

The Hon Michael Sukkar MP
Assistant Treasurer
Minister for Housing
Minister for Homelessness, Social and Community Housing

Via email prebudgetsubs@treasury.gov.au

2022-2023 Pre-Budget Submission

Dear Assistant Treasurer

I write in response to your invitation to industry to provide submissions to assist the Government develop its budget strategy and policies for the 2022-2023 Budget.

By way of background, the Civil Contractors Federation National (CCF) is the peak national voice of the civil infrastructure sector representing more than 1,900 companies engaged in the civil construction industry in Australia. CCF members are responsible for the construction and maintenance of Australia's civil infrastructure, including roads, bridges, pipelines, drainage, ports and utilities.

CCF's budget priorities are aligned with our broader Federal Election Policy Priorities which are available on the [CCF website](#). These five 'policy pillars' are aimed at leading Australia's economic recovery and achieving a stronger and more sustainable civil construction industry. These pillars are:

- Sustained level of long-term Infrastructure Investment
- Efficient, Equitable and Competitive Procurement
- Enhancing Skills Development & Training
- Enhancing Industrial Relations
- Building a Stronger, More Sustainable Industry

CCF's budget priorities are also consistent with our 2021 report *Rebuilding Australia – A Plan for a Civil Infrastructure Recovery* ([click here](#)) which focuses on the importance of civil infrastructure investment and policy reform to counter the economic impacts of COVID-19.

This report shows that for every \$1 million invested in the Australian civil construction sector, 7.2 workers are employed in the civil construction and related industries, and \$2.95 million of output is contributed to the economy, which is an economic multiplier of 3:1.

For the purposes of the 2022-2023 Federal Budget, CCF wishes to focus on three key priorities:

1. Sustained growth of federal infrastructure investment
2. Ensuring an equitable spread of this infrastructure investment
3. Allocating sufficient funding to advance procurement reform

Sustained Growth of Federal Infrastructure Investment

CCF encourages sustained growth of Commonwealth investment in civil infrastructure works to underpin construction activity and to improve economic growth. Sustained spending on civil infrastructure from the \$110

OFFICES in New South Wales Victoria Queensland South Australia Western Australia Tasmania Northern Territory Australian Capital Territory

billion 10 year rolling infrastructure investment pipeline is needed to ensure continued viability of civil construction companies and to boost the economy during and post COVID-19.

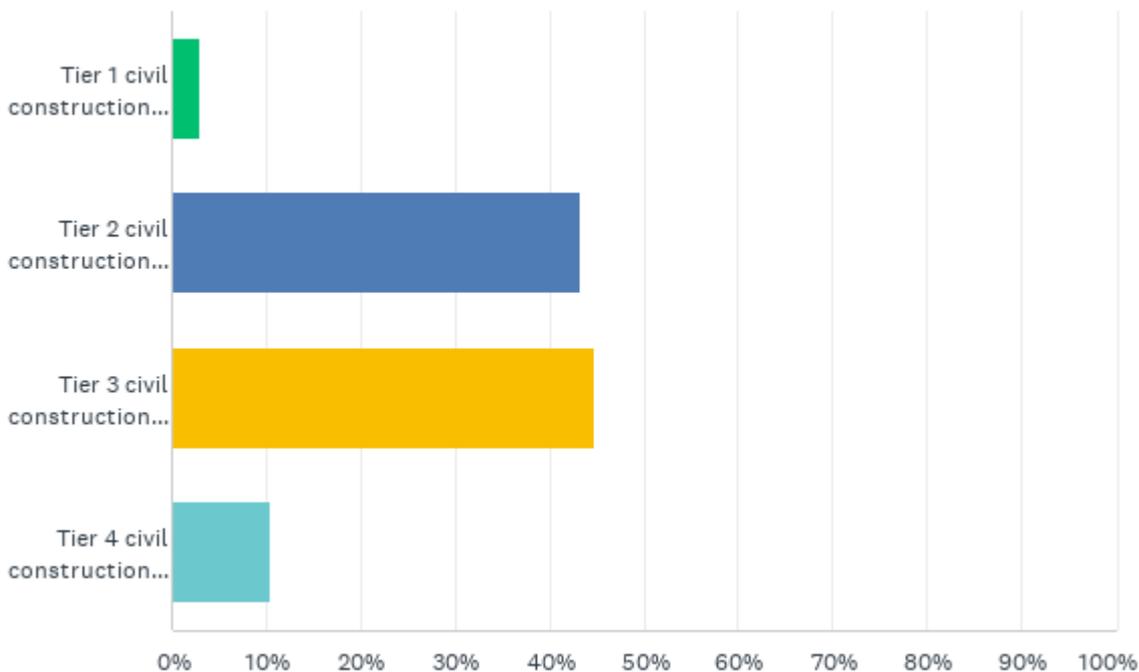
Furthermore, CCF recommends that the Federal Government utilises debt funding for productive infrastructure investment over the medium to longer term whilst interest rates are at historically low levels to ensure the level of infrastructure spend over the 10–15-year investment pipeline is maintained as well business confidence

