



Australian Government

# Nation Building

**ECONOMIC  
STIMULUS  
PLAN**

# Building Success

March 2011

**By Robert B Leece AM RFD**

NSW Infrastructure Coordinator General and  
Chair NSW Nation Building and Jobs Plan Taskforce  
2009 – 2011



*Investing in a better future*



# Message of thanks

From the NSW Infrastructure Coordinator General

The success of the Nation Building Economic Stimulus program in getting the NSW economy back on track for the benefit of the entire community is the result of the efforts of government and non-government organisations, industry and the community working together to achieve significant outcomes. I would like to personally thank the members of the NSW Nation Building and Jobs Plan Taskforce, the Agencies and their support teams, and of course the planning, building and construction industries in NSW, for their extraordinary achievements over the past two years. Special thanks must go to Paul Gilbertson, our CEO, Housing NSW Chief Executive, Mike Allen, the Director-General of Education and Training, Michael Coutts-Trotter and their respective Program Directors, Paul Vevers and Angus Dawson for their unwavering support and cooperation.

**Robert B Leece AM RFD**

NSW Infrastructure Coordinator General and  
Chair NSW Nation Building and Jobs Plan Taskforce 2009-2011

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# setting the scene

**Think back just a little over two years ago to late 2008, when the global financial crisis hit.**

Australia's economic analysts were predicting that unemployment would rise to 10 per cent.

Australians were waking every morning to headlines about the dire state of our economy, and what this would mean for businesses, families and workers.

**Sydney Morning Herald chief political correspondent, Phillip Coorey, reported in February 2009 that, "the global financial crisis has cost Australia: \$50 billion company tax, \$13 billion income tax, \$10 billion GST, \$2 billion general taxes, plus a \$40 billion shortfall announced in November".**

Advanced economies were expected to suffer their deepest recession since World War II. Global growth was expected to fall to half a per cent in 2009.

The International Monetary Fund (IMF) was forecasting advanced economies to contract by a collective 2 per cent in 2009, with a dramatic reduction in growth in the key emerging economies of China, India

and Brazil. And it was predicted that the global recession would cause a rapid unwinding of the mining boom in Australia, with significant consequences for Australian revenues, growth and jobs.

As the country's largest economy, NSW was expected to be the hardest hit.

Yet two years later, NSW is in a strong position, the only State to have achieved seven consecutive quarters of economic growth, and boasting the second lowest unemployment rate in the country.

**This turnaround is due in no small part to the decisive actions taken by NSW in implementing the \$7 billion task set for it by the Australian Government – get the NSW economy going – and make it fast!**

The absolute commitment of NSW ensured the rapidly falling local economy did not drag the rest of the country into a deep recession.

NSW's \$7 billion share of the Australian Government's \$42 billion Nation Building Economic Stimulus Plan (NBESP) presented the State with a complex delivery task, larger in size and scale than the Olympics,

and needing to be delivered in one-third of the time at thousands of project sites across the State.

Most importantly, the task itself was about the wellbeing of the people of NSW and ultimately Australia. It was a race to regain confidence and jobs before we got to the seemingly inevitable slide towards recession.

Builders, suppliers and even corner stores where sub-contractors buy their lunch were going to start laying people off or even go under if we didn't take immediate action to start rolling out the program.

The trick was to rapidly stimulate job growth across the State.

In February 2009 I received a call from the Premier asking if I would coordinate the Commonwealth funded Stimulus recovery effort.

It was an exciting proposition, as I could see it would be one of the biggest and most challenging infrastructure projects in the State's history. I knew it would not have the grandeur of a single large project like the Sydney Olympics, the Snowy Mountains Scheme or Bradfield's Transport Plan, but it was unique in its ambition and its need to command the best of our construction industry.

# past & present

'Building Success' is a personal account because, ultimately, the story of the NBESP in NSW is about people. Not just those who worked on the program but their families, their suppliers and those who have benefited from new assets delivered a generation ahead of their time. We are talking about millions of people who have been touched by the impact of the successful delivery of these community and school projects and new social housing.

**Last Christmas alone, over 4,000 people in NSW spent Christmas in new homes as a result of the Stimulus housing program. And they were all using the latest in environmentally sustainable features.**

Almost 4,400 apprentices have worked on the Primary Schools for the 21st Century (P21) component of the Building the Education Revolution (BER) program, clocking up about 1.5 million hours of work and adding to the skill base of the State. An additional 500 apprentices/trainees have worked on the construction of new social housing homes. Don't forget, just two years ago, apprentice numbers were falling.

**I believe it is vital that we put on record not just the overall success of the program, but also the decisions we had to take and then implement against incredibly demanding targets.**

I am not offering an extensive review in this document of the entire NBESP program in NSW. But I do believe it is important to contextualise the Stimulus package and clarify its objectives and governing provisions, which to date have not had the broad public reception or recognition they deserve.

The aim of 'Building Success' is to tell the story of the achievements of NSW from the perspective of those who have worked on it; to act as a record of the program's success and to celebrate the long term legacies of the program.

Public documents such as the NSW Government's independent Shepherd Review provide a more detailed account of the workings of the delivery program and the legislation that I have been able to use to make things happen. The Shepherd Review, along with other reports, audits and reviews of the program, are referenced at the back of this document.

All of Paul Gilbert's primary school life was spent at Engadine Public School. Now, over 30 years later, Mr Gilbert's family-operated company is helping to deliver a \$2 million investment as part of Primary Schools for the 21st Century.

"I saw my old classroom prior to its demolition and it struck me how old and rundown the building and its surrounds actually were.

