

**GENERAL PURPOSE STANDING COMMITTEE No. 4**

**Friday 9 June 2000**

**Examination of proposed expenditure for the portfolio area**

**PUBLIC WORKS AND SERVICES**

**The Committee met at 3.30 p.m.**

**MEMBERS**

The Hon. Jennifer Gardiner (Chair)

The Hon. Jan Burnswoods  
The Hon. I. Cohen  
The Hon. J. Hatzistergos

The Hon. J. R. Johnson  
The Hon. C. J. S. Lynn

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**PRESENT**

**Department of Public Works and Services**

**Mr R. Persson**, *Director-General*

**Mr A. Renouf**, *Director, Executive Services Division*

**Mr K. Page**, *Acting Manager, Corporate Finance*

**Mr A. Collins**, *Group General Manager, Project Management Group*

**Mr D. Lewis**, *Group General Manager, Corporate and Business Services Group*

**Mr E. Smithies**, *Director, Policy Services Division*

**Mr I. McFarlane**, *Cost Centre Manager, Country, State Valuation Office*

**Mr E. Smith**, *Manager, Ministerial and Executive Support Unit*

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**CHAIR:** I welcome you to this public hearing of General Purpose Standing Committee No. 4. The Minister is unable to attend because of illness, and the Director-General has been good enough to attend in his stead, together with various departmental officers.

At this meeting the Committee will examine the proposed expenditure from the Consolidated Fund for the portfolio area of Public Works and Services. First I will deal with procedural matters. In respect of broadcasting of proceedings, part 4 of the resolution referring the budget estimates to the Committee requires the Committee to hear evidence on the budget estimates in public. Under Standing Order 252 of the Legislative Council, this Committee has resolved to authorise the media to broadcast sound and video excerpts of its public proceedings held here today. The Committee's resolution conforms with the guidelines governing the broadcast of proceedings adopted by the Legislative Council on 11 October 1994. The attendant on duty has copies of those guidelines.

I emphasise that only members of the Committee and the witnesses before the Committee may be filmed or recorded. People in the public gallery are not considered to be part of the proceedings and, therefore, should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, as with reporting the proceedings of both Houses of Parliament, you must take responsibility for what you publish or what interpretation is placed on anything that is said before the Committee.

While there has been provision in previous years' budget estimates resolutions for members of a Committee and substitute members to refer directly to their own staff at any time, there is no such provision in the current resolution. Members and their staff are therefore advised that any messages should be delivered through the attendant on duty or the Committee clerks. For the benefit of members and Hansard and the effective operation of this Committee, it is very important that departmental heads and officials identify themselves by name, position and department or agency before answering each question.

In terms of the validity of questions wide latitude is allowed in the asking of questions on any of the budget estimates and related documents before the Committee. However, where a member is seeking information in relation to a particular aspect of a program or subprogram, it will assist the Minister and the Committee if the program or subprogram is identified. It is not necessary to split the hearing between Public Works and Services. For the benefit of departmental officers, if a particular theme develops, other members may ask questions on that particular theme. Two hours have been set aside for this public hearing. If we wish to ask further questions, another date can be set aside for that purpose. I now declare the proposed expenditure open for examination.

**The Hon. C. J. S. LYNN:** I would like to direct my question to the Director-General. What was the original cost estimate for the refurbishment and extension of the Conservatorium of Music?

**Mr PERSSON:** I am going to answer the question specifically, but I would like to precede that detail with a little bit of background about how these jobs are costed. The system put in place by Treasury requires a costing in current dollars. That can be very useful, of course, for that year's job, but when it is a job that is going span two, three or four years, it can create an illusion from the very beginning.

When the job is announced by the Government in the budget, it will be expressed in that year's dollars, although with a project that is going to go for a number of years, like the conservatorium, it is known at the outset that it will finish at a higher level of dollars due to escalation. In the case of the conservatorium, the \$69 million which was originally announced was always going to be \$80 million. The original estimate of \$69 million was in current dollars at that time, and if that figure had been escalated, it would have gone to \$80 million.

**The Hon. C. J. S. LYNN:** \$80 million?

**Mr PERSSON:** \$80 million.

**The Hon. C. J. S. LYNN:** Is the final estimated cost now \$80 million?

**Mr PERSSON:** No. The new predicted end cost is \$99 million.

**The Hon. C. J. S. LYNN:** Why have those costs increased?

**The Hon. J. R. JOHNSON:** Because the cost of every job increases.

**Mr PERSSON:** There is a range of reasons, which I will take you through, and explain the components.

**The Hon. C. J. S. LYNN:** I am happy if you wish to take any of these items of detail on notice.

**Mr PERSSON:** I have explained the \$69 million to \$80 million, and if you bear with me one moment I will take you on the journey to the \$99 million. The decision to adaptively reuse the heritage Greenway Building and Verbruggen Hall, including the improved concert hall, will cost an additional \$4.2 million. With a project of this scale and size, and particularly being a one-off project in a unique location, it would always be anticipated that the client would develop further views as the project proceeded from its very early costings.

The early costing of \$69 million was not intended to be a hard and fast figure that would never be passed. It was put there to give the Government an indication of what it would cost for what it wanted at that time. As the project unfolded, there was a view that certain things should be added, so the cost of bringing Verbruggen Hall up to the required standard was \$4.2 million.

In addition, there has been significantly more original fabric found than expected in the Greenway building, and that led to an additional \$1 million in terms of heritage work. Significant modifications to the design to address the various conditions attached to gaining development consent in 1997 and subsequent amendments totalling \$10.2 million followed the inquiry which I believe some of you may have participated in. The \$10 million is made up from three sources. The Legislative Council select committee reviewed the available options and supported the proposal to consolidate on the Domain site. However, it sought reductions in the above-ground bulk of the new building in a number of areas.

