

GERALDTON HOSPITAL REDEVELOPMENT, COST BLOW-OUT

**1304. Mr J.P.D. EDWARDS to the Minister for Health:**

I refer the minister to his statement in this House on 30 October 2003 regarding the Geraldton hospital redevelopment -

Although \$40 million was committed to the facility in this year's capital works program, conditions in the building and construction industry meant that tenders for the construction closed about 30 per cent higher than expected.

- (1) Exactly what conditions led to this massive cost blow-out, especially given that the tender has not even been awarded yet?
- (2) Can the minister confirm that the preferred tenderer for this project, which has now blown-out by at least \$9 million, was added to the tenderer short list at the specific request of the former Minister for Housing and Works?
- (3) Will the minister please provide details to the House of the tender process for the construction of the new hospital?
- (4) Is the minister satisfied that the former Minister for Housing and Works played no role in the appointment of Broad Construction Services Pty Ltd as the preferred tenderer?

**Mr J.A. McGINTY replied:**

- (1)-(4) If I can answer the last part of the question first, I am unaware of anything that would indicate that the former Minister for Housing and Works played any role whatsoever in the awarding of the tender. The advice I have received is that Broad Construction - is it Broad or Board?

Dr G.I. Gallop: "Board Construction" has a bit more work to do yet before it has the numbers!

Mr J.A. McGINTY: Yes. Broad Construction was the lowest tenderer. Although I was not the minister responsible at the time, I am aware, obviously, of the public debate. My knowledge is really limited to the public debate about how Broad Construction was added to the list of tenderers. It happens that Broad Construction came in at the lowest tender. That is the reason it is currently the preferred tenderer. The Department of Housing and Works is negotiating with Broad Construction on the contract price and the scope of the works to see whether any marginal savings can be made. The tender has not yet been let. Its price was the lowest for the construction component, which was estimated to be \$31 million and came in at \$41 million in round figures.

As the member would be aware, Geraldton is booming at the moment on a whole raft of fronts. It is also true that Broad Construction is a Perth-based company, but I imagine that it will be using a significant number of local subcontractors. I am sure that members and the general public are aware that if someone wants to order bricks for a project today, it will be May next year by the time they are delivered. That is one example I was recently given of the level of construction activity, which is still extremely high. That has the effect of inflating the tender price. In the discussions we had, I think on Tuesday this week, I ran through the factors that had led to the tender unfortunately coming in at 30 per cent higher than the estimate of the Department of Health's independent private sector people. A very large, highly respected national quantity surveying firm came up with the figure of \$40.7 million, as I recollect, as being the total cost of the Geraldton redevelopment, so the figure rose to \$49 million. Therefore, the figure was not estimated internally. The advice I have received is that the figure reflected the market conditions that were prevalent, particularly in Geraldton which, as I say, is booming. I can only confirm that Broad Construction is the lowest tenderer and that is the reason we are negotiating with it. I am unaware, and I could not believe, that there would be any involvement by the former Minister for Housing and Works given that he relinquished the portfolio at the time the tenders went out. He could not in any way shape or form have any involvement.

Mr M.F. Board: Are those cost blow-outs reflected in any other current hospital construction or upgrades?

Mr J.A. McGINTY: The only advice I have received on that is that when we come to look at the new Port Hedland hospital and some of the other facilities on which we will be going to tender, we might need to upgrade the estimate of the cost on account of the Geraldton experience. As I recollect it, the tenders closed on this project in September. I am unaware that any other hospital projects have been out for tender, but there is the expectation that hospital construction might be more expensive, particularly in regional Western Australia. That is the only advice I can give the member on that.