"The new school facilities will be a stark contrast to what we had back in the days when I was a student at Engadine," Mr Gilbert said.



*Paul Gilbert on site at Engadine Public School.*

It was clear from the beginning, given the scale and ambition of the program, that the NBESP would not satisfy all expectations nor have total support, particularly once the economy started to regain strength and the immediate threat of the GFC was no longer at the fore.

Of course, there have been things that we could have done better, as is normal in any endeavour of this scale. And there has been plenty of room for a large number of different opinions as to what is right and what is wrong, especially when considering the number of people associated with individual schools and other communities.

**But just ask any member of the development, building or construction industries if they would be happy with a results tally that includes just a few per cent of complaints and a program delivered on time and on budget.**

You would be told these are great measures of success in any circumstances, let alone with the pressure of a delivery program which, at its peak in 2010, was pumping over \$400 million a month into the economy. Indeed, throughout 2010, the average cash injection into the economy from this program was an extraordinary \$300 million a month.

No other single infrastructure program has ever matched this sort of economic activity. Furthermore, other large projects were single sites with massive investments whereas we achieved all of this on thousands of sites across the state. While they contributed dollars by the truckload, we effectively made these contributions by the teaspoonful.

In many ways, the Nation Building Economic Stimulus Program was an experiment in both micro and macroeconomic management. So it is not surprising that the program has been one of the most reviewed and analysed government programs ever.

Very little of the analysis, however, has focused on the original intent, the economic outcomes or the long term asset legacy that has been created. We need to look at the whole as well as the parts. For this reason, I am on the public record as not accepting the outcomes of many of these reviews – they are neither sound nor representative. For example, the cost per square metre has been considered a universal measure of value. But the cost per square metre of a building in regional or remote NSW cannot be compared to the cost per square metre of an office building in a city. Similarly, the capital cost of any building is only a fraction of the cost of maintaining, operating, cleaning and securing the building over its life. In other words, capital cost is just one of many factors in the overall cost of a building over its life.

The same applies to the differences in cost between small and large buildings. The raw numbers may be mathematically correct, but they are just one measure, and by themselves do not form a valid basis for comparison or a valid measure of the program's outcomes.



## Gardeners Road Public School

“The new hall and COLA will comfortably meet our needs so all of our indoor events from now on can be held at our own school. The new facilities will also be of benefit to our special needs classes through the provision of access ramps. Environmental factors have also been addressed through the provision of solar panels as well as a large rainwater tank.”

*Principal, Ms Dot Gargoulakis, Gardeners Road Public School*



## Elizabeth has a place to call home

An eventful life has taken Elizabeth Molnar from her birthplace in Kondo, Hungary to Guildford in Sydney's west where she is one of 15 tenants living in new social housing managed by Churches Community Housing.

The Guildford property features in-ground water tanks and a watering system so Elizabeth and other tenants can enjoy seeing their gardens grow.

For every story about a dissatisfied parent or school principal, there are literally hundreds of stories about the difference that a new school building or classroom has made to a community, or the impact that a purpose built home has had on the lives of homeless people or those living in severe housing stress. Many of these stories have been largely unheard, except within local communities.

Through 'Building Success', we are highlighting some of these stories. Many more can be read on [www.ber.nsw.gov.au](http://www.ber.nsw.gov.au) and [www.housing.nsw.gov.au](http://www.housing.nsw.gov.au)

In some ways, the success of the program has been its own worst enemy. The faster we rolled out the projects, the faster we regained business and community confidence. This led to non stimulus related economic activity and increased the buoyancy of the NSW economy. In the process, many forgot why the program was established. This was exacerbated by the absolute transparency we gave to schools, their communities and the general public about matters such as the estimated cost of the projects

and project scope, leading people to focus on inputs rather than final outcomes.

At a leadership level, the program's successes have depended on a complex interplay of factors which have characterised the NSW approach. These included the NSW's special purpose Nation Building and Jobs Plan (State Infrastructure Delivery) Act 2009, my role as Infrastructure Coordinator General, the roles of the Taskforce office, the delivery agencies and the commitment and focus of the State's building, design, manufacturing and supply industries.

**Together, we created a can do culture which delivered on the economic objectives of this extraordinary building program.**

As well as achieving our economic objectives, we have left behind a legacy of social infrastructure which has been delivered a generation or even generations ahead of its time.

All these successes are worth celebrating, as are the lessons worth learning.

The NSW Government has stated it is more than happy with how the Stimulus has been generally delivered, and they are not alone. The construction industry, social housing tenants, school principals and local communities across the State share this view.

In the future, there is no doubt that NSW will again face unexpected economic challenges. We now know that applying massive, rapid fiscal stimulus upfront works. It's a lesson we should take pains to remember.

Faced with the same task and same economic urgency, I would recommend this approach to the decision makers of the future.



# the task

When the Australian Government announced its initial Nation Building Economic Stimulus Program in December 2008, it was responding to alarming economic indicators. However, the impact of this initial program was insufficient, and a stronger response was required. Action had to be swift and decisive.

**On 5 February 2009, a communiqué from a special Council of Australian Governments (COAG) meeting announced the establishment of a \$42 billion Nation Building Economic Stimulus Plan.**

The NBESP was “designed to ensure the rapid delivery of economic stimulus measures which will support employment and growth and make Australia more resilient in the current Global Financial Crisis”. The Plan was a temporary measure to deliver timely, well targeted intervention with the goal of building confidence and retaining stability in local economies.

The Plan was passed with bilateral support by the Australian Senate on 13 February 2009. While the NBESP included a number of elements, the two largest scale programs to be delivered by the States and Territories were the social housing and schools programs.