The civil infrastructure sector’s ability to positively respond to sustained growth in infrastructure investment is demonstrated by data CCF has obtained from its members regarding capacity and employment intentions. CCF’s National Skills and Capacity Survey 2021¹ confirmed that the civil infrastructure industry continues to be in a strong position to deliver on the Government’s infrastructure agenda and has capacity to tender for additional projects.

The survey was undertaken by CCF to obtain feedback and data on the skill needs and capacity of our members, and to reinforce the steps needed to ensure there are sufficient skilled workers in the civil construction sector to support a thriving and sustainable industry that will lead Australia’s economic recovery. The survey was held over a four-week period in October / November 2021 and focused on members’ capacity to tender for additional projects, key civil occupation shortages the reasons for those shortages and their expectations for the future.

Of the companies that took part in the survey, around 87% described themselves as a tier 2 or tier 3 civil construction company. Around 10% described themselves as a tier 4 civil construction company, while 3% were a tier 1 civil construction company (see Figure 1.0 below)

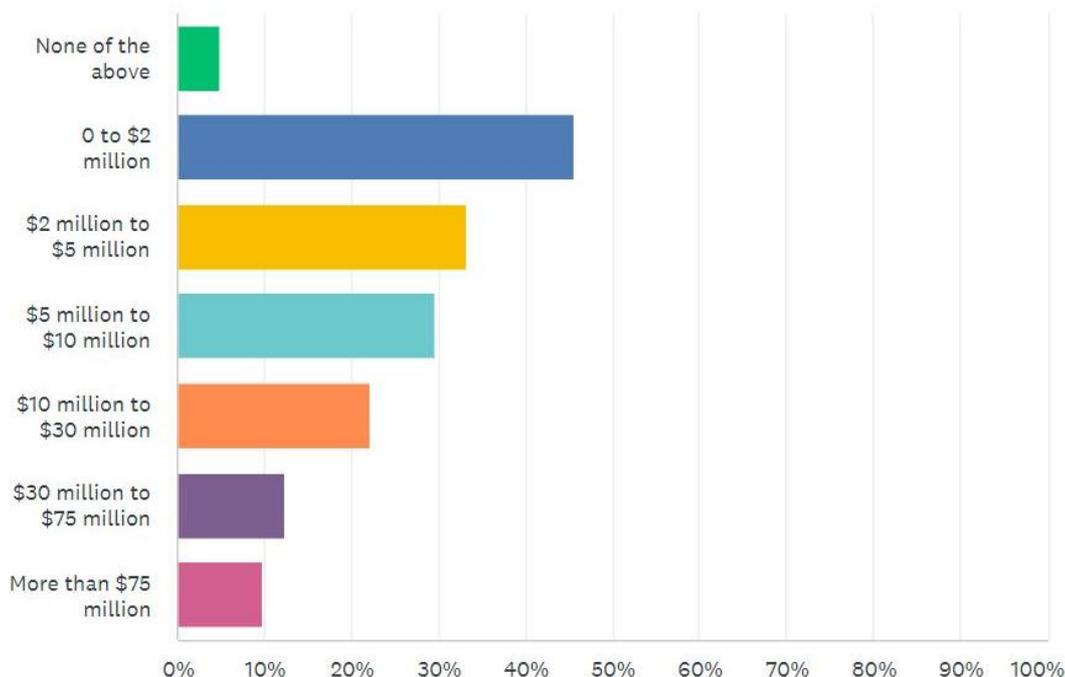
Figure 1.0



¹ https://www.civilcontractors.com/wp-content/uploads/2021/12/Civil-Contractors-Federation-Skills-and-Capacity-Survey_FINAL-1.pdf

Of the 87 companies which took part in the survey, 95% indicated that their business has capacity to tender for additional civil infrastructure projects. Around 45% indicated they can tender for projects between the 0-\$2 million threshold, 33% can tender for projects between the \$2 million-\$5 million threshold and 32% for projects between the \$5 million and \$10 million threshold (see Figure 2.0 below).

