



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Brendan Smyth MLA (Chair), Joy Burch MLA (Deputy Chair), Nicole Lawder MLA,
Jayson Hinder MLA

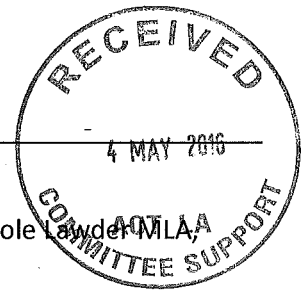
Standing Committee on Public Accounts

Review of Auditor-General's Report No. 6 of 2015:
Bulk Water Alliance

Responses to QToN at public hearing of 31 March 2016



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Inquiry into Auditor-General report No. 6 of 2015: *Bulk Water Alliance*
ANSWER TO QUESTION TAKEN ON NOTICE
31 March 2016

Asked by Brendan Smyth MLA:

In relation to:

In regard to the information given to Cabinet, particularly, the geographical fault, when did Cabinet first become aware of that and who provided that advice?

When was the geological fault first brought to Treasury's attention?

I appreciate that you were not a shareholder during the initial period of this but you were certainly in cabinet. When did cabinet or when did you as a minister who had a vote in cabinet become aware of the geological problems.

Andrew Barr MLA: The answer to the Member's questions are as follows:—

A comprehensive briefing given to Cabinet on the initial total project cost on 31 August 2009. At the time Cabinet agreed that ACTEW should provide regular reports to the Voting Shareholders including the costs of the project, progress against milestones and on major variations.

ACTEW first foreshadowed the discovery of possible unfavourable geological features in a letter dated 9 May 2011 to the then Voting Shareholders.

I became a Voting Shareholder of ACTEW on 20 May 2011.

ACTEW subsequently formally advised the Voting Shareholders of the geological fault in a letter dated 20 June 2011 indicating the impact on the project was being assessed.

ACTEW sent a further letter to the Voting Shareholders on 9 July 2011 indicating there would be a six week delay to the schedule and an estimate of the direct costs in the order of \$9.8 million.

Treasury became aware of the geographical fault through the correspondence provided to the Voting Shareholders by ACTEW.

Approved for circulation to the Standing Committee on Public Accounts

Signature: *Andrew Barr*

Date: **3.5.16**

By the Treasurer, Andrew Barr MLA



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ANSWER TO QUESTION TAKEN ON NOTICE
31 March 2016

Asked by Brendan Smyth MLA:

In relation to:

What was the cost of the geological fault to the whole project?



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

I am advised that the financial impact of the unexpected geology at the top of the right hand abutment of the main dam equates to approximately \$10 million, comprised of the following key components:

	\$m
Overheads	3.5
Design construction phase services	0.7
Abutment and foundation excavation	1.8
RCC (additional material and plant hire)	2.6
Crane hire (primarily tower crane rental)	0.8
Intake Tower (additional costs due to foundation)	0.6
Total	10.0

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Asked by Brendan Smyth MLA:

In relation to:

What was the cost of the three weather events to the project?



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

I am advised that there were two minor flood events in late 2010 and a major flood event in March 2012. The cost of the three weather events to the project was \$11.5 million. Icon Water received insurance proceeds of \$1.32 million for the 2010 floods and \$6.0 million for the March 2012 flood, bringing the net cost to \$4.2 million.

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ANSWER TO QUESTION TAKEN ON NOTICE
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Asked by Brendan Smyth MLA:

In relation to:

The original cost released by then Chief Minister Stanhope was \$145 million. What process led to this cost increasing from \$145 million to \$363 million and then to the final cost of \$410 million?

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

Table 5.1 of the Auditor-General's Report details the chronology of cost increases from \$145 million to \$363 million and Section 4 of the Report provides details of the increase in project costs to completion.

In addition, a motion passed by the Legislative Assembly on 21 March 2012 required the Government to table any increases in project costs or schedules within five working days of the changes being approved by the ACTEW Board. These statements were tabled in the Legislative Assembly on 27 March 2012, 3 May 2012, 28 March 2013, 9 July 2013 and 10 June 2015.



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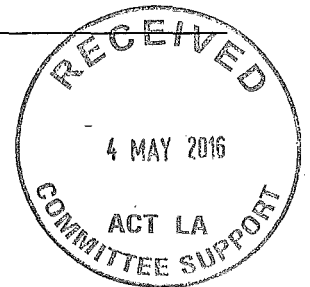
Asked by Nicole Lawder MLA:

In relation to:

Do you think comments made in the Auditor-General's report regarding issues in relation to communication of cost and timing of the Dam project with the Chief Minister, Deputy Chief Minister and the broader community could be unique to this sort of Alliance or could they happen to other large PPP type projects.

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

Icon has acknowledged there are valuable lessons for each of the Bulk Water Alliance partners to take forward. The contractual arrangements and risk allocation between the private sector partners and the Territory is quite different for Alliance and PPP contracts. While the experience of the Bulk Water Alliance may provide lessons for other PPPs, the scope of the work can vary greatly across project types and will depend on project specific factors.



