



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS
REFERENCES COMMITTEE

Reference: Primary Schools for the 21st Century program

WEDNESDAY, 19 MAY 2010

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

<http://www.aph.gov.au/hansard>

To search the parliamentary database, go to:

<http://parlinfo.aph.gov.au>

SENATE EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

REFERENCES COMMITTEE

Wednesday, 19 May 2010

Members: Senator Cash (*Chair*), Senator Marshall (*Deputy Chair*), and Senators Back, Bilyk, Cormann and Hanson-Young

Participating members: Senators Abetz, Adams, Barnett, Bernardi, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Colbeck, Jacinta Collins, Coonan, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Back, Cash, Hanson-Young, Marshall and Mason

Terms of reference for the inquiry:

To inquire into and report on:

- (a) consideration of the Federal Government's Primary Schools for the 21st Century program, with particular reference to:
 - (i) the conditions and criteria for project funding,
 - (ii) the use of local and non-local contractors,
 - (iii) the role of state governments,
 - (iv) timing and budget issues, including duplication,
 - (v) requirements for school signs and plaques,
 - (vi) the management of the program; and
- (b) other related matters.

WITNESSES

ATKINS, Mr Graham John, Acting Deputy Director-General, Department of Education and Training, Queensland	68
BARKER, Mr John, Head, Finance and Planning, Catholic Education Office, Catholic Education Commission.....	40
BOSWORTH, Mr Duncan Anthony Cameron, 2009 President, Sutton Public School Parents and Citizens Association	83
CAHILL, Mr Matt, Executive Director, Performance Audit Services Group, Australian National Audit Office	94
CLARKE, Dr Thomas Edmund, Executive Director, Performance Audit Services Group, Australian National Audit Office	94
DANIELS, Mr Bill, Executive Director, Independent Schools Council of Australia	2
GRANTHAM, Ms Julie, Director-General, Department of Education and Training, Queensland	68
GRIERSON, Mr Mal, Director-General, Department of Public Works, Queensland	68
KRAUTZ, Mr Paul, Director, Nation Building-ESP, Department of Public Works, Queensland.....	68
LEAVY, Mr Terrence, Manager, Government Programs, Queensland Catholic Education Commission	29
LORENZ, Mr Victor, Assistant Director, Finance and Resourcing, Queensland Catholic Education Commission.....	29
MANTHORPE, Mr Michael, Deputy Secretary, Department of Education, Employment and Workplace Relations.....	108
MAYNE, Mr Craig, Private capacity	48
McGRUTHER, Mr Anthony Gerard, Research Consultant to Australian Primary Principals Association.....	16
McPHEE, Mr Ian, Auditor-General, Australian National Audit Office	94
MITCHELL, Ms Gillian, Branch Manager, Delivery, Department of Education, Employment and Workplace Relations	108
NEWCOMBE, Dr Geoff, Executive Director, Association of Independent Schools of New South Wales.....	2
ORGILL, Mr Brad, Chair, BER Implementation Task Force, Department of Education, Employment and Workplace Relations	108
PAUL, Ms Lisa, Secretary, Department of Education, Employment and Workplace Relations	108
ROBERTSON, Mr David, Executive Director, Independent Schools Queensland; Independent Schools Council of Australia.....	2
ROBINSON, Mr Craig David, Executive Director, Infrastructure Program Management, Department of Education and Training, Queensland	68
ROWLANDS, Dr David Melville, Senior Director, Performance Audit Services Group, Australian National Audit Office	94
TRIMPER, Ms Leonie, President, Australian Primary Principals Association	16
WALL, Ms Catherine, Group Manager, Lifting Education Outcomes, Department of Education, Employment and Workplace Relations	108

Committee met at 9.16 am

CHAIR (Senator Cash)—I declare open this public hearing of the inquiry into the Primary Schools for the 21st Century program, which was referred to the Senate Education, Employment and Workplace Relations References Committee on 9 September 2009. The terms of reference for the inquiry include: the conditions and criteria for project funding; the use of local and non-local contractors; the role of state governments; timing and budget issues, including duplication; requirements for school signs and plaques; the management of the program; and other related matters.

Witnesses appearing before the committee are protected by parliamentary privilege. This gives them special rights and immunities, because people must be able to give evidence to the committee without any prejudice to themselves. Any act which disadvantages a witness as a result of evidence given before the Senate or any of its committees may be regarded as a breach of privilege. I also remind witnesses that giving false or misleading evidence to the committee may constitute contempt of the Senate.

[9.17 am]

DANIELS, Mr Bill, Executive Director, Independent Schools Council of Australia

NEWCOMBE, Dr Geoff, Executive Director, Association of Independent Schools of New South Wales

ROBERTSON, Mr David, Executive Director, Independent Schools Queensland; Independent Schools Council of Australia

CHAIR—I welcome our first witnesses, from the Independent Schools Council of Australia. Thank you very much for your submission to the Senate inquiry. I now invite you to make a brief opening statement before we proceed to questions from the senators.

Mr Daniels—The submission put forward by the Independent Schools Council of Australia was actually endorsed by the eight associations of independent schools. While it is some eight months old, the thrust of the submission is still as it would be if we were writing it again today. The figures have changed a little over that period of time, but the messages we were trying to convey to you would be exactly the same.

The Independent Schools Council of Australia is the peak national body representing the independent schools sector. It comprises the eight state and territory associations of independent schools, two of whom are represented here today. There are over 1,100 schools, with about 530,000 enrolments in the sector. That is about 15 per cent of Australia's school community.

The sector welcomes the significant capital investment in schools delivered through the BER. We certainly appreciate the opportunity for independent schools to build or upgrade school facilities through the various elements of the BER. We would also like to acknowledge the inclusive nature of the P21 initiative, which meant that all independent primary schools and combined schools with primary enrolments were able to access funding under this program. This is particularly welcome for our sector where 80 per cent of capital funding investment is sourced from parents, not from governments. This is a particularly welcome initiative.

We acknowledge that the initiative was unprecedented in scale and complexity and that the rollout required a great deal of cooperation between the school sectors and the Commonwealth, particularly through the Department of Education, Employment and Workplace Relations. We greatly respect the efforts of DEEWR officers who were involved in implementing this program from day one.

The decision by the Commonwealth to provide separate allocation for independent schools and utilise the independent sector's block grant authorities for the administration we believe has been instrumental in the successful rollout of the program for our sector. This implementation model is an example of the effectiveness of providing this sector with a specific share of program funding and the autonomy to implement a program within the sector. So the block grant authorities, along with the associations of independent schools, were able to access funds directly from the Commonwealth and commence program implementation immediately without

the necessity to engage in time-consuming negotiations with state and territory government departments. So the model works well. It demonstrates the effectiveness of the direct funding relationship between the Commonwealth government and the independent schools sector and it brings tangible benefits to school communities throughout Australia.

CHAIR—Mr Robertson and Dr Newcombe, do you have any opening comments you would like to make?

Mr Robertson—No. I support those.

CHAIR—Mr Daniels, I would like to explore a statement you just made to the committee in your opening statement. It is also raised several times in your written submission, which states:

The decision by the Commonwealth to provide a separate allocation for independent schools and utilise independent sector Block Grant Authorities for administration has been instrumental in the successful implementation of the program for the sector.

We have had hearings in Sydney and Melbourne to date and the evidence we have received from witnesses who appeared before this Senate committee I believe showed that there is a fundamental difference between the way this program has been managed by government schools and the way the program was managed by private, independent and Catholic schools. Can you elaborate for the committee why the way in which you were able to manage the program delivered the success that you say it has delivered.

Mr Daniels—I will attempt to do that, and my colleagues will be able to add some further comments. I think an important element is that the associations of independent schools and their block grant authorities have actually been administering Commonwealth capital programs for more than 20 years. In effect, the Commonwealth outsourced the administration of those programs to the independent sector and indeed to the Catholic sector at least 20 years ago, so there was already infrastructure in place in those block grant authorities and the mechanisms in place to roll out a capital program, albeit this was a very substantial capital program that was much bigger than any of the sectors had ever seen before. So, first of all, the infrastructure is in place.

There is also a relationship between the member schools, the associations and the block grant authorities. I cannot speak for the government sector—and we do not pretend to speak or even attempt to speak for the government sector—but we can speak for the way we have done it ourselves. The direct funding relationship was fundamental to us in that this was an entitlement driven program, if you like, based on school enrolments. So, once the enrolments were settled and agreed, the total amount of money was rolled out, and that was an entitlement per school. So what the BGAs and AISs had to deal with was something that had all those arguments already settled in the design of the program. I might leave it now to the two people who are practitioners in two of the very big states and who actually had responsibility for administering these programs.

CHAIR—We were in New South Wales yesterday. Dr Newcombe, could you elaborate on the flexibility the independent sector were given to ensure that what you received under the program

was suitable to the individual sites, as opposed to being given a template design and being told, 'There it is. Fit it onto a site.'

Dr Newcombe—One of the positions we put when this program was first mooted was that we could not operate from templates, that we needed to be able to build facilities within the existing amenity of the school. After discussions with the department, that is agreed on condition that our schools stuck to the guidelines—which of course we would—and also kept within the time frames. That was really a very important part of how this program has developed in the independent sector.

CHAIR—You said 'after discussions with the department'. When did those discussions occur?

Dr Newcombe—Very early. I think our first contact was by video conference with the department when a lot of these things were up for discussion. At one stage there was discussion about templates being on the website and everyone having to follow them and so on. That just was not going to happen in the independent sector for all sorts of reasons—we are not a system, each school is independent, 60 per cent of them are public companies and so on. Yes, there is flexibility, but it is flexibility within the guidelines and within the approved project assessment, and that was done by my organisation through a committee of expert architects. When I say 'expert architects', following on from what Bill said, these are architects who have been involved with school buildings for a long time and have been on the BGAs for a long time.

Mr Robertson—To add to Bill's and Geoff's comments on how the program has been successful in our sector, independent schools are used to this sort of work. They have relationships with local architects and local builders. They are responsible for any buildings at their schools. They have staff who have been through these processes and are normally pretty ready to go and that has been an important part of the program.

Dr Newcombe—We did some checking prior to this hearing. About 84 per cent of independent schools in New South Wales are using local builders, about 93 per cent are using local tradespeople—this is just in New South Wales, so I am not trying to extrapolate that to the national scene.

CHAIR—I appreciate that, thank you.

Dr Newcombe—About 70 per cent of independent schools have made additional contributions to the project, which I think is really relevant. So they have certainly responded to the objectives of the project, which were to stimulate the building industry.

Senator MASON—In your submission, you mention at about paragraph 34 the national partnership funding model, stating that you have to deal with state and territory education authorities in order to access funds. I think it is fair to say that you do not consider that to have been a particularly effective and efficient model for independent schools. Can you expand on that and on your past dealings with the state education bureaucracies?

Mr Daniels—The reference in our submission was to national partnership funding models in the broad.

Senator MASON—Yes, where you have to deal with state education authorities.

Mr Daniels—Fortunately the BER was not administered in the way the national partnerships are administered.

Senator MASON—That is right.

Mr Daniels—The BER was handled in the traditional way the Commonwealth has dealt with the non-government sector—that is, it has provided an allocation of funds to the non-government sector and said, ‘You manage this on our behalf.’

Senator MASON—Why did you find the national partnership funding model less efficient?

Mr Daniels—We do find the national partnership model very difficult to deal with.

Senator MASON—Why is that?

Mr Daniels—Simply because it introduces a range of bureaucratic processes which slows down the distribution of funds. It introduces a whole lot of uncertainty about the program and indeed for many programs uncertainty about allocation of funds. Our experience during 2009 of many of the national partnerships—and remember the national partnerships are an instrument between the Commonwealth and state governments—

Senator MASON—Sure, I understand that.

Mr Daniels—so the non-government sector is there only through the goodwill of the parties, not through any right of the parties to be involved. That is a real problem from our perspective.

Senator MASON—The committee is partly interested in the efficiency of certain funding models. That goes to the heart of the matter.

Mr Daniels—I can tell you from personal experience, having sat on a number of national partnership implementation working groups during the year, that it to me was probably as bad an experience of dealing with the federal structure in Australia as I have ever experienced. There was lots and lots of bureaucracy and very little outcome—

Senator MASON—That is not a ringing endorsement, Mr Daniels!

Mr Daniels—over the space of 12 months without money being rolled out to where it actually makes a difference on the ground.

Dr Newcombe—I can add to that. In New South Wales we would have spent, as Bill said, a good 12 months preparing to implement national partnerships because of the nature of the model. It did not recognise the differences between systems and a group of independent schools. I had my staff attending meeting after meeting after meeting and we estimated that if we had been given our own funds and our own framework within which to operate we would have had people in the schools actually achieving something within two months at the outside, whereas this took 12 months before we even struck a blow.

Senator MASON—Six times as long.

Dr Newcombe—Yes.

Mr Robertson—I would like to say something about the role of state governments, bringing it back to BER, because this is important. Although it was a national partnership it was done in a different way. In Queensland in particular—and I am sure this was typical across Australia—state governments recognised the magnitude of BER and the need for the quick implementation time lines. From our perspective in Queensland there was a very collaborative approach with the state government on BER matters. Regular meetings are still happening between the relevant officers to share ideas, issues et cetera. One of the most important things that state governments did was free up the planning process in terms of local councils. In Queensland, for example, they amended the regulations which meant that BER projects did not have to go through local planning processes, subject to certain requirements. Ultimately that really has meant that BER has been implemented a lot faster than would ever have been under the—

Senator MASON—Was that across the board?

Mr Robertson—Yes, that is right.

Senator MASON—That is state government legislation relating to the implementation of the BER on council—

Mr Robertson—Approval processes.

Senator MASON—Do you think you would have been able to achieve the same value for money if independent schools were not directly in charge of the expenditure of their own money and had to rely on a model such as the national partnerships funding model? Do you think you would have received the same value for money?

Mr Daniels—I would have no hesitation in saying there would be no prospect that we would have achieved the same outcomes and value for money—no prospect at all.

Senator MASON—And in timeliness as well, Dr Newcombe?

Dr Newcombe—Yes, I agree. Again, it goes back to the differences between a system and a sector of individual schools.

Senator MASON—I have read about the progress of this committee over the last couple of days when I was in Queensland, on the southern downs. I am not sure whether these questions have been asked elsewhere or they are appropriate, so pull me into line, Madam Chair, if they are inappropriate or have been asked elsewhere. Are you able to provide the average cost per square metre of buildings commissioned by your member schools? Is that possible?

Mr Daniels—ISCA would not been able to do that. That is not the role we played. The role I played was to try to be a conduit between the federal government and the associations and the block grant authorities.

CHAIR—Dr Newcombe or Mr Robertson, is that something you are able to provide to the committee?

Dr Newcombe—No, we cannot. What I can say, though, is that I think the process we set up was effective. Every single application was scrutinised by the committee of architects that I mentioned before. They knew a lot of the sites, because they had been involved in this for many years, and they looked into the capital area. We would then liaise with the schools, and even send people to the schools in situations where we thought there could have been overpricing. That worked pretty well. Again, with the Catholic system and the government system, they can have certain guidelines that operate differently from how you deal with independent, separate schools.

Senator MASON—There is no way of getting a figure from independent schools about that sort of quantum?

Dr Newcombe—I do not have that, no.

Senator MASON—Is it possible to get hold of that?

Mr Robertson—I do not have that data today.

Senator MASON—Can you take it on notice?

Mr Robertson—I am happy to have a look at it and see what we can provide to you, but I think it is important to also recognise that when you talk about costs per square metre we need to know where it is, what we are building et cetera.

Senator MASON—I have some specifics: the average cost per square metre per different type of building—library, school hall, classrooms, cafeteria; the average management fees per project—that sort of thing. I accept some of that is a bit loose and it is often hard to compare.

Mr Robertson—What BGAs do, and certainly our BGA does, is have some standard costs for school facilities, not specifically for BER. They are published and available to schools and are used as a benchmark. We are happy to table that.

CHAIR—That would be great, thank you.

Senator MASON—The Commonwealth parliament wants to work out how the money voted to the executive and to the government, and that the taxpayer provided to the parliament, was spent and whether it was spent appropriately and there was good value for the money. That is why we want the information.

Dr Newcombe—On the project management side, I think I could say that the majority of our schools, the independent schools in New South Wales, would manage that themselves.

Mr Daniels—Just to clarify, we will try to give you something that is useful—a snapshot rather than a full survey, which would be very difficult for us to manage. That is not the way we operate.

CHAIR—A snapshot would be appreciated, absolutely. You can understand what we are getting at. There was an article in the *Australian* on 5 May that had building costs per square metre, BER public schools, BER private schools, and industry standards. For example, for a 14-core library under the BER it showed public schools at \$5,400 per square metre; BER private schools, for a school hall with two basketball courts, \$1,420 per square metre; and then it set out the industry standards. So even a snapshot to give us an overall picture would be appreciated.

Mr Robertson—I also think it is very important to compare apples with apples in this case, and that needs to be taken into account.

CHAIR—Absolutely.

Senator MARSHALL—You cannot simply divide the notional allocation to each school by the size of the building and come up with a square metre price, which has been a tendency across the board. I do not think this is assisting anybody. I think you were right when you talked about the program being unprecedented in scale. What would have been your capital building prospects if this program had not proceeded? I guess I am looking at a comparison. It may be a little difficult because, as you pointed out, they are independent schools that act independently, as opposed to the Catholic system, which acts as a system, and the government system. But has this brought forward your capital works building by 20, 30 or 40 years?

Mr Daniels—Perhaps I could start by going back to a comment I made earlier. Eight dollars in 10 for capital in the independent sector is provided by parents and the school community, not by governments. So, for many of the 1,100 school communities, their own school boards, their own communities, decide whether or not they are going to proceed with a capital project. Most schools would be borrowing money in order to do that, so capital in the independent sector by and large happens through debt, through borrowing. There would be no doubt that many of the independent schools that have had capital facilities under the BER would never have contemplated building anything.

If you go back to the objective of the program—which was economic stimulus at the local level—that is exactly what it has done in our sector. All 900 independent primary schools have benefited from a project. Many of those would not have had projects in their communities of any sort in the near future. This is roughly the equivalent of 15 to 20 years worth of Commonwealth capital programs for the independent sector being put into the sector in the space of two years, so it is something that our communities have very much welcomed.

Dr Newcombe—Maybe I could use a specific example. I was at a school; I was actually opening the multipurpose hall in Albury a week or two ago. The chairman told me that a multipurpose hall was not even on their horizon. I think, apart from the educational value for their performing arts, assemblies and sport, it has given the whole school community a real lift. There are mostly demountables there. It is also, I am told, of great value to Charles Sturt University, to the local TAFE and to the community. Definitely that would have been 20 years away, and a school in Newcastle told me the same thing. It has been an incredible boost to these middle-fee schools that otherwise just would not have been able to afford those facilities.

Mr Robertson—I would endorse that. I have gone around schools. I have seen magnificent facilities being built, and they are facilities that school principals have said to me, ‘Well, we may

have had this on our master plan’—because most independent schools would have a master plan—‘but it was somewhere there in the distance.’ In Queensland in particular the growth is so strong that the demand for capital in our schools is for classrooms and basic facilities. They have certainly had a tremendous boost. The feedback I get from our schools is that there will be very significant, long-term, positive benefits from the facilities that have been built under BER.

Mr Daniels—Could I just add this. Dr Newcombe mentioned earlier that from a survey of independent schools in New South Wales 70 per cent had put their own money into the projects. That was on top of the entitlement. I guess that is another indication that there would have been a lot of schools that would have been prepared to commit something to capital, but this injection has actually encouraged them to do something.

Senator MARSHALL—Apart from the fact that you have some good buildings and facilities and that the program has brought forward by an enormous amount that sort of work, does it actually contribute to the quality of education that is provided in the school?

Dr Newcombe—There is no question. The primary school libraries are a typical example. Many schools had temporary facilities—at the back of a classroom or whatever—and those alone will make a significant contribution to primary school education.

Senator MARSHALL—That ultimately will lead to better outcomes?

Dr Newcombe—Without doubt.

Mr Robertson—Similarly, with the halls and so forth, these facilities were in schools’ minds, but because they needed classrooms and other basic facilities this has been a real boost to them. I have seen those covered areas used so well by schools. They are used for sport, for assemblies, for performances and for public and school community meetings and gatherings. There have been tremendous outcomes from those facilities.

Mr Daniels—There is also a community value. As you are aware, the requirements of the program are that facilities be made available for community use. Most if not all independent schools would have arrangements in place for communities to access their facilities. There is not a question anymore for these facilities. They simply have to be made available by the school to the community.

Senator MARSHALL—One set of witnesses in Melbourne suggested that they looked forward to some of the elite independent schools actually opening the doors of these buildings to the public—or the great unwashed. That is a commitment and everyone actually understands that? People will be walking into Geelong Grammar and the King’s School. Where did you go, Senator Mason?

Senator MASON—I went to a government school.

Senator MARSHALL—You went to a government school. No wonder—

CHAIR—You didn’t expect that answer, did you, Senator Marshall?

Senator MARSHALL—I actually—

Senator MASON—I think you did know, Gavin.

Senator MARSHALL—I did know. Of course I knew. I just wanted to make the point that he had had a fine education through the government system.

Senator MASON—I went to a Catholic primary school.

Senator MARSHALL—I want to now take you to the guidelines and the relationship you talked about. Did you find the guidelines easy to deal with?

Mr Daniels—I was involved with DEEWR from day one in trying to work through the guidelines and the arrangements for the program—as were, to their great credit, every block grant authority and every association of independent schools. So DEEWR went out of their way to speak separately to the non-government sector, acknowledging that the non-government sector operated differently to the government sector. That is the first point. Many of these meetings occurred in hotel rooms at Melbourne Airport and so on. My experience is that they were quite flexible and understanding of the need to be flexible and transparent but write the guidelines in a way that made sense for the particular independent schools. From time to time there were issues, of course, as you would expect in the rollout of any major program. But our experience was that these issues were dealt with sensibly by the officers concerned, generally quite quickly to the satisfaction of all parties.

Senator MARSHALL—So you have no issue with the Commonwealth and the department in terms of getting the decision, making the money available and actually distributing it to the different authorities—in your case your organisation. So from that point on it was fine. What about the reporting? You did mention that you found the monthly reporting rather onerous.

Mr Daniels—This submission was written in October last year, so the program had only been in operation for seven or eight months at that stage. We were very heavily into the administration phase of it. As I said earlier, the block grant authorities were experiencing a program that was 15, 20 or 30 times bigger than they had ever dealt with before, so they actually had to ramp up the administration of those programs. The administration component, 1.5 per cent, was fundamental to being able to do that. There will always be frustration about the amount of reporting and the detail of reporting. That is part of the patch. Perhaps the greatest frustration was understanding why the Commonwealth needed to know the detail to the extent they did. But at the end of the day this was taxpayer money and it is perfectly legitimate to have detailed reporting arrangements.

Mr Robertson—I can also comment on the guidelines issue. I think the proof is in the pudding. I am just looking at the figures for our 214 P21 projects in Queensland: 87 per cent have commenced construction as of this week; some 22 per cent are completed; and 51 per cent are over 50 per cent completed. So we have been able to work very successfully within the guidelines. Although they were all put together in a very rushed way and there were lots of negotiations over them, in the end we have been able to deliver within the guidelines. So that probably answers the question about the guidelines.

Dr Newcombe—The administration, as you said, was very significant. I think that allowed us to commission the right people to help the schools. It allowed us to upgrade our own technology to cope with the reporting and so on. I think having it totally separate—so we knew we could use that money to improve the way we ran the program and it would not impact at all on the money that went to schools—was a very sound position for the government to take.

Senator MARSHALL—The Catholic system and the government system shared contingency money across this sector. They also pooled money to enable easy construction projects to, in effect, subsidise difficult construction projects, which has also led to some confusion about building rates and square metre rates, of course. Were you able to do that or did you do that in the independent sector?

Dr Newcombe—No. The schools got their own allocation, their entitlement, if I can call it that. If you had a system—and in New South Wales the Seventh-day Adventists have a small system—you were allowed to do some pooling as long as the principal of the school who was going to lose the money agreed. There was certainly, from my observation, no heavy-handedness at all about that and very little of it done. The majority of schools got every cent of their entitlement.

Mr Daniels—The other component is that many of these schools actually put their own money in as well. It is not as if they had to come to a fixed dollar amount. The flexibility was, ‘Will we put more money in ourselves?’

Senator MARSHALL—So they were not forced to have a fixed contingency amount and that, if they wanted to take the risk, they would be liable for any overruns and they would just have to fund that out of their own school funds?

Mr Robertson—That is the normal practice in our sector.

Senator MARSHALL—Did you have guidelines about insisting on a level of contingency?

Mr Robertson—Within a project cost there normally would be some contingency built in. It is a normal practice, and accepted by our schools, that, if they are allocated a certain amount of money and they spend more than that amount of money—for whatever reasons—they have to fund that themselves.

Dr Newcombe—We have contracts from the AIS BGA to the school. They were contracts that were put together in accordance with the guidelines and they really spelt out the school’s responsibility and it was very clearly.

Senator MARSHALL—Are you aware of any schools that did go over what they intended?

Dr Newcombe—Not enough have finished yet.

Senator MARSHALL—Okay; there is always time in the construction industry, is there not?

Mr Daniels—There is no question that there will be.

Dr Newcombe—But they will have to put that money in themselves.

Senator BACK—Can I ask whether the DEEWR contract in each case was with the independent schools in each state or territory or was it done nationally?

Mr Daniels—It was not with the national organisation.

Senator BACK—What was the administrative fee that was agreed?

Dr Newcombe—The fee was 1.5 per cent. This is round figures now, but I think for AIS BGA it was around \$6.9 million.

Senator BACK—In New South Wales?

Dr Newcombe—Yes, in New South Wales for independents. We had to work within that fee and run the program.

Senator BACK—Putting the administrative fee to one side, who received the project management fees? Would that be on a school by school basis?

Dr Newcombe—Yes, as I said to Madam Chair, the schools generally managed their own projects. For example, a special school that deals with children with high support needs at Gladesville, Giant Steps, got \$850,000. The principal is a special educator and she did a magnificent job in managing that. I do not think she has ever managed a program before. I actually felt sorry for the builder.

Senator BACK—So did we, after their submission and presentation to us yesterday.

Dr Newcombe—Did they present?

Senator BACK—I think we were all about to roll up our sleeves and get out to Giant Steps.

Dr Newcombe—That would be much appreciated, as they do not charge fees and they just survive on the donations of other communities. That is just an example.

Senator BACK—The last person who appeared before us yesterday got a \$3½ million facility for \$2½ million. That was the school at Belmore in New South Wales. Was it Mr Tsoutsas?

CHAIR—Yes, the principal, Mr Anthony Tsoutsas—very impressive.

Dr Newcombe—Yes, a very good operator.

Senator BACK—I felt very sorry for the builder on that occasion, too, I must admit.

Mr Robertson—We go back to the statements we made about the fact that independent schools are doing these works all the time. They have relationships with architects, builders et cetera. So they know the processes.

CHAIR—It is also the inbuilt flexibility, though. Mr Tsoutsas was the perfect example yesterday of someone who had a very, very small block on which his school was built and, had been told he was going to get a COLA of X by X, he would have had to say no.

Senator BACK—Within your systems, were there any capital projects in the schools that were underway or which had been costed and/or contracts written at about the time that the BER came into play which were then put to one side in favour of a BER project? Can you recall any instances of schools in Queensland or New South Wales where that may have been the case?

Mr Robertson—The guidelines were very clear—as they are in all capital grants programs—that new money cannot be put into any existing contracts. There was also the element of BER about maintaining capital expenditure in terms of schools. So, while some schools may have had plans et cetera for projects that were for BER, schools will still continue to spend in terms of future building needs as well.

Senator BACK—Sorry, but I do not think I asked the question clearly enough. I am wanting to know whether you are aware of any schools that may have been in a situation where it was considering a capital project and had a fairly good idea of what its costs were going to be and soon before they were about to start the project BER came along and they quite legitimately were able to fund that project through BER—and I am not suggesting for a moment that they might have acted improperly. Are you aware of any cases where that happened?

Mr Robertson—There would certainly be some examples, yes.

Dr Newcombe—There would be a lot. You have a master plan and often on that master plan is what is likely and what is a wish list. With the BER, schools would have been able to bring some items on their wish list forward.

Senator BACK—I am interested in whether or not projects that would otherwise have been funded by the parents were subsequently funded through BER and there was a price hike by the contractor, the builder, as a result of BER. These allegations have been made, and I am interested to know whether or not, in your systems, you have observed or are aware of any such circumstances.

Dr Newcombe—No, I have not observed any and I am not aware of any.

Mr Robertson—Senator, even in the example you have quoted, where they were fairly developed in a particular project and it became a BER project, the same principles about how independent schools operate in terms of relationships with architects, tendering and all the rest of it would have applied. So the price hikes that you have suggested could not have happened.

Mr Daniels—One of the protections, one of the balances, is that at the end of the day, given that school communities by and large pay for their capital projects, they extract value for money out of the projects—

Senator BACK—I think we established that in the hearing yesterday. I am interested in whether or not that perception was there. I would be very surprised if it was, in your block grant authority scenarios, because, as you say, you deal with those builders and architects so often.

Mr Daniels—I have not heard any suggestion—

Senator BACK—From feedback you have had from principals or staff, or from your own observations, are you aware of tensions between independent or Catholic school communities and government school communities as a result of what government school communities may have seen as inefficiency in the way that their expenditures were rolled out as opposed to the way those in your own systems were rolled out?

Mr Robertson—I can certainly say from a Queensland perspective I am not aware of any such tensions. I think schools have got on with the business. It has been a massive job for them. They have obviously tried to do their best for their schools in the circumstances. From my experience in Queensland, tensions between different sectors have not arisen.

Dr Newcombe—No, I think that has only been played out in the media. I have not witnessed any of it in the field, so to speak, at all.

Senator BACK—We certainly saw it yesterday with the \$600,000 canteen that nobody can fit into. That certainly caused some grief. But, as you say, there may have been isolated incidents. Because of the relationship between DEEWR and your schools, there has not been a circumstance in which a school community has got a project it did not want—the removal of two transportables to put two transportables back there et cetera?

Dr Newcombe—No.

Senator BACK—You are in a fortunate position that such incidents have not been observed.

Dr Newcombe—No, they have not. I think part of that is the time that was put in early on in discussing this with schools.

