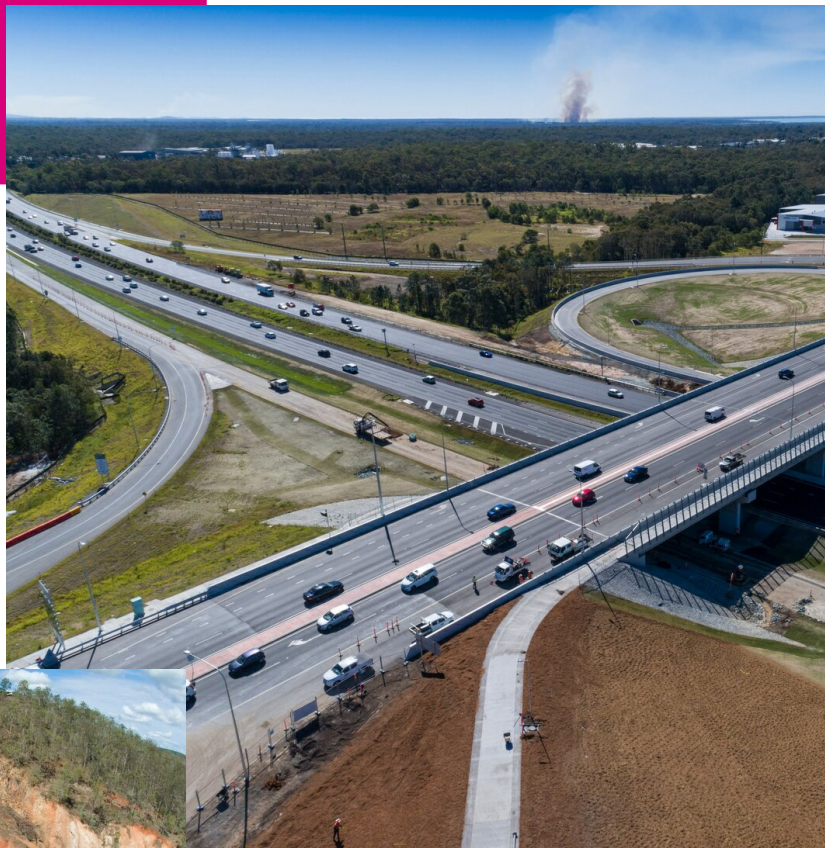
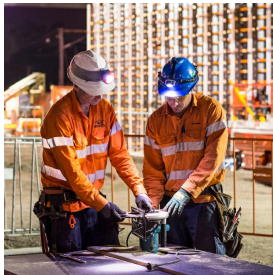


2022 Federal Election

Key issues for Queensland's Contracting Industry





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2020 Federal Election Key Issues

1

Infrastructure
investment and delivery

2

Productivity & Industrial
Relations

3

Procurement

4

Sustainability

5

Skills Shortages

2022 Federal Election

Held on 21st May, this year's federal election is the first since the emergence of COVID and one set against the backdrop of a significant increase in infrastructure spending across the nation. This is particularly the case in Queensland where the Commonwealth Government investment in infrastructure projects has increased to the extent that the federal government is the majority contributor to major infrastructure spending in the state.

Key Issues

As the peak body for the sector in the state, QMCA along with like-minded industry bodies have identified critical areas that the major parties must address and implement if elected to office in order to maximise the investment for the betterment of the sector and Queenslanders who rely upon vital economically beneficial infrastructure development.

These issues can be broken down into a series of themes:

1. Infrastructure investment and delivery
2. Productivity & Industrial Relations
3. Procurement
4. Sustainability
5. Skills Shortages



