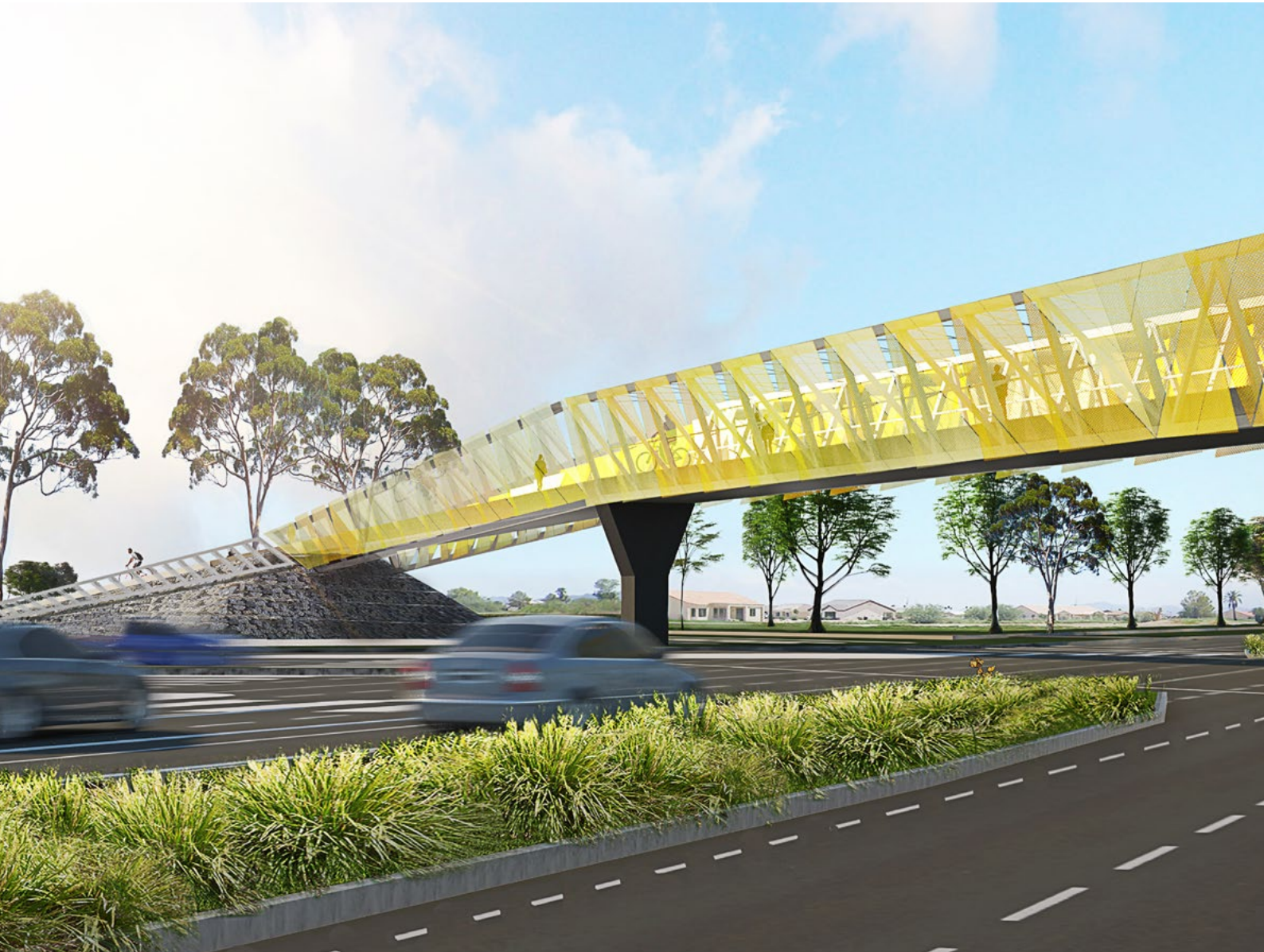


Connecting  
our communities

# Western Roads Upgrade

## Project Summary

February 2018



## Contents

<b>1. Part one: Project overview</b>	<b>4</b>	2.5. State contribution option	19
1.1. The Western Road Upgrade	4	2.6. Proposal cost reimbursement	20
1.1.1. Overview	4	2.7. Long term financing	20
1.1.2. Project context	4	<b>3. Part three: Key commercial features</b>	<b>21</b>
1.1.3. The service need	4	3.1. Parties to the State Project Documents	21
1.1.4. The strategic response	4	3.2. Contractual relationships	22
1.1.5. Project objectives	6	3.3. Risk allocation	23
1.1.6. Overview of the Project scope and phases	6	3.4. Departures from standard Project Deed and Project specific regimes	28
1.2. A public private partnership	8	3.5. General obligations of Project Co	30
1.3. Procurement process	8	3.6. General obligations of the State	30
1.3.1. Overview	8	3.7. Other changes in cost to the State	30
1.3.2. Procurement process timeline	8	3.7.1. Change in law and policy	30
1.3.3. Procurement process governance structure	9	3.8. Modifications, augmentations and additional assets	30
1.3.4. Probity	10	3.8.1. Modifications	30
1.4. Procurement process outcomes	10	3.8.2. Augmentations	31
1.4.1. Procurement overview	10	3.8.3. Additional assets	31
1.4.2. Proposal response	10	3.8.4. Relief events	31
1.5. Public interest considerations	13	3.9. Default, step-in and termination regime	34
1.6. Project Deed milestones	13	3.9.1. Default	34
1.7. Project advisers	13	3.9.2. Step-in	34
		3.9.3. Termination	34
<b>2. Part two: Financial outcome</b>	<b>15</b>	3.10. Finance and security arrangements	34
2.1. Value for money	15	3.11. State rights at expiry of the Project Deed	35
2.1.1. Overview	15	3.12. Audit and inspection rights of the State	35
2.1.2. Public Sector Comparator	15	<b>Appendix 1 – Glossary</b>	<b>36</b>
2.1.3. Net Present Cost of Netflow's Proposal	15	<b>Appendix 2 – Useful References and Links</b>	<b>38</b>
2.2. Additional benefits	16	<b>Appendix 3 – Key Contact Details</b>	<b>39</b>
2.2.1. Scope ladder items	16	<b>Appendix 4 – Evaluation Criteria</b>	<b>40</b>
2.2.2. Priced options	16	<b>Appendix 5 – Public Interest Test</b>	<b>42</b>
2.2.3. Value creation and capture	16		
2.3. Other costs	17		
2.4. Costs and service payments	17		
2.4.1. Service payment	17		
2.4.2. Abatement regime	17		
2.4.3. Service payment and lease treatment	18		

## Foreword

On 11 December 2017, the Victorian Government (the State) entered into a Public Private Partnership with a partnership comprising of Netflow and Cintra (together, Project Co) to deliver the Western Roads Upgrade. The project will be procured and delivered as an 'availability-based' PPP.

Under this model, Project Co will be responsible for the delivery of eight capital road upgrade projects, as well as a range of Initial Rehabilitation Works to lift road network performance. This will be followed by a 20-year maintenance phase to ensure these improved performance standards are maintained over the balance of the Western Roads Upgrade (the Project).

This Project Summary provides information about the contractual and commercial aspects of the Project. The document is divided into three parts.

Part one details the following:

- the Project objectives;
- the procurement process;

- the financial outcome, including the value of the Project and cost to government;
- the public interest considerations for the Project; and
- the Project timetable.

Part two details the key commercial features of the Project, including the main parties and their general obligations.

Part three sets out the broad allocation of risk between the public and private sectors and the treatment of key Project issues.

Partnerships Victoria forms part of the State's strategy for providing better services to all Victorians by expanding and improving Victoria's public infrastructure and service delivery. The Partnerships Victoria framework enables the use of private sector expertise to design, finance, build, operate and maintain infrastructure projects. The framework consists of the National Public Private Partnership Policy and Guidelines and supplementary Partnerships Victoria Requirements.

Further information on the Partnerships Victoria framework is available at [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au).

This summary should not be relied upon to completely describe the rights and obligations of the parties in respect of the Project, which are governed by the Project Deed and associated documents. The Project Deed and associated documents are available online at [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au).

Figure 1: New pedestrian underpass and associated landscape treatment



# 1. Part one: Project overview

## 1.1. The Western Road Upgrade

### 1.1.1. Overview

The State has set out a vision and enacted a plan to continue to support Melbourne's liveability and economic success. The western arterial road network has an important role to play in realising the State's vision for the outer suburbs, by creating seamless connections and high-performance routes between locations where significant social and economic activities do and will occur.

The State proposes a large-scale, strategically focused investment program – the Western Roads Upgrade (the Project) – to transform Melbourne's western outer suburban arterial road network by addressing the infrastructure gap generated with rapid land use change.

The scope of the Project consists of the construction of significant new road infrastructure and rehabilitation works. This will be combined with a comprehensive 20 year maintenance and lifecycle program covering over 260 kilometres of new and existing arterial roads within a specified area in Melbourne's western suburbs under a PPP contract. Further information on the Project scope is contained in Section 1.1.6. Combining investment across a range of strategically significant roads and interchanges with a 'whole of life' approach to asset management, the Project will address existing problems and enable the outer suburban arterial road network to support the State's vision by enabling achievement of the Project objectives, as set out below.

The case for the project is strong with a direct benefit cost ratio (BCR) of 4.4. When wider economic benefits are considered, the BCR increases to over 6.

### 1.1.2. Project context

Melbourne has experienced the greatest annual population growth of any Australian capital city for twelve years running. By 2051, Melbourne is forecast to reach a population of 7.7 million, overtaking Sydney to become Australia's most populous city. Sixty percent of Melbourne's growth over the last decade has occurred in outer suburban areas which will continue to do most of the heavy-lifting to accommodate the city's growing population.

Accordingly, Melbourne's arterial road network has a crucial role to play in realising the State's vision for the outer suburbs, by creating seamless connections and high-performance routes between locations where significant social and economic activities do and will occur. The arterial network also needs to support the creation of attractive, safe and functional communities. These are important pre-conditions for investment in Melbourne's key employment clusters, for creating an efficient and productive freight network and for ensuring that the outer suburbs are as liveable as the rest of Melbourne.

### 1.1.3. The service need

Investment to support the ongoing development, maintenance and renewal of the road infrastructure in Melbourne's western arterial road network has not kept up with the rapid population growth. This has resulted in growing congestion on the most critical outer suburban road links, passenger and freight vehicle conflicts, and service level variability, all of which have impacted the liveability of residential areas and diminished connectivity to, from, and between population and economic centres in the outer suburbs. This has led to sub-optimal transport and freight outcomes, loss of amenity for communities, and under-investment in Melbourne's outer suburban employment clusters and activity centres.

As the outer suburbs continue to grow, so too will demands on the arterial road network. In line with this growth, average travel speeds are expected to decline even further. Furthermore, additional car and freight traffic, combined with increased need for maintenance and rehabilitation of key routes, is expected to place further pressure on the outer western suburban arterial road network.

The current lack of suitable high quality arterial road links is reducing the attractiveness of the outer western suburbs as places to live and work. As a result, existing and planned employment centres are failing to realise their full potential, and outer western suburban communities are becoming increasingly disadvantaged. Without action, the outer western suburban arterial road network will face challenges supporting Melbourne's economic growth and delivering the State's vision for a liveable, productive and equitable city.

### 1.1.4. The strategic response

In response to the infrastructure gap within Melbourne's western arterial road network associated with rapid land use change (i.e. the service need), VicRoads, together with the Department of Treasury and Finance (DTF) and the Department of Economic Development, Jobs, Transport and Resources (DEDJTR), developed the Western Roads Upgrade.

A number of high-level strategic options were identified and assessed for their feasibility and capacity to deliver the benefits sought from the investment. To identify a preferred strategic option, an assessment was undertaken to analyse the cost, time, risk, advantages, and disadvantages of each option.



The recommended strategic response combines road capacity and interchanges upgrades across a range of strategically significant roads with a 'whole of life' approach to asset maintenance and management. This option will have the greatest impact in terms of effectively addressing the identified problems and providing solutions to:

- improve the capacity and condition of the network, including significant and sustained improvements to existing road pavement conditions over the Maintenance Phase;
- maximising benefits to the community and industry; and
- delivering value for money over the long term.

It will also create opportunities for public transport in the outer western suburbs, including improved bus services and greater accessibility and connectivity to higher occupancy transportation.

The results of the strategic options assessment undertaken to address the service need led to the development of the Project.

### 1.1.5. Project objectives

The State has developed a suite of Project objectives to guide the successful delivery of this Project as provided below.

Table 1: Project objectives

Objective	Description
Reduced congestion	Meet the growing vehicle travel demand by reducing congestion on arterial roads in Melbourne's fast growing outer suburbs.
Improved reliance and performance	Improve the reliability and performance of arterial roads and reduce vehicle operating costs through enhanced maintenance outcomes.
Create a safe and accessible road network	Contribute to the creation of a safe and accessible road network that supports the health and wellbeing of all users and the liveability of communities.
Increased economic development	Promote investment and employment creation by improving the access to key economic centres and employment clusters.
Value for money solution	Seek a value for money solution for road users through innovative design, optimum risk allocation between the project parties, and a whole of life approach to the design and maintenance of the arterial road network in scope.

