

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects

Melbourne — 23 August 2012

Members

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Witness

Mr T. Kirkland, Chief Executive Officer, Children's Health Partnership (sworn).

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the inquiry into effective decision making for the successful delivery of significant infrastructure projects. On behalf of the committee I welcome from Children’s Health Partnership Mr Tom Kirkland, chief executive officer. Members of Parliament, departmental officers and members of the public and the media are also welcome. In accordance with the guidelines for public hearings I remind members of the public that they cannot participate in any way in the committee’s proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Children’s Health Partnership staff, as requested by the chief executive officer, can approach the table during the hearing to provide information to the witness, with my leave. However, written communication to witnesses can only be provided through officers of the PAEC secretariat. Members of the media are requested to observe the guidelines for filming and recording. I note for the record that the proceedings of this hearing are not being webcast.

All evidence taken by the committee is taken under the provisions of the Parliamentary Committees Act 2003, which attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is taken under oath or affirmation and is being recorded. Witnesses will be provided with proof versions of the transcript within 15 working days of the hearing, which are to be verified and returned to the committee secretariat within 2 working days of receipt. Eventually they will be placed on the committee website.

Following a presentation, if any, by the chief executive officer, the committee will ask questions, and, as I explained to the witness before the hearing, I hope it is more of a conversation than a question and answer session. I ask that mobile telephones be turned off. I now invite Mr Kirkland to make a brief introduction and to give some context to the committee before he takes some questions. Before so doing, I should reiterate my thanks to the witness for attending the hearing today. Of course the purpose of the hearing is to develop a better understanding about the successful model which has been adopted from all the evidence and advice we have received in regard to the Royal Children’s Hospital project. It is important for the committee to look at successful projects as well as those that have not been as successful to learn from each respectively. This is just one of six case studies. Thank you for your attendance, Mr Kirkland.

Mr KIRKLAND — Thank you, Chair and committee members for your invitation to assist the inquiry this afternoon.

As the chief executive of Children’s Health Partnership it has been my privilege to work on the delivery of a new hospital. The success of the project to date reflects the ability of the state, the hospital and CHP to work together. For the past four years leading up to the opening of the hospital my team and I practically lived in portables on site. This goes to the fact that the importance of the project was to be actively involved, which all project partners were. You have already heard from others about the project, and I will limit my remarks to observations about what has made this particular PPP a success.

I joined the project team on 3 December 2007 as the chief executive of the Children’s Health Partnership. CHP has a contract with the state of Victoria to finance, design, construct and maintain the new Royal Children’s Hospital. We have a design-and-construct contract with Lend Lease and a facility management subcontract with the Spotless Group to run through the full duration of the contract period. Stage 1 was completed on time and on budget. In fact the new hospital was handed over to the operator, the Royal Children’s Hospital, one month early through agreement between the state and ourselves. Stage 2 is expected to be completed on time — and it is tracking that way now — at the end of December 2014.

At the time of contract close in late November 2007 Babcock & Brown was the equity provider and project sponsor. The collapse of B & B during the GFC saw International Public Partnerships, or INPP, and Amber Infrastructure Group, as the manager and investment adviser to INPP, take over the project.

I understand that committee members will be visiting Amber offices in the UK later this year.

A project of this size and complexity inevitably faces many challenges. If I had to identify three elements of this project that led to its success, I would narrow it down to three factors: trust, flexibility and capability. There is no doubt that the contract for any PPP is the centre of the relationship between the parties, clearly outlining the responsibilities of the project partners. However, I cannot overstate the importance that trust played in the successful delivery of this project. No contractual clause is perfect, and a willingness to find solutions to the

problems as they arise is critical. Trust can lead to the parties focusing clearly on outcomes rather than on entrenched positions. Trust enabled the parties to behave with flexibility when the inevitable modifications to the project arose. This prevented potential cost blow-outs, as the parties were able to agree to modification through the process of design development rather than contractual changes.

