

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 MARBLE BAR
ON WEDNESDAY, 26 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 10.00 am

TAYLOR, MR DAVID
Drilling/Blasting Contractor, DJ & CM Taylor,
PO Box 82,
Marble Bar, examined:

POTTER, MR ALFRED GEORGE
Electrical Contractor, Marble Bar Electrical Service,
PO Box 27,
Marble Bar, examined:

GILMOUR, MR RONALD STANLEY
Manager, Sandra Hunt Agencies,
PO Box 827,
Port Hedland, examined:

STUBBS, MR KEVIN
Director, KG Stubbs Earthmoving and Mining Contractors Pty Ltd,
PO Box 10,
Marble Bar, examined:

STUBBS, MRS NATASHA,
Manager, KG Stubbs Earthmoving and Mining Contractors Pty Ltd,
PO Box 10,
Marble Bar, examined:

MITCHELL, MS HELEN
Mining Registrar, Department of Industry and Resources,
PO Box 31,
Marble Bar, examined:

ARROWSMITH, MRS JULIE
Director, Arrowsmith Transport,
PO Box 2590,
Port Hedland, examined:

DICK, MRS INGRID EDITH
Company Director, Marble Bar Caravan Park,
PO Box 54,
Marble Bar, examined:

DICK, MR GERALD IAN
Managing Director, Marble Bar Caravan Park,

**PO Box 54,
Marble Bar, examined:**

The CHAIRMAN: This hearing is open. Some people indicated that they want a closed hearing, but they have decided not to do that. Is that correct?

Mrs Stubbs: That is correct. We have decided to have an open hearing. If there is anything that we do not wish to present to the committee at this time, we will wait to present it towards the end of the hearing.

The CHAIRMAN: We would like to know what information will be presented to the committee because we need to know what questions to ask the witnesses from Main Roads. If anyone wants to go into a closed session, they must tell the committee.

Mrs Stubbs: We will have an open hearing.

The CHAIRMAN: Welcome to the hearings into the collapse of Consolidated Constructions and, more importantly, the Marble Bar Road.

The committee hearing is a proceeding of Parliament and warrants the same respect as proceedings in the House itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as contempt of Parliament. Have you completed the details of witness form?

The Witnesses: Yes.

The CHAIRMAN: Do you understand the notes attached to it?

The Witnesses: Yes.

The CHAIRMAN: Did you receive and read the information for witness briefing sheet regarding giving evidence before a parliamentary committee?

The Witnesses: Yes.

The CHAIRMAN: When the committee held hearings in Perth, a number of subcontractors appeared before us. We tended to ask witnesses to tell us whom they were contracted to and how much they were exposed to because of the collapse of Consolidated Constructions. I ask the witnesses to give the committee a general summary of their position so that committee members have a general feel about who is who and how each person fits into the picture before they ask questions. Witnesses should tell whether they were contracted to Carr Civil Contracting or Consolidated Constructions, their exposure, when the last payment was made and anything else in relation to that.

Mr Potter: I was contracted by Consolidated Constructions.

The CHAIRMAN: Did you work directly for Consolidated Constructions?

Mr Potter: Yes. Consolidated Constructions owes me \$7 923 and Carr Civil Contracting owes me \$690.05. Carr Civil Contracting paid regularly until the last month. I had to chase Consolidated for the money. I refused to work for Consolidated until it paid this last bill. It owed me \$30 000, which it paid and I got the rest of it done. It must have known then that it was in trouble, but it asked me to do more work.

The CHAIRMAN: Are you exposed for about \$6 000?

Mr Potter: I am exposed for about \$7 000 from Consolidated Constructions and \$690 from Carr Civil. It is about \$8 000.

The CHAIRMAN: When was that work done?

Mr Potter: Until the end of the contract.

The CHAIRMAN: Was that about February?

Mr Potter: I was paid until January. After the work was done on the transport, including pulling out the transportation and that, I was not paid. That was about January or February.

The CHAIRMAN: Were you transporting their gear?

Mr Potter: No, I wired up a caravan park. When the company left, I pulled out all the gear and took out the extras out and made a make-shift outside so the transport would not collect dust.

The CHAIRMAN: Was your role from the start of the contract to the end of the contract?

Mr Potter: Yes, and bits in between.

Mr Taylor: I did blasting work. I was contracted to Carr Civil. I was suspect about the whole thing because it refused - it did not refuse - it said it would give me a purchase order from day one and it never did. Payments were always slow. I had to put pressure on Carr Civil all the time. I worked until about the beginning of November. When I finished, the final account was not fully paid; it was partly paid. I was owed about \$8 400.

The CHAIRMAN: What was the total cost?

Mr Taylor: The total cost of the invoice was about \$22 000. I was paid \$15 000.

The CHAIRMAN: Is that normal? November seems early in the piece.

Mr Taylor: Because the money came through at Christmas, when it should have been paid, I let it ride a little, not knowing how close to the wind it was. I put pressure on it in mid January and the payment was made on 9 February.

The CHAIRMAN: Was the work you did in November invoiced?

Mr Taylor: Yes.

The CHAIRMAN: That should have been paid in December, but you were paid in February?

Mr Taylor: That is right.

The CHAIRMAN: Were you being paid earlier than that?

Mr Taylor: I did other jobs for Carr Civil Contracting. Other invoices were paid, but they were always paid late.

The CHAIRMAN: What was your exposure?

Mr Taylor: It was \$8 400.

The CHAIRMAN: Ron, what was your role?

Mr Gilmour: I was contracted to Carr Civil Contracting. The last invoice that was paid was for 31 December. That was eventually paid - I am not sure exactly - around the middle of January. This last invoice was for \$26 771.

Mr M.G. HOUSE: Is that what you are currently owed?

Mr Gilmour: Yes.

The CHAIRMAN: When did you start working for Carr?

Mr Gilmour: At the beginning of the job.

The CHAIRMAN: Was Carr paying you until then?

Mr Gilmour: Yes.

The CHAIRMAN: Approximately how much of the total work that the you did for Carr is outstanding? Is that figure you gave a third or a half of the total amount?

Mr Gilmour: I have that figure here.

Mr M.G. HOUSE: Did you say that you carted water?

Mr Gilmour: That is right. Sorry, I do not have it here.

The CHAIRMAN: I want round figures rather than an exact number.

Mr Gilmour: It was about a third.

The CHAIRMAN: Were you contracted to Carr Civil Contracting in August or October? When did you start work? Did you start in August?

Mr Gilmour: I started working for Carr at the start of the job.

The CHAIRMAN: Were the invoices for which you were not paid for January or February or earlier?

Mr Gilmour: They were for December and January.

The CHAIRMAN: Had you been paid for the work you did up to November?

Mr Gilmour: Yes.

The CHAIRMAN: Next.

Ms Mitchell: My partner Kevin Banks and I rented a house to Consolidated Constructions. We received our last payment in November. Consolidated Constructions still owes us \$4 000.

The CHAIRMAN: Is it just a normal house?

Ms Mitchell: It was is a seven-bedroom house that we rented to quite a few of the staff.

The CHAIRMAN: The house was rented from about August until -

Ms Mitchell: It was rented from the start of the project.

The CHAIRMAN: How much money are you owed?

Ms Mitchell: I am owed \$4 000.

The CHAIRMAN: What was the total amount?

Ms Mitchell: We received two payments but the third payment was never paid.

Mr Stubbs: My wife Natasha dealt with the paperwork and most of the issues we had.

Mrs Stubbs: Our first visit from Carr Civil was on 10 August. We contracted with Carr after Consolidated Constructions had liased with us to inquire about how much gear we had. Carr saw that we were pivotal towards keeping this price efficient and effective on-site because we had a large range off equipment located centrally in the works. We started work with Carr on 11 August. Our terms and conditions were discussed and agreed to on 10 August when a representative from Carr Civil Contracting visited us. Those terms and conditions were breached from the beginning. The terms and conditions were discussed with Mark Blayney throughout the job. We chased every payment off our invoice. We recalled equipment in October because we were not being paid. We also met with Main Roads at the beginning of November. An agreement was drawn up. We discussed several issues including safety, payment and misinformation. An agreement was drawn up in consultation with a Main Roads' representative. After the agreement was drawn up, it was discussed on 14 November and finalised on 18 November. That is why our equipment continued to be used. We then received -

The CHAIRMAN: Was that agreement with Carr Civil?

Mrs Stubbs: It was with Carr Civil and Consolidated Constructions and was facilitated with Main Roads.

Mr M.G. HOUSE: Who represented Main Roads at the meeting?

Mrs Stubbs: Mark Salt.

Mr M.G. HOUSE: Was he the only representative from Main Roads?

