



# ***STATE DEVELOPMENT AND REGIONAL INDUSTRIES COMMITTEE***

**Members present:**

Mr CG Whiting MP—Chair  
Mr JJ McDonald MP  
Mr MJ Hart MP  
Mr RI Katter MP  
Mr JE Madden MP (via teleconference)  
Mr TJ Smith MP

**Staff present:**

Ms S Galbraith—Committee Secretary  
Dr K Kowol—Assistant Committee Secretary

## **PUBLIC BRIEFING—CONSIDERATION OF AUDITOR-GENERAL REPORT 7: 2022-23—MAJOR PROJECTS 2022**

### **TRANSCRIPT OF PROCEEDINGS**

**MONDAY, 13 MARCH 2023**

**Brisbane**

## MONDAY, 13 MARCH 2023

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### **The committee met at 10.00 am.**

**CHAIR:** Good morning. I declare open this public briefing for the committee's consideration of the Auditor-General's report No. 7 of 2022-23 titled *Major projects 2022*. My name is Chris Whiting. I am the member for Bancroft and the chair of the committee. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past, present and emerging. We are very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander peoples whose lands, winds and waters we all share. With me here today are Mr Jim McDonald, the member for Lockyer and deputy chair; Mr Michael Hart, the member for Burleigh; Mr Tom Smith, the member for Bundaberg; and Mr Robbie Katter, the member for Traeger. Attending via teleconference is Mr Jim Madden, the member for Ipswich West.

This briefing is a proceeding of the Queensland parliament and is subject to the parliament's standing rules and orders. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence. I remind committee members that the Auditor-General is here to provide factual or technical information. Any questions seeking an opinion about policy should be directed to the minister or left to debate on the floor of the House.

These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's direction at all times. You may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages. Could you please ensure that your mobile phones are turned off or to silent mode?

**FLEMMING, Mr Patrick, Assistant Auditor-General, Queensland Audit Office**

**REARDON, Ms Michelle, Assistant Auditor-General, Queensland Audit Office**

**WORRALL, Mr Brendan, Auditor-General, Queensland Audit Office**

**CHAIR:** I now welcome, from the Queensland Audit Office, Brendan Worrall, Patrick Flemming and Michelle Reardon. I invite you to brief the committee, after which committee members will have some questions for you.

**Mr Worrall:** Thank you for the opportunity to brief the committee on *Major projects 2022*. Queensland needs infrastructure that is effective, well maintained and in place when and where it is needed. Infrastructure investment is often referred to as capital expenditure and is used to invest in community assets, deliver short-term and long-term economic growth and create jobs. All levels of government commit significant funding each year to build infrastructure. Over the last five years, the budgeted capital expenditure of the state increased from \$9.9 billion in 2018-19 to \$12.6 billion in the 2022-23 budget. Most expenditure has been on transport, including rail and roads, followed by energy, education and health. At the time of this report, these figures did not include future projects for the Brisbane Olympics 2032, which will involve all levels of government.

In the last five years, a large part of capital expenditure is in the South-East Queensland. This reflects the high population and the population growth that is expected over the next 20 years. In our report, we provided a high-level update on the major developments, budgets and expenditure across several roads and rail projects funded by the government. We also summarised major projects not funded by the state government, including Brisbane Metro and Queen's Wharf Brisbane.

At \$6.888 billion, the Cross River Rail project is the largest infrastructure project currently underway in Queensland. The Cross River Rail Delivery Authority is the lead agency for the project and is also responsible for several other rail infrastructure projects, including the European Train Control System and new Gold Coast stations. The delivery of the Cross River Rail project has been impacted by the same supply chain issues that all infrastructure and construction builders have grappled with due to high rainfall events, the Ukraine conflict and the COVID-19 pandemic.

Consequently, project expenditure at 30 June 2022 was \$452 million or nine per cent less than budget. The delivery authority has implemented mitigation strategies by pre-ordering long lead-time materials, increasing the workforce and rescheduling work programs.

Due to the size and complexity of the Cross River Rail project, we have performed an independent review of its business cases supporting the investment decisions and the delivery authority's major procurement activities. We did not identify any significant issues in relation to their compliance with Queensland government procurement policies. While our review considered if contract management plans to monitor deliverables and outcomes were developed, we did not assess their effectiveness nor did we form any opinion over the project's merits or whether it represents value for money.

