Queensland Major Contractors Association

Response to

Queensland Productivity Commission Interim Report
Opportunities to Improve Productivity of the Construction Industry

Contents

1.0 Introduction and Background

The Queensland Major Contractors Association (QMCA) welcomes the opportunity to provide comment on the Queensland Productivity Commission (QPC) Interim Report – Opportunities to Improve Productivity of the Construction Industry.

The QMCA is the construction industry peak body representing Queensland's leading construction contracting companies. The QMCA is dedicated to making the construction industry safer, more efficient, more competitive and better able to contribute to the development of Queensland and Australia.

QMCA's current 80 strong membership includes the top-performing construction companies in Queensland as well as support services, which together account for around $10 billion of output annually in Queensland. The QMCA has a crucial role in representing its members' views on policies, inquiries and other government initiatives that affect the industry, in order to contribute to balanced policy making and better outcomes.

The QMCA response to the QPC Interim Report builds on our earlier submission to this process. Our response is broken into three sections:

1. Cross reference of QMCA and QPC Recommendations;
2. QMCA response to QPC Recommendations; and
3. QMCA response to QPC call for additional information.

2.0 Cross Reference of QMCA and QPC Recommendations

2.1 Overview

Recommendations that QMCA made in its original submission that we believe require further work by the QPC are provided in the below table in orange and are discussed below.

Table 1: Summary of QMCA and QPC Recommendations

Stage	QMCA Recommendation	QPC Recommendation
Planning	Market Sounding: Include contractors in early stage market sounding Revise the business case process to be more efficient and remove the three stages and PVR's for smaller projects Scope Definition: Scope definition for each project needs to focus on what is the fit for purpose outcome	**Project Sequencing: Aligning with Market Capacity** • Mandate comprehensive market sounding (pre & during tender) for all projects. • Ensure whole-of-government perspective for staging and prioritization, avoiding siloed decisions. **Project Rationalization: Optimizing Capital Program** • Review entire capital program against key priorities and market factors (e.g., productivity impacts). • Right-size project scopes to essential outcomes, eliminating unnecessary costs. • Explore non-infrastructure solutions (e.g., demand management) for cost-effective outcomes.
Procurement & Design	Accuracy & Reliance on Information: Enable all provided information to be relied upon by tenderers Environmental & Planning Approvals: Reform the approvals process to be more time efficient and work with Commonwealth Government on reforms to the EPBC Act	**Sole Objective: Value for Money** • Define value for money as: (i) whole-of-life costs, and (ii) fitness for purpose, with due consideration for risk and quality. • Simplify policies to reduce administrative burden and boost competition (especially in regional areas). **Remove Non-Value-for-Money Policies (unless net benefits proven):** • Ethical Supplier Mandate and Ethical Supplier Threshold • Supplier Code of Conduct • Queensland Government Building and Construction Training Policy

Stage	QMCA Recommendation	QPC Recommendation

	Procurement: Adopt collaborative procurement as standard, regardless of contract delivery model.	• Local Benefits Test
		• Queensland Renewable Energy Procurement Policy
		
		Administrative Simplicity: Review all procurement instruments for ease of use.
		
		Key Options Under Consideration:
		• **"Digital by Default" Adoption:** Address barriers to digital technologies (e.g., BIM) for efficiency, information sharing, and risk reduction.
		• **Collaborative Contracting:** Increase use of collaborative arrangements to drive innovation.
		• **Risk/Profit Sharing Guidance:** Develop guidance for appropriate risk/profit sharing, including performance incentives.
		• **Standardised Contracts:** Adopt standard contracts to reduce administrative burdens.
		• **Optimized Tender Sizing:**
		  • **Bundling:** Combine similar projects for economies of scale/scope.
		  • **Breaking Up:** Divide large projects into smaller packages to enable smaller, innovative firms to bid.

Delivery	Detailed Design Reviews: Revise the design approvals and review process Quality Control: Review the hold points and applications of specifications Move to more performance-based specifications Contract Administration: More flexible guidelines for contract administrators to assist in site efficiencies	BPICs should be permanently removed from Queensland Government procurement policy. **Suggested Options for Enhanced Confidence & Competition:** • **Revised Policies for Large Projects:** Exclude firms that pass EBA conditions to subcontractors or those with provisions that reduce flexibility/competition or enable unproductive practices. • **Clear Guidance on WHS Issues:** Develop clear guidance for managing contentious WHS matters (e.g., wet/hot weather, proportionate incident responses, site shutdowns). • **Independent Oversight:** Establish an **independent arbiter** for dispute negotiation and/or a **watchdog** to reduce illegal or anti-competitive conduct on worksites.
	Industrial Relations: Permanently remove any use of BPIC and BPIC pre-qualification Revise the BPP guidelines and policy to remove any elements associated with IR Workplace Health and Safety laws to be further strengthened to remove any undue union influence	**Key Options Under Consideration:** **Review Compliance Monitoring and Enforcement Policy:** • Office of Industrial Relations (OIR) to review the policy. • Focus on **adequate guidance** for risk management while **minimising unnecessary costs** to businesses. **Expedite Harmonised Incident Reporting:** • Queensland Government to accelerate development and rollout of a **single, harmonised incident reporting framework.** • Include **single point digital reporting** capability.
	Innovation & Technology: Create frameworks in tenders to enable innovation and technology to be put forward that would deliver productivity improvements Collaborative procurement to enable trailing of new approaches Invest in specific technology that can deliver productivity on site (joint approach between government and industry)	Remove unnecessary regulatory barriers to MMC adoption. **Queensland Government Actions (National Competition Policy Commitments):** • **Nationally Consistent Definition:** Adopt a nationally consistent definition of MMC in relevant legislation. • **Manufacturer's Certificates:** Amend building legislation to accept manufacturer's certificates for NCC compliance. • **Regulatory Neutrality:** Ensure regulatory neutrality in planning schemes and consumer protections for MMC. **Advocacy & Guidance:** • Advocate for **NCC performance-based provisions to be production-neutral** for MMC suitability.

Stage	QMCA Recommendation	QPC Recommendation
	Integrated Project Delivery: Reduce the requirements on contractors such that indirects can be minimised	• Develop **MMC-specific guidance** where necessary. • Advocate with the Australian Building Codes Board and Standards Australia to ensure standards accommodate MMC.
Commissioning & Operations	Auditing: Review and remove all unnecessary audits (Buy Queensland etc)	**Preliminary Recommendation 18: Review of Occupational Licensing** **Multi-Year Coordinated Review:** All Queensland's construction-related occupational licensing requirements should undergo a multi-year, coordinated "stock review" by relevant agencies in consultation with stakeholders. **Prior Learning Recognition:** Opportunities to more fully recognise prior learning and experience.
	Digital Models: Make the use of digital models and information as standard	
	O&M Requirements: Ensure that O&M requirements are built into project scope definitions	
	Competency of People: More flexible approach to the requirements for experience levels (years) for key site positions	

QMCA recognises that some of the issues outlined in our previous submission and again here can only be actioned at a National level but nevertheless believes QPC should make recommendations for the Queensland Government to progress these with the Australian Government.

2.2 Procurement and Design

2.2.1 Accuracy and Reliance on Information

The QMCA believes that minimising unknowns and associated risks create an environment that promotes productivity. During the project development phase, project owners will normally undertake preliminary investigation work, such as geotechnical studies, location of utility services, indigenous and other heritage locations, hydrological data, design plans etc to ensure that a project is viable. This information is typically provided to tenderers, but they are required to assume risks for the accuracy of this information.

Historically however, tenderers cannot rely on this information and have no opportunity for relief where the information is inaccurate. As a consequence of not being able to rely on this information, all tenderers are required to either engage their own consultants to undertake further investigations, where this is possible. Otherwise, they must take on (price) the risk that the information provided might not be accurate. This is a waste of cost and time and impacting limited resources that can be otherwise allocated to other works and increasing efficiency.

If information provided to tenders was able to be relied upon there would be a significant amount of savings in the time and expense of engaging additional consultants to verify information or in the amount of risk contingency being included in tenders. There would also potentially be a reduction in disputation as liability for information provided at tender is a common cause of disagreement between contracting parties irrespective of how liability is defined in the contract.

Recommendation:
Remove conditions about non-reliance on provided information. State that the information provided can be relied upon. This will remove significant duplication of effort and significant cost from the tendering process. Can be actioned in Queensland.

2.2.2 Environmental and Planning Approvals and Regulation

The process for development and construction can potentially stretch major project timelines to ten or more years. Much of this time is not spent building but rather in the approvals phase. Even after approvals are granted, delays occur. There is too much complexity and time from approval process and there are simply too many unintended consequences from trying to remove risk. QMCA believes that this issue is acknowledged in the QPC interim report but specific to residential approvals and further work is required by the QPC on non-residential Environmental and Planning Approvals.

Approval processes currently do not get the balance right between the benefits of regulation and its impact on productivity and affordability. Excessive regulation hinders construction productivity and makes infrastructure more expensive. The sheer volume of regulation and the difficulty in understanding and navigating it can act as a barrier to competition.

There is too much complexity and time from approval process and there are simply too many unintended consequences from trying to remove risk. The construction process involves tangible steps like construction activities and intangible steps like land acquisition, gaining approvals, securing financing, and setting up infrastructure access. This process is inherently risky, time-consuming, and costly. Excessive regulation hinders construction productivity and increases costs.

While regulations have improved safety and amenity, this has come at a cost and has slowed new infrastructure supply and increased cost. Achieving the right balance and increasing infrastructure supply requires reform across all levels of government, prioritizing supply and affordability.

The three levels of government (Federal, State, Local) are dictating where and how projects are built and what they look like. Regulations serve important purposes, such as ensuring health, safety, minimum quality, amenity, and environmental protection. Well-designed regulation can even improve productivity by solving market failures.

However, approval processes currently do not get the balance right between the benefits of regulation and its impact on productivity and affordability. Excessive regulation hinders construction productivity and makes infrastructure more expensive. The sheer volume of regulation and the difficulty in understanding and navigating it can act as a barrier to competition.

Case Study

On the Coomera Connector North project, the project was delayed by over 12 months due to environmental and project approvals, the contractor team was engaged and this cost them $35 million directly and lost work revenue of over $100 million (work that could have effectively been delivered). This is amounts to a significant loss of industry productivity considering the resource invested. Equally the Beerburrum to Nambour project was delayed for over two years as a result of EPBC.

