



**SUBURBAN  
RAIL LOOP  
EAST**

# **Tunnels South Project Summary**

December 2024

## Acknowledgement of Country

Suburban Rail Loop Authority acknowledges the Traditional Owners of the land, sky and waters across Victoria and pays respect to their Elders past and present. We proudly recognise the strength and enduring connection to Country as the world's longest living culture and the profound wisdom, resilience, and contributions of First Peoples and their communities. We are committed to the ongoing journey of reconciliation by embedding self-determined Aboriginal ways of knowing and doing across the lifespan of the SRL project.



# Table of contents

<b>Foreword</b>	<b>2</b>	<b>Contract milestones</b>	<b>21</b>
<b>Part one: Project overview</b>	<b>4</b>	<b>Tunnels South governance</b>	<b>22</b>
<b>Tunnels South outcomes</b>	<b>6</b>	SRLA Governance	22
<b>Suburban Rail Loop</b>	<b>6</b>	Tunnels South Governance	22
Overview	6	<b>Tunnels South advisers</b>	<b>23</b>
SRL Objectives	6	<b>Part two: Key Tunnels South features</b>	<b>24</b>
<b>SRL East</b>	<b>8</b>	<b>Parties to the contract</b>	<b>26</b>
<b>Tunnelling Packages</b>	<b>10</b>	<b>Contractual relationships</b>	<b>26</b>
Tunnelling Work Packages Objectives	10	<b>Risk allocation</b>	<b>27</b>
Tunnels South Scope	11	<b>General obligations of the contractor</b>	<b>30</b>
<b>Tunnels South costs</b>	<b>12</b>	<b>General obligations of SRLA</b>	<b>30</b>
Contracted cost of the Work Package	12	<b>Performance measures and payments</b>	<b>30</b>
State Support for SRL East	12	Reimbursable Costs	31
Non-Financial State Support for SRL East	12	Corporate Overhead and Profit	31
Commercial Structure	13	<b>Risk or Reward Regime</b>	<b>32</b>
<b>Tender process</b>	<b>13</b>	Separable Portions and Liquidated Damages	32
3-2-1 Procurement Process	13	Other Key Commercial Features	33
Key Procurement Phases	14	<b>Appendix 1 - Glossary</b>	<b>34</b>
Procurement Process and Governance structure	15	<b>Key contact details and further references</b>	<b>35</b>
Probity	16	Suburban Rail Loop Authority	35
Stakeholder Engagement	16		
Timeline	17		
Project Stakeholders	18		
<b>Tender process outcomes</b>	<b>19</b>		
Shortlisted Respondents	19		
Tender Outcome	19		
Government Policy Requirements	20		

# Foreword

On 8 December 2023, Suburban Rail Loop Authority (SRLA) entered into a contract with the Suburban Connect consortium (comprising CPB Contractors, Ghella, and ACCIONA Construction Australia) to deliver the Tunnels South work package of the Suburban Rail Loop East (SRL East) project. More information about the SRL East Main Works project is available at **SRL East – Victoria’s Big Build**.

Tunnels South was procured and will be delivered in alignment with the Victorian Government cost reimbursable procurement category, utilising the Incentivised Target Cost model. Under this model, Suburban Connect is responsible for the design and construction of twin segmentally lined bored tunnels with cross passages, excavated earth retaining structures for portals, access shafts and station boxes from Cheltenham to Glen Waverley.

Part One of this Project Summary provides an overview of the Tunnels South works package, including the:

- the Tunnels South Outcomes
- the Tunnels South Costs
- the Tender Process, Advisers and Outcomes
- the Key Contract Milestones, and
- the Tunnels South Governance.

Part Two of this Project Summary sets out the key contractual and commercial features of the Tunnels South project, 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 Tunnels South issues.

This document is prepared in accordance with the Department of Treasury and Finance’s Infrastructure Procurement Framework (Framework). The Framework provides a structured approach to public construction procurement, ensuring alignment with business planning, transparency, and strategic planning. It includes complexity and capability assessments, market analysis, and a focus on high standards in contract management and disclosure, aiming for value-for-money outcomes and maintaining probity and accountability.

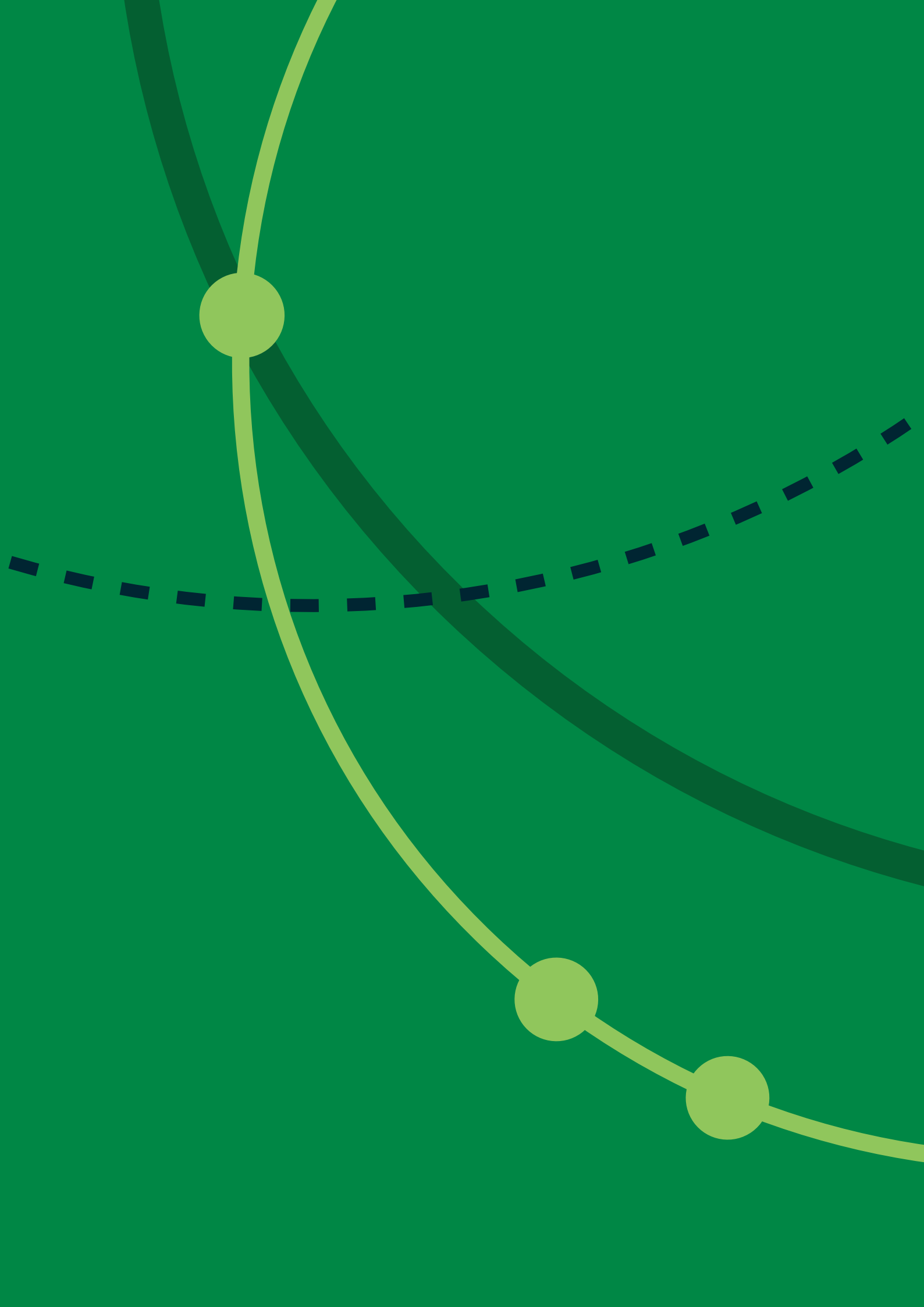
The Framework consists of the Investment Lifecycle and High Value High Risk Guidelines, and Cost Reimbursable Procurement Requirements. For more information about the infrastructure procurement framework visit **[dtf.vic.gov.au/investment-lifecycle-and-high-value-high-risk-guidelines/procurement](https://dtf.vic.gov.au/investment-lifecycle-and-high-value-high-risk-guidelines/procurement)** or contact the Department of Treasury and Finance by email at **[infrastructure.delivery@dtf.vic.gov.au](mailto:infrastructure.delivery@dtf.vic.gov.au)**.

This Project Summary should not be relied on to completely describe the rights and obligations in respect of Tunnels South, which are governed by the Tunnels South contract and associated documents. Tunnels South contract and associated documents are available online at **[tenders.vic.gov.au](https://tenders.vic.gov.au)**





# **Part one: Project overview**



# Tunnels South outcomes

## Suburban Rail Loop

### Overview

Suburban Rail Loop (SRL) will deliver a 90km rail line linking every major train service from the Frankston Line to the Werribee Line via Melbourne Airport, better connecting Victorians to jobs, retail, education, health services, and each other.

