



HOUSE OF ASSEMBLY

PUBLIC WORKS COMMITTEE

PORT RIVER EXPRESSWAY—STAGE 1 REPORT

The Constitution Room, Old Parliament House, Adelaide

Wednesday 5 March 2003 at 10.20 a.m.

(OFFICIAL HANSARD REPORT)

PARLIAMENT OF SOUTH AUSTRALIA

MEMBERS:

Mr P. Caica MP (Presiding Member)
Mr M.K. Brindal MP
Ms V. Ciccarello MP
Mr T. Koutsantonis MP
Mr I.H. Venning MP

WITNESSES:

JON STEELE, Acting Executive Director, and JEFF GOODE, Project Manager, both of Transport SA, PO Box 1, Walkerville 5081, called and examined:

137 THE PRESIDING MEMBER: Welcome and thank you for appearing before the Public Works Committee today. Before proceedings begin please note that this hearing is a lawful function of parliament and as such warrants the same respect which parliament itself demands. Sections 28 and 31 of the Parliamentary Committees Act outline the privileges, immunities and powers of the committee. Evidence given will be recorded and made publicly available after witnesses have had an opportunity to check the transcript for accuracy. If you believe there are any reasons of justifiable confidentiality you may request the committee to hear part or all of your evidence in private or in camera. Please introduce yourselves for the record.

MR STEELE: I am currently Acting Executive Director of the Department of Transport SA. I apologise for the Chief Executive, Mr Tim O'Loughlin, who cannot be here this morning. Mr Jeff Goode is with me. He is the project manager for stage 1 of the Port River Expressway. My understanding of the reason for the committee wishing us to come today was that there were some concerns about the project and what was being delivered in terms of what was originally intended to be delivered in the original Public Works report.

138 THE PRESIDING MEMBER: That is true to a certain extent. Some matters were raised in the media with respect to cost blow out. Simultaneously we had not received a status report since the project was approved by Public Works back in 2000, except for a small progress report. Part of the requirements of any agency that comes before us is to provide a status report and we have not received one. I understand that may well have been because of a change of personnel there and an oversight. A concern was expressed by the committee that we had not received what we believed were reports within the time frame involved, so it was two fold.

MR STEELE: I apologise that further reports were not presented. It was partly due to a change in personnel. The other reason was that there was a significant delay between the original Public Works hearing and approval of the project and the project commencing on

site. Site works only commenced in February or December 2002, which was when site works started. The nature of the project was such that, being a fairly unique type of contract to South Australia, there was an extended period of negotiation after approval of Public Works calling and going through that letting process.

In terms of the project itself and the works the project involves, there have been some slightly misleading reports. One of the key issues is where it has been stated in the press that the overpass, which according to the press was to be provided at South Road, has been deleted from the project. It was never intended to be part of the project. It was included in the original scope of works as an option. In the original report to the Public Works Committee we said that the junction with South Road connector will be at-grade and traffic signal controlled.

139 THE PRESIDING MEMBER: That was recorded by Public Works at the time?

MR STEELE: Yes, it was part of the Public Works report and included in the final report. The report went on to say: 'There is an option to have a partial grade separator junction, which will be considered as part of the tendering process'. In big tenders, on the basis of our best estimates and calculations, we say that this is the project which will meet the outcomes we need, but it may be that an innovative contractor can come up with an alternative which delivers an even better solution for the same price. When we went to tender we found that the tenderer's costings were fairly similar to ours and that part of that option could not be adopted.

140 THE PRESIDING MEMBER: The report you provided us with here talks about the reported scope changes and you are telling us now—and I accept that—the Public Works stated that there would be an at-grade, traffic signal controlled junction, yet you advised the Port Adelaide-Enfield Council on 1 July of the decision not to proceed with an overpass at South Road intersection. It must have been under the impression that there was to be an overpass. We are being told that it was not in the report however an option, but it was not an option received by Public Works or included in the tendering process. Then you write to council telling it that this will not proceed—I find it a little confusing.

That is on page 7 of the report under the heading 'Council involvement'. You advise council of some of the changes to the scope of stage 1, including deferring the shared path, a reduction of construction of Hanson Road and a decision not to proceed with an overpass at the South Road intersection, while telling us earlier that there was no decision to proceed with that. Could you clarify it for my benefit?

MR STEELE: In terms of discussing this project with council, in my involvement with the project there were extensive discussions with council. All these options about overpasses at South Road were floated with council at times and certainly all the publicity at the time of going out to tender was about its being an at-grade intersection. An overpass had been discussed at one stage, there is no doubt about that. It was clarifying with council that the overpass would not proceed. Probably in our discussions with council we

would have said when we were going out to tender what we said in the report, namely, that it was to be an at-grade crossing, but we have included the option of an overpass at South Road if a contractor can come up with an innovative solution that will deliver it within the price range. It was confirming the outcome of the tender process.

In the supplementary report, with the changes to Hanson Road the process we adopted this contract, as we do with many major contracts such as the Southern Expressway, is that once we have honed down our negotiations to a preferred bidder we go back with that bidder and do a value engineering exercise. The intention of that exercise is to look at what that contractor is offering us for what prices and what will give us the best outcomes that will achieve the objectives of a particular project.

We do a whole range of estimates before we go out seeking bids for a contract. Invariably, contractors will come back and bid parts of the total project differently from the way we have estimated. It is really a matter of sitting down and saying, 'What are we getting for the state's dollars for this part of the project and how can we ensure that the state has the best outcome, and gets the objectives for that project that the project is based on?'

