



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

12th Assembly

Public Accounts Committee

Redacted Transcript of In-camera Hearing

12.00 noon, Monday, 17 December 2012

Litchfield Room, Level 3 Parliament House

Members:

Mr Peter Styles, MLA Chair, Member for Sanderson
Ms Lia Finocchiaro, MLA, Member for Drysdale
Mr Michael Gunner, MLA, Member for Fannie Bay
Ms Natasha Fyles, MLA, Member for Nightcliff
Mr Gerry Wood, MLA, Member for Nelson

Witnesses:

Mr Patrick David Coleman, Project Director for the NT Secure
Facilities PPP
David Peter West, Project Director, Major Projects of the
Department of Infrastructure
Mr Frank McGuinness, Auditor-General of the Northern Territory

**Redacted version of in camera evidence.
Authorised for publication by the Committee on 12 February 2012**

Mr Pat Coleman, Project Director – NT Secure Facilities PPP

Mr CHAIRMAN: Thank you for your indulgence. We can start. Is everyone ready?

First, I record the apologies of Larisa Lee MLA, who cannot be with us. Welcome, gentlemen, to the Public Accounts Committee hearing of 17 December 2012, that being Monday.

On behalf of the select committee I welcome everyone to the hearing into the public private partnership - more commonly known as the PPP - arrangements for the Darwin Correctional Precinct. I welcome to the table to give evidence to the committee Mr Pat Coleman, Project Director, NT Secure Facilities PPP. Thank you for coming before the committee. We appreciate you taking the time to speak to the committee and look forward to hearing from you today.

On 14 December, the committee resolved to hold today's hearing with Mr Coleman in camera, although it was also resolved to allow the attendance of the Auditor-General. I remind members and others present that no part of an in camera hearing can be made public or disclosed to other people without authorisation of the committee or the Assembly. I note that section 22 of the *Legislative Assembly Powers and Privileges Act* makes it an offence for a person to publish or disclose such evidence unless the Assembly or committee has authorised its publication. This offence is punishable by 40 penalty units or six months' imprisonment.

Further, Standing Order 274 prohibits the disclosure of evidence unless authorised by the committee or Assembly. Any such unauthorised disclosure may be treated as a contempt of the Assembly which could also be prosecuted by the Assembly under section 25 of the *Legislative Assembly Powers and Privileges Act*.

Mr Coleman, you have received a copy of the witness guidelines which warn that it is within the power of the committee to authorise publication of in camera evidence and that the Assembly has the power to order the production of publications of such evidence. While recognising the need for confidentiality for some matters, the committee wishes to keep this inquiry as public as practicable and may wish to publish the transcript of this hearing at a later time. However, before doing so it will seek your agreement on what parts should remain confidential. Only in the most extraordinary circumstances will the committee publish any confidential part of the transcript without your agreement.

This is a formal proceeding of the committee and the protection of parliamentary privilege and the obligation not to mislead the committee apply. As Mr Coleman is appearing under summons, the committee's power to compel answers under section 21 of the *Legislative Assembly Powers and Privileges Act* also applies.

Mr Coleman, could you please state your full name for the record and the capacity in which you appear?

Mr COLEMAN: Patrick David Coleman, capacity as Project Director for the NTSF PPP.

Mr CHAIRMAN: Thank you, Mr Coleman. I also note that Mr David West is present. Could you please identify yourself and the capacity in which you appear before the committee, Mr West?

Mr WEST: Certainly. David Peter West. I am the project manager for the NT Secure Facilities PPP, but my title is Project Director within Major Projects of the Department of Infrastructure.

Mr CHAIRMAN: I am led to believe by the Clerk that you have actually received a copy of the outline and the terms of reference from the Attorney-General's letter dated 5 December 2012, there being five parts. Are you familiar with the letter that was addressed to the committee?

Mr WEST: Yes, I am.

Mr CHAIRMAN: Excellent. I might just kick off, if you would not mind, Mr Coleman. Can you give us an outline of, as you said, the project from start until where we are at the moment? For the benefit of those on the committee, just give us an outline.

Mr COLEMAN: Sure. I point out that the project actually started more or less in late 2007. My involvement occurred in April 2009. When I say 'started' back then, that was when the initial work was done by the Department of Justice to substantiate the need for a new prison. I had no involvement in any of that, although I am aware of some of the outcomes of that process.

The importance of that, in relation to the questions which were in the Attorney-General's note, are that, since I came on board in April 2009 there was no need, or requirement, to do a formal business case. The business case, as such, was done before I arrived.

My understanding is it was formed through a combination of a various number of Cabinet submissions and so on and so forth, which I do not have with me today. In fact, they reside with the Department of Justice.

Anyway, that said, again prior to my involvement, my understanding is Cabinet made a directive that yes, a new prison was required and it should be procured either as a PPP or a D&C direct by the Territory - design and construct. That decision was, as I said, taken in 2008. There was an estimate of the work done at the time of \$300m which, subsequently, proved to be not quite right ...

Mr CHAIRMAN: Sorry, what was that figure please?

Mr COLEMAN: \$300m, which was a published figure. The market sounding for the PPP part of the project - market sounding is a standard procedure with PPPs - took place in February 2009, I think - either January or February - again, before I came on board. I did attend it but I attended in an unofficial capacity.

Mr CHAIRMAN: Anything else you would like to say in relation to opening remarks?

Mr COLEMAN: No. Do you want me to keep explaining the process?

Mr CHAIRMAN: Yes, if you can, just so we have a picture. Then, we can go back and ...

Mr COLEMAN: Happy to. In April 2009, I came on board. My first task was to commence compilation of the output specifications, which are a standard component of a PPP and also are needed if you do a D&C. So, it is not wasted work.

We were only five or six weeks into that process when the election occurred, and we all know what happened there; there was a hung parliament and so on. There was some question of whether the originally chosen site was the correct one, or the right one or, in fact, whether the prison was justified at all.

The work in compiling the output specifications continued but in a much reduced time scale, because the imperative was not on producing the output specs, it was on answering various questions raised by numerous people about the actual prison project and its siting. That process took 17 months from start to finish, to the point where we were able to put out an EOI on 16 September 2010.

Do you mind if I clarify one thing?

Mr CHAIRMAN: By all means.

Mr COLEMAN: I brought a bunch of documents here today as requested in the summons. Because of the timing of the summons and the request to provide documentation I really have not had time to photocopy anything. These are actually original files. So if you wish to have them I can arrange to either get them copied post this hearing or we have also organised for a DVD disc to be sent over containing everything that you see here. These are the original project files which we had to get out of storage yesterday.

Mr CHAIRMAN: A DVD would be excellent. If you could arrange to send that across to us that would be terrific.

Mr COLEMAN: It should be on its way, we had it being done.

Mr CHAIRMAN: If there are any documents that you believe are not on that DVD, if you could – if anything comes up we just ask that you ...

Mr COLEMAN: What you see here are the main file documents that cover the process side of the transaction. It really depends on how much you want and how far you want to go into the project, but there is at least another forty or maybe even more files if you want bid documents and other miscellaneous information. As I said, these cover the detailed process itself so I think they should be able to answer most of your questions and I have brought a few other miscellaneous bits and pieces which I think you might be interested in and you can have those if you wish.

Again just as a clarification, that is what is known as part A of the request for proposal document. The document itself is about two-and-a-half-thousand pages because it includes all the output specifications. I have not bothered to bring that today but, again, if you wish that detail we can provide that.

Mr CHAIRMAN: Is that on the DVD?

Mr COLEMAN: I do not think so but we can put it on.

Mr CHAIRMAN: If you can that would be terrific.

Mr COLEMAN: That is basically technical detail about what the project is meant to be and so on and so forth and forms the basis for the PSC.

Mr CHAIRMAN: Excellent.

Mr COLEMAN: Okay. So in the middle of September 2010 we went out for an expression of interest. We allowed roughly seven weeks for that process. We had three substantial organisations capable of doing the project, either as a PPP or a D&C and we structured all the documentation as per the original Cabinet decision to make it flexible for either approach. We structured all documentation to allow us to change to a D&C at a later date if need be.

Following the evaluation of the three bids that we did get, we then issued the request for proposal document on 8 December 2010.

Mr CHAIRMAN: Sorry that was 8 December 2010?

Mr COLEMAN: Yes, which was actually three or four weeks earlier than necessary, but because Christmas was approaching we decided to put it out. The programming of the remainder of the process actually started from mid-January. So, effectively, the bidding organisations had the documents four weeks early.

The whole process was covered by a probity plan, an evaluation plan which was a subset of the probity plan and everything was covered by a probity and process deed so that all people - government, non-government, private sector - had to sign up to the various elements of the Probity Process deeds and the confidentiality agreements.

That process was followed to the letter. The basic process from January 2011 through to May 2011 was to conduct a number of interactive workshops as part of the ITP - interactive tender process. There were seven of those conducted with each of the three bidding consortia. From our perspective, we had 21 interactive workshops which roughly ran a day or two days each, depending on what was being looked at, at the time. I should mention the whole process was governed by the then recently released Infrastructure Australia national guidelines for PPPs. At the time, the Northern Territory

project was, as far as I am aware, only the second project in the country to be done under the national guidelines.

I have brought along the summary document of the national guidelines - this has six volumes and numerous pages about all sorts of details, so I am not sure whether you want that - but this gives an overview. We religiously followed the national guidelines except where they were modified through the Territory's PPP policy, which were only minor variances. Essentially, we followed the national guidelines and, in doing so, we utilised some of the – (not the actual) documentation, but the structure of the documentation that had been done for the only other project to be done under the national guidelines at the time, which was the Ararat Prison. They already had things like how to structure and name documents and all the headings in a document. They were kind enough to provide those to us at no charge and we used those as a template, basically.