Designing changes to accommodate those requirements resulted in changing the shape of the building footprint and increased the impact of the adjacent rail tunnel. So, again, we had a new level of consideration within government and Parliament. Changes were agreed to following that process. The second element—the development application conditions required by the Council of the City of Sydney—generated additional works in and around the forecourt to address traffic requirements and neighbourhood access.

The third element of the \$10.2 million: design changes are also included to ensure optimum integration with the Royal Botanic Gardens and Government House. There has also been a significant change to the south-western corner with relocation of the proposed Royal Botanic Gardens building. There was an additional \$1 million for archaeological investigation, which was included when the budget was increased to \$88.4 million. Basically that is the additional \$19 million from \$80 million to \$99 million.

**The Hon. C. J. S. LYNN:** You mentioned the \$1 million in archaeological work. Was that the work related to the discovery of the convict road and the drainage systems?

**Mr PERSSON:** Basically, yes, although there have been lots of discoveries. I do not want to mislead you by saying only that. There have been many different discoveries at different times, and it has required a lot of attention. It certainly has proved to be a treasure trove of archaeological finds.

**The Hon. C. J. S. LYNN:** Can you provide details of each of those finds and the impact they have had on costs? You may have to take that question on notice.

**Mr PERSSON:** Yes.

**The Hon. C. J. S. LYNN:** Has any part of the cost overrun been due to the cost of labour?

**Mr PERSSON:** Yes. The conditions under which the building was built certainly created a period of high demand in the Sydney and New South Wales construction industry. The delays occurred because of a combination of factors, which primarily included the unexpected findings, the time that it took the Heritage Council to consider, and industrial action to put a ban on the site for a period of time, which took some time to resolve. The accumulation of those events pushed the project into an even tougher period of the market in terms of what was expected when the original forecasts were done, so we ended up doing more during the most expensive period of the boom.

**The Hon. C. J. S. LYNN:** Have these increases in labour costs impacted on any other public works projects that you have under way?

**Mr PERSSON:** I might ask Tony Collins, Group General Manager, Project Management Services, to comment on that.

**Mr COLLINS:** The trend is reflected in some other projects. It varies according to the project. For example, the project at Circular Quay to refurbish the wharves has certainly been impacted on by the market conditions, particularly on the finishing trades but also on other trades like steel work, steel fixing and some concrete placing. There is not a consistent trend. As you take it through major contracts that we have let throughout the period, some prices have gone up and others have not. Overall, the impact is that prices have increased.

**The Hon. C. J. S. LYNN:** You might also like to take this question on notice: Can you provide a list of those projects and the impact that the increased cost of labour has had on them?

**Mr COLLINS:** Yes, I can. The only thing I would state is that a lot of the projects are across the State. Would you rather have an example or are you looking to get a full range of projects?

**The Hon. C. J. S. LYNN:** A full range of projects.

**The Hon. I. COHEN:** Director-General, page 10 of Budget Paper No. 4 refers to the estimated cost of \$451 million or \$42.9 million for 2000-01 for major sewerage projects, including the completion of the Northside storage tunnel to reduce the frequency of wet weather overflows. In terms of your department, does that include the ventilation systems on that sewerage tunnel?

**Mr PERSSON:** As much as I would like to have had a role in the project, we were not involved at all.

**The Hon. I. COHEN:** What is your department's involvement?

**Mr PERSSON:** We have no involvement in the Northside tunnel project.

**The Hon. I. COHEN:** My mistake. I refer to the program Risk Management and Policy Development on page 17-10 of Budget Paper No. 3, Volume 2. The operating statement shows this year's grants to agencies being \$10,062 million, which is an increase from \$7,680 million. Can you give the reason for this increase?

**Mr PERSSON:** Certainly. If you will bear with me for one moment I will strive not to mislead the Committee in any respect. The primary expenditure of \$8.3 million was spent on the central business district core accommodation strategy. There is a grant to upgrade the network for the central corporate services unit, which supports primarily the central agencies of government and also a number of other client agencies. There is a grant of \$0.75 million dollars towards the development of a government property information system, which we will play a role in developing in the next 12 months.

**The Hon. I. COHEN:** The operating statement also shows an increase in Parliament House maintenance to \$1,111,000, up from \$786,000. Can you give the reason for this increase?

**Mr PERSSON:** The process here involved the offices of the Parliament putting forward a bid which comes through the budget process. It comes through into our budget to facilitate its delivery. The major works proposed for 2000-01 are lift maintenance works, upgrading the quality audit of that—

**The Hon. I. COHEN:** Has that been concluded?

**Mr PERSSON:** I am now explaining to you the main projects that will be delivered within the \$1.1 million. There is general internal and external painting, refurbishment of built-in furniture in members' rooms, refurbishment of Ministers' rooms, refrigeration services renovation, repairs to damaged floors, walls and ceilings, and ongoing replacement of roof membrane. In terms of refurbishment of Ministers' rooms, I believe it is 10.

**The Hon. I. COHEN:** Where is the decision made in terms of refurbishment; whose responsibility is that? Is that advice you receive?

**The Hon. J. H. JOHNSON:** The building manager.

**Mr PERSSON:** I am not sure of the answer. It would be hard to argue with the knowledgeable former President of the upper House, but my understanding is that the final decision will be made by the officers of the Parliament, and they would make a recommendation through the building manager or the public servants in the budget process.

**The Hon. I. COHEN:** The operating statement shows information services as a consistent outlay. Is this related purely to information technology or to the provision of the *Government Gazette*, or does it encompass other areas such as advertising?

