



AUSTRALIAN OWNED
CONTRACTORS

29 August 2025

M/s Angela Moody
Commissioner and Chair
Queensland Productivity Commission

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Dear Chair

Australia Owned Contractors Ltd (AOC) welcomes the Queensland Productivity Commission's *interim report* on Construction productivity, and notes your preference on feedback at this stage focusing on:

- the preliminary recommendations and reform directions, and their supporting analysis
- the requests for information
- any other issues raised in the interim report, to which you can provide insight and supporting evidence.

For your information and background, AOC was established in 2018 to represent and advocate for Australian owned Mid-Tier civil contractors to have more opportunity to deliver major public infrastructure projects in each State and Territory of Australia. As a not-for-profit advocacy body representing 13 members across Australia (of which 5 are headquartered in Queensland totalling 10 having Queensland operations), AOC was constituted to highlight to Australian governments, including the Government of Queensland, the market and policy failures that currently exist in procuring major (\$500m+) public infrastructure projects and their negative impact on productivity. These include:

- a. the growing trend of State transport and infrastructure agencies to 'bundle' big infrastructure projects into large multi-billion-dollar tender packages that reduces the number competitive tenderers who can bid for them: reducing contestability, removing downward pressure on cost and inhibiting more balanced risk management practices
- b. further consolidation of market power to dominant, Tier 1 civil contractors who are now all foreign owned and have little interest or incentive in joint venturing with Australian owned firms
- c. a lack of vision in creating the market settings where a domestic industry can take advantage of competitive procurement opportunities from Federal and State Governments for major projects, where consequently today Australia no longer enjoys a locally owned Tier 1 civil constructor.

AOC notes that we represent constructors who bid for work as head contractors to comfortably deliver projects between \$250 - \$500m, either individually or with a joint venture (JV) partner/s. In this sense, AOC members are not small businesses but in comparison to multi-billion dollar global Tier 1 contractors are certainly understood to be smaller businesses with a strong belief in our strategic potential to grow to larger, Tier 1 contractors. Furthermore, many Mid-Tier locally owned contractors are deeply rooted in and around regional Australia and Queensland (for example, FKG Group in Toowoomba, BMD in Townsville and Sitzler in Darwin, to name a few).

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Given the existing body of work undertaken by the Queensland Productivity Commission by way of the interim report, AOC proposes to provide feedback on elements of the interim findings that are relevant to AOC's charter. Consistent with your preference, AOC makes the following reflections, observations and challenges to the interim findings to best inform your public policy considerations and the Commission's deliberations on factors affecting the productivity of the construction sector in Queensland.

1. 'Right size' projects

AOC maintains a long-held (and firm) view of the need for Australian Governments to as much as possible, 'break down' individual projects into (head) contract packages of \$500m or less so that a larger pool of competitive contractors can bid for them in their own right, or as a part of a (JV) team.

AOC rejects the notion that there are, on balance, compelling and valid barriers to breaking down project packages to 500m - for example, the potential to lead to coordination problems that inhibit the uptake of new technology and practices. In doing so, we assert from our significant Australian and Queensland market experience that barriers on any objective level are far outweighed by the benefits to market productivity by allowing a more competitive pool of bidders to naturally place downward pressure on price and conversely and introduce innovation and competitive advantage within the diversity of bids. Arguments against project disaggregation are often used to maintain status-quo procurement arrangements (and outcomes!), much like Free Trade Agreements were advanced as a barrier to criticise Australian Industry Plans or initiatives like the Buy Queensland policy, prior to the Trump Administration's announcement of tariffs on 2 April 2025. Indeed, they limit sovereign capability which is much needed for the future of our local construction and other industries.

In fact, there are current observable examples of other jurisdictions that seek to do just this. Some examples include:

- **Government of South Australia**, through [*Treasurer's Instruction 18 – Procurement*](#), that binds agencies through section 7(2) to do just this, except by way of tested exemption.
- **Government of New South Wales**, through [*NSW Premier's Memorandum - Procurement for Large, Complex Infrastructure Projects \(2021\)*](#) that encourages sizing contract packages across the NSW portfolio to facilitate competitive bids from a wide range of participants. To utilise the full capacity of the construction market, offer tender packages capable of being more readily priced and managed by either tier 2 contractors or joint ventures between Tier 1 and Tier 2 contractors.
- **Commonwealth Procurement Rules – Disaggregation of Large Projects** through [*section 5.5*](#) that encourages Commonwealth officials to apply procurement practices that do not unfairly discriminate against SMEs and provide appropriate opportunities for SMEs to compete through the potential benefits of having a larger, more competitive supplier base, including the disaggregation of large projects into smaller packages, where appropriate, that maximise competition.

