



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

**STANDING COMMITTEE ON JUSTICE AND COMMUNITY
SAFETY**

**(Reference: Delays in the commencement of operations
At the Alexander Maconochie Centre)**

Members:

**MRS V DUNNE (The Chair)
MS M PORTER (The Deputy Chair)
MS M HUNTER**

TRANSCRIPT OF EVIDENCE

CANBERRA

TUESDAY, 3 MARCH 2009

**Secretary to the committee:
Mr H Finlay (Ph: 6205 0136)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Committee Office of the Legislative Assembly (Ph: 6205 0127).

WITNESSES

HARDY, MS ROBYN, Executive Director, ACT Procurement Solutions.....**116**
HARLOW, Mr PHILIP, Principal Project Manager, Sinclair Knight Merz.....**116**
MIALKOWSKA, MS MARGARET, Acting Manager, Infrastructure
Procurement Team, ACT Procurement Solutions.....**116**

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Amended 21 January 2009

The committee met at 4.31 pm.

HARDY, MS ROBYN, Executive Director, ACT Procurement Solutions

MIALKOWSKA, MS MARGARET, Acting Manager, Infrastructure Procurement Team, ACT Procurement Solutions

HARLOW, Mr PHILIP, Principal Project Manager, Sinclair Knight Merz

THE CHAIR: We will open the hearings of the Standing Committee on Justice and Community Safety in its inquiry into the delay in the commencement of operations at the Alexander Maconochie Centre. Witnesses, most of you have been here before, but for those of you who have not, are you aware of the privilege statement and do you understand its implications?

Ms Hardy: Yes, we are.

Mr Harlow: Yes.

THE CHAIR: I want to make plain what the privilege statement means in this context. It means that there is absolute privilege as to what is said here, and what is said here cannot be used as evidence in a court hearing. There has been some discussion about “We can’t discuss these things because they may be subject to litigation at a later time.” They may well be, but what is said here cannot be used in a court.

There is a moderate amount of documentation that we would like to go to. Today we want to go through the processes of how the contracts were let, how decisions were made in the early contractual stage and how agencies kept track of the process over the roughly 2½ years since the contracts were let. We are here specifically with Procurement Solutions. Ms Hardy, could you give us a rough exposition of the process of the request for tender—how we got to a request for tender and how the tender was let—in 250 words or less.

Ms Hardy: The tender processes are outlined in the procurement plans, which you have. For many of the modules of the project, it was a two-stage process. For instance, for the construction it was a two-stage process: expression of interest and then an RFT. It was the same, I believe, for the design.

Ms Mialkowska: Yes.

Ms Hardy: And for the project manager as well.

THE CHAIR: So you could divide it up into three processes. There is the project management, the design and the construction, which was divided up into earthworks, and then the actual construction.

Ms Hardy: And other subsets, yes.

THE CHAIR: What was the order in which that happened? Did we do the design before we did the project management? What was the order of that?

Ms Hardy: As I recall, the project manager was the first process. The reason for that was really that we needed an expert advising the territory on the full project. So the project director services was the first process entered into, so that we could then get specific advice during the next stages.

THE CHAIR: And the successful applicant for the project management part was SKM?

Ms Hardy: Yes.

THE CHAIR: What is SKM's experience in building prisons?

Ms Hardy: SKM have considerable experience in prisons, but in all kinds of major construction around the world. They were chosen basically because of that extensive experience. But it was not only SKM but the full team that SKM brought to the project—and that includes Phil Harlow, who had only very recently, I think, and he will be able to correct me on that, completed a prison in Western Australia just prior to coming onto the project team. But others amongst the team also had extensive experience in prison delivery.

THE CHAIR: I do not want to be rude, but often we have been told that subcontractors had experience in prisons. Could I have some specific examples? You said that Mr Harlow was involved in the WA prison.

Ms Hardy: I might let Mr Harlow answer that question.

Mr Harlow: Yes. Our team was primarily me, with some people in support. I can come back to those various roles, I suppose. That has changed through the design process through to construction. I had the primary role, I suppose—program manager was the term, which is a project manager role, to manage the project.

As Robyn said, I delivered Acacia Prison in WA, which was a privately operated prison with 750 beds—so it was larger than the Canberra prison. That was my only prison experience, but it was a very major one and a recent one. Indeed, it won a few awards in project management. Supporting me on our team, I had a guy called Paul Vrantzis. Paul was out of corrections and public works, in effect, in Victoria. SKM—as part of our outsourcing, we brought in the old design group out of public works in Victoria.

With that group came people who designed prisons in Victoria. Paul Vrantzis was certainly one of those. Without naming every prison, Paul has been involved, I would suggest, in probably every prison in Victoria from a design perspective. He has also been involved in—

THE CHAIR: Not back to Castlemaine, but in recent years.

Mr Harlow: Sorry, no. But certainly within his experience. He is a similar vintage to me, so it is whatever that entitles him to have been involved in. Do you want to know names?

THE CHAIR: No.

Mr Harlow: Certainly most prisons in Victoria, including the new prisons program, and some work on Christmas Island. He was involved in prisons in New Zealand and elsewhere in Australia.

In support of that, on the security side, we had a security adviser on our side of the team, a guy called Stephen Barlow. He came from an original firm called CCD. The only reason I am saying that is that they are very well known as security consultants in their own right. They merged with SKM about four or five years ago. They have been involved in dozens and dozens of prisons throughout Australia in virtually every state, and overseas. Again, without naming all of those, it is dozens and dozens on the security side.

THE CHAIR: That is fine. It is just that when we read the documentation there is some reference to it but when you actually dig down you cannot—

Mr Harlow: Fine. Whether you want me to go into the roles of those people—I can later on but within the team that was people we had at our disposal. Merv Eagle was my direct offsider during construction. He previously worked with Thiess Contractors on a prison in Victoria. He was actually working for the contractor building the prison—one of the reasons that we got him involved on our side.

THE CHAIR: Thank you for that. What is the relationship between SKM and Webb, which is the security consultant?

Mr Harlow: Robyn mentioned the process and the progression in appointing consultants. We had been involved for probably six months or so and then we engaged the design consultant—we worked together as a team—which was Codd Stenders and May + Russell. Codd Stenders in Brisbane and May + Russell, a reliable architectural firm, joined together. They were responsible for engaging their own subconsultants across the engineering disciplines, of which security is one. So the Webb Australia Group were engaged by Codd Stenders and May + Russell, who were engaged by the territory to design the prison.

THE CHAIR: I misunderstood, so that is helpful. I thought that you had engaged them to advise you, but it was actually the design—in the design phase.

Mr Harlow: No, they were engaged by the design consultants. Sinclair Knight Merz had our own security engineers, who were doing a peer review, doing a high-level review, but not doing the design. The design was by Webb Australia through Codd Stenders and May + Russell.

THE CHAIR: Are there questions at this stage?

MS PORTER: No.

MS HUNTER: No. Mine was around Codd Stenders and May + Russell and how they came into the picture.

THE CHAIR: Do you want to go on to that?

MS HUNTER: I just wanted to clarify their involvement at this stage. But there was one, Mr Harlow, and that was that you were contracted by the ACT government to provide this service?

Mr Harlow: Yes.

MS HUNTER: Who oversaw that contract? Who managed that contract?

Ms Hardy: Procurement Solutions essentially managed that contract alongside Corrective Services as the territory.

MS HUNTER: So, Mr Harlow, in your experience, who was it that you were regularly in contact with? Was it both of those agencies, more Procurement Solutions than Corrective Services or—

Mr Harlow: It was both.

MS HUNTER: Both on a regular basis?

Mr Harlow: Working with the project director in Corrective Services, who was John Paget for much of that stage and then Barry Folpp took over. So from a representing the client perspective I worked with John Paget and then Barry, but contractually I reported to Mike Berry in Procurement Solutions.