**Mr PERSSON:** What page are you referring to?.

**The Hon. I. COHEN:** That would still be page 17-10, Risk Management and Policy Development.

**Mr PERSSON:** The \$2.1 million breakdown is: *Government Gazette* production \$1.2 million; government telephone inquiry service \$510,000, a service whereby people can phone the Government Information Service and either be directed to appropriate departments for advice or we attempt to help them provide the advice—a very large proportion of it is actually schoolchildren looking for guidance on assignments; government legislation and art work and production, \$260,000; and a distribution of government information, like the government directory and managing the Internet site, \$170,000.

**The Hon. I. COHEN:** Does that include advertising?

**Mr PERSSON:** No.

**The Hon. I. COHEN:** Are there any projects advertised through this budget? How does the department, therefore, achieve equitable access to information?

**Mr PERSSON:** Do you mean do we advertise the services?

**The Hon. I. COHEN:** Yes.

**Mr PERSSON:** I understand your question now. I will seek advice from my colleague. Neither of us is aware of any allocation within that budget that is used for promoting the service, but I will take that question on notice and provide you with information if that is the case.

**The Hon. I. COHEN:** I may have asked this question one or two years ago. Is the conversion of the parliamentary precinct to dual-flush toilets and water-efficient showers part of the Public Works sphere of responsibility?

**Mr PERSSON:** No-one in the current group seems confident about answering, so I will take that on notice if that is all right.

**The Hon. I. COHEN:** If that is not the case, can you give me some assessment as to whether a conversion is to be expected in this budget? I think that is something I did raise two years ago. Is the Minister for Public Works and Services aware of the recommendations of the Royal Commission into Aboriginal Deaths in Custody regarding avoiding hanging points in gaol and police cells? Is that an area within your purview?

**Mr PERSSON:** Up to a point. In terms of the role that the department plays in assisting the Department of Corrective Services, it is a major client of the department, and that role involves us in assisting in a whole range of design aspects as well as project management delivery. Within government there is a well-documented list of recommendations and a process for working through them and reporting on progress. I am not aware of that specific recommendation, and if you would like further information I am happy to take that on notice as well and provide you with an answer.

**The Hon. I. COHEN:** Yes, and I would like to know when the Minister will undertake to familiarise himself with those recommendations.

**Mr PERSSON:** I make no comment on the Minister's familiarisation.

**CHAIR:** Perhaps it might be useful if we could take on notice the question whether or not the department has received any requests on this important matter arising out of the royal commission.

**Mr PERSSON:** I am advised by the Minister's chief of staff that the Minister has read it and is well aware of it.

**CHAIR:** We will take on notice question whether your department has ever been approached by Corrective Services in respect to hanging points in prisons.

**The Hon. I. COHEN:** If the Minister is so aware, as you inform the Committee, what steps has he taken to instruct his department and contractors to avoid the design flaws in gaols and police cells that represent the opportunity for deaths in custody by hanging?

**Mr PERSSON:** I will take that on notice as well.

**The Hon. I. COHEN:** Are you aware of the hanging deaths that have occurred in the last year at the Metropolitan Remand Centre, and in particular inadequate cell design which allowed hanging points to be utilised by prisoners at that centre?

**Mr PERSSON:** I am aware through following media reports of deaths in custody. I am not aware of the specific incidents that you are referring to and I am not aware of any specific claim that has been made that links the two as closely as you have, but I am very comfortable about looking into it. It would be a matter that would concern both the Minister and me greatly.

**The Hon. I. COHEN:** Have there been any discussions between the Minister and the Minister for Corrective Services?

**Mr PERSSON:** I am not aware of that. I would have to take that on notice.

**The Hon. I. COHEN:** Perhaps you could also take this question on notice: Can you give details of what the Minister or the department would propose to eliminate the potential for more deaths in custody due to inadequate cell design and any specific strategy that has been put forward by your department?

**Mr PERSSON:** We will be pleased to give a comprehensive response on the issue that the member has raised generally, and that will include any suggestions if indeed it is established that the current designs have inadequacies that contribute to that outcome.

**The Hon. I. COHEN:** Can you explain the types of projects that make up the e-commerce project costing \$3.727 million, which is set out at page 68 of Budget Paper No. 4?

**Mr PERSSON:** Yes. I might just speak a bit generally before we get into the specifics of your answer. Electronic commerce is obviously changing the nature of business very quickly and all over the world, and our department is certainly not unaffected by that. Our department provides a wide range of services across a wide range of businesses that operate in a contestable environment, meaning that government client departments can choose to use us or not. Obviously, in that situation it is very important that the quality of our service delivery is very much up with that which is being offered by our competitors and meets the needs of our clients.

The \$3.7 million is primarily to be spent on capital across a couple of projects. The first is the development of an electronic marketplace. We are developing an electronic marketplace for the procurement of goods and commodities in consultation with the Department of Information Technology Management. The electronic marketplace will be implemented in three phases. Phase one comprises a web site, which allows agency buyers to view details of items provided by suppliers contracted to the New South Wales Government.

The second phase will have increased functionality with people in government agencies seeking to purchase goods, not only to be able to look up items available through contracted suppliers but also to be able to check delivery times, to place and track orders. Suppliers will be able to update their information on line to ensure that all product supply information is up to date.

The third phase will include integration with internal agency financial management and back office systems. Electronic funds transfer will become routine, allowing prompt and aggregated payment of suppliers, thus reducing their financial costs. There is about \$1.2 million for that project. There is also a very exciting project that will cost a further million—a project we refer to as Project Web. Communication in the construction industry is often limited to communication between people involved in single projects and between people involved in single phases of the project, such as design or construction.