Furthermore, it is a established fact that when projects grow in size, it reduces the capacity of smaller contractors to be able to bid for them due to the bonding and security needed to proceed to a shortlist stage of tendering. For example, AOC members have noticed a verifiable and distinct tightening in the offering of surety bonds through the commercial market in recent years which is having the effect of lessening the access to surety bonds for Mid-Tier contractors and making bidding harder, or tying up working capital, or a combination of both. Juxtaposed to this fact is that multinational Tier 1 contractors can and do often rely on access to significant capital reserves through “parent company guarantees” from their foreign owners which are also accepted by TMR and other Australian government clients. AOC urges the Productivity Commission to examine this are of procurement to inform better tendering and contracting arrangements to maximise competition and avoid unnecessary large scale bundling that entrenches the dominance of a concentrated pool of successful Tier 1 bidders head contractors.

AOC supports the Commissions’ interim finding that there is a general lack of competition in the Australian (civil) construction market but challenges the Bakhtiari (2020) and a over ten year old Australian Productivity Commission (2014) observations that suggest the contrary. We note these do not take into account the sale of Australia’s last Tier 1 civil contractor in 202 ([Lendlease Engineering](#)) and the most recent observation from Infrastructure Australia’s December 2024 Market Capacity Report of a measured increase since 2016 of the largest five Tier 1 companies gaining greater market share of major projects ([page 62](#)).

There are additional points of academic and market observations that should give the Commission comfort in conclucing that overall productivity is enhanced, rather than diminished, when project sizes are broken down through regulation and edict rather than not. This position has been endorsed by (then Shadow Infrastructure Minister) [Prime Minister Hon Anthony Albanese MP in 2018](#) where he stated “there is no shortage of evidence to suggest that greater involvement of mid-tier construction companies leads to savings to the public purse by fostering greater competition”and through the Albanese Government’s subsequent [Buy Australia Plan](#).

In summary and for the interest of the Commission, these include:

- Recommendations from the House of Representatives Standing Committee on Infrastructure, Transport and Cities inquiry into government procurement titled [Government Procurement: A Sovereign security imperative](#) tabled in Federal Parliament in March 2022.

Specifically, AOC highlights [recommendation number six](#) and replicates this below as an example of considered bipartisan policy development worthy of attention by this committee:

6. *The committee sees increasing the access of tier two and three companies, and related Australian small and medium enterprises, to projects in the Australian infrastructure pipeline as key to enhancing Australia’s sovereign industry capacity. Accordingly, the committee recommends that the Australian Government examine ways to maximise developing Australia’s sovereign capacity in infrastructure delivery. As part of this work, consideration should be given to:*
 - *providing opportunities in procurement and contracting to engage local industry and utilise local content*

- *ways to break up projects into packages of less than \$500 million to increase competitiveness by tier two and three companies*
- *making as a condition of Australian Government funding for major infrastructure projects over \$500 million industry sustainability criteria within the early stages of procurement design that encourage tier one contractors to partner/joint venture with a non-tier one company in the head contract*
- *education and training for government officials to support these objectives*
- *reviewing market conditions for infrastructure insurances and the impact on small and medium enterprises.*

AOC notes that the recommendations of the bipartisan committee report were well supported across industry at the time and did not attract any substantial opposition to its proposals. Together with [AOC](#), organisations such as the [Australian Constructors Association](#), [Civil Contractors Federation](#) and [Consult Australia](#) were supportive of the recommendations as a positive starting place in reforming procurement policy for the better and have a large footprint across the Queensland market and industry.

Conclusions from the Independent Project Analysis' Edward Morrow in his 2023 book [Contract Strategies for Major Projects](#), drawn from a data suite of 1,200 (global and diverse) infrastructure projects that observes “*project performance degrades incrementally with size until projects approach about \$300m (USD). Then degradation of project outcomes begins to accelerate... The larger the contract size, the thinner the market that is in play. Contractors are limited in contract size by their bond-ability and balance sheets*” (page 254).

- Closer to home, New South Wales based Construction Executive Peter Wilkinson observes in his book [The Steel Ceiling – Achieving Sustainable Growth in Engineering and Construction](#) evidence from a 2017 McKinsey report that laments “the historically poor performance of large capita projects around the globe, with many examples of significant budget and time overruns. From a database of 500 global projects over US\$1 billion, transport and other infrastructure projects, on average, experienced an actual versus budget cost overrun of 42% and a schedule overrun of 63%” (page 161).
- Research commissioned by AOC and undertaken by [Churchill Consulting](#) in observing that generally, Tier 1 contractors win a bid to play the role of ‘managing contractor’ and rely on subcontractors to deliver the actual civil works. (AOC agrees with the Commission’s interim findings that subcontractors may be required to absorb unexpected material and labour cost escalations and generally work off smaller margins than larger firms). Generally, Mid-Tier contractors are self-performing and thereby avoid the margin-on-margin effect of ‘margin layering’ that adds unnecessary expense to public projects and lowers productivity (page 15). This also builds a constructors’ capacity, capabilities and experience in order to bid for the next larger, more complex package of works.
- Observations from market commentators such as [Alan Kohler who notes](#) that “Australia is served by a cartel of three engineering construction companies protected by high barriers to entry”; and Chief

Executive Officer of [IFM Investors David Neal](#) who remarked “to better attract long-term capital that is aligned with these long- term projects, rather than the current model which tends to attract large constructor-lead consortium, where the constructor is most interested in making a construction margin over the relatively short term. They are much less interested in how well that asset functions over the long period of time....The mega-project all-in-one-go upfront is just too big a chunk for a typical, individual, Mid-tier contractor to be able to absorb.”