Throughout the whole process, including at every interactive workshop, the process itself was governed by an independent probity auditor, who was Matthew Kennon from Merit Partners. He used to be with Ernst & Young. He attended every interactive workshop without fail and, at the end of all of the EOI, the RFP process and evaluation, and at financial close which was achieved on 5 October 2011, Matthew prepared a report essentially acknowledging the processes followed were in accordance with the plan, and he had no concerns. I understand you have a copy of those. We also have a copy in these files, I think. Might not have for that letter ...

Mr KEITH: No, it is not in there, but it is contained within the information sent to date.

Mr COLEMAN: The purpose of the ITP process is, basically, to assist the private sector to get as much value and provide the best possible bids to ensure the bids are in line with what the Territory's expectations are. As I said, that process finished in May when they lodged their bids. We chose to do something that has not been done in other jurisdictions; we only required one hard copy of their bids and required them to lodge electronically so we could keep the cost down, both for government and for the private sector.

Most, if not all, of the tender documentation exists in one hard copy form in the data room, which currently is still at the waterfront, but is in the process of being moved. The rest of it is on a proprietary electronic information system which is secure and called Aconex, so it can be retrieved relatively easily.

We went through a fairly rigorous and detailed evaluation of all three bids. We made a recommendation to Cabinet, I think in mid-July 2011. It is fair to say all three bids were in excess of the PSC and we did a lot of work in trying to realign those and make sure we understood where the issues were. Ultimately, we achieved that and made a recommendation to Cabinet. Cabinet accepted the final recommendation as to the preferred bidder, then directed us to take a further \$100m out of the capital cost of the prison, which we then did. We were directed to do that, preferably within the original time frame that was specified.

We had intended achieving financial close on 30 September 2011. We actually achieved it on 5 October 2011. However, the reason we missed the 30 September date was not actually caused by the Territory, it was caused by the project company itself having difficulties with its financiers.

That was the process. I am happy to field any questions if you like, or provide more detail if you want it.

Mr CHAIRMAN: Just a couple. Which agencies had the main carriage of the project, and what were their roles?

Mr COLEMAN: Initially, the project was – let me back track. In putting a case to government for there to be a project, it was clearly the Department of Justice. Post my involvement, or as part of my involvement, the process was then carried by Treasury. Treasury maintained carriage of the project, essentially, to – when did AI start?

Mr WEST: It is on the front of that sheet.

Mr COLEMAN: It was transferred over to the Department of Infrastructure as it is now, part-way through the tender process.

Mr WEST: It was around the time of August 2010, as I understand. Approximately around August 2010 was when it was formalised over to the Department of Infrastructure, where we established it on the books for the project management role - the EOI process.

Mr COLEMAN: At that point in time, my contract, in terms of administration, was transferred from Treasury to the Department of Infrastructure.

Mr CHAIRMAN: You came in, in April 2009?

Mr COLEMAN: Yes.

Mr CHAIRMAN: And in August 2010 it went across to Treasury?

Mr COLEMAN: No.

Mr WEST: No, in August 2010 it went to Infrastructure.

Mr WEST: From Treasury.

Mr CHAIRMAN: Sorry, to Infrastructure. When did it go from the Department of Justice to Treasury? Do you have that information?

Mr COLEMAN: No, I do not, but I believe it was at the point the Cabinet submission for the justification for the new era in corrections plan, which was December 2008, I think.

Mr CHAIRMAN: So, we started off with DoJ, we went to Treasury, then we were at the Department of Infrastructure. To your knowledge, who were the key people involved in DoJ? This is, obviously, before your time. Are you aware of any people you were dealing with and had to go back to?

Mr COLEMAN: No. Ken Middlebrook was on the project steering committee. He had carriage of it, I guess, all the way through, but I am not sure exactly when he came on board either. He may have come on board after the original decision, I do not know.

Mr GUNNER: Is the steering committee different to the evaluation panel?

Mr COLEMAN: Yes. There are two groups. There is the project control group which consisted of the evaluation panel members mainly and, to some extent, the tactical advisers who hung off the end of that. The project steering committee consisted of the Under Treasurer and various CEOs of the relevant organisations.

Mr CHAIRMAN: The project control group consisted of the evaluation group, plus?

Mr COLEMAN: Plus various advisers - financial, legal, technical. They were not actually on the group but they were part of the group, if that makes sense.

Mr GUNNER: So the evaluation panel looked at the PSC?

Mr COLEMAN: The evaluation panel and some of the advisors, depending on what was happening at the time, were in attendance at all of the ITPs. The process that I set up which is, again, slightly different to what is done in other jurisdictions, was to have only the government people - for the purposes of this conversation I class myself as government - doing the actual evaluation, not seconding that task to a bunch of technical people, which is often the way it is done.

My view has always been that the people who have to live with the outcome of the decisions are the ones that should do the evaluation and take advice from the technical people, so that is what we did.

Mr GUNNER: It will be better for us to call it the project control group than refer to an evaluation panel?

Mr COLEMAN: Yes.

Mr GUNNER: And the methodology you used for the public sector comparator, I have a note here that it is from volume 4 of the national PPP guidelines.

Mr COLEMAN: Yes, followed to the letter.

Mr GUNNER: Followed to the letter - because we have the summary, not volume 4 itself. That is what you use, that is the methodology you use for the public sector comparator, to the letter?

Mr COLEMAN: Yes.

Mr GUNNER: So it would be fair to say it was an adequate public sector comparator because it was the national guidelines?

Mr COLEMAN: Certainly, in terms of the way it was structured. I would not agree but it could be open to some argument that it was not right, or whatever, but it was right. It was right for the conditions and scope of work that we understood at the time. We did have to make an adjustment to that PSC in the evaluation period, again, in accordance with the guidelines.

Mr CHAIRMAN: To clarify that, there were not two distinct groups. There was a project control group and you are saying that included the evaluation group and various advisors.

Mr COLEMAN: Yes.

Mr CHAIRMAN: And the Under Treasurer?

Mr COLEMAN: No, separately.

Mr GUNNER: There is a steering committee.

Mr COLEMAN: There is a steering committee which included the Under Treasurer, the CEO of Justice ...

Mr CHAIRMAN: So, there are two groups here, one is a steering committee?

Mr COLEMAN: You will find that referred to in the probity plan and the evaluation methodology plan, which has a diagram of the hierarchy. So the project control group was responsible for day-to-day technical type management tasks, and it frequently, through me, reported to the project's steering committee and the project steering committee signed off on any major decisions.

Mr CHAIRMAN: Can you give us an overview of what happened over time in the evolution of this project and are you able to specify the timelines for key decisions and why they occurred? I understand that prior to April 2009 you were not there, so it is probably not fair to ask you to comment too much on that, but if you have any understanding of that because you have actually spoken to people from that particular time - just a bit of an overview of what has actually happened.

Mr COLEMAN: Sorry, I thought I had already done that. We had the delay where basically an expert panel was formed to look at the original site analysis and to provide comment on the suitability of the existing prison to be redeveloped and/or whether the new prison could go on the Berrimah Farm site or a combination of the Berrimah Farm/Berrimah site. That is a process that took 17 months. In parallel with that I continued to move the output specifications along on the assumption that at some point we would get to a position where a site was agreed to and the prison itself was agreed. But, we did not push it along the way you would normally push it along because there was no need to. So, we just

took a move forward slowly on that one to be prepared to be able to go out eventually, which we were in 2010.

Once we got to the point of putting an EOI out, which was based on the steering committee obtaining direction from Cabinet that we were in fact to proceed with the project, again it was always proceeded with even at that point in time as either a PPP or a D&C. When we drafted up the Request for Proposal document that specifically addressed that issue we wanted to have a foot in both camps in case we could not get a viable PPP - bearing in mind this was at the time not long after the GFC, global financial crisis, and there was still some uncertainty around the nation about how much money the private sector was prepared to tip into these things. That was the main reason for the hesitation. The other one, equally, was a concern that we wanted to be sure the PPP was as good, or better, than doing it ourselves.

Mr GUNNER: So you did the public sector comparator about trying to work out the value for money of the PPP?

Mr COLEMAN: The public sector comparator is a measure of what it is worth for the Territory to do it itself.

Mr GUNNER: Yes.

Mr COLEMAN: That is what the PSC is. So, the PSC essentially becomes the benchmark. When the bids come in you measure against the PSC. It is not the only benchmark, obviously. Just because it is either better or worse you do not do one thing, but it is the main measure in accordance with the national guidelines.

Mr GUNNER: And it also allocates the different risks?

Mr COLEMAN: Yes.

Mr GUNNER: Yes.

Mr COLEMAN: As the Territory, in the Request for Proposal document we published what is known as the raw PSC - which is the unrisk-allocated PSC - which gives the private sector a bit of a heads up and a target. The bit they do not know is how much we have allocated for risk, therefore, depending on the nature of the project, there could be quite a big difference in the dollar value. That is where, in an ideal world, the bids would hone in and provide the value for money by beating the PSC. That is a risk-adjusted PSC.

Mr WOOD: You mentioned you had used a template that was used at Ararat Prison, because that was a PPP.

Mr COLEMAN: Just for the tender documentation, for nothing else.

Mr WOOD: Ararat Prison, as we know, went a bit sideways at one time. Was it anything to do with the template in relation to them going ...