Mrs Stubbs: That is correct.

Mr M.G. HOUSE: Did you know at that time that Carr Civil was contracting to Consolidated Constructions?

Mrs Stubbs: Absolutely. We knew that Carr Civil was contracting to Consolidated. I previously alluded to the problems with payments we had with Carr from the beginning of the project. We liaised with Mark Blayney, the director of Carr Civil, from the very beginning. Very early in the piece we reminded him of the terms and conditions and we discussed the issue of payment conditions early. We had discussions with him that we were owed \$250 000. Hence we were on the ball.

The CHAIRMAN: At the end, what was your total exposure?

Mrs Stubbs: After an agreement with Main Roads and after receiving faxes from Consolidated that payments had gone through to Carr Civil Contracting, which were received in November, December, January and February, we lost \$86 998.80.

The CHAIRMAN: Is that the amount you are currently owed?

Mrs Stubbs: That is what we are owed right now.

The CHAIRMAN: Is that the amount Carr Civil Contracting owes you?

Mrs Stubbs: Yes.

Mr M.G. HOUSE: Have you entered into an agreement with Carr Civil? Let me rephrase that. Has your company entered into a creditors' agreement with Carr Civil Contracting?

Mrs Stubbs: Excuse me! For that sort of money, yes. We are part of the creditors. We have been attending the creditors' meetings. We were opposed to the deed of company arrangement, because being a small company, it is in our interest to fully understand what is going on to try to maximise our return in the most efficient amount of time. The deed of company arrangement was passed at the creditors' meeting. The collapse has not affected the larger companies' percentage of profit as much as the smaller companies. The larger companies will be happy to get some of their money, but the smaller companies need the money. We continued on good faith.

Mr M.G. HOUSE: In other words, are you saying that you felt bound to sign an agreement after the event to protect whatever money you might have been paid?

Mrs Stubbs: We were trying our damned hardest to protect ourselves, which is why we involved Mark Salt. I was asked earlier whether I knew that Carr had a contract with Consolidated Constructions. We did know that. At the beginning of November - Mark will recall this - I had a conversation with Consolidated in which I pointed out that it was Consolidated's duty of care, as part of the agreement it had with Main Roads. Consolidated had applied to Main Roads - is that not correct Arthur - to subcontract 80 per cent of the value of that contract to Carr Civil Contracting. That was subcontracted with the permission of Main Roads. Main Roads gave that permission.

The CHAIRMAN: I understand that.

Mrs Stubbs: Hang on. We involved Consolidated and Carr Civil at the beginning of November and said we had some issues that we needed to discuss.

The CHAIRMAN: I understand that. The Deputy Chairman asked you whether you had agreed to the agreement to receive 35c in the dollar?

Mrs Stubbs: I did not agree to that; I voted against that. However, what did my vote mean among the other big companies? It meant nothing.

The CHAIRMAN: I understand that, but it means that you could get about 35c in the dollar.

Mrs Stubbs: No. That is not correct. The best-case scenario is that with a deed of company arrangement, the creditors could get between 15 per cent and 30 per cent. It is not guaranteed.

The CHAIRMAN: It is not guaranteed; however, we were told yesterday that it would be up to 35c in the dollar.

Mrs Stubbs: It may.

Mr Stubbs: Our problem is that a deed of agreement was made up for Carr Civil. When the committee has gone through our paperwork, it will understand why Natasha is so upset. Mark Blayney has stated to the guy who did this form for the agreement that some of the information he has given us is almost fraudulent. Committee members will be shocked. We received information from Consolidated to Carr Civil. Carr Civil sent us documents by fax and e-mail. Amazingly, one of the last documents, which was a critical document about Carr Civil getting payments from Consolidated - it was the last payment - it never received. Carr sent to Consolidated evidence that Carr had spoken with us about an arrangement and that they would pay us when they got paid. That was not part of the arrangement we had with Carr Civil. Carr Civil was to pay us in full as soon as Carr Civil was paid by Consolidated Constructions. The second last payment was not received. They offered us a trivial amount, which was less than half of what was stated in the document. When the last payment did not arrive, they tried to speed up that payment because we had spoken to Consolidated and said that we had not been paid by Carr per the arrangement, which you were aware of. We requested that the payment be withheld from Carr Civil Contracting because Carr had not - and we believed he would not - honoured his agreement. When committee members read our information, they will see why. We had the same trouble, as did Dave Taylor. When we started, Mr Blayney told us that Chris Reams had all the purchase orders. We asked Chris and he told us that he did not have any of those purchases on the books. We bailed up Mark Blayney and demanded a purchase order, because we had no written evidence from his company. We finally got that -

Mrs Stubbs: On 17 September we got a purchase order after we told Mark that we would not leave his office until we had received one, bearing in mind that we started work on 11 August. We were promised a purchase order within days of beginning in August.

The CHAIRMAN: I will get a handle on it and come back to the specific details. If you have any evidence you want to give the committee, the committee has parliamentary privilege. You can tell us whatever you want to and you cannot be sued. However, I do not want you to use this as a session to say bad things about everybody. If you have evidence of a sensitive nature that you want to present to the committee, we are happy to take it because we would like to know what are the issues.

Mrs Stubbs: In response to your statement about saying bad things about everybody, I have documented evidence to back up what I say. I have documentary evidence to back up what I have said about Carr Civil. We have evidence to back up the statements we make about documents that we believe are misleading, untrue or fraudulent.

Mr M.G. HOUSE: We need copies off that information if you can provide it so that we have that detail.

Mrs Stubbs: Unfortunately, due to my poor health over the past 24 hours, I was not able to prepare it. That is compounded with the fact that we are currently preparing for a contract with Main Roads. I have been caught short.

Mr M.G. HOUSE: You can send it to us.

Mrs Stubbs: I will provide it to the committee.

Mrs Arrowsmith: Arrowsmith Transport is a transport company that is based in Port Hedland. It owns a lot of sidetippers. Its business includes a lot of roadworks and general cartage and bulk haulage etc. We worked for Carr Civil Contracting in Karratha from August 2003. Some of that work was contract work for Hismelt Corporation Pty Ltd that Carr Civil Contracting had. A portion of that work - I cannot tell the committee how much - was always with the Harding River Dam upgrade. I now know that is a joint venture between Consolidated Constructions and Carr Civil. As a bulk haulage operator, at the time Consolidated Constructions was awarded this Marble Bar contract, we would usually be interested in the contract. However, we were advised by a number of parties from Perth not to be involved with that contract because Consolidated Constructions was a bad risk. We kept well away from the Marble Bar project and thought we were quite clever going to work at Karratha. However, little did we know until after the event that the Water Corporation had entered into an arrangement with Declan and Carr Civil Contracting to work on the Harding River Dam. Unfortunately, our trucks were working on the Harding River Dam and other project.

The CHAIRMAN: Did you have anything on the issue the committee is examining? The committee's terms of reference do not include the Harding River Dam. Do you have anything to do with the Marble Bar Road project?

Mrs Arrowsmith: Under part 4 of the committee's terms of reference, it says that the committee can consider "any other matter the committee resolves to consider."

The CHAIRMAN: I understand that, but that means matters that are related to the inquiry into the Marble Bar Road, not the Harding River Dam. From evidence we heard yesterday from Carr Civil, we understand that that was another project that the did not go well for it.

Mrs Arrowsmith: I was hoping that could be included in the committee's consideration.

Mr M.G. HOUSE: I suggest that we can hear the evidence. Given that, we can make a decision about what was said. In my judgment, there is a connection. It is this same company and a government department that has let a contract. I think that we ought to hear the evidence.

The CHAIRMAN: We can hear it, but I am not sure whether we can do anything about it.

Mr M.G. HOUSE: Let us hear it.

Mrs Arrowsmith: I do not have the exact details of how much work Arrowsmith Transport did, but it is owed \$52 543.60.

The CHAIRMAN: How much work was that?

[10.20 am]

Mrs Arrowsmith: It was about three months' work.

The CHAIRMAN: How much was that of the total contract?

Mrs Arrowsmith: It was possibly about 25 per cent. I did not have the whole thing. It is not relevant as to the percentage. I have not quantified how much was the Hamersley Iron contract and how much was the Harding River Dam contract. It is probably not relevant to the terms. Like most people around the table, we received our last invoice payment in November. Payments were still outstanding from December, January and February to the tune of \$52 000. Like many others around the table, we participated in the deed of company arrangement - the DOCA. As Natasha has alluded to, because we are a smaller creditor, our measly \$52 000 was very minor in the whole pot of money that was outstanding in the Carr Civil scheme of events. The larger companies, including the sealing companies that did the final seal of the Marble Bar road, were owed over \$300 000. I was talking to them; they were talking about R and R during this process. I could obviously see that they and other larger companies felt they had some influence in the process with Main Roads and other facilities. They are the ones who really determined what happened in that DOCA. Those of us who are smaller creditors felt extremely powerless. Our \$52 000 and \$87 000 were a drop in the

ocean. Although we voted against it and wanted to see Carr Civil liquidated because we were unhappy about how the whole thing came about, we obviously did not have a voice.

