

PORTFOLIO COMMITTEE NO. 6 - TRANSPORT

Monday, 30 May 2022

Examination of proposed expenditure for the portfolio area

TRANSPORT

UNCORRECTED

The Committee met at 09:30

MEMBERS

Ms Abigail Boyd (Chair)

The Hon. Wes Fang

The Hon. Scott Farlow

The Hon. John Graham

The Hon. Chris Rath

The Hon. Mick Veitch

* Please note:

[inaudible] is used when audio words cannot be deciphered

[audio malfunction] is used when words are lost due to a technical malfunction

[disorder] is used when members or witnesses speak over one another

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

Corrections should be marked on a photocopy of the proof and forwarded to:

**Budget Estimates secretariat
Room 812
Parliament House
Macquarie Street
SYDNEY NSW 2000**

The CHAIR: Welcome to the additional public hearing of the inquiry into budget estimates 2021-2022. Before I commence, I acknowledge the Gadigal people of the Eora nation, who are the traditional custodians of the lands on which we are meeting today. I pay my respects to Elders past, present and emerging, and celebrate the diversity of Aboriginal peoples, and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal or Torres Strait Islander people who are joining today and any who may be watching the live stream. I welcome officials from Transport for NSW to this hearing.

Before we commence, I would like to make some brief comments about the procedures for today's hearing. Today's proceedings are being broadcast live via the Parliament's website. A transcript will be placed on the Committee's website once it becomes available. In accordance with the broadcasting guidelines, media representatives are reminded that they must take responsibility for what they publish about the Committee's proceedings. All witnesses in budget estimates have a right to procedural fairness, according to the procedural fairness resolution adopted by the House in 2018.

There may be some questions that a witness can answer only if they had more time or with certain documents to hand. In those circumstances—and those circumstances only—witnesses are advised that they can take a question on notice and provide an answer by 17 June 2022. I note that that may be fewer days than the 21 days that we normally put forward. Finally, would everyone please turn their mobile phones to silent for the duration of the hearing. All witnesses will be sworn prior to giving evidence. I remind the following witnesses that you do not need to be sworn as you have already been sworn at an earlier budget estimates hearing before this Committee: Mr Sharp, Mr Longland, Mr Collins, Mr Merrick and Mr Allaway.

Mr ROB SHARP, Secretary, Transport for NSW, on former affirmation

Mr MATT LONGLAND, Chief Executive, Sydney Trains, on former oath

Mr HOWARD COLLINS, Chief Operations Officer, Transport for NSW, on former oath

Mr PETER ALLAWAY, Chief Customer Officer, Regional and Outer Metropolitan, Transport for NSW, on former oath

Mr DALE MERRICK, Chief Executive Officer, NSW TrainLink, on former affirmation

Ms TRACEY TAYLOR, Chief People Officer, Transport for NSW, affirmed and examined

The CHAIR: Today's hearing will be conducted from 9.30 a.m. to 12.00 p.m., during which there will be questions from the Opposition and crossbench members only. If required, an additional 15 minutes is allocated at the end of the session for government questions. Thank you very much for your attendance today. We will begin with questions from the Opposition. Mr Graham?

The Hon. JOHN GRAHAM: To the officials, welcome back. As the Chair has indicated, there is essentially one day left when budget estimates might be conducted. So I can guarantee that this is the last appearance in this cycle of estimates.

The Hon. WES FANG: Are you sure you want to do that? Are you sure?

The Hon. JOHN GRAHAM: Essentially, we are here because of what have been significant public disagreements between Ministers in the Government about the state of the rail negotiations. That is essentially the most important reason for reconvening this hearing. I want to turn to that first, Mr Sharp. There have been two very different views put about the fate of rail services in New South Wales, whether this situation is about to be fixed, which is the view of one Minister—Minister Elliott—or whether there is a line in the sand here that should not be crossed, which is the view of Ministers Tudehope and Kean. This is far from settled. Essentially, my first question to you and the officials with you is who is right? Where is this dispute up to?

ROB SHARP: The premise of your question is who makes the decisions, in many respects there. There will be differing views around the table in regards to any industrial relations matter. The process that we have in place is that we are negotiating directly with the unions, so the team around here are the key players with the direct involvement. We keep each of the Ministers and the various portfolio Ministers across the detail of that. Minister Elliott is the portfolio Minister. He has the direct accountability. He has been intimately involved with the process since he came into the portfolio, and we clearly brief him in detail.

You might remember a Premier's memorandum that came out in March which articulated the role of Minister Tudehope. That articulated that his involvement would be looking at it from a whole-of-government perspective, so a strategic role—my words—looking across whole of government, and his views would take into account the broader aspects of the industrial relations. So "joint accountability" were the words the Premier used in terms of those two Ministers. As you aware, any item that impacts the budget—and clearly wages policy is one of those—Treasury has hands-on, detailed requirements around that. So for any papers we put up, we are complying with wages policy. If we are not, what are savings and other things that we are using to offset those propositions? The Treasurer has a keen interest in this, clearly because there are costs involved. It has been a substantial negotiation over almost 12 months now.

The Hon. JOHN GRAHAM: Not just an interest but a decision-making role. Is that what—

ROB SHARP: Yes, Treasury has a decision-making role and a recommendation. So what they would do is—

The Hon. JOHN GRAHAM: The Treasurer, just turning to the Treasurer.

ROB SHARP: The Treasurer would—

The Hon. JOHN GRAHAM: Decision-making role.

The Hon. WES FANG: Point of order: Mr Sharp is trying to provide an answer and Mr Graham keeps seeking clarifications while the answer is happening. I would suggest that it is probably better that Mr Sharp conclude his answer before Mr Graham seeks any elucidations, not only for clarity but also for the benefit of Hansard.

The CHAIR: Thank you. Although it is true that we should obviously be sticking to a question and answer format, in this particular instance I do think it was more conversational and helpful. I don't think the lines have been crossed as yet. Continue please, Mr Graham.

The Hon. JOHN GRAHAM: Mr Sharp, you referred to the Treasurer's role. I was simply asking, the Treasurer not only has an interest—your words—but has a decision-making role. That is the question.

ROB SHARP: Yes, his decision-making role is what recommendation he put to Cabinet. So ultimately the decision-makers are the Cabinet and, as I said at the beginning, you will have differing views. There are differing risk profiles and there are different cost profiles depending on a number of options. From Transport's perspective, what we're doing is negotiating an outcome that we believe could be acceptable with the union movement and straddles those lines that we need to cover in terms of policy positions et cetera. That will go to Cabinet shortly and will be considered at Cabinet. Each of the Cabinet members will obviously have their own views and their own department recommendations. The Cabinet and Premier will consider those and make a decision.

The Hon. JOHN GRAHAM: As we sit here today, how shortly do you expect that to go to Cabinet?

ROB SHARP: It is imminent.

The Hon. JOHN GRAHAM: When you say it is imminent, give us some sense. Give the commuters of Sydney some sense.

ROB SHARP: The Cabinet submissions are in final form, and there are regular ERC meetings happening. There are about two or three of them a week at the moment through the budget process. As soon as there's approval for the final version of that Cabinet submission, we will be in there presenting to Cabinet—to ERC.

The Hon. JOHN GRAHAM: So that sounds like it is perhaps a week away, perhaps two weeks.

ROB SHARP: I would say within a week, maybe two at the maximum. We are right down to the pointy end of a decision being required.

The Hon. JOHN GRAHAM: Yes. I do not want to spend a lot of time on this, but just so we're clear on who is actually dealing with this in the Government of the Ministers—I might ask you about a couple of other individuals. What is the role of Minister Faraway? How would you describe his role?

ROB SHARP: Minister Faraway is kept abreast of all the industrial relations items that affect the regional fleet in particular. I would describe his role as a support role to the portfolio Minister. We keep him abreast regularly.

The Hon. JOHN GRAHAM: But he is not in the negotiations. He is separate to those.

ROB SHARP: He is not in the negotiations.

The Hon. JOHN GRAHAM: Who is in the negotiations?

ROB SHARP: The two Ministers that the Premier has asked to be jointly accountable. Minister Elliott is the portfolio lead and Minister Tudehope is representing the Government from an industrial relations perspective.

The Hon. JOHN GRAHAM: A separate individual. A question about their role. What role is the Premier playing? How would you describe that role?

ROB SHARP: The Premier is certainly interested in the negotiations, for obvious reasons. There are potential impacts for customers. It has been a protracted negotiation and there are potential ramifications for whole of government, so clearly the Premier would have an interest. However, he is very much keeping the process at arm's length. We are still working through the processes we would normally work through in briefing a number of players. That includes DPC.

The Hon. JOHN GRAHAM: The specific question is about the Premier's formal role in this. Of course he has an interest. Commuters have an interest and the Premier has an interest. You are saying that he is not formally engaged and he is at arm's length.

ROB SHARP: His formal role is a member of the Cabinet and, ultimately, the chair of the Cabinet. That is his role. These decisions would be a Cabinet decision.

The Hon. JOHN GRAHAM: You may not have been present at the time but you would acknowledge that that is different to the role that, for example, the former Premier played at times in these negotiations with Transport officials. In fact, that was quite a hands-on role.

ROB SHARP: Yes, I am aware of some of the commentary around that. However, I was not here at the time. All I can talk to is the process that has been agreed in this particular circumstance.

The Hon. JOHN GRAHAM: Thank you for that run-down. I will just return to that central question, though. Minister Elliott says that this is close to agreement. Two other Ministers on 12 May stood up and said, "There's a line in the sand here that we will not cross," clearly indicating that this could be a major dispute. Give us some guidance. These are two very different views about where this is up to. What is the view of senior Transport officials about whether this is close to agreement or at risk of being derailed for quite some time?

ROB SHARP: If I wind the clock back about three months, we were coming off the back of about six months of pretty hard negotiations in protected industrial action. There was an agreement reached with the unions and Minister Elliott was very much part of that process, which was to actually get together and kick off a detailed intensive bargaining process where we would commit full resources and the unions—and there are a number of unions; there are about seven or eight unions—would do likewise. That then actually formed a governance structure for Transport because it enabled us to have the debates around the 300 claims that were on the table at the time and try to distil those down to what were the core claims that the members are really after. We needed to also fully understand the cost implications and we also needed to land a consensus, if you like, around what might be a solution for the Mariyung fleet, just breaking those out.

With the enterprise agreements, we have reached an agreed position with the unions that we would table to Cabinet for their consideration a number of enterprise agreement claims. What that means is that we are presenting a package that the unions are comfortable with. We have committed with the unions that we would put that package up for consideration. The Mariyung is—sorry, just before I go on, I mentioned earlier about Treasury's involvement. We have been working closely with Treasury on the wages policy considerations of those. Some claims, for example, would set a precedent across whole of government. Clearly there would be views from Minister Tudehope in terms of whether that broader ramification flowing right across whole of government would be an acceptable position or not. I am assuming that those types of items would be debated and covered off and recommendations made at Cabinet by Minister Tudehope and DPC.

In terms of the Mariyung, we are talking about a four-year journey in regard to the Mariyung fleet. There are three or four different options in terms of how that may be concluded. Those options are articulated in the Cabinet submission. Minister Elliott's comments, in my personal view, were relating to that process of articulating where we had the weekly meetings. Minister Tudehope, Minister Elliott and myself attended each week as an escalation point and decision-making point. It did help move decisions along.

In terms of the Mariyung fleet, there's an operating model question that's clearly been on the union's minds and members for some time. About August, September last year, I started to ask the question as to whether there were either options that were intermediate—in other words, in between the two positions. There had been commitments by the Government memorandum back in 2019 in regard to keeping guards on the trains. The debate was really around what was the role of a guard, how did that operate in practice and could it operate safely?" So those—

The Hon. JOHN GRAHAM: Mr Sharp, without going into all of the history—I think that has been very helpful—but give us some sense of what are the possible choices here that the agencies face. What are the possible options?

ROB SHARP: The Cabinet paper is in confidence. Obviously, I can't talk to all the specific options but suffice to say there are options. There's a spectrum. The spectrum is that this doesn't agree with wages policy, so therefore, elements of it wouldn't be approved or there are savings, there is a package here that is acceptable to the Government and also meets the union needs. I think on the enterprise agreement elements we're reasonably close. There's been a lot of work done. I do actually thank all the participants around this table as well as the senior union leaders because it has been a very productive seven-week process. The sticking point is the Mariyung. Obviously, there would be costs associated with any options that get put forward. So we have been looking at the market to say, "What would those costs be if we went down scenario one, scenario two, scenario three? What are those various costs?"

The Hon. JOHN GRAHAM: There's been public speculation that that is \$1 billion. The—

ROB SHARP: I can't talk to public speculation in terms of numbers. But, clearly, there is an increase in the cost.

The Hon. JOHN GRAHAM: Let me just put the question to you. Ministers are in public, talking about these costs. So I do think it's fair to ask the agency to give the Parliament some guidance. One view put by Ministers very strongly is that this is \$1 billion. Another view, put by Minister Elliott, is it will be less. This is the debate that commuters are listening to us. They catch the train. Give us some sense of the agency's view on that, given Ministers are commenting so freely.

