# Appendix D:
# Initial and early works packages

## Project summary

| | |
|---|---|
| **Works package names** | Works Package A – Initial and early works and Works Package B – power construction supply works |
| **Project lifecycle phase** | Delivery and completion |
| **Scope** | **WPA – Initial and early works**<br>• investigative works including site surveys and geotechnical investigations<br>• utility relocation and protection works<br>• site establishment at all station sites and the SSY<br>• road modifications<br>• TBM launch shaft structure works at SSY and Burwood<br>• Box Hill Tram Terminus relocation works<br>• unregulated construction power works.<br>**WPB – Power construction supply works**<br>Establish new connections to Victoria's shared electricity network, including the construction of onsite substation assets for SRL East infrastructure works and the eventual operation of the rail services.<br>**Land acquisition for the project** |
| **Contract award date** | November 2021 for WPA |
| **Original target completion date** | July 2025 |
| **Completion date** | January 2026 |

Source: VAGO, based on information from SRLA.

**Cost overview**

Figure D1 provides a cost summary for the I&EW.

**Figure D1:** Cost overview summary ($ million)

| Cost component | Baseline budget (at June 2020) | SRLA budget (December 2025) | Actual cost to end 2025 |
|---|---|---|---|
| WPA – Initial and early works | 628.0 | 1,280.3 | 1,195.9 |
| WPB – power construction supply works | 157.0 | 61.7 | 46.7 |
| SRLA-managed works | 0.0 | 47.5 | 14.5 |
| SRLA owner's costs | 187.0 | 169.1 | 125.5 |
| Land acquisition costs | 592.0 | 512.3 | 340.0 |
| Other costs | 636.0 | 129.1 | 112.1 |
| **Total** | **2,200.0** | **2,200.0** | **1,834.7** |

Note: The baseline budget figure at June 2020 for 'SRLA owner's costs' included both SRLA's owner's costs and SRLA-managed minor works.
Source: VAGO, based on information from SRLA.

**Timelines**

Figure D2 provides a summary of planned and forecast completion dates for the I&EW.

Figure D2: Planned and actual completion dates for the initial and early works

| | Completion date | | |
|---|---|---|---|
| Package | SRLA initial target | Contracted | Actual and SRLA forecast |
| WPA | July 2025 | July 2025 | January 2026 |
| WPB | December 2025 | Various | November 2025 |
| SRLA-managed works – includes Western Port-Altona-Geelong (WAG) oil pipeline relocation | July 2025 | July 2025 | February 2027 |

Source: VAGO, based on information from SRLA.

**Issues with WPA delivery**

The focus of the I&EW packages was on preparing for the main works, with specific scope including:

- land purchases, land consolidation and structure demolition
- minor road upgrades
- tram works
- installing underground power supply to sites and temporary construction power infrastructure
- relocating and protecting utilities such as gas, electrical, water and telecommunication services
- ground improvement works and decontamination
- construction site establishment including preparation of launch sites for the tunnel boring machines (TBMs).

The distinction between initial works and early works related to whether or not they could be undertaken before the Environment Effects Statement (EES) approval process for the project, which was due to start in 2021. Initial works were able to proceed independent of the EES process, while the early works could only be carried out after the EES approval for SRL East had been obtained.

### I&EW delivery against budget and contracted cost

The government approved $2.2 billion in funding for I&EW in June 2020.

This budget included a significant contingency allowance of more than 40 per cent of the pre-contingency total cost estimate, to deal with the cost impacts of unexpected issues.

WPA is being delivered under a managing contractor agreement and covers the vast majority of I&EW scope.

The original WPA managing contractor agreement was signed in November 2021 and included a target budget of $535 million.

At contract signing for WPA the state committed to undertake a 'price reset' with the contractor in relation to treatment of contamination at the Southern Stabling Yard (SSY); treatment of hazardous materials, including asbestos, found within buildings; and price impacts associated with sole-sourced or 'non-contestable' utilities such as gas.

The price reset mechanism was reasonable given market sensitivity about contamination and SRLA advice to us that at the time it signed the WPA contract it had not been able to:

- undertake detailed engagement with utility providers
- fully investigate the extent of contamination across relevant sites as land acquisition was in early stages.

SRLA estimated a cost of around $95 million for the price reset and planned to undertake the reset in early 2023, following completion of the EES process, contractor site investigations and engagement with relevant utility companies in order to price the utility-related risks. However, the price reset was not fully completed until the end of 2024.

In the interim, between late 2021 and August 2024 contract variations on WPA increased the target budget in the contract by around $187 million, from $535 million to around $722 million, a cost increase of around 35 per cent. The largest variation related to design and construction of unregulated power assets from the WPB scope at a cost of $109.4 million.

