

PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO CONTRACTS ENTERED INTO BETWEEN CONSOLIDATED CONSTRUCTIONS PTY LTD AND MAIN ROADS WA AND THE PUBLIC TRANSPORT AUTHORITY

**TRANSCRIPT OF EVIDENCE TAKEN
AT MARBLE BAR
ON WEDNESDAY, 26 MAY 2004**

SESSION 2

Members

Mr J.B. D'Orazio (Chairman)
Mr M.G. House (Deputy Chairman)
Mr J.L. Bradshaw
Mr A.J. Dean
Ms J.A. Radisich

SALT, MR MARK STEPHEN
Project/Contract Manager, Main Roads, examined:

PHILLIPS, MR ARTHUR LINDSAY
Manager, Contracts, Main Roads,
Waterloo Crescent,
East Perth, examined:

The CHAIRMAN: The committee hearing is a procedure of Parliament and warrants the same respect as the proceedings in the House itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament. Have you completed the "Details of Witness" form?

The Witnesses: Yes.

The CHAIRMAN: Do you understand the notes attached to it?

The Witnesses: Yes.

The CHAIRMAN: Did you receive and read the information for witnesses sheet regarding giving evidence before the parliamentary committee?

The Witnesses: Yes.

The CHAIRMAN: Did either of you make a written submission to the committee?

The Witnesses: No.

The CHAIRMAN: Main Roads has made a submission, but the two of you obviously have not. Would you start by telling the committee what was your direct involvement in the project?

Mr Phillips: As the superintendent of the contract I was responsible for the application of the contract. I ensured that the works were carried out to the required quality and were done on time and within the budget.

The CHAIRMAN: Did you tick off on all the financial arrangements when they were done?

Mr Phillips: Yes, I did.

The CHAIRMAN: Obviously you would know whether people had been paid.

Mr Phillips: No, I do not.

The CHAIRMAN: We will get back to that.

Mr Salt: As the contract superintendent's representative, I was the site representative for Main Roads. I managed the contract on site with two surveillance officers from Main Roads, who had one section each. My role was to manage the quality and to keep an eye on the progress of the works and any other side issues within my delegated authority.

The CHAIRMAN: Just getting back to the point of not knowing whether people had been paid, how did you tick off to Main Roads to show that everything had been completed and was hunky-dory?

Mr Phillips: We value works, so that is quite easy because we can measure the works that are being done on site, in accordance with the schedule of rates. I have a stat dec to say that subcontractors had been paid for preceding periods.

Mr M.G. HOUSE: From who?

Mr Phillips: From Consolidated Constructions.

The CHAIRMAN: Were you not aware of the stat dec that Mark Blayney - or Carr Civil - signed for Consolidated? Did you get that?

Mr Phillips: No, I did not.

The CHAIRMAN: Did you have any discussions about that?

Mr Phillips: No, I did not.

The CHAIRMAN: When Mark Salt said to you that there were problems and that people had told him that they had not been paid, did you make any inquiries?

Mr Phillips: That is when we enforced the stat decs.

The CHAIRMAN: I understand that you enforced the stat decs. However, what is the point of enforcing a stat dec if the people who had done the work told you that they still had not been paid, yet you had a stat dec from Consolidated Constructions? Would you not then take the next step and ask for something from Carr Civil to say that its contract had been paid?

Mr Phillips: I did not do that.

The CHAIRMAN: I understand what is written in Mark Blayney's stat dec. What I know is based on hearsay, because I have not physically seen it. I was told that his stat dec says that he had either paid or made arrangements to pay. If people on the ground told you that they were not getting paid, would you not think that there was a problem? Those people were being exposed to losing a heap of money, yet Main Roads was not making sure that the payments occurred.

Mr Phillips: I did not enter into the financial arrangements between the contractor and the subcontractors.

The CHAIRMAN: I understand that. Mark, you relayed back to head office that there was a problem. You told Main Roads that the subcontractors were going to take equipment off site and do other things.

Mr Salt: That is right. I made Arthur aware of that. After the enforcement of the stat dec in November - Arthur was on holidays - the acting superintendent enforced the application of the stat decs.

The CHAIRMAN: I understand that. However, the application of the stat dec does not mean anything because Consolidated could say that it had a stat dec from Carr Civil saying that arrangements were made for the people to be paid. It does not mean anything.

