

Conference of Public Works Committees

Introduction

- 3.1 The Committee hosted the 2001 Conference of Public Works Committees at Parliament House, Canberra from 9 to 10 August 2001. The Conference was attended by all Australian parliamentary committees involved with public works projects with the exception of the committees from Western Australia and the Northern Territory. In Western Australia, committees had not been formed following the election; in the case of the Northern Territory, an election was imminent. Observers from the Australian Greenhouse Office also attended the Conference.
- 3.2 The Committee was represented by the Chair, the Hon Judi Moylan MP, the Vice Chair, the Hon Janice Crosio MBE MP, Mr John Forrest MP, Mr Colin Hollis MP and Senator Shayne Murphy.
- 3.3 The Public Works Committees Conference provided an opportunity for each Committee to report on its activities in the year since the previous conference and to discuss issues of common interest.
- 3.4 The national conference highlighted the benefits for Members from the various Committees being able to exchange ideas and to discuss the range of public works in Australia.
- 3.5 The Hon Peter Slipper MP, Parliamentary Secretary to the Minister for Finance and Administration, formally opened the Conference. Mr Slipper is responsible for parliamentary action in relation to the Commonwealth Committee.
- 3.6 The focus speech 'Sustainability in buildings' was given by Ms Cathy Zoi, Executive Director, New Energy.

- 3.7 As part of the Conference, delegates undertook an inspection of the National Museum of Australia and also received a briefing on the highly successful system of 'alliancing', which was used in the construction process. The National Museum of Australia was reported on by the Commonwealth Committee in June 1998 (Second Report of 1998 refers).

Opening speech by the Hon Peter Slipper MP

- 3.8 Mr Slipper traced the history of the Commonwealth Committee from its establishment in 1913 and enumerated the various factors which have influenced its current activities. Mr Slipper said that, on occasions, the question has been asked whether the Commonwealth Committee should continue on the grounds that the committee processes are sometimes seen as delaying the commencement of public works. However, Mr Slipper observed that the Parliament, through its committees, has every right in a democratic nation to question and call to account in public the planning decisions and major expenditures of Commonwealth departments and agencies. All major projects have financial, social and environmental impacts on the areas where they are located and on the community at large. It is, therefore, increasingly important for the public to participate and have a say on matters that affect their lives.
- 3.9 Mr Slipper noted, however, the sea change that has occurred in the way that the Commonwealth delivers its property and public works functions. He stressed that the Commonwealth Committee should keep abreast of such changes so that it can remain relevant without being an unnecessary encumbrance. The Commonwealth no longer operates a large and highly centralised property and public works system with in-house delivery of works-programming, building-design and project management.
- 3.10 Public works and property functions now take place in a highly devolved environment. There is greatly increased private sector participation at the front end of public works projects. More and more sophisticated delivery processes, including public and private partnerships and privately funded infrastructure, are likely to become more common as the Commonwealth moves to a purchaser-provider model for major works.
- 3.11 Even more significant is the trend away from public ownership of property. The adoption by the Government of the Commonwealth property principles is intended to ensure that the Commonwealth ownership role in property matters is maintained at a minimum level commensurate with public interest considerations.

- 3.12 With the diminution of its own estate, the Commonwealth will rely more heavily in future on facilities owned by the private sector. It is already common practice for agencies operating in diverse property markets and requiring tailored accommodation to suit their functions to use precommitment leases. This practice is likely to increase in the current environment.
- 3.13 These trends reduce the direct relevance of public works committees, but other delivery mechanisms create their own issues for government. Mr Slipper indicated that perhaps a change is emerging in the role of public works committees. Today other forms of procurement undertaken by government more than match the complexity and cost of building projects. For example, information technology or service delivery contracts are of a cost and complexity that fully match or even exceed the most expensive of built facilities. Mr Slipper did not regard this as necessarily an argument against the continued relevance of public works scrutiny; indeed, it might be considered an argument for increased scrutiny of these other types of procurement.
- 3.14 Mr Slipper pointed out that the chief difficulty faced by the Commonwealth Committee in continuing its role was that of marginalisation as the Commonwealth shifted to alternative delivery processes. However, all aspects of the machinery of government and the parliament must remain relevant and effective in a changing environment and the Committee was no exception to this. In the changed circumstances of property management within the Commonwealth, Mr Slipper believed it was time to consider how the Commonwealth Committee could best carry out its role.

