

Cape York Region Package: Peninsula Developmental Road

April 2017

2017 Key Result Areas Fact Sheet

About the project

The Cape York Region Package (CYRP) is a five-year \$260.5 million program of works (2014-15 to 2018-19), jointly funded by the Australian and Queensland Governments to upgrade critical infrastructure on Cape York Peninsula.

The CYRP includes a \$200 million program of works to progressively extend the bitumen seal on the section of the Peninsula Developmental Road (PDR) between Laura and Rio Tinto boundary, and \$10 million for sealing works on the Endeavour Valley Road through to Hope Vale.

The remaining \$50.5 million is being directed towards other key access roads to, and transport infrastructure and water and sewerage works within, Indigenous communities.

Three Key Result Areas

Important aspects of the PDR projects are to provide employment and training opportunities for local Indigenous and non-Indigenous workers; build Indigenous business capability; and ensure local industry participation.

Three Key Result Areas (KRAs) identified for the 2015 and 2016 projects will be retained for the 2017 PDR works as follows:

- KRA 1 – Indigenous and non-Indigenous training and upskilling
- KRA 2 – Implementation of an Indigenous Economic Opportunities (IEO) Plan
- KRA 3 – Local Industry Participation.

2017 KRA Approach

The 2017 KRA approach has been adopted following a review of the 2015 and 2016 KRA results. Observations from the review follow.

- KRA 1: Results appear consistent for 2016 versus 2015 – which has provided significant Indigenous training and employment opportunities.
- KRA 2: Results appear consistent for 2016 versus 2015, however, can result in a demand for limited Indigenous business resources when contracts run concurrently. This is sometimes unavoidable, given the limited window of opportunity to construct roads on the Cape between annual wet seasons (up to six-months).
- KRA 3: Results for 2016 are generally lower than 2015 – a causal factor may be attributed to North Queensland-based contractors providing their own plant and equipment.

A review of the outcomes achieved against the KRAs will again be carried out following delivery of the 2017 PDR projects, and compared with outcomes achieved from previous projects.

This information will inform decisions about applying incentives to KRAs and the minimum outcome requirements for future PDR projects.

2017 Incentive Pools

For the 2017 projects, the maximum incentive pools will again be set at five per cent of the contract sum for projects between \$7 and \$10 million (Laura Racecourse to Little Laura, and Myall Creek to Rio Boundary).

However, for the 10 Mile Creek and South of Duck Holes Creek projects, which are less than \$7 million, the incentive pool will be set at six per cent of the contract sum.

The higher proportion for smaller projects takes into account the relatively higher establishment and start-up costs for smaller projects, as compared to larger projects.



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For the 2017 PDR projects, the percentage value of the incentive pools has been amended from being weighted equally to:

- KRA 1 - 30 per cent
- KRA 2 - 40 per cent
- KRA 3 – 30 per cent

These changes demonstrate the importance the Department of Transport and Main Roads (TMR) is placing on KRA2 to build Indigenous business capability on Cape York. Although KRA incentive payments will not apply to the Sole Invitee RoadTek contract (Laura Racecourse to Little Laura), RoadTek has committed to either equal or exceed the KRA requirements.

A summary of the proposed revised maximum incentive amounts are listed below.

Summary of the 2017 KRAs

KRA 1 – Indigenous and non-Indigenous Training and Upskilling

This KRA aims to provide an incentive for the Contractor to meet and exceed minimum core training requirements for Indigenous and non-Indigenous apprentices, trainees, cadets and workers.

KRA 1 is based on the Queensland Government Building and Construction Training Policy core training requirements.

Additional Key Performance Indicator (KPI) target ranges shall apply to levels of engagement of Indigenous workers and, additionally, higher incentives are offered to exceed core training requirements using Indigenous workers.

KRA 2 – Implementation of an Indigenous Economic Opportunities Plan

With reference to the Queensland Government Building and Construction Training Policy – Item 7, incentives will apply for the Contractor achieving KPI targets within the “*Indigenous business supply opportunities*” section in the agreed IEO Overview Plan (IEO Plan). The IEO Plan sets a minimum for agreed outcomes and provides flexibility in order for the economic opportunities associated with the Contract to be maximised for local communities.

In 2017, deductions will apply for the Contractor should it not achieve the KPI targets. This incentive/deduction component is similar to that previously used on Alliance

contracts and Performance Incentive Cost Reimbursable (PICR) contracts delivered by TMR.

The KRA will be paid to (+) or deducted from (-) the Contractor as follows:

% of CDCA* spent on KRA 2	<5%	5% to <10%	10% to <15%	15% to <20%	20% & above
% of KRA amount to be deducted from/paid to Contractor	-20%	-10%	0%	+50%	+100%

* Contract Direct Cost Amount

The intent of these amended limits aims to reinforce with contractors the importance placed on KRA 2 by TMR.

Tenderers may source local Indigenous businesses on the “Black Business Finder” website <http://bbf.org.au/>

KRA 3 – Local Industry Participation

In so far as it is economically and technically reasonable and practicable to do so, the Contractor shall give, and shall ensure that its sub-contractors give, local sub-contractors, vendors and suppliers a full, fair and reasonable opportunity to supply labour, services, materials, plant, machinery, equipment and other items for the works.

‘Local’ is defined as an Industry based within Cook Shire and/or mainland Aboriginal Shire Councils or within local government boundaries on Cape York.

KRA 3 aims to provide an incentive for the Contractor to engage and maximise local industry participation for contract works.

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