

Our Reference: Productivity
Commission QLD
Your Reference:



Reece Allen
B Econ LLB GradDipLP

28 August 2025

Queensland Productivity Commission
Construction Productivity Inquiry

BY ONLINE SUBMISSION

SUBMISSION: CONSTRUCTION PRODUCTIVITY

I provided initial submissions to the inquiry on 02 June 2025 which I repeat.

I also **attach** a submission I made to the Australian Government Construction Productivity Enquiry titled CRIMP (Cost Reduction Initiative for Major Projects), which the Australian Government has not taken up but which I repeat for this enquiry.

I would welcome being consulted further by the Queensland Productivity Commission (QPC) in relation to this inquiry in particular in relation to the reform of Queensland Building and Construction Commission (QBCC), Queensland Government Standard Building Contracts and major projects generally.

I hold a Bachelor of Economics (1996) (where I graduated at only 19 years of age) and Bachelor of Laws (2000) each from the University of Queensland. My studies included both Urban and Regional Economics. Since 2000 I have practiced primarily as a construction lawyer both in Queensland and overseas. While a construction lawyer I also have maintained a keen interest in economics, even though I do not practice as an economist.

As part of my practice I have drafted construction contracts for multi-billion dollar projects and also provided legal advice for major projects from concept to completion. As such I have international experience in major projects, and I can compare that experience overseas to how such projects are delivered in Queensland.

In more recent years I have also frequently acted against the Queensland Building and Construction Commission (**QBCC**) and I have come to understand first hand its operations and in particular its gross failures in properly regulating the construction industry in Queensland.

My experience in the construction sector is therefore neither a theoretical interest nor a vested interest, I have actual first hand experience in major projects, and also in dealing with the QBCC.

GPO Box 1528 BRISBANE QLD 4001


www.projectlegal.com.au

Liability limited by a scheme approved under professional standards legislation

Housing Supply and Affordability

There is clearly an excess of demand (from both private and public sectors) over supply from the private sector of both construction services and construction labour in Queensland. Given Australia's high net migration, historic shifts of Australia's population towards Queensland and the 2032 Olympics that demand will not abate, and most likely will increase. Queensland must therefore prioritise policies to increase the supply of all services and inputs in the construction sector. Further, public demand for construction services for infrastructure (such as for the Olympics) is crowding out supply to the private sector.

Housing supply constraints can be directly linked to decreased affordability. Urban land in South East Queensland has become increasingly expensive, I would estimate any metre of developed land in South East Queensland is worth least \$1000 per square metre. However despite urban land being so expensive, the state and non-profit sit on vast quantities of urban land which is either not utilised, sparingly utilised or utilised for the wrong purpose. There is a desperate need for the State to increase the supply of land available for development to either develop itself or sell to the private sector to develop. A state agency tasked with identifying such land and bringing to market quickly would assist. Planning reform would assist too.

There should be no reason for the supply of land to be so constrained in a state which so much land available. This means policy settings which can be changed are a contributor to supply restriction. Government can increase supply by reducing approval durations (both at a state and local government level) for new housing development and dwelling approvals

Further, houses are built in Australia using primarily "stick" built methods where most material assembly occurs on site. The vast majority of the cost of housing is therefore labour. On site methods are inefficient, they primarily use moving material by hand, and labour often sits idle waiting for material to arrive. Further, as houses are built trade by trade, houses take longer to build because they are built in linear methods one trade at a time (meaning houses often sit idle waiting for the next trade to be available) rather than with concurrent work fronts. The cost of house construction will not fall unless there are radical changes to the way houses are built, either by full modularisation or moving work off-site by using say post and beam or portal frame construction methods. The state has a role by encouraging off site construction methods, particularly in its own procurement of public housing.

