

PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO CONTRACTS ENTERED INTO BETWEEN CONSOLIDATED CONSTRUCTIONS PTY LTD AND MAIN ROADS WA AND THE PUBLIC TRANSPORT AUTHORITY

**TRANSCRIPT OF EVIDENCE TAKEN
AT KARRATHA
ON TUESDAY, 25 MAY 2004**

SESSION 1

Members

Mr J.B. D'Orazio (Chairman)
Mr M.G. House (Deputy Chairman)
Mr J.L. Bradshaw
Mr A.J. Dean
Ms J.A. Radisich

Committee met at 10.43 am.

BLAYNEY, MR MARK WILLIAM

Owner-Manager, Carr Civil Contracting Pty Ltd, examined:

The CHAIRMAN: Thank you for your attendance. The committee hearing is a proceeding of the Parliament and warrants the same respect that the proceedings in the House demand. Although you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament. Have you completed the "Details of Witness" sheet?

Mr Blayney: Yes.

The CHAIRMAN: Did you read and understand the information for witnesses sheet regarding giving evidence before a committee?

Mr Blayney: Yes.

The CHAIRMAN: Have you made a written submission to the clerks?

Mr Blayney: No.

The CHAIRMAN: Before we start, would you like to give some background regarding your involvement with Carr Civil?

Mr Blayney: In May or the beginning of June 2002, I purchased an existing business trading under the name of Carr Colin Plant Hire located in Karratha. I renamed the business Carr Civil Contracting Pty Ltd to undertake earthworks, minor concrete works and similar work for companies in and around the area, including Hamersley Iron, Pilbara Rail Company, Onslow Salt and anyone else in the local area. That is about it.

Mr H.G. HOUSE: When did you start?

Mr Blayney: It was 2002.

The CHAIRMAN: Was it operating viably then?

Mr Blayney: Yes.

The CHAIRMAN: What was your interaction with Consolidated Constructions on the Marble Bar job?

Mr Blayney: Consolidated approached us in February last year to provide a price to be the subcontractor to undertake the earthworks and the majority of the works for the Marble Bar project. We provided a price for them in early March, I think it was. The tender shut on 18 March. We went through that process. The tender evaluation period was held, and the contract was awarded on 4 August. We commenced work on the site and finished up in the middle of February this year.

The CHAIRMAN: When you were asked to tender by Consolidated, did you have Main Roads clearance?

Mr Blayney: No.

The CHAIRMAN: Did you have to go through that process?

Mr Blayney: No.

The CHAIRMAN: Did Main Roads never check to see whether you were viable in relation to doing that work? Were you not pre-approved?

Mr Blayney: They questioned me. They rang and asked the sort of work I had done and my history; it was similar to what we are doing this morning. Given that we were working under the auspices of a qualified contractor, we were able to undertake the work.

Mr M.G. HOUSE: Is this the biggest job you have done in terms of roadworks?

Mr Blayney: As Carr Civil Contracting, yes.

Mr M.G. HOUSE: Have you had previous roadworks experience?

Mr Blayney: With previous employers, yes.

Mr M.G. HOUSE: As Carr Civil?

Mr Blayney: No. It was not Main Roads roadworks, but more so with Hamersley Iron.

Mr M.G. HOUSE: However, you had done roadworks before.

Mr Blayney: Yes.

The CHAIRMAN: Were they of a substantial size?

Mr Blayney: Yes.

Mr M.G. HOUSE: What was the biggest roadworks job in dollar terms?

Mr Blayney: It was just over \$1 million.

The CHAIRMAN: Did you understand the relationship Consolidated had with Main Roads in relation to the payment of subcontractors?

Mr Blayney: Yes.

The CHAIRMAN: Was there some agreement between Consolidated and you in relation to the statutory declarations it had to give to Main Roads?

Mr Blayney: There was not at the start. We produced two stat decs; one at the end of November for payments up to the end of October, and we provided a second one at the end of February.

The CHAIRMAN: Did you give Consolidated a stat dec at the end of February?

Mr Blayney: Yes.

The CHAIRMAN: It said what - that you had paid all the contractors?

