

Sydney Metro Independent Review

Interim Report Summary



The Hon. Jo Haylen MP

Minister for Transport
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Minister,

In accordance with the Sydney Metro Independent Review Terms of Reference, we submit the Review Panel's Interim Report Summary to you.

The Interim Report sets out our initial findings in relation to significant capital investment in Sydney Metro and makes initial findings and recommendations on how to enhance the safe and efficient delivery of the works as well as maximise the overall, whole-of-community benefits arising from this investment. **This Interim Report Summary excludes specific matters, findings and Recommendations which are of a commercially sensitive nature, or which have market sensitivity which may affect the NSW Government's future commercial negotiations.**

We have concentrated the focus of this Interim Report on any overall budget pressures and key decisions required in the lead-up to the NSW Government 2023-24 State Budget, and also the City & Southwest project specifically – given its advanced stage of delivery and budget challenges.

In overall impressions, the Panel finds that Sydney Metro is led by a highly experienced, engaged, and very capable senior leadership team who still face significant challenges in delivering high quality, value-for-money, well-integrated outcomes due to a variety of factors, including:

- Some historical matters, including poorly/partially coordinated infrastructure planning efforts between multiple Government Agencies, and an ambiguity of decision-making authority across Government (which imperils the ability to maximise integrated customer and community benefits); as well as past decisions regarding contract packaging strategies where markets have subsequently evolved/changed risk appetite and capacity;
- Some unavoidable factors contributing to program delays and cost increases during key periods – such as COVID-related workforce disruptions which directly impaired productivity, and extraordinary escalation and market volatility related to both COVID-related global supply chain disruptions and the already heated infrastructure investment pipeline; and
- Some avoidable matters relating to sub-optimal and delayed decision-making, arising in part from complex, complicated & lengthy governance arrangements; and disjointed planning & delivery efforts.

Most critically, we note that Sydney Metro City & Southwest faces significant technical and budget risks – they are not insurmountable but will require a sustained and concerted effort to project manage over the next 24 months, as well as an increase to the overall budget envelope of up to \$1.1 billion (the *funding* of which should, over the Forward Estimates period, be able to be heavily supported by within-Portfolio re-profiling of expenditure – with some impact to Sydney Metro West procurement schedules and plans). We are able to confirm the current cost estimates provided by Sydney Metro as being as robust as is currently possible but note that the final cost of City & Southwest has a significant uncertainty owing to the need to resolve several major technical and commercial matters. (**Recommendations 1, 2, 3, 5, 6, 7, 8, 9, 11, 15**).

We find that the Southwest corridor conversion remains a critical transport system scope component, and the upgrade of it should continue according to a revised delivery schedule now proposed by Sydney Metro (in collaboration with TfNSW and Sydney Trains). The conversion of this rail line delivers whole-of-Trains-network capacity increases in the Sydney CBD and along key south-west and southern rail lines, and will enable wide-ranging timetable improvements for many suburban lines – as well as direct benefits in

increased accessibility and frequency for Sydenham-Bankstown customers. No other option delivers these benefits within the same time period and cost estimate range. (**Recommendations 5, 7, 12, 13**).

The Review Panel is of the view that the current planning, zoning, and multiple-Agency-led land activation arrangements have not to-date maximised the benefits of the investment in the Southwest corridor. There remain significant unrealised land use improvement opportunities along the Southwest corridor –realising these benefits will require a different and more coordinated approach to zoning approvals but remains a credible and valuable opportunity. This has not been pursued to-date due to a variety of historical Government decisions, and a potential adjustment to policy settings and accountabilities should now be revisited. (**Recommendations 4, 14, 16**).

The Review Panel further note that previous investments in Sydney Metro appear to have been somewhat siloed – while the Metro investment is catalytic in many regards, it also requires coordinated, concurrent Whole-of-Government effort across multiple Agencies to deliver/strengthen utilities services, drive timely re-zoning approvals, and to consider the potential capacity constraints of local emergency services (among others) of higher density/changed streetscapes/tunnel evacuation locations – in particular, effective safety and emergency protocols must be finalised as a matter of urgency. These cross-Government endeavors do not appear to have been consistently driven in concert by respective Agencies. (**Recommendations 10, 14, 16, 18**).

