

Sydney Metro Independent Review

Final 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 Final Report to you. **This Final Report Summary excludes specific matters, findings, and Recommendations which are of a commercially sensitive nature, or which relate to Cabinet sensitive options for the NSW Government.**

This Final Report sits alongside and complements our Interim Report of 23 June 2023, and seeks to address the remaining Terms of Reference of the Review, as well as providing Government with confidence that several outstanding matters and recommendations from the Interim Report are being appropriately actioned.

The Government's request that we complete our Final Report by mid-September 2023, rather than by the end of the year, to enable Cabinet consideration of the timing and delivery of Sydney Metro West, has meant we have condensed our examination of several matters. Accordingly, we have documented our point-in-time views on these matters, noting that in some cases more work will still be required by Sydney Metro and other NSW Government Agencies.

We have focused our work for this Final Report on three key areas:

- Providing a point-in-time assurance review of the Forecast Final Cost for the Sydney Metro capital portfolio, the operational readiness of the City section of the City & Southwest project, and other delivery issues;
- The overall basis for investment and progress to date on the Sydney Metro West project, and the extent to which further opportunities may be available (on a value-for-money basis) to further support NSW Government priorities; and
- Our views on the future organisational structure and governance of Sydney Metro to meet the NSW Government's objectives, and the prioritisation of the necessary future investment in the Metro network.

As we outlined in our Interim Report, the Sydney Metro capital portfolio is facing serious external volatilities relating to cost escalation and market delivery capacity, which have changed since investment decisions were made by the previous NSW Government (including the COVID pandemic disruption, supply chain pressures leading to material cost escalation, a generally heated infrastructure market between 2016 and 2022, and an increasing construction-sector pivot into energy-related projects). Our view is that there is a limited degree to which Sydney Metro can further absorb these changed macroeconomic conditions via internal value engineering. Accordingly, maintaining the investment commitments in place,

and adopting the most appropriate procurement model and choice of delivery partners for Sydney Metro West are critical decisions in the next few months. The Review Panel does not believe these general pressures will be unique across Government to Sydney Metro, and that there is a role for NSW Treasury and/or Infrastructure NSW moving forward to be responsible for centrally assessing and regularly reporting on the specific impacts of changed macroeconomic & market conditions affecting major in-flight infrastructure investments. **[Recommendation 1]**

Regarding Sydney Metro West ('the Project') in particular, the Panel makes the following observations:

- The Review Panel considers that, at a minimum, the Project (as currently scoped and designed) should proceed. The communities in the corridor, investors, and Government Agencies who have planned precinct, transport, and housing investments based on the Project proceeding are very strong in their advice to the Review that the Project should continue along the current alignment and with the stations as currently planned. The Project remains a critical investment for the future of Greater Sydney, both from a transport network-benefit and land use-change perspective.
 - The Project should not be framed simply as moving people between the respective CBDs in around 20 minutes – it is about connecting people in Western Sydney with a fast, reliable, walk-up transport system which is well integrated with a range of attractive, economically-productive precincts. Improved network resilience and faster connection times from elsewhere in Greater Sydney into Parramatta and Sydney CBD (such as via interchange connections with **T9 Northern** at North Strathfield) as well as connecting people to major economic activity at stations along the alignment are also urgent target outcomes; **[Recommendations 3 and 4]**
 - The Project will create nine key precincts for Sydney, which will enable a large expansion of housing supply, and new employment and liveability opportunities. These new precincts will deliver significant housing and city-shaping investments, with catalytic land use change triggered by the public transport intervention (especially at The Bays, and Sydney Olympic Park). It is essential to maximise the enormous existing opportunities at these 9-station precincts on the current alignment;
- The Project has been impacted by multiple changes (such as the turnback at Hunter Street, and the addition of Pyrmont), year-specific funding constraints, market volatility, COVID-related disruption, and general investment uncertainty ever since its initial Business Case in 2018. This has created a progressively more complex budgetary and delivery context. These cumulative impacts have placed major pressures on on-budget/on-time delivery, as there is only a finite amount of change the Project can absorb without impact. The NSW Government should consider releasing some overall arbitrary time constraints put in place by the previous NSW Government to allow more efficient re-sequencing of works, with a degree of flexibility to be able to adapt to any further major macroeconomic shifts in infrastructure delivery. Should the non-contracted elements of the Project (Stations, Linewide, Trains & Systems, Operations & Maintenance) not be in the market by early 2024 as originally planned, there will be extensive time and cost pressures on overall delivery. The Government should confirm its expectations that the Project targets operations by 2032, but that this should not be a 'deliver the Project at any cost' constraint; **[Recommendation 3]**

