



**BUSINESSNEWS**  
WESTERN AUSTRALIA

# CONSTRUCTION

## Feature Special Report





**ACTIVE:** Sam Delmenico says Probuild's WA workbook is valued at nearly \$1 billion. **Photos:** Attila Csaszar

# Big builds bring confidence

Confidence is emerging among the industry's construction players, as private and public projects start to take shape and more investment is pumped into the project pipeline.



**Katie McDonald**  
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**10-PAGE FEATURE**

**F**ROM the \$500 million Ritz Carlton and The Towers at Elizabeth Quay, to the \$428 million new WA Museum and \$100 million Forrest Chase revamp, major developments under way are set to further change the look and feel of Perth.

Some of those completed are already making their mark, such as Optus Stadium and Yagan Square, both of which opened earlier this year.

And while it's no secret the construction industry has felt the pressures of the economic slowdown in recent times, projects like these with sizeable price tags offer the signals needed to rebuild confidence in the sector.

Probuild WA managing director Sam Delmenico says he's positive about the future.

The company's local workbook is valued at nearly \$1 billion and includes the \$220 million commercial component of the Kings Square renewal project in Fremantle, and the \$200 million NV Apartments on Murray Street, in addition to the Ritz.

"Confidence is returning to the market," Mr Delmenico told *Business News*.

"Gestation of projects is still longer than we would prefer, but if we can streamline the process of approvals, that will help developers get into marketing and presales earlier, which will ultimately see construction starting quicker."

Mr Delmenico said the recent news of financial concerns for some head contractors was a sign the market had been ultra-competitive (see page 20), with Probuild focused on maintaining a consistent workbook with some repeat clients.

"Our focus has been on residential and hotels and we'll continue to work in that space," he said.

"We're also looking to diversify; student accommodation and aged care seem like a natural fit for us based on the synergies between those sectors."

## Projects

*Business News* research shows at least \$4 billion worth of major building projects (projects of \$40 million-plus) are under way in Western Australia (see page 24).

Construction of three high-rise student accommodation projects started during the past year.

However, apartments appear to contribute to the bulk of major building work in WA.

There are also six hotels in the CBD currently under construction, with The Melbourne Hotel and Westin Perth recently completed.

In addition, Perth's retail sector is providing a substantial amount of work; the \$600 million redevelopment of Karrinyup Shopping Centre, contracted to Multiplex, is the largest building project in the construction phase.

One retail project anticipated for completion later this year is the \$150 million Direct Factory

**“Gestation of projects is still longer than we would prefer, but if we can streamline the process of approvals, that will help developers get into marketing and presales earlier, which will ultimately see construction starting quicker”** - Sam Delmenico

Outlet at Perth Airport, which is being built by Georgiou Group.

The group's chief executive, John Georgiou, said the company's building business would also deliver Primewest's multi-storey office complex, Prime House, and the Liv Apartments project in Fremantle in coming months.

"In WA we're definitely seeing an improvement in the construction sector," Mr Georgiou told *Business News*.

"I believe it's bottomed out and we're starting to see a lot more tenders released."

The national RLB Crane Index supports Mr Georgiou's sentiments, with the index recording crane activity up 32 per cent from 58 points in Q4 2017 to 77 points in Q2 2018 (representing an increase in total cranes from 25 to 33).

The construction sector also recorded the largest increase in WA's employment in the year to the September 2017 quarter, up 16.9 per cent.

"Over the next 12 to 18 months, the biggest challenge for the construction sector will be retaining, developing



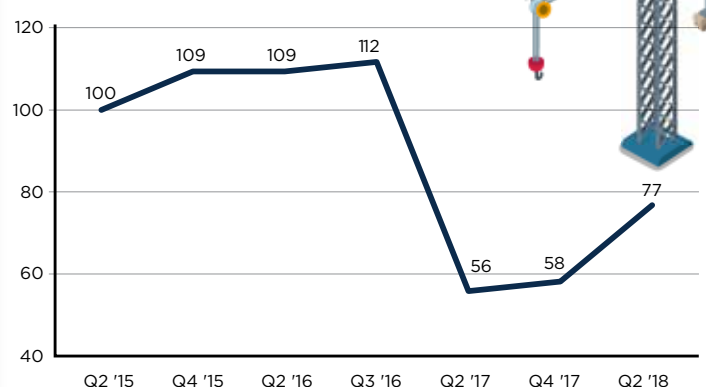
**STABILITY:** Chris Palandri doesn't expect activity to return to the height of the boom, but hopes it will transition to a sustainable market for the long term.