\$6.6 billion was allocated nationwide for the Social Housing Initiative, to boost the national stock of social housing, increase the number of defence homes, and fast track

repairs and maintenance for existing public housing.

\$16.2 billion was allocated across the country for the Building the Education Revolution Program, focused on rebuilding primary and secondary school infrastructure and maintenance.

Initial School Building and Social Housing maintenance activities created jobs whilst planning and design processes for the more complex new building program were underway. Maintenance and school construction were chosen primarily because these initiatives would ensure that every Australian community benefited from the spending.

**The aim was to be “shovel ready” within months or even weeks, so that economic stimulus could happen immediately.**

In this context, the Australian Government set each State and Territory a series of extraordinarily tight deadlines for the implementation and delivery of the Stimulus package

through its National Partnership Agreement. There was no room, at this crucial stage, for compromise.

Sanctions were threatened if State expenditure did not meet delivery benchmarks. These included returning shortfall funding, halting further funding and withdrawing an amount equivalent to the reduced effort from future Commonwealth payments to the States.

The National Partnership Agreement which was signed by NSW in early March 2009, made it clear that the Commonwealth’s contribution was temporary – it would only contribute capital costs. States and systems would be liable for ongoing costs.

NSW agreed with the Commonwealth’s opinion that achieving these very tight timeframes was needed to stimulate the economy. Given the rapidly falling economic indicators in NSW, we decided we would not push for more time, as other jurisdictions did, but would focus on developing an implementation plan to meet the demanding timeframes.

# social housing

NSW's share of the national Stimulus funding package was valued at over \$7 billion – about a third of the nation's total Stimulus capital works program. This meant our task was to construct over 6,300 new social housing homes on 527 separate sites; spend \$130 million maintaining existing social housing, spend around \$3 billion on new and refurbished buildings in government primary schools; spend \$287 million in maintenance for government primary and secondary schools; and invest \$151 million on new science and language centres for government secondary schools – all within two years. In addition, the non-government schools sector would spend a further \$1.5 billion in the same period.

Any expenditure outside the allowed time period was considered an unacceptable risk for NSW. We could not stand by and allow the opportunity for these funds to be lost by not performing in accordance with the Commonwealth's requirements.

This was a building program of a scale never seen before. There were so many issues to be faced.

How were we to deal with the competition for the same resources particularly in the planning, design and building areas? How was NSW going to ensure that it could deliver

on such a massive program, given that the State was facing the most rapid downturn of all the States in Australia?

Decisions about processes and principles had to be made quickly. In fact, they were made in the first three months after the signing of the agreement, well ahead of other States.

**NSW was the only State to have rolled out more than \$3 billion worth of contracts within three months of the National Partnership Agreement being signed.**

In this same short period, NSW completed the first of over 6,300 social housing dwellings – the first in the country. We let contracts for a further 1,000 homes in that same period.

This immediate action translated to immediate results.

**One year on, Greg has truly found a new place to call home**

Greg Widders was one of a number of people who moved into a new home as part of the Federal Government's Nation Building Economic Stimulus Plan.

"I was consulted during the building stage and, because I'm on peritoneal dialysis and dust is a problem, I asked for vinyl flooring throughout rather than carpet.

"I know each and every one of the neighbours and see my grown family regularly, and I love the privacy of my backyard where I can sit and listen to the westerly wind blowing. Everything has fallen into place."



*Greg Widders in his new home.*

The commencement of maintenance programs in almost 2, 200 schools and 25, 000 social housing dwellings delivered benefits to local businesses, created jobs and helped families immediately.

By mid 2009, reports were already coming in of increased business confidence, falling unemployment figures and increased business optimism around NSW.

### Delivery status

Our decisions were about getting the best quality outcomes in the fastest possible time, including value for money and safety assurances. And this has been a hallmark of the NSW delivery profile.

**In all, over the past two years, around 3,000 government primary school, high school and social housing building projects have been completed and are now being occupied.**

This means almost every village, town and city in NSW has shared the economic benefits of NBESP projects. In just two years, the construction industry – from the one-man trades businesses to large national companies – has built enough houses and more than enough new permanent public buildings for a town of over 10,000 people, with an asset life of over 50 years and all the required environmental, planning, technical and technology constraints that would entail.

In other words, in just two years, we have generated enough building activity to create another Forbes, Leeton, Gunnedah, Cowra or Hunters Hill.

Today, our task is rightly drawing to a close. The table over the page sets out the current status against the extraordinary goals set for us.



### *Ben Houghton, an apprentice*

Ben Houghton, a third year electrical apprentice and Dubbo local, has worked on more than a dozen Building the Education Revolution projects throughout western NSW, under the oversight of Managing Contractor, Laing O'Rourke.

PROGRAM	FUNDS \$M	PROJECTS/DWELLINGS	AUSTRALIAN GOVERNMENT COMPLETION TARGET	KEY ACHIEVEMENTS	STATUS
<b>Social Housing</b>					
Repairs and Maintenance	100	25,221 Dwellings	December 2009	Total repairs and maintenance expenditure has seen urgent backlog on maintenance reduced.	Complete
Bed-sit upgrade	30	300 dwellings	2010-11	Improved amenity of existing poorly designed studio type stock into single bedroom units.	In progress On target
New Social Housing	1,870	6,300 dwellings over 527 sites	4,408 by end Dec 2010 100 per cent by Mar 2012	4,558 dwellings complete. All others in construction.	75 per cent December 2010 target achieved. Remaining 25 per cent on target.
<b>Building the Education Revolution</b>					
National School Pride	287	2,179 projects	February 2010	100 per cent completions achieved.  Installed almost 3,500 Interactive Whiteboards and more than 350 covered outdoor learning areas and undertook painting works at almost 1,000 schools.	Complete
Science and Language Centres	151	118 projects	30 June 2010	NSW achieved 99 per cent completions at end June 2010, well ahead of the national average completion rate of 30 per cent.  Over 180 apprentices worked on the program, accumulating almost 39,000 hours of work. per cent	Complete
Primary Schools for the 21st Century	2,985	2,363 projects in 1794 schools	97 per cent by end March 2011 per cent	90 per cent currently complete/fit for use.  97 per cent of all workers were locally based.  Almost 4,400 apprentices have worked on the program, accumulating almost 1.5 million hours of work (10 per cent of total hours worked on the program)	90 per cent in use to date.  On track to achieve end March 2011 target