A significant issue is slow and poorly coordinated regulatory processes. The sequential nature of construction means regulatory issues can cause significant delays at key points. This is made worse by poor coordination between and across levels of government and under-resourcing of key approvals agencies. Companies often have to navigate or even coordinate a process involving multiple government tiers themselves. Lack of coordination and consistency between decision-making bodies increases risk and uncertainty. Delays and disruptions create 'cascading failures', which increase costs. Changing conditions of approval or not having approvals in place significantly constrain procurement.

The volume and complexity of regulation mean more agencies and decision-makers are involved, requiring distinct information. The greater the number of approvals and the more uncertain the timeframes, the higher the likelihood of delays, which can imperil project feasibility. Differences in planning rules can limit the ability of builders to standardise designs and processes.

Specific examples include:

- At the Commonwealth level, the Environmental Protection and Biodiversity Conservation Act 1999 requires approval for developments impacting international environmental obligations. The Queensland Government enforces laws regarding pollution control and biodiversity. Local governments set environmental requirements and require compliance with state laws for local approval. Environmental regulations, particularly those

protecting biodiversity, add uncertainty to feasibility assessments and can change over time, potentially becoming more stringent and effectively restarting the development process.

- Cultural protections can apply to significant sites.
- Health and safety laws and occupational licensing affect sites during construction. (not so sure on this one)
- Projects must comply with strict certification processes to ensure they meet all required standards before, during, and after construction. This includes approval processes for building designs, modifications, and final occupancy permits and adherence to Queensland Development Code (QDC) and the National Construction Code (NCC).
- Queensland's Building and Construction Commission (QBCC) oversees compliance with these conditions, ensuring that builders, contractors, and developers adhere to industry best practices. Failure to comply can result in fines, suspension, or cancellation of licenses.
- Procurement processes that do not enable quick and speedy decisions and the fact that a lot of resource is tied up in poorly designed and lengthy procurement processes- eg the Gold Coast Faster Rail and Sunshine Coast Direct Rail- this includes the internal approvals processes within departments for projects and programs alliances and others through 4 gate process

Generally, risk mitigation efforts are seen as eroding productivity, and there are too many unintended consequences from trying to remove risk. The focus can shift to a "compliance culture" of "ticking the boxes" rather than delivering better outcomes. In many cases there has been a prevalence of the “Cash for comments” approach, which has stifled the ability to progress projects in an efficient manner.

In summary, this issue is not only one relating to residential projects but non-residential as well., The current planning and development regulatory environment, characterised by excessive volume, complexity, poor coordination, and lengthy, uncertain approval processes, is a fundamental and significant constraint on construction productivity and infrastructure affordability.

There is scope to improve the end-to-end process. This includes improving coordination across approvals bodies, introducing mechanisms to deal with extended delays, adequately resourcing regulators (particularly local governments), and governments improving coordination between decision makers. Establishing coordination bodies and setting informative performance targets for approval decisions are also suggested improvements.

Recommendation:
Reform the environmental and project approvals processes to be more seamless, integrated and provide a coordinated approach to them. In Germany for all “state significant” projects referral agencies and stakeholders are given 12 weeks to respond as to why they disagree or what issues they have with the project or it is deemed approved. We need to look at a similar process here.

Work with the Commonwealth Government to reform the time consuming elements of the EPBC Act to get a more efficient process enabling less “non-productive costs” throughout the project delivery.

2.3 Delivery

2.3.1 Detailed Design

Infrastructure design has eroded construction productivity primarily due to excessive and poorly coordinated review processes. More specifically:

- There are multiple design approvals and too many people and agencies involved;
- The amount of reviewers “per project gate” is considered excessive and costly and of little value;
- There is a lack of a primary reviewer to coordinate inputs;
- Designs are subjected to an increasing number of reviews beyond just meeting the brief, including by stakeholders focused solely on specific components without responsibility for overall delivery; and

- These extensive comments increase both the cost and time required for construction and lead to contractual disputes.

This overall process negates many of the productivity benefits of procurement models like Design and Construct where the design is the responsibility of the contractor to meet a specification. Regardless of the delivery model pursued (construct only, design and construct, ECI, alliance, ITC etc) the design management and approval process needs to be refined. Too much time is lost in an inefficient design approval and review process that passes through too many hands without appropriate oversight and review by clients regarding priorities and focussing on the defined scope of the project.

Recommendation:
Clients to review and revise the design approval process to reduce wasted time and effort with regard to design approvals and minimise lost time. Limit design review and approval feedback to a max of three days.

2.3.2 Rework and Quality Control

Construction rework, in its simplest terms, refers to the need to redo a portion of a construction project that was not done correctly the first time. This can encompass a wide array of issues, including errors in design, workmanship, communication, and planning. Rework can manifest in various forms, from tearing down improperly constructed elements to reconfiguring entire building systems. Essentially, it represents work that should have been completed but, due to defects or missteps, requires redoing or correcting. Very importantly rework often comes from either over specified design or poor application of requirements In addition, whilst vitally needed, rigid and esoteric quality control unrelated to outcomes has had detrimental impact on productivity in Queensland construction projects for several interconnected reasons:

Rework and Rectification

- Direct time wastage: When work is not done correctly the first time, significant time and resources must be spent on identifying, rectifying, and redoing the faulty work. This immediately pulls resources away from planned tasks, causing delays in the overall schedule. There is too much rigidity in the specifications requiring re work- for instance the concrete specifications do not differentiate between structural and non-structural elements and therefore if the slump or compressive strength does not meeting the tight specification requirements on non-structural elements (footpaths etc) it has been turned away or dumped. This results in a loss of productivity and material wastage as well. This is inefficient and unproductive.
- Demobilisation and remobilisation: Rework often requires specific trades or equipment to return to a previously completed area, leading to inefficient demobilization and remobilization, further wasting time and money.
- Increased material costs: Rework can involve the removal and replacement of defective materials, leading to increased material costs and potential wastage.

Delays and Schedule Disruptions

- Chain reaction of delays: Poor workmanship in one area can have a cascading effect, delaying subsequent tasks that rely on the completion of the faulty work. For example, incorrect structural work will delay the fit-out stages.
- Missed deadlines and penalties: Significant delays caused by rework can lead to missed project milestones and contractual penalties.

Reduced Efficiency

- Loss of momentum: Frequent interruptions for rework break the flow of work and reduce the team's momentum, making it harder to maintain a consistent pace.
- Overcrowding and congestion: Rework can lead to more workers being present on-site simultaneously than planned, causing congestion and reducing individual worker efficiency.
- The management and treatment of unsuitable sub grade for instance is one area where there is a large opportunity to be more practical. The specifications require that unsuitable sub grade be dug up and reworked to achieve a workable platform. The issue with this is it often doesn't meet specification and then delays other elements of the program leading to inefficient operations, particularly as subgrade areas are left to try and "dry out" etc. Alternative treatments (whist more expensive on a per m3 basis such as replacement using rock and geofabric) result in a much more efficient solution by time and therefore are cheaper overall- but the response

from contract administrators is to try and re work the sub grade time and time again- rather than looking for quick alternative approaches that then do not impact on overall schedule and hence productivity

Increased Costs

- Higher labour costs: Rework necessitates additional labour hours, increasing the overall labour costs of the project.
- Extended project duration: Delays caused by poor workmanship extend the project duration, leading to increased overhead costs (site management, equipment rental, etc.).

There is overall project inertia from quality control – referred to hold points and their impacts on workforce and project continuity. Quality has to be an enabler not barrier to productivity. Solution to instead of testing is put geo-techs on the ground and not dwell on individual specifications but outcomes. A construction and civil engineering study[1] estimated direct and indirect costs of construction rework as a percentage of contract value being 6.4% and 5.9%, respectively. Another study by the Centre for Comparative Construction Rework[2] found that rework reduced construction companies' mean yearly profit over a six-year period by 28%.

Recommendation:
Investment in quality control, proper training, clear communication, and skilled labour is crucial to minimising these issues and ensuring efficient and productive construction projects. Development of more flexible guidelines and specifications for contract administrators and project verifiers etc to work within would assist in site efficiencies.

2.3.3 Contract Administration and Project Management

QMCA cites increasingly there is a lack of timely decision making and nothing in real time on many projects. There has been essentially the creation of the independent verifier cottage industry that impairs productivity so to justify its own existence needs to be critically reviewed and overhauled. QMCA believes there is a need consistency of training for contract administrators who lack both understanding and care around how their performance routinely impacts the productivity of the project they are supposedly there to enable. Additionally management plans are required again and again and there are too many. We need to focus on project performance but in the context of delivering project outcome. Administrators should be incentivised around the performance of the project and their timeliness in responding to issues too. There is a lack of desire or authority for contract administrators to exercise "engineering knowledge and judgment" in the execution of the project management.

Over the past few years, we have seen a trend to a significant increase in "man marking" on projects. This adds significant cost to the overall total cost and duplication of resources. These additional resources have not been found to improve decision timeframes or lead to better value for money outcomes.

Recommendation:
Provide contract administrators with guidelines with regard to how they are to operate in terms of assisting all parties constructively and collaboratively to deliver projects and enabling the contractor to achieve higher productivity on site.

Remove the requirement to "man mark" on projects with client project teams.

2.3.4 Workforce Skills

The Queensland construction industry faces challenges in attracting and retaining workers. This contributes to skill shortages and affects the overall skill mix available, which in turn impacts productivity. There is a recognised need to lift the overall skill level of the industry and enable the workforce to re-skill and adapt quickly to new construction technologies and methodologies. Future construction jobs are expected to require more cognitive and digital skills. Apprenticeship commencements and completions have stagnated in recent years, and training pathways can be restrictive and inflexible.

A major constraint is restrictive and inconsistent regulatory settings related to occupational licensing across different jurisdictions. Requirements to obtain and maintain licenses can be onerous, and variations in rules reduce labour mobility

[1] *https://www.researchgate.net/publication/49280189_Calculating_total_rework_costs_in_Australian_construction_projects*
[2] *https://research.bond.edu.au/en/publications/the-costs-of-rework-insights-from-construction-and-opportunities-*

and flexibility. While some progress has been made with initiatives like digital licenses and automatic mutual recognition (AMR) between states, challenges remain, including Queensland's non-participation in this initiative.

Migration settings also create barriers to attracting skilled workers. Issues include reliance on restrictive 'skills lists' and a duplicative, lengthy, and expensive process for overseas qualified tradespeople to have their skills assessed and obtain licenses. This process can take up to 18 months and cost thousands of dollars. Opportunities exist to align approvals processes and support mutual recognition of international qualifications. Recent changes, like the new Skills in Demand visa, have included more construction occupations, but exclusions (such as technicians, trades workers, and labourers from the Specialist Skills stream) curtail the potential benefits for construction productivity.

Workforce characteristics and cultural issues, such as the predominantly male workforce and long working hours, may also act as a barrier to attracting talent.