## Key takeaways

- Confidence returning to sector
- Diverse pipeline of major projects
- Student accommodation, hotels, apartments and retail all part of the current mix, commercial still slow
- Employment up
- Aged care, education and hotel projects to grow
- Contracts for a number of \$100m+ projects yet to be awarded
- Market not expected to reach boom levels, but settle into a new normal

## RLB CRANE INDEX® - PERTH

BASE = Q2 2015 = 100



MBA's industry forecasts predict that, by the end of this financial year, the value of aged care projects will have increased by more than 80 per cent, with education and retail also predicted to grow.

Pindan director David Pringle said he had seen an increase in health, aged care, education and hotel projects in line with government investment, population growth and an increased confidence in tourism.

Pindan has jumped five places on the *Business News* construction companies list to become the state's third largest (see page 27), recently winning contracts for the \$23 million stage two Cape Naturaliste College project in Busselton, the \$18 million Carnarvon Community College development, and a \$19 million seniors housing project in the Wheatbelt.

"While the current construction market in WA has softened,

resulting in very competitive margins for builders, we are seeing glimmers of a recovery," Mr Pringle told *Business News*.

"The upside of the softened construction market is that construction periods are reduced, availability of subcontractors increases and the quality of workmanship has improved.

"Developers are anticipating the likely return of solid growth in the future from both migration, natural expansion through birth rate, and an ageing population.

"They are also continuing to focus on Perth's long-term potential as a tourism hub and entry point to Australia from Asia, the Middle East and Europe."

## Pipeline

Multiplex regional manager Chris Palandri said the company's focus had always been across all sectors of

construction, given the size of the WA relative to the east coast.

Multiplex's 2018 pipeline includes the New Museum for WA and Karrinyup Shopping Centre, with the \$207 million Karratha Health Campus and the first tower of Capital Square, Woodside's new headquarters, in final stages.

"The market now is smaller and slower and will likely remain that way throughout 2018 and 2019," Mr Palandri told *Business News*.

"But there are positive signs that we may see the market improve from 2020 onwards."

Mr Palandri said there were promising green shoots for new work at Elizabeth Quay and in retail.

Upcoming projects at Elizabeth Quay include Brookfield's proposed \$1.1 billion mixed-use twin-tower development, which was granted in-principle planning approval by the Metropolitan Redevelopment Authority last November, with Multiplex as its preferred contractor, targeting the start of 2019 for construction commencement.

Retail projects will continue to provide work for WA's construction industry over the

next few years, with 2018 scheduled starts including the \$750 million Garden City Shopping Centre redevelopment and the \$600 million Westfield Innaloo expansion.

In the public sector, the City of Fremantle is yet to appoint its preferred builder for the construction of a new civic building in Kings Square, while the contract for the \$68 million Inner City College at Kitchener Park in Subiaco is also still to be decided, with PACT Construction awarded the \$4.8 million earthworks contract in March.

Another major tender to hit the construction market in 2018 could be 3 Oceans Property's \$450 million mixed-use Iconic Scarborough two-towers project.

If granted approval in the coming weeks the project is anticipated to provide 2,200 construction jobs.

"Overall, I think the market will settle into a new normal over the next few years," Mr Palandri said.

"We won't be going back to the height of the boom, but hopefully transitioning to a more sustainable market for the long term."

and attracting experienced construction personnel and subcontractors," Mr Georgiou said.

## Opportunity

Master Builders Association of WA director Michael McLean said segments of the construction industry were growing.

ENIQ SEARCH Probuild



There are **162** results from our index of **94,292** articles, **9,345** companies and **32,452** people.



“ The industry has seen little change in the approach or use of new technologies and buildings are largely constructed in the same way they have been for decades

– Natasha Di Ciano

**ASSEMBLE:** Natasha Di Ciano says the capabilities of the NXT system will be showcased at a demonstration project in Rivervale later this year. **Photos:** Attila Csaszar

# Dismantling the status

Alternative construction techniques and new technologies are changing the way we build.

**Katie McDonald**

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INEFFICIENT practices, materials waste, delays in project delivery and the resulting cost increases are among the pressing issues hindering construction on building sites nationwide.

The construction sector is among the worst performing in terms of productivity, according to a report undertaken by McKinsey & Company, which cited a failure to adapt to new technology as one contributing factor to the creation of a ‘sluggish innovation’ culture, with legacy systems and unique requirements for budgets, planning and operations seen as major hindrances to take-up.

Despite these barriers to innovation, national construction

company Probuild is working to change the conversation and prevailing mindset.

In 2016, it developed the Probuild Construction System, employing engineers from the automotive industry to apply similar production methods to its own high-rise construction process.

