are ready for rail operations, including the completion of all testing and commissioning works.
Final Acceptance Works	has the meaning given in the Project Agreement, but in general terms means the Works to be performed by Project Co in the period between the Date of Provisional Acceptance and the Date of Final Acceptance.
Financial Close	The date on which Project Co satisfied all of the conditions to be met in order for its debt providers to make funds available to it. This occurred on 18 December 2018.
HCMT Project	The project to be delivered and maintained by the HCMT PPP (Evolution Rail) consisting of 65 High Capacity Metro trains and a train maintenance facility at Pakenham East.
Level Crossing Removal Authority (LXRA)	is an 'Administrative Office' established in relation to the DEDJTR under the Public Administration Act 2004 (Vic) to deliver the Level Crossing Removal Project.
Maintained Assets	has the meaning given in the Project Agreement, but in general terms means that part of the Tunnel and Stations PPP to be maintained by Project Co during the Maintenance Phase.
Maintenance Phase	means the period starting from Final Acceptance and continuing for the remaining term of the Project Agreement.
MFB	means Melbourne Fire Brigade.
Melbourne Metro Rail Authority (MMRA)	an Administrative Office established in relation to the Department of Economic Development, Jobs, Transport and Resources under the <i>Public Administration Act 2004 (Vic)</i> . MMRA is responsible for the delivery of the Metro Tunnel Project.
Metro Tunnel Project	a project that will start to transform Melbourne's rail network into an international-style metro system, improving access to, and connectivity with, the CBD and increasing the capacity, reliability and efficiency of train lines serving Melbourne's growth areas in the north, west and south-east as described in section 2.
National PPP Guidelines	means the suite of guidance material published by the Commonwealth Department of Infrastructure and Regional Development and available at www.infrastructure.gov.au/infrastructure/ngpd/index.aspx .
NPC	means net present cost.
ONRSR	means the Office of the National Rail Safety Regulator.
Over site Development (OSD)	the over site developments to be delivered at State Library and Town Hall as described and in section 1.2.3.

Term	Definition
Package Contractor	means any of RSA, RIA and Project Co.
Partnerships Victoria Requirements	means the State's <i>Partnerships Victoria</i> policy. Further information can be obtained on the website www.partnerships.vic.gov.au .
Portals	means the Eastern Portal and the Western Portal.
Procurement Process	the process described collectively by the Invitation for EOI and the RFP.
Project Agreement	means the primary document that will regulate the relationship between the State and Project Co in relation to the delivery of the Tunnel and Stations PPP.
Project Co	means Cross Yarra Partnership engaged by the State to execute the Project Agreement and deliver the Tunnel and Stations PPP.
Project Documents	means the full suite of documents entered into by the State, Project Co and others for the delivery of the Tunnel and Stations PPP.
Proposal	a Proposal submitted by a Shortlisted Respondent in response to the State's RFP.
Provisional Acceptance	has the meaning given in the Project Agreement, but generally means the date at which the Tunnel and Stations are complete in accordance with the Project Agreement, other than the Final Acceptance Works. This is also the point at which the State commences payment of the QSPs to Project Co.
Public Sector Comparator (PSC)	means the hypothetical, risk-adjusted whole-of-life cost of a public sector project if delivered by Government as set out in section 2.1.
Public Interest Test	the public interest test contained in Appendix E.
Quarterly Service Payment (QSP)	means the service payments to be made by the State to Project Co from Provisional Acceptance for the 25 year project term, subject to the requirements of the Project Agreement (including the abatement regime), as set out in section 2.4.1.
Rail Infrastructure Alliance (RIA)	the Rail Infrastructure Alliance Works Package of the Metro Tunnel Project.
Rail Systems Alliance (RSA)	the Rail Systems Alliance Works Package of the Metro Tunnel Project.
Related State Projects	includes other infrastructure projects funded by the State other than the Metro Tunnel Project as outlined in section 1.1.2, including the Level Crossing Removal Project, Cranbourne – Pakenham Rail Upgrade, Flinders Street Station Redevelopment, Mernda Rail Extension, other network interface projects and various rolling stock projects including HCMT and the X'Trapolis trains project.
RFP	means the Tunnel and Stations PPP Request for Proposal.
RFP Phase	means the phase of the Tender Process involving the submission of fully costed, fully financed binding Proposals based on the requirements of the RFP.