Recommendation:
Investigate alignment between all states on licencing requirements
Refine the skilled migration arrangements to enable more migration of skilled workers

2.4 Completion and transition to Operation and Maintenance

2.4.1 Auditing

Auditing is eroding productivity including in areas of accounting and Fair Work. Both have been an overreach in time and energy. Sustainability ratings are also coming into the equation. While auditing is a crucial process for ensuring compliance, quality, and financial accountability in construction, poorly planned or executed audits erode productivity in several ways:

Direct Time Diversion:

- Pulling Staff Away from Core Tasks: Audits require project managers, engineers, supervisors, and even site workers to dedicate time to preparing documentation, answering questions, and accompanying auditors. This directly takes them away from their primary productive activities.
- Disrupting Workflow: Unscheduled or lengthy audit sessions has interrupted ongoing work, forcing teams to stop what they're doing and address audit requirements, leading to a loss of momentum and efficiency.

Increased Administrative Burden:

- Extensive Documentation Requests: Auditors often require a significant amount of documentation, which has placed a heavy administrative burden on project teams to compile, organize, and present. This has diverted resources from actual construction activities.
- Creating Additional Paperwork: If audit processes necessitate the creation of new documents or reports specifically for the audit, it adds to the overall administrative overhead of the project.

Delays and Schedule Impacts:

- Holding Points and Inspections: Some audits have involved mandatory hold points where construction cannot proceed until an audit or inspection is completed. Delays in scheduling or conducting these audits directly impacts the project timeline.
- Follow-up Actions and Corrective Measures: If audit findings require corrective actions, the time spent addressing these issues leads to delays in the original schedule.

Inefficient Audit Processes:

- Poorly Defined Scope and Objectives: If the audit's scope and objectives are unclear, it leads to wasted time and effort as auditors and project teams navigate ambiguous requirements. The Buy Queensland Audits processes have seen a cost to the contractors exceeding $250k for each audit. With no discernible benefit or outcome from these audits.
- Lack of Auditor Understanding of Construction Realities: Auditors unfamiliar with the practical challenges and complexities of construction request information or procedures that are impractical or inefficient to provide.

- Repetitive or Redundant Audits: Multiple audits by different internal or external bodies, especially if poorly coordinated, can lead to unnecessary duplication of effort and disruption.
- Focus on Compliance Over Improvement: If audits solely focus on ticking boxes for compliance without providing constructive feedback or identifying opportunities for process improvement, they offer limited value and primarily act as a drain on resources.

Overly Reactive Approach:

- Auditing After Issues Arise: If audits primarily occur after problems have already emerged, the focus shifts to identifying faults rather than preventing them, and the time spent addressing the consequences could have been used more productively on proactive quality measures.

It's crucial to recognize that audits are necessary, and their negative impact on productivity can be minimised through:

- Clear Communication and Planning: Clearly communicating the audit's purpose, scope, and schedule well in advance.
- Efficient Information Gathering: Streamlining the process of providing documentation and information.
- Risk-Based Auditing: Focusing audit efforts on areas with higher risk or potential impact.
- Integration with Existing Processes: Aligning audit requirements with existing project management and quality control processes.
- Constructive Feedback and Improvement Focus: Emphasizing the goal of improvement and providing valuable feedback.
- Experienced and Knowledgeable Auditors: Using auditors who understand construction processes and challenges.
- Coordination of Multiple Audits: Streamlining and coordinating different audit requirements to avoid duplication.
- Leveraging Technology: Utilizing digital platforms for document management and audit trails to improve efficiency.

Recommendation:
The requirements of auditing should be based on “what is absolutely needed”. These processes need to be streamlined and specific elements that do not add value such as Buy QLD, Ethical Supplier Mandate and Threshold and the Tripartite Panel should be removed immediately.

2.4.2 Disruption from additional O&M requirements

It is important that the concept of operations from asset owners is included in the project scope to ensure that there are no or little changes in the construction phase.

3.0 QMCA response to QPC Recommendations

The QMCA has recovered the interim report's recommendations and provides the below responses.

Table 2: QMCA Response to QPC Reccomendations

Title	QPC Recommendation	QMCA Response
Project Sequencing	The Queensland Government should improve the way it prioritises its infrastructure spend by requiring market sounding be undertaken both prior and during the tender process, to ensure projects are staged and prioritised to be commensurate with market capacity. These assessments should be conducted from a whole of government perspective, rather than a siloed or agency perspective	The QMCA supports the need for better project sequencing and a programmatic approach to the public investment program. The QMCA supports the need for a consistent approach to sequencing of the investment to ensure that the boom and bust cycle of investment and demands on the industry discontinues. This creates significant issues in terms of productivity as well. To improve this the QMCA suggests that the Department of State Development, as the central infrastructure agency, coordinates through the Coordinator General, the government investment timing and works including that of GOC's such that there is a sequenced approach to investment.
Project Rationalisation	To reduce pressure on the construction industry and support productivity, the Queensland Government should undertake a full review of its capital program to: • ensure the forward work program reflects key priorities, whilst being cognisant of market factors, including impacts on productivity • ensure the scope of works is necessary to achieve the outcomes being sought, for example, the scope does not include any features that add unnecessary costs • consider ways of delivering infrastructure outcomes (such as reduced congestion) at lower cost, including through non-infrastructure solutions (such as a greater focus on demand management)	The QMCA is supportive of this recommendation. Value for money is ensuring that the most appropriate solution is advanced and the QMCA supports this.
Queensland Government Procurement Policies	To ensure the best use of taxpayer money and support construction industry productivity and innovation, the Queensland Government's procurement policy should have a sole objective of value for money, where value for money is defined as the project's i) whole-of-life costs and ii) fitness for purpose, with due consideration for risk and quality outcomes. To reduce administrative burden on tenderers and increase competition, particularly in regional areas, procurement policies should be simplified. Unless it can be demonstrated they provide net benefits to the community, policies that are not directly related to value for money, should be removed as requirements in government procurement. These include: ▪ the Ethical Supplier Mandate and Ethical Supplier Threshold ▪ the Supplier Code of Conduct ▪ the Queensland Government Building and Construction Training Policy ▪ the Local Benefits Test ▪ the Queensland Renewable Energy Procurement Policy. All procurement instruments that are used for the tender process should be reviewed with the aim of achieving administrative simplicity	The QMCA is supportive of this recommendation in particular the removal of "procurement" requirements that do not support or assist with efficient and effective procurement and assisting with value for money. These include: ▪ The Ethical Supplier Mandate and Threshold: This was nothing more than a union developed scheme that was utilised by certain unions to discredit contractors with whom they did not want to see get work due to the fact that they did not hold agreements with them. The QMCA remains steadfast in its opposition to the ESM and the Tripartite panel that the industry viewed as nothing short of a Kangaroo Court. ▪ The supplier code of conduct ▪ Buy Queensland audits: The Buy Queensland audit process, is exceptionally time consuming and does not add any value. It needs to be disbanded with. Recent "audits" of projects finished some 2-3 years prior have cost the contractors $250-$300k to "assist" with that identified issues that were already addressed during the project to the satisfaction of all parties at the time. ▪ The Queensland Renewable Energy Procurement policy should be removed. Dictating wages and conditions is not the role of the government. ▪

Title	QPC Recommendation	QMCA Response
		We would recommend that the efficacy of procurement investment be measured to assist with continuous improvement in procurement practices such that better risk identification, apportionment and management results.
Best Practice Industry Conditions (BPIC's)	Best Practice Industry Conditions (BPICs) should be permanently removed from the Queensland Government's procurement policy.	As per the QMCA's initial submission to the Productivity Commission review the QMCA supports the recommendation to remove BPIC from the Queensland Government Procurement Policy. BPIC added significant complexity to the procurement process, added significant costs to projects and the overall program and reduced productivity on site through restrictive operating conditions. The QMCA's initial submission highlighted these issues and the costs of them.
Broader Industry Reset	Removing BPIC's alone won't sufficiently shift construction productivity in the short term as many of the issues are embedded in the certain EBA's that do not expire until mid 2027. Evidence from stakeholders suggested to improve matters competition will be needed to be encourages on large government projects. This will require that firms have the confidence to enter the Queensland Market or for existing firms to expand capacity. Stakeholders suggested several options for improving confidence and allowing a more competitive environment. These includes: ▪ Revised set of policies for large construction projects that provide for higher productivity- e.g. by excluding firms that allow pass through of enterprise bargaining conditions to sub-contractors and/ or provisions that reduce flexibility, competition or enable unnecessary or disproportionate productivity reducing practices ▪ Guidance on managing contentious WH&S issues such as work during weather events, processes for proportionate responses to WH&S incidents and requirements for shut downs ▪ Establishment of an independent arbiter to negotiate disagreements and/ or watchdog to reduce illegal or anti-competitive conduct on work sites	Since the removal of the ABCC and revisions to the Building Code in the Federal sphere this has seen significant change and major further disruption to construction sites. This has been amplified in Queensland through the implementation of BPIC (although now suspended) that resulted in significant further issues Enterprise Bargaining is at the enterprise level and should be done company to company; not have conditions imposed on smaller companies due to agreements made by others. As such pass down conditions and those that force such on subcontractors should be stopped. Equally if any coercion has been reported in the formation or signing of existing agreements- then these need to be thrown out. To assist with resolving site access disputes and other issues on site then the Office of Industrial Relations should be resourced to be able to hear and handle issues on site and provide answers to these issues in hours. This will be an independent arbiter to negotiate disagreements and to assist in reducing illegal or anti-competitive conduct on work sites WH&S should have a division of inspectors focused on construction only to provide guidance on managing contentious WH&S issues such as work during weather events, processes for proportionate responses to WH&S incidents and requirements for shut downs

Title	QPC Recommendation	QMCA Response
Design of Planning Regulation	To reduce uncertainty and unnecessary regulatory impost on building design, improve productivity and allow greater innovation, the Queensland Government should: ▪ commission an independent review to remove inconsistencies between the Planning Act and the Building Act (and associated regulations) to provide clarity regarding local government powers to regulate building matters and ensure that planning matters are implemented consistently with the Building Act ▪ ensure the requirements in local government planning schemes are consistent with the Queensland Development Code, including any variations due to climatic or other conditions ▪ require that any variations from the Queensland Development Code (the Code) in local and state government planning schemes have demonstrated net benefits to the community — consideration should be given to introducing a requirement for a formal regulatory assessment for any variations from the Code ▪ amend the Planning Act to standardise zoning types across all local plans. ▪ continue to progress standardised siting and design requirements for detached housing, secondary dwellings, and smaller townhouse and apartment buildings ▪ ensure that state and local government overlays are consistently applied across planning schemes	The QMCA is supportive of the Propoerty Council and UDIA's submissions in this regard.
Infrastructure Charging	The Queensland Government should commission an independent review of the infrastructure charging regime to ensure it provides: ▪ an efficient level of funding to support the necessary infrastructure to support development ▪ price signals that ensure that future development considers the efficient use and provision of infrastructure assets. The review should consult widely, including with local governments and industry stakeholders.	The QMCA is supportive of the submissions made by the Property Council and UDIA in respect of this.
Planning And Development Approval Processes	To streamline high priority development assessments, the Queensland Government should provide a streamlined alternative development assessment pathway for significant developments, including for housing. This alternative development assessment pathway should: ▪ use independent planning professionals ▪ have objectives consistent with maximising the welfare of Queenslanders ▪ should have clear guidelines on the definition of a significant development but should not be subject to any other requirements.	The QMCA agrees with this recommendation and is supportive of the submissions made by the Property Council and UDIA in respect of this.