Finally, the Review Panel also wish to emphasise that there appears to be a concerning lack of common/agreed understanding across the Transport Cluster regarding individual Executive accountabilities and responsibilities for key activities in the upfront planning and the later commissioning phases of major infrastructure projects. Complex, sprawling governance and conflicting understandings of accountabilities are key risks to efficient and integrated investment outcomes. (**Recommendations 9, 10, 16, 17, 18**).

We have made several interim findings and proposed recommendations relating to immediate opportunities to mitigate program, budget, and operational risks, and to improve governance effectiveness & outcomes between Sydney Metro and other Government Agencies:

1. **That the NSW Government** should note that the delivery of City & Southwest even within an increased cost envelope still carries delivery and cost risks.
 - a. **That Sydney Metro** should not pursue ‘acceleration at any cost’ agreements with its construction contractors but instead provide early advice to Government on potential opening delay impacts where acceleration does not represent demonstrable value-for-money.
2. **That Sydney Metro** should provide regular formal advice to Government regarding the ongoing value-for-money, effectiveness of risk transference, and overall performance of its Public-Private Partnerships (both for the Metro North West Line/City & Southwest PPP, and the Western Sydney Airport PPP).
3. **That Sydney Metro** should update the NSW Government on the outcomes of the Sydney Metro West delivery and market engagement to date, in advance of the 2023 NSW State Budget, in order for the Government to consider schedule adjustments required to support cash flowing of the Southwest upgrade and conversion, and which would therefore enable Sydney Metro to finalise detailed planning and financial analysis of the Sydney Metro West Partnership delivery model for subsequent Government consideration.
4. **That Sydney Metro** provide urgent advice to Government on feasibility, value-for-money, and overall alignment and station options relating to a potential eastern extension to Sydney Metro West.
5. **That the NSW Government** should note that the City & Southwest project is likely to require an increase to the total cost envelope of around \$1.1 billion. It is likely that this can be at least partly supported from a cashflow perspective within the existing total Sydney Metro capital funding provision of the Forward Estimates but may require deferring some non-contracted Sydney Metro West packages by up to 12 months.
 - a. **That Sydney Metro** should provide urgent advice to Government on options to at least partly self-cashflow the C&SW cost-to-complete;
 - b. **That the NSW Government** should note that any revision to the procurement timings of remaining Sydney Metro West packages is highly likely to impact to the target 2030 opening date and generate additional escalation impacts which may require additional funding support/cost envelope increases (beyond the Forward Estimates, potentially also requiring recognition of forecast Property returns from across the Portfolio).

