



Australian Government

Department of Infrastructure, Regional Development and Cities

**Secretary
Dr Steven Kennedy PSM**

Ms Susan Cardell
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Ms Cardell

**Commonwealth Procurement – Inquiry based on Auditor-General’s reports Nos. 61
(2016-17), and 9 and 12 (2017-18)**

I write in response to the two Questions on Notice received by the Department of Infrastructure, Regional Development and Cities (the Department) from the Joint Committee of Public Accounts and Audit in February 2018 in relation to the Inland Rail Programme.

Please find attached the Department’s response.

Yours sincerely

Steven Kennedy

19 March 2018

Response to Question on Notice

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Auditor-General's report No. 9 (2017-18)

Management of the Pre-construction Phase of the Inland Rail Programme **[Department of Infrastructure, Regional Development and Cities]**

GENERAL COMMENTS

Nil response

SPECIFIC QUESTIONS ON NOTICE

Question #1 (Page 1)

Can the JCPAA be provided with a copy of the unpublished equity payment projection:
(Bishop ARTC) “progressive (equity) payment drawn down by submission on a monthly basis against the forecast payments. Those are then subject to ongoing review and payment on a progressive basis as the project proceeds over the full term of the construction”

Response

As announced in the 2017-18 Budget (Budget Paper 2: Capital Measures) the Government will provide an additional equity investment of \$8.4 billion over seven years from 2017-18 to the Australian Rail Track Corporation (ARTC) for the delivery of the Inland Rail project. Under the measure, the ARTC will leverage greater debt and enter into a public private partnership for the Gowrie to Kagaru section, the most complex element of the project.

Due to market and commercial sensitivities, including the potential to influence future tenderers submissions, the equity projection over the life of the project was not made public. For these reasons the Department is unable to provide to the Committee the projected equity payment projection.

Response to Question on Notice

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Auditor-General's report No. 9 (2017-18)

Management of the Pre-construction Phase of the Inland Rail Programme **[Department of Infrastructure, Regional Development and Cities]**

GENERAL COMMENTS

Nil response

SPECIFIC QUESTIONS ON NOTICE

Question 1 – Further Questions (correspondence dated 27 February 2018):

Why did it take ARTC and the Department of infrastructure three years to sign a Deed of Agreement? Would you comment on the Auditor-General's observations that the agreement did not provide details of project milestones and reporting arrangements as per the Minister's request?

Response

The Department has previously provided a response to the question, please see paragraph 2.42 of the Australian National Audit Office Report No. 9 2017-18 Performance Audit.

Infrastructure advised on 7 July 2017, that:

There is no specific reason for the length of time the Deed took to negotiate. This funding arrangement is a binding agreement between the ARTC and the Commonwealth. It took some time to negotiate, longer than anticipated, in part due to both parties being aware of possible precedent for future construction funding.

The project (and risk) was being managed under the funding arrangements confirmed in an exchange of letters between the Department and the ARTC confirming the coverage of the funding through the Notes on Administration for the Infrastructure Investment Program.

The National Land Transport Act also provides the administrative requirements for associated projects, in particular sections in Parts 3 and 4 of the Act specify that conditions must be complied with including: reporting requirements; provision of information on request; and repayment of funds. The milestone approval arrangements required under the Notes on Administration also provided coverage from a number of perspectives including accountability and delivery of agreed outputs.

The Notes on Administration and Act manage risk and provide an accountability framework consistent with those in the Deed of Agreement.