PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO THE MANAGEMENT AND OVERSIGHT OF THE PERTH CHILDREN'S HOSPITAL PROJECT

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 9 OCTOBER 2017

SESSION TWO

Members

Dr A.D. Buti (Chair)
Mr D.C. Nalder (Deputy Chair)
Mr V.A. Catania
Mr S.A. Millman
Mr B. Urban

_____

Hearing commenced at 1.38 pm

Mr BRADLEY ALAN RICHARDSON
Director, Technical Advisory Team PCH, Turner and Townsend Thinc, examined:

Mr CADE JOHN DAWKINS
Director, Project Management (WA), Turner and Townsend Thinc, examined:

The CHAIR: On behalf of the Public Accounts Committee, I would like to thank you for appearing today to provide evidence relating to the committee's inquiry into the management and oversight of the Perth Children's Hospital project. My name is Tony Buti, I am the committee chair and member for Armadale; to my left is the deputy chair, Hon Dean Nalder, member for Bateman; to my right is Mr Simon Millman, member for Mount Lawley; and to his right, Mr Barry Urban, the member for Darling Range. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege; however, this privilege does not apply to anything you may say outside of today's proceedings.

Do you have any questions about your attendance here today?

The WITNESSES: No, chair.

The CHAIR: Before we ask you some questions, do you have an opening statement you would like to make?

The WITNESSES: No, chair.

The CHAIR: Thank you very much.

Can you briefly outline or confirm that your role on the project was to provide independent assurance and that components and materials met the required safety and quality standards and were aligned with the contract specifications?

[1.40 pm]

Mr RICHARDSON: Our role was an adviser to the state to provide technical advice on matters that were asked of us as the project went along. The responsibility for quality assurance of the project and the like was the responsibility of the managing contractor.

The CHAIR: In providing that assurance, guarantee or advice when you were asked for it, what process did you go to ensure that you were confident of your advice or your assurance that you gave the state?

Mr RICHARDSON: The way this contract worked was that we were a contracted party to the state as, effectively, a head contract to a range of all sorts of technical advisers. When we were first involved, it was in preparing the health service planning brief; getting the brief requirements from the users, the health clinicians; preparing functional design briefs; helping to put together the tender documents that would go to the marketplace about what the requirements were; and then as that project proceeded through construction, providing independent advice that the appropriate processes were being followed or what the builder was proposing to build was in accordance with the documents.

The CHAIR: You subcontracted out that process?

Mr RICHARDSON: Yes, to Jacobs and a whole range of other people.

The CHAIR: Are you able to provide us with a list of the various companies?

Mr RICHARDSON: Absolutely.

Mr DAWKINS: Yes, chair.

Mr D.C. NALDER: You said that you provided advice in accordance with what you were requested from the government. Can you give examples of the sort of things that occurred through this project that you requested advice on?

Mr RICHARDSON: There would be a functional design brief that would say, "You need to have a mechanical system that air conditions the building to a certain temperature." The builder would put forward a set of mechanical drawings and say, "This is in compliance with that; by building this system, it will meet this requirement." Our engineers, Jacobs, would review those drawings and then would make a statement about whether they felt that that met those requirements or not. That would come back through us and we would issue to the state advice on that. We might say that we were not happy with this part or this part or this part, or we would like some more information about this, this or this. In the later stages when it comes to some of the other issues they have had, you might be able to comment on some of those later commissions.

Mr B. URBAN: Were you like a document controller sort of consultancy group as well?

Mr DAWKINS: We did provide document control on the project but the services that we provided either directly or through one of our sub-consultants was done under the banner of technical support services consultancy, so there was quite a wide raft of services that we provided. In our consortium, we had five or six specialists over the duration of the Perth Children's Hospital project. We could be called upon by the state to seek advice or review documentation to make sure it was in compliance with the brief before the builder would procure those services, if you like.

Mr B. URBAN: So the certification—I will just be basic here—for concrete, NATA certification for testing, in particular, would the NATA certificates come to you or to John Holland, or does it go to John Holland and then comes to you for a cross-check?

