

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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

Melbourne — 24 August 2012

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

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Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr C. Herbert, Chief Executive Officer (affirmed), and

Mr J. Ridley, Communications Director (affirmed), AquaSure.

**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 AquaSure Mr Chris Herbert, chief executive officer; and Mr John Ridley, communications director. Members of Parliament, departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public gallery that they cannot participate in any way in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. AquaSure staff, as requested by the chief executive officer, can approach the table during the hearing to provide information to the witnesses, by leave of myself as chairman. Written communication to witnesses can only be provided via officers of the PAEC secretariat.

Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room, and no more than two TV cameras are allowed at any one time in the allocated spaces. May I remind TV camera operators to remain focused only on the persons speaking and that panning of the public gallery, committee members and witnesses is strictly prohibited. Please note that these proceedings are not being webcast.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, 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 days and then will be posted on the website.

Following a presentation, if any, by the chief executive officer, committee members will ask questions relating to the inquiry. Generally, in a formal sense, the procedure followed will be that relating to questions in the Legislative Assembly, but we like to think it will be much less formal than that and more of a discussion, perhaps. I ask that all mobile telephones be turned off. I call on the chief executive officer to give a brief presentation of no more than about 5 minutes.

Mr HERBERT — Mr Chairman and members of the committee, I thank you. I welcome the invitation, particularly as I have had 40 years in the construction industry and I am very pleased to be able to give this committee, hopefully, the benefit of some of my experience rather than just as the CEO of AquaSure. I think my experience ought to put into context questions you may need or wish to raise. I just have some notes, and I can follow through them.

For 30 years I have been delivering projects on behalf of both the public and private sectors but uniquely from a position that is different to a lot of other people you have spoken to, because I have been a full-time person on the project responsible for its delivery, in a manner similar to Peter Sammut, who preceded me today. Some of those projects go back to the 1980s: Brisbane Airport, then Sydney International Airport terminal, which were public sector projects. There is Sanctuary Cove, a resort on the Gold Coast, which was a private sector project; the third runway at Sydney Airport, followed by the Sydney Airport rail link from Central station to the airport, which was both a PPP and capital works project; Sydney's Lane Cove Tunnel, which was a PPP, where I represented the private sector; and EastLink here in Melbourne, where I was a managing director of the Thiess John Holland joint venture for the first 12 months of that operation.

Since then I have also been engaged by the Premier's department in New South Wales, which had a special infrastructure implementation group — like a centre of excellence. I was either a chairman or a member of the steering committee or like body to deliver the projects. The key ones there were what were described in New South Wales as cabinet-critical projects. They included the Port Botany expansion, Liverpool Hospital, St Vincent's Hospital — the mental health Caritas facility, the South West Rail Link in Sydney, the Hunter River remediation for the coal chain expansion, Tillegra Dam in the Hunter Valley, Sydney's desalination project and, through the health infrastructure group, all of the publicly delivered or publicly funded health projects in New South Wales other than PPPs. It is about that background and my current role as CEO of AquaSure that I have come here today to speak to you.

Essential to what I can contribute to your group is that in the public interest there are two key areas. One is the project: the selection of the project, is it the right project, the business case, site selection and all that sort of stuff. That is not my field of expertise. The second part is project delivery and how to make that more efficient. That is the area that my following comments will address. There are a few headings of just the key elements of the successful delivery of projects. I will mention what those are and then have just a few words on each of them. The first one is a smart client team. You also have to have a project champion and you have to have a partnership-type approach. The risk allocation and the site investigation are fundamental — then environmental approvals, labour productivity and a project timeline. I will say just a few words on each of those in turn.

On the smart client team, government must have a team that really knows what it is about when delivering a project. There are some classic failures littered around the history of this country where a project team has been put together and has not known about the core elements of the project and the projects have not been successful. In comparison Victoria does it very well. You can take EastLink and what has been done out there. Current projects with the Linking Melbourne Authority, and then you have the VDP team that know what they are about. These are examples of a smart client.

For a project to succeed you need a project champion. A project champion is the one who essentially educates the public about the need for the project. Why are we doing it? This is particularly the role of government, not the private sector. If you have not convinced the community why you are doing a project, then the road is going to be pretty rocky. The project champion is very important.

The third thing is a partnership. Every project, no matter whether it is a PPP or a D and C — it does not matter what type of delivery — in one way or another it is a partnership between government and the private sector. If the government stands back and says, 'I'm not responsible', such as happened on Southern Cross station, then you are going to get a suboptimal outcome. All projects go through phases where some work beautifully, according to what the formula is, and others get onto rocky roads. Southern Cross station is a very good one where there simply was not access to build it. The government had to get in, get involved and talk with the private sector. In that case it was done way after the event when a lot of the damage was done. You have to have that ownership and involvement by the client as well as the contractor. That is an essential element of success.

There has been a lot said about risk allocation. That is within contract documents, but a particular area which is important is in site investigations. If you spend a lot of money on site investigations and come up with all of the geotechnical data — the land, who owns the land, accessibility to the land and authority approvals, you will minimise the construction cost. There is a single example of that: when we did the Port Botany expansion in Sydney, the client did some site investigation, gave it to the tenderers and thought that was smart. Then we said, 'Now, you as the tendering group tell us what other information you need'. We went out, got that and made it available to everybody. It was a sensationally successful project under very complex conditions. Had we not done that, who knows what sorts of problems there would have been with inadequate geotech data which lead to claims, delays and all those sorts of things.

That risk allocation and site investigation is very important, because clients often undershoot that. They do not want to spend the money up-front. In relation to environmental approvals, which is one of my hobby horses, under the EPBC act in Australia we have no cost-benefit analysis for protecting the environment. I refer to a very simple example on the VDP, where our pipeline goes under what I call a little drain, not much bigger than this table, that was built by Melbourne Water. It is not actual native vegetation. Because some listed frogs inhabit it, in other locations down there, and a few kilometres up there, we had to tunnel and under-bore that drain and spend some millions of dollars to protect this little area, as I said, no wider than this table. There is no cost benefit. What a stupid waste of public money, in my view. You have got to have cost-benefit analysis. We have got to change the way the acts apply.

Ms HENNESSY — Lucky it was not a big black cat that they spotted!