Three transport super hubs at Clayton, Broadmeadows, and Sunshine will connect regional services, so passengers outside Melbourne won't have to travel through the CBD to get to employment, world-class hospitals, and universities in the suburbs.

SRL is more than a transport project – as Australia's largest housing project, it will help reshape how our city grows in the decades ahead.

Melbourne is on track to officially become Australia's largest city within the decade. We need a public transport system that will get people where they need to go, take pressure off the existing transport network, and reduce congestion by taking thousands of cars off the roads each day.

The new travel connections and investments in the areas around each station will attract people to live nearby and

businesses to locate near the new stations. This will help Melbourne grow in a planned and sustainable way.

The areas around the new stations will be thriving communities for people to live, work, study, and play, with thousands more homes, more diverse housing options, local services, and jobs closer to where people want to live and all a short distance from a train station.

Construction of SRL East from Cheltenham to Box Hill is underway, following the release of the comprehensive SRL Business and Investment Case and planning approvals, leading on from a detailed Environment Effects Statement.

Delivered in stages over several decades, the construction and delivery of SRL will create thousands of direct local jobs and will help train the next generation of skilled workers.

### SRL Objectives

The following key objectives govern the strategic direction of SRL:

- Integrate a new orbital rail line with existing and planned public transport and road networks in the State
- Facilitate sustainable population growth, urban renewal and improved liveability
- Encourage land development and the facilitation of timely and coordinated delivery of non-transport infrastructure, transport infrastructure, services and residential and commercial development
- Improve connectivity throughout Melbourne by enhancing orbital public transport movements in relation to the new rail loop
- Increase productivity by facilitating greater employment, activity and investment throughout Melbourne's middle suburbs
- Enhance regional Victorians' access to Melbourne suburban health, education and employment centres by connecting regional rail lines to the new orbital rail loop at major interchange stations, and
- Enhance opportunities for the Victorian community, Victorian businesses, and the State to capture value created by the development of precincts, non-transport infrastructure, transport infrastructure and other investments in relation to the new orbital rail loop.

These objectives collectively outline a comprehensive approach aimed at improving transportation, fostering sustainable development, and enhancing economic opportunities throughout Melbourne.

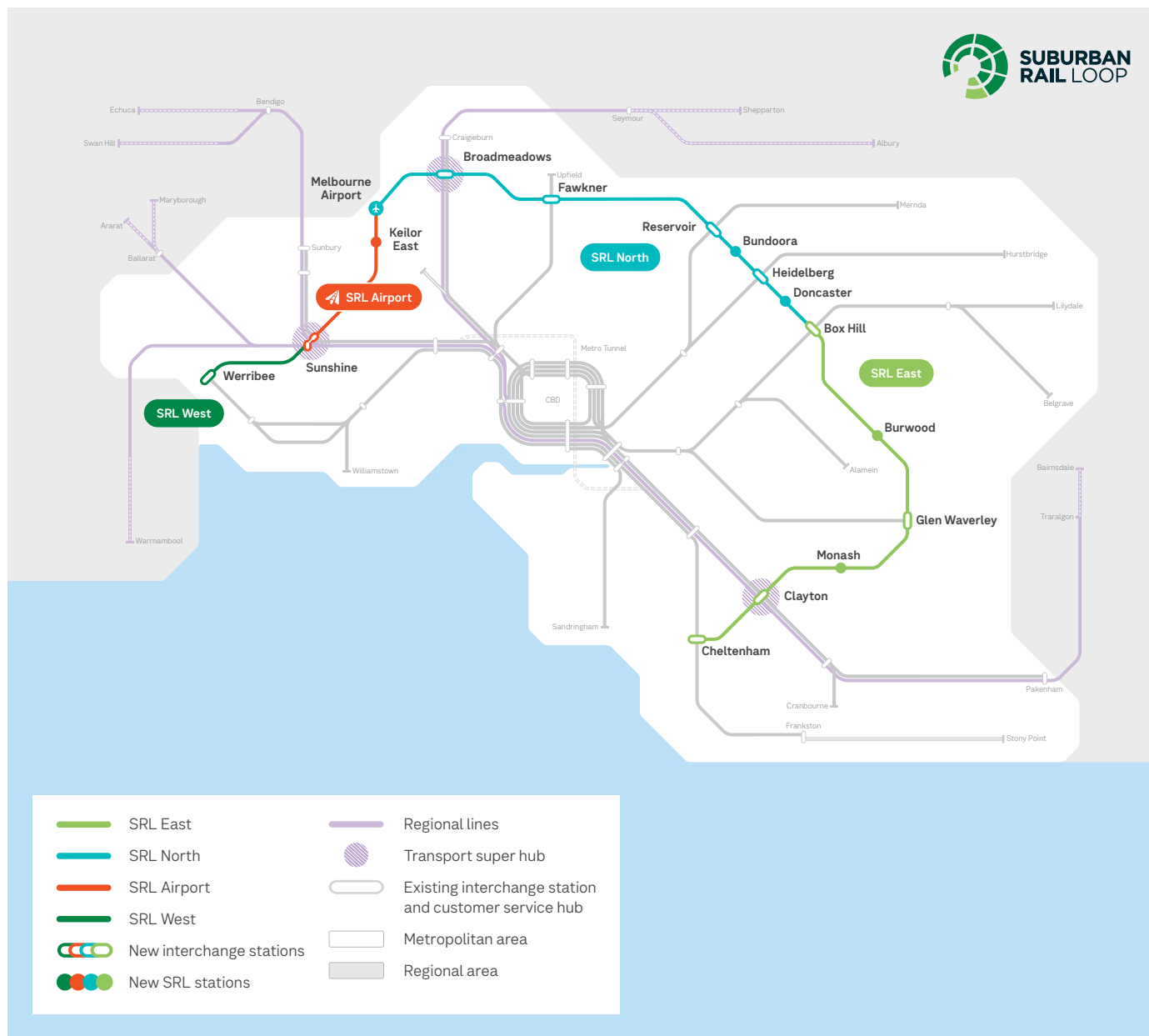


Figure 1: Suburban Rail Loop (For illustrative purposes, subject to further detailed technical investigations and consultations)

# SRL East

SRL East will deliver twin 26-kilometre tunnels and six new underground stations at Cheltenham, Clayton, Monash, Glen Waverley, Burwood and Box Hill. It will also include a train stabling and maintenance facility to support the new rail line, an emergency support facility and power supply substations.

SRL East has been under construction since 2022, and will be open in 2035.

SRL East will operate independently of the existing metropolitan rail network, with a new dedicated high-tech fleet of fast, four-car medium capacity rolling stock. Rail systems including signalling, communication systems, lighting, power supply and traction power will support operations, as well as tunnel ventilation and fire life safety systems.

Passengers will be able to easily transfer between SRL East and the existing metropolitan rail network via interchange stations at Cheltenham, Clayton, Glen Waverley and Box Hill, with the same ticketing system servicing both networks. In 2036, it is expected that SRL East will be used by around 70,000 passengers every day.

- Due to the scale and complexity of SRL East, it has been split into several Work Packages:
- **Work Package A:** Initial Works and Early Works
  - **Work Package B:** Power Construction Supply Works
  - Main Works project:
    - **Tunnels South (Work Package C)** – Tunnels Cheltenham to Glen Waverley
    - **Tunnels North (Work Package D)** – Tunnels Glen Waverley to Box Hill
    - **Stations Alliance South (Work Package E)** – Stations Cheltenham to Monash
    - **Stations Alliance North (Work Package F)** – Stations Glen Waverley to Box Hill, and
    - **Linewide Alliance (Work Package G)** – Trains, tunnel fitout, signaling and O&M franchise.