Term	Definition
State Advisor	those advisers listed in section 1.8.
Services	means the Final Acceptance Works and the Services to be provided under the Services Specification, to be conducted by Project Co after Provisional Acceptance and during the Maintenance Phase.
Shortlisted Respondent	means one of the three respondents that was selected by MMRA to submit a Proposal in response to the RFP.
State	the State of Victoria.
State Contributions	means: <ul style="list-style-type: none"> • the State Capital Contribution; and • the State Construction Contribution.
State Capital Contribution	means the capital contribution provided by the State as set out in section 2.5.
State Construction Contribution	means the construction contributions provided by the State as set out in section 2.5.
Stations	Means the five new underground stations to be designed and constructed, as part of the Metro Tunnel: <ul style="list-style-type: none"> • North Melbourne; • Parkville; • State Library; • Town Hall; and • Anzac, and including all associated public realm and landscape works at ground level.
Train Franchisee	means the franchisee for the Metropolitan Rail Network, currently being Metro Trains Melbourne Pty Ltd operating as “Metro Trains”, responsible for operating the train system.
Tram Franchisee	means the franchisee for the Metropolitan Tram Network, currently being KDR Victoria Pty Ltd operating as Yarra Trams, responsible for operating the tram system.
Tunnel	means the new twin nine kilometre rail tunnels as specified on the project alignment between Kensington and South Yarra to be designed, constructed and maintained.
Tunnel and Stations PPP	the Public Private Partnership responsible for delivering the Works set out at in section 1.2.2.
Western Portal	means the Tunnel entrance at South Kensington.
Work Packages	the four work packages that comprise the Metro Tunnel Project; Early Works, Tunnel and Stations PPP, Rail Infrastructure Alliance and Rail Systems Alliance.
Works	means the scope of the Tunnel and Stations PPP as provided at a high level in section 1.2.2 and detailed in the Project Agreement.

APPENDIX B: USEFUL REFERENCES/LINKS

The following references may be of further assistance:

Metro Tunnel website:

<http://metrotunnel.vic.gov.au/>

Tunnel and Stations PPP project documentation, including the Project Agreement, is available at:

www.tenders.vic.gov.au

Department of Economic Development, Jobs, Transport and Resources:

www.economicdevelopment.vic.gov.au

***Partnerships Victoria* policy:**

[www.dtf.vic.gov.au/Infrastructure-Delivery/
Public-private-partnerships](http://www.dtf.vic.gov.au/Infrastructure-Delivery/Public-private-partnerships)

National PPP Guidelines:

[www.dtf.vic.gov.au/Infrastructure-Delivery/
Public-private-partnerships](http://www.dtf.vic.gov.au/Infrastructure-Delivery/Public-private-partnerships)

High Value High Risk framework:

[www.dtf.vic.gov.au/Investment-Planning-and-
Evaluation/High-Value-High-Risk](http://www.dtf.vic.gov.au/Investment-Planning-and-Evaluation/High-Value-High-Risk)

APPENDIX C: KEY CONTACT DETAILS

Melbourne Metro Rail Authority

Website:
<http://metrotunnel.vic.gov.au/>

121 Exhibition Street
Melbourne VIC 3000

Phone:
1800 551 927

Department of Economic Development, Jobs, Transport and Resources

Website:
www.economicdevelopment.vic.gov.au

1 Spring Street
Melbourne VIC 3000

Phone:
(03) 9651 9999

Partnerships Victoria

Website:
www.dtf.vic.gov.au

Department of Treasury and Finance
1 Treasury Place
East Melbourne VIC 3002

Phone:
(03) 9651 5111

APPENDIX D: RFP EVALUATION CRITERIA

The State evaluated each Proposal against detailed evaluation criteria.