This included working closely with suppliers to reduce wastage on site and changing the way workers and materials moved on site to increase efficiency.

Probuild WA managing director Sam Delmenico said the system was the brainchild of the company’s Victorian branch.

He said benefits such as reduced waste, accelerated timelines and early handovers had already been seen on a number of the company’s projects.

In 2017, Probuild completed a 62-storey tower structure in Melbourne 69 days ahead of the contract timeline.

The system will make its debut in Western Australia this year on two of Probuild’s key projects – the Ritz Carlton and The Towers at Elizabeth Quay, and the NV Apartments on Murray Street.

“Some of us get stuck in our old ways, but it’s important to disrupt what we’re doing and challenge the thinking so that hopefully it translates to improvement in the bottom line,” Mr Delmenico told *Business News*.

“We needed to change what we were doing due to various supply chain pressures.

“And now it’s also a point of difference for our business.”

WA-based construction technology company NXT TEC is also aiming to challenge the status quo when it comes to building methods.

Managing director Natasha Di Ciano said the company’s NXT assembly technologies could help drive more efficiency.

The NXT components are manufactured locally then transported to site, where the builder assembles (rather than constructs) them, allowing greater control over time, budget and quality.

This also redesigns the workflow, which Ms Di Ciano said meant labour could be reapplied in other areas to produce buildings faster.

The NXT technology can eliminate on-site wastage including concrete, as seen on traditional

sites, and the system uses recyclable building materials, with panels containing integrated insulation to reduce energy consumption.

“The industry has seen little change in the approach or use of new technologies and buildings are largely constructed in the same way they have been for decades,” Ms Di Ciano told *Business News*.

“NXT facilitates the construction process from design to manufacture to delivery, controlling the entire process and all stakeholders, saving time and money.

“Globally, barriers to collaboration in construction have led to increases in price, waste and time as projects continue to be delivered through a disaggregated approach with many individual



“ It will be a game changer for the construction and mining industry - David Meney

**INVENTIVE:** David Meney says new 3D printing advancements will help.

# quo

experts, suppliers and stakeholders lacking a systematic way to share information.

“NXT connects each stakeholder on a project, while the NXT Building System enables them to communicate in a common language.”

The patented system will be showcased on its first demonstration project at scale later this year with the development of the 10-storey Wyndham LUX Hotel in Rivervale.

NXT is currently under an early contractor involvement process with a building company for assembly on site.

Ms Di Ciano said the system had been used to build the NXT facility on King Street in the CBD.

NXT has already garnered international attention, and is

currently in negotiations with a third party to export the technology to China.

It has also received strong interest from the Philippines, a market Ms Di Ciano said was ideal for NXT due to high construction demand, a low-skilled workforce and scalable projects.

That market was already exploring precast product systems, she said, but the present level of prefabrication was not mature, with products simply integrated as part of a traditional construction process.

## Innovation

Building materials and systems aside, technology is also driving change in the practical, hands-on aspects of a build.

Georgiou Group chief executive John Georgiou said his

## 8 WEEKS AHEAD OF SCHEDULE FOR GEORGIOU GROUP'S PROJECT DELIVERY

team was able to speed up its project completion for a land development contract north of Perth when it installed Visionlink and Loadrite technologies onto 27 pieces of earthmoving equipment.

Visionlink allows builders to track the performance of each machine in real-time, while Loadrite is a scale that captures information of the loading process.

“Georgiou was required to relocate approximately 500,000 billion cubic metres of stockpiled

fill from one location to another,” Mr Georgiou told *Business News*.

“The capture of this information enabled teams to quickly evaluate performance and adjust methodologies to deliver greater efficiencies and value.”

As a result, the project was delivered eight weeks ahead of schedule.

Another invention that could speed up project delivery and increase productivity is altCONNECT.

AltConnect is a connection that joins primary structural members such as beams and columns without bolts or welds, instead relying on friction to

withstand loads and forces.

It was conceptualised by local company Yenem Engineering Services and is currently in the development phase.

Director David Meney said mining structures had made up the bulk of Yenem's workbook since he established the company in 1995, with the idea for altConnect coming to him when observing construction progress.

“This will dramatically reduce the time of construction.

“It will be a game changer for the construction and mining industry,” he said.

• [Read more online](#)

**ENIQ SEARCH** Natasha Di Ciano



There are **11** results from our index of **94,292** articles, **9,345** companies and **32,452** people.