The CHAIRMAN: If it had been liquidated, you probably would have got less.

Mrs Arrowsmith: We felt that other issues could have been brought through that, unfortunately, we have now lost and cannot bring up.

Mr M.G. HOUSE: Was the vote at the meeting taken on the number of people? You are talking about the influence of the people who were owed more money rather than the people who were owed lesser amounts. Was the vote taken purely on the numbers, regardless of what people were owed?

Mrs Arrowsmith: I had a legal representative there. I believe there were four votes against, which were equal to a small amount of money. That is my understanding and that is how our lawyer explained it to us. The overwhelming vote was to accept the DOCA.

Mr M.G. HOUSE: Were you aware that Carr Civil was a third-tier subcontractor when you took on the Harding Dam job?

Mrs Arrowsmith: No.

Mr M.G. HOUSE: When you took on the job, did nobody at the water authority tell you that Carr Civil was a third-tier subcontractor?

Mrs Arrowsmith: No. That is the part that upset their bid. As a transport company, it does not take long to build up quite a large exposure to companies. It has been our practice to investigate or look at who we are working for so that we have some background knowledge. We pride ourselves on the fact that we have been in business for more than 20 years. This is the second time we have been caught. It is not a bad record for a transport company. This is the largest exposure we have ever had. Generally, we know who we are working for. Unfortunately, when we went down to work for Carr Civil, we were working primarily on a Hamersley Iron contract. However, when that contract stalled and we could not work there, Carr Civil redirected, with our permission, our truck to cart into Harding River Dam. To be honest, we did not realise the exposure we had in the scheme of things until it was too late.

The CHAIRMAN: You knew you worked for Carr Civil.

Mrs Arrowsmith: I did.

The CHAIRMAN: It was just that you did not know how good they were as a company.

Mrs Arrowsmith: I did not know how they were exposed. I did not want to work for Carr Civil when I knew they were exposed to Consolidated Constructions. The bottom line, unfortunately, was that I did not check that the work we were doing at Harding River Dam also exposed Carr Civil to Consolidated Constructions.

Mr M.G. HOUSE: Had there been word about Consolidated around the traps? Were people saying that Consolidated was a bit shaky?

Mrs Arrowsmith: Quite clearly, yes.

Mr M.G. HOUSE: Did anyone else here understand that to be the case?

Mr Stubbs: When I first started a job here, I was singled out by some other contractors - none being present in this room - and every day I was told that the company was going to go broke halfway through this job.

Mr M.G. HOUSE: Consolidated not Carr?

Mr Stubbs: Carr.

The CHAIRMAN: We are talking about Consolidated.

Mrs Stubbs: I had some information about Consolidated from its representative, Ron Nicholls, who visited us on 10 August. He was present when I was negotiating with Carr Civil. I requested not only then whether we could work directly with Consolidated, but also, as you clearly remember, in November that was an option put forward. Consolidated stated that it could not directly contract to us because of its contract with Carr Civil and because it had the unions hot on its tail about union membership, subcontracting and the like. Ron represented Consolidated in August, but Simon Barnes was Consolidated's representative in November. He said that the company had lost a lot of money and that Ron Nicholls had to leave this project to go to Christmas Island because of the issues it had there. Consolidated's name was mud on Christmas Island. He did not realise the company's financial position, nor did the accounts guy in Perth, from discussions I had with him. We had tried to be on a second tier, but he said we could not do that.

The CHAIRMAN: We will finish going around the table.

Mrs Dick: Gerald and I have the caravan park here, and we were approached by Ron Nicholls in August last year to provide accommodation at the park, to which we agreed.

The CHAIRMAN: Were you working directly for Consolidated Constructions?

Mrs Dick: Yes. There was to be an order forthcoming, but there never was - other than a bit of paper that Ron had scratched on the price we agreed on. We were paid up to the end of November. The payment for November was paid at the end of January; so we were left with \$42 500 to be paid for December, January and halfway through February.

The CHAIRMAN: Did that come directly from Consolidated Constructions?

Mrs Dick: Yes.

The CHAIRMAN: What happened when you chased it up?

Mrs Dick: We had to chase it up every time. It was a 30-day payment, but it was never 30 days. The last one was 60 days. As Dave said, Christmas came, they all left for Christmas and nothing was happening. So we rang again at the end of February to see where payment for December's invoice was and they said, "We've gone into liquid administration, so that's it."

The CHAIRMAN: Can we return to your meeting with Main Roads? The evidence given to the committee was that Main Roads gave you a commitment that the project would be paid for. Could you run us through that meeting?

Mrs Stubbs: Before we had the proper meeting, the Main Roads-Consolidated visit, as fully diarised at the time, occurred on Sunday, 2 November at 11.30 am. I was visited by Mark Salt from Main Roads and Simon from Consolidated. I will read my notes; you may find them interesting.

The CHAIRMAN: Yes.

Mrs Stubbs: There was concern that Gary Waller, who was one of the supervisors for Carr Civil, was alleging - he was upset - that Kevin, the director of KG Stubbs Earthmoving and Mining Contractors, was talking to subcontractors, especially trucks, regarding payment issues. I discussed this further with Mark and Simon. I said that Kevin had told the drivers the truth, how we had set the terms of payment but they were being breached by Carr Civil, that we had approached Mark Blayney, and there was no resolution. A warning was given about a shutdown, bearing in mind that the shutdown occurred on Friday, 31 October after we had had discussions with Mark Blayney and had also given it to him in writing.

The CHAIRMAN: Is that when you went to take the plant off the site?

Mrs Stubbs: We did. We got it all back into our yard at lunchtime of the Friday and parked it all up; then the money suddenly appeared in our account the next morning. A warning was given regarding the shutdown for the recall of the equipment, which Mark Blayney could have avoided and did not. Kevin told the drivers that if they had any concerns regarding payment, they should

approach Mark Blayney to discuss this. Please bear in mind that most of the people who worked on these jobs do not have very good skills with modern day business running, in negotiations or in the laws that apply to them. They know how to work hard, and they are very much intimidated by people who are highly educated.

Kevin said that they might approach him, and he can assist where he can by helping people, such as, "This is how you can approach the guy, this is how you can negotiate and get your terms set." Anyway, we had a discussion with Gary Waller, who had been very prickly towards us. We discussed that Mark Blayney had not been proactive in conflict resolution, and he had not made contact with us. We had that shutdown and we had not heard jack diddly-squat. Would you not think that a proactive businessman of a company that had the dozer, the loader, water trucks, as well as our grader and pumps at times - it could not get water without our pumps - would make contact with someone who pulled all that equipment and stopped the roadworks? He did not. Anyway, there were greater problems with Mark Blayney and his two supervisors than with any subcontractors. I said to the guys that from our experience no credibility could be given to Mark Blayney's word. He had given his word at different times and it had all fallen flat on its face.

The quoted conditions of contract were given to Simon. This was when I brought to Simon's attention - that is, Consolidated Constructions - that Main Roads' successful tenderer had to get written approval to subcontract from the Main Roads superintendent, and a requirement to ensure that payment obligations to contractors are met. Hence, no payment by Carr Civil would result in legal action extending to Consolidated. I said to Simon at the time that if we were not going to be paid by Carr Civil, and I had to chase my money and it got to the point that my money did not come through even after chasing it, I would be looking at Consolidated because it had an obligation to ensure all contractors were paid. We also discussed how invoices are legal documents, as required by the ATO, and for audit and are not to be amended by clients. One of Carr's little favourite plays was to amend invoices without consultation with the person who had issued them. Carr's dictated everything. Also, the supplier's terms are the terms of payment, not the receiver.

Mr M.G. HOUSE: You said you took the equipment, parked it and got paid the next day. Was that payment then right up to date for what you had done?

Mrs Stubbs: No. It was for what had been invoiced to it.

Mr M.G. HOUSE: Did it still owe you for another month's work or thereabouts?

Mrs Stubbs: There was still money outstanding.

Mr M.G. HOUSE: Do not take offence, please, at this question; why did you then go back out and continue to work for them?

Mrs Stubbs: I agree with you, Monty! I think that is one of the best comments. Heaven!