ROB SHARP: Costs are driven by a number of items. There's the actual physical cost to a train, where under options we might decide to move controls or screens—TV screens, for example. There's direct cost. Then there's a number of other costs—for example, prolongation cost. It's just a fancy word for saying the program's going to run longer and there will be contractual penalties and contractual cost. The suppliers would have to keep the team on for six months, 12 months, 18 months, whatever the particular option is. Prolongation is one of the key cost drivers. The actual physical costs are something we've been working on with the unions and suppliers. We have landed a position on that. That's in the Cabinet paper. It's nowhere near \$1 billion. There's also quite a few costs—clearly, we've got trains now, 26 train sets that have arrived. Ten are being stored up at Kangy Angy. We've got 16 around various yards. That comes with storage cost. You add all those up, and you come up with a number of cost scenarios—

The Hon. JOHN GRAHAM: I just want to come to some of those specific costs. Which of those is bigger? The direct cost of fixing these carriages, possibly for safety issues, or the delay? Which of those numbers is bigger?

ROB SHARP: The actual physical costs are much, much lower. It's the—

The Hon. JOHN GRAHAM: Much, much lower.

ROB SHARP: Lower than \$1 billion, which is the headline number you were talking about. So in terms of proportion—

The Hon. JOHN GRAHAM: There are two issues here: fixing the carriages or the cost of delay, as this issue—

ROB SHARP: Cost of delay is much—

The Hon. JOHN GRAHAM: Which of those is bigger?

ROB SHARP: The cost of delay, contractual implications, commitments under the contracts is much bigger than the actual cost of changes to the train sets themselves. If you're talking about proportions, the prolongation costs are a key cost driver.

The Hon. JOHN GRAHAM: So all this disputation, all this carrying-on is actually adding to the cost, more than the cost of getting on and fixing these carriages. Is that—

ROB SHARP: Yes. Any contract with a supplier to run and maintain a train—when it gets to a point of implementation and they should be operating those trains, there would be contractual costs that arise and we are at that point. So that point was arrived at—I think it was in April this year—and it grows over time. It starts at a smaller amount but obviously the longer the period, the contractor would want compensation. That is a contractual element that was in the contracts from about four years ago.

The Hon. JOHN GRAHAM: I will put to you some of the specific costs that have been referred to in public, and I will ask you to confirm this or not. Those direct costs might be \$385 million. The costs of delay might be \$420 million. Are those costs accurate?

ROB SHARP: It is not appropriate for me to talk to specific costs, firstly, because they are still being worked on. Secondly, those costs are going up to Cabinet and there is a mixture of costs and a mixture of options. So if I comment on a specific cost, I would have to comment on a whole bunch of contextual matters and which option we are talking about. I think it would be misleading—

The Hon. JOHN GRAHAM: Let me ask you about a narrow, specific cost there. It is one that—

The Hon. WES FANG: Mr Sharp is trying to—

The Hon. JOHN GRAHAM: Is this a point of order?

The Hon. WES FANG: This is a point of order.

The Hon. JOHN GRAHAM: If you could indicate that.

The Hon. WES FANG: Maybe if you don't talk over the witness we would be—

The CHAIR: Order! I understand what the point of order is going to be. In that case there was a bit of talking over, which does make it hard for Hansard.

The Hon. JOHN GRAHAM: Mr Sharp, I will ask about one specific cost. Again, this is a cost that Ministers are quoting freely. The cost of storage was talked about as \$30 million a month. Is that cost accurate?

ROB SHARP: No. The cost is just under \$1 million a month for storage. There are substantial other costs, however. For example, if the trains are sitting there, they need to be maintained, so there are maintenance costs that are ongoing. You need to move the trains, make sure you don't get flat spots on wheels—those types of issues. There are contractual costs, as well, associated with the contracts in regards to the train sets that have been approved and are effectively ready for operation.

The Hon. JOHN GRAHAM: When all those costs are added up, that's what the \$30 million is?

ROB SHARP: Yes, there are a number of costs that contribute to that number. That number is actually a forecast somewhere down the track as well. As I said, these costs grow. That's not the cost at the moment.

The Hon. JOHN GRAHAM: At this point I might turn to you, Mr Collins, given your experience in dealing with these issues. What detail can you provide the Committee on these costs and these competing views from these Ministers about the \$1 billion cost?

HOWARD COLLINS: Thank you very much for the question. Obviously, as the Secretary says, there are a lot of options here. I have been brought in in the last six to eight weeks to work with Matt, Dale and Peter on a number of issues. One of the areas we have been focusing on is the Mariyung Fleet and understanding those issues. We have been working hard on clarifying and understanding what the unions require. We have that clearly understood and we have been working, obviously, with our Infrastructure colleagues on what those costs would be. As the secretary said, they have moved around a bit. If you consider storage costs, for example, it's the cost of the security guards, the movement of the trains and, I think, as the secretary said, that's just under \$1 million per month at all these sites—places like Lithgow and Broadmeadow, which require a high level of security because they are fairly remote locations. We have been working on the fixed infrastructure costs and the idea is to try to get that as clear for Cabinet as possible. I think we're in a good position now, and therefore we believe we've got a figure which can go up to Cabinet.

The Hon. JOHN GRAHAM: Will that figure be anywhere near the \$1 billion?

HOWARD COLLINS: Again, as the secretary indicated, the figure for the infrastructure and the train modifications is a lot less than \$1 billion. It would be inappropriate, I think, for me to comment on the figure as it has moved a lot but I do believe that most of those costs are the costs of delaying the contract, as the secretary has indicated.

The CHAIR: Taking a step back—I will be guided by you, Mr Sharp, as to whether this is a question for yourself or for Mr Collins—I understand 600 carriages were ordered for the new intercity fleet. How many of them are currently in New South Wales?

ROB SHARP: I will pass to Mr Collins on the details of the number of train sets.

HOWARD COLLINS: I believe—and maybe Mr Allaway can help out—there are 26 10-car sets available at the moment. That is 260 carriages out of an order fleet, which was extended. I think originally we were 550 or thereabouts and now we are 600. There will be 60 trains which can make up a 10-car set. They are organised in a four- and six-car formation. This allows us to run various numbers of eight-car trains where we need them and even shorter trains—six or four cars—at quieter times. These trains can be made up to 10 cars.

The CHAIR: We currently have 260 that we are storing?

HOWARD COLLINS: Correct.

The CHAIR: When are we expecting the other—what is it? I can't count. Some 340?

HOWARD COLLINS: Or thereabouts, yes. Some are in storage in Korea, where they are made, and others are obviously still in manufacturing, as I understand. The arrangements normally are that a couple of trains a month would arrive into this country. That is the normal production process. But, obviously, whilst we cannot run these trains and the spaces for them to be stabled and stored is getting smaller and smaller, it makes it more difficult to incorporate those trains within New South Wales.

The CHAIR: Have there already been delays to what was contracted in terms of the carriages that have arrived in New South Wales?

HOWARD COLLINS: I might hand that over to Mr Allaway, but I believe that obviously there have been delays in this contract for a number of reasons. But obviously now with what was a planned commissioning and operation of the fleet several months ago, there have been delays which have put back the ability to get these trains into service.

The CHAIR: Mr Allaway, perhaps you could advise. Has there been a delay because of the storage requirement?

PETER ALLAWAY: I would have to take that on notice, particularly around the specifics of the storage elements. But, of course, with the Mariyung fleet there were a number of delays, one of them including the COVID period as well, which has compounded the overall delay time line. It is not specific to that particular element, but I would have to look at the specifics of that particular part about the storage and take it on notice, unless Mr Merrick has any detail on that.

DALE MERRICK: We have had trains arrive as late as the last fortnight. The trains continue to arrive as planned. We are working through those storage issues.

The CHAIR: Have there been any additional costs under the contract as a result of not being able to store the trains? Let me put this again: Has there been any additional cost to the Government because of contractual terms with the provider of the fleet because of the delays in actually putting these trains on the track?

DALE MERRICK: I couldn't say with certainty, but I am happy to take that on notice to get those numbers if there has been the outcome you are describing.

The CHAIR: Mr Collins, in terms of the modifications that are being sought by the unions—and I think it is important to note that although this has made it into the news very much as a union dispute, fundamentally we are talking about public safety. In terms of the safety concerns that have been raised in relation to that fleet, what modifications are being requested by the union?

HOWARD COLLINS: Firstly, I would like to state that obviously the existing train in the existing format has been approved by the safety regulator, ONRSR, but further discussions between the unions in their concerns and ourselves has led to their proposals being put forward and us looking at the costs of those proposals. It requires the guard to be at the rear of the train and requires modification to some buttons and some CCTV. That certainly was the request from the unions, which we have worked through with them very positively and understood what their issues are. We are clear now what their requirements will be.

The CHAIR: When you say "modifications to the buttons", is that the emergency buttons or the door buttons? Can you elaborate?

HOWARD COLLINS: I know sometimes me going into detail is quite interesting for Parliament, so I will try to keep it as simple as possible. It involves the door controls where the guard operates the open and close buttons. It involves the bell—

The Hon. MICK VEITCH: Above the door?

HOWARD COLLINS: Yes, above the door. In modern trains they're in front of you, or they can be at the side. Changing those positions from what was the driver's panel to the back wall involves the bell button. That's the signal you give to the driver to allow him to proceed once all the doors are closed. It also involves an emergency stop button, which has been re-positioned so the guard can operate the stop button from his position. It also involves modifying the guard's door so that it remains open, a bit like a Waratah train, for part of the journey when the train departs.

The CHAIR: I know that one of the issues with this fleet that was raised early on was a concern that we would end up with guardless trains, or that we would have a more automated fleet that would require fewer workers. Are these changes effectively allowing a guard to perform their traditional role on the train?

HOWARD COLLINS: As the secretary indicated earlier, in 2019 the then transport Minister came to an agreement that there would be a second person on the train. Originally the train was designed for driver-only operation, but an agreement was made. Since 2019 we have worked on a number of proposals and decisions as to how the guard would operate. I know that both Mr Merrick and Mr Allaway have worked extensively with the unions on understanding what that means and, over the last six weeks, we have sought that clarification. So we're in this position where, in effect, the proposal—and it is only a proposal, which obviously Cabinet have to decide upon—will operate the train in a similar way to our 120-odd Waratah trains which work on the network.

The CHAIR: One of the concerns that was raised in relation to the trains without modification was that if you were a passenger and, say, you were with your child, your child had fallen between the train and the platform and you were trying to get the guard's or the driver's attention, the only mechanism for that would be to press an

emergency button that would then call somebody who is not the driver, as far as I understand it. That would cause some delay. Is that the sort of thing that would be fixed with these changes?

HOWARD COLLINS: This train is to the latest modern standards in its various guises of operation, whether it is driver only or with a guard. There are additional features: It has got excellent external and internal CCTV and it obviously has emergency facilities on the train that operate to notify of an incident. Obviously, at many of our stations—particularly those busy suburban ones—we have staff on the platform to notify and warn the driver and/or the guard of something that has happened. I think everyone appreciates that these things happen in a flash and are very quick to occur. Therefore, obviously the unions have put forward the proposal of adding the guard as an additional facility. We are working with ONRSR and understanding what these changes will mean. We haven't yet got approval. Our view is that obviously it will be up to the safety regulator and Cabinet to decide which way we go forward.

The CHAIR: I'm glad you noted that although metropolitan stations tend to be staffed, it's not always the case in a more remote, regional or even outer suburban station.

HOWARD COLLINS: Yes.

The CHAIR: My understanding is that the current design basically locks the crew in a soundproof cabin. So although there is CCTV, if you're driving and you're not looking at the CCTV at the time, because you're understandably doing other things, you wouldn't be able to hear or be alerted if there was an incident outside the train.

HOWARD COLLINS: Many trains operate around the world where monitoring is done by CCTV. Some have opening windows, some have closed doors, some have opening doors. It is very difficult sometimes even detecting noise as well as vision, but I would say the modern Maryung fleet has excellent CCTV. Obviously that's, as you describe, one of the issues that the unions have put forward.

The CHAIR: Would it be fair to say, then, Mr Collins, that the safety on that fleet could be improved and that the union's request is not unreasonable?

HOWARD COLLINS: That's an interesting question. The fleet, as it stands, has passed and is a safe train. The proposal has been worked through our safety regulator. Obviously, any other changes have to be risk assessed and understood. We are going through the process now. Obviously, we'll be going forward with understanding, provided Government gives us approval to understand, what that means in terms of whether it's safer, as safe, or as safe as reasonably practical.

The CHAIR: You have a huge amount of experience in this area. We've had many interesting conversations about train design and rail network design in the past. I understand that there is a process to go through in relation to these safety modifications. But, in your experience, these modifications being proposed by the unions will increase the safety of these trains, won't they?

