

Wednesday, 3 July 2024

Tom Gellibrand
Chief Executive, Infrastructure NSW
c/- Industry Engagement Team
Infrastructure NSW

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Dear Mr.  Gellibrand,

SUBMISSION TO THE DRAFT PRINCIPLES FOR PARTNERSHIP

As the peak industry body representing over 400 organisations in the NSW civil construction sector, the Civil Contractors Federation NSW (CCF NSW) welcomes the opportunity to provide feedback on the NSW Government's draft *Principles for Partnership*, the revised iteration of its previous *10-Point Commitment to the Construction Sector*. We commend the government's commitment to fostering a collaborative environment to enhance infrastructure delivery in NSW.

This submission was prepared with input from CCF NSW's newly formed Major Contractors Advisory Group, many of whom participated in INSW consultation roundtables. These members bring extensive experience in government infrastructure delivery across NSW and other jurisdictions, including Abergeldie Complex Infrastructure, BMD Group, Burton Contractors, Daracon, Fulton Hogan, Georgiou, Seymour Whyte, SRG Global, and Ward.

At the outset, CCF NSW members emphasise the continued relevance of the commitments outlined in the previous 10-point plan to the construction industry. These actions are crucial for addressing key challenges in government infrastructure delivery in NSW. While some progress has been made, these actions should become standard practice across government construction. We urge the government to maintain its commitment to these actions and ensure all are included under the proposed Partnership Principles.

Recommendation 1:

Maintain 10-Point Plan actions and integrate them into Partnership Principles. Continue implementing the headline actions of the 10-Point Commitment to the Construction Sector to standardise these critical practices across government, benefiting contractors of all sizes and fostering greater shared value in infrastructure delivery.

Feedback on the Five Principles

Principle 1: Boosting Productivity

While improving productivity is essential, CCF NSW suggests removing or refining the section in the overview that focuses on traditional economic indicators like those from the Australian Bureau of Statistics (ABS) on construction productivity. These metrics focus on economic measures in arrears and do not capture the broader social contributions that have long been expected of the construction sector, such as enhanced worker and public safety, support of apprenticeships and training, quality of built environments, workforce diversity, Indigenous participation and environmental sustainability. We recommend a more nuanced approach to productivity assessment that aligns with the government's broader social policy objectives for infrastructure construction.

Recommendation 2:

- 2.1 Delete the first two paragraphs on page 5 of the Boosting Productivity overview due to the limitations of current data in capturing the social policy outcomes sought through construction procurement, and potential negative impact on market sentiment.
- 2.2 Consider developing an integrated productivity index tailored for government construction and infrastructure delivery, ensuring a comprehensive measure of performance that includes economic and social outcomes.

Feedback on Next Steps

The civil construction industry strongly supports government's efforts to improve consistency and streamline government processes, including promoting the whole-of-government GC21 standard form construction contracts and early market interactions to encourage innovation. To further these goals, we request the draft section on productivity is amended to reflect the following:

Recommendation 3:

- 3.1 Mandate the use of standard form contracts such as GC21 and C91, without modifications, as the default position, reducing red tape and supporting productivity gains across the industry.
- 3.2 Introduce a one-for-one process simplification policy to ensure no new procurement or contracting requirements are added without removing an existing one of equivalent complexity.
- 3.3 Implement the "right to rely" principle to ensure commitments and information provided during the tender process are legally binding, expediting decision-making and reducing delays.
- 3.4 Adopt efficient procurement models such as the Major Road Projects Victoria (MRPV) model, recognised nationally for its success in streamlining processes, collaborative risk allocation and pricing, providing market segmentation based on project value and complexity, incentives for innovation and more. CCF NSW's major contractor members have considerable experience

working under the MRPV model and would welcome the opportunity to provide a detailed briefing on this approach and how NSW could benefit.

- 3.5 Ensure digital adoption policies consider the needs of smaller local civil contractors, providing certainty and support for digitising business processes.

Principle 2: Enhancing Worker Safety & Wellbeing and Industry Culture & Diversity

CCF NSW advocates for inclusive terminology and broader consideration of mental health and positive culture throughout all project phases, and emphasises the importance of addressing these complex priorities separately.