THE CHAIR: Okay. So the hierarchy was the project manager, the design team, the expression of interest and then a request for tender for the actual construction. The other day you listed the people who gave expressions of interest and then those who were short-listed for request for tender. My understanding is that the request for tender came in about the end of July 2006; is that right? The contract documents—the tender by Bovis seems to have been signed on 20 July 2006.

Mr Harlow: I will just answer that. The tenders closed on 20 July 2006—

THE CHAIR: Okay, so that is when they took place.

Mr Harlow: and from there we went through the tendering process, negotiation process et cetera.

THE CHAIR: So how long did it take you to light upon Bovis Lend Lease as the preferred contractor, preferred tenderer?

Ms Hardy: There was a period when the tender evaluation was undertaken. The tenders closed, as Phil said, on 26 July. The evaluation was completed on 4 August. The delegate approved the preferred respondent on 9 August and then negotiations were completed on 23 August.

THE CHAIR: Who was the delegate?

Ms Hardy: The delegate would have been someone from Corrective Services and I recollect that that might have been Mr Ryan, but I will check that.

THE CHAIR: That is a very quick turnaround from 20 July to essentially 20 August.

Ms Hardy: This is the expression of interest. I am sorry, I will have to correct that. That is the expression of interest timetable I was reading from.

Mr Harlow: No, I think they were projected dates. I believe the actual dates were a—

Ms Hardy: Okay. I will come back to you and correct those dates.

Mr Harlow: Yes, I think they were projected at the time.

THE CHAIR: Okay, that is fine. I am just looking at some of the documentation that has been provided to the inquiry and there seems to have been considerable discussion with Bovis Lend Lease about things to be deleted from the contract all the way through October.

Ms Hardy: Yes, there was. That is correct.

THE CHAIR: You may need to take this on notice: when did we finally sign the contract that agreed to the \$113 million whatever?

Ms Hardy: I might get Margaret to look at the exact date.

THE CHAIR: And come back to us, okay. This is one of the things that I am struggling with: at various stages we have been told, I think when you were here with Minister Corbell a couple of weeks ago, or I got the impression—correct me if I am wrong—that Bovis Lend Lease and Chubb were an entity; they were sort of joined at the hip; that when Bovis tendered they came and said that the security would be done by Chubb. But on page 3 of 5 of one of the tender response documents—sorry that is not very helpful—headed “Preliminary Design Statement and Drawings”, security systems, proposed main subcontractor, it states:

All of the following listed subcontractors have the experience and capability to deliver the required design and construction for the works. After tender award a selection from the following will be made by Bovis Lend Lease to provide the most cost effective and compliant solution

Then it lists five names: Chubb Security Services, Advanced Building Technologies, TAC Pacific, Honeywell and Sielox Security Systems. Over the page it says:

The following systems will be developed, designed, constructed and installed by one of the above subcontractors, under the direct management and control of Bovis Lend Lease to ensure compliance ...

Then it has a list of the things that they will deliver. When did Bovis Lend Lease and Chubb become an item? When was Chubb decided upon as the preferred subcontractor, how did that come about and what role did the territory’s representatives have in that?

Ms Hardy: I might go back to the beginning of that. At the tender stage there was a list of preferred subcontractors that the territory put out in the tender documents and that is to be found in the tender document TO6164 on page 113. It listed a set of preferred subcontractors in relation to greywater and security at that particular time. And then—

THE CHAIR: Could you, for the purpose of *Hansard*, read us that list of preferred security subcontractors?

Ms Hardy: Yes. Preferred subcontractors at section 23—I will not mention the greywater ones—for the security system were Honeywell, Chubb, Sielox, TAC or SEME. During the tender phase each of the respondents put forward their subcontractor team and referred to various subcontractors that they may use and essentially they were then evaluated as to whether or not they were using those that we had preferred in the list.

The list was then incorporated into the contract as the preferred list of subcontractors and that is also to be found in the contract. It is contract document volume 1 of 6 and it is on page 59. There it talks again about the same preferred subcontractors for the security system: Honeywell, Chubb, Sielox, TAC and SEME. I am not sure when Chubb became—

Mr Harlow: Can I answer that?

Ms Hardy: I will put that over to Phil.

Mr Harlow: I have found a reference that you have, which was in the original tender document with Bovis where they listed those—

Ms Hardy: From Bovis.

THE CHAIR: That is in volume 4 of 6?

Mr Harlow: Yes, it is page 3 of 5, their actual tender schedule under the heading “Preliminary Design Statement and Drawings”. What happened—I read this earlier on just to remind myself as I am going back a few years—was that the schedule they put in with their tender actually was showing Honeywell but other words were showing it leading towards Chubb. When we did the tender negotiations was when they firmed up that it would be Chubb, because they gave us a new schedule very clearly showing that Chubb was their subconsultant.

THE CHAIR: When was that, Mr Harlow?

Mr Harlow: During the negotiations, so some time around September. It would be hard to put an actual date on it because it was a progression, so I am not exactly sure—maybe when we got that schedule. But when we got that schedule does not mean that that is when they decided to use Chubb.

THE CHAIR: No, I understand.

Mr Harlow: But I would think September would have been about the right time.

THE CHAIR: I want to go back to the question that I asked, and I think Ms Hardy answered it, last Friday, which was: what scope did the territory and its agents have to veto any particular subcontractor before the contract was signed? The consequence of that is: after the contract was signed, did the territory or its agents have the capacity to say, “I am dissatisfied with the work of a particular subcontractor; go and find me a new one”?

Ms Hardy: If the respondents to the tender had put forward a list that was not part of the preferred subcontractor list, we would have questioned those as to whether they had relevant experience and appropriate experience, and I think there was a case of one particular subcontractor—I do not know that it went to the security system—that our advisers did not know of their reputation. They questioned them knowing that they were unaware of the subcontractor and whether or not they had sufficient experience. So at that particular stage we would be looking to make sure that they were putting forward reputable suppliers and particularly those on our preferred list. We would have had to have had very good grounds to have rejected anyone, particularly anyone that could have a reputation of being a substantial supplier. The contract allows for it, though.

MR HANSON: So who actually came up with the original list of the five preferred that said Chubb was going to be able to do the job? Who came up with that decision?

Ms Hardy: I might pass that over to Phil.

Mr Harlow: I believe it was advice from Webb Australia group. We would need just to confirm that but I believe it did come from them. We will confirm.

MR HANSON: So, once someone had come up with that original list of five, if a contractor then said, “Okay, my subcontractor is going to be one of those five,” did we then do rigorous checks to make sure they could comply and demonstrate that they could comply, or did we say that because someone in the distant past had identified them as a preferred contractor, as long as that married up and that was okay, we did not then need to check?

Mr Harlow: It should be in the documents that you have been given and—

THE CHAIR: We may not have got to it yet. There are a lot of them.

Mr Harlow: I did allude to this, I think, when I was here the other week: there is a document in contract document volume 5 of 6, towards the back, starting on page 6—

THE CHAIR: That is the one with all the drawings in it that I did not understand.

Mr Harlow: Okay, but right at the back of that document there is a document headed “Statement of Compliance” with Chubb’s logo on the top right-hand side.

THE CHAIR: Yes.

Mr Harlow: This was one of the documents that they gave us that design consultants went through to give them some comfort that Chubb were the right people. On the right-hand side is a statement from Chubb saying whether they comply or not. So in every single clause they go through and say whether they comply or whether they in fact exceed the requirement.

THE CHAIR: And occasionally it says it does not; it only partially complies.

Mr Harlow: Where it does not, there was some more dialogue which we have then taken into the negotiation process. There is some other correspondence in this document where you can see that those issues are closed out.

MR HANSON: Who made that decision whether they comply or not? I do not have that document in front of me. Is that “Chubb said” a sort of self-declaration?

Mr Harlow: It is Chubb’s compliance statement but you will find, where the design consultant has a commentary on where it does not comply and closes out those issues in one form or another, that is all in this document now. It may be best for you—

THE CHAIR: In regard to all of those statements that say that Chubb complies, does anyone go through and check that?

Mr Harlow: Probably. If they say they comply, I suppose to some extent we need to accept that they can comply.

