

GOVERNMENT PROCUREMENT PROCESSES

Motion

HON KYLE MCGINN (Mining and Pastoral) [11.32 am] — without notice: I move —

That in light of the findings of the Langouant report, this house —

- (a) recognises that the former Liberal–National government’s procurement practices were inadequate, especially in terms of the stadium footbridge; and
- (b) commends the McGowan government for moving towards more locally based procurement, which will deliver more local jobs.

I am very pleased to bring this motion to the house today and would like to begin by saying that I believe procurement, particularly for the state government, is critical to ensuring that WA taxpayers’ money is spent appropriately and gets the best bang for the buck, in both the region in which the project is located and Western Australia as a whole. The Langouant report highlighted some of the key failings of the previous Liberal–National government. The previous government’s failure to act, and having a significant amount of legislation relating to the procurement process, caused confusion, and I can only imagine chaos for the departments and local businesses throughout the state. The report highlights the inefficiencies government agencies and suppliers faced while trying to meet multiple procurement policies. I can imagine trying to line up all those policies without having a clear path forward, ticking key things like local jobs and local products, not foreign products. It strikes me as particularly odd that all this took place while we were going through one of the biggest booms we have seen in Western Australia, the largest number of projects going out the door, and the Liberal–National government was shovelling money out of the door on projects at a rate of knots—for example, the Muja power station, Fiona Stanley Hospital, the Ningaloo Centre, the Pilbara underground power project; the list goes on.

I was in Karratha during the time that the Pilbara underground power project was going forward. I refer to some of the comments in the Langouant report about procurement. Before the government had any plans from any of the contractors, without any business cases, it went ahead and engaged subcontractors. This caused a lot of delays and added costs. On the ground in Karratha, people had the perception that someone could just come along as a subcontractor, bang up a shed, start digging a hole and start accessing money. It was almost as though there was a bucket of money there that had to be spent. We did not see a plan in place on procurement. Instead we just saw money being thrown away. This project is \$109 million over the original budget—\$109 million of taxpayers’ money. I can only imagine that, if this project was given proper due diligence, was properly thought out and had a strategic plan on procurement, it would capitalise on government spending. I want to be very clear that any money spent by the state should be stringently looked at, so that the region where the project is taking place can capitalise on every facet of it. As a government, it is our role to ensure that we get the most out of these projects, because if we do not, we are underselling our skills.

In March 2015 the previous government awarded a contract on a pedestrian bridge over the Swan River. It is quite astounding reading some of the comments in the Langouant report about this particular project. To quote John Langouant —

Once the contract was awarded to Bianco Engineering Services–Toyota Tsusho to construct the bridge in Malaysia, the fate of the project was sealed. At that point, the State lost control of the project and lost sight of the progress made on the project.

We have seen a deterioration of this project right from the start. We have seen failures by Main Roads to work effectively with stakeholders. We have seen a major bungle in the location of the bridge. I still find this hard to understand, but we did not know where we were putting the bridge until after we had given out the contract. This bungle cost taxpayers \$8 million to \$10 million, because we were about 18 metres away from where it was supposed to be. How can we deliver a contract, with taxpayers’ money, without knowing where that bridge is going to be? It is astounding to think that that gets through cabinet, and all this process, and yet we do not know where the bridge is going to be, and it has now cost taxpayers another \$10 million just to correct that bugger-up.

The ACTING PRESIDENT (Hon Dr Steve Thomas): Hon Kyle McGinn, I might just warn you, in terms of language, we might temper that with something a little different next time round, if you please.

Hon KYLE MCGINN: Thank you, Mr Acting President.

To me, it is astounding that when the project was announced in 2015, it was going to cost \$54 million. We now see that it is going to cost \$91.5 million. When I look at this report, I cannot understand why the government did not seek to capitalise on every single penny of taxpayers’ money, in each and every project that it signed off on. Western Australians would have expected their representatives of the day, who were on a massive spending spree, to

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consider not only a building being built as a success story, but also every single facet of that project being stacked with benefits for Western Australians. It should be stacked with fair rates of pay, not undercutting award rates, not subcontractors who underpay their workers, and stacked with enterprise agreements and contractors whose employees are Australian labour. We would think that these things would be a principle of spending taxpayers' money, capitalising on Western Australians getting that work, instead of foreign labour and short-term casualisation.

