



Civil Contractors Federation Western Australia Ltd

70 Verde Drive
JANDAKOT WA 6164
Phone: (08) 9414 1486
Email: ccfwa@ccfwa.com.au
Web: www.ccfwa.com.au

CCF WA submission to Infrastructure WA – State Infrastructure Strategy

Introduction

CCF WA congratulates Infrastructure WA on the release of the draft State Infrastructure Strategy. We acknowledge that ‘non-build’ solutions, such as demand management and network optimisation, are the ideal response to reduce costly infrastructure investment where feasible. In our role as the peak body representing WA’s civil construction industry, this submission is more focused on those aspects of the Strategy related to the pipeline, procurement and delivery of infrastructure projects.

WA’s contracting industry welcomes the potential for greater certainty of the State Government’s project pipeline, via an annual State Infrastructure Program with a ten-year outlook. The value of this forward pipeline to contractors and suppliers cannot be overstated.

We share IWA’s 20-year vision of a more well-resourced, appropriately skilled and sustainable infrastructure sector as a result of this pipeline. We also welcome your commitment to more efficient and cost-effective delivery of WA’s infrastructure program.

CCF WA’s comments mostly relate to IWA’s ninth Strategic Objective – to enhance infrastructure delivery and develop skills for the future. Below, we address some key components of that objective.

Infrastructure planning and delivery is supported by a skilled and agile workforce.

The recent increase in State Government spending (mostly in road/rail) has been welcomed by our industry, but has also underlined the need for greater forward visibility of the infrastructure program complemented by a more strategic approach to skills planning to help ensure industry capacity and the availability of skilled resources.

The availability and capacity of sufficient skilled people is a risk, in particular the lack of clarity around the future project level skills that will be required and for which there is often an absence of reliable data. To address this, CCF WA has proposed to the Office of Major Transport Infrastructure Delivery that Government and industry collaborate to develop Skills Requirement Profiles across all projects included in the accelerated infrastructure delivery program.

Developing a Skills Requirement Profile would be an extension of the work already done by contractors when pricing a project bid. Estimating teams assess the white-collar and blue-collar roles and skills required, in order to price them into the tender. By undertaking a similar analysis, even if broadly, across all projects and programs in the long-term infrastructure program, Government and industry would have a clearer picture of the skills needs ‘pipeline’ ahead. This information would be invaluable for Government and industry to undertake meaningful planning in skills development and

training, and therefore help ensure timely and successful delivery of the accelerated infrastructure program.

Investments are staged to maximise value for money and market capacity to deliver.

The publication of an annual State Infrastructure Program with a ten-year outlook will help give industry the confidence to invest in developing capacity. The best way to tap into that capacity and help contractors provide steady employment is through a steady and consistent pipeline of public sector works – although with the flexibility to adapt the volume of works in response to other factors, e.g. cyclical increases in private sector activity.

Delivery of infrastructure benefits from improved procurement and best practice project management and assurance.

CCF WA has long advocated for improvements in procurement practices, and we welcomed the new *Procurement Act* as a framework for ground-breaking reforms in infrastructure project planning, procurement and delivery, right across Government.

Most businesses that deliver civil infrastructure works in WA do so for multiple Government agencies and corporations. Every day, they must deal with a multiplicity of contracts, documentation and processes, from beginning to end of project procurement and delivery. This consumes time and resources and distracts them from their key focus of delivering high-quality public infrastructure safely and efficiently.

Ultimately, this web of procurement red tape translates into much higher costs, both for the contractors and for Government itself, and can compromise safety, quality and productivity.

The challenges and frustrations caused by duplicative and inefficient procurement practices have been highlighted by CCF WA to successive governments. The current Government is the first to take meaningful steps towards doing something about it.

While industry struggles with the many and varied tendering processes and safety/quality/environmental compliance within Government, perhaps the biggest single concern is contractual risk: both the amount of risk, and the variation between different agencies and GTEs.

Most Government contracts started out as an Australian Standard contract, and over the years have been amended almost beyond recognition, with each agency taking a different tack, but invariably all moving in the direction of passing on greater risk to the contractor. The old principle of risk being allocated to the party most able to control that risk has gone out the window; for example it is not uncommon for contractors to have to wear the risk of unforeseen latent conditions, even when those latent conditions are beneath the surface of land owned by the Government, and there was no way the Contractor could reasonably have known about them.

Where the contract does offer the contractor some potential relief, industry is increasingly seeing contract management processes frozen by inaction, by the inability of some contract managers to make a decision. Reasonable variations are routinely deferred and delayed for no apparent reason – perhaps it is the fear of going over budget and all the paperwork that entails. Meanwhile the contractor, who has done what they were asked in good faith, wears the additional cost and the frustration. CCF WA strongly supports IWA's recommendation to build skills and capacity within Government agencies and GTEs to deliver projects, as more skilled and capable contract managers are more likely to have the confidence to make timely decisions.

