NSW Telco Authority

Response to Questions on Notice

LEGISLATIVE ASSEMBLY
Public Accounts Committee
Hearing date: 25 March 2024

Accountability measures for decision-making for the delivery of major infrastructure, contracting of public services and/or the privatisation of public assets in NSW (Critical Communications Enhancement Program).

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All Questions have been extracted from the uncorrected Transcript of evidence - *Accountability measures for decision-making for the delivery of major infrastructure, contracting of public services and/or the privatisation of public assets in NSW - provided* to NSW Telco Authority by the Committee Secretariat via email on 4 April 2022.

QUESTION 1 (part A and B)

A: Dr DAVID SALIBA: Can we get on notice information pertaining to the business cases and whether or not they were outsourced and if they were, to which particular providers if possible? (page 31)

B: Dr DAVID SALIBA: I know that 2021 was outsourced but in terms of the other business cases, do you know approximately how much they cost? (page 32)

Answer:

There are a total of five business cases (including a supplementary business case) developed between 2016 and 2021.

- 2016 – Funding for delivery for North West NSW and approval for future staged funding requests to the Economic Review Committee
- 2018 Stage 2 – North Coast and priority sites
- 2019 Stage 3 – Metropolitan and priority sites
- 2020 Supplementary Business Case - to continue to deliver Stages 2 and 3 with additional prioritisation of major transport routes (Also included a high level estimate for a final business case for the completion of the PSN)
- 2021 Final Business Case to complete the Public Safety Network

Across the five business cases a total of $1.9 million in development costs were outsourced to two key providers – Deloitte and Pricewaterhouse Coopers.

The scope of this work included cost modelling, economic benefit modelling, business case writing and an independent review.

QUESTION 2:

Ms JENNY LEONG: Are you able to take on notice and share with us the structure of the governance model and where decisions around changes to the scope of the business case, delays in the project and cost blowouts would have been reported and shared or discussed within those agencies? (Page 31)

Answer:

A summary of the governance model is included on page five of NSW Telco Authority's submission to the Committee (extracted below).

Program governance

The program reports into multiple governance forums across government. Progress against key performance indicators (scope, budget, schedule, cost, safety, risks and benefits) is provided as well as future cost projections.

Table 1: CCEP governance

Governance Forums	Responsibility
NSW Department of Customer Service Audit & Risk Committee NSW Audit Office	- Tracks progress against key indicators to ensure the program is being effectively delivered - Assesses performance against time, budget and NSW Government's objectives
Infrastructure NSW (INSW)	- Half yearly "Health Checks" as part of Treasury Assurance Framework - High Profile High Risk – additional governance
Program Steering Committee (comprising Treasury, all ESOs, NSWTA MD and Deputy Secretary, Digital NSW)	- Monitor program performance against scope, cost, schedule, and safety. - Review performance against key milestones - Review critical risks/issues and provide direction / endorse response plan - Approve release of contingency to the program - Deep dive into budget & cost projections
NSWTA Advisory Board	- Tracks progress against key indicators to ensure the program is being effectively delivered - Assesses performance against time and budget
NSWTA leadership steering committee	- Day to day management of key program streams including Risks and issues, cost, schedule, change control
Project Control Group	- Operational forum, overseeing progress updates and ESO migration activity

In addition to governance forums, NSW Telco Authority reports on progress and cost to deliver the program to Treasury, Minister's Office and Board of Commissioners. Key program updates, issues and changes are raised through these forums.

Cost and scope changes and stakeholder communication

The program budget was approved by the Expenditure Review Committee of Cabinet and funds released by NSW Treasury. The program budget for each year follows NSW Treasury processes.

The budget is managed according to the project completion date. Actual and forecast costs are updated monthly. An independent review of cost and cost forecast is completed on a quarterly basis, in line with quantitative schedule and risk assessments.

The program's status is communicated to a range of stakeholders each month within the Department of Customer Service, NSW Treasury, Infrastructure NSW, Emergency Services Organisations and the Ministerial Office.

All records are subject to NSW Audit Office review on a regular basis and adhere to NSW Treasury guidelines and Australian Accounting Standards.

Infrastructure NSW conducts bi-annual reviews on the program assessing financial oversight, controls, governance and value for money.

<u>Program Steering Committee</u>

The Steering Committee approves the scope of the program including release and usage of contingency. Examples of scope changes (and associated costs) approved by the steering committee, Treasury and Economic Review Committee include:

- Separation of paging as a distinct program and business case
- Additional funding to remediate bushfire impacts and deliver coverage to major rural transport routes
- Coverage augmentation
- Dedicated location services to protect first responders
- In-building coverage in airports, hospitals and emergency services organisations places of work
- Site power resilience and mobile radio sites
- Upgraded design specifications based upon operational experience and bushfire inquiry recommendations such as increased battery capacity, introduction of solar designs and increased power redundancy

QUESTION 3:

Ms JENNY LEONG: In providing those updates and the discussions at the steering committee, are you able to provide any insight into where the changes in the scope for the project were decided? From what we understand from the Audit Office information and from an additional business case into specifically around the paging network, I believe, the scope was changed significantly. Did those discussions and decisions come out of the steering committee? Was that something that came as a result of the concerns around the budget allocation? Why were they initiated? (page 32)

Answer:

The steering committee approves the scope of the program including release and usage of contingency. Scope changes (and associated costs) are approved by the steering committee, Treasury and Economic Review Committee of NSW Cabinet, including the separation of paging as a distinct program and business case.