MS HUNTER: But was it Webb’s job to check those statements?

Mr Harlow: Yes.

MS HUNTER: That was what their role in all of this was?

Mr Harlow: Yes. And they reported through Codd Stenders to the negotiation committee on all of those issues.

MS HUNTER: Could I clarify, because it is quite a web in itself, how this all works. Mr Hanson asked who came up with that list of five companies. You were saying that Webb came up with that list?

Mr Harlow: I am quite sure it was Webb. We will confirm that but it—

MS HUNTER: So Webb came up with a list and that was a list they more or less recommended to Bovis?

Mr Harlow: No. They recommended to me and to the project team. When we prepared the tender document, before we went out to tender, there is a list of those five or six preferred subconsultants.

THE CHAIR: Chubb was on your shortlist before you went out to tender?

Mr Harlow: And we said “if you choose one of these”, implying if you choose one of these we will be reasonably happy, obviously. We would not put the list in if we were not happy with somebody on that list.

MS HUNTER: That was preliminary work that was done.

MS PORTER: Could I ask when Webb might have come up with that list? I am not asking you to answer that now. If you could give us perhaps on notice when Webb decided on that list?

Mr Harlow: I would need to take that on notice.

MR HANSON: When Webb came up with that list, obviously they had examined Chubb and said, “These people have got experience in delivering these sorts of systems before.” Would that be accurate? Have Chubb got experience in delivering the sorts of security systems that we are talking about at the Alexander Maconochie Centre?

Ms Hardy: Chubb is a part of a world-wide company called UTC and that company world wide has experience in all kinds of security systems—defence systems et cetera. So I believe that they would have had experience in at least some prison projects. Certainly it says so in their compliance statement.

THE CHAIR: This is a question that I think that we asked the minister the other day and he said that he would get back to us. I asked the question early in the piece about SKM’s prison experience because people say, “The contractor had prison experience.” That is why I wanted to drill down into it. Bovis, in their contract documents, highlight the people who have had prison experience. Members here the other day asked the minister whether Chubb had specific prison experience and the minister said that he would take that on notice. I picked up from the interplay of officers that perhaps they did not have prison experience. I would really like that clarified.

Ms Hardy: I think it should be noted that Chubb, as I said before, are part of a conglomerate and they used a software entity which is part of the UTC conglomerate, which was a Lenel system. I am not sure what Lenel’s proper company name is but certainly in their statement of compliance they noted that they were offering the Lenel system part of their conglomerate and that it had been installed in other prisons. They were using that kind of security software.

MS HUNTER: I want to go back to Webb and SKM. Mr Harlow, you subcontracted the design consultancy to CSMR, you said?

Mr Harlow: No.

Ms Hardy: No.

MS HUNTER: How did that work? What was that relationship?

Mr Harlow: We facilitated the process in terms of writing the brief, evaluated tenders

et cetera. That was on behalf of the territory. So the ultimate contract was with the territory.

Ms Hardy: Codd Stenders and May + Russell was selected in the same way, in a two-stage tender process—expression of interest and then RFP—and engaged by the territory to provide a service.

MS HUNTER: They were directly contracted by the territory—

Ms Hardy: To the territory.

MS HUNTER: They subcontracted when? What sort of process did you go through to decide that the subcontractor company, Webb Consulting, had the experience to then be making those decisions about who should be on this preferred list?

Ms Hardy: It was a similar kind of process that we went through to select SKM, I suppose, because the expression of interest for the design consultant also included the need for experience in this sort of prison design et cetera. The subconsultants that they were to be using would have been part of that as well. I might ask Margaret to actually find the criteria for me and I will come back to you in a moment on that one. Yes, basically we are aware that Webb is another international company of high repute and extremely experienced in this kind of service. I think they are amongst a very few in the world with that kind of experience.

MS HUNTER: And they have worked on prisons?

Ms Hardy: Yes, they have. I think one particular person that is part of the team, Larry Tuohy, is a world-renowned expert in prison security systems etcetera. The technical resources and capacity that the design consultant was required to have included the following: the information required for making this assessment is past performance and experience; details of current and last five years completed works relevant to the ACT prison project, particularly of a similar size/complexity correctional facilities; management in key personnel details, including professional and technical capability; areas of specialisation; specialist skills available for this project within the consultant's organisation; and skills proposed to be subcontracted; any joint venture arrangements required to undertake the project.

THE CHAIR: This is the expressions of interest document for the design phase?

Ms Hardy: Yes, it is.

MR HANSON: Can I go back to the point you made with regard to Chubb and the software system Lenel. Is this in use elsewhere? Chubb said, "This is the software system we are going to use." Is that in use in other prisons or is this new software? Did they give you some information about that?

Ms Hardy: Certainly the statement of compliance noted—and this is the document that we referred to earlier.

THE CHAIR: Page 12 of the statement of compliance?

Ms Hardy: That is the one, yes.

THE CHAIR: It says “75.11 security systems integrator”?

Ms Hardy: That is correct. It states:

We are offering the Lenel system to meet the requirements of the SSI, currently installed in numerous Gaols across Australia.

So it is a software system and they were actually part of the consortium involved with Chubb and Bovis Lend Lease.

THE CHAIR: But it says further on that the Lenel product range was not proprietary to Chubb and maintenance was available through several authorised Australian based, value-added resellers. I am now confused. I thought that there was—

Mr Harlow: Could I explain why they said that. It is because of what we asked for. Just to go back one, Lenel are part of the same parent company as Chubb. I think Rob used the word “consortium”. They are part of the same parent company, an American company. The reason they put that comment in there about maintenance was that, if you go to some other firms—I use as an example Honeywell—you do not have access to their integrator. In other words, if you want to change the software or modify the software, Honeywell have to do it.

The team wanted access so that we were not held to ransom, as it were, by the one organisation. So one of the conditions of the tender was that we wanted access to the protocols; in other words, we could get in and potentially modify the software ourselves. And we wanted access—

THE CHAIR: That is pretty dangerous.

Mr Harlow: Yes. We wanted the source code to the integrator, in effect. That is what they are saying there, that we are not bound to go to a Chubb or a Lenel in the future to maintain. “Maintain” also means modify the software. If we wanted to add a few cameras or make some minor changes to the prison, we did not want to have to go back to Chubb; we wanted to be able to do that within the territory. And that is what that phrase that you have read out refers to. It was giving us some comfort that we were not relying on the one organisation to do it.

MR HANSON: Can you clarify a point. I have got a brief here that was given to the minister on 15 December with regard to defect 2.6, the hierarchical control of control stations and alarm segregation. It refers to the delays there and says:

Further, BLL stated that this could only occur in the event that the software developer engaged by BLL decided to release new software which met the AMC’s requirements or alternatively by way of a contract variation involving additional financial commitments by ACTCS.

Are you saying that they would need to develop new software or is this part saying that it is not part of the initial software buy so that you need to go back for some

more? Are you across that issue?

Mr Harlow: It is a bit of both, yes. What we were offered in this document at tender stage was the Lenel integrator. They went through the specs and they said they comply with this hierarchy issue. They told us they complied with that issue. And it is now turning out the software that Lenel had as standard, off-the-shelf software does things differently than what we want in terms of that hierarchy. That is the bit they are now saying they have to develop and it will take some time.

MR HANSON: So they are going to give you another bill for software that you thought was going to be included?

Mr Harlow: They believe they will give us a bill. Our view is that it is under the contract. In fact, we are holding money back from the contract to pay for that work. We see it the opposite. Like most contracts, there are a few disagreements.

THE CHAIR: Yes. Can I just cut to the chase here? The fault—was it 6.2?

MR HANSON: No, defect 2.6.

THE CHAIR: Sorry. So 2.6, which is about integration, relates to the application of the Lenel integrator?

Mr Harlow: Yes, but it is not about integration. The Lenel system is integrating reasonably well at the moment. The thing that it is not doing is controlling the hierarchy within the prison. I could explain this in my own terms; I do not know whether we want to get James up to talk in more terms. The way I understand it is this. This prison, and it is no different from any other prison, has three control rooms. I think Barry Folpp talked of this previously.

