



Civil Contractors Federation National Infrastructure Market Capacity Survey 2022

Introduction

Civil Contractors Federation National (CCF) is the peak employer voice for the civil construction industry representing 1,900 companies across Australia. CCF members are responsible for the construction and maintenance of Australia's civil infrastructure including road, bridges, pipelines, drainage, ports and utilities. With offices located in every capital city, CCF advocates for the industry at Federal, State / Territory and local Government levels. CCF members include tier 1, 2, 3 and below civil construction companies ranging in size from 1-4 employees up to 200+ employees.

Survey

The Civil Contractors Federation National Infrastructure Market Capacity Survey 2022 was open to all CCF members over a three-week period in May/June 2022. The survey focused on obtaining data across three key areas:

- the market capacity of the civil construction industry;
- the civil construction industry's ability to undertake additional projects now, and into the future;
- any resource constraints affecting civil construction companies

Recommendations

Based on the outcome of the survey, CCF is pleased to provide the results of this survey to help industry and government better understand the steps needed to ensure there are sufficient market capacity in the civil construction sector to support a thriving and sustainable industry. The survey's findings / recommendations include the following:

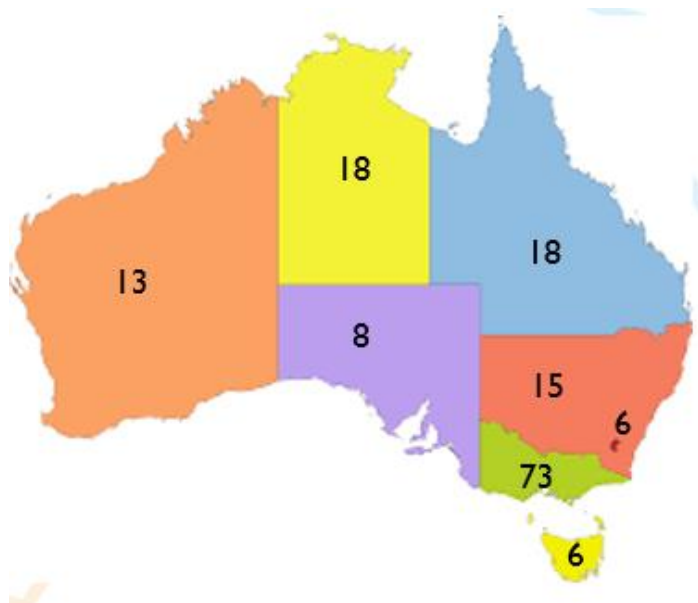
- The civil construction sector is not operating at capacity, with the survey showing a large proportion of companies can take on additional work.
- More than three quarters of companies can 'scale up' to meet additional work within 6 months, but their ability to do so effectively would be impacted by contract size.
- A key to activating this additional capacity is to 'rescale, not reduce' and for a smoothing of the infrastructure pipeline over the long term and bringing to market more small/mid-sized infrastructure projects.

- Urgent action is needed to address the finding that a lack of local skilled tradespeople & professionals to undertake construction projects is the biggest threat to the successful delivery of infrastructure projects. These actions include:
 - Appropriately classifying civil construction occupations on the ANZSCO to ensure the civil construction sector can take full advantage of federal financial support initiative
 - The Federal Government including industry Registered Training Organisations as recipients for all Federal Government VET funded financial incentive schemes
- To maximise returns, governments are encouraged to lower the complexity of contracts being presented to market to support more efficient project delivery
- Price escalation is a major concern for industry. Industry however should not be expected to bear a disproportionate burden of unavoidable price escalations. Greater collaboration is needed between industry and government for both parties to take on a proportionate level of risk
- In the National Partnership Agreement between the Federal Government and States and Territories for federally funded infrastructure projects, the Agreement should include conditions that support debundling of large projects and contracting models that encourage greater participation from tier 2 and 3 head contractors.

Survey Details

A total of 157 organisations participated in the survey from each jurisdiction.