Title	QPC Recommendation	QMCA Response
Planning And Development Approval Processes	To improve approval processes, the Queensland Government should: ▪ review the Building Act and Planning Act to ensure statutory timeframes are adequate to allow for staged approval processes ▪ require local governments to publish their performance information, including approval outcomes, time taken to approve developments and outcomes from planning disputes taken to court ▪ require a suitable entity to consolidate and publish this local government performance information ▪ consider developing, in collaboration with local governments, a 'service guarantee' to ensure approval processes occur in an efficient and timely manner ▪ investigate digital planning and permitting technologies to improve the efficiency, accuracy and transparency of the approval process.	The QMCA agrees with this recommendation and is supportive of the submissions made by the Property Council and UDIA in respect of this.
Zoning Regulations And Land Supply	To increase the supply of housing and improve housing construction productivity and affordability, the Queensland Government should introduce measures to ease zoning restrictions in well-located areas. To do this it should: ▪ identify well located areas near activity centres and surrounding transport hubs in South East Queensland and regional cities where housing densities could be increased ▪ institute a rigorous process that includes open consultation on how and where greater densities should be achieved to improve housing affordability and maximise net benefits to the broader community ▪ increase the allowable densities in appropriate areas by amending local planning schemes or setting rules for locations that local governments must implement in their planning schemes.	The QMCA agrees with this recommendation and is supportive of the submissions made by the Property Council and UDIA in respect of this.
Zoning Regulations And Land Supply	To ensure that local governments have sufficient incentives to deliver new housing supply in well-located areas, the Queensland Government should set annual targets for the supply of construction-ready land and for the construction of new housing for each local government area and hold local governments accountable for meeting these targets. To enact this, the Queensland Government should: ▪ set targets that include desired outcomes for low, medium and high-density housing, and include short- and long-term targets to zoned supply, development rights, approvals and new land and dwelling supply ▪ require local governments to report against these targets in their annual reports, including whether targets have been met, and, where they have not been met, the reason ▪ require reporting on development and building approval outcomes, including acceptance/refusal, time taken to complete approvals and outcomes for cases brought to the planning court	The QMCA agrees with this recommendation and is supportive of the submissions made by the Property Council and UDIA in respect of this.

Title	QPC Recommendation	QMCA Response
	▪ improve monitoring and reporting on the implementation and performance of housing supply targets across Queensland ▪ regularly consolidate local and state planning performance information and publish this in a public report ▪ consider applying financial incentives and/or penalties to local governments to incentivise them to meet any new land and housing targets	
Impacts Arising From NCC 2022	Unless it is demonstrated through consultation that energy efficiency and accessibility standards made as part of NCC 2022 provide a net benefit to the Queensland community, the Queensland Government should amend the Queensland Development Code to opt-out of these provisions (that is, make them voluntary).	The QMCA supports this recommendation and defers to the information provided by the Master Electricians Association (MEA) and the Master Builders Association (MBA) in respect of this
Future Regulatory Changes To Building Codes	The Queensland Government should: ▪ only adopt future NCC changes in Queensland codes where these have been through robust regulatory impact analysis to demonstrate they provide net benefits to the community ▪ only adopt other building code changes where these have been assessed as providing a net benefit under the Queensland Government Better Regulation Policy ▪ advocate for improved regulatory processes at the national level, including for NCC.	The QMCA supports this recommendation and defers to the information provided by the Master Electricians Association (MEA) and the Master Builders Association (MBA) in respect of this
Minimum Financial Requirements	Unless it can be demonstrated that Queensland's minimum financial requirements deliver net benefits to the community, the Queensland Government should remove the requirements.	The QMCA is supportive of this recommendation and supports the need to make these changes as they restrict the level of competition and the current approach is inconsistent with Australian Accounting Standards and other states, therefore increasing the compliance burden and costs on industry in Queensland.
Trust Account Framework	To reduce regulatory burden on the construction industry, the pause on further rollout of Queensland's trust account framework should remain in effect until the Queensland Government undertakes commensurate regulatory impact analysis of the framework in line with the Better Regulation Policy.	The QMCA is supportive of the need to pause the trust account framework and to further review the need for it. The QMCA remains of the view that the PTA system is not needed within the civil sector.
Modern Methods Of Construction	To remove unnecessary regulatory barriers to the adoption of modern methods of construction (MMC), the Queensland Government should progress commitments under the revitalised National Competition Policy to: ▪ adopt a nationally consistent definition of MMC and adopting the national definitions in its relevant legislation ▪ amend building legislation to accept manufacturer's certificates for NCC compliance ▪ ensure regulatory neutrality in planning schemes and consumer protections for MMC. The Queensland Government should also advocate for NCC performance-based provisions to be production-neutral, so they are suitable for MMC or, where necessary, develop MMC specific guidance	MMC is an important part of the mix to assist with improving construction productivity and delivering value for money. However it is hamstrung by tight technical specifications, building regulations, scale, funding and financing of these initiatives and willingness to adopt. Any changes that remove these barriers the QMCA supports. This should also apply to design through the use of digital models and solutions that translate through to construction, eliminating waste. This includes the use of standard designs to simplify the process.

Title	QPC Recommendation	QMCA Response
	and advocate with the Australian Building Codes Board and Standards Australia to ensure any standards accommodate MMC.	
Workplace Health And Safety	The Office of Industrial Relations should review the Compliance Monitoring and Enforcement Policy. The review should focus on ensuring that the policy provides adequate guidance and direction on how to ensure that compliance monitoring and enforcement activities appropriately manage risk while minimising unnecessary costs to businesses and society	The QMCA is supportive of this recommendation. In the past Queensland had a regulatory body with enforcement powers to regulate the conduct of all participants under the Queensland Code. The QMCA calls for consideration of a similar approach within OIR.
Workplace Health And Safety	The Queensland Government should expedite the development and rollout of a single, harmonised incident reporting framework, with the ability for single point digital reporting	The QMCA is supportive of this recommendation
Review Of Occupational Licensing	All of Queensland's construction-related occupational licensing requirements should be reviewed through a multi-year coordinated program of stock reviews by relevant agencies in consultation with relevant stakeholders. At a minimum, each review should consider whether: ▪ there is reliable evidence of a market failure ▪ market failure is better addressed by existing regulation (for example, consumer law) ▪ there is clear evidence the licensing requirement addresses the market failure effectively ▪ licensing arrangements deliver net benefits to the community ▪ licensing requirements deliver the greatest net benefits to the community relative to other options. There may also be opportunities to more fully recognise prior learning and experience in assessing whether licensing requirements have been met.	The QMCA is supportive of this recommendation
Regulatory Impact Analysis Of Pending Occupational Licensing	For any pending changes to occupational licensing that have the potential to increase requirements for the construction industry and have not been subject to an assessment under Queensland's Better Regulation Policy, the Queensland Government should suspend their commencement until that analysis is completed	The QMCA is supportive of this recommendation
Removing Barriers To Labour Mobility	Unless it can be rigorously demonstrated that Queensland's specific occupational licensing requirements deliver greater net benefits to the community than those of other states and territories, the Queensland Government should: ▪ join other states and territories in participating in Automatic Mutual Recognition of occupational licences, at least in relation to the construction industry ▪ automatically recognise equivalent licensing obtained in other states for construction workers	The QMCA is supportive of this recommendation. Automatic Mutual recognition of licences and qualification and experience should be applied immediately. Too many “restrictions” and extra qualifications have been applied in tenders and generally and that restricts the pool of labour and skilled workers too. The approach to RPEQ needs to be reconsidered in that engineers from other states that have similar registration are given equal recognition in Queensland.

Title	QPC Recommendation	QMCA Response
Utility Connections	Any requirements or conditions applied by utility providers should align, as far as practicable, with existing agreed standards. Where they do not align, the utility provider should offer clear, transparent, and evidence based justifications for any differing requirements imposed.	The QMCA is supportive of this recommendation

4.0 QMCA response to QPC request for additional information

4.1 Improving project selection and sequencing

Request for Information:

The Commission is seeking further information on:

Arrangements or incentives that would help government improve its selection, prioritisation and staging of infrastructure. In particular:

- Whether internal to government mechanisms can help improve decision making, and if so, what has been successful in the past or in other jurisdictions.

- If there is any evidence that independent advisory bodies, such as the former Building Queensland, compared to other processes, have improved infrastructure outcomes, and what design elements have proven most successful.

- Whether there are other effective and efficient mechanisms for improving the way government selects, prioritises, stages and contracts infrastructure projects.