6. **That Sydney Metro** should continue to target a 2024 opening for full services on the City section and work to have all stations completed to enable full testing and operations of metro services. Every effort should be made to avoid by-passing non-complete stations to minimise risk and maximise service testing before the line opens fully – a go/no-go recommendation for all City stations should be provided to Government by end-Q3 2023.
7. **That Sydney Metro** should supplement the capacity of its current Executive team by appointing a fixed-term senior lead with singular focus on a successful 24-month transition into full and safe operations of the entire City & Southwest line.
8. **That Sydney Metro** should provide advice to Government on potential ‘soft-start’ scenarios, the cost & service impacts of those options (including for the wider Public Transport network), and time horizons for either confirming readiness or recommending pivoting to those alternate options.
9. **That Sydney Metro and TfNSW** should provide advice to the Minister for Transport (at least every other month) on integrated readiness for safe first passenger services for City-section, with specific reference to:
 - a. Lessons learned from the Metro North West Line commissioning & opening,
 - b. Relevant safety accreditation of the extended operations from ONRSR,
 - c. Status of incident response training and emergency services readiness,
 - d. Network-level timetable adjustment readiness, and
 - e. Associated changes to customer-facing services.
10. **That the Minister for Transport and Transport Secretary** should consider the ongoing fitness of the Public Transport Network-level Concept of Operations, especially with regard to multi-modal integration of new services, coordination of incident management at interchange stations, and (especially as related to the delivery of Metro works) prioritisation of rail possessions.
 - a. That TfNSW should review its integrated service commissioning processes for explicit and documented clarity of accountabilities among its Divisions.
 - b. That TfNSW should appoint a single, appropriately empowered leader accountable for safe and efficient network changes in 2024, and to that end, for them to be responsible for driving timely inputs and actions from across all TfNSW Divisions.
11. **That iNSW** should consider the fitness of pre-commissioning reviews within the Infrastructure Investor Assurance Framework, with specific respect to changing the focus to early and progressive operational and safety assurances that network-level interdependencies and emergency management processes are on track and meet all requirements.
12. **That the NSW Government** should progress with the conversion and upgrade of the Sydenham to Bankstown line, noting that:
 - a. Timely conversion requires some early works to be procured and commissioned by end-July 2023 to enable appropriate mobilisation in time for leveraging of the September 2023 temporary possessions availability;
 - b. There remains critical asset condition and other technical surveys which require significant possession periods prior to the line closure. Remaining possession periods should be reviewed considering potential benefits to be gained from minor extensions, and additional ‘reserve’ possessions in early 2024 should be planned for contingency purposes;
 - c. The conversion and upgrade are likely to require around a 12-month continuous shutdown period (depending on performance of City section opening). Sydney Metro, Sydney Trains, and TfNSW must work collaboratively and proactively to enable coordinated readiness to implement a new Standard Working Timetable (for Sydney Trains) and Temporary Transport Plan in time for conversion works to occur.
 - d. Final costs of the conversion will be progressively refined over the coming nine months, as further asset condition assessments are known, and procurement of contractors progresses. The unfunded cost-to-complete is likely to be up to \$1.1 billion; and that
 - e. The conversion works will be upgrading a century-old railway corridor to Metro requirements and will not constitute a complete rebuild. Accordingly, some currently-live operational issues may yet persist after conversion is completed – for example, there will remain a historical (and non-Metro specific) risk of flooding at Marrickville and Campsie during exceptional weather events. Options to efficiently manage this service performance issue post-upgrade should be advised to Government as a priority following the better scoping of works during the first possessions periods.
13. **That TfNSW and Sydney Metro** should urgently finalise a revised customer options plan for the extended final shutdown and a no-regrets ‘minimum’ Temporary Transport Plan (including commencing procurement), in order to most actively minimise community disruption during the shutdown. Accordingly, **that the NSW Government** should note:
 - a. That Temporary Transport services should also include options to maximise the use of the Bankstown station as a hub for rail connections to other lines including Lidcombe. This planning

should be finalised and presented to Government as soon as possible, but without delaying the commencement of procurement for replacement bus services; and

b. That scale and/or route options are most likely to be able to be validated only once procurement commences and the scale of bus and driver availability become better known.

14. **That the NSW Government** should consider the ongoing fitness and efficiency of a predominantly Local Council-led rezoning effort along the Sydenham-Bankstown corridor, which is likely lagging in its potential to support additional housing supply and land use improvement. The Southwest corridor upgrade is an import catalyst opportunity to both improve and increase the stock of housing with access to turn-up-and-go Metro services and provide better urban space & community amenity for suburbs on the line.

a. **That Sydney Metro (supported by DPE)** should provide advice to the Government regarding 'unconstrained' options for improved planning and approvals processes and land use development along this corridor, with a focus on optimising land use of existing Government-owned land within 1.2km of Metro station locations. This may involve a refreshed Rapid Corridor Strategic Assessment to also identify planning system enhancement opportunities, as well as re-consideration of accountabilities among the proliferation of urban development Agencies across Government.

15. **That the Minister for Transport** should consider further bolstering the skills of the Sydney Metro Board in transport operations, specifically regarding deep expertise in not only safe and efficient operations of a rapid transit service but also of (commercial) management of a contracted Operator & Maintainer.

16. **That the NSW Government** should note the extensive current ambiguities and complex governance relating to Whole-of-Government planning & delivery of Place-based infrastructure investments, which may imperil timely and integrated alignment of transport, housing, health, education, utilities, and community outcomes.

a. **That the NSW Government** should review the extent to which current State Environmental Planning Policies (SEPP) appropriately drive integrated land use outcomes and maximises the opportunity to support additional housing supply in vicinity of Metro precincts.

b. **That Sydney Metro (supported by Landcom)** should provide advice to Government regarding options to further maximise housing and city development along the existing Metro North West Line (including opportunities for new housing developments in the station precincts at Bella Vista and Cherrybrook).

17. Following from the Kanofski Strategic Infrastructure Review and within the parameters of a fiscally sustainable investment program, **that the NSW Government** should urgently review its medium-term transport infrastructure investment pipeline and priorities, especially relating to selection and timing of future Metro projects.