In the case of Hanson Road, in looking at the bids, it was decided that we would be better off maintaining the access for Hanson Road, particularly to the Adelaide City Council dump to the north, but we could do that in a cheaper manner, if you like, and then wait and see what the long-term developments would be north of Hanson Road before we spent the rest of the money on that link. After negotiations with the contractor, we went down that path because, as far as our assessment was concerned, we were meeting the objectives of the project, and that is really the aim of the game. There were some other minor changes, one which was not even talked about, relating to the high voltage powerlines.

141 MS CICCARELLO: Did you say it was a minor change in relation to the powerlines?

MR STEELE: No, that was a more significant one, because it gave us a significant saving of over \$1 million.

142 MS CICCARELLO: In your report you state that there are already many overhead powerlines and that you do not think it will improve the amenity very much at all. I would have thought that getting rid of any powerlines would be an improvement to the amenity. In the long term, isn't that the aim, to get rid of as many overhead powerlines as possible?

MR STEELE: That is an aim. This area is heavily industrialised. This particular line has only been undergrounded over a very short length, where the new road went. It was considered that, if you weigh up spending \$1 million for a very short length of overhead line in a heavily industrialised area and considered where would you rather spend \$1 million

undergrounding lines, it would be better to do it in a suburban area in Port Adelaide rather than a heavily industrialised part of Port Adelaide.

143 MR BRINDAL: You are now confusing me. You did not come back to the committee because you said there was not much variation, and you quote Bardavcol as coming in at \$58.2 million and the project was \$58.1 million, which was \$100 000 difference, yet you decide to vary what this committee has approved, that is, not undergrounding the powerlines, and you save not \$100 000 but \$1 million. That is absolutely significant. That is a 2 per cent variation in what we had approved, approximately. What is happening to the another \$900 000? Presumably you are now \$900 000 in profit?

MR STEELE: The undergrounding of the powerlines was never an issue for this committee. That was taken to be a detailed part of the project, as were a whole range of technical issues relating to pavement design, form of the structures—all those components—which, as I said, add up to the total project cost. When you go out to tender on this project and when you get real costs in by real bidders, what you will find is that there will be significant swings in terms of ups and downs in the cost of individual components of the project. These will balance up and down and it will vary from bidder to bidder also. It depends on how they weigh their costs. You have this process with the tender analysis where, at the end of the day, you come up with what is the best outcome for the state in terms of the total project cost that is going to deliver the outcomes that we came originally to the committee with, saying that here is a project that is going to deliver these benefits and do these things.

144 MR BRINDAL: I understand what you are saying. However, this is not the previous committee, and we will look at the things that go to make up the total, and if underground power is one of those and there is an amount of money for underground power, I will add it all up and see if it makes sense. So, if you change the project it will not make sense. When you asked for the tender, presumably you did not know it was going to come in at \$58.2 million, so you asked the company to quote for the project with underground power because that was in the original design parameters.

MR STEELE: Yes.

145 MR BRINDAL: They quoted with underground power and they told you \$58.2 million. You then decide it is too expensive and look at ways to save money. You save \$1 million, so somewhere there is \$900 000. You will now be paying them, presumably, \$57.2 million because there is \$1 million that you save from not undergrounding the power. So \$57.2 million is what it will cost. Now they can overhead the power, so somewhere in the system you should have \$900 000, which I am sure the Treasurer and the parliament would be very pleased to know, because we have other projects to consider.

146 THE PRESIDING MEMBER: Before you answer that, I advise that they are some of the questions that I want to focus on, as well, particularly the tendering process. I assumed, just like Mr Brindal has, that when the successful tenderer provided the tender it

would have incorporated those matters that were brought to this committee previously, and the tender that they have provided was \$100 000 more than was budgeted. I was a bit confused, as well, as to why it was that the powerlines have not gone underground or a decision was made that the shared path would not proceed, when the tender was \$58.2 million as opposed to \$58.1 million, but certainly things have been cut back. The committee is pretty interested as to why it is that the tender has either been wound back or a tender that was provided to you was not exactly in the format of the tender that you wanted.

147 MS CICCARELLO: Also as to your original costing, you said that when you get in the real costs there is a difference. Is there something wrong in the initial process where the sums were not done properly to have a clear indication of what the cost of the project might be?

MR STEELE: I will respond to the latter point first. In any tender process like this, we go through a very detailed process, particularly for a project of this magnitude, in terms of working out what we estimate the actual costs will be. When bids come in, for a project like this—and I can't remember the range—I would expect that there would be a range in the bid prices of \$10 million between the lowest and the highest. Even the people bidding for this job have a significantly different view of the world, if you like, in terms of what components of the project will cost. We can estimate all we like, but at the end of the day it is how the market views the project and how they tender aspects of that project. Different bidders will tender totally different rates, so a range of \$10 million in a project with a value of about \$60 million, from cheapest to dearest, is not at all unusual.

148 MR BRINDAL: Are you sure this isn't the Public Service fighting back? I draw your attention to what the Presiding Member said, that your figures show that you have already saved the money. You didn't need to not do the bicycle path because you are already \$900 000 in front. However, you say that 'At present there is no justified need for a separate path.' You presented this committee evidence to say a separate bicycle path was what you wanted. Now you are justifying it by saying it is not right. A couple of years ago you had a minister who would have insisted on a bicycle path. I do not know what the current minister's attitude is to bicycle paths.

