

APPENDIX A

Submissions and comments

We have consulted with CYP, DoT, DTF, MTM and RPV (MTIA), and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those entities and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the entity's accountable officer.

Responses were received as follows:

DoT joint response with RPV (MTIA)	29
DTF	32
MTM	34



Department of Transport

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File:

Mr Andrew Greaves
Auditor-General of Victoria
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

Victorian Auditor-General's Office – Proposed Report – Melbourne Metro Tunnel Phase 2: Main Works

Thank you for your letter dated 31 May 2022 enclosing the Proposed Report (Report) relating to the Melbourne Metro Tunnel Phase 2: Main Works audit.

The Metro Tunnel Project (Project) is the largest rail project since the City Loop was built in the 1970s. The Project commenced in 2015 and is on track to be completed in 2025. The project will create a new end-to-end rail line from Sunbury in the west to Cranbourne/Pakenham in the south-east, with bigger and better trains, next generation signalling technology and five new underground stations.

The Department and MTIA welcome your conclusion that the tunnels and stations main works package, being the largest construction package in the Project, is being delivered satisfactorily. Twin 9-kilometre tunnels have been constructed under Melbourne's CBD, with tunnel boring machines completing their work as planned in May 2021. Construction of the five new stations and complex systems integration work is progressing well.

The Department and MTIA accept the recommendations outlined in the Report and have provided comments on the recommendations for your office's consideration and for inclusion in the Final Report.

While the Report's recommendations are accepted, it is appropriate to emphasise some additional points of context that have not been included in the Report:

- The Metro Tunnel 2016 Business Case planned for a completion date for the Project of 2026. The Project continues to be ahead of that target and is on track to be completed a year earlier in 2025. While the Report notes the September 2024 contract date for Day 1 train operations, this date, whilst a target date for Day 1, does not include Owner's program contingency for managing the completion of the works which is why the date for completion remains in 2025.



- The Report observes that RPV's internal forecast earlier this year included a forecast overspend against the approved Project budget and records a forecast overspend in the tunnels and stations component of \$364m. As the Report also observes, the forecast overspend in the tunnels and stations component is offset by other budget movements - and following reallocation of savings and refinement of some elements of project scope there is no forecast overspend against the overall approved Project budget. RPV has effective systems in place to monitor performance against the Project's budget and will continue to conduct project cost reviews each month.
- Refinements in project scope which have enabled budget savings for the Project include:
 - changes to some High Capacity Signalling (HCS) work on outer parts of the Sunbury, Cranbourne and Pakenham lines, which will not be delivered as part of the Project. These changes avoid costly rework and duplication by removing works which are not required for the proposed Day 1 service plan and enable co-ordination with new projects that have been committed subsequent to the Project including Melbourne Airport Rail, Cranbourne line duplication and level crossing removals on the Pakenham line; and
 - removal of some Wider Network Enhancement scope which, as outlined in the 2016 Project Business Case, would not achieve network benefits without additional infrastructure investment and require pre-cursor and critically interdependent works to be completed which have not been progressed.

The Department and MTIA are committed to the success of this critical city-shaping Project and thank you for the opportunity to comment on the Report.

If you require further information, the nominated contacts for this audit are Henry Tiong, Director Project Integration RPV, DoT (Henry.Tiong@transport.vic.gov.au) and Tom McAvaney, Director, Commercial and Legal, RPV (Tom.Mcavaney@railprojects.vic.gov.au).