The industry processes are less efficient because of this poor communication, resulting in work having to be redone, as errors are discovered. This reduces the value for money for our major clients within the New South Wales Government. A piece of technology that is being used as a tool to enable improved communication throughout the life of the construction project is Project Web. The web technology enables all parties

participating in a project to view and use the common set of information. This allows greater interaction between designers and the client. The advantage of this is a greater understanding by the client resulting in a better end product.

Project Web will play an important role in contract administration by allowing access at all times to project information. All parties in the supply chain will be able to work more efficiently. All parties will also have access to not only the same information but also the latest information, thus preventing people on site working from different versions of the construction documents. The construction web will also allow for work flow to occur automatically, ensuring that information and approvals go to the right people in the right sequence with time frames and reminders for action. This will speed up administration of contracts as well as reduce disputes arising from people being misinformed or not taking action expeditiously.

The Government, through its agencies, is implementing Project Web technology so as to be able to demonstrate the effective use of technology to the construction industry in a way that will provide value for money and assist the industry generally. We are also developing electronic tendering for documentation and tender preparation. With tender documents on the web, they will be able to view the full set of documents at their own convenience from any location. They can also take measurements from the drawings, search for information that is specific and print out parts of the documents. Electronic tendering will be rolled out generally throughout the next 12 months and should be fully operational by that time.

**The Hon. I. COHEN:** Under the subprogram Risk Management and Policy Development at page 17-10 of Budget Paper No. 3, Volume 2, the operating statement shows this year's grants to agencies as \$10,062 million, up from \$7,680 million. Can you give the reason for this increase?

**Mr PERSSON:** We have actually covered that question; it was an earlier question.

**The Hon. I. COHEN:** On risk management?

**Mr PERSSON:** Maybe I am mistaken.

**The Hon. I. COHEN:** I am sorry; it was the first part of an earlier question. Under the heading "Total Expenses" at page 17-3, in light of government commitment to environmental assessment and management in relation to procurement and its Specialist Policy Advice and Investigations program, has the Government considered a whole-of-government position on the use of recycled paper and the use of technology such as photocopiers or printers which are designed to accommodate the use of such products? I was interested to see that the Federal Parliament uses recycled paper.

**Mr PERSSON:** Will you restate the question? I am not sure that I got it all.

**The Hon. I. COHEN:** In the light of government commitment to environmental assessment and management in relation to procurement and its Specialist Policy Advice and Investigations program, has the Government considered a whole-of-government position on the use of recycled paper and the use of technology such as photocopiers or printers which are designed to accommodate the use of such products?

**Mr PERSSON:** The choice of use of paper is left to individual departments and agencies within the New South Wales Government. There is a clear preference for recycled paper when it meets the business needs of the agency. One of our roles in government is to organise contracts which aggregate the Government's purchasing power to make sure we can get the best price for the taxpayer's dollar. There are products on contract for those agencies who want to use recycled paper. I would like to take the rest of the question on notice.

**The Hon. I. COHEN:** Could you also advise what paper is used for government documents, where it comes from and how much of that paper was consumed in the last financial year?

**Mr PERSSON:** I am not sure if we have that information, but I will do my best to provide you with whatever information we have.

**CHAIR:** The Committee will also take that on notice.

**The Hon. I. COHEN:** Under "Strategic Directions", on page 17-3 of Budget Paper No. 3, Volume 2, with regard to a stated government commitment to energy management, can you explain how the government project to redevelop the Manly Hydraulics Laboratory in Manly Vale has proceeded?

**Mr PERSSON:** I will make a few comments and possibly take the rest on notice. The redevelopment of the Manly Hydraulics Laboratory was completed over a year ago. The Minister made a decision to support the development of the laboratory as a showpiece of environmental design. A lot of the expertise available within the department has been put into doing that. It uses very innovative techniques for cooling the building. There is no airconditioning system in the building. It has state-of-the-art technology applied to cool air under the building, bring it up into the building and remove it through stacks on top. That innovation also extends to a number of other aspects. The building actually generates a surplus of energy, which is put back into the system and sold back to the system. Is that the sort of information you want?

**The Hon. I. COHEN:** Yes.

**Mr PERSSON:** Would you like further information on the project?

**The Hon. I. COHEN:** I would. If you do not have the information, perhaps you could provide on notice some information in terms of how effective the energy-efficient design has been in delivering excess electricity back to the grid. That would be of great interest.

**Mr PERSSON:** I will provide further information. There have been considerable teething problems as we have commissioned the building. It did not meet the earlier expectations. We have made some effort to work with the contractors to check some of the calculations and assumptions, so my latest information is that it is now performing considerably better than it did in the first summer, but I will give you the precise detail you have asked for on that.

**The Hon. I. COHEN:** I refer again to the heading "Strategic Directions" on page 17-3. With regard to the stated government commitment to heritage conservation, what refurbishments of government buildings have taken place in the last year? Do you have a register of government heritage buildings?

**Mr PERSSON:** I think the Heritage Council is the place to get the list of heritage buildings. I have a business unit that provides heritage services within government, and I suspect that unit knows a fair bit about it, but it is not for us to hold the register. If you are looking for an accurate listing, I would recommend you pursue that through the Heritage Council, the Office of Heritage. The other part of your question was what work has been done. Can you give me a budget reference?

**The Hon. I. COHEN:** Page 17-3 of Budget Paper No. 3, Volume 2 refers to an amount of \$4.3 million for stonework and heritage maintenance projects and \$5 million for the purchase of sandstone.

**Mr PERSSON:** I would invite Mr Collins to provide the answer.

**Mr COLLINS:** Did the question relate to the projected work for the year 2000-01 or the work for the year just completed?