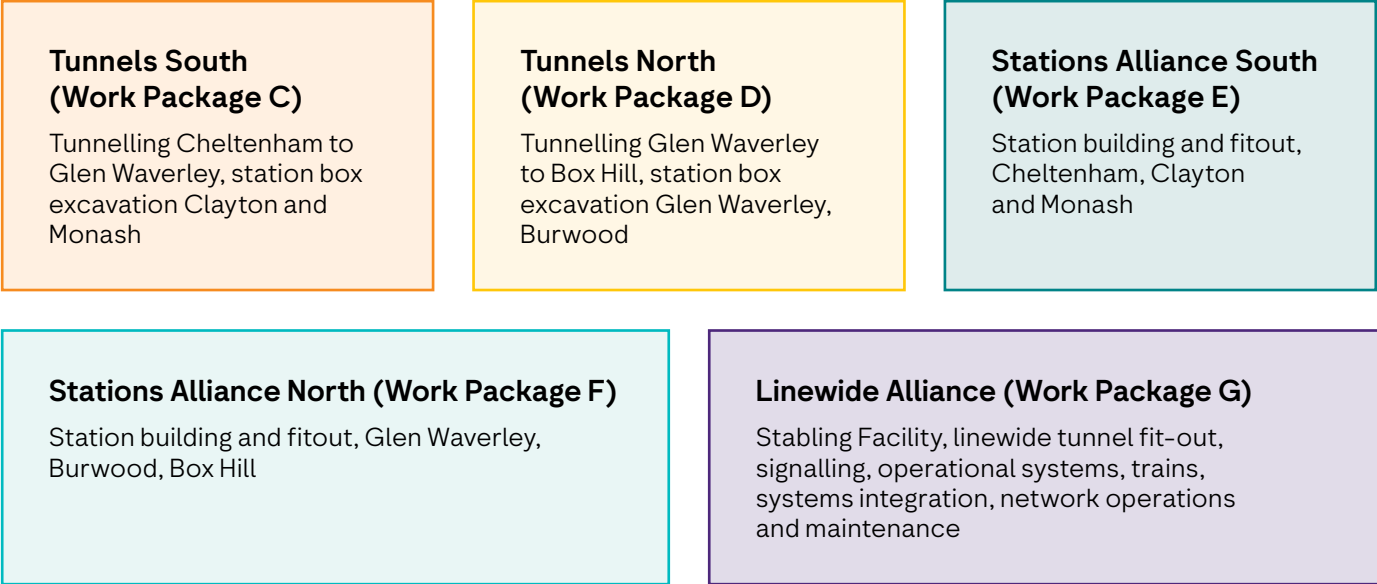




Figure 2: SRL East Map (For illustrative purposes, subject to further detailed technical investigations and consultations)

# Tunnelling Packages

The tunnelling works in respect of the Tunnels South and Tunnels North (Tunnelling Packages) will be undertaken by separate contractors under separate Incentivised Target Cost (ITC) Delivery Deeds:

- **Tunnels South:** includes design and construction of two 16km tunnels, each with 6.4m internal diameter, between Cheltenham and Glen Waverley. The project will also create cross passages between the tunnels, support structures for the tunnel entrances, access shafts, and boxes for train stations (stations to be built by the Stations South package)
- **Tunnels North:** includes design of construction of two 10km tunnels, each with 6.4m internal diameter, between Glen Waverley and Box Hill. The project will also create cross passages between the tunnels, support structures for the tunnel entrances, access shafts, and boxes for train stations (stations to be built by the Stations North package).

The SRL East tunnel alignment is based on a range of factors including station locations, geology,

topography, ride quality, operational maintenance, existing belowground infrastructure such as basements, and sensitive equipment at medical, educational and research facilities.

The tunnelling works are to be undertaken in an urbanised and environmentally significant area with some constraints. To reduce surface impacts, the tunnels will mostly range between 20 to 40 metres below the surface, with the deepest point up to 60 metres below ground under Riversdale Road, Burwood. The SRL East stations are located approximately 18 to 25 metres underground.

Comparatively, Melbourne's City Loop station platforms are about 30 metres underground, with Parliament station 39 metres below the city streets.

## Tunnelling Work Packages Objectives

The objectives outlined for the Tunnelling Packages are designed to ensure that the critical aspects of Tunnels South and Tunnels North are executed effectively, aligning with the broader SRL East project goals of:

- **Value for money:** ensure a cost-effective solution that achieves optimum value for money outcomes for the State on a whole of life basis.
- **Safety:** strive for unrivalled health, safety and rail safety performance by actively safeguarding and enhancing the wellbeing of people, industries and the community in the safe delivery and operation of SRL East.
- **Time:** procure and deliver the tunnelling packages in collaboration with other work packages where required and in accordance with specified milestone dates to facilitate the achievement of SRL East operations.
- **Disruption:** Minimise disruption, delay and inconvenience to the public, road and public transport users, adjacent businesses, stakeholders and the community during the performance of the Contractor's activities.
- **Stakeholders:** deliver the tunnelling packages in a manner that supports positive and collaborative relationships with stakeholders and the community.
- **Design Life:** provide the tunnel infrastructure required for conveying passenger rolling stock over a '100-year design life'.
- **Environment:** minimise impacts on the environment, including but not limited to noise and vibration, air quality, traffic and transport, heritage, waste, water and energy management and embodied environmental impacts.
- **Sustainability and Social Procurement:** Maximise opportunities in relation to maximise opportunities in relation to sustainability and social procurement, including workforce development and local procurement, including workforce development and local procurement.
- **State and Commonwealth Requirements:** procure and deliver the tunnelling packages in accordance with State and Commonwealth requirements.
- **SRL Day-1 Readiness:** deliver the tunnelling packages in a manner that makes a positive contribution to the successful delivery of SRL East more broadly, including collaboration with other work packages.
- **Quality:** ensure quality is fundamental in the design and delivery of the tunnelling packages, and that these packages are procured and delivered in accordance with relevant requirements and are fit for purpose.

## Tunnels South Scope

The design and construction of the Tunnels South infrastructure includes:

- **Tunnel Structures:** The work package involves building twin bore tunnels stretching approximately 16km from the train stabling facility Eastern Portal to Glen Waverley and from the train stabling facility Western Portal to Cheltenham Station. These tunnels are the core infrastructure for the rail loop.
- **Emergency Access Routes:** Cross passages (CP) 1 to 54 are constructed to create emergency access and egress routes within the tunnels, ensuring safety and accessibility in case of emergencies.
- **Drainage System:** Low point sumps within certain cross passages enable the installation of a tunnel drainage system, preventing water accumulation and ensuring structural integrity.
- **Ground Freezing, Ground Improvement and Earth Retention:** Ground stabilisation and ground improvement works at specific locations like Cheltenham and Clayton are carried out as needed to construct tunnels and cross passages. Earth retention systems are also established at various sites to support excavation and construction activities.
- **Station and Interface Works:** Construction works include the excavation and establishment of station boxes at Clayton and Monash stations, as well as interface works with the Melbourne Metropolitan Rail Network (MMRN) to ensure seamless integration with existing infrastructure.
- **Tunnel Boring Machine (TBM) Management:** Following the completion of the TBM drives to Cheltenham and Glen Waverley, the TBMs will be removed to provide access for the later tunnel fitout works.

# Tunnels South costs

## Contracted cost of the Work Package

Tunnels South has been contracted at a cost of \$3.6 billion (nominal). Reflecting an Incentivised Target Cost (ITC) contract, this figure is not a fixed price but an estimate that can be adjusted based on project demands and unforeseen circumstances, with incentives for the contractor to manage costs effectively.

This figure encompasses various aspects of the work package for the contractor to design and construct the tunnels including, but not limited to, construction, engineering, labour, materials, and the Tunnels South contractor's corporate overhead and profit.

## State Support for SRL East

The State has committed substantial funding to SRL East to ensure its successful implementation. As of 1 December 2024, in addition to the \$2.5 billion already provided for the planning and delivery of the Initial Works and Early Works project, the Victorian Government has committed a further \$9.3 billion to commence major construction works on SRL East by 2024, reflecting a significant investment in enhancing public transportation infrastructure and connectivity.

The SRL Business and Investment Case, released in August 2021, shows there is a role for State enabled land development and value capture opportunities.

The Commonwealth Government has announced an initial investment of \$2.2 billion over three years.

## Non-Financial State Support for SRL East

The State created SRLA and declared it to be a major transport project under section 95 of the *Major Transport Projects Facilitation Act 2009*, and part of Victoria's Big Build.

SRLA is supported by the Department of Transport and Planning. The Minister for the Suburban Rail Loop has declared the 'Suburban Rail Loop planning areas' under

section 65(1) of the *Suburban Rail Loop Act 2021*, and assesses any changes to the SRL East environmental effects (section 6.4 of the Suburban Rail Loop Ministerial Guidelines for Assessment of Environmental Effects' (2020)). Additionally, SRLA has the power to compulsorily acquire land identified under the Public Acquisition Overlay.

## Commercial Structure

The commercial framework governing Tunnels South is designed to manage costs and incentivise performance through a structured approach. The agreed Target Outturn Cost (TOC) represents an estimate of the total costs for project delivery (inclusive of Corporate Overhead and Profit and risk provision), whereas the Actual Outturn Cost (AOC) will reflect the final actual costs incurred on the project. The framework includes the following key elements:

- **Reimbursable Costs:** amounts paid to the contractor to reimburse for costs directly, reasonably and properly incurred in performing the contractor's activities.
- **Corporate Overhead and Profit:** an agreed amount or rate paid to the contractor for Corporate Overhead and Profit (COP). This amount is determined by multiplying a set COP fee rate by the actual reimbursable costs incurred by the contractor during project delivery.
- **Cost Risk or Reward Regime:** incentivises the Contractor to achieve cost savings and avoid cost overruns. It provides a mechanism for cost rewards payment to be paid to the contractor for achieving

the project requirements for less than the TOC, or cost risks to be incurred by the Contractor if the AOC exceeds the TOC, both being up to an agreed cap. The key measure is the AOC and how this compares against the agreed TOC.