Mr Stubbs: I am one of the hard workers. I just work and worry about the payments later. I will be honest with you: this is the first time I have been burnt. At other times, like Julie, I am usually fairly astute. I had a trucking business with some of these guys from north west transport, or whatever they were. On one of their last loads from town their truck broke down carrying all of Marble Bar's general goods. It was in a freezer pan; it was parked down on the floor and I brought it up for them. It is the same thing: it was on our doorstep. The roadworks started at the bitumen out there. I had come off a Main Roads contract. I had about seven employees, and I did not want to send guys away with a roadworks happening right on my doorstep. It was a golden opportunity. I had worked for Main Roads and enjoyed working for Main Roads. Payments were always on time - before time, if anything. I thought a big company like Consolidated was running this job. I was very wary of Carr Civil from the start. As we got into the contract, I became even more wary.

Mrs Stubbs: Hang on. The reason we were so wary of Carr at the beginning was that 12 months previously, we had conducted some work for it at short notice and at very low rates. We set our terms and conditions for payment at that time too. Carr completely thumbed its nose at these terms

and conditions. I chased my money. It was only a small amount - hundreds of dollars - and I had to chase my money from that company then. I had a very rude phone call from Barbara Blayney, who on paper is not a director of the company but, believe you me, she wears the pants in that company. In my experience, she overrode quite a few comments by Mark Blayney. Anyway, I had to chase my money in that instance.

Mr M.G. HOUSE: We were not aware until yesterday that this was the biggest job by a long way that Carr Civil had subcontracted. According to Mark's evidence yesterday, the previous largest job was about \$1 million in round figures, and this was a \$6 million job. That was a quantum leap for a company. Was anyone here aware that it had taken that leap? Julie?

Mrs Arrowsmith: Yes, we know Mark Blayney. He was the supervisor for Ertech in Port Hedland. We - Arrowsmith Transport - had worked quite well with Ertech and Mark Blayney while he was in that position with Ertech. He then went off and developed his own company. As businesspeople who have been in business for 20 years, we were quite aware of the quantum leap that he was making in a short time. That was one of our concerns at the time. That is why we decided, on balance, not to put our gear on the Marble Bar road with that type of exposure, but just to place one of our four triple-road trains in a lesser exposure in Karratha and have our other equipment working elsewhere. It was for that very reason. That follows on from what you just asked Natasha about why she put her gear back out there again. That is the difference between people who live and work in a regional area from those who work in a metropolitan area or closer to the city: we do not have these opportunities coming up a lot. We do not have a choice. As we have always worked in this type of environment, we always feel this job must be done, we may as well do it. Generally, we try to work together to a final successful outcome. I do not think any of us in this room expected this outcome. This is why it has been such a rude shock. We have all experienced slow payments and expectations that did not turn out the way we wanted. However, by the same token, we also take ownership of the job.

Mr M.G. HOUSE: We understand that.

The CHAIRMAN: Kevin, you said that you had problems from day one. Mark Blayney said yesterday that this job was a problem from day one, that some equipment was sitting on the side of the road not doing nothing because of poor management and poor supervision.

Mr Stubbs: Yes, I would agree.

The CHAIRMAN: You are the expert, obviously, on the ground doing it. Was that true?

Mr Stubbs: A lot of it was his own making. He had guys up here who were supposed to be supervisors. You will see that our evidence shows we confronted a couple of supervisors. Natasha confronted one on a safety issue, and he turned tail, hopped in his ute, said he would leave it to Mark Blayney and roared off down the road. I parked my machine for 24 hours and ended up pulling that machine right out of it. I think everyone was aware - I think, Mark, I made you aware of the issue at the time - of what was going on. They tried to do silly things. For instance, on the fourteenth day of the fortnight we have a day off. One supervisor in his great wisdom dug a burrow pit. I assumed he asked Carr to borrow the machine. They stole ours at one point, which I rectified very quickly. They took the dozer off to dig a burrow pit. The unfortunate thing was they walked it through the bottom of an old dam and bogged it up to the top of the finals. So it spent three days bogged in that pit on full pay. It had three scrapers it was pushing and they were on full pay. He then borrowed Ertech's machine without its knowledge, went over and dug away to dig out the D10. Guess what? He bogged it in behind the D10. We then had to take the loader around on short notice to try to dig him out, which was not on his contract at that stage. That did not help. You will find from all our paperwork and a lot of these people here will verify that we were pivotal. We had to shift trucks and any bit of plant within 10 minutes' notice. We then pulled our D9 back from the other site, which stopped the site at Coongan River, and spent a day retrieving the D10. We retrieved the excavator first. Two machines were required to pull out the D10. Whose fault was

that? This went on not just on one occasion but on many occasions. Dave shuts down his gear because he does not get paid. I shut down my gear because I do not get paid. Mark, use your brain! If I shut down my water pumps, what will he do for water? Another classic example is water issues. I said to Ron Nicholls, "What are you doing about water? You need water for this contract. There are no bores in the area that will work." They approached Alec Dorrington and dad. They did not have a pump. We went up and dropped a pump down at the far end of Moolyella, which was delivering all their water. It was the only pump they had at that stage, so I supplied all the water for this end to start with. When he got there he did not have a service truck. He had about six PHS machines. They were the ones giving me a hard time about -

The CHAIRMAN: What is a PHS machine?

Mr Stubbs: Plant hire services. They were the ones telling me that this job was not going to be too good.

[10.40 am]

Mr M.G. HOUSE: I think we got that message. I want to get back to the Consolidated Constructions issue, because for me that is the core of the problem. I understand the repercussions that occurred and the on-the-job inefficiency of Carr Civil Contracting Pty Ltd. I have a good handle on that. I want to go back to the issue of the rumours that Consolidated Constructions was shaky. At the end of the day, this is a government contract let by a government department to a company, and the contract was on-let. Our job is to get to the bottom of how Main Roads Western Australia managed to do that and allow people to be exposed. The other things flow on from that. This is pivotal. I want to check this issue. I want to know how strong these rumours were and whether there was any evidence. If you were on the ground and knew that a large company like that was shaky, I cannot understand how Main Roads let the contract. I want to confirm that you are telling me - correct me if I am wrong - that it is the case that people on the ground knew that Consolidated was in a shaky position when this contract started. Is that correct?

Mr Stubbs: That is the information I got. I am not sure. These were operators talking to me. That is why I did not accept everything. There are a lot of rumours about a lot of these contracts.

Mrs Stubbs: Bearing in mind that they formed part of our competitors. Our graders sometimes went out -

Mr Stubbs: To replace their machines and grids. I was wary when I started that I was not being singled out by PHS to say that this job is shaky and I was taking a big risk. I pulled out all my gear and guess what? PHS's bid became \$300 000 higher. That is why I did not recover my equipment and why I stayed out despite these rumours. I am not sure whether these rumours were aimed at Carr Civil. I assumed from PHS, which is a company 10 times the size of mine, that it did a check on Consolidated. We did a Dun and Bradstreet check -

Mrs Stubbs: On 27 October I did a Dun and Bradstreet check on Carr Civil Contracting. I have it here. I did not do it on Consolidated because I know - I supply tender documents and contract directly to Main Roads - that it checks your undies drawer. We have to provide it with information. We have to provide it information on how it can contact people. We must tell it our liabilities. We have to provide it with that information when we apply for the tender. I went under the assumption it was a government job. That is why we kept going out there. We knew that Carr Civil was our problem. I had the situation in hand in that we could recall our equipment again. We put out our equipment because we felt we had a duty of care to make sure that this road was finished before the wet season. That was our duty of care. My driveway goes straight onto that road. You can understand how much it gets up my nose every time I drive in here. We had this vested interest to see it completed. It is a community in which Kevin has lived all his life. After 53 damn year, he wants to see the place linked to Port Hedland by more than just a gravel road. It was in our interests to do the job.

According to this Dun and Bradstreet check, Carr Civil Contracting was a below average risk, believe it or not. However, we have since found out why by talking to Dun and Bradstreet. This reason is that the name "Carr Civil Contracting", or similar forms, has been around a long time because of Colin Carr with the Carr earth movements. It had that the backing; that name has been around for a long time. It was actually in trouble. We met with a Dun and Bradstreet individual in person and asked why this happened. He said that the company is only as good as the information it receives, which is true.

Mr Stubbs: It cannot check it.

The CHAIRMAN: It cannot check it, can it?

Mrs Stubbs: It cannot.

Mr Stubbs: No, it is too much.

Mrs Stubbs: I am sure that if we did a Dun and Bradstreet now on Carr Civil, the result would be completely different. I did not do a check on Consolidated Constructions. It would only have cost me \$44. After I read this, I thought that I could not believe that this was true.

Mrs Arrowsmith: Neither did Main Roads, and that is the point.

