



**CIVIL CONTRACTORS
FEDERATION**

Financial support for state and territory infrastructure projects

*Senate Standing Committees on Finance
and Public Administration*



**CIVIL CONTRACTORS
FEDERATION**

The Civil Contractors Federation welcomes the opportunity to provide a submission to this inquiry into the criteria, processes and governance arrangements that underpin Commonwealth infrastructure funding. Australia's infrastructure program is of fundamental importance to the nation's economic productivity, social wellbeing and long term prosperity. The scale of current and projected investment in transport, water, energy and enabling infrastructure represents one of the largest public expenditure programs in the Commonwealth budget. How these funds are selected, prioritised, allocated and governed therefore has direct and lasting consequences for taxpayers, communities and the construction industry that delivers this work.

CCF represents more than 1,800 civil construction businesses across Australia, ranging from Tier 1 contractors to small and medium enterprises and sole operators. Our members are responsible for the construction and maintenance of the nation's roads, bridges, railways, pipelines, utilities, water infrastructure and land development. Collectively, they deliver the bulk of the physical infrastructure on which Australia's economy depends.

From this perspective, CCF has a strong interest in the integrity, transparency and effectiveness of Commonwealth infrastructure funding frameworks. Sound project selection, disciplined prioritisation, appropriate risk allocation and robust governance are not abstract policy questions. They directly shape project outcomes, delivery risk, industry capacity, market competition and ultimately the cost borne by taxpayers.

We commend the Committee for examining these issues at a time when pressures on public finances, workforce capacity and construction markets are intensifying. In our view, the challenge is not simply to increase the volume of infrastructure investment, but to improve the quality of decision making that sits behind it. Better processes at the front end of the pipeline can deliver substantial long term savings, reduce delivery risk and ensure scarce public funds are directed to projects of genuine national value.

This submission draws on CCF's experience across jurisdictions and project types to identify areas where current arrangements can be strengthened. We focus in particular on funding assessment and sequencing, federal oversight and performance benchmarking, procurement and risk allocation, project bundling, tendering inefficiencies and the impact of industrial relations settings on productivity and cost.

CCF's objective is constructive. We seek to support reforms that improve transparency, lift performance, strengthen competition and build a more sustainable and capable civil construction sector. We believe that targeted improvements in governance and policy settings can deliver better outcomes for governments, industry and the Australian community.

We appreciate the opportunity to contribute to this inquiry and would welcome the opportunity to provide further evidence or appear before the Committee to expand on the issues raised in this submission.

Funding Assessment Criteria and Allocation Processes

Terms of Reference 1: “The criteria and processes used by the federal government to assess, prioritise and allocate infrastructure funding.”

The integrity of Australia’s infrastructure program begins with how projects are selected and funded. Transparent, merit based criteria and rigorous assessment processes are essential to ensure that federal funds are directed to projects of highest value and strategic importance. In this section, CCF evaluates current practices and proposes improvements to strengthen the assessment, prioritisation and allocation of Commonwealth infrastructure funding.

Current challenges in funding allocation

Historically, there have been instances where federal infrastructure funding decisions have been driven by short term budget cycles or political imperatives rather than by a stable, forward looking national investment program. A recent review of the national infrastructure program found dozens of federally supported projects that do not demonstrate merit, lack any national strategic rationale and do not meet national investment priorities, with many carrying high risks of cost overruns or delays. This outcome points to structural shortcomings in how projects are identified and sequenced, and highlights the absence of a predictable, long term pipeline of work for the construction sector.

Key issues include:

Short term budget commitments ahead of strategic planning

It has been common for major projects to be announced or funded in principle within a single budget cycle before a detailed business case is completed or independent reviews are undertaken. This front loading of commitments, driven by annual fiscal and political timetables, can lock funding into projects that later prove infeasible or misaligned with long term priorities. Recent examples, including urban highway expansions and commuter car park programs, demonstrate how premature commitments have contributed to delays, scope changes and cancellations. These practices reduce the effectiveness of Commonwealth investment and undermine the development of a stable forward pipeline.

Inconsistent application of a national sequencing framework

While Infrastructure Australia maintains an Infrastructure Priority List and assessment framework, not all funded projects are drawn from, or timed in accordance with, a nationally coordinated pipeline. The absence of a consistently applied sequencing process means projects can be advanced opportunistically rather than in line with long term network planning, market capacity and workforce availability. This weakens prioritisation based on merit and limits the industry’s ability to plan, invest and build capability with confidence.

Lack of transparent, long term investment signals

The criteria by which projects are assessed and scheduled, such as economic return, readiness, workforce capacity and network integration, are not always clearly articulated or published as part of a multi year program. Without clear forward signals, industry and governments are forced to

respond to episodic funding announcements rather than a coherent pipeline. This contributes to boom and bust cycles in activity, higher delivery risk, and perceptions of inequity or pork barrelling when funding appears concentrated in particular regions without transparent justification.

