

Division 21: State Supply Commission, \$1 550 000 -

Mr Andrews, Chairman.

Ms MacTiernan, Minister for Planning and Infrastructure, representing the Minister for Housing and Works.

Mr P.R. Turner, Acting Chief Executive Officer.

Mr M.K. Braganza, Manager, Business Services.

Mr D.R. Tyler, Director, Financial Operations, Department of Treasury and Finance.

Ms C.M. Gwilliam, Director General, Department of Local Government and Regional Development.

Dr A.J. Phillimore, Chief of Staff, Office of Hon Tom Stephens, Minister for Housing and Works; Local Government and Regional Development; the Kimberley, Pilbara and Gascoyne.

Mr JOHNSON: I refer to the significant issues and trends listed at page 365 of the *Budget Statements*. The second dot point states that the commission will continue to address the Government's commitment to open and transparent contracting. An article in the *Wanneroo Times* stated that through the Department for Planning and Infrastructure, the Government awarded a \$4 million earthworks contract for a proposed rail line from Clarkson to the railcar depot in Nowergup without going to tender. Since the last election has there been any change to the policy of the State Supply Commission and, consequently, to the requirements placed on government agencies when awarding contracts worth in excess of \$1 million?

[7.20 pm]

Ms MacTIERNAN: The member is well aware of the answer to this question and I have set it out in great detail. Obviously, I do not have that detail before me and nor do my advisers. As we have previously explained at length to the member, this was a contract that was let under the Public Works Act under a delegation to the Commissioner for Western Australian Government Railways. There was no requirement to comply with State Supply Commission guidelines; nevertheless, it was totally consistent with them. We have set out the reasons for public benefit and I will go through it again, although I have already explained it at length to the member concerned. The original contract let was for the earthworks for the Clarkson extension - a project that the previous Government was going to do but did not do and which we have now implemented. The contract was to include only the earthworks for the development of the per-way. It did not include the provision of the earthworks for the depot at Nowergup because the previous Government had intended to undertake that project under a leasing arrangement - a public-private partnership. When the tender prices came in for the PPP for the railcar contract and the railcar depot, the advice from the Crown Solicitor and the Treasurer was that there would be an extra \$25 million impost on the community if we went down the PPP path and that the risk transfer did not warrant spending that amount of taxpayers money. We were then going to purchase the railcars by way of public financing and not as part of an overall leasing project. Therefore, we had to provide additional earthworks for the track extension to the Nowergup depot. We had two options. Brierty Contractors was doing the earthworks under the main contract for the Currambine to Clarkson line. We could have terminated that contract and sought a new contract for that extension to Nowergup. However, in accordance with the State Supply Commission guidelines, we took into account a number of factors. The original contract had been subject to considerable testing of the market just 11 months prior and Brierty Contractors had demonstrated that it was the lowest priced contractor in the market. There was a considerable cost advantage in just adding this project onto the existing contract. The State Supply Commission guidelines are clear that under those sorts of circumstances a decision can be made to vary an existing contract rather than make a new one.

Mr JOHNSON: It was for \$6 million.

Ms MacTIERNAN: The circumstances are as I have set out. It would have cost the taxpayer more had a new contract been made. I know the previous Government was very cavalier in its expenditure. The member should turn his mind to the Woody Woody and Marble Bar roads and note that very similar justifications were given under his Government for the modification and variation of certain contracts in that instance.

Mr JOHNSON: And how much did they amount to?

Ms MacTIERNAN: I have given my answer.

Mr JOHNSON: It is all very well to have the minister say that, but she has just given the answer as the Minister for Planning and Infrastructure, not as the minister representing the Minister for Housing and Works, Hon Tom Stephens, in this Chamber. The minister has given a dissertation as to what she did with that contract as the Minister for Planning and Infrastructure in charge of Main Roads Western Australia, the Department of Transport and so forth. What are the State Supply Commission guidelines in relation to awarding an extra contract for \$6 million without going to tender?

Ms MacTIERNAN: As I have outlined, there are particular guidelines that allow, under certain circumstances, contracts to be varied. We are quite happy to provide, by way of supplementary information, the precise chapter and verse of the Supply Commission guidelines.

Mr JOHNSON: Hon Tom Stephens did not know the answer to that question in the upper House recently. In the *Hansard* of 27 March, Hon Murray Criddle asked him a question, which stated in part -

Does the minister consider that the guidelines apply to Main Roads when it issues contracts?

Hon Tom Stephens then replied -

... I will take the question on notice ...

He was not quite sure. Therefore, I would like to know -

Ms MacTIERNAN: We are talking about Main Roads. I am amazed that the member who was paid to be the minister that actually administered this portfolio is not aware of the basic fact that Main Roads has a general exemption from the State Supply Commission. The contract in question has absolutely nothing to do with Main Roads. It was a contract entered into by the WAGR under the Public Works Act.

Mr JOHNSON: Is it not responsible that it adhere to State Supply Commission guidelines when tendering?

Ms MacTIERNAN: Main Roads has a general exemption but has ethical and probity standards that are parallel to those of the State Supply Commission.

The CHAIRMAN: The minister has offered to provide, by way of supplementary information, those guidelines. Is that what the member wishes to have?

Mr JOHNSON: I would like to see those updated guidelines. My last question was whether Main Roads was exempt from State Supply Commission guidelines in toto.

Ms MacTIERNAN: This is another question and is completely unrelated to the last one. In relation to the first question, I will provide the State Supply Commission guidelines that relate to the variation of contracts.

[*Supplementary Information No A41*]

Mr JOHNSON: Did the minister answer my last question, as it was very simple?

The CHAIRMAN: I have given the call to the member for Avon and then the member for Hillarys can ask an additional question.

Mr JOHNSON: It was going to be my last question.

The CHAIRMAN: The member for Hillarys can ask the question with the consent of the member for Avon.

Mr JOHNSON: Is Main Roads completely exempt from State Supply Commission guidelines?

Ms MacTIERNAN: I answered that question extensively and I suggest that the member read *Hansard* tomorrow.

Mr JOHNSON: Was it yes or no?

Ms MacTIERNAN: Main Roads has a general exemption from State Supply Commission -

Mr JOHNSON: I am talking about a complete exemption from State Supply Commission guidelines.

Ms MacTIERNAN: In relation to works, it has a total exemption. Notwithstanding that, I reaffirm that Main Roads, under the current commissioner, who was appointed under the previous Government, has the highest ethical standards in terms of issuing contracts.

[7.30 pm]

Mr OMODEI: It always has.

Ms MacTIERNAN: No, not always.

Mr JOHNSON: Will the minister confirm that all government agencies, including those that have been exempt, are required to adhere to the State Supply Commission's policies - I previously used the term "guidelines", but that is probably too lax - to arrange their own purchasing, such as Main Roads Western Australia and the Government Railways Commission?

Mr TURNER: When agencies that fall under the State Supply Commission Act 1991 are purchasing goods and services, they must comply with the State Supply Commission's policies. When agencies purchase under the Public Works Act 1902, they must follow the best principles of the State Supply Commission's policies, but they purchase under the Public Works Act, and not under the State Supply Commission Act.

The appropriation was recommended.