Figure 1 – Jurisdictional Responses



Respondents were asked to assess a range of threats to the delivery of infrastructure projects and were presented with 11 threats and asked to give each a ranking, from 1 being a low risk, to 5 being a high risk. These threats were:

- Availability of local skilled tradespeople and professionals to undertake construction projects
- Availability of local unskilled labour force
- Availability of skilled labour
- Availability sand or quarry products
- Availability concrete or cement
- Availability Precast concrete products (e.g. pipes, pits, grates, kerbs)
- Availability fuel or other oil products (e.g. bitumen)
- Availability steel or steel products
- Availability glass & related products
- Availability timber or timber products
- Availability construction equipment, such as dozers, graders, loaders, mixers and excavators

In each state and territory, the highest ranked issue was the availability of local skilled tradespeople and professionals to undertake construction projects.

This finding underscores the need for action to address a looming skills crisis in the civil infrastructure industry. As a matter of urgency, CCF recommends civil construction occupations are appropriately classified on the Australian and New Zealand Standard Classification of Occupations (ANZSCO). This is to ensure that employers, employees and registered training operators are eligible for relevant Commonwealth financial incentives, including under the Australian Apprenticeships Incentive System.

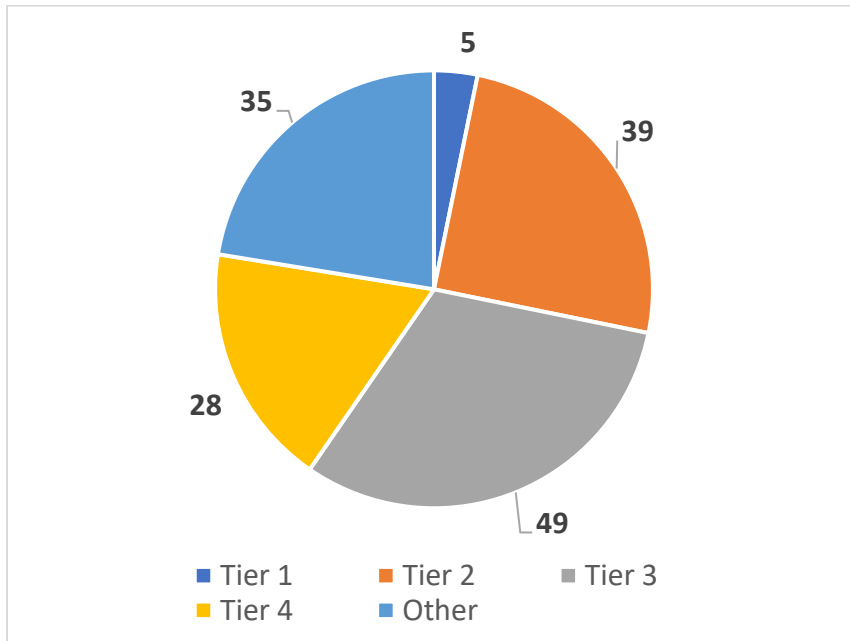
If the civil construction sector continues to be omitted from Australia Government skills and training programs, it will deny employers, apprentices and VET providers access to relevant financial rebates and incentives. This omission from relevant funding programs will further exacerbate the growing skills crisis facing the civil construction industry, which in turn will hamper Australia's economic recovery from the COVID 19 pandemic.

From a secondary list of threats to the successful delivery of infrastructure projects, industry ranked the highest threats as allocation of risk in contracts, timelines for delivering the work and insufficient pre-construction project development and risk identification.

- Availability and cost of insurance
- Cost of tendering / bidding for work
- Type of procurement model used
- Complexity of contracts used
- Allocation of risk in contracts
- Insufficient pre-construction project development and risk identification
- Delays in obtaining planning and environmental approvals
- Dealing with 3rd party asset owners
- Timelines for delivering the work
- Uncertainty over the infrastructure pipeline or funding.

