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26th July 2010

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

Attention: Dr Shona Batge

Dear Shona,

RE: Inquiry into the Primary Schools for the 21st Century Program – Builder Submission

Sitzler found that the P21 program to be a very timely and necessary injection of stimulus into the construction industry at a time when due to the effects of the Global Financial Crisis the prospects of work were severely diminished. Without this program we would certainly have been laying off staff as our work contracted, instead with this program we have been able to sustain and in some areas slightly grow our South Australian operations.

We have found that the roll out of the Stimulus Package was very well thought out and delivered in South Australia. Sitzler decided to maintain our focus only on government schools, as this enabled us to demonstrate our ability to DTEI and local Architects and Engineers in a very practical way. We restricted our exposure in these schools to projects that we were very confident that we could effectively manage and deliver. This we believe we achieved quite well, in fact we were approached by DTEI in the round 3 allocations to undertake an additional refurbishment of a TAFE facility in regional SA – this we jumped at, bringing one of our more experienced project managers down from our interstate operations in order to ensure the projects (with 2 BER schools in the same region) would be completed to our exacting standards.

Tender Selection Process:- Public Schools were handled through DTEI with the builders being invited to nominate preferences for location, number of projects, financial capacity etc. these were mapped against a list of schools. This generally seemed to be done very well and presented all builders with opportunity to group projects to gain economies of scale across multiple projects.

Pricing and Fee Structure:- The use of a number of “standard” designs for the public schools allowed for greater cost control – as DTEI had actual costs for these projects undertaken in a competitive market situation over recent years. Through the use of external Cost Managers, Quantity Surveyors and a panel of commercial builders arranged through the MBA these standard design models were priced at “today’s” market rates, providing a band of acceptable pricing for each model. Whilst the notion of standardised designs might not fit particularly well with some schools it did facilitate a quick roll out with only relatively minor design changes to incorporate locality issues – orientation, services, school colours and aspirations etc. Coupled with accelerated planning approval through the Office of the Co-ordinator General this enabled the major spend of the construction activity to roll out very quickly from inception. Sitzler took the opportunity early in the process to review the standard design in detail with the schools and indeed in a number of projects we customised the floor plan to suit the individual school

requirements – minor alterations like additional WCs, altering store rooms to become sports co-ordination office, and introduction of alternate funding that some schools had to create a multi function space (particularly with the sports halls creating School Assembly or Staging Facilities). This was very well received by those schools and has presented further long term benefit in these projects.

The substructure component of the projects were priced separately allowing sufficient time for the local conditions to be fully investigated and factored into the costs and incorporated into the design documentation – again there was a budget allocation to work towards in this area. Most cost blowouts in this area seemed to be as a result of infrastructure upgrades necessary to accommodate the additional demands on the school as a result of the addition – Supply Authority charges to upgrade supply and alterations to transformers and switchboards to accommodate extra loading. Some also due to existing ground conditions – bad ground and contamination issues.

Performance Incentives:- as one of the main focuses of this stimulus package was for a quick roll out our DTEI group discussed upfront and very early with the builders an incentive package to ensure the projects met or exceeded the very tight construction milestones. A small bonus was nominated amounting to something in the order of 0.4% (\$5,000 on a \$ 1.5 Mill project) for an early completion incentive this was also used as an incentive to actually participate in the P21 program. Also a similar incentive of approx 0.8% - (\$10,000 on a \$ 1.5 Mill project) was added to encourage early attendance to defect rectification. Historically this has been an area of frustration for all parties and this incentive is one way to encourage early attendance to such items – We have certainly gone out of our way to ensure the projects are handed over with minimal defects and any defects noted are made good as soon as possible. Our design teams have been particularly impressed by our attention to detail and quality of the delivered product. Further encouragement was offered by way of early retention release for the timely rectification of any defect items.

Protocols – Communications:- As the contracts for these schools were dealt with as Design and Construct it was imperative that strong clear and concise communications were established early in the process and that these were maintained throughout the contracts.

Sitzler have a long history of successful delivery of Design and Construct projects and we are well attuned to these requirements, with this in mind we established a newsletter for each of the schools projects that was regularly updated giving both a pictorial account of milestone events as well as confirming our immediate future program activities. Working within an active school environment is particularly challenging and focused planning was required to ensure day to day school functions were not disturbed too much by our construction activities. This was particularly important when planning concrete pours, major civil works and crane activities, as was the avoidance where possible of deliveries to the site coinciding with school drop off and pickup times.

DTEI provided all contractors with the initial contact details of the relevant school principals and set guidelines for both the contractors and school representatives to follow throughout the course of the project, this was a welcome assistance to the process and in general we found that it worked very well. Daily / Weekly contact between our site managers and the school hierarchy throughout the course of the projects assisted in mitigating potential conflicts in this area. This coupled with regular more formal meetings with the schools provided a very good conduit for communication.

Detailed Project costing: The projects were managed through DTEI with the assistance of external verification through local Quantity Surveying firms - Sitzler provided detailed cost breakdowns, a mini “bill of quantities”, enabling the cost consultants to review our costs in great detail. On the couple of occasions that the school has requested costing information we have again been quite transparent and provided the same level of detail to the school and also held meetings with the school representatives and our consultant groups (DTEI and DECS) to discuss the project costs. This is particularly evident with the refurbishment projects that on some occasions the budget didn't fit with the anticipated scope of works. Generally through this open communication forum, each parties concerns were listened to and a compromise was met.

Costs per M2:- on our new build projects

- Sports halls costs ranged between \$ 2,200 – 2,700 (2 projects in Rural SA added to cost range)
- Library cost of approx\$ 3,200 m2
- GLAs costs about \$ 2,700/m2

These represented costs between 3 and 11 % over and above the then Rawlinson's published data and were fully verified by DTEI's external cost Consultants. Sitzler preliminary costs are generally slightly higher as we are Federally Accredited under the FSC and this leads us to having a greater level of manpower on site to monitor our detailed safety systems and work activities. Although FSC accreditation was not a prerequisite for these projects we are committed to working under the scheme and this translates across all our jobs.

Also evident was some creep in subcontract trade pricing; the first 2 rounds of work were keenly contested but the 3rd tranche was slightly more difficult – both in attracting keen prices and in securing subcontractors that would look at the work. The following trades were saturated reasonably quickly by the rapid roll out of the P21 program– Concretors, Structural Steel Fabricators, Roofers and Plasterboard trade, and the prices received from these trades reflected this through increased prices.

Reporting requirements to state education authorities: - generally all reporting to the education authorities was undertaken through DTEI and not via us as individual contractors. A very strong and effective line of communication was established between the contractors and a nominated DTEI project manager and any items that required escalation to the Education Department was handled by DTEI. This process filtered out the minor items and only major items of either budgetary nature or work scope were then dealt with on a project by project basis. Item such as existing structural issues and site drainage problems could then be addressed

Yours faithfully,

Andrew McDonald
Manager - South Australia