- Historical Government positions on non-release of overall budget information have resulted in significant confusion regarding public expectations of value-for-money of major investments. While there are legitimate commercial caveats regarding release of detailed cost estimates, Government and the community would likely be well-served by better explanations of the agreed budgets, investment parameters, and how each investment complements Government's broader social, environmental, and economic strategies and plans;
- Sydney Metro is planning and delivering world-class transport projects – with world-class specifications, and end-to-end customer accessibility excellence based on long-term capacity forecasts beyond 2056. While there may be opportunities to relax some select requirements of Sydney Metro West to potentially improve affordability, this should be considered on both an immediate value-for-money and more holistic outcomes basis. Several stakeholders have commented that the specifications of Sydney Metro, given its current scale within the market, have had a sector-wide outcome of 'raising the bar' (especially regarding sustainability, and health & safety). Relaxations to these standards may be possible (and fiscally desirable), provided that Government is alert to both direct and indirect consequences. Extensive Value Engineering has already occurred for Sydney Metro West as a means of self-managing increasing cost and escalation pressures, with further work still underway. One of the key remaining opportunities will be testing whether the assumption of designing for 2056 patronage levels remains appropriate and affordable, including in relation to future costs associated with subsequent retrofitting/expanding;
- In our view, Sydney Metro are likely at a leading standard of Government experience and capability regarding megaproject delivery. This is not to suggest or indicate that all challenges will remain within-tolerances or that no further risks to the Sydney Metro West project will eventuate, but that this is a highly capable Agency with a robust internal environment of Board governance, transparency, knowledge sharing, continuous improvement, and an Executive with significant expertise in project integration –with regular engagements with national and international peer organisations;
- Within that context, procurement of remaining packages remains a multifaceted task, with the most viable potential delivery models each having their own complexities. Other than value-for-money, we believe the core questions for any megaproject with a multi-package scope of works should be: *'Who is best placed to manage the integration risk for package, technical, and commercial interfaces, and what incentive/disincentive regime(s) would best support this accountability?'* Answering this question requires a robust discussion on necessary levels of overall contractual flexibility, and the market's maturity and recent evidence of demonstrable collaboration from involved parties. **[Recommendations 6 and 7]**
- In the context of the magnitude of the investment, we have identified a range of remaining opportunities to further enhance the overall project, which might provide much closer alignment with NSW Government priorities. Each of these opportunities comes at increased cost (some substantially exceeding the current budget envelope) and some with delays to opening, and all should be critically assessed in terms of relative value for money. As informed by both our broader investigations and from inputs via a cross-Governmental working group of Chief Executives/Deputy Secretaries, we have nominated several options for further consideration, including:

- Improved planning controls at existing transport precincts, to maximise potential housing supply options (including potentially via a Transit-Oriented Development State Environmental Planning Policy); **[Recommendations 4, 5, 10 and 12]**
- Augmenting and improving surface transport connections into Metro stations, including via an expanded bus transport network for surrounding/wider local catchment areas; **[Recommendation 4]** and
- Potential opportunities to safeguard sites for later station insertion, subject to detailed feasibility studies. **[Recommendation 4]**
- Regarding optimised land-use changes, we note that there are a range of value capture processes available to the NSW Government, including the new Transport Project Component (TPC) mechanism within the amended *Environmental Planning and Assessment Act 1979* (NSW). This TPC mechanism – when applied pragmatically – could be an appropriate and efficient means of funding critical enhancement works within enlarged Metro precincts and should be considered for application on Sydney Metro West. **[Recommendation 12]**
- Without jeopardising the overall momentum of the project, a comprehensive Sydney Metro Project update(s) should be put forward for Government consideration, regarding:
 - A consolidated re-baselining of time and cost, including order-of-magnitude sensitivities regarding any shortlisted enhancement opportunities. We note that the current budget parameters assumed tenders commencing in July 2023, and recent delays will inevitably result in prolongation impacts. We also note that the block shift to support re-profiling to the Sydney Metro City & Southwest project generated additional escalation impacts which will also need to be incorporated into a re-baselined time and budget envelope; and
 - The shortlisting of Expressions of Interest parties for live procurement (acknowledging the delivery model is not yet finalised but that either model can leverage existing efforts).

Regarding our Interim Report, we note that positive progress continues to be achieved between Sydney Metro, its City-section Operator (Metro Trains Sydney), the Regulator (the Office of the National Rail Safety Regulator), and emergency services organisations (including Fire & Rescue NSW), regarding a high-quality safety case for City-section operations in 2024. This concerted, collaborative process must be sustained over the next 24 months, especially regarding the agreed approach to the at-grade operations of an automated railway between Sydenham and Bankstown, in the shared corridor. High-speed dynamic testing, including in autonomous operation modes, is now underway on the City section.

We believe there remains an essential need to continue efforts to clarify and streamline accountabilities and governance expectations with TfNSW, and with other NSW Government Agencies such as DPE, NSW Treasury, and Infrastructure NSW, to best ensure decision-making rights align with accountabilities for outcomes, and to avoid the risk of overlapping/contradictory governance and assurance arrangements. We suggest there are significant opportunities for the NSW Government to leverage both the skills and oversight functions of the Sydney Metro Board much more effectively. The Review Panel considers that the Sydney Metro Board and senior team have the capability, depth, and resourcefulness to deliver the overall infrastructure program to a very high quality and with all the necessary governance and probity

safeguards that the NSW Government and community would expect. However, we are concerned that the organisation is under increasing stress – market volatility and contractual pressures, alongside an aggressively competitive labour market, with multiple directed changes to scopes of work, have added continual pressures on the senior team. The Review Panel have sought to target our work in a way which best provides certainty on key options/outstanding decisions. [**Recommendations 8 and 9**]

Finally, despite having invested significantly in uplifting infrastructure market capability in New South Wales (especially for Metro-based projects) over the past decade, we note that there does not appear to be a specific and actionable longer-term pipeline in place beyond current projects. The NSW Government should aim to provide certainty on future extensions as a priority before potential sector-wide demobilisation begins around 2026. Having regard to the increased investments in energy-based projects, FY2025-2026 is considered to represent a critical turning point for maintaining construction-sector capabilities in transport infrastructure. Within this context, we have conducted a strategic review of further investment opportunities and potential timings/phasing and offer a preliminary view on options for Government’s consideration – in short, we recommend a clear forward pipeline of staged Metro projects be developed and progressed within a financially sustainable long-term envelope. There are multiple additional considerations relevant in this regard to Sydney Metro’s overall workforce management strategy and retention of skills and experience. [**Recommendations 13 and 14**]

Finally, we thank you for the opportunity to work on this Review. We trust that the analysis assists the Government in its deliberations and in the shaping of the Sydney Metro projects to achieve the best possible outcome from these critical investments.

The Review Panel thanks all Government, industry, and community representatives and stakeholders for their active and constructive contributions over the past several months. We very much appreciated the support of the Sydney Metro Chairman and Board, the Chief Executive Peter Regan, the Sydney Metro Executive, and wider team – Sydney Metro has a high-performing workforce clearly dedicated to the successful delivery of these megaprojects.