The business cases for the Cross River Rail project indicated that benefits exceeded costs. Key assumptions included population forecasts, rail patronage growth, construction costs and road user benefits. These comprise 64.7 per cent of the expected benefits. COVID has significantly impacted patronage numbers but those numbers have started to improve as restrictions ease. The expected benefits of the Cross River Rail project should continue to be monitored, and appropriate transport and other strategies should be implemented to maximise rail patronage and road user benefits over the medium and long-term. The committee may benefit from hearing from the entities themselves on their progress in delivering major projects. We are happy to take questions.

**CHAIR:** Mr Worrall, from what I understand, this is the first time that you have started looking at major projects as a whole. Can you outline what your plans will be to continue this theme in years to come?

**Mr Worrall:** I would say this is the first annual report on major projects. There will be a major projects report each year that will look at major projects, whether they are in the state or non-state sector, that are impacting on the Queensland community. Obviously the Olympics is going to be another major project. On our existing work plan on the website, we had planned to do an audit on planning for the Olympics, I think, in two out years, but we are currently in consultation and that draft plan for consultation actually has us bringing that planned work forward for the next financial year.

**CHAIR:** You mentioned the expenditure is about nine per cent less than budget; is that what you said?

**Mr Worrall:** Yes, nine per cent or \$452 million.

**CHAIR:** Looking at page 3 of the report, you said on average the actual expenditure had been four per cent lower than budgeted expenditure. Has that been a change since the report was lodged?

**Mr Worrall:** Which page are you referring to?

**CHAIR:** Page 3 of your report where it says, 'Budgeted capital expenditure is increasing'.

**Ms Reardon:** I think that will be the average expenditure across all projects each year. Oftentimes they are impacted by a variety of reasons, which can then impact the actual delivery against budget. On average, they are often delivered four per cent under and that expenditure is then carried through to future years when that timing of work is rescheduled. Just with the significant impacts at the moment, the impact on Cross River Rail has been slightly more than average because of the particular reasons at this particular point in time.

**CHAIR:** It is interesting to see how the report has put that in its broader context, showing where the contingency has been spent. One of things I would be interested in is the Gold Coast projects such as the Coomera bypass and also Cross River Rail. Is the population pressure we are facing in that area one of the factors that the major agencies are dealing with, besides supply lines and labour, as population is an important aspect that is perhaps driving the agencies in these projects?

**Mr Worrall:** We make comment in the report around that. A lot of the expenditure is going into South-East Queensland because that is where most of the growth has been and that is where most of the growth is predicted to be. Driving the expenditure is the current and expected growth. As I said earlier, a lot of the type of expenditure has predominantly gone on the transport sector.

**CHAIR:** Certainly for the major agencies, the effects of the war in Ukraine but mostly the supply chain issues have been most challenging; would that be correct?

**Mr Worrall:** Yes. I think everybody would experience that in their own day-to-day lives—issues about supply chain, issues about securing labour and things like that. They are definitely issues impacting on infrastructure and not just in Queensland but certainly in Australia.

**Mr McDONALD:** I have a number of questions regarding the Cross River Rail project. I note in your report you say the budgeted cost was \$5.389 billion or \$5.4 million. You did a detailed review of the business case in 2017. Can you talk us through that, particularly on the viability of the project?

**Mr Worrall:** We actually reviewed more than one business case but I think that was the most recent business case that we looked at, including the underlying assumptions that if they come to fruition then that business case would be positive. We highlight in our report that two of those assumptions are around rail patronage, which has suffered during COVID, but there are also assumptions around benefits to the road user network as well. I think what we are saying there is that they are two assumptions that need to be continually monitored to make sure that those benefits do derive. At the time of the report, there was some positive growth in the rail patronage numbers, but you would need to ask the department or Queensland Rail about where those numbers are since then.

**Mr McDONALD:** I can certainly do that. In terms of the \$5.4 billion that you undertook the business case review of, and it was the third business case that was put together, I am a little confused about the number of \$6.888 billion that is referred to in the report. It talks about funding from private finance. Can you explain that to me? If I am getting somebody else to pay some extra money then that is the true cost. I am not sure why the review was not done on the higher figure.

**Mr Worrall:** If you go to figure 2A on page 15, what you are talking about are those round balls in orange. Collectively, I think you will find that they add up to \$6.888 billion, which includes—I forget the exact number—about \$1.4 billion that is actually being privately funded. That is like a public-private partnership arrangement for that funding. That component is 6.88, which is the core cost of Cross River Rail.

