

Project Coordination

(Australia) Pty Ltd ABN 26 008 566 005



30 July 2010

The Committee Secretary
Senate Education, Employment
and Workplace Relations Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

20 Napier Close
Deakin ACT 2600

GPO Box 179
Canberra ACT 2601

Ph: (02) 6285 1555

Fax: (02) 6285 2129

project@projectcoord.com.au

www.projectcoordination.com.au

ATTENTION: Dr Shona Batge

Dear Dr Batge

INQUIRY INTO THE PRIMARY SCHOOLS FOR THE 21ST CENTURY PROGRAM

Project Coordination (Australia) Pty Ltd ("the Company") welcomes the opportunity to respond to the Senate Committee on the subject program.

Introduction

The Company has carried out construction projects in the following programs:

- National School Pride (NSP) Program
- Science and Language Learning Centres (SLC's)
- Primary Schools for the 21st Century Program (P21)

All projects have been public schools with the exception on one private school (Montessori) in Wollongong NSW; and consist of the following:

- ACT 9 (8 Primary Schools and 1 High School) in the Tuggeranong Valley as one package (most of which have an NSP component)
- ACT 1 additional small project at Lyneham High School
- NSW 4 Primary Schools in the area of NSW that surrounds the ACT
- NSW 5 Primary Schools in the Wollongong Area
- NSW 1 Private School in Wollongong
- NSW 7 Schools in far Northern NSW (SLC's) as one package

- Total 27 Projects

As the Inquiry relates only to the P21 Program, the Company does comment further on the NSP in the ACT (as in the Territory, those works were attached contractually to the P21 Program).

ACT OFFICE: 20 Napier Close Deakin ACT 2600

NSW OFFICE: 2 Lady Penrhyn Drive Unanderra NSW 2526





Further, the Company does not comment on the SLC Program as those projects were won under competitive tender to the NSW Government with no Managing Contractor between the Company and the NSW Government.

Furthermore, the Company does not respond in regard to the 2 High Schools in the ACT as these were either an NSP project or an increase in scope to an existing project.

This leaves the following P21 projects:

ACT

- Calwell Primary School
- Charles Conder Primary School
- Farrer Primary School
- Gilmore Primary School
- Gordon Primary School
- Gowrie Primary School
- Theodore Primary School
- Torrens Primary School

NSW

- Queanbeyan South Public School)
- Berinba (Yass) Public School) Managed from the Company's
- Bungendore Public School) Canberra Office
- Queanbeyan East Public School)

- Gwynneville Public School)
- Lindsay Park Public School) Managed from the Company's
- West Wollongong Public School) Wollongong Office
- Mount St Thomas Public School)
- Pleasant Heights Public School)

The form of contract adopted for each P21 Project and the number of projects was as follows:

- ACT ACT Government Project Management (8 Schools)
- NSW NSW Managing Contractor (9 Schools)

Form of Contract Delivery

ACT

The ACT Government, through its procurement and implementation agency, ACT Procurement Solutions, sought competitive tenders from its many pre-qualified Project Managers to manage a number of P21 projects. The responses were assessed on a number of criteria including:

- Fee Proposal
- Appreciation of the Task
- Proposed Methodology
- Nominated Staff and proposed Charge Rates
- Experience
- Value for Money



Six Project Managers were then selected from the responses received from the pre-qualified respondents. (Under the ACT Procurement System, Project Managers fulfil the dual role of Project Manager and Construction Manager.)

Each Project Manager was then appointed to a number of schools and was required to submit its indirect costs for each school. The indirect costs included staffing, temporary site accommodation, site running costs, temporary services and the like.

ACT Procurement Solutions was extremely vigilant in ensuring that these costs were equal to or below the industry standard. The aim was to ensure that at least 80% of the funding was available for direct construction costs, leaving the remaining 20% allocated as follows:

- Project Management Fee
- Indirect Costs
- Design Fees

Each Project Manager was responsible for seeking competitive design fees and managing the design process.