Mr M.G. HOUSE: When any of you guys tender on a job, in round figures what is the average margin you work on when you work out your costs and you look at the margin for a job? I understand the peculiarity of this job being on your doorstep, you wanted to have it done and it is a bush community thing; I understand that. However, if you are planning a job, what is the margin? Is it five, 10 or 15 per cent?

Mr Stubbs: I tend to work differently from some of the others. Dave probably works on a similar base, and Julie is the same. When we tender jobs I try to work out what the job is, how long it will take and how much equipment will be required. I tender on keeping my equipment moving. I work on the hourly rate of my equipment. If I say it will take a fortnight, I make my profit from my equipment moving. I do not slap an extra percentage on top. This will be my second big Main Roads direct contract. I can let you know in six months what the profit will be. At this stage -

The CHAIRMAN: Obviously, you have fixed costs for running it.

Mr Stubbs: There are fixed costs, but there are so many variables.

Mrs Stubbs: There are lots of variables, particularly when you own your machinery -

Mr M.G. HOUSE: That is as bad as the farmers who whack in a crop in and wait for it to rain.

Mr Stubbs: Exactly. If we get rain, my costs will go down. If we get too much rain, the costs will go up. I try to get in the middle of the job if I have all my own equipment. This is the concern I had with Carr Civil. That company had none of its equipment here, which worried me to a point. I knew the company had the Salt job and the jobs that Julie was working on. Julie has worked for us in the past and we know one another fairly well. We were talking to Dave and we were talking with Ron, but we did not talk with him much. However, we had a fair idea of what one another was doing, and we all had concerns. Most of our concerns were with Carr Civil. We were not looking at Consolidated because it had been around from 40 years.

Mrs Stubbs: We thought Main Roads had done that.

The CHAIRMAN: It had, which is another issue we need to look at. I want to talk about when you got the point of having troubles and you dragged Main Roads in here. Did you get any commitment at all from Main Roads that this job was guaranteed?

Mrs Stubbs: What were told that provisions were in place to ensure payments occurred. We are now demanding statutory declarations from Consolidated, and Consolidated butted in at that point and stated that it was getting statutory declarations from Carr Civil.

The CHAIRMAN: I understand that, but the statutory declarations were not worth the paper they were written on -

Mrs Stubbs: We now know that. However, I was naive -

Mr Stubbs: We did not know that then.

The CHAIRMAN: That is not the point. The point is that we have some evidence that certain people from Main Roads gave commitments that the payments would be honoured.

Mrs Stubbs: It was basically that it may be slow going but you should be getting paid.

Mr Taylor: Mark came out to the site one day because he heard that we were having problems and that I was thinking of pulling off my gear - I did not actually pull off my gear. He said that they did not want me to pull off my gear because they want to get this job completed. I said that I knew that. He said they have stuff in place in the contract that will pretty well guarantee our payments. A day or two later I went to see Mark in his office and I asked what exactly did he mean by that. He said there was a clause in the contract that would guarantee that the payment would be made to the subcontractor, which was based on Consolidated Constructions; it was not directly to Carr Civil Contracting. I said, "Right, okay." I was worried about Consolidated Constructions because I was told by a friend who worked for Pioneer Concrete over east that it refused to supply concrete because of payment issues, so I was always wary of Consolidated Constructions. That is the only reason I completed the job. I had not completed one section on the road, and I was using that as a guarantee. I was not going to complete that job until I was paid in full so that I got my money. It was because of what Mark said that I completed the job. Some of that last invoice included explosives from August. I was not paid for that.

The CHAIRMAN: I do not want to go off the point. The point was that he did not say to you that Main Roads would guarantee the payment. He said it would make sure that Consolidated Constructions would pay Carr Civil. The problem you have is that you do not have a contract with Consolidated.

Mr Taylor: That is right.

The CHAIRMAN: Did you make any inquiries about the connection between Carr Civil and yourself?

Mr Taylor: No, I did not. I was happy that if Carr Civil got paid, I would get paid.

The CHAIRMAN: How could you be happy when, from the evidence, Consolidated Constructions owes Carr Civil an outstanding amount of approximately \$1.2 million, and it has \$3 million worth of debt?

Mr Taylor: I did not realise that at the time.

Mr Stubbs: None of us knew that.

Mrs Stubbs: On 1 November -

The CHAIRMAN: I am not arguing about that. I am just saying that the gentlemen said he was happy he was going to get paid by Carr. How could you be certain when there were many problems with Carr on the ground?

Mrs Stubbs: Excuse me, I already said that a lot of these guys and people like Dave - no offence - are there to get their jobs done. His knowledge is on doing the job. His knowledge is not that someone will say one thing and do another. Mark Blayney has a degree in engineering through Duntroon. If you have any knowledge about the army, you will know that one of the skills that an army officer requires is coercion. He is one of them. It is manipulation; that is, the ability to get people to do things they do not really want to do. He must be able to sell the idea to someone that he can run out of a trench and jump in front of bullets. He has the skills to twist things around and to get people to do things. He tried to use them on me. I used to go out with an army guy, so this

guy fell flat on his face. I did not trust him from the beginning because he used us. We talked with Main Roads. I know that Main Roads was meant to do checks. I expect Main Roads to check up on us. We started some informal checks on 1 and 2 November. As I quoted before, on 2 November, Sunday, we were asked very strongly, were we not, to please not talk to people about payment issues. Out of our respect for Main Roads -

The CHAIRMAN: Did Main Roads tell you not to talk about payment issues?

Mrs Stubbs: That is what I said. I read that from my diary. Did not everyone hear me? On 2 November we were told by Mark Salt and Simon Barnes from Consolidated Constructions to please not speak to anyone about payment issues because it was causing unrest among those involved in the contracts. They said they were concerned about it and that everyone was getting jumpy and asked us to please stop talking about it. I said that Kevin has spoken only the truth, and that we would not approach other people. Hence, I knew that Dave Taylor had pulled gear up. I was hopping around the office. All I wanted to do was to phone him and say, "Let's talk." However, I had given my word that I would not approach people. I was thinking, "Please, anyone, come and see us." If they came to see us I could talk to them, but I could not go to them. I keep my word.

The CHAIRMAN: I understand that. In your discussion with Main Roads, did you talk to it about it checking out Carr Civil

Mrs Stubbs: Do you mean about checking Carr Civil's financial position?

The CHAIRMAN: Yes, or even discussing why things were not happening and why they were not getting through?

Mrs Stubbs: Yes, because we were saying that we were having so many issues. Mark Salt said he wished we had brought this to his attention earlier because he did not know about this. This was in November. I said that we were contracted to Carr Civil. I have a letter from -

The CHAIRMAN: Did it say that it actually checked out Carr Civil?

Mrs Stubbs: No.

The CHAIRMAN: Did it do anything after 2 November?

Mrs Stubbs: I was under the impression that he was going to keep an eye on them. He said that if we had any more issues, to please bring them straight to him. He asked us to keep him informed about what was going on. He said he would let Arthur know. As I told Arthur in a few phone calls, I believed it was his duty of care, as Mark's supervisor and the superintendent of the contract, to be proactive in making some checks to find what was going on. Mark Salt was here with a massive job that was spread over a large area to keep an eye on everything that was happening, including the quality of the works. It was easy for people to hide things from him because of the nature of the location of the works. I believe that Mark was doing the best possible job he could do, given the circumstances he was in. He passed on this information to Arthur Phillips. I know he did because he communicated this back to me. I have no reason to believe that Mark Salt would ever lie to me. He told me he had communicated it to Arthur Phillips. He told me that the superintendent was coming to the site to check and see what was going on. He was visiting the site and having discussions to figure out why there were so many problems with payments. I was told that they implemented the system of statutory declarations. We were told by Consolidated -

The CHAIRMAN: The statutory declarations were part of the contract.

Mrs Stubbs: Statutory declarations were not issued until November. It was optional.

Mr Stubbs: It is optional. It is only done when problems start. I brought other issues to Mark Salt's attention. Mark, you had two sites supervised on this job, did you not?

Mrs Stubbs: You are not allowed to talk to him.

The CHAIRMAN: They are only observing, like members of the public.

Mr Stubbs: That is fine. They had two representatives on-site to monitor things. It became evident, when I spoke to Mark on several occasions, that even with two on-site representatives, we still did not know what was going on. So many things were hidden, trapped or sent somewhere while something else went dodgy down the road. It happens all the time in with these sorts of -

Mr M.G. HOUSE: Did anyone know what was the original contract was that Consolidated signed? Did you know that it was 7.6 -

Mr Stubbs: I knew the figure was approximately that. I think we did a bit of a check and we found out that in previous years it had been a fair bit higher for similar roadworks. We raised that with the minister.

