



**AUSTRALIAN INSTITUTE OF QUANTITY SURVEYORS**

When costs count, use an AIQS Quantity Surveyor

# Submission to the Senate Education, Employment & Workplace Relations Reference Committee.

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## Primary Schools for the Twenty First Century Program

AIQS  
April 2010





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## 1. EXECUTIVE SUMMARY

1.1 The Australian Institute of Quantity Surveyors (AIQS) represents Australia's cost estimating professionals in the construction industry. The organisation is membership based and covers quantity surveyors throughout Australia and the Asia Pacific region. The organisation has just celebrated its centenary. Based in Canberra, it is also an active member of the Australian Construction Industry Forum (ACIF) which provides data and forecasts to the key players in the construction industry.

1.2 Quantity surveyors are the construction industry specialists who estimate, control and report on costs. AIQS members provide that service for construction of office blocks, schools, airports, hospitals and health centres and other infrastructure. Depreciation schedules, energy efficiency and sustainability costing, cost planning of urban precincts are some of the professional services that our members provide both here and overseas. Thus, AIQS members should have been centrally placed in any major capital works program such as the Primary Schools for the Twenty First Century. The degree to which they did play a central role appears to have been a major factor in the financial success or otherwise of the program.

1.3 The core of AIQS' submission to the Senate Education, Employment and Workplace Relations Committee is based on our assessment that the Australian economy is still variable with some areas such as resources experiencing growth whilst others such as construction needing the Primary Schools building program as;

- an immediate stimulus to mitigate the effects of an industry slowdown associated with the Global Financial Crisis and
- a continuing investment which is likely to be required at least until end of 2011 in order to maintain activity and confidence in the construction industry.

Further, the AIQS recommends that the lessons learned from the BER Implementation Task Force inquiry established by the Australian Minister for Education and Workplace Relations, the Hon Julia Gillard, be applied to ensure that;

- quantity surveyors are leaders in the project and program teams that plan and roll-out schemes like the Primary schools for the Twenty First Century
- quantity surveyors and other construction professionals are included in any national registration scheme
- governments recognize the financial and social value of a healthy construction industry and the benefits that would flow from an intelligent public sector capital investment program that helps iron out the traditional boom and bust cycles that have affected the industry over the last 60 years.





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## 2. THE ROLE OF STATE GOVERNMENTS AND MANAGEMENT OF THE PROGRAM

2.1 The AIQS is not in a position to comment on some of the different ways that state governments planned and rolled out the Primary Schools for the Twenty First Century program but our confidential information is that the degree of success in the program roll-out did appear to rely significantly on the degree of influence exerted by the quantity surveying professionals involved. Successful construction projects are a product of team activities brought together for the purposes of completing a project and/or a series of projects. In a well managed project or program, the quantity surveyor should be involved at the earliest design/brief stage through to completion.

At each stage of an individual project it is essential that the project team has a quantity surveyor whose advice is readily sought and acted on.

For state wide or national programs involving many projects, it is essential to ensure that quantity surveyors are at the hub of the program planning and roll-out and that there is a system of centralised regular reviews by quantity surveyors to compare cost trends and audit developments across the whole system.

AIQS is aware that, in some states, that regular system wide review was stronger than in others, a factor which affected the financial outcomes.

2.2 The AIQS understands that each state has its own slightly different structures for planning and rolling out capital works in areas such as hospitals, schools, roads etc. In most cases the Australian Government has little or no capacity or, in some cases, no constitutional right to deliver programs on the ground. The program will therefore be delivered according to a negotiated formula agreed between the states and the Australian Government. In a major stimulus program such as the Primary Schools for the Twenty First Century, the size of the program is amongst the largest in peacetime Australia. This was bound to have some difficulties, especially as a key factor in the timeline chosen was to;

- deliver a large immediate stimulus to maintain the health of the construction industry and Australian economy
- invest in an area that urgently required a major capital investment and upgrade, namely primary schools across the whole country.

2.3 AIQS is aware that the role of Primary Principals in the project process has included calls for them to manage their own projects. AIQS supports the active involvement of primary principals in the process, especially at the briefing and feedback stages. However, actual project management and cost-estimating are not generally core business for principals nor would they have the system wide overview of costs that was a fundamental requirement of the Primary Schools for the Twentieth Century program.