Senator BACK—It was put to us in Melbourne that funds have been directed towards the non-government sector—and away, therefore, from the government sector—in schools already brimming with gymnasiums, school halls and other facilities and that there has been unfair and wasteful expenditure in this program. I wonder how you would react to that.

Mr Daniels—My response is that this is an economic stimulus package. It just so happened that the economic stimulus package was rolled out through primary schools, and I think it is to the government's credit that they rolled it out to primary schools inclusive of all sectors, without any distinction whatsoever on ownership of the school.

Mr Robertson—I would endorse those comments. I think every school, no matter what the standard of their facilities prior to BER, has made the best of the program. And there will be both economic stimulus benefits and educational benefits no matter what the school.

Senator BACK—Finally, in consideration of the speed of the rollout of this whole project, did you consciously accept some form of a premium on what would otherwise be the cost of a capital project in your system, having regard for the speed of the rollout et cetera?

Dr Newcombe—I do not think that has happened. It is interesting that the schools I have visited where the projects have been completed the builders there and the architects are keen to show you the quality of the project but also are very keen to go through the costing to prove that these projects have been actually done at an extremely low cost in many cases. I think that reflects the past and ongoing relationship between some of these builders and the school.

Mr Robertson—I have been to schools where in fact exactly the opposite has happened, particularly in the early part where there was capacity in the building industry and they have got extraordinarily good value for money because of the capacity and people wanting the work, so the opposite effect in some cases.

CHAIR—Gentlemen, that concludes questions from the senators. Thank you for your submission to the committee and for your time today.

[10.02 am]

McGRUTHER, Mr Anthony Gerard, Research Consultant to Australian Primary Principals Association

TRIMPER, Ms Leonie, President, Australian Primary Principals Association

CHAIR—Welcome. Thank you for your submission to the inquiry. I now invite you to make a brief opening statement to the committee before we proceed to questions.

Ms Trimper—Thank you very much. I really would like to put Primary Schools for the 21st Century into a broader context. I start by saying that the historical standing of primary schools in this country has been quite low. Primary education has not had a high status and there have been quite low expectations of primary schools, particularly around infrastructure. I think that has been based on what we call an older narrative which goes something like this: primary schools basically do a good job, teaching is easier in primary schools, the curriculum is not demanding and just about anybody could do it. So facilities such as halls, modern libraries and science centres really have never been part of the primary school equation. We have all wanted them but they just have not been considered to be as critical as they have certainly in the secondary sector.

I would like you to understand why there was huge excitement around the nation when the building the education revolution for primary, the first time ever, was actually announced. We have done two pieces of research now where we have received basically positive comments when we look at whether this is successful: are your children going to benefit and are you receiving what your community and you want within the guidelines? In our recent survey of 2,438 principals from around the nation, 97 per cent were saying that the students were going to benefit. So it is not hard to understand that from my position as president I am receiving some quite negative feedback from my members around the fact that they think I am only saying negative things in the media and that there are only negative reportings in the media, and why isn't there a bit of balance. I just wanted to put that into perspective because from our dealings with principals and our research there are lots of good news stories for primary schools in this scenario.

The second point I would like to make is the condition of some schools prior to the Building the Education Revolution. We read comments that schools were excited about getting decent toilets for their children to use, schools did not have leaking roofs after 25 years and schools were being painted for the first time in 50 to 60 years. The question for us is, how did we let this happen to primary schools around the nation? Some schools had to spend a considerable amount of money on basic maintenance work before they could look at the value-added COLA or hall or whatever. Other schools did not have to spend any of their money like that. That certainly was an issue that I think should be highlighted.

Having said that, at the same time our association is not endorsing issues such as lack of value for money, reporting, the frustration around lack of flexibility or perhaps how some jurisdictions have gone about their project management. Clearly there are some issues and we have the hard data on those from principals, mainly in government schools. I think when Tony talks about the

costings of the project you will find that is where the divide occurred between the non-government and the government schools.

I would like to conclude by saying that we are not being inundated with bad news stories and our members are very good at doing that when they feel cross and grumpy. On the contrary, our three national presidents of government, Catholic and independent schools are also not being inundated so there are some good news stories. But it is good that this is happening, because there are some issues out there. Thank you.

CHAIR—Thank you. Mr McGruther, do you have any opening comments?

Mr McGruther—I will address my comments to the work that I did in relation to the survey and identify the issues that have come out of that and are reported in the document.

CHAIR—When you talk about the survey, is that the most recent one that we were given this morning?

Mr McGruther—Correct, yes. The first observation is that it was evident the vast majority—and we are talking about more than 90 per cent of the respondents and there were 2,400 responses within the space of three or four days which is a fairly unique experience—were positive. People were responding to the questions, ‘Was this going to benefit their community?’ where the majority answer was yes, and ‘Did this represent something that was going to be of benefit to children’s learning?’ where the majority answer was yes. The third question was, ‘Was this a match to community needs?’ and again the majority answer was yes. The third question is probably quite demonstrative about what it indicates about the response to the program.

To get that response, if people—and educators are no different to anyone else—have something on their minds, they will go to their computers and respond to the survey very quickly. They did this out of a sense of positive response. I think this goes back to Leonie’s comment that this has been a long time in coming for primary schools and they saw it as of educational benefit whilst also understanding that there would be some frustrations with the timing and the administration of such a large \$12 billion rollout in the space of two years.

Where there were negative responses, there were particular issues. One was that the access to costings for the government sector was quite significantly lower than the other two sectors. That may have been—and I conjecture on these—from one of two things. Either there was a value for money issue in reality or there was a perception of that because they did not have access to the costings. One is not to judge whether they were just feeling disempowered in terms of those costings and making assumptions about whether they were getting value for money or not.

The second issue was the one that Leonie raised: there are just as many people who are happy as there are who are not. Some people were quite happy because they needed this funding to fix their toilets and leaky rooves and create the foundations of a safe and usable teaching area. Others were quite unhappy because of the equity issues that that brought to bear on their schools. They saw that they were suffering some disadvantage compared to other schools, and they recorded that. However, once again, it is an issue of balance in terms of where that was coming from. It was coming from particular jurisdictions around particular issues. The negativity was certainly not across the whole program.

I would say that, where satisfaction was highest across all three of our school sectors—that is, independent, Catholic and government—it was accompanied by the greatest level of flexibility in choices about what they could have. There was a correlation there from my observations of the written responses across all three sectors. Government schools also had some flexibility. It varied across the country, but, where that existed and where they were able to force their issues, they derived great satisfaction.

CHAIR—Thank you very much. Ms Trimper, in an article in the *Australian* newspaper dated 1 May 2010, you were quoted as saying:

“The independent and Catholic schools were very, very positive, almost unanimous in support of the program, but there were some less than satisfactory responses from the government sector,” ...

“The data registers a protest from some significant parts of the government sector over excessively centralised, opaque processes by state government education departments.”

Based on the evidence from your survey, have the Catholic and independent sectors ended up with better value for money because of the way they were able to manage the programs as compared to the government sector?

Ms Trimper—There is certainly a perception—and Tony picked up on it—driven by the media, and there are some examples when you do comparisons between what government schools are receiving and what non-government schools are receiving, that some projects in the non-government sector are getting greater value for money. Having said that, what came out of the survey was that there are hidden costs behind some of these things. Some schools had white ants, for example, and had no idea they had them. Some schools found before the builders could do anything that they had contaminated soil. So other issues came out.

Our association and our executive generally consist of a Catholic, a government and an independent person from each state. It has never come up—and we have had lots of discussions around this issue, obviously—as a major issue. Some people in the non-government sector are feeling a little frustrated about whether they got value for money, and it is exactly what Tony said—they do not know how much their project is actually costing, so it is very hard for them to say, ‘No, we’re not getting value for money.’ Also, there are lots of stories about the local builder coming in and saying, ‘I could’ve done this for a lot less.’ There are lots of anecdotes like that. But certainly there is that perception in some areas, particularly in some states.

CHAIR—But, in terms of the costings or access to the costings from the government sector and from the Catholic independent sector, it would, I would have thought, come down to the way in which the projects were managed. The Catholics and the independents are working one-on-one, it is a hands-on approach, whereas with the government sector there is that level of bureaucracy. It would appear that, no matter how loudly someone asked for the costings from the government sector, they were just not forthcoming—other than from New South Wales, where the government did publish a level of costings.

Ms Trimper—It was interesting that New South Wales did that and yet, in our survey, the New South Wales government principals were the group that expressed the highest

dissatisfaction around the costings. You would have thought in New South Wales that would receive quite a positive response.

CHAIR—When you say ‘dissatisfaction around the costings’, what was the feedback that you were given?

Mr McGruther—A regular comment was that projects were descoped, so they lost footprint size, they lost facility and they lost some of the add-ons that they were looking for and were promised.

CHAIR—And this was in government schools?

Mr McGruther—This was the comment from government schools.

Ms Trimper—I think there are lots of stories that principals wrote to us. When the BER first started, people would come to their school and they would say, ‘You’ve got \$3 million. We think you will be able to get a hall, a COLA and a canteen, and we think you might be able to get some classrooms refurbished.’ So there was huge excitement in the schools at what this was going to generate. I suspect a little down the track when time and reality had set in that the word ‘descopeing’ was used regularly, certainly from New South Wales, as people saw their projects shrinking. So that is when they started to say, ‘We are not getting value for money. We were told we were going to get all of this. Now we’re not getting the canteen and the classrooms; we’re only getting a hall. Ergo, we are not getting value for money.’ I think there were lots of stories like that.

CHAIR—Again, I confirm that this is in the government sector because certainly coming out of the independent and Catholic sectors—we heard yesterday from one school that they believed that for \$2 ½ million they actually got \$ 3 ½ million in value. But again it goes back to: they were managing the project themselves.

Ms Trimper—Also some of them had community members that could help them manage the project, so if you have got an architect on your council you have got someone to help manage the project. That is true too of government schools but, as you say, most of them did not manage the projects. That came out as a frustrating factor for government schools. They perceived local management as a major issue, and there were lots of comments like: ‘This is how projects should be managed.’ We ended up by concluding that principals around this nation—or most of them—found that this was an extremely stressful exercise managing a project. Many were saying, ‘Look, we think you can trust us. We can actually manage major capital works. You trust us with the whiteboards and painting and fixing the toilets, but we think you could trust us with these major works.’

Senator MASON—Going to the survey—and I thank you for it—the last survey was of September last year, was it? I was going to say it is about seven months old, but this is much better: it is contemporary and it is not just about perceptions of the scheme; it is actually about the reality of it, so thank you for it. On page 3 of your survey, under question 7, you say:

While school principals overwhelmingly remained positive about their P21 projects, the level of satisfaction from Government principals (57%) was quite significantly less than their Catholic and Independent principal colleagues.

That is 43 per cent of government principals that were not satisfied. I think that is very high, given the government is spending \$12 billion on these projects.

Ms Trimper—You also need to look at the question. That was the question around funding: could you access the funding for the project?

Senator MASON—Sure, but that is an extraordinarily high percentage. Let us go through the causes of the dissatisfaction; I want to just go through them. They came predominantly from New South Wales and Victorian school principals; I understand that. It is about best fit for funds, the provision of school design templates and the cookie-cutter approach and the fact that the best buildings have not been used on specific sites available and so forth. Then of course there are issues about maintenance and so forth. Does that sort of response worry you?

Ms Trimper—Of course it worried us. It was the point of difference between the government and the non-government schools.

Senator MASON—It is stark, isn't it?

Ms Trimper—That was the divide. Up to then, it was 97 per cent, 96 per cent come to this question but you have to take the question: could you access the money? In lots of government schools they could not access the costs at all, so the answer to that was: 'No, we can't access the costs.' The unfolding of all the stories underneath that was what people felt. You can see that in Victoria it was more around the communication strategies with their department but in New South Wales it was around flexibility and using templates.

Senator MASON—There is frustration, I know, from school principals because they have not been able to access the costs, but I think that relates to this inquiry as well. I understand we have the New South Wales education costs but not the other states' costs, and the Victorian government will not give theirs to this committee. So it is very hard for the Commonwealth parliament to assess whether there has been value for money when state governments do not give out the information to be able to assess that. Do you agree with that?

Ms Trimper—I totally agree and I think transparency is an issue that we need a lot more of, in education. We should be able to see the money trail of any Commonwealth project and the journey the money takes, to see how much actually does reach the students in the school. So I would agree. I think this project should be transparent with its costs and schools should be able to see what is being spent, because we understand that different things arise when you are doing a job. We just had a backsplash done and nearly died with all the extra things that we had to get as a result of that one piece of work. We are not silly. We do understand that there will be add-on costs that you cannot predict. So, yes, I think transparency is a huge issue.

Senator MASON—So you appreciate the committee's frustration when we cannot get those figures?

Ms Trimper—We are just as frustrated. We have been calling for transparency in lots of areas, so we share your frustration, yes.

Senator MASON—This was a huge capital expenditure project. In the future, with these sorts of projects, how do you think we could get better value for money through the state system? Do you have any ideas? We have just heard Mr Daniels and his colleagues from the independent schools sector say their school principals and P&Cs have much greater autonomy and flexibility. Would you like to see that in the government sector as well?

Ms Trimper—Yes, I think there does need to be more autonomy. At the same time, I understand there needs to be a system to balance what is happening in their schools, when you have a central department and all schools are part of a system. You do have to be a little careful. There would have to be checks and balances—I hope there is going to be another BER coming up, for primary. We have been there in the past when there has been money, particularly for low-SES schools, and schools have got excited about building something because a teacher has a passion for that area—and it is particularly true for primary schools—but the teacher leaves and the facility just sits there. There would have to be some checks and balances but, certainly, we would like to see some more autonomy. That was borne out by lots of comments from independent and Catholic principals saying, ‘We don’t have any of the headaches because we are managing the project ourselves,’ and lots of frustration from government principals saying, ‘It would be good if we could oversee the project a lot more than we are.’

Senator MASON—To have similar autonomy and flexibility?

Ms Trimper—Yes.

Mr McGruther—It is important to note that it stands in contrast with the 54 per cent in New South Wales—that 88 per cent of that same state were coming out positively about the contributions to ‘need’. So what we are experiencing is not rejection but frustration with certain aspects of the program. In the 53 per cent that was recorded in the far left column, you can also add those projects that have not started and those that are saying, ‘Yes, I would like a little bit more. This is good but what about air conditioners? They are not in.’ Those were generally positive comments, so that starts to lift it up a bit. The other comment about the state system is that, just as we would say, ‘Yes, there needs to be more flexibility,’ there also needs to be not a one-size-fits-all model for how schools are treated, because we will have, in a large number of schools across the country, people who have less than one year’s experience as a principal. It may well be that principals and school communities opt into a centralised management system with the necessary supports in place.

Senator MASON—They would opt into it. Yes, I appreciate that. I accept what you say that it was frustration, most of that 57 per cent, and it was not rejection. I accept that, but I think when you are spending \$12 billion you are not going to reject it.

Mr McGruther—No. However, in that third question they did have an opportunity to say, ‘This is not what I wanted.’

Senator MASON—Yes, thank you.

Senator MARSHALL—Thank you for putting it into perspective. General inquiries like this will attract those who have had a poor experience and those who are frustrated. It is obvious that there have been some people who have had a very poor experience and we would like to get to

the bottom of those things. I was also interested in what you said about perception. I would like to talk about that for a little bit because, as we uncovered from some of the people who have been presenting to us over the last few days, people would claim that they had \$3 million and then simply divide the size of the building by that \$3 million. There has been a tendency to say, 'My school was entitled to \$3 million; I had \$3 million, this is what I got. I simply divide the size of the building in square metres by the \$3 million.' But they did not know what the building cost and, in fact, they have not been given \$3 million. I think there has been a problem with the way it has been managed. Some of the government sectors are incredibly large and doing this—getting the communication out—is difficult.

The submissions to this inquiry have really been about fifty-fifty, there have been people who are very positive about it and there have been some people who have been very negative. In terms of numbers—as a percentage—it is very small. I think your survey points it out too. That is not to say that we should not be looking at those issues and working out why those problems—or perceived problems—are there and trying to address them. I think your survey says that overall 97 per cent believe the whole thing will deliver positive benefits. That is across 10½ thousand schools. That is a lot of positive outcome. In your survey the questions are separated between School Pride and BER—but they seem different questions. Did you ask the same sorts of questions? You say that only 3.8 per cent of government principals said National School Pride was not value for money, only 1.5 per cent said they did not actually get what they wanted, and there was a total of 5.6 per cent who had negative comment. The rest were either mixed response or positive. Is that the same response for Primary Schools in the 21st Century or are they mixed? Tell me about how you were able to separate it.

Mr McGruther—The questions were asked separately. Respondents provided a comment in relation to National School Pride and the P21 projects and they provided open-ended comments which were coded and analysed separately for each project. We could analyse the data by state and by sector for each program. The difference between the two is that there was much larger satisfaction from the government schools in relation to National School Pride than there was with P21. My conjecture is that relates to comments relating to flexibility and that they were solving problems that had been emergent on their maintenance programs for quite some time: for example, they got grass where there was dust and they managed to re-carpet and reline places which had been priorities in the school. There was some isolated comment that principals felt that they wanted to give the money to local contractors and that provided an opportunity for them to expend historically quite large amounts of money—relatively for the primary sector—into the local community. There was flexibility about the funding's fit to local school need. The principals felt: 'I know exactly how much money I've got, I can budget accordingly and I feel in control.' Those are conjectures that I draw from the nature of the comments made by the people who were generally more positive. However, there is an anomaly that I cannot explain: primary principals in independent schools felt less favourably about National School Pride. That is counterintuitive to me but as there is nothing in the comments that puts any light on it I cannot answer it. However, it is something that does appear as a quite distinct anomaly.

Ms Trimper—Some schools refurbished their administration block. So principals may have seen that that was not going to be a direct benefit to students. So there may have been a range of factors around that.

Senator MARSHALL—Thank you. Ms Trimper, you mentioned that you were getting some criticism or some negative comments from principals saying, ‘Why are we focussing on some of the negatives, when vastly it has been a positive experience.’ Can you elaborate more on that for us?

Ms Trimper—Yes, it has been quite interesting. I will give you one clear example. I was at a dinner a few weeks ago, with about 60 principals—all sectors, from three states and one territory—and I thought I would work the room, as a good president does.

Senator MASON—You sound like a politician.

Ms Trimper—The comment I got at the first table I sat down with was, ‘When are you actually going to say something positive about BER?’ I was quite taken aback, because I have said lots of positives—recognising there are problems—I thought I had been—

Senator MARSHALL—It tends not to get reported.

Ms Trimper—Of course, it is not getting reported, so I tried to explain that to a group. I ventured to another table, and the same thing happened. So I thought it was best to go and settle down with my glass of wine and sit quietly where I was seated earlier. I think I have received more emails about this project—the frustration from people—even principals saying, ‘This is the best thing that has ever happened.’ That is why I am trying to put this into context. This is a dream for most primary schools. They thought this would never happen. That comment was made over and over again. One principal described it as ‘manna from heaven’.

Mr McGruther—And ‘life changing’.

Ms Trimper—Yes, ‘life changing’. That is what I was talking about—the balance. I think we do have to be open about the problems and the issues and not sweep them under the carpet. But, at the same time, I think principals are saying, ‘There are some good news stories out there.’ There is a little feeling from some about value for money—about project managers charging more in times of crises, like the economic stimulus et cetera. It happens. It is reality. People have to move on. Yes, there is some frustration out there that people are feeling and have personally expressed to me.

Senator MARSHALL—Where my youngest son goes to school, a primary school, the principal actually went out of his way to seek me out to give me that positive feedback, because he was concerned about all the negativity around the program. He spent some time with me, going through all the positive aspects and the way it was dealt with—the building is nearly finished now—but right through the whole building program. Certainly there was no criticism coming from there. I think it is important that we get some balance into this whole debate.

Senator BACK—Mr McGruther, this backlog of necessary maintenance works that you have been able to highlight in your survey—and thank you for the survey—what does this go to—just a lack of state government funding over time? Unless the constitution has changed recently, responsibility for education actually rests with the states and territories, doesn’t it?

Mr McGruther—Certainly there were some comments like, ‘I feel deprived because of what I needed to do to cure what should have been done 10 years ago.’ There were some isolated comments about that. But there were some more general comments about the time that had to be waited until this project could actually happen. And, as I said, just as many people who said, ‘Look, thank goodness I can now fix this up’, as said, ‘I am really quite upset that I’ve got to make good before I add value to my school.’

Senator BACK—Sure, but my question really was: who had responsibility in the past?

Ms Trimper—For government schools it is the state government. I think that every state jurisdiction around this nation would probably have a backlog of maintenance work. That is what I think was so sad, reading comments like, ‘My roof is no longer leaking after 25 years’—

Senator BACK—Whilst it is a great compliment to the federal system, it is an indictment of the state system. In your question 2, you have kindly given us the breakdown of numbers and percentages of government, Catholic and independent—78, 17, five. Would you have available to you the actual proportion? Is it about 65, 25, 10? Is that about right nationally in the primary sector? Sixty-five per cent are government schools, 25 per cent are Catholic and about 10—

Ms Trimper—No, it is about three-quarters government, give or take a few per cent.

Senator BACK—If we could get that information I would be appreciative. To assist me, under the BER National School Pride program, did that come out as an early phase of BER? Is it separate from the P21 program?

Ms Trimper—Yes.

Senator BACK—Do you know what the difference in the objectives was and what the dollar figure was? If there was 14 which then became \$15½ billion overall for BER, do you know what the sum of money was for National School Pride?

Mr McGruther—It was level, according to the size of the school, so the figures were different, obviously, for each of those schools. But BER, as I understood from reading the survey and the guidelines, was for major capital works projects, whereas National School Pride was to add value to the maintenance, upgrade, adding certain facilities in the school—

Senator BACK—So it was a separate vote of money to the BER—

Ms Trimper—Yes.

Senator BACK—Apart from someone referring to it yesterday, where their little school got \$27,000, of which they spent \$9,000 taking down an outdoor area that never got replaced, that is the only other reference we have had apart from your presentation this morning.

Ms Trimper—I think the maximum was up around \$250,000 if you were a large school, and you could determine those priorities with your community. That is not hard for most schools; they already know what priorities they have.

Senator MASON—That is the difference, isn't it? Under National School Pride the schools determined how the money would be spent, and they had much more control over it—

Ms Trimper—Yes.

Senator MASON—And under your survey there is far greater satisfaction.

Ms Trimper—Yes.

Senator MASON—That is really the point. And that is emblematic of the entire issue here about the fact that school communities and school principals can determine, under the National School Pride program, how to spend the money. Under BER it was much more difficult.

Mr McGruther—Yes.

Ms Trimper—The school pride money was very similar to the Investing in our Schools Program that occurred under the Liberal Party and where the schools had a great say in the amount of money that they could spend. Schools were used to that, and it coming again was an added bonus—

Senator MASON—And very happy with it, I think.

Ms Trimper—Absolutely.

Senator MARSHALL—It did not have the essential criteria of being stimulus money which had to be spent quickly for that purpose.

Ms Trimper—Absolutely.

Senator BACK—Was it not part of BER though?

Ms Trimper—Yes, it was. There are two parts. There is Building the Education Revolution, Primary Schools for the 21st Century and school pride. There were two aspects to the Building the Education Revolution.

Senator BACK—I followed closely the Auditor-General's summary of the early audit that they have done. I hope to call it a 'preliminary audit'. I have not actually seen this divided out, but nevertheless maybe all it was that they audited the P21. So you are actually advising us that under this national pride scheme the principals in the government schools were allowed to administer their program—

Mr McGruther—Yes.

Ms Trimper—They certainly had a lot more autonomy, yes.

Senator BACK—That is most interesting; thank you. I want to continue on this, if I may, because clearly in the last two days, and perhaps even this morning, we have seen this wide

divergence of satisfaction by the principals in the respective systems, focusing on, to use your words, whether or not they felt they were in control. Your table J, which is now relating to the Building the Education Revolution, indicates 87½ per cent satisfaction by the government principals, saying that their school is receiving projects that they and their community want, and 12½ per cent saying that, regrettably, no, they did not.

Yesterday we were presented with a document that is now in the New South Wales government system—and the director-general confirmed the relative accuracy of the document—that went to principals to help them make their decision as to whether they might like to locally manage their own projects. One particular clause was of concern to me. It says:

There are fines attached to any injuries that happen on building sites. The Department of Education and Training can be liable up to a maximum of \$550,000 for any accidents or injuries on these sites and the school Principal (as project manager) can be separately and personally liable up to \$55,000 for any accidents or injuries that happened on their site.

As the Australian Primary Principals Association, are you aware of any precedent where one of your principals acting as an employee and as a servant of the employer might be personally responsible for liability of 10 per cent of the employer's liability for an accident or an injury? We are not talking here about the principal acting fraudulently or acting outside their scope. Acting as an employee they are liable for up to 10 per cent. Are you aware of any precedent for that?

Ms Trimper—No, we are not. Would that deter most principals? Yes.

Senator BACK—It would deter any person if they sat down and thought about it—and, in case they did not, they should lie down until it does. The director-general, I think, agreed with me that he also did not know of such a precedent. I am absolutely astounded to think that, be it government or private sector, a person acting in good faith as an employee would be responsible for 10 per cent of the liability of the employer for an accident or an injury occurring. I am just astounded.

Ms Trimper—I agree.

Senator BACK—I think you said that you hoped that governments in the future might act similarly—perhaps putting to one side some of the other challenges that the government has in terms of health, aged care, infrastructure, defence and a few other things—what would your recommendation be to someone like DEEWR for a further round of capital funding, particularly in the government sector. There does not seem to be a difficulty, as I see it, with the Catholic or the independent school sectors when it comes to the way in which these projects have been administered—unless you think there has. What would be your recommendation as the Primary Principals Association to getting that government figure of 87 per cent closer to the 98.3 per cent or the 97.4 per cent in the other sectors?

Ms Trimper—We would certainly want more transparency than has been provided by the state jurisdictions. So I think that would have to be a key factor for us. We would certainly want more local management. That has come out per se right across the nation. So we would certainly want more local management—again, within that acknowledgement that you are part of a system. But, as you say, the Catholics and the independents that are part of systems seem to manage that quite well. If there was another go at something like this, it would be good to look

at those schools that are in greatest need and perhaps do not have some what we would call 'essential facilities' for primary education in the 21st century. I would certainly like to see for some schools in great need, because they have spent the majority of their money on maintenance or fixing up issues that they have had to deal with, for some money to go to those schools. I think they should be a priority if there was another round.

Senator BACK—As a parliamentary friend of your association, I congratulate you on the way in which you represent the government, independent and Catholic sectors. I thank you for the value of the survey. It has been very useful to the committee. Thank you.

CHAIR—I have one final question before the committee breaks. Ms Trimper, in your opening statement one of the comments you made was that you were not endorsing lack of value for money, lack of flexibility or roting. The next comment you made was, 'We have the hard data.' Were you referring to hard data in relation to lack of value for money, lack of flexibility and potential roting?

Ms Trimper—I was referring to the positive and the negative about that. What I was trying to do in my opening statement was talk about the historical context of primary schools and say that there are lots of positive stories. I did not want to give the impression that we are so starry eyed about this that we do not recognise that there are some issues out there.

CHAIR—Do you have hard data that alleges that roting is taking place within this program?

Ms Trimper—No. We only have the comments that we have received from principals.

CHAIR—What comments are they?

Mr McGruther—The perception of principals was that they were getting something less than what they would have organised themselves, based on comparisons between what this learning area might have cost if they had built it 12 months ago and what it was going to cost them now. There were concerns, as we said, about the descoping, and they felt that some over-and-above costs were being taken off because of the tenders that were being let. However, all of those were based on the principals' level of experience in their own schools. We would not purport to say that that presents as hard data of roting, but it presents as hard data of their experience as principals.

Ms Trimper—There were also some comments around the communication channels with project managers et cetera.

Mr McGruther—That is right.

Ms Trimper—There were some comments about the project managers and about the costings changing so frequently with some project managers or people in charge. People clearly saw it as, 'Last year we built this and this year we are building this for such a different cost,' or, 'Last week the quote was this: I had \$56,000 for furniture; this week it is \$45,000.' There were some examples like that.

CHAIR—Are you able to provide to the committee the comments from the principals that have signalled a potential lack of value for money, lack of flexibility or reporting? I am happy for you to provide it in a sanitised version if that assists you. Could you take it on notice to have a look at that, please.

Ms Trimper—Certainly.

Senator MARSHALL—To be fair and balanced, provide the positive ones too and give a percentage of what they were. We do not want to see a dozen from one side.

Ms Trimper—I would not pass over people's comments, because that is not—

Senator MARSHALL—It could be represented as, 'This is the view across the board.' Clearly, as you have said, it is not.

Ms Trimper—That is right. We could certainly have a look and summarise. We will take that on notice.

CHAIR—Mr McGruther and Ms Trimper, thank you very much for your appearance before the Senate committee today. It was greatly appreciated. The committee will now take a short break.

Proceedings suspended from 10.48 am to 11.00 am

LORENZ, Mr Victor, Assistant Director, Finance and Resourcing, Queensland Catholic Education Commission

LEAVY, Mr Terrence, Manager, Government Programs, Queensland Catholic Education Commission

CHAIR—Welcome. I invite you to make a short statement to the committee before we proceed to questions.

Mr Lorenz—Thank you. We believe BER has been very successfully implemented by the Catholic school authorities in Queensland. The program was implemented with a strong sense of subsidiarity, perhaps a term claimed by the Catholics, and that means that our systems and schools make decisions at the lowest appropriate level. We believe proper local responsibility is a key element to making a difference. The systems and procedures employed by the Queensland Catholic Education Commission for delivering capital assistance with some tweaking were also employed to deliver BER.

In our opinion, those systems and procedures are both efficient and effective and they are open and transparent. We believe we are delivering good value for money. The anecdotal evidence is that our communities are very happy with what is being achieved and we are working to ensure that other forms of capital available to Catholic education both complement and build on the BER facility outcomes. Finally the government can be assured that our processes and procedures in relation to BER and any other program for that matter are both robust and sound.

CHAIR—Thank you, Mr Lorenz. Mr Leavy, do you have any opening comments?

Mr Leavy—No, that is fine.

Senator BACK—You have mentioned 287 schools in your submission. How many received grant funding under the P21?

Mr Leavy—Two hundred and twenty-eight.

Senator BACK—And how many projects did that cover?

Mr Leavy—Each of our schools had one or two projects. We have looked at our schools as a whole rather than at individual projects. We can provide that information.