Section	
PART A: COMMERCIAL SOLUTION	
A1.	Commercial solution
A2.	Other commercial requirements
A3.	Commercial departures
PART B: FINANCIAL SOLUTION	
B1.	Financing solution – Project Co
B2.	Certainty and robustness of finance – Project Co
B3.	Financing solution – OSD opportunities
B4.	Other financial requirements
PART C: ARCHITECTURE AND PUBLIC REALM REQUIREMENTS	
C1.	Project vision and identity
C2.	Design concept and principles
C3.	Customer and user experience
C4.	Wayfinding and signage strategy
C5.	Cultural and community infrastructure
C6.	Public realm design
C7.	Architectural design
C8.	Station planning
C9.	Over site development
PART D: TECHNICAL SOLUTION	
D1.	System engineering / systems assurance
D2.	Civil and structural works
D3.	PPP support for RSA
D4.	Fire and life safety
D5.	Mechanical systems and control
D6.	Electrical power systems
D7.	Surface Transport
D8.	Utility Infrastructure Works
D9.	Sustainability and Climate Change
D10.	Environment
D11.	Departures
PART E: PROJECT MANAGEMENT AND PROCESS REQUIREMENTS	
E1.	D&C Phase project management approach
E2.	D&C Phase project team

Section	
E3.	Community and Stakeholder management
E4.	Design process
E5.	Construction approach
E6.	Rail Safety Accreditation (D&C Phase)
E7.	Safety
E8.	Property and land requirements
PART F: INTERFACE AND INTEGRATION	
F1.	Interface management
F2.	Completion, integration and operational readiness approach
PART G: PROGRAM	
G1.	Program
PART H: STATE REQUIREMENTS	
H1.	Local Jobs First - Victorian Industry Participation Policy
H2.	Major Project Skills Guarantee
H3.	Aboriginal Employment Target
H4.	Local workforce development
H5.	Social procurement
PART I: SERVICE DELIVERY	
I1.	Mobilisation
I2.	Management of the service delivery
I3.	Service specific solutions
I4.	Rail Safety Accreditation (Maintenance Phase)
I5.	Departures

In addition to the above qualitative criteria there were three sub-criterion which related to the total cost of Proposals.

PART J: RISK AND VALUE PROPOSITION	
J1.	Risk-adjusted cost
J2.	Value capture - OSD opportunities
J3.	Value for money enhancements and innovation

