

**PUBLIC ACCOUNTS COMMITTEE**

*Third Report — “PCH—A Long Waiting Period: A critique of the state’s management and oversight of the Perth Children’s Hospital project” — Tabling*

**DR A.D. BUTI (Armadale)** [10.02 am]: I present for tabling the unanimous third report of the Public Accounts Committee entitled “PCH—A Long Waiting Period: A critique of the state’s management and oversight of the Perth Children’s Hospital project”.

[See papers 1221 and 1222.]

**Dr A.D. BUTI:** Western Australians would be hard pressed to name another major infrastructure project beset with the magnitude of difficulties and setbacks experienced by the \$1.2 billion Perth Children’s Hospital. What went wrong? Plenty! The history of the PCH project is a protracted and concerning story. Back in 2004, the Health Reform Committee recommended the replacement of Princess Margaret Hospital for Children as the state’s designated paediatric hospital. Prior to the 2008 state election, the Carpenter government committed to building a new children’s hospital at the QEII Medical Centre site. On 25 November 2010, the Barnett government approved a \$1.17 billion business case for the Perth Children’s Hospital project and on 1 July 2011, John Holland Pty Ltd was announced as the managing contractor of the project. Construction commenced in early 2013, with practical completion scheduled for 30 June 2015.

The government would formally extend the date for practical completion to 31 August 2015, after negotiating a variation to the scope of works to include an additional 24-bed surgical short stay unit. However, John Holland failed to meet this extended practical completion date, and would also fail to meet a further 15 revised practical completion target dates. Practical completion was finally achieved on 13 April 2017, with the McGowan government issuing a certificate of practical completion to John Holland on 20 April 2017—591 days after the revised 31 August 2015 deadline. On 29 November 2017, the Minister for Health, Hon Roger Cook, MLA, announced that the hospital would open in May 2018, two and half years late—a long waiting period.

There are a number of reasons for the lengthy construction delays and some are more significant than others. A number of factors contributed to construction delays, including: exceedance of lead in the potable water; the discovery of asbestos-contaminated materials in the roof panels; state government scope change for an additional 24 beds; John Holland’s management of its subcontractors; ownership of John Holland changing during the project; replacement of 1 641 damaged vitreous enamel panels required for the hospital’s internal and external façade; corroding and leaking stainless steel water pipes; and noncompliant fire door sets.

This long waiting period has been a source of much despair and frustration for the government and the Western Australian public alike. This history prompted the Public Accounts Committee, which has the function and responsibility to inquire into and report to the Legislative Assembly on matters dealing with expenditure of public moneys, to undertake an inquiry into the Perth Children’s Hospital project, specifically focusing on the effectiveness of the project’s overall governance structure in identifying and responding to risks; the processes in place to provide assurance that materials and systems used on the project meet the required standards; and the risks and benefits associated with granting practical completion.

Two aspects of this inquiry should be made clear. First, the focus of our inquiry was not the performance of John Holland, although evidence presented to the inquiry warrants a conclusion that John Holland, in its performance as managing contractor, was unsatisfactory. Instead, we focused on investigating and reporting on how effectively the state managed risks and issues on the project, both before and after they emerged. Second, our inquiry did not seek to find the source of the lead problem in the potable water servicing Perth Children’s Hospital. We focused on the governance and assurance issues relating to the lead contamination, among other construction and commissioning issues.

In conducting the inquiry, the committee has considered 18 written submissions, received four briefings, and heard evidence from 28 witnesses across 17 formal hearings. The committee also received 67 pieces of correspondence answering various questions associated with the inquiry, and examined more than 5 000 pages of third-party correspondence and other documentation associated with the PCH project. The committee has worked collaboratively throughout the process of receiving and considering this evidence. I take this opportunity to acknowledge the hard work and contribution of my fellow committee members: Mr Dean Nalder, MLA, deputy chair; Mr Simon Millman, MLA; Mr Vince Catania, MLA; Mr Barry Urban, MLA, until December 2017; and Mrs Lisa O’Malley, MLA, from February 2018. Further, on behalf of the committee, I would like to thank our secretariat: principal research officer, Mr Timothy Hughes; research officer, Mr Michael Burton; and acting research officer, Dr Kyle Heritage, for their excellent assistance and dedication throughout this inquiry.

What did we find and conclude through this inquiry into the much-plagued Perth Children’s Hospital project? Just as importantly, what lessons should the government take from the conclusions that we have reached? The committee has made 52 findings and 11 recommendations. We believe that all of them are important. Some,

however, are crucial. First, the state accepted an extremely competitive bid from an entity without previous experience at managing a construction project of the scale and complexity of the Perth Children's Hospital project.

This bid contained almost no room for error, which should have raised concerns right at the outset of this project even if the magnitude of the problem that eventuated could not have been predicted. Accepting an aggressive bid made it imperative that the state's governance structures could proactively oversee and address any issues associated with the performance of the managing contractor. To a significant extent, this did not happen. The dual governance structure used by the state presented difficulties. Under the dual governance model, the Perth Children's Hospital Commissioning and Transition Taskforce operated as the lead entity, but the authority for delivering the entire project was divided between Strategic Projects and the Department of Health that both sat on the task force. This structure was ill-equipped to handle the difficulties associated with the performance of the managing contractor, as well as the ensuing level of acrimony that developed between the Department of Health and Strategic Projects.