Mr RICHARDSON: No, you would not get to that level of detail. The builders' requirements are to ensure that they are in compliance with all the relative codes, so they would come to John Holland and potentially the state. I am not aware of exactly to what level of detail the state's representative, John Hamilton, would have got that information, but if he had got something and said, "This doesn't look right to me; I will get our technical advisers to review this", we may have got those concrete testing statements to say, "Does this look right? Is 38 MPA for that slab what you specified?" Unless we were specifically asked in that instance, we would not have actively pursued asking those questions. We were there as the state's experts to be called upon when the state needed us, so it was the managing contractor's responsibility to in fact comply. That is the default position, that the managing contractor must, at all points, comply with the documents and the codes, the BCA and all of the other regulations.

The CHAIR: Is that the normal practice for projects you have been involved with?

Mr RICHARDSON: Absolutely, yes. You endeavour to always ensure that the buck stops with the managing contractor, because they are the party that is best placed to manage that risk.

Mr S.A. MILLMAN: Who is responsible for managing back to the managing contractor? That was not your job, presumably?

Mr RICHARDSON: No, that was the state.

Mr B. URBAN: So basically you are a technical coordinator of specifications for the project. To use air conditioning as an example, if the specification is X, it comes to you before it is even bought, fixed or anything else. You look at it, "Yep, that works", ticked off, gone?

Mr DAWKINS: We would manage the development of that specification in that example, using our pool of technical advisers under the contract.

Mr RICHARDSON: That is standard practice. On other projects, we are the project manager, engaged to manage the project, and that would be the John Hamilton role. We were not engaged in that capacity here; we were merely an advisory team, sitting off to the side, being called upon as and when required for whatever services John and the state felt they needed.

Mr D.C. NALDER: In the capacity you have, looking at the whole project and being able to see what was going on and what has occurred, are there issues with the way in which the state established processes around managing the construction and commissioning of this project, in your view? You are experts, obviously; you do project management, so you are sitting on the side of this. We have set up all these governance processes. In your view—and sometimes with the benefit of hindsight—has it been set up right, or are there flaws in the way this has been managed?

Mr RICHARDSON: I think the governance framework the state set up for this is fairly exceptional, I have to say. I think it was well thought through. John Hamilton had a lot of thought around that with Richard at the time, and I think both of them are very experienced. Part of the reason a lot of this stuff has been identified is because the governance has been very tight. What you find in my experience is that when projects get to a certain size, that one-stop-shop accountable project management style governance regime becomes too large and you end up with what we call an integrated project office, and that is what this was, effectively. There were other companies engaged. We were not the only provider that was providing advice to the state; there were others. What you end up with is someone such as John Hamilton picking and choosing the people he wants, the best people, to provide those specialist bits of advice. We did not do program, for instance. He went to another company, blueVisions, to get the program advice around those aspects. He created what I would perceive to be a very thorough management team to manage the flow of information and the flow of documentation. I really cannot find any fault in that part at all.

[1.50 pm]

Mr D.C. NALDER: Where has this project fallen down?

Mr RICHARDSON: I think the outcome of a delayed opening of the hospital is unfortunate, but I think it is also the circumstance of some fairly extraordinary situations. I think the lead in the water—I have never come across that in my career.

Mr DAWKINS: I have not.

Mr RICHARDSON: I have not even heard of it, and I am not sure it has ever been tested to the degree that it has been tested on this project. For me, that is quite extraordinary. I guess if you put that aside, the fact that the project has reached practical completion was a testament to the fact that there was no legitimate reason why it should not have been granted—would be the way you look at it as a superintendent, if you have your superintendent's hat on or, in this case, principal's representative hat on. For what reason would you not grant practical completion?

Mr D.C. NALDER: Lead in the water.

Mr B. URBAN: Tick that off—asbestos in the roof, the firewalls, the fire doors. I mean, we could just keep going. But one of the questions which I am going to go on to, because I find the answer which

you gave was confusing—what issues did your company, the TTT—I will call you TTT—what did Strategic Projects get you to physically look at for the project?

Mr DAWKINS: Over the last two and a half years of my involvement, Mr Urban, we were supporting the state in defect identification and defect close-out. We were working in collaboration with state representative team members to physically walk the site and identify nonconformances under the contract within the building infrastructure itself.

Mr B. URBAN: How many of those did you raise?

Mr DAWKINS: The exact number, I do not have at hand. Several hundred defects were found, keeping in mind, there were major and minor—major being things like asbestos, the fire doors and lead in water; minor could be a crack in a wall and so forth.

Mr D.C. NALDER: Of those major ones, which ones did you identify?

