



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Inquiry into Auditor-General's report No 6 of 2015: Bulk water alliance](#))

Members:

MR B SMYTH (Chair)
MS J BURCH (Deputy Chair)
MS N LAWDER
MR J HINDER

TRANSCRIPT OF EVIDENCE

CANBERRA

TUESDAY, 19 APRIL 2016

Secretary to the committee:
Dr A Cullen (Ph: 620 50142)

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

WITNESSES

COOPER, DR MAXINE, Auditor-General, ACT Audit Office **41**
STANTON, MR BRETT, Director, Performance Audits, ACT Audit Office **41**

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Amended 20 May 2013

The committee met at 2.01 pm.

COOPER, DR MAXINE, Auditor-General, ACT Audit Office

STANTON, MR BRETT, Director, Performance Audits, ACT Audit Office

THE CHAIR: Welcome. I formally declare open the public hearing of the Standing Committee on Public Accounts inquiring into the Auditor-General's report No 6 of 2015: *Bulk Water Alliance*. In accordance with the committee's resolution of appointment, all reports of the Auditor-General stand referred to the public accounts committee after presentation. The committee has established procedures for its examination of referred Auditor-General's reports. The committee considered Auditor-General's report No 6 of 2015 in accordance with these procedures and resolved to inquire further into the report. The terms of reference for the inquiry are the information contained within the report.

Good afternoon, Auditor-General. On behalf of the committee I would like to thank you and your officials for attending today. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the pink coloured privilege statement before you on the table. I ask that you confirm for the record that you have read and understand the privilege implications of the statement.

Dr Cooper: I understand the privilege implications.

Mr Stanton: I understand.

THE CHAIR: Thanks very much. Can I also remind witnesses that the proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast. Auditor-General, would you like to make an opening statement?

Dr Cooper: Thank you, Mr Chair; yes, we would. An audit on ACTEW capital works and infrastructure programs was flagged in the draft performance audit program of 2013-14, specifically in the May 2013 draft. That evolved into the Bulk Water Alliance performance audit that is the subject of today's hearing. However, in August 2013 a public interest disclosure in relation to the enlarged Cotter Dam was referred to our office by the Commissioner for Public Administration. After discussions with the entity making the disclosure, it was decided to address the public interest disclosure issues as part of the Bulk Water Alliance performance audit.

The Bulk Water Alliance performance audit covers a complex and large topic. It was an audit on ACTEW and its private sector alliance partners—GHD, the project designer, and contractors Abigroup and John Holland Group. The subject matter in the audit is very technical in nature. Technical specialists were engaged by the audit team to provide advice in relation to the alliance contracting and civil engineering. We also had an audit of the audit undertaken, which we refer to as our quality assurance.

Apart from considering technical issues, there were matters of communication, including an assertion made in the public interest disclosure relating to integrity

matters that needed to be examined. Considering the assertions was very time consuming as it required the audit team to consider documentary evidence from a very diverse range of sources.

Another feature of this audit is that it does not make any recommendations. While this is the case, it can be used to inform any future alliance contracting arrangements as it is a case study on managing complex capital works under an alliance contracting arrangement. It was also important in giving some assurance around what ACTEW—now Icon—were actually doing with respect to the alliance.

The Bulk Water Alliance was used by ACTEW to enlarge the Cotter Dam from four gegalitres to 78 gegalitres and construct the Murrumbidgee to Googong pipeline and the Googong spillway. Except for the Googong spillway, the other projects were aimed at increasing the ACT's water security.

Evidence considered during the audit led to the conclusion that, as the construction of the enlarged Cotter Dam was high value, complex and a long-term project, ACTEW's use of the alliance to deliver it and the Murrumbidgee to Googong pipeline was appropriate and effective. We came to that conclusion despite the fact that a cost overrun for the enlarged Cotter Dam and all three projects under the alliance were overdue. With respect to using an alliance for the Googong spillway, the merits of that were not considered to be evidenced.

The enlarged Cotter Dam's final cost of \$410.5 million exceeded the final estimated cost of \$363 million established in September 2009. That \$363 million comprises what is referred to as the target outturn cost of \$299 million in Bulk Water Alliance costs and ACTEW's direct costs of \$64 million. An estimate of \$145 million developed by ACTEW and presented to the ACT government in 2007 prior to the establishment of the Bulk Water Alliance was preliminary and did not include all of the anticipated costs. The enlarged Cotter Dam project was 20 months overdue.

