

Submission
No 55

**INQUIRY INTO PROCUREMENT PRACTICES OF
GOVERNMENT AGENCIES IN NEW SOUTH WALES AND
ITS IMPACT ON THE SOCIAL DEVELOPMENT OF THE
PEOPLE OF NEW SOUTH WALES**

Organisation: Rail, Tram & Bus Union NSW Branch

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Submission to the NSW Parliament Upper House Inquiry on ‘Procurement practices of government agencies in New South Wales and its impact on the social development of the people of New South Wales



Submission by the Australian Rail Tram and Bus Industry Union, NSW Branch

22 March 2024

Executive Summary

The Australian Rail Tram and Bus Industry Union, NSW Branch (**RTBU**) welcomes the opportunity to put forward its views for this inquiry and looks forward to subsequent recommendations stemming from the inquiry.

This submission is in response to the Legislative Council inquiry into the procurement practices of government agencies in NSW. This submission from the RTBU looks at the procurement processes for the New Intercity Fleet (**NIF**), the New Regional Rail Fleet (**NRF**), and recent bus procurement run through Transport for NSW. These projects, aimed at improving rail services in New South Wales, have faced significant challenges, resulting in delays, cost overruns, and safety concerns.

The NIF and NRF projects were intended to address aging rolling stock and provide a refreshed rail service for regional commuters and passengers. Significant industrial disputation and additional costs have resulted from a lack of transparency in the procurement process with a complete absence of involvement of end-users leading to obvious omissions or deliberate design flaws.

The same goes for recent bus procurement processes, including the recently procured 60 buses obtained from China to address the impending shortage of buses required to service commuters affected by the shutdown of the Sydenham to Bankstown rail line.

By addressing obvious procurement challenges, prioritising safety, and ensuring transparency, we can deliver efficient and reliable transport services for our communities. We need to learn from past mistakes to ensure the taxpayer is not burdened with extra expense to resolve issues that should not happen in the first place.

Successful transport projects extend beyond technical specifications. By actively engaging with end users and industry experts, such as unions, we can create a public transport network that serves our communities effectively, prioritises safety, and builds public confidence.

Background

1. New Intercity Fleet (NIF):

- a. The NIF project involved the acquisition of 596 new carriages built by Hyundai Rotem (as part of a consortium named RailConnect) to serve the Sydney outer suburban area, including Newcastle, the Blue Mountains and Kiama.
- b. Originally scheduled to be operational five years ago, the NIF trains have been mothballed and held in storage since delivery began from South Korea in December 2019. The delays and associated modifications have inflated the project cost to \$3.2 billion.
- c. The RTBU raised crucial safety concerns related to the mode of operation of the NIF, specifically that it was designed to operate with only a driver (no Guard – known as Driver Only Operation (**DOO**)).
- d. In October 2018, then Transport Minister, Andrew Constance, committed to retain a Guard on the NIF after his consultation with the RTBU and disability advocates, which led to a need to amend the contract with the RailConnect consortium.
- e. As consultation with the RTBU and disability advocates continued, more changes were required to the contract, each time costing the taxpayer more and more public funds.
- f. The NIF continues to pose challenges with required modifications resulting in delays and cost blowouts. These issues could have been addressed at the outset with better procurement processes and open consultative mechanisms between stakeholders and the union. The absence of enhanced procurement or consultative processes paired with the predatory nature of large overseas run corporations, complicated the rollout and contributed to significant cost escalation to the detriment of taxpayers and communities across the state.

2. New Regional Rail Fleet (NRF):

- a. The NRF project aims to replace aging rolling stock, including the XPT, Endeavour, and Xplorer sets.
- b. Contracts were signed with international consortium Momentum Trains in 2019, but there remains no public delivery or operational commencement date.
- c. Prior to the execution of the contract for the NRF, there was little to no consultation with end users, which has resulted, and continues to result, in overwhelming challenges in the procurement process for this train.
- d. Although the specific details remain unknown to the RTBU, a dispute arose between the NSW Government and Momentum Trains regarding some design

features on the train. We are aware at least that one of the disputed features was the train did not have basic hot water capability.

