

**HOUSE OF ASSEMBLY  
LAID ON THE TABLE  
1<sup>st</sup> Session, 52<sup>nd</sup> Parliament**

11 Nov 2010

PP 206



FINAL REPORT

# PORT BONYTHON JETTY REFURBISHMENT

388<sup>TH</sup> REPORT

OF THE

**PUBLIC WORKS COMMITTEE**

---

*Tabled in the House of Assembly and ordered to be published 11 November, 2010*

---

**First Session, Fifty-Second Parliament**

# CONTENTS

<b>THE PUBLIC WORKS COMMITTEE .....</b>	<b>2</b>
<b>THE FUNCTIONS OF THE COMMITTEE .....</b>	<b>2</b>
<b>PART ONE: PREAMBLE AND PROJECT SUMMARY .....</b>	<b>3</b>
1.1 TERM OF REFERENCE .....	3
1.2 FURTHER REPORTING TO THE COMMITTEE .....	3
1.3 SCOPE OF THIS REPORT.....	3
<b>PART TWO: EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>PART THREE: EVIDENCE PRESENTED TO THE COMMITTEE .....</b>	<b>5</b>
3.1 THE CURRENT PROPOSAL .....	5
3.2 CONSULTATION .....	5
3.3 ABORIGINAL HERITAGE .....	5
3.4 HERITAGE BUILDINGS .....	5
3.5 ECOLOGICAL SUSTAINABILITY.....	6
<b>PART FOUR: FINDINGS OF THE COMMITTEE.....</b>	<b>6</b>
4.1 PROJECT JUSTIFICATION.....	6
4.2 REVENUE EARNING CAPACITY OF PROPOSED PROJECT.....	6
4.3 WHOLE LIFE COSTS OF THE PROJECT .....	6
4.4 ESTIMATED NET EFFECT OF THE WORK, AND ITS USE, ON PUBLIC FUNDS.....	6
4.5 PROJECT DELIVERY .....	7
4.6 THE EFFICIENCY AND PROGRESS OF THE PROJECT AND JUSTIFICATION OF ANY EXPENDITURE BEYOND ESTIMATED COSTS.....	7
<b>PART FIVE: CONCLUSION &amp; RECOMMENDATION .....</b>	<b>8</b>
<b>PART SIX: ATTACHMENTS .....</b>	<b>9</b>
6.1 LIST OF WITNESSES AND SUBMISSIONS.....	9

## ***THE PUBLIC WORKS COMMITTEE***

---

The Public Works Committee is established pursuant to sections 12A, B and C of the Parliamentary Committees Act, 1991, proclaimed February 1992.

The following members constitute the Seventeenth Public Works Committee as reconstituted on 24 March 2009:

**Mr Tony Piccolo MP (Presiding Member)**

**Mr Michael Atkinson MP**

**Mr Lee Odenwalder MP**

**Mr Michael Pengilly MP**

**Mr Martin Hamilton-Smith MP**

A/Principal Research Officer:

**Dr Paul Lobban**

Administrative Officer:

**Ms Amanda Pacella**

## ***THE FUNCTIONS OF THE COMMITTEE***

---

Section 12C of the Parliamentary Committees Act defines the functions of the Public Works Committee as:

- (a)** to inquire into and report on any public work referred to it by or under this Act, including-
  - (i)** the stated purpose of the work;
  - (ii)** the necessity or advisability of constructing it;
  - (iii)** where the work purports to be of a revenue-producing character, the revenue that it might reasonably be expected to produce;
  - (iv)** the present and prospective public value of the work;
  - (v)** the recurrent or whole-of-life costs associated with the work, including costs arising out of financial arrangements;
  - (vi)** the estimated net effect on the Consolidated Account or the funds of a statutory authority of the construction and proposed use of the work;
  - (vii)** the efficiency and progress of construction of the work and the reasons for any expenditure beyond the estimated costs of its construction;
- (b)** to perform such other functions as are imposed on the Committee under this or any other Act or by resolution of both Houses.