- **Performance Risk or Reward Regime:** mechanisms that measure the contractor's non-financial performance against Key Performance Indicators (KPI), with their activities leading to performance risk or performance reward payments.

More information relating to the commercial structure can be found in the Performance Measures and Payments section.

SRLA is committed to achieving value-for-money commercial outcomes. Principles included in the ITC Delivery Deed include cooperation to achieve work package objectives, transparent accounting, and performance-based remuneration. The Contractor is incentivised to meet Tunnels South objectives, with rewards for exceeding minimum requirements and penalties for underperformance.

## Tender process

### 3-2-1 Procurement Process

SRLA has implemented an integrated procurement approach known as the 3-2-1 procurement process for the tunnelling packages to help manage constrained market resources and realise procurement efficiencies for similar packages.

In a constrained market, this selective shortlisting increased bidders' chances of success, which in turn motivated a higher quality of proposals and competition among the best suited bidders.

An Incentivised Target Cost model provides a framework for risks to be shared between the parties with an incentive for contractors to focus on cost-efficient delivery and effective cost management.

The three shortlisted respondents were:

- Suburban Connect, comprising CPB Contractors, Acciona, and Ghella
- Terra Verde, comprising Webuild, GS E&C and Bouygues
- JHGA, comprising John Holland and Gamuda.

## Key Procurement Phases

The following outlines the major phases involved in the procurement process for the tunnelling packages:

- **Pre-Qualification Phase:** The Pre-Qualification Phase commenced with the release of the Advance Tender Notice. The Pre-Qualification Phase was used to determine whether interested parties were bona fide potential Respondents or Members of a potential Respondent. Interested parties that met the pre-qualification requirements were notified that they were eligible to participate in the EOI Phase.
- **EOI Phase:** The EOI Phase commenced with the release of the Invitation for EOI. SRLA evaluated each EOI response to identify three appropriate respondents to participate in the RFP Phase in respect of the tunnelling packages based on their proven experience, capability, and capacity to deliver the tunnelling packages as demonstrated through their EOI response.
- **Tunnels South RFP Phase:** During the Tunnels South RFP Phase, the respondents performed the required RFP Phase Activities and, as part of those Activities, each developed and submitted a Tunnels South proposal. SRLA evaluated each proposal against the evaluation criteria and selected a Successful Respondent who, upon execution of the ITC Delivery Deed, became the Contractor for Tunnels South.
- **Tunnels South Delivery Phase:** During the Tunnels South Delivery Phase, the contractor will undertake the Tunnels South Delivery Phase Activities.
- **Tunnels North RFP Phase:** During the Tunnels North RFP Phase, the Respondents not selected as a Successful Respondent for Tunnels South performed the Tunnels North RFP Phase Activities and, as part of those Activities, each developed and submitted a Tunnels North proposal. SRLA evaluated each proposal against the evaluation criteria and selected a Successful Respondent who, upon execution of the ITC Delivery Deed, became the Contractor for Tunnels North.
- **Tunnels North Delivery Phase:** During the Tunnels North Delivery Phase, the Tunnels North Contractor will undertake the Tunnels North Delivery Phase Activities.

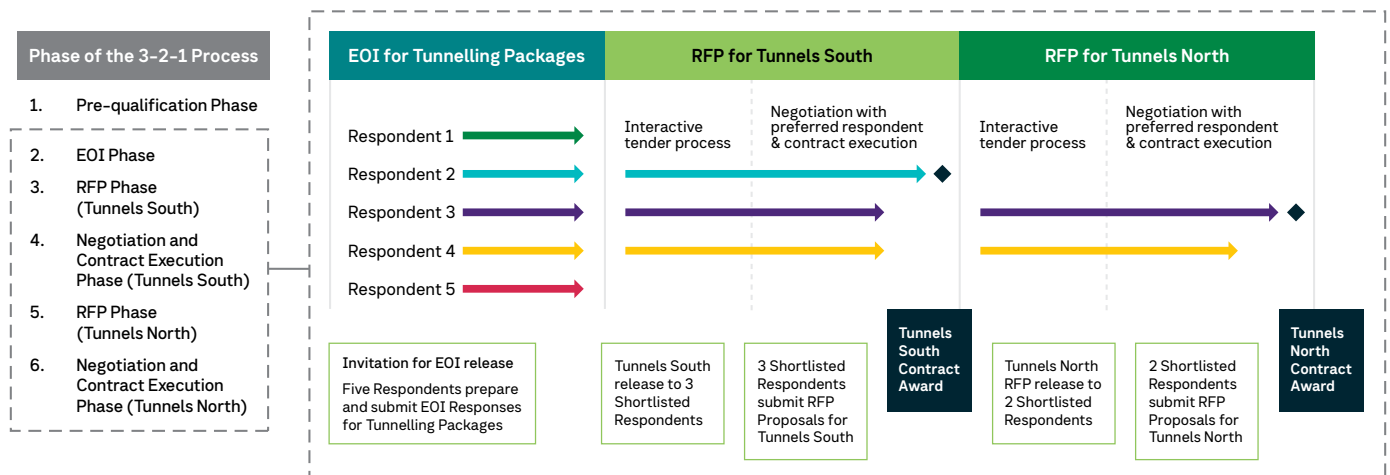


Figure 3: 3-2-1 Procurement Process

# Procurement Process and Governance structure

The State established a formal evaluation and governance structure to oversee the RFP evaluation process. A diagram of the governance structure is included in Figure 4 below.

The Evaluation Panel, supported by four discipline-based evaluation sub-panels, conducted the RFP evaluation. The sub-panels comprised:

- Technical Working Group
- Commercial Working Group
- Government Requirements Working Group, and
- Pricing Working Group.

The Evaluation Panel submitted an evaluation report (including evaluation recommendations) to the interdepartmental Executive Review Team (ERT), which included senior representatives of SRLA, Department of Treasury and Finance (DTF) and Department of Premier and Cabinet (DPC).

The evaluation report was endorsed by ERT and the SRLA Board and provided to Government for approval.

The evaluation panel and evaluation sub-panels were comprised of suitably experienced and qualified experts including representatives from SRLA and DTF. Specialist advisers and other government agencies were also invited to provide advice where required.