- e. Once consultation properly began with the RTBU, further design issues were easily identified by end users.
- f. These necessary modifications however remain unresolved because of the complex nature of the contract, and the predatory profit driven motivations of members of the Momentum consortium.

3. Bus Procurement

- a. In 2021, the then NSW Government committed to build 8000 new electric buses in NSW. Then then Labor Opposition matched the commitment and added that they should be built in Western Sydney.
- b. In February 2022, Custom Denning, a company based in Western Sydney won a contract to build 79 electric buses. Several other companies have also expressed their interest in building electric buses in Western Sydney.
- c. On 23 February 2024, during Budget Estimates, Howard Collins revealed that 60 buses had been procured from China to service the need for extra buses arising from the shutdown of the Bankstown line to make way for new Metro.
- d. There is no evidence that attempts were made to procure these buses locally or with end user involvement.

Challenges and Concerns

4. Procurement Process

The procurement process for both the NIF and the NRF have been marred by inefficiencies, lack of transparency, and inadequate risk assessment.

The work on the design of the trains was undertaken behind closed doors. The RTBU is unaware of the personnel involved in developing the specifications of the NIF and the NRF.

This is in stark contrast to the process currently being undertaken with respect to the replacement Tanagra fleet which has seen the involvement of end-users from the start of the process.

However, the recent procurement revealed in budget estimates of a fleet of 60 new electric buses from China by Transport for NSW is concerning as it is seemingly a repeat of past mistakes:

- purchased from overseas;
- without any consultation with end-users; and
- without the knowledge of stakeholders (the purchase was only revealed during Budget Estimates).

Of particular concern is the presence and seemingly high level of corporate interest in manufacturing capability of the same vehicles in Western Sydney. The NSW Government (both parties while in Government) have promoted its credentials related to local manufacturing based on these electric buses.

We hold significant concerns about the lack of Ministerial oversight when it comes to the work of Transport for NSW. There seems to be a trend where the work of Transport for NSW which results in significant public expenditure is accepted by Government without any serious checks or balances to ensure the project is sound.

The absence of clear guidelines and oversight has contributed to delays and cost escalation in the procurement process while denying Australian workers and their communities from the benefits of participating in the manufacturing process.

5. Safety Concerns

Throughout the procurement process for the NIF, and during the delivery of the trains, the RTBU has held serious safety concerns. These concerns highlight the need for rigorous safety assessments during the procurement process.

Procurement decisions were made based on ideology and cost-saving rather than ensuring the ability of the trains to run safely. Issues related to the removal of guards, surveillance, and door operations meant that the trains were designed in such a way that commuter safety would be put at real risk.

As a result, expensive alterations have been required to get the fleet up to minimum safety standards.

Similarly, with the NRF, multiple serious safety hazards have arisen due to lack of attention to detail during the procurement process. These hazards could have been easily avoided had end-users been given an opportunity to weigh in during the procurement process.

6. Cost Overruns

The NIF project's cost has ballooned due to modifications and delays.

The NRF's cost-effectiveness remains uncertain, and taxpayers deserve transparency on how savings (if any) from procuring overseas will be realised.

Complications Arising from Overseas Execution

The decision to execute the NIF and NRF projects overseas has introduced several complexities which will likely also be seen in the procurement of buses. While there are potential benefits, such as cost savings and access to specialized expertise, the following challenges have emerged:

7. Communication and Coordination

- Managing projects across international borders requires seamless communication between stakeholders. Time zone differences, language barriers, and cultural nuances can hinder effective collaboration.
- Delays in decision-making due to asynchronous communication can impact project timelines.