Also, in 2015 we were going through a massive downturn. I recall this, because I was in Karratha. I was an organiser at the time, and I saw redundancies left, right and centre in all types of industries. Skilled Aussie workers were being put out of work due to a downturn but there were projects that they could have been working on. Unfortunately, I saw a lot of people leave the region during that time who were not able to secure work. That is a conversation on fly in, fly out employment for another time. I have heard many times excuses about why local contractors cannot get jobs and are not considered for procurement and why bigger companies outsource and subcontract after getting a contract. One of the excuses that is really starting to annoy me is that, "Australians don't have the skills", and, "This region doesn't have the skills to perform that work; we have to go outside this space." If I hear one more time that Australians do not have the skills as an excuse, I will need a sick bag—honestly! Australians do have skills. If, by some miracle, someone can prove to me that Aussies are unable to be skilled up or are under-skilled, I will say, "Stop whingeing and start training." Australians are willing to work in all types of industries. We have shown throughout our history how we have managed to adapt to them, but I feel as though we are moving away from that, looking for easy options and giving contractors easy options to go outside local employment. It is not letting us get anywhere in that area. We find locals leave the area, particularly in regional WA. As I said, the underground power project, which was a \$239 million project, was \$109 million over budget.

As I said, there were a lot of issues around the Perth Stadium pedestrian bridge and a lot of things are raised in the report that I find hard to understand. The subcontracting was a principal issue of concern. Main Roads WA approved the appointment but no other government agency was consulted. The tender by the original contractor quoted the lowest amount of imported products out of all the tenders put in. After the project had been subcontracted out, it went overseas to Malaysia. Let us not forget that this sort of work could have been done here in Western Australia. It then became the biggest proponent of overseas imported products. It went from the lowest to the biggest. How can we have procurement policies that are all over the place at this stage that do not recognise that we are awarding contracts to a head contractor and then walking away? That is what it looks like from the footbridge perspective: "Off you go, get your subcontractors, pay them whatever you want, get the labour from wherever you want and get the product from wherever you want." It does not make sense to me that that can be allowed to happen. We need to be more vigilant, particularly around ensuring that we capitalise on local employment. No concern was expressed by the department or the government about this decision when the subcontractors were awarded the work. Labour was going overseas and no concern was expressed.

I could talk about Perth Children's Hospital but I am pretty sure that when the report is handed down, there will be enough damning evidence to make the previous government hang its head in shame and, I hope, apologise to the people of Western Australia for another procurement bungle. Many a project around Western Australia over the last eight years is of concern. It did not take me long to find a project in 2015 that seems to have caused some pretty damning allegations. The project was the Civil Court–Supreme Court fit out. The contract was awarded to a head contractor, and, once again, it subcontracted out the work. That again shows no commitment was made to ensure that each facet of the project was focused on. The labour was outsourced to companies that have been known to rip off workers, to not pay award rates of pay, to be suspected of paying workers in cash in paper bags saying, "Here's your cash, here you go." For the benefit of members on the other side, we are not talking about unions; we are talking about employers paying cash in a paper bag.

Hon Michael Mischin: That is the sort of thing unions would be doing.

Hon KYLE McGINN: Surprise, surprise, honourable member, these were employers paying cash in paper bags. We would think that if it were brought to the attention of, say, the Minister for Finance, a minister who was involved —

Hon Alanna Clohesy: Minister for Commerce.

Hon KYLE McGINN: — or Minister for Commerce at the time, it would be taken very seriously.

Hon Michael Mischin: Was it?

Hon KYLE McGINN: No, honourable member, it was not.

Hon Michael Mischin interjected.

Hon KYLE McGINN: I will continue my remarks.

At the time issues raised with the minister were underpayment of wages, multiple breaches of the Fair Work Act and the award, disregard for the Superannuation Guarantee (Administration) Act and failings with workers' compensation. A lot of allegations were made. One would logically expect that if the government had been made

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aware of the allegations, it would have at the very least investigated to see whether there was truth to them. But, unfortunately, that was not the case. It was raised with the minister at the time. I have the letter here, which I will table, with allegations of sham contracting whereby companies engaged workers as independent contractors to avoid paying proper entitlements; to avoid paying tax; to underpay wages; to commit multiple breaches of the Fair Work Act; to breach statutory obligations; and to underestimate wages with respect to workers' compensation. These were all raised with the minister at the time. The response to that, which I will table, from the minister at the time, Hon Bill Marmion, states in part —

I am not aware of any other avenues open to my office, or the Department of Finance, to investigate the allegations you have raised, and I encourage you to directly refer those allegations to the relevant authorities.