In response to concerns within industry and Government about some of these ongoing issues in procurement and delivery, there has been a movement (see Project 13 discussion later) to replace

the current 'broken' model, though we must resist the urge to make wholesale changes to the structure of the industry without careful consideration of all the consequences. It makes more sense to fix the system we have rather than throw it out and start again.

Comment on specific recommendations

Recommendation 20 - a single digital government approvals system

CCF WA agrees that recent streamlining initiatives are a good start but much more needs to be done. In the area of procurement, supplier and contractor prequalification is in effect an approvals process. Streamlining prequalification requirements, with agencies and GTEs accessing a common portal rather than requiring contractors and suppliers to provide much the same information repeatedly to multiple Government clients, would improve value for money, productivity and safety on projects.

Recommendation 26 integrated regional plans to establish the long-term land use, infrastructure and environmental needs of each region

Any consideration of long-term land use must provide security and certainty for the supply of basic raw materials (BRM) such as sand, limestone and hard rock, which are the fundamental building blocks of infrastructure construction. The *Strategic assessment of the Perth and Peel Regions* (SAPPR) showed great promise for providing greater and much-needed certainty around the Metropolitan region, but disappointingly it has now been put on hold.

The scope of SAPPR was to identify BRM requirements to achieve a population of 3.5 million by 2050 but the draft State Infrastructure Strategy is based on a population of 4.3 million by 2042—highlighting the need for action.

The new *State Planning Policy 2.4 - Basic raw materials* (SPP 2.4) has further complicated the issue by borrowing parts of SAPPR. The SAPPR mapping had green zones set aside for BRM extraction (providing absolute certainty) and red zones preserved for offsets. SPP 2.4 has adopted SAPPR's green zones but not the certainty – by saying BRM can only potentially be extracted from the green zones, subject to permits.

The most pressing concern for industry is the dwindling availability of limestone for extraction. There are no significant new sources of limestone available under SPP 2.4. When the current supply runs out, there will be increased demand for hard rock as a replacement for limestone in road construction, placing pressure on hard rock supply.

The current system of environmental offsets for BRM is becoming unsustainable as land suitable to be purchased for offsets is becoming less available (direct land acquisitions are BRM suppliers' only option).

Noting the shortfall in predicted BRM demand by SPP 2.4 compared to the State Infrastructure Strategy, the quantities of BRM required to achieve the State Infrastructure Strategy must be reviewed, adequate additional geological deposits identified, those sites be appropriately protected and allowed to be extracted, to ensure their availability for use.

Furthermore the *State Infrastructure Strategy* must consider inter-generational equity and not result in the exhaustion and/or sterilisation of BRM deposits necessary for the development and infrastructure requirements of Western Australia beyond a population of 4.3 million.

Recommendation 35 - Further encourage apprenticeships and traineeships on public infrastructure projects by expanding the use of Group Training Organisations.

CCF WA supports this recommendation, and we believe GTOs can play an important role in our proposal for a program of State Government-sponsored civil construction apprenticeships. CCF WA has advocated for and now welcomes the Minister for Training's recent decision to approve a variation to the Civil Construction Certificate III qualifications (Certificate III in Civil Construction, Certificate III in Trenchless Technology and Certificate III in Civil Construction Plant Operations), from two-year traineeships to three-year apprenticeships.

The State Government, as the procurer of around half of all civil construction activity in WA, will be a direct beneficiary as skilled civil construction occupations become accepted as equivalent in standing to the recognised building trades. And as a key client, the State Government is in a unique position to facilitate growth in uptake of the proposed civil construction apprenticeships. Currently, the highly competitive, price-driven market for Government works creates a disincentive for contractors to invest in training and bear the inevitable reduced productivity.

CCF WA has proposed that immediately following the formal introduction of civil construction apprenticeships, the State Government underwrites 100 apprenticeships per year for three years. The apprentices could be hosted by one or more GTOs, with the Government guaranteeing employment on its projects for the duration of the apprenticeships. During their apprenticeships, the civil construction apprentices could be allocated to various employers (both head contractors and subcontractors), on different projects according to need, and would gain broad and varied experience.

The State Government's Infrastructure Ready skillset, which CCF WA has been proud to assist with, would be the ideal starting point to identify suitable candidates for these Government-sponsored civil construction apprenticeships.

Recommendation 36 - Implement incremental reforms to project procurement policies and practices

(a) Developing and implementing contemporary procurement models for major projects

CCF WA supports the need for reform and agrees that this should be achieved incrementally, by modifying and improving the open and effective procurement processes currently used.

CCF WA recommends caution when endorsing radical and largely untested initiatives such as Project 13 (see page 133). The Project 13 manifesto includes a number of sensible reforms that have long been pillars of advocacy by CCF WA and other stakeholders – e.g. fair risk allocation and a more collaborative relationship between Government and industry; a visible long-term pipeline of work; rewarding quality and innovation rather than chasing the cheapest price.

The 'enterprise' model that is at the core of the Project 13 agenda is structured around long-term, multi-billion-dollar program alliances (unsurprisingly, this agenda is most eagerly promoted by those very large contractors and consultants who stand to benefit). This enterprise model would replace the current 'transactional' approach. According to Project 13:

"The core message is that the transactional model for delivering major infrastructure projects and programmes is broken. It prevents efficient delivery, prohibits innovation and therefore fails to provide the high-performing infrastructure networks that businesses and the public require."