Mr COLEMAN: No, it was not. I have done a lot of work, as David can probably confirm, trying to find out exactly what went wrong with Ararat, particularly given that some of the same players are involved in both Ararat and this project. The two projects are completely different and the approach to them, both from the way I have approached it and the way the rest of the Territory team has approached it, has been quite different. There is no risk of the same nature.

The bottom line with Ararat - and it is very difficult to find out exactly what went wrong because nobody really wants to talk about it too much. It is clear there were, in my view, five or six fundamental problems with Ararat, any one of which, on its own, would have been a nuisance and could have been dealt with, but put them all together and you end up with what has happened, which is a disaster.

Does that answer your question?

Mr WOOD: So we do not have a risk of going down the Ararat path? I suppose that is what ...

Mr COLEMAN: No, I do not think so. Well, I am very comfortable that we do not. As I said, as soon as I heard about Ararat - and I had been hearing mumblings about it for quite some time. As it turns out, the technical advisors on Ararat - financial, engineering and architectural - were also the ones we have. So, I was always somewhat concerned we were not repeating similar mistakes, and did a fair bit along the way to make sure if we were repeating any, that did not happen.

Because of that connection, we also had a bit of an insight into what was going on at Ararat, even though nobody would explicitly own up to providing information. One of the things I did - was it this year? I lose track of time - yes, middle of this year. Once the full impact of Ararat was known publicly - when it hit the papers, basically - I did something that is fairly unusual. In fact, it has never been done before.

I immediately called a meeting of all of the debt and equity providers. That meeting was held in Sydney and there were 22 bankers. Their opening statement was they have never met with the principal before. I explained to them the reason I was having the meeting with them was so they understood the kind of things that actually led to their problem on Ararat and maybe they should use their influence to make sure it did not happen on this project. Not that it was going to happen, but I wanted to introduce another level of protection for the Territory.

Typically, what happens on these projects is the deal is done. Theoretically, the project company has to manage the whole process and the state, theoretically, sits back and has a bit of an oversight but does not direct or manage anything.

[THREE LINES REDACTED] Hence, what I did was to line equity up with the debt providers and, basically, use the influence of the banks to make sure there was an added level of people keeping an eye on this thing, so it was not all down to the Territory to manage.

It is also fair to say we actively manage - and still do - the process probably more so than any of the other jurisdictions. That is because, I guess, of my experience and the fact that I am not prepared to let a third party - even though the deal says that is the way it should be - just go off and do things willy-nilly and have a problem that nobody can deal with later.

So, the short answer to your question is, no, we do not have the same problems as Ararat, and we will not have.

Mr CHAIRMAN: Just on the difference, can you enlighten us as to when and why the interest in PPP approach emerged? At what point did we go off in that direction?

Mr COLEMAN: That interest was there from Day 1. The original Cabinet submission and Cabinet decision, in 2008 - I think it was December 2008 - that original decision said it would either be a PPP or a D&C.

Mr CHAIRMAN: At what stage did the weight transfer to the PPP?

Mr COLEMAN: It is not that the weight transferred, it is simply that we followed the process which is common to either, more or less. The PPP process is a bit more complex and more rigorous than you would normally get under a D&C. So, from that perspective, if you are going to do a D&C, the process you have done for the PPP is much more beneficial because it is much more rigorous.

We just followed the PPP process until the point where we had bids, and we evaluated them against the PSC. The PSC indicated that the PPP was a reasonable approach.

Mr GUNNER: The decision whether you go PPP or D&C is based on the comparative? It tells you whether ...

Mr COLEMAN: Yes. On the raw numbers, it was a fairly close thing. It turns out the final bid that was translated into a deal was only just in front of the PSC. But, having said that, you then need to understand that there were a whole bunch of things that could have been added onto the PSC to make it much clearer in terms of just raw numbers as to which was the best way to go. They were things like adjusting some of the fundamental risk percentages used in the creation of the PSC. The Territory's financial adviser, KPMG, strongly advocated that we increase some of the percentages used to calculate risk which would have, on paper, given a much wider spread between the PSC and the deal and made it look much more attractive. That would have been valid to do. Those recommendations were made again under the Australian national guidelines. However, the Territory did not accept that view and left it as it was. I guess what I am saying is that even though the number was close it could have, in reality, if we had accepted the advice, looked even better. So the decision to be a PPP was essentially done at the end of the evaluation period when it was clear that it was better than the PSC.

Mr GUNNER: I want to clarify that last bit in case I misunderstood. So, the Territory guidelines were the ones that had the risk percentage up that made it close, and the national guidelines were the ones that would have ...

Mr COLEMAN: No, we had a PSC that was done in accordance with the national guidelines. Apart from the normal things that most people would understand as risks - like design risks or whatever - in creating the PSC there were some fundamental things which are not really my area of expertise to try to explain. The thing they call the asset beta and so on, these are all standard financial-type terms. They are relatively small percentages like 0.4 of a percent or something. Just as an example, there was plenty of justification based on what was happening around the country to change that number from 0.4 to say 0.6. If you had changed it to 0.6 you would have made a \$30m or \$40m difference in the NPC of the PSC but we said we are not going to do that. So Treasury was pretty firm and I was pretty firm that the thing would be done on its merits in accordance with the original Cabinet directive to pursue either a D&C or a PPP.

Mr GUNNER: Mr McGuinness, are you an expert in those terms?

Mr McGUINNESS: In betas?

Mr GUNNER: Yes, and all that?

Mr McGUINNESS: Yes, they are all linked to a thing called the capital asset pricing model.

Mr GUNNER: Do we need to understand it better?

Mr McGUINNESS: Probably, you would almost need a separate presentation I think because there are ...

Mr WOOD: An ITP?

Mr McGUINNESS: There are debt and asset betas.

Mr GUNNER: I am very happy with that answer, I was just wondering if it was one of those ones where I ...

Mr McGUINNESS: If the committee was interested it almost would need a separate briefing on the capital asset pricing model and its assumptions.

Mr GUNNER: In some ways it is important because it changes the PSC to the better in a sense, but obviously the fact that we stuck to national guidelines and did not is the important point and it still came in under the ...

Ms FINOCCHIARO: Yes, so the decision to go with the PPP was not so much to save \$3m or whatever other way you could change the statistics, it was a preferred method. Could I just go back to 2009, what were you doing Mr Coleman before that time? Were you a department guy, you worked in infrastructure, or ...

Mr COLEMAN: That might need a separate briefing as well.

Ms FINOCCHIARO: I just want to know why you got picked to be the project director.

Mr COLEMAN: Because I did the waterfront development as the project director and when that role finished I was brought back to assist the Department of Infrastructure to actually deliver it. When that role finished I was brought back to be the CEO of the Waterfront Corporation.

Ms FINOCCHIARO: You say that DoJ scoped things from 2007 in that period 2007 to 2009, when you were engaged. What was involved in that scoping, because you went through the process of whether or not Berrimah was more viable and all of those types of things. I guess where I want to head towards is who did the contract negotiations eventually, and how did we get to this model of the PPP and the 30-year ongoing maintenance arrangement and things like that? Was that all predetermined by the Department of Justice and you were there to roll out the goods or ...

Mr COLEMAN: No, the Department of Justice merely - when I say merely - did some work on what the needs were to meet the requirements for correctional facilities.

Ms FINOCCHIARO: So if we have more people going to gaol, we need a ...

Mr COLEMAN: Exactly, and there were ...

Ms FINOCCHIARO: Yes, we need more beds.

Mr COLEMAN: ... 5000 graphs showing the number of prisoners was increasing and the capability of the physical infrastructure was struggling to cope. So, that was all done in that 2007-08 period. They engaged an expert prison architect out of New South Wales to do a notional plan of a potential prison complex.

Ms FINOCCHIARO: That would suit our growing need?

Mr COLEMAN: Yes, bearing in mind the Territory correctional environment is far more complex than any other jurisdiction in Australia. The reason for that is, if you go to Victoria, New South Wales or anywhere, they generally have one prison for one classification. If you are building a 300-bed medium-secure prison all you have to deal with is the things that affect the medium-secure prison. Here, in both Alice Springs and Darwin, the prisons tend to function as not only multi-classification, but also male and female, and they also have a remand capability. So, the complexities with all that are quite different and markedly more complex than other jurisdictions.

The concept plan - again which I had nothing to do with, but I have seen - that was done for the potential new Darwin prison was based on an understanding of the multiple classifications and things that affect the Territory, as distinct from what you would see elsewhere. What that actually means in reality is you end up with a prison that has a far greater footprint than what you would find in Queensland, for example. To use an expression, Queensland builds prisons on a rack-'em and stack-'em basis - double bunks in every cell, so on and so forth. The footprint comes right down, and they can get away with that because they are single-classification prisons. Plus they do not have the same level of Indigenous population in the prison, which also has its own challenges in the type of facilities you provide.

Justice, at the time, in a series of Cabinet submissions, worked up the proposal as part of this whole new era in corrections which has now half disappeared. Nevertheless, that is what drove this particular project. With that as the target, plus the complexities of the various classifications and so on, that resulted in a notional model for a campus style prison. As part of that exercise, they had an estimate done for that concept plan by an interstate quantity surveying firm in Sydney. That, in fact, formed the basis of, as I understand it, the Cabinet submissions and, ultimately, the Cabinet decision, and is where this notion of \$300m originally came from.

Mr WOOD: Can I ask Mr Coleman a couple of questions?

Pat, the figure that has been bandied around in parliament and in the public arena is that the cost of the prison would be \$495m. Is that still correct?