Mr Salt: I checked with the contractor to make sure. I found out after discussing the issue with the contractor that Carr Civil had also supplied a stat dec to Consolidated Constructions regarding the payment of its subcontractors.

The CHAIRMAN: Did anybody physically look at it?

Mr Salt: We had no access to their subcontract arrangement documentation.

The CHAIRMAN: After the first stat dec was signed, which was for the work done in about October, the people were still complaining that they had not been paid. Did you not ask why the people had still not been paid? Forget about the stat dec, the people were saying that they still had not been paid. Therefore, there must have been a problem.

Mr Salt: I am not aware that they were not paid completely. Payments were made. The talk about non-payment was rumours to some extent. Main Roads dealt with the Stubbs in detail and followed up on that. I believe that they were receiving some payments.

The CHAIRMAN: The payments in December that you chased up were for work done in October; they were still chasing payment. Does that not ring some alarm bells? Would not Main Roads say, "Gee, there is a problem here; we had better sort it out"?

Mr Salt: I was not aware that the non-payment was to that extent.

The CHAIRMAN: In the end, Carr Civil was paid about \$5 million in round figures. However, a lot of subcontractors were screaming that they had not been paid their money. Were you aware that the bitumen contractor had not been paid at all? It has some \$300 000 outstanding. Does that not indicate that there was a problem?

Mr Salt: I also was aware that RNR had made an agreement with Carr Civil that that be the case.

Mr M.G. HOUSE: That was the arrangement that was made.

Mr Salt: It did make that arrangement. It is not usual for us to deal with subcontractors' payments. There were rumours and the fact that it affected the progress of the contract concerned us. I was aware of RNR's agreement, which I would not usually have been privy to. I was aware it had an arrangement whereby payments were delayed.

The CHAIRMAN: What about the concrete guy? He also had a problem.

Mr Salt: That contractor also had an arrangement.

The CHAIRMAN: Do you hear what I am saying? Some \$5 million, which is 80 per cent of the contract, had been paid, yet people who provided major components of the contract had not been paid.

Mr M.G. HOUSE: Is not the issue that the stat dec said "paid or made arrangements to pay"? I understand Mr Salt's evidence to mean that he was aware that one of the arrangements to pay was at the completion of the job.

Mr Salt: That is right.

Mr M.G. HOUSE: That is exactly what RNR arranged. I refer to the Stubbs case. It is my understanding, from the evidence they gave earlier today, that they directly told you that they had not been paid. Correct me if I am wrong. They told you that they had not been paid and you urged them to not say anything to anybody and that their payment would be forthcoming. Is that correct?

Mr Salt: They are two separate issues.

The CHAIRMAN: Why are they separate issues?

Mr Salt: They were two separate events. The first was the problem with the payment arrangements to KG Stubbs Earthmoving and Mining Contractors Pty Ltd. That was an ongoing issue involving the terms of the payment; that is, a 14-day payment versus Carr Civil's intention that the payments be made every 30 days.

The CHAIRMAN: But Carr Civil had not paid them after 90 days.

Mr Salt: The payment in October, which was promised on a 30-day payment basis, was made on the morning of Saturday, 1 November.

The CHAIRMAN: What about the money the Stubbs were chasing in December that was supposed to have been paid in October?

Mr Salt: I am not aware of the details of that.

The CHAIRMAN: Please continue to answer the Deputy Chairman's question about the two issues being separate.

[11.40 am]

Mr Salt: The issue of talking to other subcontractors regarding payments was made in that we were dealing directly with the Stubbses via Consolidated Constructions virtually at the invitation of

the Stubbse as they had concerns about payments. Therefore, Main Roads - I - got involved. Normally, we would not have done so, but on the Stubbse's invitation we got involved with the main contractor, Consolidated Constructions, to try to sort out the problem. Potentially, the extension of the problems with non-payment and the withdrawal of plant could have had a serious impact on the contract progress, and the issue of discussing the Stubbse's payment with other subcontractors was, in my view, destabilising for the entire contract. My visit with Simon Barnes to the Stubbse to discuss the issue on the date that Natasha mentioned was to clarify what discussion had taken place and on what basis. We had heard second-hand that the discussions had taken place. We wanted to clarify what had been said by whom and why to ensure that rumours did not impact on the contract's progress. The discussions were being held with the cartage contractors. Triple road trains were carting subbase and base-course, which was a fairly critical activity. If they were to withdraw their plant, the contract would have suffered.