# Major building projects

## [1.] Karrinyup Shopping Centre

200 Karrinyup Road  
AMP Capital  
**\$600 million**  
Multiplex  
Expansion of existing centre from 59,715sqm to 113,000sqm  
**EARLY 2020**

## [2.] Ritz Carlton and The Towers

Elizabeth Quay  
Far East Consortium  
**\$500 million**  
Probuild  
A 28-storey 205-room hotel, with 379 residential apartments spread across both towers  
**MID 2019**

## [3.] WA Museum

Perth Cultural Centre  
State Government  
**\$428 million**  
Multiplex  
A new museum for WA  
**2020**

## [4.] Westfield Carousel

1382 Albany Highway, Cannington  
Scentre Group  
**\$350 million**  
Scentre Group  
Expansion of existing centre from 82,000sqm to about 110,000sqm  
**LATE 2018**

## [5.] Kings Square Fremantle

Corner of Queen Street and High Street Mall  
Sirona Capital  
**\$220 million (commercial component)**  
Probuild  
Redevelopment of former Myer and Queensgate building into office and retail space  
**2019**

## [6.] Karratha Health Campus

Karratha  
State Government  
**\$207 million**  
Multiplex  
40 hospital beds, an emergency department, ambulatory care centre, surgical centre, medical imaging and maternity wing  
**LATE 2018**

## [7.] NV Apartments + Hotel Tower

374-396 Murray Street  
Fragrance Group  
**\$200 million**  
Probuild  
28-storey, 488-hotel room and a 33-storey 401-apartment tower  
**LATE 2019**

## [8.] The Precinct, Mount Pleasant

893 Canning Highway  
Norup + Wilson  
**\$190 million**  
BGC  
22-storey mixed-use 192-apartment tower with retail ground floor  
**EARLY 2020**

### LEGEND

#### [1.] Name

Location  
Developer

#### Project value

Builder

Project scope

#### EXPECTED COMPLETION

## [5] Kings Square, Fremantle



## [3] WA Museum



## [24] Campus



## [7] NV Apartments + Hotel Tower



## [18] Raine Square



## [2] Ritz Carlton The Towers

## [9.] Direct Factory Outlet

Perth Airport  
Vicinity Centres  
**\$150 million**  
Georgiou Group  
New shopping centre with 24,000sqm of net lettable space 120 specialty stores  
**LATE 2018**

## [10.] Vue Apartments

63 Adelaide Terrace  
Finbar  
**\$146 million**  
Hanssen  
34-storey, 247-apartment development with 3 commercial units and 2 office units  
**2019**

## [11.] Forrest Chase

200 Murray Street  
ISPT  
**\$100 million**  
Lend Lease Building Constructors  
Redevelopment of existing precinct, including a revamped alfresco area with 50,000sqm of retail space plus an additional 6,500sqm of commercial  
**MID 2019**