## **PART ONE: PREAMBLE AND PROJECT SUMMARY**

---

### **1.1 Term of Reference**

#### Parliamentary Committees

Parliamentary Committees have the specific task of examining individual initiatives, projects or policies of the government of the day, or issues of importance to society as a whole. Standing Committees are created by Act of Parliament and charged with the ongoing examination of subject categories such as public works.

Parliamentary Committees are made up of both government and opposition Members, with numbers of each calculated according to rules which reflect the numbers of seats each group holds in the Parliament. Much of the Committee process is open to the public, and completed reports are public documents.

#### This Project

The Department for Transport, Energy and Infrastructure has referred the Port Bonython Jetty Refurbishment project to the Public Works Committee pursuant to the requirements of the Parliamentary Committees Act 1991. Please refer to the "Functions of the Committee" on the previous page for a full description of the Committee's tasks.

### **1.2 Further Reporting to the Committee**

The Department for Transport, Energy and Infrastructure must notify the Committee immediately in writing should there be substantial changes to the nature of the project or the evidence provided to the Committee. To enable appropriate monitoring of the project, the Department for Transport, Energy and Infrastructure must also provide quarterly reports to the Committee on the progress of construction. Pursuant to section 12C (vii) of the Act, these reports must outline the efficiency and progress of construction and provide an explanation of any expenditure beyond the estimated costs quoted in this report. Evidence of any substantial changes to, or the withdrawal of, any approval (provisional or otherwise) must also be relayed to the Committee immediately with an appropriate explanation, and an assessment of the probability of a suitable resolution.

In addition, the Committee requires that it be notified of the proposed date for the commissioning of the works.

The Committee has the authority under Section 16 (1)(c) of the Parliamentary Committees Act to re-open investigations into any project for the purpose of further examination and monitoring.

### **1.3 Scope of This Report**

This Report examines the history of the proposal and the efficacy of the application of South Australian taxpayer funds to the Port Bonython Jetty Refurbishment. The Report structure is guided by, and largely limited to, the terms of the Parliamentary Committees Act. It describes, in summary, the evidence presented to the Committee and concludes with a brief summary incorporating findings and recommendations.

Detailed evidence upon which the Committee's decision is based is held in Parliament and, in most cases, can be examined by making an application to the Committee Administrative Officer.

## PART TWO: EXECUTIVE SUMMARY

---

Port Bonython Jetty was constructed by Santos in 1982 and opened in 1983. At 2.4 kilometres long it is the longest jetty in South Australia and has a loading platform on the southern end. It was purchased by the State Government in 1983 for \$48.2 million. The pipe work and loading facilities on the structure are owned, operated and maintained by Santos. The jetty is licensed to Santos under the *Stony Point (Liquids Project) Ratification Act, 1981* and the State Government has an obligation to maintain the jetty for the life of the indenture.

The mooring point access structures at the end of the jetty, and the walkways between them, are rapidly approaching an unserviceable state. Critical repair works to refurbish two walkways are currently being undertaken, costing \$3.0 million over the 2009-2010 and 2010-2011 financial years.

The six walkways on the jetty are between 47 and 70 metres in length, spanning between the mooring points, and are 11.2 metres above the low water mark. These walkways are essential to access the mooring structures to moor and release ships. The walkway supports continue to corrode and structural failure could result in sudden collapse, which is an unacceptable risk.

The refurbishment work for Port Bonython Jetty will mostly involve steel remediation, whereby the corroded steel is mechanically cleaned and members are repaired and wrapped with a water-resistant membrane system. Replacement of furniture, such as stairs and ladders, will also occur.

If these works are not undertaken as soon as possible, there is an unacceptable risk that the jetty could be closed due to safety concerns and operational risks.

Several new infrastructure projects have been proposed for development at Port Bonython, including the export of bulk commodities, a diesel import/distribution facility, a hydrocarbon product export facility and an ammonia import facility, which may include the use of Port Bonython Jetty. Should these developments occur, and require use of the jetty, there is potential for a positive impact on future revenue to the State.

Cabinet has approved \$29.9 million, excluding GST, for these refurbishment works over the 2010-2011 and 2011-12 financial years. The works will not impact on the current operating budget.