Thereafter, the Project Manager called tenders for each trade subcontract in compliance with the ACT Government Procurement Guidelines and sought ACT Procurement Solutions approval before awarding any subcontract.

The Project Manager then became the Builder (Construction Manager) and managed the construction activities on behalf of the Territory. It was also responsible for daily liaison with each School, the Department of Education and ACT Procurement Solutions.

There was no opportunity for the Project Manager to increase its fee unless the value of its whole BER engagement exceeded 10% of the original budget (which in this Company's case did not).

NSW

It is understood that a number of large construction companies were appointed by the NSW Government as a Managing Contractor for a large number of NSW Public Primary Schools (which included those within the region that Project Coordination is a "Best Practice Contractor" with the NSW Government). The Company has no knowledge of how the selection process for Managing Contractors was carried out.

The Managing Contractor managing the region in which Project Coordination operates, approached the Company to provide a cost based on a Bill of Quantities for a series of standard DET building types from ground level up. These costs were exclusive of external works and services.

The Company provided those rates and was then requested to "firm up" its price inclusive of all site conditions, external works and external services for a number of projects generally within the area surrounding the ACT, the Southern Highlands of NSW and the NSW Illawarra regions. For this exercise, the Managing Contractor provided plans indicating the site specific requirements.

The Managing Contractor then appointed the Company as its Subcontractor on a fixed price basis to carry out the construction works. The Company therefore carried the construction risk.



Project Coordination as a Subcontractor to the Managing Contractor, did not have the direct ongoing contact with the NSW Department of Education or the School Representative that it enjoyed within the ACT.

In the NSW model there was no opportunity for the Company to manage the design process, suggest more economical methods of construction or in any way be involved in providing value for money to the individual Schools.

In NSW the Company simply acts as a Builder, submits its monthly progress claims and goes about its business as a Builder, accepting all construction risks.

(The only exception to the above is where the Company, on the one Independent Private School BER project in Wollongong, was engaged on a Design and Construct contract. The project was delivered to a design brief and budget provided by the School. The School is extremely happy with the outcome.)

The Line of Corporate Profit

It is evident from the media that some schools feel that they have not received value for money.

It is therefore pertinent that rather than look at what individual construction companies may have gained from the BER, but to look at what each method of delivery may have cost each school.

ACT

- Project Manager Less than 3%
- Indirect Costs About 9%
- Design About 8%

NSW

- Managing Contractor Not known but available to the Public
- Subcontract Builder Probably 6% (from this Company's experience)
- Indirect Costs About 10% (from this Company's experience)
- Design Not known but available to the Public

It is clear from the above that it is not the profit that is earned by each participant but the form of delivery that affects the direct construction budget for each school.

Response to the Senate Inquiry:

Tender / Selection Process

The Company refers the Committee to page 2 for the ACT and page 3 for NSW.

Fee Structure

The Company refers the Committee to this page for the ACT.



Additional Fees Agreed

The Company refers the Committee to page 3 for the ACT. In relation to NSW, the Company acted as a Subcontract Builder and accordingly fees are not relevant.

Protocols with the School Community

ACT

Upon appointment, the Company, a DET and an ACT Procurement Solutions Officer met with each School Principal at the School grounds. Discussions were held regarding:

- Scope of works
- Location of temporary site accommodation
- Programming of the works
- Segregation of construction activities from the school community
- Safety
- Lines of communication
- Crimtrac security clearances, etc

It is understood that DET agreed the scope of works (by signing off the design brief) with each school and this information was given to the Company's selected Design Team.

Each School was then presented with the progressive design for comment.

The design was costed by a Quantity Surveyor to ensure that it was within the approved funding.

During the construction phase of each school, a regular meeting was held with representatives from the Project Manager, DET, ACT Procurement Solutions and the School to discuss the design and progress of the project.

Where surplus funds were realised from within the original budget, (e.g. through tender savings, alternative construction methods or scope changes) further contact was made with each School to increase the scope of works.