## [12.] The Crest, Burswood

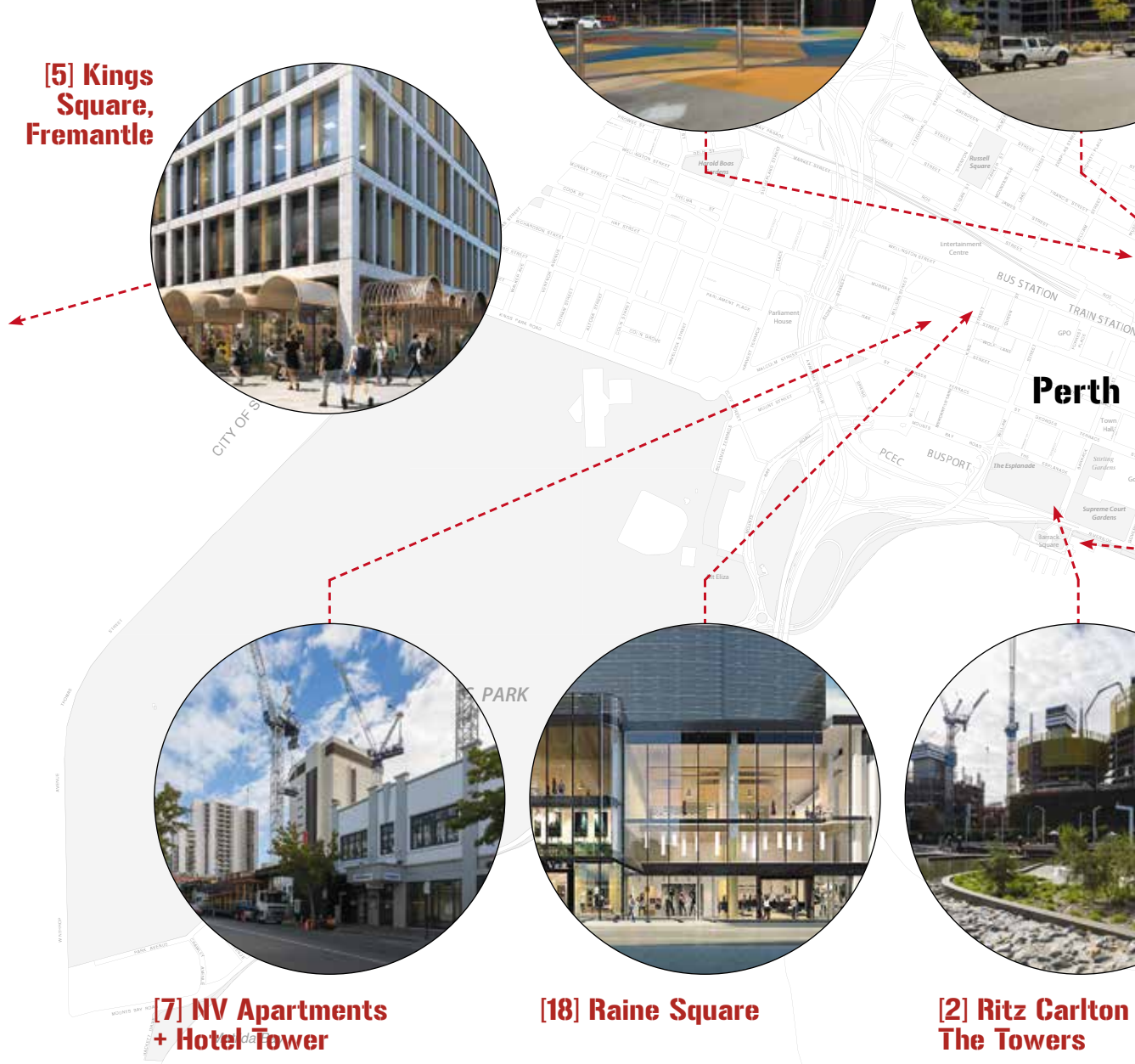
120 Goodwood Parade, Burswood  
Norup + Wilson  
**\$100 million**  
BGC  
22-storey mixed-use 169-apartments  
**EARLY 2019**

## [13.] Essence

Claremont on the Park  
Blackburne  
**\$100 million**  
BGC  
6-storey, 143-apartment development  
**LATE 2019**

## [14.] Cirque

18 Ogilvie Road, Mount Pleasant  
Stirling Capital  
**\$90 million**  
Jaxon  
20-storey 111-apartment tower, 2 commercial units (Stage 1)  
**EARLY 2019**



# Perth's under construction

Perth

[15] Verdant Apartments



[20] Atira Student living



[9] Direct Factory Outlet



[4] Westfield, Carousel

and

[16] DoubleTree by Hilton Waterfront



[15.] Verdant

78 Stirling Street  
Stirling Capital  
**\$80 million**  
BGC  
21-storey, 136-apartments, 1 commercial  
**EARLY 2019**

[16.] DoubleTree by Hilton Perth, Waterfront

Barrack Square  
SKS Group  
**\$90 million**  
SKS Group  
18-storey 241-room hotel with 2 restaurants and 2 bars  
**2019**

[17.] Mantra Hotel

900 Hay Street, Perth  
George Atzemis  
**\$80 million**  
Jaxon  
27-storey 250-room hotel  
**LATE 2019**

[18.] Raine Square

300 Murray Street, Perth  
Charter Hall  
**\$75 million**  
Built  
40 new stores, 12 new cinema screens, entertainment and dining precinct  
**LATE 2018**

[19.] Botanical

74 Price Street, Jolimont  
Edge Visionary Living  
**\$70 million**  
Jaxon  
7-storey, 81-apartments + commercial opportunities  
**LATE 2018**

[20.] Atira Student Living

Corner of Pier and Wellington Street, Perth  
Blue Sky Real Estate  
**\$70 million**  
Built  
30-storey student accommodation  
**2020**

[21.] DoubleTree by Hilton

98 James Street, Northbridge  
SKS Group  
**\$70 million**  
SKS Group  
17-storey 206-room hotel  
**2018**

[22.] Liv Apartments

51 Queen Victoria Street Fremantle  
Defence Housing Australia  
**\$61 million**  
Georgiou Group  
166-dwellings, as well as 1,300sqm of commercial space  
**AUGUST 2018**

[23.] QT Hotel

Corner of Barrack and Murray Street  
Event Hospitality and Entertainment  
**\$60 million**  
Built  
21-storey 184-room hotel plus 21 residential apartments  
**2018**