I believe that was also done—again with a handball. If we see these types of allegations raised about projects, at the very least we must look into them. It involved \$27 million of taxpayers' money.

I look forward to hearing the rest of the debate and members' contributions and I seek leave to table the documents. Leave granted. [See paper 1171.]

HON MICHAEL MISCHIN (North Metropolitan — Deputy Leader of the Opposition) [11.47 am]: It is ironic that the member should raise this sort of motion immediately after one that has called for scrutiny of the blatant pork-barrelling undertaken with the \$39 million splash around of moneys to various organisations without any business case, without any procurement policy, without any examination of how the money was to be used and without any assessment of the actual cost of the services that are supposed to be provided by those handouts. I hesitate to call them grants because even the government has not been able to decide whether they are grants or gifts or which process they are meant to be governed by. There has been a lack of scrutiny, accountability and information regarding any of those or how they are being acquitted. However, I am glad the honourable member has raised the subject of procurement policies. I will digress—not much—to point out that of the projects he is complaining about, an awful lot of labour was involved in them. For example, there was the stadium, the labour for which was not foreign workers. If there were some foreign workers involved in that under visas, they were legitimately here—the sort of people the Labor opposition in the last couple of terms was expecting the government to look after. In any event, the vast majority of those are Western Australians and perhaps even members of the unions that members of the government are supported by. Elizabeth Quay generated an enormous number of local jobs and wealth. I note that the Premier went to the Scarborough redevelopment the other day and claimed credit for it, but it was funded and started by the previous Liberal government. That created jobs locally. Roe 8 would have created an enormous number of local jobs. However, this government, in its inimical fashion, said it was going to tear up contracts. There is a procurement policy! If we do not like the contract, tear it up!

Hon Jim Chown interjected.

Hon MICHAEL MISCHIN: I am reminded by Hon Jim Chown that that cost \$140 million. There is money that was well spent! Mind you, that was offset by Fran Logan, who, before he became a minister, made the threat that anyone who wanted to exercise their right to sue the state for tearing up its contract had better look out, because Mark McGowan is the sort of guy who would remember who these companies were and who was crossing the Labor government. I am sure Hon Kyle McGinn would recognise those sorts of tactics as being typical of the way in which Labor governments behave.

Withdrawal of Remark

Hon SUE ELLERY: Mr Deputy President, that kind of allegation is unwarranted and unparliamentary.

Hon Michael Mischin: In what respect?

Hon SUE ELLERY: In every respect. The reason Hon Michael Mischin used it is because he wanted to make a point. It was unparliamentary, and I ask the member to withdraw it.

The ACTING PRESIDENT (Hon Dr Steve Thomas): In relation to the point of order, my ruling is that at this point, it was a reference, not an allegation. The member is, of course, able to withdraw it if he so chooses, but he is not required to by the Chair. I give the call to Hon Michael Mischin.

Debate Resumed

Hon MICHAEL MISCHIN: Thank you, Mr Acting President. I do not think the honourable Leader of the House heard the rest of my remarks.

In any event, at Fiona Stanley Hospital, there was a great deal of local investment and local jobs. At Perth Children's Hospital, despite the problems with some of the material that has been used and the mishandling of it by the contractor, it appears, there was also local employment. I would have thought that would make Hon Kyle McGinn happy. That was part of a government procurement policy. I come now to the courthouses. This is the first I have heard of allegations about the manner in which contractors behaved. Hon Kyle McGinn

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mentioned the Minister for Commerce of the day. As I recall, Hon Bill Marmion was the Minister for Finance at the time, so perhaps Hon Kyle McGinn should get that bit straight first. Hon Kyle McGinn also mentioned Fair Work Australia. That is a commonwealth body, set up by the commonwealth government. Before we take any allegations at face value, it would help if there was evidence to support those allegations. I would have thought that before the government took the word of someone who chose to make an allegation that there have been breaches of commonwealth law, the proper way to go would be to direct those matters to the relevant body so that those allegations can be established. But maybe this Labor government does things differently. In any event, the previous government did have procurement policies. It also had weightings for regional policies to encourage businesses and government departments to use local contractors.

