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'It is a total mess': Government risks delays by standing up to developer

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The NSW government will face pressure from construction companies to spend more money to complete major projects on time, planning experts warn, as the Labor opposition said developers will think twice about bidding for infrastructure contracts.

Peter Phibbs, the head of urban and regional planning and policy at the University of Sydney, said developers often sought to vary contracts on large, complex projects to increase profits and reduce risk. "A lot of times when details of a contract aren't known, particularly when there's a tight timeline, governments will just pay the extra cash to get the thing built," he said.

[The NSW government said the \$344 million Sydney Modern project remained on track despite a row with developer Lendlease. SANAA]

The \$344 million expansion of the Art Gallery of NSW faces delays after developer Lendlease withdrew its initial bid to build the new wing over a cost dispute. Last week it submitted a new bid to build Sydney Modern, which is meant to begin construction this year. The government is also looking for a new developer to rebuild the Sydney Football Stadium after severing its ties with Lendlease. A Lendlease spokesman said infrastructure projects were a "source of pride" for the company "and we look forward to supporting future projects".

Professor Phibbs said the developer was one of the "most aggressive firms in the world" when it came to major infrastructure projects. "You get an agreement and then you try to squeeze the contract harder and harder," he said. "And the government's turned around and said 'no, we don't want to play ball on this one'."

A spokeswoman for Infrastructure NSW said it was evaluating four bids for the Sydney Modern project: "We expect a contract to be awarded in the near future and construction to commence in 2019." She said government agencies, including Infrastructure NSW, had a professional and effective relationship with Lendlease across a range of projects, "and we look forward to their participation in future projects".

In contrast, Labor's arts spokesman, Walt Secord, said the government had put developers in an "invidious position" by failing to reveal the true cost of projects. "The industry takes them at their word and after they investigate, they discover that the true costs have been vastly under-estimated putting them in an invidious situation," he said. Mr Secord also expressed fears of a budget blowout over Sydney Modern after suggesting the cost of the Walsh Bay Arts precinct had ballooned from \$129 million to \$245 million. "It is a total mess with companies thinking twice about investing time, energy and resources into bidding for government arts infrastructure projects," he said.

The government's other major arts project is the new Powerhouse Museum in Parramatta, which will cost taxpayers \$645 million. A Create NSW spokesman said it would not be impacted by Sydney Modern "and both projects are on track". Sydney Modern is due for completion in 2021 in time for

the gallery's 150th anniversary, but Professor Phibbs suggested the government would be under more pressure to complete the Moore Park stadium or risk being left with a hole in the ground. Professor Phibbs also said past disputes over Barangaroo could be a source of lingering tension between the infrastructure giant and the NSW government. Crown Resorts and Lendlease won a major court case against the state government in 2018 over protecting harbour views from their developments at Barangaroo. Lendlease won another court case in 2014 over profit sharing at the waterfront site.

Judith White, a former executive director of the Art Gallery Society, said there was "serious doubt" about the future of the gallery's new wing. "No one disagrees that the AGNSW needs additional facilities, but the Sydney Modern proposal has been flawed from the outset," she said. An opponent of Sydney Modern, Ms White said it should be put on hold and a royal commission held into public infrastructure projects in NSW: "Only a royal commission will have the power to summons witnesses to produce all the relevant documentation of the secret deals involved."