### 1.1.6. Overview of the Project scope and phases

## Project Scope

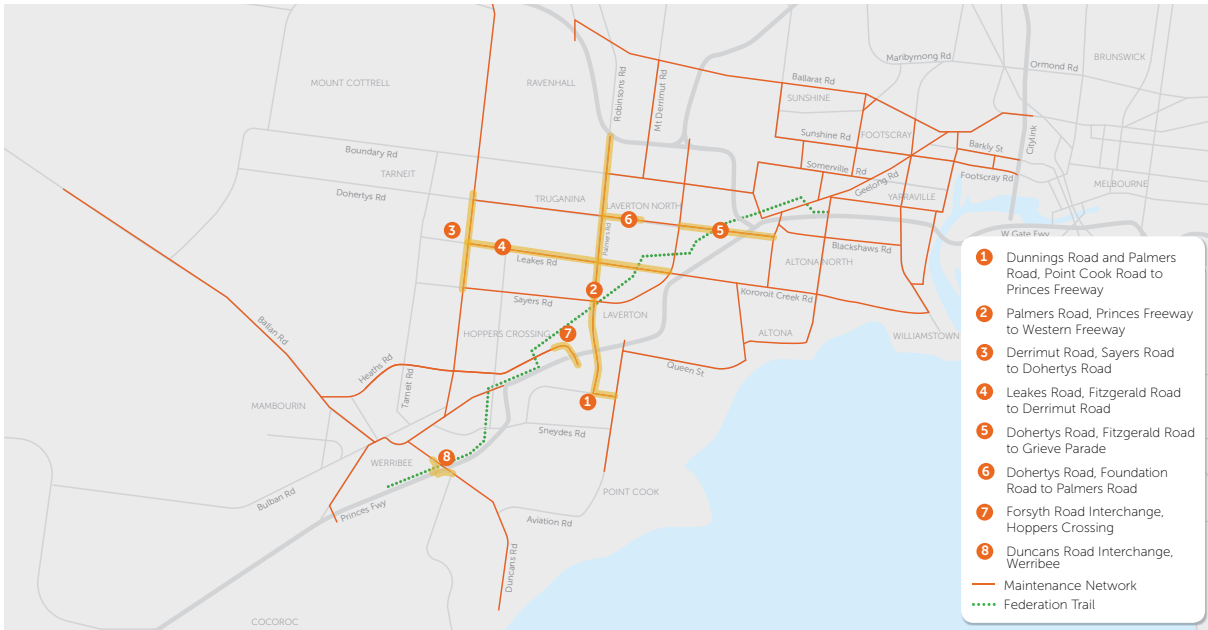
Project Co will be responsible for undertaking delivery activities and maintenance activities in the Maintenance Network to meet the requirements of the Project Deed, as summarised in the following table.

Table 2: Summary of Project Scope

Objective	Description
Arterial Road Upgrades (ARU)	<p>The design, construction and financing of eight ARUs in Melbourne's west during the Initial Phase, consisting of:</p> <ul style="list-style-type: none"> <li>• The <b>duplication of Dunnings Road</b> between Point Cook Road and Palmers Road and the duplication of Palmers Road between Dunnings Road and Overton Road;</li> <li>• The <b>duplication of Palmers Road</b> between Overton Road and Boundary Road and Robinsons Road between Boundary Road and the Western Freeway including the realignment of Palmers Road across Sayers Road;</li> <li>• The <b>duplication of Derrimut Road</b> between Sayers Road and Dohertys Road;</li> <li>• The <b>duplication of Leakes Road</b> between Fitzgerald Road and Derrimut Road;</li> <li>• The <b>duplication of Dohertys Road</b> between Fitzgerald Road and Grieve Parade;</li> <li>• The <b>duplication of Dohertys Road</b> between Foundation Road and Palmers Road;</li> <li>• The <b>duplication of Forsyth Road</b> between Old Geelong Road and Wallace Avenue, including the re-alignment of Forsyth Road and Old Geelong Road; and</li> <li>• The <b>replacement of the existing Duncans Road Bridge</b> over the Princes Freeway West and the addition of westerly (or Geelong) orientated ramps.</li> </ul>
Initial Rehabilitation Works	Improvement works on road pavements and structures within the Maintenance Network during the Initial Phase to meet service standards.
Maintenance Services	Delivery of maintenance and lifecycle services (routine and periodic) within the Maintenance Network during the Maintenance Phase.

VicRoads is the delivery agency for the State that will oversee the effective implementation and subsequent maintenance of the Project.

Figure 2: Location of the eight Arterial Road Upgrades and the Maintenance Network

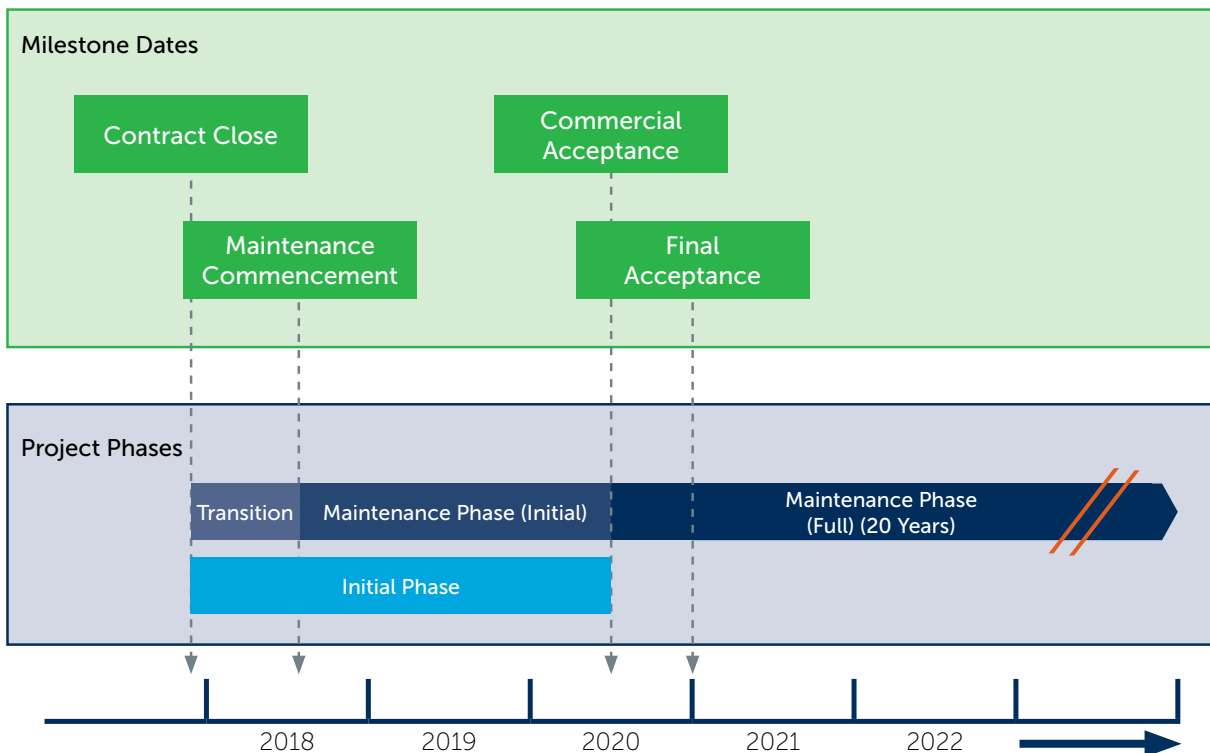


## Project Phases

The Project scope described above will be delivered during a number of Project phases as described below and as set out in Figure 3:

- Transition Phase: During this phase, Project Co will prepare to take over maintenance responsibility for the Maintenance Network;
- Initial Phase: Project Co will undertake the design, construction, and delivery of the eight Arterial Road Upgrades and the Initial Rehabilitation Works;
- Maintenance Phase (Initial): Project Co will commence delivery of the Maintenance Services in the Maintenance Network and will be subject to modified performance standards whilst the ARUs and the Initial Rehabilitation Works are being delivered; and
- Maintenance Phase (Full): Project Co will continue to deliver the Maintenance Services in the Maintenance Network, and will now be subject to the performance standards set out in the Project Deed over the balance of the Term.

Figure 3: Project Phases



## 1.2. A public private partnership

A range of procurement options that are typically considered for high-value road construction projects were assessed based on their suitability and value for money drivers in reference to the specific characteristics of the Western Roads Upgrade. The following four procurement options were shortlisted on the basis that they represented models currently in use and have a history of utilisation by VicRoads or other State agencies:

- design and construct;
- alliance;
- design, build and maintain; and
- design, build, finance and maintenance (availability-based PPP).

Following a procurement options assessment of the shortlisted procurement options, the availability-based PPP delivery model was the highest ranked procurement option. This option was recommended, and subsequently approved by the State, for delivery of the Project.

The key considerations in recommending an availability-based PPP model are summarised below.

- The model provides increased opportunity for the State to harness private sector innovation and structure a contract that incentivises whole-of-life efficiencies to arterial road investment.
- The bundling of construction and maintenance tasks under a long-term agreement (subject to vigorous competition) can drive efficiency in delivery and asset management. Introducing private finance also provides additional discipline and scrutiny of risk (for example, financier due diligence and oversight). The PPP model can also be expected to deliver improved and more consistent road asset conditions under a PPP commercial structure involving an appropriate KPI and abatement regime.
- On a 'whole-of-life' cost comparison basis, PPPs have been documented to deliver better value for money outcomes as compared to traditional contracting delivery methods (separate, unbundled contracts) and have been successfully deployed across a range of sectors (including roads) in Victoria. These benefits are not only limited to cost savings but also include improved and more consistent road asset conditions. A focus on longer term, 'whole-of-life' contracting also incentivises private sector innovation in terms of how best to maintain the asset over the term in the most cost effective and efficient manner.

Prior to the release of an invitation for EOI, a market sounding of the relevant industry, including sponsors, contractors, road maintenance providers and financiers, was undertaken. The feedback from this process supported the State's selection of a PPP model to deliver the Project and achieve the State's objectives.

## 1.3. Procurement process

### 1.3.1. Overview

The State conducted a competitive procurement process to select a private sector party to deliver the Project. The procurement process was led by VicRoads and implemented in accordance with the Partnerships Victoria framework to ensure that the State received the best value for money outcome. The tender process involved three phases as described below:

- EOI phase: involving the release of the invitation for EOIs and concluding with the selection of the shortlisted Respondents;
- Request for Proposal (RFP) phase: involving the release of the RFP to the shortlisted Respondents, an intensive interactive tender process, submission of Proposals by the shortlisted Respondents, and the clarification and evaluation of Proposals to select the preferred Respondent; and
- Negotiation and completion phase: involving a negotiation period, the appointment of a preferred Respondent, final negotiations, the execution of the Project Deed and the achievement of Contract and Financial Close.

### 1.3.2. Procurement process timeline

The procurement process for the Project commenced on 8 November 2016 with the release of the invitation for EOI and concluded with the achievement of Financial Close on 19 December 2017. Table 3 below contains a summary of the key dates of the procurement process.

Table 3: Project procurement – key dates

Procurement process	Key date
<b>EOI phase</b>	
Invitation for EOI issued	8 November 2016
EOIs submitted	9 December 2016
Shortlist of Respondents to proceed announced	14 February 2017
<b>RFP phase</b>	
RFP issued	10 March 2017
Proposals received	2 August 2017
<b>Negotiation and completion phase</b>	
Preferred Respondent announced	3 November 2017
Contract Close	11 December 2017
Financial Close	19 December 2017



### 1.3.3. Procurement process governance structure

The State established a formal evaluation and governance structure to oversee the RFP evaluation process. An evaluation panel, supported by four discipline-based evaluation sub-panels, conducted the RFP evaluation. The sub-panels comprised of:

- commercial & legal sub-panel;
- technical sub-panel;
- value & risk sub-panel; and
- government & policy sub-panel.

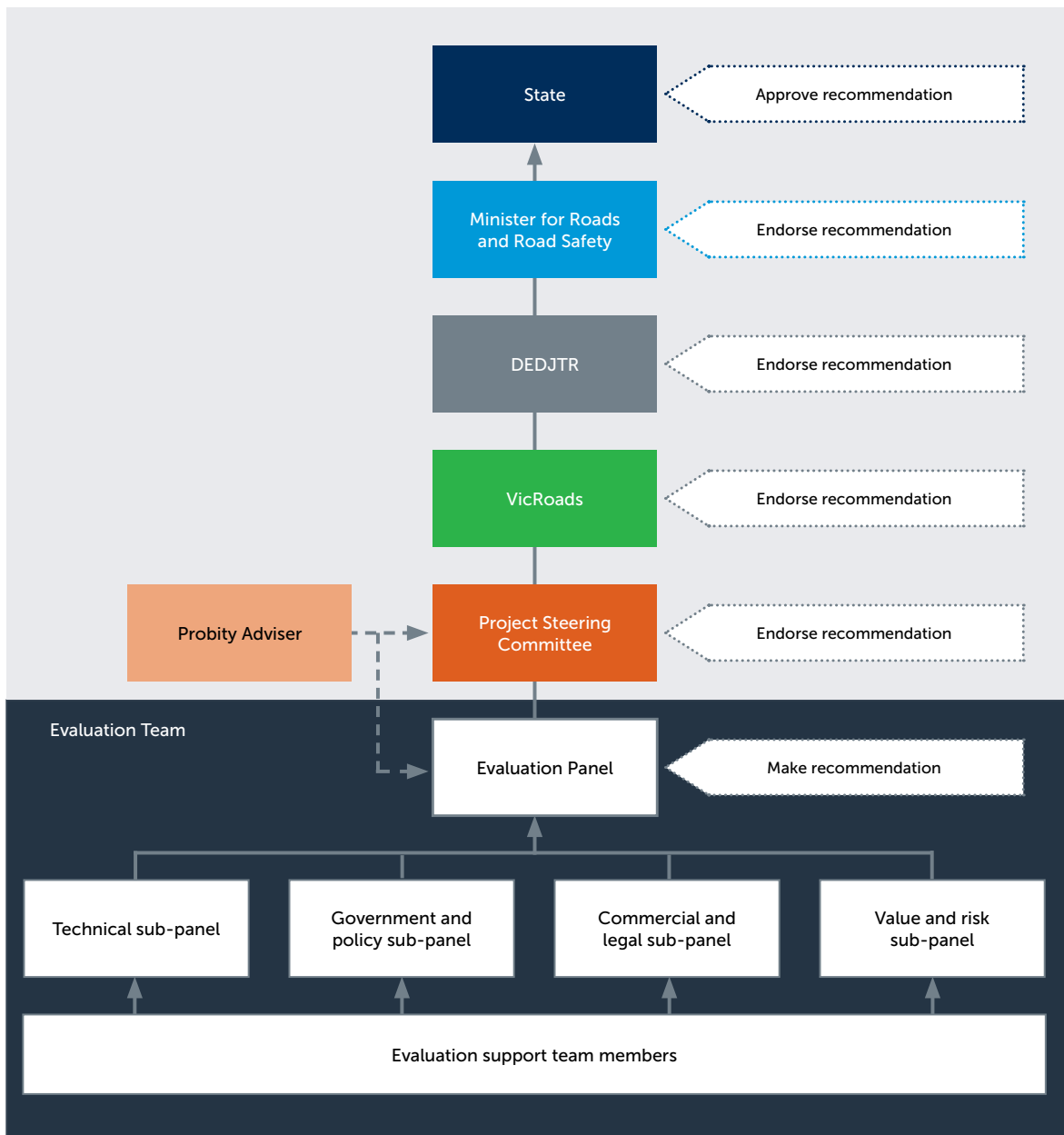
The selection of the State’s evaluation panel and evaluation sub-panels was made based on government stakeholder representation (including VicRoads, DTF and DEDJTR) and a requirement for appropriate and relevant skills and experience.