149 MS CICCARELLO: He is very supportive of bicycle paths.

150 MR BRINDAL: This report says there is no need for a bicycle path and it gives a whole lot of reasons. Then it says that the department will build one when council has done all its bits. I smell here a Department of Transport employee who has gone in to the new minister and said, 'We don't need this, we can cut this back.' When you came here previously you gave evidence that we did need it. Someone is actually fiddling around before this committee, because either you needed it and it should have been built and you had no reason to save that money, or you did not need it and you should never have come here asking for money for it in the first place. I would really like to know what the truth is.

151 MS CICCARELLO: Also, what would the cost have been for the separate cycle path? The other issue is the safety aspect. You are saying that the cyclists could use the shoulder of the road, but that is often a very dangerous place for cyclists to be.

MR STEELE: Yes, although we do have a wider shoulder there to accommodate that.

152 MS CICCARELLO: Is the shoulder sealed?

MR STEELE: Yes. If you are talking about putting cyclists on the road, you need to provide a suitable shoulder. In terms of the comment about the shared bike path, I want to clarify that there was no specific direction at all from the new minister one way or the other. In terms of looking at the project and going through the value engineering process, the issue was what would give the most value: what components collectively would give the most value to the state in this project and justify spending money at this time? It is never a clear-cut case that one thing is justified and another is not: it is always a value judgment, which we make in conjunction with the community, the parliament, the minister and whomever.

In this case, when it came to the crunch, when we looked at the components of the project, the outcomes that the government was looking for from the project and the outcomes that were included in that report, the decision was made that, given the fact that the council did not yet have paths that linked into this area anyway and therefore basically the path could not be used at this time, we were better off saying, 'Okay: we won't proceed with that at this time.' That is not to say that it will not proceed at all.

153 THE PRESIDING MEMBER: Talking about the specifics here with respect to the bike path may be going off at a tangent. It is an egg and chicken thing: he or she who builds it first, they will come; someone has to make a commitment to either build the path or not. The point I want to get back to, which I think is a significant point, is that the successful tenderer was Bardavcol, which came in at \$58.2 million or thereabouts. The total cost of the project presented here included bike paths, underground cabling and a few other issues. That tender included those things at \$58.2 million, \$100 000 more than was the expected budget. Now we are being told that those things which are in the best interests of the state have been pulled back for whatever reasons, shaved costs or we are not ready for them, whatever the case might be, yet the project is still going to cost \$58.2 million.

Indeed, on page 6 of your report, it says 'project within budget', so you are confirming that the capital cost estimate was \$58.1 million for stage 1, inclusive of all those things I have just talked about. However, the final cabinet approved stage cost is \$62 million, which includes \$4 million for maintenance costs over the next 10 years. Again I am confused here, where the last line says, 'hence there is no net increase from the original stated capital costs', and I will get you to explain that a bit later. It seems to me that we are paying more money now than we were before but not including those things that were deemed to be important by this committee, or presented to this committee by Transport SA as being

important, and we are getting less for more at this time. I, like the rest of the committee, am a little confused by that and we need some clarification in those areas.

MR STEELE: I will respond to the last issue first, the \$4 million maintenance costs. As you are aware, the capital forward estimates are for the capital costs; the \$4 million comes from our recurrent budget, which covers all our operations, maintenance of roads, etc.

154 MR KOUTSANTONIS: That is different, then, from what you are saying.

MR STEELE: No.

155 MR KOUTSANTONIS: You are saying it is part of the project within the budget.

MR STEELE: The capital cost of the project is the \$58.1 million. This project was totally unusual. Perhaps I will go back a step. Under a normal contract, you have a capital cost of \$58.1 million. That is what cabinet approved, and that was the estimate presented to Public Works. Apart from that, once the job is finished there is an ongoing maintenance cost which comes out of our normal recurrent costs.

156 MR KOUTSANTONIS: Yes, so why would it come to us? Why would it be included in the capital costs?

MR STEELE: Because we have gone down the form of a design/construct/maintain contract. Because of the high risks with this project, particularly in relation to foundation conditions, we went for a form of contract in which we said to the contractor, 'Not only do you have to design and construct this but you have to maintain it for 10 years after it's completed.' That puts the risk back onto the contractor to maintain the thing at a fixed price for 10 years after it is built. So, in terms of the approval we seek from cabinet, it is for a contract for \$62 million but only \$58 million of that is the capital component of the project. The rest is money that would come out of our normal recurrent budget as part of that project.

157 MR KOUTSANTONIS: You just said that the department is putting the risk on the contractor to maintain it, but you are saying, 'maintenance is coming out of our recurrent budget.' Are we paying the contractor to maintain it?

MR STEELE: Yes.

158 MR BRINDAL: What he is actually saying is that they have done this new thing that makes the contractor responsible for maintenance for 10 years, so the contract's actual price is \$62.2 million because the contractor is saying, 'It is \$58.2 million to build the thing and, incidentally, I will charge you \$400 000 a year for the next 10 years because you will be putting the maintenance back onto me.' So, there is a figure put on the maintenance—

159 THE PRESIDING MEMBER: —coming out of Transport SA's recurrent costs.

160 MR BRINDAL: Yes. This is where it gets to be very interesting for this committee, because what the witness is now suggesting is that if you are actually shaving costs off the capital works they will go into the recurrent maintenance, and that means that there will be less to come out of the maintenance from the department. Do you see what I am saying? Because this is a \$62.2 million project, unless there is a saving, if you save on the capital works you can just put it on the maintenance side and then you can use that maintenance money in your department.

MR STEELE: No, they are two separate budgets.