**APPENDIX E:
PUBLIC INTEREST TEST**

PUBLIC INTEREST TEST

Element	Relevant Policy / Standard	Assessment
<p>Effectiveness Is the Project effective in meeting government objectives?</p>	<p>The Tunnel and Stations PPP aligns with all relevant government policies and, in particular, the following key policies:</p> <p><i>Victorian Government 5 Year Infrastructure Plan</i></p> <p>The Victorian Infrastructure Plan responds to Infrastructure Victoria's 30-year Infrastructure Strategy, and outlines the Victorian Government's priorities over the next five years and beyond. The Plan identifies the Metro Tunnel Project as a catalyst project that will transform Melbourne's public transport system.</p> <p><i>Plan Melbourne</i></p> <p>Provide an integrated transport system connecting people to jobs and services, and goods to market.</p> <p>Provide a major uplift in the capacity of our rail system via a pipeline of city-shaping transport projects, generating benefits to travellers across the whole network.</p> <p><i>Transport Integration Act (2010)</i></p> <p>Provide an integrated transport system connecting people to jobs and services, and goods to market. The <i>Transport Integration Act 2010</i> requires that all decisions affecting the transport system be made within the same integrated decision-making framework to support the same objectives. The Act's six transport system objectives are:</p> <ul style="list-style-type: none"> • Social and economic inclusion; • Economic prosperity; • Environmental sustainability; • Integration of transport and land use; • Efficiency, coordination and reliability; and • Safety and health and wellbeing. <p><i>Victorian Industry Participation Policy (VIPP)</i></p> <p>The VIPP requires Victorian Government departments and agencies to consider opportunities for competitive local suppliers, including SMEs, when awarding contracts.</p>	<p>The Tunnel and Stations PPP is closely aligned with a number of State policy objectives; in particular, those which relate to providing public transport, and those which promote sustainable population growth (along with access to jobs and services). In this context, the Business Case and the tender documents for the Tunnel and Stations PPP specified an output/service delivery solution which is consistent with government policy as outlined below.</p> <p>The Tunnel and Stations PPP sits alongside the other Metro Tunnel Work Packages, Level Crossing Removal Project, High Capacity Metro Trains Project, the Cranbourne Pakenham Line Upgrade Project as well as a range of other initiatives seeking to transform the public transport system, reduce road congestion and improve safety for the travelling public. The Tunnel and Stations PPP will create thousands of jobs and help to ease congestion, reduce travel times and better connect people to jobs and services.</p> <p>More specifically, the Tunnel and Stations PPP (together with the other Metro Tunnel Work Packages) will deliver on a number of the <i>Transport Integration Act 2010</i> transport objectives, including:</p> <ul style="list-style-type: none"> • social and economic inclusion, as more people are able to use the public transport system to access jobs and services; • greater accessibility to jobs, improved freight efficiency and employment growth in the CBD, leading to economic prosperity; • promoting environmental sustainability by empowering public transport use and alleviating vehicle traffic; • integrated transport and land use improvement in the CBD area; and • improved transport efficiency and reliability. <p>The Tunnel and Stations PPP is of strategic significance to the Victorian economy, and has therefore been declared a strategic project in accordance with the VIPP framework. The Tunnel and Stations PPP will be a significant contributor to the State's local job aspirations. Project Co's solution met or exceeded all State policy requirement targets including for local jobs, industry and content, including:</p> <ul style="list-style-type: none"> • overall local content of 88.2% for the D&C Activities; • local content for maintenance activities of 85.3% of total cost of goods or services; • local content for provision of steel of 92.6%; • around 5,000 jobs, including throughout the supply chain; • investment in training, skills development and apprenticeship opportunities; and

Element	Relevant Policy / Standard	Assessment
	<p><i>Major Projects Skills Guarantee (MPSG)</i></p> <p>The MPSG requires Victorian Government departments and agencies to use local apprentices, trainees or engineering cadets on all of Victoria's major publicly funded works for at least 10 per cent of the project's total labour hours.</p>	<ul style="list-style-type: none"> providing training and employment opportunities for indigenous Victorians (2.5 per cent target of total labour hours) and other priority jobseekers (10 per cent of construction workforce).
<p>Accountability and transparency</p> <p>Do the partnership arrangements ensure that:</p> <ul style="list-style-type: none"> the community can be well informed about the obligations of government and the private sector partner; and these obligations can be overseen by the Auditor-General. 	<p>The Tunnel and Stations PPP fully complies with all Victorian Government accountability and transparency policies and obligations including under the:</p> <ul style="list-style-type: none"> <i>Freedom of Information Act 1982;</i> <i>Victorian Government Purchasing Board Policies;</i> <i>Supplier Code of Conduct; and</i> <i>Audit Act 1994 (Vic).</i> 	<p>The community will be well informed about the obligations of both the Government and private sector partners through several mechanisms, including:</p> <ul style="list-style-type: none"> details of the relevant contracts, subject to commercial-in-confidence considerations, are published in accordance with Victorian Government policy; information on the Tunnel and Stations PPP's performance being available in the department's annual report; the <i>Freedom of Information Act</i> applying to the Tunnel and Stations PPP. The Auditor-General will have access to project information in accordance with the Audit Act; Victorian Government Purchasing Board Policies were applied to the tender process; an independent probity adviser overseeing the procurement process to ensure the process is fair and transparent and conducted in accordance with the Tunnel and Stations PPP's Probity Plan. The probity adviser has provided sign-off to government following the conclusion of the negotiation process with the preferred proponent; an independent probity auditor validating the evaluation process to check and sign off compliance with Government procurement guidelines, State probity and procurement procedures and the RFP and any associated documentation. At the completion of the tender process, the probity auditor concluded that the tender process had been conducted in a manner consistent with the probity principles; and the Auditor-General retaining the right to view all material.
<p>Affected individuals and communities</p> <p>Have those affected been able to contribute effectively at the planning stages, and are their rights protected through fair appeals processes and other conflict resolution mechanisms?</p>	<p>The Tunnel and Stations PPP must conduct, or be compliant with:</p> <ul style="list-style-type: none"> an appropriate public consultation process with those individuals / groups identified as being affected by the Tunnel and Stations PPP; environmental, OH&S and other assessments of the project area and relevant conditions and requirements set for the Tunnel and Stations PPP and/or for the Metro Tunnel Project overall; and local government planning requirements. 	<p>Key government stakeholders have been consulted during the procurement, negotiation and completion phases for the Tunnel and Stations PPP. The following individuals/groups were identified as being affected by the Tunnel and Stations PPP:</p> <ul style="list-style-type: none"> Metro Trains Melbourne (Train Franchisee); Yarra Trams (Tram Franchisee); V/Line; VicTrack; VicRoads; Transurban / CityLink; Accredited Rail Transport Operators;