Taken together, these issues underscore the need for a disciplined, transparent and multi year national infrastructure pipeline that is insulated from short term budget cycles, aligned with independent assessment, and capable of giving governments and the civil construction sector the long term certainty required to deliver projects efficiently and at lower risk.

Federal oversight, governance and performance of funded projects

Terms of Reference 5: “Federal oversight mechanisms used to track progress and performance of a state or territory project receiving federal funding and opportunities to improve governance, oversight and public reporting.”

This section addresses how the Commonwealth monitors and influences the delivery of projects it helps fund. Strong oversight and governance arrangements are critical to ensure projects stay on schedule, on budget, and deliver the intended outcomes. We examine the current oversight mechanisms and identify improvements to elevate accountability and drive better performance across all federally supported infrastructure projects.

Current federal oversight mechanisms

When the Commonwealth provides funding to states for infrastructure via National Partnership Agreements or specific project agreements, it typically sets out certain requirements, including milestone progress reports, audited financial acquittals and completion reporting. In major projects, there may also be steering committees or joint project boards where federal officials liaise with state project teams. However, once funds are allocated, day to day project management largely rests with state agencies or their delivery authorities. The federal role often becomes reactive, relying on the state to report problems or on media reports to flag issues. This reactive posture can be insufficient, as problems may be well advanced by the time they surface publicly.

National performance benchmarking framework

Perhaps the most transformative opportunity to improve governance and learning in infrastructure delivery is the creation of a national performance framework under the leadership of Infrastructure Australia. CCF strongly supports this concept. The idea is to systematically collect data on project performance across the country, including initial estimates and final outcomes, and use that data to benchmark and improve future projects.

While CCF acknowledges that state and territory governments are the primary proponents and delivery agencies for most infrastructure projects, the Commonwealth has an important role to play in coordination, oversight and the promotion of best practice across the federation. Given the scale of Commonwealth co funding, there is a clear public interest in the Commonwealth monitoring the performance of federally supported projects on a consistent and comparable basis.

By systematically monitoring federally funded projects, the Commonwealth and Infrastructure Australia would be able to identify which states, delivery models and policy settings are consistently delivering projects on time and on budget, and which are associated with cost overruns, delays or poor risk allocation. This would enable an evidence based national discussion about what settings are working, what is not, and how best practice can be promoted and replicated across jurisdictions.

Over time, this approach would strengthen accountability, improve project selection and delivery, and build a shared evidence base to lift performance across the entire infrastructure system, without diminishing the role of states as project proponents.

A performance benchmarking framework would involve:

Data collection

For every federally supported project, and ideally other major projects, gather consistent data including original approved budget, original schedule, scope, procurement model, special conditions, and then track actual cost, actual completion date, major changes and key issues encountered. Track metrics such as safety performance, community satisfaction where measured, and benefit realisation. This creates a robust national database.

Benchmark analysis

Use the data to identify trends and outliers. The framework may reveal that certain project types consistently experience higher cost growth, or that particular delivery models perform better in specific contexts. Performance could be analysed by sector and by delivery method, providing actionable intelligence for agencies and policymakers.

Continuous improvement mechanism

The framework should actively feed lessons back to agencies and industry. If benchmarking finds recurring problems, such as extended tender periods or utility relocations as a frequent source of dispute, governments can target those areas for reform. Over time, benchmarks should improve, delivering significant budget savings and better outcomes.

Transparency and public reporting

The benchmarking should produce an annual public report summarising the performance of the national infrastructure program. This would enhance accountability, create incentives for improvement and build public confidence. This approach is analogous to the United Kingdom's Infrastructure and Projects Authority annual reporting on major government projects.

The Australian Infrastructure Plan and related policy documents have already highlighted the need for better data and performance measurement. This framework would give effect to those recommendations.

Procurement and industry reform

Terms of Reference 6: “Any other related matters.”

Under this broad term of reference, the Civil Contractors Federation addresses several interrelated issues that significantly affect the success of infrastructure projects and the value obtained from federal funding. These include procurement models, risk allocation, project bundling, tendering costs, prequalification processes, industrial relations conditions and data transparency.

CCF believes the Commonwealth has both a vested interest and a degree of influence, through funding agreements and national partnerships, to encourage best practice in these areas. We provide analysis and case examples demonstrating why reform is needed and how it can be achieved, along with the benefits such reform would bring in terms of competition, market capacity, cost savings and productivity.

Procurement models and risk allocation

One of the most consequential decisions in project delivery is the choice of procurement model and the accompanying risk allocation between government and contractors. In Australia, the dominant model for major infrastructure has been fixed price Design and Construct contracts, including Public Private Partnerships. While this model can incentivise cost control, it often leads to an imbalance in risk allocation, with governments transferring extensive risks to the private sector. This unloading of risk early in project development is often driven by a desire to minimise upfront costs, but it can be counterproductive.

Contractors faced with significant unknown or uncontrollable risks will either build a premium into their bid price or later claim variations or become involved in disputes.

