

**WATER CORPORATION — ENGINEERING AND CONSTRUCTION SERVICES PRIVATISATION**

*Question without Notice 942 — Supplementary Information*

**HON KEN BASTON (Mining and Pastoral — Minister for Agriculture and Food)** [5.09 pm]: On Thursday, 10 September 2015, Hon Martin Pritchard asked the minister representing the Minister for Water question without notice 942. I would like to provide additional information in the form of a table. I seek leave to have the entire answer incorporated in *Hansard*.

Leave granted.

The following material was incorporated —

**ECS SALE TIMELINE** (13 October 2015)

Preamble:

Lower than forecast growth and demand coupled with the completion of major climate independent water sources have resulted in the Corporation's capital programme reducing from recent levels.

From the beginning of 2014 ongoing business reviews raised questions around continuation of an in-house construction and manufacturing capability. These reviews identified four options: downsizing, closure, transition to private sector or remain as is. These options were developed by management during early 2014.

Event	Commentary	Relevant Dates	Chairman Participation
Executive meets	Executive meeting regarding evaluation of possibility of sale of Engineering and Construction Services (ECS) rather than closure due to reduced program.	26-Jun-14	No
Executive meets	Executive meeting to agree to timing of exploration of sale of ECS.	10-Jul-14	No
Management action	Called for expressions of interest for commercial advisors (provide strategic advice on competitive commercial processes).	17-Jul-14	No
Management action	Appointment of Probity Auditors – Stantons International.	28-Jul-14	No
Board meeting	CEO Report notes market sounding exercise to be conducted.	18-Aug-14	Yes
Executive meets	Executive meeting to discuss indicative market appetite for ECS.	28-Aug-14	No
Board Meeting	* CEO Report has report as an attachment which mentions review of ECS and possible sale	15-Sept-14	Yes
Management action	Notification to staff regarding options for the future of ECS.	22-Sep-14	No
Management action	Formal engagement of UBS.	30-Sep-14	No
Board meeting	CEO Report noted media and public interest in market sounding exercise.  * Included in the Board pack is a memo for Board's information listing papers sent between meetings. This references a draft media response and ministerial briefing note on the review of ECS.	20-Oct-14	Yes
Board meeting	Possible sale of ECS rather than closure raised by management. The Board discusses the potential for a conflict of interest with respect to the market sounding of ECS and resolves to establish a sub-committee chaired by Director Iannello and with Director Lock.  Directors Hollett, McMorrow, Skira declare possible potential conflicts depending on which parties are prospective buyers.  All possible potentially conflicted Directors including Chairman exclude themselves from Sub-Committee.	15-Dec-14	Yes
First Sub-Committee meeting convened in 2 stages	Sub-Committee of the Board meets to deal with the possible process of sale of ECS.	13-Jan-15 Iannello; 20-Jan-15 Guthrie & Lock	Chairman not present

*Sub-Committee meeting prompts members to ask entire Board to approve the high-level principles to exit ECS, preferably by sale. Members sought that the Board address the strategic decision as to the future of the business. No record of prospective buyers, sale value, value of future pipeline of work included.*

**Extract from Hansard**  
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Hon Ken Baston

<b>Event</b>	<b>Commentary</b>	<b>Relevant Dates</b>	<b>Chairman Participation</b>
Management action	Given Sub-Committee endorsement, affected staff notified of intention to pursue a procurement process.	29-Jan-15	No
Management action	Press release issued that a procurement process will be pursued.	29-Jan-15	No
Board (by Circular Resolution no meeting)	Board receives paper outlining options for exiting ECS, and notes that sale option achieves the best outcome for the Corporation;	29-Jan-15	Yes
Board (by Circular Resolution no meeting)	Resolution to <i>proceed with a procurement process to secure a private sector buyer for the Water Corporations Engineering and Construction Services Branch.</i>  Closure of Branch remains an option if EOI unsuccessful.	30-Jan -15	Signed by all Board Members
Management action	Advertise Expression of Interest (EOI).	07-Feb-15	No
Board meeting	Potential conflict of interest discussed. No sale detail discussed during meeting. Sub-Committee given carriage of the process.  Dr Guthrie is noted to have been briefed and placed on the Board Sub-Committee in January.	16-Feb-15	Yes
Management action	Receive EOI.	20-Feb-15	No
Management action	Evaluate EOI.	27-Feb-15	No
	Chairman writes to Minister for Water confirming her conflict of interest and the exclusion of herself, Mike Hollett and Peter McMorrow from the process.	3-Mar-15	
Board Meeting	* CEO Report noted Minister requested the ECS sale be communicated in detail to the Cabinet.	16-March-15	Yes
Sub-Committee meeting	Sub-Committee of the Board meets to discuss process of sale of ECS.	16-Mar-15	Chairman not present
Management action	Contact shortlisted bidders and provide Information Memorandum.	27-Mar-15	No
Management action	Update employees on process to date and what to expect next.	27-Mar-15	No
Board meeting	Verbal update of sale process provided by management. Conflicted Directors remained in the meeting as the update covered process only.	20-Apr-15	Yes
Management action	Shortlisted bidders submit Indicative Bid, including pro-forma Offer of Employment, Sale Agreement and Ongoing Services Agreement term sheets. At this point it became clear that a sale was a viable option.	22-Apr-15	No
Management action	Evaluate shortlisted bidders Indicative Bid.	23-Apr-15	No
Sub-Committee meeting	Sub-Committee of the Board meets to discuss process of sale of ECS.	08-May-15	Chairman not present
Management action	Confirm parties progressing to next stage and provide data room access, access to online Q&A and draft transaction documentation.	11-May-15	No
Management action	Employees informed of final bidders. ECS employees provided with information packs and asked to indicate willingness to transition.	11-May-15	No
Board meeting	CEO Report records that the sale has progressed, three companies are short-listed. Board noted conflict of Chairman and no other Director.	18-May-15	Yes
Management action	Employees return confirmation of willingness to transition.	22-May-15	No
Management action	Bidders informed which employees have indicated they are willing to transition.	26-May-15	No
Management action	New Offers of Employment distributed to employees by Water Corporation.	12-Jun-15	No
Board Meeting	* CEO Report noted three companies selected are well into their due diligence.	15-June-15	Yes

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<b>Event</b>	<b>Commentary</b>	<b>Relevant Dates</b>	<b>Chairman Participation</b>
Management action	Bidders informed of employees who have accepted the offers of employment.	30-Jun-15	No
Management action	Final Bids submitted.	06-Jul-15	No
	Chairman writes to Minister for Water re: confirming her continuing conflict of interest, and no other Directors now conflicted	13-Jul-15	
Sub-Committee meets	Sub-Committee of the Board meets to discuss process of sale of ECS. All Directors present excluding Chairman (conflicted) Dr Guthrie (apology). Meeting chaired by Mr Lock. Mr Iannello arrived late to the meeting and Mr McMorrow attended intermittently due to another appointment.	20-Jul-15	Chairman not present
Board meets	Board Approval for the Sale of ECS to successful bidder. All Directors present excluding Chairman (conflicted), Dr Guthrie (apology). Mr McMorrow joined the meeting part way through the discussion due to another appointment.	20-Jul-15	Chairman not present for this item
Minister	Ministerial Authorisation to enter into contract with successful bidder.	11-Aug-15	No
Management action	Successful bidder announced.	14-Aug-15	No
Management action	Contractual close.	30-Aug-15	No

Reference to Engineering and Construction Services in CEO Report tabled in Board meeting, no discussion reflected in minutes of meeting (\*addition to timeline as provided to Legislative Council Question without Notice 942).