We do not agree with the views expressed in the "Special Inquiry into Government Programs and Projects: Final Report" also known as the Langoulant report, which states the dual governance model is appropriate for major construction projects. The Langoulant report expressed confidence in the dual governance approach on the basis that it has been successful in overseeing other projects. Our view is that weaknesses are inherent in the dual governance model and although these weaknesses may not become apparent on projects that have no significant construction challenges, when there are significant issues, such as with the Perth Children's Hospital project, the dual governance model is found wanting. As noted by the director general of Health, the dual governance arrangements resulted in —

- confusion with regards to the role of the Chair of Taskforce in reporting to the Minister for Health and Cabinet, and the role of SP&AS, —

That is, Strategic Projects —

... in its direct line of accountability to the Treasurer;

Ongoing confusion about roles and responsibilities of officers in relevant departments, coupled with the Minister for Health and the Treasurer at times receiving different briefing notes on the same project, is unacceptable for a complex construction operation experiencing significant difficulties. We agree with the director general of Health that, as the client agency, the health department and ipso facto the Minister for Health should have had full accountability for all Perth Children's Hospital project work streams, including construction.

For future projects, we recommend that the dual governance model be dispensed with and that overarching construction responsibility be vested with the relevant client agency. When the client agency does not have the necessary planning expertise, it would be prudent to retain the services of Strategic Projects, but it needs to be clear that the client agency is the responsible and accountable body. This is crucial because, as the Perth Children's Hospital project highlights, the dual governance model meant that on occasions it was unclear whether Strategic Projects, the Department of Health or the task force was responsible for any particular problem. We also recommend that government appoint independent chairs with appropriate expertise to multi-agency steering committees for the oversight of major projects. This will reduce the demands on the time and level of responsibility placed on steering committee members. It will also provide assurance to these members around projects and risk management issues.

A major concern with the governance of the Perth Children's Hospital project was the quality of briefing notes provided by the Department of Health and Strategic Projects to their respective ministers, being the Minister for Health and the Treasurer. This reporting repeatedly failed to convey the gravity of the situation on the ground and was often excessively optimistic. Strategic Projects was overly reliant on the data and information provided by the builder to provide status reporting on the construction program. Strategic Projects also failed to proactively critique and analyse the data provided by the managing contractor. This was a major failing and, coupled with the tensions between Strategic Projects members and other members on the task force, it severely compromised the governance of the construction phase of the Perth Children's Hospital project.

The committee was concerned with the time taken by Strategic Projects to advise the task force and responsible ministers of the issue of elevated lead levels in the water supply. It was also alarmed by the manner in which this issue was brought to the attention of the task force. The executive director of Strategic Projects claimed in his testimony before the committee that he had escalated the elevated lead issue with the task force on 2 August 2016. However, the totality of evidence before the committee does not support this assertion. In fact, the executive director of Strategic Projects acknowledged the issue only when the then Deputy State Solicitor, acting on a rumour, raised the issue at the end of the task force's meeting on 2 August 2016. Even after that, the task force's minutes indicate that Strategic Projects downplayed the significance of the risk for at least another six weeks, and the Chief Health Officer and the Building Commissioner were not notified until early September 2016. This is unacceptable.

**Extract from Hansard**

[ASSEMBLY — Thursday, 22 March 2018]

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Dr Tony Buti; Mr Dean Nalder; Mr Simon Millman; Mr Vincent Catania; Mrs Lisa O'Malley; Dr Mike Nahan

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The unsatisfactory quality of ministerial briefing notes prepared by Strategic Projects and the Department of Health is exemplified by both the failure to detail the findings of the five gateway reviews that each identified deficiencies in the governance process on the Perth Children's Hospital project and the understating of the potential significance of the dead leg attached to the ring main at Queen Elizabeth II Medical Centre as a potential source of the lead problem. This can be contrasted with the attention given to the October 2016 Perth Children's Hospital Foundation fundraising gala dinner, updates on which were provided in at least three separate briefing notes. The advice and information that was presented to ministers by their respective agencies and the task force at times fell short of what was required, but what about the responsibility and performances of the ministers themselves? The former Treasurer, Dr Nahan, stated in Parliament on 1 November 2017 —

We were doing nothing more than publicly announcing advice from our respective departments. It proved to be wrong in most cases but it was the advice, ...

This statement indicates that Dr Nahan and his ministerial colleagues were reliant upon, and unquestioning of, the advice that they received. This is not good enough.

Ministers are busy people with massive workloads. However, the approach as explained by Dr Nahan in Parliament is fraught with danger, particularly in the case of a project such as Perth Children's Hospital, in which repeated failures to meet practical completion deadlines, especially throughout the latter part of 2016, put the government on notice that there were problems with its construction. It is just not acceptable that Dr Nahan and other relevant ministers appeared to repeatedly accept overly optimistic forecasts and convey them to the public without challenging the veracity of the information they were receiving. We acknowledge that the ministerial briefing notes understated some critical aspects of the water contamination issue during Dr Nahan's tenure as Treasurer, including the dead leg within the QEII ring main, but the briefing notes did mention the dead leg and water contamination issue more broadly, even if obliquely. It is therefore concerning that Dr Nahan and presumably other relevant ministers adopted a reactive rather than a proactive approach in pursuing critical information on the water contamination issue. This is particularly concerning in the latter part of 2016 when there was little consensus about either the diagnosis or remedy of the contaminated water supply.