HOWARD COLLINS: I think a number of reports have come through from various independent authorities to say that the current operation was safe. I think my personal view is that—obviously we are working through with the unions. I've worked on driver-only trains, automatic trains, guard and driver trains—it's all about their relative safety and what the situation faces at the time. I think, whilst I could give you a view, it's not appropriate at this stage, other than the fact that we will be doing a full risk assessment to understand what position we are going to be in with the proposal which has been worked through with the unions. A lot of people can make their own judgement about this. I think, at this stage, we will see what the outcomes of those risk assessments are.

The CHAIR: In relation to these modifications, then, that you have specified, some of these would go across the whole train set, presumably, like the guard's door, changing the—perhaps not all the door controls, but some of them appear to be per set of 10, whereas perhaps some of the other modifications would require a per carriage modification. Is that correct?

HOWARD COLLINS: Most of the modifications proposed are actually in the guard's compartment. Obviously, as you change ends, what was the driver's compartment becomes the guard's. If you look at all 60 train sets, obviously they all have two cabs. Sometimes they have four, because, obviously, you've got a six and a 10. So you multiply four times 60 equals 240 cabs, I think, if my maths is correct. Correct me if I've got that wrong. Those modifications will have to take place on all those cabs eventually.

The CHAIR: So not all 600, but 240 would have to be modified.

HOWARD COLLINS: For the record, I think there may be some software modifications and minor changes in how the carriages operate, particularly the communication button and the way the door opening buttons

which exist for customers operate. But the physical work, and I think most of the proposed activity which we've now locked in with the unions, is in the guard's/driver's cab.

The CHAIR: And who would do that work?

HOWARD COLLINS: Obviously, the manufacturer who has built the trains. We have been working closely with our Infrastructure and Place colleagues, who are working with RailConnect. And they have been producing the mock-up designs, they have been looking at the overall costs and working with our Infrastructure and Place colleagues who actually are responsible for the project.

The CHAIR: Are there provisions in the contract with the manufacturer to cover modifications of this kind?

HOWARD COLLINS: Like any contract, once you've put your order in for a train or a car or whatever, and then halfway through you ask for it to be changed, there are obviously costs involved. But obviously we work very closely, and the project team have worked very closely, with the manufacturers to ensure we understand the real costs and we will work through those in detail. At this stage it is very early days, but we have had some estimates of what those costs would be per modification.

The CHAIR: So would it be fair to say there are two types of costs, then? There are the costs for the trains or the carriages that have already been delivered that will now need to be modified, as opposed to the ones that are yet to be manufactured and delivered. Are they different costs? Would you expect the built-in costs of the newly manufactured carriages to be cheaper?

HOWARD COLLINS: I can't say for certain because obviously that is an issue we might have to take on notice. But if I explain in general terms, we believe that the modifications of those units which are here in New South Wales will be done at Kangy Angy by RailConnect staff following, obviously, a lot of design work and testing. Whether the other trains, which are currently in manufacture, would be modified at the factory or whether they will arrive and be modified is something I can't tell you at this stage.

The CHAIR: Understood. Thank you very much for all of that; it has given a very clear picture of what is being asked for. I guess we can imagine the cost of that because I understand you are not in a position to tell us exactly how much. However, it has been stated that the cost of these modifications would be less than the cost of delaying further, which is very useful to know. Given that the entire fleet and the contract for the entire fleet was, I think, put at \$2.8 billion—is that correct?—

ROB SHARP: Correct.

The CHAIR: —the assertion by Minister Tudehope that the modifications could cost \$1 billion is quite absurd, isn't it?

ROB SHARP: I can't comment on your statement. At the end of the day we are putting up a number of options. There are costs associated with it and Cabinet will need to make a decision on those options. The costs are significant.

The CHAIR: Did Minister Tudehope ask you how much the cost would be before he made that statement?

ROB SHARP: We've provided all the Ministers, including DPC and a number of stakeholders, with drafts of the Cabinet submission as we are working through the options and the process. It's really landing a Cabinet submission that articulates the options and in some ways covers all the risks and the concerns that the various stakeholders have. Given that process, there would have been draft numbers in those documents.

The CHAIR: Did any of those documents have a draft number of \$1 billion for modifications?

ROB SHARP: It would be inappropriate for me to comment on what's in a Cabinet document. The bottom line is numbers have been moving and there is a number of numbers, depending on which scenario you look at.

The CHAIR: In the time that you have been working on this, have you at any time had it proposed to you that the modifications would cost \$1 billion?

ROB SHARP: No. What the process is is that we work with the unions to understand the detail and we are still working through those as we speak. We still need to land a final agreement in terms of what those changes would be. Clearly, if we are asking Cabinet to sign off, we would need a position—and likewise the unions would want us to agree to an operating model associated with those. So we're at a point where that is about to be agreed. That will then actually generate the final numbers, so it is still moving.

The CHAIR: Understood. But Minister Tudehope, who is also the Minister for Finance, just cited \$1 billion as the amount for the modifications.

ROB SHARP: As I said, there has been a number of draft documents and he would have been privy to the evolving numbers and the evolving calculations for multiple scenarios.

The CHAIR: So he should have known better than to say \$1 billion.

ROB SHARP: You'd have to ask Minister Tudehope.

The CHAIR: I will. I will enjoy doing that.

ROB SHARP: Chair, I did want to make just one comment. The Mariyung is unambiguously safe. What we're talking about in terms of safety conversations is a package. Safety is not ever just one item. What we're actually doing is working with the unions around what that safety passage looks like. Safety is always layers of controls and we're very keen to ensure that those controls and the package of those controls deliver a safe outcome. I just want to make sure the public is fully aware that these trains are safe and will be safe, and both the unions and ourselves have that as a highest priority through this process.

The CHAIR: I'm glad you raised that though, because safety is not an absolute concept, is it? When you talk about something being safe, something can also be safer and made safer. So when you're talking about it being safe, you must have some sort of a risk assessment at the back of your mind in order to make that assumption.

ROB SHARP: Correct. And there's a risk assessment that is jointly completed with the union bodies and that is then tabled with ONRSR. So the process before the trains operate in their final configuration will be subject to a full risk assessment. The safe-safer conversations will be had and we'll be presenting that to ONRSR for their accreditation. That process will take some months and we'll be working through that assiduously.

The CHAIR: Because the public's tolerance for risk, when it comes to safety, might be a little different to the Government's or to the regulator's as well. I mean it's—

ROB SHARP: You have three people here who are ultimately responsible for the safety of the rail system: Mr Merrick, Mr Allaway, Matt and myself. We have safety as our highest priority. It is not negotiable. I just want to make sure that it's not just the Government; we actually have full accountability to the regulators and we take that very seriously.

The Hon. MICK VEITCH: I want to continue on a little with some of the matters arising from the last line of questioning, if I can—probably to Mr Sharp to start with. First of all, I just want to clarify—Mr Collins, you said that you were stabling some of these at Lithgow. There are two different things here: stabling and storage.

HOWARD COLLINS: Yes, they're the same thing. If I clarify storage—they are stabled at Lithgow under storage if I've made that clear.

The Hon. MICK VEITCH: Yes. It's an existing yard, though.

HOWARD COLLINS: It's an existing yard. On both sides—if you know the area, there are some that are actually stored on the up side of Lithgow and there are some on the down side.

The Hon. MICK VEITCH: There would already be security at that yard, would there not?

HOWARD COLLINS: Not normally. In those rail lines, which come under Matt Longland, we might have some sort of visiting security for existing sets of trains but, of course, we've added some additional security to ensure that these brand new trains are protected. They tend to be the subject of attack of graffiti vandals—and also the trains themselves. So the decision was made to ensure that we provided levels of security which protect those brand new assets.

The Hon. MICK VEITCH: Going forward, obviously there will be driver and guard training for the operation of the Mariyung.

HOWARD COLLINS: I will refer this to Mr Dale Merrick because Dale is in charge of the driver and guard training for New South Wales trains.

DALE MERRICK: Yes, thanks, Howard. As has been previously discussed, when we finalise the operating model for the Mariyung fleet that is supported by Cabinet, we'll then work through an appropriate training and competency package for the train.

The Hon. MICK VEITCH: How long will that take to implement?

DALE MERRICK: I wouldn't like to put a time on it given the changes are not yet finalised. Obviously that package will reflect any of the changes compared to the current state.

The Hon. MICK VEITCH: This might be for you, Mr Sharp. What was the total final cost of the new intercity fleet given the ongoing maintenance budget for these?

ROB SHARP: If you're looking at the whole-of-life cost—

The Hon. MICK VEITCH: Yes

ROB SHARP: —I'd have to take that on notice. The budget for the actual acquisition was \$2.8 billion.

The Hon. MICK VEITCH: The whole-of-life?

ROB SHARP: Yes, I'd have to take that on notice.

The Hon. MICK VEITCH: There have been, as I understand it, 56 additional carriages purchased on top of the original contract. Were they at the same price as the original contract or was there a variation on price on the—

ROB SHARP: I'd have to take that on notice in regards to that latest acquisition.

The Hon. MICK VEITCH: If you're taking that on notice, it would be nice to know if there was an increase in price—just what that was per carriage.

ROB SHARP: We'll revert with that information.

The Hon. MICK VEITCH: We were talking about the bill for the storage life for the rolling stock. Is that being put on as a part of the original capital cost of these or is it being taken across into the recurrent budget?

ROB SHARP: It's an interesting technical question, which I've discussed with the accounting team. Off the top of my head, I can't recollect where it landed but, suffice to say, there are costs that do end up in operations. One of those costs, for example, would be if you're expending money and it's not actually delivering a physical asset. You can't put it into the assets; it has got to actually come through into your operating budget and be covered through that. As part of this current budget process, we are actually looking through that, and the accounting team are looking at which part of the appropriation process some of those dollars will land. I can't advise exactly what dollars will end up where because we are still working through that at the moment.

The Hon. MICK VEITCH: What sorts of costs would then be included?

ROB SHARP: For example, there are sensors that are on the railway stations, and it helps align the trains. If we needed to relocate those, that relocation cost, whilst it's part of the project, is not creating an asset; it's moving an asset. Therefore, that would be an operational expense, just to give you an example. We are working through pretty much every component of the contract and changes to see what would be capitalised. The primary changes, however, which are the ones to the actual carriages, that is actually creating an asset. You are putting equipment on. That would be capitalisable.

The Hon. MICK VEITCH: It is important to delineate between the two.

ROB SHARP: Correct.

The Hon. MICK VEITCH: You need to understand to have a clear picture of what you are forcing into your operating budget.

ROB SHARP: What I will say is the bulk of it, from what I've seen to date, is capital. There is not a large impact to the operational expense line.

The Hon. MICK VEITCH: There has been no morphing at this stage from capital to recurrent?

ROB SHARP: No.

The Hon. MICK VEITCH: Okay. As a part of the rectifications, as I understand it and you have been talking through these today, there are quite a number of those. I think you spoke about the security cameras. One of the issues is these things operate in a range of different weather conditions. The testing of these in a range of different weather conditions—predominantly wet weather at the moment in Sydney, but it can also get quite hot in Sydney—has that work been undertaken? When you say that the CCTVs are the best, for instance, Mr Collins, have they been tested in the quite diverse weather conditions that they are going to be exposed on the Sydney and the outer metropolitan lines?

HOWARD COLLINS: Yes. I'm talking in general of rolling stock commissioning, which I've been involved in in quite a few fleets. I would imagine—and, again, we could probably provide on notice—that significant testing happens within the manufacturing plant. In fact, I think in the manufacturing plant they have a test track and they are able to operate these trains at high speed on different conditions. Certainly, prior to the

protective industrial action, a number of these trains have been out on the network, operating and testing under various conditions. Certainly, they are a very good train. They have certainly operated well. The great thing about modern technology, as we know from our mobile phones, is that you start off with a very grainy picture when we first started putting in CCTV, which in my day was in the eighties, and when you get to this modern technology it certainly provides excellent quality. There are obviously occasions where things don't work or there is an obstruction or sunlight, but the advantage with cameras pointing in each direction on each car is that you get an opportunity for examining the best view at the time.

ROB SHARP: I will ask Mr Merrick to comment on that as well. We have done extensive testing in the commissioning stage here in Australia.

DALE MERRICK: Thanks, Secretary, and thanks for the question. I can speak more broadly about what the train offers. In the current configuration as accredited, this train has next-generation safety features but also customer features. The safety features include sensitive doorage technology for obstructions, the traction interlocking for all the doors, and the CCTV is significant in that there are 40 external cameras on this train. So every car has two cameras on each side. What that does, compared to today, is it affords the guard and the driver a full view of the platform in the train interface. Most importantly, it provides a triangulated response to that interface in all conditions. For those curved platforms and for those parts of the network that are exposed to weather conditions, as has been stated, the CCTV quality is really good, and it has been proven over that testing and commissioning phase.

The Hon. MICK VEITCH: With all the activity that is going on at the moment, on your Gantt chart—I know public servants love Gantt charts—when will the first passengers be walking on these trains?