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Asked by Jayson Hinder MLA:

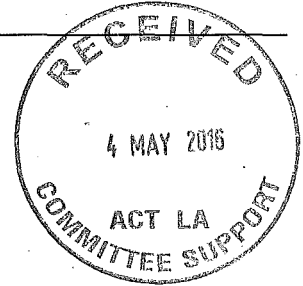
In relation to:

There also appeared to be almost additional projects about preparation for mitigation for flood events and things like that. The figure I had was a final target outturn cost of around \$311 million rather than the \$150 million that the Chairman was talking about, before the project started. Would those additional works have added to the cost overrun in some way.

Detailed reconciliation of elements that contributed to final costs to be provided.

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

I am advised that following the two flood events that occurred in 2010, a decision was made to construct an additional river diversion to mitigate the flood risk. The construction of the additional diversion cost an additional \$3.5 million. Table 4-4 on page 105 of the Auditor-General's report provides a detailed reconciliation of the elements that contributed to the final costs.



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Asked by Brendan Smyth MLA:

In relation to:

What is the likely borrowing rate of Government for finance for Capital Metro?

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

The borrowing rate for the Capital Metro PPP will not be determined until financial close is achieved on the project.

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ANSWER TO QUESTION TAKEN ON NOTICE
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Asked by Brendan Smyth MLA:

In relation to:

With reference to p. 171 of the AG's report, what was the cost of the geotechnical investigations undertaken for the Enlarged Cotter Dam project.

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

I am advised by Icon Water Limited that the total direct cost of geotechnical investigation work (including onsite supervision during construction and hire of subcontractors involved in undertaking drilling works) was \$5,221,000 plus fees. Of this total direct cost, \$876,000 was expended pre-TOC and \$4,345,000 expended post TOC.



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Asked by Joy Burch MLA:

In relation to:

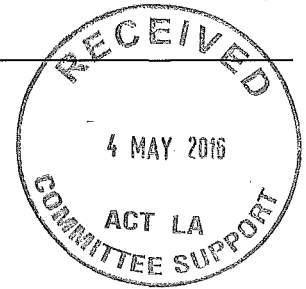
Request that information be provided to the Committee regarding costs of the TOC overrun that were recovered by the ACT through the pain/gain share arrangements, savings in owner costs and insurance—refer to para 4.3 of the AG's report.

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

I am advised by Icon Water Limited that while actual direct costs for the Enlarged Cotter Dam project exceeded the Target Outturn Cost by \$81.8 million, a material portion of these additional costs were recovered in other areas which resulted in the total cost variance reducing to \$47.5 million (13 per cent higher than the approved budget). This included:

- \$29.1 million being recovered from the Bulk Water Alliance partners due to the painshare incentive arrangement established.
- \$7.3 million recovered from Icon Water's insurers to offset a portion of the costs associated with floods in 2010 and 2012.

	\$m
Enlarged Cotter Dam Direct Cost TOC Variance	81.8
Painshare recoveries	-29.1
Insurance recoveries	-7.3
Increase in fees due to scope change	2.1
Total Enlarged Cotter Dam Variance	47.5



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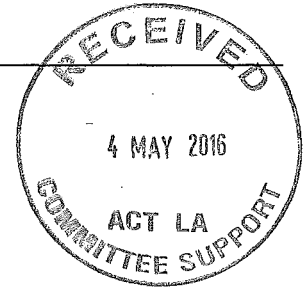
In relation to:

With reference to para 4.67 of the AG's report, request for a breakdown of the percentage of delay in the project that were attributable to the factors included as dot points in para 4.67—para 4.73 suggests that rainfall that occurred was less than in most years so problem appears to be in placement of the concrete.

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

I am advised by Icon Water Limited that the table below summarises the extent to which each factor contributed to the delays in the placement of roller compacted concrete.

Key delays (as listed in para 4.67)	Estimated %
Delays associated with the March 2012 flood event	25.00
Issues with the gallery construction method leading to delays	5.00
The high number of cold joints resulting from rain, including the significant amount of time required to 'green-cut' and clean up the cold joints	27.50
The congestion of the roller compacted concreting surface, due to equipment and embedments within the dam, causing slow progress	18.75
Delays caused by the time taken to move formwork	12.50
The Christmas shut down period	11.25
TOTAL	100.00



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31 March 2016

Asked by Brendan Smyth MLA:

In relation to:

With reference to para 4.74 of the AG's report, the number of shifts to clean up a cold lift was seven when typically it should have taken four shifts. Can we have an explanation of why the green cut took up so much more time than was expected.


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

I am advised by Icon Water that the 'average' time taken to complete green-cuts includes the non-productive period between roller compacted concrete (RCC) placement work stopping and resuming. If inclement weather (i.e. rain or wind preventing tower crane operation) occurred during the green-cutting process it was captured in the statistics for green-cutting delays.

Key issues that contributed to the time taken to complete green-cuts were:

1. No vehicle access to/from the RCC placement area (differs to most RCC dams completed in Australia recently, such as Wyralong in Qld). Therefore, all plant/equipment had to be lifted on/off the placement area using tower cranes or where it was too big, was permanently on the placement area.
2. The RCC placement area wasn't very large and it was often quite congested given the amount of plant/equipment that could not be craned out. This meant that plant/equipment was continually being relocated during the various phases of the green-cutting process.
3. Green-cutting quite often generated considerable waste material/debris. This material had to be put in skip bins and craned off the placement area. This was a major time constraint, particularly given the competing demands for the tower cranes.

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