[24.] Campus Perth

80 Stirling Street, Northbridge  
Devwest and Gaw Capital Partners  
**\$55 million**  
Broad Construction  
Refit of Telstra building to house 700 plus students  
**EARLY 2019**

[25.] Reva

5 Harper Terrace, South Perth  
Finbar  
**\$49.6 million**  
Hanssen  
Luxury 9-storey 42-apartment development with 18 commercial lots across ground floor (retail) and level one (office space)  
**2019**

[26.] William Square

45 Francis Street/ 235 William Street, Northbridge  
Warrington Property  
**\$46 million**  
Shape Group  
Redevelopment of the ATO headquarters as office, retail and public precinct  
**2018**

[27.] Student Accommodation Tower

89-95 Stirling Street, Northbridge  
Stirling Capital  
**\$41 million**  
BGC  
24-storey, 571-bed student accommodation  
**LATE 2018**

[28.] Enclave





15/37 Bronte Street East Perth  
Blackburne  
**\$40 million**  
Jaxon  
12-storey, 69-apartment development  
**SPRING 2018**

[29.] 9 Tully

9 Tully Road, East Perth  
LKD Development Group  
**\$40 million**  
Jaxon  
9-storey, 79-apartment tower  
**LATE 2019**

Source map: City of Perth



Rank	Change from previous year	Company name	Senior executive and title	Year est. in WA	Offices a) WA b) inter-state	No. of principals/directors in WA	No. of full-time registered architects in WA	No. of design professionals in WA	Total staff in WA	Recent major projects
1	—	<b>HASELL</b>	Peter Lee Director	2004	a) 1 b) 4	7	27	90	100	New Museum for Western Australia, Optus Stadium, Brookfield Property Partner's Elizabeth Quay twin tower development (yet to be named), Kings Square Fremantle, E-Zone at The University of Western Australia, Fiona Stanley Hospital
2	—	<b>Hames Sharley</b>	Caillin Howard Managing Director	1976	a) 1 b) 5	9	27	81	87	Mandurah Forum Shopping Centre, Karrinyup Shopping Centre, Crown Perth, Adventist Residential Care Apartments, Ikano
3		<b>Taylor Robinson Chaney Broderick*</b>	Leigh Robinson Principal, Founding Director	2018	a) 1	4	NFP	45	50	Raine Square Redevelopment, Scotch College Middle School, Curtin University Engineering Pavilion, Arbors - Scarborough Foreshore Redevelopment, Canning City Centre, Northshore Christian Grammar, Mundaring Christian College
4		<b>Cameron Chisholm Nicol</b>	Dominic Snellgrove Managing Director	1884	a) 1	5	19	42	48	565 Hay Street/Church House, Ocean Edge Beachside Apartments, Helm Apartments, Mika Apartments, City Gardens Apartments, Marina Edge Oceanfront Apartments, Empire Apartments, Podium Apartments
5	—	<b>Cox Architecture</b>	Steve Woodland Principal Director	1967	a) 1 b) 5	NFP	NFP	NFP	70	New Children's Hospital, New Perth Stadium, Capital Square, Oman Museum Across Ages, St Andrews Tower, Carnarvon Police & Justice Precinct, Office of the Premier and Cabinet, Channel 9 headquarters
6		<b>Oldfield Knott Architects</b>	Ian Oldfield Executive Chairman	1973	a) 1	3	16	32	40	The Camfield Tavern (Burswood), Claremont Football Club, Honeywood Primary School (Wandi), Northam Shopping Centre, Geraldton Police Station, West Perth Fire Station
7		<b>Parry &amp; Rosenthal Architects</b>	Paul Rossen & Michael Savage Joint Director(s)	1959	a) 1	2	15	24	26	Halls Head & Dalyellup Colleges, Presbyterian Ladies' College, All Saints' College, Perth College, Aquinas, Irene McCormack, La Salle, Trinity & Mother Teresa Catholic Colleges, Bunbury CGS, Peter Camley ACS, Southern Seawater Desalination Plant, Northlink WA, State Administrative Tribunal, 144 Stirling Street, Family Law Court & Gold Road fitouts

 8  
 67

**RANKED BY NO. OF REGISTERED ARCHITECTS IN WA**

\*Taylor Robinson, Chaney Architecture and Broderick Architects merged in April 2018 to form Taylor Robinson Chaney Broderick

 All information compiled using surveys, publicly available data and contact with industry sources. Other companies may be eligible for inclusion. If you believe your company is eligible, please email [claire.byl@businessnews.com.au](mailto:claire.byl@businessnews.com.au). WND: Would Not Disclose, NFP: Not For Publication, N/A: Not Applicable or Not Available.