**The Hon. I. COHEN:** I was interested in both the work for the year just completed and also refurbishment. I had not yet asked about what refurbishments were included in the 2000-01 budget; thank you for looking ahead on that one.

**Mr COLLINS:** When you talk about refurbishment, it is a matter of work on the stone program,, therefore, it is replacement of existing stone that has deteriorated and also some ballpark heritage plumbing, to put it in context.

**The Hon. I. COHEN:** Does the St Mary's Cathedral refurbishment have anything to do with that?

**Mr COLLINS:** That is a separate project which is separately funded. It has nothing to do with this program, although our heritage architects have been involved in the project. As I said, we have nothing to do with the funding. In terms of 1999-2000, there were some general stone repairs on the Australian Museum, and that was about \$215,000; some general exterior stone repairs on Government House for \$100,000; the Observatory outbuildings and walls, \$300,000—these figures are somewhat rounded but they are certainly of the right order; the Art Gallery of New South Wales, general external repairs, \$935,000; Royal Botanic Gardens, Fleet Steps, \$200,000; work at the Farm Cove area, including the sea wall and the path behind it, \$1 million.

Some major additional items included some work on the State Library, beginning with facade repairs at \$200,000. There was a series of minor works: some schools, including Rozelle Public School, \$150,000; some



general work on monuments, \$200,000; various minor works on buildings, \$150,000; some annual provisions for miscellaneous works and some program management \$100,000; and \$200,000 for the make-safe inspections, which is the annual checking of all the major buildings to make sure that there is no work needed. That is basically what makes up the \$3,750 million for this year. Would you like me to go on to 2000-01?

**The Hon. I. COHEN:** Yes.

**Mr COLLINS:** A lot of these works are continuing, so you will see many of the buildings repeated. The Australian Museum, a further \$200,000; Government House, \$225,000; the Observatory, \$500,000; the Art Gallery of New South Wales, \$900,000; the State Library, \$300,000; Sydney Hospital, which is basically an economic appraisal for looking at work, \$30,000; Darlinghurst Court, and this is subject to a final economic appraisal, will be \$150,000; similarly, East Sydney college, another \$150,000 on the same proviso; a variety of school projects, and those will be finalised with the Department of Education and Training, but they are basically in the inner west and eastern suburbs schools that have stone components, \$845,000; other minor works on schools, \$200,000; and then, again, public monuments, \$100,000; some minor works on various buildings, some of which will come up through the year as minor program items, \$100,000; further works on program management and miscellaneous, \$100,000; and make safe inspections, again, which is \$200,000. That should add up to \$4 million.

**The Hon. I. COHEN:** Director-General, on page 17-10, risk management and policy development, how much was spent on Y2K management and risk avoidance?

**Mr PERSSON:** A lot. In that financial year \$318,000. Are you talking about the Department of Public Works and Services?

**The Hon. I. COHEN:** Yes.

**Mr PERSSON:** Yes.

**The Hon. I. COHEN:** What risk management projects are expected in the forthcoming year through Y2K?

**Mr PERSSON:** I do not understand the question.

**The Hon. I. COHEN:** What key risk management projects are expected in the forthcoming year?

**Mr PERSSON:** It might be useful if I explain a little about the project risk management program. Do you have a budget reference because Treasury uses one name to describe a large program and we have a subprogram.

**The Hon. I. COHEN:** I just have it on page 17-10 of Budget Paper No. 3, Volume 2.

**Mr PERSSON:** That is the terminology that Treasury uses to describe a large program that covers a number of areas of activity. The Department of Public Works and Services primarily derives its revenue from selling its goods and services. The model involves an allocation being made to the office of the Minister for Public Works and Services for a range of services and activities which it has been judged it would be inefficient to charge individual agencies for. They are delivered through that item in the budget which totals \$41 million. I am not quite sure specifically what your question is, but in terms of risk management, one of the major areas of activity within that program is project risk management. If I can explain by an example of how that would operate. Agencies within the budget sector are required to use the Department of Public Works and Services for the project risk management function.

So when they have a desire to, for example, build a school or a TAFE college, they cannot just set off and go to tender on their own. They have to approach a part of my department which has expertise in that area. They discuss the type of project, the type of contract that would be appropriate to design or construct or whatever. They then turn to us for access to our list of pre-qualified contractors or contractors, depending on the nature of the project, and they are broken up into different sizes of jobs. Because the Government does not want to put the industry to the unnecessary cost of having open tenders all the time, we manage a process of sharing out that work among the pre-qualified tenderers. For example, for a project of a certain size we provide four or five names of companies whose turn it was, working through that list system.

Tenders would then be called and we represent the risk management expertise in that process to make sure that people with less experience do not accept, for example, a ridiculously low tender or in some other way make a mistake in the tendering process that exposes the Government to probity risks as well. That program operates across the whole of the capital works programs provided by budget-funded agencies. A big part of that money, around the order of \$8 million, comes to our department to deliver that service.

**The Hon. C. J. S. LYNN:** Director-General, I refer to the new WorkCover building required in Gosford to house 400 people due to the relocation of WorkCover. Was your department involved in the tendering process for that building?

**Mr PERSSON:** Yes, we were.

**The Hon. C. J. S. LYNN:** Were any other departments involved in the tendering process?

**Mr PERSSON:** An assessment panel comprising representatives from Public Works and Services and WorkCover was established to assess the bid. I might give you a little more detail which might be useful to you. In October 1999, following the call for preliminary expressions of interest, an invitation for detailed proposals was issued for the three short-listed proponents. Submissions were subsequently received from Jarre Pty Limited and Mistlake Pty Ltd. Only the third short-listed proponent withdrew. An assessment panel comprising representatives from the DPWS and WorkCover was established to assess the bid.