**Mr McDONALD:** Can you explain to me a bit further about the PPP and the \$1.4 billion? Who is going to pay for that in the end?

**Mr Worrall:** Michelle might be able to add more details, but ultimately that private provider is stumping up those funds and then there will be some sort of annuity payment that the state will pay to that provider over—is it 25 years?

**Mr McDONALD:** So it is like a loan?

**Mr Worrall:** It is a financing arrangement, yes. Financial arrangements take many shapes and forms and it is a financing arrangement.

**Mr McDONALD:** In regard to the viability of Cross River Rail, would it not be fair to assess it on the \$6.88 billion total cost?

**Mr Worrall:** I am pretty sure that is what it was assessed on, \$6.88 billion.

**Mr McDONALD:** That is what you did the assessment on, not the 5.4.

**Mr Worrall:** That is what the business cases were for.

**Mr McDONALD:** I know public transport costs money, but what is the definition of viability? How did you work out the viability?

**Mr Worrall:** That is all governed by the state's project assurance framework where they have to do some calculations around perceived benefits to see whether it is going to be benefit positive, I think is the language that they talk about. In any sort of business case for anything there needs to be some underlying assumptions around those. As I said, there are three assumptions that account for about 64 per cent I think it is, from memory, of the total benefits. From memory they are rail patronage, taking pressure off the road network—can you help me out with the other?

**Ms Reardon:** The 64 relates to the benefit to road users.

**Mr McDONALD:** Many people are concerned about the perceived blowout in Cross River Rail and the additional costs to the community. When there are additional costs for that project arguably there is not sufficient funding for other service delivery like police, like health, like education and so that additional cost is a very big concern to me and others. If the \$1.4 billion private finance arrangement was not there, what would happen to the Cross River Rail project?

**Mr SMITH:** Point of order, Chair. That seems more like a question for the department. That is a policy decision not a decision for the Auditor-General.

**Mr HART:** Are we going to see the department this time then?

**Mr SMITH:** That is a policy decision taken by the government. That is out of order, that question.

**Mr McDONALD:** It is a pretty fair question.

**CHAIR:** That question could be perceived as being about policy. I see it as asking for speculation. I will allow that question to go through and request that you answer that within the boundaries that we set as a committee.

**Mr Worrall:** They would have to source those funds in another way.

**Mr McDONALD:** Essentially the project would not finish? You have to have \$6.888 billion to deliver it at the moment.

**Mr Worrall:** Or they would need to curtail it back to the 5.8.

**Mr HART:** Curtail it?

**Mr Worrall:** Well, find savings.

**Mr McDONALD:** In terms of the delivery of the project, through your review are you confident that the government can now deliver Cross River Rail at that cost of \$6.888 billion?

**Mr Worrall:** The report highlights risks to that. Those risks are in relation to those supply and labour issues.

**CHAIR:** Before you finish your answer, that is a big speculation. I think you can refer to the report.

**Mr HART:** That is actually the Auditor-General's job.

**CHAIR:** Thank you for your assistance.

**Mr Worrall:** There is also a lot of competition for infrastructure, not just in South-East Queensland, but across the country. All of those things present risk for any infrastructure project when there are finite resources and you are competing against those. When supply is limited that results in potentially higher prices. We are already seeing that in our own day-to-day lives.

**Mr McDONALD:** Can you talk us through those risks? You mentioned earlier the war in Ukraine, the supply chain issues and then COVID.

**Mr Worrall:** Yes, and the other one would be the competition for resources to put into infrastructure given that there are many infrastructure projects not only in Queensland but around the country.

**Mr McDONALD:** Were you asked to review this project or was it part of your suggested business?

**Mr Worrall:** No, I was not asked to do it. It was always going to happen from us, yes.

**Mr McDONALD:** For major infrastructure projects.

**Mr Worrall:** Yes, major infrastructure projects, also there is a lot of public interest in this particular project so it made sense to review it.

**Mr McDONALD:** Will there be another review?

**Mr Worrall:** With this report there will be ongoing reporting on the project in each of these reports. Obviously as outlined in 2A there is the components of the project, they have all got budgets attached to them so obviously we will continue to report against those.