Mr Blayney: No. Marble Bar was not a good job for us. We had lost money by this stage. That was evident. We had put in place a plan to get through the situation that depended on us receiving all our money. We spoke to the majority, if not all, of our subcontractors, and agreed payment schedules with them.

The CHAIRMAN: I understand that, but I refer to the stat dec because it is crucial to the other relationship. The stat dec you gave to Consolidated Constructions in February said that you had not paid everybody.

Mr Blayney: No. It said that we had either paid them or made arrangements to pay them.

The CHAIRMAN: What date was that?

Mr Blayney: It was about 24 February.

The CHAIRMAN: What does an arrangement to pay mean? Did that mean that they would get paid when you were paid?

Mr Blayney: It meant the schedule was agreed with them to pay them so much over time.

The CHAIRMAN: Did you give the schedule to Consolidated?

Mr Blayney: No.

The CHAIRMAN: Did Consolidated ask you for the basis on which that was done?

Mr Blayney: No.

The CHAIRMAN: Consolidated never told us that you gave it statutory declarations. Consolidated said it thought it got no stat decs, and you say you gave it two.

Mr Blayney: Yes.

Mr M.G. HOUSE: Do you have copies of those, Mark?

Mr Blayney: Yes.

Mr M.G. HOUSE: Can you provide them to the committee at some stage, please?

Mr Blayney: Yes.

The CHAIRMAN: That is crucial. You said that the job was not good for you. Yesterday, a heap of your contractors or subbies came in and said that they were waiting to be paid a lot of money. According to Consolidated, its payments were outstanding by only \$1.2 million.

Mr Blayney: Plus retentions.

The CHAIRMAN: Consolidated argues about that. The argument it made to us was that it owes \$1.2 million, but there appears to be much more in debts than \$1.2 million to the subcontractors.

Mr Blayney: Yes. As I said, we lost just over \$1 million on the job.

The CHAIRMAN: It was that bad for you?

Mr Blayney: Yes.

Mr A.J. DEAN: Do you blame bad weather, rocks or what?

Mr Blayney: No, a combination of things. Probably the biggest thing was a poor selection of personnel from our perspective.

Mr M.G. HOUSE: Subcontractors?

Mr Blayney: It was management personnel. At the end of the day, we paid for high-profile supervisors and associates, and I ended up being there for five months full time - that was not the intention. We had an engineer who was ideally suited to the job, but his wife was sick and died and he left the company prior to our starting the works. That threw another spanner in the works. It was mostly poor personnel.

Mr M.G. HOUSE: You said that you had no experience in large roadworks previously. Does it come down to that in part?

Mr Blayney: Quite conceivably, yes.

The CHAIRMAN: It seems strange that you could be \$1 million-plus out on a \$6 million project when most of it would have been straightforward.

Mr Blayney: We made money in the month I was up there, but we had already lost too much in the first couple of months. We had gear parked. We were paying for the machinery on-site that was not being used. We were paying for three scrapers that were parked; that runs into \$450 or \$500 an hour. It is \$5 000 a day. It is a lot of money to pick up if they do not produce anything.

Mr M.G. HOUSE: I am sorry to harp on this point, but my understanding from the evidence we took from the Commissioner of Main Roads is that the people employed on the job were experienced, and that checks were made in the system to ensure that contractors and subcontractors were able to perform the task. When I ask this question, I am not trying to lay any blame. You said that you were inexperienced in jobs of this size. When you subcontracted from Consolidated, was any check done by Consolidated or Main Roads to ascertain whether you had the suitable personnel and could undertake a task of this size?

Mr Blayney: We had to put up our proposed personnel in the form of résumés to Consolidated.

Mr M.G. HOUSE: But was it not to Main Roads, Mark?

Mr Blayney: Where that went from Consolidated, I am not sure. I assume that they went to Main Roads from there.

Mr M.G. HOUSE: Did Consolidated tick it off and say that it was okay from there?

Mr Blayney: Yes.

The CHAIRMAN: Main Roads claims that it checked you out and checked that Carr could do everything. It said that it was happy. You said that they did not come to see you.