The panel was chaired by Ms Rosemary Risgalla, Manager, Procurement and Industry Policy of the DPWS. The other members comprised Ms Stephanie Garland of WorkCover and Tim Miller, the project director from the DPWS. WorkCover also had Mr Peter Marshall, former Treasury officer, now a contractor to them, and Mr James Hannaford, a solicitor and an independent specialist as an adviser on the panel. The panel determined and allocated weightings to the criteria nominated in the invitation to assist in determining the proposal that best met the overall objectives of the invitation. These weightings remain confidential to the assessment panel to ensure objectivity by the technical subcommittees established by the panel.

The technical subcommittees assessed various aspects of the bids, namely, economic and regional benefits for the facility itself, the organisation and team capacity of the proponents, an understanding of general government policies and legislation and the cost of occupancy. Each subcommittee evaluated the merits of the proposals in relation to the technical requirements of the invitation in accordance with the DPWS tendering manual. The technical subcommittee reports were then considered by the assessment panel. The panel applied the agreed weightings to the relative scores determined by the subcommittees.

Having regard to the relative merits of the proposals and reports of the subcommittees, the panel assessed the proposal from Mistlake Pty Ltd as best meeting the criteria included in the invitation to tender. The panel's recommendation was then referred to the board of advice and reference for independent review. It was subsequently submitted to the Government Asset Management Committee, which approved the selection of Mistlake as the preferred proponent.

**The Hon. C. J. S. LYNN:** So it was the assessment panel that determined what went into the tendering process?

**Mr PERSSON:** Yes.

**The Hon. C. J. S. LYNN:** Was anyone from Gosford consulted regarding the availability of suitable land prior to preparing expressions of interest?

**Mr PERSSON:** In the first instance we called for expressions of interest, outlining in broad terms what we wanted as a building, so everyone in Gosford had the opportunity to respond if they had any view or any interest in any proposal. So it was an open call. Following that, the committee then reduced the submissions down to those three and they were then asked for a more detailed response.

**The Hon. C. J. S. LYNN:** You said there were three tenders?

**Mr PERSSON:** Three were asked for a more detailed response and two then responded.

**The Hon. C. J. S. LYNN:** Are you aware if the contract went to the lowest tender?

**Mr PERSSON:** I am advised that the lowest tenderer was not successful because it was largely non-conforming.

**The Hon. C. J. S. LYNN:** Has the successful tenderer been engaged in projects of a similar scale to the one that is being built?

**Mr PERSSON:** The financial details are being checked. I gather there is a collaboration with Baulderstone Hornibrook, one of the major contractors in the country, but I will take that on notice and provide further information to make sure the answer is accurate.

**The Hon. C. J. S. LYNN:** Are you able to advise what the difference was in the tender?

**Mr PERSSON:** I am not aware of the details, but I would say generally that the lowest tender is often not a good idea. In my earlier answer to Mr Cohen, I explained the project risk management role we play, and one of the reasons the Government has us play that role is because budget agencies and other agencies under financial pressure are often tempted to go to the lowest tenderer. Lowest tenders often end up in disasters and in litigation. So it is an area of our department's expertise that we are very proud of and we have a very good record of getting it right. It is not unusual for low tenderers not to be successful but it is common for them to then whinge and try to raise issues through other avenues.

**The Hon. C. J. S. LYNN:** So, is it the assessment panel that makes the decision on the selection of the tenderer?

**Mr PERSSON:** Yes, it is.

**The Hon. C. J. S. LYNN:** Was that a unanimous decision?

**Mr PERSSON:** Yes, it was.

**The Hon. C. J. S. LYNN:** Has your department been involved in a development application to Gosford Council?

**Mr PERSSON:** I might introduce Mr Smithies, Director, Policy Services Division, who has greater involvement in the detail that you are now asking.

**Mr SMITHIES:** The department is not involved in the application for development approval at Gosford Council. The department has entered confidential negotiations with Mislake, the preferred proponent, on finalising some aspects of the development agreement. In parallel to that, Mislake is seeking development approval, as I understand it, from Gosford Council but final execution of any development agreement with Mislake is dependent on them getting approval from Gosford Council.

**The Hon. C. J. S. LYNN:** So is the final agreement between the successful developer and Gosford Council?

**Mr SMITHIES:** No, building development approval is required by the developer from Gosford Council. The development agreement will be between the New South Wales Government and the preferred proponent.

**The Hon. C. J. S. LYNN:** Has any agreement been signed between the Department of Public Works and Services and the developer at this stage?

**Mr SMITHIES:** Not at this stage. The finalisation of the agreement and signing of the development agreement is dependent on the proponent getting successful development approval from Gosford Council. I might say that in the bid that all proponents received, there was a draft development agreement and the proponents came back or Mislake came back with only minor differences in terms of the proposed development agreement. Negotiations are proceeding to resolve those minor differences.

**The Hon. C. J. S. LYNN:** Have you any idea of what the time frame will be for the approval of the DA?

**Mr SMITHIES:** I have no idea about the DA time frame, no.

**The Hon. C. J. S. LYNN:** Have the terms of the agreement been finalised?

**Mr SMITHIES:** The response by Mistlake indicated they were substantially happy with the draft development agreement that was in the bid documents. There are minor issues to be resolved in respect of that final development agreement.

**The Hon. C. J. S. LYNN:** Will they be made public?

**Mr SMITHIES:** Once the development agreement is completed, yes. I cannot enter into or make comment on those because it might compromise the commercial positions of both the Government and Mistlake.