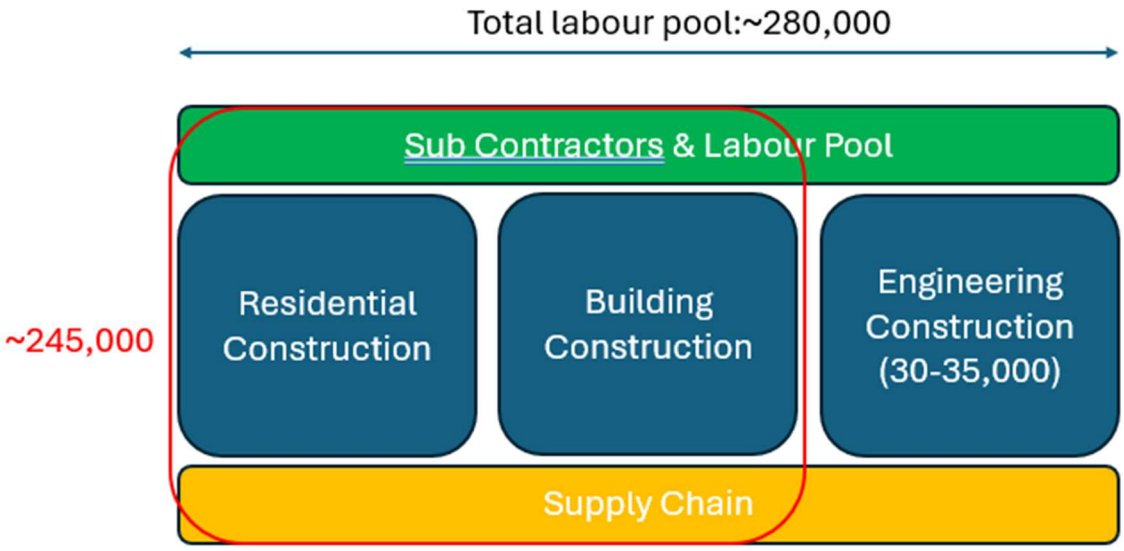
The QMCA has called for greater sequencing of the infrastructure program for some time. There is a significant cross over of labour, sub-contractors and supply chain between the three arms of the building and construction industry. As a result when there is significant demand across all three areas without sequencing of the works then there is a massive draw on the labour pool, sub-contractors and suppliers, as well as project management and engineering skills.

At the present time in Queensland there is significant demand with the following major programs of work:

- Housing construction and meeting the demand regarding the "housing crisis" with one million new dwellings by 2044;
- Health expansion plan: $18b+ investment in new and upgrade facilities by 2030;
- Olympics venues and facilities: $7.1b of new and upgraded venues plus another $3.5b for villages and athlete accommodation by 2031;
- Transport: $46b over 4 years within the TMR program plus council works and private sector projects and programs;
- Energy infrastructure related to the Energy plan including transmission lines, substations, battery energy storage facilities, gas power generation plants, pumped hydro storage etc;
- Mining and mineral projects; and
- Water and wastewater programs with GOC's and water authorities such as GAWB, QUU, Unity Water etc

These works, whilst spread across the state do have a significant draw on available resources; particularly with the cross over between the engineering and building construction industries and the common labour pool and supply chains.

Figure 1: Construction Industry Labour Requirement



QMCA analysis of the engineering construction industry has identified that industry capacity has lifted over the previous few years to approximately $10-11b/yr yet demand ($14b/yr) far outstrips this going forward. Building industry demand is ~$7-8b. If appropriate sequencing can be achieved then the work can be better planned and the demand on the supply chain more manageable, enabling sustainable growth and reducing the peaks and troughs that have characterised the industry for a long period of time and affected the ability to realise sustained productivity improvements.

The QMCA recommends that the Department of State Development as the central agency be responsible for the coordination of the entire state government investment program, sequencing the relevant programs such that the total spend stays within the limits of $25-30b/yr. The Coordinator General as part of the Department of State Development can then take on this responsibility for coordinating and sequencing the investment program across agencies and GOC's to ensure that the industry can grow but is amore sustained and balanced fashion.

Building Queensland in its previous form was a body for the development of and assessment of business cases, rather than a coordination and sequencing body. The QMCA is of the view that the Coordinator General within the DSD should be responsible for this work.

One of the major issues is the time it takes for a project to progress through the development, assessment, funding and procurement processes. Streamlining of this, as laid out in the initial QMCA submission remains relevant. Removing the need for a three-stage business case process would save significant time and cost. Simplifying the business case process to a simple single stage business case with two gates:

- Strategic approval gate: Where projects are determined to proceed or not based on strategic need and priority
- Business Case/ Funding Gate: Once projects have progressed through the next stage of business case then a decision on timing and funding can be made by the relevant agency, in coordination with the Coordinator General and Treasury.

The impact of lengthy delays through the planning and approval process affects industry's ability to deliver. With a fixed timeframe (Olympics and other election commitment projects) this has an impact on the "run rate" (ie the turnover that is needed to be achieved). For instance to deliver the Games venues (Olympic Venues plus arenas and villages) plus infrastructure (The Wave, Gold Coast Faster Rail, etc) by 2031 at a total of $24b then the run rate as of today is ~$17m/ working day (based on 6 years to deliver the bulk of the works).

Delays in project approvals, design, transactions and sequencing of even 6 months increases this to $18.5m/day and 12 months of transaction delays etc equates to a run rate of $20m/day. Approving agencies should be held to agreed timeframes for approval and anything unreasonably beyond that they should then be required to foot for the increased expenditure or additional costs as a result of their induced delays. This would help improve overall project productivity.

4.2 Queensland Government procurement policies

Request for Information:

The Commission is seeking further information on:

- How Queensland Government procurement policies:

impact the procurement decision of government
affect contractor behaviour and on-site productivity
provide benefits or costs not considered by the Commission and whether these justify their retention.

- How the pre-qualification system impacts contractors, building consultants and subcontractors, and the extent to which it impacts the ability of small and medium subcontractors in regional areas to compete for government tenders, and what could be done to improve matters.

- Whether there are more appropriately sized PQC thresholds and the extent to which these thresholds should vary for different stakeholders.

In our original submission, QMCA highlighted that the Queensland Government procurement process has blown out, taking up to 18 months in some cases. Bidding time frames and then the decision-making stage have also expanded. This increases the cost to tenderers and therefore to government projects. Poor coordination across varying levels of government means that the communication is confusing and inconsistent. There are constant setbacks and last-minute changes, further delaying projects.

The key issues concerning Queensland procurement processes and contracts in the construction industry, revolve around their excessive length and cost, the complexity of requirements, their role as barriers to innovation, problematic risk allocation, and the need for government leadership in driving reform for increased productivity.

Some of the major issues with procurement processes include:

- Length and cost of procurement
- Complexity of requirements
- Barriers to innovation
- Problematic contract types and risk allocation
- Specifications
- Contract Forms
- Information Sharing and
- IR planning.

Some of the key issues that should be advanced include:

- Assess for 'Best Value': Go beyond the lowest initial cost and incorporate a wide range of non-price criteria such as local supply chain engagement, diversity targets, workforce development, innovation, productivity, and sustainability objectives.

- Engage Industry Early: Involve industry participants as early as possible to accurately assess risk, estimate costs, and incorporate constructability and value engineering input into the design.

- Contract Relationally, Not Transactionally: Establish rules for jointly managing risks rather than seeking a guaranteed fixed price upfront based on minimal information1. Consider using mechanisms to jointly develop design and price, and implement 'painshare/gainshare' regimes to incentivise performance on non-price criteria.

- Focus on Outcomes—Incentivise Innovation: Remove excessively prescriptive specifications and tender processes that constrain innovation. Make greater use of performance-based specifications and tender processes that can assess and value innovative approaches.

- Digital by Default: Embed a digital by default approach in all procurements with the goal of incorporating a digital twin under a harmonised framework and transitioning away from 'digital by exception'.

- Standardise Contracts and Procurement Methods: Adopt a standard and common library of contracts that can be applied with minimal variation, drawing on best international practice.

- Streamline Procurement and Delivery: Maximise industry capacity for value-adding functions by streamlining internal client approval processes, eliminating bid processes where possible, reducing documentation through digital technologies, and relying more on prequalification schemes.

- Create a Sustainable Industry: Promote a sustainable and healthy construction industry by leveraging public spending for broader goals and ensuring projects are contracted on fair and reasonable 'model client' terms, including practices that preserve industry liquidity like bid reimbursements and fast payment terms.

- Completion and Handover: Industry has observed that the process of handing back of completed assets is becoming more challenging and time consuming with overzealous approvals and processes to finalise and the handover of works. This consumes resources that can be deployed to commence other projects.

Government procurement should also be an enabler to growing the capability and capacity of the construction industry and procurement approaches that encourage arrangements between Tier 1, 2 and 3 contractors to deliver works should be enabled and encouraged. Equally the procurement approaches should enable a true understanding and agreement between parties of the risks for the project works.

As part of this it is important that the entire construction market is engaged in the delivery. Productive industries enable the growth of smaller entities into larger entities. Government's play an important role as an enabler regarding this. Sequencing and scaling of the projects to enable companies to grow as well as encouragement of partnerships between different sized contractors should be encouraged and enhanced. TMR have, to a greater extent, over the last 20 years enabled this to happen. Other states have not done this and this has discouraged growth and restricted supply. This needs to be encouraged and enabled at all levels, and procurement plays an important part in this.

In the engineering construction sector the pre-qualification system used by TMR with an appropriate ratings for technical and commercial is an appropriate system that is well understood and operates efficiently with the recognition across all states through the Austroads system. It is recommended that the building pre-qualification system adopt a similar approach with mutual recognition between states, reducing costs of operation for business too.

4.3 Best Practice Industry Conditions

Request for Information:

The Commission would like to understand whether there is any evidence that workplace and safety outcomes on BPICs sites are better than non-BPIC sites or that BPICs have led to industry-wide improvements in workplace health and safety

The Commission is seeking further information on:

- quantitative evidence on impacts, costs and benefits of BPICs to further inform the Commission's analysis.
- options for improving workplace practices on large construction sites
- options for re-setting industry practices more broadly
- what government could do to create conditions to encourage greater competition for large construction projects, including to encourage growth of existing Tier 2 construction firms
- whether there are likely to be any unintended consequences from the various reform options put forward in submissions to the inquiry.

The QMCA's initial submission to the review recommended removing BPIC from the Queensland Government Procurement Policy. BPIC added significant complexity to the procurement process, added significant costs to projects and the overall program and reduced productivity on site through restrictive operating conditions. The QMCA's initial submission highlighted these issues and the costs of the former BPIC policy on the industry in the short and longer term.

In respect to the need for an 'Industry Reset', since the removal of the ABCC and revisions to the Building Code in the Federal sphere this has seen significant change and major further disruption to construction sites. This has been amplified in Queensland through the implementation of BPIC (although now suspended) that resulted in significant further issues.

Enterprise Bargaining is at the enterprise level and should be done company to company; not have conditions imposed on smaller companies due to agreements made by others. As such pass down conditions and those that force such on subcontractors should be stopped. Equally if any coercion has been reported in the formation or signing of existing agreements at contractor, subcontractor and supplier levels- then these need to be thrown out.

To assist with resolving site access disputes and other issues on site then the Office of Industrial Relations should be resourced to be able to hear and handle issues on site and provide answers to these issues in hours. This will be an independent arbiter to negotiate disagreements and to assist in reducing illegal or anti-competitive conduct on work sites

Case Study:

In terms of whether BPIC sites have led to industry-wide improvements in workplace health and safety, I would not say that there is clear evidence of safety outcomes on BPICs sites have led to industry-wide improvements in workplace health and safety. There is a heavy union presence on the BPIC projects. What that means is that these projects will have robust safety committees and very active Delegates and HSRs that are constantly observing and challenging safety on those projects. And a lot (but not all) of what the Delegates / HSRs raise are legitimate safety issues that need to be addressed. That does not however appear to translate to marked improvements is safety from a lagging perspective.