# how did nsw deliver?

Given the national importance of the NSW economy, the pressure to deliver the program from a standing start with a clean sheet of paper, no organisation in place, and in less time than it takes to do a fairly modest house renovation, how did we do it?

**All decisions about delivery had to be fast tracked whilst still maintaining the highest standards of procurement, project quality, delivery certainty, safety and value for money. We needed to insist on both empowerment and accountability at every level of the delivery chain.**

NSW was the only State in Australia to pass special purpose legislation to cover all aspects of the NBESP. We all knew we had to work outside the existing legislative constraints, procurement practices and bureaucratic structures, and yet still operate within the context of the existing government delivery framework, because there was no time to set up anything new.

**The Nation Building and Jobs Plan (State Infrastructure Delivery) Act 2009 was passed through the NSW Parliament with bi-partisan support, in March 2009.**

The Act created and empowered an Infrastructure Coordinator General and advisory Taskforce to achieve the economic objectives of the NBESP.

It is worth listing the key elements of the Act for future reference.

## **The Nation Building and Jobs Plan Act:**

- creates a single point of operational authority – the Infrastructure Coordinator General;
- places obligations and authority on the Infrastructure Coordinator General for both program rollout and planning approvals;
- sets out functions, obligations and authority without, in most instances, specifying related processes, and so is not procedural. In particular, it does not mandate the planning approval regime, unlike for example the procedures required for planning assessments and approvals under Part 3A of the EPA Act. This flexibility to develop appropriate processes has been a key success factor;

- authorises the Infrastructure Coordinator General to grant planning approval to both government and non-government NBESP projects. Specifically, it allows the Infrastructure Coordinator General to “turn off” development control legislation. This allows technical non-conformances and potential irreconcilable conflicts between different pieces of development control legislation to be resolved, thereby allowing projects to proceed (with appropriate project amendments if necessary);
- provides essentially no avenues of appeal to decisions made by the Infrastructure Coordinator General;
- has significant “step in” powers available, allowing the Infrastructure Coordinator General to take over government agency roles in whole or part with regard to NBESP. While this authority has rarely been used, it has provided a management environment which has reinforced the critical role of the Infrastructure Coordinator General should disputes need to be resolved;

# social housing

- places significant legal obligations on agencies to cooperate with the Infrastructure Coordinator General, as distinct from normal administrative authority;
- authorises agencies to cooperate with the Infrastructure Coordinator General despite the provisions of any other Act or law; and
- amends the Public Sector Management (Goods and Services) Regulation 2000 to provide for the Infrastructure Coordinator General to determine policies and procedures with respect to the procurement of goods and services.

## The powers in the Act allowed us to create a special purpose Taskforce reporting directly to the Premier.

The Taskforce initially included the CEOs of the Departments of Education and Training, Housing, Commerce, Treasury and Premier and Cabinet, with me as its Chair.

The Taskforce approved the works program developed by the Department of Education and Training's Integrated Program Office and Housing NSW's Program Management Office; provided additional resources where required;

streamlined the procurement process; monitored the progress of the works; and was also capable of assuming project responsibility if needed.

As I had no intention of setting up a special purpose agency to manage the implementation of the Act in lieu of the existing agencies, I created a special purpose office, staffed with a small number of industry and government experts.

The agencies provided the delivery framework with assistance and guidance from the Taskforce and Taskforce office. The focus was on effective project management and rapid delivery.

The powers and the implications of the Act ensured that the office of the Infrastructure Coordinator General, together with the Taskforce and the delivery agencies (the Department of Education and Training and Housing NSW) could become a fast and flexible decision making and implementation "machine".

It allowed us to meet the objectives of the NBESP in a thoroughly coordinated and transparent way.

Given the same circumstances, I would again recommend the creation of such a piece of legislation. It reinforced the opportunity for strong leadership and flexibility at all levels of the delivery of the program.

## Peter Maclachlan lives in a ground-floor townhouse at Wentworth St Greenacre.

The Greenacre properties have been designated as seniors' accommodation and has special design features such as hobless showers and wider doorways for easy living. The properties are only allocated to tenants on a disability pension or those over 50 years of age.

"I don't drive any more, but there is a bus stop at the end of the street. I also like the fact that everything is new and I have a garden with my own washing line." Peter is already putting the garden to good use and is growing chillies and a lime tree.



Peter Maclachlan in his new home.

# 4 challenges & key decisions

My experience in delivering major public infrastructure includes projects such as the 2000 Sydney Olympics, the recovery from the 1999 southern Sydney hailstorms, and the 2008 Blacktown storms. It has shown me that it is important to record the context of a large program and the decisions made in that context. Sometimes there is a gap between reality and perception, particularly around the politics of a delivery program.

