

**Senate Standing Committee on Education Employment and Workplace  
Relations**

**QUESTIONS ON NOTICE  
Supplementary Budget Estimates 2012-2013**

**Outcome 2 – Schools and Youth**

**DEEWR Question No. EW0718\_13**

**Senator Scullion asked on 18 October 2012, Hansard page 67**

**Question**

**Overspend at Wadeye facility**

When were you first aware that there were going to be significant blow-outs in the construction cost at Wadeye? Mr Hehir: I will have to take that on notice. Senator SCULLION: Ms Paul, before we move on from that, I understand that you might need to take that on notice but, given that you do not seem to be disagreeing with me on the quantum here—I think they are pretty basic figures—and that we appear to have spent half of the amount that was originally budgeted on what is effectively one-third of the work, one would have expected that, given the differential in what would have been expected by all the announcements and what it has actually cost you, that you would have been able to provide an answer today. We now have the very first direct figure. I appreciate that we often take things on notice, but I would have thought you would have been able to provide at least some indications of why there has been a blow-out of this nature on something of this import.

**Answer**

GHD was engaged by Aboriginal Hostels Limited (AHL) to prepare a Technical Feasibility Study for a student boarding facility in Wadeye. The Report, published in May 2010, estimated an indicative cost of \$12,094,850 for the project. This amount excluded costs associated with procuring the land and costs to Aboriginal Hostels Limited in managing the delivery of the project.

On 25 June 2010 the Department entered into an agreement with AHL to provide funding of \$12,115,850 for the construction of the Wadeye boarding facility. The project was scheduled for completion by 30 April 2012.

On 14 August 2011 AHL advised the Department that the funding provided would not be sufficient to complete the project. Additional costs related to the need for security guards to protect the building, early works package, additional site engineering costs, increased architectural costs, building application fee, Power and Water connection charges, an increase from 3% to 5% for contingency costs (due to the difficult construction environment) and a GHD program management variation. A contract variation of \$1,370,640 to cover these costs was signed on 27 October 2011.

On 3 April 2012, AHL sought a further contract variation, due to increased costs for building construction, additional building fees and levies and AHL management fees. A second contract variation of \$1,031,282.38 was signed on 20 April 2012. The final construction cost for the Wadeye boarding facility was \$14,236,000.

The cost of constructing the facility increased because of the difficulties associated with construction in such a remote location. The isolation of the site and the impact of a record wet season extended the program for completion of the facility.

The increase in construction costs was the result of several factors, including additional costs required for security during the building phase, necessary to protect the facility and construction staff; additional barge freight costs due to the prolonged 2011/12 wet season, which precluded goods being transported by road; an increase in the price of concrete from \$680m<sup>3</sup> to \$750m<sup>3</sup> during the construction phase; an extension of the construction period beyond the projected end date (again due to the prolonged wet season); an increase in fees and levies (eg NT Build Levy); and a management fee payable to Aboriginal Hostels Limited.

The final cost of construction represents a less than 10 per cent increase in costs per year over the total two year construction period.