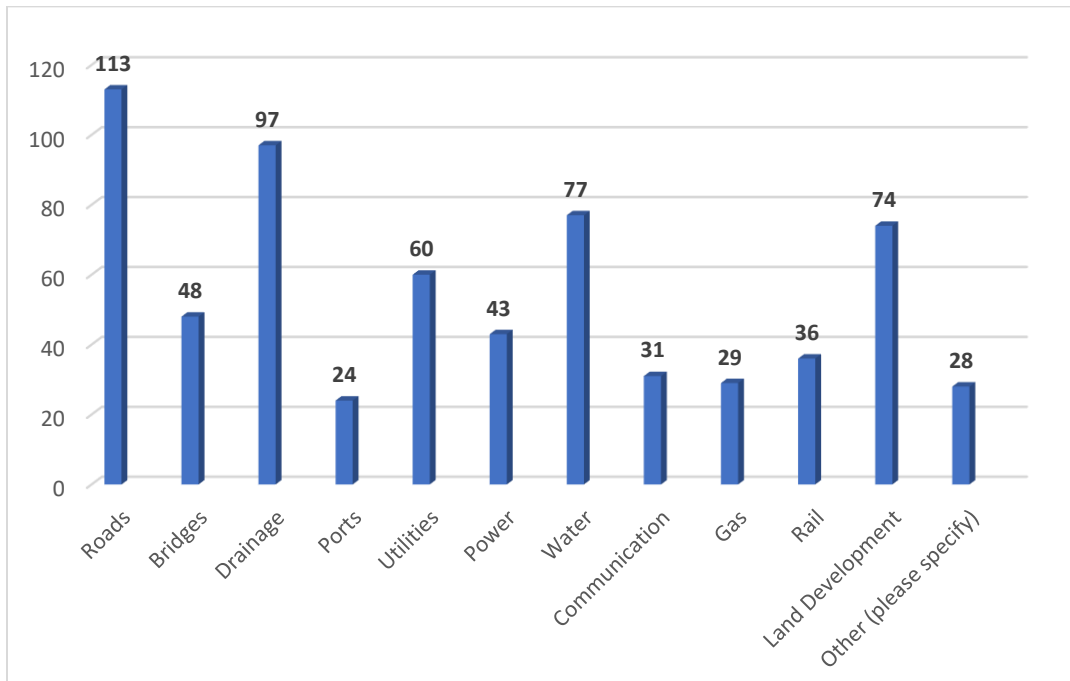
Companies were asked to indicate the size of their organisation, ranging from tier 1 to tier 4, with the largest proportion of respondents coming from tier 2 and tier 3 companies.

Figure 2 - What Tier Best Describes Your Company



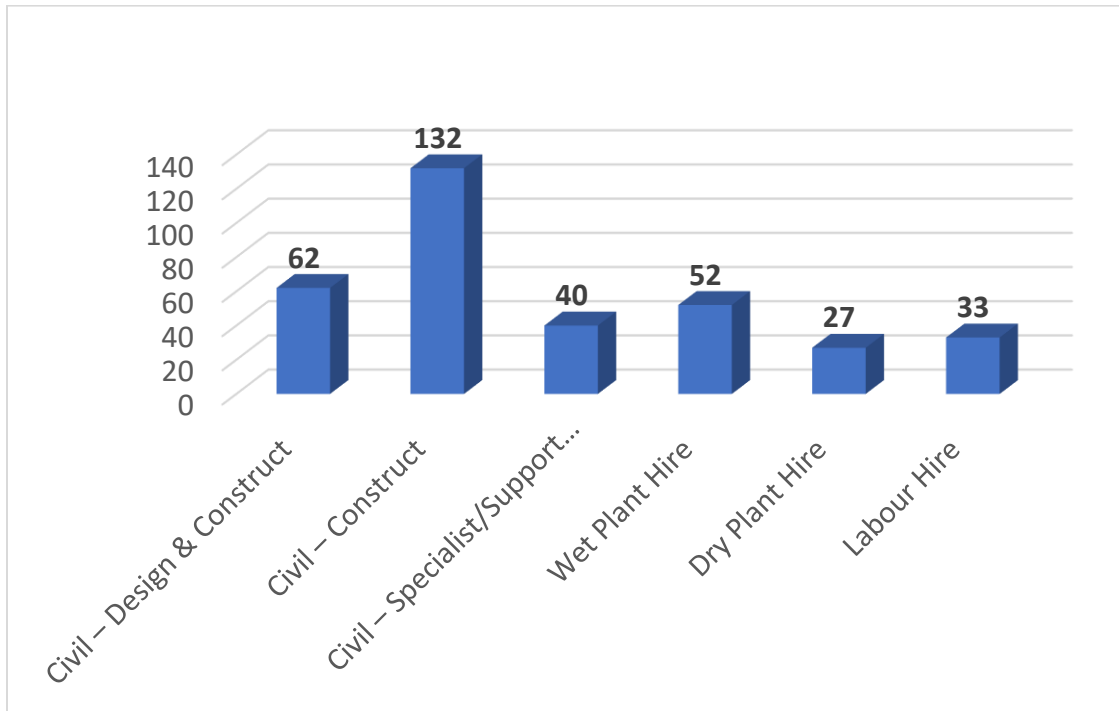
Survey respondents were active in a wide range of civil construction fields, the most prominent being roads, land development, utilities and drainage.

