



GOLD COAST LIGHT RAIL STAGE 3A – AN INDUSTRY PERSPECTIVE

QMCA understands that, following an initial market sounding with some of our member companies, the State Government will soon be deciding on the procurement and contracting model for the development of the Gold Coast Light Rail, Stage 3A project.

QMCA is keen to assist Government in their decision making by providing the following industry observations on behalf of our membership.

Project Understanding

Referencing the project information on TMR's website, the following constitutes our understanding of timeline for the 6.7km project.

Stage 3A Key Milestone	Date
State funding committed for Detailed Business Case development.	August 2017
City of Gold Coast Preliminary Business Case provided to government.	February 2018
Start of Detailed Business Case and reference design development.	March 2018
Community engagement	August 2018
Detailed Business Case finalised	December 2018

The project alignment progresses through the busy Gold Coast Highway from Broadbeach to Burleigh Heads with 7 new stations and significant scope for Urban Renewal. As such the project is similar to Stage 1 being entirely brownfield in nature.

We understand that State's current intention is that GoldlinQ will retain their role as custodian of the Procurement Process and ownership of the eventual asset. In this sense we expect the tender process will be similar to how Stage 2 was conducted with the Design and Construct Contractor being required to accept a pre-determined, PPP type, risk profile established by State/GoldlinQ.

GPO Box 3254
Brisbane, QLD 4001

T. (07) 3211 490
E. admin@qmca.com.au
W. www.qmca.com.au

ABN 39 154 195 240



We also understand there is scope for advance service relocation and preparation work (as was done on Stage 1) and there may be an option for Tenderers to review the system related scope for the entire Light Rail infrastructure.

Project Contract Risk

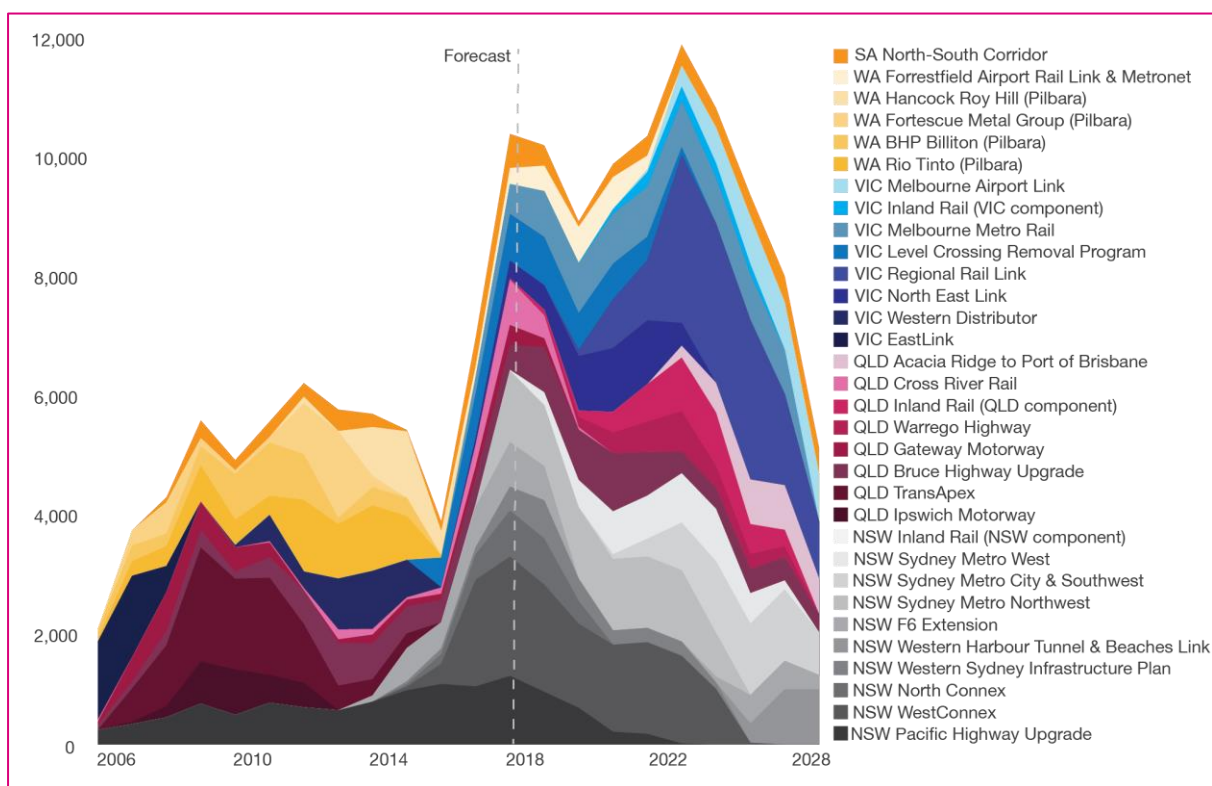
If the assumptions above are correct, and Government proceeds according to preceding project stages, the Contractor is likely to be required to accept a very onerous PPP type risk allocation including:

- Substantial liquidated damages for delay which are not sole remedy for the delay.
- Risk of many common causes of delay beyond the control of the Contractor including limited change in law relief.
- Onerous EOT regime eg delay/disruption costs contingent on critical path delay.
- Unduly onerous and prescriptive claims procedures for EOTs and variations, which undermine agreed risk allocations.
- Onerous Third-Party Side Deeds entered into without Contractor protection, comment or involvement.
- A design approval process that does not incentivise prompt approval and encourages betterment.
- Geotechnical risk (including pre-existing contamination) - which could be high on Stage 3A.
- Caps on liability with broad and extensive carve outs, especially regarding consequential loss, which offer little protection to the Contractor.
- PUP risk – whilst we understand the Government may seek to de-risk this through an advanced work package, the likely residual risk will still be high.
- Little or no reliance information.
- Unfair interface risk allocation favouring the O&M provider.
- Specifications providing that higher standards prevail rather than reflecting best for project outcomes.
- Significant business and other third party interface risks;
- Integration/whole of system risk with Stages 1 and 2 that will be compounded if GoldlinQ wish to secure a new network wide control option.
- Accreditation risk associated with RIM and RTO compliance.
- Risks associated with the suitability of existing infrastructure particularly in the dependability of existing drainage networks in the Gold Coast transport network and beyond.
- Abatement risk and evergreen defect risk during the project DLP and beyond.
- Extensive “shopping list” of default/termination events including State/GoldlinQ’s rights to perform “look forward tests”.

Current Market Conditions

The market place for major infrastructure projects such as Gold Coast Light Rail Stage 3 A is a national one. Our members operate throughout Australia and take national decisions in respect of which projects to tender.

In terms of the national market place, much has changed since the previous stages of Gold Coast Light Rail were constructed. There has been a huge increase in the amount of infrastructure being constructed in the Southern States - as can be seen from the diagram below.



Source – BIS Oxford Economics

Additionally, in our 2018 Major Projects Pipeline Report we predicted that major infrastructure work is likely to start to increase in Queensland with projects such as Cross River Rail, Brisbane Metro and Inland Rail already under procurement.

In response to this increase in demand and a reluctance of Contractors to continue to accept inequitable risk transfer such as that typified by the Sydney Light Rail project, the NSW and Victorian governments committed (through participation in the Construction Industry Leadership Forum) to increase collaboration with the construction industry. In the case of NSW, this commitment was detailed in a document called the “A ten point commitment to the construction sector” that detailed 10 key areas for increased collaboration.



Perhaps the most significant of these ten areas was collaboration in procurement (reduced bid costs) and collaboration in delivery of major projects through the use of more collaborative forms of contract. This approach has been adopted here in Queensland for the Brisbane Metro project and elements of the Cross-River Rail Project.

Recommendations

Irrespective of the national drivers for more collaborative forms of contract procurement and delivery, QMCA believes that such an approach makes sense for the Gold Coast Light Rail Stage 3A project, given the inherently high risks associated with constructing in a brownfield location, the requirement to interface with an existing live system and the need to work with and around many varied unaligned stakeholders

QMCA therefore recommends that the Government engages with industry, via appropriate industry associations, to consider alternative, and more collaborative, procurement and delivery models for Stage 3A, than used on previous stages. This engagement process can be undertaken without threat to the overall project timetable and could even result in improvements to it.

QMCA is ready is to participate in such a process.

Jon Davies
Chief Executive Officer
QMCA