The CHAIRMAN: Can you say that again?

Mr Stubbs: With similar roadworks that were done by Brierty, there was a difference in the contract value for the distance of road, and this job had a major floodway in it. I was a little concerned that the whole lot was underpriced because there is a lot of rock in our area and a major floodway. Brierty did not have any of those problems with its last job, so I had some doubts. I knew Carr had been around for only a little while. I knew it had a couple of big contracts down south and that Mark Blayney was an engineer, but I did not realise just how much gear he had. His company is no bigger than mine. I would not have taken on that job in my wildest dreams.

Mrs Stubbs: I would shoot him if he did!

Mr Stubbs: Our maximum contract, which we have just tendered for, is worth about \$720 000. That is a massive contract for our operation. We can handle that no worries.

The CHAIRMAN: When you saw Carr Civil and all the work, did you have any idea that it may have been under-tendered? Consolidated's quote to Main Roads would have been based on what Carr tendered to Consolidated. It was \$6 million out of a \$7.6 million contract. Basically, Carr won this job from Consolidated.

Mr Stubbs: I do not know; and perhaps you can fill me in here. What was Carr's arrangement with Consolidated? That is something I never found out. Was it paid? At some stage I was starting to wonder, from the amount of equipment that was parked up, whether Carr was paid on an hourly rate plus 10 per cent of running the job. No-one ever discovered that - I do not know whether anyone else did a check -

The CHAIRMAN: We are not sure, but I think it is a fixed-price contract; otherwise, Consolidated Constructions could not have made a bid to Main Roads. However, we can check that out.

Mr Stubbs: That is something I want to know. I am not sure but from what I saw on site, I had concerns about, as you asked earlier, why so much equipment was parked around the place. A lot of that it did to itself.

Mr M.G. HOUSE: I want to ask Ingrid and Gerald something. You were directly contracted to Consolidated Constructions, as I understand from what you said -

Mr Dick: Yes.

Mr M.G. HOUSE: I presume that you had an arrangement to be paid directly by Consolidated Constructions. Did you have nothing to do with Carr?

Mr Dick: We had nothing to do with Carr. It was all through Consolidated. We had 30-day terms.

Mr M.G. HOUSE: Ingrid, when you made this arrangement, as you said at the start, it was for 30 days. Is that right?

Mrs Dick: We would have liked it to have been every seven days.

Mr M.G. HOUSE: Yet, you got caught with two and a half months?

Mrs Dick: Yes.

The CHAIRMAN: Why did you not kick them out?

Mr Dick: You are dead right.

Mrs Dick: We should have done.

Mr Dick: The road also came into it. We wanted to get the damn road finished.

Mr M.G. HOUSE: It was a community issue.

Mrs Dick: Marble Bar has waited for this road for 53 years.

Mr Dick: We thought, "Right-o, the payment is a bit late, but we will be right." In hindsight, we should have kicked the lot out at the start. They were ever so late in paying. We had to scream for our money. It was just bullshit.

The CHAIRMAN: After all the heartache, is there anything you can tell us that would help your cause and try to get over this problem? In other words, are there other jobs that we could consider recommending you be given preferential treatment on? I know that the minister has already said that, but is there something that we can look at to try to help?

Mr Potter: I worked with the Government many years ago. It used to be called the public works department, which handled the schools and hospitals. It had a system in place through which you get progress payments, it went from the subcontractor to the main contractor. If you did not get paid, you could ring the architect and say that you had not been paid for a month and it was overdue. If the payment was seven days overdue on a 30-day account, they would jump on it straight away.

The CHAIRMAN: That is if you are working directly for the Government. Here you are working -

Mr Potter: No, I was working for someone who built a school. Everything was in place there. He did not pay me. I just rang and said that he had not paid me and asked them to hold money back for me. They said that if they did not pay him, he would not pay me. If that did not go any further, they made an arrangement to pay me directly, then there is no nonsense about the bloke getting the money and not paying the subcontractors.

Mr M.G. HOUSE: I think we understand that, however, in this case, nobody at the lower level, as I understand it, contacted Main Roads and told it they had not got paid in that period.

Mrs Stubbs: I beg your pardon!

Mr Stubbs: That is not right at all.

The CHAIRMAN: Main Roads suggests it had a statutory declaration saying that the subcontractors had been paid. That is why it paid the money over -

Mr Potter: I did not realise that at the time of construction. I always thought Carr Civil was the big contractor. I thought Carr was the main company and Consolidated was the subcontractor to it.

Mr M.G. HOUSE: Are the people who responded to that statement I just made saying that they contacted Main Roads and told it that they had not been paid? Is that correct?

Mrs Stubbs: Mark Salt was at our place in November and he knew we had issue with payments in November. You asked before about our gear going back out and why it went back out. I was letting the gear go back out -

Mr M.G. HOUSE: And then you got paid for November.

Mrs Stubbs: Yes, but I knew that the works would continue 30 days after the invoice was due, and I knew it would be safe to keep working after the end of November. In December I was not happy. I tried to pull out the gear, and Kevin would not.

Mr M.G. HOUSE: I understand that and I heard that evidence. However, I am taking you forward now to the January/February payment. Did you contact Main Roads again at that stage?

Mrs Stubbs: Yes. We were keeping in contact and letting it know that we were not getting paid.

Mr Stubbs: I contacted and we had a few conversations with Consolidated at that point to stop payments to Mark Blayney.

Mrs Stubbs: Bob Lyons.

Mr Stubbs: I knew what the statutory declarations meant. I contacted Consolidated and said that Carr Civil had not paid us and told it what was going on. Barbara Blayney sent a fax to Consolidated. It was sent to my e-mail address at "stubbskev" but it was spelt "stubbkev", so it went to the wrong place. It was meant to be Big Pond but went to "biggond" and guess what? It did not bounce back. When I gave it to my lawyer, he told me to look at the e-mail address and where it has been sent to. That is a document sent to Consolidated to say that we had been paid. As I said earlier, we had never had any contact -

The CHAIRMAN: What did it say? If you did not respond, you were considered to have been paid?

Mr Stubbs: It said that it had spoken to us - it is there somewhere - and we had agreed to their terms and condition of payment. When it paid Carr Civil it would pay us. We already had that agreement in place but it was not working. I rang Consolidated and said that we had not been paid and that we wanted it to have a look and make sure that other contractors -

[11.00 am]

Mr M.G. HOUSE: Was this in February?

Mr Stubbs: Natasha will give you the dates. Yes, it was some time then. I said to check others contractors, such as Dave Taylor, to make sure we were getting paid.

Mrs Stubbs: On 24 February, I spoke to Bob Lyons of Consolidated, who works in accounts, and he said that Mark Blayney had sent a stat dec to Bob stating that all subcontractor had been paid or arrangements had been agreed to. I told him it was not true for us.

Mr M.G. HOUSE: Have we got a copy of that stat dec? It is a different one. I have see the one from Consolidated. Have we seen one from Carr Civil?

The CHAIRMAN: Yesterday, Mark Blayney agreed to give the committee a copy of the two stat decs he gave Consolidated. We are getting them.

Mr Stubbs: We sent our lawyer around to Consolidated.

Mrs Stubbs: There should be three.

The CHAIRMAN: According to Mark, there are only two.

Mr Stubbs: What dates were the two - do you know?

The CHAIRMAN: The three you are talking about are Consolidated stat decs.

Mr Stubbs: No - Carr Civil.

Mrs Stubbs: It was implemented in November. It would have been at the end of November, end of December and the end of January - maybe even pushing into February.

The CHAIRMAN: According to evidence we have received, there are two stat decs. According to Consolidated, it was not aware it received any.

Mrs Stubbs: I can give you the names. Bob Lyons. I could give you his mobile number if you wish to talk to him. He would be more than happy to indicate how many stat decs he received. He could probably forward them.

The CHAIRMAN: We will summons him as well.

Mr M.G. HOUSE: I want to be clear about the sequence. It is crucial. Despite the fact that a statutory declaration had been sent by Blayney to Main Roads -

Mrs Stubbs: It was to Consolidated Constructions, not Main Roads.

Mr Stubbs: Main Roads forwarded them.

The CHAIRMAN: Are you saying that the stat dec signed by Blayney saying that people had been paid was not true?

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

Mr Stubbs: That is what appears.

Mr M.G. HOUSE: Was that after that date?

Mrs Stubbs: I will find the date when I had a conversation. I am sure I passed it on. I can find that information.

Mr M.G. HOUSE: It is important.