The traditionally adversarial and increasingly industrial nature of construction procurement, contracting and delivery impacts project culture and the mental health of all involved - white collar, blue collar and grey collar – on both industry-side and client-side. The terminology “worker safety and wellbeing” implies a blue-collar workforce on site and therefore CCF NSW recommends using more all-encompassing terminology to reflect its application to all parties and people involved.

CCF NSW members also note this principle as drafted encompasses numerous complex priorities, each requiring distinct and targeted actions. Consideration could be given to splitting this principle into separate ones.

Recommendation 4

Broaden the focus on mental health and positive culture to encompass all project participants, including white-collar and blue-collar roles on both industry-side and client-side.

Recommendation 5

Consider separate principles for 'Safety and Wellbeing' and 'Culture and Diversity' to adequately address their distinct complexities and importance.

Principle 3: Improving Financial Sustainability

The inclusion of this principle is welcomed and strongly supported by civil contractors, as it acknowledges this is a critical challenge faced by local civil construction companies given the environment of tight margins, high material and input costs, increased labour costs, high cost of living, regulatory uncertainty and a slowed pipeline. However, contractors have expressed concerns that the current drafting suggests the government's focus is primarily on avoiding contracting organisations that present a financial risk to government. While this is understandable, CCF NSW members request the document is amended to ensure equal emphasis is placed on recognising the government's influential role in ensuring it doesn't place contractors in financially unsustainable positions through government's policies, procedures, commercial dealings, and behaviour.

CCF NSW members request the following recommendations be incorporated into the document to address priority areas for the industry, which would significantly aid financial sustainability from an industry-wide perspective.

Recommendation 5:

- 5.1 Fairer Risk Allocation: Continue the action from the previous 10-point plan to adopt partnership-based approaches to risk allocation. Inappropriate risk allocation remains the single biggest financial threat to project delivery and the civil contracting industry in NSW, and it is solely within the government's power to address this as the policy maker and client. Contractors are regularly and inappropriately asked to price and manage unknown and uncontrollable risks, which is unsustainable.
- 5.2 Maintain Early Contractor Involvement (ECI) and continue compensating bidders for input. Contractors currently spend approximately 1% of the value of the project to complete a government tender. This is a barrier for entry to SMEs and regional civil construction companies. Open ECI to all who are interested and as early as possible. Compensate bidders time for complex procurements.
- 5.3 Prompt Issue Resolution: Commit to resolving issues and claims promptly to maintain positive cash flow and reduce delays.
- 5.4 Transparent, up-to-date pipeline (projects \geq \$5mill): Maintain a single, transparent and up-to-date project pipeline, for all projects \$5million and above, to allow critical workforce planning, sustainable work, resource allocation, and improve local job security. Include on the table any prequalification requirements so the list can be filtered for various project sizes and types to give industry a clearer view.
- 5.5 Reciprocity– Members request the following point is amended to ensure there a reciprocal requirement of government collaboration: "Collaboratively engage with Government to address financial capacity issues"

[Principle 4: Decarbonizing to Meet Net Zero Targets](#)

Acknowledging the legislative mandate for decarbonisation, CCF NSW recommends balancing administrative requirements with the removal of unnecessary red tape to facilitate smoother adoption.

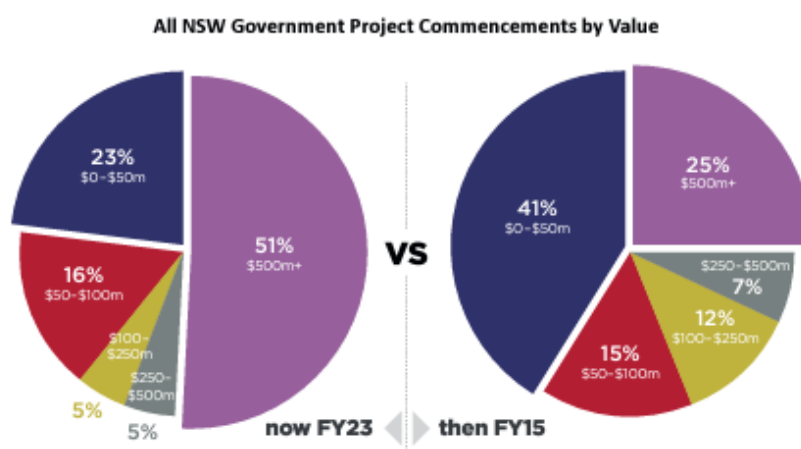
[Principle 5: Building up Domestic Manufacturing Capability](#)

Recommendation 6:

- 6.1 Include "and Local Industry Growth" in this principle to reflect the importance of supporting the local industry supply chain alongside manufacturing capability.