Figure 2.0



These findings add much needed balance to the argument that Australia’s infrastructure market is operating at “full capacity”. While this may apply to some sectors of the civil construction sector and in some geographic areas, this survey demonstrates it does not apply to the entire civil construction sector, particularly those operating at tier 2 and below.

Ensuring an equitable spread of this infrastructure investment

High quality infrastructure is a critical component to regional prosperity, economic growth and competitiveness, and is fundamental to linking rural and regional areas to domestic and international markets. CCF is therefore encouraging a greater infrastructure investment commitment to rural and regional Australia, and to ensure this commitment is spread evenly across jurisdictions.

The 2022-2023 budget provides an important opportunity for the Federal Government to address the infrastructure service quality gaps in regional and remote areas. This is particularly important in the context of population growth in our regions as a result of the COVID-19 pandemic.

Infrastructure Australia ² estimates that there has been a 200% increase in net migration from capital cities to regional areas due to COVID-19 which is putting an increasing strain on infrastructure services in non-metropolitan areas. Gaps in service delivery between major cities and our regional areas are acting as a major barrier to the Government’s regionalisation agenda.

² <https://www.infrastructureaustralia.gov.au/listing/speech/challenges-and-opportunities-regional-infrastructure-investment> Page 3

While CCF welcomes the establishment of the Local Roads and Community Infrastructure Program, CCF believes a greater budgetary commitment is required to improve infrastructure services in rural and regional areas and to generate employment opportunities, build resilience and improve quality of life.

CCF therefore supports a proposal by the Australian Local Government Association³ for a \$500m per annum four-year continuation of the Local Roads and Community Infrastructure program to enable councils to deliver projects that respond to local needs.

Allocating sufficient funding to advance procurement reform

CCF has been an active participant in the inquiry currently being undertaken by the House of Representatives Standing Committee on Infrastructure, Transport and Cities' into Procurement Practices for Government Funded Infrastructure. The CCF submission to the inquiry can be found on the [CCF website](#).

CCF's submission contains ten high level recommendations with the aim of building a more sustainable and productive civil construction sector in Australia by improving our sovereign capability. This in turn will enhance the sector's contribution to Australia's economic recovery efforts.

A number of the recommendations put forward by CCF will require greater resourcing for the Department of Infrastructure, Transport, Regional Development and Communications to deliver on industry's proposed reforms. These include, for example,

- the Department being appropriately resourced to ensure they have appropriately qualified and sufficient numbers of procurement staff commensurate with the Commonwealth procurement workload to ensure timely and streamlined tender processes;
- the Department including additional conditions in the National Partnership Agreement with states/territories for all federally funded infrastructure projects, such as disaggregating (or debundling) large projects;
- the Department reviewing annual performance reports by state and territory procurement agencies that detail project delivery time to market on all federally funded infrastructure projects as a condition of federal funding;
- the Department actively reviewing tenders from foreign-owned companies to ensure that they are adequately reinvesting into the Australian economy and contributing to the growth and sustainability of local contractors by either entering into a meaningful joint venture arrangement or by other means;
- The Department's establishment of an Infrastructure Industry Consultative Forum to act as an avenue through which senior government officials and industry leaders can collaborate and progress reform and innovation on key infrastructure matters. This body should also discuss a proposed 'Culture Standard' that has been put forward by others within the infrastructure industry, which includes a proposal to mandate targets and inclusion in the procurement process – a proposition CCF does not support.

Thank you for the opportunity to provide input to the 2022/2023 Budget.

Yours sincerely



Chris Melham
Chief Executive Officer
Civil Contractors Federation (National)
27 January 2022

³ https://alga.asn.au/app/uploads/alga-election-priorities_web.pdf