The Sydney CBD and South East Light Rail project illustrates this problem. Utility relocation risk was allocated to the contractor despite incomplete knowledge of underground conflicts. When unforeseen requirements emerged, the contractor had not priced this risk, leading to a major claim, prolonged delay and significant cost escalation. The risk was not transferred in practice. It returned to government through renegotiation and delay.

Similar patterns are evident in the West Gate Tunnel and other major projects. These cases show that pushing unmanageable risk to contractors does not reduce risk. It merely defers and amplifies it.

Best practice in risk allocation is that risk should be allocated to the party best able to manage or mitigate it. Where no party can control it, risk sharing or contingency mechanisms should be used. International experience shows that more collaborative approaches lead to more realistic pricing and fewer disputes.

CCF strongly advocates that Australian governments recalibrate risk allocation. Specifically:

- Avoid hidden risks by investing in thorough site investigations and transparent information sharing before going to market.
- Use collaborative delivery models for highly complex projects where appropriate.
- Adopt fair standard contracts with reasonable liability caps and balanced dispute resolution mechanisms.

Reform in this area will improve competition, reduce disputes and improve value for money.

Project bundling and market competition

In recent years, some agencies have bundled multiple projects into very large contracts or packages. While bundling can achieve economies of scale, excessive bundling reduces competition, sidelines mid tier contractors and concentrates risk.

Over bundling limits the pool of bidders and can lead to minimal competition or sole bidder outcomes. It also restricts the ability of Tier 2 and Tier 3 firms to build capability and progress to larger projects, hollowing out the market over time.

There is growing recognition that disaggregation can improve competition and delivery. Inland Rail, level crossing removal programs and SA Water reforms demonstrate that smaller packages can attract more bidders and support local capability.

CCF recommends that the Commonwealth encourage right sizing of contracts by:

- Promoting moderate contract sizes accessible to mid tier contractors.
- Monitoring contract size and bidder numbers as part of national benchmarking.
- Requiring industry participation plans on mega projects to ensure broader market access.

Disaggregation builds domestic capability, increases resilience and improves value for money.

Tendering costs and prequalification inefficiencies

Tendering in Australia has become protracted, expensive and duplicative. High bid costs deter participation and entrench dominance by large firms.

Design costs alone can comprise around half of total bid costs. Multiple bidders often duplicate similar work, with only one design ultimately used.

Smaller and tier 2 contractors are particularly sensitive to bid costs and may withdraw from major projects altogether.

CCF supports reforms including:

- Standardised and reusable documentation.
- Streamlined shortlisting processes with limited shortlisted bidders.
- Greater government funded reference design and site investigations.

- Digital tendering platforms and simplified processes.

Prequalification systems also suffer from duplication across jurisdictions. CCF supports a harmonised national framework or mutual recognition between states to reduce administrative burden.

Case example

A Tier 2 CCF member reported spending approximately one million dollars in one year maintaining prequalification approvals and preparing multiple tenders and EOIs, only to win a small number of projects. This cost is inevitably passed on in higher prices. The company has since withdrawn from larger projects due to the procedural burden.

Industrial relations requirements and productivity

Some projects impose special industrial relations conditions such as Best Practice Industry Conditions. While well intentioned, these arrangements have been shown to significantly increase costs and reduce productivity without clear proportional benefits.

In Queensland, BPIC conditions increased labour costs by between 17 and 30 per cent on some projects. Contractors reported reduced effective working hours, increased downtime and greater industrial disruption.

From a taxpayer perspective, these premiums reduce the amount of infrastructure delivered for a given budget.

CCF supports fair wages, collective bargaining and strong safety standards. The concern is with additional conditions that unnecessarily constrain productivity.

CCF recommends that the Commonwealth scrutinise any special IR conditions attached to projects it funds and require transparency about their cost impacts in business cases.

We also note that many projects achieve high productivity under normal enterprise agreements with cooperative relationships. Early engagement and balanced agreements can achieve safety and training outcomes without codifying inefficiencies.

About the Civil Contractors Federation

The Civil Contractors Federation is the peak national representative body for the civil construction industry in Australia, providing on behalf of our members and industry a clear, unified and strong voice on the critical issues affecting the sector.

Our 1800 members who range from tier 1, 2, 3, SMEs and one person ABN holders, are responsible for the construction and maintenance of Australia's civil infrastructure.



CCF members are responsible for the construction and maintenance of Australia’s infrastructure, including road construction, plant operation, pipeline construction, trenchless technology, bridge construction, rail construction, utilities and tunnelling.

Members also play a vital role in the residential and commercial construction industry by providing earthmoving and land development services including the provision of power, water, communications and gas.

Contact:

Nicholas Proud

CEO

M: 0408 538 126

E: nproud@civilcontractors.com

Rowan Carter

Director – Government Policy and Advocacy

0407 896 862

rcarter@civilcontractors.com