Focus Issue – Sustainability in buildings

- 3.15 The focus issue speech was delivered by Ms Cathy Zoi, Executive Director, New Energy. Ms Zoi has had extensive experience, in Australia and the United States, in both the government and private sectors in the energy and environmental arenas.
- 3.16 Ms Zoi indicated that sustainability in buildings was a combination of factors: energy efficiency, habitat protection, indoor air quality and environmentally preferable materials. She believed that both the comfort and usefulness of buildings could be improved while at the same time reducing energy outlays by governments.
- 3.17 Ms Zoi said that the New South Wales Government spent approximately \$150 million a year on energy. She maintained that this figure could be

reduced by between 25 and 50 per cent with existing technology. Increased energy efficiency would also lead to reductions in greenhouse gas emissions. However, she believed that government leadership in these areas was vital for the following principal reasons.

- 3.18 First, even though the commercial sector spent \$4 billion annually on energy it still tended to be only two per cent of the cost of running a business. However studies had shown that improving the comfort and usefulness of buildings could improve the productivity of the workforce. Governments needed to point this out to the private sector.
- 3.19 Second, governments needed to encourage business to take a long-term view when installing energy systems. Too often, the least cost item of equipment was installed without regard to the life cycle cost or the energy efficiency of the various systems. In other words the emphasis was on the minimisation of the initial capital outlay without looking at the impact of running costs. Governments needed to encourage the reduction in total system cost.
- 3.20 The third reason for the involvement of government was that the incentives in the system were not aligned. The developer, whether it be in the public or private sector, was not the one paying the energy bills. There was therefore no incentive for the builder/developer to make the investment that was going to be sustainable, energy-efficient and greenhouse-friendly in the long term.
- 3.21 Finally, governments would always have a role because markets did not work perfectly and did not always recognise or quantify the impact on the environment of such factors as air and water pollution.
- 3.22 Ms Zoi indicated a number of ways by which parliamentary committees could assist in the faster application of sustainability in buildings:
- by applying pressure to the bureaucracy to take action to improve sustainability;
 - by altering the Australian building energy code to require innovation;
 - by encouraging the involvement in building projects of the new body of experts able to advise on the implementation of energy efficiency;
 - by encouraging the adoption of environmentally friendly products; and
 - by looking at the establishment of a green buildings council involving all stakeholders to act as a network for the exchange of ideas relating to sustainability in buildings.

Issues raised at Public Works Committee Conference

- 3.23 The New South Wales Committee indicated that a considerable amount of resources are put into inquiries and it is vital that government agencies give careful consideration to their recommendations. It has decided therefore to review, from time to time, action taken on its earlier reports.
- 3.24 The issue of indoor air quality was also raised by the NSW Committee. Poor indoor air quality causes a number of health related problems, including sick building syndrome (SBS). These health problems can be very costly, both directly, through health costs and lost productivity, and indirectly, through hidden social costs.
- 3.25 The NSW Committee identified a number of ways to address the problem. These included:
- a whole of Government approach to Sick Building Syndrome;
 - a recognition that prevention is better than cure; and
 - better management of the air quality of existing buildings.
- 3.26 Issues raised by the Queensland Committee included:
- the need for the maintenance of adequate timeframes for procurement and construction to avoid unnecessary risks to projects;
 - the need for all government departments and agencies to involve relevant central agencies such as Treasury, Crown Law and the Department of State Development, at an early stage, when negotiating deals with the private sector; and
 - the use of building codes to ensure quality, efficiency and value for money in projects.
- 3.27 The South Australian Committee raised a number of issues:
- it has been concerned to ensure that it received the best possible information regarding its various investigations and has organised briefings from agencies in order to obtain an overview of the relevant issues and concerns. These briefings included progress on the environmental and road safety issues;
 - the Committee has become increasingly concerned at the manner in which some important projects, despite meeting the criteria for “public works” under the Act, have started construction without first being referred to it; and
 - the Committee has initiated a process in which all agencies bringing proposals should provide information identifying the inherent risks of

proposed projects and the agency's contingencies to cater for these risks.