The steering committee made the decision to progress paging as a distinct program, under its own business case to allow the final CCEP business case to specifically focus on requirements for completing the PSN, and incorporating lessons learnt from operational experience and recommendations from the NSW bushfire inquiry.

QUESTION 4:

Ms JENNY LEONG: Can you give us a sense of how many private companies or consultants are currently engaged in the delivery of the CCEP? I'm happy for you to take this on notice as well but also whether or not they are the same companies that were engaged initially or whether there's been change in terms of who is delivering on this program and who's being used as consultants on this program? (page 32)

Answer:

The program is being delivered in phases with private companies forming a delivery panel for each phase. Vendors are selected to be on the delivery panel for each phase following a competitive market tendering exercise.

<u>Current program delivery vendors:</u>

The program currently engages private companies to assist with its delivery including:

- Major delivery partner (Amalgamotion Pty Ltd)
- Building and construction vendors (Highforce, Downer, Serviceteam, Ventia*)
- Professional Services vendors (Stacey and Taylor Pty Ltd, Kathy Jones and Associates Pty Ltd, PM Partners Pty Ltd, O'Connor Marsden & Associates, Charles Kendal)
- Warehousing provider (Ceva Logistics)
- Site Acquisition and Environmental Design (Catalyst, Ventia, Downer and MYD Consulting)
- Integration and network management (BAI Communications)
- Access track panel providers (Fluren Pty Ltd, Mifsud and Associates Pty Ltd)

Ventia is not part of the delivery panel for the remaining program of work.

<u>Equipment Providers</u>

Equipment Type	Supplier
Shelters	ICS Industries Pty Ltd CommTel Network Solutions Pty Ltd
Power Systems	ICS Industries Pty Ltd CommTel Network Solutions Pty Ltd Eaton Electrical Australia Pty Ltd
Equipment Racks	MFB Products Pty Ltd Eaton Electrical Australia Pty Ltd
P25 core equipment	Motorola Pty Ltd
Routers	Nokia Pty Ltd
Passive Equipment	RF Industries Pty Ltd
Microwave Equipment	Aviat Networks
Tower Structures	LeBlanc Pty Ltd The Trustee for The Future Engineering & Communication Unit Trust (FEC) ROAM Pty Ltd

QUESTION 5

Ms JENNY LEONG: When did the change in the Program's major delivery Partner happen? (page 32)

Answer:

Jacobs Australia was awarded a contract as the program's major delivery partner following a competitive market exercise in September 2015 and their contract was extended until June 2018.

Amalgamotion was engaged as the program's major delivery partner in June 2018 following a competitive market exercise.

Following an additional competitive market exercise in 2022, Amalgamotion won a contract as the program's major delivery partner until December 2025, with an option for a 12 month extension.

QUESTION 6:

Dr DAVID SALIBA: Were Government aware that this [the initial $400 million cost] was an estimate and basically not realistic in terms of costs? Was there a probability attached to that, in terms of the costings put forward? (page 33)

Answer:

The initial business case for $401 million provided in 2015-16 to deliver approximately 378 sites by 2020 to deliver 45% land and 96% population coverage.

The business case estimated a 65% probability (P65) that the initial business case scope could be delivered within the allocated budget.

The original 2016 business case identified that an additional business case would be required to deliver the remaining ~318 sites to deliver 85% land and 99.7% population coverage and provide a completed Public Safety Network.

This business case for supplementary funding was developed in early 2020 to address program delays as a result of site damage and delays from the 2019/20 bushfire crisis.

In addition, appropriate escalation rates on labour, equipment, logistics and warehousing, as well as factoring in increased current costs for equipment and construction were underestimated with some equipment costs rising by more than 300 per cent.

The supplementary business case also meant that in Northern NSW, the coverage expanded to Glen Innes, Inverell, Tenterfield and Ben Lomond and provide improved coverage for areas including Moree and Warialda.

In southern NSW, it expanded coverage across the Riverina to the Victorian border to include the towns of Holbrook, Tarcutta, Gundagai and Albury.

QUESTION 7:

Dr DAVID SALIBA: You have this program and I imagine the Telco would have various other programs. Within that, I'd imagine there would be someone underneath the managing director that would be in charge of the delivery of that. How many people have turned over from that position? You mentioned before that there have been various directors. (Page 34)

Answer:

Four people have led the CCEP Program since it began in 2016.

QUESTION 8:

Dr DAVID SALIBA: Are there any post-employment restrictions on NSWTA employees joining provider companies? (page 36)

Answer:

No

Under NSW Legislation the *Government Sector Employment (General) Rules 2014* – (Schedule 1) provides a sample contract for Senior Executives and while this does not have an explicit clause, it touches on confidentiality and intellectual property.

The Department of Customer Service Code of Ethics includes clauses relating to Conflicts of Interest and Intellectual Property and Copyright and this would apply during employment with the Department of Customer Services and NSW Telco Authority.

QUESTION 9:

Dr DAVID SALIBA: So there was an interim business case that was an estimate [$400 million], and then three or four years later there was a subsequent business case. But at what point was it tested to say, "Right, we're turning this estimate — this assumption — into a fact"? (page 37)

Answer:

Please refer to response provided in Question 6.

ENDS