

NEW METRORAIL PROJECT

175. Mr P.D. OMODEI to the Minister for Planning and Infrastructure:

I refer to the hundreds of millions of dollars in cost blow-outs, 18-months schedule delay, \$200 million in unexplained outstanding legal claims and the current threat by Leighton Kumagai to walk away from the rail package F over alleged under-insurance.

- (1) Can the minister guarantee that there will be no further cost increases on her so-called fixed price project?
- (2) Can she guarantee that there will be no further delays and that the project will be completed by July 2007 - her most recent claim?
- (3) Who will assume responsibility for the rail project if Leighton Kumagai walks away from the project?
- (4) Will she apologise for her failure to complete this project on budget as promised in her press release of 16 July 2001, in which she said, "The cost of the direct route will be contained within the existing budget estimates"?

Ms A.J.G. MacTIERNAN replied:

- (1)-(4) I do not have a list of all the questions. The government is confident that, on the basis of the best advice available to us, this project will be completed in July 2007. The government is confident that it can be completed within the revised budget sum of \$1.6 billion. I acknowledge that there have been some cost increases; however, they must be seen in context.

Ms K. Hodson-Thomas interjected.

Ms A.J.G. MacTIERNAN: The member is still flogging the Kenwick deviation!

The SPEAKER: Order!

Ms A.J.G. MacTIERNAN: We will have time this afternoon to go through all this, Mr Speaker. However, I know how you like us to move on, so I will attempt to do that. The government announced the awarding of the contracts in December 2003, at which time we said that they were fundamentally fixed-price contracts but that there were elements of risk that the government, as the principal, would retain. I articulated the risks that we would retain. In particular, of course, the government retained the rise and fall of costs on the City Rail Project. I believe it is actually close to a miracle that, in the past two and a half years, we have been able to contain the increase of the total project to around six per cent when elsewhere within the private sector and within other government projects across Australia budget increases of in excess of 50 per cent are occurring. We are still working, on the basis of best advice, to the budget and the timetable that we announced in April this year. We have taken legal advice and it is our strong view that the Leighton contractors have no basis for terminating the contract. It is my view it will not terminate the contract.

I am constantly approached by members of the public who tell me that they absolutely support the approach that the government is taking, this is a visionary project and they absolutely support the government and the line it is taking to manage this contract.