- 3.28 The Tasmanian Committee reported that a Joint Select Committee on the Working Arrangements of the Parliament had reviewed the roles, functions and relevance of the committee system operating within the Parliament of Tasmania. This inquiry was motivated to some extent by the affect the reduction of the number of members serving in the Tasmanian Parliament has had on the operation of Committees. The report recommended that the Public Works Committee and the Public Accounts Committee be merged to form a new Joint Standing Committee on Financial Operations.
- 3.29 The new Committee would assume all the powers of the present Public Works and Public Accounts Committees. It would also provide the twin opportunities of monitoring the Government's capital works program and the performance of 'value for money audits' on projects. Its function would be to assess the financial administration of government agencies in terms of performance, processes and outcomes of their policies and programs. The Committee could consider and report on any matter relating to the financial administration of the State.
- 3.30 Issues raised by the Commonwealth Committee included:
- the need for land title to be obtained by the Commonwealth before a project commenced;
 - in cases where private financing of a project is involved, that all issues regarding financing should be resolved before construction commences;
 - the need for departmental submissions to be of a high standard; and
 - the need for planning approvals to be obtained before referral to the Committee.

National Museum of Australia and alliancing

- 3.31 As mentioned earlier the Commonwealth Committee reported on the National Museum of Australia project in June 1998 (Second Report of 1998 refers). The National Museum of Australia, opened in March 2001, was constructed using the system of alliancing. The Conference had the opportunity of being briefed on the Museum and the success of alliancing by the Hon Tony Staley, Chairman of the Council of the National Museum of Australia, Ms Dawn Casey, Director of the Museum, and Mr Robert Peck, Managing Director, Robert Peck von Hartel Trehowan.

- 3.32 Ms Casey stressed that a fundamental issue with the project was that a maximum amount of money - \$155 million – had been allocated for the project and the building had to be delivered within that figure. Alliancing was chosen for the project because:
- the importance of the project and the available timeframe required the client to be actively involved in the design;
 - it enables contractors to incorporate their ‘buildability’ expertise early in the design process;
 - effort can be focused on producing outstanding results, not on protecting contractual positions; and
 - there are opportunities and incentives to reduce duplication and achieve efficiencies.
- 3.33 The Alliance partners are jointly responsible for total project results, and work cooperatively in an integrated team to achieve agreed cost, time and quality targets.
- 3.34 Financial rewards follow the success of the project. The agreement provides incentives to encourage and reward outstanding performance. There are also strong financial penalties if the cost, time or quality targets are not achieved. The agreement provides a ‘no dispute’ culture, prohibiting litigation except for wilful default, thus avoiding the adversarial approach associated with traditional projects.
- 3.35 The quality of the project is of utmost importance to the Alliance. The agreement includes a measure on quality to ensure that costs are not minimised at the expense of design integrity or quality.
- 3.36 The alliance leadership team had the primary responsibility for the creation and direction of a high performance culture capable of delivering exceptional project results.
- 3.37 Mr Peck said that as a result of the success of alliancing in the Museum project he believes that governments should look towards adopting it for large and complex project. Projects that suit alliancing include publicly funded, infrastructure projects – developments above railway stations, hospitals, public buildings and multiuse redevelopment involving more than one government agency. It is particularly good for those projects that can be totally specified at the outset.
- 3.38 However, the alliancing process forces significant changes to the traditional Public Service delivery mechanism. Alliancing forces decisions on scope and cost at the outset of a project. Recurrent costs are infrequent

considerations at the outset of a project. Alliancing brings them to the front end of the project.