161 MR BRINDAL: I understand that, but you have not yet explained to this committee why, when you got a capital works component of \$58.2 million for all the works, you then proceeded to vary the contract in terms of overhead powerlines, bicycle pathways and other issues, which means, hopefully—unless some weird deal has been done with Bardavcol—that their final contracted price to you has to be less than \$58.2 million. There is therefore a saving in the project, and what we are trying to get is where the saving has gone. Where is that money? Will you not draw it down from Treasury? What will you do with it?

162 THE PRESIDING MEMBER: Or, indeed, if there has actually been a saving or if it has been a shaving off from the original tender with respect to what that money was going to provide.

MR STEELE: Are you happy for me to leave the issue of maintenance?

163 MR BRINDAL: Yes.

MR STEELE: Regarding what everyone is calling the changes to the project—and perhaps we need some guidance from the new committee in relation to this for future projects—we have always worked on the philosophy that we have a project with an approved sum of money that we are going out to contract for and we have a set of defined objectives that the project is to achieve, and they were set out in the various reports. Once we get the tenders in, as I said, we will find that there is always going to be a range of variations in terms of how tenderers price particular parts of the work, whether they put in profit margins or whether they do not. As a result of that, invariably—this is a major contract; it is a bit different with small contracts because they tend to be fairly straightforward—you have to go through some sort of a negotiation process.

Our approach has been that, as long as we are delivering the outcomes which that project was intended to deliver and we report back to this committee accordingly, we have never seen a necessity to go back to the committee and work through the details of the tenders. In fact, there would be some probity issues involved there, but be that as it may this goes

around that. It is really an issue for the committee in terms of what a committee wants to see from us. Are we meeting the objectives of the original project or do you want us to go further than that—which is what I am hearing—in terms of the information that we provide back to this committee?

164 THE PRESIDING MEMBER: I am not particularly satisfied with that response, and I will tell you why. Since I have been the chair of this committee, we have been interested in every aspect of a project, including whether powerlines are going to be overhead or underground, whether there is going to be porous paving, what the impact will be on the surrounding infrastructure with respect to water run-off, and a whole host of issues. We want to be informed where the project deviates from what we have been told, no matter how small or large that may be, because it is just too esoteric to say, 'We have decided things are going to be done according to what is best for the state.'

We understand that this project, in its initial stages and throughout the tendering process, was in the best interests of the state, but we now find that certain things that were incorporated in this project are no longer being incorporated because of some confusing aspect that I still do not understand with respect to the tendering process. I accept that with various tenders there will be variations in their specific components, but at the end of the day we have a successful tender of \$58.2 million which should be able to deliver everything that we have been told would be delivered within that tender, but that appears not to be the case.

I will not labour the point much more because Transport SA will appear before us in April. It may well be that some of these issues are broader and apply to the whole of the processes adopted by Transport SA which are reflected in this project. I am not particularly happy with your response. I assume there will be more questions directed to you by members of the committee now.

165 MR VENNING: The figure of \$58.1 million was the projected figure. The contract came in above that figure, so you took these other things off to bring it back to that figure.

166 MR BRINDAL: No. They saved \$1 million, so that is Bardavcol's current figure.

167 MR VENNING: What was their tender?

168 MR BRINDAL: No. How much are they now charging, because they put in a tender for \$58.2 million—

MR STEELE: The project cost is sitting, as we have said, at the \$58 million—

169 MS CICCARELLO: Perhaps I am stupid, but you said that the project has to reach seven objectives and priorities for the state and that they would incorporate A, B and C.

The tenderer would have known that and would have given a quote based on A, B and C. This is where the confusion seems to come in: whether the tender does include A, B and C or whether the original tender was minus C, which is the powerlines and the bicycle paths and other things.

170 MR BRINDAL: Did the original tender go to Bardavcol with underground powerlines and with a separate bicycle path?

MR STEELE: Yes.

171 MR BRINDAL: With a separate bicycle path and underground powerlines, Bardavcol said they could deliver the project to you at \$58.2 million?

MR STEELE: No. I cannot tell you what their actual price was, but it was more than \$58 million. It also included a whole range of options. For example, they (like other bidders) gave us an option for the South Road overpass. Some bidders came in with totally different concepts for the whole project. There is a whole range of options that bidders put in to say, 'You've asked for X, but if you let us deliver Y it will be a different price.' So, there is a range of options, but your statement is correct.

172 MR BRINDAL: What would have been a successful tender price for delivering the project as it was approved by the cabinet and this committee? Obviously, it is not \$58.2 million.

MR STEELE: Including the shared path?

173 MR BRINDAL: Including what was approved by this committee, which was underground powerlines and a separate pathway. That is what we approved and that is what cabinet approved, and you said the successful tenderer is \$58.2 million. Now you are saying it is a higher figure. What was Bardavcol's figure for delivering the underground powerlines and the path?

MR STEELE: I do not have that figure.

174 MR BRINDAL: I think the committee would like to know this.

MR STEELE: Could I clarify one point about the underground powerlines. The underground powerlines were never referred to this committee at all; they were not included in the detailed report.

175 MS CICCARELLO: But it was part of the project.

MR STEELE: No, the relocation of the powerlines was part of the project but whether they be underground or above ground was never referred to this committee.

176 MR BRINDAL: Why not? It is a public work, part of a \$58.2 million project, and it was part of your costing. The whole project, by law, is supposed to be referred to this committee, not bits of it.

MR STEELE: The whole project was. I am not trying to dodge the issue, but it comes back to what the committee wants to see. We prepared a couple of extensive reports which, as far as we were concerned, provided the committee at the time with all the information they required to make a decision on this particular project. If it is the wish of the committee to have more detail than that, that is an issue for the government.