While a "lean" target outturn cost was established for the enlarged Cotter Dam project, which aimed at achieving better performance from ACTEW's alliance partners and minimising overall costs, some cost estimates were based on unrealistic construction schedules. Unforeseeable events, including the one-in-100-year flood, while impacting on the construction schedule and costs, do not fully account for the extent of the overrun.

The increased time and costs of the enlarged Cotter Dam project were due to: a previously undetected geological fault—not a reasonably foreseeable risk; a slower than forecast rate for excavating and cleaning up the foundations of the dam in preparation for the placement of the dam wall—a foreseeable risk; a slower than anticipated placement of roller compacted concrete in the dam wall—which we consider a foreseeable risk; and additional work to prepare for and mitigate flood events at the site—some were foreseeable; others were not.

With respect to communication in the public interest disclosure assertions, it was found that while there were delays in providing cost information about the enlarged Cotter Dam to the public, there was no documented evidence that ACTEW or the government sought to deliberately mislead or deceive the public.

In concluding our opening comment, Mr Stanton, who had a very key role in this audit, will outline the value of the audit, particularly as we did not make any recommendations. We will rely upon our key findings and conclusions in the actual content of the audit to shape future action.

Mr Stanton: The audit outlines key factors associated with making a decision as to whether or not to adopt an alliance model for a major infrastructure project with the characteristics that defined the enlarged Cotter Dam and the Murrumbidgee to Googong pipeline evident.

The audit documents the process for selecting alliance contracting as a model and the types of projects which lend themselves to alliance contracting, particularly an infrastructure project that is large, high value, complex and with a high degree of uncertainty and unknown factors. The audit presents how the gain share, pain share mechanism was applied, particularly the agreement of a so-called flat spot, which meant that ACTEW agreed to wear the first \$13.4 million of any cost overrun and agreed to forgo the first \$10.4 million of any cost saving. Such an arrangement was favourable to the private sector participants.

There are key findings on the estimation of costs associated with the project. These were, in part, based on ambitious production schedules and targets. The estimated costs included a low contingency amount for such a large and complex project.

There are also key findings on public communication of costs associated with the project. An earlier estimated cost of \$145 million for the enlarged Cotter Dam was not specifically and publicly refuted until September 2009. The final and total quantum, including the target outturn costs and ACTEW's own costs, was not known until late August 2009. There was information being generated from ACTEW and shared with voting shareholders and the Legislative Assembly that this was likely to increase, but this did not convey the likely magnitude of the increase.

THE CHAIR: Perhaps we can start where you finished, with the \$145 million. You mentioned that there were things that were not included in that price. What were they, and was it reasonable that they were not included?

Mr Stanton: May I draw your attention to appendix A, which discusses some earlier documentation associated with cost estimates of the enlarged Cotter Dam project. This goes back to work that was done; back to 2005-07 and in the years since then. It also refers to work that was done by the ICRC and, in particular, its consultants Halcrow in 2010, which went through that earlier cost estimate and identified the shortcomings and deficiencies of that earlier cost estimate.

THE CHAIR: Groups like Halcrow make it clear that it was preliminary, yet the way it was presented to the Assembly and the public was that this was the cost of the dam. Was that simply a fault in communication?

Mr Stanton: We did not look at communication going back to 2007 or even earlier in relation to the enlarged Cotter Dam. So we have no particular view on that.

THE CHAIR: I note it is an appendix, but the report is from the alliance onwards.

Dr Cooper: It is absolutely focused on the alliance. The approach taken there by the team was that the events prior to that had been subject to much scrutiny within the Assembly. Also, the ICRC had scrutinised that, so what more value could we add? Therefore, we tried to look at the Bulk Water Alliance, which had not been examined in detail. As we know, there is still a discrepancy in those costs there.

Mr Stanton: May I refer you to paragraphs 5.4 to 5.16. There is some narrative there on those earlier cost estimates and their development.

Dr Cooper: So while we did not audit that, we respected that the work had been done. The objective of ours is to make things as transparent as we can.