It is worth noting the observation of the former director general of the Department of the Prime Minister and Cabinet, Professor Peter Shergold, AC, that in providing information and advice to ministers, the public service —

... should seek to identify the risks, envisage unintended consequences, indicate threats to successful implementation and proffer alternative options.

Further and conversely, ministers should also, I quote —

... demand that advice on the most challenging issues they face should be presented in written form.

These are important standards and principles that the committee remains unconvinced were complied with by either the relevant agencies or the responsible ministers throughout the latter part of 2016 when a series of major issues, including the water contamination, affected the Perth Children's Hospital project.

Finally, practical completion of Perth Children's Hospital was granted on 13 April 2017 with a number of unresolved issues—most notably, the contaminated water supply—characterised as minor defects.

Before granting practical completion, the state had to consider the risks and benefits. It would seem that the determining factor in granting practical completion was that it allowed the state to take control and possession of the hospital site, and thus conduct orthophosphate treatment on the potable water supply. John Holland had refused to cooperate in facilitating the start of this treatment, which the state had identified as part of its preferred suite of remedial actions. The need to grant practical completion in order to overcome the managing contractor's refusal to cooperate brings into question whether the contract levers available to the state were sufficient and whether the state was too reluctant to use some of these levers before this impasse was reached. It is difficult to determine whether the overarching aversion to deploying the more punitive contractual levers within the Perth Children's Hospital contract was warranted. However, it is alarming that by the time elevated levels of lead were discovered in the water supply, the state was in a position of commercial impotence, literally operating on goodwill with the managing contractor because it felt it had no contractual levers left to pull. This is why we have recommended that the Minister for Finance engage an independent expert to evaluate the efficacy of the commercial levers within the contract with John Holland and the manner in which they were utilised by Strategic Projects, as the state's representative.

Before concluding, I note that this report makes a number of recommendations dealing with the assurance of products and systems used on the hospital project. As Henry Ford said, "Quality means doing it right when no-one is looking." That is right, but we must ensure that we are looking. As Aristotle said, "Quality is not an act, it is a habit." We must make quality of products and systems a given—a habit. Assurance of products and systems is not only important to ensure that the end product is first class, but it is also important for the safety of workers. Some concerns were expressed by the Construction, Forestry, Mining and Energy Union about the operational

involvement of WorkSafe on the site. We did not have the ability to investigate them fully, and we look forward to the findings of the Standing Committee on Public Administration inquiry into WorkSafe.

I return to where I commenced. The Perth Children's Hospital project is a protracted and concerning story that provides a number of lessons for the bureaucracy, for ministers and for the state. For the sake of the Western Australian public, it is imperative that these lessons are heeded and necessary changes made to ensure that future significant and complex state infrastructure projects provide an efficient return for the expenditure of public funds.

**MR D.C. NALDER (Bateman)** [10.22 am]: I also rise in response to the report entitled "PCH—A Long Waiting Period: A critique of the State's management and oversight of the Perth Children's Hospital project" that was tabled today. In unison with the chair, I would like to acknowledge the chair and my parliamentary colleagues on the project as well as the committee staff, Mr Tim Hughes, Mr Michael Burton and, for a while, Dr Kyle Heritage.

The value of this report is in the lessons that are learnt for future governments to ensure that these problems never occur again. Unless these lessons are learnt, we will continue to see the types of instances that occurred, particularly within the Perth Children's Hospital Commissioning and Transition Taskforce and the appropriate agencies over and over again. It raises serious concerns about accountability and key performance indicators of senior bureaucrats within the public service. I really look to the government to take heed of the findings and key recommendations in the committee's report. If I were to draw attention to anything within this report, it would be the fact that 52 findings right at the front of it specifically outlay the issues that have been occurring through the governance, the assurance and the practical completion of the Perth Children's Hospital.

Today, I want to focus on some of the key issues discovered through this inquiry. There were many issues across many different areas. Firstly, I refer to the task force itself. It was a task force that seemed to lack quality of information in and out, and there was a lack of questioning on particular outcomes. As we heard from the chair, there was an issue raised around the dual governance and particularly the combative nature of certain bureaucrats within different departments during the course of this project, which is of serious concern in the functioning of any major project, particularly something as serious as the Perth Children's Hospital. Regarding the role that Strategic Projects played, there is no question that the committee found there was an over-reliance on the managing contractor providing information to Strategic Projects and that information being relayed to the task force. There is no question that there were combative relationships with Strategic Projects and there seem to be particular issues identified with the project manager within Strategic Projects. There were issues of not relaying information properly through to the minister and there was no reporting of five gateway reviews that contained adverse findings about the governance of this project. During this time, the former Premier made it mandatory that projects worth over \$100 million require a gateway review. I think this is a good discipline to have in any major project in Western Australia. The concerning factor here is that these five gateway reviews never made their way to the executive of government, and I think that is wrong. We need to ensure that any gateway reviews undertaken are reported directly to future ministers. I will not go into detail about the issues with John Holland because of potential issues between the state and John Holland. Nonetheless, the report states that there were substantive issues between the managing contractor and the subcontractors.

Furthermore, the committee looked at the role that the Department of Health played. Although the committee made no finding, it expressed concern about this. Paragraph 1.7 on page 2 highlights the fact that there were 236 variations to scope. That begs the question, when discussing delays on a project, whether enough work was done up-front by the Department of Health to ensure that these were minimised. Anybody who is undertaking a project, no matter how large, understands the implications on cost, let alone time, for variations to scope. Some of these variations were quite large. One circumstance included an additional 24 beds. Other issues regarding the health department were that reporting to the minister was found to be inadequate and the acrimony that existed between the Department of Health and Strategic Projects.