The CHAIRMAN: Can you give the committee in chronological order when you told people you had not been paid, and we can check that against stat decs signed by Mark Blayney and those signed by Consolidated Constructions. More importantly for us, did you tell Main Roads that these things were happening and you still had not been paid?

Mrs Stubbs: I told Mark Salt in December that we were still having problems with payment regardless -

Mr M.G. HOUSE: We are talking about January and February.

Mrs Stubbs: I said that we were not being paid and I was chasing my money. At the beginning of December when the money was due, I was in New Zealand visiting a terminally ill friend. When we were over there, we were still chasing the money because he had not paid it. When I got back, I said to Mark Salt that there were payment issues with Mark Blayney.

The CHAIRMAN: Was that for September's work?

Mrs Stubbs: It would have been for October's work.

Mr M.G. HOUSE: I am sorry to repeat this question. I have lost the thread. I want to be sure of the matter. After Consolidated Constructions received a statutory declarations from Carr Civil, you told Main Roads that you still had not been paid?

Mrs Stubbs: Yes. I am sure I have done it. I will have to find it in my diary.

The CHAIRMAN: You said that you were seeking payment in December for work done in October. Mark Blayney signed a stat dec saying that he paid everybody, and it had gone to Consolidated Constructions which told Main Roads everybody had been paid. Did you tell Main Roads that that was not true?

Mrs Stubbs: I know I told Mark Salt after I got back from New Zealand - it was after mid-December - there was still a payment issue with Carr.

The CHAIRMAN: This was for October work. Main Roads was aware that you had not been paid, even though it had a stat dec from Consolidated Constructions saying that you had been paid.

Mrs Stubbs: We got some money late for the October work. I said that we were still chasing money, and I had had a complete gutful.

The CHAIRMAN: It is critical to know which money you were chasing. It was money for October, and you had signed a statutory declaration. Consolidated gave one to Main Roads. You told Main Roads, so it was aware that it should not have been paying. That date was critical.

Mr M.G. HOUSE: Did anybody else tell Main Roads in January and February that payments were not being made?

Mr Gilmour: I rang head office. I do not know who I spoke to. I cannot remember the name of the guy; I never wrote it down either.

The CHAIRMAN: Can you provide that? This inquiry will not wind up for a fair while. We have a fair amount of work to do. Can you tell the chronological order of when you spoke to people, what you told them and what money you were chasing, so we can check that against the stat decs floating around the department?

Mr Stubbs: I am sure we had discussions with Main Roads in January and February -

The CHAIRMAN: I am chasing the ones for October.

Mr Stubbs: We will have those as well.

The CHAIRMAN: January and February was after the event. Although it is important, the stat dec was different.

Mr Stubbs: You want -

The CHAIRMAN: We want them all.

Mr Stubbs: They will be here. I just need to go through them.

Mr Dick: Was there a stat dec for December?

The CHAIRMAN: We will need to see the works. October was early in the piece. The stat dec would have been covered. I want to be sure. It will be open and shut. The others will result in arguments about where the cut-off was. The early ones will be clear-cut matters. I return to the earlier question: are there works around in the area that you guys can tender for to help the situation?

Mrs Stubbs: The tender we just won on the Nullagine re-sheeting project came under Alannah's umbrella of the five per cent for those who have been affected. Unfortunately, that also extends to Carr Civil, which is competing with the likes of us. Carr is welcome to the five per cent as well. Does that suck, or does it suck?

The CHAIRMAN: Do not be too put out. We will report to Parliament in due course.

Mr A.J. DEAN: Those words will appear on the parliamentary record.

The CHAIRMAN: Your words are on the transcript of evidence, so your words will be repeated.

Mrs Stubbs: Excellent. With the contract just won, we were the lowest tenderer. Even though we won the contract at \$711 000, I do not believe that the lowest tenderer should win the contract. Main Roads has a budget it expects to spend on each job. If someone is well under the budget, he should not get the job. It should be the tenderer closer to the budget figure.

The CHAIRMAN: Let us not go into that argument.

Mr Stubbs: I have been there. I had contracts withdrawn from me in 1995. I contracted to put a D9 dozer through the Ripon Hills road from one end of road to another. I put a price of \$160 an hour. When I inquired why I did not get the contract, I heard the BCG boys laughing. They were on \$220-plus an hour. I asked Main Roads why we did not win the contract, and I was told that my price was too cheap. That is exactly what happens. If you are too cheap, Main Roads will not touch you because you are a risk.

The CHAIRMAN: There must be good reasons for it. If as minister you could save a heap of money, and it does not happen, you would want to know why more money was spent. It is your money as taxpayers that we are spending.

Mr Stubbs: We lost it, too.

Mrs Stubbs: In the contract I was talking about with the five per cent benefit of having been affected by the Marble Bar road, we priced it to try to be competitive. We needed that job to recover from the \$87 000 loss. We came in as the lowest tenderer without applying the five per cent. The price should have been put in, and then the five per cent taken off the price, and then it be compared with other tenders. They should put in the price without considering five per cent, and then add the five per cent. When Kev did the figures for the contract, he did it to win it. He did not do the figures, and then chuck the five per cent on top. He was frightened that we would not get it. We needed it.

Mr M.G. HOUSE: That is fair comment; otherwise, the five per cent means nothing.

Mrs Arrowsmith: It means nothing to us. We were not affected by the Marble Bar contract, so presumably we are not covered by the policy.

Mrs Stubbs: How does the five per cent help others?

The CHAIRMAN: The dam issue is another issue. It relates to the contract, not the five per cent.

Mrs Arrowsmith: That is my point. It is not fair.

Mrs Dick: How does the five per cent help the businesspeople in Marble Bar?

The CHAIRMAN: It is difficult. If people do not want to come to the caravan park, there is no point in giving you five per cent; it would make no difference.

Mrs Dick: That is not the point, is it? All businesses in Marble Bar have been affected, not just the contractors who can get the five per cent benefit from the Government. How about the Alf, the roadhouse, the hotel and everybody else who has been affected?

The CHAIRMAN: The roadhouse has not been represented.

Mr Stubbs: The roadhouse lost \$100 000.

The CHAIRMAN: I understand that. The committee's role is not to try to solve the problems. In business, as I have been in business, people have bad debts. That is how it is. We are checking to ensure that the processes undertaken were proper, and whether Main Roads did its duty in ensuring everything was hunky dory. That is our role. We report to Parliament what we find, and it is up to the Government and the minister to decide what to do. We cannot solve the problem of every small business in being exposed to bad debt. That is part of the process. However, we can rectify structural problems, and the Government can make changes and make decisions to compensate people in the process. That may be done in a number of different ways. Perhaps a five per cent allowance on contracts or by other means.

Mrs Stubbs: I think compensation should be more like a 1.2 per cent difference between the next contract. Why not state: okay, here is 1.2 per cent of the total funding of the contract, and put the price back to the next tenderer, and the difference in the money be divvyed up pro-rata to all people who have been hurt? We have costs to outlay and stresses to bear. Where will we get the money?

The CHAIRMAN: No disrespect, but if you tender for a job, and the company goes broke, you will be exposed. We are considering what Main Roads did and whether the process was hunky dory. Through that process, we may be able to find a remedy. However, as far as ensuring that people who are exposed to bad debts are looked after, that is not going to happen - it is not our role.

Mrs Stubbs: As I said before, we did not do a big check on Consolidated Constructions because we thought Main Roads had done that check.

The CHAIRMAN: I understand that point. We must follow that through the process. From evidence, Main Roads went through quite an extensive process. Consolidated was 18 out of 30 in the assessment used to gain the pass mark. Consolidated Constructions passed. That was under the criteria used. A number of major companies around town were in the same middle pass range. Doing that check does not necessarily guarantee an outcome. Your problem is that you subcontracted to somebody who was not checked. Yesterday's evidence indicated that the only check Main Roads made on Carr Civil was a phone call saying "How're you going? What's your base? What work have you done?" It was not a proper check as done on everybody else. We may need to look at that matter, and follow it through further.

Mr Dick: Would Main Roads not have smelt something was a bit wrong when the contract from Consolidated Constructions went through to Carr Civil?

The CHAIRMAN: We checked that. Being in business myself prior to being in this job, I asked the same question: would it not seem strange to subcontract 80 per cent of the job to someone else? I was told it is normal. It is done by a number of people.

Mr Dick: I think it should stop.

The CHAIRMAN: The question should be asked of Main Roads. Carr Civil is a subcontractor to Consolidated Constructions. You guys have the double-whammy. The subcontractor to Consolidated Constructions was no good, and Consolidated was in trouble. You got it both ways. Main Roads contracted with Consolidated. If Carr Civil fell over, Consolidated should have been able to get somebody else to finish off the job. Consolidated and Carr have both gone over.