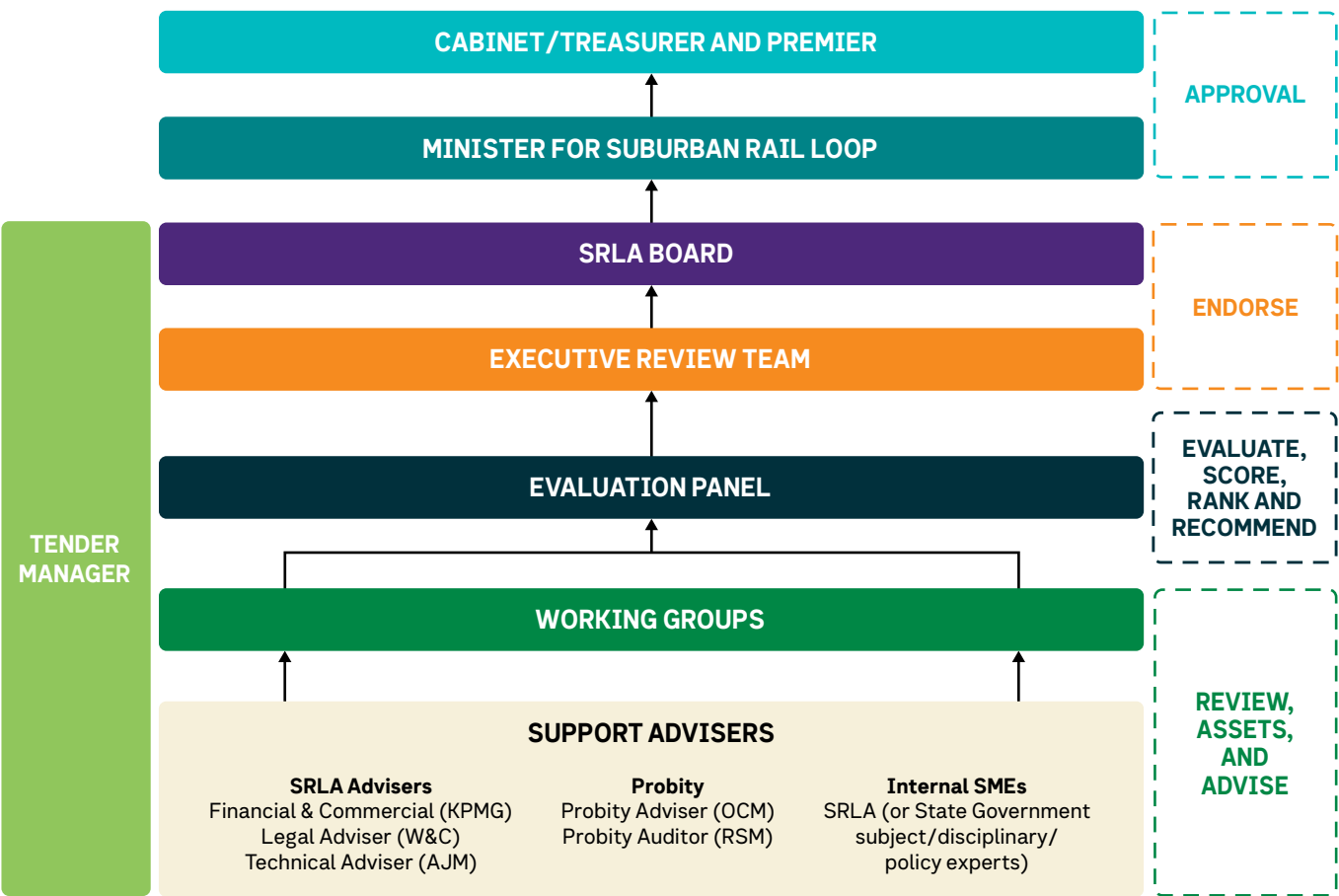


Figure 4: Procurement Process and Governance structure

## Probity

SRLA adopted a probity conduct plan for the procurement process to identify, assess and mitigate potential probity risks related to the work package. A probity and process deed was issued and applied throughout the procurement. Probity Advisers and Probity Auditors were engaged to oversee the procurement of Tunnels South to ensure the following principles:

- Accountability of the participants and transparency of the process
- Fairness and impartiality in carrying out the process
- Identification and management of actual, potential and perceived conflicts of interest
- Maintenance of confidentiality and security of documentation and information, and
- Optimising overall value for money to the State.

At the completion of the procurement, both the Probity Adviser and Probity Auditor concluded that the process had been conducted in a manner consistent with the probity principles.

## Stakeholder Engagement

There are multiple SRL East stakeholders with an interest in the tunnelling work packages as shown in Table 2. SRLA detailed in the ITC Delivery Deed the critical importance of building and maintaining social license, and the vital role that community and stakeholders play in the construction of the work package.

SRLA engages closely and cooperatively with the community, all levels of government, contractors, advisers, other service providers and other key stakeholders to enhance work package progress and decisions. SRLA and the contractor continue to coordinate working relationships with stakeholders and the community ensuring any potential impacts for the work package are mitigated appropriately and that operational needs are met.

# Timeline

Key dates relating to the 3-2-1 Procurement Process are presented in Table 1 below:

Activity	Date
Pre-Qualification Phase	
Advance Tender Notice published	18 December 2021
EOI Phase	
Release of Invitation for EOI	1 April 2022
Closing time and date	27 May 2022
Tunnels South RFP Phase	
Release of RFP	1 September 2022
Date for Tunnels South Proposal	28 February 2023
Tunnels South ITC Delivery Deed award	8 December 2023
Tunnels North RFP Phase	
Release of RFP	31 August 2023
Date for Tunnels North Proposal	12 December 2023
Tunnels North ITC Delivery Deed award	9 November 2024

Table 1: Work Package procurement – key dates

# Project Stakeholders

Project Stakeholders	Description
Department of Transport and Planning (DTP)	DTP works with SRLA to coordinates the delivery of Tunnels South for the Suburban Rail Loop, ensuring alignment with state transport policies and compliance with regulatory standards.
Metro Trains Melbourne (MTM)	MTM is involved in design reviews, particularly concerning rail viaduct pier protection works at Clayton. Key areas include tunnelling and station box works near Clayton and Glen Waverley Stations. The Contractor must ensure design compatibility, minimise disruptions to commuters, manage safe working practices, and plan site access and disruption scheduling. A Rail Access Management Plan, including a Track Occupation strategy, is required.
Melbourne Water	Melbourne Water is involved in design reviews where project designs impact its assets, particularly regarding the South East Trunk Sewer works for protecting the SRL mainline Tunnels. The project must manage impacts on and near Melbourne Water assets as outlined in the Melbourne Water Asset Interface Agreement.
Monash University (MU)	MU participates in design reviews concerning its specific interests. The project must manage the effects of noise, dust, electromagnetic interference, and vibration on MU's assets and operations.
Local Councils <ul style="list-style-type: none"> <li>– Monash City Council</li> <li>– Kingston City Council</li> <li>– Bayside City Council</li> </ul>	Local councils are involved in construction reviews, focusing on their specific interests and assets. This includes managing road closures, ensuring access to local businesses, and addressing other construction related activities affecting the councils' stakeholders.
Alex Fraser Group	Alex Fraser Group is involved in reviews concerning specific requirements related to its interests. The project must manage the impacts of noise, dust, and vibration on and near Alex Fraser Group's assets and operations.
VicTrack	VicTrack is involved to coordinate the rail telecommunications networks, by implementing line wide and operation systems for the SRL project. This will include access and integration with land, infrastructure, and assets, reviewing plans and designs, and providing environmental and property management services.

Table 2: Project Stakeholders

# Tender process outcomes

## Shortlisted Respondents

Five EOI responses were received by SRLA for the 3-2-1 procurement process for the tunnelling packages. Following the conclusion of the EOI phase, three respondents were shortlisted by SRLA and invited to submit a detailed Request for Proposal for Tunnels South.

The three shortlisted respondents were:

- **Suburban Connect**, comprising CPB Contractors, Acciona, and Ghella
- **Terra Verde**, comprising Webuild, GS E&C, Bouygues, noting that Bouygues Construction Australia was added to the consortium during the RFP Phase.
- **JHGA**, comprising John Holland and Gamuda.

## Tender Outcome

The Suburban Connect consortium was announced as the preferred respondent after an extensive evaluation process for a contract with the State. Its proposal showcased robust technical solutions and a comprehensive delivery approach, addressing the specific risks and challenges associated with the project. The team structure presented in the submission was notably well-aligned, providing greater delivery certainty to the State.

The evaluation panel recognised Suburban Connect's strong performance across all evaluation criteria, which, combined with the competitive offer, provided value and delivery assurance to the State. On review of the pricing proposed in the Target Outturn Cost (TOC), the Evaluation Panel considered that Suburban Connect's Proposal provided significant value for money and delivery certainty. The total funding required for WPC is less than the the State's Budget provision for this package.

Following negotiations to finalise the project documents, the ITC Delivery Deed was executed on 8 December 2023 between SRLA and Suburban Connect.

Unsuccessful respondents were notified of the decision and progressed to Tunnels North shortlisted respondents under the 3-2-1 procurement process. Due to the scale of bids required for the project, a basis of the tender was that a portion of the unsuccessful respondents' bid costs would be reimbursed. This is consistent with Victoria's Bid Cost Reimbursement Policy, which aims to maximise competition by incentivising strong market responses and attracting higher quality proposals. The State retains the intellectual property contained in each unsuccessful respondent's proposal. Payment of the contribution to proposal costs is subject to the unsuccessful respondents satisfying certain terms and conditions.

## Government Policy Requirements

Under the ITC Delivery Deed, Suburban Connect has committed to delivering various government policy requirements, including:

- **Local Industry Development Plan**
  - requirement to achieve 92.4% local content (excluding tunnel boring machines).
  - target of sourcing 95.6% of steel locally.
- **Major Projects Skills Guarantee**
  - includes a commitment to ensure 12% of total estimated labour hours across the life of Tunnels South will be undertaken by apprentices, trainees and cadets in accordance with the Major Projects Skills Guarantee.
- **Social Procurement Objectives**
  - 2.5% Aboriginal employment target.
  - 3% of delivery phase workers are priority jobseekers.
  - 2% of all purchases spent with social benefit suppliers.

- **Building Equality Policy Target**

- 3% of trade covered labour hours performed by women
- 7% of non-trade covered labour hours performed by women.
- 35% of on-site managerial, specialist and supervisory labour hours performed by women.
- 3% of apprentice and trainee hours performed by women.

In addition, Suburban Connect's proposal was also assessed for knowledge of current industrial relations climate and prior relevant experience on other Big Build projects, and Victorian tunnelling projects.

# Contract milestones

The ITC Delivery Deed contains a number of contract milestones for Suburban Connect to meet. The key milestone dates are summarised in Table 3 below:

Contract component	Due date
Contract commencement	December 2023
Construction commencement	October 2024
Construction completion	February 2030
Contract expiry date	February 2035

Table 3: Key date summary

# Tunnels South governance

## SRLA Governance

SRLA is a statutory authority established under the *Suburban Rail Loop Act 2021* (the Act) on 1 December 2021 to plan and deliver the SRL Program. SRLA has a governing board of directors (SRLA Board) and is subject to the general direction and control of the Minister for the Suburban Rail Loop.