In terms of capability, I would suggest that projects of this size require partners that can interact with peers within the state. I have observed that the ability of the parties to deal with each other respectfully as equals led to positive outcomes. That equality is a function of the expertise and experience of the project partners. To put it another way, the presence of a few grey hairs on a project's directors head is very important.

I will make some final observations, two in particular. There is a recognition that projects like this have multiple stakeholders, including operational staff and end users. Throughout the project's life a number of working groups were established to manage a range of issues. This gave a sense of inclusion and allowed problems to be dealt with as they arose. Finally, the committee may wish to consider supporting the disaggregation of expertise between equity, the builder and facility manager. Each has its own key performance indicators. While they overlap, they are not always identical. Everyone needs to understand and recognise the motivation of each of the project partners. This may contrast to what seems to be evolving as a vertical integration between equity, the builder and FM.

Those are my observations from over the past four and a half years. I am pleased to answer any questions that you, Chair, or your fellow committee members may have.

The CHAIR — Thank you very much, Mr Kirkland, for your initial comments. The areas of interest for the committee for this reference include accountability, transparency, relevant skills and capability, and understanding the lessons learnt by each of the various projects we are reviewing. I just pick up on your initial comments, particularly from your observations in this project over four and a half years, that the key issues you mentioned were trust, flexibility and capability. I want to deal particularly with the last point — capability — from the perspective of the government as being, in effect, the client in this project.

You have an interesting perspective about the importance of trust. I guess people who work in private industry develop those relationships over a long period of time and resort to contracts after all of the agreements are made. Historically there is necessarily a cultural difference with government processes such that, because of public finance and probity issues, contracts become quite important. I would be interested if you have any further comments to make around managing the trust relationship within the constraints of fixed contract specification, but really my interest is in understanding your general experience dealing with government in this project — that is, have you got a view about the capability of the government parties that you were interfacing with?

One of the issues we are looking at is capacity building within government to be able to deliver projects, and we are very interested in the insight that the private sector partners in each of the various projects have on this issue of the ability of the Victorian public sector to actually manage the Victorian government's end of any relationship in delivering a project. That is the context.

Mr KIRKLAND — I suppose it goes back to the first point about trust. We have an agreement with the Minister for Health in the state of Victoria, and the agent on the ground is an individual who we have dealt with since contract close. He was probably involved during the bidding phase, which I was not. That single person and his team were a constant throughout the process, which was very valuable, regardless of the party in power at the time. It did change during the program of construction, but as far as we were concerned that was seamless. The project objectives and goals were rock solid. Every project partner had an understanding of where we wanted to be in November 2011, and we achieved that. The skills and capability of government were strong and access to government support was readily available. Whether it was a question or interpretation in relation to the model of care, which would come through the Department of Health people, or whether it was an insurance thing, which would come back through Treasury, that single point of contact was valuable.

The CHAIR — That is an interesting perspective. We were in fact having a discussion during the break between witnesses just a little while ago about this very issue, which is that in several of the projects we have examined — and the evidence given to this committee over the last three days goes to projects which have not been well regarded; the reason they have been selected for case study is specifically that they have not travelled

well — there have been multiple changes of the key players in project management from the government perspective. Indeed in each case nobody who was associated with the project at the outset was still involved in the project team at the conclusion or toward the end of the project. In that respect it is impossible not only just to have an ongoing relationship, if you like, but to hold any individual to account for their responsibility in the successful delivery of the project. Your evidence and experience is in stark contrast to those projects that we selected as wanting examination because they had not been delivered effectively. They were over time and over budget, typically. What I am really saying to you is that I am trying to draw this issue out as to the importance of the investment, if you like, in the personnel to be handcuffed to a project to enable that corporate knowledge, understanding and relationship to evolve. Would you like to develop that a little further?

Mr KIRKLAND — Yes. I suppose there are three phases of a project. Different people have different skill sets, and ideally you would have access to the same person through all three phases. You have got your origination phase, where you do not have much time and you have to get a lot of things done to meet a defined drop dead date. Then you have your delivery phase, which is a bit longer. There you are putting into action what you said you would do, which is good. Once you have cut the ribbon, you then have the long-term tail of an operating facility. They each have different pressures and pressure points.