177 THE PRESIDING MEMBER: You said that the successful tender was way over the \$58 million and that it included the overpass. I think those were your words. When you told us earlier that there was some confusion with respect to the overpass, that it never came before this committee and it never went to the council, so why on earth was the tendering company providing a component that included the overpass. They must have been under a misunderstanding as well?

MR STEELE: As I quoted from the report, the original project, as defined, had an at-grade intersection. We said to the bidders, 'If you like, you can have an option of putting an overpass there and, if it provides value for money to the state and we can deliver it within the project budget, it will be looked at.'

178 THE PRESIDING MEMBER: But at the end of the day you could not even include within the budget those things that you initially wanted to include such as relocation of the powerlines and a shared path. So, it seems to be a superfluous exercise to ask for something that was not part of the original tender, because that is only adding to the confusion to the extent that the council within the area is referring to the project as a farce. We will get onto that later as well.

MR STEELE: It is not unusual to define a project to a bidder; to say to a bidder, 'Look, if you can come up with any options we specifically included in the contract bid,'—we mentioned the overpass—and we also said to bidders, 'If you have any other innovative way of delivering this project, then by all means price it and put in a bid for it and it will be considered.' One of the aims is to try to get some innovation from the industry in terms of delivering the outcomes that the state wants at a cheaper price.

In fact, some other options were offered by bidders, which at the end of the day were rejected for various reasons. Some of them did come up with some innovative procedures. In fact, the accepted tenderer also came up with some.

179 MS CICCARELLO: How can you make a comparison between bids if there are so many different options? How can you compare one bid over and above another bid because someone's tendered prices for some aspects might be markedly different? There might be an

option that they think is part of the project, so they might save on one aspect thinking that they will get another aspect to the project in the bid.

MR STEELE: With bids of this nature, tenderers are made aware, broadly, of what the assessment criteria are for assessing tenders, so that you are not asking them to bid on something on which they have no idea what you will accept at the end of the day as the best result. They are given an overview of what the tender assessment process will be, and then we will have a very detailed assessment process and also an independent probity auditor to ensure we are doing the right thing. We go through a detailed process to say, 'What will give the best value for money for government?'

180 MR BRINDAL: I understand what you are saying, but getting to the nexus of what Ms Ciccarello is asking, surely there has to be a comparable core bid. This is what the project is. Parameters of the project are defined. Surely, that is the core bid.

MR STEELE: Yes.

181 MR BRINDAL: Therefore, if there is a core tender bid and cabinet approved a project which included undergrounding of power lines and the separate bicycle pathway, those two parameters would have been in everyone's core bid, not in supplementary considerations. Therefore, it would be easy for you to get back to the committee and tell us what the core bid of Bardavcol was, before you started shaving off things to bring it back to 58. It is interesting: I do not know why you have said 58.2, because you have brought it back to 58.1. I do not know where 58.2 ever came into it.

MR STEELE: I have lost track of your question.

182 MR BRINDAL: Surely, there was a core bid and the core bid for all tenderers would have included the underground power lines, because that is what cabinet thought it was getting—whether it is what the committee thought it was getting is not to the point. But, certainly, we all thought we were getting a separate bikeway. That was everyone's part of core bid, so it would be easy for you to get back to us.

MR STEELE: It is not a core bid. It is a bid that delivers the specified outcomes we were after in terms of the project. The three bidders did not put in a bid on exactly the same. You could say, for example, for whatever it might be, 'This bidder bid this price for this configuration of pavement. This bidder bid whatever their price for that configuration of pavement.'

183 MR BRINDAL: What you are saying is that you are doing the project in the future and, if there is a separated bicycle pathway, we are to assume that may or may not exist. When you put out to tender, some design and construct person will say, 'You do not need that. We will put it on the shoulder. We will have a two metre shoulder. We do not need underground power there because it is industrial area, so we will leave it overhead.'

What you are saying is that what you will present to this committee is in fact a broadbrush picture that you may or may not meet after you have come to tender. That is not the way I have understood this committee has ever worked. Is that what you are saying?

MR STEELE: I accept what you are saying. There are two issues. In relation to the bicycle path, I would say in retrospect it was an oversight and we should have advised the committee. In relation to the power lines, the issue becomes more complex. This is where we need some guidance. The power lines, in particular, as I said, were never included in this. We took that to be a technical issue or something that is not affecting the outcome of the project. Certainly, it is not something that was ever referred to in anything in this report, as far as I am aware. It is a matter of what level of detail the committee requires from us.

184 THE PRESIDING MEMBER: It saves costs of \$1 million, the overhead power lines, even though they were not included or regarded as 'may be we will have or may be we will not have'. So that type of costs and scope of the project and those types of items being included in the scope of the project, from this committee's perspective, is important. I know you will take it on board for future projects.

185 MR KOUTSANTONIS: I have been waiting patiently in respect of Transport SA. You talk about outcomes of projects. When a project is above \$4 million—and I think this has to be strictly conveyed to Transport SA—it is not your prerogative, in my opinion, to alter any project you bring to this committee without this committee seeing it. I have grave concerns about the way in which Transport SA operates, especially in terms of public consultation and talking to local members of parliament about the way in which they vary projects. I am not particularly blaming you: you just happen to be here. I apologise to start with.

When whoever it was from Transport SA came to this committee, they would have read out a version of this document. It says, 'Committee requires you to make a quarterly report about the progress of the proposal.' That has not happened. I know you have apologised to the committee for that. That is a breach and it is a contempt of parliament, in my opinion. You were asked also, if there were any variances from what you had given to cabinet, to explain those variances.