It is anticipated that the continued use of the jetty by Santos, and the implementation of one or more new proposals for the use of the jetty, will generate, from wharfage fees, in excess of \$50 million over the next 10 years.

Work on the refurbishment is scheduled to commence in February 2011. This is a highly specialised project and there is no applicable prequalification system. An Expression of Interest for the works package will be advertised on the Government Tenders website, to determine industry capabilities. It is then intended to call a single construction contract

The Committee is told the project aims to refurbish the walkways and mooring point access structures in order to:

- Ensure the continued safe and efficient operations by Santos;
- Meet the State's obligations of the Indenture agreement;
- Allow the potential use of the jetty by other third parties in association with proposed developments in the Port Bonython and Point Lowly precincts.

## PART THREE: EVIDENCE PRESENTED TO THE COMMITTEE

---

### **3.1 The Current Proposal**

The Committee is told that corrosion has taken hold on sections of the Port Bonython Jetty that requires intervention to avoid closure of the structure. The structure requires refurbishment of walkways and mooring point access structures.

The refurbishment work for Port Bonython Jetty will mostly involve steel remediation, whereby the corroded steel is mechanically cleaned and members are repaired and wrapped with a water-resistant membrane system. Replacement of furniture, such as stairs and ladders, will also occur.

Specifically this work will entail:

#### Walkways (Six in total)

- Refurbish remaining four walkways.

#### Breasting Dolphins (Four in total)

- Refurbish/replace hook platforms, support columns, rope rails and short ladders
- Replace stairs and handrails
- Repair/refurbish columns, and bearings
- Refurbish/repair face plates
- Refurbish/repair platform, handrails, ladders and side supports.

#### Mooring Dolphins (Four in total)

- Refurbish/replace upper rope rails and handrails
- Replace stairs and handrails
- Repair/refurbish columns, base plates, bracing and bearings
- Refurbish/repair tug fenders
- Refurbish/repair stairs, platform, handrails, ladders and side supports.

#### Jetty Head

- Refurbish/repair continuous fender on front loading platform.

### **3.2 Consultation**

The Committee accepts that the proposing agency has undertaken all appropriate agency and community consultation.

### **3.3 Aboriginal Heritage**

The Committee accepts that investigations undertaken by the proposing agency indicate that the proposed works will have no impact upon any sites of Aboriginal significance.

### **3.4 Heritage Buildings**

The Committee is satisfied that investigations undertaken by the proposing agency reveal that there are no heritage listed buildings on the site that will impact on the proposed works.

### 3.5 Ecological Sustainability

The Committee is told that the proposed works are on an existing structure, will be carried out in accordance with Environmental Protection Authority requirements and will have minimal impact on the local environment.

## PART FOUR: FINDINGS OF THE COMMITTEE

---

### 4.1 Project Justification

The Committee is told the refurbishment of the Port Bonython jetty walkways and mooring point access structures will extend the life of the structure and:

- Ensure the continued safe and efficient operations by Santos;
- Meet the State's obligations of the indenture agreement;
- Allow the potential use of the jetty by other third parties in association with proposed developments in the Port Bonython and Port Lowly precincts.

### 4.2 Revenue Earning Capacity of Proposed Project

It is anticipated that the continued use of the jetty by Santos, and the implementation of one or more new proposals for the use of the jetty, will generate, from wharfage fees, in excess of \$50m over the next 10 years.

### 4.3 Whole Life Costs of the Project

The Committee has been provided with the following details regarding:

#### Capital Costs

	2010/11	2011/12	2012/13	2013/14	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Refurbishment works to Port Bonython Jetty	- 8,300	- 21,600	-	-	- 29,900
Net Lending Impact	- 8,300	- 21,600	-	-	- 29,900

#### Operating Costs

Cabinet has approved \$29.9m, excluding GST, for these refurbishment works at Port Bonython. The refurbishment works will not impact on the current operating budget.

### 4.4 Estimated Net Effect of the Work, and Its Use, on Public Funds

On 19 July 2010, Cabinet approved expenditure of \$29.9 m over 2010-11 and 2011-12 to undertake refurbishment of the walkways and mooring access point structures.