**The Hon. C. J. S. LYNN:** Are you in a position to advise whether the agreement guarantees rental for a guaranteed 400 plus employees, and for how long?

**Mr SMITHIES:** The call document requested that a building be provided for approximately that number, which was the WorkCover relocation to Gosford for a lease over a 10-year period with a five-year option.

**The Hon. C. J. S. LYNN:** Do the terms of this contract differ from any other similar contracts undertaken by the Department of Public Works and Services [DPWS] in recent times?

**Mr SMITHIES:** I would have to take that question on notice.

**The Hon. C. J. S. LYNN:** Director-General, with regard to attempts by your department to suppress information on legal costs of some \$1 million a month incurred in a long-running legal action against British Telecom, will you now release those details following the findings of the Auditor-General that the Audit Office considers disclosure of the settlement terms to be appropriate?

**Mr PERSSON:** I would take that on notice.

**The Hon. C. J. S. LYNN:** What has been your department's role in assessing the relocation of the Department of Local Government to Nowra?

**Mr PERSSON:** We have been heavily involved in working with the Department of Local Government. When the decision to relocate to Nowra was made, the director-general telephoned me and asked me if we would handle the project for them. They are looking very much at a turnkey solution. They want us to take it through. The announcement was May 1999 from the Minister for Local Government, the Hon. Harry Woods.

The relocation will create 62 employment positions in Nowra. The Department of Local Government requires around 1,600 square metres of office space, and currently there is no suitable accommodation in Nowra. It is, therefore, proposed to call for expressions of interest again, which are to result in the construction of a new building. They will be called in June 2000, during this month, and the relocation should be completed by late 2001. In addition to the long-term additional employment positions in Nowra, the relocation will provide significant economic benefits, of course, to the Illawarra region. A new development would create over 100 new jobs during construction and fit-out and have flow-on effects to the local suppliers.

**The Hon. C. J. S. LYNN:** Will the move be funded by the Department of Public Works and Services, the Department of Local Government or Treasury?

**Mr PERSSON:** Everything is funded by Treasury. If I could be less flippant, the Department of Public Works and Services does not have the funds for relocation. The Department of Local Government will make a bid to the Treasury, as it is a consolidated revenue funded department. Treasury will provide an amount of money and the local government department will have to live within the budget, and we will manage that process.

**The Hon. C. J. S. LYNN:** Has the Department of Public Works and Services been asked to provide information on maintaining a Sydney office for the Department of Local Government?

**Mr PERSSON:** I believe so. I believe there will be the need for some facility in Sydney for staff attending the Minister, but I am not sure of the exact details and the size of that office.

**The Hon. C. J. S. LYNN:** Just going back, and you may have covered this in your earlier answer to me, will the Department of Local Government be moving to a purpose-built facility or will it occupy existing office space? If the option is for a new building, why would that be, considering the fact that I understand that there is about one acre of vacant office space in Nowra at this time?

**Mr PERSSON:** It is true that there are options in Nowra that some local people would have liked to have seen taken up. Those options were all assessed and rejected as not meeting the needs. I did answer earlier that as a result of that assessment and evaluation, we will now be going to a call that will lead to the construction of a new building, purpose built.

**The Hon. C. J. S. LYNN:** Director-General, given that there are 100,000 people on the waiting list for public housing, can you explain why housing capital expenditure dropped this year from \$392.9 million to \$392.6 million?

**The Hon. JAN BURNSWOODS:** Perhaps you should ask the Federal Government.

**The Hon. C. J. S. LYNN:** I am directing my question firstly to the director-general. I think yours is the Government that is awash with funds from the tax that you are reaping in at the moment and the gambling taxes that you are getting in by the bucketload, so I will direct the question here first.

**Mr PERSSON:** As much as I have enjoyed getting into this one, it has nothing to do with us. We have no role in the delivery of the Department of Housing program. It is funded separately through the Commonwealth-State Housing Agreement and the State Treasury matching requirement, so I am afraid that I cannot give you any information in that regard.

**The Hon. JAN BURNSWOODS:** As I said, ask the Federal Government.

**The Hon. C. J. S. LYNN:** Are you able to provide details on why funding on the Emu Plains prison has blown out from \$6.3 million to \$9.3 million?

**Mr PERSSON:** No, I am not able to assist you in that regard.

**The Hon. C. J. S. LYNN:** Is that not within your department?

**Mr PERSSON:** Could I take that on notice? We do not seem to have any briefing on that specific project.

**The Hon. C. J. S. LYNN:** Has your department sought government approval to review the records of some agencies to determine the status of properties and their potential for disposal in order to maximise proceeds from property disposal?

**Mr PERSSON:** Sorry, could I ask you to repeat the question?

**The Hon. C. J. S. LYNN:** Has your department sought government approval to review the records of some agencies to determine the status of properties and their potential for disposal in order to maximise proceeds from property disposal?

**Mr PERSSON:** We have not sought—the first part of your question relates to seeking something?

**The Hon. C. J. S. LYNN:** Yes.

**Mr PERSSON:** That is not the case, no. The Council on the Cost of Government a year or two ago made a recommendation, I think, that the property holdings of certain agencies ought to be reviewed and that we ought to do it, and that has occurred.

**The Hon. C. J. S. LYNN:** Has the voluntary redundancy program been fully implemented? If not, when will it become fully operational?

**Mr PERSSON:** The Department of Public Works and Services, as I mentioned in earlier answers, operates a wide range of businesses. Some of the needs of our clients in that regard are changing and the market

generally is changing. There is a need if the department is to remain commercially viable to see a change in some of those businesses, which will involve a reduction in some of them. We are also seeing some areas of expansion. In some cases, the business needs and the skills of the people are not well matched. Wherever we can find alternative roles for our public servants and our staff in other parts of the organisation, we do so, but we have made an assessment that of the order of 230 people will need to exit the organisation.