Specialist advisers and other government agencies supported the evaluation panel as required. The Evaluation Criteria used in the assessment of Proposals are presented in Appendix 4.

The evaluation panel prepared an evaluation report (including evaluation recommendations) to an interdepartmental project steering committee, which included senior representatives of DTF, VicRoads and Transport for Victoria (part of DEDJTR). The evaluation report was then endorsed by VicRoads, DEDJTR and the Minister for Roads and Road Safety prior to being presented to Cabinet for approval.

The evaluation and governance structure is represented in Figure 4 below.

Figure 4: Evaluation and governance structure



#### 1.3.4. Probity

The procurement process was undertaken with a robust probity framework, developed in consultation with the Project's Probity Adviser, based on the following probity principles:

- acting with integrity and impartiality;
- ensuring market equality;
- ensuring a consistent and transparent process;
- ensuring security and confidentiality of market engagement information;
- identifying and resolving conflicts of interest; and
- allocating appropriate capability to elements of the procurement process.

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

### 1.4. Procurement process outcomes

#### 1.4.1. Procurement overview

On 8 November 2016, the State released an invitation for EOI for the Project. Four interested consortia submitted EOIs on 9 December 2016 and, after a detailed evaluation process, three consortia were selected to proceed to the RFP phase.

The RFP was released to the three shortlisted Respondents on 10 March 2017. Following its release, the State conducted a comprehensive interactive tender process, involving numerous workshops with each Respondent in accordance with the probity framework established for the Project. The shortlisted Respondents submitted their Proposals on 2 August 2017.

Following an extensive evaluation of the Proposals, the State formally announced Netflow as its preferred Respondent. Following this announcement, both parties negotiated the final form of the Project documents and executed the Project Deed, and other ancillary contracts that govern the Project, at Contract Close on 11 December 2017.

#### 1.4.2. Proposal response

Netflow's Proposal has been assessed to provide significant value for money relative to the Public Sector Comparator (PSC) and the proposals provided by other shortlisted Respondents. The successful Proposal addressed the State's requirements as set out in the RFP and is considered capable of assisting the State in achieving the Project's objectives.

The commentary below identifies key elements and outcomes that are expected to be realised during the term of the Project.

#### Employment and local engagement outcomes

The delivery of the Project will promote investment and employment creation by improving access to key economic centres and employment clusters, with the following key initiatives:

- 96% local content for the Initial Phase;
- 95% local content for Maintenance Phase (Full);
- 93% use of locally milled steel;
- Over 1,000 Annualised Employee Equivalent (AEE) local jobs during the Initial Phase;
- Over 120 sustainable direct local jobs throughout the Maintenance Phase (Full);
- 10% of jobs to apprentices, trainees and cadets;
- Aboriginal persons employment commitment of 2.5% of the total workforce;
- Significant investment in the Victorian supply chain;
- 76 opportunities identified for indigenous businesses and 200 opportunities for small to medium enterprises;
- The establishment of Netflow's future skills academy and live training facility; and
- Opportunity for local artists to create artwork at the Duncans Road / Princes Freeway interchange.

Table 3 below summarises the key Project outcomes in relation to government policy requirements and where appropriate indicates the degree to which the Project has exceeded the State's minimum requirements (as set out in the RFP). Achievement of Project Co's policy commitment will be formally confirmed as part of the Project Deed's commercial acceptance process. A failure to achieve any of the commitments may result in an abatement of the service payment.



Table 4: Summary of key policy commitments

Policy	Commitment	Minimum Requirement	Difference
Local content requirement (Initial Phase)	96.0%	92.0%	+4%
Major Projects Skills Guarantee	10.0%	10.0%	0%
Aboriginal persons employment commitment	2.5%	2.5%	0%

### Greater capacity and less congestion

The Project is expected to meet the growing vehicle travel demand by reducing congestion on arterial roads in Melbourne’s fast growing outer suburbs. The following features of Netflow’s Proposal articulate how this will be achieved:

- The Initial Phase is scheduled for completion by the end of June 2020 (30 months from Contract Close) delivering the full upgraded network sooner;
- Eight Arterial Road Upgrades will upgrade approximately 33 km of roads, over 50 intersections and 34 bridge and culverts, along with the rehabilitation of nine structures;
- Existing traffic speeds will be maximised throughout construction and lane closures will be minimised;
- More bus jump lanes will be provided at major intersections and safer bus stops to optimise on-time running;
- A Geelong-bound ramp will be provided as part of a new signalised intersection solution at K road and Duncans Road to improve access to and from Werribee and Geelong;
- Improved connectivity to Tarneit railway station through extra turning lanes, the widening of Derrimut Road bridge and enhanced underpass that will enable growth of the activity centre;
- Widened Forsyth Road bridge to accommodate two additional lanes and shared use path; and
- A design that caters for significant growth and future infrastructure, including Duncans Road bridge, road lane allowances, Leakes Road and parts of Palmers Road.

### Higher quality and reliable journeys

The Project will improve the reliability and performance of arterial roads and reduce vehicle operating costs through enhanced maintenance outcomes and consistent network road pavement conditions. In this regard, the Project will deliver:

- An urban design that creates a unique identity for the west;
- Vibrant coloured gateway bridges that reflect the region’s wildflowers:
  - Palmers Road: the entry gateway;
  - Duncans Road bridge: the junction to the Werribee Zoo and Werribee town centre; and
  - Dohertys Road and Forsyth Road bridges: a lighter touch design treatment;
- Longer lasting road pavement provides a smoother ride and reduces future maintenance;
- Deep strength asphalt for new pavements with subgrade improvements where needed;
- Optimised pavement rehabilitation options to minimise environmental impact;
- Real-time travel time updates, via Bluetooth receivers to enable road users to plan their journeys; and
- A dynamic maintenance strategy to consolidate activities and minimise disruption.

### Safer, more accessible and liveable communities

The Project has been designed with road safety in mind and will contribute to the creation of a safe and accessible road network that supports the health and wellbeing of all users and the liveability of communities, including:

- Safer and more efficient right turn movements at all major intersections;
- 3m wide shared-user paths provided over the length of the Arterial Road Upgrades that are set back from the road (wherever possible) to increase safety and maximise greenspace;
- Widened outer road lanes to 4.5m to provide more space for cyclists at:
  - Palmers Road - north and southbound - between Dohertys Road and Overton Road; and
  - Leakes Road - east and westbound - between Federation Trail and Derrimut Road;
- Raised pedestrian crossings at service roads and signalised crossings at key locations;
- A transformed Federation Trail with three high quality grade-separated pedestrian bridges to provide safe crossings over Leakes Road, Dohertys Road and Palmers Road/Sayers Roads;
- Achieving an Infrastructure Sustainability (IS) ‘excellent’ rating; and

- A 'Greening the West' initiative to plant 4,150 new trees, including five new trees and 45 new shrubs for every one removed as well as significant additional road median planting that will create attractive boulevards to enhance road spaces within residential and activity areas.

### Optimised Whole-of-life solution

The Proposal provides a value for money solution for road users through innovative design and finance, optimum risk allocation between the Project parties and a whole-of-life approach to the design and maintenance of the arterial road network in scope. Optimal whole-of-life elements include:

- Rationalised horizontal alignment to use existing kerbs, avoiding pavement works and utility relocations;
- Elimination of unnecessary vertical curves to maximise inlay or overlay of existing pavement instead of reconstruction of subgrade;
- Minimisation of the number and extent of utility relocations;
- Widened existing Derrimut Road bridge over rail, rather than a duplication of the bridge whilst maintaining performance requirements;
- Avoided widening of Palmers Road bridge whilst maintaining performance requirements;
- Minimised land acquisitions and State costs by requiring fewer full and partial lots; and
- Providing an innovative financing solution involving the first use of long term financing tranche on a project such as this since the Global Financial Crisis (GFC), which will reduce refinancing risk over the Term.

## 1.5. Public interest considerations

At various stages throughout the development of the Project, the State made an assessment of the extent to which the Project was in the public interest. The analysis was undertaken in accordance with Partnerships Victoria guidance.

At all stages the State determined that, on balance, the public interest was being met. Appendix 5 contains the Public Interest Test for the Project.

## 1.6. Project Deed milestones

The Project Deed requires the delivery of the Arterial Road Upgrades and Initial Rehabilitation Works and the rectification of all outstanding items by the end of 2020 to minimise construction related traffic disruption and realise the economic benefits associated with a high performing road network. The delivery solution improves upon the State's expected timeframes which anticipated the completion of works by late 2021.

The Project Deed contains a number of contract milestones for Project Co to meet as summarised in the table below.

Table 5: Summary of key contract milestones

Contract milestone	Date
Contract Close	11 December 2017
Financial Close	19 December 2017
Maintenance Commencement	1 July 2018
Commercial Acceptance	30 June 2020
Final Acceptance	30 December 2020
Final expiry date	30 June 2040

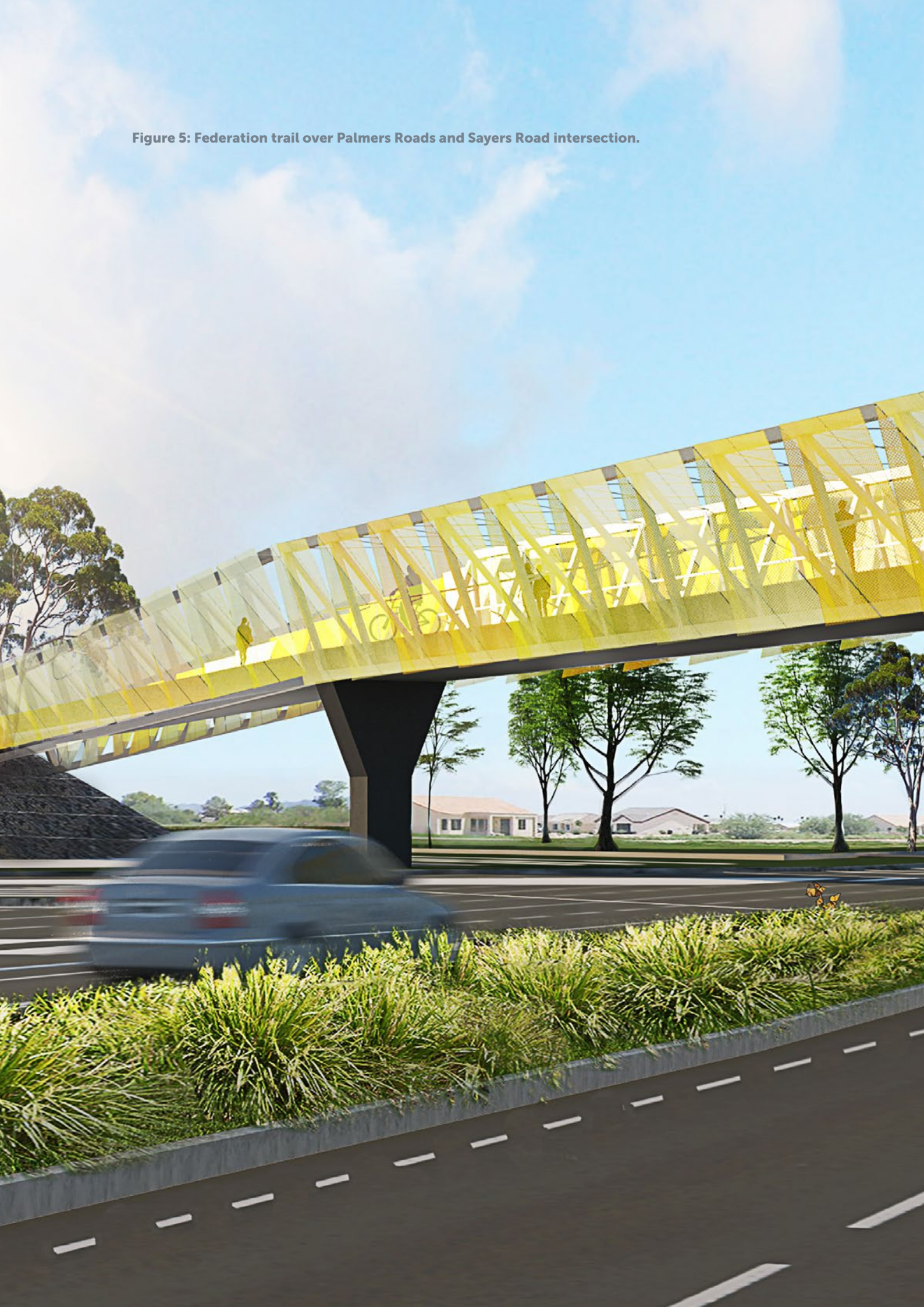
## 1.7. Project advisers

The following external project advisers were engaged to assist the State in undertaking the procurement process.