Infrastructure Investment & Delivery

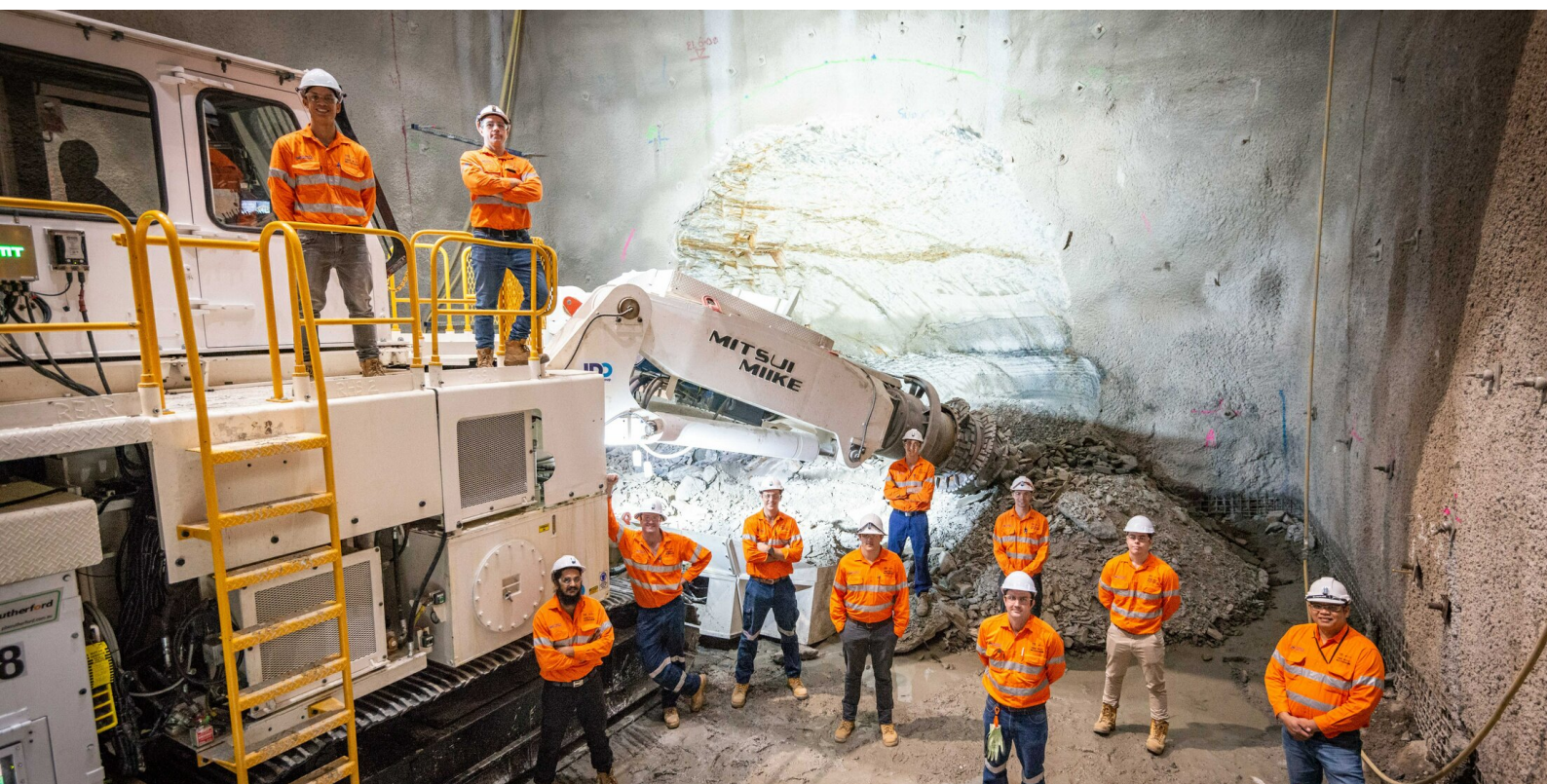
Whilst there has been a significant increase in infrastructure spending over the past two years there is always a need to continually invest in economic infrastructure in Queensland. As the nation's most decentralised state there is a need to ensure that investment is balanced to support regional growth underpinned by the agriculture and resources sectors as well as investment in major manufacturing and logistics zones to support the free and easy movement of goods. There are many investment priorities that need to be continued and expanded on these include:

- **Regional economic infrastructure:**

- Inland Rail: Inland Rail needs to be well underway, if not delivered across certain sections of the corridor by the time of the next election in 2025. There are also opportunities for upgrades to the regional rail networks that can support Inland Rail that need to be considered
- Water infrastructure: Regional water security remains a key issue. Whilst there have been announcements regarding potential projects such as Hells Gate Dam there is a need for additional water security throughout the state to support agricultural, resources and industrial development (including Green Hydrogen). Such potential investments include:
 - Hells Gate Dam
 - Urannah Dam
 - Burdekin Dam raising
 - Upgrades and improvements to water networks to reduce the impact of major weather events
 - Water pipelines connect water assets to ensure that water can be moved to where it is needed given the varying weather conditions and demand throughout the state (i.e. linking major water assets such as Wivenhoe and the recycled water grid in SEQ with water assets in the Surat Basin and Darling Downs).
- Mount Isa Rail line and port infrastructure: The Northwest Minerals province holds significant growth potential with base metals and other minerals to support the “new age economy”. This means that the line and port infrastructure through this supply chain needs to be upgraded to cater for the increased traffic and investment in these facilities is needed.
- Regional highway upgrades: This is a perennial need across the state. The Bruce Highway and other national highways all need upgrades to offer greater safety and capacity for supporting economic growth.
- Energy infrastructure: Private sector investment into renewable generation is leading the push to a “greener” generation mix. However, there is a need for increased investment and delivery of enabling infrastructure such as transmission lines to connect renewable energy generation to the grid. Equally, and possibly more critically is the need for significant investment in large scale energy storage, particularly to support the emerging “green Hydrogen” industry. The Genex Kidston pumped hydro and Snowy 2.0 projects are examples of this. However much more large-scale long storage infrastructure is needed including potential pumped hydro projects that require federal investment to help secure. These potentially include:
 - Big T in Toowoomba
 - Lake Borumba in Southeast Queensland
 - Other pumped hydro opportunities in the state's north

Infrastructure Investment & Delivery

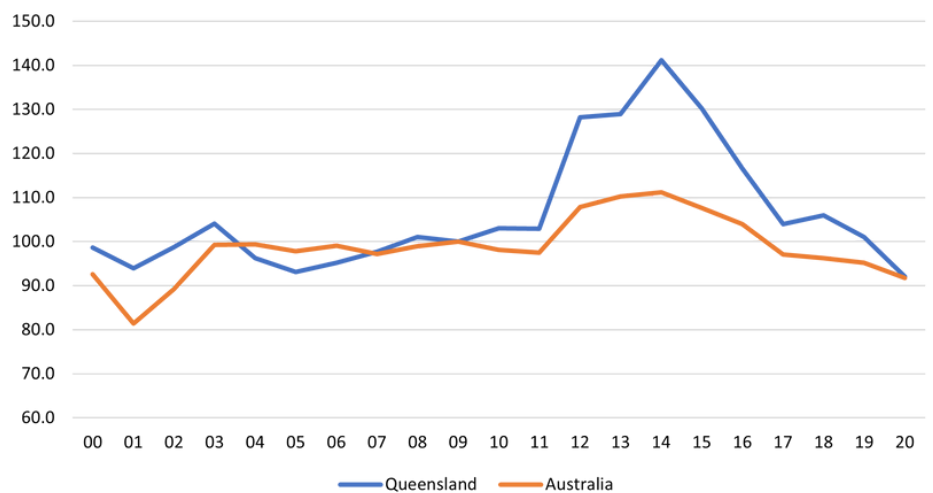
- Urban Infrastructure: Investment in urban infrastructure is also vitally important to keep pace with urban growth and industry development in the major urban areas. As a result, key investment needs potentially include:
 - Urban rail expansion to connect rail to the growth areas on the urban fringe including the southern rim (Yarrabilba, Flagstone) and through the western and southwestern areas (Springfield into Ripley Valley)
 - Fast rail connections between Brisbane and the Gold Coast, Sunshine Coast and potentially west to Ipswich and then Toowoomba
 - Expansion of the metro/ busway network to major activity centres including Chermside, Carindale and potentially Indooroopilly
 - Additional rail capacity through to Brisbane from the Northern Suburbs
 - Additional pedestrian connections across the Brisbane River
 - The efficient movement of freight around is critical to industry and the economy. As a result, ongoing investment in the road network is important and this includes upgrades to key freight routes such as the Logan Motorway, Centenary Highway, Bruce Highway as well as the Cunningham and Warrego Highways. Federal investment into a grade separation program for open level crossings will also relieve key pinch points for freight and goods movement throughout SEQ.



Productivity and Industrial Relations

In the past 20 years productivity in the construction sector has dropped on a comparative basis. In fact since 2015, productivity in construction in Queensland has dropped by over 40%. This is a significant concern. One of the biggest inputs into productivity in a labour-intensive industry such as construction is industrial relations and on-site activities.

