

PERTH ARENA — COMPLETION DATE AND BUDGET

405. Hon ED DERMER to the minister representing the Treasurer:

I refer to the Perth Arena project.

- (1) What is the current completion date for this project?
- (2) What is the current budget allocation for this project, and what is the estimated final completion cost?
- (3) Will the government commit to pay all cost variations on this project?
- (4) Has the lead contractor provided the government with any cost variations to date; and, if yes, have they been agreed to?
- (5) Has a technical solution been found and costs agreed regarding the waterproofing and water exclusion for the basement car park?

Hon SIMON O'BRIEN replied:

I thank the honourable member for some notice of the question.

- (1) The current contractual date for practical completion is 17 August 2011. However, due to historical poor management and planning and the construction contractor's current rate of progress, this target cannot be guaranteed. It is important to note the Auditor General's comments around the planning and initial construction stages of Perth Arena, which state —

The Arena project shows how announcing estimates of the cost and timeframes of a project before it is well understood puts the project under pressure from the start and raises unrealistic expectations to which agencies will be held accountable.

A lack of effective governance and oversight as existed on the Arena project demonstrates how poorly thought through decisions can expose the state to serious risks. Without the visibility and scrutiny that comes with effective governance the early warning signs of projects going wrong are more likely to be missed, as are opportunities to put them back on track.

- (2) The current budget is \$483 million. The estimated final cost is dependent on the final conclusion of variations and contractual claims, which are subject to contractual consideration and are unlikely to be fully resolved until after the project is completed.
- (3) The state will likely meet the cost of all variations that are determined as such only under the relevant provision of the Perth Arena construction and consultancy services contracts. Claims that the state does not consider represent formal contract variations will be contested and, where appropriate, formally disputed. This is the process that will likely need to be resolved before final costings are known.
- (4) The lead contractor, BGC Constructions Pty Ltd, has submitted numerous variation claims over the course of the contract period. A number have been resolved and paid, a number are under evaluation and others have been rejected.
- (5) A technical solution to address water egress into the Perth Arena basement has been approved and work is in progress. The liability for the cost of this work has yet to be determined and is the subject of ongoing negotiation between the state and its construction contractor.