Table 6: Project advisers

Role	Adviser
Transaction adviser	RPS
Financial and commercial adviser	EY
Legal adviser	MinterEllison
Technical adviser	Smedley Technical and Strategic WSP ARRB Arcadis
Cost consultants	Advisian CivInfra
Probity Adviser	Pitcher Partners

Figure 5: Federation trail over Palmers Roads and Sayers Road intersection.



## 2. Part two: Financial outcome

### 2.1. Value for money

#### 2.1.1. Overview

The Partnerships Victoria framework seeks to identify and implement the most efficient form of infrastructure and service delivery. The concept of value for money goes beyond the selection of the cheapest Proposal, focusing on the overall value of each delivery solution. This has involved an in-depth analysis of each Proposal received from the shortlisted Respondents and comparison against a State-managed delivery option. The analysis has considered quantifiable elements (for example, items that can be quantified in monetary terms or as a quantity of volume or throughput) as well as qualitative considerations.

#### 2.1.2. Public Sector Comparator

The PSC is an estimate of the hypothetical, risk-adjusted, whole-of-life cost of the Project if delivered by the State. The PSC is developed in accordance with the output specification and risk allocation proposed for the private sector party arrangement and is based on the most likely and efficient form of conventional (that is, non-PPP) delivery by the State.

The PSC is expressed in terms of the net present cost (NPC) to the State, calculated using a discounted cash flow method taking full account of the costs and risks that would arise through State delivery. The PSC includes amounts for the design and construction of Arterial Road Upgrades and Initial Rehabilitation Works, as well as maintenance and lifecycle and other costs during the Maintenance Phase of the Project.

The PSC is made up of a number of elements as contained in Table 7.

Table 7: Components of the Public Sector Comparator

Components of the PSC	NPC (\$millions)
Arterial Road Upgrades and Initial Rehabilitation Works (construction costs)	\$ 622
Maintenance and lifecycle costs	\$ 438
<b>Raw PSC</b>	<b>\$ 1,060</b>
Transferred risks	\$ 100
<b>Proposal Comparable PSC</b>	<b>\$ 1,160</b>

#### Notes to Table 7

- All numbers are expressed in net present cost as at 31 December 2017.
- In accordance with the National PPP Guidelines, a risk-free rate of 3.04 per cent p.a. (nominal) was used in calculating the NPC of the PSC.
- The Raw PSC represents the base raw costs to the State to deliver the Project. The term 'raw' refers to the estimate of costs to the State of delivering the Project before taking into account adjustments for competitive neutrality and risk.
- Where necessary, a PSC will be adjusted for advantages or disadvantages by virtue of its public ownership ('competitive neutrality'). There were no competitive neutrality adjustments required for this Project.
- The Proposal Comparable PSC includes transferred risk estimates but excludes State retained risk estimates to enable a like-for-like comparison to be made to Proposals.

#### 2.1.3. Net Present Cost of Netflow's Proposal

The quantitative value for money assessment, as demonstrated by the estimated savings between the Proposal Comparable PSC and the final Proposal is shown in Table 8.

Table 8: Value-for-money comparison – Proposal Comparable PSC versus final Proposal

Public Sector Comparator (NPC – \$millions)	\$ 1,160
Final Proposal (NPC– \$millions)	\$ 1,133
Estimated savings (%)	2.3%

#### Notes to Table 8:

- All non-percentile numbers are expressed in net present cost as at 31 December 2017.
- In accordance with the National PPP Guidelines, a Proposal evaluation discount rate of 5.32% was used in calculating the NPC of private sector delivery.
- Final Proposal (NPC) includes the costs of the additional benefits (described below in section 2.2.2) which, if excluded, would result in an estimated saving increase to 3% (approx).

## 2.2. Additional benefits

In addition to meeting all of the State's requirements for the Project at a price that is 2.3% less than the State's Proposal Comparable PSC, the Proposal also contained a number of additional benefits for the State and road network users, including the inclusion of:

- all State scope ladder items;
- additional priced options within the base price of the Proposal; and
- the inclusion of additional value capture and initiatives.

### 2.2.1. Scope ladder items

Consistent with Partnerships Victoria Requirements, an affordability benchmark was approved including a scope ladder. The scope ladder was set out in the RFP and contained a prioritised list of scope items that Respondents could remove or de-scope from their Proposal to the extent necessary to meet the affordability benchmark. Netflow's Proposal cost, as contained in Table 8 above, includes the full delivery of each scope ladder item.

### 2.2.2. Priced options

Netflow's Proposal also contains five priced options that were not included or costed into the Proposal Comparable PSC. The inclusion of these five priced options represents additional value to the State, as well as road users and residents in Melbourne's west.

Table 9: Priced option included in the Proposal

Item	Description of priced options included in the Proposal
RC3 Type A signs	Construction of RC3 Type A electronic displays at five locations. These signs will be returned to VicRoads for nil consideration.
Hyde Street bridge rehabilitation	Rehabilitation of the Hyde Street bridge over Stony Creek, including strengthening the structure, the installation of cathodic protection and the installation of on structure and approach barriers.
Palmers Road extension to Western Freeway	Extension of the Palmers Road limit of works north to incorporate improvements to the (Robinsons Road) interchange with the Western Freeway, including additional through lanes and turning lanes.

Item	Description of priced options included in the Proposal
Palmers Road Trunk Conduit Network	Design and construction of a trunk conduit network that links the existing trunk conduits at the Western and Princes Freeways, including pits and conduit links to VicRoads computer network.
Bus Jump Lanes at various locations	Design and construction of bus jump lanes and associated traffic signal infrastructure at 10 intersections.

### 2.2.3. Value creation and capture

The State introduced a Value Creation and Capture framework in February 2017. This policy provides a framework to identify economic, social and environmental benefits above and beyond what would otherwise be achieved as a direct consequence of the Project.

As a result of this framework, the following value creation and capture initiatives have been included in the Proposal.

Table 10: Value capture and creation initiatives included in the Proposal

Item	Description of value capture and creation initiatives included in the Proposal
Public art	The provision of a large scale piece of public art at the interchange of Duncans Road and the Princes Freeway. The initiative involves the selection of the winning design, as well as the installation and maintenance of the finished piece. This initiative will assist with wayfinding and inform and enliven the experience of road users throughout the growing communities of Melbourne's west.
Additional greening	In addition to providing 4,150 new trees and over 40,000 new shrubs, significant additional road median planting will be provided that will create attractive boulevards to enhance road spaces within residential and activity areas.



## 2.3. Other costs

In addition to the costs shown above for Netflow's Proposal, the State will also meet a range of other costs in relation to the Project including:

- State project management costs of administering the Project Deed;
- State retained risks associated with the Project;
- A 50% share of Independent Reviewer costs, along with the reimbursement of costs associated with the placement of certain insurance policies associated with this appointment;
- Land acquisition costs for additional land required for the Project; and
- Utility and rail operator design and review costs.

## 2.4. Costs and service payments

The State will make service payments to Project Co in respect to the delivery of services in accordance with the Project Deed over the Maintenance Phase of the Project.

The payment mechanism that calculates the service payments is consistent with precedent 'availability-based' PPP projects and has been developed to drive performance, innovation and value for money.

### 2.4.1. Service payment

The table below summarises the components of the service payment.

Table 11: Components of the service payment

Component	Description
Capital component	The repayment of capital (debt and equity) and interest for the investment in the Arterial Road Upgrades and the Initial Rehabilitation Works.
Maintenance component	Maintenance cost for the delivery of services provided by Project Co in fulfilling its obligations under the Project Deed.
Lifecycle component	Lifecycle cost for the delivery of major upgrades to the Maintenance Network undertaken by Project Co in fulfilling its obligations under the Project Deed.

### 2.4.2. Abatement regime

Abatements to service payments may be made every quarter during the Maintenance Phase based on Project Co's performance. The abatement regime has been designed to provide appropriate commercial drivers to minimise network interruptions

and encourage the achievement of the service requirements and the Project's local content and workforce commitments.

The abatement regime consists of three components:

- Lane access adjustments;
- Performance abatements; and
- One-off adjustments.

#### Lane access adjustments

It is critical for the State and the community that Project Co minimises disruption to the arterial road network when undertaking the Project activities. Lane closures and lane speed reductions cause traffic disruption and congestion that erodes productivity and user amenity resulting in higher costs to the State and road users.

In order to reduce the cost and disruption to road users, the State has developed a set of network access requirements that govern how and when Project Co may access the arterial road network to undertake the Project activities. These requirements seek to strike a balance between reducing traffic disruption for road users while also enabling Project Co to complete its obligations in an efficient manner under the Project Deed.

Given the costs of traffic disruption, the State requires innovative, efficient construction and maintenance programs that meet the network access requirements and minimise lane closures and lane speed reductions.

The abatement regime supports this requirement via a regime that measures lane closure and lane speed reductions, and applies an abatement where lane closures and lane speed reductions are either in excess of the agreed amount for the relevant period or not compliant with the State's network access requirements.

Project Co may also be entitled to a capped incentive payment at Commercial Acceptance in the event that total actual lane closures and lane speed reductions are less than expected.

#### Performance abatements

The Key Performance Indicator (KPI) adjustments are designed to inform a design solution and to incentivise performance and rectification activities. The KPIs provide performance requirements in the following areas:

- maintenance of the roads and other assets to pre-agreed standards and meeting performance levels relating to road and traffic management;
- inspection of all roads and structural assets within the Maintenance Network for hazards or defects;
- responding to any identified hazards, defects, or emergency incidents in accordance with the required standards;

- ensuring a safe working environment for all stakeholders including employees, contractors and all other third parties involved in the Project;
- adherence to communications and community relations requirements including liaison with VicRoads and other stakeholders;
- submission of reports and accurate reporting and inclusion of relevant data sets; and
- the availability of the asset management systems to the State.

The KPI regime provides (where relevant) a reasonable period for Project Co to respond to incidents and events and to rectify to the standards required prior to a KPI adjustment applying.

#### One-off adjustments

A one-off liquidated damages amount adjustment will be applied to the first service payment during the Maintenance Phase (Full) if Project Co fails to meet its local content and workforce commitments. These commitments are as follows:

- 96% local content requirement;
- 10% Major Projects Skills Guarantee commitment; and
- 2.5% Aboriginal persons employment commitment.

#### 2.4.3. Service payment and lease treatment

The following tables provide further details on the quantum of the service payments and the lease liability outcomes for the Project.

Table 12: Disclosure of nominal flows

Cost of Proposal (NPC – \$million)	\$ 1,133
Discount rate used to arrive at NPC	5.32%
Total cost of Proposal (Nominal – \$million)	\$ 2,131
First full year payment (Nominal – \$million)	\$ 70

**Notes to table 12:**

1. These are the first four service payments post Commercial Acceptance.

Table 13: Disclosure of lease liability

Lease liability expected to be recognised at commercial acceptance (Nominal – \$million)	\$ 751
Lease liability expected to be recognised at commercial acceptance (NPC – \$million)	\$ 660
Expected year of commercial acceptance	2020
Implied interest rate in lease liability	5.8%

**Notes to Table 13:**

1. The lease asset and liability will be recognised progressively as assets become available for public use up until the achievement of Commercial Acceptance.
2. The lease liability may be further reduced if the option amount is paid.
3. The lease liability may include capitalised interest which is incurred due to the timing of recognition of the lease liability and the timing of commencement of the capital component of the service payments, increasing the lease liability above the initially recognised amount.

Table 14: Breakdown of service payments over the Term

Component	Nominal – \$million
Implied principal payments on lease liability	\$ 749
Implied interest payments on lease liability	\$ 526
Maintenance component of the service payment	\$ 435
Lifecycle component of the service payment	\$ 421
Sum of service payments over the Term	\$ 2,131