Mr DAWKINS: We were part of a team that helped identify the asbestos. We were part of a team that worked with the state to help identify the lead in the water issue. By "help", if I can explain that, that was work with the state to find who the most appropriate people were to test and give us results on the heavy metal and microbiological make-up of the water quality. We gave advice around that to the state.

Mr D.C. NALDER: What was your role on the asbestos?

Mr DAWKINS: That was defect rectification. After asbestos was found in the panels—post it was procured, post starting to be installed, and it was found that asbestos-containing materials were in those facade panels—then we supported the state in resolution, remedy and replacement.

Mr D.C. NALDER: Were fire doors part of your responsibility?

Mr DAWKINS: Our involvement, Mr Nalder, on the fire doors was replacement of fire doors. Once it was found that they did not meet the necessary codes or regulations, we provided coordination and management around the replacement of the fire doors.

Mr D.C. NALDER: Whose fault was it in the first place that these things were put, and what checks and balances should have been in place that were not obviously in place?

Mr DAWKINS: From my perspective, Mr Nalder, I think where there is a lesson learned here is with regard to multiple layers of outsourcing. I think where the managing contractor, in my view, may enter into a subcontract agreement to procure a service or materials and they feel they have the contract tied up in a way that they are going to get what they want and it conforms with the contract, and they will get the relevant certificates that it does from the subcontractor, it is the unknown behind the multiple layers of outsourcing then beyond that where I think there is a real lesson learned here for maybe all of us. We do not appear to always, as a state, on our major building and infrastructure projects, have visibility or complete assurance about the entire supply chain that is used to procure a service or a piece of infrastructure.

Mr D.C. NALDER: But some of these things are to meet Australian Standards.

Mr RICHARDSON: That is your reliance; your contractual reliance is that you have contracted that the managing contractor will provide this stuff in accordance with Australian Standards. I have never had another project where a fire door has been installed that is not compliant with the Australian Standard. That just does not happen. That is quite irregular that that would happen.

Mr D.C. NALDER: How did it happen? Do we know?

Mr RICHARDSON: I do not know the specifics, but you might know the specific detail.

Mr DAWKINS: Again, as far as I know, I think the managing contractor received the documentation and certificates that they needed to to conform with their contractual requirements. It is just what the documents and certificates said were different from the materials that were in the panels themselves.

Mr D.C. NALDER: That is why we asked. Going back to the original thing about governance frameworks, is it a failure in the governance framework that these things are occurring, because there is more than one?

Mr DAWKINS: From my perspective, the only way in that situation that asbestos would be detected is if we, as a state, invested in in-country quality assurance and quality control people on the ground physically providing oversight into the manufacturing of those products.

Mr D.C. NALDER: But that does not happen anywhere in any project?

Mr DAWKINS: I would not say it is common practice. Fabrication in mining and resources projects, we see a bit of it, but major state government building and infrastructure projects, not as common.

Mr RICHARDSON: Most state governments rely upon entering into a contract with a tier 1 contractor that it provides all the assurances that they will stand behind their work no matter what happens. That is the way state government discharges their risk. Why do they go managing contractor? It is because they want that managing aspect, rather than that pure transactional contract aspect. That is meant to give a heightened level of assurance to the project delivery.

Mr D.C. NALDER: Just on that, the fault rests with the contractor?

Mr RICHARDSON: Absolutely.

Mr D.C. NALDER: In this case?

Mr RICHARDSON: Absolutely.

Mr D.C. NALDER: Again, it was a failure of the contractor.

Mr B. URBAN: Before I ask my next question that is sort of linked, TTT—it is easier me saying that—have you been a manager in the sort of style that you have been doing now with the PCH—have you done that sort of managing project before on other government projects of this size?

Mr DAWKINS: Yes.

Mr B. URBAN: Good. The numbers which you picked up in defects, you said there was several hundred. Is that a standard number for that sort of size project, or is that in excess of really what it is or —

Mr RICHARDSON: I think the state was overly diligent with their notification defects, and a lot of them, in some of the lists that I saw at one or two points, were very repetitive and onerous, and they were just scratches, dents and cracks; so there was a lot of that sort of stuff. When you take away all the voluminous architectural aesthetic issues, I do not believe that the other levels of defects were any different to what you would expect on a normal project. But, as I said, my involvement is a very light touch. There would be other people who would be better placed to know exactly that. I mean, I have not reviewed any of those defects.