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Rank	Change from previous year	Name	CEO	Year- Est	Total staff in WA	Offices in WA	Total combined value of current WA projects (\$)	No.of WA current projects	Current WA major projects
1	—	Multiplex	Mr Chris Palandri Regional Managing Director	1962	189	a) 1 b) 3	NFP	6	Karratha Health Campus, Karrinyup Shopping Centre Redevelopment, Capital Square, New Museum for WA, Telethon Kids Institute fit-out, Woodside Headquarters fit-out
2	—	Probuild	Mr Sam Delmenico Managing Director	2006	80	a) 1 b) 3	NFP	6	NV Apartments, Ritz-Carlton & The Towers, Kings Square Fremantle.
3	↑	Pindan	Mr George Allingame Managing Director	1977	350	a) 9 b) 3	NFP	90	Haven Residential Estate in Ridgewood, Integrated Marine Operations Centre in Port Hedland, The Heights Residential Estate in Kardinya, Northam Health Service, Quest Hotel & Retail in South Perth, Warren Health Service Redevelopment in Manjimup, Ibis Styles Hotel in Perth, Cape Naturaliste High School in Busselton...
4	↓	BGC Australia	Mr Cheong Shing Hoi General Manager	1974	100	a) 1 b) 6	NFP	25	Precinct Project, Vantage Apartments, Essence Apartments, The Crest, Purpose Built Student Accommodation, Verdant Apartments, Westin Perth Hotel, Woolworths Butler
5	↓	Doric	Mr Vince Mulholland Chief Executive Officer	1989	115	a) 1	\$605m	5	Red Earth Arts Precinct, Yagan Square, HMAS Stirling Redevelopment, Market Lane, Midland Gate Shopping Centre Expansion
6	↓	John Holland	Mr Lindsay Albonico Regional Manager WA	1962	NFP		NFP		NorthLink WA (Southern Section), PTA Track Maintenance, Karara Rail Maintenance
7	↓	Perkins Builders	Mr Dan Perkins Managing Director	1965	150	a) 3 b) 2	\$480m	32	West Coast Eagles TAC, Belmont Forum Shopping Centre, Bannister Downs Dairy, Hocart Lodge, Trinity Village Shopping Centre, Summit Homes Head Office, Qantas T3 Regional Hub, PPP Schools, PLC Wellness Centre, Armadale Aquatic Centre
8	↑	Lendlease	Mr Chris Learmonth General Manager, Building, WA	1964	400	a) 1 b) 7	NFP	9	Campbell Barracks Redevelopment, Forrest Chase Redevelopment, Air Traffic Control Towers, Works for Coles, Telstra and Shell
9	↑	Georgiou Group	Mr John Georgiou Chief Executive Officer	1977	608	a) 3 b) 2	\$277m	20	Old Mandurah Bridge Project, Defence Housing Australia's Liv Apartments, Scarborough Redevelopment, Vicinity Centre's Perth Direct Factory Outlet
10	↑	Hanssen	Mr Gerry Hanssen Managing Director	1994	40	a) 1	\$248m	5	Aurelia, Aire, Vue, Palmyra, Reva
11	↑	Jaxon	Mr David Dodds Chief Executive Officer	1958	80	a) 1	NFP	10	Botanical, Enclave Apartments, Horizon Apartments, Forrest Hall, Cirque, Church of Scientology, 900 Hay Mantra Hotel, Evermore Apartments, Cummins Street, Broome St, Craigcare Ascot ACF, 9 Tully
12	↑	Adco Constructions	Mr Nick Cater Western Australia Manager	2013	60	a) 1 b) 5	\$210m	15	Regis Hollywood, Regis Port Coogee, WA Police fitout, SIHI Hospitals at Wongan, York & Jurien Bay, Woolworths Mt Pleasant, Phoenix Shopping Centre, Charter Hall, Woolworth Seacrest, Ramsay Hospital, Bunnings Baldivis, Mirrabooka Fitout, Yongah Hill IDC
13	↑	Broad Construction	Mr Camillo Masci General Manager	1991	97	a) 1 b) 1	NFP	NFP	Claremont on the Park, Wanneroo Civic Centre, Plaza Arcade, 80 Stirling Street
14	↑	Built	Mr Rod O'Neill General Manager, WA	1998	80	a) 1 b) 5	\$150m	6	325 Wellington St Student Accommodation, Raine Square redevelopment, QV1 redevelopment, QT Hotel

15  
TH  
95  
RANKED BY TOTAL COMBINED VALUE OF CURRENT WA PROJECTS

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**FALLOUT:** Building work on the Subi XO project has stalled since Cooper & Oxley went into voluntary administration. Photo: Attila Csaszar

# Payments' security under review

Building company collapses leaving projects unfinished and subcontractors empty-handed have prompted calls for a different approach to assessing security-of-payment laws.