## 2.5. State contribution option

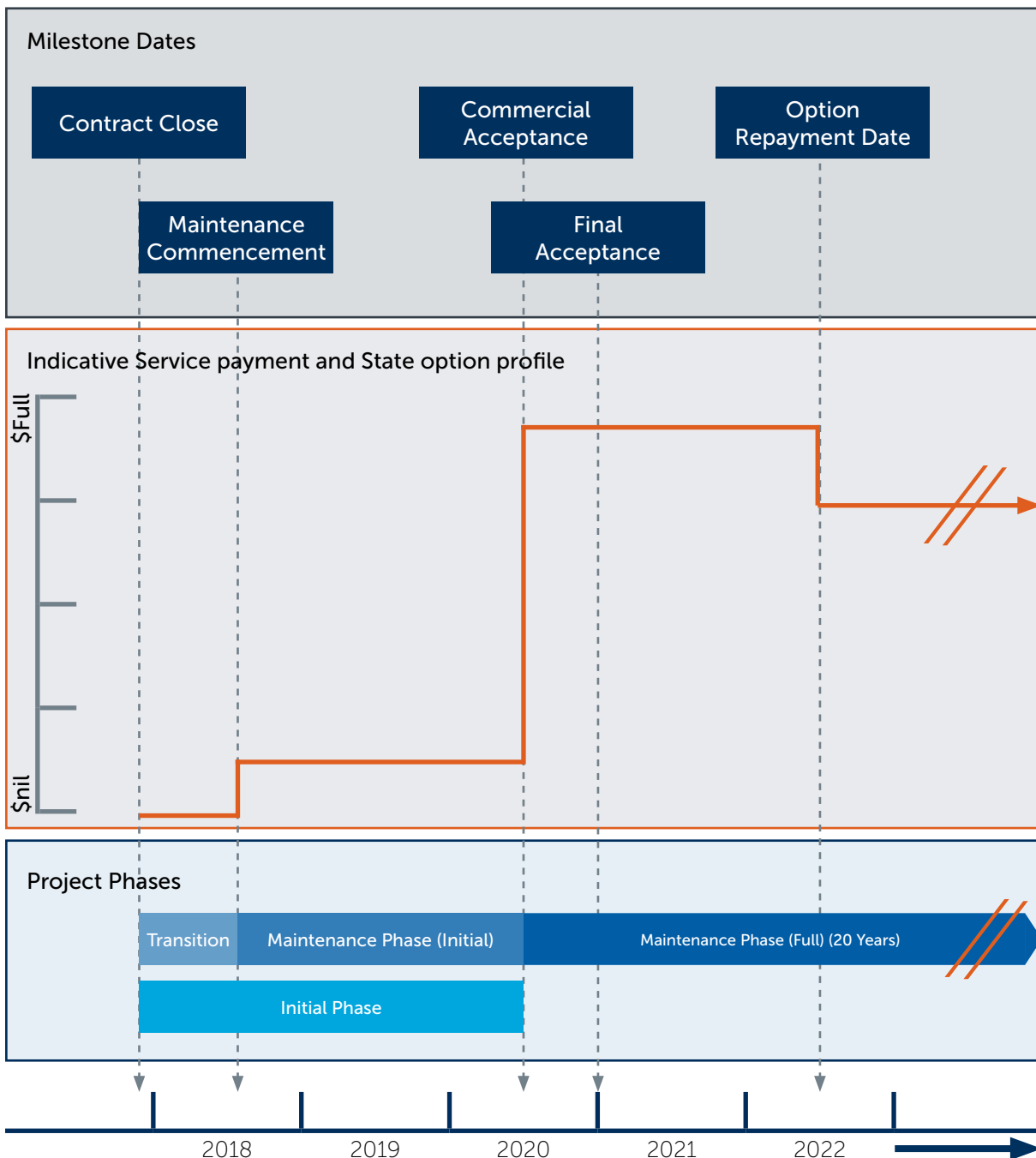
Subject to the successful achievement of Commercial Acceptance, the State may elect (or Project Co may require) the State to pay a State contribution option amount equal to the principal amount forecast to be outstanding to the short term financiers at the first refinancing point (Option Repayment Date).

Whilst a tranche of debt will be retired by the payment of the State contribution option amount (if paid), the payment will not have a material impact on the risk allocation for the Project. This is because Project Co may still incur significant

abatements if Maintenance Services are not delivered to the required standard. In the event that the State contribution option amount is paid to Project Co, all future service payments will be reduced to recognise the retirement of this short term debt tranche.

The figure below identifies key contractual milestones, Project phases, the potential timing of service payments, and the State contribution option amount (if paid).

Figure 6: Summary of milestones, service payment profile and Project phases



## 2.6. Proposal cost reimbursement

The State has not contributed to, or directly reimbursed, any private sector costs of the Respondents in preparing Proposals or participating in the procurement process more generally.

## 2.7. Long term financing

The Project's PPP finance structure includes full term bond finance. This is the first time in Australia, since the GFC, that bonds have been used to finance a PPP over the whole life of a project.

The use of long term finance provides the following benefits:

- matching the debt tenor with the Term of the Project;
- reduced interest rate and refinancing risk relating to the Project; and
- diversification of financing sources and increased competition for the provision of finances to State-funded PPP projects.

As part of the RFP phase, the State requested shortlisted Respondents to provide a long term financing option on a non-committed basis within their Proposals. The evaluation of these options led to the development of a hybrid financing solution, involving tranches of both long and short term debt. The resulting financing structure for the Project comprises:

- ~60% long term finance provided for the Term of the Project; and
- ~40% short term finance which may be refinanced by Project Co or paid out by the State (State contribution option (as per section 2.5 above)) at the Option Repayment Date.

The long term finance was raised via the US private placement (USPP) market. The USPP market is a private bond market, where debt is issued directly to investors. Investors in this product typically include mutual funds, insurance companies, and pension funds.



### 3. Part three: Key commercial features

#### 3.1. Parties to the State Project Documents

The relevant parties under the Project documents and other contractual arrangements are set out in Table 15 below.

Table 15: Relevant parties

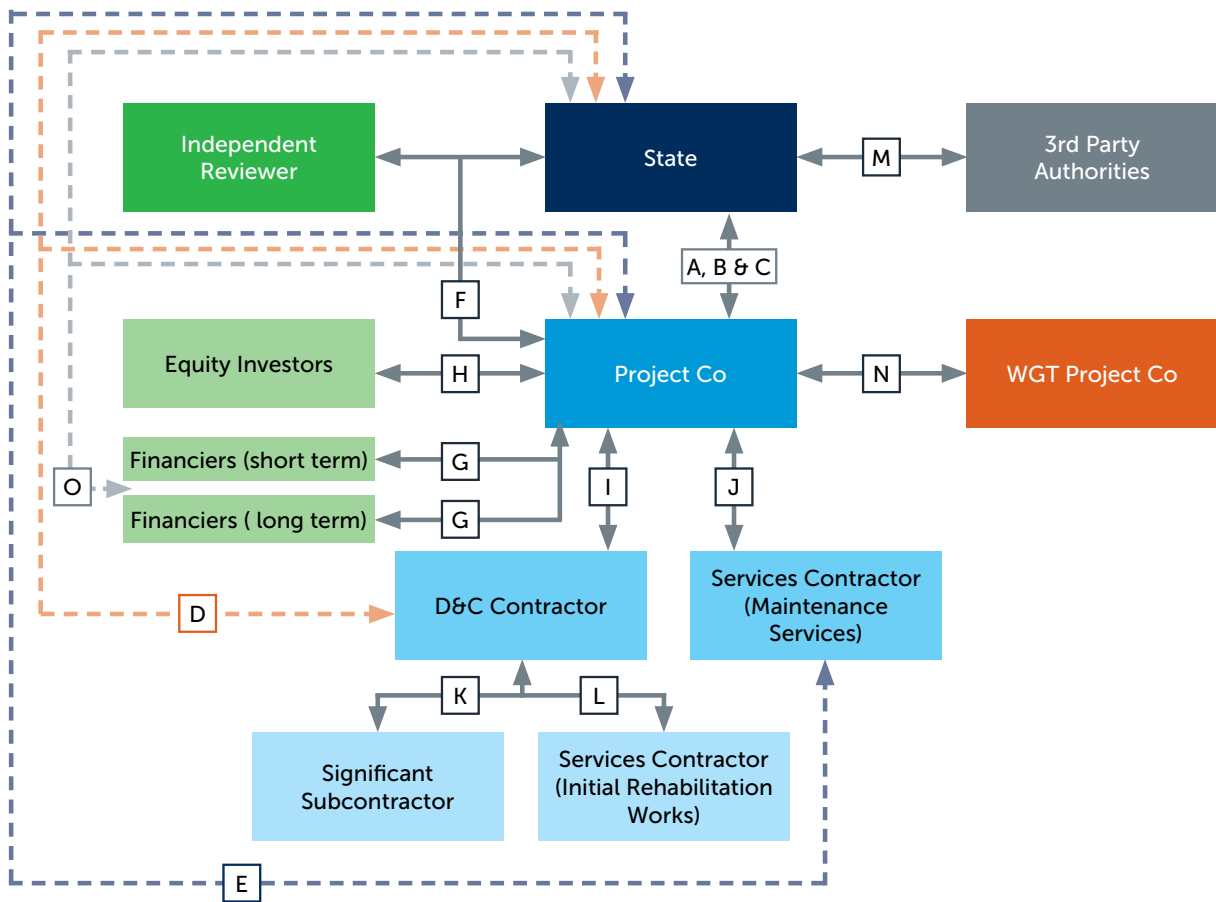
Entity	
State parties	
<b>The State</b>	The State is a signatory to the Project Deed and other relevant ancillary Project documents, including the State Security and the Initial Licence. The Minister for Roads & Road Safety is the person empowered to execute these contracts on behalf of the State.
Key private sector parties	
<b>Project Co</b>	Project Co is the Netflow OSARs (Western) Partnership. This partnership comprises Netflow OSARs (Western) Pty Ltd as trustee for Netflow OSARs (Western) Unit Trust and Cintra OSARs (Western) Pty Ltd as trustee for Cintra OSARs (Western) Unit Trust. Project Co, in turn, has entered into a range of contracts with its respondent members to facilitate the delivery of the Project.
<b>D&amp;C contractor</b>	The D&C contractor is WBHO Infrastructure Pty Ltd. Project Co has appointed the D&C contractor to design and construct the eight Arterial Road Upgrades and the Initial Rehabilitation Works.
<b>Significant subcontractors</b>	The D&C contractor has appointed the following significant subcontractors to deliver elements of the Arterial Road Upgrades: <ul style="list-style-type: none"> <li>• Ace Infrastructure Pty Ltd;</li> <li>• Civilex Victoria Pty Ltd; and</li> <li>• Winslow Constructors Pty Ltd</li> </ul> Contracts with other subcontractors are expected to be executed shortly.
<b>Services contractor</b>	The services contractor is an unincorporated joint venture between Broadspectrum (Australia) Pty Limited and Amey Consulting Australia Pty Ltd. The services contractor has been engaged by Project Co to deliver the Maintenance Services during both the Initial and Full Maintenance Phases and the D&C contractor under a separate subcontract to deliver the Initial Rehabilitation Works.
<b>Equity investors</b>	The following entities have committed to provide the equity required for Project Co: <ul style="list-style-type: none"> <li>• Plenary Investments (Western OSARS) Pty Ltd</li> <li>• Cintra OSARs Western Ltd</li> </ul>
<b>Financiers (long term)</b>	The following entities have provided the long term debt required for the Project: <ul style="list-style-type: none"> <li>• DB Life Insurance Co. Ltd.</li> <li>• Pensionskasse Des Bundes Publica</li> <li>• Samsung IFM Global Infrastructure Debt Professional Investment Private Investment Trust No. 1</li> <li>• Manulife Asset Management (Hong Kong) Limited</li> <li>• Teachers Insurance and Annuity Association of America</li> </ul>
<b>Financiers (short term)</b>	The following entities have committed to provide the short term debt required for the Project: <ul style="list-style-type: none"> <li>• Westpac Banking Corporation</li> <li>• Bank of China Limited</li> <li>• Mizuho Bank, Ltd</li> <li>• Industrial and Commercial Bank of China Limited</li> </ul>
Other parties	
<b>3rd Party Authorities</b>	The State will directly enter into certain arrangements with third party authorities. The terms and conditions of these agreements are largely passed through to Project Co via the Project Deed on a back to back basis.

Entity	
Independent Reviewer	AECOM Australia Pty Ltd has been jointly appointed by the State and Project Co to oversee the design and construction of the Project in accordance with the Independent Reviewer Deed of Appointment.
West Gate Tunnel Project Co	Project Co will enter into a direct agreement with the West Gate Tunnel Project Co to manage and coordinate interfaces associated with their respective project works.

### 3.2. Contractual relationships

The relationship between the State, Project Co and other relevant parties is detailed in the Project Deed and a number of other contracts. Figure 7 outlines the contractual arrangements and relationships required for implementing the Project.

Figure 7: Summary of contractual arrangements and relationships



Ref	Project Document
A	Project Deed
B	State Security
C	Initial License
D	D&C Contractor Direct Deed
E	Services Contractor Direct Deed
F	IR Deed of Appointment
G	Financier Loan Agreements
H	Equity Investor Agreements

Ref	Project Document
I	D&C Contract
J	Service Contractor Agreement
K	D&C Sub Contracts
L	IRW Sub Contract
M	3rd Party Agreements
N	WGT / OSARs Interface Agreement
O	Finance Direct Deed

### 3.3. Risk allocation

The risk allocation in the Project 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 the State;
- transferred to the private sector; or
- shared between the parties.

The Project Deed (which is based on the standard form Project Deed template) and associated documents establishes the obligations of each party in managing these risks.

Table 16 provides a high level outline of the risk allocation for the Project. Where a risk is allocated to more than one party, those parties may not share that allocation equally. All risks are dealt with in detail in the Project Deed and associated documents.