Element	Relevant Policy / Standard	Assessment
		<ul style="list-style-type: none"> • Government stakeholders including Transport for Victoria, Public Transport Victoria, Department of Environment, Land, Water and Planning, Aboriginal Affairs Victoria, Office of the Victorian Government Architect, Heritage Victoria, Environmental Protection Authority Victoria and the Commonwealth Department of Environment; and • local councils including Cities of Melbourne, Stonnington, Port Phillip, Maribyrnong and other relevant councils. <p>In addition, a range of non-Government organisations and transport advocacy stakeholders have been, and will continue to be, consulted with including local residents, businesses, hospitals, universities, Indigenous advocacy groups and other institutions along the Metro Tunnel Project route.</p> <p>The Metro Tunnel Project was assessed through an Environment Effects Statement (EES) process, a requirement of the Minister for Planning's original 'public works' declaration (published in an Order on 3 September 2015 and accompanied by a 'Statement of Reasons').</p> <p>The EES included an integrated assessment of the potential environmental, social, economic and planning impacts of the project, and the approach to managing these impacts. The EES was supported by a range of technical studies that identify and assess the potential effects of the project and provide guidance on mitigation measures.</p> <p>A comprehensive engagement program has been undertaken by MMRA since early 2015, including as part of developing the EES, to provide directly affected stakeholders and the broader public with an opportunity to input into the planning process and have their say on the concept design and proposed construction approach for the Metro Tunnel Project. Project Co is required to deliver the Tunnel and Stations PPP works in accordance with the environmental performance requirements contained in the Environmental Management Framework procured by the State for the construction and operation of the works and approved by the Minister for Planning as part of the EES.</p> <p>Through these activities, MMRA has established relationships with many stakeholders and community members and expects that Project Co will continue to maintain effective working relationships with these stakeholders as well as establish relationships with new stakeholders identified through the detailed design, construction planning, delivery, operation and maintenance of the Tunnel and Stations PPP.</p> <p>In addition, Project Co is required to prepare a precinct development plan for each Station precinct as well as for each of the Portals that will provide an opportunity for community stakeholders to comment on the proposed designs. These precinct development plans will be submitted to the Minister for Planning for consideration and approval.</p>
<p>Equity Are there adequate arrangements to ensure that</p>	<p>The key disadvantaged groups expected to use the infrastructure and access the services are those with physical impairment, the aged and frail and people of</p>	<p>Contractual provisions include the required safeguards to ensure that Project Co complies with all applicable laws, which include common law and the principles of equity.</p> <p>The Stations will:</p>

