



Enquiry into: Effective decision making for the successful delivery of significant infrastructure

David Chandler to: paec@parliament.vic.gov.au

07/11/2011 02:30 PM

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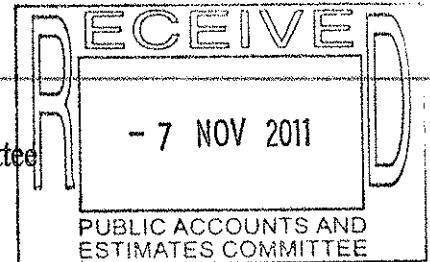
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Confidential.

Public Accounts and Estimates Committee

Submission No.

3



Attn Mr. Philip R. Davis MP,
Chairman

Public accounts and Estimates Committee

RE: Enquiry into Effective decision making for the successful delivery of significant infrastructure.

Dear Mr Davis,

Enclosed is a copy of the Building the Education Revolution Implementation Taskforce submission to your enquiry. A of this submission has been sent by mail accompanied by the Taskforce's reports. I believe that our reports provide a unique evidence based insight into the projects industry across Australia.

Our evaluation of the performance and capabilities of DEECD in Victoria support the review your committee is undertaking. In this context it would seem that;

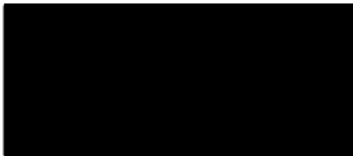
- a) There is a strong case to enhance the scoping and project oversight competencies within DEECD for recurrent school building programs,
- b) The capabilities that should reside in the Department of Treasury and Finance would be benefited by an increased subject knowledge of the specific procurement, evidence based "value for money" analysis which is cost orientated rather than process based, and insight into what areas where improved performance is being hindered by delivery models which may not identify where the opportunity to do better exists. A fresh approach to mapping the project transaction chain and the identification of value leakage points would seem a core area of Treasury and Finance interest,
- c) Our observations indicate that an over reliance on outsourcing program management and simply relying on internal process oversight does not achieve the level of informed buyer capability that would maximize benefit to the state,
- d) A more detailed and independent review of the DEECD performance in delivering BER projects would provide more insight into factors which may influence improved public interest and lifecycle cost benefits. It is clear that the projects industry does not apply universally comparable metrics which offer transparent strategies and practices.
- e) In Australia the Western Australian Government achieved the best physical and economic outcomes in delivering the BER P21 school program. Internationally there are examples of strategic industry productivity leadership such as in Japan and the United States. In the private sector there are a number of good examples of large repeat facilities procurement organisations displaying best practice. These organisations are evident for example in the US Multi-family Rental REIT sector where end to end supply chain and related transaction structuring deliver superior benefits to customers and investors. These practices are not evident in Australia's projects sector.

f) The challenge of balancing user and central agency portfolio benefits seems difficult to resolve. In practice this is not the case for informed buyers who understand the technical business and service delivery imperatives. Resolving these imperatives is essential if costs are to be controlled and even managed down and the quality of facilities lifted along with user satisfaction. Volume purchasing and portfolio management IP has to have leadership. It is difficult to fragment this and put in place the accountabilities for improved performance. A further challenge is the rapidly changing nature of service delivery models. This would seem especially so for health and education facilities which will need to have adaptability and functionality far more closely aligned if the user and funder interests are to be optimized in a rapidly changing service delivery future.

The adoption of the facility designs, their functionality and lifecycle attributes as demonstrated by DEECD in delivering the BER P21 program demonstrates a clear opportunity to do better. The procurement methodology and the performances of those engaged to provide key external services to DEECD in this instance supports the case for a detailed value for money review. Such a review will provide insight into how the more productive engagement of empowered users and a central agency could be more effectively achieved.

The Taskforce's reports while primarily dealing with complaints and value for money has examined and discussed some of the root cause issues that may assist the scope of your enquiry.

Yours sincerely,



David R Chandler OAM
Former Deputy Chair BER Taskforce.