Mr Blayney: They rang us, and asked for a briefing about what Carr Civil was about. It is similar to what you have done this morning. We have nothing to hide.

The CHAIRMAN: It is not about blame. It is trying to get to the bottom of who is who here.

Mr M.G. HOUSE: We are also trying to ascertain whether Main Roads' procedure is correct in its selections, and how it goes about it. Were you concerned that having done jobs of \$1 million, you were suddenly doing a \$6 million job? Did it give you a few sleepless nights?

Mr Blayney: Not really. It is the same as doing a \$50 000 job and a \$5 million job. It is all right as long as you manage it correctly - that is the biggest thing. I come from a background of involvement in works. I was working down south on \$15 million or \$20 million earthworks projects. It is not so much the dollar value, but how you manage the works themselves. The intention was that we would provide personnel up to the supervisor level, and Consolidated would provide the project management. The supervisor was supposed to be a top-level person. It would have been thought enough to get a highly credentialled supervisor, but that proved not to be the case.

The CHAIRMAN: The supervisor was not up to scratch.

Mr Blayney: Yes.

The CHAIRMAN: You say that you have come to an arrangement with subcontractors who were not paid; is that true?

Mr Blayney: We went into voluntary administration on 8 March to get a deed of company arrangement, which was accepted by our creditors on 8 April.

The CHAIRMAN: All those who were not paid have accepted the arrangement?

Mr Blayney: They were given the opportunity to accept the arrangement.

Mr M.G. HOUSE: Can I follow that through, considering the evidence we took yesterday? Will a truckie working for you on the job who was owed, say, \$50 000 be paid?

Mr Blayney: He will be paid part of that money.

Mr M.G. HOUSE: At the moment it is sitting around 35c in the dollar.

The CHAIRMAN: Is that subject to getting more money from Consolidated?

Mr Blayney: The worst case scenario is to get about 10c in the dollar.

Mr M.G. HOUSE: If Consolidated pays 10c, you will on-pay 35c?

Mr Blayney: Yes.

The CHAIRMAN: If Consolidated pays 20c, will it go to 45c?

Mr Blayney: Whatever is available from Consolidated will go into the kitty for creditors.

The CHAIRMAN: Are you having this argument with Consolidated about what it owes you?

Mr Blayney: Not really.

The CHAIRMAN: An administrator has been appointed to chase down the debts.

Mr Blayney: Yes.

The CHAIRMAN: Did you provide guarantees to Consolidated for this work?

Mr Blayney: It withheld a cash retention.

The CHAIRMAN: How much was that?

Mr Blayney: It was \$224 000 plus GST.

The CHAIRMAN: About \$260 000.

Mr Blayney: It was around \$250 000

Mr M.G. HOUSE: How long do you think it will be before the small subbies will be paid? Do you have a rough idea?

Mr Blayney: The first distribution will be some time in late July or early August. The extension will be there until Consolidated finalises whatever it will pay out. I signed over anything to do with that.

Mr M.G. HOUSE: Is your company finished?

Mr Blayney: No.

Mr M.G. HOUSE: Have you been able to isolate this job from the rest of your company?

Mr Blayney: No.

Mr M.G. HOUSE: How can you separate the arrangement to pay 35c in the dollar and keep trading? How did that arrangement come about?

Mr Blayney: It was part of the deed of company arrangement we entered into.

Mr M.G. HOUSE: Have those subbies accepted the arrangement and signed off on it?

Mr Blayney: Yes.

Mr M.G. HOUSE: Signed?

Mr Blayney: They voted for it.

Mr M.G. HOUSE: You made an arrangement publicly to pay 35c in the dollar for that job. You are trading out of administration as though this never happened. You are continuing to trade and operate.

Mr Blayney: Yes. It certainly happens.

The CHAIRMAN: Basically, all the people who came yesterday said that 35c in the dollar is acceptable to them.

Mr Blayney: Yes.

The CHAIRMAN: It is better than putting you out of business and getting nothing.

Mr Blayney: Yes.

The CHAIRMAN: What about some of the arrangements with the last payment you made? How much was outstanding when you made that payment? Consolidated was to pay you \$1.2 million.

Mr Blayney: That is what it claims.