MR STEELE: Could you repeat that?

186 MR KOUTSANTONIS: The project first goes to cabinet and then comes to the committee. If there is a variance between what you have shown cabinet and what you have shown us, you are required under Parliamentary Committees Act to tell us the differences. Somewhere along the line that process was muddled.

I am concerned about what the member for Unley was saying. The outcome of the project in the end is the key objective. My statement to you is that it is not within Transport SA's brief to decide what the outcome of the project should be. You come to us with

a series of objectives and the parliament—the people of South Australia—decide how you spend their money—not Transport SA.

I am very concerned because you will have projects in my electorate coming before us in a few months with very specific details. Tell me why I should trust Transport SA ever again after we have been told, 'Look, all that really matters is that the key objectives are met. A \$100 000 here or \$1 million there, it does not matter whether or not you have a bike pathway or underground power lines.' The key objective is a transport system.

That is not your decision. The decision is the decision of this committee, the parliament, the minister and the government. I am confused how any project can be legally varied, even by a sentence, without its coming back to this committee. I know it is not your fault.

MR STEELE: As a public servant, I endorse what you say in terms of the role of parliament in all this. It is not our job to say, 'A road is to be built between X and Y, and that is the best outcome for the state.' That is not our job. Once that decision has been made, our job is to build a road between X and Y. We have a different Public Works Committee now than we had prior to 12 months ago, obviously. The undertaking I am prepared to give is that, within the bounds of what we are required to give, we will provide whatever this committee requires. I get the feeling that this committee is requiring perhaps a lot more detail than we have provided in the past. If that is the case, so be it. That is our task.

187 MR KOUTSANTONIS: It is not about the detail but about the variation. I could do the most basic renovation in my house and say to the builder, 'I want you to plaster room A, wall B.' He could go away and decide, 'The concept is that he wants plaster in the house and he wants to paint it, so I will plaster another wall.' It does not work like that. I do not see how Transport SA can take it away in its brief and say, 'We will alter this project and not tell the parliament.'

MR STEELE: I acknowledge the fact that we should have come back on the bike track. I will accept any lashing the committee proposes to give me.

188 MR BRINDAL: It is not you personally. Your head of department is away ill today. If we lash anyone, you can table it to Mr O'Loughlin. You are just the poor person who has been dish up.

MR STEELE: Notwithstanding that, I am prepared to be accountable for it. That is one issue. The other issue—and I do not know quite how we managed this in terms of the expectation of the committee—is the overpass at South Road. We thought it was very clear in everything we had done, including the communications we had with council. Obviously, we have not got our message across very well, because it was certainly never something we brought to the committee in terms of seeking approval for the overpass. It was always an option. The approved plan was for an intersection.

189 MR BRINDAL: The point the chairman made—and quite rightly—is that what amuses us is not that it was not clear to us but that, having said it was stage 2 or 3—a build, own, operate and transfer—you would even put it in the parameters because you are drawing a long bow if you think somebody can cost effectively build your stage 2 in your stage 1. That is the point the Chairman was making. It is a bit like asking God to come back tomorrow.

MR STEELE: There are some pretty smart contractors out there. We made very clear to them that it was entirely up to them and it was their cost whatever they did, and if they could come up with something smart enough, it would be looked at.

190 MR VENNING: I have no problem with you asking tenderers to consider the extras and put prices on them in an itemised contract. Whose figure is the 58.3? Where did it come from? Is that a figure that the department put on before you called contracts?

MR STEELE: That is the actual figure based on the accepted tender.

191 MR VENNING: That is the figure after tenders you have come back to that price?

MR STEELE: Yes.

192 MR VENNING: I would like to know what the tender figure was, if I was the successful bidder—and it is Bardavcol—so I would know what we are sacrificing for that money. What was the cost of the overpass, because obviously a couple of tenders were put in there? If it was \$10 million you had better do it because, as far as I am concerned, without it this whole project loses a lot of its success and effectiveness. It is like buying a Mercedes Benz and putting retread tyres on it. What is the speed along there?

MR GOODE: It is 70 kilometres through there.

193 MR VENNING: So, along the new road it will be 70 km/h?

MR GOODE: No, it will be 80 km/h on the new road but through that intersection it will be 70 km/h.

194 MR VENNING: Mr Chairman, I will be interested in the figure for the overpass, because stopping heaving traffic at a traffic light will make a big difference to the entire project.

195 THE PRESIDING MEMBER: Without breaking confidentiality, would you be able to provide us with the total figure involved with respect to the provision of that overpass, and it does not have to specify which company?

MR STEELE: I need to get some advice on the probity in relation to the tender process.

196 THE PRESIDING MEMBER: You might also include the costs involved with respect to that which is being deleted from the project, such as the path and the power lines.

MR STEELE: Yes. However, there are some legal and probity issues that I need to confirm first, but I might be advised that if we bring those figures back, legally, they need to stay within this particular committee. But I will get that advice.

197 THE PRESIDING MEMBER: When you get that advice you can tell those people providing it that that can be achieved and evidence can be held in camera.

198 MR BRINDAL: Mr Steele, if that is the way it goes, and I do not want to tell you how to do your job, I think that you would be wise to consult your minister. If advice comes to this committee that the department cannot do something for good and sufficient reason, the minister should be the one to wear the responsibility. If the department does not want to answer or cannot answer, it is the minister's responsibility.

MR STEELE: Certainly, before anything happens, I would advise the minister, yes.

199 MR VENNING: It also depends whether the successful contract tenderer was one of those that submitted a price for the overpass.