Mr HERBERT — Seriously that happens a lot. There are a couple of examples in highway construction that are worth noting — for example, the Bruce Highway reconstruction between Tully and Cardwell through the wet tropical rainforest, which is some 400 kilometres long and 80 kilometres wide. The environmentalists successfully minimised the footprint allowed to build the bridges. Tens of millions of dollars were wasted and one year added on the project by doing it the hard way rather than just widening the corridor by 50 metres. It all grows back in 12 months. Just look at the aftermath of Cyclone Larry. The same thing happened with the

Hunter Expressway, which goes through dry eucalypt rainforest in the Hunter Valley. That was the same sort of reason: to protect the eucalypts. This country has millions of this species of eucalypts. It is a case of no cost benefit and tens of millions of dollars extra cost. That is all public money. So I think environmental approvals are something we have got to have a hard look at, because they are a big cost impact on projects.

In relation to labour productivity, that is a fundamental problem. The Victorian government is well aware of that, and I totally support the initiatives of the government to do whatever it can in labour productivity. You only have to have a look at things like the labour calendar — the number of rostered days off and locked-down weekends. My view is: why should that section of the community only work four days a week or five days a week when they want when the rest of us pay the bills? Their rules should be the same as those for the rest of us. That has severe cost impacts on projects. The labour costs are notionally high enough anyway. When you then take the productivity because of the limited amount of time that they can work, it is just a stupid waste.

Back in the EastLink days we were actually able to negotiate with the unions out of some of these rostered days off, but the union movement came back next time and said, 'We're not going to do that again. We fought for this forever'. The attitude to that has to change because it is a serious cost burden. It is not just a Victorian problem; it is a nationwide problem, and it is just making infrastructure in this country more expensive than it needs to be.

In relation to project time lines — and this is the last of the critical things — anybody who has had my experience would tell you the same story: that project time lines must be technically based not politically based. You have got to work out how long is the most efficient time, give adequate time up-front for planning, approvals, adequate time to construct and the like, to get the most efficient time line. This does not happen when a political decision has said, 'We've got to have it by X', and then there is a huge cram. That is an inefficient way of delivering the project.

I have got just a couple more points in my the opening address. I would like to comment specifically on VDP, which, as we all know, was financed at the height of the GFC. The model adopted was a particularly successful model, where Victorian Treasury in a sense underwrote half of the debt, because if you go to the market, no one consortium is able to raise all of the funds at bid time. You can raise part of them, because the market capacity is only so big. In our case we had pretty much half the market and the other consortium had half the market. When they were out of the game the whole market came to us. So that was a very sensible initiative that was undertaken by this government. I applaud that.

I will make another couple of points that are interesting. As you know, when you have talked about net present cost and the like, of \$4 billion to \$5.7 billion, you have got to remember that our plant is actually two sizes. It is 200 gegalitres for everything except for the plant itself, so when you compare costs with other projects a better way to do it is to add in another few hundred million to make on-site 200 gegalitres and divide all the numbers by 200 and recognise that we have got to pipe the water 84 kilometres and things like that, which other projects do not necessarily have to do.

The last comment I have got to make is: at the end of 27 years this project is handed back to government at zero cost; you have no debt. Our role in a sense is like the home mortgage: we have borrowed the money to build it and we pay it off at 27 years; in 27 years we give you the house. The net present cost that has been looked at has all been talked about over 27 years; it should be looked at over 100 years, because the project is built to last 100 years. It is going to be paid off in 27 years. That is another big fact you have got to look at when you are comparing apples with apples. That is the broad comment on the experience and the key things that I think are significant to your interests.

The CHAIR — Thank you for your opening remarks. It was delightful that on a Friday afternoon from the final witness in this round of hearings we have had such candour. Some of your remarks I am sure would not tick the box in the column of being politically correct. You have raised a few challenges, which I hope the committee itself will be able to wrestle with over coming weeks. I am delighted by the candour because it allows us to tease out a few issues that perhaps some other witnesses have been less forthcoming about. We are interested in issues of accountability, transparency, and particularly, relevant skills and capacity in the Victorian public sector.

We are not here to examine AquaSure about its capacity. It is a given that AquaSure has a contract to deliver a project, but we are interested in the interface and relationship between AquaSure and the Victorian public sector and to learn what it is from your experience of that engagement that would be helpful to inform the committee. You have touched on a number of aspects of that in your opening remarks. But one of the issues for us is to have a better perception, if you like, as to whether or not in your regular dealings in projects, major projects, in various jurisdictions and particularly in relation to this project, there are opportunities for Victoria to enhance its capacities in its public sector in terms of understanding the needs of delivering the project. Do you have any remarks?

Mr HERBERT — Yes. The first one is that I have noticed particularly is how important it is for bureaucrats within one state to go and talk to their colleagues in other states and learn the lessons from that. That should be promoted and supported. I have noticed particularly in New South Wales they are quite reluctant to do that. They pretty much build a box around themselves. Victoria is a bit more outgoing. Call them study trips, call them whatever you like, but you must share the learnings, share the challenges and share the issues, and collectively the solutions are a lot better. That is almost the no. 1 way of getting better experience.

The other one, which is something I have always promoted and suggested to people they do, is that within a state you have something you call the “centre of excellence”. You have your Major Projects Victoria, for example, and you should foster that group as much as possible to look after the projects. As an example, an Ararat prison could have been delivered by Major Projects Victoria rather than by Justice, so you are enhancing or building on the skills all the time rather than doing a one-off. I think that is a key thing, because otherwise how do people get and retain the experiences?

The CHAIR — Could I develop that theme for a minute because it is a key component of the inquiry — the decentralised versus centralised model of project delivery — and there is a good deal of debate about it. You are leading to a view that having a corpus of regular activity and hands-on experience delivering projects might be significantly preferable?

Mr HERBERT — Carve out groups like VicRoads, for example, which are delivering projects all the time. They are just building on the skills. But in those other areas — health could be a good example to look at — as I say, if you have a group like Major Projects Victoria and it is a career path for people, delivering projects, you will get the same sorts of skills and expertise as you have got within VicRoads. If every agency just says, ‘I’ve got a project; I want to deliver it’, how do they get the experience? And if they have not got the experience, that is one of the elements of failure. That is one of my key things: you have got to have a smart, experienced project team. So you can second people from one group to another, which is easy within government.

The CHAIR — I will round off my opening questions and then refer to the Deputy Chair, but I just wanted to pick up one of the comments you made when you referred to labour costs.