QMCA Member

Workplace Health & Safety (WH&S) should have a division of inspectors focused on construction only to provide guidance on managing contentious WH&S issues such as work during weather events, processes for proportionate responses to WH&S incidents and requirements for shut downs.

Initiatives that need to be considered to assist with an industry reset include:

- common heat policy/ approaches
- common drug and alcohol testing and dismissal arrangements for non-compliance, managed by the contractors
- code of conduct for people permitted to enter site
- management principles regarding site issues (psychosocial, physical violence, etc)

Flexibility of application of enterprise conditions is critical to assisting with industry resets, by all parties. That will mean some trade-offs of the one size fits all conditions to get productivity moving. These include:

- A more balanced and evidence based approach to hot weather policy. Remove the one size fits all approach of 28 degrees;
- A more balanced and reasonable approach to the issue of standing water management on site;
- A flexible approach to the application of RDO's that reflect the project schedule. Remove the need for Fixed RDO's;
- Remove the requirement that the union delegates to have final say on which sub-contractors are used;
- Review the requirement around an hour long prestart each day. This needs to be controlled and managed by the contractor; and
- Review the requirement for paid "union time" of 2 hours each week.

4.4 Contractual arrangements

Request for Information:

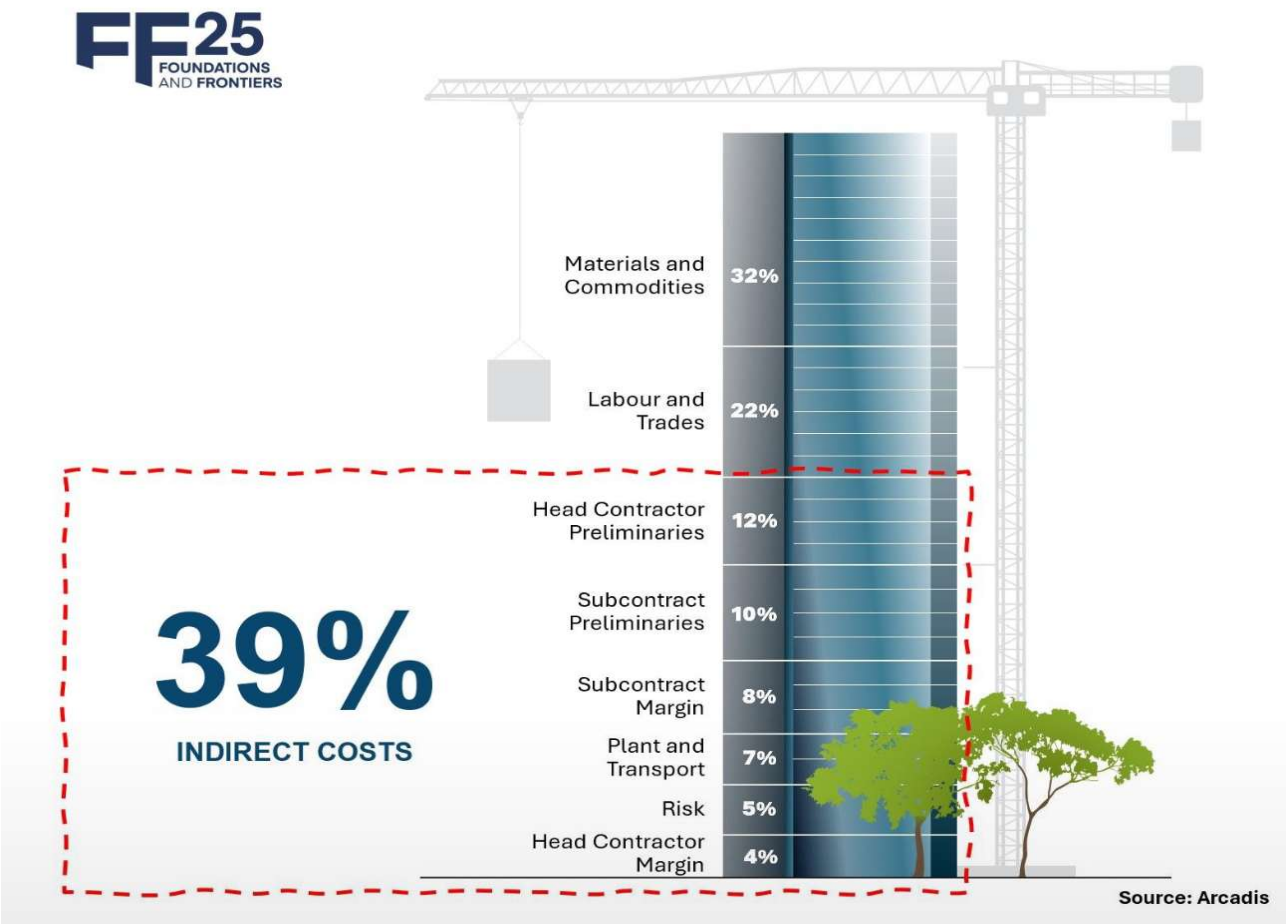
The Commission is seeking further information on:

- the key barriers to increased adoption of digital technologies, such as Building Information Modelling, and the policies or practices that would allow the opportunities for digital technologies to be fully leveraged
- the benefits and costs of collaborative contracting arrangements, and the key barriers to greater adoption of collaborative contracting (including early contractor engagement)
- how risk can be more appropriately allocated in government contracts
- the benefits and costs of adopting standardised contracts
- the extent to which there are likely to be benefits from greater bundling of projects, and the extent to which this might prevent competition by preventing smaller firms from tendering for work

- whether government procurement agencies have the capacity to undertake the types of needed, and what additional capabilities (public and private) are required and how these could be best achieved
- examples of successful approaches that have been used to incentivise improved risk-allocation by contracting agencies the pros and cons of replacing prescriptive specifications with more performance-based specifications.

Over recent times we have seen a significant growth in indirect costs on construction projects with a recent Australian Constructors Association Report for the FF25 conference (Figure 2) identifying that on average across the entire building and construction industry that in directs had grown to 39%. On some civil projects this has reached levels of up to 45%.

Figure 2: Indirect Costs across projects



Case Study:

Overhead and staffing requirements from a man month effort has increased by 25% to 30% from 10 years ago. The overall indirect percentage has risen from 60% on direct cost to 80% on direct costs as an order of magnitude. The main difference being that reporting requirements to satisfy more onerous regulations has meant that engineers do less of their functional tasks and more time in the site office on current projects which has led to an increase in numbers approximately 50/50 today compared to 80/20 previously. This increase in staffing is directly proportional to the cost of overheads to cover the same amount of work. Specialist activities have also resulted in multifunctional engineering positions disappearing, resulting more staff required to cover the same scope of works.

Case Study:

Although management, engineering, and supervision hours are not tracked against individual tasks, it is estimated that approximately 10% of current hours are allocated to non-production related activities (e.g., ISC reporting, extensive environmental documentation, continuous community engagement, etc.). In addition, compared to a decade ago, technical requirements within project specifications—particularly around tracking, reporting, and quality assurance—have increased substantially. For example, requirements for monitoring, collating data, testing, seeking Principal's

engineer approval, and obtaining hold-point releases have increased drastically over the last 10 years. We estimate that a further 10% of our engineer's time is spent on these compliance related tasks that have crept into the tech. specs over the last 10 years.

The use of digital engineering and management tools and technologies are an important part of the solution to improving productivity through the project and construction lifecycle. Digital engineering tools and models such as BIM can assist with improving productivity, however widespread adoption of such solutions has been restricted by clients requirement that paper based plans are to only be relied upon; despite being based off a digital model.

Digital design models can also be read into plant and equipment to enable greater use of existing technology for application of automation and accuracy (leading to less rework too). Removing the requirement that only paper based (wet signature) plans are to be relied upon then would enable greater adoption and use of digital models and applications such as BIM.

The QMCA has been quite vocal around the need for greater use of collaborative procurement and contracting as standard for projects. The benefits of a collaborative approach to procurement and delivery revolve critically around the understanding and apportionment of risk. Appropriate risk apportionment between the project parties is critical for value for money and to enabling the right focus for each party. When risk transfer is undertaken between parties then the party then responsible for the management of that risk has to account for it upfront in terms of cost and time (including consideration of what resources are needed to manage the risk). When this is disproportionate or inappropriate to say the contractor (for a risk that they may not be comfortable with or understand appropriately) then they have to resource the management of this, include additional costs (including risk costs) and this affects budgets, timeframes on site etc.

Collaborative procurement and contracting however enables all the relevant parties to sit down and agree on the most appropriate risk apportionment early and how to best manage it. Once all parties understand that then risks can be batter managed throughout the project lifecycle and this will lead to better productivity and better use of limited resources.

Case Study:

The Fitzroy River Bridge in Western Australia, in addition to 500 meters of road, was significantly damaged following historical flooding through the Kimberley Region early in 2023.

The destruction of the major road removed a key artery in Australia's freight and transport system and cut connection to Aboriginal communities East of the Fitzroy River as well as the East Kimberley and Northern Territory.

Commencing in February 2023, the Fitzroy Bridge Alliance (FBA), designed and constructed the new Fitzroy River Bridge in just ten months, with the bridge opening to traffic in December 2023, six months ahead of schedule. This milestone was achieved through excellent program management and a dedication to collaboration from all Alliance partners, sub-contractors and suppliers. Critically this involved a shared approach to risk management.

The Alliance also generated significant employment and commercial opportunities for local suppliers and community members including Traditional Owners and Aboriginal Corporations.

Some of the key learnings from this collaborative procurement and delivery approach were:

- Government and Private Sector were aligned
- Approvals were addressed quickly (including EPBC)
- Each party look after those areas that they are best suited to manage (both from an action and risk perspective)
- Scope is minimised (build bridge from A-B) and not an infinite SWTC that has a multitude of changes
- Time is money, quick selection not an extended assessment period
- Material selection/design is based on availability and project timelines.
- Site Contract Administration is limited to "as necessary" only

Standardised contracts assist industry from an efficiency perspective when tendering, with common conditions and approaches enabling a lower cost to tender and overall project costs as well as enabling faster procurement. However of

recent times projects have been subject to less standardisation through the procurement phase and more and more special conditions added to standard contracts reducing the effectiveness of this.