Senator BACK—Did the Queensland Catholic Education Commission act as the block grant authority?

Mr Lorenz—That is right. The two terms are interchangeable; in Queensland the commission is the block grant authority.

Senator BACK—And for that you were able to secure a 1.5 per cent administration fee?

Mr Lorenz—Yes.

Senator BACK—Did you utilise all of that?

Mr Lorenz—The issue of administration is yet to be finalised. We received in excess of \$8 million for administration. At the moment every hour for which officers are employed on BER related issues is being charged to BER.

Senator BACK—Being charged to the 1.5 per cent.

Mr Lorenz—That is right. I would have to say that that is not our preference. If we had some flexibility in relation to the use of admin money we would probably use less of that for the administration of the program and would like capacity to use some of those funds for project related matters.

Senator BACK—That is certainly the case in Victoria which is what caused me to ask the question. The Catholic Education Commission of Victoria, the block grant authority, negotiated with and received permission from DEEWR to put into projects some of the unused 1.5 per cent, so there is a precedent for that.

Mr Lorenz—Thank you. That could be quite helpful to us.

Senator BACK—The projects themselves were administered through the block grant authority but at school level, so the project management fee went to the schools that administered the projects?

Mr Lorenz—The schools were given the full amount of the entitlement, and the school authorities worked with that to deliver the projects to get best value for the particular schools they were responsible for.

Senator BACK—So where did the project management fees end up—with whom?

Mr Lorenz—Project management fees would essentially have gone to architects because in every case the delivery of the project was done with the assistance of a specifically appointed architect.

Senator BACK—In terms of the block grant authorities within your system, you in a sense were already well skilled because you had participated in this sort of process in the past?

Mr Lorenz—That is correct. We have had some specific assistance from the state. For example, for the prep-year rollout we obtained \$40 million from the state to help us deliver that program when the state took a decision to introduce the preparatory year to the curriculum, so we had the advantage of that experience. Also, we received federal funding for the Indigenous boarding program, so we had that experience, and we also get some additional funding from the state. We would say that we have a very efficient and effective system in place.

Senator BACK—What relationship have you had with the Queensland department of education in rolling out this program, or has your relationship purely been with the federal department, DEEWR?

Mr Lorenz—We have had a relationship with both. We know the officials of the state department quite well and we have had meetings with them. They have been supportive in that, because we have schools in remote locations, they did offer us access to their contractors in those locations. We have not needed to take that up, but we would have formally acknowledged that offer.

Senator BACK—In those discussions with state authorities, did they ever comment on the difference in the execution of contracts through your system and the independent system as opposed to the execution of building contracts in the government schools in Queensland?

Mr Lorenz—It has not been a real point of discussion. The progress has been more the topic we would have talked about—just where our projects were up to and what our experiences were in tender prices et cetera.

Senator BACK—In the whole process of the capital funding, have you had some degree of internal or third-party audit yourselves to satisfy your own commission as to the effectiveness of the actual rollout of the program?

Mr Lorenz—The short answer to that is no. On the other hand, we are relying on our existing processes and procedures which we believe are very robust and give us good value for money. Essentially what is happening is that the project gets approved by the block grant authority, then goes through the normal process to get government approval and, after that, all projects go out to the tender market. So it is the tender market that really dictates good value for money. I will give you an example. I went to a social function recently where there was a primary school principal from a Catholic school and I just asked her how it was going. She said: ‘We got 32 expressions of interest to tender. We use a selective tendering process, which means we require a minimum of six.’ She said they took seven, in case one pulled out, and they were expecting good value for money. That is more than anecdotal evidence, because all the authorities provide us with the tender outcomes. We are getting good value for money.

Senator BACK—There have been allegations—and Queensland is not exempt—of price gouging and even rorting of the system, and in some instances overcharging by contractors. Based on your history of managing capital works programs in schools, have you noticed any difference at all in what you would have expected as the contractual price per square metre, let us say, to construct the projects as opposed to how they have been delivered for the Catholic education system in Queensland?

Mr Lorenz—Generally speaking, tenders for our projects are coming in under estimate. Our sense is that the construction market is still quite competitive.

Senator BACK—Therefore, the school community has been able to put any unexpended funds into sealing car parks or landscaping, or something associated with the project?

Mr Lorenz—That is a minor difficulty for us. If we talk about the effectiveness and flexibility we have, we are constrained by the fact that we cannot apply any savings to other than the originally approved project. That is somewhat of a difficulty for us if we are looking for effective use of government funds.

Senator BACK—Is there a co-responsibility status in place? Let us imagine that one that you mentioned—the \$3 million project, with \$200,000 underspent. Are you flexible within your system to then allocate that to another school with the concurrence of the principal and the school board?

Mr Lorenz—We are. If you say their ‘entitlement’ is \$3 million, they do not easily give up their \$3 million.

Senator BACK—There cannot be the level of generosity in Queensland, Senator Mason, that there is Victoria because in the Catholic education system in Victoria they actually reported to us that some \$60 million has actually gone into the co-responsibility pool to be used in other schools but within the actual system.

Mr Lorenz—Yes. Every state is different, but let me also put some balance in this. For example, the Cairns diocese is building a project on Thursday Island where the project cost is 1.7 times Brisbane based costs. The schools in that diocese in Cairns of their own free will are giving up, I think, five per cent of their ‘entitlement’ to allow that project to be built on Thursday Island to the same standard as the other schools.

Senator BACK—The statistics given to us by the Primary Principals Association certainly seem to support the fact that your system has responded very positively.

Senator MARSHALL—That would be a common situation for government schools too, I guess, because they are everywhere, of course—whether it be Thursday Island or parts where no-one else is. There is going to be that variation and fluctuation in construction costs by location. So there are many, many factors, as you would appreciate, going into what actually constitutes a construction project.

Mr Lorenz—Yes.

Senator MASON—You have that problem in Victoria too, Gavin, do you?

Senator MARSHALL—Yes, sure. Can you explain the value of this unprecedented spend on school infrastructure to your system?

Mr Lorenz—Perhaps I could give some anecdotal information. I was given the privilege of being allowed out of the office for several days just recently and went to visit some of our schools in the Toowoomba diocese. Those schools are typically small schools and they are getting facilities that they would not have got otherwise for tens of years, if at all. They are making a significant difference to those schools and the communities in which those schools operate. I believe it is a very, very valuable program.

Senator MARSHALL—When you say ‘significant difference’, do you mean a significant difference to the education quality and the educational outcomes ultimately?

Mr Lorenz—Yes, in terms of their libraries, covered areas for physical activity, physical education. They just were not there before, and there is quite a deal of pressure for limited capital facilities and this program has facilitated significant improvement, which will, because of the quality of the facilities that have been put in place, have a long lifetime.

Senator MARSHALL—I think some other people, probably from the Catholic sector too, have told us that this equates to between 20 and 40 years worth of capital expenditure all in one go.

Mr Lorenz—That would be correct.

Senator MARSHALL—Yes, significant. In terms of the stimulus impact, the job creation impact, how have you seen that affect your local communities?

Mr Lorenz—It is difficult for us to comment on exactly where the building industry is at in Queensland but the competitive tenders would suggest that there is still quite a bit of demand out there in the community.

Senator MARSHALL—You gave us an example of one tendering process that attracted 22, was it—

Mr Lorenz—Thirty-two.

Senator MARSHALL—Thirty-two expressions of interest. That probably does indicate the need for stimulus spending.

Mr Leavy—I think it has to be borne in mind that Queensland is a large mining state and a lot of those mines are starting to close down because of the financial crisis. As a consequence of that, there was surplus capacity in our state in particular so that is starting to come off the boil a little, but we are still seeing very competitive costings for our projects.

Senator MARSHALL—So it filled a gap that was required.

Mr Leavy—Yes. Anecdotally, when in discussion with some of our consultants, the only work subconsultants are doing is school work. Without this, they would not be in work and that has a knock-on effect further down for contracts.

Senator MARSHALL—I want to go to the federal government program’s guidelines about how the different systems would then spend the money. You have talked about how you have worked with the money within your system, but how did you find the system above that through the federal government getting the money to you: your relationship with the federal department, your communications with the department and the actual application of the federal guidelines and the reporting requirements?

Mr Lorenz—I will start with the lower level just to acknowledge the DEEWR officials who we find very helpful with issues that we face from time to time and in the general negotiating; however, having said that, I think at the higher level we did not end up with the flexibility in terms of delivery and that we could have even got what I might suggest was even better value for the Commonwealth funds. That is our opinion, and I have already given some examples of how we can use our administration funds, how we can use savings that arise in the tender process. In some respects, the facilities that we were given as a sequencing process were library first followed by a covered area followed by classrooms. We have managed that and it has been okay, but perhaps it could have been done slightly differently in our opinion.

Senator MARSHALL—On that: you said earlier that there may be an underspend in some schools. Where does that money then go? Does that go back into the pool system for those where there may be an overspend or does it go back to the government?

Mr Lorenz—It may, but I think in essence what the schools would be looking for is how they can—

Senator MARSHALL—Hang onto it.

Mr Lorenz—They are your words, Senator—how they can extend their existing project within the scope of the approval.

Senator MARSHALL—Thank you. I think we have heard from most of the Catholic block grant authorities now and it is a fairly similar story. I do not have a lot of questions that we have not already explored with the others. Your experience I think has been similar to everyone else's.

Mr Lorenz—We are quite proud of how we have delivered the program, and I said that to my staff. I have complimented them on a number of occasions because they are working really hard to achieve the objectives that the government is looking for as well as good outcomes for our schools.

Senator MASON—Mr Lorenz, on page 2 of your submission you say:

The involvement of Block Grant Authorities (BGA's) to deliver the Government's agenda for the non-government school sector has allowed the Commission to utilise proven processes and procedures to deliver the Government's BER program.

Mr Lorenz—Correct.

Senator MASON—How long have you been doing these proven processes and procedures? You mentioned to Senator Back what they are. How long have these processes and procedures been proven?

Mr Lorenz—I listened to the independent sector this morning, so I at least have the benefit of—

Senator MASON—Mr Daniels' view.

Mr Lorenz—I have been there from the beginning, and he is correct in that it is about 20 years. Prior to the government devolving to what they termed ‘block grant authorities’, they used to administer government assistance programs themselves. Over time we have built systems that have facilitated efficient delivery of the programs. If I could just give an example: we are currently paying out about \$2 million a day. When we get the claims at our office, they are either paid the same day or within 24 hours. This was a huge ramp-up for us, but all we have had to do is scale-up the system. The system was robust enough and expandable enough to cater for this particular circumstance.

Senator MASON—So you had the processes, procedures and administrative capacity; it simply had to be ramped up to take advantage of the BER?

Mr Lorenz—That is correct.

Senator MASON—I see. Senator Marshall is right: many of his questions have been ventilated elsewhere.

CHAIR—Absolutely.

Senator MASON—There are a couple of different ones with respect to you, sir, if that is all right. On page 3 of your submission you say:

The State Government has offered the Commission access to building contractors particularly where they are operating in remote areas. This offer has not been taken up but the Commission wishes to take this opportunity to acknowledge the generosity and goodwill of the State Government.

What was the reason for not taking up the state government’s offer?

Mr Lorenz—What we are finding is that building capacity throughout the state is sufficient that when we put projects out to tender we get enough tenderers to actually bid for the work.

Senator MASON—To make it competitive?

Mr Lorenz—Yes. If I could give an example—

Senator MASON—So you did not need to take advantage of the state government’s kind offer?

Mr Lorenz—No. But I need to give an example. When the building tender market was very overheated and we were trying to put some facilities into Mount Isa, it took us two years to actually get a contractor in there at a price we could afford. The builder came out of Townsville and all his subcontractors came out of Townsville as well. He had to put all his subcontractors up, find accommodation for them, while they built that particular facility. So we were most appreciative, not knowing exactly how the tender market was going to roll out, of that offer.

Senator MASON—Without going into Queensland demography, that is also an aspect of the mining boom as well, isn’t it?

Mr Lorenz—That is correct.

Senator MASON—The costs throughout Queensland can vary so much.

Mr Lorenz—They do.

Senator MASON—Compare Mackay and, as you mentioned before, Mount Isa and Thursday Island with central Brisbane: there are huge discrepancies.

Mr Lorenz—There are. That was another thing. Every school got an allocation based on its enrolment. They did not take account of that and we did not have the real flexibility to adjust for that but, having said that, our communities are very happy with what is being achieved.

Senator MASON—So even in those remote areas you are satisfied that you can secure better value for money with a competitive tendering process than using state government contractors?

Mr Lorenz—That is correct. In my recent tour I went to Goondiwindi, which is not absolutely remote but it is certainly west of Toowoomba, and the school was getting a library, a covered area and part of the roof of some released area covered. That community was ecstatic at what was being achieved.

Senator MASON—Did you tender that locally?

Mr Lorenz—Yes.

Senator MASON—Because, again, you thought that was the best way to get the best value?

Mr Lorenz—Yes. I think as part of my opening comments I said we are putting in some federal government funding—what we call block grant authority funding—to complement that project, so some of the released area where the library was will be refurbished using other funding. We are working to complement everything and get absolute best value.

Senator MASON—Mr Lorenz, I asked these questions before—and, again, beg the pardon of the committee because I have not been here for the last two days—of Mr Daniels, from an independent sector group: are you able to provide the average cost per square metre of buildings commissioned by your member schools? Is that possible?

Mr Lorenz—I will make some opening remarks on that and I will defer to my colleague.

Senator MASON—I agree with the comment made before that you need to be careful because it involves libraries, school halls, class rooms, cafeterias. There is that aspect to it. Even more importantly perhaps are the average management fees per project. The committee would also be very interested in those aspects.

Mr Lorenz—In our sector we have standard cost rates for facilities and in the compilation of the cost of projects they come to us in an application form. The way that application is structured is that the facilities they are looking for are costed using those costing amounts. Then there is a build-up of other costs—infrastructure site costs, furniture and equipment, architects' fees—to

establish the final cost. At the end of the day it is the tender market that will dictate what the final cost of that project will be because those rates that we use are to help us establish only what we think the cost of the facility will be.

Senator MASON—Let me ask again: is it possible to give the committee that information? That is, the average cost per square metre of buildings commissioned by member schools.

Mr Leavy—Our rates are actually on the websites of all—

Senator MASON—They are all there?

CHAIR—They are, are they?

Mr Leavy—We are happy to present them.

CHAIR—Thank you.

Senator MASON—That would be great. Are they divided into different sorts of structures?

Mr Leavy—Yes, they are. It is very similar to the original block grant authority when it was devolved to us. We have continued the same break-up of costings and then just increased it through escalation under the building price index.

CHAIR—Can I jump in there, Senator Mason. Would that be similar to the costs that have been provided by Bill Walsh, Executive Officer of the New South Wales Block Grant Authority, in terms of his break-up per square metre for the different types of building?

Mr Leavy—They should mirror, yes, although each BGA does it a little bit differently.

CHAIR—But they will be similar costs that you will be able to provide to us?

Mr Leavy—Yes. The cost rates will be different because—

CHAIR—But—

Mr Leavy—Yes. We also have set rates for our consultant fees and things like that.

Senator MASON—Will you let us know what they are as well?

Mr Leavy—Yes. We have got guidelines for that. Everything we have is transparent. It is on the website. We provide that to all our schools.

CHAIR—Thank you very much.

Mr Lorenz—As my colleague said, they are on the website. We profess to be a very open and transparent organisation and that is the way we operate in respect of this program and all other programs with our authorities.

Senator MASON—I wish that all the state governments would give us their information, Mr Lorenz. We are having to fight for that, I think.

Mr Lorenz—I am not willing to comment on that.

CHAIR—Can I just follow up in relation to the issue of flexibility and the comment in your written submission:

The Commission notes there was flexibility to choose appropriate facilities but believes the philosophy behind the “lock-step” decision making was unnecessarily cumbersome and that schools and their communities should have been given greater initial choice of facilities to contribute to improved educational outcomes and learning for their community.

Could you just take me through again what the ‘lock-step’ decision-making process was?

Mr Leavy—Essentially, we were concerned about the issue of the priorities that were set by government—that was restrictive, whereas our preference would have been to have more flexibility to allow our schools to decide, based on their curriculum needs, what facilities they require. As a consequence of that priority listing, some of our schools had to have a library before they could have a hall; they had to have that before they could have GLAs. Some of our schools may not necessarily have wanted a hall, and as a consequence they have to go through this step process to get to, ‘Yes, we actually want a GLA provision as opposed to a library and/or a hall.’ So that was the process.

CHAIR—One of the comments that has been made within the government sector was that there was a lack of flexibility—and it has been referred to as the cookie-cutter approach—in that they were told, ‘No, you are entitled to a COLA, and that is what you are going to get.’ But that issue was not faced by your sector, was it? You had flexibility to ensure that what was being delivered to you did suit the needs of the particular school?

Mr Leavy—All schools were eligible to apply for any one of the five priorities but they had to demonstrate that the higher priority was being accommodated within the school prior to them coming to the next priority. So, essentially, in order to get a hall, they had to substantiate that their current library was sufficient and met their curriculum needs.

CHAIR—But then what was the flexibility within that process to ensure that the hall then met the requirements for the school?

Mr Lorenz—We insisted as part of our process that there was community consultation. That was required of us by the government. We insisted that that was translated to our authorities and that in every instance there was strong community consultation—and, to the best of our knowledge, there has been. So, it was those local community processes—and the engagement of an architect to find the facility solution that best fitted that school’s needs, topography and site conditions—that gave it that sense of flexibility in relation to the project.

CHAIR—Did you have any instances of your schools coming to you and saying, ‘Look, we can’t fit the school hall in the allocated area and we are being forced to have it’?

Mr Leavy—No, then the next option would be classrooms or just a COLA. It does not have to be a hall as such. It could have been an open covered area. So they would scale it down. But, yes, there were instances where just the site restrictions caused some sort of angst in the committee.

CHAIR—How did you work through those problems?

Mr Leavy—It was not a problem. The physical size of the site determines what you can have. As a consequence of that, we just moved down the priority list until they were able to achieve something that was on the priority list. So we were working with DEEWR, and they were very accommodating.

CHAIR—Thank you very much for your appearance before the Senate committee today.

[11.33 am]

BARKER, Mr John, Head, Finance and Planning, Catholic Education Office, Catholic Education Commission

CHAIR—Good morning and thank you very much for your submission to this Senate inquiry. I invite you to make a brief opening statement to the committee before we proceed to questions from the senators.

Mr Barker—Thank you for the opportunity to appear before the committee this morning. The Catholic Education Commission for the Archdiocese of Canberra and Goulburn is unique in that it is the only Catholic diocese that operates across state-territory boundaries. The Building the Education Revolution program is therefore delivered through the New South Wales Catholic Block Grant Authority for our 23 New South Wales schools and the ACT Joint Block Grant Authority for our 27 ACT schools. We are grateful to both organisations for the support they offer in delivering this program. The commission is very appreciative of the opportunities provided by the Commonwealth government through the BER program to develop much needed, new and refurbished facilities for our schools. Our school communities, while faced with the upheaval of major building projects, are excited by the opportunities that the program provides.

We believe there is sufficient flexibility within the priorities outlined in the guidelines to allow schools to develop building or refurbishment projects to meet their needs. Timelines for start and completion are challenging but achievable. Perhaps more flexibility in the start date could have been allowed without adversely affecting the project completion date. We recognise that the program is first and foremost an economic stimulus package. We are disappointed that the program was not extended to secondary schools. We have three regional secondary colleges in New South Wales which do not have a hall or a meeting space. Multipurpose halls are no longer a nice-to-have appendage to a school; they are integral to delivering a contemporary curriculum for assemblies and school and community meeting places. Since our submission was lodged back in October the maintenance of effort requirements for systems have been clarified and we do not consider them onerous.

Towards the end of last year the government announced that a small part of the BER budget would be put back and appropriated in 2011-12. Each state and jurisdiction was given a quota to address the delayed payment arrangements. The recent announcement by the Leader of the Opposition in his budget reply speech that he will scrap or reconfigure the program has created some concern and uncertainty in those school communities who in good faith agreed to delay their projects to meet a government requirement. We ask that some reassurance be given to those communities that they will not be left behind compared to most other schools who happened to be in earlier rounds, in the event that the opposition assumes government in the next election. I would like to conclude my opening remarks by again thanking the government for the opportunity to allow the upgrade of our school facilities which provide long-term, direct benefits for our students.

Senator BACK—There are 23 primary schools in New South Wales within the diocese?

Mr Barker—Correct.

Senator BACK—And 27 in the ACT?

Mr Barker—Yes, 23 primary schools. There are actually 27 schools all up.

Senator BACK—Yes, 23 primary schools outside the ACT, and three secondary?

Mr Barker—There are four secondaries in the ACT.

Senator BACK—No, I am still saying with New South Wales. You have 23 primary schools.

Mr Barker—There are 23 primary or central schools that have received funding, yes. A central school is a K-10 school.

Senator BACK—And in the ACT there are 27?

Mr Barker—No, there are 27 schools. There are 23 primary schools under this program and there are four secondary colleges in the ACT which are not part of this program.

Senator BACK—Right, I think I understand. How many secondary schools in the ACT does the Catholic Education Commission run?

Mr Barker—Four systemic colleges in the ACT and three independent.

Senator BACK—Do you have any non-systemic colleges?

Mr Barker—There are three non-systemic colleges which are not part of the Catholic Education Office systemic structure.

Senator BACK—Are they all in the ACT?

Mr Barker—They are, yes.

Senator BACK—Can you tell me from your knowledge, if you are able to, how did they manage the BER project? Were they in direct communication with DEEWR or was that through some other area?

Mr Barker—In the ACT we have a joint block grant authority; we do not have a Catholic and an independent BGA. They would have operated as independent schools through the block grant authority and received their funding through the BGA.

Senator BACK—Okay, that is interesting. Within those primary schools under the P21 can you give us some breakdown as to the proportion that would have fallen into the different categories of student numbers from a funding point of view?

Mr Barker—I can take that on notice as I do not have it with me. Like all areas there is a range. We actually restricted a couple of small schools to \$75,000 up to a \$3 million maximum.

Senator BACK—I was not aware that any of them were down as low as \$75,000.

Mr Barker—We held some because they were very small schools. We had the capacity to reallocate within the guidelines, so we took that opportunity. We made it very clear from the start of the program to our principals and communities that the allocations are indicative and as a system authority we have the capacity to distribute that funding on the basis of need.

Senator BACK—At a school where they were not to receive their full amount, was that on the basis of agreement with the principal and the school community?

Mr Barker—Yes, it was.

Senator BACK—Did you have any instances in which the principal or school board disagreed with the authority?

Mr Barker—No, none that I am aware of. We had one school in the ACT which handed up \$1 million because they had recently completed a major capital works program.

Senator BACK—They basically saw the value of the system receiving the funds.

Mr Barker—That is correct, yes.

Senator BACK—Are you aware of, or can you point me to, any instances where schools might have been creative, particularly where they were near the limit from a smaller number to a large number, where they might have actually boosted the notional number of students to get themselves into the higher funding category?

Mr Barker—As far as I am aware, that is not possible because they come from the official census results, which are audited.

Senator BACK—The official census results?

Mr Barker—That is right.

Senator BACK—The Auditor-General did give us a briefing recently and he produced a graph. My understanding was that there were some suggestions that schools had tried to boost their numbers. You are saying there is a centralised census program and it is that that would have determined numbers.

Mr Barker—That is correct, yes. There is the official DEEWR August census, but I understand these figures were based on a February census from each of the jurisdictions.

Senator BACK—February of which year?

Mr Barker—These relate to the figures of February 2009. In the ACT the ACT government has an official February census. In New South Wales there is also a February census undertaken by the state government. Those figures were applied to these programs.

Senator BACK—You heard the same questions asked earlier. Would the sorts of costs per square metre for the different categories of buildings that are being constructed or have successfully been constructed—be they library, general purpose learning area, canteen, hall or gymnasium—appear on your website?

Mr Barker—No, they would not. The New South Wales schools would have been covered under Bill Walsh's responses to you yesterday, as I understand, from the New South Wales Catholic Block Grant Authority. The ACT still has to go through the joint block grant authority. We have such a range of projects, from new construction to refurbishments, that we do not have an average rate, but we could come up with something for various categories of construction if you like.

Senator BACK—Yes. Obviously one of the questions that the committee is addressing itself to is across the board value for money. Then, needless to say, we want to also observe that within the different sectors.

Senator MASON—That will need to include management fees.

Senator BACK—The overall costing is what we are looking for.

Mr Barker—I can say in response to that that our tenders remain strong and competitive. They are always around or within the quantity surveyor estimates before we go to tender. The management fees or the professional fees of our architects have been capped within 10 per cent. I have seen no evidence of any price gauging in any of our programs.

Senator BACK—Can you give us an overall dollar figure as to what your block grant authority did attract or is receiving in terms of proportion under P21?

Mr Barker—Under P21 the ACT has received—I have a list here of all the projects, but it is not totalled, unfortunately—about \$54 million for the Catholic system schools and \$34 million to \$35 million for our New South Wales schools. There are a number of much smaller schools in New South Wales.

Senator BACK—The question becomes: how would this compare with what you would normally expect under the Commonwealth Capital Grants program on an annual basis?

Mr Barker—The total allocation under the Capital Grants program for the ACT Block Grant Authority for the 44 non-government schools, Catholic and independent, is about \$2½ million per annum.

Senator BACK—So, given this 25 years of forward funding, would you suggest that your needs for capital funding at least for the next, say, decade would be minimal or nil?

Mr Barker—No, we would have a requirement to maintain our effort over and above the P21 program, or the BER program itself. Certainly a number of schools will have much less of a requirement into the next several years. It is an opportunity to focus on our secondary colleges which were not part of this program and provide some refurbishment upgrade for them from the capital grants funding available.

Senator BACK—Sure. It is recognised that once a building is up it has to be maintained. What impact will this have on your recurrent budgets in the schools? How will you meet that added maintenance cost? Will this cause school fees to rise significantly? How do you propose funding ongoing maintenance?

Mr Barker—In the short term it is a boon in that we will have much less maintenance—not doing minor upgrade projects because they are part of the BER project, or the P21 project. In a number of our schools in New South Wales refurbishments were of very old pre-existing buildings, so that will take the away the need for maintenance for many years to come. Longer term, yes, there will be maintenance requirements. As refurbishments, a lot of the projects are within the current footprint of the building; they are not necessarily new buildings that need to be maintained.

Senator MARSHALL—You could always save on the maintenance costs by not having the buildings.

Mr Barker—Indeed.

Senator MARSHALL—But I am sure you appreciate the buildings greatly.

Mr Barker—Absolutely, yes.

Senator MARSHALL—You have already said that they added significant value to your schools and the quality of education.

Mr Barker—They certainly do, yes.

Senator MARSHALL—You also raised some concerns about what may happen in the future. I think you are right to be concerned about the lack of support from Mr Abbott and the Liberal Party for this ongoing program. They voted against giving you this money in the first place.

Senator BACK—Is there a question somewhere there, Senator?

Senator MARSHALL—Do you think you have got good value for money, Mr Barker?

Mr Barker—As I mentioned, our tender processes are still very strong, very competitive. I mentioned earlier the flexibility. I think there is sufficient flexibility for us to do things. For example, there are a few schools in the ACT where, when they were built in the 1970s and 1980s the hall was the centre of the school and the central focus for the school. These days the central focus should be a contemporary library, information centre and learning spaces. So we have taken the opportunity to build a new hall, in some cases external to the school and available to

the community, and have as a central focus that library and information centre. That has been a great bonus for those schools.

Senator MARSHALL—So you are convinced that the quality of the buildings and the environment that the students actually work and learn in improves the educational outcome for students as well?

Mr Barker—Absolutely. I am not an educationalist; I am a finance and planning person. But certainly the advice that I have received is that that is the case—particularly the contemporary library and information centre type projects, and the refurbishment of classrooms so that they reflect contemporary teaching practices. For example, in a number of schools we refurbished classrooms by opening them up and providing glass walls so teachers can see what is happening in other classes and discuss and work with other teachers on some of the practices they have seen during classroom teaching.

Senator MARSHALL—We have asked many of these questions, and I suspect your experience has been similar to the rest of the Catholic system in different states and areas.

Mr Barker—We are a step removed from the BGA. We are a Catholic system, as opposed to the BGA, and we work through the BGA. So we are a step removed from the DEEWR processes to some extent.

Senator MARSHALL—So you did not have much direct interaction with DEEWR.

Mr Barker—No.

Senator MARSHALL—I will not ask you about that. In terms of the guidelines for the program itself, the program was able to be implemented?

Mr Barker—Yes, it was. The guidelines were evolving as with any new project. As I understand it, we have had good feedback from both our ACT and NSW block grant authorities on events as they occur and progress in developing and refining the guidelines.

Senator MARSHALL—Thank you. I just make the point that I do not have a lot to ask you; we have asked a lot of these questions of the different block authorities. Unless you have something different that you want to tell us from your experiences, that is all. Thank you for your presentation.

CHAIR—Senator Mason, do you have any questions?

Senator MASON—Thank you.

Senator MARSHALL—Mr Barker, you might get a commitment about ongoing funding.

Senator MASON—Well, process is the most important thing at the moment, Senator Marshall. State government schools are not getting value for money. That is what the committee is concerned about; that is what parliament should be concerned about. Mr Barker, you

mentioned your experience of the Catholic system in the archdiocese of Canberra and Goulburn has been good.

Mr Barker—Yes, very positive.

Senator MASON—And you are convinced that you have received value for money for your BER projects.

Mr Barker—Yes, as I said, it is demonstrated by the strength of the tendering processes and the responses.

Senator MASON—You say on page 2 of your submission that all contractors won the projects on a competitive tender basis.

Mr Barker—That is correct.

Senator MASON—You would argue that that is a very important aspect of procuring good value for money?

Mr Barker—It is indeed. At the very beginning of the process we advertised widely across the outer diocese for expressions of interest for builders and contractors to be involved in the project. To an extent we have done a selective tender basis but we have had very strong responses from all our tenders.

Senator MASON—I think you also said in your evidence that you were lucky in most cases to secure local contractors.

Mr Barker—Absolutely.

Senator MASON—So it had a better stimulus effect in local areas than it might otherwise have had.

Mr Barker—In the ACT in particular. It is a bit of a financial microcosm. It has infrastructure there. In New South Wales if the builder or project manager was not local they were certainly using local subcontractors.