I believe the foundations of the successful delivery of the NBESP can be attributed to a number of key decisions made in the second quarter of 2009. This was the key period in the planning stage of the program. It established the strategic direction for the delivery within the constraints set by the Australian Government. Inappropriate judgements or decisions made in this period would have seriously jeopardised the outcomes and successes of the delivery operations.

## Control Structure

The ability of the NSW Government to take immediate command and control over the task at hand was a key factor in delivering the NBESP in NSW.

Much existing NSW legislation, guidelines and practices around planning approvals and procurement

focused on processes rather than outcomes. This gives third parties many opportunities to frustrate delivery.

## A different approach was required.

What was very clear was that a simple extension and expansion of “business as usual” practices was inadequate. So we needed a different organisation structure and different practices. But I knew that a new organisation to replace existing agencies couldn’t be effectively created from nothing given the time constraints. Even if it could, there was no guarantee that it would perform better. The agencies needed therefore to be empowered to do the job.

The agencies had good stakeholder communications practice and existing policies in place which was a great starting point. Nevertheless because of our rapid delivery focus, the existing cultures needed to be refocused into a “can-do” decision-making machine.

The NBJP Act Infrastructure Coordinator General powers enabled me to work with the Department of Education and Training and Housing NSW to rapidly establish a very effective but different delivery structure, which has had remarkable success. Its key element is single point accountability in the

Infrastructure Coordinator General, with distributed planning and delivery through a special purpose group in each agency. The Infrastructure Coordinator General retains ultimate ability to direct or step in to the agency’s role if necessary.

I have used the “planning approval” powers in the Act over a thousand times. Conversely, I have rarely used the powers of the Act in my role as Infrastructure Coordinator General to direct the delivery agencies, but the fact of their existence provided me with a very useful tool for insisting people rise above the constraints of the existing systems, ensuring coordination and assistance from the agencies.

This is why the legislation described in the previous chapter was so important.

The model of a Taskforce headed by an Infrastructure Coordinator General, empowered through legislation and working with delivery agencies, proved to be very effective, ensuring a single NSW Government position on all NBESP issues. In addition, it gave industry a single point of contact, which inspired confidence.

## Delivery Structure

A critical factor in delivering the NBESP in NSW was recognising that the NSW Government’s

# back to school

## BER brings Tim back to school

Tim Menzies, a former dux of Wagga Wagga's Mount Austin Public School, returned to his old stomping ground as a ICG Construction Project Engineer under Primary Schools for the 21st Century.



*Tim Menzies on site at Wagga Wagga's Mount Austin Public School*

existing business as usual capability and framework – used by the Department of Services, Technology, Administration (formerly Department of Commerce), the Department of Education and Training and Housing NSW – was inappropriate for the NBESP delivery.

This led to the decision to create special purpose delivery units, located within the agencies but tailored to the NBESP program, and able to draw on a substantial proportion of private sector resources. This also moved away from the traditional school project delivery approach, where planning was carried out by the Department of Education and Training and procurement was carried out by the Department of Services, Technology and Administration. The rapid pace of the program and the need for clear accountability for delivery was best served by placing skilled people and systems belonging to the Department of Services, Technology and Administration within the Department of Education and Training for this program.

Acknowledging that the Department of Education and Training and Housing NSW would be the main delivery agencies for the project was a key decision in achieving successful implementation. My office worked with the agencies to establish the

Integrated Program Office and the Program Management Office within the Department of Education and Training and Housing NSW respectively, and to staff them with public and private sector resources operating at both management and operational levels. The special purpose internal organisations were accountable, through their CEOs to me and the Taskforce for their performance.

Using this approach, we were able to merge and optimise the cultures and expertise of both the public and private sectors so as to guarantee outcomes that met our delivery expectations.

## Relationship between Infrastructure Coordinator General and Agencies

We needed to ensure there were people on board in the Integrated Program Office and Program Management Office organisations who were decision makers. My office put in a huge effort to show how leadership, vision, strategy, implementation, decision making, communication, and selection of teams was vital to success. This was strategic leadership with its sleeves rolled up.

We were lucky to secure a senior housing executive, who knew the rules but also had innovative entrepreneurial skills, as my Taskforce Office CEO.

Even though the NBJP Act gave me the power to direct and take over part or all of the Department of Education and Training or Housing NSW's roles in delivering the NBESP, I considered that interaction rather than direction was the key.

For example, the housing program required around 1,300 households to be relocated while their dwellings were demolished to make way for new developments. Relocating families is core business for Housing NSW, ties in to Housing NSW's existing relationships with its tenants, and requires a skill set uncommon outside Housing NSW. It was highly unlikely that this capability could have been successfully replicated outside of Housing NSW, particularly in the required timeframe. Housing NSW performed the task flawlessly.

Similarly, the Department of Education and Training already interacts with its school communities on many levels and in different ways, including through organised interest groups such as Parents and Citizens and Principals and Teachers groups. The relationship, therefore, is continuously evolving. Accountability for building work in schools is somewhat ambiguous, with most schools viewing the facilities as theirs, despite the Department of Education and Training having the owner's responsibility and liability.

### There is always a tension between what is best for the education system as a whole and what is best for individual schools.

The setting out of clear parameters, and the delivery of detailed updates, allowed the Taskforce office to monitor agency performance and establish strong working relationships. Working within each agency's existing context and relationships allowed us to minimise delivery risk. This approach also meant that the Department of Education and Training and Housing NSW could benefit longer term from the lessons learned.

### Communications

From the very beginning, we knew we had to communicate effectively with both internal and external stakeholders.