The CHAIRMAN: If it was \$1.5 million, when you signed the last stat dec about the arrangement that had been made, how much was outstanding to the company?

Mr Blayney: It was about \$3.5 million; it was to not only Marble Bar contractors, but also Carr Civil contractors, full stop.

The CHAIRMAN: If you isolated Marble Bar, how much was owing on that job?

Mr Blayney: It was just over \$2 million.

The CHAIRMAN: What happened to the rest? Did you just have to pay out other people on the way? You are \$1 million out on those numbers alone. You signed a statutory declaration that an arrangement has been made. How were you to pay \$2 million from the \$1.2 million coming in?

Mr Blayney: We had a bank overdraft.

The CHAIRMAN: Was that already in place?

Mr Blayney: Yes. The money that we put into the company post 8 March to keep the company going was to be used to pay off creditors. It has now gone in to keep the company going.

The CHAIRMAN: You say that you lost \$1 million. Reports indicate that the company owes \$3 million. The numbers do not add up.

Mr Blayney: We also had another bad job.

The CHAIRMAN: Another job did not go too well?

Mr Blayney: That is still subject to finalising.

Mr M.G. HOUSE: Roadworks?

Mr Blayney: It was minor roadworks and earthworks.

Mr M.G. HOUSE: Was it a government job?

Mr Blayney: Yes. It was the Harding Dam.

Mr M.G. HOUSE: Was it a Water Corporation contract?

Mr Blayney: Yes.

The CHAIRMAN: Has the work been finished?

Mr Blayney: All but. We consider it finished, but we have a few defects to repair.

The CHAIRMAN: Have you lost money on that as well?

Mr Blayney: We have finished work for which we have not been paid - it is the subject of further discussion.

Mr M.G. HOUSE: Was that with the Water Corporation?

Mr Blayney: We are the third-tier contractor.

Mr M.G. HOUSE: Who are the other two?

Mr Blayney: O'Donnell Griffin is the primary contractor, and Decmil Australia is the contractor to whom we -

The CHAIRMAN: Before you did the work, would you not get a signed document saying you would be paid at the completion of the work?

Mr Blayney: We have signed documents for a lot of it.

The CHAIRMAN: You will take them to court, obviously.

Mr Blayney: Eventually, yes.

Mr M.G. HOUSE: Returning to the Marble Bar job, were you dependent on Consolidated paying you so that you could on-pay?

Mr Blayney: Correct.

Mr M.G. HOUSE: Did you ever question Consolidated about its liquidity?

Mr Blayney: No. I received different phone calls from people in the industry telling me to be aware of rumours. Rumours in the industry are rife. If you listen to them all in the earthmoving business -

Mr M.G. HOUSE: Did you check that with Main Roads?

Mr Blayney: No. Until the last payment, it always paid on time.

Mr M.G. HOUSE: Did you seek assurance from anyone in Main Roads that everything was all right and that you would receive payments despite the rumours?

Mr Blayney: I had no justification to do that. It was a good payer.

Mr M.G. HOUSE: You presumed it would be okay.

Mr Blayney: I knew Main Roads was paying Consolidated.

The CHAIRMAN: Then the link was that you were not paying your contractors. They said that they knew, they were asking questions and they were not paid. They were screaming. They rang Main Roads, which assured them that payments would be made on time.

Mr M.G. HOUSE: So it told us.

The CHAIRMAN: Consolidated also said that payments were made on time. You are saying it is true, but you were not paying your people.

Mr Blayney: Until the payments due at the end of November, we paid on time. It was only in December and January payments that -

The CHAIRMAN: Was that because of pressure from other jobs?

Mr Blayney: It was a combination from two jobs. The other jobs had carried Marble Bar up to that stage.

The CHAIRMAN: Why was it being carried if you were getting the payments for work done?

Mr Blayney: If you are losing money, you inject money being made on other jobs into that job.

Mr M.G. HOUSE: Why were you losing money? You said earlier you had personnel problems. Did you underquote?