THE CHAIR: You talked about the alliance model being appropriate, yet it was 20 months late and over budget. How do you measure appropriateness in that case?

Mr Stanton: Chapter 2 of the report goes into some detail about how ACTEW went about identifying the most appropriate model to proceed with all three of those projects. Firstly, I would draw your attention to paragraphs 2.10 to 2.15. That was the transaction adviser that ACTEW had engaged to provide advice in relation to the different models that were available.

We also, or through our consultants, made an assessment against what is called a guide to alliance contracting. We have covered that off in paragraphs 2.34 to 2.44. That guide actually came out in 2010, so it is better practice that came out after the decision-making process. But against that better practice in 2010, the enlarged Cotter Dam and the Murrumbidgee to Googong pipeline were projects that had characteristics that lent themselves to an alliance contracting model.

Clearly we have identified in chapter 2 some reservations about the Googong Dam spillway and its inclusion in the alliance arrangement, a comparatively smaller project where a lot of the work had been done to date, where there was comparatively lower risk and lower uncertainty with that project compared to the larger enlarged Cotter Dam and Murrumbidgee to Googong pipeline.

Dr Cooper: For ease of reference for the committee, you may wish to refer to table 2-2.

THE CHAIR: But given it was 20 months late and over budget, should the alliance model not have ameliorated that blowout and discrepancy in cost? If the alliance model was suitable, on what measure was it suitable given the extra time and the extra cost?

Mr Stanton: Again, drawing attention to those factors that I identified earlier, we would also draw your attention to the reasons for the increase in time as well as costs associated with the enlarged Cotter Dam primarily.

THE CHAIR: But your report says that their delivery expectations were way over industry norms. So how can one trust the alliance model if it allows that to happen?

Dr Cooper: A model will never stop the human assumptions that underpin, if you like, the schedule. I think you can make a distinction between the two. We have criticised them in terms of unrealistic assumptions and expectations. That is how I conceptualise the difference: an appropriate model, but within that model there are some decisions that have to be made, and in making those particular decisions, their estimations were not correct.

If you look at the options they considered in 2.11—design, build, engineer, procure, construct—that is the broader framework within which you move towards constructing the Cotter Dam. The criteria were looking at which one of those would be the appropriate model. In any of those, similar assumptions could be made that would ultimately affect whether or not it was achieved on time. We have outlined the risks that they should have foreseen, we think, that they did not.

THE CHAIR: Does the alliance model give you padding or comfort that, for instance, design, build, finance, operate does not? If you are doing the design, build, finance and operate model, you are carrying all the risk, in reality; whereas with alliance, you have got a partner and, as you said, the flat spot favoured the private sector. The alliance seems to have put all the aces in the hands of the private sector with not so many good cards in the hands of the government.

Mr Stanton: Again, I conceptualise it in the way the Auditor-General has described in terms of the model. We certainly identified shortcomings in the implementation of that particular model. The alliance model, while it might have been an appropriate model to proceed with the projects, was still subject to discussion and negotiation with the non-owner participants for the purpose of determining the commercial framework, the target outturn costs and the pain share, gain share mechanism. Chapter 3 of the report identifies the shortcomings that we have identified in that negotiation process and how they came to the so-called flat spot.

MS BURCH: In short, the alliance for these major projects is a reasonable model to enter into. I like your distinction about a model that is quite separate from the human optimism that is built into some of these projects.

Dr Cooper: It is a model that is appropriate for this particular type of infrastructure project. There are so many models out there. We have currently got a PPP, I think, for the courts. There is a whole range of models out there. I think each case would need to be looked at.

MS BURCH: Absolutely. For this project it was a reasonable model. There are lessons to be learned from that. I get a sense that there are no recommendations here, but there is a book of lessons learned should we enter into this next time. But I cannot imagine we will be building a dam any time soon.

You have made mention of the spillway. You had a question about whether that should have been part of this project. Again, without paraphrasing Icon, it was almost like they could have done that separately, but they saw it almost as a way to get those partners organised and tested in their relationships. Is there merit in that? I do not know if you have a view on whether there is merit in that. It has not detracted from

the overall outcomes from the alliance in terms of whether or not they put that little project in.