Table 16: Risk Summary

No	Type of Risk	Description	Allocation		
			State	Shared	Project Co
1	Land acquisition	Risk associated with acquiring land identified at Contract Close as required for Project Co's design accepted by the State.	✓		
		Risk associated with acquiring land as a result of design changes requested by the State after Contract Close.	✓		
2	Additional land	Any additional land required by Project Co above the land made available by the State (including all land required for maintenance activities).			✓
3	Planning, heritage and environmental Approvals	Obtaining planning, heritage and environmental approvals for the Project in relation to land made available by the State.	✓		
		Obtaining planning, heritage and environmental approvals for the Project in relation to any additional land required by Project Co.			✓
		Changes to planning, heritage and environmental approvals proposed by Project Co after Contract Close			✓
4	Compliance with Planning, heritage and environmental approvals	Obligation to comply with relevant planning, heritage and environmental approval conditions.			✓
<b>Site Risks</b>					
5	Pre-existing contamination	Cost relating to the management and removal of pre-existing contamination on the construction sites in performing the Works.			✓
		Cost relating to the management and removal of pre-existing contamination caused, disturbed or exacerbated by Project Co on the maintenance sites.			✓

No	Type of Risk	Description	Allocation		
			State	Shared	Project Co
6	All other contamination	Cost relating to the management and removal of all other contamination on the sites.		✓	
7	Native Title claims	Risk of cost and delay if native title claims are made in respect of the land made available by the State.	✓		
		Risk of cost and delay if native title claims are made in respect of any additional land required by Project Co.			✓
8	Aboriginal heritage and artefacts	Risk of cost and delay resulting from discovery of items and aboriginal heritage and artefacts at the site (above or below ground).		✓	
9	Site conditions	Risk of other general site conditions (excluding those specifically identified).			✓
<b>Design, Construction and Commissioning Risks</b>					
10	Force majeure	Risk of delay caused by force majeure events which prevent construction milestones being met.		✓	
11	Design risk	Risk that the design development process cannot be completed on time or to budget or that the design does not meet the Project scope.			✓
12	Construction risk	Risk that construction cannot be completed on time or to budget.	✓ <sup>1</sup>		✓
13	Equipment risk	Risk regarding the selection and procurement of equipment (also relevant during the Maintenance Phase (Full)).			✓
14	Defects risk	Risk that defects are identified following completion of construction			✓
		Risk that defects are identified in the existing assets.	✓ <sup>2</sup>		✓ <sup>3</sup>
		Risks that defects are identified in the existing pavements after the Initial Rehabilitation Works are completed			✓

1. Only where caused by the State breach and specified relief events

2. To the extent of unknown structural defects in identified list of certain assets

3. To the extent caused by routine and periodic maintenance failures



No	Type of Risk	Description	Allocation		
			State	Shared	Project Co
<b>Site Risks</b>					
15	Fitness for purpose	Cost relating to the management and removal of pre-existing contamination caused, disturbed or exacerbated by Project Co on the maintenance sites.			✓
16	State-initiated modifications and Augmentations	Cost relating to the management and removal of all other contamination on the sites.	✓		
17	Interface risk	Risk of impact of other State projects causing delay or disruption to works.	✓ <sup>4</sup>		✓ <sup>5</sup>
18	Interaction with VicRoads as responsible road authority	Day to day interaction with VicRoads in relation to the coordination and interface of the services with the operation of road network.			✓
<b>Maintenance Risks (Initial and Maintenance Phase (Full))</b>					
19	Force majeure	Risk that force majeure events affect the operation or availability of roads.		✓	
20	Asset management KPIs	Meeting required standards with respect to asset management KPIs.			✓
21	Asset availability and maintenance	Making roads available in accordance with availability requirements and levels.			✓
22	Meeting performance requirements	Roads performance does not meet the performance requirements.			✓
23	Maintenance costs	Risk that maintenance costs exceed budgeted costs over the initial maintenance and Maintenance Phase (Full).			✓
24	Lifecycle costs	Risks associated with the replacement and refurbishment of pavements (including plant and finishes) over the initial maintenance and Maintenance Phase (Full).			✓
25	Changes in service levels	Changes in service levels impacting the maintenance and lifecycle of roads:	✓		✓
		<ul style="list-style-type: none"> <li>within parameters specified in the Project Deed; or</li> <li>modification to service levels and service plan outside the agreed parameters.</li> </ul>			

4. Proximate Interface Works, Site Interface Works and Direct Interface Works (subject to a number of exceptions)

5. Proximate Interface Works and Site Interface Works that are not part of business as usual work, or which are reasonable foreseeable

No	Type of Risk	Description	Allocation		
			State	Shared	Project Co
26	Utility price risk	Risk of change in the price of the utility inputs required by Project Co.			✓
27	Utility volume risk	Risk of change in the cost of utilities as a result of energy demand.			✓
28	Residual life and end of term handover	Satisfying the residual design life requirements for works at the end of the Project.			✓
		Satisfying the residual design life requirements for existing assets at the end of the term to the requisite standard.			✓
29	Delegation of Road Management Powers	Risk that Project Co does not have the required road management powers to deliver works or services (except to the extent contributed to by Project Co or its associates).	✓		
30	Nominated Additional Assets	New assets built or installed in the Maintenance Network by third parties (including VicRoads, councils and utility providers) that become assets which Project Co is required to maintain.			
		• Category A assets ('threshold assets' e.g. new traffic lanes)		✓	
		• Category B assets ('minor assets')	✓		
		• Category C assets ('certain structural assets')			✓
<b>Approvals Risks</b>					
31	Obtaining and maintaining approvals	Obtaining and maintaining approvals for construction of the works and maintenance of the asset to be delivered by Project Co.			✓
<b>Industrial Relations Risks</b>					
32	Industrial relations risk	Risks of industrial action in respect of the Project (excluding those actions which directly affect Project Co and which directly results from an act or omission of the State).			✓
<b>Change in Law or Policy Risks</b>					
33	General change in law	Risk of a general change in law during the Initial Phase.			✓
		Risk of a general change in law during the maintenance phase.	✓		

No	Type of Risk	Description	Allocation		
			State	Shared	Project Co
34	Utility price risk	Risk of change in the price of the utility inputs required by Project Co.			✓
<b>Financing Risks</b>					
35	Delegation of Road Management Powers	Risk that Project Co does not have the required road management powers to deliver works or services (except to the extent contributed to by Project Co or its associates).	✓		
36	Base interest rate risk	Base interest rate risk prior to Financial Close.	✓		
		Base interest rate risk from Financial Close to first re-finance date.			
		Base interest rate risk from the first re-finance date.	✓ <sup>6</sup>		
37	Refinancing	Risk of refinancing losses.			✓
		Risk of refinancing gains.	✓		
38	Tax	Actual tax payable by Project Co differs from the base case financial model.			
39	Forex risk	Risk of forex movements (excluding agreed overseas sourced spare parts).			✓
<b>Demand Risks</b>					
40	Demand risk (Maintenance Network)	Risk that traffic demand adversely impacts the efficient operation (i.e. traffic flow) of the Maintenance Network.	✓		
41	Car and light commercial vehicle volume risk	Risk that car and light commercial vehicle volumes result in higher than expected maintenance and lifecycle costs.			✓
42	Heavy commercial vehicle volume risk	Risk that heavy commercial vehicle volumes result in higher than expected maintenance and lifecycle costs.		✓	

6. Assumes that the Option Amount is not required to be paid.<sup>5</sup> Proximate Interface Works and Site Interface Works that are not part of business as usual work, or which are reasonable foreseeable

### 3.4. Departures from standard Project Deed and Project specific regimes

The Project Deed was based on an early version of the standard form Project Deed template for linear infrastructure projects that was under development and evaluation by Partnerships Victoria at the time of issue of the RFP. The standard form Project Deed template was subsequently updated throughout the course of the procurement process, and revisions that were deemed appropriate to incorporate into the Project Deed (having regard to the stage of the procurement process) were included.

There were no substantive departures to the standard form Project Deed template (September 2017 version). The agreed departures and other Project specific regimes are summarised in the following table:

Table 17: Summary of departures from standard Project Deed and Project specific regimes

Topic	Summary
<b>Departures from the standard Project Deed</b>	
<b>Acceptance regime</b>	The acceptance regime is based on Victorian precedent, but was not updated through the course of the procurement process to reflect the final standard form Project Deed template. Incorporates a modified acceptance regime (including in respect of returned assets) to deal with acceptance of packages of work at each milestone completion in addition to commercial acceptance and final acceptance.
<b>Defects</b>	Defects regime is based on Victorian precedent, but was not updated through the course of the procurement process to reflect the final standard form Project Deed template.
<b>Project specific regimes</b>	
<b>Additional assets</b>	Incorporates an additional assets regime to provide the State with the flexibility to determine whether works performed by third parties (including VicRoads, authorities, utility providers, transport operators and private sector developers) will become part of the Project.
<b>Commercial vehicles volume changes</b>	Incorporates provisions providing for a re-setting of the base case commercial vehicle volumes and corresponding compensation entitlements in the event of a commercial vehicle volume change.
<b>Compensable extension events</b>	Includes the following additional compensable extension events – a WGT Failure Event (Dohertys Road Bridge Works), a WGT Failure Event (Other Interface Sites) and an MTM Failure Event.
<b>Compensable intervening events</b>	Includes an additional compensable intervening event, being Project Co not having the required road management powers for the purposes of performing the services.
<b>Contamination</b>	Various obligations with respect to the discovery and remediation of contamination extend to rail land.
<b>Default termination events</b>	Incorporates additional default termination events – the occurrence of three or more major defaults in any abatement year and a failure to vacate the Dohertys Road bridge works site by the vacate date.
<b>Dohertys Road Bridge Works</b>	Incorporates provisions setting out how Project Co can cure a major default which is a failure to achieve milestone completion in respect of the Dohertys Road bridge works by the Dohertys Road bridge works completion date, the circumstances in which Project Co will be entitled to an extension of time to a major default notice and cure program relating to a failure to achieve milestone completion of the Dohertys Road bridge works, and an indemnity from Project Co in relation to claims against the State, a State Associate or VicRoads by WGT Project Co or its Associates as a result of the Dohertys Road bridge works being carried out after the vacate date.

Topic	Summary
<b>Entitlement to compensation for extended term</b>	Incorporates a provision entitling Project Co to claim extended term compensation where Project Co is granted an extension of time to the date for commercial acceptance, due to the otherwise fixed profile for the maintenance component of the service payments during the Term.
<b>Extension events</b>	Incorporates an additional extension event, being a WGT failure event (Hyde Street bridge works).
<b>Finance provisions</b>	Incorporates finance provisions to reflect Project Co's hybrid financing arrangements.
<b>Insurance</b>	Incorporates a modified insurance regime providing for a number of the required insurances to be effected by the State.
<b>Major default</b>	Incorporates additional major defaults, including where Project Co has failed to meet the aggregate local content requirements or the major projects skills guarantee, and Project Co fails to achieve milestone completion of the Dohertys Road bridge works by the Dohertys Road bridge works completion date.
<b>Milestones</b>	Incorporates both 'soft' and 'hard' milestones (i.e. key milestone completion dates) for the completion of packages of work.
<b>Option amount</b>	Incorporates provisions for the payment of a State contribution option amount on the option repayment date.
<b>Pre-agreed rates</b>	Incorporates pre-agreed rates for the pricing of certain modifications.
<b>Project phases</b>	The works and services are required to be performed in various phases i.e. the transition phase, the Initial Phase (including separate development phases for each part of the Maintenance Network on which development activities are carried out during the Initial Phase), the maintenance phase (initial) and the Maintenance Phase (Full). The Project Deed incorporates various definitions and provisions to implement these phases and the corresponding obligations imposed on Project Co.
<b>Required road management powers</b>	Incorporates a table setting out the legislative powers and functions under the <i>Road Management Act 2004 (Vic)</i> to be delegated to Project Co.
<b>Third Party Agreements</b>	Incorporates provisions requiring Project Co to comply with the terms of third party agreements entered into by the State or VicRoads, the terms on which Project Co will be entitled to exercise the State's and VicRoads' rights under third party agreements, and any compensation payable to Project Co in the event of a dispute with a third party authority.
<b>Utilities</b>	Project Co is required to provide information to the State in relation to utility infrastructure and utility agreements, must not breach any utility agreement, must facilitate the State's compliance with the terms of utility agreements, and must pay for any utility infrastructure required to carry out its obligations under the State Project Documents.
<b>WGT heavy haulage routes and Dynon Road bridge rehabilitation works</b>	Incorporates provisions entitling the State to extend the WGT heavy haulage routes date for completion or the Dynon Road bridge date for completion, and for Project Co to submit an updated forecast maintenance and refurbishment plan.

### 3.5. General obligations of Project Co

Under the Project Deed, Project Co will be responsible for the design and construction of the Arterial Road Upgrades and Initial Rehabilitation Works and the maintenance of arterial roads within the Maintenance Network over a 20 year maintenance period. The full detail of Project Co's obligations is contained in the Project Deed and associated documents. The key obligations of Project Co over the course of the Project are as follows:

- responsible for all risks in relation to the Project, unless expressly stated otherwise;
- responsible for completion of all development activities, including achieving milestone completion by the relevant milestone dates, key milestone completion by the relevant key milestone dates, and acceptance by the relevant date for acceptance;
- responsible for all aspects of the design, construction and financing of the development phase activities;
- provision of Maintenance Services throughout the Maintenance Phase, in accordance with the performance standards specified in the Project Deed;
- Project Co is required to take out and maintain certain insurances; and
- Project Co is required to undertake all necessary tasks to ensure that the Project assets and the Maintenance Network are handed back to the State on expiry of the Maintenance Phase (Full) in the required conditions and in accordance with the end of term requirements set out in the Project Deed.

### 3.6. General obligations of the State

Under the Project Deed, the State's obligations include the following:

- the State may be required to pay the option amount to Project Co;
- the State must provide the initial and maintenance phase licence areas in accordance with the Initial Phase and Maintenance Phase (Full) licences; and
- the State must pay service payments during the Initial Phase and Maintenance Phase (Full) subject to any abatements that may apply if services are not delivered to the required standard.

In addition, the State has a key role in reviewing the design documentation and other materials that will be submitted by Project Co in accordance with the Project Deed.

### 3.7. Other changes in cost to the State

#### 3.7.1. Change in law and policy

The State bears the risk of cost increases or savings arising from certain changes in law and changes in policy that occur after Contract Close.

### 3.8. Modifications, augmentations and additional assets

The State may, at its sole discretion, request Project Co to implement changes to the Project's assets and services, provided that Project Co provides a value for money offer to implement the change and the State adequately compensates Project Co in accordance with the Project Deed.

The Project Deed is based on Victoria's most recent version of the State's standard Project Deed template (which remains under development). The Project Deed contains three key mechanisms for effecting changes to the scope of Project as described below:

- Modifications: this regime mirrors the modification regimes which have been included in previous PPP projects in Victoria;
- Augmentations: this is a new process included as part of the State's new standard form Project Deed template; and
- Additional assets: this is a new process which has been included to cater for the changing nature of the road network.

The augmentation and additional assets regimes have been included in the Project to provide the State with the additional flexibility required to manage the maintenance and lifecycle requirements of the Maintenance Network, which is by its very nature more dynamic than the assets that are ordinarily the subject of a PPP project.

The diagram on the following page is showing the relationship between each of the change regimes.

The commentary below provides a further explanation of the change mechanisms contained in the Project Deed.

#### 3.8.1. Modifications

This regime captures changes to the Project requirements and activities (including minor modifications), but exclude augmentations and category A or category B additional assets.

