

TYPED COPY OF HAND WRITTEN SUBMISSION

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5-11-98

To: Impact of Competition Policies Reforms Inquiry, Productivity
Commission

In the early 1970s I had established myself as a small earthmoving contractor, engaged mainly in loading, carting and levelling gravel for roadworks. Most of my customers were companies engaged in the timber industry, or Government departments concerned with roadworks.

At that time we were employed on the basis of service, performance and reliability, in other words "on our merits".

When working for Government departments such as Public Works Department hire rates were issued by the P.W.D. and you either worked for those rates, or you didn't. I don't know who actually set those rates, but they were reviewed yearly and an adjustment made to allow for rising costs etc. I always considered the rates to be fair, they allowed the owner operators to maintain their machinery and replace when necessary as well as make a reasonable living.

By 1977 myself and an associate, (who had some three or four tip trucks), had established a very good service record with the Forestry Commission, Launceston Office, we had been doing their roadworks in the Roses Tier area for four or five years by then, we had been hired to work for rates almost identical to P.W.D. hire rates. To that stage my friend and I had been using only five cubic yard tip trucks (5 yarders).

What my friend and I had been doing to gain the edge on other contractors was give extra good service, we never stopped for "smoko" i.e. morning and afternoon tea, we always carted good measure, six and sometimes seven cubic yards, but we only charged the five cubic yard hire rate, even though Forestry Commission would have paid a six yard rate. I had often said to my friend "lets be happy with the five yard rate, at least as long as we've got more than five yards on we can't be criticised for under loading". That used to be common practice by many contractors at the time, they would cart light loads to make the job last longer, and be easier on their equipment. We didn't work that way.

We would also work longer hours without changing penalty rates. This suited us as we would be camped a way up the bush and it was better for us to be working longer hours during the Summer months, knowing that in our game that work would be slack during the Winter. The Forestry Commission foreman trusted us to keep our own times and tallies which we worked late and they had no one in attendance. For our own good, we would not have betrayed that trust. The F.C. leading hand often commented that we had done more work while he was away at night than while he was there during the day.

About this time 1976-77 we started to hear rumours that these type of Govt Dept jobs were to be put up for tender. This concerned us, so I questioned the District Forrester, Mr Alan Watson about it. He said that there had been some Government pressures to introduce tendering, but that we didn't have to worry because he "wouldn't have anyone else on the job", indicating he was very happy with our work.

With this assurance my associate and I decided to upgrade our trucks both to meet the demand and show our appreciation of the faith that had been indicated in our ability to carry out the works.

During the Winter of 1977 we both purchased ten cubic yard tip trucks to increase our efficiency. The Winter months would allow us time to carry out a thorough overhaul, (as they were second-hand trucks), and to have the trucks ready for the coming gravel carting season.

The day I went to pick-up my \$25,000.00 Mack I called once again on Mr Alan Watson at F.C. and he assured me that we could expect all the Roses Tier work as well as any other they could put our way. Two weeks later all that work was in the tender column of the papers.

I called to see Mr Watson, he was very upset, he said he could do nothing about it, there had been a Government directive, that all these works had to go "up for tender".

However Mr Watson told me that he had managed to get myself and my associate at 20% preference on the tender for the Roses Tier work, at least for the first year of the tender system. This was very gratifying and indicated Mr Watson's faith in us, but 20% was not quite enough to clinch us the job. Mr Watson didn't tell me the price of the winning tender but did tell me that a 30% preference our way would have won us the job.

As all these "Tenders" were called on a "Per cubic yard" basis and not on "Hourly hire" it was not difficult for us to work out prices, as by this time my associate and I had, had enough experience to predict precisely how many loads our trucks could cart in a duty on the individual jobs that we were invited to tender on. We would then simply work out how much money we would have made working on the old P.W.D. rates system and calculate

accordingly, but still knowing that we would be caring six cubic yards or more per load, but only charging for five cubic yards. This meant in fact that we have delivered 120% value or better.

What actually happened, on that first round of Roses Tier work under the Tender System, was that the winning contractor had convinced a new young engineer with the Forestry Commission, that they were using 20 cubic yard open-bowl scrapers and we paid on that basis.

In fact the winning contractor was using only sixteen cubic yard scrapers, and that's about what they were carting on them one day when I called to see them in operation. This meant that the contractors were delivering only 80% of volume, when my associate and I would have delivered at least 50% better value than this, volume wise, for less than 30% extra money wise.

