

Annual Report

- 1.1 Under Section 16 of the *Public Works Committee Act 1969* (the Act) the Parliamentary Standing Committee on Public Works is required to provide a report of proceedings in the previous calendar year to each House of Parliament.
- 1.2 The Act requires all proposed public works costing over \$15 million to be referred to the Committee for consideration and report. During 2009 the Committee examined 14 works which had a combined cost of \$3.3 billion. A list of the works and their individual costs is at Appendix A. A list of works notified to the Committee under \$15 million is at Appendix B.
- 1.3 One work referred to the Committee, which was the provision of housing for Defence at Yamanto Hills, Queensland, by Defence Housing Australia, was withdrawn from the Committee's consideration. The reason for this withdrawal is outlined in Report 3/2009.
- 1.4 The Committee's reports, submissions to each inquiry and transcripts of associated public hearings are available on the Committee's website.¹ The Committee's website also provides copies of previous reports and also the procedure manual that agencies use to assist them prepare projects for Committee review. A list of all the Committee's meetings and hearings held during the year is at Appendix C.

1 <www.aph.gov.au/pwc>.

Inquiries and reports

- 1.5 As noted in previous annual reports, the Committee is conscious of its responsibility to consider works expeditiously. During 2009 the average inquiry was completed in nine weeks. The inquiry process allows time for the public to comment on proposed public works, the Committee to inspect the proposed work site(s) and to hold public and private hearings to take evidence. The Committee also considers the parliamentary sitting calendar when planning its inquiry timetable to ensure that reports can be finalised and tabled promptly when both Houses of Parliament are sitting.²

Confidential Cost Estimates

- 1.6 Any delays in inquiry timeframes in 2009 generally related to the need for proponent agencies to provide more information to the Committee – usually in relation to project costs.
- 1.7 Agencies prepare confidential cost estimates for proposed works for the Committee. These estimates are not made public by the Committee in order that construction contract negotiations are not affected. The Committee examines the confidential cost estimates for each proposed work with the proponent agency in a confidential hearing immediately before or after the public hearing associated with the project.
- 1.8 On several occasions during 2009 the Committee sought more financial information from agencies as the cost estimates lacked sufficient detail or precision. It is important that the estimates are specific enough to give the Committee confidence that projects have been accurately costed and can be completed without cost overruns.
- 1.9 During 2010 the Committee will be looking to ensure that the overall quality of the confidential cost estimates provided improves.

Urgent and confidential works

- 1.10 During the year there was discussion in both the House of Representatives and the Senate about works that were exempt from the Committee's scrutiny. The Act allows the House of Representatives to resolve that a work is urgent and that it can commence without referral to the

2 In any event, a work cannot commence until after the committee has reported to both chambers and the House of Representatives has resolved that the work can commence – the latter which can only occur when the House is sitting.

Committee. Likewise, the Governor-General can declare that a work is for defence purposes and that reference of the work to the Committee would be contrary to the public interest.³

- 1.11 During 2009 an exemption on the grounds of urgency was sought by the Government and granted by the House of Representatives after debate for works associated with delivery of the Regional Blackspot Backbone Program of the National Broadband Network.⁴ In addition, an earlier 2007 exemption of the new Australian Security and Intelligence Organisation (ASIO) building in Canberra from PWC scrutiny on the grounds that reference of the work to the Committee would be contrary to the public interest was subject to criticism in the Senate.⁵
- 1.12 The Committee wishes to remind observers that it does not decide whether works should be exempt from its scrutiny on the grounds of urgency or security. That decision is the responsibility of the House of Representatives or the Governor-General respectively.
- 1.13 Having said that, the Committee believes that it demonstrated in 2009 that it is well placed to consider proposed works both expeditiously and, if necessary, confidentially.
- 1.14 During the year the project to redevelop the Tarin Kowt base in Afghanistan, which was both urgent and sensitive militarily, was referred to and successfully considered by the Committee. The Committee dealt with the referral in less than four weeks, taking the majority of its evidence in-camera and by confidential submission. As a result, the Committee was able to assure both the Senate and the House of Representatives that the need, scope and cost of the works were appropriate.⁶
- 1.15 As it has stated in the past, the Committee does not see the failure of agencies to allow for the parliamentary approval process in their timetables as grounds to seek an exemption from scrutiny on the basis of urgency. However, the Committee will always do its best to expedite genuinely urgent works. Similarly, the Committee's ability to take evidence in camera and report to Parliament without revealing sensitive information means that the Committee can successfully review works that

3 Sections 18(8)(b)&(c), *Public Works Committee Act 1969*.

4 *House of Representatives Hansard*, 17 September 2009, pp. 9950-9953.

