



AUSTRALIAN  
CONSTRUCTORS  
ASSOCIATION

**AUSTRALIAN CONSTRUCTORS ASSOCIATION –  
SUBMISSION ON EMISSIONS REDUCTION FUND WHITE  
PAPER**

May 2014



AUSTRALIAN  
CONSTRUCTORS  
ASSOCIATION

[WWW.CONSTRUCTORS.COM.AU](http://WWW.CONSTRUCTORS.COM.AU)



## **AUSTRALIAN CONSTRUCTORS ASSOCIATION – SUBMISSION ON EMISSIONS REDUCTION FUND WHITE PAPER**

### **1. INTRODUCTION**

**1.1** The Australian Constructors Association (ACA) welcomes the opportunity to respond to the Emissions Reduction Fund White Paper.

**1.2** The ACA regards the sustainability of the construction industry as being critical to ensuring the ongoing prosperity and productivity of all Australian people.

**1.3** The ACA and its members are committed to working with Australian governments and industry stakeholders to ensure that the sustainability of the industry is safeguarded for future generations of Australia.

### **2. AUSTRALIAN CONSTRUCTORS ASSOCIATION**

**2.1** The ACA represents the nation's leading construction contracting organisations. A list of ACA members is attached (Annexure 1). The ACA is dedicated to making the construction industry safer, more efficient, more competitive and better able to contribute to the development of Australia.

**2.2** ACA member companies operate in a number of market sectors including:

- Engineering construction incorporating public and private sector infrastructure
- Commercial and residential building
- Contract mining
- Oil and gas operations
- Process engineering
- Telecommunications services
- Environmental services
- Maintenance and related services

**2.3** Association members operate globally, with member companies operating in Australasia, Europe, Asia, North and South America, Africa and the Middle East. Collectively ACA member companies have a combined annual revenue in excess of \$50 billion and employ over 100,000 people in their Australian and international operations.

**2.4** The ACA has four (4) key objectives:-

1. To require the highest standards of skill, integrity and responsibility of member companies.
2. To represent the interests of major contractors to government and other decision makers.
3. To enhance and promote the status of construction contractors and the industry which they serve.
4. To facilitate the exchange of technical information and encourage further research.

### 3. APPROACH TO THE SUBMISSION

3.1 The purpose of this submission is to respond in broad terms to the Emissions Reduction Fund White Paper with some specific comments on certain aspects of the paper.

3.2 The ACA considers that the Government's approach to addressing Australia's emissions profile, as outlined in the White Paper, does not make provision for the unique nature of the construction industry and the difficulties that the industry will have in engaging with the ERF scheme as it is proposed.

### 4. THE AUSTRALIAN CONSTRUCTION INDUSTRY

4.1 The Australian construction industry employs 1,244,000 members of the Australian workforce and is Australia's third largest employer after health services and retail trade.<sup>1</sup> The majority of those working in the industry operate in SMEs as trade subcontractors.

4.2 The Australian Constructors Association outlined some of the difficulties which the structure and operation of the industry presents to principal contractors wanting to engage in the ERF scheme in our response to the Green Paper in February 2014.

4.3 Briefly, some of the difficulties the ACA previously identified for the construction industry under this proposed scheme include:

- **Structure:** The industry's reliance on subcontractors to undertake work, in often complex and multi-tiered arrangements, poses principal contractors operational difficulties as this proposed scheme effectively requires them to report emissions data over which the subcontractors effectively hold operational control. The ACA has previously submitted that the process of collection, consolidation and verification of emissions data collected from subcontractors is administratively burdensome for principal contractors and requires review.
- **Design:** Principal contractors have limited control over the design, materials and construction approach of the projects they work on. These specifications are dictated by clients or designers pre-contract. Thus principal contractors have limited influence over the factors responsible for many of the emissions they will incur under this proposed scheme.
- **Benchmarking:** The construction industry itself is cyclical in nature both in terms of the type of project undertaken and when these projects occur. This makes calculations for pay-back periods, base-lining and project-based improvements problematic. Other difficulties the construction industry will face with respect to benchmarking include:
  - The high degree of variability in construction emissions between building types (e.g. health, commercial, residential) and building scale and density (e.g. high rise vs. low rise).