MR STEELE: He was.

200 MR VENNING: So, we can go to the successful tenderer. The most important question, when you alter the contract like this, is should you not recall tenders?

MR STEELE: No. The process is well detailed and all tenderers are aware of what the process will be for tender evaluation and acceptance of final tender. As I said, because of the complicated nature of these contracts we have a probity auditor who sits through all of the negotiations, and his role is to address not only our concerns but also concerns of other bidders. In other words, he goes back to all bidders and asks them whether they are happy that Transport SA has run a clean bid process.

201 MR VENNING: Is the probity auditor an employee of the transport department?

MR STEELE: No, he is independent.

202 MR KOUTSANTONIS: He went to the Department of Treasury and Finance?

MR STEELE: No, he is a private individual.

203 MR VENNING: I certainly will be interested in those figures if you could let us have them, because I will be pushing strongly to have that included. I have sought advice on this from the highest authority, and I will not name the person, and have been told that it is crazy that this project should even be considered without an overpass on that South Road corner. It destroys the reason for building the thing. And this person would know. The other thing is that to include an overpass at a later date is almost impossible because costs would be huge due to the existing traffic using the road. Also, the safety problems if it is not put there would be massive.

204 MR BRINDAL: I would like your assurance about one thing. Bardavcol has said that there is \$4 million in the costs to take into account maintenance over 10 years. Presumably, the reason they separated maintenance from capital costs is so that the probity auditors and others can do some sort of checking. That represents, say, \$400 000 a year for a 5.5 kilometre stretch of road. I would like to know, and you would need to go back to the department and do some work, whether paying that \$400 000 a year to maintain a 5.5 kilometre section—

205 MR VENNING: Over a swamp.

206 MR BRINDAL: —I know that, but I would like some sort of cost comparison to reassure me that we are not paying through the nose because of the risk. I bet that you are not paying something like \$80 000 a year to maintain every kilometre of highway in this state.

MR STEELE: I can probably respond to that question now and give what I hope will be a satisfactory answer. Obviously, the tenderer, Bardavcol, has weighted its tender very heavily in terms of the maintenance costs simply because it is a road built on swamp. We have the option, after 12 months after the road is finished and when the contractor is maintaining it, to say to the contractor, 'We don't want you to maintain this any more and we will take over the maintenance.' So, in essence, we get the best of both worlds. If the road is a real problem, the contractor has to maintain it for \$400 a year, whatever his costs. If, in fact, the road is performing perfectly well and there are no problems and it would cost \$20 000 a year to maintain it, we could say to the contractor, 'Thanks very much, but we will take back the maintenance.'

207 MR BRINDAL: Is there a pay-out or penalty figure?

MR STEELE: No.

208 MR BRINDAL: So you would save whatever proportion of the \$4 million is left?

MR STEELE: Yes.

209 MR BRINDAL: So, presumably, after one year it is \$3.6 million saved?

MR STEELE: Yes.

210 MR BRINDAL: So the maintenance amount is paid out on a yearly basis and it is not paid up front?

MR STEELE: Yes, so we have the best of both worlds.

211 THE PRESIDING MEMBER: On page 5.7 of the Supplementary Maintenance Report under 4.1 it says: 'Vary Hanson Road connection to connect to Wilkins Road rather than direct to Cormack Road'. It also says: 'Provision of this link provides the essential access to the rubbish dumps to the north of the expressway.' I guess that is the decision that was made because of the essential access to the rubbish dumps to vary the Hanson Road connection, is that correct?

MR STEELE: Yes, that is right.

212 THE PRESIDING MEMBER: What is the future of those dumps, bearing in mind that I understand their life is fairly limited with respect to continuing landfill, and in fact a decision needs to be made in the not too distant future about whether those dumps will exist? Is that right?

213 MR BRINDAL: No, I believe there are some negotiations about whether they will be used as waste transfer stations.

214 THE PRESIDING MEMBER: I wonder whether that was taken into account in the discussions. Obviously, earlier, there was some confusion about the council's view on the overpass, hence the media reports, and I do not want any confusion from Transport SA's point of view as to the future of those dumps, given that my limited understanding is that there may be a different future for them. So, I wonder whether that can be clarified when you talk to them so that there will not be any confusion.

MR STEELE: That is a very good point, because my understanding is there is some talk going on in terms of the future of that area. We are not party to those discussions at this stage. So we are in a situation where really we do not have any information, which is essentially why we worded that bit that way. Basically, at the moment all our options are left open. We are providing the essential access to the rubbish dumps. Once we have some advice in terms of what is the real future there, we can make provision accordingly, and we have the flexibility at this point in time to be able to do that. In other words, if government makes some other decision that we are not party to at this stage, then we can take that into account.

215 MR BRINDAL: At that stage would it not be reasonable for Transport SA to ask the Corporation of the City of Adelaide, which has a major interest in the area, to provide some contribution to costs, because I believe that in other cases, such as a couple that will

come before us in April, you are saying to quite significant businesses in this state that we can do A provided you provide B. There is a trade off, and you are saying that that is reasonable. What I am asking you is, in terms of this, will that not be critical to the project, for surely if the Corporation of the City of Adelaide wants to keep making the enormous profits from the dump that it does, perhaps it should contribute something to the infrastructure that gives it access?

MR STEELE: Yes, I would agree.

216 THE PRESIDING MEMBER: The only point I would make, I hope that there are negotiations and talks between the council and Transport SA with respect to this variation, given the possible future use of that area. I think you have said that. The other question that I had relates to stages 2 and 3, bearing in mind that we have only received stage 1 and a generic report about what stages 2 and 3 would achieve. What is the status of stages 2 and 3 at this stage that this committee should be aware of, if there is anything at all?