M: [REDACTED]

E: [REDACTED]

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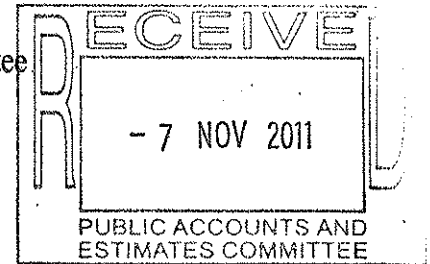
Australian Government

Building the Education Revolution
Implementation Taskforce

Public Accounts and Estimates Committee

Submission No. 3

Executive Officer
Public Accounts and Estimates Committee
Parliament House
Spring Street
EAST MELBOURNE VIC 3002



RE: Inquiry into effective decision making for successful delivery of significant infrastructure projects

Dear Sir/Madam

Please find enclosed a copy of the Interim Report, First Report and Final Report of the Building the Education Revolution Implementation Taskforce.

We believe that the findings outlined in these reports are relevant to the Parliament of Victoria's inquiry into effective decision making for the successful delivery of significant infrastructure projects. The Victorian Department of Education and Early Childhood Development (DEECD) in conjunction with Program Manager Arup have been responsible for the delivery of significant infrastructure in Victoria under the Building the Education Revolution (BER) program. The Primary Schools for the 21st Century (P21) program under BER involved an investment of \$2,203 million in Victorian Government primary schools and covered 1,252 projects. The Taskforce's evidence-based findings on the BER program and the performance of DEECD, the program manager and the project managers and contractors on the projects we have assessed should inform your inquiry.

In examining approaches to implementation of the BER program across Australia and the impact on attaining value for money, the Taskforce concluded that critical to success was that the education authority either:

- Leveraged existing capital works capacity to act as an informed buyer, and/or
- Empowered school principals and managing architects.

The Taskforce found that the only state government that can claim to have all the attributes of an informed buyer of capital works projects currently is the Queensland Government. A review of each state government's public works capacity is at Chapter 6 of the Final Report. In addition the Taskforce identified a number of competency concerns regarding:

- The trend to generic qualifications for project managers and their subsequent capacity to manage design and superintend contracted works.
- Declining completions in the area of trade apprentices (in particular roof plumbing but shortcomings were also observed in brick laying, concreting and electrical works). The added concern which flows from this situation may be a reduced pool of future experienced supervisors and project managers.
- The role of private building certifiers, their qualifications and performance.


The Taskforce was initially confronted with a lack of national information which could respond credibly to the public's desire to have project costs and value for money explained. With the exception of the West Australian Government, education authorities did not maintain consistent records of project costs or have the metrics in place to compare peer to peer value for money. Most authorities put to the Taskforce that adherence to tendering processes in their jurisdictions were sufficient to demonstrate the achievement of value for money. The Taskforce did not accept this position.

In response, the Taskforce built a database, BER-CAM, of P21 projects. BER-CAM provides statistically valid comparative data from all 22 education authorities on the detailed costs of over 3,700 or 36 per cent of all P21 projects. BER-CAM was a core element of our evidence based conclusions on cost and time in the context of assessing value for money. BER-CAM provides a benchmarking tool for all future education infrastructure expenditure, and supported by our value for money framework, should be used by governments in the future to monitor and assess value for money outcomes of federally funded capital expenditure programs.

In August 2010, the Government agreed to commit up to \$3 million in funding to give effect to our recommendation that BER-CAM be housed long term with a custodian to ensure that it will be available to assist in future benchmarking of the cost of school building construction. The tender results are expected to be announced shortly.

Finally, the Taskforce observed that it had been over 20 years since the Commonwealth Productivity Commission had reviewed the performance of the Construction and project industry. It was apparent to us that some of the more pressing issues which confronted the industry in 1991 were different today. We hope the Taskforce's comments in this regard are of benefit to your inquiry.

Regards



David Chandler OAM
Deputy Chair

2 November 2011