---

<sup>1</sup> Australian Bureau of Statistics, *Labour Force, Australia, Detailed, Quarterly- Table 04. Employed Persons by Industry- Trend, Seasonally Adjusted, Original*. 6291.0.55.003, November 2013.

- The high degree of variability in construction emissions between construction sub-sectors (e.g. road, rail, other civil and infrastructure, vertical construction, greenfield, brownfield).
  - The high degree of variability in the emissions profile over the life of single projects (e.g. initial bulk earthworks vs. building fit out).
  - The short timeframes of projects (most less than 2 years) making payback period calculations difficult.
- **Upstream/Downstream Emissions:** the bulk of emissions for the construction industry occur either upstream during the manufacture of materials (e.g. steel, cement) and downstream in asset operation, maintenance and management. In this manner, it is highly likely that actual emissions reductions will be the result of emissions being shifted into manufacturing or asset performance (e.g. building prefabrication).

**4.4** The Australian construction industry will face unique and burdensome difficulties in engaging with this scheme as it is proposed. The ACA, in outlining some of these difficulties, believes that they reveal a need for further consultation with industry in developing the details of the operation of the scheme.

## **5. THE NEED FOR INDUSTRY CONSULTATION**

**5.1** The ACA believes that there is an opportunity for the proposed Emissions Reduction Fund to address the above concerns of the construction industry and correct the inadequacies of previous schemes.

**5.2** The success of any new scheme such as the proposed Emissions Reduction Fund will depend upon identifying and correcting past mistakes through ongoing open consultation with the construction industry. The ACA invites the Government to consult further with the construction industry on the issues outlined above.

**5.3** The ACA notes that the draft legislation and White Paper do not contain much by way of detail regarding the implementation and operation of the scheme by the envisaged Clean Energy Regulator. The difficulties outlined above in paragraph 4.3 may be addressed through industry consultation on the formulation of these details and the ACA and its members would welcome any opportunity to be involved in the development or review of these details.

## **6. CONCLUSION**

**6.1** The construction industry is a major employer of Australian workforce participants and contributes to the ongoing prosperity of all Australian people. The construction industry is also unique in many aspects of its operations and, as discussed above, the nature of the industry requires careful consideration when designing schemes in which it is to participate.

**6.2** The ACA supports Government initiatives aimed at ensuring the ongoing sustainability of all Australian industries. In this case, the ACA submits that in order for the construction

industry to effectively engage with this scheme, and so have a tangible impact on reducing emissions, further consultation with the construction industry is required.

## **7. RECOMMENDATION**

**7.1** The ACA recommends that the Government and Clean Energy Regulator responsible for implementing the ERF scheme work with the construction industry to address the difficulties outlined above and ensure that the industry can engage in the scheme to achieve real emissions reductions in a sustainable and productive manner.

**7.2** The requested consultation must take place prior to the development of operational components of the rules and processes underpinning the scheme.

May 2014

**MEMBERS OF AUSTRALIAN CONSTRUCTORS ASSOCIATION**

BGC Contracting Pty Ltd

Brookfield Multiplex Australasia Pty Ltd

CH2M Hill Australia Pty Ltd

Clough Limited

Downer EDI Limited

Fulton Hogan Construction Pty Ltd

Georgiou Group Pty Ltd

John Holland Group Pty Limited

Laing O'Rourke Australia Construction Pty Ltd

Leighton Holdings Limited

Leighton Contractors Pty Ltd

McConnell Dowell Corporation Limited

Lend Lease Building Pty Ltd

Lend Lease Construction and Infrastructure Pty Ltd

Lend Lease Engineering Pty Ltd

Thiess Pty Ltd

UGL Limited

Watpac Limited