Yours sincerely,



Mr Mike Mrdak AO



Ms Amanda Yeates

Consolidated list of Recommendations

1. **That the NSW Treasury, in consultation with Infrastructure NSW and the Construction Leadership Group**, should establish a process and accountability for developing and regularly updating a common suite of sector-specific infrastructure escalation models, to promote consistency and currency of financial assumptions across all Infrastructure Agencies and enable centralised reporting of market volatility impacts (as aligned to NSW Treasury's own macroeconomic forecasts) to Government. Note that this would have the benefit over externally generated escalation models of having more realistic/credible expenditure demand inputs which are not otherwise publicly available.
2. **That Transport for NSW** should provide advice to the Minister for Transport regarding the status of the Parramatta Road Corridor Urban Transformation Strategy and any further opportunities to improve integrated Bus and Active Transport interventions and road access connections in the Homebush to Parramatta region.
3. Informed by extensive stakeholder support, **that the NSW Government** should commit to retaining the current 9-station alignment of Sydney Metro West (at a minimum), and:
 - a. Target an opening by 2032 (an immediate priority should be preparing a sensible re-baselining of the delivery program according to recently re-profiled funding, timing requirements to finalise delivery models, and optimal risk mitigation of any inadvertent compression of Linewidth works); and
 - b. Proceed to tender-phase no later than Q2-2024, in order to preserve market participation and delivery momentum.
4. In respect of viable enhancements to the existing Sydney Metro West project, **that Sydney Metro (supported as appropriate by NSW Treasury, the Department of Planning & Environment, and TfNSW)** should:
 - a. Prepare a whole-of-precinct land-use analysis for the existing 9-station precincts, incorporating assessments of relevant Government and other major landholdings, current zonings and constraints, a preferred plan for how these (enlarged) precincts could best support a significant increase in housing supply to meet Sydney's medium- and longer-term housing targets, and a succinct end-state vision enabling all Government, industry, and community stakeholders to align investment behind a common master-planning strategy. ;
 - b. Prepare a business case for improved bus connections (including necessary bus service infrastructure) to broaden the catchments of the existing 9-station precincts, to drive community benefits such as new housing and increased public transport patronage in the areas adjacent to the Metro alignment; and
 - c. Review the current design and construction plans for strategic station option locations, to ensure they are at least *not precluded* from safeguarding in the immediate term, while rapid business cases are prepared (noting the significant complexities of each of these locations). Preliminary advice should be provided on a potential landowner and community engagement approach.
5. **That Sydney Metro** should provide the NSW Government with a consolidated property and placemaking strategy covering *all* existing lines, including any options to further advance the NSW Government's priorities regarding housing supply, and the likely time horizons of developments' completions. This advice should consider benefits of Sydney Metro potentially retaining longer-term property interests as well as funding options for these enhanced precinct works (including via return of revenues to Sydney Metro, and/or reinvestment of revenues into housing supply).
6. **[Sensitive: Policy] Under consideration by the NSW Government.**
7. **[Sensitive: Policy] Under consideration by the NSW Government.**
8. **[Sensitive: Policy] Under consideration by the NSW Government.**
9. **[Sensitive: Policy] Under consideration by the NSW Government.**
10. **[Sensitive: Policy] Under consideration by the NSW Government.**
11. **That the Department of Planning & Environment** should provide advice to NSW Government regarding potential opportunities for future land-use change which would facilitate meeting State housing targets and improve urban access & amenity for communities in vicinity of T1 Western-line heavy rail stations, in the context of changed demand once Sydney Metro West opens.
12. **That the NSW Treasury and the Department of Planning & Environment, supported by TfNSW and Sydney Metro**, should prepare an actionable proposal for NSW Government consideration regarding the application of the Transport Project Component (TPC) value capture mechanism to Metro station precincts as part of a forward-looking transport investment and funding strategy.
13. **[Sensitive: Policy] Under consideration by the NSW Government.**
14. **[Sensitive: Policy] Under consideration by the NSW Government.**

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