We then move on to other areas such as the assurance. Findings 45 and 47 highlight that the Building Commission failed to identify nonconforming components of the thermostatic mixing valve assembly boxes. Given that the Building Commission is the agency responsible for enforcement of plumbing regulations, this is of concern. Furthermore, finding 47 highlights the lack of consequence from the commission's finding of multiple instances of poor workmanship. Again, there seem to be issues that relate across many different government agencies regarding this project.

I briefly want to touch on the State Solicitor's Office. A number of agencies raised the issue of contract levers being inadequate, yet at the same time the State Solicitor's Office believed they were more than adequate; there was just a fear of acting on them.

This leads me to the area of practical completion. I find it fascinating that on 28 March 2017, the task force found that it was unable to take practical completion, with 13 outstanding areas needing closure before practical completion could be taken. Yet, just over two weeks later, the task force decided to take practical completion when

Dr Tony Buti; Mr Dean Nalder; Mr Simon Millman; Mr Vincent Catania; Mrs Lisa O'Malley; Dr Mike Nahan

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not all of these 13 outstanding issues as at 28 March 2017 were resolved. That leads to a serious concern about the risk put back on the state when outstanding issues, including the source of the lead contamination within the water, are not resolved and practical completion has been taken. It put the counter on—there were two years after that to resolve defects. The reality is that we will not know whether that was a poor decision until the two-year period of the hospital running proves that we have got away from it. There is no question that we have to consider whether that was a wise decision, given the outstanding issues on this project. One of the concerns is about the contract levers. If the contract levers were strong enough, it begs the question why the state needed to take practical completion and could not rely on the levers to ensure that it could have access to the hospital to fix the areas it needed to fix if it felt that the contract was not doing the job. Furthermore, if there is criticism of the former executive, it is that it placed over-reliance on the information that it was provided by senior bureaucrats within the departments. In the scheme of things, these findings are minimal when we look at what was occurring amongst senior bureaucrats within the government.

I call on the government to look very seriously at the findings and recommendations within the report and work really hard to ensure that this state never sees an example such as that which occurred within the task force and across the different agencies in conducting their work within this period. It concerns me that the same people who provided advice to the former government are providing advice to the current government about many of these issues. Although we play politics in this place in blaming the other side, we are the ones who are ultimately held accountable at an election. We live and die on our ability to convince the community at an election. The concern here is that senior public servants have not performed their duties as they should have and we need to ensure that the people who are responsible for this are held to account.

**MR S.A. MILLMAN (Mount Lawley)** [10.31 am]: I wish to make a few brief comments to accompany the tabling of the Public Accounts Committee' report. Government has a responsibility to its citizens to invest in important infrastructure. Government has a responsibility to deliver that infrastructure in a timely, cost-effective way. Together, governments of both political persuasions have discharged the first responsibility by investing in a new children's hospital. Unfortunately, for the reasons that I will explain, the former Liberal government has failed to deliver this hospital in a timely and cost-effective way. This is what the director general of the Department of Health said when he appeared and gave evidence before the committee —

When PCH does open, it will be a magnificent world-class hospital that will serve generations of children to come in a contemporary and spacious setting underpinned by innovative design, bringing together acute care, community care, support and outreach and research, along with the benefits of co-location on an adult site to maximise outcomes and experience for patients and families.

I believe the director general and I agree with him. But to those comments I would add that when the hospital opens, the WA community will have waited an extraordinarily long time. I quote from the report —

When the State issued the practical completion certificate on 20 April 2017, it took ownership of the PCH site—598 days later than the revised practical completion date of 31 August 2015 ...

This was 660 days after the original proposed practical completion date of 30 June 2015. It would be easy to lay the blame for that extraordinary delay at the feet of the previous Liberal government, but, as with many complicated issues, that would be overly simplistic. Rather, I think that this project was characterised by one central feature that lay at the foundation of so many of the problems with which it was beset. In the executive summary, we have made it clear —

... we have focused on the effectiveness of the State's governance regime. The State was aware that JHPL was looking to establish itself as a viable alternative to other companies the State had dealt with under MC contracts for top-tier construction projects. The State was also aware that JHPL submitted an extremely competitive bid with negligible margins when tendering for the PCH project.

Under such circumstances, we would have expected the State's governance structures to be attuned to the risks that might be encountered if the project ran into difficulty.

That risk to the state was compounded by the following attributes of John Holland Pty Ltd: its inexperience in tier 1 construction projects; its difficulty in developing and maintaining the necessary culture of trust and openness both between its workers and subcontractors and between it and the government; its lack of due diligence over supply chains; and the change of ownership of John Holland during the course of this project. Just what exactly were the problems caused or contributed to by John Holland that the state's governance structure had to deal with? As I say, this was an inquiry that was directed to the performance of the government sector and we have made 52 findings. Notwithstanding the focus of the inquiry, findings 9, 10, 11, 13, 15, 19, 31, 33, 36 to 40, 44, 45 and 51 all reflect poorly on John Holland. These findings reflect poorly on its relations with workers and subcontractors; the failure of its preparedness to share information with government; the failure of its procurement processes and effective compliance checking; the necessity for regular intervention by the Building Commissioner; and its refusal to agree to essential orthophosphate treatment to resolve the lead in the water issue.

