

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Prime Minister and Cabinet Portfolio**

**Department of the Prime Minister and Cabinet**

Supplementary Budget Estimates 19 October 2009

**Question: PM47**

**Topic: Project management fees**

**Type of Question: Hansard, F&PA 19 October p65**

**Date set by the committee for the return of answer: 4 December 2009**

**Number of pages: 2**

**Senator RYAN-I would now like to turn to the issue of project management fees. In May you advised the committee that, 'We are currently doing an analysis of project management fees being charged across the jurisdictions.' Can that analysis be made available to the committee?**

**Mr Mrdak-You will have to bear with me. I am not sure that has been finalised as yet. Can I take that on notice and come back to you, if that is okay?**

**Answer:**

Commonwealth agencies and state and territory governments have primary responsibility for the management of building and construction projects under the Nation Building – Economic Stimulus Plan (NBESP), including determining appropriate projects management costs.

The Office of the Coordinator-General has undertaken an informal analysis of approaches to managing the costs of projects including project management fees. The analysis involved discussions with Coordinators-General and Commonwealth Coordinators about procurement processes and regulatory frameworks employed in implementing programs. No formal report, specifically on project management costs under the NBESP has been produced. The analysis found that processes, while varied, were in place to regulate the costs associated with the work being undertaken under NBESP projects.

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For example, under the Building the Education Revolution, a cap of four per cent has been agreed between the Commonwealth and States, Territories and Block Grant Authorities as a maximum cap for project management of all school projects. The decision by the Department of Education, Employment, and Workplace Relations for a cap was based on consultations that found that a general four per cent cost for project management of these types of projects was appropriate and within industry standards, but to work on a project-by-project basis. Very large projects, for example, may well have a lower percentage applied. The four per cent cap on project management costs is standard across all states.

Another approach is illustrated in the Social Housing Initiative where the total cost of a proposal, including project management and other administrative costs, were assessed against value for money criteria in the approvals process. An independently developed cost model and professional quantity surveyors were utilised in this process.

For NBESP projects administered by the Department of Infrastructure, Transport, Regional Development and Local Government, Commonwealth funding is not used to cover the State and Territory agency costs of project management, which are met by those agencies. Project management costs are one component of the total cost of each infrastructure project, and are assessed through the competitive tendering and other procurement processes employed by the States and Territories.

Advice from Commonwealth agencies on project management fees being charged, suggests that costs across the Plan are within industry standards for project management costs on construction projects.