Our strategic approach, which was driven by a dedicated Director of Communications, was to continuously communicate openly and honestly to the broadest possible audience. Although the agencies were responsible for communicating with their specific stakeholders such as schools and tenants, all were committed to this strategic approach.

Throughout the course of the NBESP, the Taskforce actively sought to promote the program's visibility and build industry confidence by engaging peak industry bodies through meetings, briefings and regular updates. This was the best way to manage issues around our different approaches to program management

and fast track planning approvals. By coordinating communications, my office was able to avoid mixed messages from different ministers and departments. Our weekly newsletter to over 2,000 industry stakeholders gave industry the confidence that the program was rolling out as planned and that work opportunities would eventuate on schedule. This central communications point also gave government stakeholders clarity around performance and issues.

### Industrial Relations

We worked with Unions NSW to produce a specific policy position and statement for resolving industrial disputes impacting the NBESP. The statement set out in detail the agreed processes between the Taskforce and Unions NSW to resolve industrial relations matters.

This was needed to provide a framework, consistent with existing policy and law, which would allow rapid identification and resolution of any industrial relations issues not being adequately addressed through normal channels.

The existence of the policy statement gave Unions NSW and its member unions reassurance that an expeditious avenue of appeal existed for IR matters not being dealt with adequately. There was only one incident when the policy had to be implemented, and a successful outcome was reached.



## Skilled Resources

The speed and rollout of both housing and education programs required thorough planning and well executed delivery, which in turn required skilled, experienced staff.

**We quickly recognised that the lack of available public sector staff made the usual model – public sector management and private sector delivery – unworkable. Different departments chose different options to address this issue.**

Housing NSW formed an alliance with Landcom, and also introduced a large number of private sector resources at both the senior management and operational level. Housing NSW created nine project management teams – all run by private sector companies – to roll out the design and delivery of over 500 projects delivering over 6,300 dwellings.

The Department of Education and Training adopted different approaches for different BER programs. The National School Pride maintenance program was largely business as usual, while the Science and

Language Centres required a mix of business as usual and innovative approaches. In both cases, the Integrated Program Office oversaw the programs whilst outsourcing primary delivery.

For the BER P21 construction in primary schools program however, a number of Managing Contractors were appointed to act as agents for the government and provide both management and construction resources.

It is my view that the larger than usual involvement of the private sector allowed NSW to deliver a number of positive outcomes.

Mixing people from different backgrounds with a common goal in a team environment led to a focus on outcomes rather than process, and finding new approaches to problem solving. Private sector involvement also brought economic benefits to individual businesses, which was one of the main objectives of the NBESP.

## Managing Contractor Procurement

As the largest component of the BER, the P21 program presented a significant delivery challenge.

Given all the requirements, characteristics and circumstances in NSW, we knew that a Managing Contractor model would be the only way to achieve what was needed across the State.

This is a well established procurement model, yet is poorly understood by many people.

The Managing Contractors' role would be to act as a management extension of the Government, as well as a contractor. They were, in effect, a combination of a client project manager and a builder.

Some doubted the ability of the large construction companies to work on small projects, but they did, and have left a beneficial legacy for smaller contractors around the State, teaching many of them what they need to know about doing business within the government procurement framework.

To meet our deadlines, we needed to ensure that the tender was put out early and so we took advice from industry. The Taskforce office was assured that NSW's biggest and most experienced contractors had all the skills and resources available immediately to get the planning, design and estimating rolling out early.

**From my 40 years experience of the construction industry, we knew the top two tiers of companies had the experience to get the pricing mechanisms right from the beginning.**

They understood procurement and contracting risk. They were there; ready to start and they had a workforce that was under-employed. This was their core business, “bread and butter” work for them, and they had the available resources the Government lacked, ready to perform.

Despite the assertions, this approach to the management of delivery does not add an unnecessary layer of management. Smaller less expensive firms offer fewer people with the necessary management skill. Project completion dates are therefore less secure. It is not more expensive if the alternative, lower priced players meant the delivery program would slip.

By contrast, using a project manager model would have required reiterative tender processes to gauge the price versus scope, therefore delaying delivery.

Many other states and large non-government education systems that have chosen this approach are now late in delivering on their Stimulus program deadlines.

This approach was too high risk for NSW, given the Australian Government’s rules in the National Partnership Agreement about penalties for non-delivery and the size of our commitments, and our view that moving rapidly was necessary.

Additionally, the Managing Contractor model provided greater certainty of supply and economies of scale.

Nevertheless, the Taskforce knew the model required controls to work. We decided that Managing Contractor tenderers could only bid for three existing departmental regions, and they could only win a maximum of two. Given the economic circumstances, we wanted to spread work and not risk performance outcomes by giving too much work to any one company. In this context, we can demonstrate we have achieved value for money.

The seven successful Managing Contractors were allowed to use their

own procurement systems, within the confines of the NSW Government guidelines and codes of practice.

This flexible approach enabled Managing Contractors to use the procurement regime that most suited their existing business systems and the individual project. This approach allowed Managing Contractors to move quickly to market, and to respond to local market conditions.

The Managing Contractors were also legally responsible for safety on their sites. This means we only had seven different safety systems, which were all sophisticated as is usual with this size of contract. The alternative was to have a different safety system for each builder and site – 1,800 in all – and in my opinion far more risky. The safety statistics support the approach we took with a loss time injury frequency rate – a measure used by the industry where a lower number is better – of only 2.7 compared to an industry norm of 15.5.

We empowered the Integrated Program Office’s Regional Program Directors, who had a mix of private and public sector expertise to manage locally. They ensured the Managing



Contractors interfaced with school communities at a local level. In other words, decision making was “on the ground” at the school community level.