Mr Blayney: I would not say we underquoted. It was mainly the personnel, and lack of experience. Hindsight is a wonderful thing. If I had my way again, you are right. A \$6.25 million job for us at that stage where the company was sitting was too big for us. You have to have cash reserves in case something goes wrong. To fund a \$6.25 million job, we funded the losses until December from other works around the area. Then we started to get into trouble.

Mr M.G. HOUSE: I assume that when you quote, you try to make any job stand alone as a cell to make a profit as a cell. To sum it up, this job went bad. You injected cash into it from other jobs, but it was not enough to keep the company afloat. Is that a fair summary?

Mr Blayney: Yes.

Mr M.G. HOUSE: Main Roads told us that it did everything correctly: it let the tenders correctly and checked on the companies correctly, and it was confident that the job could be done correctly. You told us that you did not talk directly to Main Roads prior to the letting of the contract.

Mr Blayney: No. One bloke rang me one day.

The CHAIRMAN: Did it not check your finances?

Mr Blayney: I did not provide any financial -

The CHAIRMAN: It was one conversation.

Mr Blayney: One, maybe two.

Mr A.J. DEAN: Like this conversation now.

The CHAIRMAN: You had been in operation for one year -

Mr Blayney: At that stage.

The CHAIRMAN: - and had no financial or track record, and Main Roads accepted it.

Mr Blayney: Yes. They never asked for financials.

Mr M.G. HOUSE: Had you worked for Consolidated before?

Mr Blayney: No. Taking a step back, the job at Harding Dam was for Decmil-Consolidated joint venture. Consolidated first heard of us from there and asked whether we would be interested in this one.

The CHAIRMAN: You tendered on it?

Mr Blayney: Yes.

The CHAIRMAN: Do you know whether others tendered?

Mr Blayney: I am not sure.

Mr M.G. HOUSE: Did Consolidated help you with personnel and overseers?

Mr Blayney: It was supposed to, but it did not.

Mr M.G. HOUSE: It did not?

Mr Blayney: It had a project manager on site. The idea was, for want of a better term, a joint venture type arrangement. We provided up to supervisor level, and Consolidated provided the project management. We were just another subcontractor. That is why I ended up on-site for about five months.

Mr M.G. HOUSE: What sort of percentage would you expect to make from an earthworks or roadworks type job?

Mr Blayney: It is eight to 10 per cent.

Mr M.G. HOUSE: Is that about right for this region?

Mr Blayney: Yes. Our loss was greater than our profit - it was our profit, plus.

The CHAIRMAN: It is a lot of money to lose on a project like that. It is \$1.6 million, by your numbers, on a \$6 million job.

Mr Blayney: That is right

The CHAIRMAN: There was no rain or -

Mr Blayney: It was a good job, but it was poorly managed and poorly planned, which is management again.

Mr M.G. HOUSE: Can you keep your company going, Mark?

Mr Blayney: We are fighting through, yes.

Mr M.G. HOUSE: Has the dam job reached the final stage and coming to an arrangement?

Mr Blayney: That was crystallised and is in the administration.

Mr M.G. HOUSE: It is in there?

Mr Blayney: Yes.

Mr M.G. HOUSE: The contractors who worked on that job -

Mr Blayney: It was predominantly our people; there were one or two subcontractors on that.

The CHAIRMAN: Do you use the subcontractors regularly? Do you use them on other jobs? The bitumen guy yesterday hinted that he wanted your relationship to continue and to do more business with you.

Mr Blayney: RNR are ones I have used in previous companies, as well as this one.

The CHAIRMAN: They want you to keep trading so they can do more business.

Mr Blayney: They have an interest in it, too. Ultimately, at the end of day, one of the advantages of continuing trading for companies like that is that if we consolidate our position and move forward, we will be able to give them profitable work and recoup some of it. My goal with the company was not to walk away. It would have been very easy to walk away when in administration and shut up shop. I am not trying to portray myself as a martyr. If I can keep going, I can give some money back to the people over time through additional works; I am referring to truck drivers and people like that. A lot of them lost money in the final payments, but they had made a lot of money until that stage.

The CHAIRMAN: They might be okay with the project.

Mr Blayney: There would have been few, apart from the biggest two would have been RNR -

The CHAIRMAN: And the concrete guy.

