



Victorian Civil Construction Industry Alliance

SUBMISSION

TO

PRODUCTIVITY COMMISSION

INQUIRY INTO

INFRASTRUCTURE COSTS

December 2013

Submission by the Victorian Civil Construction Industry Alliance (the Alliance)

PREAMBLE

The Victorian Civil Construction Industry Alliance [the Alliance] is pleased to have the opportunity to make a submission to the Productivity Commission Inquiry into Infrastructure Costs.

The purpose of this submission is therefore to identify the impediments to the efficient delivery of civil infrastructure by Small to Medium Enterprise companies [SMEs] and to offer recommendations to address the impediments with the view to reducing construction costs. This approach responds to the following aspects of the Inquiry's Terms of Reference:

- Provide advice on ways to improve decision-making and implementation processes to facilitate a reduction in the cost of infrastructure projects.
- Comment on other relevant policy measures, including any non-legislative approaches, which would help ensure effective delivery of infrastructure services across both the short and long term.

The Alliance has deliberately focussed on SMEs not only because the majority members of the industry groups comprising the Alliance and involved in the actual delivery of infrastructure are SMEs, but also because the issues identified in this submission are considered to have the most impact upon SMEs.

It is accepted that the prevailing economy and level of competitiveness impact upon the cost of delivery of infrastructure, however, the Alliance is of the view that there are a number of opportunities available to Government to reduce the cost of delivery of infrastructure by SMEs notwithstanding the aforementioned influences.

Whilst this submission draws on a number of reports prepared for the industry, it also bases its recommendations on anecdotal experience of the SMEs working in the industry. Therefore, a number of recommendations call for further research into how efficiencies could be achieved and so thereby reduce construction costs. Alliance Members therefore stand ready to cooperate in any research work undertaken as an outworking of the Commission's Inquiry.

Although the Alliance is Victorian based, this submission aims to portray a National focus on the basis of the experiences the National membership of Alliance Members.

Whilst it is acknowledged that a principal focus of the Inquiry is on the funding and financing mechanisms for the delivery of infrastructure, this submission has not specifically addressed that matter to any extent. On the other hand, the intent of this submission is to identify, in summary form, a range of initiatives aimed at driving the infrastructure dollar further, which will not only benefit the people of Australia, but will also ensure more work for SMEs and generate jobs.

To that end, the Alliance encourages the Commission to meet with its members, in a workshop forum, to explore further the contents of this submission.

This would provide the Commission with the opportunity to hear first-hand from the civil construction industry the justification for the recommendations contained herein, together with pertinent issues not identified during the preparation of this submission. One such issue is the current industrial relations framework and its impact on SMEs and construction costs. Alliance Members would therefore welcome the opportunity to explore further how the civil construction industry could address the industrial relations impediments to the efficient delivery of infrastructure.

THE ALLIANCE

The Alliance was established in February 2005 for the purpose of bringing together those industry groups involved in the delivery and maintenance of the civil infrastructure in Victoria.

With a current membership of 24 [see attached Terms of Reference], the Alliance provides a vehicle by which the Government can engage with the civil construction sector aimed at achieving the efficient delivery of infrastructure.

Apart from providing a collegiate approach to achieving positive outcomes for its members, the key objectives of the Alliance include:

- to increase the capacity of the civil construction sector to respond to or influence Government policy;
- to assist in the dissemination to Alliance Members, key Government and industry information relating to the sector;
- to provide a vehicle to cooperate with other relevant alliances and employer groups;
- to exchange information on best practice initiatives pursued by Alliance Members;
- to provide access to the range of specialist skills and networking opportunities available within the Alliance, especially for the smaller interest groups and so thereby strengthen the sector generally; and
- especially, to build collaboration aimed at achieving common goals for the sector, for example, drive the infrastructure dollar further, skilling the sector, etc.

As identified through the Ernst & Young Report, commissioned by the former Victorian Government, and supported by subsequent inquiries by the Victorian Competition and Efficiency Commission and the Auditor General, there are considerable opportunities for improvement in the performance of the civil construction sector, particularly in relation to the interface between the procurers of civil infrastructure and all the various components in the delivery supply chain. Given its membership, the Alliance believes that it can assist in this regard.