18. For future megaproject investment decisions, **that the NSW Government** should consider better clarifying cross-Agency responsibilities and contributions to Outcomes at the time of Investment. This may include more explicitly clarifying lead Agencies and requisite timeframes (such as for relevant rezoning activities and coordinating community feedback initiatives).

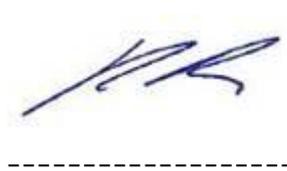
The Review Panel will continue a series of further consultations and streams of work to complete its analysis against the Terms of Reference, during July-October 2023. There are a number of priority focus areas already identified for this period:

- **Forecast Final Cost updates.** The Review Panel intend to further assess key aggregate cost risk status, trends, and effectiveness of mitigation plans across the Metro portfolio as procurements progress and as resolution efforts for several outstanding commercial matters continue.
- **Alternate/optimised approaches to Portfolio-level funding, and program management.** Noting the Phase 1 recommendations to explore self-cashflowing additional SW-related costs through internal re-profiling and prioritisation, as well as utilisation of forecast property returns and the Portfolio Reserve mechanism, the Review Panel intend to explore the fitness of the current approach to funds management. This analysis will also have regard to historical expenditure forecasting accuracy and opportunities to more efficiently plan annual funding envelopes.
- **Australian infrastructure market conditions and capacity, and market volatility and supply chain cost escalation pressures.** The Review Panel intend to further explore the likely direct and indirect implications of the current infrastructure pipeline (in light of several recent investment changes to major projects on the Australian East Coast), and provide analysis regarding impacts of accelerated/deferred future spend, to provide a degree of macroeconomic investment assurance to the NSW Government.
- **TSOM delivery and commercial updates.** The Review Panel intend to explore the latest status of civil and systems delivery of the C&SW PPP, their readiness for commencement of City section services, their readiness for the SW final conversion and upgrade, and relevant commercial issues.

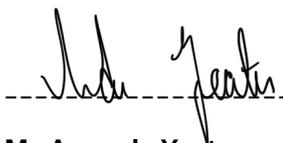
- **C&SW Operational Readiness status.** The Review Panel will further monitor and assess progress of the 8 Operational Readiness ‘pillars’ with respect to preparedness for a 2024 City section opening, including the ongoing efficiency of governance and interfaces across the Transport cluster.
- **Emergency Services readiness, and the broader incident response environment.** The Review Panel will continue to monitor the effective collaboration between Sydney Metro, Metro Trains Sydney, and Fire & Rescue NSW as further operational readiness activities progress regarding safety and emergency incident protocols.
- **Sydney Metro West.** The Review Panel intend to explore the nature of product and performance specifications with regard to global comparator projects and affordability/value-for-money. This is likely to include an analysis of design cost-effectiveness and the long-term viability of the 9-station alignment scope. The Review Panel will also explore in detail the procurement strategy and delivery models available for the remaining scope of works (that is: Stations, Linewide, Trains & Systems, and Operations & Maintenance), including the degree to which the current and proposed delivery models both appropriately respond to a changing construction market and represent a credible option in light of Sydney Metro’s maturity & capability as a client.
- **Precinct planning along the respective Metro lines.** The Review Panel intend to further explore opportunities to further enhance and accelerate housing outcomes, integrated place-based uplift, and the degree to which State Environmental Planning Policies (SEPP) efficiently drive and maximise investment and coordinated community amenity.
- **Transport cluster-level governance.** The Review Panel intend to further explore the fitness and efficiency of governance arrangements between Sydney Metro and TfNSW, as well as with Sydney Trains and TAHE. This assessment will have regard to clarity and mutual understandings of (individual) accountabilities, and the degree to which Sydney Metro is able to efficiently drive and influence outcomes for which it has statutory and/or financial responsibility.
- **Relative priorities for future extensions, and future pipeline management.** The Review Panel intend to further explore the multi-criteria assessments and assumptions underpinning prioritisation of future extensions, drawing on the imminent outcomes of the Greater Cities Commission 5-year strategy refresh and articulation of priority precincts.

The Panel would like to acknowledge the transparent and constructive engagement we have received from Sydney Metro and key stakeholders to date.

Yours sincerely,



Mr Mike Mrdak AO



Ms Amanda Yeates