

Progress Report

A ten-point commitment to the construction sector

June 2020



Clarence Correctional Centre project, Projects NSW

INTRODUCTION

The NSW Government can only achieve its infrastructure objectives in partnership with the private sector. To strengthen NSW Government's partnership with the private sector, the Construction Leadership Group¹ (CLG) is scaling up implementation of commitments under the *NSW Government Action Plan: A ten-point commitment to the construction sector* (10 Point Commitment).

The 10 Point Commitment sets out actions to improve the capability and capacity of the construction sector now and in years to come. This report will be the first of regular updates to industry. These industry reports will set out progress being made to embed the 10 Point Commitment using data from 'Implementation Statements' which agencies are now required to prepare at key project milestones. The requirement to prepare implementation statements started in 2020.

In addition to progress at a project level, the CLG is proud to have implemented initiatives to embed the 10 Point Commitment across all NSW Government infrastructure projects. Achievements include:

- › Publication of an interactive “whole-of-government” NSW Major Project Pipeline
- › Implementation of the **NSW Government Bid Costs Policy** benefiting tender teams
- › Development of **Practice Notes** to guide NSW Government and industry
- › Development of guidance on **Interactive Tender Processes, Construction Procurement Methods, and Security for Construction Projects**
- › Collaboration with industry early in the procurement cycle, to drive greater use of alliance contracting models

- › Changes in approach to risk, especially in the utilities space, with agencies proactively seeking industry input into utility risk allocation before tenders are issued
- › Exceeding the Infrastructure Skills Legacy Program (ISLP) targets on 14 trial projects. The ISLP is a NSW Government initiative to increase and extend the benefits of the government's infrastructure program to build a legacy of skills and jobs in communities across the state
- › Encouraging greater “supply side” capacity on education, health, road and rail programs by packaging projects to reflect capacity of small and medium-sized firms.

We look forward to continuing our partnership with industry as we deliver the 10 Point Commitment. For more information on recent projects and initiatives please review case studies and other information on our website [here](#).

¹ Infrastructure NSW, TfNSW, Health Infrastructure, Sydney Metro, School Infrastructure, Training Services NSW, Corrective Services Infrastructure, Regional NSW, Regional Growth Development Corporation, Treasury, Small Business Commissioner, Planning Industry and Environment, Public Works Advisory (PWA), Land and Housing Corporation (LAHC), Customer Service, Building Commissioner, Premier and Cabinet.

EXECUTIVE SUMMARY

Progress to deliver the 10 Point Commitment in the first half of 2020 has been strong.

The purpose of this report is to update industry on progress to embed the 10 Point Commitment and supporting actions. These reports draw on data provided by project teams in Implementation Statements and agency updates on CLG priorities.

This initial report provides a summary of progress made to embed the 10 Point Commitment across 35 NSW Infrastructure projects received between January and May 2020 including projects which participated in the Implementation Statement pilot program. Future reports will reflect and track progress for all eligible projects.

In addition to launching Implementation Statements, highlights from early 2020 include:

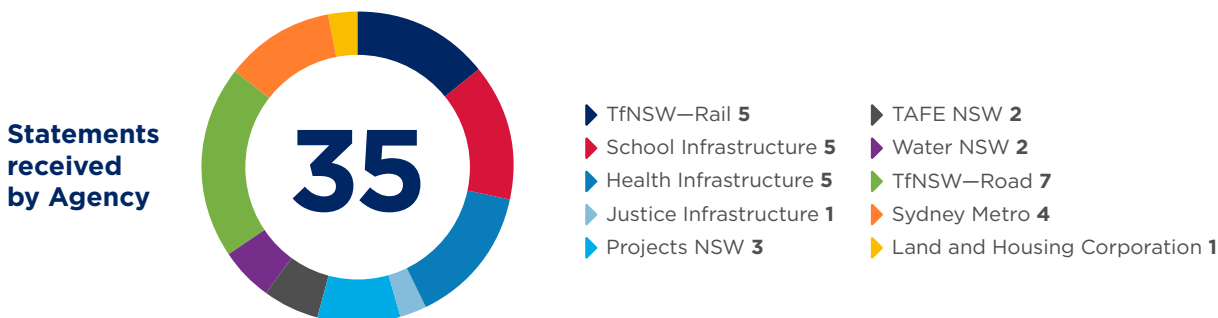
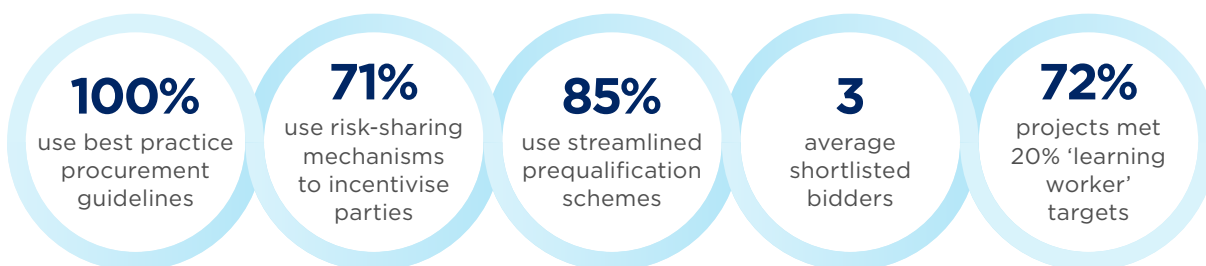
- › Launch of the “**Industry**” section on the INSW website with case studies in April 2020

- › Publication of the NSW Major Project Pipeline in April 2020
- › Workshops and targeted meetings with Tier 2 and Tier 3 contractors to engage directly on key issues
- › Establishment of a quarterly forum for CLG agencies to share contractor performance.

Implementation Statements

CLG introduced Implementation Statements to embed the 10 Point Commitment and capture examples of how it is being implemented on projects over \$50 million. Implementation Statements are required as part of the NSW Government’s assurance process at key gateways.

Project Implementation Statements—January to May 2020²



² This report reflects data collected in Implementation Statements completed during a pilot program and only represents a sample of relevant projects. Future reports will reflect all eligible projects.

PROGRESS AGAINST 10 POINT COMMITMENTS³

1: Procure and manage projects in a more collaborative way

Key Project Data

- › 69% used early market engagement to elicit industry views on project and work packages.
- › 92% used expedited engagement processes such as early contractor involvement.
- › 100% used agency guidelines on best practice procurement where available.

Exemplars

- › Health Infrastructure invite bidders to prepare a statement of participation to gauge market interest and brief bidders on their vision for the project at inception workshops.
- › School Infrastructure NSW is increasingly using the early contractor involvement model to give the private sector more opportunities to collaborate and achieve better outcomes.
- › TfNSW Rail host team building workshops at critical points on the **Redfern Station Upgrade** project to promote alliance principles.

2: Adopt partnership-based approaches to risk allocation

Key Project Data

- › 88% required the best placed party to manage risk or shared risk when necessary.
- › 71% used risk-sharing mechanisms to incentivise both parties and not put the contractor's viability at risk.
- › 92% incorporate a senior level 'dispute resolution' process to identify and resolve issues before they escalate.

Exemplars

- › The **Sydney Metro Greater West** early identification pilot (with Construction Industry Leadership Forum (CILF)) seeks to initiate early and collaborative engagement on tunnelling package(s) to facilitate the selection of an appropriate procurement model and risk allocation.
- › Health Infrastructure support and upskill contractors with regular GC21 workshops and on the **New Maitland Hospital** project, risk was allocated on a case by case basis to align with project progress and market known GC21 contract requirements.
- › TfNSW Rail pre-agreed risks on the **Redfern Station Upgrade** project and promoted collaborative behaviour through pain/gain share mechanisms.