Mr PAKULA — I thought you might.

Ms HENNESSY — Here we go.

The CHAIR — I am being encouraged from my left. Mr Herbert, I raised in a previous session which I understand you observed the issue about the process of decision making, including — as it was alleged in certain media articles — a view about the capacity of your consortia to deal more effectively with the trade union issues than the alternate bidder, and that that is attested to have been a factor in the decision making by the then government in terms of allocating the contract. I am not going to go into that because it is a matter for the previous government in the way the deliberations were made. But I am interested in dealing with your observations about the difficulties of the labour environment, if you like, in Victoria, and in how significant a factor that is in relation to projects like the desal plant and other major projects being delivered by a government through PPPs delivered by consortia, in terms of, firstly, the capacity of a government to go to the market to actually ensure that good public projects are delivered, and secondly, the challenge that there is for consortia like you are running to achieve a good outcome.

I have asked other witnesses the question around pressure in terms of both price of labour — cost of labour — and availability, particularly of labour in Victoria. This is driven partly by the resources boom, as it is termed, where there is a lot of demand for labour in the construction sector, but also in Victoria by the price point of the

cost of labour that has been affected by EBAs in relation to the desalination plant. I am interested in your perspective on those two points.

Mr HERBERT — If I could particularly address the latter point, the cost of labour around Australia is pretty consistent on major projects. If you take VDP, it was leveraged up from what I think is colloquially described as “the water factory” in our mixed metal trades; and each EBA ramps up on the next. The real problem in the increase in labour costs is that there is a particular project — using the example of the water factory, it has an EBA of X. The next one will ratchet up the prices; then the following one will ratchet up the price. If there are two projects in one year, the cost of labour has been ratcheted up a couple of times; so one might go up four and another one goes up five. All of a sudden in 12 months time your labour is 10 per cent higher than what it was 12 months ago. Then that is the new benchmark, which is used for other projects.

If there was a system that said for EBAs there is a baseline or a benchmark for every year, then no matter if you are negotiating a new EBA, it cannot go up any more than the previous one in that year. You would start to stop this ratcheting up. My personal view is the ratcheting up from the EBA to EBA is the big problem that gives the high labour rates. The second problem is the amount of productive hours that you can achieve.

Mr PAKULA — Effectively it is really an argument for a change of the whole IR system.

Mr HERBERT — Yes, pretty much it is. Until it is addressed from that point of view, we will just simply suffer from this escalation. I read some months ago that some unions, like the CFMEU, in a sense were negotiating some four-year deal in Melbourne for the tower cranes and the workers, and they had 4 or 5 per cent. It does not matter what the rest of the community is paying. They have done the deal with the builders. They hold the builders to ransom and unless the builders pay the deal, they do not have a labour force. So we need another mechanism.

Mr PAKULA — I am sure the commonwealth is listening intently. One of the things you said in your opening comments that interested me is not an argument that I have heard put before and it is not a position I have heard defended before; I have not heard AquaSure make this point before. Can you elaborate to the committee on the comments you made about what the state receives at the end of the contract, what ongoing role, if any, AquaSure has at that point? You made a comment about how it should be looked at over 100 years. I would like you to elaborate on that.

Mr HERBERT — Certainly. The way the finance on this PPP and on pretty much every other PPP is structured, it is as if we are building it on behalf of the government, we raise the money from banks and from equity, and we pay that back over the term of the concession period. In our case that is 27 years. As soon as we start receiving the first annual water security payment, the greater part of that goes to pay the interest. It is exactly as in a home mortgage. We borrowed the money from the bank to build the house and we are paying it off over 27 years. When we get to the end of the concession period, it is debt free and it is handed back to the government.

We talked earlier about nominal dollars, but in today’s terms the government will then have a plant worth \$3.6 billion in today’s dollars for zero dollars because it has been paid off in the previous 27 years. It then has a residual life because we have built it to last 100 years, so for the next 70 years all that will have to be paid for in our example is the equivalent of the water production.

Mr PAKULA — The water.

Mr HERBERT — Exactly right, and Mr Sammut before me said it is from 50 cents a kilolitre up to 70 cents a kilolitre depending on the volume. One of the theories that I also have about PPPs is that I think we have the financing structure wrong. Very simply it is this: why should this generation — us — have children who pay off the infrastructure over the next 27 years which will also be for the benefit of the next two and three generations? That is why the annual water security payment is higher than it should be.

Mr PAKULA — Can we walk through that? For you as a private partner, if the PPP structure paid out over a longer time — that is, if you were paid a lower number now, but for 50 years rather than for 27 years — does that make the commercial proposition as attractive to a private partner to government? Are you more or less likely to get private partners in if your payment is stretched out over 50 rather than 27 years?

Mr HERBERT — I was not actually thinking of stretching it out over 50.

Mr PAKULA — Sorry, over how long then?

Mr HERBERT — No, I was thinking that the alternate model is just to pay interest, and in 27 years the government buys it back at the \$3.6 billion.

Mr PAKULA — Buys it back, right.

Mr HERBERT — It puts it back on the market and you go through the process again, so all you are doing is paying off the interest.

Mr PAKULA — You pay the interest, and then you pay a residual at the end?

Mr HERBERT — Yes.

Mr PAKULA — You buy the plant effectively.

Mr HERBERT — It is a bit like leasing a car. It has got a value; you pay a balloon on a lease sort of thing, but we have paid it all off.

Mr PAKULA — We might have to get Treasury back, Chair.

The CHAIR — So interest only, rather than amortising the debt?

Mr PAKULA — Interest only and then buying back the capital.

Mr HERBERT — Yes, so there are a few models like that, which would reduce the present-day cost here and now; and we have not addressed that in the PPP market.

Mr MORRIS — If I can turn to the skills side of it for a minute. Mr Herbert, you mentioned in your opening comments the example of Justice and a project that I think we are all very much aware of that is outside the general run of the mill Justice project and how perhaps that may have been better managed by Major Projects Victoria. Justice also of course handles a steady stream of what might be considered to be bread-and-butter projects, like police stations, fire stations and all those sorts of things. While they are projects of a capital nature, effectively they are bread and butter for the department. Would you see those sorts of projects also going over to MPV?

Mr HERBERT — Those are the sorts of projects Justice should stay with.