Senator MASON—We just heard some evidence from the Queensland Catholic Education Commission. Mr Lorenz gave evidence that it has been about 20 years or so. Mr Daniels from the independent sector gave the same evidence. Is that the same in the ACT—that for about 20 years or so you have been looking—

Mr Barker—As I understand it, the block grant authorities were developed as one at a certain time in history and, as I have mentioned, we are quite unique—I think we and the Northern Territory are joint block grant authorities and we work very cooperatively with the independent sector. It works very well.

Senator MASON—So you have experience in administering large capital expenditure.

Mr Barker—Yes, and within our own Catholic Education Office we would administer probably four, five or six major building projects a year across the archdiocese.

Senator MASON—Again it is the same arguments about flexibility and autonomy that have enabled you to get good tenders—and also to obtain the sorts of buildings that you want.

Mr Barker—Absolutely.

Senator MASON—Where are you in terms of the commencement and completion of all the projects.

Mr Barker—We are on track. Our final round 3 projects are in the final stages of development. I think we will be meeting the deadlines required. We have had some official openings of major projects already.

Senator MASON—Senator Back asked about comparative costs. Mr Barker, you will provide the committee with those?

Mr Barker—Yes.

Senator MASON—I know we have done that for New South Wales already but it would be useful to have the figures for the ACT to add to the quantum of evidence for the committee's appraisal. Thank you.

CHAIR—Thank you. That does conclude questioning from senators. Thank you for your appearance before the committee today. We will take a short break.

Proceedings suspended from 11.53 am to 12.10 pm

MAYNE, Mr Craig, Private capacity

CHAIR—Welcome. Thank you very much for your submission to the inquiry. Do you have any comments to make on the capacity in which you appear?

Mr Mayne—I am not representing anyone other than what I might consider to be the silent majority of Australians.

CHAIR—I invite you to make a brief opening statement to the committee before we proceed to questions.

Mr Mayne—Thank you. Before I start, I would like to firstly acknowledge all of the people who have testified in this hearing to date. I know for some of them it has been quite difficult, certainly if they were coming from a small school and perhaps putting forward a negative story that might not be welcomed. Some of them have undergone quite personal hardships to make their way to the hearing, so I would like to acknowledge those people.

My interest in BER started in February of 2009. In the preceding year I had been the president of the Holland Park State School in the federal electorate of Griffith. During the course of 2007 and 2008 we undertook the process of building a multipurpose hall at Holland Park with funds from the P&C. We had over \$400,000 of P&C money, we borrowed \$400,000 as a Treasury loan and we were successful in getting a competitive grant under the Smart School Subsidy Scheme.

During that process, I was effectively looking after the project management on behalf of the P&C, so for a course of almost a year I spent every day having to wrangle a prequalified contractor underneath the Education Queensland framework over variation claims. That contract terminated around 16 December 2008 and the BER was announced on 2 February 2009. So my great concern, given my experience, was what would happen with the largesse shown by the government in the volumes of money that were going to be released; and how would that be handled amongst the state system knowing the builders that I did?

I have seen some of the transcripts from your discussions over the last few days and I notice there has been a lot of reference to fruit as in comparison of apples with apples, and apples with oranges and various things. I am hoping today that I can effectively become Con the fruiterer for you all and provide some clarity in respect of those comparisons.

I brought with me today a copy of *Rawlinsons Australian Construction Handbook*. For those of you who do not know it, this is deemed to be the bible in Australia of construction costs. It is used by the majority of quantity surveyors both private and government. It is accepted in the courts of the land as being the authoritative text, so I imagine the folks at Rawlinsons are somewhat galled when they find bureaucrats trying to cover their position by claiming that there is a comparison of apples to oranges or apples to grapefruit or whatever we would like to chose.

I have provided, I believe, through Glen to you today an analysis of the BER program in New South Wales. So I have looked at every building in New South Wales that is shown to be being constructed by the IPO office in that state. The standard square-metre rate—and there has been a

lot of discussion today already about the square-metre rate proposition—for single-storey education buildings in New South Wales is \$1,350 per square metre.

That excludes the professional fees that you would normally expect to be in the range of around 12 per cent as a general rule. The only addition to those figures would be the cost of electrical upgrades which New South Wales have deemed to be necessary which I think totals some \$148 million, which does not say a hell of a lot about the electrical systems in New South Wales. What the analysis shows is that for around \$1.65 billion, using this as a guide, you can build every project in New South Wales with inclusion of profit. All of the standard costs are included. The amount of money allocated under P21 in New South Wales is \$2.985 billion. That is roughly 50 per cent of the cost. It is slightly more than 50 per cent of the allocated money that should be used to actually construct these buildings.

The key issue that I have heard in both one-on-one discussions with bureaucrats and politicians is the reference to what is referred to as benchmark or fair value pricing. The complexities of this can be quite labour intensive. Benchmark pricing, according to the state authorities, is where they have looked at the costs of buildings that they have constructed over a period of time. Evidence shows that the costs of those buildings have been inflated to what you would compare or expect under a normal or traditional commercial arrangement. So when the education minister of New South Wales says, 'We are using fair value, we have quantity surveyors', my understanding from speaking to some of those quantity surveyors is that they have to use what the government deems to be the benchmark. My analysis shows, both in New South Wales and Queensland, that the benchmark is greatly inflated above what you would expect in a normal commercial environment.

Yesterday you heard some evidence from Michael Coutts-Trotter who made a very sensible suggestion that the claims of rotting and overcharging should be referred to ICAC and, I guess by inference, the CMC in Queensland. That is a cunning plan. The problem with it is that—from what I can see—the managing contractors in both these states have not actually done anything wrong. Under contract law, they have provided an offer to do work. They do the work, so the offer has been accepted, and at some point consideration will pass and that will be the completion of the contract. So the spurious claims—and I have heard them a number of times—about let us refer it to some legal authority are just a con. There are no legal grounds on which you could have a go at these contractors.

The other issue is the obvious state and federal divide. You talk to the state government and they say: 'These are the guidelines that are set by the feds. We cannot change them; we have to comply.' You talk to the feds who say, 'We have no input; it is the states.' As part of every BER P21 project in this country, they have to submit to the Department of Education, Employment and Workplace Relations what is referred to as a project definition of plan and, as part of that, they have to submit a cost plan summary. I have also provided two of those to you this morning for two different public schools in Queensland. So for the department, the Commonwealth, to say it does not know what is happening in the states is laughable. They have the detailed costing information on every single project. So I am at a loss as to understand how these things come up.

Mr Coutts-Trotter yesterday also put to you that one of the reasons that buildings in New South Wales are not an apples to apples comparison is because they are termite proofed. There are a number of issues with that. One is that the cost of putting Termimesh under a concrete slab

in any building is roughly between \$23 and \$34 per square metre. If you add those figures across the per square metre rates currently being paid by the New South Wales government, it adds 0.64 of a per cent to the overall cost.

In the second instance, I am intrigued as to the assertion he has made—given that all of the buildings in New South Wales are required to be fabricated from steel studwork. Obviously, they have found in New South Wales some new form of termite that eats steel rather than timber. Another interesting thing I found is that the Australian Taxation Office provides, on its website, which is publicly available, comprehensive and comparative data for the construction industry. So if you want to go on and see what the cost of a lineal metre of guttering is, the ATO actually have that information available and, oddly, it is very similar to those figures published by the *Rawlinsons Australian Construction Handbook*.

The Deputy Prime Minister is also on the record as likening the BER rollout to that of a home renovation—that there, of course, will be some problems and there will be some cost blowouts. What she has failed to recognise is that via the states she has employed the largest, most experienced managing contractors in this country. So if they are having problems, then God help all of those people who are out there doing their home renovations. I have heard lots and lots of spin from politicians and bureaucrats over many months now. I would suggest that we cut out the middleman and go straight to Fisher and Paykel and buy ourselves a good washing machine, because that is where we will get all the spin we need. I truly hope this inquiry finds that there is a case to answer and finds that significant amounts of taxpayer dollars have effectively been wasted.

CHAIR—Thank you, Mr Mayne. We will now turn to questions from the senators. At 7.4 of your submission to the inquiry, under the heading ‘Independent quantity surveyors—Currie and Brown’, you provide an analysis of projected costs for the Hendra State School, the amount allocated under the BER and then a comparative commercial value. You have \$850,000 versus \$200,000. Can you take us through why you say that is a realistic comparison?

Mr Mayne—What I have provided you with today is a copy of the Hendra State School cost plan summary, which was submitted by the Department of Education and Training in Queensland to DEEWR in Canberra.

CHAIR—And, as you said, that comes to the \$850,000 that they have been allocated under the BER program?

Mr Mayne—Correct. Just before I go on, maybe what I should do is cover off what the state department deemed was happening with the BER. I think it is quite insightful. In the government’s July 2009 procurement plan, under ‘Failure to deliver value for money’, it states:

In the drive to meet the tight timeframes for delivery and expenditure there is a heightened risk that the State may pay too much for what are relatively simple buildings. In particular, there is a concern that excessive fees and charges will significantly reduce the amount of building delivered for the fixed budget.

The likelihood deemed by the department was ‘high’ and the consequence ‘medium’. The Hendra State School building is, as defined by the department, a relatively simple building totalling a gross floor area of 289 square metres.

CHAIR—They got a new resource centre, RES1—that was it.

Mr Mayne—Yes. The RES1 is a standard cookie-cutter design. It is an existing design. There were some minor modifications made to that plan as they wanted to move an internal wall. The cost of that minor design change you will see from the figures here. The professional design cost, at line 2.1, was \$63,149.

CHAIR—To move a wall?

Mr Mayne—No, that is not to move the wall—that is to change the plan to show that the wall will be moved.

Senator MASON—The design work.

Mr Mayne—I contacted Dixon Homes, which is a respected home builder in Queensland. The type of construction that we are talking about is an apples to apples comparison. It is a concrete slab, timber framework and Colorbond roof, and away you go. It is not complicated technology. To build a building of the same size but including two toilets, two kitchens, two laundries, two bathrooms, solar hot water, solar voltaic cells on the roof, et cetera, the Dixon Homes cost was \$194,000 complete—drive-away price. If you wanted to change the design, their cost: 1.5 per cent of the contract price.

CHAIR—Which we have here, you have alluded, is 7.43 per cent of the contract price to actually make a design change.

Mr Mayne—Correct. Their cost to do that is \$2,600.

CHAIR—We are going to be short of time, but my question to you is: in terms of the information you provided to the Senate inquiry, when you say ‘a comparative commercial value’—and this has come through witness after witness—why do you say, ‘That is a fair analysis’? You are talking here about a very significant difference in price.

Mr Mayne—I understand the significance of the difference, very much so. In fact, I have been advocating for someone to look at this since the second week in February 2009. I have spoken to virtually every level of politician and bureaucrat in this nation, up to and including the Prime Minister’s office. I keep drawing you back. *Rawlinsons* handbook is what is used by the courts of this land for the determination of issues in respect of building and construction costs. If it is good enough for the Supreme Court to accept this as a fair guide—I am not saying it is the exact, end-of-the-day price; every site has differences—

Senator MASON—It is ballpark, isn’t it?

Mr Mayne—There will be anomalies on every site, but not anomalies that account for 70 per cent of the allocated funding. That is just nonsense.

Senator MASON—Mr Mayne, I noticed you kicked off your submission with a quote from Alan Shepard, the first American in space.

Mr Mayne—I am very fond of the government tendering process myself.

Senator MASON—We have heard some evidence this morning, and I know my colleagues have heard over the last few days about the independent and Catholic sectors. They argue that a competitive tendering process is critical to getting the best outcome and the best value for money.

Mr Mayne—Absolutely. I could not agree more.

Senator MASON—They have said it, indeed, this morning. I think that is a fair assessment of the evidence. You say in your submission that none of the three rounds of BER projects in Queensland have been put on tender. Is that right?

Mr Mayne—That is correct.

Senator MASON—Why do you say that? The consequence of that, of course, is that you do not have the lowest price, the best price and the most flexibility. Why do you say there has been no competitive tender?

Mr Mayne—I have a letter dated, I think, 16 September from the coordinator-general's office at the Department of the Prime Minister and Cabinet stating that they have been advised by the Queensland Department of Public Works that all work in Queensland has been tendered. I have documents from the Minister for Education and Training, Mr Geoff Wilson, who acknowledges that, on or about 1 April 2010, \$490 million—which is round 1 of the BER/P21 in Queensland—was not tendered. The subsequent round 2 and round 3, totalling around \$1.2 billion, was allocated using the managing contractor model. The problem with that is: how were the fees for the managing contractors determined? They were determined collectively. I cannot say that they all got together, but I know that there were discussions between them, and the chief executive of the Master Builders Association of Queensland negotiated a fee of six per cent for and on behalf of those managing contractors. Interestingly, the industry standard for that role would be generally viewed at around two per cent. The federal government deemed that a four per cent ceiling would be appropriate. The CEO of the Master Builders Association is on record as saying, 'If they were willing to accept six, why would we go for four?'

Senator MASON—So what you are telling us is that effectively you have eight managing contractors, operating as sort of a cartel, setting a price.

Mr Mayne—I could not possibly make that assertion that they are operating as a cartel. I think there are serious questions to be answered in respect of that.

Senator MASON—As to why it is six per cent?

Mr Mayne—Correct. The other complicating factor in respect of those managing contractors is that, on the face of it, it appears that there are eight of them. Three of them form one group, which is Leighton Holdings; so Leighton contractors, John Holland and Thiess are one company, effectively. Baulderstone and Abigroup form part of the Bilfinger Berger conglomerate from Germany. Then the remaining three are Watpac, Hansen Yuncken and Laing O'Rourke.

Senator MASON—What you do outline quite clearly in your submission is quite clearly that this process that the government adopted in Queensland—and elsewhere, but let us talk about Queensland—

Mr Mayne—New South Wales is basically identical.

Senator MASON—Sure, I accept that. For state schools it is quite different from independent and Catholic schools.

Mr Mayne—A question you have asked repeatedly this morning is, ‘If we all had our druthers, what would we do next time around?’ I would go the Catholic and independent schools and say, ‘Can you handle this for us?’ without a doubt.

Senator MASON—I was going to ask you that. So greater autonomy for principals and P&Cs is a far better way of getting value for money and competitive tendering—is that right?

Mr Mayne—There are some caveats on that. There are obviously some schools that I have spoken to in the last few days that do not have P&Cs. One of them, in fact, is a tiny little school called Toomelah, about 10 kilometres outside Boggabilla. You have to keep getting to bigger towns before people know where it is, like Goondiwindi. It is on the Queensland and New South Wales border. They, unfortunately, received a 24-square-metre double brick canteen for around \$600,000. They themselves had to contribute a further \$20,000 from their recurrent budget to put cupboard doors on the cupboards and to put on a security mesh door, because they suffer a great deal of vandalism in their community. The flywire door that was part of the building was completely inadequate. They air-conditioned the building because their average temperature during the summer is around 42 or 43 degrees.

Senator MASON—You say that the Department of Public Works are higher than commercial or competitive benchmarks.

Mr Mayne—Absolutely.

Senator MASON—In your personal experience of dealing with the department—and, indeed, as a result of your research, what is your estimate of the difference between the two?

Mr Mayne—Certainly from what I have seen, as a general view, in the states that use a managing contractor model I would expect buildings could be built for close to 50 per cent of the allocated funding. Maybe if I take you to the process—and I know this was discussed this morning—of how you got to choose what you built. Effectively what happened was that schools were allocated money based on their enrolments and there was a notional figure. If you had 150 students, you got \$850,000. If you had 151 students you got \$2 million. That in itself has created a great deal of inequality, even in similar suburbs, which I am happy to talk about.

Senator MASON—You talk about enrolment dates in your submission as well.

Mr Mayne—Correct.

Senator MASON—It would seem—and the Auditor-General points this out—that there has been some playing with figures about enrolments.

Mr Mayne—On the face of it, it would seem that is true. So you are allocated an amount of money. Then in Queensland—and I assume this has happened in other states—there was an intranet site set up and you effectively went on to a restaurant menu. Priority 1 was a library. If you could prove that you had an existing library that complied with the guidelines then you got to choose fish fingers as opposed to fish and chips. It went on. If you then could prove you had a hall, which was a level 2 priority, you could go to level 3. Then you could go to level 4 and so on. Next in the managing contractor model they would have what was referred to as a pre-meeting—I had never been to a pre-meeting in my working career before; it was an interesting experience—where you were introduced to the managing contractor that has been provided to your school. Effectively the conversation is, in very rough terms—

Senator HANSON-YOUNG—Did you know at this stage that your application had been successful?

Mr Mayne—I am not aware of many schools whose applications were not successful.

Senator HANSON-YOUNG—In the process, I am saying. Is the pre-meeting after you have been told, ‘Yes, you are going to be allocated this’?

Mr Mayne—At the pre-meeting stage the money had been allocated, yes. In essence, the conversation is: ‘School A has been allocated \$3 million. The school by default has to build a library—go do it.’ My experience of many, many years in the construction industry is that that is a recipe for rorting and price gouging. I assure you that in the majority of cases the cost of that building will be the allocated funds.

Senator MASON—Surprise, surprise.

Mr Mayne—You may well say that. The interesting thing in New South Wales is that before the government will refuse to pay a builder the cost of the building has to exceed 105 per cent of the allocated funds. So if you were allocated \$1 million the builder can, in effect, charge you \$1,050,000 and the government will pay it.

CHAIR—Where is the evidence of that?

Mr Mayne—On their website.

Senator MASON—It is a standard practice.

Mr Mayne—It is a standard practice.

Senator MASON—Cutting to the chase then, you would say that, as part of the Building the Education Revolution Program for state schools in Queensland and throughout Australia, basically taxpayers have been ripped off and school communities have been ripped off.

Mr Mayne—I think the evidence that is available and the costs that have been charged, irrespective of the apples to apples comparison that people like to use, indicate that the costs being paid by the taxpayer for the delivered infrastructure is grossly inflated.

Senator MASON—And you mentioned the 450 per cent.

Mr Mayne—Certainly for the analysis that we have done in New South Wales. Hats off to New South Wales for sort of making the information available, unlike Victoria that refused to give any information about anything. Queensland has not released any cost data for individual projects, but a lot of the other information has been made available via their websites.

Senator MASON—So you think the Commonwealth department does have that information.

Mr Mayne—Absolutely, it has that information.

Senator MASON—Why do you say that?

Mr Mayne—Because, as part of the guidelines, each project is required to submit a project definition plan, including a cost plan summary, for every project before funds will freely flow from the department.

Senator MASON—We will see how we go this afternoon.

Senator MARSHALL—Mr Mayne, you said that you were effectively looking after the project management at Holland Park State School. What does ‘effectively looking after it’ mean?

Mr Mayne—There was a project manager on the site who was paid. As my residence is within probably one kilometre of the school I was on site two or three times a day to make sure that what had been said was going to happen on the day was actually happening on the day. Then I would meet on a daily or second-daily basis with the project manager to confer about progress.

Senator MARSHALL—That was in your position on the Parents—

Mr Mayne—I was the president of the P&C. When there were discussions regarding spurious variation claims, which happened regularly, then it would fall at my feet to, I guess, play bad cop with the builder to discuss the differences of opinion on that.

Senator MARSHALL—In your submission, you talk about ‘my experience on this and other projects’. What other projects do you have experience on?

Mr Mayne—In respect of Holland Park State School?

Senator MARSHALL—No, you have also said your ‘many, many years in the construction industry’. What is your experience in the construction industry?

Mr Mayne—I have worked in and around the construction industry from the 1979 through to 1995.

Senator MARSHALL—Doing what?

Mr Mayne—I was a civil engineering draftsman who worked both at a government instrumentality and also in private practice in a consulting engineering firm.

Senator MARSHALL—That's it?

Mr Mayne—My normal job today is a project manager across a variety of different areas.

Senator MARSHALL—What areas?

Mr Mayne—Not specifically with building.

Senator MARSHALL—Are there any building?

Mr Mayne—In the last few years? Other than with Holland Park State School, no.

Senator MARSHALL—So you have never been a project manager in the building construction industry?

Mr Mayne—Not in the last few years, no. But I was.

Senator MARSHALL—Ever?

Mr Mayne—Yes.

Senator MARSHALL—When?

Mr Mayne—When I worked in government and private practice. We would project manage buildings.

Senator MARSHALL—You said you were a draftsman.

Mr Mayne—Yes, but draftsmen go out on site and look after project management.

Senator MARSHALL—So you were a project manager.

Mr Mayne—It all comes down to definitions. As a design draftsman on numerous projects you would effectively become the project manager, so you would be out on site ensuring that the workforce were carrying out the tasks as required by the project, so yes.

Senator MARSHALL—Would there be a project manager on those sites?

Mr Mayne—No.

Senator MARSHALL—So who would be managing the project? You said that you were managing the construction projects.

Mr Mayne—In many cases, yes.

Senator MARSHALL—Which cases?

Mr Mayne—Do you want specific cases?

Senator MARSHALL—Yes, I would not mind. You should not worry about this; it is just that you said you are here not representing anybody. You have provided evidence to the committee I want to make sure that you have some qualification or experience to back that up—that is all. I want to know the level of your experience and that is the only reason I am asking.

Mr Mayne—Fine. They are so far back I cannot think of specific cases when I worked for the City of Glenorchy managing civil projects from the installation of sewerage systems, water reticulation systems, roadworks and a variety of other aspects. I worked for a company called PLFB Consulting Engineers in Tasmania. We looked after the Marine Board equipment depot on the waterfront of Hobart. On the Launceston General Hospital, Mersey General Hospital and the TAFE college projects I was not the project manager, but I would go to site to look at progress and to converse with the project managers. They are major projects.

Senator MARSHALL—Were these all before 1986?

Mr Mayne—Those ones, yes.

Senator MARSHALL—So you have not done any building construction project management since then?

Mr Mayne—Other than the projects at Holland Park, yes, that is correct.

Senator MARSHALL—But you are not the project manager at Holland Park.

Mr Mayne—Officially, no.

Senator MARSHALL—What are your educational qualifications?

Mr Mayne—I left school with a high school certificate and studied civil engineering at the Hobart Technical College.

Senator MARSHALL—What sort of civil engineer are you?

Mr Mayne—I am not a civil engineer; I studied civil engineering as a design draftsman. Civil engineers need to go to university and I did not do that. I have never stated that I was a civil engineer.

Senator MARSHALL—You specialised in computer aided design and drafting.

Mr Mayne—That was subsequent to my working in a consulting engineering practice, correct.

Senator MARSHALL—I pulled information from your website this morning that you have 15 years experience in civil and structural engineering .

Mr Mayne—Correct.

Senator MARSHALL—Do you have experience in structural engineering?

Mr Mayne—As a structural design draftsman, yes—structural steelwork and structural concrete.

Senator MARSHALL—Your website goes on: ‘demonstrating expertise in project and event management ’. Again, what was your experience in project management—just at the Glenorchy City Council?

Mr Mayne—And PLFB consulting engineers.

Senator MARSHALL—When was PLFB consulting engineers?

Mr Mayne—From memory, I think it was about 1985.

Senator MARSHALL—What did you do for them?

Mr Mayne—I was a design draftsman for them.

Senator MARSHALL—And you were project managing construction sites?

Mr Mayne—No, I mentioned previously that on those larger projects there would have been an onsite project manager.

Senator MARSHALL—On your website you say, ‘demonstrating expertise in project and event management, fund-raising, negotiating contracts, and managing complex projects’. Can you give me some examples of the work that you have done?

Mr Mayne—In recent years I have worked in conjunction with a company called IMG, International Management Group, working on a number of television projects, which was basically project management.

Senator MARSHALL—What sorts of projects?

Mr Mayne—Television series projects.

Senator MARSHALL—So not building construction type projects?

Mr Mayne—No, absolutely not. With respect, I am not here as an expert witness with respect to the construction industry. I am here giving you the benefit of the analysis that I have done and looking at what has been going on with BER.

Senator MARSHALL—Thank you for that. What do you do now?

Mr Mayne—I look after a series of projects for different companies. I am currently working on a major event project for a large pharmaceutical company.

Senator MARSHALL—What sorts of events? Again, they are nothing to do with building construction?

Mr Mayne—No, absolutely not.

Senator MARSHALL—What sorts of events, media events?

Mr Mayne—Large conference events, so logistics and—

Senator MARSHALL—Media events?

Mr Mayne—Not media events, no.

Senator MARSHALL—You talked about personal hardship for people who made their way to the hearing. Is that you?

Mr Mayne—No, not at all. I was thinking of one of your witnesses yesterday who had to drive 1,000 kilometres to attend the hearing. He, I think, has been quite strident in trying to get best value for his school, and I think it is fair and reasonable to acknowledge the people who are stepping well outside their comfort zones.

Senator MARSHALL—How did you get here?

Mr Mayne—I flew in an aircraft. Someone else was driving.

Senator MARSHALL—Someone else was driving; who paid for that? Who is going to pay for that?

CHAIR—Senator Marshall, I think you are actually aware of how Mr Mayne got here and the circumstances, because the committee did make a determination.

Mr Mayne—This committee is paying, I assume. I have no idea who is paying. My costs were to be covered as far as the air costs. I foolishly had assumed that, when committees were calling witnesses, they would have actually paid for all witnesses, particularly those that were coming from very small groups.

Senator MARSHALL—So the committee called for you to appear?

Mr Mayne—I put a submission in and I was asked to appear as a witness.

Senator MARSHALL—Okay. Have you had any other discussions with anyone from the committee?

Mr Mayne—I have spoken very briefly to Lisa from Senator Cash's office to ask what was happening in respect of these hearings.

Senator MARSHALL—No other conversations or discussions?

Mr Mayne—No.

Senator MARSHALL—You talked earlier about it being a con to suggest that any accusations of wrongdoing could be referred to the appropriate authorities. That is what you said, isn't it?

Mr Mayne—I am not a lawyer but that is my basic understanding of contract law.

Senator MARSHALL—You said you have not accused anybody of doing anything but, really, the tenor of your submission is that there has been collusion not only between builders but between builders and departmental officials and government officials.

Mr Mayne—No, that is not what I have said at all, Senator.

Senator MARSHALL—It is not?

Mr Mayne—No, absolutely not.

Senator MARSHALL—What did you say?

Mr Mayne—What I have said is that what evidence there is and what is on the record for a lot of these people, particularly in Queensland in respect of the managing contractors, is that the Master Builders Association are on the record as to how the arrangements were negotiated. That is not something that I have been involved in. What I have said is that, if that is the case, then I think it asks some serious questions that need to be answered.

Senator MARSHALL—You said:

Both the Master Builders Association and DET acknowledge that the fees paid to the Managing Contractors were negotiated as a pact / agreement between the Managing Contractors and aided by the Master Builders Association.

Are they your words or their words? What do you mean by 'a pact/agreement'?

Mr Mayne—They are my words. My understanding from them is that they negotiated the fee with the state of Queensland collectively. It was not Abigroup negotiating its fee itself and John Holland negotiating its fee itself. They negotiated as a group. They are not my words.

Senator MARSHALL—What is wrong with that is you are inferring that there is something wrong with the process.

Mr Mayne—My understanding is that to do so could be seen as the creation of a cartel.

Senator MARSHALL—So you are saying there is something wrong with the process.

Mr Mayne—I think the process, from what I have seen, is fundamentally flawed, yes.

Senator MASON—It does not mean it is criminal or illegal. That is a different issue.

Mr Mayne—I am only using the definition of a cartel as provided to all of the government departments by the ACCC in October of 2009.

Senator MARSHALL—Apart from what you have written here you do not have any other evidence of anything untoward.

Mr Mayne—In respect of the managing contractor?

Senator MARSHALL—Yes.

Mr Mayne—No.

Senator MARSHALL—The timing of this puzzles me. You said you became concerned about value for money on 2 February 2009.

Mr Mayne—No, that is not what I said.

Senator MARSHALL—I thought you said that. What did you say? I thought you actually said you first became concerned in the second week of February 2009.

Mr Mayne—That is closer to what I said. In 2008, during my work at the Holland Park State School multipurpose hall, I had seen firsthand the way in which the system could be rorted by spurious variation claims. Once BER was announced I immediately—based on the experience of the preceding 12 months—contacted my local federal member, who just happened to be Kevin Rudd, to raise the alarm about what might happen if this program were not appropriately controlled. I subsequently met, on 9 March 2009, Senator John Hogg at a public meeting which he had called at the Coorparoo Bowls Club. I think that only four members of the public turned up, so it gave me an opportunity to raise these same concerns with Senator Hogg. I subsequently—I believe the following day—provided a briefing document to Senator Hogg of the discussion and of what I thought might happen. As it has turned out that document has become quite prophetic.

Senator HANSON-YOUNG—Mr Mayne, why have you spent so much time putting this analysis together? We have heard directly from principals, presidents of school P&C groups, education unions, and representatives—or one representative thus far, we are yet to see more—from state and federal departments. They obviously are intrinsically linked to this whole process. Why would you do this?

Mr Mayne—At the start I was trying to look out for the best interests of Holland Park State School of whose P&C I was, at the time, president. I like to think that I took my role there as responsibly as I could. As Senator Marshall points out, it may be some years since I have actually worked in the construction industry but it is a bit like riding a bike: once you have

learned how to do it you tend not to forget. I was very familiar with the process and as time has gone on even though my relationship with Holland Park has ceased—my children no longer go there—I would still like to see the school benefit from this process as much as it can. Beyond that—my wife would probably say that I have become obsessed. I have always followed a guy, in the US, a writer named Izzy Stone—you may not have heard of him. He was probably one of the most renowned investigative journalists in US history. This is sort of post war. All of the greatest scoops in his journalistic life came from looking through the volumes and volumes of data that came out of governments. I had been reading about Izzy Stone in the middle of last year and I thought, ‘That is an interesting approach. I wonder what one can find by reading the documents that are published by governments?’ Now, I have found that the New South Wales government, to their credit, say that they have an open book policy in publishing: everything about BER is on their website. That is not quite true, in that their website does not determine who the builder is or who the construction manager is. It also does not identify the type of building that is being built. The website will not say it is a 14-core library or a seven-core canteen; it will say library or canteen.

The New South Wales government do not identify the regions in which their schools sit, so to do an analysis of which builders have actually got what jobs is very difficult. I was actually able to achieve it only a few days back but only by finding data relating to school staffing and an Excel spreadsheet that the government provided as to where teachers were allocated where it mentioned the region so that it could all be cross-referenced back.