Mr Stanton: Paragraphs 2.38 to 2.44 specifically discuss the Googong Dam spillway and its inclusion in the project. We saw the documentation associated with its inclusion, including advice that went to the ACTEW board. We certainly had ACTEW's advice on the feeling at the time, particularly in relation to making the water security projects competitive against other water infrastructure projects that were either underway or being mooted elsewhere throughout the country. We understand those assertions from ACTEW. But our key finding or issue is that, whilst those assertions have been made, there remains some doubt in our mind of the merits and benefits of including the spillway in the project against those ideals, and those assertions as to why they did it were not evidenced.

MS BURCH: Often people are concentrating on the overriding cost of the dam and whether we want to go back to the early days that pre-dated your audit of cost. Once the cost actually started to be realised through the various pieces of work, we had a more realistic expectation of what the costs would be. From memory, having looked at this earlier, the dam was an overrun, but the other two projects came in, over time, within budget; is that right?

Dr Cooper: Yes.

Mr Stanton: That is correct.

Dr Cooper: We will find the table for you.

Mr Stanton: It is 4-1 on page 101.

MS BURCH: We have put questions to other witnesses about what was unexpected and what were some of the delays. You have expressed a view that some of them, whilst unexpected in many ways, could have been expected and managed into some sort of buffer contingency. Everyone seems to recognise that the concrete compactor was a very slow process. Where are those lessons learned from the alliance when you have something that is clearly going to be slow and that will impact across the life of the project? How do we remedy that pain and gain?

Dr Cooper: That they have gone from seven to 17 in actual time—the targets?

MS BURCH: Yes. Are there any lessons learned in this about how you share that pain across an alliance?

Mr Stanton: I do not know about that, but I do know that chapter 4 of the report, particularly paragraphs 4.51 to 4.105, goes into some detail about the role of the compacted concreting and those estimates that were developed at the commencement of the project. Essentially, at the commencement of the project the alliance partners got together to identify and determine what they needed in relation to the compacted concreting materials, time et cetera. They made that estimate, costed that out and put that into the target outturn cost, and that formed a component of the target outturn cost.

Our consultant, particularly Entura, came through a few years after the project, identified the work that had been done and identified in their best opinion and best view whether that was sufficient at the time. They have clearly come to a view—and we support that view—that there were shortcomings in that estimate. It was very ambitious in terms of the placement and what they were trying to achieve in the time frame.

The second aspect is identifying the contingency associated with the project. You might have, as this project experienced, significant rainfall and wet periods and the like, and that will affect the placement of the concrete. The trick will be to recognise that as a possibility and allow for that in your cost estimates and your production schedules. We have the view that the contingency amount identified for the project was low for a project of this size.

What they did was to identify and allocate a contingency amount to essentially the different production line items. But what happened was that when one thing went wrong it led to another and that led to another. With the flooding, of course, that led to delays in the placement of the concrete. That led to delays in the project and that led to additional costs associated with hiring the equipment. Many millions more were spent on hiring equipment for an extended period of time. That is what was missing in terms of the identification of the contingency amount for this particular project. I draw attention and lessons learned to two issues: one being the estimates to begin with and how to mitigate that in the project through a contingency amount.

MS BURCH: Finally, you continue to have conversations with Icon now? They said that they have taken this quite to heart, have put systems in place and have really done some learning. So your job is done and you move on?

Dr Cooper: Yes, we have moved on. The only thing we could ever think about is a forward audit, going back and seeing what they have put in place. We have not had, to my knowledge, any conversations with them—is that right?—

Mr Stanton: That is right.

Dr Cooper: about the changes that they are making.

Mr Stanton: In last year's performance audit program—and we are currently developing the 2016-17 program—we identified one or two audits in relation to the management of infrastructure assets and also an audit in relation to high value procurement. The lessons that might be learned for both the Audit Office and government agencies might be able to be applied in those audits.

MS LAWDER: Firstly, I have a process question. How many of your performance audits in the past year or even longer have had no recommendations?

Dr Cooper: I think this is the first one.

MS LAWDER: The first one?

Dr Cooper: Yes. In my time, this is the first one.

THE CHAIR: I think it may be the first.

Dr Cooper: Is it? All right.