### Price reset in late 2024

SRLA advised the government in 2024 that the price reset process in the WPA contract was needed because the delivery of the I&EW had been impacted by a number of 'known unknowns' including:

- discovery of contamination, including asbestos at worksites
- time and effort required to engage with utility service providers
- more onerous and costly requirements to deliver non-contestable utilities scope, due to utility companies needing to work under SRL East project requirements and conditions rather than their usual conditions
- delays in providing the contractor with access to work sites due to late commencement of land assembly
- changes arising from design development and procurement activities for SRL East main works packages.

By December 2023 the WPA contractor had lodged a number of claims against the state for late provision of land access and other matters. SRLA and the contractor agreed to negotiations to resolve the contractor claims and the price reset process.

In November 2024, the state agreed to a further increase in the WPA contract price of $340 million, to $1,062 million, to complete the price reset process and settle the contractor's claims. SRLA followed a robust process in negotiating this settlement.

This settlement meant the WPA contract target budget increased by $527 million, or 98.5 per cent, from $535 million in November 2021 to $1,062 million in December 2024.

This significant cost increase consumed nearly all of the original contingency allowance for the entire I&EW. SRLA finance reports in late 2025 showed a remaining contingency sum of less than $20 million for the I&EW.

DTF advice to the government on the WPA contract price increase and other changes finalised in November 2024 highlighted that the state was absorbing the vast majority of commercial and financial implications resulting from the delivery challenges of the I&EW program.

This DTF advice indicated that the state had limited leverage to improve its commercial position or negotiate for the contractor to materially share in the cost overruns on the project due to the cost reimbursable nature of the WPA contract and the risk of contractual claims from the contractor relating to the state providing late access to land.

SRLA advice to its board in May and October 2025 indicates that the target outturn cost (TOC) for I&EW remained unchanged despite higher than expected expenditure on WPA and potential for further variations.

Despite the significant increase in the cost of WPA negotiated as part of the price reset in late 2024, SRLA has managed the I&EW budget within the government approved funding amount of $2.2 billion by:

- drawing down on the very significant contingency allowance included in the original budget
- allocating $80 million of unused contingency included in the I&EW land acquisition budget to WPA
- reducing the budget for precinct activation works as part of I&EW from $35 million to zero, and allocating this funding to WPA
- removing scope from WPA and transferring it to SRLA, but within the I&EW budget, primarily the relocation of the WAG oil pipeline
- removing other scope from WPA of around $77 million and transferring it to main works packages, and removing the I&EW budget allocation for this of around $80 million
- reporting the Voluntary Purchase Scheme (VPS) as having a zero net cost by assuming that the estimated cost of the scheme will be fully offset by future sales proceeds from properties acquired, despite little clarity about the timing of that sale revenue or the extent of interim holding costs on properties acquired.

### Delayed completion of WPA

The variations to the WPA contract have also delayed completion of the I&EW by more than a year because the:

- contract signed for WPA set a target completion date of 30 July 2025 and this target completion date was changed to January 2026, a delay of 6 months
- original scope of WPA included the relocation of the WAG oil pipeline but SRLA has removed these works from WPA and plans to deliver the relocation under WPG by early 2027, meaning the complete initial scope of WPA will not be delivered until around 18 months after the original target.

SRLA advised us in early 2026 that WPA was completed at the end of January 2026. Relocation of the WAG oil pipeline was included in WPA but has been transferred to WPG and is unlikely to be completed until 2027.

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### Scope transfers to and from the main works packages

SRLA always anticipated scope transfer between the I&EW and main works packages, due to the preliminary level of development of the scope definition and design and packaging approach for the main works in 2020 when the I&EW funding submission was prepared. SRLA provided for this by including allowances for scope transfers between the I&EW and main works packages.

Following contract award for WPA in November 2021, additional scope of around $35.7 million was transferred to I&EW from the main works. These works included:

- $21.2 million in ground improvement works at the SSY
- $7.5 million in design work for the Glen Waverley Multi-Level Car Park (MLCP)
- $5.4 million in work on the Burwood temporary open space offset
- around $1.7 million in other design changes relating to main works packages.

SRLA awarded these works to the WPA contractor using the variation mechanism in that contract. The other main variation to WPA involved around $109 million to undertake power construction works from WPB scope in 2022 and 2023.

The contract price reset process for WPA in late 2024 involved the transfer of some scope out of WPA and back to either SRLA, or to main works packages, at around $101 million.