In Queensland, cost data for individual schools is not available but the allocation of projects to builders and the allocation of money to schools is available in two separate documents, but not in the same document. I was able to find a software programmer in Israel who had developed a program that enabled you to interrogate a PDF file—I am not sure if you are familiar with that type of file—and extract it into a spreadsheet. Once you had all of the data in a spreadsheet, by using the name of the school, which is the common denominator in all of this, you could cross-reference the data. That was what I did.

I often ask myself why I am doing it. I have been vilified by some politicians.

Senator HANSON-YOUNG—What are you referring to there?

Mr Mayne—They have had goes at me. Even bureaucrats have. They are not happy to hear from me, and I understand that and that is fine. I am really here to tell the story, as I see it, as everyone else has been availed the same opportunity. I have no axe to grind. This is just the information that is.

Senator HANSON-YOUNG—In the information you have given us in your submission there is really nothing specific about your old school; it is all based on other schools in other projects.

Mr Mayne—Correct.

Senator HANSON-YOUNG—What ended up happening to Holland Park State School? What type of project did they get and how did that work?

Mr Mayne—The project definition plan was probably accepted by the federal government in around July or August of last year, I believe. That was split into two lots of money. The school had an enrolment of 741 students. It was allocated \$3 million under P21 and \$200,000 under the NSP component. The \$3 million was divided into two parts: one of \$2.2 million for the construction of some classrooms and another amount of \$800,000 that was allocated to the completion of the hall that the P&C had originally started. So that was the addition of a school tuckshop, landscaping, an audio/lighting fee out of the hall and various other components.

In late August 2009 we were allocated Baulderstone as a builder. At the premeeting we discussed how all of that would work. I understand at subsequent meetings that Baulderstone told the education department—and which was referred to the school—that the \$2.2 million would not be enough to build the classrooms and they wanted to effectively second \$300,000 from the hall refurbishment allocation across to the classroom work. The hall work has commenced in the last month—as in completing that—and to my knowledge there has been no activity in respect of the classrooms.

Senator HANSON-YOUNG—I just want to go back to this point that you made about irritating elected members—although I am not sure that was the word you used; I think you may have said ‘frustrating’. Kevin Rudd is your local member.

Mr Mayne—Correct.

Senator HANSON-YOUNG—Had you had much to do with him prior to approaching him over this issue?

Mr Mayne—I had had meetings with him in the past, yes, but on completely non-related issues—even prior to my involvement in the P&C at the school.

Senator HANSON-YOUNG—Sure. So you are obviously an active member of your local community, then. It is not the most normal thing for people to do. Not everybody hassles their local MP. I wish they did—as somebody who believes in grassroots democracy—but not everyone does.

Mr Mayne—I would like to think that I have never hassled my local member. The opportunity never really avails itself, because we rarely ever see him in our electorate these days. As the Prime Minister, he obviously has a fairly important role, and we do not often see him.

Senator HANSON-YOUNG—But you obviously have an understanding of how government works, of how the process works. You had a concern, you went to your local member, you put in a submission to the Senate inquiry and you have done all this research, so you obviously have a good understanding of the workings of government.

Mr Mayne—I think that would be a very long bow to draw. I choose not to know. I would find it far too frustrating, I think, for me and my personality. I have to admit I do have personality flaws, as do we all.

Senator HANSON-YOUNG—As does Kevin Rudd, we hear.

Senator MASON—Very cruel!

Mr Mayne—In respect of this particular project, never in my life have I ever taken the steps that I have in respect of this. I found myself in a position where I had skills—even though they may be related to a previous life.

Senator HANSON-YOUNG—Have you been working or in consultation with people from other schools who are frustrated in terms of this?

Mr Mayne—I have had limited contact with other schools.

Senator HANSON-YOUNG—Or other parents? There is not a parent support group for BER disgruntled members of the community?

Mr Mayne—I wish there were. I have considered starting a Facebook group. There are a lot of people who are concerned. The ones that I speak to certainly convey that they feel it is way beyond their experience and ability to actually do something about it.

Senator HANSON-YOUNG—So your major concern is about the process that has been used; it is not necessarily about how much money the government put out there? Obviously—

Mr Mayne—In respect of the BER, I am happy to go on the record, right here and now, and say: fantastic. The concept of putting needed infrastructure into every school in the land, I could not speak more highly of. Some people from the independent Catholic schools gave evidence this morning—which you obviously missed. They have done an absolutely rip-roaring job and they should be applauded. What I personally find galling is that, when you have to deal with the public school system, it is not just in the BER where they are being overcharged; it is in everything they do in construction. At Holland Park State School, we needed to have the guttering changed on the administration building. I had a local roofing contractor who was doing the hall at the time give me a verbal quote of \$1,800 to replace it. You look at the tax office comparative data, which is publicly available, and their guesstimate is about \$2,000. From QBuild, which is part of the Department of Public Works in Queensland, the price was \$11,000 plus materials.

CHAIR—Mr Mayne, I am going to have to go to Senator Back, because we are about to run out of time. Then I know Senator Marshall also has a final question.

Senator BACK—Thank you. Mr Mayne, you were president of the P&C. Was that a paid position?

Mr Mayne—No. I wish it were.

Senator BACK—You were there from November 2006 to November 2009 in your capacity as president?

Mr Mayne—Correct.

Senator BACK—And in that time, as you said, you were instrumental in conceptual design, development, documentation, funding, tendering et cetera. So part of the funds that were raised by the P&C—which I think was half a million dollars?

Mr Mayne—A shade over \$400,000.

Senator BACK—That was during your presidency?

Mr Mayne—No. I cannot claim that. A lot of that was fundraised prior to my time.

Senator BACK—Prior to your presidency?

Mr Mayne—Yes.

Senator BACK—You mentioned 680 hours of work in 15 months, which is about 10 hours a week. Were you paid by anybody during that 680 hours that you estimated you had put in to looking at this whole exercise?

Mr Mayne—My remuneration on this project to date is zero dollars.

Senator BACK—You have not received any payment from anybody in consideration of the effort or the interest you have put into it?

Mr Mayne—No.

Senator BACK—Are we short of time?

CHAIR—We are. We could go for another maybe three or four minutes.

Senator BACK—I am disappointed that we are.

CHAIR—If you have one or two more questions, please put them.

Senator BACK—Are you prepared to provide to the committee the documentation you sent to our colleague Senator Hogg? You expressed concerns that you said were quite prophetic.

Mr Mayne—I have provided that to a number of different levels of bureaucracy in government.

Senator BACK—You would be happy to provide that to the committee?

Mr Mayne—Everything I have as far as I am concerned is open book. Apart from letters that I have written to individuals, everything that I have is available on government websites. There is nothing that I have that is proprietary in any sense.

Senator BACK—On the concept of the Master Builders Association acting on behalf of contractors to negotiate with government, do you know of any state other than Queensland where that happened?

Mr Mayne—I am not aware of any other states, but to be fair I have not looked either.

Senator BACK—Do you know which contractors the Master Builders Association negotiated on behalf of? Was it on behalf of all of their members that they went to the Queensland government to say—

Mr Mayne—As I understand it—and as was told to me by the Deputy Director-General of Education and Training, Mr Al Wagner, at a meeting some four weeks ago—they sent out expressions of interest to 11 managing contractors. They received responses from eight of them.

Senator BACK—They went forward on behalf of all eight?

Mr Mayne—In general terms, each of those contractors was allocated around—and in some cases a little more than—\$100 million worth of work.

Senator BACK—We will ask the Queensland government why they accepted a figure three times higher than industry standards. You do talk about a principal's representative, an IPO feed, with 'principal' not being the principal of the school.

Mr Mayne—The principal is the owner of the contract, in this case the government of Queensland.

Senator BACK—You mentioned the fact that it was 1.5 per cent over and above what was allocated. Your investigations revealed that at least two states were being paid administrative costs by the managing contractors in Queensland. Am I clear on that? Is it that the contractors are paying back to the state governments?

Mr Mayne—I am not 100 per cent sure on the flow of the cash, but in New South Wales there is a 1.3 per cent IPO fee, which is a fee levied on each project to cover the costs of what I think is the integrated planning office. I am not sure of the title.

Senator BACK—Is this being paid by the managing contractors or by the Australian government?

Mr Mayne—I do not know who pays who, but it is an allocation of money to the state government from the funds made available to the school.

Senator BACK—This is my final question. You mentioned that the independent quantity surveyor challenged 55 per cent of project development plans and that there was a renegotiation of costs. Do you know what the saving was as a result of those 55 per cent being challenged?

Mr Mayne—No, I do not. I do have a meeting with PricewaterhouseCoopers next week to discuss a whole range of issues in respect of their report.

Senator BACK—Time is against us. I would have liked to have asked you some questions about the National School Pride program, which you have at 8.4, but we do not seem to have time.

CHAIR—You are able to put them on notice, though. Senator Marshall?

Senator MARSHALL—No. I think that is fine. We are out of time.

CHAIR—Mr Mayne, thank you very much for your appearance before the committee today. It is greatly appreciated. The committee will now take a break and will resume at 2 pm.

Mr Mayne—Thank you.

Proceedings suspended from 1.08 pm to 2.03 pm

ATKINS, Mr Graham John, Acting Deputy Director-General, Department of Education and Training, Queensland

GRANTHAM, Ms Julie, Director-General, Department of Education and Training, Queensland

GRIERSON, Mr Mal, Director-General, Department of Public Works, Queensland

KRAUTZ, Mr Paul, Director, Nation Building-ESP, Department of Public Works, Queensland

ROBINSON, Mr Craig David, Executive Director, Infrastructure Program Management, Department of Education and Training, Queensland

Evidence was taken via teleconference—

CHAIR—I now welcome by teleconference witnesses from the Queensland Department of Education and Training. I invite you to make a brief opening statement.

Ms Grantham—Thank you for the opportunity to represent the Queensland government at this afternoon's hearing. The Queensland government welcomes the opportunity to participate in the Australian government's Building the Education Revolution program, which will deliver close to \$2.1 billion in infrastructure projects in Queensland state schools over four financial years. I will focus today on the Queensland government's implementation of the BER program, particularly the P21 program element, in Queensland state schools. The P21 element will deliver significant infrastructure to every eligible state school in Queensland in the form of resource centres, multipurpose halls and new classrooms.

In the Queensland government submission we highlight the benefits of the BER program to DET and to Queensland as well as some of the challenges we currently face. For instance, we noted that balancing the Australian government's program requirements for rapid delivery, meeting school community needs, ensuring value for money and providing opportunities for local consultants and contractors will remain an ongoing challenge for the state's implementation. However, we also note that the state is well positioned and is responding to these challenges by utilising and building on our existing capital works program management, procurement and delivery capabilities.

The P21 element represents \$1.8 billion investment in projects being delivered in 1,080 Queensland schools. This includes a total of 1,606 projects in our schools. If we break this down, it represents \$490 million for 380 projects in 216 schools approved for the first round, \$788.9 million for 699 projects in 492 schools in the second round, and \$519.6 million for 527 projects in 372 schools in the third round. As of today, 352 P21 projects have been completed in 207 state schools, at a cost of \$439 million. This represents 21 per cent of the total number of projects in this program element.

The state is proud of its achievement and is particularly proud that Yandina State School was the first P21 project completed in Australia, some 16 months ahead of Australian government requirements. Given Queensland's decentralised geographical nature, a key issue in the early stages of the BER program formulation related to the potential to utilise a needs-based model while aligned to the Australian government's BER priorities. This included our desire to ensure an equitable allocation of funding in rural and remote locations developed through a locality index based distribution model. The BER guidelines, published on 26 February 2009, required that all schools to be allocated their published funding cap. DET was able to respond to the clarification of this requirement, and we re-established our BER program to be compliant with the published guidelines. This of course created some initial challenges for the Queensland government in relation to some of our more regional and remote schools as well as some of our older schools. However, I am able to report that these issues are now well and truly behind us.

From the very early program implementation stages, we have provided resources to the program in order to provide maximum support for school principals and the school communities. We appointed BER regional advisers and, since then, BER regional coordinators have been appointed to assist each school principal and their community to develop the school's priorities, provide advice and liaise with privately appointed project managers and contractors.

To meet the requirement of the Australian government to accelerate the commencement of this stimulus package, the department developed template designs to ensure that the economic benefits and job creation from BER were realised as early as possible. This enabled the planning and design phase for the majority of our projects to be accelerated. These designs were further developed through an analysis of current best practice in our state schools and in accordance with departmental standards of functionality, flexibility, minimum area requirements, future maintenance costs, energy efficiency and environmental sustainability. However, I would emphasise that while these provided the basis of design, flexibility to incorporate the priorities, the needs and the desires of each school community was crucial and continues to remain paramount.

The Queensland government required that school principals and school communities, via their P&C associations, were consulted prior to a project nomination being submitted to the Australian government for approval. Consultation then continued throughout projects with school principals and P&Cs approving the project brief and the detailed schematic design of the project prior to the commencement of construction.

Consultation also occurs at the state level. To ensure that stakeholder engagement is effective and our industry and education partners are informed and have the opportunity to contribute to the BER outcomes in Queensland, the Minister for Education and Training has established a BER ministerial advisory council. The membership of this committee includes representatives from parents, from unions, from the primary and secondary principals associations, from DEEWR, from the Queensland Master Builders Association, from construction companies and from architecture and project management companies. All these give regular opportunities for all those stakeholders to advise the Minister for Education and Training and the Queensland government more broadly on any issues impacting on the BER program in Queensland. I am also pleased to say that this committee provides an excellent two-way communication conduit for DET and our crucial partners and has resulted in excellent improvements in the BER implementation.

Internally the department has established a BER senior officers steering committee, which I chair. This committee meets frequently and considers current and emerging issues and is the primary decision-making forum for issues that influence the delivery of the BER program state-wide. This includes representatives from the Department of Premier and Cabinet, Queensland Treasury and the Department of Public Works. The senior officers committee, as well as the ministerial advisory committee, are the foundations of a strong government structure that manages the implementation and inherent risks in developing and delivering the BER program in Queensland state schools.

Could I now just mention the procurement models and the way we engage project managers and building contractors to deliver the BER program on the ground. As the committee is aware, this has been a matter of considerable public interest. In order to meet the Australian government's policy objective of providing rapid stimulus to the economy, the Queensland government, like most other jurisdictions, decided to manage the rollout of the program centrally. This central management allowed school principals to focus on their core role of managing the good aura of the school and ensuring that the vital functions of teaching and learning and their students' interests are achieved. Principals are not qualified or paid to commit the significant amounts of time required to manage the minefield of specialised processes of procurement and project management of built infrastructure. The procurement methods used in Queensland have been selected as they provided the capacity to ensure conformity with the Australian government's BER guidelines.

The Department of Public Works has developed procurement models for BER that respond to these goals while ensuring our own additional requirements, such as conformance with capital works management framework, are also achieved. The Department of Public Works responded to our needs and developed a procurement plan that encompassed four fundamental procurement methodologies for the delivery of the entire BER program in Queensland state schools. These are design and construct lump sum contracts, construction management arrangements, traditional delivery models and direct procurement of goods and services delivered by our procurement officers. While these procurement methodologies are designed to ensure value for money, there have been a number of misconceptions reported recently that allege otherwise.

For all P21 projects we have introduced a second layer of checking processes through the engagement of audit quantity surveyors. The audit quantity surveyor reviews prices submitted by consultants or contractors at the preliminary stage and compares these with similar projects state-wide to ensure that they represent market rates. This process is repeated when tenders for construction are received. It is common for these cost auditors to analyse prices, seek clarification and, in a small number of instances, recommend that prices are renegotiated or the project retendered if costs are unreasonable.

While ensuring value for money, high standards are also rigorously maintained in the BER program. For instance, ensuring high standards for workplace health and safety are established and maintained is paramount for builders to comply with. This not only ensures their own safety but that of our children, school communities and school staff as construction work is undertaken within operating school environments.

While the Queensland government is confident that it is implementing the BER program appropriately and efficiently, it is also appropriate that the program be independently assessed to

ensure that all aspects of the BER program were capable of withstanding external review. To this end, in 2009 DET engaged independent consultants PricewaterhouseCoopers to examine its implementation of BER and investigate any evidence of cost that may be inflated above fair market value.

CHAIR—Ms Grantham, can I just stop you there? Sorry—you have been going for 15 minutes with your opening statement. How much longer will you be? I am just aware that we now have 30 minutes left for questions.

Ms Grantham—Okay. I am sorry; I did not realise it was 15 minutes. If I could just turn to the issue of the concerns that have been raised, there have been a small number of issues raised in Queensland. The department, to date, has registered 12 formal issues that have been recorded on the BER complaints register. If we break those down, five of them related to value for money, six were not related to value for money and related to issues that required clarification during the design phase, and one concern related to a community impact issue on the location of the hall. In dealing with that, we have tried to investigate all those and have taken action. We have also referred them to PricewaterhouseCoopers for further investigation in their phase 2 report, which they will complete sometime in June. That will examine value for money on a range of projects that we have referred to them.

CHAIR—Thank you very much. I will now turn to questions from the senators.

Senator MASON—Can I just quickly go to your submission. Your submission is dated October 2009—that is about seven months ago. Given the terms of reference, in particular the role of state governments, the timing and budget issues including duplication, and the management of the program, wouldn't a supplementary submission have been worth while?

Ms Grantham—We were not aware that we had the opportunity to prepare a supplementary submission. However, should that be an opportunity we would be pleased to provide that.

Senator MASON—That would be very, very useful. I am surprised you did not know that. Did you make any inquiry about whether you could do that?

Ms Grantham—No, we have not heard since our initial submission that went from our coordinating agency, which was the Department of Premier and Cabinet. It coordinated that submission on the part of the Department of Public Works and the Department of Education and Training. That submission went from the Premier directly to the committee and from that we have had no further correspondence until our recent invitation to appear today.

Senator MASON—I think you said in your opening statement 'over \$2 billion to Queensland' and for the Commonwealth parliament to review the Queensland government's expenditure of that money I do not think it is asking too much to get an up-to-date submission, do you?

Ms Grantham—Not at all, and we are very happy to provide that now that we know that that opportunity is available.

Senator MASON—All right, Ms Grantham, thank you. Can you provide the committee with a breakdown of the costings for all projects in Queensland in a similar way to the information provided by the New South Wales Department of Education and Training? Can you do that?

Mr Atkins—We provide details of the value of each project. At present we have resisted publishing the actual tender results because we are still going through the tender process on projects and we do not want to interfere with the market.

Senator MASON—Are you serious?

Mr Atkins—Yes.

Senator MASON—So New South Wales could do it but you cannot because you say it will interfere with the market.

Ms Grantham—No, we can provide it to the committee. However, we did not want to make public on a website the value of each of the tenders in order that that did not compromise the market for future tenders.

Senator MASON—Fine. That was going to be my next question: could you provide it to the committee? And you can?

Ms Grantham—Absolutely.

CHAIR—Thank you very much.

Senator MASON—When can you do that by—on a confidential basis?

CHAIR—It will be provided to the committee on a confidential basis?

Mr Atkins—Yes, definitely.

Ms Grantham—Yes.

CHAIR—Thank you.

Mr Atkins—If you give us one week we can provide that.

Senator MASON—Thank you. Have you provided that information to the Commonwealth department of education?

Mr Atkins—No.

Senator MASON—You have not?

Mr Atkins—It has not been sought. We comply with the Australian government reporting requirements. It does not go to that level of detail.

Senator MASON—So the Commonwealth department of education, DEEWR, has not sought the costs of the individual projects from your department, the Queensland state department of education?

Mr Atkins—They seek the cost of the project, they do not seek a breakdown of the costs below a high level.

Senator MASON—That is very interesting. That goes to accountability, as you can appreciate. I will pursue that with our next witnesses. What is your understanding of how the Commonwealth monitor your implementation of the BER? What measures do they use to satisfy themselves that you are implementing the Commonwealth project?

Mr Robinson—Essentially, we report on a monthly basis, to DEEWR, on every project. As well, we communicate regularly with them via the telephone. There are meetings approximately every six to eight weeks with all the education authority jurisdictions to discuss the implementation.

Senator MASON—When you say you report on each project, what level of specificity do you go to in reporting? I think Ms Grantham said that you do not report on every cost item. I just want to know exactly what you report to the Commonwealth department.

Mr Robinson—I do not have the details in front of me but could provide them. Essentially, it is at a higher level. It is the total project cost, total funding and some of the fees paid to project managers, but it does not break down below that.

Senator MASON—It does not break down below that?

Mr Robinson—There is obviously some other information in relation to dates, descriptions and those types of things.

Senator MASON—It does not break down below that? I am just wondering how the Commonwealth department knows that the money is being well spent. How can it know that? Perhaps that is a question for the Commonwealth department. Sorry, go ahead.

Mr Robinson—That is probably what I would have said.

Senator MASON—That it is a matter for the Commonwealth?

Mr Robinson—It would be a question to put to them. We report to them at length but not in the detail I think you are seeking, so it would be appropriate to talk to them.

Senator MASON—We will be.

Mr Robinson—There are other implementation documents we have provided to the Commonwealth department that they rely on to gauge our performance and our implementation.

Senator MASON—It would be very useful if you could give the committee a list of the information that you are required to give them in relation to the BER project. Is that possible?

Mr Robinson—Yes, it is. It is a standard template report that we complete monthly. We will provide you with that.

Senator MASON—The reason is so that this committee can determine whether the Commonwealth is in a position to determine whether the states have delivered Commonwealth money appropriately. You would appreciate that?

Ms Grantham—Yes.

Senator MASON—On page 3 of your submission, you state:

A very small minority groups and individuals have been vocal in raising issues through the media, mainly concerning perceptions surrounding value for money, neighbourhood/community concerns and siting issues. These issues have been resolved through extensive consultation with all affected and aggrieved parties.

How did you demonstrate to those aggrieved parties that they were getting value for money?

Ms Grantham—I will give you an example, and then Graham and Craig can also give you examples. In any case that comes to our attention, we have in place across Queensland—and you would appreciate the size of our state—

Senator MASON—Sure.

Ms Grantham—the regional advisers, who can work locally, and the project coordinators, who go and sit with the school principal. They sit with the school P&C. They go through and spend as much time as necessary. On all the occasions that we have risen to do this we have actually gone back to as many meetings as required at the local community so that everyone has had a complete understanding and awareness of what is required.

Senator MASON—Sure. But let me repeat my question: how do you explain to these school communities that they are getting value for money? What do you refer to? What are your measures? What are your points of reference?

Ms Grantham—Sorry. I did not realise you were looking for the technical; I thought you were looking for the communication and the negotiation aspects.

Senator MASON—No. I want to know: how do you technically do it?

Mr Atkins—For each project—

Senator MASON—Any school—

Mr Atkins—I am sorry; I cut you off.

Senator MASON—For any school building project, what do you point to to show school communities that they are getting value for money?

Mr Atkins—We put together what we call a project definition plan for every major project, which includes every BER project. It includes a schematic design for the building and a detailed cost breakdown. Schools are privy to all of that and the principal and the parents and citizens association sign off the documentation, and that includes cost information.

Senator MASON—But how do they know it is value for money?

Mr Atkins—We have a price put together by a project cost manager or quantity surveyor. It is then independently assessed by our audit quantity surveyor.

Senator MASON—How does the audit quantity surveyor determine value for money? What is his point of reference for determining whether it is good value for money?

Mr Atkins—They use market intelligence through recent projects, both BER and non-BER. That is as all quantity surveyors work.

Senator MASON—So, according to your evidence, the public schools in Queensland should be getting school buildings for approximately the same cost as the independent and Catholic sector. Is that right?

Mr Atkins—Where standards are aligned, yes.

Senator MASON—Thank you.

Senator MARSHALL—In relation to your supplementary submission, I just want to note this in case there is some confusion. We did have a date for the closing of submissions. You made that date. Thank you for that. I just want to acknowledge that we have not asked you for a supplementary submission, but you may put in a supplementary submission if you like. I would draw your attention in particular to the submission made by Mr Craig Mayne, who appeared before us just before lunch. He had a lot to say about the Queensland department's handling of this program. It would be useful if you were able to look at the *Hansard* of that and also respond to some of the things he may have said. For instance, he said the PwC report was 'full of factual inaccuracies'. He also said he had 'never in his lifetime seen so many snouts in the trough'. I thought he alluded to many allegations in his submission, but when pressed did not actually have any allegations to make.

There were two areas where he did talk in some detail. I wonder if you would be able to respond now. These were the history of building projects at Holland Park State School and Hendra State School. I wonder whether you have any information in respect of those processes. I am interested in both BER and pre BER if you have any information.

Ms Grantham—We do have information on both of those projects. Can I say that both of those projects are currently out to tender and those tenders have not closed, although their closure is imminent.

Mr Atkins—Holland Park would have been one of the schools Mr Mayne referred to. At Holland Park the school, through the P&C, managed the construction of a multipurpose hall.

Ms Grantham—That was prior to BER.

Mr Atkins—That was prior to BER. The project required some additional work when it was complete through the P&C process. Some BER funding was used to extend and complete the hall and to obtain building at compliance certification. The balance of the funding for the P21 component of BER is being used to build—there is \$2.5 million allocated—a two-storey, eight-space teaching block at the school. The school has an adequate resource centre, and the Australian government was good enough to approve the teaching block.

Senator MARSHALL—Have there been complaints from the principal or the parents committee—I am not sure what you call them in Queensland—in respect of this project?

Mr Atkins—No, the principal is very happy. There has been a complaint raised by Mr Mayne, which we referred to PwC who we asked to independently investigate all complaints or allegations of issues.

Ms Grantham—The principal has written to signal that they are very pleased with the project and its progress, and the current P&C have also endorsed that position.

Mr Atkins—To quote from his recent correspondence:

I, my staff, the P&C and indeed the great majority of parents in the community remain delighted at this once in a lifetime opportunity.

Senator MARSHALL—So do we have any basis for Mr Mayne's complaints?

Ms Grantham—We have not found that. But we have referred it to PwC for their independent audit of these complaints.

Mr Atkins—Mr Mayne is meeting with PwC later this week or early next week—that is my understanding—to provide more information to them, which we are not privy to.

Senator MARSHALL—He also seems to be making a complaint on behalf of Hendra Primary School. Do you have information on that?

Ms Grantham—Yes. As I said, that project is also out to tender. The complaint centred around some early documentation and some indication that a commercial, domestic style of delivery would give greater value for money for Hendra. So we have spent some time with Hendra's P&C, the school community and the principal to explain that this sort of infrastructure is not done along the lines of domestic construction. I think we are making headway. Of course, once that tender closes we will re-examine that tender very closely on behalf of the school community and with the school community to ensure that they are satisfied and that this tender satisfies their requirements.

Mr Atkins—I think it is important to add in support of that that the Department of Education and Training over the years has developed a very comprehensive set of design guidelines and design standards, wherein we have almost a performance specification for material selections and construction techniques. We have used those same standards for the BER rollout. The reason

for that is that they address things such as lifecycle costing, environmental issues and future maintenance needs. So they limit our ongoing liability. They are much more stringent than domestic construction, but so is commercial construction in every sphere.

Senator MARSHALL—It has been put to us that there is a built-in six per cent overrun price for contractors that are doing the work and that in every instance they automatically overrun by six per cent simply because it is there and they only have to ask for it and they get to keep it. Is that the case?

Mr Atkins—Can I say emphatically that that is incorrect in Queensland. I cannot talk for other states. We have a contingency allowance in every project. We need to do that because BER funding, as Ms Grantham indicated originally, is based on a fixed price for the school. Should the contractor, when he is physically building the project, encounter anything that could not have been envisaged—in terms of latent conditions in the ground, for example—the contractor has the capacity through most procurement models to seek a variation to pay for that. We hold in reserve a contingency fund. It varies depending on the project and the complexity—whether it be greenfield or refurb work. The percentage for contingency is not given to the contractor unless there is a valid claim that is independently assessed by a project quantity surveyor. It is common to reach the end of a project and there is a balance of contingency. That is used to supplement the project, to add things that may have been a wish of the school but were not achievable in the original budget, depending on how the contingency sum remained at the end and how the project went during construction.

Senator MARSHALL—So you are saying that all applications for variation to costs are verified by an independent quality surveyor. How do they become independent? How are they chosen?

Mr Atkins—They are independent to the construction company.

Senator MARSHALL—I see.

Ms Grantham—The effect of that is that the total amount of the allocation to that school is spent at the school, so no contingency is diverted to another project or withheld. The school actually receives the full complement of the funding.

Mr Atkins—However, with the contingency, you need to understand our position. If we got two-thirds of the way through construction and did not have a reserve contingency and the contractor came with a claim that put it above the Commonwealth cap, there would be no funding provision; hence the need to have that contingency fund. It is certainly not a handout to contractors.

Senator MARSHALL—So how much is your contingency fund as a percentage?

Mr Atkins—It is between five and 10 per cent, depending on the assessed project risk.

Senator MARSHALL—I think some of the Catholic authorities were allowing 15 per cent contingency across their scope and the information they have given to us is that they have effectively used that too. This unprecedented investment in schools on the whole has had

overwhelming support from teachers, principals and parents. I guess what disturbs me as a member of the government is that a small handful of problems seems to have enabled the growth in perception that there is not fair value for money being achieved, particularly across the government sector. I find it disappointing. I am wondering how we got to the position where, with a comparatively small handful of problems, we have arrived at the perception that there is not fair value for money. Can you tell me how you actually deal with these at a public level. Surely confidence in the system is a crucial element of it being delivered successfully.

Ms Grantham—From the very outset we negotiated with each of our schools and their communities. If the school was dissatisfied and they were a phase 1 school, we actually pushed out their commencement date until there was agreement and satisfaction on behalf of all of the parties that they were aware of their funding, what they were getting and what they were entitled to. That process in Queensland has resulted in just 12 issues raised with the 5,000 or so BER projects and, as I said in my opening statement, only five of those related to value for money. So a lot of this information that comes through the media is not representative of this program and its rollout in Queensland. If you speak to all the people involved in education in Queensland—our school principals, our teachers, our principals associations and our unions—there is not criticism of this program. In fact, it has been greatly welcomed by all of those stakeholders.

Senator MARSHALL—On that basis, at the end of the day when people are evaluating the totality of this program are you confident that all these projects will stack up to any scrutiny?

Ms Grantham—Yes, I am very confident. Can I also say that I believe a number of the issues have arisen because people do not understand the structure of a contract and have misrepresented architects fees or design fees. And, because it is called a ‘fee’ they have represented that to increase the initial six per cent. So I think a lot of this has arisen through ignorance and through people’s inability to understand why there is a contingency, why there is a set fee, why we call architects fees ‘fees’. People in some cases added up all the fees and came up with a different number than the actual price that had been assigned to a project.