ROB SHARP: At the moment, it is going to depend on the Cabinet decision on which scenario they go with. It would be pre-emptive to say, "Here's a date." Clearly, we know all the trains at the moment are contractually to be delivered by 24 June. That is my understanding. We would like to see them in service as quickly as possible. With changes that are required to the train set, that will take a little bit of time. So, clearly, there'll be an extension of the program. But the unions are working very closely with us to look at how we get some services up and running on the approved line—which is to Newcastle—and how we can expedite that safely. So there will be some interim services that we'll be providing to the customers. Behind the scenes over time we'll do the changes, and then we'll roll those back into the new operating model. So there'll be an interim step to actually get what are high-quality, latest-technology trains into service as soon as we can.

The Hon. MICK VEITCH: So Newcastle first, essentially—almost like an operational test.

ROB SHARP: That's accredited already. So we're looking at a model in terms of how can we get some services onto that already accredited route as soon as we can. Then we will work on the program to implement whatever the final agreed changes are, and we will set up a program around that.

The Hon. MICK VEITCH: After the—almost—trial or test run of those trains on the Newcastle line, do you have an idea about how long after they are operational on the Newcastle line it will be until the other lines could—

ROB SHARP: The plan was always to have that particular route first cab off the rank and then we would move to the risk assessments of each route. So the process with ONRSR is for each route you do a risk assessment specific to that route. That's because the conditions vary and the nature of the platforms vary. So the process would be to get whatever the final agreed position is approved, and then we would look to move onto those other routes and methodically work through the risk assessments for those other routes. Obviously, we'd need to secure ONRSR's approval before we could deploy services.

The Hon. MICK VEITCH: My last question goes back to the driver and guard training. Are you looking at developing that training in house or will you go outside to get someone?

ROB SHARP: I'll pass to Mr Merrick to answer that.

DALE MERRICK: Thanks again for the follow-up question. Most definitely in house. So the training and competency package that was developed for the current-state train, we would see it as a modification of that internal package.

The Hon. JOHN GRAHAM: Mr Sharp, I just want to return to the events of 12 May. I've talked about the Ministers disagreeing. But on that morning, the deputy secretary of the department was writing a letter about these negotiations, saying, "This is on track." Hours later, Ministers were issuing a rallying call to their colleagues to draw a line in the sand on those negotiations. Can you tell us what was going on to get those very different public signals?

ROB SHARP: Firstly, the letter wasn't public; it was to the unions. It was very much part of the process that we were going through with the seven-week intensive bargaining. So through that process, as you would imagine, 300 claims coming down to a smaller number as well as working through the Mariyung. The Mariyung had a number of different options. As I said, there have been a lot of different negotiations around that. That letter was to basically articulate the conversations we were having with the unions at that time with respect to what that particular option would look like. So it was totally separate to any external commentary that arose by the Ministers. It was very much part of what I'd call the BAU process of negotiating through that. There are a number of letters that I've written as well.

The Hon. JOHN GRAHAM: They're very different signals, aren't they, Mr Sharp? When that letter was written, were you aware that those Ministers were going to do a press conference?

ROB SHARP: No, I wasn't aware.

The Hon. JOHN GRAHAM: Were you aware before that press conference happened that those Ministers were going to do a press conference?

ROB SHARP: I wasn't aware that there was a press conference until late the evening before. So, as a consequence, I wasn't privy to what the press conference details were about.

The Hon. JOHN GRAHAM: You knew there was going to be a press conference, but you didn't know that those Ministers were going to issue this rallying call—what some saw as an attempt to blow up the negotiations.

ROB SHARP: I don't know how you would present that—

The Hon. JOHN GRAHAM: What some saw.

ROB SHARP: —but there have been a number of press conferences around the industrial relations. So I wasn't surprised there would be a press conference.

The Hon. JOHN GRAHAM: Yes, which is fair.

ROB SHARP: The actual letter, though—there are letters that I've seen as well where we've agreed on certain parameters within the enterprise agreement's terms and conditions. I've written a very similar letter to the deputy secretary of ROM, indicating our position on those, to say, "We've worked through them and we would be looking to develop a scenario based on those." That was a similar letter in regard to the structure of what the operating model might look like.

The Hon. JOHN GRAHAM: Thank you for that. I want to come to the outstanding issues. You have said that in the next week or two weeks this might come to ERC and to Cabinet to resolve this. I want to understand: What is the hold-up? What are the outstanding issues? I think you have been really clear, and I appreciate that the financial side of this will be dealt with in a range of options, and Cabinet will have to choose. Are there any other outstanding issues? Why can't this go today? Let me put one of the specifics to you. Is one of the reasons because Ministers have issued a late request for a clause to be inserted in the enterprise agreement allowing the enterprise agreement to be reopened, and that that request was made as little as a week ago? Is that one of the outstanding issues that is holding this up?

ROB SHARP: There have been about 20 or 30 core items that we've been negotiating in detail with the unions—things such as a deed that we have in place which protects employees in the event of changes to the business structure. There are clauses in the actual enterprise agreements about whether you have two agreements or a single agreement. Those have been worked through, and those agreements have clauses such as what we refer to as clause 12—I think it's clause 7 in the NSW Trains agreement. These are around decision-making protocols in terms of changes. As you are aware, an enterprise agreement goes for a period of time. The world doesn't stay still, and there will be changes that occur. An example would be the regional fleet. I would envisage somewhere in the next three years that regional fleet would need—

The Hon. JOHN GRAHAM: Mr Sharp, I'm going to bring you back to the question. Is this one of the sticking points? Is this one of the hold-ups? Is this one of the reasons why this isn't in front of Cabinet today?

ROB SHARP: Mr Graham, I wouldn't refer to it as a hold-up. I see it as just part of these items that we have been negotiating and, yes, we are down to probably two or three. We still have to actually physically exchange an agreement on what those modifications would be. That is still to be nailed. There are a couple of clauses in the enterprise agreements. We have been working through that, and clearly there are lawyers and legal advice that one takes on something like this. I know the union bodies are also considering that through their executive forums. To me, they are significant issues that require some sort of agreement and we are looking to expedite those—and we are down to those couple—to then put a paper up to Cabinet.

The Hon. JOHN GRAHAM: I want to turn to the safety concerns. As my colleague was asking, the concerns that have been raised, without making a judgement about them, are, if there was an incident—if someone fell between the gap between the platform and the train, for example—you might not be able to see it directly, perhaps through CCTV, and you might not be able to hear it, given the conditions. How often is this happening? How often are passengers falling between the gap in the Greater Sydney train network?

ROB SHARP: I would have to take that on notice, but I will pass to Mr Longland to comment specifically on that risk in the Sydney network.

MATT LONGLAND: Thanks, Mr Sharp. The platform-train interface is obviously a very important factor in customers boarding trains and ensuring that they are clear of the doors or that they are not actually in between the gap between the platform and the train. Parts of our network are very old, and we are dealing with things like curved platforms. The geometry of modern railways and having—

The Hon. JOHN GRAHAM: Mr Longland, I have caught a train before. How often is this happening?

MATT LONGLAND: I would have to take that on notice to get the details. It is not a regular occurrence, but it is certainly something that all of our staff are trained to manage and to look out for, whether they are platform staff, whether they are guards or whether they are drivers.

The Hon. JOHN GRAHAM: I'm going to quote to you—when you say it's not a regular occurrence—from a transport document: "Removing the gap between trains and our platforms remains an important and complex challenge, with an average of five people falling between the gaps on the Greater Sydney trains network every week." Is that accurate, Mr Longland? That sounds pretty regular.

MATT LONGLAND: Thank you for the follow-up. I would need to see the document you are referring to and understand the context in which it was written and when it was written. But, as I said, it is a key safety consideration, managing the interface between the platform and the train.

The Hon. JOHN GRAHAM: This is the future transport draft strategy, which says there's a person falling between the gap once every workday. Is that an accurate statement? This is your own document.

MATT LONGLAND: I would need to take that on notice and confirm that.

The Hon. JOHN GRAHAM: Mr Sharp?

ROB SHARP: As Mr Longland said, I am aware of this being a key safety issue. We have actually put gap fillers in some of the congested stations, such as Circular Quay, and we actually have a program where we are looking at whether that technology solution can be expanded. Clearly we are aware that that is a risk. In terms of the specific numbers, I am with Mr Longland; I would have to see the document.

The Hon. JOHN GRAHAM: As Mr Collins says, this can happen in a flash. These things can happen in a flash.

ROB SHARP: They can, yes.

The Hon. JOHN GRAHAM: The key issue in this dispute is how risky these platforms are and you do not seem to be aware of how frequently this is occurring.

ROB SHARP: We are aware.

The Hon. JOHN GRAHAM: It is not very often your own documents say that this is one person every workday falling in between the platform and the train.

ROB SHARP: Mr Graham, we have said we will look at the document. There are a lot of documents in context. We will have a look at it. In terms of the risk, yes, it is a risk. But it is one of many risks. The risks are actually managed through multiple ways. We do have staff on platforms and we do have new technologies. We actually have cameras on the platforms as well.

The Hon. JOHN GRAHAM: But as you sit there now, Mr Sharp, you can't tell me how often this is happening.

ROB SHARP: I can't tell you an exact number. You've quoted a number from a document. We would need to look at that document.

The Hon. JOHN GRAHAM: I am saying to you that your department says it's one person every workday. They also say, "This is particularly exacerbated for people with reduced mobility, including people with disability and elderly passengers."

HOWARD COLLINS: Just to add, Mr Graham, I look at the safety document every morning just to see what's happened. People falling through the gap below the train is quite rare. It happens once, twice or three times a year. People are stumbling and tripping and injuring themselves. Possibly out of 850,000 trips in a day, one or two will be reported. We are working very hard on that. As you know as a regular train traveller, we obviously provide a lot of information to advise customers and make sure that they keep well clear of the gap.

The Hon. JOHN GRAHAM: I am going to hand to my colleague, Mr Collins, but I might just put that quote to you again: "There is an average of five people falling between the gaps on the Greater Sydney trains network every week."

The Hon. WES FANG: That's the one he wants to use for the press conference.

The CHAIR: Order!

HOWARD COLLINS: Just to clarify, if I may, falling between might be that your leg has dropped in it. It's not—I think it might be worth us verifying. It's not as if people fall literally between the train and end up under the train. I think we'll have a look at that data. It may be factually true and we will check that. But we do get people, as you know, trip or end up injuring themselves or even not injuring themselves and stumble either out of the train or into it. We've seen that on CCTV and news articles as well.

The CHAIR: Just for clarification for the transcript, are you able to tell us a bit more about what the document is, Mr Graham?

The Hon. JOHN GRAHAM: I have described the document.

The CHAIR: Perhaps a page number.

The Hon. JOHN GRAHAM: I will do that; page 2. I will supply that page number.

The CHAIR: We are going to have a five-minute tea break. We will be back at 10.45 a.m.

(Short adjournment)

The CHAIR: Welcome back. I hope you're refreshed after your 7½-minute break—very generous. Can I just go back a bit to the cost issue? We have talked at length now about the cost of the modifications. You have told us, Mr Sharp, that the cost of those modifications is lower than the cost of—I think it was referred to as prolongation, which is the storage or the shedding cost and moving them around and whatever it is you do for the wheels—and contractual costs as well. I think my colleague Mr Graham referred to this as well, that there was a statement by Minister Kean, "The fleet has been sitting in sheds at a cost of \$30 million a month to the taxpayer." I think we already have your evidence, Mr Sharp, that that's actually more like \$1 million of actual cost to store.

ROB SHARP: Correct.

The CHAIR: You said it includes the staffing costs of the person who actually has to maintain—

ROB SHARP: There's some security. It's the actual costs of actually housing them. Then there's other costs, such as the maintenance. You can't have the trains just sitting there. Ideally you would want to move them. There's activities that you would do as a maintenance program on those trains. For warranty purposes you would still need to maintain your contractual commitments. Some of those costs per month are driven by that. Obviously that grows over time as you get more train sets. As time goes on the nature of the maintenance activities increases, so you'll see an increasing tail. That's up to \$30 million over a period of time. That was where that number referenced. It's not a current cost at the moment but it could potentially be if there were further delays. It's one of the scenario costs.

The CHAIR: It's about \$1 million at the moment. Sorry. Take that step back again. That includes staff, security, maintenance at the moment plus, presumably, the cost of the rent of the land. We're sitting on Transport-owned land at Kangy Angy, right? So—

HOWARD COLLINS: Yes, just to confirm, Broadmeadow, Lithgow, Kangy Angy is all actually TAHE—Transport Asset Holding Entity—land now. I don't know, Dale, whether there's other locations, but I think we found those sites. The double-deck trains, obviously, are fairly restricted in where they can be stored. They can't be stored out in the west somewhere, because they're taller than the average train, so we have to find sites which accommodate double-deck trains.

The CHAIR: Have you had to move other trains out of those sites in order to accommodate this or was there already excess space?

HOWARD COLLINS: It's a bit like parking in your garage. It's more full than it used to be but we are working through that. We managed to juggle the other fleets around with our fleet team, so we're okay.

The CHAIR: So there's no flow-on cost from that. Now I understand what that \$1 million is, Mr Sharp, when you say that that will increase over time, that seems quite a radical jump from \$1 million to \$30 million. How many years are we talking before we would get to that \$30 million figure?