THE NEED FOR A NEW APPROACH

With Federal and State Governments under considerable pressure to balance budgets in an extremely challenging economic environment, the likelihood of massive funding for necessary local infrastructure in the immediate future seems doubtful.

Nationally, Local Government manages some 80% of the road network, with a value of nearly \$200 billion. But council finances are under strain as councils struggle to construct and maintain road infrastructure because of a range of factors, including limited revenue raising powers, population growth, aging infrastructure, increased congestion, rising community expectations and the dramatic effects of the return of wet winters.

Coupled with this is the concern that reportedly, Australia is one of the most expensive countries in relation to the delivery of infrastructure.

Under the backdrop of a published \$700 Billion infrastructure backlog nationally, it is submitted that stakeholders in the civil construction sector need to come together and to identify actions necessary to secure increased and more effective collaboration between all key agencies involved in the delivery, management and maintenance of Australia's civil infrastructure.

This implies driving the civil infrastructure dollar further, or put another way, improving productivity in the delivery and maintenance of the infrastructure - a real challenge at the time when Australia is experiencing a decline in multi-factor productivity.

It is in this context, therefore, that the Alliance believes that ALL stakeholders, including Governments, their agencies and the private sector, have no alternative but to pursue effective partnerships if the infrastructure backlog is to be addressed to satisfy community expectations.

Recommendation

The Federal Government should establish and service a Civil Infrastructure Industry Alliance comprising representatives from all relevant stakeholders in the civil construction industry and with a charter to identify how to reduce the cost of delivery of civil infrastructure.

KEY ISSUES FOR SMEs

1. GETTING PAID

The reality for SMEs is that the competitive framework has pitched them against larger businesses/clients with substantially greater clout – to challenge this leaves SMEs fearing retribution

through future tendering opportunities.

It is not uncommon for contract payments being delayed by some 50% or more beyond the industry standard of 30 – 45 days, adding to the cost of doing business, and hence reducing a SME's competitiveness, profitability and continued viability. This in turn impacts on construction costs in the longer term.

Government Agencies [Government Departments, Government Corporations and Local Governments] have the capacity to support SMEs by ensuring the payment of invoices or contract claims within 30-days of receipt thereof, provided that the relevant services have been delivered in accordance with the contract. However, Alliance Members can attest that this is not occurring in many circumstances when the Agencies are contracting with SMEs directly.

Moreover, Government Agencies often do not ensure that sub-contractors are paid by principal contractors in accordance with accepted industry standards, especially in regard to ensuring the integrity of statutory declarations signed by principal contractors to the effect that their sub-contractor's have been paid.

Not only does the Security of Payments [SoP] legislations across Australia need to be harmonised, but also consultation needs to occur with the industry to examine how SMEs can easily apply the SoP legislation to secure payments, if necessary, without the concern that clients will discriminate against them in regard to future tenders.

In addition, consideration should be given to the creation of a 'civil construction industry guarantee fund' to reduce the exposure of staff and sub-contractors when a principal contractor or sub-contractor goes into administration or liquidation. Examples of 'like' funds are the Housing Guarantee fund and the Solicitors Guarantee Fund.

Clearly, Governments should proactively encourage positive commercial relationships between SMEs, larger companies and all Government Agencies. Better relationships will contribute to fewer disputes and litigation, which is far better for all parties seeking to maintain their commercial relationships, which in turn will lead to lower construction costs.

