

# FINANCIAL REVIEW

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Architecture It was a deal with lots of upside – but it has left cultural tensions, writes Michael Bleby .

The penny dropped for John Bilmon in early 2011. The managing partner of Sydney architectural **firm** PTW was angling to get on the tender panel for a project in the central **Chinese** city of Zhengzhou.

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The proposed 55-storey tower was just the sort of job in which his **firm** specialised and was a great chance to showcase that talent. It was also over the "magical" 100-metre height limit that Bilmon says is common in many Asian cities.

Their chances looked good. Bilmon knew the city; his **firm** was already doing work there. He had an employee from a wellconnected local family who was developing relationships with important people.

Then the call from his employee came.

"She was distraught," Bilmon recalls. "The project was going ahead and we weren't included in the shortlist."

It wasn't the first time that PTW – formerly known as Peddle Thorp & Walker – a **firm** with a ground-breaking history in tall buildings, had missed out in **China's** rapidly growing market for skyscrapers. It had previously failed to make the tender panel for a 35-storey building in the city of Qingdao, but this rejection showed Bilmon that his **firm** had to make a serious change.

"That was the 'Aha!' moment," he says. "We needed to strengthen PTW's resources."

The **firm** did exactly that two years later. On the first minute of 2013, the 123-year-old PTW was **purchased** by CCDI, a **Chinese firm** with not even two decades under its belt. But with its 4000 employees, it was already 20 times the size of its new **acquisition**. Stunning deal

It was a stunning deal, the first of its type in Australian architectural services and one that threw a lifeline to the struggling, cash-strapped Sydney **firm**.

PTW had expanded into **China**, Taiwan and Vietnam – where it had offices in Saigon and Ho Chi Minh City – but it had problems. It had closed its Middle East operation. The Vietnamese business was plagued by unpaid bills.

According to CCDI director Steve Hu, now PTW's corporate general manager, the **firm** lacked a grasp of markets outside Australia.

PTW had a "not-so-great story in project implementation" outside Australia, he says.

"They do have some problems . . . not only financially," Hu says. "You've got to understand what's happening in the international arena in order to excel in the marketplace."

A little over a year down the track, the turnaround has been remarkable. A revitalised PTW is a very different beast. Staff numbers at the 230-strong **firm** have grown by half – doubling at its Sydney office – and, backed by a parent with deep pockets, the **firm** is bidding on projects overseas.

Within months of the takeover, PTW collaborated with CCDI on a bid for a transport-oriented development in Shenzhen, a sprawling development sprouting **residential** and **commercial** towers. The two won a competition to design an "Innovation Plaza" in Shenzhen and a five-star Xinghe Bay **Hotel** in Guiyang City in the south.

On its own, PTW did a waterfront urban design for TEDA Tourist City in Tianjin. Spreading its wings beyond **China**

CCDI has also spread PTW's wings beyond **China**. The two firms together won a design competition for an exhibition centre in the north-eastern Algerian city of Constantine. In addition, PTW staff have been sent to work on a sports stadium CCDI is building in Congo's Brazzaville.

"We suddenly found that we were exposed to projects we would never have dreamt of before," says Simon Parsons, PTW's executive director. "It was almost instantaneous. We had access to all the CCDI networks, access to many CCDI opportunities where they thought we were relevant."

But the deal has meant great changes.

Only a few years earlier, such a deal might have seemed unlikely. The 2008 Beijing Olympics was a triumph. The **firm** gained international attention for its work on the "Water Cube" – the Beijing National Aquatic Centre that, along with the main "Bird's Nest" stadium, symbolised **China's** Games.

PTW's place in the Asian century seemed assured. The gates of a burgeoning **China** architecture market looked to be wide open as a result of the aquatics facility it had designed in conjunction with CCDI and engineering **firm** Arup.

But the truth was PTW needed CCDI's invitation to get in on the Water Cube project in the first place. PTW discovered that, on its own, it couldn't get more of that work.

It was a humiliation for the **firm** that had made design history in Australia with tall buildings. In 1962, PTW designed the 26storey AMP Tower, the first building in Sydney to break the 150-foot (45.7-metre) height limit that had been in place since 1912. PTW also designed the 50-storey Gateway Plaza in Circular Quay and collaborated with the British **firm** Foster + Partners on the 48storey Lumière Residences project.

Neither side will disclose the terms of the deal and the price CCDI paid for PTW has not been confirmed (estimates range from \$6 **million** to \$15 **million**); the price PTW has paid is loss of control. Sensitive Issue

The people who ran the show no longer do. This includes Bilmon, who first approached CCDI about a **sale**. Despite taking the title of chief executive in the new **company**, his own authority has been diminished and he concedes that his current position is a "redundant" one.

Bilmon insists he is happy and that the change frees him up to do more creative work. Others, however, testify to the tensions that have come with its new structure. All staff are now part of discipline-based teams that provide the chain of command, rather than an office-based partner.

Parsons, who heads the **firm's** **residential** design practice, says implementing the new structure, is "a very, very sensitive" issue.

"I need to know what's going on in each of the other practices," he says. "I need to have some degree of control and some degree of input. Immediately that changes my relationship with the other practices . . . It hasn't been fully resolved."