ROB SHARP: No. The \$30 million includes other costs. The \$30 million has a storage cost component to it. That would obviously grow. In fact, it would be a challenge because I don't think we could continue to park all the train sets as they come in. There would be costs, presumably, for the manufacturer to store them in their facilities. So over time there would be some increase in the storage costs, but it's not \$1 million to \$30 million. The \$1 million is a component of other costs, which include maintenance. What I'm saying is the \$30 million number is a few years out in terms of what that forecast might look like.

The CHAIR: Hang on. We—

ROB SHARP: It's not \$1 million to \$30 million. A small portion of \$30 million would relate to storage.

The CHAIR: Sorry. When I'm talking about storage costs and that \$1 million, I thought we just got to the point where we agreed that the \$1 million included the physical kind of—the cost of storage, being the staff, the security and the maintenance.

ROB SHARP: Not the maintenance.

The CHAIR: So the \$1 million is just for staff and security.

ROB SHARP: It's for storage costs. To get a full breakdown I would have to take that on notice but it's the costs of physically parking them and protecting them. Then there is a separate contractual commitment around maintaining those train sets. There is quite a large number of them here. The maintenance costs associated with that are part of that \$30 million. It's over and above the storage—a different costs centre.

The CHAIR: Fine. So staff and security is \$1 million at the moment and we wouldn't expect that to change markedly unless there was a need to start housing these carriages somewhere else, for example, with the manufacturer. So it's \$1 million at the moment. Then you have the maintenance amount. Can you tell me at the moment how much that maintenance cost is?

ROB SHARP: No, I can't tell you that. I would have to take it on notice. It's bundled up into other numbers, which I don't have here. We would have to take on notice what the actual maintenance cost is at the moment but the \$30 million includes a forecast into the future of what that might be.

The CHAIR: I understood from your previous answer that the \$30 million was where we might get to in the future.

ROB SHARP: Correct.

The CHAIR: Can you tell me what it is now?

ROB SHARP: The \$30 million would be around \$15 million to \$20 million, which is the bookend or the equivalent now. I just haven't got the breakdown of all the components of that.

The CHAIR: Minister Kean wasn't wildly out. He doubled it, perhaps.

ROB SHARP: He talked to the future cost if these trains continue to sit there.

The CHAIR: Yes, which wasn't clear from listening, but that's fine. Let's be generous. When would we get to this \$30 million if we are currently around the \$15 million to \$20 million? When is it forecast that it will reach \$30 million?

ROB SHARP: We've got a number of scenarios. If agreement isn't reached, for example, what are the next negotiation stages with the unions and how long would the program go for? Costs associated with that would include ongoing storage and, in fact, storage of other train sets that are currently coming off production lines. So there are scenarios. The costs on each of those scenarios does vary. But the \$30 million is indicative—I think it is two or three years out from memory.

The CHAIR: So in a few years' time based on continuing to be delayed.

ROB SHARP: Correct.

The CHAIR: We would then be looking at \$360 million a year and I think we've agreed that that \$360 million per year in storage costs would far outweigh the cost of modifications that have been requested by the unions. Is that correct?

ROB SHARP: It depends on the scenarios and the numbers that we finalise. That will all be set out in the Cabinet paper.

The CHAIR: But you did say earlier, did you not, that the physical cost—the cost of modifications—is a lot less than the prolongation costs?

ROB SHARP: Correct.

The CHAIR: The prolongation costs are storage and contractual?

ROB SHARP: But in terms of comparing one to another there's a lot of other costs of whole-of-life costings and prolongation. The actual comparisons for a decision are much more complex than just comparing those two numbers because there are other costs involved, including program management, assumptions around contractual positions and penalties, and warranty implications. Those are quite complex, so the decision is actually made around a package of things that will drive costs. But you are right, there's a reference point there in terms of if you didn't do anything and you ended up with protracted negotiations, some sizable costs would be incurred. I think that premise is correct.

The CHAIR: Okay, but we are still looking at something that for the prolongation cost is far below \$1 billion or even \$500 million. Is that correct?

ROB SHARP: Yes. It is a smaller portion of the headline numbers, the actual physical cost to change the train sets.

The CHAIR: Sorry, that was not my question, but that was where I was going to. Would it be fair to say that the costs of making the changes, as has now been agreed with the unions, are below \$300 million?

ROB SHARP: It would be inappropriate for me to talk to the specific costs out of context. There are a lot of costs that add up. You need to compare bookends. One bookend would be to do nothing, another would be to do the changes and implement. There are also some other in-between options that we could potentially discuss with the unions. Cabinet needs to make a call on those. But you are right, they are the comparisons that will be made. It is just that it is not as straightforward as, "Here is a number versus another number."

The CHAIR: It seems from the evidence that has been provided so far that the negotiations on the safety modifications with the unions have been going quite well. Would that be fair to say?

ROB SHARP: It has been part of an intensive bargaining period. I would describe the bargaining period as being very productive. Both parties have come together—and when I say both parties, there are a number of unions. It has been negotiating with 60 or 70 delegates on a daily basis and then distilling it at an executive level down to the core items for each of the unions. I would describe the seven weeks as being very productive, and it has moved the conversation forward with the Mariyung in terms of what those potential options might be.

The CHAIR: Mr Collins, is that your view as well? Have you got to the point now where things are pretty much agreed or are no longer as contentious with the unions on these safety modifications?

HOWARD COLLINS: Thank you very much for the question. I think Mr Longland, Sam Abeydeera, Dale Merrick and the team have worked extremely hard, I would say, over many days and long hours to thrash out what were 300 claims to a number that was reasonable. I think I provided a little bit of my hard-earned experience over 25 years—with two EAs here and quite a few in other countries—where it is sitting down and understanding each other's points of view and going through that and discussing those items in detail. I would commend the work that Mr Longland has achieved in that time along with Mr Merrick. I think we are in a clearer position than we have been. I certainly believe there is an opportunity now for Cabinet to review where we have got to and make a decision on the proposals that Mr Sharp talks about.

The CHAIR: Mr Sharp, I am looking at an email that you sent out on 6 May entitled "End of six-week intensive negotiations with rail unions". Basically it is a very positive email that you have sent out. You said, "We covered a lot of material," when you met with the delegates, and that you had "made really good progress", and, "There was a strong focus to address priorities in the log of claims and areas including safety." On 6 May were you happy with the progress of the negotiations with the unions?

ROB SHARP: At a high level, yes. We had hoped to actually nail what I call the core claims in the first couple of weeks. The reality is that it took us about four weeks to really get to that point. Whilst it was positive and it was heading in the right direction, elements of that were pretty key to the time lines in terms of getting Cabinet submissions and being able to run costings—so, productive but probably not quite as quick as we would have hoped. But the reality is that 60 people around a room negotiating 300 claims down was actually quite challenging. I echo Mr Collins' comments. The team has worked extremely hard.

Also I acknowledge the unions. A lot of their delegates have come in from different parts of the State, and there has been a concerted effort. Yes, a good position—now, a "good position" means do we have a good understanding of each other's positions and are we landing some consensus around some of these? One of the things I have learnt is, once you actually get it in writing and you start to actually put it into what an EA clause might look like, there is always ongoing conversation. Because when you see things in black and white, you can interpret the words differently, or the nuance in the context of a legal document becomes more challenging. There have been separate working groups working through that level of detail. So it is pleasing to have got to the point where that detail has been achieved in a short period of time.

The CHAIR: Had the NIF Mariyung working group concluded and reported back by the time you sent that email on the sixth?

ROB SHARP: It's ongoing, and it is still ongoing even now. The working groups are working through the mock-ups—what would it look like and is it going to work in practice? That is the item that I mentioned earlier. What are those couple of items that are core to being wrapped up? Getting a final agreement in writing with the unions. Equally, they want us to commit in writing to the operating model. That still needs to be landed, and there have been meetings, even as of yesterday, on that particular topic.

The CHAIR: But an in-principle agreement had been reached prior to 6 May, particularly in relation to the nature of the modifications that would be sought?

ROB SHARP: I think they've moved quite substantially. Mr Collins has been heavily involved.

HOWARD COLLINS: If I can add some facts to that, it really has been in the last two weeks, maybe three, that Mr Merrick and I have worked with the unions. We were very keen to ensure that we didn't get scope creep from the unions, and also they were very keen that they got what they thought were the necessary modifications. We put those together in detail. I think we have a good position now, and both parties are satisfied with the outcome. We are now working on the need to further examine the mock-ups, as Mr Sharp talked about—so the testing of the guard's door. One of the things, as Mr Sharp talked about, was that if we get an agreement from Cabinet to move forward then we will quickly go to this testing regime and further work with the unions on training programs in the event of trying to ensure that we get these trains into service as soon as possible.

The CHAIR: You have said that you've got a position now. Obviously you're working on the details and the mock-ups, and I understand how that works. But that position—and, in particular, the position that was agreed in relation to the modifications—when was that agreed? When did you come to that position, what date?

HOWARD COLLINS: Mr Merrick might want to correct me, but I think it has probably been nailed in the last week with Mr Devitt, who is the fleet director on our side, and the unions. We've had several long days of making sure we're absolutely accurate with specialists on the union side and on our own side as well, as well as with our Infrastructure and Place partners. In the last week I would say I have been absolutely clear where that document is. But, of course, as Mr Sharp suggests, until we know where we are with Cabinet, neither the unions nor ourselves will be in a position to say it's locked and loaded, for obvious reasons.

The CHAIR: Would it be fair to say that intense negotiations have been going on in relation to the Mariyung modifications for the past three weeks?

HOWARD COLLINS: During the six-week period it was obviously one of the key issues the unions had raised with the team. What we decided to do, with the assistance of Mr Merrick, was we would get together a smaller group of specialists from the union side and specialists from our side—the project team who look after the Mariyung—and sit down. I attended a number of meetings to ensure that we're making progress, and out of that came the agreement in principle.

The CHAIR: So we have a six-week process, and from the documents we obtained under our call for papers from the upper House it appears that there was a very structured process during that six weeks. It seemed that there was progress being made. We had a separate working group for Mariyung. That has all been progressing even up until a week ago. What was the impact of Minister Tudehope's statement on the twelfth that there would be no modifications?

HOWARD COLLINS: I think I've learned over many years that you always keep your options open, and we believed that the opportunity for Cabinet to discuss what those options were would be available. So we did continue with those options, examining what the outcome would be. Obviously, it is up to Government to make that final call in terms of modifications. I think Mr Sharp describes it as bookends—you start with not doing anything and you end up with the alternative. I think it was right and proper to continue with those discussions, so we were absolutely clear where we stood.

The CHAIR: Mr Sharp, was it helpful or unhelpful for Mr Tudehope to make that statement in the context of negotiations you were having with the unions?

ROB SHARP: In the context of the negotiations, the relationship had deepened quite substantially with the unions through that six weeks. We were in a position where, when Minister Tudehope said his personal view was that he wouldn't support, that didn't stop the work. So we continued to bargain in good faith. We had considerable delegate meetings lined up that week—they continued. As Mr Collins said, we continued to work on the Mariyung. We had an in-principle agreement with the unions that we would be presenting to Cabinet the options that we would agree, and Cabinet would make a call on it. That hasn't changed, and that continued during that week. I think it was fair to say that there was probably a day or two pause where everyone went, "Well, what does this mean?" But the reality is for Transport that we continue to work with the unions and we are putting those options up for Cabinet consideration.

The Hon. JOHN GRAHAM: I will turn briefly to another matter. It wouldn't be estimates without asking about tolling. So I will ask you, Mr Sharp, for an update on the issue we've discussed previously, which is about the tolls review currently being undertaken by Treasury and by Transport. Firstly, I'd like to simply ask you for an update about the progress on that review and the timing of that review.

ROB SHARP: Yes, the review is underway. NSW Treasury is running that; Transport is providing input and we attend the working group meetings. As you're aware, it is actually identifying policy reforms in this space, the number of options that could occur and, also, are there relief measures that could be considered. There are two objectives. Consistency in toll pricing—and it can be challenging at the moment. Some of them are distance based, some are a fixed price, and you've got multiple tolls for differing sections of the roads. And then the question of fair and equitable tolling pricing is the other objective. So the teams have been working towards a paper and recommendations in regard to those objectives.

It is fair to say there are some recommendations that are currently being put up to ERC for consideration—not so much from the policy side, but certainly in regard to relief measures and addressing some of the cost of living pressures that are clearly out there for everyone. So where that project is at is, I would suspect, still September-October, would be my feeling, before the final recommendations come down in terms of the harder policy-related recommendations. It is still in process, and there are updates being provided to ERC in the next month.

The Hon. JOHN GRAHAM: The Minister has been reasonably clear this morning that, as you've said, those recommendations heading to ERC at the moment, potentially for toll relief measures in the budget, are really the interim step. Is that correct?

ROB SHARP: Correct.