Industrial activity and agreements that create further impediments to productive work is a significant issue. The ABCC plays an important role in ensuring that all parties involved in the construction sector comply and operate within the law and relevant regulations including the Fair Work Act 2009 and the Building and Construction Industry (Improving Productivity) Act 2016 (BCIIP Act) (The Building Code).



It is important that the industry has a watchdog that can keep all parties in the sector honest; without this, lawlessness erupts and productivity drops significantly meaning projects cost significantly more and restrictive work practices abound. These productivity sapping issues include restrictive practices around the times that can be worked on projects (without any due consideration of the site specifics etc), external third parties having a say over which sub-contractors are chosen and when work can and can't be done to unreasonable and excessive pay claims (in excess of 30%), as well as weather clauses that would effectively restrict work throughout regional Queensland for significant durations during summer.

All parties must commit to maintaining the enterprise agreement structure between companies and their employees and their representatives; without outside influence or industry wide "pattern" agreements that do not reflect the different specifics or circumstances of each company and the work they are undertaking. This fundamental tenet of industrial relations in Australia (enterprise agreements) has achieved some great success in safety and productivity improvements and should be enhanced, not ignored. Enhancements to the enterprise structure can always be made including extending the term of agreements, particularly on major projects which often run over 4+ years, however a return to 1970's style pattern agreements with the industrial unrest that comes with it must not occur.

Industrial relations and productivity as championed by the Fair Work Act and the Building Code and overseen and administered by the ABCC is vital to delivering the infrastructure needed in Queensland, safely, efficiently, and effectively.

Procurement

The QMCA believe that there are two key areas of procurement reform needed in Australia:

1. Consistency across jurisdictional areas
2. Collaborative contracting to reduce and eliminate the adversarial approach to project delivery

The objective of procurement should be to deliver infrastructure safely, efficiently, and effectively providing value for money for the investment. To achieve this though we need to have a healthy infrastructure delivery sector, with the ability for companies to grow in capability and capacity to deliver the required infrastructure investment.

Consistency in Procurement approaches and models

The vast majority of construction contractors and indeed engineering firms work nationally, spanning across the state borders. Whilst each state government is responsible for their procurement, particularly of federally funded projects, there is a great discrepancy between the various jurisdictions in terms of approach and a significant lack of consistency. This adds to the cost of doing business and impacts on industry efficiency. For instance, Queensland through the Department of Transport and Main Roads predominantly procure construct only works with some Early Contractor Involvement (ECI) and Early Tenderer Involvement (ETI) approaches. In, NSW and Victoria mainly deliver their works via design and construct contracts, some with a partnering or collaboration framework and Western Australia uses the alliance model.

This patchwork of different approaches nationally adds to the cost of tendering and presents a barrier of entry to companies wishing to grow and develop nationally.





Procurement

Collaborative Contracting

The industry has been calling for a less adversarial approach to procurement and delivery of infrastructure for some time. Far too much effort, time and cost are invested into “protecting one’s own patch” through procurement and delivery models that attempt to shift as much risk as possible to the contracting sector; whilst requiring contractors to provide lump sum pricing in a competitive bidding process over a typical 4-week tender period. This of course only leads to problems in the delivery phase, as clients who have overseen project development for a considerable period of time then expect contractors to understand, appreciate and scope and price the risk that they are being asked to carry in a short tender period.

This approach to procurement and contracting where construction contractors are asked to take on more and more risk hampers contractors’ ability to grow, develop and invest in its employees, as only companies with cash reserves to carry these risks are able to then deliver the projects. In the construction sector companies do not have significant cash reserves, nor do many carry significant assets on their balance sheet as there is a large sub-contractor and supplier market with the necessary plant and equipment and plant and equipment requirements.

Therefore, procurement approaches require the delivery parties to carry an inordinate amount of risk and this constrains the ability for smaller companies either in the Tier 2 or 3 space the ability to take on larger projects and grow; it in effect constrains the market.

Collaborative contracting procurement significantly reduces the adversarial positions on standard contract approaches and delivers final project costs much closer to the estimated or tendered price than traditionally tendered project procurement.

Collaborative contracting and procurement also enables smaller companies the ability to be involved and compete on projects as the effective barriers to entry are reduced, particularly as risk can and is managed in a more balanced way between the relevant parties.

