



Australian
Institute of
Architects



6th March 2017

Jon Whelan
DPTI
77 Grenfell St
ADELAIDE

Dear Jon

STEM WORKS – PROCUREMENT ISSUES

At a meeting on Thursday 23rd February with DPTI representatives, Bob Boorman and John Held there was discussion about the best way to speed up the STEM Works program to meet the target spending of \$35m by June 2017.

It was suggested changes to procurement would assist in this process, and we understand 17 schools have been targeted for single-offer contracts in the first instance.

There is concern in the profession that the procurement options discussed show a preference for design and construct contracts. We believe this procurement method is not suited for the size and types of projects being built, and will in fact slow down the overall program, confuse lines of risk and responsibility and not be managed well by many of the builders this program is designed to assist.

We enclose some of the rationale supporting our view.

It appears that a mix of tendered, negotiated and possibly managing contractor procurement processes would best serve the needs of this program. The projects are not suited to Design and Construct methodologies, which if anything will slow the progress of the works.

It appears that there needs to be further discussion with industry in order to get the best outcomes; namely value for money, good educational outcomes, and a predictable and steady workflow for builders, trades and architects. This is the way to get the best economic and educational outcome for South Australia.

The ACA and AIA are willing to meet with DPTI at short notice to ensure the best outcomes for this important program, and we therefore ask for a meeting to discuss these issues.

A handwritten signature in black ink, appearing to read 'John Held', written in a cursive style.

John Held
ACA-SA President

A handwritten signature in black ink, appearing to read 'Mario Dreosti', written in a cursive style.

Mario Dreosti
AIA SA Chapter President

6th March 2017

STEM WORKS PROCUREMENT - GUIDING PRINCIPLES

WHAT IS THE VISION OF THE STEM WORKS PROGRAM?

This is a critical question as it guides the way the program is rolled out. We understand the vision is as follows:

- Improving teaching and learning in schools through STEM
- An economic stimulus program for the whole state, the city, the suburbs and the country areas
- Funding to be spread over the years 2016, 2017 and 2018, a managed process that will not cause spikes in construction costs, shortages of labour etc.
- A recent priority is the desire to manage the budget in a way that ensures the maximum amount of the available funds is spend on the school.

It should be acknowledged that while some schools had already been doing good work in delivering STEM curriculum, others have struggled. The architects and Learning Improvement Advisors have been the first people with whom they have discussed STEM methodologies. Despite the timing of the scheme starting, for many, towards the end of the school year, and the changeover of a number of Principals at year end, progress on the STEM Works program has already had positive outcomes for many schools.

BACKGROUND

The decision to engage with architects early in the process to explore the brief and scope has had many benefits. It has allowed informed decisions on where best to allocate funds and has focussed many schools' attention not only on their STEM facilities but also on broader questions of facility planning. This is borne out by the interest of a number of schools in seeking further architectural advice through the proposed Learning Environment Opportunity Study program developed by ACA-SA, DECD and ODASA.

TRADE AVAILABILITY

DPTI should consult with the industry to ensure that release of the trade packages as much as possible matches the availability of those trades. During the BER the requirement for immediate starts to projects led to an overabundance of work inevitably followed by a downturn. Because the work is mainly refurbishment it has a significantly different mix of trades to new construction. The measurement of economic benefit to South Australia is a key indicator, and so adequate time must also be given to the preparation of well-researched Industry Participation Plans.

VALUE AND QUALITY

There are a number of ways of speeding up the process for getting on site:

- a) Approvals – clarification of likely approval times is critical. Some projects may require development approval, and as such DPTI must act to speed this process through DAC.
- b) Provision of agreed and realistic programs for projects including cash flow targets, showing design, documentation, tendering and construction programs.
- c) Active coordination of IPPs, asbestos investigations, finalization of services reports and engineering criteria.
- d) timely input from other stakeholders such as DECD ICT services and their impact on budgets
- e) Selection of correct procurement method.

PROCUREMENT OPTIONS

LUMP SUM COMPETITIVE TENDER

This is the best possible method for these projects provided adequate time is allowed for design and documentation. The key issue for many of these projects is the approvals process so that there can be a quick turnaround and letting of contracts.

SINGLE OFFER ON COMPLETED DOCUMENTS- NEGOTIATED CONTRACT

As noted previously, this could speed up the process by overlapping some trade pricing with documentation, but ultimately value for money is decided by comparison of scope and cost with the Quantity Surveyor's estimate. It should be noted that the builder's risk is less than in the design and construct method, as the builder will not have the time or expertise to rejig the project to reduce the builder's cost in the latter option.

DESIGN AND CONSTRUCT – SINGLE OFFER

The option of a Design and Construct GMP, with the consultants novated in the process, is less transparent. If the tendering is too early in the design phase the contractors will assess the risk and build in a higher margin because there is less detail and because of the alteration and additions nature of the STEM work. If the tendering is later when more documentation is complete, there will still be a margin built-in for risk. Either way the need to cover risk is not visible and not transparent which affects the overall value of the project for the school and the State.

Project quality can also be an issue with a Design and Construct contract where the architect is not acting in an independent role and does not carry out the role of superintendent's representative.

This form of contract could shorten the project program but no more than the using a managing contractor contract. The Builder would also need to carry suitable professional indemnity insurance. Most smaller builders would not have this as a matter of course, thus adding time and significant cost to the project whilst they seek such insurance.

DESIGN AND CONSTRUCT – COMPETITIVE BID

This is as above but with competitive bidding it would be hoped builders would try to de-risk the project. However the time taken to do this and get the necessary approvals means it would have been better and faster to complete documentation for the project.

MANAGING CONTRACT

An option to speed up the process and get early contractor involvement would be a managing contract approach for the larger projects. Advantages are;

- In this form of contract the contractors fees and costs are visible and transparent ensuring that the maximum money is spend on the school
- Tendering can occur while the consultant team continues to document.
- Early appointment could allow for onsite investigation work to assist with the documentation and to reduce tendering risk.

With the Architect as Superintendent, the contract value and quality can be maintained and the overall program will be improved by early tendering.

CONCLUSION

It appears that a mix of tendered, negotiated and possibly managing contractor procurement processes would best serve the needs of this program. The projects are not suited to Design and Construct methodologies, which if anything will slow the progress of the works.

It appears that there needs to be further discussion with industry in order to get the best outcomes; namely value for money, good educational outcomes, and a predictable and steady workflow for builders, trades and architects. This is the way to get the best economic and educational outcome for South Australia.