**Mr McDONALD:** For clarification, the original business case was \$5.4 billion. I am still confused over that because even though there may be a borrowing from a private financial arrangement, that is still part of the project so really it should be \$6.888 billion; is that right?

**Mr Worrall:** On figure 2A, as I said, in the 'Tunnel, stations and development', 'Other works' and the 'Rail, integration and systems', if you add all of those budgets up that definitely comes to \$6.8 billion.

**Mr SMITH:** A few own goals there, I think, but we will move on. Thank you all for coming in today. One of the big things that we do talk about, especially around Cross River Rail, is the cost-benefit analysis and the ratios there and the social benefits as well. I am wondering when we go into jobs and the flow-on jobs from this major project, jobs is obviously an economic benefit but do you also go into the social benefit around the health and wellbeing of someone who is employed, therefore the status of the family is better off in terms of health and wellbeing as well. Does the number of jobs just fall into economic benefits or do you also weight it against the ongoing social benefits of having employment?

**Mr Worrall:** That is not me doing that analysis, that is actually these project proponents doing that in terms of the government's project assurance framework. They need to comply with that in terms of the benefits coming from that and that would include social benefits as well.

**Mr SMITH:** Moving forward from Cross River Rail, in the report you talk about the projects in Maryborough and Torbanlea and the train sites there, would that be a consideration in that that is another benefit to the cost-benefit ratio in terms of when you put in rail infrastructure you then need to do all of the train manufacturing as well? Is that something that the audit office sees as a good outcome coming from this major infrastructure project?

**Mr Worrall:** The trains that I think you are talking about, they are associated projects. They are not really part of Cross River Rail. If you look at that diagram on 2A you will find that they are associated projects so they were not part of the Cross River Rail business case.

**Mr SMITH:** Not part of the business case, but I suppose when we are assessing what the department and the review has done around social and economic benefits, associated projects would be a positive benefit of a major infrastructure project.

**Mr Worrall:** I think ultimately that would be a policy decision by government, how it wanted to source those trains.

**Mr SMITH:** The report is very thorough and it has gone through, as you said, three business cases around Cross River Rail. I wonder what is the general process for the audit office when you are engaging with many departments on large projects. Is it simply a case of requesting paperwork or is there an element where you go and sit down with directors-general or the people on-site? What is the larger scale process of putting together quite a big piece of work?

**Mr Worrall:** I would say it is a quite iterative process over a period of time and it is probably all those things that you mentioned. It would be working out what frameworks they are working under, like the project assurance framework, for example, what are the requirements of that, what evidence is in place that they have complied with those requirements. There would also be specific procurement requirements, again looking at evidence that they have complied with those specific procurement requirements. So, yes, there would be assessing documentation around that, but also a lot of engagement with decision-makers through the process and I guess in this instance not just necessarily Cross River Rail because they are one of three main players involved in the delivery of Cross River Rail and some of these associated things that are happening in the rail space.

**Mr SMITH:** The chair touched on the budgeted costs and the actual capital expenditure is about average four per cent below. I wonder how much of that is an element of good planning, change to design or is it around some of the unforeseen difficulties that has meant that the expenditure has not been able to go up because it is not available or is it an element of there has been good planning, good design and market variations.

**Mr HART:** Is that not an opinion?

**Mr SMITH:** No, that is asking for an analysis.

**CHAIR:** Through the chair.

**Mr SMITH:** What is your best determination as to why it is four per cent below the budgeted costs?

**Mr Worrall:** I think you would benefit hearing from Cross River Rail directly on that because they could obviously talk in a lot more detail than I can, but I think one of the contributors would in all likelihood be these sorts of supply and labour issues.

**Mr HART:** On the overall cost, going back to the \$5.4 billion, that is budgeted by the government. Is that a locked in figure?

**Mr Worrall:** Well, it is in the budget. All of those figures that we have presented on figure 2A, whether they are Cross River Rail or some of these other rail projects, are all derived from public documentation.

**Mr HART:** The \$1.44 billion that is a private partnership, is that a locked in figure?

**Mr Worrall:** It certainly would be locked in in terms of any contractual arrangements.

**Mr HART:** If there are blowouts in a normal infrastructure project—we are seeing that all the time—who pays for the blowout? Is it the government side or the private enterprise side? What is in the contract?

**Mr Worrall:** I come back to what I said previously, and again you can check this with Cross River Rail, but to me that is a financing arrangement that they have entered into. I would think that the risks would be with the state.

