LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

QON No. 13

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
JEREMY HANSON MLA (CHAIR), DEEPAK-RAJ GUPTA MLA, MICHAEL PETTERSSON MLA

Inquiry into referred 2018–19 Annual and Financial Reports
ANSWER TO QUESTION ON NOTICE

Asked by Alistair Coe MLA -

Ref: CMTEDD Annual Report, Output 8.1, Infrastructure, Finance and Capital Works

In relation to: Managing the delivery phase of major projects

1. What is the split in responsibilities between IFCW and each directorate in terms of delivery and managing projects?
    a. How has this split changed with the establishment of Major Projects Canberra?
    b. Who has responsibility for the delays and cost blow outs?

2. With Light Rail, Courts project and SPIRE all being delayed, how has IFCW managed those risks?
    a. When was IFCW first made aware of the delays relating to (a) the Light Rail, (b) the Courts project, and (c) SPIRE?
    b. What steps were taken to address the delays for each respective project?
    c. How were the cost blow outs for these projects managed and mitigated?

3. What were the initial (i) planning, (ii) delivery or construction, and (iii) whole of life costs for (a) the Light Rail, (b) the Courts project, and (c) SPIRE?

4. What were the final or current (i) planning, (ii) delivery or construction, and (iii) whole of life costs for (a) the Light Rail, (b) the Courts project, and (c) SPIRE?

5. Further to parts 3 and 4, what were the (i) initial and (ii) final or projected (a) construction or delivery and (b) financial completion dates for each of the projects?

6. Further to parts 3 – 5, how have the costs and figure changed and why?

Andrew Barr MLA: The answer to the Member's question is as follows:–

1. Under IFCW, the split of project responsibilities between each directorate and IFCW has typically been that the sponsoring directorate for the project has responsibility for the development of the business case including development of a detailed Functional Brief, cost plan and programme. Generally, once a business case has been approved, there is a handover of the project to IFCW who typically lead procurement activities, manage design development and oversee construction activities to hand the completed project to the directorate. Financial delegation for the capital appropriation remains with the sponsoring directorate.

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a) With the establishment of Major Projects Canberra the collaborative arrangement between Major Projects Canberra and directorates remains unchanged for projects not designated as 'major projects.' For designated major projects, project delivery including financial delegation for the capital appropriation is the responsibility of Major Projects Canberra.

b): Changes to programme and final forecast cost can be the result of a number of factors. The entity responsible for such changes will vary dependant on the cause and details of the change.

2(a)(a)(Light Rail) –IFCW has never had responsibility for Light Rail Stage 1 or Light Rail City to Woden. Light Rail Stage 1 was delivered within the timeframe envisaged by that project's business case.

2(a)(b)(Courts) – IFCW first became concerned regarding slippages of certain activities against the construction programme in late 2016. However, throughout 2016 and early 2017, the contractor's (Juris/Laing O'Rourke) monthly programs were still reporting that completion of Stage 1 would be achieved by the contract dates. Formal notification of delays to Stage 1 were issued by Juris to IFCW/JACSD in Q3 2017.

2(a)(c)(SPIRE) – The SPIRE project is not delayed.

2(b)(Light Rail) – Please refer to response 2(a)(a) above.

2(b)(Courts) – Throughout the Project IFCW has been closely monitoring progress on site weekly and reviewing the contractor's monthly program updates. Assessments of likely delays have been reported regularly to JACSD. Regular Project Control Group and senior representative meetings have been held with Juris and Laing O'Rourke to analyse progress and look at options to mitigate delays. To mitigate further delays to Stage 2 of the project IFCW allowed the contractor to commence basement excavation works under the Stage 2 area during the Stage 1 works and in 2019 agreed to a resequencing option for the Stage 2 works that allowed the basement custody area to be occupied ahead of full Stage 2 completion. It is important to note that the contract mechanism in place for the project provides financial protections to the Territory.

2(b)(SPIRE) – The SPIRE project is not delayed.

2(c)(Light Rail) – I am very pleased to note that the project was delivered for $32 million less than the project's envisaged cost at the time of signing contracts, and $108 million less than the business case estimate for the project. This represents an exceptionally positive outcome for the ACT Government's largest ever infrastructure investment.

2(c)(Courts) – Under the contractual arrangements for the ACT Law Courts Public Private Partnership (PPP), Juris assumes full risk for the time it takes to complete the works. Accordingly, there have been no "cost blow outs" for the ACT Government.

2(c)(SPIRE) The SPIRE project is not in its delivery phase.

3(a)(Light Rail) – the City to Gungahlin Light Rail Project Delivery Report (June 2019) released by the Government sets out the delivery outcomes for Light Rail Stage 1. Light Rail City to Woden is in the planning and procurement phase.

3(b)(Courts) – the initial costs for the ACT Law Courts PPP project are set out in the published Contract Summary available at :

https://apps.treasury.act.gov.au/__data/assets/pdf_file/0008/873602/Law_Courts_Contract_Summary-June-2016.pdf..

3(c)(SPIRE) –SPIRE received $13.0 million of capital through the 2018-19 Budget to progress early stages of design, and a further $53.7 million in capital funding in the 2019-20 Budget. The Budget allocation in the out-years is shown as 'not for publication' in the 2019-20 Budget papers as it is commercial in confidence and will be updated following the completion of procurement processes.

4(a)(Light Rail) – the City to Gungahlin Light Rail Project Delivery Report (June 2019) released by the Government sets out the delivery outcomes for Light Rail Stage 1. Light Rail City to Woden is in the planning and procurement phase.

4(b)(Courts) –The net present cost (NPC) of the total payments due to be made by the Territory will reduce compared to the amount initially expected (as set out in the Contract Summary). The extent of this reduction will not be calculated until after both Stages have been completed.

4(c)(SPIRE) – The SPIRE Project is in the planning and procurement phase.

5(a)(i & ii) & 5(b)(i & ii)(Light Rail) – the City to Gungahlin Light Rail Project Delivery Report (June 2019) released by the Government sets out the delivery outcomes for Light Rail Stage 1. Light Rail City to Woden is in the planning and procurement phase.

5(a)(i)(Courts) – the initial completion dates for the ACT Law Courts PPP project are set out in the published Contract Summary available at : https://apps.treasury.act.gov.au/__data/assets/pdf_file/0008/873602/Law_Courts_Contract_Summary-June-2016.pdf.

5(a)(ii)(Courts) – Stage 1 completion was achieved on 8 October 2018 and Stage 2 is currently in its commissioning period with only minimal works outstanding and is expected to be complete early in 2020.

5(a)(i & ii)(SPIRE) – The SPIRE Project was announced in December 2018 with an expected date for construction completion in mid-2024.

5(b)(i & ii)(Courts) – Conclusion of all financial matters relating to the D&C Phase for the project is expected to be complete by mid-2020.

5(b)(SPIRE) – n/a

6 – covered in section 4(b) for courts; not applicable for Light Rail and SPIRE.

Approved for circulation to the Standing Committee on Economic Development and Tourism

Signature: Date: 29.11.2019

By the Treasurer, Andrew Barr MLA