Let me take the two primary control rooms. One is the master control, which is in the gate house. Then there is what we call the movement operation control room, which is inside the prison. Normally in the daytime, once somebody comes in through the gate, control is handed down to the internal room, so that people moving around within the prison—the gates and doors are controlled internally from this operations room, not by the gate house.

The way Lenel has set this system up is that, even though the gate house hands down control, they do not hand it down: they still have access. So you have the situation where the gate house could open a gate and movement/ops could close it or vice versa. That does create a few operational problems—not insurmountable operational problems, but it does create some problems in the operation of the prison. It will not prevent the opening of the prison; it will create a few problems. But it is not what is holding up the opening of the prison right now.

THE CHAIR: If we can draw a line under the Lenel system, what you actually specified in the contract documents in the request for tender—it is your view, Mr Harlow, that at this stage it has not been delivered and it will need to be modified to meet the requirements that Corrective Services has?

Mr Harlow: Yes. On that particular element, as I said before, we have agreed with Bovis Lend Lease to set that aside as a major defect for completion after they hand over the prison. That at the moment is not what is holding up finishing off the system. There are a few other issues that we are still trying to sort out.

THE CHAIR: Can I clarify, with members' indulgence, that the problem with the hierarchy is that the gate house control, the main control room, can hand over the operation to the internal control room but at the same time retain it, so the possibility is that somebody in one control room could be doing something and somebody in the other control room could be doing the opposite.

Mr Harlow: Could in effect be overriding it without the knowledge of—

THE CHAIR: So the left hand may not know what the right hand is doing.

Mr Harlow: Yes. That is the situation we currently have with the software as it is currently operating.

MR HANSON: The other defects then, 2.1 and 2.2, are the ones that are holding up the opening? Is that correct?

Mr Harlow: I believe that they are largely fixed. I forget which is which. One is the intercom system.

MR HANSON: Yes, memory link and hard data retention.

Mr Harlow: I believe that is largely fixed. The other one is what we call the server hot swap. All that really means is that, if a component fails, it automatically hands down to another system that takes over—so in-built redundancy so that you do not have a situation where you have a system crash and everything goes off, all the alarms shut down et cetera. It is in-built redundancy, so it swaps over to another server that takes over. The software that does that was not doing it properly a couple of months ago.

MR HANSON: Is that Lenel or is that another one?

Mr Harlow: It is part of Lenel; it is built into the Lenel software. It is all part of the integrator. I believe that 2.1 and 2.2 have now been largely fixed. There are still a few little glitches, but I am hearing that the system is running much better now than it ever has been on both of those items. There are a few other minor issues, but we hope we are close to the end of the thing.

THE CHAIR: Okay.

Mr Harlow: In answer to your question, as far as we are concerned there are no major problems with 2.1 or 2.2 right now.

THE CHAIR: Or 2.6?

MS HUNTER: Could I just go to 2.6? You were saying that it was more around the

sort of hierarchy you want and how you want it to work that the off-the-shelf did not provide?

Mr Harlow: Fundamentally, yes.

MS HUNTER: But that system is used in other prisons in the way that they—

Mr Harlow: Absolutely—in many, many prisons.

MS HUNTER: How do they get around that issue? Is it because of the design that they do not have the issue?

Mr Harlow: I do not know. They either have a different Lenel integrator—it is interesting that Lenel is used in other prisons throughout Australia. Those prisons either do not have that feature or it is not Lenel but another system.

MR HANSON: But this was written into the original specs. It said that this was the way you want it to work?

Mr Harlow: It was.

MR HANSON: So who said that Lenel will do that?

Mr Harlow: Chubb told us that, but they are now arguing that their interpretation of hierarchy is different from the specification. We do not agree with the interpretation—we find their interpretation rather bizarre—but there is a difference of opinion, which is why they believe that it is a variation to the contract. We are saying, “No, it is included in the contract; give it to us.” They are not refusing to give it to us; they are just saying they want to charge extra for it and it will take a little bit longer.

MR HANSON: How much extra is that? Are you able to tell us?

Mr Harlow: Can we talk dollars on this?

Ms Hardy: We do not know. We actually do not know at this stage. It is all subject to—

Mr Harlow: They have given a ballpark figure, but can we talk dollars in this?

Ms Hardy: I think it is subject to negotiation; I think that is the point.

MS HUNTER: But surely it is not subject to negotiation in the sense that Mr Harlow just said that it was clearly written down that that was in the specs, that was what was being asked, that was what was signed off on.

Mr Harlow: They are arguing they signed off on something different, but we think that is convenient because—I do not want to go into too much detail on that. Right up until October last year we did not see there was a problem; their inspection and test plans were describing the system as we saw it. All of a sudden, in October, an inspection of test plans started to talk about the system different—in other words, with

the problems we are now talking about on the 2.6.

MS HUNTER: Had there been a change of personnel?

Mr Harlow: No, so it was rather puzzling that all of a sudden they did not understand the spec any more. Part of our defence, and this is all part of why we have to negotiate this with them, is that we do not understand why they are telling us all of a sudden that they did not understand—and the fact it has been done in many other prisons again, and it is also identical to the way the intercom system works. The intercom system also hands down the way I have described it, successfully. We are saying: “It worked for the intercom system. You understood it for the intercom system. We don’t understand why you don’t understand it for the hierarchy.” These are commercial issues. Maybe they forgot to price it in and therefore they are claiming they did not know about it. These are not unusual in contractual situations. It is unfortunate that this has come about.

MS HUNTER: When this happened in October, did they give you an explanation at that point?

Mr Harlow: No. At some point in time, and I am not sure when it was, they gave us a report to say that their interpretation of hierarchy was a different interpretation as to what it meant. I do not know exactly when that happened, but certainly there has been a live dialogue ever since October to now get to the stage where they still believe that this hierarchy, to do it properly, is a variation. We are saying that no, it is not a variation; we have actually instructed them to go ahead and do it. At the moment they are saying that will take until December 2009. They are still saying they will get back to us with a firm date and a firm price. We will not accept the price. We may not accept the date for the moment. It is a moot point because we are going to accept the prison without this and then try to get it finished as quickly as we can after we have taken over the prison.

MS HUNTER: Which would be using the same contractors—or another way of doing that work?

Mr Harlow: At the moment we are bound to use Lenel, because it is their system; it is their software. It would be difficult—not impossible but difficult—to use somebody else.

MS HUNTER: We are talking about October 2008, so this is after openings and then talk about another opening or when it would be ready to start being commissioned and so on and that whole process. Did you not feel that this was very late in the piece—

Mr Harlow: Absolutely.

MS HUNTER: for this issue to be raised.

Mr Harlow: And we told them that. We told them that. In fact, they did not even tell us. They gave us a revised inspection and test plan, and Webb Australia went through it and said: “Hang on; you have made a major change to this without telling us about it. What is going on?” That is when we started asking those questions. It was not until

then that we became aware. The IT preliminary inspection test plan prior to that was showing everything in accordance with the specification as we wanted it.

THE CHAIR: Can I go right back to the specs again. You specified a certain amount of functionality; you did not specify brand name items to go with the functionality?

Mr Harlow: No. What we specified was performance based—in other words, these were the outcomes we wanted. We did not tell them the componentry that went into it. There may have been a few small examples where we wanted a particular component, but in most cases it was based on performance.

MR HANSON: This Lenel software—was that one of those ones that you wanted in particular?

Mr Harlow: We did not ask for Lenel software, no—absolutely not. We did not specify the integrator at all.

THE CHAIR: Who were the Australian representatives of Lenel? Does Lenel have an Australian direct outlet or do they have specified resellers?

Ms Hardy: I will have to take that on notice. My only information is that their base is part of the UTC Fire and Security Group, along with Chubb, Red Hawk, Marriott, Kidde and Onity. I will take that on notice.