### 3.8.2. Augmentations

This regime captures changes to the Project requirements and activities which:

- have a total cost which the State considers is likely to be in excess of \$30 million; and
- the State determines should be delivered pursuant to the augmentation process.

Prior to the inclusion of the augmentation regime in the State's new standard Project Deed template, this type of change would have been delivered under the modification regime. For the purpose of the Project Deed, augmentations have been expressly excluded from the modification regime and included in a new and separate regime designed to deliver large and complex Project changes.

### 3.8.3. Additional assets

Additional assets arise when third parties (including VicRoads, authorities, utility providers, transport operators and private sector developers) undertake works in the Maintenance Network. These changes are categorised by type into category A, B or C assets. To provide it additional flexibility, the State is entitled to determine whether such assets will become part of the Project and to the extent they do, the additional asset regime applies as follows:

- Category A assets: the Project Deed includes pre-agreed rates to determine an adjustment to the service payment for maintaining category A assets when the pre-agreed annual threshold is exceeded. Examples of category A assets include new traffic lanes;
- Category B assets: Project Co is not entitled to claim any amount for maintaining those assets. Category B assets are all additional assets that are not category A or C assets; and
- Category C assets: Project Co will be compensated for maintaining category C assets by an adjustment to the service payment via the normal modification regime. Examples of category C assets are certain structural assets, including bridges.

### 3.8.4. Relief events

Subject to certain conditions, Project Co may be entitled to performance relief under the Project Deed and to payment by the State of certain additional costs and expenses incurred by it as a result of the following events:



Table 18: Relief events

Relief event	Details of relief event
<p>The State will provide Project Co with an extension of time and costs during the Initial Phase for:</p>	<ul style="list-style-type: none"> <li>• A breach by the State of a Project document</li> <li>• Certain acts or omissions of the State when acting in connection with the Project</li> <li>• Impacts caused by other State projects that unduly impact on construction activities</li> <li>• The suspension of construction activities in connection with a heritage claim or native title claim</li> <li>• Industrial action which occurs in the direct vicinity of the Maintenance Network and is caused by the State when acting in connection with the Project (subject to certain exclusions)</li> <li>• If the State directs the suspension of works.</li> <li>• WGT Project Co delays Project Co delivery activity due to a failure to comply with the WGT / OSARs Interface Agreement</li> <li>• In relation to interfaces with the metropolitan rail network, in certain circumstances where the franchisee cancels occupations or otherwise does not comply with agreed resourcing and work commitments during occupations.</li> </ul>
<p>The State will provide Project Co with relief from performance, an extension of time and costs for:</p>	<ul style="list-style-type: none"> <li>• Earthquake, natural disaster, bushfire, landslide, seismic activity, tsunami or mudslide, and fire, explosion or flood caused by those events</li> <li>• Severe winds affecting the Arterial Road Upgrades or the Initial Rehabilitation Works</li> <li>• A 100 year flood event</li> <li>• Certain risks that are uninsurable at Contract Close</li> <li>• Suspension of activities due to the occurrence of a force majeure event</li> <li>• The exercise of the State's right to step in due to the occurrence of a force majeure event.</li> </ul>
<p>The State will provide relief from performance and costs during the Maintenance Phase (Full) for:</p>	<ul style="list-style-type: none"> <li>• A breach by the State of a Project document</li> <li>• A fraudulent, reckless, unlawful or malicious act or omission of the State when acting in connection with the Project</li> <li>• The suspension of construction activities because of a direction, order or operation of the law in connection with a heritage claim or native title claim</li> <li>• Industrial action which occurs in the direct vicinity of the Maintenance Network and is caused by an act or omission of the State when acting in connection with the Project (subject to certain exclusions)</li> <li>• Impacts caused by other projects that unduly impact on construction activities</li> <li>• Project Co not having the required road management powers for the purpose of performing the services due to no fault of its own.</li> </ul>
<p>The State will provide Project Co with relief from performance, an extension of time and costs for:</p>	<ul style="list-style-type: none"> <li>• Earthquake, natural disaster, bushfire, landslide, seismic activity, tsunami or mudslide, and fire, explosion or flood caused by those events</li> <li>• Severe winds affecting the Arterial Road Upgrades or the Initial Rehabilitation Works</li> <li>• A 100 year flood event</li> <li>• Certain risks that are uninsurable at Contract Close</li> <li>• Suspension of activities due to the occurrence of a force majeure event.</li> </ul>
<p>The State will provide relief from performance (but not costs) during the Maintenance Phase (Full) for:</p>	<ul style="list-style-type: none"> <li>• Suspension of the Project activities (except to the extent contributed to by a Project Co act or omission or are a force majeure event)</li> <li>• In certain circumstances, the exercise of the State's right to step-in</li> <li>• Any direct interface works</li> <li>• Any other event expressly stated to be an intervening event.</li> </ul>
<p>The State will provide Project Co with costs during the Initial Phase and/or Maintenance Phase (Full) for:</p>	<ul style="list-style-type: none"> <li>• The State directs Project Co to accelerate the development activities</li> <li>• A commercial vehicle volume change claim.</li> </ul>



EXIT  
16

**C701**  
Hoppers  
Crossing  
LEFT LANE  
vic roads

**FAIR**



← **C701** Hoppers  
Crossing

EXIT  
16



### 3.9. Default, step-in and termination regime

#### 3.9.1. Default

A default by Project Co under the contractual arrangements will entitle the State to various remedies. Where a default has occurred, the State will, in most circumstances, be required to give Project Co an opportunity to cure the default. If the default is not cured by Project Co within the required cure period, it will escalate to a major default.

The Project Deed also elevates a number of specific events to be immediately classified in the major default category, including where a default is not remedied within the prescribed timeframe.

In respect of a major default, Project Co is required to provide a remedy program to be reviewed and agreed with the State. Project Co will then be required to implement and diligently pursue the cure program until the default is rectified. If Project Co fails to cure the major default in accordance with the cure program, this will generally, subject to financier cure rights, give rise to the State's right to terminate the Project Deed.

Certain events of default are so severe that they are not subject to a cure regime. These will give rise to a State termination right immediately upon their occurrence. These events are called 'default termination events'.

#### 3.9.2. Step-in

In addition to triggering termination rights, events of major default and default termination events may activate additional State rights and remedies, including the right to step-in to remedy a default or event (that is, the right to assume control and management of the Project).

Step-in rights for the State, as specified in the Project Deed, can be triggered when:

- a major default has occurred and Project Co is not complying with its cure program;
- a default termination event has occurred;
- a cure notice has been issued by the D&C contractor or the services contractor; and
- a law entitles the State to a statutory right of step-in.

During any step-in associated with a default, the service payment will be abated to the extent that the services are not being provided.

#### 3.9.3. Termination

Where the Project Deed is terminated before the natural expiry of the intended 20 year Maintenance Phase (Full), Project Co may be entitled to a termination payment. The Project Deed can be terminated as a result of the following:

- certain events of default;
- a force majeure termination event; and
- voluntarily by the State.

The basis for the calculation of the termination payment will be determined by the reason for the termination as summarised in Table 19. In the event that the termination payment is a negative amount, Project Co must pay that amount to the State.

Table 19: Calculation of termination payments

Event	Trigger	Termination Payment
<b>Default termination event</b>	The State may terminate the Project Deed if a default termination event occurs.	The Project's fair market value determined by re-tendering or by an independent valuer.
<b>Termination for force majeure</b>	The occurrence of a force majeure termination event.	The outstanding debt as at the termination date plus other costs.
<b>Voluntary termination</b>	The State may, at any time, for reasons of its own choosing, unilaterally elect to terminate the Project Deed for convenience.	The outstanding debt as at the termination date and other reasonable costs (including a capped amount of break costs during the Initial Phase and a return to equity).

### 3.10. Finance and security arrangements

Project Co is responsible for the provision of debt and equity finance for the Project. Its funding structure comprises:

- senior long term debt deposited into a project account at Financial Close and contributed pari passu with senior short term debt;
- senior short term debt drawn progressively once senior long term debt drawn down and contributed pari passu with senior long term debt; and
- equity committed at Financial Close by way of equity letters of credit, with the equity funding drawn during construction.

The State will take State Security over Project Co to secure its rights under the Project Deed. Under the Finance Direct Deed, the State and Project Co will agree the usual priority and enforcement rights whereby the State obtains first priority for out of pocket amounts (e.g. on step-in) and amounts payable to it on termination.

### 3.11. State rights at expiry of the Project Deed

The Project Deed requires Project Co to hand back the Project assets and the Maintenance Network at the expiry of the maintenance phase for nil consideration in a pre-defined state known as the handover condition. The State will then resume control of those assets and areas.

To ensure that the assets are able to meet the handover condition at the end of the Project, in the two years prior to expiry, an independent expert will be appointed to ensure that all lifecycle and maintenance works have been completed and that the assets will meet the relevant handover conditions. The handover condition is described in the Project Deed.

If the estimate cost of delivering the works to meet the handback condition is less than 120% of the remaining service payments, and Project Co elects not to provide a suitable performance bond, the State will be entitled to deposit all remaining service payments into an escrow account to cover the cost of delivering the works to meet the handback condition.

### 3.12. Audit and inspection rights of the State

The Project Deed includes contractual rights for the State (or any person authorised by the State) to be given access to Project information and data, including to:

- inspect, test or observe any part of the assets or project activities;
- conduct audits or asset condition surveys; and
- examine and make copies of all Project Co materials, including accounts, records, reports and other documents requested of Project Co or its subcontractors in connection with the Project.

The State also has the ability to disclose information in connection with the Project for a number of reasons, including to satisfy the disclosure requirements of the Victorian Auditor-General or to satisfy the requirements of parliamentary accountability.



## Appendix 1 – Glossary

Term	Meaning
<b>Arterial Road Upgrades</b>	The road upgrade projects identified as such in table 3
ARU	Arterial Road Upgrades
<b>Commercial Acceptance</b>	Is the date for commercial acceptance identified as such in table 5
<b>Contract Close</b>	The date on which the State and Netflow entered into the Project Deed. This occurred on 11 December 2017
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DTF	Department of Treasury and Finance
D&C	Design and construct
EOI	Expressions of interest
<b>Evaluation Criteria</b>	The criteria used by the State to evaluate Proposals as set out in Appendix 4.
<b>Final Acceptance</b>	Is the date for final acceptance identified as such in table 5
<b>Financial Close</b>	The date on which Project Co satisfied all of the conditions to be met in order for its debt providers to make funds available to it. This occurred on 19 December 2017
GFC	Global Financial Crisis
<b>Initial Phase</b>	The Project phase starting at Contract Close and finishing at Commercial Acceptance
<b>Initial Rehabilitation Works</b>	The works identified as such in table 3
KPI	Key performance indicator
<b>Maintenance Commencement</b>	Is the date for maintenance commencement identified as such in table 3
<b>Maintenance Network</b>	Approximately 260km of arterial roads in Melbourne’s west highlighted as such in in Figure 3
<b>Maintenance Phase</b>	Consists of the Maintenance Phase (Initial) and the Maintenance Phase (Full)
<b>Maintenance Phase (Full)</b>	The Project phase commencing at Commercial Acceptance and finishing at the expiry of the Term
<b>Maintenance Phase (Initial)</b>	The Project phase starting at Maintenance Commencement and finishing at Commercial Acceptance

<b>Term</b>	<b>Meaning</b>
<b>Maintenance Services</b>	The maintenance services identified as such in table [xx]
<b>NPC</b>	Net present cost
<b>Option Repayment Date</b>	Is the expected date for the first refinancing of the short term debt expected in or around mid 2022
<b>OSARs</b>	Outer Suburbs Arterial Roads
<b>Partnerships Victoria</b>	The Partnerships Victoria policy is a State policy that provides a framework for developing contractual relationships between the State and private sector for the delivery of public infrastructure and related services through PPPs The Partnerships Victoria team is part of the Infrastructure Contracting group in DTF
<b>Project</b>	The Western Roads Upgrade (previously referred to as the OSARs Project)
<b>Proposal</b>	A proposal submitted by a Respondent in response to the RFP
<b>Public Interest Test</b>	The public interest test contained in Appendix 5
<b>Project Deed</b>	The agreement entered into between the State and Netflow for the delivery of the Project
<b>PSC</b>	Public Sector Comparator
<b>Respondent</b>	An entity invited by the State to submit a Proposal to deliver the Project
<b>RFP</b>	Request for Proposal
<b>Term</b>	The duration of the Project starting at Contract Close and finishing at the end of the Maintenance Phase (Full). It is expected that this period will be approximately 22.5 years
<b>USPP</b>	United States private placement

## Appendix 2 – Useful References and Links

### Project documentation, including the Project Deed

Website: [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au)

### Partnerships Victoria policy

Website: [www.dtf.vic.gov.au/Infrastructure-Delivery/Public-private-partnerships](http://www.dtf.vic.gov.au/Infrastructure-Delivery/Public-private-partnerships)

### National PPP Guidelines

Website: [www.dtf.vic.gov.au/Infrastructure-Delivery/Public-private-partnerships](http://www.dtf.vic.gov.au/Infrastructure-Delivery/Public-private-partnerships)



## Appendix 3 – Key Contact Details

### Western Roads Upgrade

Website: [www.vicroads.vic.gov.au](http://www.vicroads.vic.gov.au)

Address: 60 Denmark Street, Kew, VIC 3101

Phone: 13 11 70

### Department of Economic Development, Jobs, Transport and Resources

Website: [www.economicdevelopment.vic.gov.au](http://www.economicdevelopment.vic.gov.au)

Address: 1 Spring Street Melbourne VIC 3000

Phone: (03) 9651 9999

### Department of Treasury and Finance - Partnerships Victoria

Website: [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au)

Address: 1 Treasury Place, East Melbourne, VIC 3002

Phone: (03) 9651 5111

## Appendix 4 – Evaluation Criteria

The State evaluated each Proposal against the evaluation criteria.