Recommendations

- 1.1 The Security of Payments legislations across Australia should be harmonised.
- 1.2 The harmonisation of the SoP legislations should be accompanied by consultation with the civil construction industry to determine:
 - how the industry could make better and more efficient use of the SoP legislation, including minimising concerns of users of the legislation in regard to being discriminated against in relation to future contracts;
 - the appropriate means to promote the SoP legislation to SMEs, especially those not members of industry groups; and
 - the form of guidelines and templates that can be easily used by SMEs to secure payments efficiently.
- 1.3 State Governments should be required to develop and implement a standardised approach to dealing with payments due by Government agencies both directly to SMEs and through principal contractors, including processes to ensure the veracity of statutory declarations signed by principal contractors.
- 1.4 Consultation should occur with the civil construction industry to explore how best to minimise the level of alleged unconscionable conduct by clients in regard to the processing of contract payments.
- 1.5 Promotion should occur widely throughout Government Agencies in regard to how the efficient processing of contract payments has the potential of reducing construction costs.
- 1.6 Consultation should occur with the civil construction industry to identify how Government Agency approval responsibilities [eg in regard to land subdivisions], could play a role in enhancing contract payment processes between clients [eg developers] and SMEs [eg contractors].
- 1.7 Consultation should occur with the civil construction industry aimed at identifying how SMEs could be assisted to minimise the risk of their exposure to remaining unpaid as a consequence of their client going into liquidation.
- 1.8 Consideration should be given as to how the proposed Small Business and Family Business Ombudsman may have a role in addressing the current problems associated with contract payments to SMEs.

2. ENVIRONMENT AND HERITAGE CONTROLS

Considerable time, and therefore expense, is consumed in sourcing the various and disparate environment and heritage controls impacting upon civil infrastructure works. This in turn has the potential of increasing SMEs' exposure to breaches of relevant legislation, resulting in unnecessary delays and expense.

Unfortunately, the recent review of the Victorian Aboriginal Heritage Act failed to provide clarification or simplification for SMEs.

Recommendations

- 2.1 To the extent that it is possible, all State environment and heritage controls applicable to the civil construction industry should be harmonised.
- 2.2 Research should be undertaken to identify ways to introduce a 'one-stop-shop' form of accessibility by SMEs to information relating to heritage, &c sites, not dissimilar to the use of Dial Before You Dig facilitates for information on utility services.
- 2.3 SMEs should be proactively engaged to participate in future reviews of environmental and heritage legislation.

3. STANDARDISATION

The lack of appropriate standardisation within the civil construction industry and the inappropriate allocation of risk adds to construction costs and the level of potential disputation between clients and contractors. Moreover, moving the risk away from the party most capable of efficiently managing the risk increases not only construction costs but also the potential for contractual disputes.

To that end and to support the recommendations below, the Commission is referred the following documents, all of which address the need for standardisation, where appropriate:

- A. Local Government Procurement Strategy: *Department of Planning and Community Development – September 2008*
- B. Strong Foundations for Sustainable Local infrastructure: *Ernst & Young Report prepared for the Department of Regional Australia, Local Government, Arts and Sport - 2012*
- C. Guide to Leading Practice for Dispute Avoidance and Resolution: An Overview – *Cooperative Research Centre for Construction Innovation*
- D. CCF Submission to the Draft Productivity Commission Report into Performance Benchmarking of Australian Business Regulation: The Role of Local Government – May 2012
- E. MAV-IPWEA-CCF Best Practice Guide for Tendering and Contract Management
- F. CCF Submission to the Victorian Competition and Efficiency Commission Inquiry into Streamlining Local Government Regulation
- G. Achieving Civil Infrastructure Procurement Best Practice: *VicRoads, CCF, Aurecon Report – November 2009*

Documents A., B. C. and D. are accessible through the relevant departments, however, the Alliance would be pleased to provide the Commission with a copy if necessary.

Documents E., F. and G. are attached to this submission.

The Alliance has access to a number of other reports relating to the efficient delivery of civil infrastructure and which follow similar themes as the above reports.

Recommendations

The Federal and State Governments should engage with the civil construction industry to develop standardised templates for:

- 3.1.1 Technical specifications.
- 3.1.2 Method of measurement of bill of quantities and consistent description of items therein.
- 3.1.3 General Conditions of Contract between the client and principal contractor and between the principal contractor and sub-contractor.
- 3.1.4 Processing of contract payments and variations.
- 3.1.5 Application of contract securities, including making available to contractors **all** approved

security instruments such as bank guarantees and including surety bonds [approved by the Australian Prudential Regulation Authority] in order to maximise the companies' capacity to tender for multiple projects.