2. Panel-type arrangements for Queensland infrastructure

In noting the Commission’s interim report and your request, based on these interim findings, on ‘right-size’ projects and how these can aid productivity outcomes, AOC would like to advance to the Commission the proven and popular benefits of a panel-type approach to infrastructure delivery and specifically, the procurement of road infrastructure.

From the outset, AOC notes that the Queensland Government’s most recent QTRIP presentation on the [Bruce Highway Targeted Safety Program](#) intends to introduce a panel-type arrangement for procurement of the \$9b, 15 year program of works with one key area of focus through panels as being through building industry capacity (upskilling, local suppliers, indigenous participation). AOC commends this innovative approach in procurement thinking and is supportive of its rapid adoption.

AOC submits to the Commission that panel-type procurement is a tried, tested and successful delivery model with measured productivity benefits that should be adopted throughout Queensland’s portfolio of public infrastructure and most certainly on road projects; and is worthy of investigation and comment within the Commission’s final report and suite of recommendations.

In doing so, AOC presents a case study of the Victorian Government’s model that the Commission may consider recommending be mirrored, with specific Queensland ‘flavours’ (for example, taking into account the regional spread of Queensland’s vast transport network) that we are confident will align with the Bruce Highway program and also TMR’s existing procurement and reform thinking.

VIDA (formerly Major Road Project Victoria’s - MRPV Program Delivery Approach

The success of the Victorian Government’s ‘panel’ approach to the procurement of roads and highways, first announced in July 2020 to replace a proposed \$2.2b bundled Suburban Roads Upgrade Public Private Partnership is another example of a State government recognizing the need to disaggregate projects and promote contestability and competition amongst civil contractors, and by extension improve productivity.

Indeed, MRPV cite the Program Delivery Approach as genuinely collaborative, bringing together the valuable experience and knowledge of MRPV and industry – by working together, and sharing experience and knowledge, MRPV and contractors under the PDA model are able to find solutions and innovations to [improve project delivery](#). With greater certainty and visibility of upcoming projects, businesses have more confidence to invest in people, resources and innovation/technology, helping to grow a competitive, sustainable infrastructure market, boosting the state’s economy and creating thousands of local jobs. Importantly, the PDA approach also includes social inclusion and environmental protection requirements into contracts to ensure projects add social and community value.

The benefits of the panel approach have also have been evaluated by academic and independent parties and have been largely praised for meeting their policy objectives. For example, the University of Melbourne's Law School's [Kiri Parr and Phillip Greenham](#) concluded in September 2023 that MRPV's panel model of procurement gave rise to the following 6 outcomes:

- increased innovation
- improved market capacity
- rapid and efficient procurement
- increased collaboration and trust
- increased actual cost certainty
- improved social outcomes.

Further academic research on the PDA model can be found in the April 2024 Deakin University study done by their Megaprojects Group titled "[Optimising major project delivery: Maximimising value through outcome based-procurement: A Review of the Program Delivery Approach by Major Road Projects Victoria](#)". The benefits to procurement are [summarized](#) within "design features of the PDA create the necessary environment to improve the current poor track record of major project delivery. It allocates project risk in a fairer, more reasonable, smarter manner, enhancing cost and schedule certainty. It is less adversarial and more collaborative and focuses on early problem identification and a best-for-project approach to joint problem resolution"

Of huge relevance to these studies and the Productivity Commission's deliberations is that the NSW Government's agency Transport for NSW (TfNSW) in September 2022 released a discussion paper calling for responses amongst construction sector and industry associations on a proposed NSW "[Productivity Packaging](#)" procurement model that mirrored in large parts MRPV's Program Delivery Approach. AOC remains disappointed that TfNSW did not proceed with genuinely implementing reform through their 'portfolio procurement' considerations since this time that AOC believes (and have experienced through our tendering and project delivery) would have reflected many of the successes of MRPV's panel approach.

CONCLUSION

AOC welcomes the opportunity to inform the Queensland Productivity Commission's interim report with examples of current, evidence-based examples of procurement to assist in forming recommendations to improve policy and regulatory factors that are affecting the productivity of the civil/construction sector in Queensland.

We urge the Commission to avoid unnecessary project 'bundling' and recommend disaggregation and adopting a whole-of-portfolio panel approach based on the merits of the evidence we have provided. AOC is confident that we are not alone in suggesting these successful policy measures and looks forward to continued engagement with the Queensland Government and Parliament. Please do not hesitate to contact me at [REDACTED] at any time to discuss the policy materials AOC has highlighted.

Yours Sincerely

Brent Crockford
Chief Executive Officer