The Hon. JOHN GRAHAM: But that is the bigger question about dealing with these substantial policy issues you've flagged there. They won't be dealt with—

ROB SHARP: Until later in the year. Yes, the working groups are still working through on that. I haven't got a specific deadline that I'm aware of. But it will take, I suspect, another three or four months to really land worked-up and supported recommendations.

The Hon. JOHN GRAHAM: I want to ask you about one option. The Minister was clear again this morning, the option that the Premier had referred to—distance-based charges—is part of this review. That's on the table. I think the Premier had made that clear; he was looking at that option. I want to ask you about another option. Is this under consideration, that is, the option of decentralising the city? I took that as talking about moving the jobs. I'll read you the report from today:

Ward, who was promoted to the roads portfolio late last year, acknowledged the financial strain the city's toll system could have on western Sydney motorists and said decentralising the city to reduce the number of people forced to travel long distances could go some way in addressing that problem.

Is that an option here in the policy options that Transport and Treasury considering? Is this on the table rather than going to the toll arrangements, actually major decentralisation moves?

ROB SHARP: I'm not aware of major decentralisation being on the table. However, all options are being looked at. I haven't spoken to the Minister specifically about her comments but if I look at Bradfield and the South West Growth areas, the inference is that you will have more jobs in those areas and it does make sense if you are looking at a future transport objective to actually have jobs closer to where people live. So the six cities concept where you work within the city but you have a 30-minute connection to other cities. At the moment you still have large numbers of people commuting, for example, on rail into the CBDs, notwithstanding some of that. My view is that the forecast of where city growth occurs and where jobs arise is an interesting policy area. But

from my perspective I am not aware that that's specifically an option that is being worked on. But as I said, all options are on the table with that working group. It is not confined to two or three.

The Hon. JOHN GRAHAM: Let me put to you this specific question about that policy option, as I am struggling to understand it. Look, it's a good idea, as you've outlined in the planning options or in the planning policies, but for motorists struggling with the cost of tolls now, and people paying \$6,000 year in tolls now, it's hard to see decentralisation as something that's really going to happen before 2060, before these contracts end. Is there any reason why motorists under pressure should think this would be a source of hope?

ROB SHARP: I think if you're looking 40 years out, policies can be short-term focused but they can also take a long-term approach. This infrastructure will be around for many, many decades so I would assume some of the policy agendas will look at longer-term elements as well as the here and now. And from my perspective, post-COVID, we are actually looking at where are the travel patterns. It is interesting because patronage on rail, for example, is still lower coming into the CBD, but there's more movement within the suburbs. So we are grappling with what does the new post-COVID norm look like. At the moment, interestingly enough, road traffic's up. We know some of that is confidence in post-COVID. People have a lack of confidence in mass transit and we're doing a lot to boost that confidence, but that is impacting at the moment. Actually, we need to work through those changes to understand what the policy environment's going to be.

The Hon. JOHN GRAHAM: As you looked at those post-COVID travel patterns, have you recalculated the benefit-cost ratio for the Beaches Link project to see whether it's required as people's working and living arrangements have changed—the way they travel around the city? Has that been recalculated ahead of an investment decision?

ROB SHARP: The whole of Government, including Treasury, have been looking at what does that new norm look like and, obviously, as part of the budget process there will be assumptions, I'm sure, that will be included and underpin the current budget. From my perspective, if you're talking Beaches Link, that's a specific project. As you are aware, there are gateways that we review and those include the final business case that goes up. If we were looking at any substantial changes in the forecasts of patronage or road usage, that would be updated as part of that process.

The Hon. JOHN GRAHAM: That's a helpful answer.

ROB SHARP: That risk though would be considered.

The Hon. JOHN GRAHAM: So it would trigger a review. My question is: Has it triggered a review of the benefit-cost ratio?

ROB SHARP: From Transport's perspective, we're still ascertaining what that new norm looks like. I think everyone across New South Wales is actually looking at what those trends are telling us. Are they short-term? Are they long-term? And what does it mean? My personal view—and it's a personal view—is that the core pieces of infrastructure we're delivering are such that the congestion and the benefits still hold up.

The Hon. JOHN GRAHAM: I'm going to draw you back to the specific question, Mr Sharp. That's all helpful, but I think you're saying that, as of today, Transport has not recalculated the benefit-cost ratio for the Beaches Link.

ROB SHARP: Not for the Beaches Link, no.

The Hon. JOHN GRAHAM: Thank you.

ROB SHARP: And a decision hasn't been made on that by Cabinet either.

The Hon. JOHN GRAHAM: Yes. Understood. Can you confirm that, given the recent inflation figures, that at least six Sydney toll roads on 1 July will have their tolls increased by double the normal amount—that is, rather than going up 1 per cent per annum they'll go up by more than double that—2 or 2.1 per cent?

ROB SHARP: I'm aware that the toll prices on the Hills M2, M5 South-West, Eastern Distributor, Cross City Tunnel and Lane Cove will have revised tolling prices on 1 April based on their existing contracts.

The Hon. JOHN GRAHAM: That would be more than double.

ROB SHARP: I'd have to take on notice the specific percentage and how that applies on those particular road pieces of infrastructure.

The Hon. JOHN GRAHAM: You're not disagreeing with the fact that it will be more than double, but you'll take it on notice.

ROB SHARP: Yes. I don't know what that number is. I know it kicks in on 1 April. I just don't have the details provided in my notes so I'll have to come back to you on it.

The Hon. JOHN GRAHAM: I have two final questions in relation to the toll review, then I'll hand to my colleague. We put this question to you before, and you didn't rule it out but it hasn't happened yet: Will there be industry consultation as part of this toll review or will it just be Transport and Treasury in a room drawing up the options?

ROB SHARP: I believe there will be. I would have thought any government policy would entail consultation. At the moment our role is to provide input into the Treasury-led review. It would be a decision for Government in terms of how they choose to consult and what the nature of those options are. I'm not privy to that.

The Hon. JOHN GRAHAM: Well, the budget is on 21 June and to date that hasn't happened. Will it happen before the budget?

ROB SHARP: In respect to that process I don't know. At the moment we've prepared some current input. That has been tabled with Cabinet for their consideration. What comes out of that I don't know. I can't second-guess what their decision will be.

The Hon. JOHN GRAHAM: Finally, will the toll-paying public be consulted as part of this review?

ROB SHARP: I would suspect that there's going to be a number of stakeholders needing to be consulted if you're talking a long-term policy change. Minister Ward today has been clearly indicating quite publicly that there are reviews on the way, so I'm suspecting there would be some opportunity—

The Hon. JOHN GRAHAM: Mr Sharp, the Government may do that. I'm asking about your review: Treasury's review with Transport in assistance. As part of that review, will the public be consulted?

ROB SHARP: I would have to talk to Treasury to find out what their approach is on that. At the moment we're providing modelling on motor usage—what do we see are the behavioural changes if prices change and what do we see are the flow-on implications. That's the role that Transport is playing. In terms of the broader structure of that review, I'd have to refer to Treasury on that one.

The Hon. MICK VEITCH: I just want to go on to a different area from my colleague, who has a fascinating and detailed interest in tolling, as you might have detected. Will the CBD and south-west metro projects be finished in 2024 as planned?

ROB SHARP: My understanding is that that's the case. They have been working post-COVID with all the contractors. As you're aware, the project was closed down for a period. The time lines have been renegotiated but I believe they are still on track to deliver the program.

The Hon. MICK VEITCH: So you don't envisage any delays at all through the testing and commissioning—

ROB SHARP: This is a complex megaproject, so I'd never say there won't be risk, but there is an expert team in the metro organisation that has an independent board that provides a lot of advice as well. So there are good governance structures around the metro project but it's not without risk. It's not.

The Hon. MICK VEITCH: So there has been no need at this point for you to flag with relevant Ministers the possibility of a delay? There's been nothing to trigger that conversation?

ROB SHARP: We've updated ERC on the status of the metro and there are further contracts being let and the time lines have been advised to Cabinet off the back of that as well. So, yes, they've been kept abreast of it.

The Hon. MICK VEITCH: And those time lines are the same as they have—

ROB SHARP: We're not seeing any delay that would impact on being able to deliver the metro in the years that we've indicated.

The Hon. JOHN GRAHAM: I'm surprised by that answer, Mr Sharp. Why was Minister Elliott—I think this was on 3 May—confirming that the Government was now considering opening the line in stages given the increase in construction costs? Minister Elliott was quite public about that. Now you're saying no change, no delay. Which of those two things is true?

ROB SHARP: The Bankstown line in particular has benefits in opening. If you have a large portion of the project that is completed and then you are looking at the final stages of it, which is that stage out to the airport, it does make sense to consider opening that up. We are actually actively looking at whether that staged opening is a sensible way of delivering the infrastructure early to the public, but it won't be the whole end-to-end because,

clearly, the last stages are still being delivered. As I said, this is a complex project. It does contain risks, but the update recently following the implications coming out of the COVID project repositioning is that we are still looking at delivering in 2024.

The Hon. MICK VEITCH: I want to go to the procurement of the rolling stock then for the three projects. The CBD and south-west metro, has the procurement process finalised? Is the rolling stock all locked in and ready?

ROB SHARP: I would have to take that on notice with the Metro team. We don't have a Metro representative here today, so some of this detail I will have to take on notice, sorry.

The Hon. MICK VEITCH: Can you also do the same thing then for the western airport metro?

ROB SHARP: Yes.

The Hon. MICK VEITCH: And the Parramatta Light Rail stage two?

ROB SHARP: This is for the rolling stock?

The Hon. MICK VEITCH: Yes, for the rolling stock. I just want to know which ones or what portions of that rolling stock are being constructed within New South Wales.

ROB SHARP: I will take that on notice.

The Hon. MICK VEITCH: Has the final business case for the Parramatta Light Rail stage two been in existence since 2018? Is that correct?

ROB SHARP: We have been refreshing that business case. That business case will be presented to ERC for consideration. The business case is all but finalised, but there are still some forecast updates that we are wrapping up. But that business case is being refreshed.

The Hon. MICK VEITCH: Is the business forecast the totality of the refreshment exercise, or are there other elements that you need?

ROB SHARP: We were also concerned, given in Parramatta Light Rail stage one there were a lot of utilities and contamination sites, and we were wanting to ensure that we had further visibility of that. The budget for this year included \$50 million, which was allocated for geotech works. A lot of those works are underway, and that is informing the actual cost that we need to put into that business case.

The Hon. MICK VEITCH: Has that refreshment exercise gone out to tender?

ROB SHARP: It went through our normal tender processes some 12 months ago.

The Hon. MICK VEITCH: Who was successful?

ROB SHARP: I would have to take that on notice. I am not sure which geotech firm was successful on that.

The Hon. MICK VEITCH: Does that refreshment exercise include looking at supporting domestic production of rolling stock?

ROB SHARP: Yes, it does.

The Hon. MICK VEITCH: It does?

ROB SHARP: There is an option in there for that.

The Hon. MICK VEITCH: So there is an option but that doesn't mean it's going to be taken up, though, does it?

ROB SHARP: With all the papers that we put up to Cabinet, you put a range of options. Those options include some local content. There are others where you potentially just leverage up a current contract and buy a kit that you already know and operate. Those options are there for Cabinet consideration, and that will be weighed up in the overall business case assessment.

The Hon. MICK VEITCH: Does Transport for NSW possess a costing for the potential extension of the heavy rail line from Leppington station to the Nancy-Bird Walton Airport?

ROB SHARP: The Federal Government allocated some funds for a business case to be developed, and those funds are being considered as part of the current budget process. Typically, if the Federal Government has put those in, that would be certain. However, we've obviously had a Federal election, so we are just waiting for confirmation on which projects are honoured out of the pre-election process. There was also a number of election

commitments made, and we would be working through which of those can be taken up and what the budget implications are for the New South Wales Government off the back of that.

The Hon. MICK VEITCH: That's heavy rail. Does it also include the potential of extending the metro?

ROB SHARP: The Leppington one is actually the business case. Now the business case will look at what the best rail options are —

The Hon. MICK VEITCH: What is the best rail option?

ROB SHARP: Correct. That will form part of that business case.

The Hon. MICK VEITCH: What is the difference in construction cost between heavy rail and light rail?

ROB SHARP: Heavy rail and light rail?

The Hon. MICK VEITCH: As I said, there are some variables.

ROB SHARP: There are.

The Hon. MICK VEITCH: But a rule of thumb?

ROB SHARP: For light rail I haven't got a rule of thumb because it does vary on where you're actually running it, whether the corridors are there. Typically with light rail, because you're going down roads or creating a narrow corridor, you're going through brownfield sites. So the contamination risks are quite high. For heavy rail, typically we've got long-term corridors. They're quite wide. You already have infrastructure largely in place. So it costs more for that infrastructure. However, light rail has its complexities and, depending on where you're actually building it, those costs can add up. But typically light rail is substantially cheaper than heavy rail, just through gauge, sheer amounts of steel, the amount of infrastructure you're putting underneath to support these.

The Hon. MICK VEITCH: Is the domestic production of the rolling stock and the domestic production of other materials included in the business case? Is that just part of the options that you would put forward to government?