Element	Relevant Policy / Standard	Assessment
<p>disadvantaged groups can effectively use the infrastructure or access the related service?</p>	<p>culturally and linguistically diverse (CALD) backgrounds. The Tunnel and Stations PPP must comply with all relevant government laws and policies including:</p> <ul style="list-style-type: none"> • <i>Disability Act 2006 and the Commonwealth Disability Discrimination Act 1992 (DDA);</i> • <i>Disability Standards for Accessible Public Transport 2002 (DSAPT);</i> • <i>Racial Discrimination Act 1975;</i> • <i>Sex Discrimination Act 1974; and</i> • <i>Equal Opportunities Act 1995.</i> 	<ul style="list-style-type: none"> • provide DDA compliant design and operations that: <ul style="list-style-type: none"> – cater for people with mobility, physical, sensory and cognitive restrictions; – provide continuous spatial navigation with visual and auditory augmentation and tactile aids; – provide step-free access to all public areas and train boarding; – provide ticketing assets at accessible locations; and – provide customers with accessibility and mobility needs to be able to board and alight the trains without operational staff support; – provide ambulant toilet facilities (both left and right handed, within the paid zone, in proximity to ambulant toilet facilities) and lifts and stairwells for customers with accessibility and mobility needs; – provide toilets (both left and right handed) within the paid zone, in proximity to ambulant toilet facilities, with child/baby facilities that are accessible by all paid side customers; • provide information on services and facilities for users from CALD backgrounds; • include equitable routes for non-ambulant and other users requiring lifts from the platform to the street with redundancy provision that provides equitable access; • provide tactile ground surface indicators to all door thresholds for the platform screen doors (PSD) at the Station platforms; • be compliant with the DSAPT; • be served with a hearing augmentation system; and • encourage customers with reduced mobility to board the train at the doors nearest to the driver's cabin. A visual indication at ground surface and on the PSD will advise customers of this boarding location. <p>In addition:</p> <ul style="list-style-type: none"> • Project Co will minimise walking distance between interchange points with existing bus and tram services and new stations, and ensure the route and interchange can be used by people who are mobility impaired; • public phones in the unpaid area of the station will be at an accessible height for wheelchair customers and with a sign displaying the PTV TTY number for hearing impaired customers; and • customers will be able to hear announcements at any place throughout the station, with alternatives provided for those with a hearing impairment.
<p>Public access</p>	<p>Project Co must make the Tunnel and Stations available</p>	<p>The Tunnel and Stations infrastructure will be made available to the Train Franchisee to</p>