Mr MORRIS — It should stay with them, thank you.

Mr HERBERT — Yes, because you have got the scale. You have got a number of them; they roll over; they should get a serious amount of expertise; and they should be able to deliver them as efficiently as anybody should deliver them. But when you have the one-off, the big deal that is different, that is when you need the experience of people who have done that type of thing before.

Mr MORRIS — That leads into the next point. In this case, the case of the desalination plant, do you think the best approach was to have DSE as the agency responsible?

Mr HERBERT — From my point of view it would not matter which agency; it was the people. I know for a fact that Peter Sammut is experienced in PPPs. He was on EastLink. So you have brought across somebody who is experienced. It was a bit like my comment earlier: within the bureaucracy you can move people across. That is what happened and that was exactly the right thing to do.

Mr MORRIS — So it is not necessarily that they would be better housed in MPV, but that you have the capacity to have teams or — —

Mr HERBERT — That is right. Experience-based teams.

Mr MORRIS — Experienced individuals?

Mr HERBERT — Yes. Wherever they are drawn from.

Mr MORRIS — To be moved across?

Mr HERBERT — Yes. Rather than people just promoting them from within the organisation. And in this state you have the skills. This state delivers lot of infrastructure. Get the right people and put them in the team.

Mr MORRIS — Just a final question about skills: this is certainly not unique to Victoria, but there is a view amongst some that a greater degree of input from the Department of Treasury and Finance will inevitably result in a better outcome. I know you said your experience is — —

Mr PAKULA — Certainly from Treasury.

Mr MORRIS — You can say that; I will not go there today. But there is a view, certainly at the business case end, that greater involvement from Treasury is more appropriate. I recognise you said that that is not your primary area of expertise, but if a more centralised capacity was built, would you say it should include the financial aspects as well or would you still have that separate in Treasury?

Mr HERBERT — I think that is a very debatable question. It probably depends on a case-by-case basis. But I would say as a generalisation that any project that has finance in it one way or another has to go through Treasury. It makes sense to me that it is a lot smarter to get Treasury involved up-front because it is going to know how to steer it onto the right path so that it is acceptable to Treasury.

Mr MORRIS — Some have suggested that, to use Mr Pakula's words, Treasury sometimes acts as poacher and gamekeeper — —

Mr PAKULA — They are the Auditor-General's words.

Mr MORRIS — I wonder whether perhaps you use the financial expertise for the business case and putting the project together within MPV, or whatever the entity is, and then the other side, the gamekeeper side, remains with the central agency.

Mr HERBERT — I think that is a beautiful way of putting it. Exactly. I would separate the poacher and the gamekeeper. The poacher is in the team. I mentioned my experience for the Premier's department in New South Wales on steering committees. On most of those steering committees we had a member from Treasury and it really helped to facilitate the whole system. But they were not the guys who, as you say, were the gamekeeper-type people. They were up-at-the-front-end-type people. It was a very successful model.

Ms HENNESSY — Presumably AquaSure's interest was piqued by thinking that this project was going to be reasonably lucrative for it. What has this experience taught you about your interactions with the state of Victoria?

Mr HERBERT — If I could just make a comment about lucrative. The word 'lucrative' does not exist in today's commercial world.

Ms HENNESSY — Particularly not if you are a frog apparently!

Mr HERBERT — Every project is commercially fought and it is the most efficient one on the day that will get it.

Ms HENNESSY — Commercially sensible. I will use the phrase 'commercially sensible'.

Mr HERBERT — Yes, commercially sensible. The banks are in there. We borrow at commercial bank rates. Equity is in there at market rates. All the rest of the costs are as efficient as you can make them.

With respect to government, in a business like ours we have a contract with the government. It does not matter who gets elected to government. We are not a political entity. We do not have political views. It is a government professional organisation in DSE that manages the contract. As long as we have skilled, experienced people doing that, then that is what we need; nothing else. We are delivering a service. The rules are quite fixed. We have a contract. We have water standards. We will do all of that. We get paid for it and in 27 years we will hand

it back. That is the business. We are not a marketer. We do not have a product to market. We have one customer: the Victorian government. It is a different model to most of the other ones you would come across.

Ms HENNESSY — You spoke in your earlier contribution about the importance of having a champion of a project. Who is the champion of your project?

Mr HERBERT — If I go back to that comment, the champion has to be the government. There is a study released today that was undertaken by Deakin University which talks about the need for consultation. My real point is that right up-front the government has to promote, explain and get the community onside: 'This is why we are doing it'. The community accepts it and the whole thing is depoliticised because the community understands. That is what I meant by being a champion. I do not mean the guy holding the flag on the day; I mean who is behind the whole cause at the beginning so that the people in the state understand. If people understand, then largely they will accept what is happening. It is why we are doing this instead of that, which is also very important.

The CHAIR — Just before we go on to Mr Angus, I just wanted to pick you up on a comment you made about capable people in DSE managing the project. Take that, if you like, as a given. The notion of continuous improvement in any environment is important. What are the features that would lead to enhancing the capability of the people who are involved in the project working alongside you — for example, the people from DSE? What is it that you would say, were you their manager, if I can put it in those terms? If you were managing the DSE environment, what is it you would say to these people in terms of, 'You need to acquire certain skills to better enable you to deal with and interface with the private sector.'?

Mr HERBERT — To the extent that there are other projects being developed, I would say work with teams on other projects, say in other agencies. Broaden — not vertically, but horizontally — the boundaries. If it was a water or a health project, get the skills that way. Let's say you are doing, like in other states, a PPP on a hospital: lend some of the team to whoever is delivering that project. Put them in that environment. Give them more project experience — —

The CHAIR — Sorry to interrupt but that again goes back this potentially centralised model of a project management team that contracts out to departments and agencies to deliver projects in effect. You actually have a caucus of people who are continually working on projects and moving from one project to the next.

Mr HERBERT — Yes. The second part of it is like my story: go to New South Wales, talk to people, go to Kwinana, like you guys as a team have, so that the bureaucratic people can actually move about and just talk to people about how things are being done, rather than a set of rules that say, 'You work in Melbourne, you can't go anywhere else.' It is about freeing the boundaries up.

Mr ANGUS — Mr Herbert, I would like to turn to the front end of the relationship with the client and the tenderers and so on. I am just seeking a comment from you in relation to your experience there and what perhaps could be done better from either party's point of view and whether you have any other comments to make about more efficiency at that end of things.