Figure 3 - In which sectors of the civil construction industry is your company active?



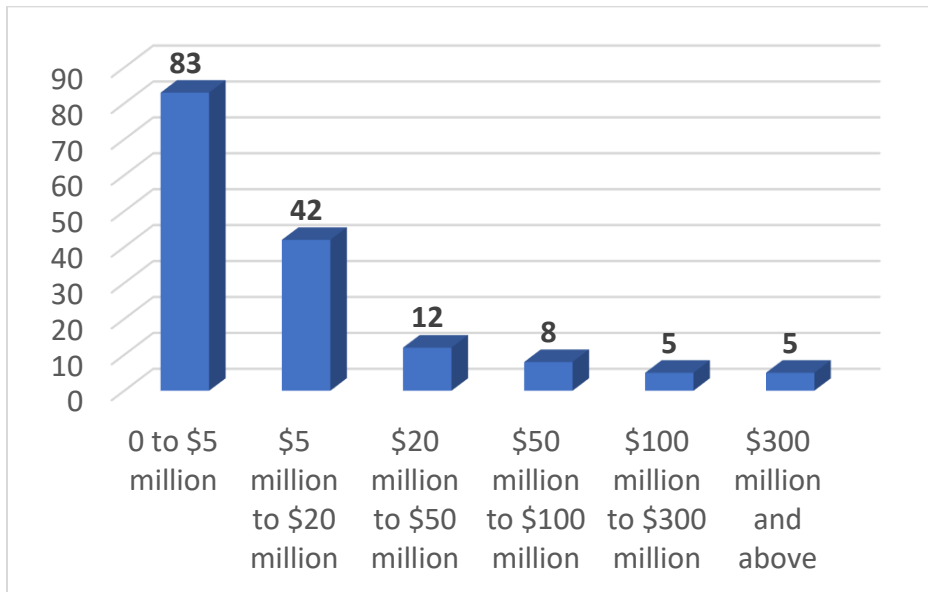
A large proportion of companies indicated their main form of construction contract was civil-construct, followed by civil – design and construct.

Figure 4 - What type of construction contracts did your business undertake in the past 12 months?



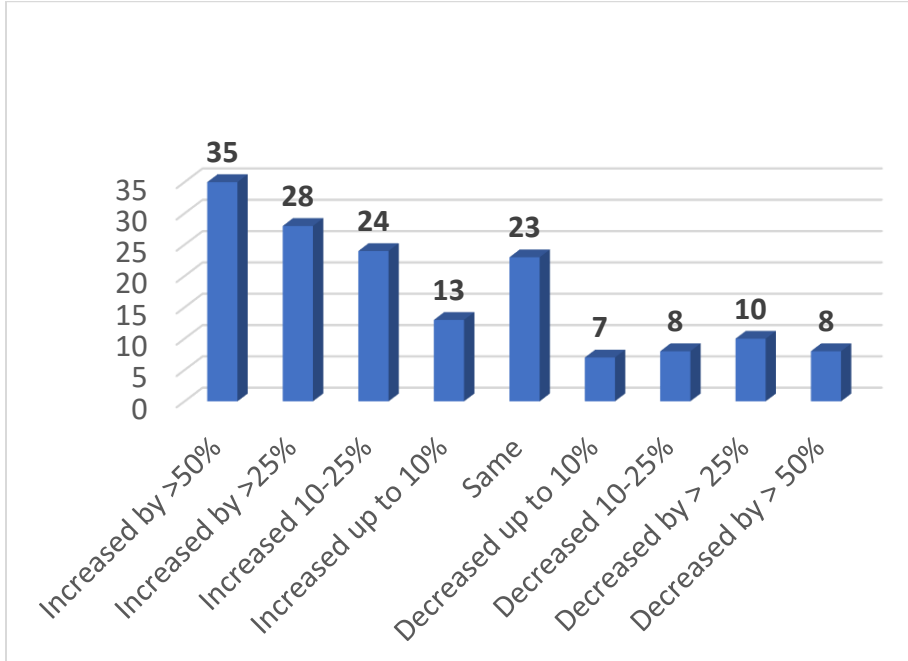
An overwhelming majority of companies who undertook the survey operate at the smaller end of the market, with around 80% of respondents indicating their largest contract size is smaller than \$20 million.