In addition to the failings by the former government and its advisers that form the basis of a number of recommendations, several recommendations are also a consequence of the problems that the former government had with John Holland. In the report, we make a total of 11 recommendations. The poor performance of John Holland is reflected, I believe, in recommendations 5, 7, 8 and 11. Again, this is despite John Holland not being the central subject of our inquiry.

In my brief contribution, I want to go through why, on the evidence before us, these particular problems arose in connection with this particular builder. The contract price was too low to cover the eventual problems. It had no previous experience. It was a new competitor in the market. It was a belligerent proponent that took advantage of the state's lack of contractual levers, or the state's reluctance to use those levers, and was still dictating terms as late as April 2017, when the state clearly wanted to undertake the orthophosphate testing.

There is one part of the evidence that bears highlighting. On 5 February 2013, the secretary of the Construction, Forestry, Mining and Energy Union, Mick Buchan, wrote to the then Premier, Hon Colin Barnett, outlining numerous concerns the union had with the performance of the managing contractor. That correspondence is included in the evidence that has been tabled with this report. The concerns can be summarised as follows: trades working counterproductively, safety concerns being readily dismissed, the obstruction of safety officers, and a high turnover of workers and staff. These concerns articulated by the union would presage later problems that the government experienced in dealing with John Holland. They fall into three broad categories or, alternatively, they highlight three systemic weaknesses with this managing contractor: the absence of a critical path to direct work, the absence of a collegiate culture built on trust and respect, and a propensity to rely on technical and pedantic obstructions rather than foster dispute resolution.

I turn now to the specific findings and recommendations relating to the managing contractor. Findings 9, 10, 11, 13 and 15 deal with open, honest and clear communications. Two points need to be highlighted. Firstly, by September 2016—the sod was turned for this project on 3 January 2012—the governance structure was operating without an effective critical path. Secondly, John Holland put forward 16 practical completion dates and met none of them. John Holland had difficulty with subbies. Finding 19 states —

John Holland ... appears to have had difficulty managing several of its subcontractors throughout the construction of the Perth Children's Hospital.

I do not need to dwell on this finding because it has already been the subject of an extensive report by the Auditor General. The subject of findings 31 and 33, and recommendation 5, is its belligerent attitude prompting consideration of contractual remedies, which the chair and deputy chair have already mentioned. In my view, this arises as a direct consequence of the difficulty the state had in dealing with this contractor. This recommendation calls on the Minister for Finance to engage an independent expert to evaluate the efficacy of the commercial levers. It used noncompliant building products. That is a fantastic euphemism. We are talking about asbestos going into a children's hospital. Findings 36 to 40 and recommendations 7 and 8 relate directly to that astounding discovery of asbestos in building materials. In particular, I commend recommendation 8 to the minister. It provides —

The Minister for Commerce and Industrial Relations review Queensland's *Building and Construction Legislation (Nonconforming Building Products—Chain of Responsibility and Other Matters) Amendment Bill 2017* and determine its appropriateness for Western Australia's regulatory framework.

In addition, there is a litany of problems associated with this builder that required greater intervention by the Building Commissioner. I commend findings 44 and 45 and recommendation 11 in terms of prompting the Building Commissioner to take a much more proactive role in scrutinising construction contracts, particularly those that are engaged in for the benefit of the state.

Finally, finding 51 states —

The ability of the State to conduct orthophosphate treatment on the potable water supply appears to be a major factor behind its decision to grant practical completion. The Under Treasurer claims that John Holland Pty Ltd's refusal to agree to this treatment was 'the straw that broke the camel's back in terms of granting practical completion.'

I echo the comments of the deputy chair of the committee, that having identified all the problems that arose as a result of selecting the wrong managing contractor, we are now duty-bound to identify what we can do better for the future. A vital lesson from this debacle is that any government embarking on major infrastructure projects should give very serious consideration to the attributes of the managing contractor that it proposes to engage. Do they have a track record of delivering these types of projects? Have they provided a tender that reflects value for money, not merely lowest possible price? Is there latitude in that tender that appreciates unforeseen risks and additional costs? Are they open and accountable to, and cooperative with, government? Are they committed to local jobs, local procurement and local suppliers? Do they take responsibly for their workforce and the workforce of their subcontractors or do they use employees on 457 visas, sham contractors and labour hire? Do they have

Dr Tony Buti; Mr Dean Nalder; Mr Simon Millman; Mr Vincent Catania; Mrs Lisa O'Malley; Dr Mike Nahan

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a track record of constructive industrial relations, compliance with occupational health and safety laws and Western Australian workers compensation laws? In short, are they credible and reliable and are we prioritising value for money over lowest possible price? These lessons are all the more pertinent for the McGowan Labor government as we embark on significant infrastructure projects such as Metronet or the Inner City College. I hope that contractors that have won work on those projects can demonstrate those attributes.

I finish on one final point. During the course of this project, the Construction, Forestry, Mining and Energy Union was criticised for the industrial action it took to improve workers' conditions and health and safety on site. Several years ago it was suggested that industrial action by the CFMEU was delaying this project. That suggestion was then and remains today completely unsupported by any evidence. The then federal Minister for Employment, Senator Michaelia Cash, criticised the union. She was completely wrong. By directly and respectfully raising in correspondence with the then Premier concerns about the managing contractor, subcontractors getting ripped off and noncompliant building products like asbestos, the CFMEU did more to ensure the safe completion of this hospital than many others had done, especially Senator Cash, who obviously had no idea what she is talking about.