This proposal will have an impact on the State's investing program as follows:

	2010/11	2011/12	2012/13	2013/14	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Refurbishment works to Port Bonython Jetty	- 8,300	- 21,600	-	-	- 29,900
Net Lending Impact	- 8,300	- 21,600	-	-	- 29,900

It is proposed that these cash flows are required and that there is no change to the existing budgeted profile.

## **4.5 Project Delivery**

Expression of Interest	October	2010
Request for Tender	November/December	2010
Tender Assessment	December	2010
Recommendation	January	2011
Award & Commence Work	February	2011

The Committee is told the market for this type of work is highly specialised with limited competition. There is no applicable Prequalification System. An Expression of Interest for the works package will be advertised on the Government Tenders website, to determine industry capabilities. It is then intended to call a single construction contract.

Project and contract management will be undertaken using in-house resources within DTEI. It will be performed in accordance with DTEI's accredited Project Management Process (see Appendix C) that clearly maps the path for necessary approvals and associated critical hold points, defines appropriate management of all project components and details key documentation.

Due to the deteriorated condition of the structure, the need for repairs, beyond those currently envisaged, may be identified as work progresses, and may need to be undertaken as soon as possible. To mitigate this risk, a contingency sum of 30% has been included in the approved budget.

The other risks relate to the timing of the works, particularly regarding adverse weather conditions (due to being 2.4km off-shore) and the irregular nature of shipping movements, both of which would force work to temporarily cease. The risks will be recognised in the tender documentation.

## **4.6 The Efficiency and Progress of the Project and Justification of Any Expenditure Beyond Estimated Costs**

The Committee will monitor the progress of the project as required by the Parliamentary Committees Act through the regular reports the proposing agency is required to provide prior to the completion of construction (refer to "Further Reporting to the Committee"). The Committee will provide a further statement to Parliament in the event that subsequent information provided renders this Report inaccurate or misleading.

## **PART FIVE: CONCLUSION & RECOMMENDATION**

---

The Public Works Committee has examined written and oral evidence in relation to the proposal for the Port Bonython Jetty Refurbishment. It has also been assured by the Department for Transport, Energy and Infrastructure that acquittals have been received from the Departments of Treasury and Finance, Premier and Cabinet and the Crown Solicitor that the works and procedures are lawful. The Committee is satisfied that the proposal has been subject to the appropriate agency and community consultation and meets the criteria for examination of projects as set out in the Parliamentary Committees Act 1991.

Based upon the evidence considered, and pursuant to Section 12C of the Parliamentary Committees Act, 1991, the Public Works Committee reports to Parliament that it recommends the proposed public work.



**Tony Piccolo MP**  
**PRESIDING MEMBER**  
**Public Works Committee**

11 NOV 2010

## **PART SIX: ATTACHMENTS**

---

### **6.1 List of Witnesses and Submissions**

#### **Witnesses**

The following persons appeared before the Committee on Wednesday, 20 October 2010 at Parliament House, North Terrace, Adelaide:

- Andy Milazzo, Executive Director, Transport Services Division, Department for Transport, Energy and Infrastructure (DTEI);
- Rick Hennig, Director, Statewide Operations and Programs, DTEI
- Spiros Dimas, Manager, Marine Facilities, DTEI