- 3.1.6 Minimising and resolving disputes.
- 3.1.7 Tendering and contract management processes [eg the MAV/IPWEA/CCF Best Practice Guide for Tendering and Contract Management].
- 3.1.8 Application of quality management systems and processes.
- 3.1.9 Determining how best to allocate risk so that risk resides with the party most capable of effectively managing the risk.

4. COST OF LAND DEVELOPMENT

The cost of land development is also an issue in relation to construction costs, with upwards of \$120,000 per lot going towards taxes and development charges/contributions.

It is the view of the development industry that some of the necessary trunk infrastructure works could be more efficiently delivered by the developer rather than the developer contributing the aforementioned amount to the relevant authorities. Anecdotally, the costs incurred by relevant authorities to deliver the necessary trunk infrastructure works invariably seem to be higher than the developer's estimate due to red tape and bureaucracy.

It is accepted that this is a complicated issue and there isn't a clear breakdown of what money goes where and how savings could be achieved if infrastructure was delivered by the private sector.

Recommendation

Research through the Cooperative Research Centre, or other appropriate research institution, should be undertaken in consultation with the civil construction industry as to whether the application of Development Charges by the relevant authorities is the most efficient way of delivering the necessary trunk infrastructure.

5. COST-EFFECTIVE CONSTRUCTION PROCESSES

Government agencies must stay abreast of, and encourage the use of construction methodologies that produce sustainable construction solutions. Sustainable methods produce economical, social and environmental benefits for the end user.

The lack of skill and knowledge within Government Agencies of sustainable solutions often results in additional costs being incurred by Government Agencies during construction and maintenance works. Enhanced investment in identifying and rewarding the use of cost-effective and sustainable construction processes may result in savings in pavement construction and maintenance in the order of 5 - 30% from a life-cycle perspective.

Reference: A review of patching as a pavement maintenance tool. Warren Smith - Stabilised Pavements of Australia 2010

Recommendation

Develop through the Cooperative Research Centre, or other appropriate institution, and in consultation with the civil construction industry, a Best Practice Guide to cost-effective construction processes [eg stabilisation vs full pavement construction], including the appropriate cost-benefit and life-cycle risk analysis.

6. ROLLING PROGRAMS [PIPELINE OF PROJECTS]

The inability of many Government Agencies to publish and implement rolling capital works programs is inhibiting the efficient delivery of infrastructure projects.

Capital works programs tailored to Agency's annual budget cycle contribute to:

- multiple tenders being invited in clusters;
- inadequate scoping of projects;

- contract periods being unrealistic;
 - construction being required to be undertaken in adverse weather conditions;
 - lumpiness in cash flows; and
 - little incentive to invest in skills formation, innovation and long-term planning,
- all of which impact upon construction costs.

Accordingly, political expediency must give way to the universal implementation of rolling programs [pipeline of projects] across all Government Agencies in the interest of increased competitiveness, lower costs, enhanced project delivery and investment in skills formation across the entire civil construction industry.

Therefore, the Alliance believes that all Government Agencies should be required, by regulation, to publish detailed 5-year capital works program at the very least, and to report annually [through their Annual Report] on actual performance against the program.

The opportunity for project clustering across governments (eg Local and State Governments) warrants investigation. Frequently the same pool of contractors bid for the work from both tiers of government. Utilisation of 'clustered' project tendering in defined parts to identify the individual project activities could deliver considerable productivity gains for SMEs and governments alike.

In addition, Government Agencies and service authorities should be encouraged to share their work programming to co-ordinate the construction activity, avoid duplication and rework, and facilitate 'joined up' construction contracts.

Recommendation

6.1 All Government Agencies should be required by Regulation to:

- prepare and publish their detailed forward 5-year capital works program on their website and to update the information by the 30 June of each year;
- require the Annual Reports of the Agencies to summarise actual performance against the program; and
- provide on an annual basis, an industry briefing on their forward capital works program.

6.2 Further investigation should be undertaken to identify how construction efficiencies could be achieved by the clustering of projects across tiers of government and utility authorities.