It is a voluntary redundancy program, with the emphasis on "voluntary", so it is not a program that you can achieve the target in your own time frame. I believe 88 people have accepted offers of voluntary redundancy, 84 have left and four will be leaving in June. We have another stage of our program under way, and that will involve trying to provide assistance with staff no longer in strong parts of the organisation from a commercial point of view either developing new skills or obtaining an understanding of what their employment potential might well be outside.

A lot of our people are very highly skilled and very experienced, and we have found they are often surprised how easily they can be found another employment opportunity in the private sector in areas where their skills are needed. So to answer your question again, 88 have accepted and the program is ongoing.

**The Hon. C. J. S. LYNN:** Director-General, why has the funding for the Goulburn maximum security prison blown out from \$32 million to \$40 million?

**Mr PERSSON:** I would like to take that on notice, Mr Lynn.

**The Hon. C. J. S. LYNN:** You may also look at the funding for the new Parklea Remand Centre, which I understand has blown out from \$29.7 million to \$40 million as well, which is quite substantial.

**Mr PERSSON:** I will take the specific part of the question on notice, but I would remind you of the comments that I made earlier, that while I am not aware of the specific details I suspect I will find that what you call a blow-out to some extent is due to the way that the initial prices estimate is set and the fact that it is a major project which will go over a number of years.

From our point of view, blow-out implies unexpected, unforeseen and inefficient project delivery. I do not believe we will find that is the case with any of these projects. I expect it will be a combination of the project spanning a number of years or the client determining during the course of the project that it would like to make further changes or extend the brief.

**The Hon. C. J. S. LYNN:** So you are saying, for example, that if the Government budgeted X amount of dollars for X amount of years and then extends that because it will not cut back for any reason, that could increase the cost of the project? That would be a reason?

**Mr PERSSON:** No, because the increases in projects usually occur because the client determines during the project it would like to do more or that it would like to provide something that it had not thought of previously. We work very hard to try to include those variations within the original price. With the metropolitan remand centre, which was opened some years ago, I know we incorporated \$14 million of variations within the actual price, for example, but in some cases that is not possible depending on the nature of the changes sought or the market conditions prevailing.

**The Hon. C. J. S. LYNN:** Director-General, could you advise the current status of the White Bay power station project?

**Mr PERSSON:** It is my understanding that the land has been transferred from the power company to the Sydney Harbour Foreshore Authority.

**The Hon. C. J. S. LYNN:** Are the Bondi rail extensions on track to be completed by 2002 and are they within budget at this stage?

**Mr PERSSON:** We have no role in that project. It would be appropriately directed to the Minister for Transport.

**The Hon. C. J. S. LYNN:** Is the final phase of the new management information system on track for completion in August 2000?

**Mr PERSSON:** The project is due now for completion in February 2001. The Department of Public Works and Services has set out to overhaul its total information system needs. The old systems were coming to that time when they were no longer meeting the needs. This is a very large project. Putting an integrated system across an organisation as diverse as ours is a great challenge. While there has been an extension of the time from the original estimate of the project, it is basically, from our point of view, still going to meet our business needs.

The first stage was driven by some businesses' systems not being Y2K compliant, and they were the first priority. This is a very demanding area in terms of making sure that you get it right and it is not something to be rushed. There have been a couple of disappointments to us in terms of having to move back the original time frames, but we judged as an executive that it was better to make sure that we got it right than to push for an original deadline and possibly get it wrong

**The Hon. C. J. S. LYNN:** I have a question that you might like to take on notice. Has the former Albury Base Hospital site been sold and, if so, how much did it sell for? Has the new owner committed the \$1 million for the necessary remedial works relating to investors?

**Mr PERSSON:** I will take that on notice. I am not aware of our role.

**The Hon. C. J. S. LYNN:** Could you advise whether the proposal to trial the public works maintenance pilot program in Albury involving maintenance contracts for schools, police stations, courts, and other public buildings to be united and offered exclusively to regional contractors has been put into effect? Has this proposal been implemented in any other regional areas and, if not, will it be?

**Mr PERSSON:** The Minister for Public Works and Services announced during a recent visit to the area that he was going to take such a proposal into government. That is in train. It is not finished. It is a consideration. It is a highly innovative approach which we are not aware of operating in any other part of the country.

We have held discussions with our counterpart agencies in other States. There is a high degree of interest in what we are setting out to try to achieve but, as I say, it is a little early to comment further on it. I am sure the Minister for Public Works and Services will be making appropriate announcements as soon as the matter is concluded within government.

**The Hon. C. J. S. LYNN:** I support your comments that it is innovative.

**The Hon. J. R. JOHNSON:** What else would you expect from a Labor government?

**The Hon. C. J. S. LYNN:** It is unusual. That is why I have noted it. Is the Minister aware of whether the security system contractor for the Frank Baxter Juvenile Justice Centre was able to finalise this contract?

**Mr PERSSON:** I am not even sure if that is with us, but I will take that on notice and provide an answer.

**The Hon. C. J. S. LYNN:** Has the city improvement project been completed and, if so, was it within budget?

**Mr PERSSON:** It was completed. In fact, it was completed underbudget, with a small surplus.

**The Hon. C. J. S. LYNN:** I have another 142 questions here but I have received a notice from my wife that I have to wrap this up, so I will put up those next year.

**CHAIR:** I thank you all for your attendance. If you are speaking to the Minister, will you wish him a speedy recovery from the Committee.

**The Committee proceeded to deliberate.**

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