These are extravagant claims. While there is undoubtedly a need for major reforms to the way public infrastructure is procured and delivered, and especially around risk sharing, this can be achieved within the current proven, competitive, and equitable contracting model that has served Government and industry well.

Rather than sensible, incremental improvements to this proven approach, however, Project 13 proposes to abandon our 'broken' project-based procurement model and package Government works into a small number of very large and long-term program alliances. In the Western Australian context, this would mean that many of the businesses that currently deliver projects for Government, as head contractor, would become part of the enterprise model 'supply chain'.

CCF WA would urge caution before transplanting the Playbook/Project 13 approach into the Western Australian market. For all its shortcomings, Government infrastructure procurement in WA sustains a strong and diverse local industry, characterised by a broad range of businesses that are structured to work directly for Government as head contractors. Government benefits from this large and competitive pool of head contracting options. Very few of these businesses have the financial capacity to bid for the multi-billion-dollar program alliances advocated by Project 13. Therefore those businesses that lose their current head contracting opportunities would have to downsize and effectively 'de-skill' to allow them to compete for subcontract works. Inevitably these businesses would be substantially weakened as a result. CCF WA can see no reason why Government would want to risk profound and potentially devastating changes to the composition of the local contracting sector.

Water Corporation has recently shared with industry its plan to adopt elements of the Project 13 approach. However, the local industry has been reassured by Water Corporation's advice that it values its many strong existing relationships with local head contractors and is keenly aware that the standard Project 13 model does not fit the WA market, and that any move by Water Corporation to a long-term relationship model will be structured with multiple smaller contracts to best utilise the composition and capacity of the local market.

CCF WA is following Water Corporation's experiment with great interest, and again we would urge caution before making wholesale changes. CCF WA acknowledges that multi-year programs of work, appropriately sized to local capacity, could provide more certainty for the local contracting sector, encouraging employment, investment and innovation by contractors and their suppliers. Equally though, similar outcomes could be achieved via more competitive frameworks that retain the proven elements of traditional contracting within a shared program approach – for example, panel arrangements. CCF WA recommends that any comprehensive procurement reform be undertaken in close consultation with the local industry and with a clear-eyed assessment of the objectives, risks and benefits. We must avoid being enticed by persuasive but unsubstantiated claims of 'better value', and modernisation for the sake of it.

(b) Developing a policy under which Government would contribute to all or part of the bid costs of unsuccessful tenderers for major projects

In the transport infrastructure space, OMTID has been consulting with CCF WA and other industry stakeholders on the development of a policy for partial bid cost reimbursement on major road/rail projects. We have advocated for a standard, transparent and consistent policy that would provide fair reimbursement for the significant external costs incurred by contractors shortlisted for design & construct contracts. We endorse IWA's recommendation for a whole-of-Government policy.

Recommendation 52 - avoiding and reducing waste generation and increasing recovery of materials

As the Strategy notes, encouraging progress is being made in the reuse of recycled construction and demolition products in road construction. A major obstacle to further progress is that under WA environmental law, all recycled materials are automatically classified as 'waste' because they are unwanted at the source. This presumption that saleable products are waste, and therefore a potential environmental issue, has many adverse consequences for clients, contractors and suppliers seeking to innovate in this space.

In the near future WA will have a new and very large supply of reusable materials for road construction in the form of the 'bottom ash' by-product from waste-to-energy plants and lithium plants. This ash can be used in road construction as a substitute for quarried aggregate. Industry has proposed that the ash would cease to become waste when it meets an agreed standard or specification e.g. an Australian Standard, a Main Roads specification.

However progress towards the goal of recycling this ash will be impossible to achieve without support and facilitation by environmental regulators. This needs to be addressed with some urgency, as production of the ash is only a year or two away and if not recycled, it will have to be stored or disposed of by some other means.

CCF advocates the increasing use of recycled construction materials and notes these products will reduce demand for natural BRM construction materials. Current and forecast recycling rates as well as legislative, engineering and environmental constraints must be considered and further work undertaken to predict future production rates of recycled and manufactured construction materials, the potential uses and market acceptance of these materials, and the quantities of natural BRM which may potentially be replaced by these alternative materials.

Prioritisation of Waste Derived Materials legislation to resolve the current legislative barriers to materials recovery and use of recycled materials is paramount to the use of recycled construction materials in significant quantities and achieving the objectives of the *State Infrastructure Strategy and Waste Avoidance and Resource Recovery Strategy 2030*. Recognising the timeframes for legislative changes, as an interim measure CCF advocates the Waste Authority Roads to Reuse program and Main Roads specifications to be expanded as far as practicable to allow a broader range of recycled materials to be used to achieve the objectives and projects of the State Infrastructure Strategy.

For more information:

Caroline Boyer

Policy & Communications Manager

cboyer@ccfwa.com.au