6.3 The Government should, in consultation with the civil construction industry, develop a technology-based platform for the listing and categorizing of approved (and likely to be approved) capital works projects of Government Agencies and, where possible, the private sector (eg developers in relation to subdivisions) for use by both Government Agencies and contractors to secure the best competitive outcomes.

7. SKILLING THE CIVIL CONSTRUCTION INDUSTRY

The Ernst & young Reports referenced under Section 3. [Documents A. and B.] identify that skills deficiencies within both the local government and private sectors are contributing to increased costs for the delivery of infrastructure.

In regard to skills deficiencies within local government, the Alliance supports the Ernst & Young recommendation relating to the need for a regional approach to the delivery of infrastructure [see Document B. under section 3.]. It is contended for instance, that if seven smaller councils in regional Victoria were to establish a regional corporation under the Local Government Act [similar to Library Corporations] for the express purpose of delivering, managing and maintaining civil infrastructure to a value of some \$250 million per annum, an engineering management structure could be established that would attract high calibre and skilled engineers with the prospect of a career path.

However, the Alliance's support for a regional approach to the delivery of civil infrastructure in the interest of addressing the impact of skills deficiencies in local governments needs to be qualified. Such an approach should not disadvantage local SMEs in terms of their opportunity to tender for projects within their capabilities nor place them at a disadvantage in dealing with major companies. In other words, local employment should not be jeopardised by a regional approach. These concerns can be adequately addressed through the way projects are packaged and contracts constructed.

In a highly competitive environment where clients invariably choose the lowest tender, SMEs are

reluctant to spend scarce funds on up-skilling their staff, except in the areas of compliance such as OHS.

As identified in the aforementioned reports, it is in the interest of the wider community to ensure that SMEs continue to develop their skills. It is acknowledged that some governments have introduced trainee and apprenticeship schemes aimed at supporting civil construction companies but, for the reasons mentioned previously, these schemes are not widely taken up by SMEs.

Whilst the Alliance supports the continuation, indeed extension, of these schemes, it is contended that Governments should examine options for encouraging SMEs to enhance their skills development efforts for **all** of their staff.

Moreover, the Alliance considers that the Government should support industry groups to also improve SME's owners' understanding of the key issues affecting their business operations, including but not limited to:

- how to effectively negotiate contracts with clients and principal contractors;
- the principles of fair commercial conduct including the identification of 'unconscionable conduct';
- the SoP legislation and guidelines and how to effectively use the processes embodied therein;
- how to keep pace with new legislation impacting upon their business;
- cost-effective ownership and operation of plant and equipment;
- effective workforce planning;
- building and maintaining a productive workforce;
- how to avoid insolvency;
- managing business risks; and
- good governance principles.

Recommendations

- 7.1 The Government should sponsor a pilot project for a regional approach to the delivery of infrastructure by local governments, including opportunities for the clustering of projects across tiers of government and utility authorities.
- 7.2 Support for traineeships and apprenticeships within the civil construction industry should continue and be enhanced where appropriate.
- 7.3 The Government should examine options for encouraging SMEs to enhance their skills development effort for **all** of their staff.
- 7.4 The Government should support industry groups to improve SME's owners' understanding of the key issues affecting their business operations.

8. ACCESS ISSUES FOR THE CRANE INDUSTRY

The civil construction industry is served by Alliance Members whose businesses are based on the supply of hire cranes for bridge works and other heavy lifting tasks.

Crane Hire companies invest many millions of dollars into individual machines. For those cranes to be productive, they need improved access to the road network. Mobile Cranes are not freight vehicles; they are Special Purpose Vehicles with the most advanced road friendly suspensions in the world. They travel under permit conditions but the issue of permits invariably takes considerable time. Today's modern cranes, and the myriad of industries that they serve, need to be able to move quickly and efficiently in order to serve the community expectations.