People like us are probably very closely aligned with the state, because we were very interested in that long-term process, and moving back up the chain, so when you deliver it, it is built on a solid foundation. It goes back to what you said you would do. To have the same firm all the way through was good, and to have the same people within the sphere of influence you wield was also very good. For this project the bid was probably early 2006. So all of 2006 and 2007 was getting a briefing and getting organised from a state point of view and from our point of view. We delivered it for four years and we are continuing to go through. The state has been rock solid in its participation and team members through that process.

The CHAIR — That is good. It is very positive.

Mr SCOTT — As a follow-up, in a sense, and I just want to seek clarification. You made a comment in your introductory statement about the importance of a few grey hairs. Was that in terms of the issue of continuity, which the Chair has been exploring, or a more general point about experience?

Mr KIRKLAND — More the latter. You tend to have lived through experiences where you do not get too excited about every little thing that comes along. You know what is important in the best interests of the project long term.

Mr SCOTT — It is a sort of intuitive ability to read events as they occur.

Mr KIRKLAND — Yes, that is part of experience. You know when things are going well, and you also have your antennae available to know when things are not going so well, and you take corrective action accordingly. The beauty of the trust is that you can talk to the project director of the state, or the builder or the hospital, and have a frank conversation.

Mr SCOTT — You also touched upon — and this again relates to the issue of trust — the fact that you were able to ensure that problems, where issues arose, or there were potential problems, they were dealt with expeditiously through a negotiation process. Besides making that comment, are there any tips you would have for the future about how to engender that sort of positive process?

Mr KIRKLAND — One is to recognise that the biggest bugbear of major projects is usually change. The contracts are normally written, and yes, there is a certain amount of flexibility that the project can take, and you do not want to get it caught up in an environment where every little change that comes through, whether it be technology, personnel or model of care in health care, is a major drama for our side to deliver a facility to enable the hospital to deliver what it needs to do. So it is the recognition that the hospital bricks and mortar from the outside really do not change. But on the inside bits, it changes every couple of years. You have to recognise that the brief has some flexibility, and we as their partners will build a building that is respectful of where they want to be. It is that recognition of change and from our side that we are paid for what we are doing, and we price it in a way that is not a major deal to be flexible in a PPP environment, which is one of the tenets of why it is procured through a PPP environment. It is not a hard-money tender; it is a partnership through the evolution, in this project, of 29 years.

Mr SCOTT — I will just follow up on one of those points. You talked about the changing clinical environment. That has been raised in a completely different context in relation to another project, but what was the mechanism or the means of communication to ensure that there was an understanding within your own organisation? What was the contact of the department or the hospital with you to ensure that those issues were adequately addressed in the design and construction phase?

Mr KIRKLAND — The two biggest principals, the state or the hospital, would come through with an idea that this was what they wanted to do, so here is their brief of what they want it to be at the end. Through our understanding of that in precise terms, we provide a return brief. You tell us what you want and we give it back to you, so there is 100 per cent congruence that we are going to deliver what you want.

Mr SCOTT — And there was regular contact?

Mr KIRKLAND — Very much so. There was regular contact. I would meet with the state and the hospital both formally and informally quite a lot, and being based on site you would have formal and informal conversations with my side of the fence.

Mr SCOTT — From the hospital and the state side of it was there a continuity of personnel? Was it the same people you were dealing with on an ongoing basis?

Mr KIRKLAND — Yes. There were four main project directors — myself from the consortia side, one from the builder, one from the state and one from the hospital. We met regularly, both formally and informally.

Mr MORRIS — Amongst other things in your introduction you talked about flexibility. It would seem from the success of the project that if there were any unforeseen or unplanned problems that reared their ugly heads along the way, they were addressed as part of that process, and that is where the flexibility came in. I am wondering whether there were any matters, while they may have been resolved in terms of this particular project, that perhaps might have been better considered up-front as part of the PPP in the first place for future budgets?

Mr KIRKLAND — Again that goes back to a question that should be more directed to the State.