The Act grants SRLA a range of powers including the right to acquire property, enter into agreements, engage consultants, and to use public land for SRL projects or achievement of the SRL Program Objectives. Additional project-specific powers can be activated through SRL declarations under both the Act and the *Major Transport Projects Facilitation Act 2009* (VIC) in respect of specified project areas, which will make it easier for projects to undertake early works in certain circumstances.

## Tunnels South Governance

The oversight of Tunnels South is managed by various entities. These include the Minister for the Suburban Rail Loop, SRLA, and SRLA's Chief Executive Officer, who acts as the Tunnels South sponsor. The Principal Representative for Tunnels South under the ITC Delivery Deed is the Package Director responsible for Tunnels and Civils projects.

SRLA holds key responsibilities for Tunnels South, including the establishment and support of a robust contract management framework, ensuring effective contract management practices, and overseeing the attainment of the work package Objectives and Guiding Principles.

There are several departments supporting SRLA, including DTF, DPC, and DTP.

The governance structure includes three main forums during the delivery of the project:

- the Senior Representatives Group (SRG),
- the Project Steering Committee (PSC), and
- various Working Groups.

These forums facilitate communication, decision making, and coordination among stakeholders involved in Tunnels South.

# Tunnels South advisers

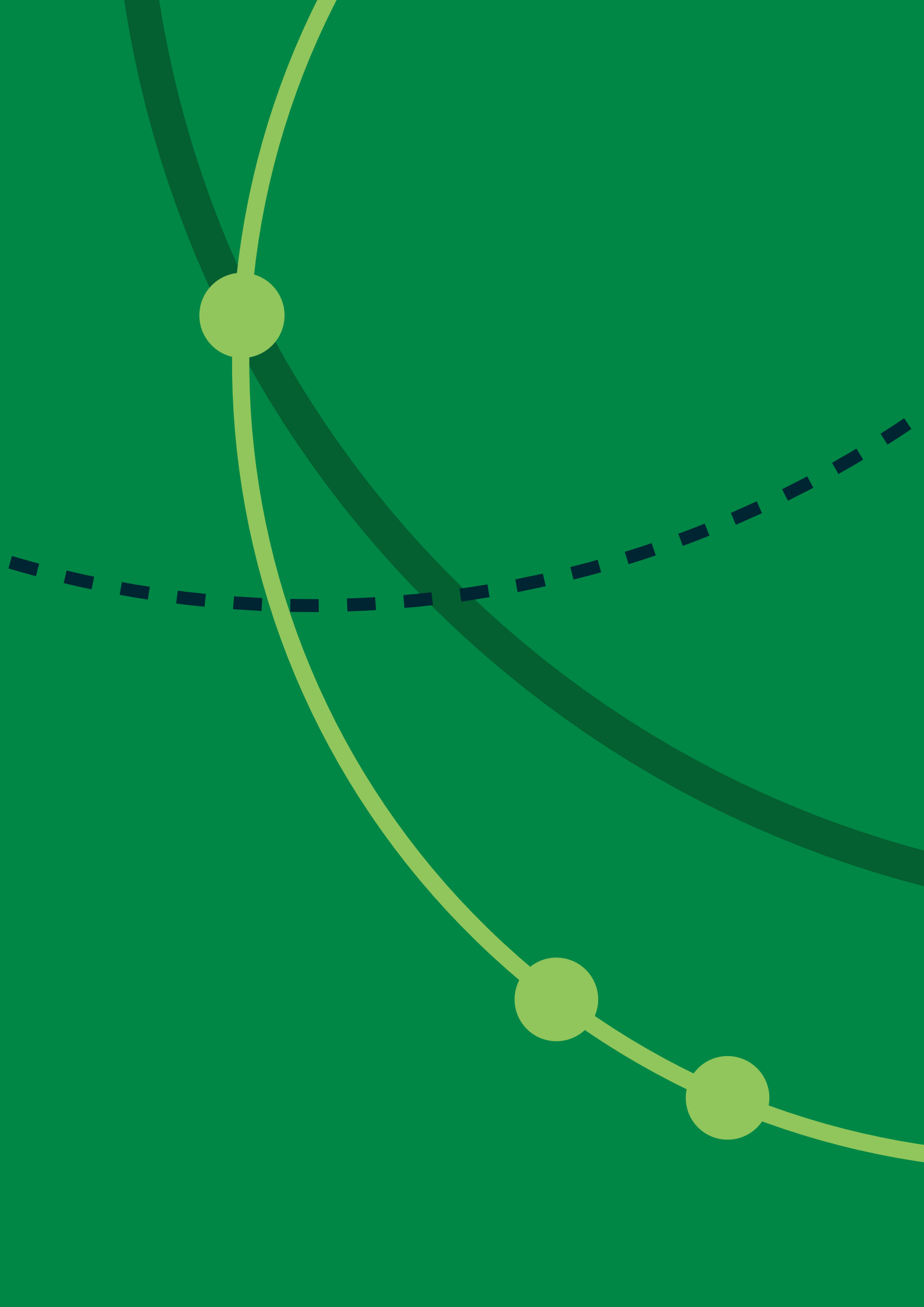
The following external advisers were engaged to assist the State during the Tunnelling Packages procurement process:

Role	Adviser
Design and technical adviser	Aurecon, Jacobs and Mott McDonald (AJM)
Financial and commercial services	KPMG
Legal consultancy services	White & Case
Probity adviser	O'Connor Marsden and Associates
Probity auditor	RSM Australia
Cost management and advisory services	WT Partnership
Transaction adviser	Infrastructure Advisory Group

Table 4: Work Package advisers



## **Part two: Key Tunnels South features**



# Parties to the contract

As noted earlier, Suburban Connect is the consortium of CPB Contractors Pty Limited, ACCIONA Construction Australia Pty Ltd and Ghella Pty Ltd. Together, Suburban Connect is a trusted partner for SRLA to successfully deliver SRL East Tunnels South.

The Incentivised Target Cost delivery structure and a commitment from both SRLA and Suburban Connect to promote a 'one team' culture together provide a strong basis for collaborative risk sharing. This structure allows the flexibility necessary to address unpredictable factors (such as unexpected changes in geology)

economically and also, with open book pricing, provides assurance that costs are managed to achieve best value for money.

Suburban Connect may engage subcontractors to deliver specialist works for the work package.

## Contractual relationships

The key contractual relationships for delivery of Tunnels South are detailed below:

- **Incentivised Target Cost Delivery Deed:** The Contractor developed a Target Outturn Cost. The State (via the Principal) reimburses the Contractor for actual incurred costs of performing the works on a fully open book basis and a fixed percentage for corporate overhead and profit.
- **Main Works Interface Deed:** The Main Works Interface Agreement defines the interface with the Initial and Early Works contractor, including coordination between the Work Package A and Tunnels South Contractors, final inspection protocols and dispute resolution processes.
- **Coordination and Interface Deed Poll:** The interfaces with the Tunnels South contractors for Stations North, Stations South and Linewide packages are defined in, and governed by, the Coordination and Interface Deed Poll, which includes the required working groups, coordination approach and dispute resolution process.
- **Subcontractor Direct Deed:** The Subcontractor Direct Deed is a direct deed for parties who subcontract services in connection with the Contractor's Activities and is in a chain of contracts where the ultimate contract is with the Contractor or any Key Subcontractor (as defined in the ITC Delivery Deed) and includes the Key Subcontractors.
- **Third Party Agreements:** Third party agreements (TPA) may be used to define the interface between Suburban Connect and certain third parties. Other TPAs may be put in place during the delivery of the Tunnels South to clearly define interface boundaries and the principles of communication between parties.
- **Independent Environmental Auditor Agreement:** SRLA's Independent Environmental Auditor will audit the Contractor's work in line with Environmental Management Framework and Environmental Performance Requirements.
- **Parent Company Guarantees:** Parent company guarantees were sought to ensure that in the event of the Contractor's default on obligations in connection with the ITC Delivery Deed, the parent company will cover Suburban Connect's financial liabilities. The parent company guarantees mitigate Tunnels South risks and support the timely and successful completion of the work package.
- **Utility Agreements:** The Contractor, with the support of SRLA, can request specific agreements relating to utilities from a utility provider, such as for access to infrastructure or services.
- **Performance Security Deeds:** Performance Security Deeds provided by the Contractor as required by the ITC Delivery Deed, payable to SRLA on request.
- **Third Party Verifier:** The Third Party Verifier (TPV) supports SRLA Tunnels South and Tunnels North to undertake certification functions.