6.2 Ensure equitable distribution of head contracting opportunities across all tiers of contractors to foster local industry growth and resilience.

Since 2015, opportunities for local NSW contractors to tender for government work have dramatically decreased, shrinking local industry sustainability and capability. Research by Oxford Economics Australia for CCF NSW (see below) shows that in 2023 one in two state government contracts were valued at \$500m-plus and therefore awarded to tier 1 multinationals, because the local civil construction companies do not have the balance sheets to compete for this work. Ensuring head contracting opportunities are available for local industry is essential for industry sustainability, growth and development.



[CCF NSW Civil Industry Forecast to 2033, Section 2, p 47](#)

Additional Comments

- **Broaden the CLG and Application of Partnership Principles to SOCs and PNFCs**

CCF NSW recommends integrating State-Owned Corporations (SOCs) and Public Non-Financial Corporations (PNFCs) overseeing water, housing, and energy infrastructure into the Construction Leadership Group (CLG) and requiring their adoption of the Partnership Principles and related actions. Currently, SOCs and PNFCs have the leeway to bypass whole-of-government arrangements and are not part of the CLG. This should be addressed, given they are some of the biggest procurers of construction and infrastructure delivery services in NSW. The significant investments outlined in the 2024-25 State Budget underscore the importance of aligning all government infrastructure projects with broader environmental, economic and industry partnership goals. Specifically, the 2024-25 State Budget highlights an allocation of \$17.6 billion over the next four years to water entities, including Water NSW, Sydney Water, and Hunter Water Corporations, ([source: NSW Budget 2024-25, Table 1.2]). Furthermore, the budget highlights \$4.5 billion to energy and environmental sectors, which

includes critical investments in decarbonisation and renewable energy projects ([source: NSW Budget 2024-25]). The SOCs and PNFCs that deliver these government infrastructure projects will be key clients (partners) of the NSW construction industry.

Recommendation 7:

Integrate SOCs and PNFCs into the CLG and require adoption of Partnership Principles through Statements of Expectations from shareholding ministers to board, or through the enhanced powers of the Coordinator General of Infrastructure NSW to streamline infrastructure delivery.

- **Broaden Industry Representation on the Construction Industry Leadership Forum (CILF) and Construction Industry Culture Taskforce (CICT)**

CCF NSW advocates for expanding industry engagement in NSW by suggesting a reconsideration of the composition and role of the CILF and CICT. Established and funded by tier 1 multinational firms, now in partnership with the NSW and Vic government, these forums lack representation from local tier 2 and 3 contractors, despite these forums' significant influence on government perspectives regarding industry priorities and policy development. NSW civil contractors bring valuable insights from diverse government projects such as utilities, road, rail, marine, earthmoving, and maintenance, complemented by extensive experience in local employment and ownership of critical construction assets like plant and quarries. Including these diverse local contractors would enhance policy development and infrastructure outcomes across government infrastructure delivery, especially in regional areas, addressing broader industry challenges and opportunities effectively.

Recommendation 8:

Expand representation on the Construction Industry Leadership Forum (CILF) and Construction Industry Culture Taskforce (CICT) to include tier 2 and tier 3 construction companies, enhancing industry engagement, policy development, and infrastructure outcomes in NSW particularly in regional areas.

- **Measuring progress**

Recommendation 9: Adding specific, measurable targets to aid tracking of progress against each principle would be helpful. This could occur in the establishment of action plans for each principle.

Conclusion

Thank you for the opportunity to provide feedback on the draft document. CCF NSW and members look forward to collaborating with the NSW Government to progress these principles and build a better NSW. For information, please contact Kylie Yates at 0400 123 302 or via kyates@ccfnsw.com.

Yours sincerely,



CEO

Civil Contractors Federation NSW