**Mr HART:** Cross River Rail is a specifically designed project. It needs specific trains for it, I assume, but those trains are not part of the overall project, they are a separate project.

**Mr Worrall:** I think you will find, coming back to the business case, that the business case was in relation to those things on table 2A, 'Tunnels, stations and development', 'Other works', and 'Rail, integration and systems', so that was the nature of the business case. There are other rail activities, some of which are complementary and go beyond Cross River Rail, like the European Train Control System I think is being applied to the network in the South-East not just for Cross River Rail, and I think the same with the trains, they are going to be presumably running all over South-East Queensland.

**Mr HART:** What is the overall figure when you add all these ancillary things up?

**Mr Worrall:** I do not have the math here. Table 2A is probably around \$10 billion.

**Mr HART:** You mentioned that patronage was an issue going forward for the viability of the project—or it could be one of the particular things.

**Mr Worrall:** It is one of the key assumptions.

**Mr HART:** What were the patronage figures in the business case and what did you actually observe at the time?

**Mr Worrall:** We can look up to see whether we have those figures. The business case projected that the daily rail passenger usage in South-East Queensland with the operation of Cross River Rail would increase by 103 per cent over the period 2015 to 2026.

**Mr HART:** What did you actually see?

**Mr Worrall:** The actual Queensland Rail Citytrain network passenger trips pre Cross River Rail data shows that the increase in passenger trips for the four years from 2015 to 2019 was only 6.6 per cent—an average of 1.6 per cent per annum growth.

**Mr HART:** Sorry, 1.6 per cent per year versus 103 per cent per year?

**Mr Worrall:** That is without Cross River Rail.

**Ms Reardon:** The 103 per cent was actually over a roughly nine-year period. The average expected was a 6.6 per cent increase per annum.

**Mr HART:** But it was only 1.6 per cent?

**Ms Reardon:** It was, and then COVID hit.

**Mr HART:** A multiple of five times less than what the business case says. Is this a normal outcome, for business cases to be so far under reality or over reality?

**Mr Worrall:** The other thing we said in the report was in relation to what we stated in our transport report of 2021-22. We noted—

... rail passenger numbers reduced by 25.3 per cent in 2020-21 due to the COVID-19 pandemic.

Then we went on to say—

In recent months, rail passenger numbers have started to slowly improve.

We also say in the report that we are talking about here today—

There will need to be a significant increase in passenger trips over time for the forecast benefits of the project to be achieved.

We come back to what I quoted initially: that time period is 2015 to 2026.

**Mr HART:** Before I run out of time, I want to move on to the Gabba. The original business case with the Gabba talked about a billion dollar cost. Recently in the media we are seeing a \$2.7 billion cost.

**CHAIR:** Which page is this, member for Burleigh?

**Mr HART:** Page 12. In your report you say that the expected cost was a billion dollars. We are reading recently that the actual figure that the government is talking about now is \$2.7 billion. That is a massive increase. Was the government able to explain how that happened, or had it not happened when you did your report?

**Mr Worrall:** There are a couple of things I would say there. I do not think there ever was a business case supporting the billion dollars. I think you will find that the source of that was a press release, from my understanding.

**Mr HART:** So it was grabbed out of mid-air, was it?

**Mr Worrall:** I am just stating what I know.

**Mr HART:** A press release?

**CHAIR:** Member for Burleigh, was that a comment or a question?

**Mr HART:** It was a question. I think I asked a question.

**CHAIR:** Okay. No, the last bit there. Can you please keep your comments to within standing orders?

**Mr Worrall:** That is my understanding of where the billion dollars came from. This was a report at a point in time. You are quite right: in recent weeks, there is now a number circulating—I think you said \$2.7 billion, which is I think what I have seen circulating.

**Mr HART:** There is a business case for the Gabba, isn't there?

**Mr Worrall:** You would have to ask the government that.

**Mr HART:** Maybe that is a chance we will get in the future. Hopefully the committee this time will get to ask the government something. I turn to Gold Coast Light Rail stage 3. We have discussed this before on the BPIC side of things. In your report you mention that the delay in signing the contract was because of the addition of best practice industrial conditions. Did the department of transport confirm that was actually the case?

**Mr Worrall:** I am pretty sure they did apply best practice over that, and I think when we last spoke about this it was left, from memory, to the responsible minister to determine whether those best practice principles applied. If you think back to that report where we spoke about this, there were some projects where they were applied and there were others where they were not applied.