#### **Submissions**

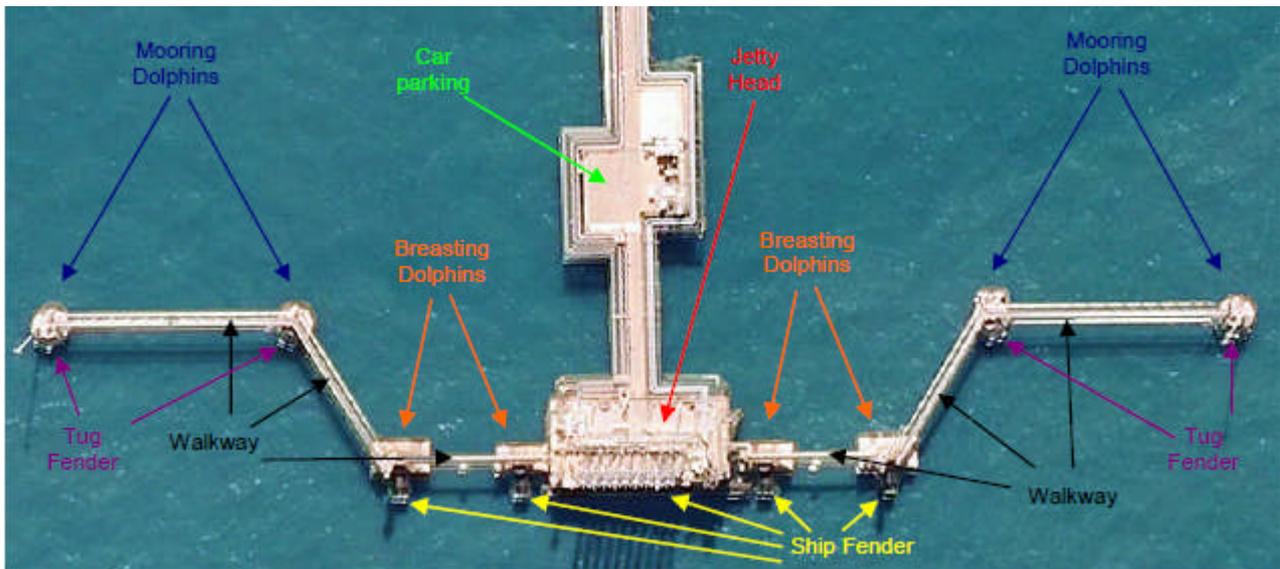
Department for Transport, Energy and Infrastructure, *Port Bonython Jetty Walkways and Mooring Point Access Structures Refurbishment: Submission to the Parliamentary Public Works Committee*, September 2010.

***ATTACHMENT: 1***

### PORT BONYTHON JETTY



### PORT BONYTHON JETTY HEAD



# ***ATTACHMENT: 2***

## ECONOMIC ANALYSIS

A Benefit Cost Analysis for this initiative has not been possible as the potential benefits are difficult to quantify (non-monetised). As such a Cost Effectiveness Analysis has been undertaken looking at the comparative costs in discounted terms.

DEPARTMENT FOR TRANSPORT, ENERGY AND INFRASTRUCTURE																																
COST EFFECTIVENESS																																
INPUTS - OPTION 1 - INSITU WALKWAY & MOORING STRUCTURE REFURBISHMENT (approx 18 months)																																
Appraisal period (years)		30																														
Discount rate (%)		6																														
Annual discount factor		09/10	10/11	11/12	12/13																											
Undisc-ounted Total		Present Value Total																														
Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<b>Costs</b>																																
Capital cost	\$29,900	\$27,054																														
		Units: \$000																														
		8,300	21,600																													
Scaffolding																																
Steelwork repairs																																
Steelwork cleaning																																
Protective coating																																
Refurbish dolphins (exc concrete)																																
Refurbish front fender																																
<b>Total Present Value Cost (PVC)</b>		<b>\$27,054</b>																														
INPUTS - OPTION 2 - MEMBER REPLACEMENT OF WALKWAYS & MOORING STRUCTURE REFURBISHMENT (6-9 months)																																
Appraisal period (years)		30																														
Discount rate (%)		6																														
Annual discount factor		09/10	10/11	11/12	12/13																											
Undisc-ounted Total		Present Value Total																														
Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<b>Costs</b>																																
Capital cost	\$59,100	\$52,898																														
		Units: \$000																														
		5,600	53,500																													
Scaffolding																																
Fabricate walkways in workshop																																
Temp support services																																
Remove walkways by floating plant																																
Install new walkway by floating plant																																
Refurbish dolphins (exc concrete)																																
Refurbish front fender																																
<b>Total Present Value Cost (PVC)</b>		<b>\$52,898</b>																														
<b>Notes:</b>																																
- Option 1 involves carrying out repairs to steelwork insitu.																																
- Option 2 involves replacing members with fabricated members.																																
- Option 2 is more expensive than option 1 (insitu repairs) because it requires large floating plant and having to keep the port operational, whilst members are being removed and replaced.																																