Senator MARSHALL—There may also have been some mischief being played.

Senator BACK—We had some very interesting information provided this morning by the Primary Principals Association in terms of satisfaction, which I will come to. There is a 1.5 per cent administrative fee in consideration over and above the BER allocation. To whom has that gone? Has it gone to the Department of Education and Training or the Department of Public Works or a combination of the two? Who has received the 1.5 per cent in Queensland?

Mr Atkins—The 1.5 per cent administration fee has been used to deliver the program. It funds roles in both the Department of Public Works and the Department of Education and Training.

Senator BACK—So it is divided between the two according to some formula between yourselves. It was actually that figure that Senator Marshall was referring to when he said the Catholic system has given back, or, with the authority of DEEWR, have used some of that 1.5 per cent back into their projects in Victoria. That is where that figure came from.

I think reference was also made to a success fee. We were told in New South Wales yesterday that there is a small sum of money available as a master contractors incentive fee to finish projects on time and under budget. Do you have such a fee also in your structure in the Queensland government school system?

Mr Atkins—No.

Senator BACK—Contingencies are contingencies. We are all aware of those in building contracts. There is nothing unusual about them, and I presume they have been dealt with by yourselves in the normal contractual way. Since you already have a Department of Public Works, why was it necessary to go outside the government system in Queensland to appoint construction managers?

Mr Krautz—I suppose I can answer that question. We wanted to ensure that the work was distributed as widely as possible; it is a stimulus plan, after all. The construction managers provided a vehicle whereby we could engage other contractors of a lower level—we have a PQC system here, where there are smaller contractors. The smaller contractors probably would not have got an opportunity to participate in this program because of the requirements of occupational health and safety and other risk management things, unless we involved a larger construction company who had those processes and procedures that they could then partner with these smaller construction companies to deliver.

Senator BACK—I am reading from your website now, and you have described the role of construction managers and then you go on to describe the role that I think have just spoken about, and that is building contractors and trade contractors who had to be prequalified. With regard to construction managers, the overall delivery of the program, can you tell us the basis on which you selected those overall construction managers and the fee that is being paid to them out of the BER program?

Mr Krautz—We went out with an expression of interest to the PQC level 4 contractors, who were those larger contractors. There were 12 PQC level 4 contractors that we went to with expressions of interest, and we had some non-price criteria in there upon which to assess their submissions to us. After that process of assessing those submissions, eight construction managers were appointed, generally all over Queensland, to deliver the distributed work over Queensland.

Senator BACK—Under that EOI process, how did they quote to you? Did they quote to you on a percentage of the job? Did they quote to you on set dollars, with variations upwards and downwards? What was the range of the eight that you received?

Mr Krautz—When we went out to the construction managers as part of that package we, through the Department of Public Works, had nominated a fee of six per cent for the construction managers to perform the role of the project manager to do the cost planning, to do the program management and to actually manage the tendering et cetera of the projects through these smaller contractors. We nominated that fee based on our industry knowledge and also on the historical knowledge we had of competitive tendering in the past.

Senator BACK—How would that six per cent stack up in the commercial-industrial world in Australia?

Mr Krautz—That fee would stand up quite well in any construction field.

Senator BACK—We have been told by a previous witness that there were payments made back to the state by some or all of these construction managers. Is that correct? Did either of the departments receive any payment back under what has been referred to us as the principal's representative fee? The 'principal' here, of course, is not the school principal but the principal of the contract, which I imagine to be DPW.

Mr Krautz—There is no payment that is made to a contractor and then comes back to the department, no. Any payments that are made to the contractor are for the construction of those buildings or those projects in the school. The principal's representative role is a role that is carried out to manage the contract, to administer the contract, to ensure the programs are achieved et cetera. So, when you are talking about that small percentage fee there, that is in relation to that principal's representative role to actually administer the contract.

Senator BACK—That is the 1.5 per cent paid to all building grant authorities over and above the BER figure, is it? Is that the same 1.5?

Mr Krautz—No.

Senator BACK—Where does it come from?

Mr Robinson—The 1.5 per cent is additional money that is paid to the state to administer the whole program. That is what we were talking about previously in terms of a split between our department and public works.

Senator BACK—That is the original 1.5. Is this principal's representative fee the same 1.5, or is it a different sum of money?

Mr Krautz—It is a different sum. It is part of the cost of construction.

Senator BACK—We are all familiar with the 1.5, which was the basis of my questions earlier. We have not yet been informed as a committee of any other figure of 1.5. Does this second 1.5 per cent come out of the BER funding prior to it going to the schools, does it?

Mr Krautz—It is not a second 1.5 per cent. There is a 1.5 per cent administration fee for the Department of Education and Training. The percentage we are talking about of 0.36 per cent is in relation to the role of administering the contract.

Mr Grierson—That 0.36 per cent is a standard principal's representative fee that applies to every project that the public works department manages for all agencies. It has nothing to do with the administration fee that the Commonwealth have given to the department of education. It is a pure fee for service that we apply to all of our projects.

Senator BACK—From which vote does the 0.36 per cent come?

Mr Grierson—It comes from the normal construction vote. So it comes out of the amount of money allocated for construction of each project. In other words, in exactly the same way as you pay a project manager a certain fee or an architect a certain fee, it comes out of the construction program. There was a principal's representative fee of 0.36 per cent.

Senator BACK—Ms Grantham, you mentioned that you will have PricewaterhouseCoopers back to do a second component of the audit. We keep hearing the term 'Rawlinsons', which seems to be a benchmark in industry and accepted by the courts as a quantity surveyor for different projects of different natures, and I am sure it picks up commercial as well schools, hospitals et cetera. In its value for money investigation, will PricewaterhouseCoopers be looking at projects actual against, as benchmarks for state government schools in Queensland, Rawlinsons and projects in Catholic and independent schools in Queensland that have been completed or will be completed?

Ms Grantham—I cannot comment specifically on Rawlinsons.

Mr Atkins—We do not know specifically what tool PricewaterhouseCoopers will use. We are certain that they will benchmark our rates against other jurisdictions. I am not sure whether they will use Rawlinsons. Rawlinsons 2010 edition has a bulk rate for primary schools, which is a span of cost per square metre. The price is qualified along the lines of: 'used only for indicative feasibility studies'. So a lot of consideration needs to be given to that rate, for example, in terms of a locality index. In Queensland our locality index, using Brisbane as a base of 100, goes in our most remote school to 205 per cent.

Senator BACK—We have been supplied with that. I am from Western Australia so I am quite familiar with those sorts of proportions. In specific terms, given that you do have the opportunity to benchmark equivalent structures in the Catholic and independent schools, would it be in order for PricewaterhouseCoopers to be asked to benchmark the state government projects against those of the Catholic and independent schools?

Ms Grantham—We have not asked them to do that. We have asked them to do a value for money dissection on a range of projects that they select themselves. However, we have not asked them in particular, in the terms of reference, to benchmark against the Catholic and independent sectors.

Senator BACK—But would it be in order for you to do that, seeing as you are paying for the cost of the audit?

Ms Grantham—I am just conscious of the increased cost should we go back to do that. We are trying to satisfy whether we have got value for money against the industry benchmarks that have been set. I could go back and investigate that further as an option.

Senator BACK—Thank you. My final comment is just to advise you of this: the Primary Principals Association just completed a survey of 2,411 schools. Nationally, within the government sector there was an 87.6 per cent satisfaction, and 12.4 per cent were not satisfied. The survey examined whether principals were satisfied that they had got what their community wanted. In the Catholic system it was 98.3 per cent and in the independent sector it was 97.4 per

cent. I do think there would be value in asking PricewaterhouseCoopers to conduct the audit on those terms.

CHAIR—Thank you for providing the update following Senator Marshall's line of questioning in relation to Holland Park State School and Hastings Public School. I notice that you have a file of documents there on the schools. Can you provide me with an update of where you are with Inala West State School?

Ms Grantham—Inala West State School is one of the schools that has been relocated under the State Schools of Tomorrow project. That site itself will close. It was our intention to divert any funding that was allocated to a closing school to its new school because those students are all converging in a new location.

Senator MASON—I asked a question in terms of the department determining whether there had been value for money. I am sure you gave evidence that there was an independent audit undertaken. This is in addition to and separate from the questions that Senator Back asked about PricewaterhouseCoopers. In that independent audit they did make reference to the Catholic and independent schools sectors and what they had achieved. That is correct, isn't it?

Ms Grantham—Other than our Queensland audit office, the only other audit we have had conducted has been by PricewaterhouseCoopers.

Senator MASON—I asked that specific question before and I thought you gave the evidence that, in determining value for money, you would look at what Catholic and independent schools had achieved for similar money so that we can compare properly. If that is not done, I do not know how you can make a comparison of value for money.

Ms Grantham—I am not sure that we actually said that.

Senator MASON—We will check the transcript.

Ms Grantham—One of the things we could do, with the agreement of the Catholic and independent sectors, is get them to provide some information and some descriptions about the projects that have been completed, in order to actually make those comparisons.

Senator MASON—Perhaps you should do that because the evidence this morning from all of them was that they would never go through state government authorities because it would definitely cost more. That was their evidence.

CHAIR—Thank you very much for appearing today before the Senate inquiry. Your input has been greatly appreciated.

[2.56 pm]

BOSWORTH, Mr Duncan Anthony Cameron, 2009 President, Sutton Public School Parents and Citizens Association

CHAIR—Welcome. Thank you very much for your submission to the inquiry. Would you like to make an opening statement, prior to questions?

Mr Bosworth—I am representing the Sutton Public School, which is a small school just 20 kilometres north of Canberra. It has, on average, about 140 students, five or six teachers and a teaching principal. In February last year we were told we had been offered a grant of \$850,000 to buy a new library. The principal had about a week to decide whether to take up that offer. In that week the principal and others chased up what we would get for our \$850,000.

We accessed, through freedom of information, a New South Wales Department of Education and Training document that stated that a seven-core library, being about 150 square metres, would cost about \$285,000 and a 14-core library, which is approximately twice the size, would cost about \$470,000. This did not include GST and site costs, but that was our indicative costing. On that basis the principal thought that for \$850,000 we would get at least a 14-core library. We accepted the offer on that basis from the Department of Education and Training on 26 March. We included in the list the things we thought should be discussed as a part of it, such as whether or not we would get air-conditioning and what should be the fit-out. We were under the assumption that for \$450,000 we would get a brick 14-core building. We progressed through that.

Senator MASON—What is 14-core?

Mr Bosworth—They call it 14-core.

CHAIR—It is a template.

Mr Bosworth—It is a standard template for the Department of Education and Training. It is available on their website.

CHAIR—They are standard dimensions.

Mr Bosworth—The standard dimensions are 275 square metres. It indicates on the website that it is brick. We never did get any email correspondence or anything back in writing to say, 'Yes, it has been accepted.' This happened the whole way through. We could not get anything in writing.

Then someone, the liaison officer in the department of education, was starting to talk about a seven-core library. We started questioning that so we brought it to a P&C meeting and someone had the bright idea that their husband worked for a company in the ACT that was doing BER projects and that maybe we should get them to do a costing to see whether we were getting value for money. We contemplated whether we should have gone and done the project on our own and

not through the department of education, so we asked that question. Through the estimators they said we should well and truly get a 14-core building for \$850,000 and that the price would be, based on ACT projects, about \$3,000 per square metre.

On that basis we pushed ahead but we pushed for a 14-core one. We wanted an answer; we wanted a 14-core one. But we did want a library. We were pretty keen to have a library. We did have a library already. In the end, it got scaled down from a brick building to a modular design coming on the back of a truck and to a seven-core library. We felt like we were bullied to accept that; otherwise we would not get anything. To summarise that, we think we only got about half of the library we should have got. It is only slightly larger than the library we had. In addition to that, it has three offices inside it, so we actually have less space.

Senator MASON—How much did it cost?

Mr Bosworth—It was \$850,000 for a 150-square-metre demountable that came on the back of three trucks. There were a few letters going backwards and forwards, with us saying: ‘We think that, if we do get a seven-core library, it should be pretty fancy. It should have all the interactive technology, because we do not have a computer lab.’

CHAIR—Does it?

Mr Bosworth—No. It has some interactive technology that has not quite arrived yet. We do have a whiteboard, but we do not have air conditioning. We are happy with it. It is something.

CHAIR—Did you receive value for money? That is the question that we are looking at.

Mr Bosworth—We think definitely not. We did not receive that, from our knowledge of what happened in the ACT. I did go back and talk to the estimators or quantity surveyors. They said to me that they thought what we got was the same cost per square metre as the cost to build the Portrait Gallery in Canberra. Ours is not quite so nice as that!

CHAIR—You wish it were.

Mr Bosworth—Yes. Just to make matters worse, we were told that, now that we had that library, our old library was going to be taken away. We were after some extra space, so we went to something less.

Senator MASON—You would be worse off.

Mr Bosworth—We would be worse off. Primarily, I put in a submission because I thought, ‘Let’s try and save our library, as meagre as it is.’ So the library has been finished. We have not accepted it yet because of a few not BER issues but there are things like the interactive technology has not been put in yet and the wiring has not been done. But we have decided to use that library as a computer facility for the school, rather than move all our books to a smaller area that does not have all the shelving in anyway. The P&C has decided to spend about \$15,000 to do the wiring and buy the computers. The P&C probably only raise about—

CHAIR—Weren’t you meant to get computers through the computers in schools program?

Mr Bosworth—We get a couple. So I suppose we feel we have to spend a bit of extra money to bring it up to being usable for our school. That is a risk for the school, because we could still have our library taken from us. But value for money I do not think we got. And we have to air condition it too.

CHAIR—We might turn to questions now. Senator Marshall?

Senator MARSHALL—You say that this building cost how much?

Mr Bosworth—It cost \$850,000.

Senator MARSHALL—How do you know that?

Mr Bosworth—There are a few things. There is the costing on the New South Wales education department website.

Senator MARSHALL—I thought that costing was for a larger project, for a larger library.

Mr Bosworth—No. That was in February. There was a costing on there that said it would be \$450,000 for a 14-core library. But the department of education, when the projects have been completed—or not even after they have been completed, I do not think, but I know I have seen ours—the New South Wales education department says all the costing and how much everything costs. It totals up to around \$850,000. I think it might be a tad more.

Senator MARSHALL—So that is off the website? What I am trying to establish is that the money they are saying you have paid is not for something you did not get. That building itself did cost that?

Mr Bosworth—Yes.

Senator MARSHALL—So how do you know that, apart from just seeing what it should have cost on the website?

Mr Bosworth—The other thing I can tell you about why I know it cost that much is that we got the plans about a day before the demountable arrived. They came on site and said, ‘This is where it’s going to go.’ One of the teachers said to them, ‘Is there any chance of it facing north?’ They said, ‘Sorry, you’ve spent all your money. We can’t do any changes.’ So that is another example.

CHAIR—That could be an indication that potentially it cost what it cost.

Mr Bosworth—Yes. We have been told plenty of times by the—

Senator MARSHALL—He was not a truck driver. Give me a break.

Mr Bosworth—He was not a truck driver, no. He was the architect.

Senator MARSHALL—Was he also the project manager?

Mr Bosworth—Yes.

Senator MARSHALL—What interaction did you have with the project manager throughout the project?

Mr Bosworth—Our principal had all the contact with the project manager. Initially contact with the project manager was, ‘Yes, you’ll be able to get a 14-core library.’ But that was suddenly rescinded at some stage during the process. During a phone call we heard, ‘No, you have not got enough money for a 14-core.’

Senator MARSHALL—So a phone call rescinded it.

Mr Bosworth—We could never get anything in writing, to tell you the truth.

Senator MARSHALL—That is all right too, because my next question is: at what point did you start having discussions with the department about being unhappy with what you are now going to get?

Mr Bosworth—In August. In August we started sending emails to BER managers. There had already been phone conversations and emails. There had been emails, but mainly one way.

Senator MARSHALL—What was the response? What happened as a result of that?

Mr Bosworth—The response was that someone had made a mistake and we were never entitled to a 14-core library. We were always entitled to a seven-core library. They were sorry about that but that was their mistake. They had made a mistake. They had admitted they had made a mistake. We had been thinking of 14-core; they had been thinking of seven-core. Some of the education department had been thinking of a 14-core library.

Senator MARSHALL—How much was your notional allocation for the school?

Mr Bosworth—Money?

Senator MARSHALL—Yes.

Mr Bosworth—It was \$850,000.

Senator MARSHALL—That would have got you a 14-core library on the original price.

Mr Bosworth—Yes. Well and truly, but—

Senator MARSHALL—Was there ever any explanation about how those prices went up or why they went up?

Mr Bosworth—No, that was just the price.

Senator MARSHALL—The only other thing I would like to know, then, is the process of signing off and signing the application. I understand the positions people are in. Some people want to say it is bullying. There is a reality about these cut-off times for the money. It is primarily stimulus spending. If people were not going to make decisions and actually apply for it, they were not going to get it. That was actually the program. So time was getting short and people were being offered something and saying, ‘Well, if the application doesn’t go in it doesn’t go in, which ultimately means we get nothing.’ What did you actually sign off on?

Mr Bosworth—The principal signed off on a seven-core library.

Senator MARSHALL—Which is what you got.

Mr Bosworth—Which is what we got, correct. She went to the P&C and said, ‘We might get nothing.’ Do not get me wrong: we are happy we got a library, or a facility.

Senator MARSHALL—I understand that. Did the principal also try to communicate with the department? Was that separate or were the discussions and the communications all done together?

Mr Bosworth—Between me and the department and between the principal and the department?

Senator MARSHALL—Yes.

Mr Bosworth—It was together. But, also, we knew what each other was doing but we were doing it separately.

Senator MARSHALL—Did anyone ever come out and take you or the principal through the process?

Mr Bosworth—Not me. I do not think so. I cannot be certain of that.

Senator MARSHALL—The New South Wales department appeared before us yesterday in Sydney and we have asked them to come back to us with a number of examples. We had not heard from you at that time, but your submission has been with us for some time. I and I suspect the committee as a whole will be asking New South Wales to respond directly to some of these concerns. There may be a very reasonable explanation for what happened and it is ultimately just very bad communication and, quite frankly, bad customer service if you are the customer. There may be a reasonable explanation or something may be fundamentally flawed. We will not know that until we get a response from them to try and work out some of those issues. It may be an explanation that you are satisfied with, but the fact is no-one has even gone through that process with you. That is a frustrating thing, so I will be suggesting that the committee write and ask New South Wales to specifically address what happened there. I also made the point to the New South Wales department that there does seem to be a rather poor level of communication for this program. I am not here to defend them, but it is a huge rollout for a lot of schools across a large state in very different areas. I understand the difficulties, but people should be happy not annoyed.

Mr Bosworth—Or a bit frustrated that we thought we could get a bit more, not us but maybe another school could have another library.

Senator MARSHALL—Yes, indeed.

Senator MASON—Initially you were quoted \$450,000 for a brick library of about 275 square metres. Is that right?

Mr Bosworth—Quoted?

Senator MASON—You were told orally.

Mr Bosworth—From the costings on a website, I think that is about right.

Senator MASON—That was for a brick library.

Mr Bosworth—These were the costings put out as part of the Building the Education Revolution in February, when it was announced.

Senator MASON—Was it 275 square metres?

Mr Bosworth—Yes.

Senator MASON—Brick?

Mr Bosworth—This does not say, but that is \$470,000. That was from the education department website.

Senator MASON—From the education department costings?

Mr Bosworth—Yes.

Senator MASON—In the end you received a building which was about half the size, 150 square metres, and a demountable. Is that right?

Mr Bosworth—Yes.

Senator MASON—It has no electricity and no set-up for computers, no air-conditioning—

Mr Bosworth—It has electricity.

Senator MASON—But no air-conditioning?

Mr Bosworth—It is not air-conditioned, no, but it has some technology like a smart board, about \$20,000 to \$30,000 worth of smart board.

Senator MASON—It is 150 square metres and it cost \$850,000?

Mr Bosworth—Yes.

Senator MASON—Clearly there was no land cost, was there?

Mr Bosworth—That is true. There are site costs and GST.

Senator MASON—Sure, I understand that. You could have built in the middle of Brisbane for that but there you go. On page 2 of your submission you state that the principal only got to view the plans for the building on site on the same day the construction team arrived to start work. You gave that as oral evidence as well.

Mr Bosworth—Once you said yes to sign it off—and I understand what you are saying, Senator, that there was this ‘Hurry up, we’ve got to spend this money,’ and we understood that—

Senator MASON—I have some sympathy for Senator Marshall’s questioning. Why was the orientation of the building not discussed at an earlier stage? You do not turn up with a demountable building and say: ‘We are going to put it there.’ This strikes me as ridiculous.

Mr Bosworth—That is why I am saying there was a lack of consultation—quite a lot—because it was too late when—

Senator MASON—It turned up on a truck and then you decided where it was going to be oriented. That is ridiculous.

Mr Bosworth—More or less, yes. I think they came up with the site plans and a little while later the truck arrived—maybe it was not the same day. We went to the site plans and said: ‘Maybe we could have it oriented in another direction’ and they said: ‘No, it’s too late—you’ve spent all your money.’

Senator MASON—The department was not very responsive to your needs, was it?

Mr Bosworth—We did not have good communication with them. They did apologise for getting it wrong.

Senator MASON—It is taxpayers’ money. You got a 150 square metre demountable building costing \$850,000 and the orientation is wrong as it was not even discussed until it arrived on the back of a truck. This is pathetic. You used the word ‘bullying’ before. What do you mean by bullying?

Mr Bosworth—There were time pressures. Also, we considered project managing it ourselves. But the department recommended against that. They made it difficult for us to do that. They said the school had to come up with a certain amount of money for risk and if you overrun then the school has to pay for it.

Senator MASON—Have you had an Investing in Our Schools Program or school pride programs to administer in the past? Have you done that?

Mr Bosworth—Yes.

Senator MASON—Were you happy about how that money was spent?

Mr Bosworth—Yes.

Senator MASON—Why? Because you had control of how the money was spent?

Mr Bosworth—Pretty much, I think.

Senator MASON—And you were happy with that—Investing in Our Schools?

Mr Bosworth—Yes, we have been very happy with those projects. But we just felt like—we know they had a lot of projects to do but we just really could not get any straight answers and we had to make decisions based on things we were not sure of.

Senator MASON—I accept what you said to Senator Marshall and the committee that you are happy you have the building. I accept that.

Mr Bosworth—Yes.

Senator MASON—I think this committee has heard over three days that my colleagues have been taking evidence—I have only been here for one day so I do not have the expertise they have.

Senator MARSHALL—Indeed.

Senator MASON—I concede that. However, I am trying to be a fast learner.

Senator MARSHALL—We always acknowledge your genuine interest in education, Senator Mason.

Senator MASON—Thank you, Senator Marshall. Our concern is also whether in fact the Commonwealth and the community is receiving value for money. I accept that you are happy you have the demountable for \$850,000. But it does not strike me as being very good value. Do you feel it was good value for money—\$850,00 for that?

Mr Bosworth—We do not, because most of us have built houses out there and we know how much houses cost per square metre. The quality of this is nothing like that of a house.

Senator MASON—It is Sutton Forest, isn't it?

Mr Bosworth—It is not even Sutton Forest; It is Sutton, which is closer. It is just over the border. I suppose we have also got quite good contact with the ACT BER project people involved in those, and, generally, they seem to be quite happy—the people I spoke to—because they managed it themselves or had some control. They seem to have got value for money. But we particularly do not think we did. There are a couple of reasons for that: we have built our own houses, we got some estimates and we looked on the education revolution site. We expected perhaps some expansion of prices, but—

Senator MASON—You could have built a mansion out there for that for the president of the P&C.

Mr Bosworth—That is a good idea. I might suggest that at the next meeting!

Senator MARSHALL—Mr Bosworth, how far out of Canberra is it? To drive from here to there is how long?

Mr Bosworth—About 20 minutes. It would be a good place to visit.

Senator MARSHALL—I might. If I get a chance tomorrow, I might pop out. Would that be inconvenient? I cannot promise it. I have to see what I can do, but I actually would not mind going to see what it is.

Senator BACK—I only have one question. I would also be keen to go and have a look. Have you spoken to presidents of P&Cs elsewhere? You mentioned Canberra, but what about other areas of New South Wales over this issue?

Mr Bosworth—No, I have not. I have seen some correspondence from other presidents—I cannot remember where, maybe at this Senate committee—but I have not actually spoken to them.

Senator BACK—The question I am getting to is: do you have a perception that you were more poorly dealt with because you were away from the decision-making centres of Sydney or do you think that this poor communication from the department and this take-it-or-leave-it approach has been consistent across the whole sector? Do you have an opinion on that?

Mr Bosworth—I have an opinion that in our area—Yass, Bungendore, Gundaroo area, close by to Canberra—we are all in a similar position. They are getting either things they do not need or things of much less value than they thought they were originally going to get.

Senator BACK—Did the project itself come in at the level of your funding or were there descopings that took place as a result of overruns?

Mr Bosworth—It was done very efficiently. It was done on time. Like I said, it was finished late last year. We were going to be one of the first schools to be handed over. It was done on time. It was done very efficiently with little disruption to the school. As far as I can tell from the website, it came in on cost; mind you, we did not know what we were meant to be getting. I sent an email that said, ‘If we are going to get a seven-core building then I expect it will be pretty well kitted out.’ But it was not. For example, we did not get air conditioning. We did not get an additional computer. It is not an IT place. We have got to—

Senator BACK—Within the community, are you aware of Catholic or independent schools that also got grants and what their levels of satisfaction were against their expectations?

Mr Bosworth—I am aware of one school. I have children at an independent school—Burgmann Anglican School—as well. I have spoken to people on their P&C equivalent, and they have got a new school hall. They are very happy. They are managing that themselves. They are

very happy with what they are getting for their money. I think they got \$2 million, and they are getting what they wanted.

Senator BACK—How will your community be able to use this facility? Does it have a use outside the community of kids? If it is already completed, to what extent is it meeting that objective of community use?

Mr Bosworth—It will be. Our current library is used quite a lot for Landcare meetings, other meetings and music lessons and that sort of thing, and that is what we intend to use this one for. Like I said, we have not started using it, but it is there and it is complete. We used it once for an interview for a new teacher. That is all we have used it for so far, but it has definitely got community use.

Senator BACK—When is it to be opened and actually populated?

Mr Bosworth—As soon as we get interactive whiteboards and all the power points are safe et cetera. There are a few minor issues, so—

Senator BACK—So it is imminent, is it?

Mr Bosworth—Any time.

Senator BACK—Good. How is it being heated?

Mr Bosworth—It has unflued gas heaters. That is another issue.

Senator BACK—I do not think it has those. At least in my state, it is not legal to build a structure that does not have flues for gas.

Mr Bosworth—That is what I was told at the last P&C meeting, and that is an issue that we are now on to. Apparently it is quite legal in New South Wales. I do not know too much about it myself, but we were talking about an unflued gas heater. I can double check on that one, but you would be surprised. It is heated by a gas heater, and I have been told that it is unflued. It was raised at the last P&C meeting as an issue. Through our school there are unflued gas heaters.

Senator MARSHALL—I think I heard Senator Back indicate that he may be available tomorrow too.

Senator BACK—Yes.

Senator MARSHALL—If we were able to organise to get out tomorrow to your school, would that be okay? I cannot guarantee it at this stage, but would you be able to ring the committee in the morning and let us know whether the principal is fine with that? We do not want to arrive unannounced and be in the way, but if you could confirm that with us in the morning that would be terrific. By that time we should be able to let you know whether we would like to come. I would like to come, but I do not know yet if I can for sure.

Mr Bosworth—Our principal would be happy. At least, I think she would be happy. I had better check, because the principals are not allowed to say anything too much.

Senator MARSHALL—Maybe we should arrive unannounced, then!

CHAIR—What are the principals not allowed to do?

Mr Bosworth—I have been told that the principals are not really allowed to say too much about—

CHAIR—About what?

Senator MASON—Have they been muzzled?

Mr Bosworth—They are not allowed to say too much about how the project went. It has been left to the P&Cs, really.

CHAIR—How do you know that, though?

Senator BACK—From the fact that you are here and the principal is not, presumably.

Mr Bosworth—I know because the principal told me, I suppose.

CHAIR—There you go. The principal told you that they were not allowed to speak out in relation to the project.

Mr Bosworth—Yes. I have not seen it in writing. I got asked to appear on *60 Minutes*. I turned it down, but the principal said, ‘It wouldn’t be really good publicity for our school and I would prefer not to be around.’ I can certainly tee something up for tomorrow. I would be happy to do that, because it is not far away.

CHAIR—Thank you very much for taking the time to come and appear before the Senate committee today. It is greatly appreciated.

Mr Bosworth—Thank you very much, senators.

Proceedings suspended from 3.24 pm to 3.37 pm

CAHILL, Mr Matt, Executive Director, Performance Audit Services Group, Australian National Audit Office

CLARKE, Dr Thomas Edmund, Executive Director, Performance Audit Services Group, Australian National Audit Office

McPHEE, Mr Ian, Auditor-General, Australian National Audit Office

ROWLANDS, Dr David Melville, Senior Director, Performance Audit Services Group, Australian National Audit Office

CHAIR—Welcome. I now invite you to make an opening statement to the committee before we proceed to questions from the senators.

Mr McPhee—I do have an opening statement. I am happy to table it if you prefer but otherwise I can step through it.

CHAIR—We will finish with you at approximately 4.30 today, so we would appreciate hearing some comments from you but certainly feel free to table it as well.

Mr McPhee—Let me table the statement but also draw out some of the highlights.

CHAIR—Thank you very much.

Mr McPhee—Thank you, Chair. This was certainly a very substantial program and important audit for the office to be undertaking. We found that there were some positive early indicators that the program was making progress towards achieving its intended outcomes, recognising the outcomes were both economic stimulus and improved learning environment. We also concluded that the department had completed a substantial body of work in the compressed time frame, getting the program established and 10,700 BER P21 projects in some 8,000 schools approved in the three funding rounds it conducted. However, progress of projects has been slower than originally intended. Some 78 per cent of projects had commenced by the intended target date and only 18.6 per cent of projects met the construction commencement milestones originally agreed by governments. Within six months of establishing the program, with funding of \$12.4 billion, it was necessary for the government to allocate a further \$1.7 billion to the program.