NSW

Upon acceptance of the Company's tender, the Company and a Representative of the Managing Contractor met with each School Principal at the School grounds. Discussions were held regarding:

- Scope of Works
- Location of temporary site accommodation
- Programming of the works
- Segregation of construction activities from the school community
- Safety
- Lines of communication
- Prohibited Employment Declaration Forms, etc

No design discussions were held as the designs had been completed by the Managing Contractor at this stage of the process.



Detailed Project Costing

ACT

The Company produced a detailed monthly cost report with approximately 70 line items per school. This report however, was not provided to the School but to the Department of Education and ACT Procurement Solutions.

It was an extremely transparent process that was critically reviewed.

NSW

As the Company was engaged as a Subcontractor it did not provide any detailed costing other than an inception when it lodged its schedule of rates and subsequent lump sum tender. The Company is not party to any reporting between the Managing Contractor, the School or the NSW Department of Education.

Average Costs per Square Metre

ACT

Because each School has new buildings as well as upgrades and refurbishment, the Company is not able to respond to this criterion with any meaningful figures.

NSW

A square metre rate is an unreliable method of obtaining a true average construction cost due to the individual projects actual building, services, external works and ground works scope. The Company is not able to respond with any meaningful figures.

Reporting Requirements

ACT

The Company was required to submit a detailed report to the Department of Education and ACT Procurement Solutions at the monthly Project Group Meetings.

The report consisted of:

- Executive Summary of School Specific Issues
- For each School:
 - Brief Scope of Works
 - Design and Documentation Status
 - Budget Status
 - Construction Progress Overview
 - Liaison with Statutory Authorities
 - Compliance with the Company's Integrated Management System
 - Detailed Procurement Status
 - Analysis of Work allocated to Small, Medium or Large Businesses
- A Financial Summary covering the whole of the Company's P21 Projects
- A detailed Cost Report for each School
- A detailed Construction Program for each School

The Monthly Reports consist of more than 70 pages.



A monthly report was also provided to the ACT Regional Building and Construction Industry Training Council detailing the numbers of apprentices, cadets, trainees and Indigenous workers on the Company's projects.

NSW

The Company issued weekly and monthly reports to the Managing Contractor. The weekly reports generally describe the activities on site during that week. The monthly reports are a summary of the weekly reports and are used to assess the Company's progress claims.

Further, the Company is required to provide a comprehensive monthly report prepared for NSW DET via the Managing Contractor.

The latter report includes details of:

- Project construction progress
- OHS issues and progress
- Apprentice participation
- Aboriginal participation statistics
- Local participation
- Quality assurance progress
- Resource statistics
- Environmental issues
- Waste management

Summary

NSW

- The BER P21 program in NSW is based on the construction of previously designed NSW DET facilities that have been built in NSW Public schools for a number of years. On projects carried out by this Company, these models have not been altered for the NSW BER delivery.
- To our knowledge the procurement process of the NSW BER scrutinised construction costs in a very thorough manner based on past construction costs associated with the delivery of NSW DET facilities.
- Effectively, the Company was not as close to the end User in NSW as it was in the ACT.

ACT

- Project Coordination believes that the system of project management adopted by the ACT Government, through its agencies the Department of Education and ACT Procurement Solutions, resulted in excellent value for the School Communities.
- There was a layer of profit / management and reporting removed and as a result more funding was available for direct construction costs.
- Because the Project Manager managed the design process and had direct access to the School Management (through DET and ACT Procurement Solutions), substantial



School satisfaction was achieved. It is notable that there were very few, if any, adverse public comments regarding the BER P21 program in ACT Public Schools.

- In summary, the Company believes that the BER P21 program was a great success for the ACT Public Primary Schools, the ACT Department of Education, ACT Procurement Solutions and Construction Industry generally.

The Company notes that the ACT Government has not taken anywhere near the credit it deserves for the manner in which the program was delivered.

Project Coordination again thanks the Senate Committee for the opportunity to respond to the Inquiry.

Yours faithfully

PROJECT COORDINATION (AUSTRALIA) PTY LTD

PAUL J MURPHY
Managing Director