Mr HERBERT — The relationship with the bureaucracy should always be very professional. All the government departments I have worked both with and alongside throughout my whole career I have found to be very professional. It does not matter what people are doing, they have kept it a professional, semi-arms-length relationship, and that is how it should be.

When you get to the political scene, I just cannot comment to the committee on that. That is a different world. It is not the space that I work in. We are about delivering within the parameters set down by a government. Relationships really come down to professionalism. I think as long as everybody can be as professional as possible, then the relationships will be as strong as possible and the product will be delivered successfully, whether it is cleaning a hospital or whatever else. I think that is the most fundamental thing. It is respect for whatever each party is striving to achieve.

Mr ANGUS — Sure. But in terms of the tenderers and that whole process, the bidding and all that sort of thing, have you got any comments in relation to efficiencies that could be gleaned?

Mr HERBERT — Efficiency — everyone in the private sector will tell you that they would like the cost of bidding for projects to be reduced. One of the biggest costs to be reduced are the legal costs. The legal costs come about because the project documentation is so complex. It is getting more and more complex. You should see the suite of documents in our project, and to do it involves a lot of legal costs, an extraordinary amount of legal costs. There are committees around this country; the states are getting together to try to unify the conditions for PPPs. If you go back a decade, that is why Transfield construction effectively left the construction industry. They had won a couple of PPPs and did a fantastic job here on CityLink. They lost two or three in a row that cost so much and that was the end of construction for them. That is the sort of consequence of inordinate costs. It also limited the number of construction companies that actually had the financial capability to put that amount of money into the bid process. It is the old story — the process you adopt is totally professional, as tight as a drum and you could not do better than that, but, boy, there could be something done about the bid costs of it.

Mr PAKULA — Mr Herbert, some submitters have in fact suggested to this committee that one of the things that could be done about bid costs is reimbursement of partial costs for unsuccessful bidders. I just make that point. It is one of the bits of evidence that we have received, and I know it occurs in some jurisdictions in regards to some projects.

I want to go back to your comment about the need for a project champion and the comment about the project needing to be explained and for public support to be built. During the set-up and the project delivery phase in the lead-up to the contract close et cetera, did you feel like the project had a champion?

Mr HERBERT — Mr Pakula, I cannot actually answer that question because I was not in Victoria then. I had an arrangement with the consortium that if they won it, I would deliver it. I had a couple of trips to Melbourne but I was not part of the process. Many others could answer that question much better than I.

Mr PAKULA — In terms of your comments about the champion having to be from government, do you feel like the project has a champion now?

Mr HERBERT — We do not hear a lot about the positive aspects of desalinated water in Victoria — security for the future and those sort of things. I think that is very important, yes. AquaSure would say, ‘We are about to future-proof Victoria from the vagaries of climate.’ That is a huge asset for the state.

Mr PAKULA — I suppose the benefit of a committee like this, Mr Herbert, is that it gives you an opportunity to make that point in the public domain.

Mr O’BRIEN — Thank you for your evidence. There are just a couple of things I want to take you to, and if you cannot answer any of these one way or another, please feel free to say so. One of the things that we are looking at in the 100-year-long term, or at least the 27-year-long term, is the sort of work that has gone into formulating the assumptions on the size and scale and ultimate cost of this particular plant. As a bidder, were you consulted or involved in any way in putting up options for smaller scale plants, say, of the size in Western Australia or in a trial of a smaller plant growing to a bigger plant to build up that expertise in government and in your own organisation in Victoria?

Mr HERBERT — Probably the best way for me to answer that question is to say that all around the country the government decides on the scope and size of the project. Some states have a system of privately initiated projects — New South Wales had that under the Greiner government. That is coming back again; the private sector comes to the government and says, ‘Hey, we could do this for you’, but that is the exception not the rule. The rule is it is the government’s role to decide what it wants. There is not a lot of point in the private sector saying, ‘You don’t want something that big; instead of size X, it should be size Y’ because you are responding to a brief that says, ‘We want size X.’

Mr O’BRIEN — That is what happened in this case?

Mr HERBERT — That is what happened in this case and in pretty much all cases.

Mr O’BRIEN — Let us look at the extent to which the ultimate stakeholders are involved in this decision — the Melbourne Water customers or the citizens of Melbourne and Geelong and other places that are connected to the water supply. You used the phrase, ‘Why are we doing this instead of something else?’ You accept that

desalinated water is very expensive, particularly in relation to electricity costs. The figures are \$13.58 for 50 kilolitres on the 2013 prices, versus \$1.50 per kilolitre based on present value — water from the sky or dams et cetera.

Mr HERBERT — Sorry, I do not understand what the question is.

Mr O'BRIEN — Desalination water, because of the electricity component principally, is a very expensive means of delivering water in comparison to other methods.

Mr HERBERT — That is probably another study for others to do. All I can tell you is what we are being paid by the Victorian government to produce water. I think it is for others to make the comparisons if it is worthwhile, but I will make one comparison. People often talk about treating sewerage and the like. If you are treating sewerage on a scale, nobody has yet done a full plan and a full costing of what it would do, nor have I ever seen it — and probably there is information about it — because I am not a water scientist, but the thing about desalination water is that you get pure water. We have a beautiful source of water in Bass Strait if you take the salt out of it and put in the chemicals, as any water treatment plant does, to potabilise it. If you are looking at the alternative and you are talking about not the same thing — you are talking treated water and the like — the thing you have got to address in that is how do you get all the pharmaceuticals out of it? How do you get all the drugs out of it? Somebody is taking drugs. Everything that is taken by humans when it flushes down the sewer system is going to go into that water system and needs to be treated, and you are going to drink it. I am for the desalinated water, irrespective of the cost of the electricity. That is why I am a desal fan.

Mr O'BRIEN — I accept that. Just to be clear: I had not put up any particular suggestion of water alternatives, particularly treated water. I was looking at existing water in terms of the Victoria supplied \$1.50 water, which is effectively dams and rainwater, including rainwater essentially stored in people's own houses et cetera in rainwater tanks. So going to this question of the size and scale, you said that that was not effectively a decision of the contractors involved. The ultimate worth of this in terms of whether it should have been at this size or scale will effectively be the extent to which demand for this water is taken up over time. You also said a phrase earlier: that the annual water security payment was higher than it should have been, or one of the reasons it was higher.