THE CHAIR: Thank you. I want to see if we can work sequentially through the process. We have hired Bovis Lend Lease as the principal contractor. Presumably, by the time they signed the contract to become the supplier, Chubb was on board? When did Chubb become joined hip and thigh to Bovis Lend Lease?

Mr Harlow: During the negotiation Chubb were offered as a security consultant. In accepting that tender, we accepted everything, so all the post-tender correspondence, which offers Chubb in detail, was accepted as part of that tender.

THE CHAIR: And when did we sign the contract finally? It was October some time?

Mr Harlow: It was 11 October 2006.

THE CHAIR: The stuff that I was reading this afternoon has all the compliance stuff, and that was all done by Chubb prior to the signing of the contract on the 11th?

Mr Harlow: Yes. Indeed, while I am referring to it, this document, 5 of 6, which is the post-tender correspondence—all of that correspondence formed part of the contract.

THE CHAIR: Yes.

Mr Harlow: The contract award letter in effect binds all of that correspondence as part of the contract, apart from the other stuff that we gave them.

THE CHAIR: So moving on, we are then into the construction phase. I was going

through these documents today and, for someone who does not know very much about building, except that we built a house once, there are all those time lines with horizontal lines, targets, milestones and things like that. But reading through it, it is all about block work, steel columns and facades. Even when it comes to fit-out it says things like “complete security sealants”, but I presume that is not part of the security system?

Mr Harlow: You may be looking at the architectural specifications.

THE CHAIR: No, there are pages and pages of this, and they are all the things that you have to do. But in the time lines—this is for the tender program—I cannot see very much mention of the installation of the security system. So when does the installation of the security system come about?

Mr Harlow: I would need to go back and look at that time line. It was only indicative. Can I see the document you are referring to?

THE CHAIR: This is in document 4 of 5. This is the contract document 4 of 5 of the tender response; it is TS6, the tender program, and there are probably 50 pages of stuff from Bovis which has got the time line over a couple of years. Just going through that, there does not seem to be, without reading every line, and it is a bit hard to read at the best of times—

Mr Harlow: All I can say is that what we asked for under that tender schedule was an indicative program, to give us some comfort that the contractor had the right sequence and can in fact build the thing within the period that we specified. We did not tell him to include everything, I suppose, in that program; we just wanted it to be indicative. It would not have gone down to every last nut and bolt, obviously.

THE CHAIR: No, but it is interesting that there does not seem to be mention of the security system in the—

Mr Harlow: Okay, I was not aware of that.

THE CHAIR: I would not mind some advice, and I may have missed it because I flicked through it; actually the light in here is better than it is in my office. I can actually read it a little better. But it is about the building envelope and the physical structure, it seems to me, rather than the fit-out in particular. Mr Harlow, you might come back to us if there is stuff that I have missed there about the set-out of the security system.

Ms Hardy: Yes, we will take that one on notice.

THE CHAIR: But what I really wanted to get to is: indicatively, when was the security system supposed to go in? How did it go in? Presumably there is—

Mr Harlow: Sorry, may I just come back to that one?

THE CHAIR: Yes, sure.

Mr Harlow: Here, where they talk about the 28-day period and the five-day fault-free period—

THE CHAIR: I am reading from this stuff.

Mr Harlow: Yes, that is the same thing.

THE CHAIR: That is in there? Okay.

Mr Harlow: This is on page—has it got a page number?

THE CHAIR: It does not have page numbers.

Mr Harlow: As I say, it is talking about a 28-day period and a five-day period—the very things we have been talking about in this group.

THE CHAIR: Yes, but the thing is you have to physically put in the security system before you get to that. So how did the security system—

Mr Harlow: You are saying you cannot find the physical stuff?

THE CHAIR: Yes. How was the security system installed? Presumably there is conduit with wires and stuff—

Mr Harlow: All I am saying is that you will not necessarily find that in the tender schedule because obviously during construction they gave us the detailed construction program which showed all of those things. You may not find that at the tender stage.

THE CHAIR: So, roughly and indicatively, when did they start installing the security system and what were the phases of installing the security system?

Mr Harlow: We will probably take that on notice because there is a fair bit of information in all of that.

THE CHAIR: Okay, yes.

Ms Hardy: The security system is a whole lot of components as well.

THE CHAIR: Yes, I understand that.

Ms Hardy: There are physical built things as well as, say, software things. There are doors, locks in doors, there are fences, there is the gating system and that kind of thing, so it would be progressively being implemented. We will come back to you on that one with a detailed response.

MS HUNTER: I will just home in a little bit on that. I do understand that as you build you would install components of the system. Mr Harlow, I am interested in whether there was any sort of documentation or implementation plan that said “by this date we would be expecting you to be writing the software that is going to be needed to integrate this system” and so on?

Mr Harlow: We did not require them to do anything like that by a particular date. There were some milestones that I can talk about in a moment, but generally the program was theirs; when they were going to install different bits and pieces was theirs. We only intervened if we felt that they were not proceeding to their program satisfactorily. We did not actually dictate when those things had to happen.

Again, we can come back in detail on this, but the security system installation started when they first put a conduit into the ground which was going to carry the security cable, which would have been right back at the start, right back until when they built the fence and hung the alarm systems off it. So it was a progression over a two-year period. I am not sure how much detail of that is really going to help you. We can go into a lot of detail but I am wondering what you are really looking for because—

THE CHAIR: I suppose what we are looking for is: where were the major milestones and when did you become alive to the problems that we had? For instance, in the monitoring and management reports, the November report, under “risk management”, says: “The failure: faults in the electronic security system; risk numbers unchanged.” “Monitoring of risk treatment” includes the comment: “The factory acceptance tests by Bovis Lend Lease lagging due to the inexperience of Chubb.” No, sorry, that is an annotation—this is a transcription. It says in the report in November 2007:

The factory acceptance tests by Bovis Lend Lease are lagging (due to the inexperience of Chubb?) and the subconsultant Webb have volunteered to assist Chubb in what is required.

So back in November 2007 there seem to have been some alarm bells ringing.

Mr Harlow: With respect to the factory acceptance tests, “milestone” is a term under the contract, so rather than use that term it was certainly a line in the sand, I suppose. And, yes, we were not happy with the original factory acceptance tests.

THE CHAIR: So what is a factory acceptance test, for the uninitiated?

Mr Harlow: It is a test outside the prison, in the workshop. They show the equipment, particularly the integrator, on the table doing what it is supposed to be doing, before it even comes to the prison. So it is showing how the prison operates, but outside the prison, as it were.

THE CHAIR: So it is a test to see whether the system works, before you install it?

Mr Harlow: Yes, and we did have problems until they gave us a satisfactory factory acceptance test. That did take a while for that to be resolved.

MS PORTER: So when did you actually receive the satisfactory—

Mr Harlow: Again, if they are the sort of details you need, we can certainly come back to you on the details and dates of the factory acceptance tests, because they were obviously key elements which we could measure on progression through the security system.

MS HUNTER: Mr Harlow, was this hierarchy situation that we have been talking about earlier part of your testing when you undertook this?

Mr Harlow: I do not know. That is something we would need to ask the security consultant. I would suspect not, given that it was later on that we found that it was not provided, so I suspect that was not something we tested in the factory acceptance tests.

MS HUNTER: Because you were quite clear that it was in the specs, it had been signed off and it was going to be delivered?

Mr Harlow: Indeed, just from a lay perspective, if that is on a desktop at a particular point, it is pretty hard to see whether it is going down to something else, if something else did not exist. It would not appear that we would be able to test that at that stage. But with that sort of detail you are probably better off even asking Webb direct. I do not know whether Webb are going to be asked to give evidence?

Ms Hardy: Yes, I think you are going to have a special briefing on the technical aspects.

THE CHAIR: Yes, we are going to have a technical briefing.

MR HANSON: Can I refer back to defect 2.6. On Friday, when the minister was giving his evidence, he said that he was concerned that the whole issue of litigation and the argument about the software being fixed was delaying it actually being fixed, because he wanted to separate who was going to pay for it from the “let’s fix it” issue. He said, “Go away, fix it and we’ll worry about the payment later.” But you are telling me we cannot even come up with a ballpark of how much that is going to cost to fix it; is that right?