Super Region Strategy

Queensland compared to other states is more decentralised. One idea I have which I believe would increase housing affordability is to the state government to have a super region strategy to promote the expansion of what I believe are potential "super regions". A super region is a region where there are two major centres in relative proximity to each such that their economies are linked, for example, suppliers in one centre supply services in their home city and in the other, people can live in one centre, but work in the other etc. Some of these super regions are

contained in one local government area, some are not. Why there is super region potential is because there is the ability to develop the areas (including existing smaller localities) between the two major centres to then form one super region. In Queensland these potential super regions are in my view:

- Beenleigh-Beaudesert
- Darling Downs (in particular Toowoomba-Oakey)
- Gympie/Cooloola-Noosa
- Maryborough – Hervey Bay
- Bundaberg - Isis (Childers)
- Rockhampton-Gladstone
- Mackay - Sarina
- Townsville - Ingham
- Cairns - Port Douglas

The State Government can promote this super region strategy by improving infrastructure between the two places, encouraging collaboration between local governments to promote the super region generally, and to identify and make available state government land between the two places for infill development.

Contractor Size

The recent CEDA construction productivity report highlighted that the residential construction sector is supplied by a large number of small operators. I believe there are few reasons for this. One major reason is state payroll taxes, small businesses stay small to stay under the threshold. Another reason is flexibility, many small operators trade as limited liability companies for tax benefits but also flexibility, because construction labour is otherwise highly regulated and union dominated. I would say the major project sector is the reverse, large scale building (say projects in excess of \$100 million) is dominated by a small number of players, and increasingly by overseas owned construction contractors, and therefore with limited competition.

The state needs to improve its forecasting and create a steady pipeline of work for major contractors to survive. Further, the state itself needs to become a better buyer by employing in the public service people capable of managing large contractors rather than contracting out such services to project managers. Generally there is too many white collar service providers in the construction industry who do not actually build anything. A key reason for decline in construction productivity on major projects is an increase the ratio of white collar workers to blue collar workers.

Government has a role in reducing red tape so as to reduce the need for so many white collars workers to comply with the regulatory burden imposed by government. As a legal adviser to the construction industry, state government construction contracts have become too complex with the amount of administration required (white collar work) as to opposed to actual work. For

example a recent major subcontract I advised on included 23 separate annexures to the main terms of the contract (which flowed down from the head contract) and included significant reporting obligations such as carbon emission reporting, training policy reporting, sustainability reporting, state government policy reporting, ethical supplier reporting, payment time reporting etc. The state government needs to revisit the need for this reporting in particular if the information reported is not actually used. All of this white collar work comes at a cost but which is not actually part of the main construction task of what is actually built.

Trade Labour

Generally in Australia there has been a significant increase in migration without an equal increase in capital. This has resulted in a capital shallowing where more labour is being used relative to capital, resulting in a natural decrease in productivity per person. Construction trade labour and skills is not in any shortage worldwide, so it is policy issues that mean the state is not attracting a sufficient migration of construction workers. If policy issues are the cause, at least policy settings can be changed to fix it. Many major projects in Australia (for example the Snowy Mountains Scheme) were only able to be delivered by also utilising imported construction labour. The same issue will apply to projects in the future, such that it needs to be easier to import skilled trade labour for major projects.

In our immediate region there is an opportunity for Queensland to attract construction labour from other states and New Zealand. While there is already mutual recognition, policy settings to encourage this migration of construction skills is a good idea. For example, mutual recognition should be considered for extension beyond other Australian states and New Zealand.

In major projects in Queensland the supply of construction labour is union dominated. This has resulted in “rent seeking” behaviour where wages have increased without productivity increases and hours worked have decreased. Given construction projects have high overheads, this impacts project durations and overall cost. This rent seeking behaviour has resulted in a transfer of wealth from the taxpayer to such rent seekers (and also a reduction in the amount of new infrastructure which can be delivered to benefit all citizens for the same amount of money i.e. poor value for money).