**Mr HART:** As part of this audit, did the Auditor-General get a chance to have a look at what actual best practice industrial conditions are? What is being included in the contracts specifically? Have you seen it?

**CHAIR:** I think the member is referring to the procurement policy of government.

**Mr HART:** It is part of the report.

**Mr Worrall:** I know, from memory, they applied the best practice to the stadium in Townsville and that resulted in maybe a \$23 million increase. I think that project was already underway and that was applied somewhat retrospectively.

**Mr HART:** This has been applied to the light rail stage 3 on the Gold Coast. The question is: has the Auditor-General seen what is in the best practice contract documents? What does it apply to?

**Mr Worrall:** Not in relation to stage 3 of the light rail.

**Mr HART:** Have you seen it in any other projects, then?

**Mr Worrall:** We have seen the impact of it in those projects.

**Mr HART:** Typically, what is the impact?

**Mr Worrall:** I can only probably talk from a financial impact. I think in that report we called out the financial impact on the Townsville stadium.

**Mr HART:** What was the impact there?

**Mr Worrall:** I think it was \$23 million, from memory.

**Mr HART:** Percentage-wise, what is that?

**Mr Worrall:** I think less than 10 per cent, but I am just going from memory there.

**Mr HART:** Are you seeing that in other projects as well?

**Mr Worrall:** As I said, I think it was up to the responsible minister to deem whether they applied that or not. In that project they applied it, but I think there was at least one other project where they chose not to apply it.

**Mr HART:** Okay. Just going back to Cross River Rail, the trains are specifically designed for use there. Part of that would be that there are screen devices at the train station that open and close. I have seen them in other countries. The train is designed to operate with those screens. Did the government explain to you why they are separate projects? There is \$275 million for fitting these door screens to all of the stations.

**CHAIR:** Can you specify what you are talking about there?

**Mr McDONALD:** Page 16.

**CHAIR:** Are you talking about 'Tunnel, Stations and Development'?



**Mr HART:** I am talking about the New Generation Rollingstock and the screen door requirement. There are New Generation trains that are required for Cross River Rail that are one project, and then we have the screen doors that those trains need, which is a completely other project. When we add up all of these projects, how much money are we actually going to spend on Cross River Rail? It must be billions and billions more than the \$5.4 billion in the business case.

**CHAIR:** Are the screens on the trains or on the stations?

**Mr HART:** This is on the stations.

**CHAIR:** Right. It is station development.

**Mr HART:** The train requires these things.

**CHAIR:** Does that include Brisbane Metro?

**Mr HART:** No.

**Mr Worrall:** No, Brisbane Metro is the Brisbane City Council Busway Project. I think you will need to direct that question to either the department or Queensland Rail. I am unsure whether those screens are being applied just to the Cross River Rail stations or whether they are being applied to other metropolitan stations.

**Mr HART:** Chair, the Auditor-General has told us now several times that we need to talk to TMR and the government about these issues. I really think it is important that we get TMR in here to talk about these issues. We have tried this before and it just does not happen. This time, I would like to see TMR in here.

**CHAIR:** Okay. Member for Traeger?

**Mr KATTER:** It was put to me that in elements of the Cross River Rail study they assessed people's travel time to work—whether they walked from a bus station—and assigned a value to that that they built into the business case. Can you elaborate, confirm or otherwise?

**Mr Worrall:** I probably cannot elaborate.

**Mr KATTER:** Could you on notice, if that is possible?

**Mr Worrall:** It would be one of the benefits, but I cannot elaborate on that.

**Mr KATTER:** Do you look at that sort of detail?

**Mr Worrall:** Again, we would have looked at the business case and the assumptions that would surround that. If that indeed was one of the assumptions, then things have changed as well in that regard. When the business case was done, we probably did not have the extent of people not coming to work on a five-day basis as we currently do. They are some of the things we are seeing reflected in those other numbers we were talking about previously in relation to rail patronage.

**Mr KATTER:** I am a regional MP. Time after time we see the business case for any dam project being analysed and always coming out negative. I am entitled to be pretty cynical when I see a sport stadium or anything that is public infrastructure. It always comes out glowing. Then you want to apply some rigour around what they are looking at as the added value. To turn that into a question, do you ever provide some critique over that to say, 'Well, we look at this but, if we look back on what we did on the Hells Gates project, that is probably being a bit ambitious in terms of what you are looking at here'? Do you provide commentary or critique in that respect?

