

**INQUIRY INTO RAIL INFRASTRUCTURE PROJECT  
COSTING IN NSW**

**Name:** Name suppressed

**Date received:** 21/09/2011

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Partially Confidential

20<sup>th</sup> September 2011

The Director  
General Purpose Standing Committee No. 3  
Parliament House  
Macquarie St  
Sydney NSW 2000

**CONFIDENTIAL**

**By Email**

Attention: Ms Beverly Duffy

Dear Madam

**Reference: SUBMISSION TO INQUIRY INTO COST OF RAIL INFRASTRUCTURE IN NSW**

With reference to your letter dated 23<sup>rd</sup> August 2011 we provide our submission as follows.

### **Rail Contracting in NSW**

The barriers to entry into the NSW rail construction market could be assessed as quite high in comparison to some other markets. One potential assessment of the NSW market for large rail projects could lead to the analysis that the market is largely dominated by two construction groups.

From our national and international experience and our limited understanding of exact contract values on which major rail projects have been awarded in NSW, we believe that there could be potential that increased competition into the NSW rail project market could offer opportunities for improved value in project delivery.

We would submit that in any market increasing competition tends to reduce costs and improve innovation and delivery of value into projects.

We do recognise that in increasing competition to lower cost there are some unique issues around major rail projects. These issues surround rail safety and project execution methodology. On a rail network as complex as the one in NSW, we would not suggest that a company without any rail experience should be preferred over an experienced construction company for the sole purpose of increasing competition and driving down cost.

However, there are a number of large, capable and rail experienced construction companies, such as [redacted] who have not yet had the opportunity to take part in the tender pricing process for major rail projects in NSW.

Additionally, there has been a trend on major rail projects in NSW where a number of related companies (companies owned by the same shareholder) have been pre-qualified to tender on the same project to the exclusion of others. In our view this restricts competition in the market in the short and long term as essentially the same company has been pre-qualified twice and has two chances into the tender pricing process while others have not pre-qualified.

### **Opportunities for Improvement**

We would submit to the Committee that the following initiatives could assist in providing greater value in the delivery of major rail projects in NSW by facilitating an increased diversity in those participating in tender pricing.

1. Currently it is possible for two or more companies owned by the same holding company to be pre-qualified through to tender. This provides a holding company with more than one chance to win the project, while other companies do not have the opportunity to respond to tender. To encourage greater competition and additional market participation, the government could restrict the pre-qualification to tender to only one entity owned by a holding company.
2. Give consideration to a company's history of delivering projects on time and within budget. In most instances under the current evaluation system a company's work history of delivering projects on time and within budget is not considered.
3. Give equal weight at the Expression of Interest (EOI) stage, to project experience in other States and countries, provided the company has the accreditation to meet NSW specific industrial relations, environmental and safety requirements. Under the current selection system experience in delivering projects in NSW is often given greater weight in evaluation and interstate or relevant overseas experience is not equally valued.
4. Remove previous experience on rail projects in NSW as a mandatory assessment criteria.

I trust you will consider these suggestions favourably and should you have any questions, please call me on