Mr HERBERT — No, I said there were other mechanisms that you can reduce it.

Mr O'BRIEN — Yes.

Mr HERBERT — I would not have said it is higher than it should have been.

Mr PAKULA — Buying it back at the end.

Mr O'BRIEN — Buying it back at the end I am saying.

Mr HERBERT — Yes. There are other financial mechanisms to reduce it.

Mr O'BRIEN — Yes.

Mr HERBERT — My comment was about this generation paying for all of it, and yet it is going to be operating for at least 100 years.

Mr O'BRIEN — But the question of how much water will need to come out of the desalination plant in Victoria is obviously going to be played out over time and it ultimately comes back to those initial assumptions. That is correct, is it not? And the key thing of the ratio between the availability payment, which is the \$18 million one, and then the actual usage payment, was that something that the contractors were involved in again, effectively delivering a plant for the specifications.

Mr HERBERT — If I could make a simple comment. It comes back to what the private sector bid states: how are you going to finance it? And there are two components. No. 1, we have to pay off the \$3.6 billion worth of capital costs. It is as simple as that. How do you do that? The annual water security payment. That is what it is about: paying it off so that after 27 years it is handed over to the government at no cost.

The second part is the annual cost of producing water. The two are quite separate. Had the government done a D and C, it would have faced a very similar annual water security payment because Treasury would have had to go to market and borrow all the money. It would have had it built. It would have to pay it back over — let us say it chose 27 years. It would come up with a similar sort of amount of money. There is no prospect of sort of jumping up the water delivery except for, as Mr Sammut said, if you have a minimum. So if the minimum is 50 gigalitres, it would still cost the government the same per year.

Mr O'BRIEN — The last part of that, which you are not able to answer, is again dependent upon the key assumption as to the size for the amount of water needed over the life of the plant, isn't it? That all depends. For example, if we contrast it back to Western Australia, they had a Rural Water Commission equivalent that effectively had a long-term water plan in place, and Western Australia needs water a lot more than Victoria does in general terms. This project essentially — —

Mr PAKULA — Who says?

Mr O'BRIEN — The rain barometer.

Ms HENNESSY — Let us have evidence around the feasibility study — —

The CHAIR — Let us not have a debate.

Mr PAKULA — Compare the plan.

The CHAIR — Order! Mr O'Brien is coming to the conclusion of his question.

Mr PAKULA — Is he?

The CHAIR — He is.

Mr O'BRIEN — If you had done the work up-front on these sorts of matters, we might be — —

The CHAIR — Mr O'Brien, there is no need to excite the committee.

Mr O'BRIEN — Respond to provocations? I agree.

Mr PAKULA — I think the evidence was that the work was done up-front — —

The CHAIR — Mr Pakula, let Mr O'Brien finish. Mr O'Brien, you are finished. Could Mr Herbert advise the committee: are you aware of any comparative studies in terms of the cost of delivery of water by way of desalination plants in Australia? Is there a comparison between the various plants?

Mr HERBERT — There was one article done by an international water magazine some time back. My colleague Mr Ridley would — —

The CHAIR — Does that include — —

Mr HERBERT — No, that is the only one that I am aware of. It is just not an area that I have studied.

The CHAIR — That does not include the AquaSure project?

Mr HERBERT — It does.

The CHAIR — It does, okay. I would be interested if you can provide that to the committee at the end of the hearing because the committee is interested just to flesh out a better understanding of general area.

Mr HERBERT — If I could just make one other observation sort of half answering Mr O'Brien's question, which did not quite get finished, with respect to scale, that is the job of planners. Sydney Harbour Bridge — wow, what a wonderful job the planners did then! You take Sydney; you take Melbourne, the Monash Freeway — what a rotten job the planners did in the early stage, and you had to widen it and get acquisitions. Every time you go to expand it, it costs you a fortune, but that is the job of the planners.

Mr O'BRIEN — Thank you. That is my opinion. Avalon airport, for example, long-term as opposed to Sydney.

Mr HERBERT — Yes. Hastings port, all those sorts of things. That is what we have planners for.

Mr O'BRIEN — That is what I sense. Thank you.

Ms HENNESSY — Mr Herbert, you started to explore this before, but I was interested in what comments you have about the use of the procurement model of the PPP over the use of a straight D and C. Why do you think this has been a successful model, if that is in fact your view? I am also interested in terms of I understand that your perspective comes from your commercial interest. We are also interested in the public interest, so could you reflect any of your comments back to what is in fact in the public interest?

Mr HERBERT — Indeed. No one answer and no one model fits all — no question about that. With PPP, the first thing is that the government does have very good ways of determining: should it be a PPP, should it be a D and C, should it be something else?

Ms HENNESSY — For the public sector comparator?

Mr HERBERT — No, the public sector comparator is just, I think, one of the tools. The first thing is funding. Does the government want to fund it? Does the government want the private sector to fund it? Who do you want to take the whole risk of, say, operations to make sure that if you take our plant and if it does not perform as specified, that is our problem. We have got to spend our money to bring it up from scratch. Were it D and C and it did not perform, you would be spending government money. So you have all of these factors to take into account, and you need the skilled people to analyse, put the options up — not take the decision — and put them to government. I am sure that is what happens anyway, and cabinet decides which way should we go. I think your process is pretty robust in making those decisions.

Mr MORRIS — One aspect of the competencies aspect that I was exploring earlier, I am just wondering, Mr Herbert, whether you have seen — and the answer is probably no — if there are any particular skills gaps in terms of the development and implementation of major projects in Victoria?

Mr HERBERT — I think my experience base is too narrow to be able to comment on that. From a broader perspective, this state has actually led Australia in its delivery of projects and the way you have gone about it. You have the Treasury guidelines. I think you are pretty much at the front in Australia, certainly in structuring PPPs, so I would say that whatever has got Victoria's skill base to where it is, continue on that path and stay ahead of the rest.

Mr MORRIS — I guess the evidence that we have heard that prompts the question is that we have heard from Engineers Australia that all our ills will be solved if we have more engineers employed by government, and we have heard at the other end from other areas, 'Well, no, you do not employ anyone with skills. You go and buy them for the project and then you send them back to wherever you got them from'.