I commend the report to members, and I thank my fellow committee members and our outstanding committee staff.

**MR V.A. CATANIA (North West Central)** [10.42 am]: Firstly, I start by thanking my fellow committee members: the chair, the member for Armadale; the deputy chair, the member for Bateman; the member for Mount Lawley; the member for Darling Range, who served on the committee until 29 November 2017; and the member for Bicton. Also, we could not have completed this report without the committee staff who play an absolutely integral role to put it all together. I thank principal research officer Tim Hughes, Michael Burton, and Kyle Heritage, for their major contributions in putting this document together.

As previous committee members have said, the report contains 52 findings and 11 recommendations on what is, can I say from the outset, an amazing hospital. Perth Children's Hospital is an amazing hospital that is going to benefit the children of our state. We cannot lose sight of that fact. Committee members had the privilege of going through the hospital firsthand to see what it will have to offer and how important it is going to be for the children of this state. I want to thank all the staff, because they are the ones who are suffering at the moment, and the kids attending Princess Margaret Hospital for Children, for working in an outdated building. I cannot wait to see their faces when they start working in the new Perth Children's Hospital.

The first three findings of the report are pretty telling. The number one issue is the governance structure. It led to the perfect storm and where we sit today in not having this amazing building open to the public. Finding 3 states —

Confusion around key roles and responsibilities continued to plague the governance structure well into 2017. We find it difficult to comprehend how this confusion was not resolved throughout the almost four-year, 156-meeting, life of the Perth Children's Hospital Commissioning and Transition Taskforce (the PCH Taskforce). The failure to settle these internal issues meant that the PCH governance structure was not in an optimal position to manage the project and the multitude of challenges it presented. It is especially difficult to reconcile this failure with the knowledge and experience of the individuals on the PCH Taskforce.

I think that finding sums up the failure of the governance structure at the hospital. It is interesting to consider that finding in light of the report done by Mr John Langoulant, "Special Inquiry into Government Programs and Projects: Final Report", in which he expresses the view that the dual governance model is inappropriate for major construction projects. The committee had time to look in-depth at how the governance structure was implemented at PCH and the failure of the governance structure—the failure of the bureaucracy—to supply ministers of the day appropriate information to make decisions. Can I also say that ministers also failed to ask appropriate questions and to demand answers. However, we now have a report, on which a lot of time was spent, that will equip this government and future governments on how not to adopt the governance that plagued the Perth Children's Hospital. It is interesting that the John Langoulant report highlights the dual governance model as the way to go. That raises questions in my mind. If the Langoulant report found that the PCH model is the way to go, I am concerned about the rest of the report Mr Langoulant has done on behalf of the McGowan Labor government. If we are raising questions about how this governance structure has come to be and the issues that surround it, which have plagued the PCH and its opening, we have to question the rest of the Langoulant inquiry—the witch-hunt—that this government sets out to look at other projects. I question how he has come to make those determinations about other projects across the state.

Recommendation 1 states —

The Premier and the Cabinet review the quality and standard of briefing notes provided by departments to ministers to ensure improvements in the consistency of structure and adequacy of content across the public sector.

Dr Tony Buti; Mr Dean Nalder; Mr Simon Millman; Mr Vincent Catania; Mrs Lisa O'Malley; Dr Mike Nahan

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We cannot underestimate the role that played in the government of the day making those determinations and decisions about Perth Children's Hospital. The level of advice flowing to the dual governance structure clearly was not adequate for ministers or the government of the day to make the right decision. When we look at the time line for key events associated with the decision to grant practical completion, we find that before the election in March 2011 it was clear that the major defects, of which the lead and water was one issue, prevented any practical completion being issued by the government. Suddenly, on 31 March, several weeks after the election, the report states —

A briefing note from the PCH Taskforce Chair to the Minister for Health expresses the Department's 'significant concern' about the prospect of practical completion being granted without a water remediation strategy that is 'fully developed, reviewed or endorsed by the State.'

As at 31 March, the advice for the new government was to not take practical completion; yet, a month later, on 12 April, the report states —

A joint briefing note from the Director General of Health and the Executive Director of Strategic Projects to the Treasurer and the Minister for Health recommends that the Treasurer endorse Treasury granting practical completion on the basis that 'the residual water quality issues will be classified as a Minor Defect.'

How did it jump from being a major defect to minor defect in such a short space of time? Is it not concerning, as I think the member for Bateman said, that the same public servants gave one piece of advice to the previous government and now new advice to the new government? I think that is concerning and telling throughout this report. The dual governance structure clearly has not worked. The information that was provided to ministers and the government of the day clearly was not there. The advice was not open and accountable about what was actually happening. Mind you, it is still the role of the government to ask the right questions. There are some concerns over the Langoullant report into Perth Children's Hospital and concerns raised about other projects that he has looked into given that he believes that the governance structure at Perth Children's Hospital was correct. Clearly, the committee found the complete opposite and has concerns about the governance structure that I hope this and future governments learn from.

The committee put a huge amount of effort into this report and had the briefings and hearings to try to get to the bottom of how the Perth Children's Hospital—this wonderful building—is not open. Finding 52 states —

A final assessment on the overall merit of granting practical completion of the PCH on 13 April 2017 cannot be made until such time as the hospital is open and has been running effectively beyond the defects liability period.

I think there is a long way to go on this issue and I hope for the state and the children that this hospital is opened in the coming months. It will be an amazing building for the workers, doctors, nurses, clerical staff and, more importantly, our children, who deserve to have a state-of-the-art hospital facility, which the previous government undertook and will be acknowledged as a wonderful building.