**I stand by the decision to use Managing Contractors, have defended it vigorously, and would use the same model again. This was the only model that transferred risk from government, maximised certainty of delivery and better ensured the safety of workers and children.**

### Supply Management Framework

Another critical delivery challenge was to ensure that NSW industry could provide adequate resources (including material, trades, labour or any other construction input) when needed to meet the requirements of the NBESP.

Supply shortages would have adversely affected the progress of the works, and prevented NSW from achieving its targets, and/or potentially requiring NSW to import significant quantities of resources from overseas, thus limiting local Stimulus effects.

**By working with government agencies and industry peak bodies such as the Building Products Innovation Council, the Housing Industry Association and the Master Builders Association, my office developed a consultative market capability framework.**

This enabled the Taskforce to forecast construction requirements and delivery programs in advance and communicate them to industry, which was able to advise on supply capabilities and identify any potential shortfalls.

This advance warning allowed industry to gear up as needed to meet demand. It also meant that potential supply constraints could often be averted by changes in specifications or processes. As a result, the Taskforce office was able to maximise the sourcing of supplies from local industry.

One example is the steel industry. The reduced demand associated with the GFC had led many suppliers to reduce stock to minimum levels. This meant they would not be able to meet NBESP demand if builders followed normal practice or ordering, particularly for structural steel and reinforcing bar.

We were faced with a scenario in which steel would have to be imported to meet our deadlines, defeating the broader economic stimulus goals of the NBESP.

We worked with the steel industry to identify a minimum order time that worked for both the steel and building industries, giving the Australian steel industry time to gear up and reap the benefits of the NBESP.

### Target Higher Apprentice Numbers in the Department of Education and Training

A key measure of the Nation Partnership Agreement was to

ensure that the dramatic reduction in apprenticeship commencements stemming from the GFC did not result in a severe, ongoing skills shortage for Australia.

The impact of the GFC saw new commencements for construction based trades fall by around 30 per cent. This had the potential to lead to a more severe structural skills shortage than any seen since the 1990s.

COAG agreed that all governments should target an apprentice participation rate of 10 per cent for all Stimulus work.

Recognising the extent of the downturn in commencements, the NSW Department of Education and Training adopted a higher target of 20 per cent apprentice participation. This target was widely communicated to stakeholders including the Managing Contractors, who proactively pursued this target. The result was over 4,500 apprentices having worked on the program. Now more skilled trades are available, which will not only support current rebuilding efforts in Queensland, but also benefit households next time they need a plumber, tiler, carpenter or any other building tradesperson.

**This outcome from the Department of Education and Training is to be applauded.**

## Benefits Realisation Framework

In order to keep track of the impact of the program on industry in NSW, the Taskforce office, in association with NSW Treasury, developed a Benefits Realisation Framework that consolidated the best available information on a large number of industry measures in both the residential and general building construction sectors.

The framework included direct and indirect indicators, such as number of total new houses completed in NSW, business confidence, building activity, development approvals and unemployment rates. This information, in conjunction with additional feedback from industry groups, such as the Housing Industry Association and Master Builders Association, was considered on a regular basis by the Taskforce to assist in determining decisions and strategic directions of the program. It also provided industry with confidence that the government was keeping track of progress and, where possible, tailoring its action to suit.

The data was used in communications and briefings to industry which were designed to bolster confidence in the delivery of the programs and the consequent positive impacts on their industry sectors.

## Delivery of Maintenance and other Programs within existing Structures

The delivery of maintenance programs under the NBESP was a very effective tool for providing immediate stimulus to the economy.

The programs were delivered using extensions of the existing business as usual procurement models, under the oversight of the Department of Education and Training's Integrated Program Office and Housing NSW's Program Management Office. This ensured work could begin almost immediately, one of the key success criteria.

### NSW achieved the tight delivery targets set by the Australian Government for the \$420 million investment in NSW schools and social housing assets.

The fact that school communities and social housing tenants understood the processes and knew the people involved minimised impacts of the work. The speed of this rollout provided an immediate stimulus to the building industry and associated trades across the entire State simultaneously.

An additional \$523 million in programs, including black spots, boom gates and road projects, were delivered by other NSW agencies. Having determined that the implementation of these programs was well within the capabilities of the respective agencies, the Taskforce did not get involved in their delivery.

## Effective Planning Processes

Having been given extraordinary planning approval powers through the NBJP Act, we were determined to ensure this did not result in poor long term outcomes.

We all knew we didn't have time to spend the usual 18 months consulting with every cohort of every school or local community to try to achieve the perfect solution for everyone. We took advice from the Planning and Local Government industry on this to get their support and the best results within the constraints and objectives of the program.

We assessed projects where it was judged that the time to achieve a Council planning approval would jeopardise the required delivery schedule.

Except for the simplest of projects, a formal application and full merit assessment of each project was required. To expedite this process, the Taskforce Office's planning team published planning guidelines providing proponents with instructions on how to apply and address issues. Larger projects were reviewed by an expert design panel of experienced public and private sector architectural professionals.

This approach ensured that the approved buildings were appropriate in terms of environmental impacts, size, bulk and design.

A process was also created allowing for general exemptions from planning approvals to be granted to projects meeting predefined requirements



with minimal impacts, similar to the processes in the Infrastructure State Environmental Planning Policy. This process was applied in only a few cases.

To date, 776 government and non-government project applications have been the subject of a full merit assessment and were authorised, with an average determination time of 31 calendar days. All approvals were published on the Taskforce's website and notified in the Sydney Morning Herald.