Mr M.G. HOUSE: As a consequence, did you inform Arthur that things were okay on the job, and that it was progressing?

Mr Salt: I informed Arthur that we had had discussions regarding the payments and that it was under control.

Mr M.G. HOUSE: You received that information, Arthur. Did you talk to anybody else in Main Roads about any concerns that might have arisen from the sequence of events, or did you take it on yourself to make the decision that the payments would proceed? Was anybody else in head office in your circle involved? Did you discuss it with anybody?

Mr Phillips: No, I did not.

The CHAIRMAN: You said there were discussions and problems. When Mark came back with all the problems, did you say it was okay, so just keep paying?

Mr Phillips: No. When Mark came back to me, I was under the impression that everything was under control.

Mr Salt: It was my impression following discussions that although payments were slow, they were being made.

The CHAIRMAN: We had evidence in other hearings that you directly told someone that Main Roads would make sure that that person would be paid - "Not to worry - Main Roads would make the payment."

Mr Salt: As I said to Natasha following our discussions -

The CHAIRMAN: It was not to Natasha; it was evidence we received in Perth from another subcontractor who said he approached you, and you told him to keep working because Main Roads would make sure he was paid.

Mr Salt: That was on the basis that the statutory declaration ensured that Consolidated Constructions would pay Carr Civil.

Mr M.G. HOUSE: Had you sighted the statutory declaration at that stage or did you just know about it?

Mr Salt: It was the case under the terms under which the statutory declaration was asked for, the general conditions phrase, and the content of the statutory declaration. I saw a physical copy of it.

The CHAIRMAN: How did you say to the contractor to continue working and that Main Roads would ensure that the subcontractor would be paid? In the end, there was no formal process to make sure contractors would be paid. Their contract was with Carr Civil. The Main Roads contract was with Consolidated Constructions. The gap between Consolidated Constructions and Carr Civil could not be guaranteed. How could you ensure on behalf of Main Roads that the payment would be guaranteed?

Mr Salt: I am not sure that I confirmed that the payment to Consolidated Constructions would be guaranteed. I said that the statutory declaration meant that Consolidated would pay Carr. The influence of the contract is that we could deal only with Consolidated's payment to its subcontractor.

The CHAIRMAN: How could you tell the contractor on the ground not to worry and that Main Roads will ensure he was paid? You had no means to do that.

Mr Salt: I did not say it in those terms.

The CHAIRMAN: What did you say?

Mr Salt: I informed them that the statutory declaration was being supplied, which ensured that Consolidated would pay Carr Civil.

Mr M.G. HOUSE: Is it correct that you had not sighted that signed statutory declaration?

Mr Salt: I saw the letter handed to Consolidated enforcing the condition for the statutory declaration to be supplied.

Mr M.G. HOUSE: Did you see a signed statutory declaration?

Mr Salt: Yes. I saw one.

Mr M.G. HOUSE: Who was it signed by?

Mr Salt: Bob Lyons, a senior civil engineer.

Mr M.G. HOUSE: Did that statutory declaration have any qualification on it?

Mr Salt: No.

Mr M.G. HOUSE: Did you not see a statutory declaration that said "to the best of my knowledge"?

Mr Salt: No.

The CHAIRMAN: That was the last one in February. When did you see the statutory declaration?

Mr Salt: At the time that the invoice for payment was supplied.

The CHAIRMAN: Was that in January or February?

Mr Salt: It was the first one supplied, which would have been at the end of November.

The CHAIRMAN: At the end of November you saw the Consolidated statutory declaration saying that contractors had been paid. You knew that one contractor was chasing money from October and still had not been paid. One and one are not making two. Why did we keep paying?

Mr Salt: The Stubbses received their October payment on 1 November.

The CHAIRMAN: Was any money outstanding before 30 November that you knew about?

Mr Salt: Not that I was aware of, no.

The CHAIRMAN: As far as you knew, everything that Consolidated Constructions said in its statutory declaration about payments made was true and correct?

Mr Salt: Yes.

The CHAIRMAN: That was even though afterwards we found out it was not correct. To the best of your knowledge, was it correct?

Mr Salt: That is right.

The CHAIRMAN: Did you wave some flags towards the end of the project to say that Carr Civil was not up to the job?