Mr COLEMAN: Absolutely.

Mr WOOD: There is also \$26.3m for capitalised consultancy and advisory expenses, which takes it up to \$521.3m. Why is that not actually the figure that is quoted?

Mr COLEMAN: Again, that is beyond my area of expertise. It is an accounting treatment, purely and simply.

Mr WOOD: Can I ask the Auditor-General whether he understands that method of accounting?

Mr McGUINNESS: Thank you, Mr Chairman. It is a question of, within an accounting stance, of what can be regarded as legitimately capitalised to a project - that it is only those costs which you consider to have a direct bearing and be directly related, as distinct from those costs which are ancillary. In this case, consultancy costs which are involved with design costs. For example, if you say there is a tight nexus between those and the project, therefore, you could capitalise them. Others say financing costs and others where that nexus is a little looser, you would regard as an expense rather than part of the asset cost.

Mr WOOD: So, it is accurate to say the agreed figure for the cost of the building of the prison is \$495m?

Mr McGUINNESS: Which is the - Mr Coleman might want to correct me - construction cost.

Mr COLEMAN: That is construction cost, plus builders prelims, margins, design fees ...

Mr WOOD: Where would the \$26.3m for capitalised consultancy and advisory expenses then go if you were saying that? Is that \$26m to be put against the prison cost, or was it some grey ...

Mr McGUINNESS: No, it is expenses already incurred, but regarded as being part of the cost of putting this prison on the ground.

Mr WOOD: So, either figure is accurate as long as you explain why it is there?

Mr COLEMAN: Depreciable - at that amount ...

Mr McGUINNESS: They will be amortised over that period.

Mr WOOD: If I was the Treasurer and someone asked me how much the prison has cost, do I say \$495m or \$521m? I am talking to the lay people out there who want to know.

Mr McGUINNESS: Well, I would say \$521m because you have incurred \$26m in expenses which are directly related to the prison even before you start building.

Mr WOOD: That \$521m should not change? That has been set, it has being done - finished. Is that correct? As part of the PPP where the government has ...

Mr McGUINNESS: Yes.

Mr WOOD: Okay. Now, the other thing ...

Mr CHAIRMAN: Can I just jump in on that, please. There is a figure of \$621m and it is the total cost - total overall cost of ...

Mr WOOD: Where do you get \$621m?

Mr CHAIRMAN: ... procurement and financing is now known to be \$621m. Can you explain where we get that from?

Mr McGuinness: I cannot throw any light on that one at the moment, Mr Chairman. I need to do some digging but, at this stage, the figure I have is \$26m in capitalised expenses plus the construction costs of \$495m.

Mr GUNNER: Where did you get the \$600m figure from, Pete?

Mr CHAIRMAN: The cost of delivering the project made up of a number of costs, not just the construction costs for \$495m, capital cost was known. This is including what you talking about there, Mr Wood, at \$521m. When, in actual fact, the 2012-13 budget reported it was going to cost \$495m. That is an understatement of what it actually cost to stick it there is what you are saying, Mr McGuinness? This discovered that the total cost included the add-ons which led to \$60m per year repayment obligations. It was not \$495m or \$521m but, in fact, \$621m.

Ms FINOCCHIARO: Over the life of the project?

Mr WOOD: Does this refer, Mr Chairman, to the question you asked in parliament of the Attorney-General? He said - I just have handwritten notes here - there was going to be ongoing liabilities to the Territory of \$600m to \$700m. Is that what you are referring to, because that is what he said in his answer?

Mr CHAIRMAN: The total cost we have is - over the 30-year life of it - \$1.8bn.

Mr WOOD: No, besides that. He said in relation to this figure of \$495m there was also going to be ongoing liabilities of \$600m to \$700m. I do not know what he meant and I do not know where that figure has come from. That was one question I was going to ask: does anyone know what that means?

Mr McGuinness: Without seeing the detail of the Attorney-General's response - he may be referring to a stream of payments which, in aggregate, equal about 2% of the construction cost of the facility. They are indexed in line with either CPI or a labour-price index depending on the stream. There are three separate streams indexed against different bases and that may be the stream of payments he is referring to because there is a stream of payments, if my memory serves me correctly, of \$16m a quarter which is the repayment of the \$521m, and that is payable to the consortium. Then that can be likened to a credit foncier loan with a periodic repayment.

Mr WOOD: Would you find that in the budget somewhere?

Mr McGuinness: It is not in the budget, but will be in the budget once the facility is taken over by the Territory. At the moment it sits in the Treasurer's annual financial statements as a contingent liability.

Mr GUNNER: This is what Mr McGuinness briefed us on the other day. So the PPP was an alternative form, in some ways, of borrowing money and we borrowed it at an effective rate of 10.3% and the people that we borrowed it from borrowed it at 8.5 to 9%.

Mr WOOD: Yes.

Mr GUNNER: That was ...

Mr McGuinness: That is correct and we have, let us call it the loan repayment, and in addition there is another stream of payments to be made to the project company. In return, the project company is then obliged to make sure that this facility is properly maintained. So those payments are to provide for refurbishment, replacement, repairs and maintenance over the 30-year life of the agreement.

Mr WOOD: So is that part of the \$1.6bn over 30 years or is it a separate amount?

Mr McGuinness: A separate amount.

Mr WOOD: So where is that debt declared if I was looking for it; does it hit me in a document somewhere?

Mr McGuinness: Probably not at the moment. As I say, the only reference within a financial document, within the Treasurer's annual financial statements, is in contingent liabilities and it sits in there. But at some point – 2014 - these cease to become contingent and become legal liabilities of the Territory and will then show up on the Treasurer's balance sheet, for example, as part of their liabilities.

Mr WOOD: So it is right to costs on to the costs that the Territory has to pay for the construction of ...

Mr McGuinness: It is not part of the construction cost, it is part of the maintenance cost because – Mr Coleman might be in a better position to explain - as the agreement approaches the end of its 30-year life, there is a handover period and the Territory then has the opportunity to assure itself that the facility is in a fit state to be taken over. So the purpose of these payments is to provide for the repairs, maintenance, replacements or refurbishment of the facility during the 30-year life of the agreement. So it works out at about 2% of the construction cost indexed over the 30 years.

Mr WOOD: So it is basically a maintenance payment.

Mr McGuinness: A maintenance payment.

Mr CHAIRMAN: There is a principal and interest component of at least \$60m a year as well, isn't there?

Mr McGuinness: No. If we go back to the \$521m, that can be likened to an amount which the Territory has borrowed to finance the construction of this facility, which is then repaid at \$16m a quarter over 30 years. In nominal terms, it is \$1.6bn but then it can be discounted back to \$521m. So it is a bit like borrowing to buy a house and when you look at what you are actually going to pay in dollar terms, nominal dollar terms, it is probably two to three times what you actually borrow but it all discounts back to the amount you borrowed from the bank.

Mr WOOD: When you say discount back, that means you take the \$521m you have paid off the \$1.6bn? Is that what you mean by discount?

Mr McGuinness: No, if you look at the \$1.6bn, you have 120 quarterly payments of \$16m. If you discount those back at the interest rate, it will bring you back to \$521m.

Ms Finocchiaro: Pat, so you scoped the works and then you put that out to tender? Part of that scope - or is it part of the PPP – is this maintenance agreement. Is that a usual practice for projects or how did that come into fruition?

Mr Coleman: It is a standard component of PPPs.

Ms Finocchiaro: Okay.

Mr Coleman: It is one of the main differences between doing it as a PPP and doing it as a D&C. You have the benefit of - again this is theoretical but it has been shown to actually be the case on projects around the country - making sure the maintenance of the asset is taken into account while it is being designed, therefore, theoretically, getting a much better result in value for money. You might have better quality fixtures and fittings and finishes and so on, than you would otherwise get if you did it as a straight D&C because there is another member of the consortium that has fixed the cost of maintaining it for 30 years. So, he takes a very close interest in saying 'I want stainless steel fittings, not chrome', for example.

Ms Finocchiaro: Is the maintenance very prescriptive or is it on an as-needs or ...

Mr Coleman: It is extremely prescriptive.

Ms FINOCCHIARO: So you know what you are getting for the price, essentially? It is not just, we will maintain it and ..

Mr COLEMAN: If I could just clarify, it is not prescriptive in the sense of saying every five minutes 'You will paint this or do that'. The reason it is prescriptive is, essentially, the private sector company has to maintain the facility to a particular standard and anything that requires fixing has to be done within the fixed price. If it is not done, it is subject to a whole series of abatements to the \$15m a quarter payment, and some of those are quite significant. There is a whole bunch of rules and it is quite complicated.

We tried to simplify them in our project, and that was one of the differences between what we did here and what Ararat did. In Ararat they had - from memory, I would need to check it if this becomes important - something like 140 KPIs - key performance indicators - where somebody would have to physically check every quarterly report, which is when the payment is due, that all 140 of those KPIs have been met. I can tell you that Victoria is going to rue the day it allowed that project to have 140 KPIs because it will be almost impossible to administer.