Taxpayers will not always get value for money and cost benefit from a procurement process. Every government needs to strike a balance. Hon Kyle McGinn has focused on jobs, quite rightly, and pay, quite rightly. However, there are some projects, and some goods and services, that cannot be provided efficiently locally. The taxpayers who are forking out the money for those goods and services are entitled to know that the government which they have elected and which is the trustee of their funds is exercising its financial powers properly and in a prudent fashion—not just to provide an extra job or an extra payment for a business that seeks to benefit from government contracts. There is a value-for-money element. I am sure Hon Kyle McGinn bears in mind value for money whenever he goes shopping. I am sure he does not just buy locally-produced goods. He looks around for the best bargain for his family. Governments do that as well, and to suggest otherwise is just absurd. Does Hon Kyle McGinn drive, for example, a vehicle that has been manufactured exclusively in Western Australia with Western Australian parts and components?

Several members interjected.

Hon MICHAEL MISCHIN: Does he examine every good and article that he purchases for himself and his family and say he will buy only local products?

Several members interjected.

The ACTING PRESIDENT: Order, members!

Hon MICHAEL MISCHIN: He does not do that. He looks for value for money. That is one of the obligations of every state government. Yes, there ought to be procurement policies. However, while we are looking for value for money, I will point to some of the things that were picked up in the Langoulant report. No doubt Hon Kyle McGinn will be very proud of these. The first is the Office of Shared Services.

Hon Sue Ellery: Oh, my God!

Hon MICHAEL MISCHIN: I know this is something that the honourable Leader of the House does not want to be reminded of. We were told that would save the government \$54 million a year and would cost \$82 million to implement. It ended up costing \$360 million, before it had to be abandoned because it did not have a proper business case. That was a Labor Party initiative. That was local procurement as a Labor government saw it. I do not hear Hon Kyle McGinn complaining about that, and I am sure he did not at the time. Perth Arena cost \$300 million more than was budgeted and took an extra three years to complete.

While we are talking about current events, let us look at the legacy of Hon Fran Logan when he was dealing with the carve-up of the energy sector. Of course the honourable Leader of the House thinks this is ancient history. However, the terms of reference for the Langoulant inquiry —

Several members interjected.

The ACTING PRESIDENT: Order, members!

Hon MICHAEL MISCHIN: I can see that Hon Darren West knows where I am going with this. The terms of reference were carefully crafted to ensure that anything that was inherited by our government and that was a disaster could not be looked at. The whole point of that inquiry was to look at secret deals and where the money went. No secret deals were found. The inquiry certainly identified inadequacies in government processes. We shall see whether this government has a commitment to do what it has preached. Where is the business case for the Perth Central School project? Where is the business case for any of the government's projects?

Hon Sue Ellery: It is election commitments.

Hon MICHAEL MISCHIN: The answer is that it is election commitments. The government will spend money on anything that will buy votes, but do not look at the business case, because there is not one. This government does not need to abide by the proper governance that Mr Langoulant has demanded. That is because they are election commitments, so it does not matter. The government is saying, "It doesn't matter that the Ellenbrook rail line will be unnecessary for years; let's spend money on that rail line, because it's an election commitment." The government is saying, "Let's spend money and ignore the recommendations of the Langoulant inquiry when it

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does not suit our purposes, and call it an election commitment.” The government does not need to have proper governance, it does not need to abide by value-for-money assessments, and it does not need to look at the benefits to the community. The answer is that it is election commitments. That is the level of accountability that this government proposes. The government spent so much money to find a way forward through the Langouant inquiry and to learn lessons from it, and it now dismisses anything it does not like by saying it is an election commitment, so it does not apply. That is the level of accountability, transparency and responsibility of this government.

I congratulate Hon Kyle McGinn on moving this motion, but he ought to look at his own side of the house.

HON MATTHEW SWINBOURN (East Metropolitan) [11.57 am]: I am very happy to speak on this private member’s motion today, and I thank Hon Kyle McGinn for moving this motion. How this state government procures the goods and services it wants to provide goes to the heart of how this government can contribute positively to the Western Australian community. The state government’s procurement spend is massive. It is worth billions of dollars each and every year, regardless of the prevailing economic conditions. How well the state government procures has a number of significant effects, including whether we are getting value for money. The state government inherited an economic mess from the previous Liberal–National government, due partly to that government’s poor procurement practices. There is criticism of the previous government in the Langouant report, criticism that members opposite are incapable of acknowledging in any meaningful way. The criticism concerns its procurement and project management practices in an unacceptably large number of areas. We now have an opportunity to improve the practices of government, particularly the process of procurement, of which the Western Australian community is the key beneficiary.