**Katie McDonald**

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WHEN prominent Western Australian builder Cooper & Oxley went into voluntary administration earlier this year, Master Builders Association WA director Michael McLean said the shockwaves were felt throughout the industry.

"They (Cooper & Oxley) were highly regarded in looking after their workforce and had an excellent reputation in our industry for more than 60 years," Mr McLean told *Business News*.

"For a company of that stature to fall over ... people started scratching their heads wondering, how did that happen?"

At that time, the business was among the top 10 largest builders in the state, as ranked by the BNiQ Search Engine; its largest project – Subi XO at 500 Hay Street in Subiaco – was valued at \$100 million.

The mixed-use development was due for completion in mid-2018, however the City of Subiaco told *Business News* no building works were being undertaken at the site at present.

Since the notice of administration in February, subcontractors have claimed to be owed upwards of \$5 million in unpaid wages and have reportedly been presented with a deal, on which they will vote tomorrow, that would keep the builder afloat.

Civil landscaping company BCL Group also halted its operations recently due to financial problems, previously winning contracts for earthworks at Elizabeth Quay and at the West Coast Eagles' Lathlain Precinct Oval.

Choceliving, another 2018 casualty, was placed into administration in January; it had 55 incomplete residential building projects, plus a number of commercial projects in progress.

"We're seeing pressures being brought to bear where builders are clamouring for work by competitive pricing and in some cases, not surviving," Mr McLean said.

"We're currently operating in a smaller market; the strongest or the most desperate will survive.

"Either the client is squeezing from the top or (the builder) is just not able to have the cash flow to make ends meet. At the end of the day we're all in this game together."

## Policy

In 2016, former chief executive of Master Builders Australia's national division, John Murray, was commissioned to conduct a national review of security of payment laws to identify areas of best practice for the construction industry.

The final report was delivered to federal parliament in December 2017.

Federal Workplace Minister Craig Laundy told *Business News*

that, as legislative responsibility for security of payment rested with states and territories, the government would consult each on the findings.

Mr Laundy anticipated the report would be released publicly after this consultation took place, but did not specify a time frame.

In February, the state government announced a review to improve the security of payments for subcontractors and established an Industry Advisory Group, chaired by barrister John Fiocco.

The 14 industry groups to be consulted during the review will deliberate the need for new (or amendments to existing) legislation to provide fairer contracting practices.

Members include Subcontractors WA, the Housing Industry Association, Property Council of Australia WA and the MBA.

The first IAG meeting was held in March and Commerce Minister Bill Johnston said he expected drafting of legislation to be well under way by Christmas.

Pact Construction general manager Jason Kunkler, also the chair of the MBA WA construction council and the association's representative on the IAG, said the analysis of the security of payment issue needed to be broadened.

"While there has only been a focus on builders and subbies, that's not the issue," Mr Kunkler told *Business News*.

**“The problem is a value chain issue (from client to builder to subcontractor), and that issue is being exacerbated by the lack of work in the marketplace and the less-than-optimal economic conditions – it's a perfect storm”** – Jason Kunkler

"That is a symptom of the problem.

"The problem is a value chain issue (from client to builder to subcontractor) and that issue is being exacerbated by the lack of work in the marketplace and the less than optimal economic conditions – it's a perfect storm."

Mr Kunkler said builders and subcontractors pricing work at low or no margins, onerous contracts with disproportionate risks being passed down the contractual chain, and clients facing the challenge of delivering and bringing projects online in an underperforming market were all contributing factors to a recipe for disaster.

"You've got people talking about project bank accounts, trust funds, different contract conditions – a raft of things that are band-aids to a complex problem that I think won't do anything in the long term," he said.

Project bank accounts could add to the cost of delivering jobs, with the builder likely to incur the cost of running additional accounts, Mr Kunkler said.

"It improves the transparency of transactions between builders and subbies, however, it won't actually solve the security of payment issue," he said.

"If we're going to be serious about solving the problem we need to look at the causes, the source or root cause of the problem, not just the symptoms."

Among the initiatives the MBA is hoping will be considered during the IAG process are: enforcing the use of more qualitative criteria to appoint builders, rather than looking at the lowest price when assessing tenders; the use of ongoing financial performance measures; and an effective monitoring regime to ensure entitlements are paid on time.

**BNiQ SEARCH** Master Builders Association of WA

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