Mr MORRIS — But from your side of the — —

Mr KIRKLAND — It is the State that starts the process of this is what it wants the hospital to be when it grows up, and we can say, 'Yes, this is our response and our bid back to it, and here are some options that you might want to consider at the front end'. Whether it is a capacity, technology a throughput or whatever it is, we are certainly able to provide some options for consideration, but obviously in a competitive bidding environment you are going to bid back as to what your client had asked for.

Mr MORRIS — But there were no issues that arose along the way that for future PPPs, as far as the state was concerned, the state should perhaps consider incorporating up-front rather than dealing with this as part of the process?

Mr KIRKLAND — Not to my knowledge.

Ms HENNESSY — I want to say in defence of 'grey' that it can be very distinguished, but I do accept what you are saying that it is about intuition and experience as well. I am interested in what was the most difficult period of time for you on the project. We have been talking a lot about how we can make government a more informed purchaser. I accept that with the RCH and the state government your experience has been a really positive one. The phrase 'on time and on budget' is not often said in this environment, but from your international or professional experience what do you think are the hallmarks or the characteristics that make government an informed purchaser?

Mr KIRKLAND — Right from the get-go it is a clear brief. So there is a meeting of the minds between the end user and the purchaser or the state government as to what the facility or the service is going to be, and it gets translated into a brief that is clearly understood by the bidding party. The area of greyness is eliminated. You then transfer the financing and the D and C risk across to us. We are quite happy to take it and provide a product that meets the brief requirements. Rather than trying to be all things to all people, it just tends to get a bit wayward, which leads in to the next comment: what are some of the challenges? One of them is stakeholder

management. We appreciate that with a project of this size and over such a long period of time, players do change and pressures do change.

If you are building a house, you might just have three people in the room. It will be you as the building owner, your architect maybe and the builder. To get things where you want them to be, despite the fact that you have got your plans done and you know where you want to go, it is a compact and succinct decision. It may take two days or it may take half an hour. It depends on what you are talking about. Whereas in this project you would have the state, the state's advisers, the hospital, the hospital's advisers, ourselves, the builder, the architects and the engineers. So you could end up with 15 people around the table for every design session, and that is where you tend to spend a lot of time and resources on the design component, and in the meantime trailing behind is your construction component.

Because you are bidding in a competitive environment, we have had to ensure that our design program stays ahead of our construction program, and there is a natural tension between those two activities. Yes, the stakeholder management through the design process is complex and it does take some time, and we look to, again, the senior people involved to ensure that where we are designing is congruent with what our client is after.

Mr ANGUS — I want to ask you about a matter that was included in the original project summary, and that is a donation of \$35 million that was to be made back to the hospital. Do you know anything about that?

Mr KIRKLAND — That was a donation proposed by Babcock & Brown, and that was extraneous to the project, so that was outside the funds that we had committed to build the project in terms of the \$35 million. I am aware that the Auditor-General has spoken about that two years ago — —

Ms HENNESSY — A lot in the media as well.

Mr KIRKLAND — I would suggest that you contact Babcock & Brown on that one. I cannot speak on behalf of B & B.

Mr ANGUS — So once they collapsed, that collapsed with it?

Mr KIRKLAND — B & B is still around, but they have other issues at the moment.

Ms HENNESSY — That is a very generous assessment of corporate insolvency, Mr Kirkland.

Mr KIRKLAND — I cannot speak on behalf of B & B.

Mr ANGUS — Just on another matter then, your organisation is a trustee company; is that right?

Mr KIRKLAND — It is a special purpose vehicle, the Children's Health Partnership, and we are owned by Amber Infrastructure.

Mr ANGUS — Just as a practicality, I suppose, it is going to be a very long-term relationship between the two parties, the state and your organisation?

Mr KIRKLAND — Correct.

Mr ANGUS — I have not read the contracts, but what is the financial requirements in terms of availability of financial statements and so on?

Mr KIRKLAND — Under the project agreement, which is the relationship deed, if you will, between the state and ourselves, there are reporting requirements, and we report to the state every year on our financial position.