Mr Blayney: Yes. Many truck drivers lost money at the end.

The CHAIRMAN: A truck driver who is owed \$50 000, how much would he have made over the life of the project?

Mr Blayney: I am not sure how their figures work.

The CHAIRMAN: How much over the \$50 000 did you pay them? Did you pay them \$100 000 or \$200 000?

Mr Blayney: It was more than \$100 000 for most of them.

The CHAIRMAN: The \$50 000 taken overall is not a big loss when they get the 35 per cent.

Mr Blayney: If that is what they were making. I do not know.

The CHAIRMAN: I have no idea.

Mr M.G. HOUSE: It is still a loss.

Mr Blayney: It is still a loss - that is how I look at it. The truck drivers who worked for us down here on a good job last year walked away very happy.

Mr M.G. HOUSE: I take it that you worked with a lot of these people down south on other jobs -

Mr Blayney: A lot of them were up here.

Mr M.G. HOUSE: Did you work in an administrative role?

Mr Blayney: Yes. I managed Ertech's operations in the north west for two and a bit years, and worked as a project manager for Charles Hull Contracting down south.

The CHAIRMAN: You have a bit of experience in this game.

Mr Blayney: I like to think so. There is a huge amount to learn out of this.

The CHAIRMAN: Is there any work you are chasing up here to help the process?

Mr Blayney: When Main Roads eventually gets around to repairing the flood damage from floods with the Maitland River in March, we will get some of that work. Again, if it involves cartage, Main Roads would be better going to the truck drivers and saying "There is X amount of material to cart, give us a price. For sealing, go to RNR."

The CHAIRMAN: Main Roads will not do that. It is not how it works.

Mr Blayney: It is supposed to. They are supposed to get a 15 per cent loading at the moment.

The CHAIRMAN: It will award a contract to a company that will subcontract. It will not go to 20 different people and say it has a contract to cart.

Mr Blayney: Sometimes they do that if they do a project under a plant hire agreement. They put in a project manager and coordinate all the subcontractors. We have done that with Main Roads up here. We might have an excavator, and Joe Smith might have a loader. It is that sort of thing.

The CHAIRMAN: Is there heaps of work up here to keep everybody going?

Mr Blayney: There is an amount of work. It is hard. We are doing little jobs at the moment and small jobs in the range of \$20 000 to \$50 000. A lot of that style of work is around. We come into town to work to compete against BGC and the bigger players coming to town, like Ertech. It depends on company policy.

The CHAIRMAN: When they do, do they look at people like you to subcontract to what they do?

Mr Blayney: It depends on company policy.

The CHAIRMAN: It would be hard to drag people up from Perth.

Mr Blayney: BGC does that. It brings people from Perth or outside. It has a localised presence.

Mr M.G. HOUSE: One of the guys who came to see us yesterday once owned the roadhouse in Marble Bar. He has since sold it and he was aggrieved about the amount owing to him.

The CHAIRMAN: It was \$5 000 from Carr Civil direct, and \$90 000 from Consolidated. You had some staff directly with him. He is part of the creditors.

Mr Blayney: Don Harrington.

Mr M.G. HOUSE: He will get 35c in the dollar from what you owe him, and he will get 10c in the dollar from Consolidated.

Mr Blayney: Yes.

The CHAIRMAN: He may get more with bank guarantees. Mark, is there anything you have not told us that we should know about this entire process?

Mr Blayney: No.

The CHAIRMAN: In your relationship with Main Roads, did you have direct relationship with Mark Salt?

Mr Blayney: Yes.

The CHAIRMAN: What was your opinion? He seems to have given undertakings to some people that they would be paid.

Mr Blayney: Mark is a genuine person. There is no secret that coming to the end of December and early January, we were struggling with the job. That was one reason that Mark pushed through the final payment in a period shorter than required to get it to Consolidated, which, in turn, could pay us, and we could pay our subcontractors.

The CHAIRMAN: The money was paid and went to Consolidated and nowhere else.

Mr Blayney: That is right.