### RECOMMENDATION TO THE COMMITTEE

That the Committee examines whether or not quantity surveyors were used as team leaders on the model outlined in section 2.1 of this submission. In all states, quantity surveyors should be at the apex of the decision making process and should be intimately involved in the system wide management decisions. Failure to involve quantity surveyors at that level makes it extremely difficult to detect, assess and control system wide cost overruns.





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## 3. TIMING AND BUDGET ISSUES

3.1 The AIQS' view about the timing and size of the Primary Schools for the Twenty First Century program is based on a number of sources but the key source is the periodic outlook briefings provided by the Australian Construction Industry Forum which has a membership of key construction and design organisations such as the Australian Property Council, Master Builders Australia, the Australian Institute of Architects, Engineers Australia, the Australian Institute of Building, the Association of Consulting Engineers, the National Precast Concrete Association, the Air-conditioning and Mechanical Contractors Association of Australia, the National Electrical and Communications Association, the Australian Institute of Builders and the Australian Institute of Quantity Surveyors.

3.2 According to the industry outlook briefing compiled by the Australian Construction Industry Forum, falls in industrial building will hit 47 % in 2009-2010 followed by falls in offices and retail building of 34% and 31% respectively\*. Thus, many associations representing key participants in the construction industry welcomed the significant and timely boosts to this sector such as the Primary Schools for the Twenty First Century program.

3.3 The construction industry (residential building, non-residential building and engineering construction) currently accounts for around 11% of gross domestic product and employs nearly 950,000 people. It would have been a major blow to the Australia economy if that industry had been left to fight its own way out of the Global Financial Crisis with its damaging effects on capital availability and consumer confidence.

3.4 The AIQS also has a significant goal to maintain the skills and career prospects of its own members who are pivotal to industry efficiency and sound investment strategies; there are, of course, many other professional and skilled personnel who suffer from cyclical downturns in the construction industry. Our profession and the construction industry need to ensure that skills retention and investment activity is a consistent long term goal of all governments. Past experience has shown that every recession or significant down turn causes an exodus of skills from the industry. Many do not return, representing wasted investment in human and financial capital.

## RECOMMENDATION TO THE COMMITTEE

That lessons learned from the Primary Schools for the Twentieth Century Task Force be applied to all public sector capital investment in order to mitigate the worst labour and resource difficulties caused by significant swings between downturns and upturns. The Task Force and governments should look closely at how the value and performance of the construction industry is affected by factors such as;

- election cycles,
- skill shortages,
- national registration of construction professionals to maintain standards of education/training and expertise
- the separation of Australian Government and state government responsibilities.

Government capital works programs need to serve a national investment strategy that is as predictable as possible and utilizes available, resources and capital in an efficient manner.





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## RECOMMENDATION TO THE COMMITTEE

That the stimulus contained in the Primary Schools for the Twentieth Century should be continued deep into 2011 but the roll-out modified according to the input received from the Task Force, industry professionals such as the quantity surveying profession and, after consultation with key stakeholders such as primary principals and parent organisations.





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## 4. OTHER RELATED MATTERS – TASK FORCE AND NATIONAL REGISTRATION OF QUANTITY SURVEYORS

4.1 The AIQS welcomes the Australian Government's Task Force on the Building the Education Revolution (BER). We note that the Task Force will commence soon and will use the skills of the quantity surveying profession and other key specialists in its investigations. We hope the Task Force will be able to provide a report which will provide a blue print not only for major government programs in the future but provide valuable advice about long term capital investment in our sector.

4.2 A critical issue in the development of such a strategy is to reverse the trend in some projects to reduce the status and influence of quantity surveyors on the project or program in order to avoid the costing reality check that the quantity surveyor brings to the table. A significant factor in this trend is the fact that, only in Victoria, are quantity surveyors able to obtain registration. Registration of the quantity surveying profession will help to maintain the standards and status that must not be allowed to slip away in a climate where projects are rolled out according to other imperatives separated from cost management.

AIQS regularly tracks news about major projects and programs that have experienced major cost overruns; in many cases this has been because there has been no quantity surveyor on the project or because their status and advice have been downgraded.

### RECOMMENDATION TO THE COMMITTEE

That there should be national registration of the Quantity Surveying profession along the lines of similar registration procedures for the financial services industry and the medical profession. The most appropriate vehicle for such a move is the National Licensing Scheme initiative of the Council of Australian Governments (COAG)

\* Australian Construction Industry Forum *Industry Outlook Briefing March 2010*  
Non Residential Building: Current and forecasts June 2009-July 2010