Mr Harlow: No. We are not necessarily interested in what it costs because we are not agreeing it is a cost. We have instructed them, which we are entitled to do under the contract, to go ahead and do the security system as it is specified. Now they are—

MR HANSON: So when the minister said to him, “Go ahead and do that,” he basically said, “Do that regardless of what the cost is”?

Mr Harlow: I am not—

MR HANSON: He did not ask for an estimate of what that would cost; he did not—

Mr Harlow: I am not sure what you are referring to.

MR HANSON: I am referring to the fact that—

Mr Harlow: You say the minister instructed the contractor? I do not think so.

MR HANSON: Well, whoever it is. The minister said that he made that decision.

Mr Harlow: Okay.

MR HANSON: He said, “We’re going to separate.” He said, “We’re not going to worry about the wrangling, we’re going to get on with the software.” Okay?

Mr Harlow: But we have—

MR HANSON: So when he made that decision did he ask for an estimate of how much this was going to cost before he said, “Go ahead and do it”?

Ms Hardy: I think the fine point here is that the contract is a defect-free contract. It basically allows us to set aside a defect. The contractor has to supply this project without defects. The negotiations in relation to variations, defects et cetera can take place in parallel to the completion, as it were. So we can decide to set aside a defect like the 2.6, but the contractor still must continue on under the contract and continue to complete the project.

MR HANSON: But the contractor is disputing that it is a defect.

Ms Hardy: But he—

MR HANSON: They are saying it is a variation.

Ms Hardy: He still—

MR HANSON: I am just trying to find this out: when the minister said, “Go ahead and do it anyway,” did he have an estimate of how much that was going to cost or not?

Ms Hardy: We might have to take that on notice because I am not quite sure exactly what his words were at the time. We do not have the transcript.

MR HANSON: I am assuming by the fact that you cannot give me that ballpark estimate now that he did not have that information when he made that decision?

Ms Hardy: Bovis Lend Lease have provided us with a negotiation stance, shall we say, in relation to 2.6 and, as I said, we are not accepting that it is a variation. We at this stage are attempting to estimate what it would be because it goes to our commercial position as to how we negotiate with them regarding 2.6. I might have to check whether or not the minister has been provided with a ballpark estimate, because I have not been involved in briefing the minister on that directly to—

MR HANSON: No, but do you know what that figure is?

Ms Hardy: The ballpark figure?

MR HANSON: Yes, the ballpark figure. Regardless of whether it is a defect or it is a variation, it is going to cost money to fix up the software, isn’t it?

THE CHAIR: It is going to cost someone money.

MR HANSON: There is an amount of money it is going to cost to fix it. I am asking: what is that amount of money? Regardless of who is going to end up paying for it, what is that amount of money? Do you have an answer to that?

Ms Hardy: I am in a sense reluctant to provide you with that figure because it does actually go to our negotiation position in relation to 2.6 and how we go forward with Bovis Lend Lease. As I said, they have provided us with a negotiation stance on 2.6. We have rejected that, because we believe that the specification requires it already within the already contract figure. We have ourselves attempted to estimate what it might cost under various scenarios to remediate this. As I said to you, I am reluctant in this forum, unless we held it over until the in camera—

THE CHAIR: Could we have a discussion earlier about absolute privilege? But, for the comfort of everyone here, there is an in camera briefing coming up, so can we put a pin in that until then and then we can decide later.

MR HANSON: I am happy with that, Mrs Dunne. I just want to get a sense of it because this is a point of difference—

MS PORTER: We can check the *Hansard* then and see what the minister actually did say and what he was referring to.

MR HANSON: Sure. He basically said he was going to split the two issues, the negotiations about litigation and fixing the software. He came in and said, “We will worry about the litigation,” as I think you paraphrased the current process.

Mr Harlow: On this issue of hierarchy, there is no suggestion of litigation at the moment. We would have to go through a dispute process before we got anywhere near litigation—

MR HANSON: Sure. I just want to know what that figure is—how much it is going to cost somebody.

Mr Harlow: Bovis have given us a ballpark figure for that and we have used that figure, converted to Australian dollars—they gave it to us in US dollars—and we have held back that amount of money from their progress payments.

Ms Hardy: But we would like to go into detail with that in camera because we—

THE CHAIR: All right. I think at this stage we might agree on that.

Ms Hardy: do not want to prejudice our negotiations in relation—

THE CHAIR: But I do also want to re-emphasise that what you say here does not prejudice your negotiations.

MS PORTER: Can I just clarify something? We are not talking about litigation. We are just talking about negotiations, so it is normal business, it is my impression, Ms Hardy, to negotiate around these sorts of things? My experience is that of project manager; I do have some background. We are just talking about a negotiation point

and one normally does not forecast one's negotiation point, so you are asking that we take this in camera so that you are free to continue your negotiations? Is that what you are saying, Ms Hardy?

Ms Hardy: Yes, that is exactly what I am saying. The contract requires a stepped negotiation dispute resolution process and of course we will go through that process as required. But you are quite right: we do not want to prejudice our position in relation to that—

MR HANSON: It is not your position; it is Bovis Lend Lease's. It is not going to be a surprise to them because they gave you the figure—

THE CHAIR: They gave you a figure. That is the point.

MR HANSON: If you have done your estimate and you have worked out the point of difference—

THE CHAIR: We are not asking you for an opinion on it; we are asking for the figure.

MR HANSON: I would not ask you to expose that.

MS PORTER: Excuse me, Madam Chair, I thought that you said at the beginning of this process that we should not have more than one person speaking at a time—

THE CHAIR: Absolutely, you are right.

MS PORTER: so I wonder if we could go back to our original decision, which was that we would discuss this in camera, and stop having this cross-conversation.

MS HUNTER: I would be pleased with that.

THE CHAIR: Okay. Going back to the construction process, back in November 2007 there were concerns expressed about the factory acceptance tests for some of the components. I think, Mr Harlow, this is a question for you because you are the technical people that are overseeing all of this. When did you become really concerned about the security system?

Mr Harlow: I think that question was asked also last time, maybe in a little different form. Coming back to factory acceptance tests, at the end of the day they redid those and we were reasonably happy with the factory acceptance tests. It was not until they told us in one of the site meetings that they were going to miss the completion date that we became concerned. I think that was in November; have you got that?

MS PORTER: November 2008.

Mr Harlow: Sorry, I think it was 15 October or something.

THE CHAIR: Which year?

Mr Harlow: It was 2008. On 24 July 2008 at a site meeting they advised they were now finishing late, expecting a mid to late September 2008 completion. That was after the contractual completion date of 2 September when we became aware, because up until that point in time they would tell us they were going to finish prior to 2 September.

MS PORTER: So, up to that point, Mr Harlow, they were saying that they were going to finish early?

Mr Harlow: Yes.

MS PORTER: So then you became concerned when they said they were going to finish slightly later than the agreed date; is that what I am hearing?

Mr Harlow: Yes.

THE CHAIR: And the sole reason for that is the security system?

Mr Harlow: Yes.

THE CHAIR: You had no other concerns? There were no other delays?

Mr Harlow: Everything else at that stage was finished. There is one item that Bovis will bring up to do with some fans for the cells—

THE CHAIR: I keep seeing reference to fans.

Mr Harlow: which we will need to talk about at one point in time. We believe that is, as I have described to the contractor, a smokescreen. They will talk about that because they will suggest that that is what has held things up. We do not agree with that.

THE CHAIR: Is there any interaction between the fans and the security system?

Mr Harlow: None whatsoever.

THE CHAIR: I thought I would ask that for complete clarity's sake.

Mr Harlow: Just to clarify again, I suppose: we became first aware on 10 July. They were talking about the fact that things could delay; they were saying mid to late August. But only two weeks after that, on 24 July, they were saying mid to late September. So it slipped a month in the space of two weeks, which gave us quite some concern.