CITY AND SOUTH WEST

Central Station & Sydenham Station Junction packages promote collaborative behaviour and adopt partnership based, risk sharing (pain/gain) methodologies within their Incentivised Target Cost Contracts.

Sydney Metro

³ Project data calculations were only included where at least 50% of reports responded (some questions were not applicable e.g. it may have been too early in the project). Exemplars include project-level implementation statement findings and agency or program-level findings.

3: Standardise contracts and procurement methods

Key Milestones

- › Health Infrastructure and School Infrastructure NSW consistently use the GC21 ('Built' form) contract.
- › TfNSW have developed a standard alliance contract which was used on the **Barton Highway Upgrade Duplication** (from the ACT border towards Murrumbateman).

Procurement model breakdown across projects

48%

Collaborative contracts

- › Alliance Agreement
- › Early Contractor Involvement
- › Managing Contractor
- › Incentivised Target Cost
- › Collaborative Client Contractor
- › Delivery Partner or Construction Management

46%

Traditional contracts

- › Construct Only
- › Design & Construct
- › Design Finalisation & Construct

6%

PPP contracts

- › Design, Supply, Install, Commission and Maintain

Percentages are representative of the procurement models used across the 35 implementation statements received

4: Develop and promote a transparent pipeline of projects

Key Milestones

- › INSW published the Major Project Pipeline in April 2020 on its [website](#).
- › TfNSW publish a pipeline document annually on projects in development on its website.
- › In response to industry engagement and to maximise competition, **Sydney Metro West** optimised the size of its tunnel packages and the procurement includes an early contractor involvement process to finalise design elements.



BARTON HIGHWAY UPGRADE

The tender process was shortened by evaluating and assessing the suitability of proposed alternatives during the interactive phase of the Request for Tender (RFT) process.

Transport for NSW

5: Reduce the cost of bidding

Key Project Data

- › Projects shortlisted three bidders on average.
- › 84% used a streamlined prequalification scheme to reduce credential requirements for bidders where available.
- › 83% only shortlisted contractors for the Expression of Interest process who could demonstrate an ability to deliver the project.
- › 91% used full electronic lodgement to reduce documentation requirements.

Exemplars

- › **Sydney Metro City & Southwest** elements of the Stage 1 (Concept) design are relied upon in contracts to reduce the time and cost associated with design for contractors.
- › TfNSW Roads had the client on the **Barton Highway Upgrade Duplication** project prepare a reference design prior to release of the RFT to help tenderers prepare bids.
- › TAFE NSW combined its scope of work for the **Multi Trades and Digital Technology Hub** with the new school development at Meadowbank as part of the **Meadowbank Education & Employment Precinct**. This approach has enabled TAFE NSW to leverage the early market engagement undertaken by School Infrastructure NSW.

6: Establish a consistent NSW Government policy on bid cost contributions

Key Milestone

- › The **NSW Bid Cost Contributions Policy** sets out the circumstances under which government will make a financial contribution to partially offset the cost of bidding for infrastructure projects in NSW. Since the introduction of the policy in December 2018 up until May 2020, the Government has confirmed reimbursement of bid costs on five major infrastructure projects.

7: Monitor and reward high performance

Key Project Data

- › 89% considered Contractor Performance Reports to assess performance.
- › 100% gave weight in the tender evaluation to a bidder's commitment to collaborative behaviour based on their track record.
- › 100% used standardised contractual approaches to dispute avoidance and resolution.

Exemplars

- › TfNSW has a strategy to incentivise contractors with no track record to enter the market and build credibility.
- › Projects NSW, TfNSW—Roads and Sydney Metro all evaluated past performance using Contractor Performance Reports and referees on projects.
- › A number of CLG agencies use GC21 dispute and avoidance contract provisions.

