

21 October 2010

Dr Shona Batge
Committee Secretary
Senate Education Employment and Workplace Relations Committee
PO Box 6100 Parliament House Canberra ACT 2600

Dear Dr Batge

Primary Schools for the Twenty First Century

The following have appeared before the Committee and Mr Orgill is scheduled to appear again on 1 November 2010.

- Brad Orgill, Building the Education Revolution Implementation Taskforce;
- William Walsh, Director, Resources Policy and Capital Programs, Catholic Education Commission, NSW, and Executive Officer, NSW Catholic Block Grant Authority;

Would the Committee consider seeking responses to the following questions?

Mr Orgill: what is the basis for the Taskforce's calculation that the agency, management and design fees for NSW Catholic schools are 18%, or \$198 million, of the Total Projects Value?

Mr Walsh: what is the basis for the Catholic Education Committee's calculation that project management, including design fees, for NSW Catholic schools is 8%, or \$82 million, of the Total Construction Cost?

Mr Orgill: what is the basis for the Taskforce's calculation that the Sydney archdiocese has paid Bovis Lend Lease 15 -17% plus 1.5%, \$41.25 million to \$46.25 million, of the Total Project Value to be program manager and project manager, including design fees?

Mr Walsh: what is the basis for the Catholic Education Committee's calculation that the Sydney archdiocese has paid 8%, \$18.5 million, to Bovis Lend Lease as its project manager, including design fees?

Would the Committee ask Bovis Lend Lease to provide the financial details of its contract as program manager and project manager with the Sydney Catholic Archdiocese.

NSW Catholic schools

Mr Walsh appeared before the Committee on 18 May 2010.

Senator BACK ... Would you be able to tell us now or on notice what the percentage of the total funds that have come to you have been allocated to administration and contract management(?).

Mr Walsh—I am just referring back to the Rawlinson material. Professional services normally run at about 12 per cent of the cost—and we would normally operate somewhere between eight and 10 per cent, and maybe get to 12 per cent.

Senator BACK—Does that include administration and contract management?

Mr Walsh—Yes, it does. Traditionally, we have used our architects as the project managers. That may vary from school to school, depending on how they want to frame it.

Refer to the Report No. 35 on the Building the Education Revolution Program by the NSW Legislative Council, General Purpose Standing Committee No.2, 20 September 2010.

Project management fees and charges in NSW Catholic schools

3.40 Apart from the Sydney Archdiocese, the most common project management practice used in NSW Catholic schools was to engage either an architect as both designer and project manager, or engage an architect as the designer and a separate individual or company as project manager (both on an individual school basis).

3.41 The Catholic Education Commission advised that in both situations, the project management fee is usually up to 8 per cent of construction costs, or, in some special cases, up to a maximum of 10 per cent.

Refer to Building the Education Revolution Implementation Taskforce Interim Report, 6 August 2010, p29, Figure 11. Cost Comparison by Selected Education Authority and Selected Product.

NSW Catholic
Agency Management and Design Fees – 18%

The Australian Government gave 445 NSW Catholic schools BER Projects at a total Project Value of over \$1.1 billion.

The Taskforce found that 18%, or \$198 million, of the Total Project Value was Agency Management and Design Fees.

The Catholic Education Commission submitted that 8%, or \$82 million, of the Total Construction Costs (note different definition) was for project management including design fees.

This is a difference of \$116 million.

Can the Committee investigate why there is such a large difference in costs?

Refer to Catholic Education Commission NSW to NSW Parliamentary Committee, 2 July 2010:

In the case of the architect as project manager, the project management fee is part of the standard negotiated fee and charged as a project cost. Such a fee is usually up to 8% of construction cost as for any school building project ... Up to a maximum of 10% maximum fee may be allowed in some cases.

Please note that the an architect does not supervise a building project. The architect would have administered the contract between a Catholic Education Authority and a Building Contractor. The standard negotiated fee between the Education Authority and the architect would not have included project management. The Catholic Education Commission did not refer to the other consultants that its Education Authorities would have engaged and paid: civil, structural, hydraulic, mechanical, electrical, acoustic and environmental engineers, interior designers, quantity surveyors, land surveyors and landscape architects.

Sydney Catholic Archdiocese

I again refer to the NSW Legislative Council Committee's Report.

Sydney Archdiocese

3.42 The Sydney Archdiocese is the largest Catholic diocese in New South Wales, with 112 schools. As with the NSW Government, the Sydney Archdiocese also opted to use a managing contractor to deliver its P21 projects, and also engaged Lend Lease.