THE CHAIR: I notice going through the management and monitoring that the handover day moves from meeting to meeting by a day here, a day there, over the course of a year and then suddenly it goes bang and it is all—

Mr Harlow: Yes, and this is when it really started to shift to the right.

THE CHAIR: I notice in some of the team minutes quite early in the piece—we have

not seen all the team minutes; it is something that we have asked for—there was reference to regular briefing of the minister and the key players. How up to date was the minister with these issues? Were these considered day-to-day issues or when things started to slip was the minister informed?

Ms Hardy: I might answer that. It was the responsibility of Corrective Services to brief their minister and I think that should be referred to them.

THE CHAIR: Thank you; that is fine. I noticed—I think it was in one of the team meetings—that Mr Harlow had said that it was one of the priorities to keep stakeholders briefed, so I just wanted to check that the minister as a stakeholder was briefed—

Ms Hardy: By Corrective Services.

THE CHAIR: by Corrective Services. Thank you for that. So back in July 2008 things started to blow out. When things started to blow out, what was the process and how did you attempt to remedy the blow-out in time? I meant you in a very broad sense of what was done.

Mr Harlow: Several means, I suppose. As you can imagine, there were several letters which went to Bovis expressing some concerns. We asked them to revise programs. We asked them for assurances as to how they were going to get back on to program and that was also discussed and minuted in the site meetings. I do not know whether you have got all of those letters. I am not sure what has been provided on that.

THE CHAIR: I think we have seen all the site meetings up until February—

Mr Harlow: We obviously turned up the burner a bit in terms of dialogue with the contractor and put them on notice contractually. Even as recently as a couple of weeks ago we have written a fairly strong letter to them, as you may imagine.

MS HUNTER: Is it true that by around late June Chubb had increased their staff from 11 to 35 people who were working longer hours? Was that your experience—that there were more people suddenly brought in?

Mr Harlow: They certainly increased their workforce. You may know better than I when that happened, but certainly their numbers increased on site to obviously put in a bigger effort.

MS HUNTER: And this was in response to a number of defects and so on that were found; the system was not working?

Mr Harlow: I do not think at that stage we were finding defects. Back in June-July they were still installing the system. We were not looking for defects because it was not presented as complete.

MS HUNTER: Mrs Dunne, you are probably more across all these site visits than anyone. Was it 29 May that the first problem started to be identified? I think that was in timing a little bit earlier than that. There were scientific questions asked anyway

about where the software was up to. I think that even Chubb had informed someone that they were a little behind and they would need to put in a bit more work on that front.

THE CHAIR: 29 May—to be advised that Chubb Security Services progress was highlighted as a concern by Webbs consultant.

Mr Harlow: To come back, though: this 11 to 35 people was advised to us on 26 June in site meeting No 47, item 4.1. I will just read out another thing that was recorded in the minutes:

Security services continues but Chubb are still some 2 weeks off from acceptance testing pre-28 day test.

It is interesting that back in June they were saying they were two weeks off the 28-day tests which were still in sight. The physical testing of the security system, which is actually testing that the fence is right, that the alarms are right, that the microwave tower is in the right place, that the cameras are in the right place—I am not sure when that started. I need to get back to you on that. But that has all gone reasonably smoothly. We found issues in that but nothing of any major concern.

The major defects which have been problematic have been to do with starting this 28-day period, which ordinarily we would not find until just prior to looking and saying, “Are you ready for the 28-day period?” Webb, in fact, pre-emptively did that because it did not seem that Chubb were able for a while to do that. Webb actually went there and found some 1,200 defects. A large component of those was associated with the software and the electrics and things which were not working in the integrator. I am not sure what time that happened but—

THE CHAIR: November 2008.

Mr Harlow: I suppose I am separating the physical defect inspections from the electronic stuff, which we could not look at until we had the system virtually ready to go.

THE CHAIR: So when did that happen? When was it all physically installed? When was it switched on for the first time and it—

Mr Harlow: I will have to take that on notice. It has been so blurry in all of that. We agreed, I think as we said last time we told you, to start the 28-day period on 5 January. So I suppose, to answer your question, it was at that time that we agreed that it would switch on and stay on.

MR HANSON: But that was a retrospective decision, wasn't it?

Mr Harlow: It was. As we said at the time, it was decided the week of the 12th that it would be the 5th, yes. I think that answers the question because at that point in time we had not been happy—nor were they, I do not think—that it was ready to turn on.

THE CHAIR: Back on 13 November in the action plan team meeting, Mr Harlow, it

says:

PH—

I presume that PH is you?

Mr Harlow: That is me.

THE CHAIR: It says:

PH advised that our Security Consultant (Webb), spent all of last week doing inspections and tests (which should all have been done by BLL/Chubb). They found 1200 defects, 6 of which were classed as “show-stoppers”, preventing the commencement of the 28-day Performance Evaluation Period, until rectified.

You refer to those 1,200 defects. Are they defects in lines of code, are they physical defects or are they a combination?

Mr Harlow: They were a mixture of things. They were right down to things like labels not being right. There were some physical things. There were some cameras missing, there were some wrong camera poles—that sort of thing. But a large proportion of them were related to pictures on screens or an intercom system not talking to another system, so a lot of them came back to the security integrator. Of the six show stoppers, three of those were the ones we have talked about today: the server hot swap, the system hierarchy and the intercom system. There were three others; I do not recall what they were at the moment. I suppose progressively those other five have been resolved. All that is outstanding at the moment is the hierarchy, which we are going to set aside.

THE CHAIR: I thought we said before that the redundance, the hot swap and the intercoms were still problems?

Mr Harlow: No. As I said before, right now, as far as I know, they are working reasonably well.

THE CHAIR: Sorry, yes, they are working reasonably well.

Mr Harlow: There are still some issues but the system is running much better than it ever has been. The hierarchy is one that I have said is still not resolved. The other five of the six show stoppers, as far as we are concerned, have been resolved, unless something dies tomorrow, which could happen. Do you want to know what the other three were?

THE CHAIR: If you could, yes, please.

Mr Harlow: The server hot swap I have mentioned. The intercom system I mentioned. The perimeter microwave system was not functioning. This is one of the alarm systems—

THE CHAIR: That is a biggie.

Mr Harlow: But it basically was not finished, as it turns out. As it says, alarm latching and associated faulty patch. I am not exactly sure what that means, alarm latching. But it was something that has been fixed.

As regards the stability of the system, we were getting a lot of out-of-memory messages, as you might get on your computer. So the system was overloading for some reason. Until recently, we have still had some of those messages but I think the incidence of those has declined, if not stopped. The last one was the hierarchy, which we just talked about.

MR HANSON: Predominantly software issues; would that be correct?

Mr Harlow: Those issues, apart from the perimeter microwave system, which was a physical thing, yes.

MR HANSON: So five of the six were software?

Mr Harlow: The other five were software related, yes.

MS HUNTER: Mr Harlow, we heard you, I think it was, say earlier that Chubb was saying that, in order to correct, I think it was, defect 2.6, it could take until December. There was some talk about some defects taking until December or so. There have been a few changes there. In your opinion, is it going to take until December before this process will finish or has there been progress in the meantime?

Mr Harlow: We do not know, because this is software. They had a couple of options. One suggestion was that they would write some simple software, which was a part solution. The other one was to wait until Lenel rolled out their next software upgrade, which, they say, happens about every 12 months or so.

THE CHAIR: That is a bit on the never-never, is it not?

Mr Harlow: When we pushed the argument and it appeared we wanted the right fix, which was going to take longer—

MS HUNTER: Which was then writing off this software?

Mr Harlow: That was when they wrote to us with a dollar figure, an indicative dollar figure, which they said, “We will confirm,” and a date of December 2009. It is still with them to come back. They said, “We will come back and confirm the dollars and confirm the date.” We have now said we will probably go ahead with that—and I believe they have—and we have also told them now that we have taken that money off them or are not paying them for that until they fix it, plus we have held some other money back because the system is not fixed. I am hoping that all of a sudden they will find they can bring that date forward a little bit, by many months, but we do not know yet.

