



Tunnel and Stations Public Private Partnership Project Summary Addendum 2

November 2024



Overview

A Project Summary for the Tunnel and Stations Public Private Partnership (PPP) was published in February 2018, shortly after the State entered into contracts for the Tunnel and Stations PPP work package of the Metro Tunnel Project.

A Project Summary Addendum (2021 Project Summary Addendum) was published in March 2021 detailing Amending and Settlement Deeds entered into between the State, Project Co, the D&C Subcontractor and the Maintenance Subcontractor in December of 2020.

This Project Summary Addendum 2 provides information about the material changes made to the contractual and commercial aspects of the Tunnel and Stations PPP in September 2024. This Project Summary Addendum 2 should be read in conjunction with the Project Summary and the 2021 Project Summary Addendum.

Unless otherwise defined, capitalised terms used in this Project Summary Addendum 2 have the meaning given in the Project Summary or 2021 Project Summary Addendum.

This Project Summary Addendum 2, along with the Project Summary and the 2021 Project Summary Addendum, should not be relied upon to fully describe the rights and obligations of the parties in respect of the Tunnel and Stations PPP. The Project Agreement and associated documents are available online at **tenders.vic.gov.au**.

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1. Introduction

The Metro Tunnel will transform Melbourne's train network, deliver more trains to and from the suburbs and take cars off busy roads. The project will create capacity for more passengers to travel across Melbourne's train network.

On 22 March 2024, the State, Project Co and the D&C Subcontractor entered into an Alignment Process whereby the parties engaged in collaborative discussions on a good faith basis to reach alignment on project issues that had arisen since the 2020 Amending and Settlement Deeds, primarily driven by unanticipated program delays and complexities in integrating delivery of the Works.

Binding contractual agreements (2024 Amending and Settlement Deeds) were entered into on 25 September 2024 to formally document agreed amendments to the Project Agreement and other Project Documents. The State has determined that the 2024 Amending and Settlement Deeds deliver value to the State, including through the revised completion arrangements and the release and settlement of claims.

These arrangements are summarised in the following pages.

2. Delivery Program and Completion Regime

2.1 Progress since 2020 Amending and Settlement Deeds

Notwithstanding challenges such as supply chain constraints and disruptions caused by COVID-19, the Metro Tunnel has made significant progress since 2020. This includes the commencement of train testing in the tunnels as well as the completion of major works at Arden, Parkville and Anzac Stations. The project is entering into its complex final testing phase, while major work at the CBD stations continues, in preparation for project opening.

2.2 Revised Delivery Program

As part of the arrangements agreed in the 2020 Amending and Settlement Deeds, the parties agreed to develop an integrated program to coordinate and manage the required integrated testing and commissioning activities across the Metro Tunnel Project work packages and the HCMT PPP. Unpredictable events have significantly impacted the schedule of large-scale infrastructure projects across Australia, including the Tunnel and Stations PPP. The project has suffered from the impacts of the shortage of construction workers, supply chain constraints, and disruptions caused by COVID-19, causing delays to the works and planned testing and commissioning activities.

These delays occasioned the need for Project Co to agree a revised delivery program for the Tunnel and Stations PPP.

The revised program is designed to provide appropriate timeframes for remaining activities to be completed and to allow the Rail Network Alliance to appropriately sequence its works to de-risk these activities, with the objective of commencing passenger services at the earliest possible date.

2.3 New and Revised Contract Milestones

The 2024 Amending and Settlement Deeds introduce several new discrete completion milestones ahead of Provisional Acceptance. These new milestones incentivise construction completion and the progressive testing and commissioning of the Project facilitating the successive building of the assurance case.

To align with the revised delivery program, the amended Project Agreement contains a number of key milestones, as summarised in Table 1.

The committed date for opening the Metro Tunnel remains 2025.

Table 1: Contract milestone summary

| Contract milestone | Date |
|--|--|
| Date for Provisional Acceptance of Tunnel and Stations PPP | 30 April 2025 |
| Date for Final Acceptance of Tunnel and Stations PPP | 31 December 2025 |
| Maintenance Phase | From commencement of train operations to 17 September 2048 |
| Contract expiry date | 17 September 2048 |

3. State Payment Arrangements

3.1 Quarterly Service Payment (QSPs)

The payment of existing QSPs has been restructured to reflect the revised delivery program. Under the revised arrangements, the State will continue to pay the QSP in the form of the Completion Phase Payment until the earlier of the Date of Provisional Acceptance or 31 October 2025. The Completion Phase Payment comprises a debt component to cover debt servicing (but not equity returns) and the Project Co component to cover Project Co’s operating costs. Project Co will have the opportunity to re-earn a portion of the withheld equity returns, subject to the timely completion of Provisional Acceptance.

The cost of Completion Phase Payment is offset by the reduction in the period during which the Maintenance Phase Payment is payable. There has been no increase to the overall quantum of QSPs payable under the Project Agreement and there has been no extension to the concession period.

3.2 Amendments to Existing Payments

The State will continue to make payments totalling up to \$143.5 million for the timely achievement of Day 1 Train Operations and Final Acceptance. These payments are not new or additional payments – they were previously included in the 2020 Amending and Settlement Deeds but have been adjusted to align with the revised program in order to maintain incentives to achieve key milestones in a timely manner.

3.3 Additional Payments

The State has agreed to make additional payments totalling up to \$745 million towards the revised project cost. These payments are contingent on the timely achievement of a series of milestones which align with the revised delivery program, with the objective of commencing passenger services at the earliest possible date. The new milestones are critical to the completion of the project and payments will be reduced if certain milestones are achieved after their target dates.

4. Release and Settlement of Claims

With the exception of a limited number of expressly excluded matters, Project Co and the D&C Subcontractor have released and settled all available claims that existed prior to the date of execution of the 2024 Amending and Settlement Deeds.

The 2024 Amending and Settlement Deeds also limit the potential for Project Co and the D&C Subcontractor to bring future claims under the Project Agreement.