Figure 5 - What is the size of the largest contract your organisation currently holds?



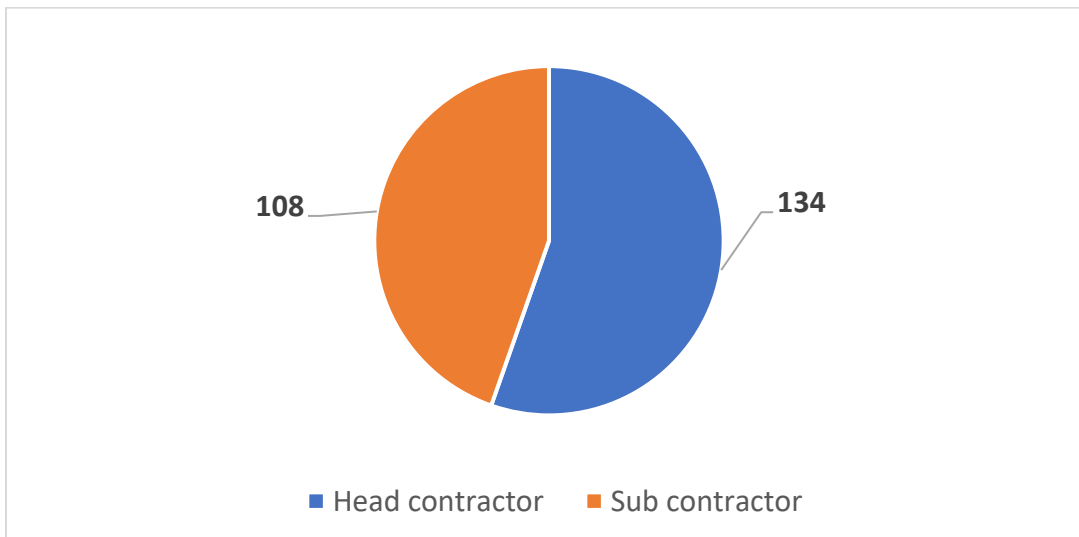
The survey confirms increased levels of activity in the civil construction industry with most respondents indicating an increase in volume of work between 10%-50%.

Figure 6 - How has the volume of work you undertook in the past 12 months (in terms of revenue) changed to the volume you did three years ago?



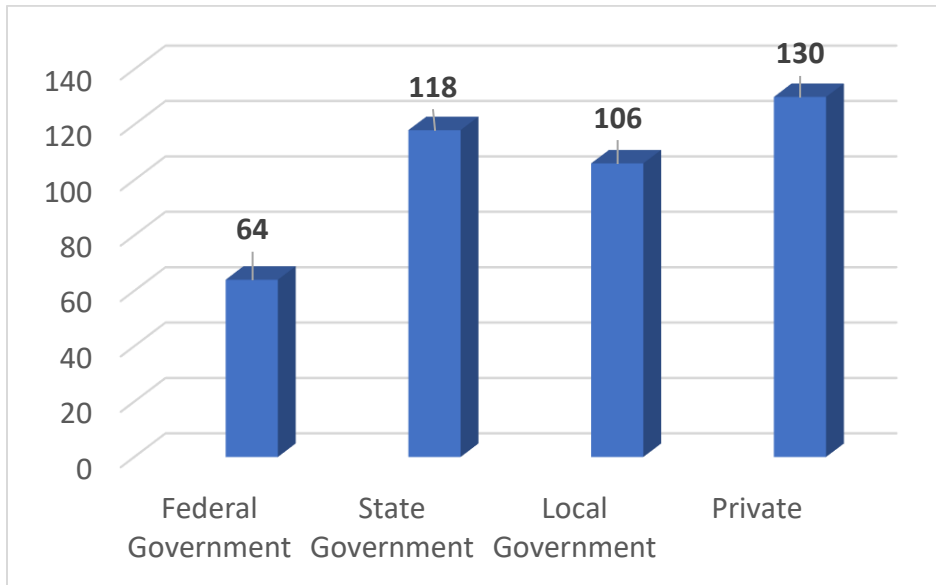
Survey respondents were asked to indicate (in percentage terms) their level of work undertaken as a head contractor, sub-contractor, or both. More respondents indicated working as a head contractor over the past 12 months.