Ordinarily, where an administering agency can foresee a need for substantially more funding than has been made available, that agency would be expected to return to government promptly to put a case for additional funding. However, in this instance, ministers advised that they had understood at the outset that the funding envelope had represented only 90 per cent of possible expenditure and that a budget estimates variation might be required. In our view, administrative decisions taken by the department, while intended to drive delivery of the program, have unduly constrained the education authorities and increased the administrative effort needed to deliver the program.

The department adopted a largely uniform approach to govern its relationships with education authorities whether they were responsible for large school systems, small school systems or independent schools. The adoption of this approach with the states and territories was not, in our view, in step with the thrust of the recent reforms to the delivery of intergovernmental programs. It reduced the capacity of school systems to take account of system priorities and the different needs of schools within their systems within the Australian government policy parameters.

There has been some interest in the question of value for money in the individual projects being delivered to schools. The question has also arisen of whether this audit should have considered this issue within its scope. Several points need to be made in this context. Firstly, as mentioned in the report, responsibility for expenditure on individual projects, including achieving value for money for each project, rests with the education authorities, including the state and territory education departments and block grant authorities. My mandate, under the Auditor-General Act 1997, enables me to undertake performance audits of Commonwealth entities, with the exception of GBEs. That mandate does not allow an assessment to be made of the performance of education authorities in managing the delivery of individual projects, including procurement processes, in their respective jurisdictions. Secondly, the scope of the audit was influenced by the early state of the implementation of the program and the extent of the information held by the department in relation to individual project costs.

In addition to analysis of the department's records and other Commonwealth agency records, the ANAO decided as part of the audit to interview representatives of education authorities, seek written responses from all education authorities on the administration of the program and undertake an online survey of primary schools involved in the program. This enabled us to form an opinion on the effectiveness of the department's arrangements for monitoring and reporting progress and the achievement of outcomes. This approach was consistent with my mandate to focus on the administration of the Commonwealth department in establishing this program.

There have also been some questions raised in parts of the media about the methodology used for the survey we undertook of primary school principals as part of this audit. This survey was undertaken in late 2009 to gain an understanding of the experience of school principals in the establishment of BER P21. I will not go into the details but I am happy to take questions. Suffice it to say that we took on board expert specialist advice and had a professional survey company involved in undertaking the survey. So it is our understanding that our survey is soundly based and the results can be relied upon. I and my senior staff would be more than happy to assist the committee with your inquiries.

CHAIR—Thank you, Mr McPhee. I would like you to confirm for the *Hansard* record that, as part of your audit, your office did not inquire into value for money under the BER program.

Mr McPhee—We did not look at the issue of the construction of individual school projects. Of course, our performance audit looked at the approach adopted by the department per se. So I would not agree absolutely with your statement, but when it comes to the schools and the school building elements of it, we did not consider the value for money.

CHAIR—That was outside the scope of the audit?

Mr McPhee—That is correct.

CHAIR—Was the Audit Office able to inquire into the funding arrangements for the schools—the provision of Commonwealth funds to the states?

Mr McPhee—Yes, that is correct. We could look at the arrangements under the agreements for the funding given to schools.

CHAIR—At point 19 of your summary in Audit report No. 33 it states:

Nevertheless, administrative decisions taken by the department in establishing BER P21, while designed to drive delivery of the program by Education Authorities, have unduly constrained the flexibility of authorities to determine how the program will be delivered within their jurisdictions to achieve the intended objectives and increased the administrative effort necessary to deliver the program.

Can I get you to elaborate for the committee on the impact of that on the delivery of the program. Can you also comment on whether in your opinion the department, DEEWR, from the outset had the skills to enable it to effectively deliver this multibillion dollar program.

Mr McPhee—I will ask one of my colleagues to respond in detail.

Dr Clarke—If I can deal with the first part of your question in relation to the constraints imposed upon school systems, this is explored in some detail in chapter 3 of our report, starting from page 73 onwards. In that section of the report we deal with some of the measures that were introduced to drive progress in the program, some of the guidance on the allowable use of funding, some of the rules governing project variations and some of the changes to payment schedules, all of which imposed a greater burden on the education authorities than one might have expected under a national partnership arrangement under the new Intergovernmental Agreement on Federal Financial Relations.

I can give you a couple of examples. Almost uniformly, when we consulted with the education authorities—that is the 22 education authorities around Australia—they raised with us significant concerns about the project variations process that was introduced as part of the establishment of BER P21. This was obviously something of some concern to them all. If you understand the way that P21 was established, it was initially established essentially by each of the education authorities putting in broad submissions about projects for the schools within their jurisdictions. As these projects then approached the stage where they were going out for contracts with construction companies and the like, inevitably variations from those initial broad concepts were required. During that process, the department were advised on a number of occasions by the education authorities about what might be an appropriate mechanism for governing the variations process—variations from those initial concepts. They also took advice from the coordinator-general, who advised them to exercise some flexibility.

What was introduced was something that was quite rigorous and rigid. At the time that we were conducting the audit, this was causing a great deal of concern to all the education authorities, government and non-government. Subsequent to that, the department had to reverse its rules on project variations. It sat down with the education authorities and redesigned the project variations system from the ground up and has now gone through a project variations process for nearly all of the projects. The amount of delay that caused seems to have varied. We

cannot quantify that, but we understand in some cases it was some weeks, for large school systems as well as small school systems. That is one example.

A separate example is in relation to the allowable use of funding. Because of the approach being adopted, which was very hands-on, with the intent of driving the progress of the program, the department was involved in micro policy decisions about allowable use of funding. We have an example listed on page 72 of the report about whether a piano would be considered a piece of furniture for fit-out as opposed to a portable item which would not be included within fit-out. We also have examples of whether teacher accommodation would be allowable; whether irrigation systems would be allowable; whether a parking lot attached to the building would be allowable and if it was separated from building would that be allowable. Those were the kinds of micro policy decisions the department was getting involved in, so they are examples of the extent to which the department was involving itself in very small decisions that were affecting the implementation of the program.

CHAIR—The second question leads on: from the audit you have conducted, was there ever any evidence to suggest that the department possibly did not have the skills required to undertake the management of such a multi-billion dollar program?

Dr Clarke—We address this in the report at page 83 onwards, under a heading of ‘Capitalising on existing practices and knowledge’. The feedback from the education authorities was mixed, particularly for the non-government sector. They were concerned about the extent to which the department was capitalising on its existing experience. The department is involved in capital works programs in the non-government sector, for example, through the Investing in our Schools Program. There were some concerns raised, which we reflect in the report here, by the non-government sector. The view put to us by the department was that it had in fact consciously and deliberately adopted some rules from existing programs and created new ones for where those were not suitable. Our view, in the end, was that it may well be a communication problem. The feedback suggested certainly that the department could have done better in communicating what it was capitalising on—what it was using and what it was not using—to give the education authorities greater confidence that it was indeed capitalising on its knowledge, experience and systems that it already had in place. We deal with that at paragraph 3.64 on page 84.

Senator BACK—I have been enormously assisted by the ANAO in preparing for this. I do not think I have thumbed through audit reports so actively before, so I thank you for that. Page 93 deals with whether or not there was an incidence of schools increasing their student numbers to get into higher categories. I put that question to one of the witnesses, who said to me that it was not possible—I believe it was a witness in the independent or Catholic sector—to do that because the figures were based on a February 2008 or 2009 census. It would not have been possible for people to have predicted and therefore altered numbers. Could you comment on that?

Dr Clarke—Yes, I can. There are a couple of points to stress. The department conducts an annual routine census of students and that is used for a range of purposes. In planning for this program the department relied on August 2007 annual survey data. When the program was announced in February 2009, the 2008 routine census data was not yet available. In that announcement in February 2009 the threshold eligibility for BER P21 was also announced—that is, schools up to a certain enrolment would attract a certain amount of funds. The department

decided to conduct a special census after that announcement. That census was conducted, I believe, in February or March 2009, after the announcement. One of the things that we need to stress about those results is noted on page 92, in the footnote. And that is that, unlike most routine censuses the normal quality assurance and audit processes did not apply consistently to the results of that survey. You can have less confidence in the results of that survey.

The other thing to note is that in our analysis, which is on page 93 and subsequently, we identify that there were some out-of-the-ordinary movements—that is, *prima facie* out-of-the-ordinary movements—in enrolment numbers in a small number of schools in the non-government sector. We are not accusing anyone of fraud or manipulation of enrolment numbers. The point of this section is to indicate that this was a known risk. The department in the past had identified this as a risk in funding arrangements for schools and when we identified this ourselves the department subsequently came back and indicated it would do its own reconciliation. This was a known risk that the department should have been managing.

Senator BACK—Thank you. Over the days of our hearings I think all members of the committee would probably agree that we have seen a very much higher level of satisfaction in the implementation from the Catholic and independent school sector than we have from the government school sector. Accepting that your audit was undertaken very early in the process, let me for example give to you—and I am sure the Primary Principals Association would do the same—the results of a survey they conducted across Australia I think in March, about six weeks ago, of 2,411 principals, who replied in a six-day period. They were asked the question:

Within the Commonwealth guidelines for the Building the Education Revolution program, is your school receiving projects that you and your school community want?

In the government sector the answer ‘yes’ was given by 87.6 per cent, in the Catholic sector 98.3 per cent and in the independent sector 97.4. That would probably support what we have heard.

I will take you to pages 104 and 105 of your report. One of the real concerns expressed to us from within government sectors was that principals, P&C presidents and others—and I am talking about New South Wales now—said they were at no time aware, because they could not find the information, of how much their school was being allocated. Then there were clearly decisions being taken to actually not allocate the full sum of money and to allocate it elsewhere. At 4.46 you made the observation:

In many cases the requirement for the agreement of school principals to funding decisions did not affect funding outcomes—Education Authorities were able to negotiate and agree on decisions to allocate schools less ... amounts ...

At 4.47 you made the observation:

... 28 per cent of principals whose schools had been allocated less than their funding indicative funding amounts either disagreed, or strongly disagreed ...

When I put that suggestion to principals and to P&Cs and others, they were unanimous in their rejection of any proposition that there was any negotiation or agreement on decisions to be taken. Is that something upon which you can comment or is it simply something that we would need to look elsewhere for?

Dr Rowlands—One comment I could make is that in the program guidelines, before less funds could be allocated to a school, the principal would have to have provided that agreement in writing. Presumably in those cases that agreement would have been given.

Senator BACK—As I say, the evidence to the committee has been to the contrary in those cases. It might be a small proportion.

Dr Rowlands—We did see evidence that sometimes the school community and the principal were not in agreement.

Senator BACK—Yes. We have heard about those as well. Anyhow, it will be interesting to pursue whether or not principals who received less in fact went through that negotiation agreement process. I am conscious of time; others want to ask questions. Without being disrespectful in the least, I would hope that this may be the first of perhaps two audits of the program because of the enormity of it—that is, the \$16 billion-odd—but I ask this in the context that, of necessity, perhaps I would argue that you have not yet been able to address yourself to two indicators that I think will be of enormous importance to the community and interest to this committee. The first, looking at efficiency as an indicator, is the dollars-per-square-metre cost of delivering typical projects, be they libraries, general purpose learning areas, outdoor learning areas, halls or gymnasiums. I look at this state by state and territory by territory but particularly I look at the contrast between the dollars per square metre delivered in the independent and Catholic systems and in the state system. I just ask that.

The other issue is of the effectiveness overall, of value for money, once a project is completed. I can understand that, to the extent of the audit at the time you conducted it, you have perhaps made some preliminary conclusions and observations, so I ask that question without necessarily believing that you can comment at this point. I have only one other question. There were two key objectives—the economic stimulus and job creation. I think on page 138 of your submission you have made some comments about the ease or otherwise of being able to assess that. Could you comment on that, being that it was a key objective of the program?

Dr Clarke—Yes. I am not sure about page 138—

Senator BACK—Page 137, I apologise; 6.39.

Dr Clarke—Certainly. As is well known, the number of jobs created or supported by the program was a key measure for it. As you would have been advised previously by the department, it has been unable to date to collect information on the number of jobs created by the program since its inception. There are a couple of points to note. The role of the Department of the Treasury is significant here. It has a role in overseeing and monitoring the impact of the stimulus package as a whole, including jobs created or supported; however, it does not have a role in reporting on sub-elements of that overall stimulus package of which BER and BER P21 are elements.

The second thing is that the department has been gathering jobs information but it is at the project or site level. That information has, as we set out here, some caveats and uncertainties around it. The education authorities raised with us a number of concerns about the reliability and comparability of the information that was being gathered and the usefulness of it, too.

Senator BACK—I would support that. I think telling us the number of people who are on site on a certain day is of little interest. We have certainly heard from witnesses in some areas that there was practically no activity going on, and therefore it was tremendous stimulus. Only on radio in Canberra this morning did I actually hear an alternative view, saying that it was very, very difficult at the moment to get construction, be it residential or other, underway because of the actual BER. So I think you are right: it has got to be looked at at a macro level rather than looking at how many people happened to be on site at an individual school. Given the shortness of time, Chair, thank you.

Senator MARSHALL—I do not really have any questions. I think your report stands for itself. Any criticisms of the department as being overly rigorous in its application will be criticism gleefully received by them, certainly from me.

Senator MASON—I will start with just a general question, I think relating to chapter 6. In your report and also in your oral testimony, you stated that there were 22 implementing bodies. That is right, isn't it?

Dr Clarke—Yes.

Mr McPhee—Yes.

Senator MASON—You have got Catholic, independent, and government, across the states and territories, so there are 22 all up. It was clear to you, throughout your report, that those 22 implementing bodies were operating differently and implementing their BER projects differently. How did the Commonwealth, in its administration of the program, recognise those differences among those 22 bodies?

Dr Clarke—As the Auditor-General mentioned in his opening statement, the department has adopted a largely uniform approach to managing the relationship—

Senator MASON—I did asterisk that. Mr McPhee, I did listen.

Dr Clarke—with the education authorities.

Senator MASON—Yes, and: 'adopted a largely uniform approach to govern its relationships with education authorities'—that is all 22—

Mr McPhee—That is correct.

Senator MASON—'whether they were responsible for large or small school systems or independent schools'?

Dr Clarke—That is correct.

Senator MASON—Your report said:

The adoption of this approach for states and territories ... was not in step with the thrust of recent reforms to the delivery of intergovernmental programs ...

That is a very gentle way of making a fairly significant point, Dr Clarke. What is the more significant point—put that in layman's language for me, will you?

Dr Clarke—I am sorry, Senator, you will have to elaborate a little bit more.

Senator MASON—Is there a weakness in Commonwealth administration here? We have 22 different implementing bodies, do you think that the department took—how do I put this?—a one-size-fits-all approach rather than concentrating on the differences among the 22 different bodies? Perhaps its administration should have been more focused on the individual or particular requirements of those 22 bodies? How do they recognise and manage the differences?

Mr McPhee—If I could make a general comment and then allow Dr Clarke to give you more detail: it is important to bear in mind also the government's policy position in respect of this. The government policy did not allow systems to decide where the funding would go. It was done on a schools basis—

Senator MASON—I did not mean it like that, I meant oversight of the expenditure—that is my point.

Dr Clarke—We addressed this in a number of places through the report, but perhaps chapter 6 is where we deal with it in the most detail. It is in relation to the monitoring and oversight of the activities of the education authorities by the Commonwealth department.

There are a few key paragraphs which I can draw your attention to which may help illustrate our points. Paragraphs 6.29 and 6.38 illustrate the undifferentiated approach which the department adopted, that is, it developed a relatively uniform approach, regardless of whether it was dealing with a system which might have thousands of schools, or if it was dealing with, effectively, an independent business entity like an independent school. What we were expecting was a more risk based approach, which we mention in paragraph 6.24—

Senator MASON—What do you mean by that?

Dr Clarke—If you look at 6.24 we were particularly concerned that the department used the resources it has at its disposal to give it the greatest level of assurance that it could get—a reasonable assurance—that the educational authorities were doing what they had signed up to do—what the governments or the non-government sector had signed up to do. In that sense you would look for a consideration of what systems and processes these particular educational authorities have in place;—

Senator MASON—And experience.

Dr Clarke—are some more mature, elaborate or sophisticated than others, and target your resources according to the risk.

Senator MASON—And you think that the department did not do that in a sufficiently sophisticated manner?

Dr Clarke—As we set out on pages 132-133, in implementing a monitoring regime the department initially decided to visit six educational authorities. This was not done on a risk basis, it was done on a numerical basis; that is, there are 22 educational authorities and the department took the decision that because there were 22 educational authorities, of which 14 are block grant authorities and the remainder are state and territory education departments, it would split its six visits 4 to 2, because there are more BGAs than there are state and territory educational authorities. We considered that was not a risk based approach.

Senator MASON—I understand.

Mr Cahill—We were conscious that the 22 educational authorities each had different approaches, to varying degrees, of how they were going to implement it. As you would be aware from your briefings, some used a centralised procurement approach and some had a decentralised to the schools based approach. We were of the view that if the Commonwealth department could have had a greater focus on the strategies employed by those respective education authorities to be able to see whether or not they felt the procurement approaches of large bodies or the decentralised ones were effective, that would have informed them to ask, ‘Do we have confidence in their arrangements in terms of optimising value for money?’ That would inform them where to focus any subsequent detailed checking. That was the first thing which I think was important.

The second element, to build on the Auditor-General’s comment, is that we are conscious that the policy parameters applied regardless of what school system you were in—the amount of funding that was attracted to individual schools did not discriminate. That does not necessarily mean that that is what the outcome was. It does not necessarily mean that the Commonwealth department did not have the flexibility to treat different education authorities’ risk profiles differently to assure that their approaches best achieved that outcome. That is the ‘how’ element of it. We were quite conscious of that. They are the two points I would like to add.

Dr Rowlands—To add to that, I think there was an opportunity at the outset of the program, when the department required each education authority to submit an implementation plan, for that plan to have been the basis of them forming some sort of assessment, and a basis for them to go forward.

Senator MASON—Can you please say that again?

Dr Rowlands—At the start of the exercise each education authority had to submit an implementation plan to DEEWR that outlined its approach. That reflects what was required under the national partnership agreement. That might have provided the information, or could have provided the information, that could have given DEEWR the basis to do some sort of assessment as to where risks might lie, and what sorts of approaches each education authority was undertaking, and do the sorts of things that Mr Cahill was referring to.

Senator MASON—Some more perhaps should have been made of that.

Dr Rowlands—More could have been made of that, in our view.

Mr Cahill—For example, those implementation plans might have talked about knowing the procurement approach, about the use of independent quantity surveyors and a range of other things that said, ‘Okay, on balance we think that this system of authority has a strong track record, a robust balance of ways of checking and assuring value for money while this one might be slightly different so we want to look at different assurance arrangements.’

Senator MASON—I take your point, Mr McPhee, that you do not have the authority or the mandate to assess state government instrumentalities and their expenditure of Commonwealth money, but it is a big question—but not for this afternoon; your capacity to assess the Commonwealth government’s capacity to assess state government’s capacity to spend the money correctly.

Mr McPhee—Correct.

Senator MASON—And that is within your remit.

Mr McPhee—That is exactly right. Our focus always has to come to the Commonwealth oversight.

Senator MASON—I understand that. This is an issue that concerns the committee as a whole. We have only 15 minutes to go, and if I start questions on that we will not finish it. So we might leave that for another time. I have a question about information. In the context of forming an opinion of the Commonwealth’s management and implementation of the BER, did you receive a breakdown of the implementation and oversight arrangements for each of the eight departments and 14 other education associations? I think you said you did.

Dr Rowlands—The department received implementation plans from each education authority.

Senator MASON—Okay. Did the department receive, and did you receive from the department perhaps, a breakdown of the costings of each project?

Dr Rowlands—There was an initial figure provided when the original bids, if you like, came in from each education authority for the proposals for each school. But that was very early.

Senator MASON—Was it October-November last year?

Dr Rowlands—Earlier than that.

Senator MASON—It was seven or eight months ago?

Dr Rowlands—I think we refer in paragraph 6.29 to the application phase and what was required to be submitted. At that stage people would not have been in a position to cost projects very thoroughly.

Senator MASON—You try to assess the perception of the project rather than the project itself. Is that right? It is not such a wicked question. It is partly true. It was so early in a sense before the projects had, in many cases, even commenced.

Dr Rowlands—Yes, that is correct.

Mr Cahill—I draw the Senator's attention to paragraph 6.37. We did some analysis of the project management and fit-out cost data that was provided by education authorities to the Commonwealth department. We found it was incomplete and, to an extent, assumption driven. So our ability to actually make meaning of that and be able to form opinions from it was limited.

Senator BACK—Also, I think paragraph 6.33 is relevant here. You say that 70 per cent of project contract amounts provided by one in two educational authorities were less than 50 per cent of the approved amounts. Certainly, experience has not tended to confirm that as the project has rolled out.

CHAIR—I have a brief question in relation to the use of concerns and complaints as an indicator of program performance—paragraphs 6.77 through to 6.80. In 6.79 you make the comment:

... data held by DEEWR is not able to be interpreted as a comprehensive indicator of program concerns or complaints. Consequently, the data presents a limited measure of program performance.

Could you explain to the committee what you mean by that and what caused you to make that finding.

Dr Clarke—You would be aware that there have been statements made in the media and to the public about the number of complaints or concerns made to the department. That is being used as an indicator of the success or goodwill towards the program across Australia. In this paragraph we are making the point that complaints or concerns could be registered at a number of levels, not just at the level of the Commonwealth department but also at educational authority level, or even lower. As a result, using complaints received at one level would not necessarily indicate a totality.

CHAIR—In terms of the number of complaints that DEEWR itself has stated it has received, that is only that one component. As you say, it might be that the people are complaining directly to their state department, not their federal department.

Dr Clarke—It could be.

CHAIR—Thank you.

Senator BACK—There is another area I was hoping to pursue, and that is the question of the DEEWR's role in setting project management and administration costs. Is that an area that you looked at in your audit?

Dr Rowlands—No, not as such.

Mr Cahill—We looked at one area. There are a number of parameters in the national partnership agreement in terms of project costs and environmental design over a range of areas. We were trying to examine the Commonwealth department's ability to monitor what was actually the result of the allocation of costs, or the result of environmental design, where they

were being met. We found that the approach and their ability to get reliable data and be able to form an opinion about that were limited.

Senator BACK—I ask in the context that it has not yet appeared to me to be a commonality. We certainly have a commonality in terms of the 1.5 per cent administration fee, although one or two authorities have been asking if they can allocate some of their administration fee back into projects. There is another instance in which we had a contract principle and then we had different models for project management or managing contractors. I was anxious to know whether there was a process by which we could examine and be satisfied on those costs that ultimately were not to find their way into bricks and mortar, if you like. But it would appear to this point that you have not been able to undertake that exercise.

Dr Clarke—No, that is correct, we have not.

Dr Rowlands—We do treat the question of the 1.5 per cent briefly on pages 35 and 36.

Senator BACK—Thank you.

Senator HANSON-YOUNG—Let me know if you have already answered any of the questions I ask. I apologise: I am jumping between two committees today. I have gone from paid parental leave to Building the Education Revolution. Usually you would assume that they should seamlessly mould into each other!

The first question I have is around the audit you have done and the investigations you looked at. Did you find any discrepancy in the effectiveness in the ways the program was taken up and run with between the public schools—managed through the state departments—and the independent and Catholic school systems? We have heard consistently through this inquiry that it is being handled by the individual schools and their representative bodies quite differently.

Dr Clarke—While you were out of the room we had a bit of a discussion around the focus of the audit and the role of the Auditor-General in forming opinions about the administration of Commonwealth government agencies and their administration of Commonwealth government programs. There is a limitation on the role of the Auditor-General in drawing conclusions about the performance of, say, individual state government entities such as state government education departments and the like.

Senator HANSON-YOUNG—But surely, from the perspective of the federal government and the federal agencies, you would be able to tell how quickly people had their applications in and how quickly approvals were made. Or, are you saying that on a state-by-state basis there was no link there? How would we assume that the stimulus was out working if we did not know how quickly people were getting their projects underway, regardless of whether they were in the private independent school sector or the public sector?

Dr Clarke—Sorry; I am struggling a little bit.

Senator HANSON-YOUNG—What I am asking is, are you suggesting that you cannot answer that question because there was really no feedback to the federal agencies once the money was out to the states to manage the programs in their state schools?

Dr Clarke—No, we are not saying that. One of the other things that we discussed earlier on was the timing with which the audit was conducted. This was very early on in the establishment of the program—it is a multiyear program, and we were auditing at the stage of six months in. Fieldwork was conducted in August, September and October of last year. I think it would be fair to say—and Dr Rowlands will correct me if I am wrong; he was out in the field—that there was a huge amount of willingness and goodwill amongst all education authorities to implement this program. I do not know whether Dr Rowlands has anything to add to that, but we saw enormous goodwill across the board.

Dr Rowlands—If you are asking whether there are any differences amongst the different education authorities, we did not detect any anecdotally from being in the field. They were all very helpful to us, very enthusiastic about the project and keen to get on with it.

Senator HANSON-YOUNG—Okay.

Mr Cahill—If it helps you the design of the policy framework and the rules were talked about to a degree. Round 1 schools had to have decisions made and to have started up by a certain date. They had certain designs and they did not discriminate between government or non-government schools. So each of the education authorities was given the rules, and it was then very much a case of having to act as strongly as you can within those rules. Our ability to form opinions as to the performance of those individual education authorities is limited by the extent to which we can form an opinion on those but, more importantly, by what data was held by the Commonwealth department to show how they were performing. Would it be correct to say that?

Dr Clarke—Yes.

Senator HANSON-YOUNG—I totally take the point that the assessment has been done at the early stages. Yes, it is three years, and I guess in the next 18 months it will be much easier to be able to tell where we are at. But even when the audit was completed, or towards the end of the completion, were you concerned or was there any evidence that you looked at that indicated that the delay in commencements of certain projects affected the stimulus that it was meant to achieve in those particular communities? We have heard it from some schools that are still waiting for soil to be turned despite the fact that they were given approval months and months ago.

Dr Clarke—We are not economists, so I would be loath to make any claims about a stimulatory impact in a precise sense. A couple of points do need to be borne in mind. Stimulus can occur before money has been spent, particularly in this case where the builders can see that money is coming and make decisions based on that. They may decide not to lay off a worker or workers and instead retain them on the workforce because they can understand that activity is coming down the pipeline. We do have some discussion in chapter 7 about the amount of money that had been spent up to the end of December 2009. The department may well be able to provide you with more up-to-date figures on the amount of actual cash that has entered the economy.

Senator HANSON-YOUNG—Did you make any direct assessment of concerns from people in their local communities? We have heard from schools that were really excited that they were going to be able to get a new canteen or hall or whatever. Also, as schools are the hub of the

community, they were really excited, about having a project that was going to be about stimulating and employing local people—particularly young people—in their local community. Some of the submissions from school communities indicate that they feel a little disappointed that that does not seem to have happened in some areas because of the way the various agencies have contracted the work out. Was there any real assessment in terms of the localisation of employment?

Dr Clarke—The short answer is no. Again, this may reflect the timing of the audit. When we undertook fieldwork, not a great deal of construction would yet have commenced.

Senator HANSON-YOUNG—Okay. That will be interesting to look at.

Senator MASON—As of December 2009, only \$2 billion of the \$14.1 billion had been spent. So when you were doing your survey it was even less, and still only about a third of the money has been spent, I think.

Dr Clarke—That is correct.

Senator MASON—In a sense, it is still early days.

Dr Clarke—Yes.

CHAIR—Gentlemen, that concludes questions from the senators. I thank you once again for your appearance before the inquiry today. It is greatly appreciated.

[4.28 pm]

MANTHORPE, Mr Michael, Deputy Secretary, Department of Education, Employment and Workplace Relations

MITCHELL, Ms Gillian, Branch Manager, Delivery, Department of Education, Employment and Workplace Relations

ORGILL, Mr Brad, Chair, BER Implementation Task Force, Department of Education, Employment and Workplace Relations

PAUL, Ms Lisa, Secretary, Department of Education, Employment and Workplace Relations

WALL, Ms Catherine, Group Manager, Lifting Education Outcomes, Department of Education, Employment and Workplace Relations

CHAIR—I welcome representatives from the federal Department of Education, Employment and Workplace Relations. I invite you to make an opening statement to the committee before we proceed to questions.

Ms Paul—The department thanks the committee for the opportunity to appear today. The Building the Education Revolution program has two objectives. Summarised, the first is to provide economic stimulus and the second is to build 21st century learning environments to help children, families and communities. Significant progress has been made against both objectives. Treasury has estimated that the overall impact of the economic stimulus plan, of which the BER is the single largest element, is support for 200,000 jobs—that is, 200,000 Australians avoided unemployment because of the stimulus.

Further the BER has materially supported the non-residential construction sector. Based on ABS data DEEWR calculates that the BER now represents 31.3 per cent of the total value of non-residential building approvals in seasonally adjusted terms over the year to March 2010. For your interest this is shown well on page 160 of the audit in this graph which shows basically that the education non-residential construction has entirely taken the place of the huge dip in non-residential construction in all the other sectors—offices, retail, industrial and so on. Ninety-eight per cent of P21 projects have now commenced, 68 per cent have commenced construction, 894 P21 projects have been completed and over 9,000 are underway.

I note that the single performance indicator in relation to the P21 element of the BER contained in the *National partnership agreement on the Nation Building and Jobs Plan* is the number of new or refurbished facilities, including libraries and multipurpose halls in primary schools. The BER is delivering around 24,000 projects in every community in Australia. The ongoing impact of the BER program is supported by many statements from stakeholders such as the Master Builders Association who said ‘Without the BER program there would have been a certain collapse in commercial building activity across Australia.’ The ANAO itself found:

Education industry stakeholders, including peak bodies, Education Authorities and a substantial majority of school principals have been positive about the improvement in primary school facilities that will result from the program.

The Australian Primary Principals Association has reported that 97 per cent of primary principals from all sectors in every state and territory agree that their students will benefit from P21 projects.

This inquiry is understandably interested in the issue of value for money. As the ANAO has noted responsibility for securing value for money in each P21 project is of course the responsibility of the relevant education authority. The department recognises that education authorities have sought to achieve value for money using a variety of procurement and contracting methods. We note that some reports relating to this issue appeared to have been unfounded; nonetheless, the department on behalf of the government is concerned to receive assurance that projects are achieving value for money. The BER Implementation Task Force has been established to undertake this task. It is headed by an independent chair and is about to undertake investigations into complaints and of systemic issues. Mr Brad Orgill, the chair of the task force, is here with us today and I am pleased to introduce him to the committee.