5 *Senate Hansard*, 20 August 2009, p. 5502-3, 5514; 9 September 2009, p. 6215; 14 September 2009, p. 6426-7.

6 See Parliamentary Standing Committee on Public Works (PWC), *Report 7/2009: Referrals Made August to October 2009*, pp35-36.

might otherwise be exempted from any formal parliamentary review on security grounds.

Project updates

- 1.16 Agencies are required to inform the Committee of any significant changes to the original scope, function, design or cost of projects that have already been approved by the Committee. On occasion, the Committee also requests, through its reports, that it be provided with updates on particular aspects of projects for which it has any concerns. For example, in Report 6/2009, the Committee recommended that it be presented with the detailed design plans for stages 2 and 3 of the Villawood Immigration Detention Facility prior to construction commencing.⁷
- 1.17 In 2009, the Committee received several briefings on projects where significant design changes had been made. On the whole, the Committee was satisfied that changes were unavoidable or desirable and had been made in an open and transparent manner. However, the Committee remains cognisant of its authority under Section 19 of the Act to review projects should it not be satisfied with any changes to the project as presented. For example, in August 2009 the Committee received a briefing from the Australian Federal Police (AFP) regarding scope changes to the AFP headquarters at the Edmund Barton Building, in Barton, ACT.
- 1.18 Under changes to be implemented as an outcome of the Auditor-General's Report 20/2008-09 (discussed later in this report), agencies will now be required to report to the Committee on project completion. The Committee looks forward to receiving these reports.

Medium works

- 1.19 In 2009 the Committee commenced publishing for the first time a list of all medium works of which it is notified. Medium works are those costing more than \$2 million but less than the \$15 million 'threshold amount' which triggers a full committee inquiry. In 2009, the Committee was notified of 78 medium works having a combined cost of \$425.31 million. The list of medium works is at Appendix B.

7 PWC, *Report 6/2009: Redevelopment of the Villawood Immigration Detention Facility*, Recommendation 2.

- 1.20 Details of medium works have not been released in the past. However after consultation with the Minister for Finance and Deregulation, the Committee resolved to publish limited information on medium works in the interests of increasing the accountability of public works delivery. The Committee now publishes on its website the following information on medium works:
- project title;
 - name of agency; and
 - date on which the Committee was notified of the proposed work.
- 1.21 On two occasions during 2009, the Committee declined requests for medium works approval.
- 1.22 On the first occasion, an agency requested that a package of works be considered as two medium works projects. The Committee declined this request on the grounds that the works were interrelated and therefore one larger work. This combined work was later referred to the Committee for a full inquiry.
- 1.23 On the second occasion, the medium works related to a project already before the Committee. The Committee felt that the agency's request for medium works approval pre-empted the outcomes of the full inquiry. Accordingly, the Committee considered both works as one at an inspection and public hearing before agreeing that the medium works could proceed separately prior to the report of the full inquiry being tabled in Parliament.

Auditor-General's report

- 1.24 In February 2009 the Auditor-General tabled his Report 20, 2008-09 entitled *Approval of Funding for Public Works*.⁸ The audit made four recommendations, in short that:
- the Committee be provided with greater information regarding the level of confidence attaching to project estimates;
 - guidelines be developed for the preparation of cost information provided to the Committee, including whole of life costing;

8 The audit report can be found in full on the Australian National Audit Office's website at <www.anao.gov.au>.

- proponent agencies undertake a project-review process at project completion; and that
 - proponent agencies provide a project-finalisation report to the Committee.
- 1.25 Both the Committee and the Minister for Finance and Deregulation supported the audit recommendations and the Minister directed his department to implement them. The Committee understands that the Department of Finance and Deregulation will be introducing guidelines meeting these recommendations during 2010.

Conclusion

- 1.26 The Committee thanks all those who have assisted or participated in the Committee's inquiries in 2009. In particular, the Committee acknowledges the efforts of the Special Claims and Land Policy Branch of the Department of Finance and Deregulation for its work in helping agencies to prepare referrals to the Committee.
- 1.27 The Committee also continues to seek advice on matters affecting public infrastructure and thanks all those organisations which provided briefings on relevant topics during the year.

Senator the Hon Jan McLucas
Chair
4 February 2010