Mr Salt: No.

The CHAIRMAN: Do you still believe it was up to the job?

Mr Salt: Yes.

The CHAIRMAN: Despite the fact that plant stood around doing nothing, and all the other hiccups we heard about, are you saying that Carr Civil was more than adequate to do this job?

Mr Salt: Yes.

The CHAIRMAN: Before the job was given to Consolidated Constructions, did you have any involvement in checks on Carr Civil?

Mr Salt: I rang Carr Civil to inquire about its quality assurance status.

The CHAIRMAN: Did you do any checks? You are the representative up here, and they would ask you to undertake it. The only query, according Carr Civil, was your phone call to Mark Blayney.

Mr Salt: Yes. That was about quality assurance.

The CHAIRMAN: Did you work out whether he had the ability to do the job?

Mr Salt: Yes.

The CHAIRMAN: How?

Mr Salt: I inquired within Main Roads as to Mark's previous experience.

The CHAIRMAN: He had no previous experience.

Mr Salt: He was manager of Ertech, a large earthmoving firm in Port Hedland.

The CHAIRMAN: Carr Civil had no previous experience. I could be a manager of a company that has millions of dollars in backing, but if I owned my own company, you would want to check that company to see whether it has the ability to carry out the project. Did you do that?

Mr Salt: No.

The CHAIRMAN: Does anybody in Main Roads do that?

Mr Salt: Not that I am aware of.

Mr Phillips: I qualify that: in this case, we did not do it, but it may be done on other contracts.

Mr A.J. DEAN: Is it not the set way to do it?

The CHAIRMAN: Is it not standard procedure to check the major subcontractor?

Mr A.J. DEAN: Is there no policy on that in Main Roads?

Mr Phillips: To my knowledge, no.

Mr M.G. HOUSE: You do checks when you let a \$7 million contract, but not a check when you let a \$6.5 million contract. It is amazing. The difference is that one is the main contractor and the other one is a subcontractor. Surely the process is wrong.

The CHAIRMAN: You understand the process. For a contract above \$1 million, you have a process. You have intermediate status and prequalifications are needed. In this case, it was a \$6.7 million contract; however, \$6 million of it went to another subcontractor, who is not prequalified or checked, other than one phone call. Yet we go through a strict regime for people such as Consolidated Constructions and other companies. A phone call was made to Carr. The answer you gave was that Mark Blayney worked for Ertech. So what? I was a pharmacist in my previous occupation. It does not qualify me as a politician.

Mr Salt: Can I answer that?

Mr M.G. HOUSE: Not the rhetorical part - I can answer that!

Mr Salt: In our tender assessment process, the contractor submits the curriculum vitae of supervisory staff who will take part in the project, as was the case with Carr Civil. On that basis, we consider the site people's experience as far as being adequate for the performance of the job on the ground.

The CHAIRMAN: I am glad you said that - I was not going to bring it up. Mark Blayney said yesterday that his biggest problem was terrible supervisors who were, in his words, almost incompetent. You tell me that it was okay: these were good people and it was not a problem.

Mr Salt: To elaborate, the tender award was delayed substantially while the tender price was reviewed by the Government, which is another story. In the time before the start-up on the ground, the supervisory staff needed to be changed because of the delay. The people who were originally nominated were not available any more. Mark was quite true in saying members of his staff were revised.

The CHAIRMAN: Did you check them out?

Mr Salt: No.

The CHAIRMAN: That was half the problem. The supervisors were half the problem.

Mr Salt: I do not know whether the supervisory staff or the progress of the project had much to do with Carr Civil not getting paid by Consolidated.

The CHAIRMAN: No. I refer to the competency of Carr to do a job of this nature. Indications are that it was over budget on this job, and on the dam job -

Mr Salt: That is not quite correct. The budget on this job was originally estimated to be \$5.6 million by Main Roads. The tender price came in at \$7.6 million: The three lowest tenderers were all within \$200 000 of each other.

The CHAIRMAN: I am talking about Mark's quote of \$6 million for his contract.

Mr Salt: I was not aware of Mark's quote.

Mr M.G. HOUSE: It is an important point. Main Roads costed the job at \$2 million less than the contract came in.

Mr Salt: A lot of statements have been made about the cost of the job and the fact it was obviously underpriced etc. That is not quite accurate.