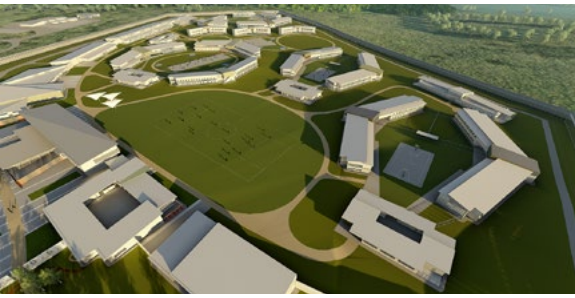
8: Improve the security and timeliness of contractor payments

Key Project Data

- › On 79% of projects, agencies provide transparent proof of payments across all contractor levels.

Exemplars

- › Health Infrastructure require the main contractors to provide statutory declarations as proof of payment of subcontractors on the **Hornsby Ku-ring-gai Hospital Redevelopment—Stage 2** and **Liverpool Health and Academic Precinct** projects.



CLARENCE CORRECTIONAL CENTRE

Strong relationships were built with subcontractors and service providers to work towards meeting ISLP targets.

Projects NSW

9: Improve skills training

Key Project Data

- › 78% include evaluation criteria or other incentive arrangements to credit bidders who exceeded apprentice and learning worker targets.
- › 72% of contracts require at least 20% of 'learning workers' for their labour force.
- › 79% of projects require on-site training for learning workers in the contract or promoted it using other methods.

Exemplars

- › On the Sydney Metro **City & Southwest** project 37% of learning workers completed training above business as usual compliance and licensing requirements. The project also established a Skills and Employment Advisory Group to increase collaboration with industry and across NSW government agencies.
- › The **Clarence Correctional Centre** project delivered by Projects NSW was a pilot for the ISLP and has exceeded targets for the number of apprenticeships.
- › Health Infrastructure is working to embed all ISLP training and employment targets into its GC21 contract suite so project teams can formally support employment initiatives in contracts.
- › TfNSW Roads has implemented two training and employment hubs on the South Coast of NSW in collaboration with industry partners and local training organisations for the **Berry to Bomaderry Upgrade** project and **Albion Park Rail Bypass** project.
- › TfNSW—Rail use a performance and compliance monthly bonus payment system for the **Transport Access Program (MC1)** project where bidders exceed ISLP apprentice and learner worker threshold targets.



ARMIDALE SECONDARY COLLEGE

The project partner, Richard Crookes Construction, has targeted 3% of contract value to be spent with Aboriginal and Torres Strait Islander businesses. This is 1.5% above the required target.

School Infrastructure NSW



LISMORE BASE HOSPITAL

“ISLP activity has delivered an employability and skills legacy for local people who are now better equipped to gain employment on future infrastructure projects or move into other parts of the construction sector.”

Health Infrastructure

Jill McCall | Senior Project Officer, John Holland

10: Increase industry diversity

Key Project Data

- › On 83% of projects, contracts require contractors contribute to doubling the number of women in trade work.
- › On 89% of projects, agencies worked with contractors to measure and report on workforce diversity.
- › 91% require the contractor to meet or exceed Aboriginal participation requirements.

Exemplars

- › On Sydney Metro **City & South West**, minimum requirements and collaborative client led programs have led to 2.5% Aboriginal participation, 14% of workers under the age of 25 and 4% of females in non-traditional trade roles.
- › TfNSW—Roads set a business as usual level of 2% female employment and pay incentives above this with the maximum paid where female participation exceeds 3%.
- › On the **Regional Rail** project TfNSW established an Aboriginal Working Group to advise and support the project. The Group’s members represent government agencies and have links to local Aboriginal community representative groups in and around Dubbo.
- › Projects NSW exceeded ISLP targets on the **Clarence Correctional Centre** for females in non-traditional trade roles and workers less than 25 years of age.
- › The **Liverpool Hospital Redevelopment** project is improving construction sector culture by piloting a 5-day work week, which is being monitored as part of a broader research project being undertaken by UNSW.



Armidale Secondary College project,
School Infrastructure NSW