We actually took those 140 and reduced them to about 20. The reason being is we took the view, similar to what we did on the waterfront, that if the private sector is doing what it should be doing - that is, maintaining this thing every day; bear in mind they have seven or eight people full-time on the site - and meant to be doing, then they should not overly price the risk of being abated. It is only if they are a bit dodgy and not doing what they are doing that they would have a concern. What we did was amalgamate a whole bunch of these 140 KPIs from 10 things that might have dealt with something relatively small, into one big one. So, the difference between the Territory facility and Ararat, for example, is they have KPIs where the private sector is abated \$140 per unit. In a \$1.8bn - or however you want to put the numbers together - \$140 is not exactly incentive to lift your game. So, we turned that on its head, basically, and said, 'No, get rid of all of those minor things, we will concentrate on functional spaces'. If, for example, in the prison context, the gatehouse - which is the main important entry to the whole facility, it is the whole nerve centre -- if for any reason - whatever it is, a door will not open or whatever - it is not functional, the prison can still operate, but it costs the Territory a ton of money in overtime and what have you for additional guards. They can do all things manually. So, we have abatements that go into the tens of thousands of dollars a day, which means they are incentivised to not let those things happen. That is a key difference.

Again, it is not really my area of expertise, but that \$621m is - I think, from what I have seen in other bits of correspondence floating around the traps - the \$521m plus some of the capitalised interest charges on construction. If this was being done by the Department of Infrastructure as a D&C, they would, notwithstanding the accounting treatment, call it a \$495m build. But, from Day 1 they would be paying the builder progress payments and, in paying the builder progress payments, they would then be paying interest at, no doubt, a lower interest rate than private sector money, but they would be paying interest on those monthly construction payments. So, if you wanted to analyse that, you could probably add on \$50m to \$495m and call it \$550m. That is the case whether it is done as a D&C, a PPP, or anything else.

In the case of the PPP, though, the Territory does not actually pay anything until construction is finished, which means the private sector is paying those interest charges each month on the money it pays the builder. That is one of the components that has been put in there to add up to \$621m. With all due respect to whoever has come up with that number, it is incorrect. It is no different to how it would be as a D&C. It is just a question of when it appears in the transaction. Other than that, I do not know anything else about the \$621m.

Ms FINOCCHIARO: With the interest rate - and as you just said, if it was D&C it might have been a lower interest rate than the 10 point whatever percent it is - how did that come about? I have seen somewhere that it is to take into account the transfer of risk and other things. Can you talk us through that process and why we did not get a better interest rate?

Mr COLEMAN: That is not really my area of expertise.

Ms FINOCCHIARO: Okay, so that is not something you negotiated?

Mr GUNNER: We already discussed that last time. It was, basically, when GFC and what money was available at the time ...

Mr COLEMAN: I will answer the bit that I can.

Ms FINOCCHIARO: Yes.

Mr COLEMAN: The private sector can never borrow money at the same rate as a government; there is always a differential. Again, in the case of a PPP - let me back track. If you are doing this as a D&C, yes, the Territory would borrow money or account for money at whatever interest rate it is able to borrow at. That would be lower than what the private sector has in this deal, for example. However, the Territory is then taking all the risk, and the risk in a \$500m project such as the prison is considerable.

Maybe Frank can add more to that but, essentially, that difference in interest rate which the private sector is charging is there to cover the risk - whatever that risk is. It can be risk in design, risk we have a longer Wet Season and the project gets delayed - those are all things which, on this deal, the private sector wears that risk.

Ms FINOCCHIARO: And that is all reflected in the contract?

Mr COLEMAN: It is reflected in the contract and, more importantly, it is reflected in the original PSC, which is what we used to measure whether this was a reasonable deal or not.

Ms FINOCCHIARO: Okay.

Mr COLEMAN: I do not have the number in front of me, but the amount of risk money in both the PSC and in actual fact is in the order of somewhere between \$50m and \$60m. That is the risk that the Territory would take if it was managing this itself as a design and construct. It would not have the benefit, then, under the design and construct arrangement, of the automatic flow-on into the maintenance for 30 years and, potentially, the better value for money in the choice of materials and whatever to give it an improved lifecycle performance.

Mr CHAIRMAN: Can you make a note to get a hold of the comparison of the Alice Springs gaol, the one that we built?

Mr GUNNER: Last time around you were saying that there are going to be breaks - you were calling them breaks. Essentially there will be a period of time every X years - I cannot remember the number of years - where the private sector consortium can renegotiate the rate which they borrowed the money at with the NTG?

Mr McGUINNESS: Yes. Perhaps to follow on, Mr Coleman: about the time the financial arrangements for this deal were being negotiated the world was just coming out of the global financial crisis. In a rational world you might have looked at this arrangement and said, well the project company has a deal with the Northern Territory government. It is low-risk but the world had ceased to be rational at that point and I think that there were real difficulties in convincing banks or others to actually finance anything. You only had to look at home loans which dried up, loans to corporates dried up and I think this was not much different. It was put to me that banks were reluctant to lend for anything and so people were having to go beyond banks and looked to wholesale markets for money.

Because of the sudden irrationality, the price that was being asked was suddenly was much higher than it might have been a year or two earlier. So you saw the consortium paying probably 8% roughly, for its debt. It also had put equity into the project which commands a higher return and was thus reflected in what the Territory had to pay; but over the life of this agreement there are periodic points where the finances have to be renegotiated. If interest rates fall as you might expect in the current climate if you look at the rates around the world, then there is a provision there that any benefits that come out of that will be shared between the project company and the Northern Territory government.

So while the Northern Territory government is facing - I think in my report I said an 'effective annual interest rate' - the annual interest rate is 9.9%, they are slightly different beasts. But you would expect to see that fall over the next 30 years.

Mr GUNNER: When is the next period of negotiation, do you know?

Mr McGUINNESS: I would need to check on that, Mr Chairman.

Mr COLEMAN: It is in a period of roughly six-year intervals.

Mr GUNNER: Commencing for financial close?

Mr COLEMAN: Yes. Six to seven years. When we went out to tender, the general view around the country was you would not get better than five years and we actually got seven. But they start looking at it in year six. [THIRTY LINES REACTED]

Mr WOOD: Can I ask you a general question there, Mr Chairman? The project is run by the Department of Construction at the present time. What happens at the end? Is it taken over by the Department of Corrections? Why I ask that is because the Auditor-General mentioned in his report about the risk of someone not keeping an eye on what is happening over the next 30 years. I, hopefully, will not be - well I do not think I will be around then to check it out, but Lia will be. On her behalf, I ask what is the process going to be to make sure what was promised 30 or 40 years ago will actually happen when it comes to the end of the agreement's life?

Mr COLEMAN: My understanding is it will be taken over by the Department of Corrections. From my perspective, that is probably a good thing; they have the most interest in making sure it all works. At the moment, we have a well-defined succession plan where my role carries through to about halfway through the first year of the Department of Justice taking over the operations, so there can be a transitional handover of knowledge and all the rest of it. Plus, the person nominated to do that job on behalf of Justice has been involved in the project team the whole time, so he also has the detailed knowledge. That is what we have in place now. That needs to happen within Justice periodically every - I do not know. Somebody needs to work out a succession plan that makes sure when the first person to administer this contract disappears in four or five years time, there is somebody left who understands, because it is quite complex.

Mr CHAIRMAN: I just want to go back. When you were looking at making a decision to go to the PPP, there were, obviously, some numbers being crunched. We discussed some of those. My understanding from what I have read is there is a \$3m difference. I have read so much on it - because I am not totally familiar with it all the way through - there is a \$3m difference.

Ms FINOCCHIARO: It is cheaper. The PPP was \$3m cheaper than the public sector delivery. But, again, it depends on what numbers you are inputting through the system. It can churn out bigger ones or smaller ones.

Mr COLEMAN: Exactly. As I said, that is a correct statement. It could have been a \$40m or \$50m difference had we taken the advice of the financial advisors to tweak some of the fundamentals, which would have been legitimate. But, we did not want to do that. We wanted it to either stand on its own merits or not. That has resulted in there not being a big difference, but there is a difference. You get the benefit of, as I said, the other things that flow on from this.

The other thing to note is the original PSC which generates that number was actually done on a 25-year concession, whereas during the negotiations, it became evident there was better value for money in going to a 30-year concession over the 25 - which is, in fact, what we ended up doing.

Again, I would need to look up the specific numbers, and Mr McGuinness might be able to explain it better than me. The Territory's PSC has what is referred to as, basically, a smooth cash flow. In other words, it is roughly - even though it is indexed - \$15m a quarter every year. The difference in the PSC as against the bid number could have been made to look very much better had we taken what is

known as a downward sloping PSC, which is like a house mortgage. You pay a higher amount - let us say \$17m a quarter up-front - so in the last 10 or 15 years of the stream, you are paying much less.

That actually, when you go back to the \$801m versus the \$798m which - is that roughly the numbers?

Ms FINOCCHIARO: Yes.

Mr COLEMAN: I have not looked at them for a while, but ...

Ms FINOCCHIARO: Yes, \$801m, \$798m.

Mr COLEMAN: To put that into context, that would change the \$798m by about \$35m. The only reason it was not done that way is because it did not fit with the Territory's budgetary position and cash flow position. But it was a perfectly legitimate way to treat it. Again, you have to be careful looking at the \$798m. In terms of value, there is much more value in it than would be ...

Mr GUNNER: And their 25-year number is not 30-year number - is that right?

Mr COLEMAN: Yes.

Mr CHAIRMAN: So this \$798m and the \$801m is on 25 years. Is that what you are saying?

Mr COLEMAN: No, they are on 30 years.

Mr CHAIRMAN: Yes.

Mr COLEMAN: The original PSC which was \$670m-something - I cannot remember, \$690m - was on 25 years.

Mr CHAIRMAN: Right.

Ms FINOCCHIARO: I just wanted to ask about - and this might have been what DoJ did as opposed to what you did when you came in - we have an 800-bed facility with say, up to 100 other beds for mental health and other types of things. Currently, the capacity of Berrimah exceeds that. Was that part of the business case the DoJ did up, and it was not really part of your problem; you just had to deliver what was envisaged, or you guys looked at what the needs were?