Mr ANGUS — You provide us with financial statements?

Mr KIRKLAND — We do.

Mr SCOTT — You mentioned a discussion in your opening statement that I would not mind some further clarification about. I think you were contrasting how you operate your own organisation to a more vertically

integrated business, if I understood it correctly. Could you just explain, because it was touched upon but not really fleshed out, what you meant?

Mr KIRKLAND — In our side, in a private side, there are three distinct organisations involved. There is the current equity holder, which is International Public Partnerships, and we are its agent and represent its equity on the ground. Then there is the builder, which is a separate company, and the facility manager, which looks after all the pipes and wires and infrastructure at the facility, is a third organisation. There is no cross-ownership between the three of them. In some jurisdictions some consortia are led by contractors. All I am saying to the committee is that it may work in different jurisdictions, but my observation would be that the three separate organisations each have their own motivation and willingness to be part of the long term and consistent with the state. So a contractor, once they build a facility, will generally move onto the next contract, where obviously its area of expertise is held, whereas equity and the state are more closely aligned. There is a disaggregation of players rather than a vertical integration of players.

Mr O'BRIEN — Thank you for your attendance today, Mr Kirkland. In relation to the lessons learned from the project, and to some extent you have encapsulated this but perhaps I will ask you in the way we have asked other witnesses just to keep consistency, it is the question of the up-front planning or business case, the importance of it and the nature of it as well, the details and the stakeholder consultation — we have previously heard from the hospital — and particularly related to the involvement of on-the-ground stakeholders such as, in the hospital's case, going down to patients, children at the hospital, doctors, staff et cetera right through to the various levels of government and the decision-making process and all the contractual players. The Auditor-General's report has a statement which I will just read to you briefly if I could. It says:

Clear and sound advice was provided to government during the decision-making process to commit to and invest in the project. The business case was comprehensive and incorporated the key information and analysis required by Partnerships Victoria and other guidelines. It included transparent analysis of options, including procurement options, as well as risk and project management issues.

In terms of reasons for this success, how important is that — you cannot foresee everything, but as much as possible — detailed stakeholder investment in a business case that has sound assumptions as much as possible founded in fact in ensuring the successful delivery of major infrastructure projects?

Mr KIRKLAND — I would say it is very important. As I indicated before, the groundwork done by the hospital and the state prior to our involvement was obviously thorough and concise to warrant government signing off on preparation of a brief that went out to the market. So the hospital knew what it wanted the facility to be, and we responded in kind with our bid back to that point.

Mr O'BRIEN — Can you give any specific issues? You talked about flexibility in the way in which management then worked through issues with trust and flexibility in the way — just to get some colour or specific evidence in relation to that. Can you take us through some issues that emerged, and maybe you will contrast it with some other experience you have or you have seen other things not happen this way? How was that up-front planning then, or the relationship construction at least, integral in terms of resolving some specific issues, if you could?

Mr KIRKLAND — Hospitals tend to change over time, so as part of our response to the requirements of the brief we have provided some flexibility in terms of how the places are used. The design of the facility enables the hospital operator to manage its throughput in ebbs and flows rather than having a lot of built form that is there for the entire contract period, so patient types can change without major infrastructure changes on the ground. It is something it wanted to achieve. We provided some shell space so that if a hospital wanted to fill out and put more beds in — provide more services — it did not need a huge increase in its footprint because it was already there. It is that sort of recognition that came out between, I would suggest, between the business planning phase, the brief-writing phase and our bid back to it.

Ms HENNESSY — Mr Kirkland, could you just take us through how risk was allocated between the consortium and the state?

Mr KIRKLAND — That is probably a question more directed to the state, because it drove that process really from the brief document, so it would allocate a certain amount of risk, and I think it was a fairly clinical allocation as to the risks of certain topics sits with the most appropriate person, so obviously all the finance and

D and C risk would sit with us. A change in law is a risk that sits best with government. I do not think there was anything scary about where that dividing line was.