8. Quality Control and Inspection

- Ensuring the quality of rolling stock manufactured overseas is challenging. Regular inspections and adherence to safety standards are essential.
- Distance makes it difficult to conduct on-site inspections promptly, leading to potential defects or safety issues.

9. Supply Chain Disruptions

- Dependencies on global supply chains introduce risks. Delays in component deliveries, customs clearance, or geopolitical tensions can disrupt production schedules.
- The COVID-19 pandemic highlighted vulnerabilities in supply chains, affecting rail projects worldwide.

10. Cultural Differences and Work Practices

- Differing work practices, labour laws, and safety regulations can impact project execution.
- Bridging these gaps requires understanding and adaptation to local norms.

11. Logistics and Transportation

- Shipping large train components across continents involves logistical challenges. Ensuring timely delivery and minimising damage during transit is crucial.
- Australia's commitment to relevant international treaty commitments aimed at reducing CO₂ emissions is weakened through reliance on bulk freight.
- Infrastructure limitations at ports and rail yards can further complicate transportation.

12. Contractual and Legal Aspects

- International contracts must address legal jurisdiction, dispute resolution, and intellectual property rights.

- Navigating legal complexities across jurisdictions demands specialised expertise.

13. Public Perception and Accountability

- The public expects transparency and accountability in major infrastructure projects.
- Overseas execution can raise concerns about job opportunities, local economic impact, and the ability to address issues promptly.

The Importance of End User Consultation

14. Understanding Needs and Expectations

- End users, including passengers, rail staff, and local communities, possess valuable insights into their daily experiences.
- Consulting them allows us to identify specific needs, preferences, and expectations related to train services.

15. Safety and Accessibility

- End users can highlight safety concerns, accessibility requirements, and potential hazards.
- Their input ensures that design and operational decisions prioritize passenger well-being.

16. Service Design and Features

- Involving end users early in the process allows us to tailor service design, seating arrangements, amenities, and onboard facilities.
- Their feedback can lead to more comfortable and efficient train environments.

Challenges Arising from Neglecting End User Consultation

17. Misaligned Priorities

- Without end user input, procurement decisions may prioritise cost savings over passenger experience.
- This misalignment can lead to suboptimal outcomes, such as uncomfortable seating, inadequate facilities, or inefficient layouts.

18. Operational Inefficiencies

- End users understand the practical aspects of rail travel—their daily routines, peak hours, and common routes.

- Ignoring their insights can result in operational inefficiencies, including overcrowding, poor scheduling, and inadequate maintenance.

19. Public Perception and Trust

- Lack of consultation erodes public trust in government projects.
- When decisions are made without considering end user perspectives, it fosters scepticism and dissatisfaction.

Recommendations

The RTBU NSW makes the following recommendations for future NSW government agency procurement processes:

20. Review and Accountability

- Conduct an independent review of the procurement processes for both train fleets.
- Hold accountable those responsible for delays and cost overruns.
- Inquire into the decision to procure new electric buses from China and the reasons for not manufacturing locally.

21. Safety Assurance

- Collaborate closely with unions and industry experts to address safety concerns.
- Prioritise passenger and crew safety during fleet implementation.

22. Transparency and Cost Management

- Clearly communicate the cost-saving measures associated with overseas production of the NRF.
- Ensure that these savings (if any) are reinvested in rail infrastructure and services.

The RTBU NSW makes the following recommendations in relation to improved consultation with end users:

23. Early Engagement

- Involve end users, inclusive of unions, from project inception.
- Conduct surveys, focus groups, and workshops to gather feedback on design, features, and service expectations.

24. User-Centered Design

- Adopt a user-centered approach to fleet design.
- Consider comfort, safety, accessibility, and convenience as paramount factors.

25. Transparency and Communication

- Regularly update end users on project progress.
- Explain how their input influenced decisions and demonstrate responsiveness.

**Australian Rail Tram and Bus Industry Union, NSW Branch
22 March 2024**