The advice to the government in November 2024 confirmed that scope transfers to main works packages will be funded by the relevant packages. This means that savings created for the I&EW budget as a result of these scope movements have been applied to meeting the increased costs for WPA. SRLA advised that this will not be the case if the WAG oil pipeline relocation scope is transferred to WPG, as it intends to transfer the budget allocation for those works to WPG if the transfer is confirmed. This intention was reflected in the 2026–27 State Capital Program budget paper.

The costs advised to the government for individual scope elements to be transferred from WPA to main works packages and SRLA-managed works were transparently disclosed in the advice as being estimates. The reliability of these estimates will be tested in negotiations with individual package contractors and SRLA's procurement processes for the works that it plans to deliver directly. As a result, there is a risk that the actual costs for the transferred scope will be higher than initially estimated. This risk is already materialising.

For example, SRLA's advice to the government on the recommended scope transfer strategy estimated the cost of scope to be transferred to WPC (tunnels south) at $380,000 for site establishment works at Monash and no cost for site establishment works at Clayton and the handover of the SSY site. Our review of the variations register for WPC indicates that SRLA has approved variations valued at $43.7 million relating to scope transfers from WPA. This includes $34 million for scope relating to Monash site establishment works. This suggests that SRLA's advice to the government in November 2024 may have materially understated the value of scope transfers from WPA to WPC.

The government decision in November 2024 approving the settlement with the WPA contractor and scope transfer strategy noted that SRLA would action the strategy by awarding relevant WPA scope to other contractors and provide ongoing status updates to the SRL interdepartmental committee.

The steering committee overseeing the stations packages noted in March 2025 that a report back to the government was required covering the impact assessment arising from the transfer of scope items from WPA to WPE and WPF.

Central agency advice to the government in July 2025 indicated that SRLA was due to provide a report back to the government on the I&EW in October 2025 and recommended that this report back provide an update on the WPA estimated full cost to complete and on the scope transfer strategy. This report back to the government was provided in March 2026.

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**Works package B – power construction supply works**

WPB covers works to establish new connections to Victoria's shared electricity network, including the construction of onsite substation assets to provide power for SRL East infrastructure works and the eventual operation of the rail services.

The February 2020 funding submission for I&EW identified the need for construction power works, including modifications to the existing network and upgrades to provide required power supply capacities to the SSY, Monash and Burwood launch sites for TBM operations and new onsite substations and related works at all 3 TBM launch sites.

The funding submission included $157 million for construction power works, excluding escalation and contingency, as part of the $2.2 billion funding request for I&EW. The government approved that funding submission in June 2020.

SRLA and the then Department of Transport did further work to develop a recommended power connection procurement strategy covering both construction and operations power needs. The National Energy Rules mean that regulated power assets can only be procured from the local distribution network service provider and the strategy dealt with both regulated and unregulated power works connecting the transmission network to SRLA sites. The government approved this strategy in March 2022.

SRLA revised down its cost estimates for the WPB works in March 2022 from $157 million to $124 million, comprising $81 million for the unregulated works to be undertaken by the WPA contractor under that works package, and $42 million for the regulated works under WPB.

By September 2023 SRLA had further advanced delivery of WPB, including negotiations on costs and other matters with the relevant power provider. This resulted in an adjusted total budget for WPB power construction supply works to $134.8 million, comprising $101.5 million for the unregulated works to be undertaken under WPA and $33.3 million for the regulated works under WPB. DTF recommended that $22.2 million be retained in central contingency for the power works. This provision took the total funding allocation up to the initial base estimate of $157 million.

SRLA reported actual expenditure of $46.7 million on WPB power works to the end 2025 against a budget of $61.7 million. This excludes the cost of unregulated power works undertaken by the WPA contractor.

Advice to the government in July 2025 indicated that the WPB works were on target for completion in November 2025.

## Precinct activation funding

**Precinct activation**

The funding submission and budget of $2.2 billion for the I&EW approved by the government in June 2020 included $35 million for a range of precinct activation measures to build community resilience and support for the project ahead of the main works commencing.

The baseline budget for the project approved by the government in June 2023 for the purposes of future reporting to the government and DTF also included this allocation of $35 million for precinct activation as part of the I&EW.

The precinct activation measures outlined in the I&EW funding submission were described as including:

- school programs, university design challenges and information hubs to be delivered in advance of land acquisition
- creative activation of hoardings and signage
- subsidised rental for local community activities
- community or business relief measures targeted at impacted local communities and businesses.

SRLA finance reports show spending of around $100,000 on precinct activation measures to the end of 2025 and a budget figure of $0 for this item. SRLA has not reduced the overall budget for I&EW by $35 million. It has used the funding approved for these precinct activation measures to address the higher than budgeted spending on other parts of the I&EW, including WPA.