MR STEELE: There is nothing that I can tell the committee at this point in time. The issue is still before government at this stage. Until I have some clear direction and some clear advice, I cannot really comment on stages 2 and 3. The previously agreed formula of stages 2 and 3 is in all of the reports. It is there, and that is as much as I can say at this stage.

217 THE PRESIDING MEMBER: So with respect to the ongoing comments of the Port Adelaide Enfield Council, I refer to an article in the *Advertiser* of 27 February this year that states:

The Port Adelaide Enfield Council has suggested that the \$138 million Port River Expressway will be outdated and ineffective before its completion, Port Adelaide Enfield councillors warned—

—with the mayoral candidate—and bearing in mind that they are in the midst of local council elections and that may have some bearing on it as well—where one of the candidates labels the \$138 million project as a farce. What, of course, he, as the rest of the council, should be aware of is that, if anything could be called a farce (and I am not doing it) would only be stage 1, because that is the only thing that has been agreed to; that stages 2 and 3 at this time do not exist because they have not been properly considered. Is that right?

MR STEELE: That is correct.

218 THE PRESIDING MEMBER: So it would seem to me that there needs to be some communication between Transport SA and the Port Adelaide Enfield Council to stop some of the things that are arising here that are confusing the issues more and more than should be the case.

MR STEELE: If I can respond to that—we have had I do not know how many meetings with council, and I guess council makes up their own mind in terms of what their opinions are, so we cannot do anything about that.

219 MR BRINDAL: I am a bit confused. Is that the same council that sponsored the flower farm that lost millions of dollars?

220 THE PRESIDING MEMBER: My last question relates to stages 2 and 3 which again have not been totally determined. This committee last time expressed concerns about the viability of stage 1 of the expressway as a stand-alone project. We expressed concern as to whether stages 2 and 3 should be constructed, because the idea of stage 1 is to alleviate some of the traffic congestion in and around the Port Adelaide region. Is that correct?

MR STEELE: Yes.

221 THE PRESIDING MEMBER: So, we expressed at that stage that it would not be as effective as what otherwise would be the case, if stages 2 and 3 should not proceed. So, even pushing aside the government's determination at the moment, that was a legitimate concern for us to express at that time, based on the evidence we were provided with. Would you agree with that view, from Transport SA's perspective, that for stage 1 to be as successful as it should be requires the complementary stages 2 and 3, to ensure that the benefits arising from stage 1 are actually achieved?

MR STEELE: Perhaps I would word it slightly differently. What I would say is that all our analyses show that stage 1, as a stand-alone project, does deliver significant benefits in terms of alleviating some traffic problems. Notwithstanding that, clearly it does not deliver the clearing of the traffic of the central Port Adelaide area, which stages 2 and 3 will do, and therefore stages 2 and 3 combined with 1 will multiply the benefits that would be available from stage 1.

222 MR VENNING: You can't see an immediate problem, the day you open this, to the residents down there with the increased use of this, particularly by heavy traffic? You do not see a problem that is going to cause problems for the local member and the parliament?

MR STEELE: The traffic volume going through the centre of Port Adelaide will remain pretty much the same, because all we are doing is taking the existing traffic from Grand Junction Road and putting it over on to this new road. All that traffic coming down Grand Junction Road still ends up in the middle of Port Adelaide; it will end up in the middle of Port Adelaide anyway. So it should have an insignificant impact on the amount of traffic.

223 MR VENNING: When you write back to us and tell us the costs of that overpass, and if it is reasonable I will be recommending, in my own case, that it be considered for inclusion in the project. The problem with this whole thing is that it has taken too long. If we do not get this project up and running properly and quickly Port Adelaide will not go ahead. The new development will not go ahead at Port Adelaide; it will go outside to Mypony

Point. A study is being done by the Wheat Board, which we will see in the next two or three weeks, that will ruin the whole concept.

224 MR KOUTSANTONIS: Are you declaring an interest?

225 MR VENNING: I am still batting for Outer Harbor. Outer Harbor is the thing. This is a critical part of it, as we all know. I will be recommending, if that figure of the overpass is within reason, that the project be agreed to, and that the proviso be put in there. Can the committee do that, Mr Chairman?

226 THE PRESIDING MEMBER: No, it will be a cabinet decision; but certainly, through the influences that you have, you put that to cabinet.

227 MR KOUTSANTONIS: You are one of the fathers of the house, Ivan.

228 MR VENNING: You smile, Mr Chair. You can see our line can't you, Mr Steele, in relation to this overpass. We really should have had that figure here. If you have got it we ought to have been shown that, because it is public information, and for us to make our decision we really should have been supplied with it. But, hopefully, you can give it to us in writing in the next few weeks—or not even in writing, if you bring it along—

229 THE PRESIDING MEMBER: Ivan, Mr Steele is going to grab some advice with respect to that question that we specifically asked. He is aware of the fact that we do not need to take evidence on the record, that we can go in camera, so, hopefully, the advice will be that we can be provided with those figures.

230 MR BRINDAL: This isn't the Economic and Finance Committee so it won't leak at all.

231 THE PRESIDING MEMBER: I thank the witnesses very much. The only point that I would reinforce is that we are going to see you in early April. Pass on our best wishes to Mr O'Loughlin for a speedy recovery, and we look forward to seeing him here, along with you, on that particular day.

THE WITNESSES WITHDREW