ROB SHARP: Yes, it is. It is interesting when you look at it. There's actually quite a large amount of domestic manufacturing of product that is used.

The Hon. MICK VEITCH: The construction of these things is quite substantial—heavy rail [disorder].

ROB SHARP: It is. For example, so far the Sydney light rail project has used 8,000 tonnes of steel. That's 100 per cent Australian steel that's been used. Likewise the Sydney Metro Northwest tunnels are 7,000 tonnes, and that was Australian sourced as well. So there's quite a bit of Australian source material already utilised in a lot of the major projects, including the rail.

The Hon. MICK VEITCH: We might come back to that.

The CHAIR: I'll just ask a couple of questions, and I might hand back to the Opposition. I want to ask about the period where we had the fares basically being waived on city transport. It appeared to be quite a successful period of getting more people onto public transport. What is being looked at in regard to maybe doing that again in the future?

ROB SHARP: Thanks for the question. It was a really interesting experiment in some ways. It was quite a large period of time, aligned with holidays and weekends. The initial economic reports that I've seen show that it was a positive contribution. So the fares that we effectively would have picked up at the time were more than outweighed by the economic benefits that flowed on. So having looked at that, you certainly wouldn't be doing it in your peak work periods. The dollars wouldn't work. But there may well be periods where this could be considered. As part of our fares review, certainly fare-free days are an option that could be considered. It would need to be considered by Cabinet as part of a suite of fare proposals. But it was actually an interesting flow-on impact. It was around a heavy holiday period, so the revenue lost was a lot less than what you would normally see. But it also generated significant economic activity, particularly around the CBD.

The CHAIR: When people were using transport, they still had to tap on and tap off, didn't they? Is there a scenario where that wouldn't be required either, or are you doing that for data collection purposes?

ROB SHARP: Yes, and there are other system issues. But I'll pass to Mr Longland to talk to that.

MATT LONGLAND: Thanks for the follow-up, Secretary. It was a successful period—12 days. It operated from Easter Thursday through until Anzac Day. The good weather and the fact that a lot of people were on holidays attracted many to use public transport who maybe hadn't used it for a little while. It generated

activity on not just the rail network but also ferry and light rail, which is very positive, and also the bus network. The requirement on Opal is really about allowing us to collect the data so that we can understand where services were at capacity and, as the secretary highlighted, being able to evaluate the success of the trial—to look at where we increased patronage relative to a normal period and whether the benefit outweighs the cost of forgone revenue.

The CHAIR: Basically I want to understand what the costs of ticketing and fair infrastructure are, based on how much we take in as revenue from fares. What is the percentage of fare revenue that is effectively spent on the infrastructure—on Opal and even things like enforcement of fines for people who haven't paid? Do you have that sort of data?

ROB SHARP: Not handy, but we will take that on notice. The Opal system is a legacy system. There are quite specific costs associated with maintaining that, and at some point we will need to look to actually move to a new revenue system. The costs of that are not just for collecting the dollars. A lot of this is actually around understanding the flow of passengers, and it is quite critical in terms of understanding exactly where capacity needs to be deployed and how you schedule. So that information data collecting is a really critical part of it. Having said that, the payment systems themselves are changing globally, and if you do want to actually have fares, then you need to utilise that technology. There will be a business case that is presented, and we will look at that. The current Opal system has been in place for many, many years so the costs are depreciated and spread. If you are after an annual cost, it will be a case of going through the various accounts that relate to that and pulling that information out. So I'll have to take that on notice.

The CHAIR: The Opal system and the contract that is in place with Opal—

ROB SHARP: The company is called Cubic.

The CHAIR: Thank you. What is the period that you are locked into that for, and does it allow for modifications to the system?

ROB SHARP: It is a legacy system. It is very, very challenging to do modifications and very, very expensive. Even things like fare free day was extraordinarily difficult for Transport to deliver with a very old system. Cubic are migrating all of their customers onto a new technology platform, and the world has moved on substantially in this space. We are testing the market. We will be going out to market in the next year, and the reason for doing that is the contract finishes in 2004.

The CHAIR: Is it 2024?

ROB SHARP: Yes, sorry, 2024. There is a risk in terms of how long you could even extend that for, just because of the technology changes. We are very focused on that. It is a priority review and a priority project for us, and it has a lot more benefits than just collecting the fares. The new systems pretty much have a core grunt system—the technical term for a big system that can handle big data—and then you plug in customer-related systems that allow easy interface. It could open up applications that are much easier to use on your phones—real-time information that could be useful for customers. We are looking at what are all those other benefits that the new technologies bring, what is the cost of that and, from my perspective, how much of that is off-the-shelf. I am not big on developing things in your own right. There are a lot of smart technology companies out there, and that would be the approach we would adopt.

The CHAIR: Okay. I was going to say that obviously the rest of the world is moving to a cardless system where people are using their smartphones or their watches or that sort of thing. It seems like that is becoming rapidly outdated.

ROB SHARP: Yes. Chair, we did a trial. We had about 4,000 people using effectively a digital card that was on their phones. About 70 per cent of those who used it indicated they would prefer that as their mechanism interfacing with Transport. So that will certainly be one of the options. But having said that, there are still quite large sections of the population that aren't tech savvy or haven't actually got the credit cards to use. I think the younger generation in particular are just not using credit cards at all. So there are other techniques that we would need to use. I still think the old card may well still exist, but certainly mobile phones will be the lion's share of it in the future. You can see that trend happening.

The Hon. MICK VEITCH: I just want to follow on a bit, if I could, on that. I kept the words right here. I think you said, Mr Sharp, that we would move to a new revenue system. Has that work commenced? Can I gather from your responses to Ms Boyd that that work has commenced?

ROB SHARP: We are commencing the concept development. So we are starting to explore what is in the marketplace. We are also starting to look at what business case and direction we would like to see these systems go. It is really being driven by that drop-dead date of 2024-25. At some point around that period you will see the technology starting to become obsolete. So there is an absolute bookend in terms of what we need to do.

That work has commenced. We are nowhere near a business case. We would go out to market for expressions of interest and all of that work will be coming up in the coming months.

The Hon. MICK VEITCH: Have we pushed the current Opal system to its limits? Have we stretched and extended it?

ROB SHARP: We have.

The Hon. MICK VEITCH: Is it groaning and creaking as we speak? Is that a fair assessment?

ROB SHARP: Correct. It is. It's an old programming system, so everything is hard-coded. When you want to change something you have to actually go in and do enormous amounts of work and testing just to do a very simple change. It is a very old technology and the whole transport sector, worldwide and globally, is moving on to new systems.

The Hon. MICK VEITCH: With regard to the fare-free days, have you been able to interrogate the data that was collected via the tap-on, tap-off process for—I guess what I'm after is the usage each day on the buses and light rail et cetera.

ROB SHARP: We have that data.

The Hon. MICK VEITCH: Are you able to provide that breakdown on notice?

HOWARD COLLINS: We certainly can, Mr Veitch. Obviously we saw a huge uptake of light rail and ferry trips. We saw they were very popular. I certainly visited a number of sites. That was good to see.

The Hon. MICK VEITCH: Would that be because of the school holiday period?

HOWARD COLLINS: I think it's because families, particularly from western Sydney, were out enjoying the fact that they could take the whole family for free, which is great because otherwise it would cost you quite a lot of money. I certainly do believe that, as Mr Sharp said, it was not so much the loss in revenue; it was the generation of all those ice cream sellers, shops and everything else, which I saw being very busy, just like we are seeing with Vivid in the last few days.

The Hon. MICK VEITCH: How does this work? Did you get Treasury supplementation for the fare-free days or have you had to absorb that within your own budgets?

ROB SHARP: I remember discussing it.

The Hon. MICK VEITCH: With Treasury or with the Treasurer?

ROB SHARP: With Treasury. We tend not to absorb anything these days because it is very challenging for us to do so. I think on that occasion we may have. I'll have to come back and confirm specifically. It's interesting because forecasting the fare box has been extraordinarily difficult coming out of COVID. That has been one of the challenges in managing the Transport budget for this year. We have successfully done that and we have had to manage our costs quite tightly. But, ultimately, for that specific question I will have to find out where it landed.

The Hon. MICK VEITCH: That would be good. I think you also took on notice, Mr Collins, the breakdown by system type. Is it possible by each day?

HOWARD COLLINS: We certainly have looked at that. We used to pore over that daily to see how many people were travelling on the particular day. But we can certainly provide that. Just to give you an indication, in 2018-19 \$1.35 billion was taken in fare revenue. It reduced in 2020 to \$1.26 billion. So it is not small change but making these changes for a period of time did encourage the recovery of the economy. We can certainly provide you that information regarding type.

The Hon. MICK VEITCH: By day and by type, if that's possible. That would be good. I noticed last week there was a departmental review announced of the Emerald class 2 Manly ferries because of continuing performance issues with the vessels. I have some questions about that review. Has it commenced yet?

ROB SHARP: I will pass this to Mr Collins, who lives and breathes this every day.

HOWARD COLLINS: I live and breathe Emerald class and I get daily feedback from my colleague Mr Longland, who often travels on them from Manly. I would start off by saying that customers like them as a vessel because they do the journey in less than 20 minutes, compared with longer journeys on the Freshwater. But it has been frustrating that the Emerald class 2s—we have 1s as well—have a lot of what I call small but niggling issues, which we have seen over the last few months.

The Hon. MICK VEITCH: Would you call them teething issues?

HOWARD COLLINS: I would say so. I like reading history and there was history about the Freshwaters having teething issues and coming aground and all sorts of things, if you remember. I do think, though, that we have been, as you talked about—and I will answer your question directly—engaging with the contractor who is responsible for the franchise and the operation of these ferries. We have been talking to them and have taken a number of contractual actions to ensure that performance improves. This is not just about the Emerald 2s, but we also have been working with the original Australian designer.

We use them very effectively to help us understand how the vessels operate under swell. Also, they provided some additional training for staff. They're a good ferry. They're actually a global product. If you went to New York, you'd see some brand-new similar-designed ferries, designed in Australia, operating in New York. But it has been frustrating—steering solenoids, small cracks in the diesel tanks, a number of other issues. Some of them we addressed very quickly. In fact, today, I think, we've got two out of three, and the other one in heavy service should be back out with us very soon.

The Hon. MICK VEITCH: Are these all going to be a part of the review? All these issues—

HOWARD COLLINS: As one would do if we felt that a particular contract wasn't performing well, we have, over the last year, had a whole series of meetings with our contractor. They've made some improvements. It's great to see that we've got eight out of the 10 River class with modified wheelhouses out there now, which is good to see. But, in terms of staffing issues, performance of the new ferries and a number of other areas, we are—certainly, my team is leading an intensive review to ensure that we can get the contractor back on the performance that we look—

The Hon. MICK VEITCH: The review is an in-house review?

HOWARD COLLINS: Absolutely. We have good capability now and, certainly, in my time, in the two years I've been COO, have been sure that we bring in some expertise within this area—people who run ports, understand ferries and are less of a general bureaucrat and more of a focused contract manager. That certainly has tightened, I think, the relationship and made sure we focus on what needs to be done. We all want to, on behalf of the customer, see an improved service. We want to see ferries operating every day and little or at all cancellations.

The Hon. MICK VEITCH: Safely. The review is currently underway. Is there a time frame?

HOWARD COLLINS: We're working with the contractors on a number of areas. Some have timescales, contractual timescales to return the information. Others are actually on our radar for the next couple of months. We have given the opportunity for the franchise operator to come back to us on a number of things that we want to see improvements on.

The Hon. MICK VEITCH: The constitution of the review—it's in-house. Is it working to a set of terms of reference? What's the framework that the review's—

HOWARD COLLINS: We clearly spell out under the contract the areas that they are failing to deliver. There are a number of KPIs that they have not delivered. We have issued them with a number of directions and framework which actually allows us to say, "These are the things we wish for you to improve upon." We will regularly come back to that. There are various types of contractual powers we have to ensure that the contractor comes back to that. It is good to see that they, I think, have come to the table. I know Mr Sharp and I have spoken to the global managing director of the organisation. We are seeing a much higher level of input and support from this organisation. I hope the outcome is that we see a better performance from this organisation.

The Hon. MICK VEITCH: The review has been initiated because of a clause within the contract? Is that right?

HOWARD COLLINS: I think the review has been initiated because, over several months, we have seen a deterioration of the performance, the media-grabbing failures of the ferries but also the fact that we do believe that we want to see those KPIs achieved. We have been doing that and using the full weight of the contract but also some good, intensive discussions with the franchised operator.

The Hon. MICK VEITCH: Are there financial penalties? You don't have to tell me how much. Are there financial penalties built into the contract?

HOWARD COLLINS: Absolutely. That's one of the important things to recognise, that, apart from reputational penalties, there are financial ones which we apply.

The Hon. MICK VEITCH: How are those financial penalties initiated? Does that arise from the review? Or have you already imposed—

HOWARD COLLINS: They arrive through the contract, through targets or KPIs—key performance indicators—being met or not met. We have other methods within the contract of applying or giving notice to the contractor of how they need to improve their performance.