It has often been claimed that the previous government’s drive for efficiency resulted in a focus on value for money. It is imperative that we discuss what “value” truly is. Value is not the cheapest thing. It was clearly evident in the Langouant report that the procurement practices throughout the period of booming growth lacked sufficient risk mitigation strategies, especially in the case of the Swan River pedestrian bridge, and failed to adequately value local stakeholders. The value in such projects should be evaluated in not only how cheaply something can be built, but also the social dividends that it can provide both through the construction phase and, ultimately, its use by the community. The decision to go with a contractor that would construct the bridge in Malaysia—not Western Australia where we have both the skills and capacity to construct such a bridge—resulted in the state losing control of the project. This resulted in the bridge being considerably more expensive than budgeted for and it also resulted in considerable delays. An approach to the procurement of goods and services that goes beyond the cheapest tenderer will measure success on the basis of not only the usual financial bottom line, but also the social and environmental dividend. Such an approach draws parallels with our responsibilities in government to be not only fiscally responsible but also socially and environmentally responsible. The number-crunching engineer, accountant or politician may struggle at times to understand how important that is throughout a project, but it is our responsibility to ensure that the “value” in value for money means more than just an acceptance of the lowest bid, which ultimately leads to a race to the bottom. The race to the bottom in the construction industry, which is where I have come from, manifests itself in some deplorable practices, such as sham contracting, underpayment, often no payment and labour hire practices that shift the burden and risk to small subcontractors and workers. It has too often been the case that this relentless drive to the bottom, which is driven by the purely financial objective that the lowest tendered cost is always best, adversely affects the social and environmental aspects of a project. The social devaluing in the example of sham contracting is the effect on the worker—the loss of security, income and certainty. This is driven by the monetary benefits of avoiding things such as decent rates of pay, sick leave, annual leave and redundancy payments.

The issue of what “value” really means can also be seen on a larger scale with large projects, such as the unfinished Perth Children’s Hospital. The people of Western Australia have paid more than \$20 million and counting for an empty car park. Who was responsible for signing that contract? That \$20 million and counting is money that we have taken from our children’s health, because that money would have otherwise been spent if it did not have to go to a private contractor for a car park without any cars. That gets me mad. That hospital is sitting there waiting for the children who need to use it. Rightly, the Minister for Health announced that there will be an audit into the value for money in the awarding of that contract. But let us be realistic: the likelihood of recovering any money for that empty car park is small.

It is clear that the ongoing, but now resolving, issues around Perth Children’s Hospital are indicative of the poor decisions of the previous government. We have to ask ourselves whether the previous government’s choice of a contractor with a wobbly reputation as a builder and no experience building children’s hospitals was a wise choice to undertake such a significant and important project. It certainly cannot be said that it was founded on a sound understanding of value. More consideration should have been given to the opportunity cost of inappropriately cutting corners on this project through the use of the cheapest contractors, inferior materials and poor project management. By all accounts, the head contractor secured the project with a very low tender and in

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doing so looked for opportunities to pass on risk, cut corners and use inferior products in an effort to make sure that it still got its slice of the pie and made a profit at somebody else's expense, including the children of Western Australia.

We presently have some of the world's best medical equipment sitting idle in a hospital just down the road. It is sitting there doing nothing, even though there is a waitlist for children for elective surgery because the former government could not get it right and did not care enough to get it right. A lot of that equipment has an expiry date, so by the time we get a chance to use it, it will probably have to go out the door. What a wasted opportunity and a waste of money. The cost of this failure of foresight is immeasurable on the lives of people, especially the children for whom the hospital is being built.

Again, we must take as much as we can from these events and learn from them. It is not enough to yell at each other across the chamber; let us learn from them. Short-sighted procurement policies cost more in the long run. In this usage of the word, "cost" is the antithesis of value. I consider not only the hard cash flow, but also, importantly, the social cost, the environmental cost and the opportunity costs that have been incurred. Using the children's hospital as an example again, we have a visceral understanding of this cost. Children are not getting the best treatment opportunities. The effect on parents and families is immense and we have lost a lot of time and effort in this ongoing saga. We as a state should have our much-needed children's hospital by now. We should be putting all our efforts into new projects but instead we have to put our efforts into being dragged through the mud as a consequence of the poor procurement policies and practices of the previous government. The approach to procurement and the way that the state spends its money should have a deeper meaning of value, one which this government is actively pursuing. It is naive to consider any environmental or social value as a trade-off with bare dollar costs. It is often the case that they come to fruition in unity. We must continue to pursue the social value, with the Western Australian people central to our thinking. This includes workers on the projects that we choose to fund and build, workers who have often been poorly considered, undervalued and taken advantage of. In the renewal of value in our procurement practices, we must acknowledge the environment and the worker and that it is at the core of our ability to build a greater state. This government will do better than the last. I commend the motion to the house.