Union domination of construction labour is not new, craft guilds for example go way back to the 12th century. Adam Smith identifies the issue in *The Wealth of Nations*¹ and also identifies the only solution are those imposed by the customer:² “[t]he real and effectual discipline which is exercised over a workman, is not that of his corporation, but that of his customers. It is fear of losing their employment which restrains his frauds and corrects his negligence”. As a result the

¹ Adam Smith *The Nature and Causes of the Wealth of Nations* (Liberty Fund Edition, Indianapolis, 1981) 142-146 (Smith)

² Smith at 146

state has a role as a customer in regulating unproductive rent seeking in the construction industry.

Regulatory and Non Regulatory Mechanisms

Example regulatory changes I previously submitted were:

- A state based Building and Construction Commission including a State Code for the Tendering and Performance of Building Work in Queensland, covering both public and private sectors.
- As apprenticeships are supposed to be competency based, consideration being given to reducing usual construction trade apprenticeship durations from 4 years to a shorter period, say 3 years. This may have the benefit of increasing supply of apprentices by reducing the cost to employers, and also permitting apprentices to move to higher wages a year earlier (again Adam Smith identified apprenticeship durations as an issue in 1776³).
- Do away with project trust accounts and have more management contracting where sub-contractors, sub-trades are paid directly by the customer, with the head contractor being paid a management fee with bonuses for meeting key performance indicators.
- Advertising in other states and New Zealand of construction and lifestyle opportunities in Queensland to encourage migration of construction skills to Queensland.
- Further steps in secondary education to reduce inherent bias towards tertiary as opposed to technical education, in particular in South East Queensland.

Priority Areas for Reform

The QBCC needs reform. In the short term the 2022 Varghese Review into the QBCC should be revisited and either implemented (or supplemented) rather than a new QBCC review.

The QBCC is a currently a tight – loose regulator, it imposes very significant regulatory burdens to obtain and maintain licences and requires significant reporting (minimum financial requirements for example) but does little by way of enforcement. This increases the cost to everyone and may discourage new trade entrants, yet does not discourage bad behaviour and remove bad actors from the industry (who can phoenix into a new business merely by nominating a new nominee). The cost of bad behaviour is carried by consumers through unrectified defects and the increased cost of paying Home Warranty Insurance.

³ Smith at 136

The QBCC needs to change to a loose – tight regulator, reducing licencing requirements and costs but increasing enforcement.

I would separate the QBCC's functions into two separate entities, one for licencing and one for enforcement and managing home warranty insurance premiums and claims. Varghese recommended this (recommendation 1.1) as his first recommendation but it has not been implemented

What is needed is steady regular workflow with simplified contracts, regulations and reporting requirements. As I state above, Queensland Government building contracts now seem to require onerous reporting requirements to meet state government policy objectives (e.g. training policies) which small contractors do not have the resources to meet. Government construction and procurement contracts need to be standardised (at both state and local government level) and simplified for small value work.

Government procurement and contracting arrangements

As commented above, the State Government can take the lead by imposing from a customer level a requirement for improved construction industry behaviours. This was the philosophy behind the Australian Building and Construction Commission which worked but which the Federal Government abolished because the ABCC did not suit union interests. Major contractors will not reform unions because they are beholden to union interests and may in fact profit from project cost overruns.

The State Government needs to be a better informed, more principled, better buyer, to find value for money.

The CRIMP process I propose is an example of an industry wide review to explore ways to reduce costs in major projects. I would recommend the state government look at such an enquiry as an activity subsequent to this enquiry.

Yours Sincerely

(sent electronically, therefore unsigned)

Reece Allen
Principal
Project Legal

Attachment 1

Australia's Productivity Pitch

We gathered policy ideas on how to improve productivity across 5 areas of the Australian economy.

