



NSW Nation Building and Jobs Plan Taskforce

Infrastructure Coordinator General's

Address to Master Builders' Association

Thursday, 15 July 2010

Good morning ladies and gentlemen.

I am very pleased to be here today to get some facts on the record.

I want to report to you that the implementation of the *Nation Building – Economic Stimulus Plan* in NSW has been a great success and it is thanks to many of you in this room today.

In the face of the worst recession in 70 years, NSW has delivered on the key aims of stimulating local economies and sustaining jobs, whilst creating quality long term assets for future generations.

First – why do I say that this program has been such a success?

It has been over a year since the *Nation Building – Economic Stimulus Plan* (NBESP) commenced.

There has hardly ever been another capital works program in NSW which reaches the scale of what has been achieved by our construction industry.

When compared to what we delivered for the Olympics, it has been a much more complex and, in many ways, significant task.

It has a similar budget, but it is being delivered in one-third of the time and with a hundred times as many projects, right across the State.

Of the Australian Government's \$42 billion investment in stimulating the economy, NSW received around a third of the national total building component - \$7 billion for schools and social housing to be spent in just two years. The NSW Government is delivering \$5.5 billion – that includes over 6,000 homes and capital works in over 1,800 schools across the State.

In all, around 7,000 government primary school, high school and social housing construction projects are being delivered. Around 23,000 jobs will be supported each year for two years on government projects alone, with 10 percent of those jobs made up of trainee and apprentice positions.

On top of this, \$1.5 billion is being spent on non-government schools, with a further \$70 million of private sector investment flowing into the NSW economy through enhancements to non-government school projects.

Recent figures have shown that the stimulus package has elevated the construction sector to Australia's third-largest employer.

As the majority of the Nation Building programs are reaching completion, we can confidently say that this program has achieved its two principal objectives – job creation and economic stimulus.

- The stimulation of the construction industry and local economies is supported by official industry and economic data. The National Accounts data for the March quarter, published on 2 June 2010, showed that the economic stimulus spending helped underpin growth.
- Key indicators demonstrate that the NSW economy is in strong territory after five consecutive quarters of growth.
- The Stimulus Program will add two percentage points to GDP in the 2010/2011 financial year, and it is clear that confidence has returned to Australian markets.
- The Stimulus Program has also presented a unique opportunity to invest in Australia's future. By creating a strong and high quality housing and education asset base, we are benefitting future generations of Australians and ensuring we are adequately prepared for a growth in population.

To achieve this success, we have focused on establishing and maintaining effective systems and processes.

Remember, our Procurement Models had to ensure that the funding reached the community as quickly and as broadly as possible. The models we have used include:

- project managers in Housing that let traditional building contracts;
- Managing Contractors in the Primary Schools for the 21st Century (P21) program;

- a combination of Managing Contractors and design and construction packages let to builders for the Science and Language Centre (SLC) program; and
- National School Pride (NSP) projects were self-managed by principals or the Department of Education and Training's Asset Management Units.

This mix of procurement models has proven to be the most successful in Australia for managing projects of this scale by minimising risk, fast-tracking delivery and enabling greater government oversight.

For example, the much maligned Managing Contractor model gave us certainty to proceed with our projects knowing that the best of the construction industry had a major stake in delivering this massive program.

We knew they would not only deliver on time and within budget, but warrant quality and safety performance outcomes. This timely performance is evidenced by the fact that more than 95 per cent of the P21 program has already been tendered by the Managing Contractors - mostly to small and medium enterprises that have already started works on site.

This rapid rollout has been a key factor in the economic growth of the State over the last 12 months, despite the constant public attention on small local problems which are inevitable in any program of this scale.

NSW has consistently been ahead of all the other states in its implementation program.

All 752 homes in Housing NSW's Stage one program were finished six weeks ahead of schedule. There are now nearly 1,000 new homes built under the program. This is 16 per cent more homes ready, earlier than planned.

As at the end of June, construction has started on over 6,000 new homes. 25,221 housing maintenance projects were completed on time and on budget in December 2009.

In the Schools program, close to 4,700 projects have commenced. This includes more than 2,370 capital works projects at around 1,800 schools under the P21 program. As at 30 June, over 550 have been completed.

While acknowledging the criticisms about a small number of education projects, there can be no doubt that across this vast program, we have created a valuable asset base for the future, including halls, classrooms and libraries. Facilities have been delivered years ahead of when they would normally have been able to be provided.

So, now it's time to talk about the LEGACY of the program. There are many legacies and benefits emerging as a result of the partnerships brokered during the roll out of this program.

