



31 October 2018

Mitch Pirie
Major Infrastructure Projects Office
Department of Infrastructure, Regional Development and Cities
GPO Box 594, Canberra ACT 2601

Re: AUSTRALIAN GOVERNMENT REVIEW OF PROCUREMENT POLICY

Dear Mr Pirie

Further to our recent discussion, the CCF welcomes the announcement by Deputy Prime Minister Michael McCormack that he has commissioned a report into Federal Government procurement policy in the infrastructure construction sector.

The CCF also applauds Assistant Minister to the Deputy Prime Minister Andrew Broad's comments directed at providing greater support for local construction contractors to engage on infrastructure projects being funded by the Commonwealth. This mirrors the official policy of the Civil Contractors Federation.

The Civil Contractors Federation (CCF) is the peak industry body representing Australia's civil construction industry. It has branches in all states and territories comprising 2000 civil construction and associate corporate entities.

CCF members are responsible for the construction and maintenance of Australia's infrastructure, including roads, bridges, pipelines, drainage, ports and utilities. Its members also play a vital role in the residential and commercial building construction industry by providing earthmoving and land development services including the provision of power, water, communications and gas.

CCF is pleased to submit this paper as part of the review into the Federal Government's Procurement Policy and provides the following feedback from members in relation to the three themes of the Review.

Theme 1 – Procurement Approaches

- Current procurement practices limit small business from competing with the large Tier 1 contractors.
- It is expensive to bid in Australia and the shortlisting process is not efficient.
- The size of projects is pushing the limits of the Insurance market in Australia. This is putting upward pressure on insurance cost.
- The industry has become litigious and this is discouraging small contractors to grow.
- The bespoke nature of contracts is making the task of tendering for work much more complex. The trend is to push risk down as far as possible in the chain with open ended liability exposure.
- The Commonwealth should lead discussion on contract standardisation.
- There is an abundance of very large projects but the gap between tier 1 and tier 2 contractors is widening. Government should consider smaller projects with manageable contracts to encourage the tier 2 and 3 contractors to bid, win work and grow.

Theme 2 – Risk Allocation

- The risk should be shared to encourage innovation.
- There needs to be a better use of the different procurement models available. Different projects require different solutions. Where there is significant risk then collaboration is required through alliances.

Theme 3 – Skills and Market capacity

- Foreign skills should be incorporated as part of the overall skills strategy.
- Sustainability is a significant problem in the market place.

In summary, the Civil Contractors Federation advocates for:

- a 'Balanced Approach' in Australian Government Procurement Policy for Civil Construction Projects and the appointment of Civil Construction Companies, and
- a sustainable level of project allocation at all levels;
- a career path for smaller contractors to grow.
- *A Balanced Approach to Commonwealth Government Procurement*
 - a clear appreciation that Tier 1's are required for certain risk profile projects, and significant 'balance-sheet' projects;
 - recognition of the benefits of Joint Ventures for Tier 2's;
 - nurturing Tier 3's, to facilitate growth.
- *Recognising Local Content*
 - A procurement policy that recognises local content, including Tier 2 and below, will result in additional benefits to the community including:
 - higher local employment opportunities,
 - increased and upskilled local workforce;
 - higher economic growth in the local community, and local economic multiplier.
- *Payment Terms*
 - A robust security of payments regime to ensure fair and equitable terms of payment for sub-contractors.

Should you require further information please do not hesitate to contact me.

Yours sincerely



Chris Melham

Chief Executive Officer (National)