Our success came from carefully managing our planners and external agencies, delivering consultation concurrently with the assessment, and effective internal communication during decision making. There was no political involvement, which made processes and assessment times more predictable.

The sometimes conflicting requirements of the Rural Fires Act and the Threatened Species Act are an example of how this worked. By looking behind the quantitative requirements of such legislation and agreeing the qualitative intent with the administering agency (RFS or DECCW), I used the powers of the

NBJP Act to resolve such conflicts to the satisfaction of the agencies. This would not have been possible through Part 4 of the EPA Act using a council process.

The Infrastructure Coordinator General powers were vital to the success of the delivery program. Without them, 776 projects – government and non-government – would have been at risk of not meeting Commonwealth schedule requirements and losing their funding.

### Market Engagement – Housing Tenders

Another significant challenge in implementing the NBESP in NSW was ensuring sufficient land and development sites were made available to meet program timelines and affordability targets in the social housing initiative.

To identify and secure suitable sites, we used a multifaceted approach which included identifying existing Housing NSW projects; understanding which existing Housing NSW sites were suitable for redevelopment; holding a State-wide open tender for land with or without a contract for multi-unit dwelling construction; and

an investigation of open market land acquisitions by Landcom and advisers.

This allowed us access to land outside traditional areas, providing more social housing in needy areas and outside the Sydney metro region. Landowners who may have had developments affected by the GFC had the opportunity to offer those developments for sale. This enabled Housing NSW to meet the Commonwealth deadlines and has been a significant step in increasing the social housing stock in NSW.

**The fact that the call for expressions of interest in April 2009 generated the largest ever response to a government housing tender speaks for both the economic situation at that time and the need for government intervention. The collection and assessment of the Tenders by Housing NSW within five days over Easter 2009 demonstrates the capacity, capability and flexibility of the public service's ability to respond in "hours of need".**



# conclusion

In the past two years, NSW Government has developed over \$5 billion of infrastructure with facilities in nearly every town across the State. We have built facilities that will leave tangible community benefits for future generations.

**Broadly this has included 25,000 house renovations, 6,300 new dwellings, maintenance on almost 2,180 schools, 118 science and language centres and around 2,400 major infrastructure projects in almost 1,800 NSW government primary schools.**

At the same time, the NSW construction industry has also delivered an additional \$2 billion worth of projects in the private school and local government sectors.

NSW had the largest delivery task in Australia – one third of the nation’s total - and has been the only State to deliver its program of works on time.

NSW has met every deadline set down in the National Partnership Agreement between the States and the Australian Government in March 2009. We have avoided the risks posed by the Australian Government around delivery – no money will go back to the Australian Government from NSW, and neither will we need to pick up the tab for works not completed on time.

The fundamentals of the decisions we made in the first quarter of 2009 have remained strong throughout the planning and delivery of the program and will remain a model for the future. We have successfully delivered one of the most ambitious capital works programs in the State’s history.

It is worth noting that external reviews have consistently noted NSW’s success when considering the scale of what we have achieved.

**The NSW Government’s Shepherd Report\* called the delivery of the BER and Social Housing Initiatives “outstanding” (p xii, xiii).**

The Commonwealth Government’s Building the Education Revolution Implementation Taskforce’s\* Interim Report said the NSW Government had outperformed all its peers on the BER P21 program’s primary objective of delivering stimulus. This finding was reiterated in its First Report, published in December 2010.

The NSW Audit Office\* said the Department of Education and Training appeared to have delivered on the key objective of the P21 program, which is rapid construction of school facilities.

The Stimulus program enhanced employment opportunities throughout NSW, drove growth, encouraged business confidence and ensured that the NSW economy remained resilient in the wake of the GFC.

Most importantly, businesses stayed intact and people kept their jobs.

The key lesson NSW has learned is that applying massive, rapid fiscal stimulus upfront works. Applying this stimulus to the building industry in particular has generated long term local legacies that must make NSW proud.

The new assets built with NBESP funding improved the lives of more than a million individuals in NSW alone, including almost half a million primary school students and their teachers who are now making use of their new halls, libraries, classrooms or science laboratories or enjoying outdoor classes under cover, plus thousands of people already living in new social housing accommodation.



We have created local employment in almost every community in NSW. During the depths of the economic downturn in 2009, this helped hundreds of small and large businesses survive and sustain jobs, thereby maintaining local services into the future.

Smaller builders have had the opportunity to upgrade their systems by working with the larger businesses. This has increased the pool of skilled contractors with government experience on which the government can draw competitively into the future.

The industry has emerged with a renewed focus on apprenticeships, particularly Aboriginal apprenticeships, which will help to future proof the building industry. We have also shown that it is possible to develop and implement an effective framework for working across industry to identify and secure construction goods and services that might be in short supply.

We have shown that the planning assessment system can be fast tracked without compromising merit assessment and quality of outcomes, and without generating negative community response.

The public sector has learnt that the Taskforce specialist model, coupled with existing agency capability and special purpose legislation, can achieve effective outcomes on very large and urgent programs across government. Special purpose offices within agencies do work. They focus delivery and broaden the existing public sector skills base through private sector expertise.

Additional flow-on effects beyond local communities have come through initiatives such as the BER Schools Rotary Furniture Program, run by one of the Department of Education and Training's Managing Contractors, which has sent over 20 containers of surplus furniture into 200 classrooms in developing countries.

**Most importantly, we have confirmed to both industry and the community alike that NSW can and does deliver. We have met our target, our deadlines and our objectives – and delivered more on top of that.**

These are all tangible legacies for the people of NSW, and achievements on a scale comparable to the largest infrastructure projects ever undertaken in NSW.

We should all be immensely proud. ■

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