MS LAWDER: My substantive question is: the table on page 45 talks about an urgent project start being required. Why was it urgent—do you know?—to start the enlarged Cotter Dam?

Mr Stanton: I believe the assertions were made that with the so-called millennium drought—we go into some detail on that in chapter 1—at the time, and I believe there is a graph there about water storage levels in the ACT—

Dr Cooper: Yes, on page 20, 1-1.

MS BURCH: They were dire.

Mr Stanton: I believe that is the rationale.

MS LAWDER: If you look back to January or June 2004, or January 2005, there were reasonably low water levels but we did not decide to urgently build a dam then.

Mr Stanton: I do not know, or we do not know, about the activities back in the early 2000s in relation to decision making around water projects.

MS LAWDER: Did you do any analysis as part of the audit of those that were foreseeable costs in terms of what may have been the impact of delivering on time, the financial benefit to the territory, as opposed to—

Dr Cooper: No, we did not do that, but we did look at what we would consider were foreseeable risks that would have impacted on those costs. We took that approach.

THE CHAIR: Mr Hinder.

MR HINDER: We have had evidence from ACTEW, now Icon, in relation to some of this information. In relation to the discussion around contingency amounts and those sorts of provisions, they had a view that they also wanted to make this contract relatively lean in relation to their relationship with the other partners. That made sense to me in that you do not want to build fat into a contract because they will just take it. In terms of the contingencies that your audit says possibly should have been in place, a large chunk of those would appear to be in relation to the one-in-100-year flood, the knock-on effect of the clean-up and then getting back into work, as well as the additional plant and equipment hire and all of those knock-on things from that.

Given it was negotiated over a number of months, if not years, to get to the point where you had this project on the go, which was in the back end of a six-year drought, with 20-20 hindsight—which is a very comfortable place to be assessing things from—would it not be a reasonable call on their part to assume there was not going to be a one-in-100-year flood, notwithstanding that all of those things seemed sensible? At this point in time, given that it happened, would it not be a reasonable assessment

on their part and on all that flowed—pardon the pun—from that?

Mr Stanton: What we attempted to do in chapter 4 of the report more broadly was to identify that certainly some of the increased costs associated with the dam were due and attributable to the major flood event, but not all.

MR HINDER: Yes.

Mr Stanton: I do not believe we are in a position, or anyone is in a position, to try to apportion that out to those different costs. The advice we have and our view is that not all of that was attributable to the major flood event.

Paragraphs 4.106 through to 4.136 talk about the flood events. There were a few flood events for the project. I believe there was a smaller flood event a little earlier and then there was a major flood event in 2010. What happened also is that once they were into the project they recognised and assessed that their flood management mitigation measures were not adequate and they commenced some additional work to build an additional spillway and conduit. That work was undertaken. That work, once it was undertaken, would have, on Entura's advice and our advice, ameliorated the effects of the large flood event, but not fully, of course.

Dr Cooper: The report completely acknowledges the one-in-100-year flood; that you would not actually plan for that. Based on the technical advice we have, we think they should have allowed for a larger contingency, even taking those factors into account and recognising that a major one—the one-in-100—you could not have reasonably foreseen.

MR HINDER: The redesign of the spillway as a result of the things they learned during the earlier flood and the construction phase, again, seems to me a sensible thing to do—learning on the job. Any variation to a plan adds cost. Every contractor I have ever known has rubbed their hands together and adored variations. Whilst it is a sensible long-term thing to do, no doubt it added cost and/or time to the project.

Mr Stanton: It did. Table 4-4—towards the bottom—page 105, identifies the additional costs associated with the spillways.

Dr Cooper: So we have tried to respect all of that.

MR HINDER: The evidence we heard about the technical aspects of laying concrete in stages as they work their way up the dam wall was that if you were forced to cease laying the concrete, to get back onto the job they were then required to jackhammer that portion back up and start again. The more of those that happen, obviously the whole thing blows out considerably because all of the costs associated with that work are now wasted. Obviously it alters everybody's project Gantt chart and hiring equipment, contractors' availability and all those things. I understand that contingency is about those sorts of things. The Icon representatives that we had before us acknowledged that part of this cost was certainly delay not attributable to any of those acts of God-type weather events and those sorts of things. Did you break down those things? They got to a figure of around 93 per cent or something of the overrun and/or costs that they considered to be things beyond their control.