Ms HENNESSY — It was sensibly allocated, in your view?

Mr KIRKLAND — Very much so, and we had no issue with that, and we did not seek to change that from when the proposed budget agreement was put out. We signed up to it, and there was not a great deal of nervousness on our side.

Ms HENNESSY — Terrific, thank you.

The CHAIR — I wonder if you could just help me for a minute. I am just trying to understand the consortia. Lend Lease, the builder, built the hospital under contract. Are they actually a remaining partner in the consortia, or has their engagement concluded?

Mr KIRKLAND — It will eventually conclude. The CHP, I suppose, can be used in two ways: there is the umbrella organisation of CHP, which means ourselves as Amber and INPP, Lend Lease and the Spotless Group, and then each individual organisation in its own right. CHP has a design-and-construct contract with Lend Lease, and we have engaged them to obviously design and construct a new Royal Children's Hospital, of which there are two stages. Stage 1 was completed in late November 2011, and stage 2 will be completed in December 2014. Following the expiration of any defects liability period Lend Lease will go onto another project. CHP also has a contract with the Spotless Group to maintain the facility so that we can provide the agreed services through the contract term.

The CHAIR — The reason I am trying to drill into the relationship is the impact of any cost escalation relating to labour costs. That is one of the issues about which, in a contextual sense, there is a lot of discussion across Australia at the present time. In the Victorian context, clearly there have been increasing labour costs, at least perceived to be driven in part by the construction industry via agreements at the desalination plant at Wonthaggi and also the pressure in terms of the availability of labour due to the resource sector in other states. I just wondered if there are impacts for the consortia or if the labour impacts are entirely a matter for Lend Lease.

Mr KIRKLAND — The latter.

The CHAIR — Right, okay. Thank you. That is fine. I will pursue that with another witness.

Mr ANGUS — I want to just follow on from the chair's question about the structure of the players in the group. In terms of Spotless, you said it is providing services and that that is an ongoing role, so it will obviously have people on the ground in the hospital.

Mr KIRKLAND — Correct.

Mr ANGUS — They will have offices and all that sort of thing.

Mr KIRKLAND — Yes.

Mr ANGUS — What about your organisation? Does it have people on the ground at the hospital too?

Mr KIRKLAND — Yes.

Mr ANGUS — You do?

Mr KIRKLAND — Yes, we have an office there, and since we are the representative organisation of the contract between the private side and the state, we are on the ground for the full concession period. Whether it is me or someone else remains to be seen, but we will be there.

Mr ANGUS — In the event that there is a maintenance issue and so on, presumably a tenant of the state will raise that with you or your staff and then you will in turn then take that through to the contractor, Spotless. Is that the case?

Mr KIRKLAND — Depending on the issue, yes. We provide, through Spotless, a help desk, so depending on the issue there is a chain of command. If you had water coming through your ceiling or whatever the case

may be, you could phone and we would address it. If it was something a bit larger, like the annual renewal of insurances, CHP would talk directly to the state on ensuring that there was agreement on the level of insurance for the upcoming year. Those are all the obligations that are spelt out in the project agreement between the state and ourselves.

Mr ANGUS — Right. Would that go to other matters such as maintenance and replacement of equipment?

Mr KIRKLAND — That is right. We report to the state every month what we are doing, and we give the heads-up to the hospital about things like, ‘We are doing some planned maintenance for the next month in these areas. Do you foresee any problems?’. It is about retrospective reporting and looking forward about things we are going to be doing.

Mr ANGUS — Right, okay. So that document is very comprehensive in terms of dealing with all those practical matters.

Mr KIRKLAND — Very much so.

Mr ANGUS — Okay, great. Thank you.

Mr SCOTT — I would be interested to know your view on this: an issue that has come up in some evidence that has been taken by this committee is the importance of a pipeline of infrastructure projects in maintaining a level of skills competency and a sort of gravity of persons with the requisite skills in order to complete large projects. Not just in terms of this project but in terms of your broader experience, what weight would you put on the importance of having a regular pipeline of infrastructure activity in retaining the skill base required for the delivery of large projects like the Royal Children’s Hospital?