Mr COLEMAN: No, I was certainly involved in looking at that other side of it - or managing, I was not actually on the expert panel. It was put together to look at the original site selection and the type of facility and so on.

Ms FINOCCHIARO: Was that all these departmental people who also formed part of the project control group or ...

Mr COLEMAN: One or two of them were on that panel and the others were independent and included a prison architect and a prison engineer.

Mr CHAIRMAN: Are you able to give us the names of those or just who is sitting where. I am just trying to follow who is on what panel.

Mr COLEMAN: The project control group was chaired by me. It included David West, Samantha Byrne from Treasury, Ken Middlebrook,

Ms FINOCCHIARO: Jenny Cleary, Alison Maynard.

Mr COLEMAN: Jenny Cleary, Alison Maynard, yes, it sounds like you have it there have you?

Ms FINOCCHIARO: So it says a valuation panel but that is Project Control Group.

Mr COLEMAN: It is the same group.

Mr GUNNER: Plus technical advisers.

Mr COLEMAN: Yes, plus technical advisers.

Ms FINOCCHIARO: So Mallesons, KPMG, Noel Bell Ridley Smith, Umow Lai, Rider Levett Bucknall, Rick Stuart.

Mr CHAIRMAN: Was there anyone else, because you have got the advisers listed here?

Mr COLEMAN: No, that is it in terms of the day-to-day project group. The expert panel was something different again. It was separate to this project but related to it in terms of where it ultimately ended up. That panel was managed by me but I was not on it. The people on it were Dennis Roach, who was and still is, I think, but certainly was at this time the General Manager of Port Phillip Prison, which is run by the private sector; a guy called Jim Dunstan - who never actually had much input because he got sick - who was with the Western Australian Department of Corrective Services and was an expert in prison farms who we had on the panel; Phil Brown - who is the local here and works for Corrections - was there as providing expert advice from an Indigenous perspective; Graham Thorburn, who is the Managing Director of NBR architects who have done dozens and dozens of prisons; Anthony Matthews from Umow Lai, which is a southern-based engineering firm and have done most of the prisons in other jurisdictions.

Mr CHAIRMAN: Sorry, where was he from?

Mr COLEMAN: Umow Lai. Daniel Jones from Rider Levett Bucknall - they are quantity surveyors - was part of the cost management advice both for the expert panel and ultimately for the prison project. The final member of that group was Gerhardt Visser from the Department of Planning and Infrastructure and he was there to advise on various site-related issues.

Ms FINOCCHIARO: So they are the people who worked out how many beds we needed and that type of logistical stuff. Obviously this is in line with Labor's policy at the time of a new era in corrections that everyone would come out reformed, we would have less people going into gaol and that is why we did not need many beds.

Mr WOOD: Could I say there was also meant to be added to that the prison farm at Katherine of 170 beds and another work camp at Katherine. That was part of what was going to happen.

Ms FINOCCHIARO: What happened there?

Mr WOOD: Well it is called 'budgets' at the moment, I suppose. That is where it was.

Ms FINOCCHIARO: Labor did not get that through?

Mr WOOD: Can I answer that? I am not sure if it was about not getting it through. Their budget plans were over a period of time. My understanding was the prison came first, then the prison farm. The work camp in Tennant Creek was the first of the work camps. Yes, that is somewhere where your beds add up as well.

Mr COLEMAN: The expert panel, apart from looking at the site selection, which originally was Weddell - and there were a whole bunch of alternatives - it looked at that and it also looked at - if you bear with me I will read them out here from a table I have.

It looked at a 1000-bed greenfield site, an 800-bed greenfield site, a 170-bed low open in Katherine, a 200-bed remand centre in Katherine, an 800-bed multi-classification prison on Berrimah Farm, a 250-bed remand centre in Darwin, a 300-bed multi-classification in various locations, a 200-bed low-security facility in Darwin, a 75-bed secure youth facility - at one stage, this project was potentially looking at what to do with Don Dale so it looked at that - a 500-bed multi-classification on a greenfield site, a 50-bed work camp in various locations, retaining and/or demolishing the existing low-security

facility at Berrimah, and a 600-bed multi-classification on Berrimah Farm site. Finally, it looked at the mental health facility.

It reviewed all of those types of facilities, and also where they might or might not go - greenfield, Berrimah, Berrimah Farm, Weddell, or other places. That was all in the context of the new era in corrections and the projected numbers for where capacity ...

Mr CHAIRMAN: Do you have any idea, when you are actually looking through this, and the expert panel is looking at it, what the prison population was at the time?

Mr COLEMAN: Yes, that was all known and understood.

Mr CHAIRMAN: Can you recall off the top of your head what the prison population might have been at that time?

Mr COLEMAN: I might have it in this; bear with me.

Ms FINOCCHIARO: While you are looking for that, David, you might know the answer. Was the 1000-bed greenfield at Weddell?

Mr WEST: Mr Chairman, I was not involved in that part of the process, so I am not entirely sure.

Mr COLEMAN: I can answer your question, I think. On 17 September 2009, the Territory-wide prisoner population was 1027.

Mr CHAIRMAN: Do we know what was in Berrimah - what was in the Top End?

Mr COLEMAN: Current occupancy 17 September, the occupancy male in Darwin was 342, female was 31. In the Living Skills Unit, which is part of Berrimah, the LSU on that date was 174. Alice Springs had 469 male and 11 female, with a total of 1027.

At that date, 17 September 2009, the design capacity of the prisons was exceeded by 31% or 32%.

Mr CHAIRMAN: That is with 547 people in Berrimah, it was 30% over? It was 342, 31, 174?

Mr COLEMAN: Yes. That is the design capacity. There is a difference between design capacity and what is actually in there - physically in there.

Mr CHAIRMAN: Got that one. I suppose if it is 30% over design, as of this morning there are 844 prisoners in Berrimah. That is considerably over what it is designed to take.

Mr WOOD: Can I just ask, does that include extra low-security buildings that were built and added on over the years?

Mr COLEMAN: Yes.

Mr CHAIRMAN: So, when you say 30% over design, does that take in effect the silver bullets out there?

Mr WOOD: No, there are ...

Mr CHAIRMAN: There are demountables.

Mr WOOD: ... proper buildings there.

Mr CHAIRMAN: When we say 844, they are obviously not living in the original concrete structure, there are some demountables?

Mr WOOD: No, there are buildings there that were built by the Bachelor Institute, by the prisoners. There are quite a few of those houses. You can see them from Tiger Brennan Drive when you go past.

Can I just ask this question, which does not have much leverage? When we talk about the cost of the prison, that is the cost to the taxpayer. But the cost to the taxpayer would be possibly alleviated by the use of the land that is there at Berrimah. I presume that will close down, and it will close down in time. Has there been any estimate of what the value of that land might be because that, obviously, would come back to the taxpayer when it is sold?

Mr COLEMAN: Not by this project. I have had nothing to do with that. There was some work done by, I think, the Department of Planning and Infrastructure when it was Lands and Planning, when there was some thought of doing either a residential or industrial subdivision. But, that is not something I have had any involvement with at all.

Mr WOOD: Just another general question. There is all this talk about the cost of running this facility over 30 years, and it works out at \$1.6bn. Obviously, that is a lot of money. I do not have anything to compare that with. Is there any other building, if I was to compare it with, that would tell me what another building cost to run? For instance, the hospital? Just how much does it cost to run the hospital per year?

Mr COLEMAN: I cannot really comment on the operational cost from a Corrections position. But, to pick up something Mr McGuinness said earlier, the maintenance component of this, which is a large chunk of the \$1.8bn - which is what I think you are mainly talking about - is sitting at roughly 2%. Worldwide, it is generally regarded as an exceptionally good outcome if you can get the maintenance component as an annual spend of capital cost to be 3%. Anything below 3% and approaching 2% is regarded as almost miraculous, so we have done pretty well here to get that kind of number.

Mr WOOD: Thanks.

Mr COLEMAN: I also just add to that, though, there is one other thing, which Mr McGuinness briefly touched on. Two things can happen at the end of the 30-year period. One is the Territory does its inspection three years before the 30-year period is up and everything is fine. The building should, theoretically, be in almost an as-new condition. So, the Territory has the choice of, basically, getting the prison for \$1 and it is almost as good as new as the day it was built, practically - it probably will not quite be that, but it will be close. It has a further option - and again this is something we introduced which is quite different to what is done elsewhere. The Territory has an option that has already been priced and it is fixed in the deal to extend that maintenance period for a further 10 years if it so wishes. It is completely up to the Territory whether it does that or not, but if it does elect to do that it is already a known figure. It does not form part of the \$1.8bn or whatever that number is. It is an add-on to that for the next 10 years after.

The point is, it does two things: (1) it means even now the Territory knows how much that will cost, which is not a bad effort 30 years in advance, and, (2) the real reason it is there - it is something we introduced on the waterfront - is to make sure that, theoretically, at 30 years the thing should be okay and the Territory walks in.

The problem you potentially have with that is, despite all the theory, it is possible that some equipment that should have been replaced say in year 28 maybe did not get replaced, looked okay and six months after the Territory takes the keys back it fails. But what we were attempting to do, and it will be 30 years before we find out whether it worked or not - but at least in theory it should help because the Territory at its option can just basically say we want you to maintain this for another 10 years. It forces the private sector maintenance provider to make sure that if he is stuck with it, it better last. So effectively it gives a much greater buffer and a greater level of, theoretical, assurance to the Territory that the things that they should have been doing and everybody thinks they are doing were actually being done. If they have to replace a \$2m chiller, for example, they are going to have to wear it because it is already priced into the deal.