HON MARTIN PRITCHARD (North Metropolitan) [12.07 pm]: I will make a brief contribution to this motion, and I will do so more calmly than I did previously.

I had an opportunity to meet Mr Langoulant—I had not met him before—and he came across as a very calm and experienced man who knew what he was doing. This motion caused me to look into his biography, and one of the things that stood out for me in his bio, coming from a union background, was that he was previously the chief executive officer of the Chamber of Commerce and Industry of Western Australia. Many other things made him perfect for the job he was given. That stood out for me because there is a long-held concept that a person from the union movement will move to the Labor side of politics and a person from the chamber of commerce is likely to move to the Liberal side of politics. I think that is right. I think he was the perfect person to give a report about spending in the last government and in no way, shape or form can anybody question his ability or the comprehensive way he went about his business.

He made a number of findings about procurement in the projects that he looked at. The comment has been made in a number of other debates that he looked at only 30 to 36 projects and that in some way, shape or form they might have been cherry-picked for some reason. I do not believe that. I think they were a random selection that gave us a fairly comprehensive look at what happened with the last government's spending. I want to make the point again that not all spending by the last government was bad spending as it resulted in assets we currently have. I may have given a speech about Optus Stadium and how a different proposal should have been accepted given the state's financial position, but that does not in any way detract from the stadium that we now have. I am quite pleased that the state of Western Australia has that facility.

As I said, the Langoulant report made a number of findings about procurement. I do not believe that the projects were cherry-picked. I will list the projects that he commented on as having issues with procurement. Out of the 30-odd projects, he commented on the Synergy billing system; Muja power station; Synergy's consulting contracts; Project Vista; the refurbishment of Western Australian buildings to remove asbestos; Western Power's consulting contracts; Fiona Stanley Hospital and its Serco contract, in particular; Perth Children's Hospital; Queen Elizabeth II Medical Centre car park; major information technology procurement; the outsourcing of non-clinical services; NurseWest arrangements; the Pilbara underground power project; and the Ningaloo Centre. A number of mathematical concerns relating to the procurement of those 30-odd projects arose. Langoulant is not saying that in every case everything is missing, such as risk assessments et cetera, but that they are not all appropriate to ensure that we minimise risk and guarantee value for money.

The stadium footbridge is a perfect example of that. I have not spoken about the footbridge. I spoke about my concerns with Fiona Stanley Hospital, particularly about the sterilisation that had to be taken back in-house. I have

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also spoken about Perth Children's Hospital in the past, and all I can say is thank goodness it will be opening soon. There have been so many problems with it. I have a special concern, as most of us do, about the welfare of children. Thank goodness we have managed to get over these problems and can open the hospital and start taking advantage of it, because it has created some major problems. The footbridge is a litany of mistakes, unfortunately, with no risk assessment, taking the project offshore and the extra risks that might create for the job to be completed on time and within budget. I listened closely to Hon Kyle McGinn when he said it was not even known beforehand from what point to what point the bridge would be installed. This is crazy, to be perfectly honest. As I said, the major concern about the footbridge is not doing a risk assessment and taking it offshore. That has certainly come back to bite the state.

I could speak forever about the concerns that I and members on this side of the chamber have about the previous government's procurement, purchasing and budgetary measures. But I do not want to necessarily belabour that point because I know that a number of other members want to speak and this debate is time limited. I was a little heated during my previous contribution because it scares me that there is some suggestion that the Langouant report is not an accurate look at the budgetary measures of the previous government because it considered only around 36 projects. If there is some suggestion that Mr Langouant went out of his way to make the previous government look bad, I would have to reject that strenuously because it is important that we learn from that report. The current government is taking steps to take on board the suggestions within the Langouant report, which will provide for much better governance into the future. If shadows are cast over that report that it is not, in some way, accurate; that it should have gone through a thousand projects or whatever; and that it is not an accurate reflection of what happened, we are not going to learn from that past, and I think that is important. I am pleased that this government is taking on board the report and taking steps to implement some or all of the recommendations and move forward so that we can rely on the governance of budgetary decision-making and try to work towards balancing the budget in the future. It is one of the major things that we have to do. We have to have confidence that that will occur. I commend the motion to the house.