Mr HERBERT — I think the Engineers Australia comment was pretty close to the truth. We have seen over the decades quite a loss of corporate knowledge from authorities. You have to have that, and then you have the sorts of expertise, as we have spoken about earlier this afternoon, when you have got major projects.

Mr MORRIS — So it is not just about the specific skills to undertake the task; it is also about the corporate memory?

Mr HERBERT — Absolutely, and you bring young engineers — if you are talking engineers; it does not matter what they are — in at day 1. They do not necessarily have to have career paths in the one organisation, but unless you have got them — got lots of them at the beginning — you are not going to have many of them at the end. That loss of corporate knowledge is a big loss to the state of Victoria, quite seriously. We have seen that in many organisations as they have downsized. You get to people of my era, the classic baby boomers, and in a lot of cases they are the only ones that are there. Then you go to the 40, 50-year-olds, and there is a whole gap of knowledge missing because governments did not engage. They stopped the old facility where they had cadet engineers and the like. That was a fantastic strength. The old Melbourne and Metropolitan Board of Works, for

example — it could do anything. That corporate knowledge — you have to have it for the life of the asset. You cannot bring in somebody who does not know the history to do that.

Mr MORRIS — I guess you do then get into arguments about efficiency, because I agree with what you are saying about the board of works, but I also know from many people I have subsequently worked with who started their careers there that it was one of the most inefficient organisations ever put on God's earth.

Mr HERBERT — You have got to change with the times — no question. Anything stable will become inefficient and die, so you have to change with the times. But you have to keep investing in the youth for the corporate knowledge.

The CHAIR — Mr Herbert, in a range of evidence that we have received formally — and I suppose a lot of informal discussion has been around the different vehicles of delivering projects, whether it is D and C, F and C, alliancing or PPPs — one of the issues that has emerged from some evidence is the question about what we actually mean now by a PPP. In some respects, particularly from, I think, a Treasury view, a PPP is actually about risk transfer substantially — transferring risk from the public to the private sector. It seems that when a layperson would use the term 'partnership', they actually would assume that means working jointly to a common objective, and that may mean from time to time reconfiguring the way of achieving that objective. Alliancing seems to be much more in reality effectively a partnership than what we now use as a vehicle under the PPP model. Would you like to make some comments around those two alternative delivery systems?

Mr HERBERT — I think you have described them well, particularly Treasury's view. But if you put Treasury in the field — 'Hey, Treasury, you have got to deliver the project' — I prophesy that it would be a disaster because they have the total hands off. They look at the good book, and they come back in 27 years, in our case, and take the plant over. That is my view of it.

Ms HENNESSY — And tell you nothing about it on the way through.

Mr HERBERT — They are not the informed client about the project. They are exceptionally good about finance, and from their point of view — I understand their point of view — PPPs are a way of project delivery, putting all the risk in the private sector. That is their point of view. However, if you want a successful PPP, whichever agency is delivering it on behalf of the government, that gets back to the bit about: get closer to the alliancing model, get involved. Do not get involved to the extent that you are transferring contract risk; get involved enough so that you can help steer it.

Say, for example, you want approvals — it might be environmental approvals from the environmental department — government can best talk to its department and say, 'Look, we have got a problem coming up here. We need your help'. It is that sort of thing. In my history I think in fact Victoria does that pretty well. When we went — and Mr Sammut talked about it — to syndicate the second part of the debt, which was some \$1.7 billion, we did a roadshow. That was done as a partnership between the government, ourselves and the bankers. We had presentations in Sydney and Melbourne. I think we went to Tokyo and Singapore. I went to London and Paris to talk to all the bankers. Mr Sammut got up and talked about the project from the government's point of view. I talked about AquaSure and the whole financing structure and that sort of thing. That was done collectively. Had we, say, done it on our own, I suggest we would not have had as much success in raising the funding at that level, because the banking community thought the government was behind this project. That is great. That is an example of the third P in 'public-private partnership'.

Mr PAKULA — You were in the gallery when Mr Sammut and Mr Wilson were giving evidence, and you also answered our earlier question — you talked about how, if you had a debt-financed D and C, it would be fairly similar. We asked the previous witnesses whether or not the water security payment, given that it is an infrastructure payment, by and large, was similar in some respects to funding any other type of infrastructure by debt and then paying off the interest over a period of time. In the case, as I made, of Thomson Dam, you sometimes take water from it but not always. It seems to be that despite the fact that the vehicles are reasonably similar in that respect, the vehicle that is being created for this project is subject to a great deal more criticism and scrutiny. I am wondering what you would say about that and whether that is a source of frustration for the consortium.

Mr HERBERT — What is interesting is what you compare. Your example of the dam is very good because most of the facilities built in most of the states have been funded out of the annual capital works budget, and

they have not paid for themselves — hospitals, schools, roads, railways, whatever you like. In fact railways only get about a third of it back, if that, in the fare box. This is different; this has fully paid for itself. You just cannot draw a comparison about that.

From our point of view it is important that people understand why you have a particular delivery model, and the people who need to understand are probably those in the broader community. That gets right back to the beginning: as I said, you need the champion to explain to the population why we are doing what we are doing, and they can be at greater ease. Why are we paying it off over 27 years? By the way, in today's dollars, when you get to year 28 of operations it is only going to cost you 50 cents a kilolitre for water, not that absurd price — if I can use that comment — of \$13, which is amortising the capital cost over the 27 years divided by X delivery. It is only going to cost 50 cents a kilolitre. People would be interested in that. They would say, 'Okay, I see why we are doing it this way'.

Mr PAKULA — I suppose it is difficult to have that explanation in the public domain when there is so much political capital invested in demonising the project, as is the case — as you have demonstrated, Mr O'Brien.

Members interjecting.

The CHAIR — Deputy, you are pushing the bounds of tolerance here.

Mr PAKULA — I have stopped; I am finished.

The CHAIR — I am pleased you have finished, because — —

Mr O'BRIEN — The public can judge for itself what it wants to pay for water. That is not his evidence; that is the ultimate decision, which we will all stand by, Mr Pakula.

The CHAIR — Thanks, Mr O'Brien. Thanks, Mr Pakula. Just let it go.

Mr ANGUS — I want to go back to the issue of corporate knowledge and something that you just raised as a risk: that that can flee over time. How is AquaSure going to protect itself in that regard?