Mr A.J. DEAN: You are saying there was a degree of fact compared to your estimates.

Mr Salt: Our estimate was based on the previous year's work done by Brierty Contractors, but - I do not know if it is public knowledge - Brierty made a substantial loss on its contract.

The CHAIRMAN: That is what I will ask about Carr Civil. The information provided yesterday was that a loss of more than \$1 million was made on the project, along with a loss on the other project - hence his problem. That was despite the fact that he would still have made a loss on the project even if he had received the \$1.2 million. With inadequate supervisory staff to pick up the position earlier to try to correct it, you were Main Roads' eyes and ears on the ground. Was it not obvious early on that there was a problem?

Mr Salt: It was clear that there was a problem early on. Progress of the contract was slow at the start because of a lack of water and organisational skills on the ground. We monitored progress closely and had concerns early on. As the contract progressed, those issues were addressed. There were day-to-day issues, but some of them were normal with a job of this nature. The contract ran over by five weeks in total overall, which to me indicated that, despite the slow start and losing five weeks, the total progress throughout the job was quite good.

The CHAIRMAN: Are you based in Port Hedland?

Mr Salt: Yes.

The CHAIRMAN: Do you remember a contractor ringing you in the office there, and your telling the contractor it was okay and that Main Roads will make sure he gets paid?

Mr Salt: Yes. I do.

The CHAIRMAN: Is that what you said to him?

Mr Salt: Yes - not in those words.

The CHAIRMAN: I remember those words; he used them to us. He has not been paid, and he is saying, "Please pay up."

Mr Salt: The comments I made to subcontractors and others were based on the fact that the statutory declarations were in place and that payments to Carr Civil would be enforced by the statutory declaration.

The CHAIRMAN: They would be enforced by Consolidated Constructions.

Mr Salt: That is right.

The CHAIRMAN: But nobody checked to see whether the payments had been made.

Mr Salt: As far as I am aware, I was told by Carr Civil - I checked with Mark fairly regularly based on the subcontractors' concerns - that it was receiving regular payments from Consolidated. Both the project manager from Consolidated and Bob Lyons, a senior civil engineer in Perth, confirmed that regular payments were being made to Carr Civil.

The CHAIRMAN: Did Consolidated have senior staff up here?

Mr Salt: Yes.

The CHAIRMAN: Did you think they were of a quality to see the problems as they were occurring? Were they aware that nobody was being paid and that problems were arising in administering this contract?

Mr Salt: By talking to Vince Collova and Simon Barnes, on-the-job project managers for Consolidated, at no time did we get any indication from them that they had concerns about payments to anyone.

The CHAIRMAN: No. That was not the question I asked. Were they aware that contractors were jumping up and down because they were not being paid?

Mr Salt: Yes.

The CHAIRMAN: Did they tell you what action they had taken?

Mr Salt: They confirmed to me at that stage that a statutory declaration had been requested from Mark Blayney to confirm that his payments were being made to subcontractors.

The CHAIRMAN: What time frame was that - October, December or January?

Mr Salt: It followed from our request for a statutory declaration from Consolidated because its subcontract agreement with Carr Civil was virtually a back-to-back contract with ours.

The CHAIRMAN: Do you know who from Consolidated asked for that statutory declaration?

Mr Salt: No, I do not.

The CHAIRMAN: What action did Consolidated take as the main contractor when threats were made, I assume, that equipment would be taken off the site and that people were not happy? What happened then?

Mr Salt: It was obviously concerned. Each time that situation arose, in relation to Stubbs in particular, both the contractor and I were invited to be involved with the arrangement.

The CHAIRMAN: Did Consolidated read the riot act to Mark Blayney?

Mr Salt: I was not present at any discussions held directly with Mark Blayney. That was in confidence. I know it involved firm and serious discussions.

The CHAIRMAN: Can you tell me who was involved in the discussions between Carr and Consolidated? Was it Vince Collova?

Mr Salt: Vince Collova was the main project manager, with Simon Barnes assisting. Vince had many discussions with Mark.

The CHAIRMAN: Are they based in Perth?

Mr Salt: No longer.

The CHAIRMAN: Then?

Mr Salt: Vince and Simon were both site managers for Consolidated up here.

The CHAIRMAN: Did they tick off when work had been done and progress payments were made? They came to you, and you sent them to head office. Payments were then made.