Mr M.G. HOUSE: You have given the example of how on the dam job you were the third-tier contractor, and on the road job you were the second-tier contractor. Do you think there is an issue in the way government lets contracts? As a person on the ground doing the job, it would seem to be better to let the contract directly to the person directly involved in doing the job. Would that leave you a gap in personnel? If you got the job directly from Main Roads -

Mr Blayney: We would not have been able to go for the job directly. We did not have the track record. You need to work for other companies doing these jobs and get the ticks in the boxes to gain pre-qualification for Main Roads work.

Mr M.G. HOUSE: When you quoted Consolidated, did you know what it had quoted Main Roads for the job?

Mr Blayney: Yes. Main Roads has a public list of the tender prices received. We knew what the components of our price were within the \$7.7 million or whatever it was Consolidated quoted Main Roads.

The CHAIRMAN: You were doing the work and they were paying you.

Mr Blayney: It was 80 per cent of the work. Ultimately, it is far better to be the principal contractor on a job and have a direct relationship with the client than it is to be a lower tier. That does not always work.

The CHAIRMAN: What hassles held you up in the early stages so that you could not do any work?

Mr Blayney: It was not so much not being able to do the work, but more a lack of planning and drive.

The CHAIRMAN: You had the plant there; why not use it?

Mr Blayney: It is like a game of chess. If you have a good supervisor who knows how to manipulate the pieces, things happen all the time. If you have persons who are not that way inclined, it is very easy to let equipment sit over there because it is too hard to work out how to use it effectively. That is why we changed our personnel over the duration of the work.

Mr M.G. HOUSE: If Consolidated had not gone to the wall and had paid you, given the other issues of the dam job, would you have been okay now?

Mr Blayney: No. We had worked out how to get through it, but it would have taken six months to get through.

Mr M.G. HOUSE: Did you need Consolidated's money to get through it?

Mr Blayney: Yes.

The CHAIRMAN: You would need to have come to some arrangement to pay your creditors.

Mr Blayney: We were going to pay them over a period of time.

The CHAIRMAN: Is that why RNR accepted payment on all the bitumen at the end of the job?

Mr Blayney: Rod helped us out no end. He has been in the same situation, and he was a tower of strength for me. Consolidated went into administration on the long weekend in March, and on the Thursday prior I spoke to Rod and said that I would inject more money to make a preliminary payment to him. That money was absorbed by keeping out the Carr Civil -

The CHAIRMAN: Was that to pay wages?

Mr Blayney: When you go into administration, as I learnt, you need cash in the bank to do anything. They do not work on any credit terms.

The CHAIRMAN: They went to the administrators?

Mr Blayney: Yes.

Mr M.G. HOUSE: You are out of that now, are you, Mark?

Mr Blayney: Yes.

Mr M.G. HOUSE: Did you have to put private assets on the line to get out of that situation?

Mr Blayney: Yes.

The CHAIRMAN: Any help will get you through the problem.

Mr Blayney: Any help will help the creditors.

Mr M.G. HOUSE: On average, how many guys would you have out there?

Mr Blayney: It is about 35 to 40.

Mr M.G. HOUSE: Are they based in Karratha-Dampier?

Mr Blayney: We have about 18 in Onslow carting salt.

The CHAIRMAN: They cart the salt?

Mr Blayney: Yes.

The CHAIRMAN: Are they your trucks or subcontractors?

Mr Blayney: Our trucks - or the banks' trucks. There are 15 or 20 around here, that is; the rest are based in Karratha.

Mr M.G. HOUSE: If you get the extra work as a result of repairing the flood damage, would it help to keep the people employed and provide an opportunity to get back on your feet?

Mr Blayney: Yes.

The CHAIRMAN: Have you looked at getting ticked off on the Main Roads preferred tenderer list?

Mr Blayney: Accreditation? I have not at the moment. It is a matter of working to survive and get through before starting to look at things like that.

The CHAIRMAN: If you are a creditor, you cannot be on the list. It is the chicken and egg.

Mr Blayney: It depends on how they do the flood repairs. We work for Main Roads directly on little jobs. We do not need to be accredited. It is only on major projects you need some form of accreditation.

The CHAIRMAN: It is for jobs of more than \$1 million.

Mr Blayney: Yes.