Mr HERBERT — I think it is very different story for an organisation like ours. We are small in number. We have a succession plan. The team, in my case, that started the project is the same team we have today except for one case, which is our environmental management representative. Environment is a very big part of our business. We have the most sophisticated environment-protected plant, I think, that has ever been built in this country. The water quality, the discharge, things like underground power and the onset of overhead power — the environment is magnificently protected. You have to just keep the knowledge, keep the people — —

Mr ANGUS — That is what I am saying. If you have got it today, in 5, 10, 15, 20 or 25 years who is going to know how to change the washer on a tap?

Mr HERBERT — Good question. In my simple model at the moment we have a model within AquaSure where we cross over the boundaries of knowledge. For example, say somebody was sick, amongst three or four others we can cover all the work that they do. In the longer term, for example, in my case I have a chief financial officer. The financial manager is 12 years younger. The chief legal officer, the legal person, is 10 years younger. You will just see them taking up the role. That is how we do succession planning.

Mr ANGUS — I am talking more about the technical side, like your engineers down there working in the plant. How are you going to protect Victorians in that regard?

Mr HERBERT — That is a very different question, and the knowledge there is a lot easier because all our operations are being sublet to Degrémont-Thiess Services. Degrémont operates worldwide, so the knowledge of water treatment and their area is ever growing. They are a growing business and always bringing new people in. Some will come to our site and work there for a period. The process is fairly similar. The people within the organisation have a great deal of plant operation-type knowledge, and that will just keep getting refreshed. Where we would have a problem is if we were the sort of business that we went out to the market to get a new operator — then there would be no corporate knowledge. But our operator is whole-of-life as long as we are. The process just looks after itself in that regard.

Ms HENNESSY — Mr Herbert, how important is having a pipeline of projects going on in terms of keeping organisations, a workforce and equipment in the state?

Mr O'BRIEN — Does that include the north–south pipeline project?

Ms HENNESSY — You should feel free to ignore the village idiot and proceed with answering the question, Mr Herbert.

Mr HERBERT — The private sector will always drive for that argument: a pipeline of projects. Quite frankly, I think it is unrealistic. The reason I think it is unrealistic is that projects follow budget cycles. You might have large projects — for example, your rail link. Say it takes \$3 billion or \$4 billion; you cannot then start another one because state budgets are only so big. I think the most important thing is that the project budget development and infrastructure keeps rolling. You might spend in Victoria — I do not know what the number is — say, \$8 billion a year. It is probably circa that in public infrastructure, and it is important that it keeps rolling. The fact that one project might go over three years and then there is a gap until the next one is inevitable. The important thing is the reinvestment in infrastructure.

Ms HENNESSY — In terms of tenders, some of the evidence that this committee has heard over time has been in the context of looking at PPPs versus alliances and D and C. One of the observations that has been put to us is that we have gradually built up almost a duopoly in terms of who the consortiums are actually made up of. I was just wondering what your comment is on that.

Mr HERBERT — Governments have tussled with that for years. They have sent study groups overseas to attract foreign companies and the like. Interestingly there are two or three Spanish companies that have now entered the construction market.

Ms HENNESSY — The Italians and the French are also exhibiting some interest.

Mr HERBERT — Yes, the French have a couple of contracts in Queensland. I think that is starting to change. Recently there was a change of ownership when Baulderstone and Abigroup, which were owned offshore, became part of the Lend Lease group. You have the Leighton camp, which everybody knows of. In the old days we had Thiess John Holland contractors and we had Baulderstone and Abigroup. They were separate contractors, but now, being under Lend Lease, they would be far more powerful financially than the Spanish and the French. I think, for the budget we have to spend on work in this country, we are pretty well provided for.

Ms HENNESSY — In terms of having a degree of competition within the sector?

Mr HERBERT — Yes, I think it is more than adequate. There are probably more companies at that level seeking the work. Laing O'Rourke, for example, was brought out by Laing in Great Britain and is now pumping money and building up. Then there are the middle contractors that will always get bigger. I was surprised to see a company that I knew when they started in Queensland — I think the name is BMD construction — now working in Victoria. They turn over something like \$800 million. They are growing, growing and growing. I think we are pretty well off in this country.

Mr O'BRIEN — Just to finish off that analysis you provided, you said that after the 27 years of the capital payments and usage payments, effectively the public gets it for nothing, but the public has paid for it during those 27 years.

Mr HERBERT — Correct.

Mr O'BRIEN — That is at \$2 million a day. If the real life of the project is 100 years in terms of capital, in a sense you are up-fronting members of the public who are paying over those 27 years when it could have been spread out over the 100 years to be more fair.

Mr HERBERT — Correct, yes.

Mr O'BRIEN — So in a sense it is three times higher for the present generation than it could have been for a capital project going on into the future.

Mr HERBERT — In simple terms, yes.

Mr O'BRIEN — In answer to Mr Pakula's problem, the other element of desalination is that it is very high in energy use as opposed to rainwater or dams, is it not?

Mr HERBERT — Yes.

Mr O'BRIEN — If the costs of energy are going to continue to rise even beyond the 30 years — who knows where we are going to get our power sources if we are not allowed to use brown coal — and assuming that power is a problem, that could be another potential issue into the future.

Mr HERBERT — Let me make comment on that. The DSE team that put this project together thought that one through. Our power proposal — our bid — is all green power. Our power supplier is AGL, and their price for us is fixed over the 27 years. There will be no increase to the consumer on the cost of power during our life of 27 years. Then you have to face it again. That is why the Macarthur wind farm was built. We are one of the underwriters —

The CHAIR — Thank you very much. I have to close the hearing at that point. Thank you, Mr O'Brien, Ms Hennessy and Mr Pakula. I have to wrap it up at that point, but before I do I would like to sincerely thank Mr Herbert and Mr Ridley for their presentation today. I thank Mr Herbert for his candour. As I intimated earlier, it was extremely helpful. In relation to one final matter, I would be interested to know if AquaSure could possibly host an inspection of the site for the committee. I would be very interested in having a look. We went to Western Australia to have a look at the Kwinana plant, and I think it would be very helpful if the committee had an inspection, if that is possible.

Mr HERBERT — AquaSure would be delighted to host the committee.

The CHAIR — Thank you very much. You will receive a transcript within two weeks. I ask that you check it for factual errors and return it, and then it will be posted on the website. Thank you very much. This closes the hearing.

Committee adjourned.