The sustainability of the industry relies on a diversity of work size. As has been identified in the 2024 Queensland Major Projects and Pipeline Report (authored by QMCA) there has been a significant change in the breakdown of the size and number of projects. Since 2020 the following changes have been identified:

- A 25% reduction in the number of projects under $100m
- A 146% growth in number of projects over $1b
- The total value of projects over $1b is 267% higher

This is outlined in the figures 3 and 4. Without a sustainable balance of projects across the sub $50 and $100m projects then companies cannot grow and there is a concentration of projects in the larger projects then this does not enable smaller and medium sized contractors the opportunity to be involved nor to grow, simply due to the financial requirements and scale of the risk.

TMR have encouraged the partnership between Tier 1 and 2 contractors over a long period of time to enable smaller contractors the opportunity to gain larger project experience through partnering with larger contractors. This has been enabled through the pre-qualification system as well and is different to other states. It is the reason why in Queensland we have a thriving mid-tier market of contractors, much more than other states. This should not be lost. There is a need for bundling of some projects to create programs or for large complex projects to remain as such too.

Figure 3: Number of projects by project size

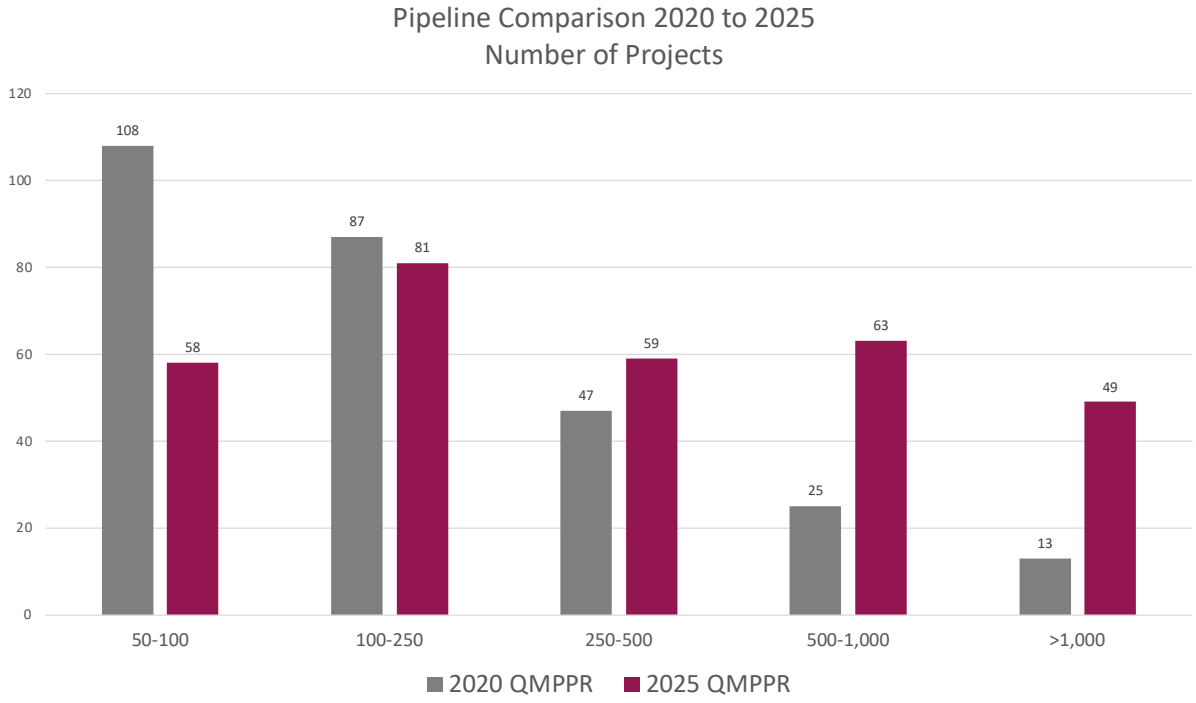
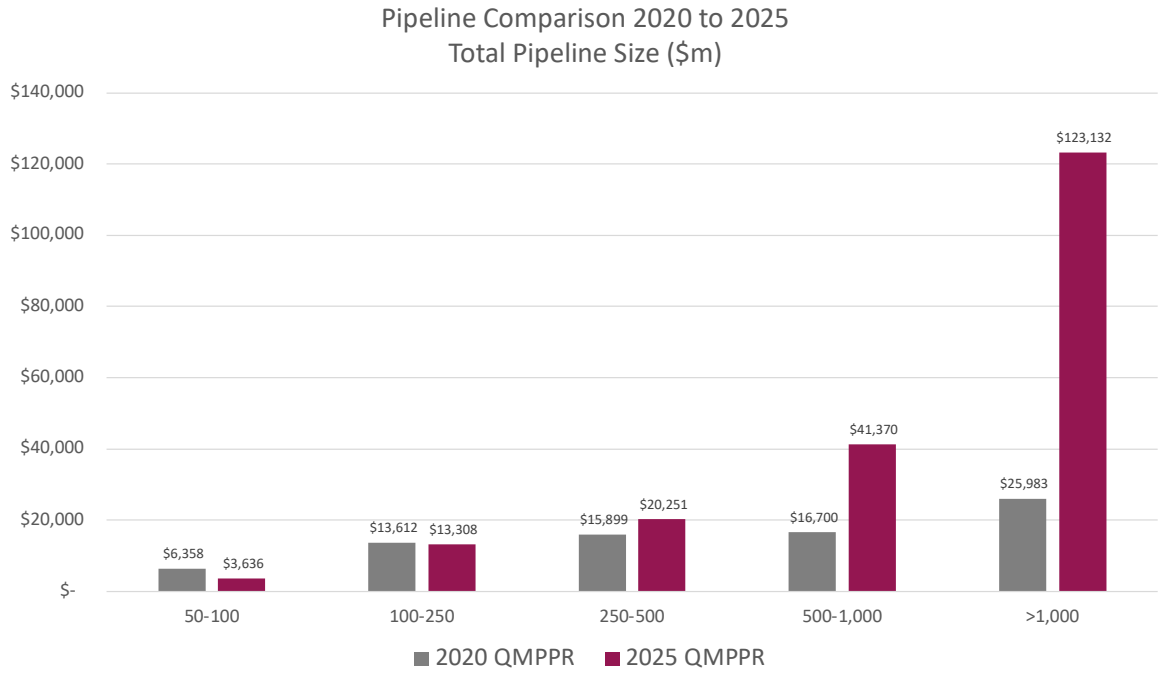


Figure 4: Pipeline Size Changes



One of the greatest inhibitors to efficiency in the delivery of infrastructure is tight technical specifications. The industry has been very vocal for sometime about the need to move to more performance based specifications; ie a road pavement that will last 40 years, as opposed to numerous technical specifications, whilst well meaning, are often in conflict with one another. This prescriptive approach has led to challenging outcomes from a delivery management perspective too.

On design and construction projects performance based specifications are more prevalent. Recent information from construction companies has indicated that on construct only projects we have witnessed a decrease of 1-2% in productive output per person per month, whereas on D&C projects it has been recorded that there has been an increase of 15-20% in the output value per person per month.

4.5 Modern Methods of Construction

Request for Information:

The Commission is seeking further information on:

barriers to MMC that have resulted from market or regulatory failures, including any:

- identified barriers that prevent widespread uptake of MMC
- complications encountered by MMC builds complying with the NCC, planning schemes or other regulation
- barriers to the adoption of MMC in government procurement processes.

Modern Methods of Construction (MMC) offer opportunities to deliver greater efficiency on site through large scale pre fabrication, modularisation and standardised repeatable solutions. Recent projects overseas have demonstrated the versatility and benefits of mass deployment of MMC. For instance, the recently completed new Everton Stadium in Liverpool extensively used pre fabrication and modularisation across the design and construction. This resulted in a 50,000 seat stadium being delivered on site in 2 years 7 months. This was a significant reduction in onsite time compared to other comparable projects delivered using more traditional stick built approaches, which have taken 3.5-4 years.

During the construction of the LNG plants in Gladstone between 2011-2015 significant modularisation was employed with the construction of the plants. Major modules were constructed overseas and shipped to Gladstone and then installed and hooked up. There was still significant works undertaken on site as well. This approach led to very high levels of productive output in terms of work delivered per manhour or employee.

Whilst MMC has a significant application in the building and heavy engineering sectors standardisation of approaches and use of new alternative materials in civil construction has many benefits as well. One of the major impediments to the greater adoption of MMC is the tight technical specifications that restrict the application of MMC and the requirements for sign off of all specific elements of building works at each stage. When mass manufacturing and fabrication is being used this cannot be the case for each repeatable module, rather the first module should be checked and then signed off as a type approval.

Equally Queensland has some of the tightest technical specifications in the country and that has prevented the widespread adoption of MMC. Typical procurement models that have traditional separate design and construct approaches do not enable widespread adoption of MMC unless it is fully developed as part pf the design and many of the MMC solutions are specific to a supplier and mandating exclusive approaches through design has often led to issues with probity. Therefore design and construct models are more appropriate for the widespread application of MMC using performance-based specifications. It is recommended that more D&C style procurement with performance based specifications be considered to enable greater deployment of higher productivity MMC approaches and solutions.

The current approach to procurement where limited time is provided for tendering limits the ability to bring innovative solutions and in particular MMC solutions to the table.

4.6 Workplace Health and Safety Regulations

Request for Information:

Data suggests that WHS outcomes for the construction industry have not improved over the last decade, despite significant policy effort and increased compliance costs on industry. The Commission is seeking further information on:

- further evidence from stakeholders to support or refute this.
- any alternative or additional reforms that should be considered to more effectively and efficiently manage WHS risks and resolve other issues raised
- case studies or examples where innovative or adaptable practices have been used successfully to manage WHS risks.

For far too long safety on site has been weaponised as a mechanism to pursue other agendas by certain unions. Whilst not always the case this has started to become more and more the norm over the past decade with head contractors being routinely targeted. Recent examples include:

- Evidence of safety sabotage on projects of elements to cause a safety issue (concrete pumping pipes being sabotaged, electrical safety tags being removed from electrical cords, placement of chemicals in sheds that were not therebefore or recorded as ever being on site, dumping of rubbish in certain locations on site to create issues, etc)
- Strict deployment of conditions (heat, lightning within 100km, rain- even if the project is covered etc) resulting in sites being shut down or work fronts being impaired.
- Shutting sites down due to no toilet cleaner being on site (despite the toilets being clean, with no obstructions etc)
- Creating “safety” issues around minimal issues that are used to shut a site down (pooled water on paths, no toilet paper, etc)
- Standing in exclusion zones to prevent crane lifts to occur to push an industrial agenda
- Use of s117 for access and to there are no safety issues at all pursued- rather to conduct union meetings etc
- The deliberate stopping of works, by entering into swing zones of excavators to prevent excavators from working. This has occurred during an illegal entry incidents, and when asked to leave the Project, the Union Officials refused to leave. To ensure their health and safety, the contractor made the call to stop works, incurring significant delay costs.
- On numerous occasions the CFMEU officials have breached site safety rules – refusing to show permits, refusing to sign in, breaching exclusion zones, not wearing correct PPE, walking in front of operating machinery. These issues all require contractor resources to deal with the infringements and impact on job production and productivity.
- Union HSR’s, often acting on instruction of other union officials, to shut site activities down.