CHAIR—Mr Orgill, do you have any opening comments that you would like to make to the committee?

Mr Orgill—No, thank you for the opportunity, though.

CHAIR—We will proceed straight to questions.

Senator MARSHALL—Are you aware of how many complaints of the program have been received by each of the 22 implementation bodies?

Ms Paul—We actually answered at least on part of the states and territories a question on notice to that effect. Basically, it came to about an additional 30 on top of the ones that we have received.

Senator MARSHALL—How many have you received?

Ms Paul—I think we have got 59 for P21 but I might hand over to Michael.

Mr Manthorpe—I think the updated number is around 61 on P21.

Senator MARSHALL—With other witnesses I have talked about the unprecedented spend, the size of the rollout and the impact. Overwhelmingly, it seems to have been well received, but there are a number of complaints. We would like to get everything right but a lot of the complaints, I must say, appear to me to be about very poor communication and bad people and relationship management with different schools. That is not to say there may not be some very genuine issues too and I will come to that in a minute. What are your obligations on the implementation bodies to actually make sure that their customers, the individual schools, are actually happy with the process of receiving a lot of money? I must say I get very disappointed when people receive a lot of money and a fantastic building and they are unhappy about it.

Ms Paul—Of course, that was the reason why the Commonwealth required principals to okay those instances where they were to receive less than their possible maximum cap. So we were very concerned, particularly where that was going to be the case. That was fine, because the whole nature of this was to get stimulus out there into every community as fast as possible, so we knew some would be under and some would be over, but we were very concerned. I think we have spoken in broader committee—in estimates committee—before about some cases where in effect, because of a complaint, we have ended up bringing parties together, or at least encouraging, say, the state government, if that is the relevant education authority, to sit down with the principal and the school community or whatever and sort it out. You can see that has been the case with a number of them. Yes, we have the same interest: clearly you want people to be happy with the outcome. Nonetheless, we know that principals have agreed to—

Senator MARSHALL—Are we sure about that? One principal yesterday was very clear with us that he never, ever agreed to not receive his full notional allocation. Is it possible under the guidelines and the procedures that are in place that that could happen?

Ms Paul—We do not think so, but perhaps I can hand over to someone else to pick up on that particular issue.

Mr Manthorpe—We do not think so, but obviously if there is an instance where this is alleged to have occurred then we would be happy to take that up with the education authority concerned and test whether they have been adhering to the requirements.

Senator MARSHALL—I take it that you have been following the inquiry, and the *Hansard* is becoming available. Is it your intention to look at all the evidence we have received and respond to that?

Ms Paul—Yes, absolutely.

Mr Manthorpe—Absolutely.

Senator MARSHALL—So you may make a supplementary submission to this committee as well?

Ms Paul—Yes, we would be happy to. If we find anything like that, we would be more than happy to, one way or another.

Senator MARSHALL—I think that would be good. A lot of the issues may be with communication. I hope that no-one has actually appeared before us in bad faith. I just want to run a bit of a hypothetical, which I probably should not. I will not allow it at estimates, of course, but this is a little bit different. There is one particular example which gives me some concern. There is a canteen—I think it is at Tottenham primary school. We do not really know how much it has cost, but it appears that it has cost around \$600,000 for quite a small building, which is very straightforward with no demolition. I must say that while with many things there may well be reasonable explanations, and there may well be a reasonable explanation for this, I am hard-pressed to think of what it could be. It does appear that value for money simply has not been achieved, in such a blatant way. It is such an extreme example. There we saw the photos of the canteen. Is it within your power to insist that the implementation authority that was

responsible for delivering that project actually deliver something worthwhile in dollar terms? I know your objective—it is supposedly value for money, and there is X amount of money. But, if someone has delivered in this instance—if it is proved, and that is why I say it is a hypothetical—a very small building, not worth anything near the prices that have been quoted, if that price is correct, surely they would not be able to get away with that.

Ms Paul—If that were the case, we definitely would take it up. This is probably for Mr Orgill to answer, but I imagine this will be one of the cases which the BER Implementation Task Force will take up. Mr Orgill, being independent, may want to explain what would happen. But, if we were picking up on it, of course we would raise it and probably enter into some negotiation with the education authority about a way through this, what sort of redress is possible here and what situation we are in. Ultimately the Commonwealth is able, of course, to consider what action the Commonwealth might want to take under the national partnership agreement, but there would be many, many steps before that.

It is interesting, actually. I entirely understand what you are saying; I have seen the pictures too and so on, so I think it is really important that the BER Implementation Task Force, which has been set up precisely to look at this sort of thing, have a good look at this particular case. Interestingly, I suppose I would comment that in some of the cases we have looked at in the past—we have had some of this discussion at estimates—what we have tended to find even on the value-for money question—I am not saying this is the case here at all—is that there has been a kind of comparison of apples and bananas, if you like, or something like that. In some of the cases we have looked at we have said, ‘Why did this cost this amount?’ or ‘Why were the project management fees outrageously high?’ et cetera. Then, when we have peeled it back, we have found that actually this was an entirely different basis for comparison from that or that things were being counted in fees which are not actually, in the industry standards, counted as project management fees and so on. So you really have to look at each case.

Senator MARSHALL—That is right and we have had examples. I do not suggest that this was done maliciously, but some people have simply said: ‘Well, my notional allocation was \$3 million and I got a building of 150 square metres. Therefore, it cost \$24,000 per square metre.’ That, of course, is just not the way it can or should be done. Again, I do not say those people did it maliciously, but I think it again shows a poor level of communication and understanding about how the project was being rolled out and what costs were involved. I guess it is unfortunate that some of those things give a perception of the whole program that, hopefully, is not very accurate.

Ms Paul—I think it is hard. Laypeople and many of the other people speaking about these things are not the builder and will talk about costs in their own way. The way that I might talk about the costs of my home renovation is entirely different from the way my architect or builder might talk about them. So I think you do get all these communication differences happening, but I should let Mr Orgill speak.

Mr Orgill—I would just like to confirm that, yes, Tottenham is on our list. We are categorising all of the complaints. It is certainly a high priority for us to visit and investigate.

Senator MARSHALL—The committee may be visiting Sutton Public School tomorrow—

Ms Paul—Okay.

Senator MARSHALL—so we will beat you to that one.

Senator MASON—If I were you, Mr Orgill, I would drop in!

Mr Orgill—I would like to! I have visited seven schools already and we have aggressive plans for the number of schools that we want to visit over the coming three months before we report, so we will be visiting a lot of schools.

Senator HANSON-YOUNG—Senator Marshall asked about whether that would be one of the types of cases that would be on your list, but my question goes a little further than that. This question is for the department. Ms Paul, in the cases where regardless of the reason a classroom or a canteen was built without, for example, the ramp that it was meant to have—so some of the kids could get in there—or cupboard doors on the cupboards, you can point your fingers all over the place, but who is actually going to cover that gap? Who is going to ensure that that is a workable space? Is it now up to that individual school or that individual state education department or is there a role for the federal government? Do you then get back that money to make sure that the builder puts the cupboard doors on and includes the air conditioning or whatever? My question is about more than just the investigation side. I am asking, from a federal level, what our role is to ensure that the product is usable.

Ms Paul—My colleagues may wish to comment, too. Of course everyone has a role at various levels. The contractor has an obligation to meet building standards and to meet the terms of the contract. The education authority has obligations to meet occupational health and safety standards, building standards, whatever their own quality standards are and so on. We have had a role in some instances. Among the 59 complaints that we mentioned before, some of them, to my recollection, were about schools complaining that they had not got their ramp so disabled access was not possible. I would have to go back to get the precise case, but I remember one where we basically ended up negotiating with an education authority. There had been an oversight and the ramp was put in, so that sort of negotiation can occur.

Senator HANSON-YOUNG—Are they the types of things that you will be looking at as well, Mr Orgill? There are recommendations that we cannot have kids in a hotbox without air conditioning in a place where the average temperature in summer is over 38 degrees. We cannot be building modern buildings for the future if we do not deal with those things. Is that the stuff that you will be making recommendations to government about?

Mr Orgill—Yes it will be. We are looking at the complaints and they tend to fall into four categories. The first category is how many students did we have and how much funding did we get? The second category is what product was delivered and what was the consultation process for product? The third category relates to policy type issues and the fourth category, which is really our focus, is value for money. Often cases where a walkway has been forgotten or it is too hot, as you have mentioned Senator Hanson-Young, are the result of de-scoping. So it is a value-for-money issue and, therefore, clearly falls within our purview.

CHAIR—It is interesting. I do not necessarily subscribe to this point of view but if lot of it comes down to a perception of a lack of value for money, then, as you stated, Ms Paul, it is because people are not necessarily quoting a cost per square metre that is in line with an industry standard. Why are costings not being released so that we can put that argument to bed and say,

‘The \$24,000 per square metre that that school is saying it actually cost to build their three by four canteen is just wrong’? Why have the public not been shown the costings and this is what the department says is a fair cost per square metre? Mr Manthorpe, you updated things and said that you have now received 61 complaints.

Mr Manthorpe—To the BER national program; that is right.

CHAIR—From a flick through the papers over the last 12 months I have in front of me a summary of 82 complaints. I am not saying that they have all come to you, but this is my concern. For example, Belltrees Public School in New South Wales in April 2009 purchased an administration unit for \$106,000, but the price quoted under the BER was well over \$400,000. Releasing costings would, hopefully, satisfy the Belltrees Public School that the price they were quoted for their project was consistent with industry standards. If it was not, something could be done about it. Do you understand what I am saying? If this misconception is around costings, why is the government not releasing costings?

Ms Paul—We have been interested in this question too, but some of it goes to commercial-in-confidence. It is the education authorities that hold that information and some of them, as I understand it, have not wanted to release information because it goes to their tendering processes.

CHAIR—When you are spending \$16 billion worth of taxpayers’ money—

Senator MASON—Ms Paul and Mr Orgill and officers, it is true, isn’t it, that under your guidelines you have the project development plan and the cost plan summary for every project in the country?

Ms Mitchell—No. That is not correct.

Senator MASON—What do you have on every project in the country?

Ms Mitchell—What we have on every project in the country is the original application and the month-by-month data on how the project is progressing, including updated expenditure as relevant.

Senator MASON—Updated expenditure with respect to every project in the country?

Ms Mitchell—That is correct.

Senator MASON—Why can’t that be released?

CHAIR—To allay fears that there has been a lack of value for money.

Senator MASON—So much of this could be right, Chair.

CHAIR—Put to bed.

Senator MASON—Yet governments, whether the Commonwealth government or the various state governments, will not do it. The Australian people quite rightly say, ‘We want to know.’ That is legitimate; they are paying the taxes to feed it.

Ms Wall—A lot of it comes down to the point in time. The project costs are not known until the end of the project. As Ms Mitchell said at the beginning, the education authorities put in estimated costs at the time of their applications and, as they are constructing and nearing completion, they update their project costs on a monthly basis.

Senator MASON—Why do we not we have them?

Ms Wall—Because this is all happening at different times and—

Senator MASON—We could have it every month. We are the Commonwealth parliament; why can’t we have it?

Ms Wall—I would question the value of it—

Senator MASON—Would you, Ms Wall!

Ms Wall—As Ms Paul said previously, a three-classroom building in remote Central Australia cannot be compared with a three-classroom building in a cyclone area or in a city.

Senator MASON—I accept that, but let’s allow the parliament and the Australian people to make that assessment. You make a fair point. We have heard evidence today that Mount Isa is different from Thursday Island. I accept all that; I do not dispute it. But the Australian people are paying the taxes, we are their representatives and we want to know whether there is good value for money. The chair makes the appropriate point: if these costings and the tender applications were released, this issue—which is politically plaguing the government—would disappear overnight.

Ms Paul—No, I do not agree with you. Here is the reason—

Senator MASON—They have more problems than—

CHAIR—Let Ms Paul now put her point.

Ms Paul—I think Ms Wall has gone entirely to the centre of the matter. We are all for transparency, as you know. The issue here is—

Senator MASON—Ms Paul!

CHAIR—Then please release the quarterly reports that have been provided.

Senator MASON—I am listening, Ms Paul.

Ms Paul—The issue is exactly what Ms Wall has gone to. I think the problem is that to get comparability you need to be able to describe for every single case the differences between the projects. Say you take something which has been controversial: covered outdoor learning areas. We knew of one covered outdoor learning area—I do not know which state it was in—which looked sensationally expensive. It turned out that it was on a steeply sloping site, it was the size of three tennis courts and it had amplification, a stage built in, a hard roof et cetera. Then you get another covered outdoor learning area somewhere else which is—

Senator MASON—It could be on Thursday Island!

Ms Paul—Or it could, indeed, be madly remote and so on.

Senator MASON—Sure. I accept that.

Ms Paul—I think it would be fantastic to be able to do what you are suggesting. But I think it is really tough, because you have to be able to describe for every one of those projects what the differences are.

CHAIR—But when you are spending \$16 billion, isn't that only fair?

Ms Paul—I think the way we are getting to value for money is exactly the right way to get to value for money for Building the Education Revolution. We have been through here before about how we have gone out to states and other educational authorities on how they are looking for value for money and how they are auditing. There have been many, many checks and balances. It is a highly audited program. In addition to all that, the BER Implementation Task Force has been set up precisely to look at value for money. So I think that transparency approach, while really appealing, is not going to deliver the answer; the answer is going to be delivered through looking at problems, and that is what Mr Orgill's group has been set up to do.

Senator BACK—Picking up on Ms Wall's point, they would be absolutely valid if there had only been one process of implementation. But we have sat for nearly three days, and we have seen two entirely different outcomes in exactly the locations you are speaking of: areas that are remote and areas that are prone to bushfires, cyclones and flooding rains. One is the system of the independent and Catholic schools administered through their block grant authorities; the other is through the states.

We seem to be able to easily get the cost per square metre for structures of different types in different locations from the Catholic and the independent systems so that we are now in the beautiful, beneficial position of having a benchmark in real time—not five years ago, not under a different government and not any system other than the one for which you have responsibility to the parliament. At the end of these last three days of hearings, having seen the satisfaction levels provided by the Primary Principals Association of 99-odd per cent and 98.6 per cent respectively in two of the systems and 86 per cent in the other, I want to be able to be satisfied that the dollars-per-square-metre value delivered under each of those systems, under the equity that we have had per child in Australia regardless of the education system, is being delivered by the states. I do not think that is an unreasonable request to make as a person representing the taxpayers through the parliament.

Senator MASON—The independent and Catholic sectors are quite happy to give us the information. As the good senator says it does not matter whether it is in remote areas or city areas. That is why we want the information from the government sector that is directly responsible to this parliament. I do not understand.

Ms Paul—That is exactly the feedback that the BER Implementation Task Force will be looking at because it goes right to the core of value for money. Of course you have to expect that most of Mr Orgill's activities—he can speak for himself—will be oriented towards those areas which seem to have the most problems—that is the states that you are talking about—

Senator MASON—But why don't you release the information now? The independent and Catholic schools have, why doesn't the department?

CHAIR—These problems have been going on for 12 months.

Senator MASON—This is ridiculous, Ms Paul. We have had these discussions at estimates.

Ms Paul—We have, and in most of those cases when we went on a case-by-case basis you will recall that we found that we got to exactly the problem we described before, which was different definitions.

Senator MASON—Release the information.

Ms Paul—In each of the cases which we have looked into so far we have actually found that the square metreage in one thing included 20 things and the square metreage in another case included two things.

CHAIR—We do not dispute that. Show us the costings.

Senator MASON—Clear it up.

Ms Paul—That is what Mr Orgill's task force is going to look at.

Senator MASON—All I ask is that you give us information, and then we can make an assessment. By covering up and not allowing this committee of the Commonwealth parliament this information this will just go on and on. The Catholic and the independent sector will give us this information. They are not worried about how they have spent their money are they? Not at all

CHAIR—They got value for money and they are quite happy to put it on the record.

Senator MASON—Yet we cannot get this information from you and it is a disgrace.

Ms Paul—We are certainly not covering anything up.

Senator MASON—Give us the information, Ms Paul.

Ms Wall—Senator, if you are asking us for the sort of data that would reveal square metreage cost we do not have that data. We do not have the detailed project plans that have the square metreage.

CHAIR—Doesn't that worry you?

Senator MASON—How do you know whether you are getting value for money?

Senator MARSHALL—People are trying to answer the questions and they are getting yelled at. This is ridiculous.

CHAIR—This is a discussion about costings. I am prepared to allow it.

Senator MARSHALL—I have been complaining about bullying all week.

Senator MASON—How do we know that we are getting value for money?

Ms Wall—What I said before was that we are collecting updated information on the actual project cost as projects come to completion. That is the total cost of the project against the description.

Senator MASON—When will we know that we are getting value for money, Ms Wall? The Commonwealth sector is going to take a lot longer. We already know from the Catholic and independent sector that we do have value for money yet we have to wait longer and longer for the Commonwealth sector. This is ridiculous.

Ms Paul—What is the Commonwealth sector? We are dealing with 22 education authorities.

Senator MASON—The government sector administered through the states but you are responsible for administering that.

Ms Paul—We are responsible for the whole of the BER and the 22 education authorities.

Senator MASON—That is right.

Ms Paul—The states are just a component of that.

Senator MASON—I understand that. That is the problem. We do not have the information. We have it from the Catholic and independent sectors. Everyone seems to be happy with it. There are no questions about value for money, absolutely none. My Senate colleagues have told me that over the last couple of days. I have not been here. There has been absolutely none. Yet there are all these issues in the government sector everywhere.

Senator MARSHALL—There are a handful.

Senator MASON—We have billions of dollars at stake. We have calls for delay—we have to wait until the end of the project. None of this is happening in the independent and Catholic

sectors. All we are suggesting is that you give us the information, Ms Paul. These problems will disappear if there is nothing to hide.

Ms Paul—You will recall the ANAO a minute ago spoke about a risk management approach. So far the complaints we have received, even if you include the complaints received by state authorities, total less than one per cent of projects and we have looked into every one of those and now Mr Orgill's task force will look into more of them. When we have looked into them on the whole of that tiny proportion—

Senator MASON—That is of all projects including self-managed projects isn't it?

Ms Paul—How do you mean?

Senator MASON—Projects that are under \$200,000 and so forth. That is all projects, is it?

Ms Paul—It is BER projects. Even 80 of 9,000 is not a very high proportion. Of those that we have looked into—and we have talked about them here before as we have said—basically they have resolved themselves when you have been able to actually look at the comparators. When you get the comparators right those things have ironed themselves out. I think at the moment with the complaints that we have been looking at we have only probably four outstanding. They have actually been resolved. In terms of the issues that Mr Orgill will be looking at, of course, those are all at the moment, as he said, to do with value for money.

Senator MASON—If you are so confident, release the information, Ms Paul.

Senator HANSON-YOUNG—Aside from the questions around the dollar value for money, one of the things that kept coming up, regardless of how many complaints you say there are or how people are feeling, whether they have officially complained or not, is that those within the government school sector are asking, 'Why did our school get offered a demountable building while the school down the road got this nice permanent fixture with bells and whistles, and it happens to be in the non-government sector?' They obviously project managed that themselves, and that is the way it has happened. Regardless of the dollar figures, surely that sends a mixed message to those within the public school system. They wonder why they are getting packages of demountable buildings when, down the road, these schools in the non-government sector are getting nice permanent constructions. How do you explain that, when it was meant to be a project that was investing in all schools equally?

Ms Paul—Once again, the answer is the same. You have to look at what is actually going on inside your school. It depends: maybe that school was eligible for a \$3 million project; maybe this school already had a hall and a library and was doing something smaller; maybe the costs have not been compared correctly. It is really important to look at this on a case-by-case basis.

Senator HANSON-YOUNG—It keeps coming up, though. In Victoria a lot of the schools do not know how much their constructions cost, because they have not been allowed to really get into the nitty-gritty of those details. They do not have access to that information, but they do have access to the view of the physical building on their school premises versus the physical building at a school down the road that happens to be in the non-government sector. If you look at a demountable building versus a permanent structure—a nice, glorious school hall—what is

the communication that is going back to those schools and those communities? It comes back to what Senator Marshall was saying: it is the process that has fallen down. What I am concerned about is that this was a lot of money to invest in schools—a really important investment. The Greens supported it. I know the coalition did not, but we supported it. We saw it as an opportunity to really invest in schools and to give something back. I went to a public school, and I do not think we had had any capital works since long before I was born. It was like a scene out of *Summer Heights High*. So I thought, thank God we have some investment in infrastructure. But if it is paling in comparison with the infrastructure of those independent non-government schools, those school communities do not feel very good.

Mr Orgill—Perhaps I can answer that. I also went to a public school, and I dare say I am a lot older than you.

Senator HANSON-YOUNG—Maybe they looked newer back then!

Mr Orgill—Maybe they did. I think the elapsed time in terms of investment in public schools has been lengthy. Certainly that is what we on the implementation task force will be looking for. The data that has come out of the independent Catholic schools has been incredibly useful for us in benchmarking individual school costs as well as the processes at the state public level compared with independent Catholic schools. Certainly it is within our remit to make recommendations on policy and implementation for the part of the program that continues until the end of 2011.

On costs, in terms of the task force, I have been delighted at the cooperation I have received from the states in giving me cost data. I get access to the cost data so I can drill down and compare, and I am conscious that at least in New South Wales—which I am looking at initially—they are putting a lot of that information out publicly.

Senator MASON—New South Wales is, yes.

Mr Orgill—That is right. New South Wales is by far the biggest state, so—

CHAIR—You have been asking for this cost data, and it is being provided to you from states other than New South Wales.

Mr Orgill—No, we started with New South Wales.

CHAIR—You started with New South Wales?

Mr Orgill—Absolutely.

Mr Orgill—To the point that they are also making available on the website some of their audit reports as they go out and investigate. I think I am right in saying that they have done that recently, for example, with Hastings.

CHAIR—Ms Paul, in talking about audit reports, during our discussion on costings you made a comment that the P21 program is a highly audited program. What audits have been undertaken by the department since the commencement of this program?

Ms Paul—I was talking about right across the BER and right across all jurisdictions, and you were talking about how value for money is determined.

CHAIR—Correct.

Ms Paul—We have gone through a couple of processes on that, and Mr Orgill has just described some of his. One of the processes we went through was to ask the 22 education authorities how they were determining value for money, given that it is their responsibility. The next question we asked was, ‘How are you auditing this program?’ It was quite interesting. They are all taking their own perspectives on this. New South Wales has its audit squads, which Mr Orgill has just referred to. I cannot remember the rest but we can do a summary for you if you are interested.

CHAIR—That would be greatly appreciated. I was going to ask you to produce a list of all internal reports prepared by the department in relation to the program.

Ms Paul—It is not so much us; it is really they who are responsible for value for money and we want to know what they are doing. We want to know, naturally, what they are doing in terms of tracking value for money. I can give you a summary of what they have come back with.

Senator BACK—Can I just clarify that, Ms Paul? They are responsible for determining value for money? You are responsible. In the same way that the Auditor-General said that it is not his role to audit states and territories, neither is it the role of the states to advise this parliament on something as important as value for money. I would have thought it is your responsibility. It is like giving the keys to the lettuce patch to the rabbit to say to a state, or to a school in the independent or Catholic system for that matter: ‘Here’s this great big sum of money given to you by the Australian taxpayer. We want you to tell us its value for money.’ You must determine its value for money.

Ms Paul—On a project basis—

Senator BACK—No. I mean across the overall grant.

Ms Paul—Yes. For every capital program that has ever been, probably in the Schools Assistance Act and certainly now in the national partnership for this one, that has always been the case, and the ANAO also says that the education authority is the body responsible for ensuring value for money on a project basis. Nonetheless, we are of course interested in value for money and we have been talking about it, and Mr Orgill’s taskforce goes precisely to that.

Senator BACK—You may have heard me asking the executives from the Audit Office about the various fee structures. One system says, ‘We can effectively handle administration for 1.5 per cent,’ and another one says, ‘We need another 0.36 per cent on top for a principal’s allowance,’ and somebody else says something else. In reporting to you they will report to you on the value of the money in net terms, once they have taken out all these costs. I would suggest to you that we would want to know from you the value for money of 100 per cent of the funds allocated under this Building the Education Revolution. I would hope that you would set them both the efficiency and the effectiveness indicators and would demand that they would respond to your indicators, not you relying on their setting some up and then reporting those to you.

Ms Paul—We do not deliver the projects.

Senator BACK—You do not deliver them.

Ms Paul—On a project basis, the people who deliver the projects have to ensure value for money on a global basis —

Senator BACK—So they do satisfy you on value for money?

Ms Paul—and then they have to satisfy us; that is right. As I was just saying to Senator Cash, that is exactly why we have asked them: ‘How are you ensuring value for money? How have you audited this program?’ They have to acquit against the 1.5 per cent. They have to prove to us that fees are within four per cent. In addition to all of those checks and balances, which are actually quite significant and probably more than we have had in any capital program in the past, Mr Orgill’s taskforce will pick up on particulars and systemic issues.

Senator BACK—We have been told that, for one group, the figure is six per cent, so you will pick that up somewhere along the line?

Ms Paul—Correct.

Senator BACK—You made mention of four. We have been told that there is one with six. We were told by others and it was confirmed without prompting by the group. That is something that you will pick up?

Ms Paul—Correct.

Senator BACK—I hope it will be, by someone.

Mr Orgill—Our task force is looking at \$16 billion and flowing that down to how that was spent and what was delivered. So we will be picking up any costs and any fees and comparing them across the different school systems and across the states with particular reference to the complaints that we have received and are investigating.

Senator BACK—Will it happen at the end, when the whole project has been delivered? Is that the time that we are going to be able to see what I have been referring to as efficiency indicators—dollars per square metre?

Ms Paul—Not necessarily, because Mr Orgill is looking into these things right now.

Mr Orgill—We have committed—

Senator BACK—So we might be told earlier?

Mr Orgill—We started operation a little over two weeks ago, on 3 May. We have made a commitment to report after three months of operation, so we will report during the month of August and then we will report again during the month of November. We have assembled a task force of close to 25 people, growing to 30, with exactly the aim of providing a report—

Senator BACK—To the parliament?

Mr Orgill—And to the public, commenting on the issue of value for money.

Senator BACK—Excellent.

CHAIR—You have visited seven schools to date. Is that the information—

Mr Orgill—I personally have visited seven. I would love to see Sutton tomorrow, but I am visiting Cattai in Sydney tomorrow and the program is continuing.

CHAIR—Do you do a media interview after visiting each school?

Mr Orgill—No, I think I have done two.

CHAIR—In relation to which schools have you done doorstep interviews?

Mr Orgill—One was at Dobroyd and one was at a school in Melbourne. To go back to the senator's question about the issue of public versus private and the fact that public schools are getting demountables, I am not sure that that is the case in many cases. Certainly, the public school I saw in Victoria was an excellent example of a brand-new facility which that principle was delighted with.

CHAIR—What school was that?

Mr Orgill—I think it was Oakleigh East. I would need to check, because I visited two that afternoon.

CHAIR—Thank you, Mr Orgill. Ms Paul, very briefly: has the department ever administered a program of this size before?

Ms Paul—No, this is unprecedented. Nonetheless, as the Auditor-General said a minute ago, we quite deliberately drew on ways that we had administered capital programmes in the past. We drew particularly on our normal, ongoing capital program and also on Investing in Our Schools in terms of approaches. We deliberately rejected some parts of those things too. One of the things, for example, that we rejected for our approach to Building the Education Revolution was the fact that under the normal capital program guidelines, schools have up to three years. So there is no particular time constraint, but clearly that is not viable. Another capability under the ongoing capital program is to allow a BGA almost complete flexibility about where it places funding so that it can concentrate funding according to need—it has to be according to need—but the whole point of stimulus was to get economic activity and jobs happening in every community in Australia, so it could not be that—

CHAIR—Economic stimulus was one of the major reasons for the program. What percentage of the funding was spent during the year of the global financial crisis?

Ms Paul—It is not on expenditure, but in terms of activity the graph that I referred you to in the audit report is quite interesting. It shows you the peak of economic activity during the key years of the global recession.

CHAIR—Do you have a percentage? Can you take it on notice to provide the committee with the percentage of the funds—

Ms Paul—I am happy to take that on notice.

Mr Manthorpe—There is an important point to make about that—that is, there was never any intention that the stimulus all occur in one hit; the intention was that it be phased over a period of time.

CHAIR—No. I just wanted to know what percentage was actually spent in that year.

Mr Manthorpe—Sure. We will take that on notice, but it is important to bear that in mind.

Senator MASON—That stopped us from going into recession, and most of the money is yet to be spent. We have never gone into recession and will not be going into recession. But that is a political issue, and I would not expect you to comment.

Ms Paul—It is interesting to look at this graph, because you can see—and this is what the Master Builders Association and so on are also still saying—that it takes quite long time for non-residential construction to pick up. Non-residential construction has not yet picked up, and I think that is a really important point. That is really clear on this graph. It shows that the upturn in everything other than educational expenditure and non-residential construction activity takes quite a long time.

Senator MASON—Ms Paul, as you can imagine, I have myriad questions. Sadly, though, I have do not have any time this afternoon except to say that the Auditor-General's report is out, and it states that only \$2.1 billion of the \$14.1 billion had been spent as of December 2009. That is about one-seventh. Is that the figure you were after, Madam Chair?

As I said, I have not got any time this afternoon, but—just quickly—what is your brief, Mr Orgill? Do you have terms of reference in a brief that are public?

Mr Orgill—The terms of reference of the task force are absolutely public. They have been out there. They were out there at the announcement weeks ago. They are public. In summary, our focus is to investigate complaints and look at the value for money issues at the both at the individual school level and the systemic policy level.

Senator MASON—When in August are you going to report? Do you know?

Mr Orgill—The three-month anniversary of our start would be 3 August. We committed to report after that, within a couple of weeks of 3 August.

Senator MASON—To the parliament?

Mr Orgill—To the Deputy Prime Minister and the public.

Senator MASON—Who will determine the timing of the release of the report?

Mr Orgill—That will not be my decision. I will report to the Deputy Prime Minister.

Senator MASON—That is all I wanted to know. I do have a lot of questions, but I do not have the time to ask them. I will ask them at another time.

CHAIR—That concludes the questions from the senators. I thank the witnesses once again for appearing before the Senate committee today.

Committee adjourned at 5.15 pm