**Mr Worrall:** In the report we have provided some commentary that they will need to closely monitor all of those perceived benefits, particularly when we have had this disruption with COVID that has impacted on people's working habits. As we said, the business case was looking for that uplift in patronage between 2015 and 2026. Obviously that business case was done pre COVID, but obviously COVID has impacted a lot of people who would come to the CBD for work.

**Mr KATTER:** Do you provide any critique or advice around the valuation that is applied to these as Treasury would adopt for the balance sheet? If you have a \$10 million asset and you look at the business case and say, 'This looks a bit wobbly.' I am sure on the open market you are not going to go and sell this thing for \$14 billion or \$7 billion, but you are giving advice that I am sure the government must at least in part rely on to say, 'Well, they've been through this business case and it's costing us \$7 billion. Let's whack it on the balance sheet.' Is there any interaction? How does that work?

**Mr Worrall:** How it works is that obviously I am the auditor for every public sector entity in the state and they have to prepare annual financial reports, which we audit. The preparation of those reports is highly regulated by accounting standards, by state Treasury and by the department of local

government in relation to local government entities. In essence, in relation to non-current assets what that framework says is that they need to value those at fair value. Fair value is not historical cost. Just because they spent X number of dollars does not mean that they get to value them at that same dollar amount; they need to value them based on fair-value principles. That differs depending on what the assets are being used for. An example could be one of our ports. It would value its assets at fair value but it would value them on what is called 'in use'—so what revenue is going to be generated by those assets—whereas a not-for-profit type government entity would value those not on that basis. A local government would not value them on that basis; it would value them based on, 'Well, how much would it really cost me to replace that asset with the same sort of utility?' but then discount that back for any sort of used-up utility off that asset.'

**Mr KATTER:** I understand those concepts fairly well. I have a background in valuation. I am not sure what the correct technical term is, but what economic life is applied? If I go back to dams, I think it is ridiculous when they apply 30 years to the life of a dam. Try to find a dam in Queensland that does not last 50 years—apart from Paradise Dam—

**Mr SMITH:** We are fixing it, Robbie. It is okay.

**Mr KATTER:** A dam that is competently built. Is that regulated or do you challenge those—

**Mr Worrall:** That is regulated under the same framework I just spoke about. It is regulated by Treasury's reporting standards. The requirement on every entity that has non-current assets is to reassess the useful life on an annual basis. All these entities go through a fair-value process. One of the things they need to do as part of that fair-value process is reassess the useful life. It is actually quite important, because that will impact potentially on the valuation but also on the depreciation being charged on an annual basis. If you have an asset worth a billion dollars that had a useful life of 10 years but it is now only five years, you will have to depreciate it a lot faster. It is a key consideration in relation to the preparation of financial reports. That is one of the things we would definitely focus on.

Fair value of non-current assets is inherently risky. Our audit processes would assign a high inherent risk to fair value of non-current assets, particularly in the public sector context where there may not be a ready market. There might be restrictions around the use of the assets which can have an impact as well. The work in progress sitting in Cross River Rail—this, again, is driven by standards—is at cost, but once those assets are commissioned it needs to go to fair value. There is no sort of honeymoon period from the standards around that.

**Mr KATTER:** That means that Treasury, until the period it is operational, will be having that on their books at cost?

**Mr Worrall:** At cost as long as it sits in 'work in progress'. I would assume that those assets will then be handed over to more appropriate entities, such as Queensland Rail for example.

**CHAIR:** The time has expired. This concludes the briefing.

**Mr HART:** Chair, I have a heap more questions. Can we put questions on notice to the Auditor-General, please?

**CHAIR:** Do you have any questions on notice? The member for Ipswich West has not had a chance as yet.

**Mr HART:** We have a heap more questions. Can we put a number of questions to the Auditor-General on notice, please?

**CHAIR:** We can write if need be.

**Mr HART:** Can we?

**CHAIR:** We can do that. That concludes the briefing. Thank you to everybody who participated today. We do not have any questions on notice at this stage. Thank you to our Hansard reporters. A transcript of these proceedings will be available on the committee's webpage in due course. I declare this briefing closed.

**The committee adjourned at 10.48 am.**