Figure 7 - Was your revenue last year as head contractor / sub-contractor?



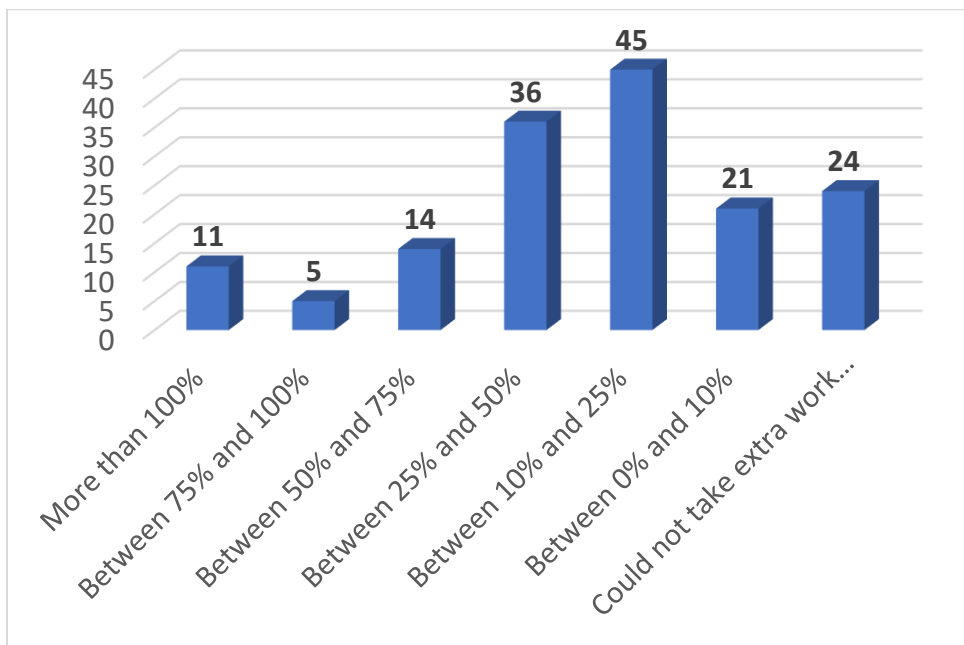
Survey respondents were asked to indicate (in percentage terms) revenue when working for government and private customers. More respondents indicated their ultimate customer was private, followed by state government.

Figure 8 - Was your revenue last year on projects where the ultimate customer was federal/state/local/private?