HON SIMON O'BRIEN (South Metropolitan) [12.16 pm]: I would like to make a contribution to this debate as well. I was listening with interest to the remarks of Hon Martin Pritchard, so if anyone does not want to hear from me today, they should blame him because he has inspired me to talk. I also know John Langouant. I have known him for many years. I have also been in politics for a long time. I obtained a hard copy of the Langouant report titled, "Special Inquiry into Government Programs and Projects: Final Report", in its several volumes, and read it with interest. I also attended a briefing given by Mr Langouant and, as ever, an in-person briefing adds further dimensions that one cannot obtain by simply reading a report. In general, I concur with my colleague's assessment of the man. He is capable of objectivity and approached his task in an even-handed way. I might have given him slightly different terms of reference; nonetheless, the report itself is highly instructive, balanced and fair. It is true that it does not inquire into the hundreds, if not thousands, of undertakings that were entered into by the last government or governments. As the Premier of the day pointed out, there were two distinct governments: one in the first part of the term and a different one in the other part of the term. Of course, the special inquirer was not tasked to look into a lot of success stories. Perhaps that is something that also gets lost in all the rhetoric. Nonetheless, there were several projects that I do not think were the finest that we have seen and should have been managed better. I will not try to find alternative words for the findings of the Langouant report because they speak for themselves but, by and large, they were fair enough. I am not aware of too many people—none that I can think of off-hand—who have attacked Mr Langouant for delivering a biased report. I am not saying it has not happened, but that is certainly not my reading of it. I saw the earlier bits of that history close up. I obviously scanned the list of projects to see whether there were any I was associated with; I am glad to say there were not. Perhaps I can tell the member all about that at some length on another occasion; that is something the member will just have to look forward to!

The specific part of the motion asks us to contemplate procurement practices, particularly drawing attention to the stadium footbridge. I do not have anything personal to offer about the stadium footbridge project, but I think it will be interesting to see that project further reviewed in due course. I am not sure of the ramifications of walking away from a contract process that is in train and embarking on another, and the sort of —

Hon Alannah MacTiernan: Well, it means we might get our actual footbridge. I think that's probably the ramification.

Hon SIMON O'BRIEN: We will see about that. We do not have it yet, that is for sure, and I am not sure whether we are meant to be apparently paying for two. I think that remains to be seen, but I am sure that many members will be paying close attention to that as time goes by.

The question of procurement is always valid for governments as they attempt to balance the needs and aspirations of local suppliers against providing an appropriate level of value for money for what is generally referred to euphemistically as the taxpayer. I think that is to depersonalise it. I have had a lot to do with a whole range of, for example, fabricators and others in my region over the years, as members would expect. In many cases, it is particularly difficult for local suppliers to compete with emerging industrial revolution countries that may have

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Hon Kyle McGinn; Hon Michael Mischin; Hon Sue Ellery; Acting President; Hon Matthew Swinbourn; Hon Martin Pritchard; Hon Simon O'Brien; Hon Robin Chapple; Hon Darren West

a whole range of built-in advantages that are not available to our local suppliers. For now, I will indicate my view on this: I think we should show a greater weighting towards local providers on a number of bases, not the least of which are the benefits they provide to our local economies above and beyond what might be imported, and not the least of which is the quality of the inputs that may go into local manufacturing that are not being produced by overseas suppliers—whether it be the sort of metal they make their taps out of or whatever. That is despite the other advantages that some overseas suppliers have in that they can turn a fairly blind eye to questions of workplace health and safety. That makes their production costs a lot cheaper, and ours a lot more expensive. Of course the victims in all that are some of the sweated workers who have to be engaged in those overseas supply places in preference to our own workers, despite the dangers that might be confronting them in their overseas workshops. I am not sure how many favours we do to people overseas by continually opting for the cheapest, which is inevitably not always the best. That needs to be constantly at the forefront of the minds of those involved in government procurement.

Having said that, I acknowledge that is all fine, but it is easier said than done. The new government, with its fixation on lecturing members of the party of the former government, perhaps needs to understand that it is not in opposition at the moment. Sure as night follows day, the Labor Party will be back in opposition one day—those who are still here in those times—because if there is one truism in Western Australia it is that all governments come and go. Governments want to make the most of what they do when in government, and that means looking forward rather than looking back. The Labor Party won the election in March last year—fine—but it really needs to focus on what is ahead, not be continually attacking the former government. The Labor Party has some very poor examples of role models in its Premier and most of its ministers. They cannot get over the fact that all they have to do is criticise the former government. Colin's gone! He has gone but the government is still obsessed. Now, this relates directly to this motion and the willingness of members to give each other advice around contemplating their procurement practices, accountability and willingness to withstand Langouland-style scrutiny, rather than keeping on coming back to this side, because that is where they really need to watch out.