Mr Stanton: No, that is not our figure.

THE CHAIR: Do you have a figure?

Mr Stanton: No.

Dr Cooper: We did not do that. We did not audit that, so we cannot validate their claim.

MR HINDER: No, that is fine.

THE CHAIR: If you can go to pages 96 and 97. It is part of your summary of the timings and the budget. The delay due to the flood was approximately 2½ months out of a 20-month delay. The bulk of the delay seems to be the generally slow rate of laying the concrete. Did you come across a reason as to why such an ambitious target rate for laying the concrete was made when it was clearly way beyond the industry standard?

Mr Stanton: Not particularly, but paragraphs 4.56 through to 4.60 discuss those estimates. I believe the comment is that it would have been the second-fastest roller-compacted concrete dam constructed in the world if it had achieved those production targets. The advice that we had was that in a smallish confined space—where it was—that was unrealistic.

THE CHAIR: But you were never able to come up with any reasoning, or nobody had any reasoning, as to why they had set such ambitious targets?

Mr Stanton: No, not that we have.

THE CHAIR: The geological fault is also held up as one of the reasons, but the excavation took only approximately 1½ months, according to your document. How is it that such a fault could form between two bore holes; and is it reasonable to say that it is unforeseen?

Mr Stanton: The advice that we had was that the geological testing that was done for the project was appropriate. The methodology, or essentially the placement of the bore holes, was reasonable. The advice that we had was that the fault itself fell between two of those bore holes and was undetected. That is the best advice that we have.

THE CHAIR: Perhaps it is for ACTEW or Icon, but are you aware how far the bore holes were spaced one from the other?

Mr Stanton: We do not go into that detail in this report, no.

THE CHAIR: It is a reasonably large fault. Admittedly it is more deep than wide, but if the bore holes were spaced at an appropriate distance then there may well have been other geological faults in that area. But nothing that you or your consultants did went to that issue?

Mr Stanton: Nothing that we or our consultants did drew attention to the inappropriateness of the geological testing.

MS BURCH: Just to be clear: the work that you looked at tested it and the methodology and the appropriateness of the testing was—

Dr Cooper: Our experts, and then, when we critiqued that, everything they said appeared to be relevant and reasonable.

THE CHAIR: If we can go to the gain share, pain share. Was there any conclusion as to why the arrangement was made that favoured the constructors rather than the people of the ACT?

Mr Stanton: We draw attention to the so-called flat spot. We certainly do have the belief in the conclusions and findings that it was advantageous to the non-owner participants. It was a matter of trade-off, I presume, between achieving a lower target outturn cost and having a revised gain share, pain share mechanism. That assessment was made. Those decisions were made by ACTEW at that time, and that arrangement was come up with.

THE CHAIR: Is there any evidence that, given the project had started at an initial \$145 million and just continued to go up, they attempted to buy a cheaper target outturn cost by negotiating the flat spot in the way they did?

Mr Stanton: No evidence that has come to us for this report.

THE CHAIR: Was there any evidence with regard to the flat spot, that they thought it was advantageous to ACTEW at that stage to have that sort of arrangement? What benefit did they see in it?

Mr Stanton: I do not know about the benefit that ACTEW saw. We can speculate on why they did that. I presume that negotiating a lower target outturn cost against a revised gain share, pain share arrangement was a decision-making process that they went through to balance up the merits and the cons of doing that.

Dr Cooper: While I cannot refer to the section in the report, it is in there. The balancing that we detected was the reason for it, to get the lower TOC.

THE CHAIR: It just seems counterintuitive to negotiate a lower target outturn cost with the full knowledge that if it happens to be bigger, you are going to be carrying the bulk of the additional cost.

Dr Cooper: And you get the first lot of gains too.

THE CHAIR: Yes. Ms Burch, final questions?

MS BURCH: I refer to the earlier comments—there has been much narrative and it has been well spoken about—about the original pricing before a more firm cost back in 2009. I think your report on page 15 recognises that there was public commentary

through committees and others regarding the earlier cost. Now that it has been tested and all the work has been done on it, a more realistic and higher cost is there. You have made comment in here that at the time of the draft target outcome it probably could have been somewhat prejudicial to get some of that level of detail out. That would have been the time when Icon, or then ACTEW, was going through those negotiations about the balance. The balance is not on \$145 million; they are negotiating around the expected costs of around \$299 million or thereabouts. Is that a reasonable proposition?