**MRS L.M. O'MALLEY (Bicton)** [10.52 am]: I rise to add my contribution to this report, "PCH—A Long Waiting Period: A critique of the state's management and oversight of the Perth Children's Hospital project". I thank the chairman and my fellow parliamentary committee members for their warm welcome and generous support to me in the brief time that I have been a member of the committee. I also express my thanks to the secretariat for its assistance in bringing me up to date at such a crucial stage of the inquiry process. My participation on this inquiry as a new committee member may be recent, but I am as committed to the findings and recommendations held within this document as my fellow committee members.

I acknowledge the cooperative and collegiate approach of the committee in the production of this important document. Viewpoints may differ but the motivation to seek out, analyse and assess errors and to offer clear and uncomplicated recommendations, was a shared objective that has resulted in a document that this committee can be very proud of. In it can be found a blueprint to help avoid future mistakes of the magnitude of the difficulties and setbacks that featured in the Perth Children's Hospital project. This report is not a critique of the merits of the project; it is an investigation into the processes and actions of delivery of the project. This report reveals a project that fell short on this delivery in many ways. These shortcomings are laid out in good detail in this report. They are too numerous to delve into in any but the most superficial of ways in the short time I have today, and to do so would be an injustice to the many hours that has gone into "PCH — A Long Waiting Period".

I will instead confine my comments to a brief and broad reflection on the failings of the PCH governance model. This is expanded upon in chapter 3 of the report, "A governance structure that came up short". On pages 17 and 18 of the report, the PCH governance structure is described as being "appropriately and necessarily complex to deal with the complexity of the PCH project". There is no denying the complex nature of this multifaceted and many-levelled project and the need for a governance structure that was an appropriately complex fit. This report

Dr Tony Buti; Mr Dean Nalder; Mr Simon Millman; Mr Vincent Catania; Mrs Lisa O'Malley; Dr Mike Nahan

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questions the overall effectiveness of the chosen dual governance structure, given the events that transpired. Finding 28 on page 55 states —

There is sufficient evidence to suggest that the project lacked the level of ongoing collaboration necessary to ensure effective governance. Operating within a dual governance structure, the PCH Taskforce seemed ill equipped to handle the level of acrimony that emerged between its two leading entities, the Department of Health, and Strategic Projects.

Three key elements were identified as falling short of the effective governance mark: clarity of roles and responsibilities; comprehensive project and risk management practices; and complete, open and accurate reporting. There was significant confusion around key roles and responsibilities. Tellingly, during the process of review that took place 21 months after cabinet established the task force, quality of governance was identified as one of the six critical issues that needed to be addressed. It has become apparent that the dual governance structure did not work on this project. Put simply, dual governance in this instance could be seen as resulting in a “too many cooks in the kitchen” situation, that is aptly described in *The Free Dictionary* as “too many people trying to control, influence or work on something, with the quality of the final product suffering as a result”. The shortcomings of the dual governance structure on the PCH project are laid out clearly in this report. It is our sincere intention that the evidence, findings and the recommendations that we now place before members in this report will be of great benefit in ensuring the success of future major state infrastructure projects and the avoidance of future costly mistakes.

I will conclude with the words the committee chairman made in his closing remarks of the foreword to the report —

The PCH project is a protracted and concerning story that provides a number of lessons for the bureaucracy, for ministers, and for the State. For the sake of the Western Australian public, it is imperative that these lessons are heeded, and necessary changes made to ensure that future significant and complex state infrastructure projects provide an efficient return for the expenditure of public funds.

I commend this report to the house and to the people of Western Australia.

**DR M.D. NAHAN (Riverton — Leader of the Opposition)** [10.57 am] — by leave: I have just received this report. It is a very long one so I am unable to comment on a whole range of issues, but one page makes comment about my role and activities, and the inadequacy of them, as a Treasurer. It would be expected that I would have been invited to address the committee, particularly when it was coming to those conclusions. But I was not! Clearly, when I was Treasurer and, therefore, responsible for Strategic Projects in Treasury, which was one of the joint overseers of this project, it became obvious that the project had substantial issues, not just with lead, but with the contract, tardy delivery and a whole range of issues that the report has, no doubt, covered. I prepared for that. I not only thought that there would be an inquiry, but prepared for one, because there should have been one given the nature of the outcome of this project. I had copious notes to effect that. I had regular briefings. I am sure that the committee received a summary of the briefing notes. It sent me one. The committee could have asked me and I would willingly have come and provided it with how we responded to the various information. The committee could then have come to a conclusion about whether we scrutinised in great detail some of the advice given to us that the committee has made adverse findings about. The committee did not do that. I do not know why, but it did not.