Mr S.A. MILLMAN: You are based in the eastern states; right?

Mr RICHARDSON: Yes, I am.

Mr S.A. MILLMAN: Can I get your answer to that question as well?

Mr DAWKINS: Yes, certainly. From my perspective, I think the number of defects was high, but again to reiterate something that Mr Richardson said, I think that is a testament also to the amount of

surveillance that occurred from the state to oversee the managing contractor's works during the commissioning phase and even construction completion phase. I think that, as a result, given the rigour applied there, there was an extensive list.

Mr S.A. MILLMAN: Was there a change in the level of interrogation by the state's representative in identifying defects—and this is a three-part question—either after the vitreous enamel—you had the vitreous enamel panels from Yuanda—not the asbestos panels, the external panels. Obviously, they were replaced—1 600 I think out of about 6 000; I do not know the exact number. Then you had the unitised roofing panels, which were the asbestos-containing roofing panels. Then you had the firewalls and fire doors, and then you had the lead in the water. Did each of those, let us call them, for want of a better word, breaches by the managing contractor—each of those values by the managing contractor—precipitate a high degree of interrogation by the state? The second part of the question is this: did the interrogation by the state pick up any of those that I have mentioned? Was it the state's interrogation or your interrogation that picked up those issues?

[2.00 pm]

Mr DAWKINS: In my view, Mr Millman, yes; I think given the succession of events, the amount of defects and the type of defects found that the state progressively provided even further rigour throughout the process. The second part to that question—did that then find some of the major defects?—lead in water, yes. To the best of my knowledge, the example there is I believe the state found the flushing program was not being carried out in accordance with the contract and that then brought about testing. That was the state's initiative from their surveillance and monitoring of performance. They then carried out testing to give the state satisfaction that the water quality was going to meet Australian Drinking Water Guidelines under the contract and that is when, as you know, the outcome now—it has been having issues with high levels of lead.

Mr D.C. NALDER: On the fact that you have mentioned the Jacobs report and you were involved with including Jacobs, there seem to be variations in what the issues were between the Building Commissioner and the Jacobs report. I am just trying to get to, from our perspective, who do we believe? We have one that is saying the issue is X and another one is saying Y. We seem to have this overlap. What was going on there? Did the Building Commissioner fail in his duty? I would like to understand your perspective on it.

Mr DAWKINS: I think from my perspective, Mr Nalder, that was just professionals giving their expert opinions based on the information they had available to them. I know there were differing views, as people may —

Mr D.C. NALDER: As the cause of the lead, I am talking about.

Mr DAWKINS: As the cause of the lead, yes. That is probably the best way I could answer that. Two different expert groups have reviewed documentation and carried out their own testing and investigations, and arrived at different places in some respects.

Mr D.C. NALDER: Are you in the camp now where the brass fittings are the cause?

Mr DAWKINS: Yes, I wish I could give the state the exact answer. I am unfortunately not qualified to give it. I have a view, like everybody does, but I think, given the amount of investigative work that has been carried out by the ChemCentre and other experts, roads do lead to the TMVs as a potential source. There are other professionals who think a little bit differently to that as well, but I think, looking at all the information that has been collated, my professional view is I think it would be fair to say that that is a contributing factor at the very least.

The CHAIR: As we know, you are very experienced at this sort of work and you mentioned that it is not unusual to have a large number of defects. Obviously, though, the lead issue and the asbestos

at the hospital were probably a bit unique. I do have a concern, though, that it is not unusual to have this many defects. That is not your fault necessarily, but that is a lot of money for any project to have to deal with if you have this number of defects. My question is: through your experience in dealing with governments, have you previously worked under the dual governance role that we had here and do you think it is the most appropriate way to deal with the construction of this hospital?

Mr RICHARDSON: In health care, it is very common to have what we call a two-headed client. You will quite often have, whether it be a public works department or, as seems to more be the trend now, a unit within Treasury. Public Works seems to have been relegated to the smaller projects and, as the projects have got bigger, there is either a major projects unit or a special projects unit, or something that is very close to the Treasurer and/or Premier, and then the agency that ultimately has to own, operate and run the facility. That is not an uncommon model, particularly in health where it is important to get those user requirements articulated correctly and, I guess, owned by the end user. What is, I think, very positive out of this project is that I am not hearing a lot of noise that the end users are saying the building is not fit for their purpose. I am not hearing that and, having come from the state of Queensland where the kids' hospital over there did have some of those issues, I think that is a really big tick for the model here[1]. I think that has actually generated very little noise. It is not uncommon, particularly in health, to have that dual agency really wanting to both own the process and then the end product.