Collaborative contracting should be mandatory across the construction sector and led by the Federal Government through working with state governments to implement it across the infrastructure project pipeline. Instituting collaboration across procurement and delivery will ensure greater sustainability for the participants in the sector, lead to better culture and alignment between all parties and deliver far better project delivery in terms of project cost, safety, and timeframes.



Sustainability

Sustainability takes many forms; for the constructions sector this includes:

- Financial sustainability
- Environmental sustainability
- Resources development

Financial Sustainability

Over the past 6 months, the industry has been rocked by the financial collapses of several companies. As mentioned previously the introduction of widespread collaborative contracting will go a long way to ensuring that the company collapses that have been witnessed in recent times do not occur. The current approach to risk apportionment by clients is unsustainable and unproductive. If this does not change then we will see more businesses collapse.

With the amount of work to be delivered over the next decade, particularly in the run-up to the 2032 Olympics and Paralympics we cannot afford this. It is critical then that the federal government lead the way then in ensuring that procurement and delivery approaches are collaborative with appropriate risk assignment between the relevant parties; and this way greater financial sustainability for the industry can be assured.

Environmental Sustainability

With the commitment from both sides of politics to a “net-zero” carbon economy in 2050, there is a significant move to a changing electricity generation mix, transport changes with battery electric and hydrogen vehicles etc. The engineering and construction industry will continue to work with clients and stakeholders in helping develop and deliver both large scale and smaller-scale renewable energy projects including solar, wind, hydro, and other power solutions.

The construction sector is a large consumer of diesel and other fuels in the process of construction activities. How the application of net-zero applies to construction works and the consideration of the application of carbon credits and the like to the industry for project delivery needs to be considered carefully.

Providing incentives, co-investment in technology and innovation through specific projects to help transition to different fuels or battery electric plant and equipment is essential in assisting industry to fast track the move to net zero. This is important as the short-term nature of much of the work in the construction sector and the drive to “lowest price only” through a tendering environment does not allow or enable industry to invest in long term changes associated with achieving a “net-zero” carbon outcome for the construction activities.

Resources Development

Queensland is, and always will be, a state that leads with resources development, be that agricultural, coal and gas, base metals, and now new economy minerals as well as emerging new energy solutions such as Hydrogen. Equally the state is well blessed with an abundance of renewable energy resources (solar, wind, hydro). Ensuring that our resources sector can continue to develop is essential without ideological interference.

Critical issues for the resources sector development that both sides need to address to ensure that the important industry for the economy can continue to grow include the following:

- The long and complicated nature of project approvals across jurisdictions needs to be streamlined and the constant challenges to approvals in the court system needs to be reviewed. It affects our standing as an investment location and the construction sector has only finite resources- waiting for project approvals can mean other opportunities are significantly forgone.
- Enabling greater ability to finance projects, be it using local or international funds should be implemented.
- Enabling the ability for the private sector to invest in infrastructure that supports the resources sector should be encouraged and promoted through tax incentives, co-investment or other offsets.
- Longer-term enterprise agreements for the life of a major project's construction phase are critical to ensuring the viability of projects.



Skills Shortage

Skills shortages in the construction sector are already apparent, and the latest modelling from Infrastructure Australia (IA) reported in October 2021 that by “mid-2023 the employment in the infrastructure sector will need to grow from 183,000 people to more than 288,000. The potential shortfall in jobs being filled is forecast to exceed 105,000”.

This shortfall in construction skills will only become more pronounced over the next 5 years with the significant increase of infrastructure projects and then the infrastructure required to be delivered prior to the 2032 Olympics.

Whilst some may argue that is a reason to curtail infrastructure spending- that should not be the case as every dollar invested in economic infrastructure returns \$3 to the economy; the challenge is how does industry, the government and other key clients assist in meeting this shortfall.

This can be through

- reskilling programs from other industries, with assistance for training and reskilling programs
- enabling overseas skilled migration, using the various Visa arrangements and enhancing them
- attracting new workforce entrants to the engineering and construction industry and incentives for industry to further attract, train and retain people in the industry.
- Making engineering and construction management and other courses attractive and reasonable in price. Why is it that there are nearly twice as many arts students as engineering students in our universities? This ratio needs to change if we are to meet the challenges ahead. This is a significant issue for the next federal government to address.





Contact QMCA

Call - 07 3211 4900

Email - admin@qmca.com.au

Post - GPO Box 3254, Brisbane Qld 4001

Visit - www.qmca.com.au