A couple of weeks ago the committee sent me two questions, one of which was a non-question. I assume that it was a question to which it did not want an answer. That question referred to a *Perth Now* article. It correctly quoted me as saying that the government expected to take practical completion during 2016 and that it would be phased. I do not know why the committee asked me about that, because at the beginning of that article Dr Russell-Weisz, who was, again, the head of the committee, stated that he expected it to be opened in 2016 and for it to be a phased program. That is where I got my advice and I reiterated it. I do not know why the committee asked me that question; I was flabbergasted. Nonetheless, I suspect it was just a means for the committee to say that it did correspond with the former minister, even in a tokenistic manner. The committee then asked me a question about the dead leg and why I stated—which I did—that when the Building Commission report came out back in 2016, it was a eureka moment. I was informed, after the fact, by Strategic Projects and Asset Sales that an old, unused piece of pipe had been found on the other side of the road and that it had been ripped up, but it was not the cause of lead in the water. In fact, the briefing note the committee provided to me states exactly that. In May, the water was tested for lead. They did not come forth with that information. I heard the committee chair indicate that it took probably until August or September for them to really inform the government that there was a problem with lead. I remember spending hours and hours in discussion with them about the source of the lead. They did not know. What did we do? The government, Strategic Projects and Asset Sales, the Department of Health and John Holland hired virtually every expert in the country to examine this issue. This is all laid out in the Building Commission’s report. I do not know why the committee did not refer to this in its report. I will go through them: ALS; ChemCentre; Christopher Contracting; the Building Commissioner; Curtin Corrosion Engineering Industry Centre; Curtin University more generally; Ecosafe International; Jacobs Australia Pty Ltd; John Holland was involved; Metlabs (Australia) Pty Ltd; Microanalysis Australia; MPL Laboratories; the North Metropolitan Health Service

Dr Tony Buti; Mr Dean Nalder; Mr Simon Millman; Mr Vincent Catania; Mrs Lisa O'Malley; Dr Mike Nahan

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got involved; the Plumbers Licensing Board got involved; QED Environmental Services Pty Ltd was contracted; the Water Corporation was of course brought in; and Zedcon Scientific Services was brought in. All provided reports. They were all commissioned around the time it became clear to the government of the day that there was a serious ongoing lead problem and that flushing was not going to suffice. The experts in the Department of Health, Strategic Projects and Asset Sales, and John Holland did not know what the source of the lead was. If a minister asks his people what the source of the lead is and they say they do not know, he then commissions experts to find out. That is exactly what we did. That is what the evidence shows, for anybody who chooses to look. There was a profusion of analysis to find the source of the problem when the government, as the report states, really found out that it had an ongoing serious issue in September 2016. The committee report criticises the former government for adopting —

... a reactive rather than a proactive approach in pursuing critical information on the water contamination issue.

That is false.

**Dr A.D. Buti:** It is not just water contamination issues.

**Dr M.D. NAHAN:** I have just read that out; it is a quote. I will read it again —

... Dr Nahan and presumably other relevant ministers adopted a reactive rather than a proactive approach in pursuing critical information on the water contamination issue.

It was “water contamination issue” singular. That statement is false. It is a really difficult issue. I am no expert on water contamination. It was a shock to everyone involved when it came out. One solution they thought would work was flushing. Other solutions were suggested. We sat for hours and hours in meetings interrogating the issue. I did not have too much ability as a minister to interrogate, because I did not know much about the issue. What did we do? We hired every expert in town, independent from Strategic Projects and Asset Sales, to investigate it. Do members know what? We still do not know the source. That is the point. I have not yet read the whole of the committee report—it was not provided to me—but it quotes Peter Shergold, AC, as stating that ministers should —

... ‘demand that advice on the most challenging issues they face should be presented in written form.’

That is what these reports are all about. We have half a dozen or maybe a dozen reports on trying to identify the source of the lead. It is still a query. The Building Commissioner, as the committee would have found, still has four possible sources for the lead contamination at the hospitals. All the information the government acted on was generated by the previous government, which did exactly what this government criticises it for not doing. There is no doubt that there needed to be an inquiry on this issue. I am sure there is very useful information in the report and that the committee, other than on this issue, has scrutinised it carefully.

On the dual reporting, all I can say is that the Langouant report came out a month or so ago and said exactly the opposite. In fact, Mr Langouant stated that the dual structure had worked extremely well at delivering large projects during difficult times on budget and on time, with the exception of the Perth Children’s Hospital. The committee looked at the dual reporting and assessed it based on PCH. The committee agrees that there were problems with PCH, but it should be careful about taking an individual case—PCH—and generalising it. Mr Langouant found that during that period almost all the major projects, and there were many—the stadium, underground railway; a record number of capital works projects—were undertaken at the most difficult time to undertake projects because of the boom in the construction sector, and they were mainly on budget and on time because of the dual structure. The dual structure—no criticism—was set up by the Carpenter government to pull together expertise to build large projects in Western Australia, because there had been problems with the carriage of projects before the dual structure was set up. I have not gone through the whole example. Maybe PCH was unique. Maybe it shows a systemic problem—I cannot answer that. We have had two reports just recently from this government. This one says that the dual structure —

**Dr A.D. Buti:** That is not a government report; it is a parliamentary report.

**Dr M.D. NAHAN:** Oh, yes!

**Dr A.D. Buti** interjected.

**The ACTING SPEAKER (Mr T.J. Healy):** Thank you, member!

**Dr A.D. Buti** interjected.

**The ACTING SPEAKER:** Member!

**Dr A.D. Buti** interjected.

**The ACTING SPEAKER:** Member! Are there further committee reports?

**Dr A.D. Buti** interjected.

**Extract from *Hansard***

[ASSEMBLY — Thursday, 22 March 2018]

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Dr Tony Buti; Mr Dean Nalder; Mr Simon Millman; Mr Vincent Catania; Mrs Lisa O'Malley; Dr Mike Nahan

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**The ACTING SPEAKER:** Member!

**Dr A.D. Buti** interjected.

**The ACTING SPEAKER:** Member, I am on my feet. I call you to order for the first time.