Mr CHAIRMAN: Right, well on that note, we might take a short break - 10-15 minutes.

Mr CHAIRMAN: All right, so everybody is fed and watered. Are we ready to go, Mr Clerk?

I record the apologies of Ms Natasha Fyles, who has a commitment she has to attend to.

For the purpose of the witnesses, we have until 2.55 pm when I lose a quorum. So, we will have to conclude the meeting at 2.55 pm, upon which time I am proposing if the committee members have any questions we convert them to written questions which we can forward through to Mr Coleman. Does anyone have any objections to that? Excellent.

We were talking about maintenance and 2% and 3% being good figures and things, so we should continue from there. You were talking about that, Lia?

Ms FINOCCHIARO: No, I think

Mr CHAIRMAN: Are you right there?

Mr GUNNER: Mr Coleman just finished talking about the opportunity for NTG, the 10-year option.

Mr COLEMAN: 10-year option.

Mr GUNNER: Yes, in the last two years they are entitled to it.

Mr CHAIRMAN: Is that particular issue concluded, of that question?

Mr COLEMAN: Yes.

Mr CHAIRMAN: Mr Coleman, when the decision was made to go on a PPP, as opposed to a D&C, was cost the only criteria in determining the preferred method of funding?

Mr COLEMAN: No, I think it was the whole value for money proposition.

Mr CHAIRMAN: I just want to get this clear - we have discussed elements of this. The actual criteria for determining the project should go for a PPP - obviously, you just said 'We thought it was a good idea'. Was there a criteria, was there a checklist at all?

Mr COLEMAN: The key measure is the PSC. It is explicit in the PPP process that if the final bid meets, exceeds, or gets under the PSC, then by definition it should be a good deal, providing your PSC is correct in the first place. It is also implied or covered in the Australian guidelines that if you are higher than the PSC with the final bid or negotiated outcome, you can still choose to do a PPP if you think there are other valid reasons for doing so. One of those could be the fact that you are getting 30 years of maintenance, for example, which is something you would never get under a traditional contract; it just does not happen.

Mr GUNNER: The PPP would be the better choice of fittings, for example, and maintenance ...

Mr COLEMAN: Yes, and the fact that the maintenance is actually done rather than played with out of an agency budget where they might divert the funds. That is what usually happens.

Mr CHAIRMAN: Given that we have in the document titled *Darwin Correctional Precinct Public Private Partnership Project and a Project Summary* dated October 2011, where it says on page 9 ...

Mr COLEMAN: Is that the Treasury summary?

Mr CHAIRMAN: It is the Northern Territory government. I am just referring to it for the record. Down the bottom we are looking at the NPC of public sector delivery \$801m, the NPC on SeNTinel's winning proposal is \$798. There is \$3m difference.

Given the average cost of borrowings, as indicated to me, is about 8.5% over the term - where I think today's cash rate for the Northern Territory is around 5.5%, back when this was signed it was 6.-something% - you just about say the price was equal; it came in with a \$3m difference and that is not a great deal over that amount of money. There is something, obviously, there that has tipped the project control panel to go for the PPP.

Mr COLEMAN: No, not really. The point to re-emphasise is the \$801m is the figure with the higher interest rates that we have been talking about. \$798m, which is very close to that figure, is at the lower interest rates. What that is actually telling us is, even though the numbers are close, if you did it yourself at the lower interest rate, it is going to cost you almost as much and you do not get the added benefit of all of the life-cycle maintenance and costs.

Mr CHAIRMAN: I will just get that clear. The \$798m is calculated on the lower interest rates the Northern Territory government supposedly will be able to borrow against ...

Mr COLEMAN: Yes.

Mr CHAIRMAN: ... and the \$801m is calculated at a higher interest rate but with the added benefits of the maintenance?

Mr COLEMAN: It has those added benefits, plus it has the transferred risk, which is real, as has been seen on Ararat. [27 LINES REDACTED]

That is just one example and it is probably the main one. There have been quite a few others but it is the most glaring one that demonstrates how these things happen and when there is real risk transfer. As I said, I have literally done dozens, if not hundreds, of design and construct contracts and I have worked for both the builder and the principal, including private sector principals and Territory principals. I have got no hesitation in saying that if this had been a D&C procurement method we would have been sat around the table arguing and probably in court by now. The fact is whilst they have mentioned the \$[NUMBER REDACTED] a few times, as recently as the workshop that David and I ran in Brisbane last Friday, they have not put their hand out and they will not put their hand out for that money. So to me that is one of the clearest and most easily understood reasons why, if these things are put together properly, you do get the risk transfer.

Now there is a danger in all of this - and this is one of the several things that went wrong on Ararat - that if you get too many of those things happening, obviously you get to a number where it is not tolerable or acceptable to the builder to absorb and then you end up in a fight anyway. We are a long way from that so it is not of a concern, but it does show the real risk transfer. The total risk transfer in the PSC is, I think I mentioned earlier, in the order of \$50m-odd and that is not just for design-related things, it is for all sorts of things, inflation and so on. It is that figure, when you look at \$798m against \$801m, that tells you, all things being equal, there is no reason why you would not do it as a PPP because you do get the risk transfer. You not only get it during construction where the price is basically fixed, there is almost no - other than a major problem like at Ararat where it just becomes so big that nobody can deal with it - there is no circumstance whatsoever where the builder will get more money. It just cannot happen and will not happen.

Mr CHAIRMAN: My understanding is that the actual transfer of risk is already calculated into the \$801m. Is there no allowance for a risk factor in the \$801m compared to the \$798m?

Mr COLEMAN: Yes, the \$801m includes that and so does the \$798m. However, if you did that as a D&C you would have a number that is somewhat less than \$798m and you have your lower interest rates and everything else contributing to that, but you would never have that risk transfer. It is totally with the Territory, which is why it is added into the PSC as an apples-for-apples comparison. It is also why one set of numbers does not have to be vastly cheaper than the other for it to make sense to do the PPP, they really only have to equal.

Mr GUNNER: Yes, so even if it is just above the value for money in the shared risk, it is still such that the PPP is ...

Mr COLEMAN: Absolutely.

Mr CHAIRMAN: When we go from \$[NUMBER REDACTED] and we have \$[NUMBER REDACTED] off it, does the \$[NUMBER REDACTED] include the extra design stuff that we are talking about that took it from \$495m to \$521m? Does that include that \$20m-plus in the \$[NUMBER REDACTED]?

Mr COLEMAN: Yes.

Mr CHAIRMAN: So when we shave \$[NUMBER REDACTED] off and come back to \$495m we are really shaving off \$75m because this \$20m ...

Mr COLEMAN: No.

Mr CHAIRMAN: So the \$[NUMBER REDACTED] originally still had an extra \$22m in it for ...

Mr COLEMAN: Again, I have to defer to someone who is better at finances than me, maybe Mr McGuinness, but my off-the-top-of-my-head answer would be, if it had stayed at \$[NUMBER REDACTED] we would have been talking about a figure of \$[NUMBER REDACTED] as the comparison because there would still have been those items of work that under the accounting treatment would be capitalised.

Mr CHAIRMAN: Right.

Mr COLEMAN: The \$[NUMBER REDACTED] is literally \$[NUMBER REDACTED]; it is not a fictitious number, it was a \$[NUMBER REDACTED] that came out of the price.

Mr CHAIRMAN: When we talk about \$[NUMBER REDACTED] that came out of the price, was that \$[NUMBER REDACTED] for an 800-bed facility?

Mr COLEMAN: No. In May 2011 when the original bids came in, they were all higher than the PSC. We did quite a lot of work to try to figure out why they were higher. One was still higher than the PSC but considerably lower than two of them which were extremely higher. It transpired that the problem was in two areas. Despite the fact that we had the ITPs and sat around the table discussing designs, we had never seen dimensions, plans or anything so we really had no concept of total areas. The Territory's PSC was predicated on a gross floor area of 57 000m². [TWO LINES REDEACTED] had a gross floor area of 64 000m², so there was a 7000m² floor area difference in the cheapest, [TWO WORDS REDACTED] of the bids, if you could use that term.

In the two where we had a bigger problem, there was something like, I think - I am going from memory now and if this is important I can check it - they were both up around the [NUMBER REDACTED] mark. Now the difference between 57 000m² and [NUMBER REDACTED]m² - [NUMBER REDACTED]m² - at roughly \$4500 a square metre, is a big number. We had to look at whether we could bring these down in gross floor area. That was the first thing to look at. The second thing to look at was, aside from the floor area, as I explained earlier, because of the multi-classification prison - men, women and all the rest of it - was to try to achieve the efficiencies Corrections was looking for in the way it managed the prison. It had not only blown the gross floor area out, it had actually blown the footprint out of the prison.

So, when we made the recommendation to Cabinet, the site area - when I say site area, not the whole prison site which is 200 ha, but the area of the prison behind the perimeter fence - was in the order of [NUMBER REDACTED] ha. That was evident in the pricing of site services and infrastructure, telecommunications, power, water, all the things that you have to reticulate.

I am going from memory again, but in the Territory's PSC we had a number something like \$[NUMBER REDACTED] for site infrastructure. The site infrastructure in all three bids was between about \$[NUMBER REDACTED] and \$[NUMBER REDACTED]. It was all driven by the physical size of the site, which is why we were always comfortable and confident in saying to Cabinet that we think we can get \$[NUMBER REDACTED] out of this without changing anything other than the footprint. Subsequently, that is exactly what we did.