Where is the efficiency in that? If you doubt what I say, a little research will indicate to you that back then there was no such thing as a 20 cubic yard scraper, they only came in 11, 16, 21 or 32 cubic yard capacities.

On the day I viewed the winning contractor at work on Roses Tier, the bulldozer driver that was levelling the material, and had also done the same job during the previous years, said to me. "Well, I don't know Rodney. According to the books, one of these blokes loads is supposed to be equal to four of your fella's loads. But in my books its f... all more than two".

I found that year after tendering on 22 Forestry Commission jobs and only getting one job, that it was necessary to cut 40% off what would be made on P.W.D. rates, to win a contract. My associate and I realised then, that we either had to "get crooked, or get out". We decided to get out.

I used to argue after that, that a Tender Scheme was no use unless there were some sort of quality assurance scheme to go with it.

We now have quality assurance schemes, which I have witnessed in operation. They're an absolute farce.

I have been lucky enough to have been contracted with my road grader to the Dept of Main Roads on hourly hire. This lasted from 1978 until about 1991-92. Again on this job I was hired on my merits. One D.M.R. Foreman used to say "I like to hire you Rodney, because you get as much done in one day as our own operators do in three days". Eventually the "rot set in" there too, and some "bright spark" got the idea I was costing too much, because I was being paid more than some other operators were prepared to work their machines (or should that be not work their machines?).

The point here being I have had quite a lot of experience with road works of all kinds, including National Highways, and I am absolutely sure that because of competitive tendering and quality assurance we are seeing roads deteriorating as a result of poor construction, and money being wasted on the

administration and quality assurance of tender contracts, not to mention the cost of litigation when the works fail.

Density meters are one aspect of road works these days that interests me. "We didn't see them back in the 1970s and we used to build good roads those days. It seems to me that density meters were designed to allow some sort of objective measurement to fit in with the quality assurance needs necessary with any tender system.

The trouble is density meters don't seem to help us build better roads. To satisfy a density meter we need fine material and water, which doesn't allow the construction of roads that will last. Too much fine material under a road surface allows the waving effect to take place, especially once the water has dried out.

It is my honest opinion that all we need to do to get efficiency back into Government construction works is to try to re-establish what has been almost totally destroyed over the last 25 to 30 years. We need a Government work force that works at cost, eliminating a multitude of costs associated with competitive tendering such as, even little things like the advertising of tenders, then the multiple costing of the same works, when you have several prime contractors having to cost the one job, so that they can tender on it. (All the losing tenderers have to make up that cost on another job somewhere down the track.) Then you have the administration of the job and the nightmare of quality assurance and litigation etc.

Along with a Government work force, we need experienced and honest Engineers and Overseers that have the authority to act on their own initiative and to employ outside contractors when help is required and to sack those workers and contractors that are not pulling their weight. Is that such a tall order?

Corruption might set in, you say. Well I don't think anything could be more corrupt than what we have at present.

That brings me to Economic Rationalisation, which all hinges around the shortage of money. This seems to be the excuse for all this "Privatisation" and Tendering etc.

Until this last few years I had no idea how money is created by private interests i.e. the Bankers. And don't try to tell me that Bankers don't create money out of nothing like some politicians I've spoken to about the matter. You need nothing more than a Reserve Bank release of Monetary and Credit Aggregates to prove that they do. But there is a wealth of other evidence that I found once I started to look into the matter.

One Tasmanian Treasury official when I asked him to explain for me. What is money? How is it created? and how is it put into circulation? finally admitted, with a sound of great desperation in his voice, that he "didn't know",

Now I'm starting to discover where the real corruption is going on.

If you people really want to do something for this Nation I suggest you do something about the corrupt Fractional Reserve Banking Sydney.

Re-establish the Parliamentary power over Monetary policy under Section 51 of the Australian Constitution so that new money can be created without debt.

If the present system of Debt Finance is continued, mathematical law dictates ever increasing debt and ever increasing taxes to finance the debt to the point of absolute social collapse.

This is what we are seeing in the Asian countries today as a result of this Monetary System, nothing else.

I am happy to present evidence on any of the statements I have made if called on to do so.

Yours sincerely

R.M. Linger