HON ROBIN CHAPPLE (Mining and Pastoral) [12.26 pm]: I will be brief. Listening to some of the commentary today, I have been a little intrigued. I thought I would try to give a bit of perspective about the Pilbara—about Port Hedland, about Karratha. Members will remember that the previous Standing Committee on Estimates and Financial Operations took almost a year to get financial details from Horizon Power about what went on. It used every trick in the book to try to stop that committee getting hold of the financial issues around what was, in essence, a very, very badly managed project. At that time I had constituents coming to me after getting a \$15 000 bill for having electricity put onto their property, only to find out that they already had the electricity underground to the property because it was a new property. It was already in the purchase price. On behalf of a number of constituents, I got that \$15 000 bill reduced to \$542. That occurred all over the place. There had been a complete mix-up between Horizon Power and the City of Karratha, which was handling the project and its financing on behalf of Horizon Power. That led to a whole range of problems. I am not blaming the City of Karratha, but there was a disconnect between it and Horizon Power.

One of the other things that always surprised me was the placement of the hospital. Everybody acknowledges that the hospital in Karratha was placed in a flood zone—an area that was under water 2 000 years ago and will be under water again in future. The original hospital was built up against a hill, with a bunding system around it to protect it from cyclones. The new hospital has been placed right in the middle of where cyclones hit. The council and community were all completely bemused about the location of the hospital. Arguments were put time and again, but the hospital was built there. It is a good hospital, but I had to argue to get it a dialysis machine because it was not part of the original proposal. In my view, there were a lot of management issues around that process.

I want to come back to one of the fundamental problems that existed before some of the expansions in the Pilbara. Our sales of iron ore have always been 27 per cent of world supply. It does not matter the amount of iron ore we have sold, we have been about that for the past 20 years. We have also had a base price of iron ore in this state over the past 20 years of between \$50 and \$60 a tonne. It is slightly higher now; we are moving towards \$60 to \$70 a tonne. When suddenly \$123 a tonne came along, nobody went, "This is rather odd. Where did that come from?" and did a cross-benefit analysis of future finances over the long haul. Whether it be royalties for regions or in the Perth metropolitan area, we went out there and spent like drunken sailors. Unfortunately, that was the problem. When it comes to business cases, it is up to the government of the day to look forward and understand what is going to come down the path. We virtually have to look at the long haul. We need to go to industry. I have talked to Rio Tinto, BHP and others, and they have said that they always knew that iron ore was going to be \$50 to \$60 a tonne; why did not government? I make the point that at that time government did not do due diligence about the state's finances. Forget the individual little issues, it was due diligence over the full life cycle of the industry and the state.

HON DARREN WEST (Agricultural — Parliamentary Secretary) [12.31 pm]: Very briefly, in the time that is left, I want to acknowledge support for this very good motion on the Langouland report findings brought by

Hon Kyle McGinn; Hon Michael Mischin; Hon Sue Ellery; Acting President; Hon Matthew Swinbourn; Hon Martin Pritchard; Hon Simon O'Brien; Hon Robin Chapple; Hon Darren West

a quality member of the house. We must remind ourselves that Hon Kyle McGinn is still in his 20s. For a person so young to have such a grasp on being a member of Parliament, on his electorate and on issues such as this, which are vitally important to works in Western Australia and the future of Western Australia, is to be commended. I thank the member for bringing forward such a quality motion to the house for debate today.

I am pleased Hon Simon O'Brien got up to make some remarks because it seemed that there was very little in this motion from the opposition. I note that the Nationals are out of the chamber on urgent parliamentary business, but I thought this might have been a motion that had some interest to them. Their spend of royalties for regions in the regions was appalling. They spent 84 per cent of royalties for regions outside the regions. That is exactly one of the reasons that we have such population decline in the regions. It is a shame that they are not here with us today and that they are engaged in urgent parliamentary business because I am interested to hear what they have to say about government procurement in the regions.

Hon Alannah MacTiernan: Particularly those Doppler radar towers being built in South Australia.

Hon DARREN WEST: The Doppler radar towers is a great initiative being built in South Australia!

It is good that this matter is being debated today. This government recognises that it needs to lead by example, engage with local workers and employ them on local jobs.

Motion lapsed, pursuant to standing orders.