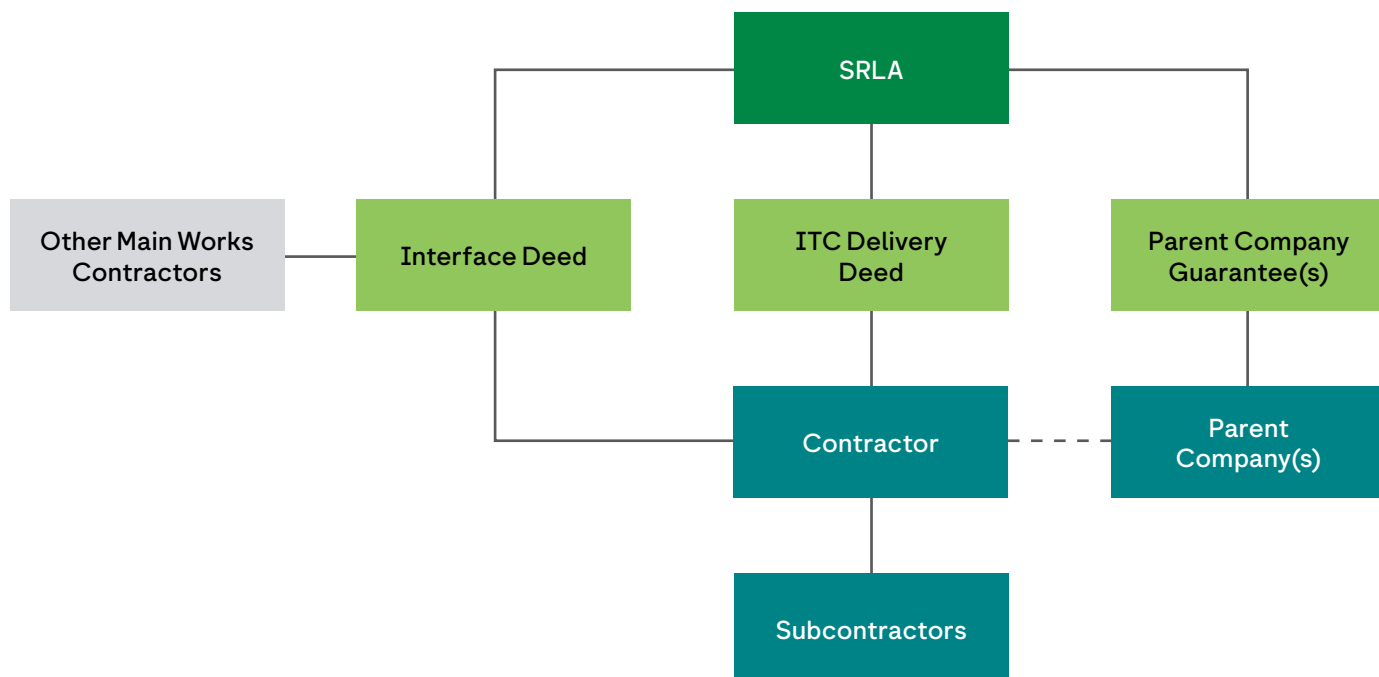


Figure 5: Contractor Relationships

## Risk allocation

The ITC Delivery Deed allocates risks to the party best able to manage them in order to achieve best value for money for the State.

This results in various risks being:

- retained by SRLA
- transferred to the Contractor or
- shared between the parties.

The ITC Delivery Deed and associated documents establish the obligations of each party in managing these risks.

Table 9 on the next page provides a high-level outline of the risk allocation for Tunnels South. Where a risk is allocated to more than one party, those parties may not share that allocation equally. All risks are addressed in detail in the ITC Delivery Deed and associated documents.

Risks allocated to the Contractor are subject to applicable liability caps.

Type of risk	Description	SRLA	Contractor	Shared
Design and construction	Risk that the design or construction of the Works is not fit for purpose			✓
	Risk that design or construction cannot be completed on time (other than where an Adjustment Event occurred or SRLA has directed a Variation)		✓	
	Risk that design and construction cannot be completed within the initial Target Outturn Cost			✓
Land access	Risk of obtaining access to Principal controlled land	✓		
	Risk of obtaining access to Contractor controlled land comprising (Extra Land)		✓	
	Risk of obtaining access to Contractor controlled land comprising Site Roads			✓
Approvals	Risk of obtaining approvals necessary to perform the Contractor's Activities (other than SRLA Approvals)			✓
	Risk of obtaining SRLA approvals	✓		
Adverse tunnelling conditions	Risk of unanticipated ground conditions during tunnelling			✓
Contamination	Risk of contamination on the site (other than contamination caused or contributed to by the Contractor)			✓
	Risk of contamination caused or contributed to by the Contractor		✓	
	Risk of off-site contamination	✓		
Native title, heritage and artefacts	Risk of suspension or cessation of the Contractor's activities in connection with a Native Title Claim, Heritage Claim or the discovery of artefacts on the site	✓		
Adverse weather	Risk of delay due to adverse weather (other than a Force Majeure Event)		✓ (Time)	✓ (Reimbursable Costs)
Force Majeure	Risk of delays to completion due to a Force Majeure Event occurring	✓ (Time)		✓ (Reimbursable Costs)
Pandemics and COVID-19	Risk of delays to completion due to a pandemic other than a pandemic compensation event			✓

Type of risk	Description	SRLA	Contractor	Shared
<b>Escalation</b>	Risk that the actual cost of materials and labour is higher than the amount allocated in the TOC			✓
<b>Industrial relations</b>	Risk of delays to completion caused by industrial action			✓
<b>Work health and safety</b>	Risk of compliance with work health and safety obligations			✓
<b>Change in Law and Change in Standards</b>	Risk of increased time or cost due to a change in mandatory requirements	✓		
<b>Defects</b>	Risk of defects identified prior to the Date of Practical Completion			✓
	Risk of defects identified after the Date of Practical Completion		✓	
<b>Rail safety accreditation</b>	Risk that the Contractor's activities are not conducted in accordance with the relevant Accredited Party's Safety Management System		✓	
	Material change to the rail safety accreditation strategy during delivery	✓		
<b>Utilities</b>	Risk of delay due to existence of known utilities on Principal controlled land or site roads			✓
	Risk of unknown utilities	✓		
	Risk that a utility provider requires enhancement or upgrade of its infrastructure outside the original scope	✓		
<b>Interface risk</b>	Interface with other SRL East Contractors and other interfaces (other than unplanned impacts to the Melbourne Metropolitan Rail Network)			✓
	Risk associated with unplanned impacts to the Melbourne Metropolitan Rail Network		✓	

Table 6: Risk Allocation Overview

A version of the DTF ITC Delivery Deed was used for Tunnels South. The ITC Delivery Deed was accepted by Suburban Connect, with amendments made for project-specific matters.

The finalised version of the DTF ITC Delivery Deed is available from Cost Reimbursable procurement category | Department of Treasury and Finance Victoria ([dtf.vic.gov.au](http://dtf.vic.gov.au)), and should be used for future cost reimbursable procurements to encourage an appropriate balance of risk allocation and performance incentives.

# General obligations of the contractor

The Contractor is responsible for the general scope of works under the work package, including:

- design and construction of the Works, including minimum clear openings of station and tunnel infrastructure, setout points for tunnel alignments and cross passage locations
- design, procurement, storage, delivery and installation the tunnel lining segments necessary to complete the Works.
- following all safeguards and measures necessary to mitigate environmental risks, including complying at all times with the Environmental Protection Requirements
- eliminating, or otherwise reducing so far as reasonably practicable, health and safety risks
- maintaining all returned assets in its possession up until completion and handover to the returned asset owner
- remediation, to the satisfaction of the relevant authority, of all infrastructure owned by others that is impacted by the Contractor's activities, including buildings, road infrastructure, rail infrastructure, footpaths, bicycle paths, public amenities and landscaping and
- ensuring all public infrastructure works are carried out in accordance with the requirements of the Authorities and minimising disruption to the public and to private landowners.

# General obligations of SRLA

SRLA is responsible for:

- making due payments for the Contractor's reimbursable costs, corporate overhead and profit, any gainshare amount and any performance reward amount
- making an on-account initial payment shortly after commencement
- providing land access from the specified Entry Date and granting a license for the Contractor to perform the work on the land
- reviewing and commenting on design documentation and other material submitted by the Contractor, and
- obtaining the Planning Scheme Amendment, Environmental Management Framework and Cultural Heritage Management Plans.

# Performance measures and payments

The payment mechanism under the ITC Delivery Deed comprises:

- Reimbursable costs
- Corporate overhead and profit
- Cost and Performance reward amounts under the risk or reward regime, and
- Adjustment events resulting in a revision to the TOC, as specified in the adjustment event guidelines.

The Contractor is paid the reimbursable costs monthly (i.e. calendar month) in arrears. In addition, the Contractor receives corporate overhead and profit in the form of a percentage uplift to the reimbursable costs incurred in the period.