The two firms needed each other. As well as access to the growing **Chinese** market, PTW had ambitions to re-establish itself as a leading design practice – a "big name" architectural **firm** in its own right. In spite of its illustrious history, in recent years it had been falling more into the role of collaborating architect, playing second-fiddle to bigger-name architects on design projects. CCDI gave it that chance.

And the two had a long-standing relationship that predated the Water Cube.

The initial link came through one of PTW's employees, Stephen Bai, who had studied architecture at the University of Tianjin with CCDI's founders Xiaojun (Richard) Zhou and Zengliang (Dennis) Shan.

"When we established the practice in Shanghai, [Bai] volunteered to go," Bilmon explains. Bai is now an executive director and heads PTW's Shanghai office. Breathtaking economic growth

By the same token, CCDI had its own ambitions to grow. "If we can be successful in **China**, why can't we be successful internationally?" says Hu.

What's holding a **firm** like CCDI from making the great leap forward to the global stage is skills. The breathtaking economic growth **China** has shown in recent years is partly a bid to regain what the country managed to lose during its tumultuous recent history, when the politically driven madness of the Cultural Revolution destroyed much of its knowledge and skills base.

One of PTW's recent hires is director Dario Spalja, who started working in **China** with Cox Architecture in the 1990s. Spalja says that while **China** has in recent decades been making up for its lack of skills, it won't be long before the country that gave the world printing, gunpowder and cast **iron** becomes a powerhouse in architecture and design.

"It will be the new norm, much like when the American practices of the '50s and '60s started reaching out and spreading across the globe," Spalja says. "As the American corporate entities started spreading their wings, so too will **Chinese** design companies. They will in a way which is only normal and is historically repeated many times."

But for CCDI to get there, it needed outside skills. PTW offered a quick way for CCDI to fill the gaps and tap **China's** market for tall buildings. With 1201 high-rise buildings, Shanghai is already the third-largest skyscraper city after New York and Toronto. Upon completion this year, for example, the 632-metre Shanghai Tower (designed by US **firm** Gensler), will be the world's second-tallest building (after Dubai's 828-metre Burj Khalifa).

CCDI isn't putting all its eggs in PTW's basket; the **Chinese firm** is also in negotiations to **buy** a "big" United States practice, says Hu, declining to give any further details. But PTW is certainly benefiting.

For starters, in a world with no respect for venerable firms that can't pay the bills, it has survived – unlike Woodhead, an 86-year-old practice put into administration last month after engineer GHD absorbed most of its staff and key contracts.

Hu says the two practices operate independently, even in **Chinese** cities where they both have offices. Who is calling the shots

"We're not trying to assimilate PTW into part of CCDI," he says. "That has to be clarified and repeated."

In the new order, however, it is clear who is calling the shots.

"What's happened with Steve Hu coming in is that we've had someone come from a practice that's grown from zero to 4000 within 20 years who has very, very clear ideas about what makes companies successful," Parsons says. "He doesn't need to be diplomatic about anything. He knows what works and what doesn't work."

Managing the transformation of PTW, which one insider says is still only half-complete, is out of the hands of the former PTW bosses and may not all be to the liking of PTW staff.

Of course, in its former guise, PTW wasn't trouble-free either. Previously a partnership, the **firm** was run as a **group** of independent studios headed by different partners, which led to tensions over who did what work and who made money. Ambitious staff members left. Troy Uleman quit the **firm** in 2011, after three years working there.

"There just didn't seem to be a path to promotion," Uleman says. "I'd put in a lot of effort on some good projects and some award-winning projects, and it just didn't seem that that was going to **lead** to anything in the long term."

Bilmon, for all his upbeat assessment of the changes, bristles at this criticism of the system over which he once presided.

"We certainly did recognise certain individuals who we thought would have a great contribution to make to the future of the **firm**," he responds. "They tended to occupy titled positions in our **firm** and many of them are still there."

But the old PTW is fast receding, and so is Bilmon's say in it. The transformation he showed the vision to pursue and the determination to realise has, ironically, reduced his voice.

In February, Uleman returned to PTW as a director. He says CCDI's ownership has given the **firm** a shot in the arm that very few architectural practices are able to manage on their own. Reinventing themselves

"There has been a turnaround," he says. "There are firms out there attempting to re-invent themselves through succession plans and so on. But those are very hard to implement, long-term. I think PTW is at the moment riding the crest of a wave that's created by this sudden burst of **energy** that's come into the practice."

But still, there are the cultural differences. When Hu is asked who CCDI's owners are, he replies: "I cannot disclose information at this moment. I have to ask for their permission to disclose their names."

Much of the information is public. Zhou and Shan, who started the **firm** in 1994, are major shareholders. Other owners include Legend Capital, an investment arm of Lenovo owner Legend Holdings, and the state-owned **China** State Construction Engineering Corp. While overall state ownership of CCDI is minor, it was sufficient to warrant getting Foreign Investment Review **Board** approval for the PTW **acquisition**.

PTW has hitched its future to CCDI and will follow the path CCDI chooses for it.

How that develops will prove a vital lesson for Australian services companies seeking to tap the **Chinese** market.

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