Mr A.J. DEAN: It is strange that you were not accredited to tender for the job because you did not have the experience and did not tick the boxes, yet you were allowed to be sub-subcontractors without any thorough checks, except for phone calls from Main Roads. Is that not a strange situation?

Mr Blayney: In hindsight, yes.

Mr A.J. DEAN: What could you suggest to make it more accountable?

Mr Blayney: I suppose exactly the same sort of set-up that Main Roads has with the principal contractor. If I am to do \$6 million worth of work, I should have an R3 qualification.

Mr A.J. DEAN: What was Consolidated Constructions' supervision like on the site?

Mr Blayney: It had two engineers.

Mr A.J. DEAN: Did they offer your supervisors any help?

Mr Blayney: At the start, they had a very good man for the first couple of weeks. He helped us set up the infrastructure and the crib huts etc. He left. The engineers were no more experienced than I was, if not less, in terms of remote roadworks and earthworks.

Mr A.J. DEAN: Was your supervisor answerable to Consolidated or you?

Mr Blayney: The idea initially was to be answerable to them.

Mr A.J. DEAN: Did they give direct instructions?

Mr Blayney: Not really.

Mr A.J. DEAN: Were they hands-on? Were you left to your own devices?

Mr Blayney: Yes.

Mr A.J. DEAN: You were the subcontractor, not the sub-subcontractor? You were the main man?

Mr Blayney: Yes.

The CHAIRMAN: When did you work out that there was a problem?

Mr Blayney: I could see the problem developing in the first six weeks with our men. I moved up there full time in the middle of November.

Mr A.J. DEAN: How did you perceive the job was going pear-shaped?

Mr Blayney: It was a gut feeling.

Mr A.J. DEAN: Did the employees ring up and complain?

Mr Blayney: No.

The CHAIRMAN: Did you see the finances?

Mr Blayney: I would go up there once or twice a week and see what was going on. You could see the machines were parked and things were not happening as quickly as they should have been. I have been blessed in previous companies to work with excellent earthworks foremen. Seeing them perform, and comparing that to what I saw, the alarm bells began to ring.

Mr M.G. HOUSE: In relation to the water authority job, was there any difference in the way the job was let and the checking with you?

Mr Blayney: I had no contact from the Water Corporation.

Mr M.G. HOUSE: That was another government department. How big was the job, Mark?

Mr Blayney: Overall, it was about \$18 million by O'Donnell Griffin, and our contract was just under \$1.1 million.

The CHAIRMAN: Were you owed \$400 000 or \$500 000?

Mr Blayney: Yes.

The CHAIRMAN: I am trying to work out the overall numbers. It is \$3 million plus the \$1.5 million. It must have been a helluva blow-out.

Mr Blayney: We have a lot of signed day-work sheets and things like that for when we did additional work, which we did not receive payment for etc. As I said, there are a lot of arguments about that.

The CHAIRMAN: Is that because they claim that the work should have been done during normal hours?

Mr Blayney: They signed the day-work sheets. Everything that I have learnt over the past 12 months centres on one thing, and that is the personalities you surround yourself with.

Mr M.G. HOUSE: Tell me whether this analogy is incorrect: when you sign a contract to build a house for somebody, what causes you pain is when you change something. The moment that the bathroom, the tiles or the light fittings are changed, that is when you seem to get stung. Is that the same with your job? Am I correct in understanding that when you went to do the water authority job, you were doing other works at the same time, and that is where the dispute is?

Mr Blayney: That is right.

The CHAIRMAN: Were you asked to do that extra work?

Mr Blayney: Yes, I was instructed to do it.

The CHAIRMAN: Why have you not been paid?

Mr Blayney: That is where the dispute is.

The CHAIRMAN: Are they saying that it should have been part of the normal process?

Mr Blayney: Yes.

The CHAIRMAN: If there is nothing else you can add, thank you for your evidence. The committee will report to Parliament in due course. Thank you for being so frank with us.

Mr M.G. HOUSE: Do you want to add anything to what you have told us? Is there anything else that would help us?

Mr Blayney: No, not really.

The CHAIRMAN: Best of luck.