MR HANSON: Your latest advice you have received is December 2009?

Mr Harlow: Yes. As I say, I suspect that, when they know there are big dollars

attached and they might be exposed to it, they might be able to speed that up for us. I am hoping they will.

MS HUNTER: December 2009 is a long way off and there have been all these issues that have come up on the software and “Do not worry, it will be another day, it will be another two weeks, no more than three weeks,” and so on. I know you cannot answer this directly, but how do you think they might have come up with December 2009?

Mr Harlow: I do not know, except that is what they have told us. But again, you are right. We cannot be certain that that will be that date, because other dates have slipped. What we are saying and have said consistently—certainly to them and we are telling you—is that we have set that defect aside so that it will not hold up opening the prison and putting prisoners in there. It will have some operational issues, which Corrective Services can work on in terms of staffing. If it takes longer, it will be an inconvenience for a while but will not stop things happening, as it were.

MS HUNTER: To clarify, even though it may at the end of the day take until December 2009 to completely fix that particular issue, it is not going to stop the prison opening and prisoners going in before that?

Mr Harlow: No.

MR HANSON: I am mindful of the time, but the prison, when it was originally scoped and put out to tender and so on, had specs that are not being delivered; 370 beds have been reduced to 300; it was going to have a chapel; it was going to have a gym; and probably other things that we have not got across, the smaller things. Then there are things that Corrective Services wanted along the way, like a perimeter fence. That proved too expensive. They put it in as a requested variation, \$450,000, and they decided not to go ahead. I do not know why; Mr Ryan might. Anyway, there is a whole sequence of things that seem to have started and then there are some that have been delivered and changes along the way.

I wonder whether, through you, Madam Chair—I am not sure you are the appropriate people to do it—we could get a summary of what was in the original scope for the AMC, what then changed along the way and why it changed, why those variations occurred and then what is finally being delivered so that we can see. It was going to be 370 beds; it is 300. It was going to have a gym; it does not. There might be some things that were added along the way because we realised that we needed to add something that we had not factored in.

THE CHAIR: There were.

MR HANSON: It is very difficult to get that whole picture and, if we had that in a singular spreadsheet, that would be a very useful document.

THE CHAIR: It is probably something you would build on from the main construction, this clarification schedule.

MR HANSON: Not down to the fine widget but I suppose issues of substance like a gym or a fence or a chapel or so on.

THE CHAIR: Yes, because there were things that were specifically excluded in the expressions of interest, request for tender phase.

Ms Hardy: That is correct.

THE CHAIR: And then there were things like the RFID that came out afterwards.

Ms Hardy: During the negotiation process, that is correct.

THE CHAIR: But the RFID came out quite a bit later, didn't it?

Mr Harlow: But that is in a different category as to why that was taken out.

THE CHAIR: I would love to know why.

MR HANSON: If we could have that information, as things worked out, in light of the start point, essentially.

THE CHAIR: That would be very helpful to the committee.

MR HANSON: You have got the prison as we dreamed it would be, then the project management phase, whenever it was, what has actually been delivered and a summary of those changes as we went along.

Ms Hardy: We can take that on notice.

MR HANSON: If that could be given to the committee that would be, I think, quite useful.

Ms Hardy: We will take that on notice, yes.

MS HUNTER: Ms Hardy, I wanted to ask a few more questions to clarify the roles of different people. You have said here today that it was not Procurement Solutions's responsibility nor their role to brief the minister; that was Corrective Services's role to brief their minister.

Ms Hardy: That is correct.

MS HUNTER: I guess you were never involved in any briefings or anything that would go up to the minister, or were you?

Ms Hardy: Yes, I was. In the normal course of Procurement Solutions's role, we would provide input to our client agency—in this particular case, it is justice and corrections, and we would do that for all other agencies like TAMS et cetera—and from time to time we would be called along to go to meetings with ministers to provide advice on the procurement aspects as well.

MS HUNTER: As far as you were aware, when did the minister or his advisers first become aware that there were problems with Chubb and the security system?

Ms Hardy: I would have to take that on notice, because that would go back to when Corrective Services were advised.

MS HUNTER: And, given there were a number of delays in the project, did Procurement Solutions have full confidence that Bovis would deliver the AMC on time when there was starting to be that preparation for the AMC official opening?

Ms Hardy: We became concerned that there would be a slight delay but at the time of the physical opening, which was done in—

THE CHAIR: On 11 September.

Ms Hardy: On 11 September, we were still being reassured that it would be ready before—

MS HUNTER: Mid to late September, I think it was, was it not?

Ms Hardy: Yes. At that particular stage it was not a case that the opening ceremony was held, with prisoners. It was already, at that particular time, mooted that prisoners would begin moving in weeks later; and so at that stage we were concerned that there were some delays but they did not appear to be material to what was already mooted.

MS HUNTER: At that point you were not feeling that there was a need for you to advise Corrective Services or that, through whatever process, the minister needed to be told that? You did not have confidence that this latest, I guess, prediction on the opening or the starting time to go into the commissioning, mid to late September, was not going to be met, was not going to be honoured?

Ms Hardy: Corrective Services were aware of all of the sorts of information that we had. All of us stood side by side on the project and, essentially, each of us was involved in site meetings, in team meetings et cetera; so the same sorts of information that we were receiving Corrective Services were receiving at the same time. We all discussed the issues that were raised and we were all of the same mind at the time.

THE CHAIR: Can I briefly ask for some advice about when the RFID system came out of the contract and why it came out. It is now being installed as a sort of add-on by Corrective Services. What process did you go through to come up with the RFID system that is now being installed and did we save any money in the process?

Mr Harlow: Some of those I think Corrective Services might need to speak to in terms of, I suppose, the money side of it but—

THE CHAIR: Yes, but my reading was that \$850,000 was taken off the contract price by excluding the RFID system.

Mr Harlow: Yes.

THE CHAIR: And going through the site meetings that went on for months: it is in; it is out; it is in; it is out. And then it was eventually out.

Mr Harlow: Yes.

THE CHAIR: And then there was a credit, essentially, of \$850,000.

Mr Harlow: Yes.

THE CHAIR: Was that part of the process of finding savings in the project?

Mr Harlow: No.

THE CHAIR: So why did RFID come out?

Mr Harlow: Fundamentally, there was a difference of opinion, I suppose, which could have ended up in a feud or whatever. What they were providing to us in the RFID system was not what we thought we were getting.

THE CHAIR: Sorry, who is “they”?

Mr Harlow: Bovis Lend Lease.

THE CHAIR: But that was originally part of the security system.

Mr Harlow: Yes, and they proposed to give it to us in accordance with the specification. But, without going into a lot of technical detail, there were concerns that what they were providing did not meet the performance specification. We could have insisted that they do that, but their belief was that they met the specs; so they would have dug their toes in on that. At the end of the day, a decision was made to delete it from their contract, which was quite easy; so there was a credit variation and Corrective Services made a decision to get someone else to supply and install that system.

THE CHAIR: But in June 2006 there are minutes of the project record, various site meeting issues. It is a hand-written note that says:

RFID appears to be much more expensive than originally estimated. On hold.
May be retrofitted in the future. Nothing for Bovis at that stage.

What is the RFID system eventually going to cost us, or is that outside your—

Mr Harlow: It is outside our scope now because it is being delivered by Corrective Services.

THE CHAIR: The next time the minister comes, we will ask that question of Corrective Services, I think. But can I confirm it came out of this process because there was a dispute with Bovis about functionality?

Mr Harlow: There was a disagreement over functionality, yes.

THE CHAIR: Thank you. It is 6 o'clock, members. Is there anything else that is

absolutely pressing? Thank you very much for your attendance and your assistance today. For the non-techies amongst us, if we asked really dumb questions we do apologise but it is a matter of working our way through this. You will get a copy of the transcript in the near future. Corrections should come back to the committee secretary. Thank you very much for your assistance.

The committee adjourned at 6 pm.