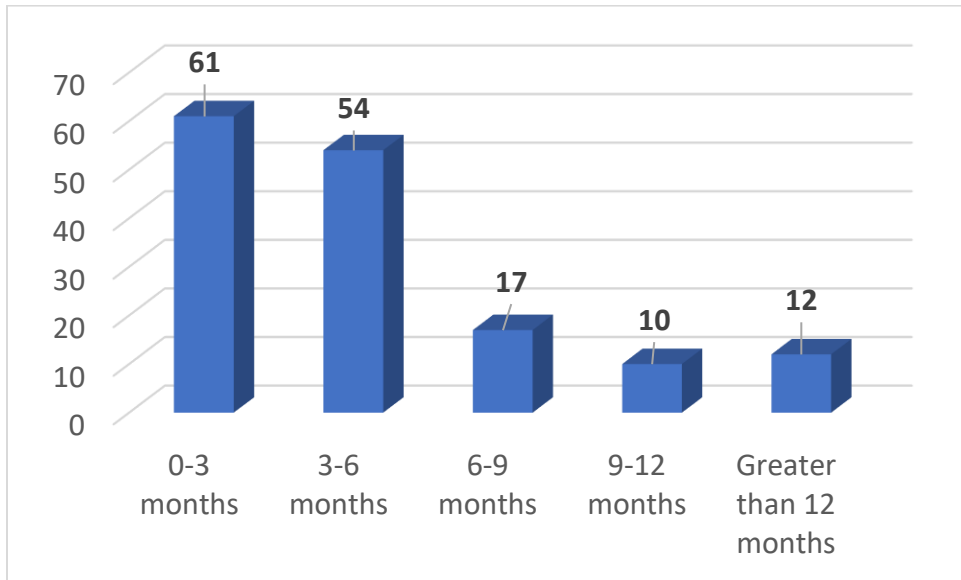
Around half of companies said they can take on between 10% and 50% more work. Only 15% said they could not take on additional work .

Figure 9 - If there was an increase in the number of capital projects tendered in your state, how much extra work can you take on?



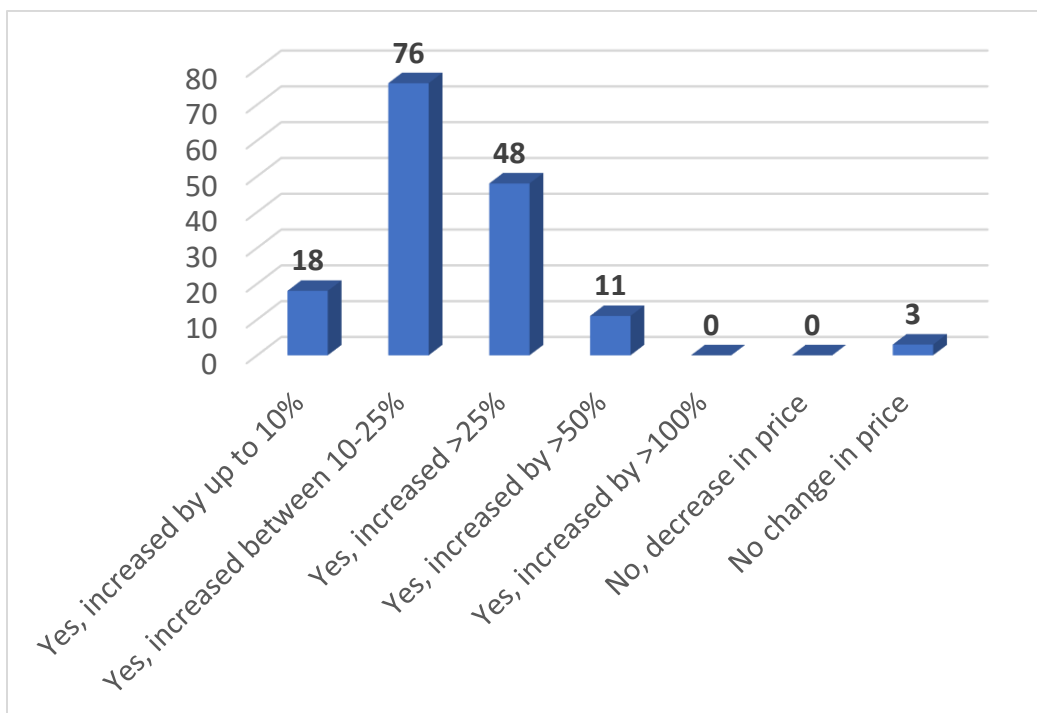
More than three quarters of companies can 'scale up' to meet additional work within 6 months, but their ability to do so effectively would be impacted by contract size.

Figure 10 - If there was an increase in the number of capital projects tendered in your state, how long would it take your company to be in a position to meet this additional demand?



Survey respondents confirmed price escalation is a major concern for industry, with a majority of respondents saying prices had increased by between 10% and 50%.

Figure 11 - On average, has there been an escalation of the total cost of project inputs, including labour and non-labour, required for infrastructure projects over the past 12 months?



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