Element	Relevant Policy / Standard	Assessment
<p>Are there safeguards that ensure ongoing public access to essential infrastructure?</p>	<p>to the Train Franchisee for ongoing public access (as appropriate) to the infrastructure.</p> <p>All required and statutory public access will be provided, where it is safe to do so. All relevant public transport access requirements will be implemented.</p> <p>Appropriate contractual arrangements will be in place.</p>	<p>operate under the Train Franchise Agreement for use and access by the public, except during overnight closure periods and times when essential maintenance may be required.</p> <p>Both the technical and contractual arrangements require Project Co to provide the required public access including adequate safeguards to ensure the continued supply of service to the public. The contract will include step-in rights for the State to take over the assets in the event of a contract breach or major incident.</p> <p>Delivery of the Tunnel and Stations PPP as an availability based PPP means that payments to the private party will be abated for underperformance against contracted service levels and/or if the Tunnel and Stations infrastructure becomes 'unavailable'.</p>
<p>Consumer rights</p> <p>Does the project provide sufficient safeguards for service recipients, particularly those for whom government has a high level of duty of care, and/or the most vulnerable?</p>	<p>Service recipients to whom government owes a high level of duty of care are children, seniors, low income earners, physically/mentally disabled, non-English speaking, overseas tourists, those not familiar with the transport system, etc.</p>	<p>The Tunnel and Stations PPP will meet all of the special needs and rights through adequate design, construction and maintenance, noting that the Train Franchisee will play a key role in protecting consumer rights from an operational perspective.</p> <p>As set out under the heading of "equity" the technical specifications require that Project Co design and construct the Tunnel and Stations to maximise accessibility to commuters with special needs. As part of the design process, Project Co will be required to build a mock-up station to establish the standard to be achieved in the relevant works, with accessibility to be reviewed and confirmed during the construction process.</p> <p>As required under the Environmental Performance Requirements, the Business Support Guidelines for Construction (BSG) provide a framework for Metro Tunnel contractors to address residual impacts on businesses so far as is reasonably practicable and appropriate. The BSG outlines the proactive measures and support services that MMRA and the appointed construction contractors may deliver to support businesses that experience disruption during and only as a result of construction of the Metro Tunnel. The BSG can be found at http://metrotunnel.vic.gov.au/__data/assets/pdf_file/0020/104528/MM-Report-201703-EMF-Business-Support-Guidelines.pdf.</p> <p>The Residential Impact Mitigation Guidelines (RIMG) provide direction to the Metro Tunnel contractors on how to address residual impacts on residential amenity so far as is reasonably practicable and appropriate.</p> <p>Due to the scale, duration and variable nature of the construction works required for the Metro Tunnel, there may be some residual impacts on residential amenity despite on-site mitigation measures being implemented in accordance with the Environmental Performance Requirements (EPRs).</p> <p>The EPRs require the preparation of a relocation management framework prior to commencement of relevant works to provide for the temporary relocation of households on a voluntary basis. Any relocation management framework is required to be consistent with the RIMG.</p> <p>As above, delivery of the project as an availability PPP means that payments to the private party will be abated for underperformance against contracted service levels.</p>

Element	Relevant Policy / Standard	Assessment
<p>Security</p> <p>Does the project provide assurance that community health and safety will be secured?</p>	<p>The Tunnel and Stations PPP needs to ensure:</p> <ul style="list-style-type: none"> • all relevant occupational health and safety standards are met in design, construction and operation / maintenance stages; • government can meet its duty of care obligations to the public; and • all accreditation requirements are met. 	<p>The Project Agreement requires compliance (by all contractors involved) with the <i>Occupational Health and Safety Act 2004</i> (the Act) and all relevant codes of practice that establish health and safety guidelines supporting the Act.</p> <p>Contract specifications require the Tunnel and Stations to be designed, built and maintained in order to meet relevant occupational health, safety, physical security, emergency risk management, data protection and ICT security requirements in full.</p> <p>Project Co must hold, or must ensure that a key subcontractor holds, relevant accreditation to the extent required by law in respect of the project activities which comprise train operations during the D&C Phase. Project Co must more broadly ensure it complies with all duties, obligations and requirements under the Rail Safety National Law.</p> <p>The Train Franchisee will be the accredited Rail Transport Operator in relation to the operation of the Tunnel and Stations PPP infrastructure and will also be responsible for the provision of security services. Project Co will perform its maintenance services under the Train Franchisee's accreditation and must not do anything to affect the Train Franchisee's accreditation.</p>
<p>Privacy</p> <p>Does the project provide adequate protection of users' rights to privacy?</p>	<p>Applicable privacy standards with which the Tunnel and Stations PPP is required to comply are set out in:</p> <ul style="list-style-type: none"> • <i>Freedom of Information Act 1982</i>; • <i>Health Records Act 2001</i> (Vic); • <i>Information Privacy Act 2000</i> (Vic); • <i>Privacy and Data Protection Act 2014</i> (Vic); and • <i>Surveillance Devices Act 1999</i>. 	<p>The Tunnel and Stations PPP will ensure the protection of rights to privacy through adherence to a set of 'Privacy Principles' which includes the 'Health Privacy Principles' as contained in the <i>Health Records Act 2001</i> (Vic) and the 'Information Privacy Principles' as contained in the <i>Information Privacy Act 2000</i> (Vic).</p> <p>Broader compliance with the <i>Freedom of Information Act 1982</i> and <i>Surveillance Devices Act 1999</i> provides an additional layer of privacy protection.</p>