Social Housing

- All 6,000 properties are designed to high environmental standards, with all dwellings complying with BASIX and the majority of dwellings achieving a six star Nationwide House Energy Rating Scheme energy rating.
- Designs feature rainwater harvesting with tanks connected to WCs and laundries, energy efficient lighting, gas or electric boosted solar hot water systems and cross-flow ventilation.
- These are homes that are smaller, well-located and easily adaptable to address the needs of an ageing population and assist those with mobility issues.
- Sites have been particularly selected to be close to transport and easy walking distance to shops, medical and community facilities.

Schools

- These new assets are of high quality and feature robust finishes that are designed to withstand daily use for decades.
- New libraries, halls, classrooms, canteens, Covered Outdoor Learning Areas, toilet facilities, libraries, electrical upgrades, Science and Language Centres, school site drainage improvements, heavy duty carpets, thicker gauge roofing material, impact resistant wall linings, conduits for future IT services and specialist fittings and finishes are just some of the wide-ranging improvements and assets.

- They are being built to the Schools Facility Standards (SFS) which was developed not only to reflect the needs of teachers and students, but also to meet the long term asset management requirements of maintainability, long life and minimum life cost and to ensure that any works undertaken would be able to stand the test of time.
- Most schools now have up-to-date documentation, drawings and plans that show where all site services and facility upgrades are located and the extent of the works. These are the maps for future improvements – things like plans for spare conduits for the installation of next generation IT upgrades and infrastructure improvements.

One of the main issues the construction sector has faced is the de-skilling of the industry and the very real threat of a long-term skills shortage.

- Through the stimulus roll-out in NSW, we have mandated that 10 percent of workers are apprentices, including Aboriginal apprentices.
- This is about creating the next generation of skilled workers and upskilling the industry.
- Through the BER, the Department of Education is actively tracking apprentice numbers, trades under which they are employed, where they are working.

I also want to raise the spectre of what could happen post stimulus, and to challenge you all to join the discussion about the impact of the stimulus by being active advocates of the successes of the current program.

As the stimulus spending reaches its final stages, we must take the lessons we have learnt from the rollout of the NBJP and focus on strategies that will deliver continued growth to the sector.

Politicising the delivery of the NBESP is stopping the real conversation about where NSW is headed post stimulus.

The Master Builders Association itself has said:

“With builders becoming increasingly concerned about the sustainability of recovery as government stimulus programs begin to wind down, it is important to ensure that growth does not significantly slump in construction sector and more broadly across Australia. Financial constraints remain an issue for builders.”

The *Sydney Morning Herald* went further last week and said:

"Higher interest rates and significant supply side obstacles are combining to stop the residential recovery in its tracks at a time when non-residential building remains very weak once stimulus to this sector is taken into account. Perennial obstacles to boosting Australia's new housing stock, including lack of readily available affordable land, are this cycle being exacerbated by the overarching problem of a dire lack of available credit."

Encouraging investment and helping drive supply is a difficult task, but not an impossible one.

Australia needs a major phase of residential building to go anywhere near to meeting the housing needs of the population. Therefore, we must rely on the new partnerships forged during the rollout of this historic program to move forward in our approach and renew our collective ambition to provide a lasting infrastructure future for all Australians.

We need to address these issues by being proud of what we have achieved with the Nation Building program.

- We have created a new generation of apprentices.
- We have strengthened the construction and associated industries.
- We have learnt how to fast track the planning system.
- We have brought private sector rigour to public sector expenditure programs.
- We know how to stimulate the economy.
- And we have made a lot of tenants, families, children, principals and communities very happy.

What the construction industry – from the one-man trades businesses to large national companies – will build in just two years is broadly 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, with all the required environmental, planning, technical and technology constraints that would entail.

Prior to the stimulus rollout, it took the Education Department four years to deliver a classroom under the business as usual approach. Compared to the vast number of classrooms delivered under the NBESP it is difficult to repudiate the impact of this once in a generation stimulus.

These are powerful legacies. There is no doubt that, despite the public commentary on small elements of the program, it has been an enormous success. A success which will stand us in good stead well into the future and a success which should be openly advocated. The people of NSW, including the members of your association, should all be proud of that.

We set out with a bold ambition to achieve in two years what many thought could not be done. Yet we have delivered on our promises and should speak up with pride for these achievements.

We should be proud that, yet again, the construction sector has been called upon in a major nation building exercise and successfully delivered for the community.

We have been sitting idly by while a small but extremely vocal group of critics have been manipulating figures, using half truths and selectively portraying information to run the industry down and accuse us of rorts and rip offs.

It's not too late to set the record straight. I ask the MBA and its members to stand up and be counted for their part in delivering this historic program to communities across NSW and be an advocate for its successes.

Many thanks for your time and I am happy to take your questions.