Yours sincerely



Paul Youngs
Secretary
Department of Transport

14 June 2022

Melbourne Metro Tunnel Phase 2: Main Works

Department of Transport and Major Transport Infrastructure Authority – Action Plan

No.	VAGO Recommendation	Action	Due Date
1	DoT, DTF and RPV implement the June 2021 project assurance review (PAR) recommendation on the project's budget and conduct a comprehensive, bottom-up review of the overall project's budget and contingency situation to determine what additional funds might be required, noting the upcoming complex and risky works.	Accepted. RPV has implemented the June 2021 PAR recommendation on the project's budget and is updating the forecast risk requirements at a P50 and P90 probability on a monthly basis.	December 2025
2	RPV finalise its analysis of the COVID-19 impact and time delay mitigations and acceleration proposal delivered by CYP in February 2022 and brief the government on any cost or other implications and, if approved, implement it.	Accepted. RPV is considering CYP's proposal and developing a response. RPV will brief the government on any cost or other implications and, if approved, implement the arrangements once it has completed its analysis.	June 2023
3	DoT and RPV formalise the implementation of proposed electromagnetic interference mitigations with relevant external parties to allow for installation and commencement of technical solutions before train testing commences in the tunnels in June 2023.	Accepted. RPV will continue to work with DoT and relevant external parties on the proposed electromagnetic interference mitigations and formalise the agreed mitigations before train testing commences in the tunnels.	June 2023



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Mr Andrew Greaves
Auditor General
Level 31
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MELBOURNE VIC 3000

Dear Mr Greaves

**PROPOSED PERFORMANCE AUDIT REPORT: MELBOURNE METRO TUNNEL
PROJECT PHASE 2 – MAIN WORKS**

Thank you for your letter of 31 May 2022 inviting a response to the proposed performance audit report: *Melbourne Metro Tunnel Phase 2: Main Works*.

The Department of Treasury and Finance (DTF) notes the findings of the report and supports the following recommendation that relates to DTF:

Recommendation 1: The Department of Transport (DoT), DTF and Rail Projects Victoria (RPV) implement the June 2021 project assurance review recommendation on the project's budget and conduct a comprehensive, bottom-up review of the overall project's budget and contingency situation to determine what additional funds might be required, noting the upcoming complex and risky works.

I note this recommendation is also directed to DoT and RPV. My department has worked with DoT and RPV to provide an aligned response.

A proposed action plan for implementing the recommendation directed at DTF is attached to this letter.

Thank you for the opportunity to consider the proposed audit report. Should you require any further information please contact Ms An Nguyen, Executive Director, Infrastructure Delivery Group, DTF at An.Nguyen@dtf.vic.gov.au.

Yours sincerely

Jason Egos
Acting Secretary

10/6/2022



Department of Treasury and Finance action plan to address recommendations from the performance audit of Melbourne Metro Tunnel Project: Phase 2 – Main Works

No	VAGO recommendation	Action	Completion date
1	We recommend that the Department of Transport (DoT), Department of Treasury (DTF) and Rail Projects Victoria (RPV): Implement the June 2021 project assurance review (PAR) recommendation on the project's budget and conduct a comprehensive, bottom-up review of the overall project's budget and contingency situation to determine what additional funds might be required, noting the upcoming complex and risky works.	Agreed DTF is supporting DoT and RPV to implement the June 2021 project assurance review (PAR) recommendation on the project's budget and contingency situation to determine what additional funds might be required, noting the upcoming complex and risky works. This will include reviewing RPV's forecast updates which are expected to be provided on a monthly basis.	December 2025

OFFICIAL



Ref: MTM-206

Andrew Greaves
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Victorian Auditor-General's Office (VAGO)
Level 31 / 35 Collins Street
Melbourne Vic 3001

14/06/2022

Dear Andrew,

Provisional Draft Report: Melbourne Metro Tunnel Phase 2 – Main works

We refer to your letter "Proposed Performance Audit Report: Melbourne Metro Tunnel Phase 2- Main Works" dated 31 May 2022 (**Letter**).

MTM acknowledges receipt of the proposed performance audit report attached to the Letter and confirm that MTM have no further comments in relation to this provisional draft report.

Should you wish to discuss this further please do not hesitate to contact Mike Moyes.

Yours sincerely,



Raymond O'Flaherty
Chief Executive Officer, Metro Trains Melbourne

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