The imminent introduction of the National Heavy Vehicle Regulations has many crane owners concerned at how their businesses will be able to function efficiently. Many local governments have historically not been able to manage the crane permit application processes. By way of example, Local Government approves a site subdivision, yet doesn't consider the need for heavy cranes to access the site. The subdivision is built with culverts or drainage crossings at the very entrance, which excludes the larger cranes from entering. That in turn sees cranes of a smaller size being engaged to lift items, which has OHS issues in terms of crane capacity, as well as preventing assembly of larger components at the safety level of the ground. Many crane lifts are then needed to lift what a larger crane could erect in one piece.

Modern mobile cranes need better access to the road network to ensure that the benefits of their

productivity are realized thereby lowering construction costs.

Recommendation

A working group comprising representatives of relevant crane industry groups and State and Local Governments should be established to examine how to address the impediments to mobile cranes operating productively in relation to the construction of civil infrastructure.

9. EARLY CONTRACTOR ENGAGEMENT

Early Contractor Involvement (ECI) is one of these newer delivery methods which promotes innovation, facilitates value management/engineering, minimizes claims and reduces time and cost of projects.

In this delivery system, the client appoints design and construction professionals early in the project development process through a non-price based selection and those professionals develop an open book target cost in conjunction with the client.

In Australia, this method is used mostly by the transportation industry for big, complex projects with a relatively high-risk profile. However, the Alliance considers that if ECI is used for medium sized projects undertaken by State and Local Governments, costs saving in the overall delivery of projects will be achieved.

*Reference: **How is the Early Contractor Involvement (ECI) being implemented within the Australian construction industry?** Farshid Rahmani, Malik M.A. Khalfan , Tayyab Maqsood School of Property, Construction and Project Management, RMIT University, Melbourne 3001*

Recommendation

The Government should commission an ECI pilot project with a focus on the delivery of maintenance and infrastructure projects undertaken by Local and State Governments.

10. DEVELOPMENT APPROVALS PROCESSES

A perennial concern of SMEs is the high cost of multi-departmental approvals and permits that are required across all tiers of Government and the various privatized utility authorities.

It is accepted that in an economic environment where Governments are under intense budgetary pressures, Government Agencies have a responsibility to pursue cost-recovery measures in relation to their role in processing applications for approvals and permits. However, the Alliance submits that efficiencies in relation to the approvals processes could be secured through better coordination, consistency, timeliness and standardization of the processes, thereby reducing construction costs and having a positive impact upon housing affordability.

By way of example, before a subdivision can be constructed in Victoria, a developer may be required to seek and obtain [with fees attached] approvals from numerous sources, including:

- A number of separate Council departments
- VicRoads
- A Water Company
- A Catchment Management Authority
- A privatized electricity/gas utility
- A Telco and NBN Co.
- Aboriginal Affairs Victoria
- VicTrack
- CFA
- Melbourne Water.

Over the years, many attempts have been made to substantially streamline development approval processes aimed at improving approval turn-a-round times and reducing direct and indirect costs to applicants. However anecdotally, Alliance Members believe that little, if any, progress has been made to overtly improve the coordination, consistency, timeliness and standardization of the development

approvals processes.

Recommendation

A Task Force comprising representatives of Government agencies and the civil construction industry should be established to identify and recommend how the cost of construction could be reduced through enhanced coordination, consistency, timeliness and standardization of the development approvals processes.

11. NEGATIVE IMPACT OF INSOLVENCY LAWS

Another area of concern is the recovery of preferential payments from a contractor when the client or principle contractor becomes insolvent. There is anecdotal evidence of several cases where contractors are required to pay back legitimate progress payments that have been received in the normal course of business for works that have been completed in accordance with the contract. These payments are standard progress payments made against an agreed schedule of works and should not be classed as preferential payments under insolvency laws.

The application of these laws in this way has led to financial hardships for many SMEs that have undertaken legitimate works, and often find themselves in danger of going into liquidation themselves if made to pay back these amounts.

Recommendation

The Government should review the insolvency laws to better protect contractors that receive progress payments for contracted works that have been completed to the agreed schedule.