Mr KIRKLAND — I would agree with what you have summarised from statements from other witnesses: it is vital. You do not want that brain drain going to other jurisdictions because it is a kind of a unique skill set for virtually all topics we have touched on today.

Mr SCOTT — The committee has travelled to and heard evidence in Western Australia, where obviously there is a very large infrastructure pipeline going on. Have there been any issues relating to a brain drain going towards the mining boom or the associated infrastructure that has affected the project in any way?

Mr KIRKLAND — There have been some specialist skills in the engineering field predominantly that have gone out there, but it has not really slowed us down where we are here.

Mr SCOTT — So it is an issue, but you have been able to manage it?

Mr KIRKLAND — Very much so.

Mr MORRIS — During the course of the inquiry we have talked a lot about skills and competencies in terms of getting projects up, and there has been discussion this afternoon. I know it is early days in the facilities management phase of this PPP, but I am just wondering whether you have any observations to make about the skills available to the state for the ongoing administration of these PPPs, whether it could be done better, whether the skills that you are presently seeing in your interface with the state are adequate and so on.

Mr KIRKLAND — Let us just say in our project experience it is early days — we are still in year 1 — and I have no reason for concern either from the Spotless team on the ground or this transition phase from design and construct into operations from the state point of view. I think the level of skills, interest and knowledge has been first rate.

Mr MORRIS — Very good. Thank you.

Ms HENNESSY — I would like to at least put on the public record that the contract is still financially lucrative enough for your involvement, that you are satisfied with the financial results from the perspective of your commercial interests.

Mr KIRKLAND — Yes.

Mr ANGUS — He would not have turned up today if it was not.

Ms HENNESSY — There have been a number of witnesses who have come to talk about the issue of where you allocate risk. There have been a number of projects where there have been some great challenges and difficulties and it has been the private sector that has borne the consequences of those. Those witnesses have given evidence that it has not been financially lucrative for them, but from the perspective of the public interest, it tends to show that the risk allocation actually has been done in the public interest. That is the basis of my point.

The CHAIR — One could make an alternative point and say it just means that in some cases the cost, if you like, that they have borne on one project will be factored into the next one. I do not think we should be diverted by that discussion.

Ms HENNESSY — If you let Mr O'Brien make a contribution, we will be here until 7.00 p.m.

Mr O'BRIEN — There is another point — —

Ms HENNESSY — No, there is not.

The CHAIR — I have just been reminded by Mr Scott that there is a price to pay for editorialising while the microphone is open! Now, Mr O'Brien, I think it is your call.

Mr O'BRIEN — Just in terms of your experience, particularly with PPPs but also with major infrastructure projects, if they go well — particularly on time and on budget — it essentially tends to be a win-win for everyone. Is that correct? As opposed to if things go wrong, particularly in building projects with the delays in costs, in a sense there is no win, or it can be a loss to the state in terms of the outcome but it is also expenditure for the state, particularly in the case of IT, which may result in a redundant system that is then useless or you are stuck with, and the private sector does not necessarily benefit out of it either. Getting back to the importance of where you opened in terms of relationships that work and projects that work and proper planning, is that not the best way to deliver in a sense what we are all seeking, which is a win-win project for all?

Mr KIRKLAND — I cannot comment on any projects that are not that successful. I can only comment on the ones that I deliver that are successful.

Ms HENNESSY — That is a nice way of getting your speech in, Mr O'Brien, but in a sense that it had a question mark at the end.

The CHAIR — That is a fantastic response, 'We only deliver successful projects'. I love it. Unless somebody has a really burning issue, I am going to wrap it up, because I think it is a great way to complete it.

Mr KIRKLAND — Thank you, Chair.

The CHAIR — Thank you very much for your attendance. Thank you for your openness. It has been a very positive and useful insight. Within a couple of weeks you will receive a transcript. If you could make any corrections to it and return it to the secretariat in a couple of days, it will then be posted on the website. That closes this part of the hearing.

Witness withdrew.