Mr Salt: That is right.

Mr M.G. HOUSE: Who was in charge of this job? The way I run my farm is that I am in charge and I take responsibility for it. If someone is not doing his job, either he gets on with the job or he gets on his bike. You are in charge for Main Roads. Two guys were in charge for Consolidated. Mark was in charge of Carr Civil. These guys were trying to run their own men on the site under smaller contracts. Everybody has given evidence that the whole thing was not working properly. Who was the leader who grabbed the bloody thing by the scruff of the neck and shook it until it worked? I am referring to right now.

Mr Salt: Main Roads.

Mr M.G. HOUSE: You have given evidence to say you knew it had gone off the track. In hindsight, knowing that blokes were not up to scratch and that the organisation was not up to scratch, and that the contract went pear-shaped early, what would you have done if it were to start again tomorrow morning?

Mr Salt: In hindsight, although progress was slow at the start, it moved along throughout the contract to a stage that the work was completely satisfactory. We monitored progress closely and worked closely with the contractor, and subcontractors for that matter, to make sure that the works did progress. That was an arrangement made between us, Consolidated Constructions and Carr Civil jointly to ensure the progress of the work.

Mr M.G. HOUSE: When you read the transcript of this evidence, you will find that is not what was said to us by Mr Stubbs this morning.

Mr Salt: That is right. It was inaccurate.

[12 noon]

Mr M.G. HOUSE: Was what Mr Stubbs said inaccurate?

Mr Salt: I believe so, yes.

The CHAIRMAN: Tell me exactly what you mean. What was inaccurate?

Mr Salt: There were times when the plant was standing idle. It could have been managed better.

The CHAIRMAN: Mark Blayney said that. He said that he was furious that when he came to Marble Bar, the plant was all over the place and no-one knew where the project was at and that is where the problems were.

Mr Salt: That is right. Mark made a point of being here full time on the job when he was available. From that time on, the management of the site drastically improved, and that continued with our assistance. I am not sure why Mark was not available to be here earlier on. That was his decision.

The CHAIRMAN: He indicated to the committee that he never had to be here but that he came here only when it became pear-shaped.

Mr Salt: That was his decision to the benefit of the contract.

The CHAIRMAN: If you had so much control over this site, why did it blow out to the tune of \$1 million. Forget about Carr Civil going broke and Consolidated Constructions not paying Carr. Mark Blayney told us that this job would lose more than \$1 million. How can that much money be lost?

Mr Salt: I am not aware of Mark's financial control.

The CHAIRMAN: Were there any outstanding issues such as the work could not proceed because of rain or water? Was a problem found that made the cost of the project blow out? Was it because of the rocks? Did something occur unexpectedly?

Mr Salt: The main contributing factors to cost overruns were the time overruns and the fact that water is hard to come by. I am not sure exactly what costs are involved in water supply. That is not for me to know.

The CHAIRMAN: Was it predictable that water would be hard to come by in Marble Bar? If I were to be involved in a project at Marble Bar, the first thing I would think is that it is hard to get a good water supply.

Mr Salt: That is right.

Mr M.G. HOUSE: I know how management runs because I have been involved with management practically all my life. In your position, when you saw that something had gone wrong with a sub-subcontractor, did you speak directly to him or did you go to the main contractor's supervisor and get him to talk to the sub-subcontractor?

Mr Salt: We dealt directly with the main contractor.

Mr M.G. HOUSE: Would you not say to the grader driver, for example, that what he was doing was not efficient or up to scratch? Would you tell his supervisor?

Mr Salt: That is right.

The CHAIRMAN: Is the work that has been completed up to scratch? Are you happy with what has been done?

Mr Salt: The quality was constantly checked and monitored. All the quality processes were followed to our satisfaction and in accordance with the specifications. Substantially heavier rains than usual fell recently, and the pavement construction has stood up well. There is some scouring, but that is expected on a road after that amount of rainfall. I would say without question that everyone in Main Roads is happy with the quality of the finish.

Mr M.G. HOUSE: Does it not need another final seal?

Mr Salt: The final seal will be done in a couple of months, if that.

The CHAIRMAN: If you were to do another job, would you contract Carr Civil now that you know its background? Is that a fair question? Would you recommend using that company again?

Mr Salt: I would use it again.