Evaluation Criteria		The State will consider	Priority <sup>1</sup>
<b>Qualitative Evaluation Criteria</b>			
<b>Part A – Technical Solution</b>			<b>Three-Star</b>
A1	Initial Capital Projects Design Solution	The degree to which the Respondent's design solution for the Initial Capital Projects meet or exceeds the requirements in Volume 2 (Outline Scope and Requirements).	
A2	Initial Rehabilitation Works	The degree to which the Respondent's design and delivery for the Initial Rehabilitation Works address the requirements in Volume 2 (Outline Scope and Requirements).	
A3	Safety (Initial Capital Projects and Initial Rehabilitation Works)	The adequacy of strategies for safety management that have close regard for safety aspects of the development elements of the Project.  Evidence of the Respondent's commitment and capacity to meet and effectively address criteria 1 - 12 of Appendix A Detail Guidance on Occupational Health and Safety (OHS) Management Criteria set out in the Guide to Ministerial Direction No 1: Tendering provisions for public construction.	
A4	Traffic Management (Initial Capital Projects and Initial Rehabilitation Works)	The degree to which the Respondent's Proposal in respect of staging the Works minimises impacts on the existing transport network during the Initial Capital Projects and the Initial Rehabilitation Works.	
A5	Project Delivery	The extent to which the Respondent's proposed project delivery approaches and strategies will provide certainty of achieving the Respondent's nominated program and quality outcomes for the Works, including the roads, bridges and ancillary works.	
<b>Part B – Technical Solution</b>			<b>Three-Star</b>
B1	Services	The effectiveness and efficiency of the Respondent's proposed approach and structure for delivering the Services.	
B2	Safety (Services)	The adequacy of strategies for safety management that have close regard for safety aspects of the maintenance and Services elements of the Project. Evidence of the Respondent's commitment and capacity to meet and effectively address criteria 1 - 12 of Appendix A Detail Guidance on Occupational Health and Safety (OHS) Management Criteria set out in the Guide to Ministerial Direction No 1: Tendering provisions for public construction.	
B3	Traffic Management (Maintenance Phase)	The degree to which the Respondent's Proposal minimises impacts on the existing transport network during the Maintenance Phase of the Project.	
B4	Asset Management System	The effectiveness and efficiency of the proposed Asset Management System.	
<b>Part C – Other Requirements</b>			<b>Two-star</b>
C1	Interface Management	The proposed approach to managing the various interfaces that Project Co will be required to interact with throughout the Term.	
C2	Community and Stakeholder Management	The proposed approach to managing stakeholders, including the Project Stakeholders, and the level of engagement that the Respondent believes necessary to achieve acceptable outcomes.	
C3	Sustainability	The extent to which the Respondent's proposed approach to sustainability management achieves a sustainable performance for the Project.	



Qualitative Evaluation Criteria		
C4	Outline Scope and Requirements – Departures and Proposed Agreed Exceptions	The nature and extent of Departures from the requirements of the OSR and Proposed Agreed Exceptions.
Part D - Commercial and Financial Solution		Two-star
D1	Management and Commercial Solution	The appropriateness of the Respondent's management structure, intra-consortium relationships and stakeholder management, including the extent to which the Respondent and each Respondent Member demonstrates that their proposed team has the necessary skills and structures to deliver excellent outcomes for the Project.
D2	Acceptance of Risk Profile	The nature and extent of the Departures from the Draft State Project Documents.
D3	Financial Capacity	The financial capacity of the Respondent and the Respondent Members to deliver the Project in their entirety.
D4	Financing Structure	The appropriateness, competitiveness and robustness of the financing structure.
D5	Certainty and Robustness of Financing Proposal	The certainty and robustness of the financing proposal.
Part E – Government Policy Requirements		Two-star
E1	Local Investment Commitment	The Respondent's commitments to the Victorian Industry Participation Policy, as detailed in the submitted Local Industry Development Plan, and the Respondent's commitment to its market development strategy.
E2	Victorian Jobs, Training, Apprenticeships and Workforce Development	The extent and nature of commitments to developing the local workforce, as detailed and submitted in the Workforce Development Plan and the Major Project Skills Guarantee Plan.
E3	Social Procurement	The Respondent's proposed social procurement solution and their approach to promoting community outcomes and delivering related social and economic benefits, such as supporting opportunities for employment and training for socially or economically disadvantaged groups.
E4	Value Creation and Capture Framework	The extent to which the Respondent's Proposal addresses the principles of the Value Creation and Capture Framework.
Quantitative Evaluation Criteria		
Part F – Value and Risk Proposition		N/A <sup>2</sup>
F1	Risk Adjusted Cost of Proposal	The whole-of-life, risk-adjusted cost of each Proposal by taking into account the financial and risk consequences of each Proposal.
F2	Financial Model Assumptions	The robustness and sustainability of the Respondent's financial assumptions.
F3	Other Value Initiatives	The value, competitiveness and appropriateness of other value initiatives.

1: Definition of Priorities

Three-star Priority: Evaluation Criteria assigned a three-star priority are those that are relatively of higher importance than two-star and one-star Evaluation Criteria;  
Two-star Priority: Evaluation Criteria assigned a two-star priority are relatively more important than one-star Evaluation Criteria but of relatively lower importance than three-star Evaluation Criteria; and  
One-star Priority: Evaluation Criteria assigned a one-star priority are those that are relatively of lower importance than three-star and two-star Evaluation Criteria.  
The assignment of priorities to Evaluation Criteria are intended to provide guidance in relation to the relative importance of each Evaluation Criteria. The priority framework is not intended to be rigid or imply a set relativity between priority allocations.

2: Quantitative Evaluation Criteria

A priority has not been given to this criterion but will be taken into account in the overall value for money assessment.

## Appendix 5 – Public Interest Test

Public Interest Element	Standard	Assessment
<p><b>Effectiveness</b></p> <p>Is the project effective in meeting government objectives?</p>	<p>In accordance with the Partnerships Victoria frameworks, the PPP model promotes government objectives including: Maximising the efficiency, social and economic returns from government expenditure; Promoting growth and sustainability in Victoria; and Ensuring value for money over the long term</p>	<ul style="list-style-type: none"> <li>• The following objectives developed for the Project align with the government objectives for a project procured via a PPP model:               <ul style="list-style-type: none"> <li>- Improved customer service and productivity by improving road capacity, travel time and reliability for all road users. Reducing vehicle operating costs and delivering improved and more consistent service levels.</li> <li>- Improved road safety by improving access traffic flows along key arterial roads to help reduce fatality and serious injury crash rates.</li> <li>- Improved economic opportunities by improving more reliable access to employment, education and services to other parts of Melbourne.</li> <li>- Improved amenity and liveability by reducing congestion and improving roads conditions.</li> <li>- Long phase sustainable asset management through an efficient and consistent maintenance program.</li> <li>- Greater value for money outcomes to the State and road users through an efficient allocation of risks and responsibilities between the public and private sector.</li> </ul> </li> <li>• The Project objectives were used to identify and assess various strategic and solution options to determine a preferred solution that optimises the benefits against these objectives.</li> <li>• Performance against these objectives will be evaluated under the PPP model against the KPIs defined in the Benefit Management Plan and contract documentation.</li> <li>• Comprehensive evaluation of the proposed solution for the Project was undertaken to ensure value for money over the long term to the State. The solution was assessed having regard to its proposed response to the project scope, the commercial offer, risk allocation, funding and costs, key commercial features, and governmental policy requirements.</li> </ul>
<p><b>Accountability and transparency</b></p> <p>Do the partnership arrangements ensure that:</p> <ul style="list-style-type: none"> <li>• the community can be well-informed about the obligations of government and the private sector partner; and</li> <li>• that these can be oversights by the Auditor-General?</li> </ul>	<p>The Project is to comply with Victorian Government accountability and transparency policies and obligations. These standards include:</p> <ul style="list-style-type: none"> <li>• meeting Partnerships Victoria disclosure requirements;</li> <li>• meeting requirements under the <i>Freedom of Information Act 1982</i> (Cth);</li> <li>• the entitlements of the Auditor-General under the <i>Audit Act 1994</i> (Vic); and</li> <li>• observance of appropriate probity principles.</li> </ul>	<ul style="list-style-type: none"> <li>• Elements of the PSC and scope ladder the Project were disclosed with RFP documentation having regard to Partnerships Victoria disclosure requirements</li> <li>• Relevant government departments and agencies including VicRoads, Transport for Victoria and the Department of Treasury and Finance are bound to comply with the <i>Freedom of Information Act 1982</i> (Cth).</li> <li>• VicRoads has developed a communications plan for external stakeholder engagement for the Project which is complemented by the communications plan for external engagement developed by the private sector consortium appointed to deliver the Project.</li> <li>• The Auditor-General retains the right to view the Project material, subject only to any limitations in the <i>Audit Act 1994</i> (Vic).</li> <li>• A probity adviser was appointed to oversee the Project procurement process.</li> </ul>

Public Interest Element	Standard	Assessment
<p><b>Affected individuals and communities</b></p> <p>Have those affected been able to contribute effectively at the planning stages, and are their rights protected through fair appeals processes and other conflict resolution mechanisms?</p>	<p>Standards include:</p> <ul style="list-style-type: none"> <li>• Following a public consultation process in relation to the Project prescribed by the appropriate planning approvals process;</li> <li>• Undertaking an environmental impact analysis on relevant projects;</li> <li>• Undertaking a social impact analysis on high risk projects</li> <li>• Meeting requirements under the Victorian Industry Participation Policy</li> </ul>	<p>Standards include:</p> <ul style="list-style-type: none"> <li>• Following a public consultation process in relation to the Project prescribed by the appropriate planning approvals process;</li> <li>• Undertaking an environmental impact analysis on relevant projects;</li> <li>• Undertaking a social impact analysis on high risk projects;</li> <li>• Meeting requirements under the Victorian Industry Participation Policy</li> </ul>
<p><b>Equity</b></p> <p>Are there adequate arrangements to ensure that disadvantaged groups can effectively use the infrastructure or access the related service?</p>	<p>Relevant standards include:</p> <ul style="list-style-type: none"> <li>• Complying with relevant legislation and standards including the <i>Disability Discrimination Act 1992</i> (Cth); and</li> <li>• Ensuring there are no barriers to disadvantaged persons using the infrastructure.</li> </ul>	<p>Relevant standards include:</p> <ul style="list-style-type: none"> <li>• Complying with relevant legislation and standards including the <i>Disability Discrimination Act 1992</i> (Cth); and</li> <li>• Ensuring there are no barriers to disadvantaged persons using the infrastructure.</li> </ul>
<p><b>Public access</b></p> <p>Are there safeguards that ensure ongoing public access to essential infrastructure?</p>	<p>The key standard relates to ensuring appropriate arrangements are in place to ensure ongoing access to the Project and its related infrastructure.</p>	<ul style="list-style-type: none"> <li>• During the construction phase, the State will impose controls to ensure impacts on the surrounding transport network (including the public transport network) are minimised.</li> <li>• During the construction phase, the State will also impose requirements to ensure impacts on access to private property and businesses are minimised.</li> <li>• Impacts to pedestrian and cyclist access will also aim to be minimised during construction.</li> <li>• Traffic management is to be carried out during construction in accordance with applicable plans and requirements.</li> </ul>

Public Interest Element	Standard	Assessment
<p><b>Consumer rights</b></p> <p>Does the project provide sufficient safeguards for service recipients, particularly those for whom government has a high level of duty of care, and/or the most vulnerable?</p>	<ul style="list-style-type: none"> <li>The key standards are those imposed by relevant laws</li> <li>Service recipients to whom government owes a high level of duty of care include children, elderly, low income earners, physically/mentally disabled, non-English speaking, overseas tourist, those not familiar with the transport system, etc.</li> </ul>	<ul style="list-style-type: none"> <li>The private sector consortium responsible for delivery of the Project will be required to comply with all applicable legislation, codes and standards</li> <li>The Project will provide sufficient safeguards for service recipients through: <ul style="list-style-type: none"> <li>requirements imposed on the private sector consortium responsible for delivery of the Project in relation to dealings with the relevant community; and</li> <li>ongoing monitoring by Government of the conduct of the private sector consortium during the delivery of the Project.</li> </ul> </li> </ul>
<p><b>Security</b></p> <p>Does the project provide assurance that community health and safety will be secured?</p>	<p>Relevant standards include:</p> <ul style="list-style-type: none"> <li>Compliance with relevant laws, codes and standards, including in relation to environmental and health matters; and</li> <li>Safety standards imposed on road design.</li> </ul>	<ul style="list-style-type: none"> <li>Safety is a critical consideration throughout all aspects of the Project.</li> <li>The design solutions and relevant construction activities for the Project are required to be compliant with all applicable legislation, codes and standards.</li> <li>These include: <ul style="list-style-type: none"> <li>Occupational health and safety laws;</li> <li>Environmental laws; and</li> <li>Road safety standards.</li> </ul> </li> <li>The performance requirements have been developed for the Project including stringent standards around environmental matters.</li> <li>Risks to safety during the construction phase will be managed through construction standards according to industry best practice.</li> </ul>
<p><b>Privacy</b></p> <p>Does the project provide adequate protection of users' rights to privacy?</p>	<p>Relevant privacy standards are set out in:</p> <ul style="list-style-type: none"> <li><i>Privacy Act 1988</i> (Cth);</li> <li><i>Information Privacy Act 2000</i> (Vic);</li> <li><i>Surveillance Devices Act 1999</i> (Vic); and</li> <li><i>Health Records Act 2001</i> (Vic)</li> </ul>	<p>The Project provides for protection of users' rights to privacy including through:</p> <ul style="list-style-type: none"> <li>Contractual obligations on all parties responsible for the delivery of the Project to comply with relevant privacy laws and confidentiality requirements; and</li> <li>Government agencies involved with the Project similarly observing privacy laws and requirements, including through the implementation of existing privacy policies and codes of conduct</li> </ul>