Dr Cooper: Yes, but we have also said that we think that the stakeholders could have been much better informed on some of the details.

MS BURCH: I think Icon recognised some learnings around that as well.

Dr Cooper: Yes.

MS BURCH: It is broadly the stakeholders and then the ripple effect of that comes back to the broader community.

Dr Cooper: Yes, and the broader community to have a greater understanding of these processes. It does seem complicated having one simple message out in 2007 and then you have to wait two years before you actually have a firmer figure.

MS BURCH: Again, just to close that, there is no deliberate misinformation; it is just lessons learned about how we can do this public informing better?

Dr Cooper: Much better.

MS BURCH: Much better, yes.

Dr Cooper: We have a history in our jurisdiction of capital works always exceeding the initial budget.

MS BURCH: So how do you keep the community informed? How do you get the initial cost? Who puts that out? Humanity and optimism may play a role in that as well until you get the reality of it.

Dr Cooper: Again, you make sure all the risk factors are put out there. The audit would say you put them out there at the same time. You say, "We know this amount, but there are a whole lot of other factors we don't know, that we are assuming." So always put out your risk factors and your assumptions so that everything is transparent.

MS LAWDER: As you have just said, we have a history in the territory of not delivering projects to budget.

MS BURCH: Two out of three of these were done on budget.

MS LAWDER: Thank you. The Auditor-General's reports highlight these issues quite well. So why is it that we are not doing it better? What can we do to make sure that these lessons are taken into account?

Dr Cooper: If you cannot estimate the costs, and we all know sometimes you cannot estimate them completely accurately at a particular point in time, as I said, put out the risks, put out all your assumptions—we have a very intelligent community—so that that is transparent. And then say, “What else needs to be done into the future?”

MR HINDER: Yes, just in relation to the geotech work. The bore holes and the geotech work appeared to be industry standard and reasonable in the circumstances, notwithstanding that subsequently they found a fault. By my reading, that fault resulted in a requirement to then excavate considerably deeper than they had originally intended to, therefore adding a large portion of the additional cost. Is that a reasonable assessment of what occurred?

Mr Stanton: Yes.

MR HINDER: In relation to projects that governments, government agencies or Icon undertake, is it, in your view, reasonable that as part of the contract negotiations they would effectively pay a higher price perhaps than they would as a market thing in an effort to sell risk as part of that negotiation to an organisation or a partner who does hold that expertise and, therefore, transfer overall risk in the project to one of the partners?

Dr Cooper: Sorry, we would have to speak specifically. Are you talking about this project?

MR HINDER: Yes.

Mr Stanton: Sorry, what was the question?

Dr Cooper: Sorry, your question?

MR HINDER: Was there, in your view, an effort to sell risk as part of the negotiation with the partners who were undertaking the project?

Dr Cooper: My understanding is that it is more about mutually accepting—both of you accept the risk—than selling it on. Supposedly if you are doing that then you both work extremely hard because you both get the pain if you do not manage it—that is my understanding—rather than a contract that sells it across.

MR HINDER: A pain share, gain share thing?

Dr Cooper: Yes.

MR HINDER: One final one, chair. You talked about how, had this performed as projected, it would have been the second-fastest laying of concrete—

Dr Cooper: Sorry, that is an ACTEW claim.

Mr Stanton: That is our consultants who advised that.

Dr Cooper: Sorry, it is our consultants.

MR HINDER: That is, if it had performed the way that ACTEW had hoped. Did your consultant give you a number about where it did actually land in the scheme of things comparable with other dams round the world?

Mr Stanton: No, I do not have that information.

Dr Cooper: But ACTEW probably could provide that, Mr Hinder.

MR HINDER: Okay. I have no further questions, chair.

THE CHAIR: We are at the end of our time. Thank you for your appearance here this afternoon. A transcript, when it is available, will be provided. If you have any suggestions or corrections, we would be delighted to hear them. We conclude the public hearings for this afternoon.

The committee adjourned at 2.49 pm.