## Reimbursable Costs

The Contractor will be paid its reimbursable costs by the Principal, which are the costs directly, reasonably, and properly incurred by the Contractor to perform the Contractor's activities in accordance with the ITC Delivery Deed (subject to certain exceptions).

Reimbursable Costs are comprised of:

- direct reimbursable costs incurred by the Contractor, as defined in Schedule 3 of the ITC Delivery Deed; and
- employment related on-costs in relation to non-wages personnel, calculated using reimbursable cost multipliers which are fixed-rate multipliers as established by SRLA for the contractor's activities.

SRLA has engaged a financial auditor to conduct regular financial audits during the delivery phase to ensure the reimbursable costs claimed by the Contractor have been properly incurred in accordance with the terms of the ITC Delivery Deed, and to confirm that specified exclusions have not been included within the Contractor's payment claims.

Examples of Reimbursable Costs include:

- design costs (all costs related to detailed design and investigations)
- preliminaries costs (mobilisation and demobilisation, and contractors' management, insurance and supervision costs)
- construction costs (all direct construction-related activities costs), and
- management costs (management and offsite overhead costs and insurances).

## Corporate Overhead and Profit

The agreed Corporate Overhead and Profit (COP) percentage is the Contractor's sole entitlement to corporate overhead and profit (other than under the risk or reward regime) for the proposed scope and risk profile of the Contractor's activities, not otherwise permitted under the reimbursable costs framework.

The COP allows for an equitable return for delivering the Contractor's activities whilst achieving minimum performance and quality standards as required under the ITC Delivery Deed (including the project scope and technical requirements). Benefits of this ITC delivery model approach include the collective assumption of risk by all parties and proposed risk allocation.

The Contractor will be paid a COP fee based on the agreed COP percentage multiplied by the actual reimbursable costs incurred by the Contractor. The agreed COP percentage is fixed for the duration of the ITC Delivery Deed. The sum of the COP payable to the Contractor will not exceed the total COP incorporated in the TOC.

# Risk or Reward Regime

The risk or reward regime includes incentive mechanisms to drive financial and non-financial performance. Financial performance is measured using the Cost Risk or Reward Regime via the Contractor's actual cost performance against the agreed TOC (as updated by any post-execution changes).

Non-financial performance is measured under the performance risk or reward regime via the Contractor's performance against key performance indicators. The risk or reward regime may result in the payment of reward amounts by the Principal to the Contractor, or the payment of risk (or liability) amounts by the Contractor to SRLA.

Key features of the cost risk or reward regime are as follows:

- Gainshare mechanism – where the actual outturn cost is less than the TOC, the Contractor will receive a gainshare amount (i.e. cost reward) equal to 35% of any cost savings, up to the Contractor cost reward cap (which equates to 5% of the TOC).
- Painshare mechanism – where the actual outturn cost is greater than the TOC, the Contractor will incur a painshare amount (i.e. cost risk) equal to 50% of any cost overruns, up to the Contractor risk cap (which equates to the sum of the COP and any rewards payable to the Contractor).

Key features of the performance risk or reward regime are as follows:

- KRAs / KPIs – Key Result Areas (KRAs) define the areas where performance is incentivised. KPIs are defined under each KRA and are used to measure the Contractor's non-financial performance.

SRLA has specified the performance spectrum, including the Minimum Conditions of Satisfaction (MCOS), fail and exceptional performance (as applicable) for each KPI.

- Performance reward – Where the Contractor delivers additional value and achieves performance greater than the MCOS for specified KPIs, the Contractor may receive a performance reward payment (subject to the specified maximum reward amount for each KPI).
- Performance risk – Where the Contractor's performance does not meet the MCOS for specified KPIs, the Contractor will make a performance risk payment to the Principal (subject to the specified maximum risk amount for each KPI).
- Reward reductions – the Contractor's entitlement to total reward payments (i.e. the sum of cost reward and performance reward) will be reduced if one or more Reward Reduction Events occur, including:
  - an event that results in human fatality and/or total or permanent disability of any person
  - harm arising out of performance of the Contractor's Activities
  - environmental impact arising out of the performance of the Contractor's Activities, and
  - if average performance against specific KPIs is less than a specified threshold.

## Separable Portions and Liquidated Damages

The work package for this project is divided into six separable portions, each with its own distinct scope of works and practical completion date. These portions encompass various sections of the construction, including the twin Mainline Tunnels and Cross Passages, Earth Retaining Structures, and Interchange Adits across different stations.

Liquidated Damages are payable if the Contractor is unable to achieve Practical Completion on the Date for Practical Completion of each Separable Portion. Each Separable Portion has two damages rates, a lower one applicable for a shorter delay and a higher rate applicable thereafter.

KRA	KPIs
Safety	<ul style="list-style-type: none"> <li>– Safety performance</li> <li>– Safety lead indicators</li> </ul>
Stakeholders	<ul style="list-style-type: none"> <li>– Relations with local communities</li> </ul>
Sustainability and Environment	<ul style="list-style-type: none"> <li>– Environmental impact</li> <li>– Environmental lead indicators</li> <li>– Sustainability outcomes</li> </ul>
State Requirements	<ul style="list-style-type: none"> <li>– Major Projects Skills Guarantee</li> <li>– Social Procurement Objectives</li> <li>– Building Equality Policy</li> <li>– Continuous Improvement</li> </ul>
Time	<ul style="list-style-type: none"> <li>– TBM launch</li> <li>– Completion milestones</li> <li>– Management plans</li> </ul>
Collaboration	<ul style="list-style-type: none"> <li>– Collaboration and interface management</li> </ul>
Quality	<ul style="list-style-type: none"> <li>– Contract compliance</li> <li>– Defect resolution</li> </ul>

Table 7: Risk or Reward Regime

## Other Key Commercial Features

### Principal Controlled Insurance Program

Under the terms of the ICT Deed, SRLA is required to provide and maintain the following insurance cover for the Contractor's work:

- Construction Material Damage Insurance
- Construction Liability Insurance and
- Professional Indemnity Insurance.

### Adjustment Events

Adjustment Events facilities are included in the Deed that could result in the Contractor being allowed an increase in the TOC, extra time or some amendment of requirements

for a Key Result Area. The Adjustment Event schedule specifies whether the Contractor may claim an adjustment to cost, time and/or Key Result Areas as a result of an Adjustment Event. Change Notices are necessary, either by the Contractor or SRLA, to provide explanation of the event and evidence that warrants an adjustment to key project metrics.

# Appendix 1 – Glossary

Term	Glossary
Act	means the <i>Suburban Rail Loop Act 2021</i>
AJM	Aurecon, Jacobs and Mott McDonald
AOC	Actual Outturn Cost
COP	Corporate Overhead and Profit
CP	Cross Passages
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
DTP	Department of Transport and Planning
EOI	Expression of Interest
ERT	Executive Review Team
Framework	means the Department of Treasury and Finance's Infrastructure Procurement Framework
ITC	Incentivised Target Cost
KPI	Key Performance Indicator
KRA	Key Results Area
MCOS	Minimum Conditions of Satisfaction
MMRN	Melbourne Metropolitan Rail Network
MTM	Metro Trains Melbourne
MU	Monash University
OCM	O'Connor Marsden
PSC	Project Steering Committee
RFP	means the Tunnels South and Tunnels North Request for Proposal
SRG	Senior Representatives Group

Term	Glossary
SRL	means the project known as “Suburban Rail Loop” (or such other name determined by the State) which includes approximately 90km of new rail network connecting Melbourne’s middle suburbs from Cheltenham to Werribee including Melbourne Airport, along with associated precinct development activities
SRL East	means the south-east segment of the Suburban Rail Loop which will extend from Cheltenham to Box Hill
SRLA	means the statutory authority established under the Suburban Rail Loop Act 2021 to plan and deliver the SRL Program
TBM	Tunnel Boring Machine
TOC	Target Outturn Cost
TPA	Third Party Agreement
TPV	Third Party Verifier
Tunnelling Packages	means the tunnelling works in respect of the Tunnels South and Tunnels North
Tunnels South	means the tunnelling works between Cheltenham and Glen Waverley
Tunnels North	means the tunnelling works between Glen Waverley and Box Hill
W&C	White & Case

## Key contact details and further references

### Suburban Rail Loop Authority

Website: [suburbanrailloop.vic.gov.au](https://suburbanrailloop.vic.gov.au)

Address: Level 21, 222 Exhibition Street,  
Melbourne, VIC 3000

Phone: 1800 105 105

Email: [FOI@srla.vic.gov.au](mailto:FOI@srla.vic.gov.au)

[contact@srla.vic.gov.au](mailto:contact@srla.vic.gov.au) | 1800 105 105 (call anytime)  
[suburbanrailloop.vic.gov.au](http://suburbanrailloop.vic.gov.au)

Please contact us if you would like this information in an accessible format.  
If you need assistance due to a hearing or speech impairment, please visit [relay.service.gov.au](http://relay.service.gov.au)

