



# Leader of the Opposition

Member for Molonglo

Shadow Minister for Environment and Climate Change  
Shadow Minister for Planning  
Shadow Minister for Transport Planning  
Shadow Minister for Housing Affordability  
Shadow Minister for Human Rights  
Shadow Minister for Ageing

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**Zed Seselja MLA**

Australian Capital Territory

24 November 2009

Mr Paul Baxter  
Senior Commissioner  
GPO Box 296  
CANBERRA CITY ACT 2601

Dear Mr Baxter

I am writing regarding the Commission's investigation into the projected costs of the Enlarged Cotter Dam water security project

The Opposition believe that any review process on the Enlarged Cotter Dam should be as thorough and broad as possible, especially given the size of the project, and the level of concern in the community about the rising costs. In particular, the discrepancy between the costing submitted through the ICRC of \$145 million and the revised cost currently estimated at \$363 million.

I understand that the Commission will undertake a detailed review of that revised cost, and have full confidence in the Commission to carry out that process. I also note that, under the terms of reference for the investigation, the Commission is able to investigate 'any matters which the Commission considers relevant to the inquiry.'

Under that authority, I would like to therefore request that the Commission investigate several aspects of the development of the costs which have been causing concern in the community and within the Legislative Assembly of the ACT. These matters include;

1. The role and responsibilities of ACTEW and ACTEW shareholders in developing the original costings and their oversight of the revised costings.

2. Whether ACTEW and ACTEW shareholders had a value for money focus in developing the original costs, as indicated in the Deloitte report, and what impact that has had on the revised costings.
3. The reasons for cost variations between each estimate, specifically: from April 2005 when ACTEW Corporation's *Future Water Options Report* estimated that the cost to enlarge Cotter reservoir to 78GL would be \$120 million; to the Halcrow Pacific report (commissioned by the ICRC) that estimated \$145m but "the final target out-turn cost may be up to 30% higher" or \$188.5m; to the announcement by Mark Sullivan on 3 September 2009 that the final cost would be \$363 m.
4. Identifying who had managerial responsibility for preparing and publicising the estimates and their justifications for the variations.
5. A comparison between the final cost estimates of this project to final costs of similar projects undertaken in Australia.
6. A comparison of the final cost estimates against benchmark costings for raw materials and labour; i.e. – is the increase in the estimate due to an increase in material costs since 2005, including an analysis of material and labour cost movements between 2005 and September 2009.
7. The tendering process to develop the Bulk Water Alliance and what impact that had on the costings and the discrepancies between the costings.
8. The efficiency of undertaking the project under the alliance model compared to other methods of delivery.
9. If the current costings are correct, an analysis of why the previous costings were put forward purporting to be robust.
10. An analysis of the geotechnical report and design drawings to determine when it emerged that the volume of roller compacted concrete required for the main wall would increase from approximately 200,000 m<sup>3</sup> to approximately 385,000 m<sup>3</sup>.

I appreciate the professional integrity the ICRC will bring to this investigation, and I offer this submission to ensure a full investigation can be conducted to not only determine why the estimates are so disparate, but also who was responsible for that outcome and what steps can be put in place to prevent a recurrence. If any of these matters are beyond the purview or intent of your investigation, I would appreciate your advice to that effect.

Please feel free to contact my office on 6205 0323 if you require any further information. I look forward to hearing from you soon.

Yours sincerely



Zed Seselja MLA