Once we were able to negotiate with them around the table, without losing any functionality or anything else that was in the base requirement, we managed to get the total footprint down to [NUMBER REDACTED] ha. That took a big chunk of money out of the services component. We took the view which was put to the project steering group, which then put it to Cabinet and sought direction on it. We made an adjustment to the PSC based on that differential and gross floor area. We adjusted the PSC from 57 000 m² to 64 000 m², which was the smallest gross floor area of any of the three bids. Again, that was done in accordance with the guidelines. That, obviously, increased the raw PSC that we had published.

The other thing that was done at the time was driven by my judgment. I recommended to Cabinet, through the steering committee, that I thought in two, if not three, of the bids – this was all based on an 800-bed prison at the time. There had been talk of doing a 1000-bed prison and, for various reasons that did not go anywhere, we ended up targeting an 800-bed prison. The reality was the Territory was always going to need a bigger prison at some point.

When I looked at the way the tenders had been put together, based on my experience I thought there was a really good chance of introducing the additional 200 beds without an increase in cost. In fact, I was expecting a reduction. In fact, we had a reduction in two of the bids and one bid went up. So, it turned out that was right. The reason for that was the sheer scale of the thing. To build 200 more beds when you have the infrastructure in place anyway for 1000 beds - the smartest time to do it is when you are building the original 800. The cost to the bidder is not necessarily all that high and, if they really wanted the project, they would sharpen their pencils, and they did.

That was worth, on its own, about \$[NUMBER REDACTED] to the Territory, but it was in the \$[NUMBER REDACTED] at the time. So, when I say \$[NUMBER REDACTED], the \$[NUMBER REDACTED] included us telling the bidders to allow for 200 more beds, and the value of that was about \$[NUMBER REDACTED]. However, the \$595m was in a bid that originally started off at \$[NUMBER REDACTED] so we had already gone through a process of taking \$[NUMBER REDACTED] or \$[NUMBER REDACTED] out and then getting the beds put in and actually dropping the price on two of the three bidders. One of them went up slightly.

The other issue that is relevant to that is that all three bids had a number of exclusions when they were presented to us. Some of the exclusions were fundamental and were totally unacceptable to the Territory, so part of the same process - we called it the short-structured negotiation process - was a second-stage process which all three bidders were invited to respond to. It only ran for three weeks but we told them we wanted them to price the 200 beds, my expectation being that one or more would drop their price. We also told them, 'here is a bunch of items', some of them were common and some of them were different. So there were three versions of this document which basically said, 'these are things that you have left out, excluded, that are fundamental to the Territory and we want you to put them back in', and again, our expectation was that they would go back in without the price going up.

Now those items varied between the three bidders, but in the case of the preferred proponent those items were worth about \$[NUMBER REDACTED].

Mr CHAIRMAN: \$[NUMBER REDACTED]?

Mr COLEMAN: [NUMBER REDACTED], yes. They were things like some fire sprinkling in particular buildings and other stuff like that which we said we wanted. Again in the case of the preferred proponent, the \$[NUMBER REDACTED] was added on, as was the \$[NUMBER REDACTED] for the 200 beds, but the overall price came down. That is where we ended up.

Mr CHAIRMAN: You say that the final price of \$495m included the extra fire sprinkler stuff and the extra 200 beds?

Mr COLEMAN: Yes.

Mr CHAIRMAN: So how many beds do we have out there at the moment?

Mr COLEMAN: You will have 1000 beds. The only stipulation at the moment is that the extra 200 are not fitted out. The cells themselves, the physical cells will be complete and commissioned including all security.

Mr CHAIRMAN: So they will have doors?

Mr COLEMAN: Yes, doors, alarms, locks, bars on the windows, the whole lot ...

Mr CHAIRMAN: Just no bed?

Mr COLEMAN: There is just no bed.

Mr CHAIRMAN: This seems to be the cheap part of it, putting a bed in there. That is interesting. Any questions you want to ask? I still have more. There are a couple of questions. Was the decision to fund this as a PPP influenced in any way by the fact that funding was off budget?

Mr COLEMAN: Not to my knowledge.

Mr CHAIRMAN: If the project had been funded as a design and construct project would it have been included in the NT capital works program?

Mr COLEMAN: I cannot answer that question.

Mr CHAIRMAN: Was there any recognition given to the fact that it was a massive expansion to the NT capital works program?

Mr COLEMAN: I cannot answer that question.

Mr CHAIRMAN: Was there any thought given to reducing the size of the NT capital works program in light of this large NT government project?

Mr COLEMAN: I cannot answer that, sorry, I am starting to sound like a broken record.

Mr CHAIRMAN: Did the government receive advice that the capital works program should have been reduced in light of this large project?

Mr COLEMAN: I cannot answer that one either.

Mr CHAIRMAN: Right. Was the decision to fund this as a PPP influenced in any way by the fact that the funding was off budget?

Mr COLEMAN: No, I do not think so.

Mr CHAIRMAN: That is fine. Mr Wood needs to go. I am about to go into a totally different area here that I think that I could probably do ...

Mr WOOD: No I am right about what has been asked for and in fact I am happy to listen.

Mr GUNNER: I have just got one question. I think we have covered this but I just want to put it out again in case it has not been fully covered.

You are completely comfortable through the process you went through from three down to one, the public sector comparators, through that whole process. By the time you got to the financial close, every possible thing you could have thought of was disclosed by all parties, all the costs were on the table?

Mr COLEMAN: Absolutely.

Mr GUNNER: Absolutely. Obviously things can happen after financial close as we talked about with risk but at financial close ...

Mr COLEMAN: As part of the PSC, Rider Levett Bucknall did a 200-page detailed estimate of what we thought the project would cost as a D&C. That estimate in summary headings was given to the bidders to put their bids against, so we had a direct way of lining up. You know you never quite get 100% alignment but we were able to align all of the major elements. That was what helped up focus in on, for example, the issue with the services component because we could actually see our number versus the bidders.

Mr GUNNER: The probity auditors gave it a tick; we have a copy of that.

Mr COLEMAN: Yes.

Mr GUNNER: You have been through quite a few projects that have had probity audits. As far as you are concerned it was a very standard process. Work on the probity audit was what you are used to from other projects?

Mr COLEMAN: Absolutely, yes. I might add, the two losing bidders were both asked to sign a deed of release which you may not have a copy of, and acknowledge that they were not unhappy with the process. Both did that, with no coercion.

Mr GUNNER: One of the benefits of the PPP over the 30 years is we would have knowledge in advance, apart from the facts that we discussed that in the six or seven year breaks there might be refinancing; but we essentially know the cost of the project for each and every year for 30 years.

Mr COLEMAN: Absolutely.

Mr GUNNER: So our risks are known. That is me essentially done.

Mr CHAIRMAN: I can actually finish and certainly call for submissions as a separate one. Mr Coleman, I have a substantial number of questions still to ask. Given that we have a time constraint and I am about to go into a different area, I am proposing that I put these in a letter, write to you with these questions and ask if you could give us some answers or lead us to, perhaps, who might be able to give us the answers in relation to those questions.

Given that I am about to lose a quorum I would suggest that we conclude Item 6 on today's agenda. Is everybody happy with that?

Mr GUNNER: Mr Chairman, may I also suggest in addition to that - I have not seen your questions obviously - but I know the secretariat wrapped up some questions that we had. Most of them have been covered but it might be worth including them in case there is something glaring that we have missed.

Mr CHAIRMAN: I think that we will go through and put all those questions together. Ones that have not been asked today including any that any member on the committee has missed can be forwarded to the secretariat. We will include them in a whole list of questions to be asked and then we can forward that letter to you Mr Coleman.

Mr COLEMAN: Is this being recorded in Hansard?

Mr GUNNER: We will transcribe it, yes.

Mr COLEMAN: Could I ask that I get a copy of that with your questions?

Mr CHAIRMAN: Sorry?

Mr COLEMAN: When you shoot through your questions, just in case there is any overlap, a copy. I think my answer will be the same anyway but it would be nice to check.

Mr WOOD: If the question has been answered already I do not think we need to send them.

Mr CHAIRMAN: Well exactly. We will have to go through the transcript as well, to make sure.

Mr CLERK: You will get a copy as soon as we have got one.

Mr CHAIRMAN: The Clerk has just informed me, Mr Coleman, that as soon as we get a copy you will have a copy of the transcript. Perhaps we could wait until that occurs and we will make sure that both the letter of request for answers goes out with the transcript so that it arrives at the same time. Would that suit you?

Mr COLEMAN: Yes it would, it would be helpful for me, personally, if that was this week.

Mr CHAIRMAN: We will get it out to you as soon as we can.

Mr COLEMAN: Because I will be away overseas in January.

Mr CHAIRMAN: Mr McGuinness, do you have any questions at this point.

Mr McGUINNESS: No, Mr Chairman, none that are pertinent anyway.

Mr CHAIRMAN: Mr West?

Mr WEST: No, Mr Chairman.

Mr CHAIRMAN: Mr Coleman, did you want to say anything in closing remarks at today's hearing?

Mr COLEMAN: No, I am fine as long as I have answered your questions.

Mr CHAIRMAN: Everybody happy? In that case, I will conclude Item 6 on today's agenda and complete this part of our meeting. I thank all of you gentlemen very much for coming along and bringing along all that useful information, and being open and frank about our discussions today.

Thank you very much and we will be in touch. Thank you.

Mr COLEMAN: Thank you.