The CHAIRMAN: A number of contractors have said that they would be happy to keep working for Carr Civil because they thought they could recoup their moneys by doing other jobs. They do not want Carr Civil to go under. There is not a fundamental problem with the company.

Mr Salt: That is right.

The CHAIRMAN: Arthur, from your point of view, could anything more have been done regarding payments? Could more information have been provided? Could more safeguards have been put in place to protect the people who were contracted?

Mr Phillips: There will be an opportunity when the stat dec arrives that Main Roads will ring a few of the subbies to check that they have been paid.

Mr M.G. HOUSE: We have heard evidence that that has been the practice - albeit it not in the rule book - by some regional supervisors. In fact, I think at least one was named in evidence. It has been suggested that that happen from time to time.

Mr Phillips: Yes. It is not in the system's current arrangements, but there is an opportunity for that to happen.

The CHAIRMAN: What about the process that the second-tier subcontractor should be subject to the same standard of financial checks as the main contractor? If that happened in this case, Carr and Consolidated Constructions would not have been used or would not have been in the financial ballpark.

Mr Phillips: I am not sure whether, financially, there was an indication when we were going through the tender evaluation process. We were advised at the time of Carr Civil's tender submission that its technical capacity looked okay.

The CHAIRMAN: Tell me what that means.

Mr Phillips: It had the technical competence and the necessary staff and supervisors it was to have on site.

The CHAIRMAN: I understand that, but Main Roads' policy is that any contract above \$1 million must be prequalified and must go through a series of checks. Carr Civil never went through that process and was awarded a \$6 million project. Is it not feasible that if the project costs more than \$1 million, the company should be prequalified? That is what the committee can recommend should be the normal process. We probably will do that anyway, but I am just asking whether there is a reason that cannot be done?

Mr Phillips: I guess there is. If Main Roads prequalifies a sub-subcontractor to the subcontractor, who would take the risk? If Main Roads prequalified Carr Civil and it went broke, would the main contractor have a go at us about the finances?

Mr M.G. HOUSE: That is a legal question. I note the point. However, in this case Consolidated Constructions was not a road-building company either. That is what I find absolutely strange. It had constructed bridges for Main Roads and had completed a section of road on a freeway, if I recall correctly, but it was not generally known as a road construction company in the rural areas of Western Australia.

Mr Phillips: Consolidated Constructions had done roadworks before. It worked on Roe Highway near the Kenwick link, which was predominantly structures, as you say, but a bit of roadworks construction was done on that project. That was a massive job.

Mr M.G. HOUSE: It had not done any roadworks in rural Western Australia, yet it suddenly tendered for a job in a reasonably remote area. I would have thought that warning bells would have rung. In addition, it subcontracted the work to another company. That process must be tightened somewhere.

The CHAIRMAN: Arthur, you said that there is a problem with the legal costs. The contract could be written simply by saying that notwithstanding the fact that a prequalification check is being done for the sub-subcontractor, you should be fully responsible for the contractor and should anything happen, you would still be held responsible. That is the way to write a legal document. I am more worried that this case has allowed a company without any experience to be tendered to do a big job. It had had no exposure to this type of work, it was not prequalified and the company's financial base was not known what. It turned out that that was a problem not only for the Government - the work has been done, so the Government does not have a problem - but also for the people who have not been paid. That is not fair. Those people consider Main Roads to be a government authority and, therefore, it should have some credence. Unfortunately, by not prequalifying Carr Civil those people were not given that guarantee. Not that the Government has a legal obligation to do that, but it would be nice to have those safeguards in place.

Mr Phillips: It would be nice if some safeguards were in place.

Mr Salt: There are safeguards in place to the extent that Main Roads' quality management systems required of the contractor sets out the processes to be used in road construction, safety management and environmental matters etc. As the contract proceeds, as long as the contractor follows those construction processes, which are managed and checked by testing, observation and checklists for quality control, the risk in providing the final product is minimised. That happens as long as those processes are followed and checked, and they are.

The CHAIRMAN: The prequalification checks only the financial stability of the contractor and whether it is able to cover a \$6 million project.

Thank you gentleman. The committee might need you to give some more evidence; there is more paperwork for us to go through. If we do need to hear from you again, we will notify you. Thank you for your evidence and, hopefully, at the end of the committee's investigations, it can make some recommendations that will help everybody concerned. Thank you very much.

Committee adjourned at 12.10 pm