The impact of managing excessive and sometimes vexatious site visits is quite substantial.

Case Study:

Union visits have increased from one visit per month to five visits a month with an estimated productivity loss estimated to be approximately 5% of total costs.

Case Study:

In respect to union visits it is an estimated minimum of four hours per visit and they require at least three senior personnel (e.g., Superintendent, Project Safety Manager, Construction Manager, or Senior Project Engineer) therefore equals 12 staff hours per visit. This has a direct cost to the project and an indirect cost as well in terms of the lost productive time and output from the critical project management staff.

Case Study:

In terms of whether there is evidence that safety outcomes on BPICs sites are better than non-BPIC sites, experience is that there is not sufficient evidence (from a lagging data perspective) for the projects to suggest that safety outcomes on BPICs sites are better than non-BPIC sites.

It is important that HSR's ability to shut a site down is removed. This should only be the responsibility of Workplace Health and Safety officers and after fully investigating and working with the contractor and other parties to make an informed decision. Shutting a full site for minor issues such as pooled water or other localised issues that can be adequately resolved has a massive impact on program and overall productivity as it is not just the lost time, there is the recovery time as well.

The QMCA suggests that the Office of Industrial Relations consider the establishment of a body that can immediately deal with and resolve issues around site access, small disputes between unions and contractors etc. This body should be appropriately resourced and able to provide resolutions of issues in hours, not days.

Equally WH&S Queensland should establish a dedicated team of inspectors focussed solely on construction. This will ensure that when the inspectorate visits to review safety issues they understand the nuances and specifics of construction, which are vastly different to other industries (food, retail etc)

In terms of innovative or adaptable practices to manage WH&S issues there is a need for greater flexibility and adaptability of conditions and one of the most contentious is that of the heat policy. The CFMEU EBA and BPIC had a hard 28 degrees and/ or 75% humidity approach with a limit of 34 degrees ambient temperature and no work would proceed. This blanket approach does not take into the irregularities and differences across construction sites or of the work being performed.

The QMCA has developed an initial heat management policy that is risk based and based on research from universities. It has a graduated application of levels too. The results of this approach are indicated in the case study below. This is one of many areas where alternative approaches can result in better productivity whilst maintaining or improving safety.

Case Study:

The draft QMCA heat management policy/approach was deployed as a trial on a number of projects over the 2024/25 summer period. When comparing the BPIC/CFMEU Conditions verse the QMCA Heat Management Plan requirements, the following can be highlighted:

During the period of 1 December 2024 to 28 February 2025, there was no cessation of work due to excessive heat on the Project using the QMCA Heat Management Plan. Over the same period of time, there would have been at least 16 partial days where works would have ceased under the BPIC/CFMEU Conditions. In most cases, works would have ceased mid-morning, shortly after the minimum three hours of work had been conducted. The total lost time equated to 76 hours and 40 minutes of lost time.

During this same period, works on Project were slowed and increased break periods were provided to workforce on a total of 22 work days. Whilst works were slowed, there was no impact to the Critical Path, and very little impact to the overall program and costs incurred. The project was impacted by an approximate total of 26 hours and 15 minutes during the same period.

Feedback from the workforce indicated that they were happy with the approach taken, and that they were able to work full shifts and receive wages on all days through this period. Working under the BPIC/CFMEU model would have meant that the workforce either didn't get paid or were utilising inclement weather benefits during this time.

The injuries/incidents that occurred were not related to the lack/incorrect controls being applied but instead related to poor behaviours and personal accountability. These same incidents and injuries would likely have occurred regardless of which heat model was being utilised at that time, given that they were associated with behaviours of individuals, and not the controls being implemented.

Early consultation and regular communications with the workforce helped to educate and improve understanding with regards to heat related illness impacts. Up to date and current information displayed on the sandwich boards, as well as face to face conversations in the field and at pre-start helped alleviate concerns from the workforce.

Comparison of impacts under both models is as follows:

Trial Dates	*Likely Impact to Project under QMCA Heat Management Plan*	*Likely Impact to Project under BPIC/CFMEU Heat Management Thresholds*
1 Dec 2024 to 28 Feb 2025	*27 hours and 30 mins*	*76 hours and 40 mins*

The data indicates that the QMCA Heat Management Plan provides about a 3:1 ratio better outcome than that mandated in the CFMEU EBA and BPIC. As a result the impact on productivity is reduced.

4.7 Labour Market

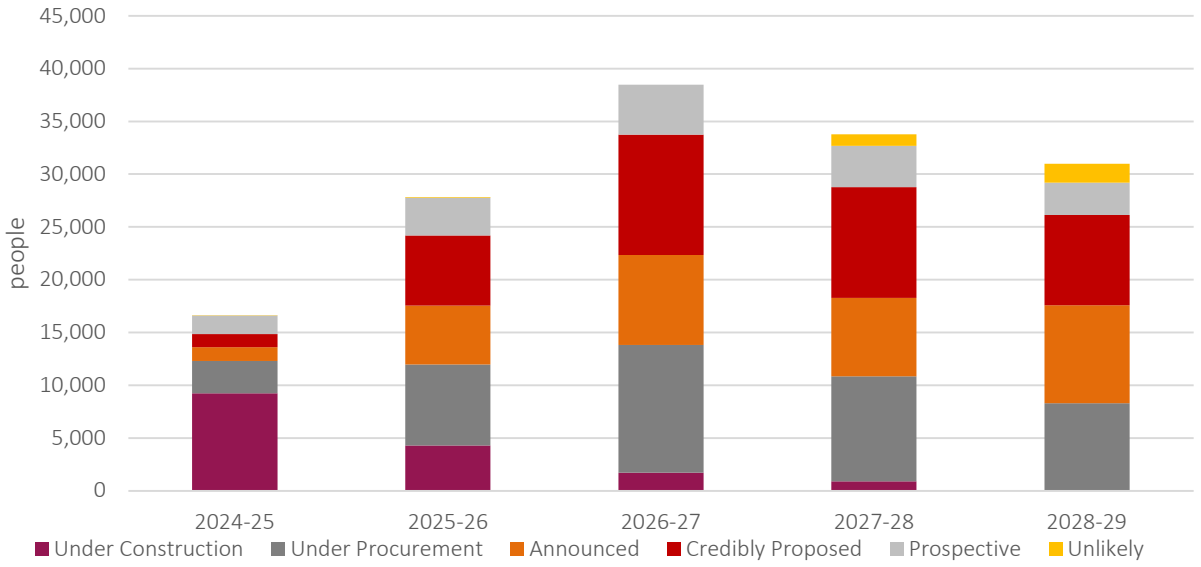
Request for Information:

The Commission is seeking further information on:

- the underlying drivers, incidence and scale of issues in the training and apprenticeship system as they affect the construction industry
- further case studies where strategies to improve training and apprenticeship outcomes have been effective
- what specific construction-related occupational licensing requirements are most likely to impose the greatest net costs on the community and how a program of stock reviews could best be coordinated across relevant agencies.
- the need and opportunities for the Queensland Government to nominate more subclass 190 or 491 visas for construction tradespeople
- the opportunities to reduce duplicative skills assessments, or to recognise equivalent overseas qualifications, and if these opportunities exist, what the benefits, costs and risks are
- other specific opportunities to increase the use of skilled overseas migration to meet Queensland's construction skills needs.

The Queensland Major Projects and Pipeline Report has identified that there is a significant increase in the demand for construction labour. Within the engineering and construction sector there are around 30-35,000 people currently employed. The major projects account for approximately 55% of this demand (~17-18k people currently).

Figure 5: Average Labour Requirement (Queensland Major Projects and Pipeline Report, 2024).



With the proposed project works coming forward this demand grows to a peak demand of 38,000 (refer to Figure 5) and an average of 30,000 people over the next 5 years. This means that the number of people involved in the sector has to increase by over 80% (provided all projects proceed). Regardless there is a shortage of at least 15,000 people going forward.

Recent Infrastructure Australia analysis highlighted that across the entire Building and Construction industry in Queensland there was a 55,000 shortage. To meet this shortfall there is a need to increase migration of skilled resources. Engineering qualifications need to meet the Washington Acord requirements, however overseas qualifications and experience and skills need to be considered and skilled migration increased for the construction sector.

5.0 Conclusion

The QMCA response to the QPC Interim Report builds on our earlier submission to this process.

Queensland's construction industry productivity has been in decline, falling in both absolute terms and relative to the broader economy. This poor productivity is identified as the single most important issue facing the industry and a concern for all Queenslanders, potentially hindering the State's ability to deliver necessary infrastructure for its growing population.

The decline is not driven by a single factor, but rather a range of interconnected issues spanning the project concept, development, implementation, and finalisation phases.

QMCA believes to significantly boost productivity within Queensland's construction industry, a multi-faceted approach is urgently required. The current landscape is characterized by excessive complexity, lengthy timeframes, and poor coordination across all stages, leading to substantial non-productive costs and delays.

Key constraints eroding productivity include:

- slow and complex environmental approvals and regulation;
- lengthy and costly procurement processes;
- problematic contract types and risk allocation;
- excessively prescriptive specifications;
- burdensome design review processes;
- poor design leading to rework;
- the negative impact of specific industrial relations provisions (like BPIC) on cost, duration, and competition;
- workforce skill shortages and barriers to labour mobility;
- low levels of innovation and technology adoption;, and
- inefficient auditing processes.

Addressing this multifaceted decline requires focusing on improving efficiency and eliminating waste across the entire project value chain, from "white collar" planning to "blue collar" delivery, with a need for significant reform in areas like procurement and regulatory settings to enable a more productive and sustainable industry.

Ultimately, implementing QMVA strategic changes will not only reduce direct and indirect costs associated with current inefficiencies but also foster an environment that promotes innovation, attracts skilled labor, and ensures more timely and cost-effective delivery of essential infrastructure for Queensland. This requires a concerted, collaborative effort from all levels of government and industry stakeholders.

QMCA

QUEENSLAND MAJOR CONTRACTORS ASSOCIATION