The Hon. MICK VEITCH: Have you already levied some—

HOWARD COLLINS: We have applied a number of those.

The Hon. MICK VEITCH: Is there a process then for the contractor to challenge or refute? Is there an appeal process built into this exercise?

HOWARD COLLINS: Yes, as most people around the table would understand, there is obviously a contractual process of coming back and asking questions or challenging our premise of the contract KPIs not being completed. There are a lot of issues, as we know, regarding COVID, or force majeure, but we are pretty clear that we think we can do better for our customers and we are holding them to account.

The Hon. MICK VEITCH: I am sorry, I cannot remember whether you answered but was there a time—

HOWARD COLLINS: Some of these things have timescales—

The Hon. MICK VEITCH: And others will roll—

HOWARD COLLINS: Others will roll forward. What I'm looking for in the next two months is a marked improvement of the performance of the fleet and also a marked improvement of the performance of the staffing levels that allow us to operate all the services. We recognise the impacts of COVID. We recognise the impact even of the current flu epidemic or pandemic or whatever you like to call it, but certainly the flu rise in the last few weeks. But we do believe that more planning and more work can be done.

The Hon. JOHN GRAHAM: Mr Collins, when you say you want to see that improvement, which KPIs are you particularly concerned about where do you want to see that improvement?

HOWARD COLLINS: Without going into detail, there are a whole range of KPIs but they're the ones which measure things like cancellations of service, customer satisfaction—although that still seems to be pretty high as everyone loves travelling on our Sydney Ferries. It is probably one of the greatest experience of commuting in the world if you are on a ferry when the sun is shining. But I do think there are a whole series, Mr Graham—

The Hon. JOHN GRAHAM: I am asking which are you most concerned about?

HOWARD COLLINS: I think it is cancellation of services and the delays of services from either non-availability of fleet or non-availability of staff.

The Hon. MICK VEITCH: Will a report be generated internally from the review process?

HOWARD COLLINS: Like all contract discussions there will be documentation provided. I know others have talked about it as being a sort of report, but it's an internal review. It is something that I have called for and my contracts team have put together. Following those discussions, we will make sure that we agree with the actions the contractor is going to make, that we've got timescales and that the rectification of those issues will come forward. We will monitor that closely through the contract.

The Hon. MICK VEITCH: Did you say you are bringing in an external—

HOWARD COLLINS: No, what I said earlier, just to clarify, is that over the last two years we've recruited into various senior contract positions for contractors but also in their own team. I've strengthened that and we're looking further to strengthen that team on all these franchise contracts.

The Hon. MICK VEITCH: For the review will there also be consultations? For instance, will you be talking to the union or users? You talked about the satisfaction level of the customers—the users of the ferry service. For this internal review, how extensive will you reach out to gauge—

HOWARD COLLINS: We are not reaching out to external parties, as such. The customer satisfaction scores come in on a normal basis for all modes. I think the latest one is soon to be underway. We understand that obviously the role and responsibility of the franchise operator is to speak to the unions but, as Mr Sharp knows, we often engage at a senior level, at the senior secretary level, with trade unions. We have conversations with all of those unions, including the ferry operators.

The Hon. MICK VEITCH: With regard to the serious and systemic issues that have arisen for these vessels, Mr Collins will you talk us through the interim steps you have put place to ensure that customers have a safe and reliable service?

HOWARD COLLINS: Yes. Starting from the very basics of daily conversations with my management team of what vessels are available and what the staffing situation is—a real hands-on approach to understand where we are—we then have a whole series of meetings which we have organised to understand the weekly progress of rectification of faults, the bringing into service of the final River classes and the final modification of a number of things that this operator is due to do. It is a whole series of processes, from daily understanding—and I can tell you because I text out to various people every morning the state of play for all modes—but also the weekly progress and understanding things like the management of their staffing levels and the repair program or the fix program for their fleet.

The Hon. MICK VEITCH: I have one last question before I hand over to my colleague. Are you able to provide on notice what the KPIs are?

HOWARD COLLINS: I would say that I will provide what I can, but obviously you understand that many of these are commercial in confidence and negotiated with the contractor. I will take that on notice and if I can provide some indication of—but they are the very straightforward measures.

The Hon. MICK VEITCH: The on-time running?

HOWARD COLLINS: And cancellations. It is a bit like the performance data that Matt is held accountable for, and others. It is about what the customer feels and sees, which is: "Is the ferry there, is it on time and am I going to get to my destination?" So any cancellation or late running is recorded as a KPI.

The Hon. JOHN GRAHAM: I might cover some of the ground we have just covered to tidy up a few of those issues. Firstly, thank you for your answers relating to the Opal system. In relation to the cost of re-coding for the fare-free days, was there a cost and was that something where we actually had to pay Cubic in order to make that?

ROB SHARP: My understanding is no. We were able to use the system parameters to provide that. I think on that occasion, no. If you are looking at some new fare type or, "Let's do a particular discount on an off peak," that type of thing is quite expensive and very challenging to do. But no, I am not aware of it. I will take it on notice, but I do not think there was a direct cost.

The Hon. JOHN GRAHAM: In relation to the data about the 12 days of fare-free travel, can I be more specific again as to what we were requesting? I think you have agreed to provide that by day—

The Hon. MICK VEITCH: And by service.

The Hon. JOHN GRAHAM: —and by mode is probably the best way to describe it. The other thing that would be really helpful is to understand how much this was able to boost transport into the CBD. Particularly given all of the discussion about the fate of the CBD at the moment, could you distinguish between activity in the CBD and outside of the CBD? That would also be helpful.

HOWARD COLLINS: Yes, thanks for the question. We will do what we can. That is quite complex. I will see what is available. Unlike other systems, which have a zonal system, this is on end-to-end trip data. But I can assure you, Mr Graham, if you were in the area at the time it did feel like the CBD was very busy and people had made journeys which they do not normally make. It was also good to see that people had made trips to the Blue Mountains and the Central Coast during that period of time.

The Hon. JOHN GRAHAM: I will leave it in your hands as to the way that you are able to distinguish that, but I think it is a reasonable question to ask you to tell us what you can about how much of that was in the Blue Mountains and how much of it was in the city. Thank you. So that is on notice. Again, Mr Sharp, you have taken on notice the question about discussions with Treasury and whether there was supplementation or perhaps not in this instance. If there was, could you take on notice the quantum of that as well? I think you are nodding for Hansard.

ROB SHARP: Yes.

The Hon. JOHN GRAHAM: I want to return to that question about the south-west metro rail and this discussion where Minister Elliott said, "Look, we may need to stage the delivery of this rail." The Government has been very up-front about the cost pressures on construction in general. This might lead to staging and rolling out this metro line in two stages. That has been the view the Government has put. You are today, I think—and this is why you want to come back to it—putting evidence that even if this is broken into two stages it won't mean delay of the delivery, even of that western. Is that correct?

ROB SHARP: Yes. My understanding is it will still deliver in 2024. If there is a specific detail you need I will need to take it on notice and go back to the metro team. My understanding is it is still delivering in 2024. The last stage, which is the complex stage, is that bit out to the airport. We could get the rest of the metro

up to Bankstown up and running. That could open up a lot earlier, which would be beneficial to the public. But in terms of the latest details, I would have to take that on notice with metro specifically.

The Hon. JOHN GRAHAM: If you can take that specific date on notice. I think you are saying that even if this is staged, the entire project will be up and running by 2024.

ROB SHARP: That's my understanding, correct.

The Hon. JOHN GRAHAM: And testing was to begin next year, in 2023, across this entire—

ROB SHARP: Yes, early 2023. Correct. It is one of the considerations with the ongoing industrial action, because clearly accessing rail to get rolling stock on to test the systems is problematic. Some of the industrial relation flow-on consequences were lack of positions where metro was unable to get access. Some of those pressures tie in with the outcomes of the industrial relations negotiations that are occurring at the moment.

The Hon. JOHN GRAHAM: This project was originally supposed to cost \$12 billion; now the speculation is it's \$17 billion. What can you tell us about the cost of this project?

ROB SHARP: My understanding is that the Government will make comments publicly around costs of projects when the contracts are finalised. I believe in the next six months the final contracts are let, and I presume around those stages costs will be advised. Clearly there is a cost up off the back of COVID, and we've been quite public about that. I can't advise a number here because it needs to be something that the Government would talk to specifically.

The Hon. JOHN GRAHAM: We're weeks away from the budget. Will there be an update on this cost in the budget? Will we have some idea of what the increasing cost will be for this project?

ROB SHARP: That's a question for Treasury in terms of what they put in the budget. I'm not able to comment on that.

The Hon. JOHN GRAHAM: These figures are provided by Transport, Mr Sharp. I'd hope you would be able to provide some specifics.

ROB SHARP: On a regular basis we provide numbers through to Infrastructure NSW, which provides advice to the Government. We also provide regular costings through to Treasury, who are obviously across this. It's more a question of when and how it fits into the budget and what they disclose at that point. So it's a question for the Government in terms of the timing.

The Hon. JOHN GRAHAM: I might ask more generally about the budget, rather than this specific project. The Government has been quite clear—Minister Stokes in particular, but now Minister Ward this morning—that there will be delays to Transport projects in the budget. Minister Ward is quite up-front about that fact in the paper today. What can you tell us about the cost pressures that Transport is facing with construction that you're trying to deal with as you grapple with these questions?

ROB SHARP: There are two prongs to answering that. In terms of cost pressures, we're not immune to them. We do have good contractual relationships with our suppliers, and a lot of those are in place and do provide some coverage. We have had cost pressures from COVID, and we've been negotiating the cost settlements as we speak on those. In terms of broader contracts, I think you'll see the industry moving forward on things like steel, which continues to increase. You'll see commercial negotiations, where there'll be a joint risk taken on some of those commodity items, perhaps referencing indexes. I can see procurement processes changing so there's a balance of risk across the industry. Having said that, the second prong to this is—rather than delays, it is actually around prioritisation of a project. There is a peak of projects that is occurring right across Australia. That is putting pressure on resourcing. A lot of industry has been flagging resource constraints, and the construction industry hasn't been immune to that.

There are ways and means to help manage it. We are tending to break down our packages more. We're seeing the tier-one companies in particular being closer to their limits in terms of capacity, but with the tier threes—the smaller end of town—there's definitely capability. How we can package can make a difference to tapping into that. It also provides the growth vehicle for competition to those largely international companies that are coming in at the tier-one level. They're practical things we're doing. But coming back to the Minister's comment—and, in fact, the Premier has made the same comment—there is a review underway across the whole of government in terms of prioritisation of projects.

That is still a live conversation, and will ultimately settle during the budget process. I would expect to have visibility around the end of June, as a cluster, in terms of where that lands. We are still presenting to ERC on those types of projects—what the implications are and, of new projects, particularly Commonwealth-funded ones, which ones dovetail in. It is interesting. The industry tells us having a secure pipeline of work enables them

to manage their resourcing so they can actually manage more work. There are inefficiencies, so we are working closely with industry to address that.

The Hon. JOHN GRAHAM: What discussions have you had with your interstate colleagues about that sequencing, given the position that you are putting here is that—

ROB SHARP: There is a Cabinet infrastructure committee that was put in place about four or five months ago. We've had a number of experts from interstate, including following the Victorian budget, where they highlighted overspends—quite significant overspends on projects where they had run into significant project challenges. But also they were spreading the peak over two or three years. We have actually had those experts come in and present to us and give us the background to their thinking and what they are seeing in the market. I've also personally spoken to the secretary, my counterpart in Queensland, on a number of occasions. There is also a Commonwealth forum where the secretaries get together. There are a number of mechanisms where we actually tap into information to assist in this decision-making.

The Hon. JOHN GRAHAM: Finally, when you say that this won't mean delays, but you talk about prioritisation or smoothing the peak, to me that sounds exactly like perhaps there will be delays.

ROB SHARP: If you talking about a new project that hasn't actually been approved or funded at this point then, from my perspective as a Transport lead, it's not actually a project on my books. Therefore, it's actually not a delay. It may well be from an election commitment, or it may well be from an announcement perspective, and that's up to the Government to talk to—

The Hon. JOHN GRAHAM: That's the distinction you're drawing. To take a specific example, one we talked about earlier—

ROB SHARP: You're asking me—

The CHAIR: Order.

The Hon. JOHN GRAHAM: The northern beaches—

The CHAIR: We are out of time, so make it very quick.

The Hon. JOHN GRAHAM: The northern beaches link is one such example?

ROB SHARP: Yes, that would be an example. Correct.

The CHAIR: I am sorry about that. You were mid-question, but I did not know if you had heard the bell. It does bring our session to an end. Thank you very much. I appreciate your time, and I'm sure that all of the Committee appreciates your time. That concludes budget estimates for 2021-22, finally. Thank you very much to the Committee team and Hansard, as always. If there are any supplementary questions, the Committee team will be in touch with you. Thank you very much.

(The witnesses withdrew.)

The Committee proceeded to deliberate.