The CHAIR: But even though it may be common, do you see problems with it?

Mr DAWKINS: I think the interface management needs to be done very well and it needs to be coordinated very well. So the interface between Strategic Projects and Asset Sales' infrastructure delivery role and the DG of Health having clinical commissioning and transitioning responsibility—those two coming together, especially, as Brad said, at the front end to make sure that the end-users are going to get what they want and there are no surprises—and then during the commissioning and handover process, I think the two have to work very cooperatively together.

The CHAIR: In your opinion, did it in this project?

Mr DAWKINS: I think it had its challenges at the back end from my perspective. I think some stakeholders had concerns from the health side that not necessarily all areas were going to deliver what they needed, or that it was going to be fit for purpose. Some of that would link back to defects, so I think that is part of the reason why there has been a delay in the opening until the building infrastructure and the comfort level from the health service itself to operate. Instead of moving in and still having live works being undertaken, they potentially would rather just have, at the very least, the large majority of major and minor defects all done and then they can move in and largely be uninterrupted by delivering their services.

Mr RICHARDSON: Many of those voluminous defects that came up will quite often be identified, managed and dealt with by the managing contractor before they even get to the state. But I guess in this particular case, there was quite an extensive state team out there, proactively identifying them in conjunction with John Holland and, in some ways, being ahead of the game in some of that, producing these lists before they had even got to them themselves. I think that was actually creating the ammunition that John needed to go back and say, "Hey, listen; we've got this list and you've got that list. Here's some more to add to it."

The CHAIR: There was a problem, though, in that the lead in the water was detected in May and the task force was not notified until August.

Mr RICHARDSON: Yes. I cannot comment on that.

[1] A letter of clarification about this part of the transcript can be accessed on the committee webpage.

Mr B. URBAN: On the back of what you said, I will read this verbatim. Numerous scenarios unfolded and they have initially caused the committee to question the effectiveness of the state's assurance regime. I would like to put several of these to you and ask you to confirm if these issues were picked up by the state's assurance regime; and, if not, whether you believe they should have been. The first one relates to the facade panels, which the Building Commission found did not have the code mark certificate and did not meet "deemed to satisfy" requirements relating to their combustibility—Haidabond. Was that picked up by the state's assurance regime or was that picked up by workers on the site?

Mr DAWKINS: My understanding is that was picked up by the state representative team on site—Strategic Projects and Asset Sales.

Mr B. URBAN: The second relates to the stainless steel pipes, which the Building Commission found to have manufacturing defects and to be poorly installed.

Mr DAWKINS: My understanding is that was also first discovered by the state and its technical advisers.

Mr B. URBAN: The third relates to the installation of nonconforming fire doors.

Mr DAWKINS: Fire doors, I think, was jointly discovered by the state and John Holland.

Mr RICHARDSON: I cannot remember the history of it.

Mr B. URBAN: Can you take that on notice?

Mr DAWKINS: Yes, I will take that on notice.

Mr RICHARDSON: Yes, we will come back to you on that.

[2.10 pm]

Mr B. URBAN: The fourth relates to a recent 31 August 2017 update on the Perth Children's Hospital website, which says John Holland has been only able to show compliance documentation for 11 out of 16 parts of the TMV assembly boxes.

Mr DAWKINS: That was through the state's assurance processes, to the best of my knowledge.

Mr B. URBAN: And the last one: the final relates to the Chief Health Officer's recent findings that the TMV assembly boxes installed appeared to differ from the approved sample TMV box and the small brass valves were installed along a 50-millimetre pipe when the contract specification said stainless steel.

Mr DAWKINS: Yes. Mr Urban, my understanding is the state led that discovery and arranged for testing and had the components cut open and then the metal tested. That was what found the nonconformity.

The CHAIR: We may go into closed session now. Are the two people at the back part of your team?

Mr DAWKINS: No.

The CHAIR: I do not think I need to read it out; you were here last time. Thank you very much for leaving! We have another hearing, if you want to come back in after.

[The committee took evidence in closed session]