Summary

Timeline

[Projects](#) >

[Australia's Productivity Pitch](#) >

[Participate](#) >

[We heard ideas on making Australia more productive and prosperous](#)

CRIMP (Cost Reduction Initiative for Major Projects)

In the 1990s in the UK, the North Sea Oil and Gas Industry implemented a productivity improvement and cost reduction initiative called CRINE (Cost Reduction Initiative for the New Era). It had the objective of reducing the capital cost of future oil and gas projects by 30%. The initiative involved multi sector participants from all aspects of the oil and gas industry. The initiative and its successes are well reported. Compared to CRINE, Australia has one of the least competitive construction industries in the world with poor, declining productivity. This is despite most of our major contractors actually being subsidiaries of overseas owned multi-national construction companies. CRIMP is proposed to be a multi sector cost reduction initiative involving all stakeholders in the major projects industry: government (federal, state and local), private developers, major contractors, suppliers, unions and financiers. CRIMP would

include cost reduction targets, standardised objectives and multi stakeholder working groups working towards those objectives, Prior productivity enquiries in this space have failed because of vested interests who believe they do not benefit from cost reduction and a failure by governments and the private sector to implement any changes. Major Projects in Australia are beset with cost overruns and delays, with the cost ultimately borne by taxpayers or private principals (for whom a cost overrun can result in them going out of business, the loss then being borne by investors or financiers). The cost overruns are resulting in poor value for money and lack of cost certainty has caused a drop in the private finance market in Australia because the risks of cost overruns are real and too great for financiers to bear. A broad based multi sector enquiry with specific cost reduction targets and objectives is needed. This is what is proposed with CRIMP.

Tell us more about your idea for improving productivity, including the likely benefits

CRIMP would improve productivity through a multi sector taskforce implementing a determined set of objectives. Those objectives might include (1) a specific, agreed, cost reduction target for major projects and measurement of future major projects against the target (2) maximise standardisation (3) maximise modularisation / off site work (4) improved planning and cost estimating including reference class forecasting against similar projects overseas and benchmarking of completed projects against projects overseas (5) standardisation and simplification of building codes and laws (6) standardisation of building contracts across federal, state, local government and private sector, based in either a new set of Australian Standards Contracts or FIDIC Contracts (7) a long lead, well planned, pipeline of future major project work (for example, when building a tunnel, the next tunnel should be planned, costed and approved concurrently, to start when the current tunnel being constructed is finished to maintain industry continuity, skill retention and employment) (8) improve site investigations and route analysis to minimise clashes with existing infrastructure and traffic (i.e. more greenfield development and sites outside the current urban fabric or brownfield sites) (9) improving the quality and supply of land for development by an authority which actively investigates all urban vacant land or redevelopment sites and links the owners (including government and the non-profit sector) with developers (both public and private) to discourage idle land use or land banking (10) change the culture of all participants in the construction industry to best for project with accountability for non best for project behaviours

(11) an objective of reducing the ratio of off site overhead (white collar participants in the construction industry) to on site overhead (blue collar workers (whose labour productivity actually results in built work rather than simply wasted sunk costs) (12) financial incentives to reward cost reduction, quality and efficiency rather than rewarding cost overruns, defects, inefficiency and delay. The likely benefits of CRIMP include increasing infrastructure and development by stretching the public purse to enable more projects to be built for the same money or actually reducing budget deficit spending, increased housing supply, encouraging more private capital investment (by decreasing costs and cost uncertainty and increasing returns on investment). Longer term job creation based on jobs justified by efficiency rather than poor productivity and behaviours not best for project. Improving safety by reducing on site work and work under traffic.

Does your policy idea specifically relate to any of the topics? Please select as many as apply.

Creating a dynamic and resilient economy

Do you consent to your idea being published to the PC website for other people to see?

Yes, I want my idea published to the PC website and attributed to me (please register before submitting your idea)

I confirm that there is no personal or identifying information contained in my idea.

Yes, there is no personal or identifying information contained in my idea.

[Back to We heard ideas on making Australia more productive and prosperous](#)



Productivity Commission acknowledges the Traditional Custodians of the land on which we live and work, and we pay our respects to Elders past and present.

Website | www.pc.gov.au

[Community Guidelines](#)

[Privacy Policy](#)

[Accessibility](#)

[Contact us](#)

 [Powered by District Engage](#)