Mr M.G. HOUSE: If you follow the question Gerald asked through to the next logical question: why did it let the contract to Carr Civil when its last biggest job was \$1 million and this was a \$6 million job? I have no idea about the answer, but we will find out. As the Chairman said, any businessman doing such a business deal with a multiple factor of five on its previous works must raise questions. That is a good question to ask.

The CHAIRMAN: It had been in business for a year.

Mrs Stubbs: From 3 May 2002.

Mrs Arrowsmith: From my understanding from the questions answered in Parliament, the information the Government used to assess Consolidated Constructions was 12 months old.

The CHAIRMAN: It was information from the end of the financial year in the previous year. That is the basis on which they are all done.

Mrs Arrowsmith: You asked how things should be tightened. Our answer is that there should be some update of data. When it is considered that Consolidated Constructions was not just doing the Marble Bar road, and it was also involved in the Harding River contract through another joint venture -

The CHAIRMAN: It was also doing the Armadale and Gosnells railway stations.

Mrs Arrowsmith: That is my point. Given the exposure that Consolidated had to the State Government over the contract range, maybe further checks should have been done. That area needs to be tightened up. Everybody in this room said that they did not worry about going to that level of checking because it was basically a government job, and it was assumed that the State Government has done all that checking. This has been a rude awakening to all of us. We now realise we cannot trust a state government check; we need to go to the next level and do the investigation ourselves.

Mr Stubbs: If nothing covers this, and all that happens is that the Government wipes its hands of us, you will find contract prices will rise dramatically. Dave, Julie and I will not join people like Carr again unless we know. From Main Roads' point of view, we rang the small business centre in Port Hedland and asked for the company's rating.

Mrs Stubbs: No, I said here is the situation - what should we do? We are out of our depth. This was before we brought it to Main Roads' attention. It was October. They said, "We think you're doing the right thing by stopping." Everybody else was saying "Get on with the job. You'll be paid at some stage. It's a government job, so you will be paid." It was not good enough for me.

Getting back to the point that the Government had the contract with Consolidated Constructions, and all this was sublet to somebody else, Main Roads cannot wash its hands of Carr Civil. The only reason Carr Civil got involved was because the Main Roads team that Arthur was part of gave permission to Consolidated Constructions to give it all to Carr Civil. We should have some faith in the Government to state that the company is fine. Why should we do the Government's job in checking on the big contractors? That is the job of government. It was a government job.

The CHAIRMAN: I understand that. It could have been that Consolidated was okay, and Carr fell over. You would still have been exposed.

Mrs Stubbs: Carr is linked directly. You had Main Roads, Consolidated and Carr. Carr was there only because of Main Roads.

The CHAIRMAN: We need to understand the process it went through. If Consolidated had not gone over, but Carr had, you would still be exposed.

Mr Stubbs: We would have had a better outcome. Carr would have received the \$1.2 million. I do not know how you generate \$4.5 million in debts in two years. I would like the Government to go through his business books and find out where that money went. I would love to spend that sort of a money in two years. I do not come near it, and my business is the same size as his.

The CHAIRMAN: That is a problem. The indication yesterday was that the Harding River job was a problem. He had not been paid for works.

Mr Stubbs: It was \$600 000, I was told.

The CHAIRMAN: It was much more in the figures we were told.

Mr Stubbs: I would like to see that in writing.

[11.20 am]

The CHAIRMAN: That does not help the situation. The committee will not get involved in the detail of that. I am saying that a check must be done similar to the checks that were done for Carr Civil by Main Roads. We will do that. Does anyone want to tell us anything else?

Mrs Stubbs: Just so the committee knows, a deed of company arrangement with Carr Civil was mentioned by the administrator. You asked me how I voted on the deed of company arrangement that allows them to compete against us and others. The administrator was very rosy about Carr Civil and Mark Blayney. The administrator said he had known him for five weeks and believed that he would do the right thing and wanted to do the right thing. At the meeting the administrator said that Mark Blayney was operating while insolvent as early as November. However, all the guys had been seduced by Mark Blayney. He was working the room as though he was at a cocktail party - although he avoided me; I am not sure why. He was being real buddy-buddy to everybody there. The administrator was selling Mark Blayney and the deed of company arrangement. All the guys who were sitting in the room were shell-shocked.

Mr Stubbs: When Consolidated Constructions, Carr Civil or a company like mine goes into receivership or has problems, I would like the Government rather than the company to appoint an administrator. Otherwise, I could get my best pal or my brother - who is an accountant - to be appointed.

The CHAIRMAN: It does not work like that at all. There are proper processes in place. When administrators are appointed, the problems are that the costs are so huge. The administrator gets a pile of costs for what he does. That is the problem.

Mr Gilmour: Sure as hell they finish up with all the money.

Mrs Stubbs: Exactly.

The CHAIRMAN: Not only that, but also in the case of Consolidated Constructions, the director told the committee that it had \$6 million in the bank when it went into liquidation and that the bank paid out bank guarantees to the tune of \$4 million, which took the liquid cash off Consolidated and caused problems all the way down the line. We understand the problems of liquidation, but that is the reality. Sitting here will not help.

Mrs Arrowsmith: At the end of the day, the State Government has a responsibility for people, especially in regional and remote areas, and to make sure that the contracts that are issued in these areas go down to the bottom line. The tender submitted to Consolidated Constructions was 1.4 per cent cheaper than the next tender - there were about six tenderers. Everybody in this room and others who are not involved in this Public Accounts Committee process have had to write off 70 per cent of their debts through the deed of company arrangement. We have had to write it off - that is it. I am sure that the total amount of 70 per cent of debts incurred by everybody involved in Marble Bar, Port Hedland and Karratha etc would just about equal the 1.4 per cent that the Government saved on the job. Marble Bar is a small community. I came to the committee hearing in Marble Bar rather than Karratha to support the guys here. It is the wrong way to do it. I would not blame the people of Marble Bar if they did not tender for the next contract to build infrastructure. This episode has left a nasty taste in our mouths.

Mr Potter: When Brierty Contractors Pty Ltd built one section of the Marble Bar Road, we never had a problem. I believe that the price Brierty tendered for the contract was higher than the price tendered by Consolidated Constructions. It charged more per kilometre than did Consolidated Constructions. It had money and ran the place efficiently. We submitted our bills to Brierty and we were paid. It took about 14 days to settle the accounts for the six weeks I did work for it and I did not have a problem. That is how it should be.

The CHAIRMAN: This is what happens when a company underquotes!

Mr Potter: The tender was too low. It also happened to me. The Government queried the price I submitted for the job. I was asked whether I was sure the price I submitted was not too low. I then thought that I should have increased the price!

The CHAIRMAN: If an inexperienced company won a tender, it could cause problems.

Mr Potter: The price I submitted was okay. The tender I submitted was so low because I was living here and did not have to charge for accommodation. The people who asked me about my tender price thought that if I did it too cheaply, I must be cutting corners. The job could have been awarded to someone else, but they would have cut corners.

Mr Stubbs: If the committee members look at the job that was done, they will see what some of us saw; that is, what happened out there. Mark Salt had his hands full. I was watching it. I felt sorry for the Main Roads' supervisors, which is why we stayed out there. We knew that it was better to have more people on the ground acting as eyes and ears. I worked very closely with some of Mark's colleagues. I know what can be missed. I am contracted directly to Main Roads. I could have done work on the side if I felt like it, but that is not the way I operate. My word is as good as what is written here. That is why we all got burnt. Someone new came into town and he did us all over. We did not know what was going on. The presentation is different from what you get.

The CHAIRMAN: Thank you very much. We need to conclude the committee.

Mrs Stubbs: I have one more thing to say about a matter that has been rushed over too quickly. A company did some work with the permission of Main Roads - the company was one degree removed. This company did some work and was trading while insolvent as early as November. How does the Government feel about that and what will it do about that?

The CHAIRMAN: That is a legal issue. People other than us will take that on board. If that can be proved, action will be taken.

Mrs Stubbs: Excellent.

The CHAIRMAN: That is not an issue for the State Government; it is an issue for the federal Government.

Mrs Stubbs: We want to make sure that something happens because the administrator seemed to think it was okay for that company to do that.

The CHAIRMAN: That will be for others to look at. You can bring that to the attention of others too.

Mrs Stubbs: How?

The CHAIRMAN: Write to ASIC, the Australian Competition and Consumer Commission and the new Corruption and Crime Commission.

Mr Stubbs: That is a good start.

The CHAIRMAN: Thank you very much. We need to take more evidence and fly out to conduct more hearings tomorrow morning. Thank you for your evidence and for being so frank with us. We will see what we can come up with.