3.43 In its interim report, the BER Taskforce found no material difference between the contract specifications and fees paid to Bovis Lend Lease by the Sydney Archdiocese and NSW Government.

Refer to Building the Education Revolution Implementation Taskforce Interim Report, 6 August 2010, p46, Table 1: Summary of Program Management, Project Management and Design Fees.

NSW Catholic – Sydney Diocese only

Program management – Management Contractor	Management Contractor as Program Manager 9.25%
Design fees not included in Project Management Fees to be included for comparative purposes	6 – 8%
Estimated total	15 -17%

Refer to the Catholic Education Committee's letter, dated 2 July 2010, which was submitted to the NSW Legislative Assembly Committee.

6. In the case of Sydney Archdiocese, Bovis Lend Lease (BLL) has been engaged as a lead project manager for all the primary schools in the Archdiocese. BLL has the role of engaging the architects/designers for each project, selecting builders by tender and managing the projects under construction by the builders selected by tender. In this case the total fee, for design, builder selection and project management remains in the order of 8% of construction costs.

The Australian Government gave 112 Sydney archdiocese schools BER Projects at a total Project Value of about \$250 million.

The Taskforce estimated that the Sydney Archdiocese paid Bovis Lend Lease 15 – 17%, or \$37.5 million to \$42.5 million, of the Total Project Value, as program manager and project manager, including design fees.

The Catholic Education Commission submitted that it paid Lend Lease 8%, or \$18.5 million, of the Total Construction Costs (note different definition) for project management including design fees (*plus* a Program Management Fee of \$3.75 million), a total of \$22.25 million.

This is a difference of \$15.25 million to \$20.25 million.

Is the Committee able to ascertain the fee that the Sydney Archdiocese actually paid to its single project manager, Bovis Lend Lease? Is the figure around \$22.25 million or \$37.5 million to \$42.5 million or another amount?

Bovis Lend Lease

The Committee invited Bovis Lend Lease to make submissions to the Inquiry. In its reply, dated 30 July 2010, Bovis Lend Lease provided information on its costs for its work for the NSW State Government but was precluded from publishing any information by obligations imposed by other state governments.

Would the Committee invite Bovis Lend Lease to ask the NSW Catholic Block Grant Authority for permission for Bovis Lend Lease to release its financial breakdown relating to its contract with the Sydney Catholic Archdiocese?

The Taskforce has estimated that the Sydney Catholic Archdiocese paid Bovis Lend Lease program management and project management fees on BER projects worth \$253.75 million

- 1.5%, or \$3.75 million, for program management.
- 7.75%, \$19.3 million, to Bovis Lend Lease itself for project management, which consists of engaging the architects/designers for each project, selecting builders by tender and managing the projects under construction by the builders selected by tender.
- 6 - 8%, or \$15 million to \$20 million, to Bovis Lend Lease for payment to designers, including architects, civil, structural, hydraulic, mechanical, electrical, acoustic and environmental engineers, interior designers, quantity surveyors, land surveyors and landscape architects.
- 15.25 - 17.25%, or \$38.6 million to \$43.7 million, total payment that the Taskforce has estimated that the Sydney Archdiocese has paid to Bovis Lend Lease for services as program manager and project manager, including design fees.

It is unclear whether Authority fees for the design and building approval are included in Bovis Lend Leases fees or that the Catholic Archdiocese of Sydney has reimbursed the architect or Bovis Lend Lease for these fees paid on behalf of the Education Office of the Sydney Catholic Archdiocese.

The Catholic Education Commission NSW has estimated that the Sydney Catholic Archdiocese paid Bovis Lend Lease project manager's fees of 8% on \$250 million total Project Value:

The Catholic Education Committee uses the following formula:

$$\frac{\text{Project Manager Fees \%}}{\text{Construction Cost}} = \frac{\text{Project Manager, including Design Fees}}{\text{Total Project Value - Project Manager Fees}} \% = \text{Nominal \%}$$

8%, or \$18.5 million, of Total Construction Costs as Project Manager, including Design Fees.

1.5%, or \$3.75 million, as Program Manager.

The Catholic Education Committee has reported an approximate \$22.25 million payment by the Sydney Archdiocese to Bovis Lend Lease for services as program manager and project manager, including design fees.

Would the Committee please consider examining the financial dealings, raised above, of the Catholic Education Commission and the NSW Catholic Block Grant Authority in relation to the Australian Government's Building the Education Revolution Program - Primary Schools for the Twenty First Century?

Yours sincerely,

Jeremy McGrath