12. PERSONAL PROPERTY SECURITY (PPS) ACT

There is little awareness and/or understanding of the Personal Property Securities Act which leaves contractors that lease or hire out equipment exposed if the hirer goes into liquidation, and the contractor has not registered the equipment on the PPS Register. In other words, all owners who lease or hire out goods to third parties should take steps to protect their interest in those goods under the PPS Act or risk losing them. Having title over these goods will not necessarily protect an owner's security interest and due to a lack of knowledge, contractors are at risk.

Recommendation

The Government should work with the civil construction industry to develop communications to better inform contractors about the PPS Act and its implications, and the processes that contractors should follow to secure their interest in plant and equipment.

13. REQUIREMENTS OF THE FEDERAL SAFETY COMMISSIONER

The requirements of the Federal Safety Commissioner (FSC) place a restrictive burden on contractors wishing to undertake works that are federally funded. The requirements add significant annual operating costs to SMEs that intermittently undertake these works.

The costs to achieve (approx. \$150,000) and maintain (approx. \$120,000 annually) the FSC Accreditation prohibit the contractor from tendering on "prime Federally Funded works" which may only occur every 4-5 years. While at the same time, maintenance of the accreditation places them at a competitive risk to other non-accredited tenderers.

For those contractors that are FSC Accredited, the costs of implementing and maintaining this accreditation are amortised all across projects that the contractor bids for, and so increases the cost of construction, not just on federally funded projects, but all projects.

With only a little over 200 contractors across all sectors of construction accredited to the FSC requirements, the consideration that the requirements are not relevant to all aspects of the industry is quite prominent.

Recommendations

13.1 The Government should investigate the warrant for federally funded projects to meet a higher standard for OH&S than the Australian Standards for Safety (AS4801) which is the current industry standard and can be independently certified by a third party. The investigation should be conducted with a view to adopting AS4801 as the acceptable Standard for federally funded projects. This would provide a level playing field for all.

13.1 Alternatively, the Government should undertake a review of the requirements of the FSC with a view to implementing a reduced requirement for singular regional projects, and remove the impediment that the requirements must be maintained on all construction works irrespective of funding type.

14. HARMONIZATION OF LEGISLATIVE REQUIREMENTS

There is a range of state-based legislations and requirements that affect the cost of construction for contractors working in more than one jurisdiction, due to differences in requirements for various aspects of construction work.

These include, but are not limited to:

- Cost of licencing (vehicles, machinery, building, etc.)
- Environmental laws
- OH&S laws
- Competencies and pre-qualifications required to undertake similar work
- Training funding at a State and Federal level.

The impact of this is additional costs to contractors to comply with the different requirements in each State in relation time, resources, equipment, etc. which increases the cost of construction and affects the level of competition across borders.

Recommendation

The Government should undertake a study of appropriate legislative and other requirements across State and Federal jurisdictions with a view to standardising the requirements that impact on the civil construction industry.

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ATTACHMENTS:

- i. Terms of Reference
- ii. MAV-IPWEA-CCF Best Practice Guide for Tendering and Contract Management
- iii. CCF Submission to the Victorian Competition and Efficiency Commission Inquiry into Streamlining Local Government Regulation
- iv. Achieving Civil Infrastructure Procurement Best Practice: *VicRoads, CCF, Aurecon Report* – November 2009

GLOSSARY:

AAPA	Australian Asphalt Pavement Association
ALDE	Association of Land Development Engineers
CCAA	Cement and Concrete Association of Australia
CCF	Civil Contractors Federation
CMPA	Construction Materials Processors Association
CMEIG	Construction & Mining Equipment Industries Group

CWE	Civil Works Expo
DBYD	Dial Before You Dig
DCAV	Demolition Contractors Association of Victoria
DPCD	Department of Planning and Community Development
IEAust	Engineers Australia
IPWEA	Institute of Public Works Engineers Australia
MAV	Municipal Association of Victoria
MWOA	Municipal Works Officers Association
RIAA	RoadMarking Industry Association of Australia
TMIA	Traffic Management Industry Association of Victoria
UDIA	Urban Development Institute of Australia
VTA	Victorian Transport Association
AustStab	Australian Stabilisation Industry Association