

Australian Constructors Association response to Infrastructure NSW scorecard

September 2020



**AUSTRALIAN
CONSTRUCTORS
ASSOCIATION**



Introduction

In 2018, Infrastructure New South Wales Government launched an Action Plan for construction in the state, which included a 10 Point Commitment to the construction sector developed with the intent of Government and the Industry coming together to improve the capability and capacity of the construction sector.

In June 2020, Infrastructure NSW released The Progress Report, which analyses the performance of Government across a range of metrics linked to the 10 Commitments made to the sector.

To validate progress, the Australian Constructors Association (ACA) commissioned BIS Oxford Economics to analyse progress against the 10 Commitments as viewed by major contractors working on projects in New South Wales. This was done by surveying ACA members working on projects that had commenced after the 10 Point Commitment. 37 projects were surveyed, including 25 from New South Wales.



The intent is to create measurable benchmarks from which progress can be measured, challenges overcome, and the sector's overall performance improved to create a sustainable construction and infrastructure industry in New South Wales.

Key Findings

The findings of the independent research show that while commendable progress has been made, there are still significant challenges in relation to key areas of reform and opportunities for Government and Industry to collaborate to achieve positive change.

Were Expectations Met



Room for improvement	Matching expectations	Exceeding expectations
1 = absolutely not	5 = fair evidence	8 = strong evidence
2 = little evidence	6 = fairly good evidence	9 = very strong evidence
3 = slight evidence	7 = good evidence	10 = absolutely, definitely
4 = some evidence		

Positive Outcomes

There have been a number of positive outcomes as a result of the 10 Commitments, including:

- NSW Health Infrastructure is seen as a standout performer across all 10 Points.
- Projects in the \$100–200m value range scored between 7.5 – 9.5 across all 10 Points.
- Collaborative projects scored a higher average (6.09/10) across the 10 points than traditional projects (4.79/10).

Two points have shown significant progress towards developing a transparent pipeline and contract payments:

✔ Point 4: Develop and promote a transparent pipeline of projects

- Industry largely agrees that NSW Government agencies are transparent in identifying projects well in advance of release to market (Rating 8.7/10). However, Industry felt that NSW Government agencies were not regularly seeking feedback from Industry on its capacity and options for packaging the project (Rating 5.4/10).

✔ Point 8: Security and timeliness of payments

- Industry felt that some contracts were increasingly making allowances for mobilisation payments (Rating 6.7/10). However, respondents felt that contracts were not supportive of the contractor retaining cash neutrality (Rating 5.7/10).

Areas for Improvement

Four key areas require further improvement in order to improve sector-wide performance and outcomes for Government and Industry:

- Standardisation of contracts – further collaboration is required to develop greater standardisation in agency contracts.
- Bid costs – while policies around the reimbursement of bid costs are understood, it appears there is a lack of alignment between agencies and contractors that should be resolved.
- Risk allocation to contractors – determining 'the party best able to manage risk' is subjective and ill-defined.
- Industry diversity – more can be done to improve industry diversity, capability and capacity growth through influencing the procurement process.

Three points have major challenges to overcome:

✘ Point 2: Adopt partnership-based approaches to risk allocation

- While the Progress Report states 88% required the best placed party to manage risk or shared risk when necessary, Industry was strongly concerned that Agencies are not seeking market input regarding value for money through risk-sharing (4.2/10) with issues such as insufficient geotechnical and due diligence information provided (4.6/10).

✘ Point 3: Standardise contracts and procurement methods

- Industry reported that contracts issued were in general not substantially based on the standard Contract for the Client (Rating 5.1/10). Furthermore, it was felt that the assessment of the contract in most instances was not delivering reductions in cost or time to a project (Rating 4.7/10).

✘ Point 6: Consistent Government Policy on bid cost contributions

- Industry agrees that agencies are providing early, clear communication regarding recovery of bid costs, which could be attributed to the release of the NSW Bid Cost Contributions Policy in December 2018 (Rating 7.8/10). However, Industry felt the reimbursements were not in line with the policy (Rating 3.8/10) and that contributions were not at the appropriate level (Rating 4.1).



Proposed Steps for Further Collaboration

ACA recognises that accountability is not a one-way street and ACA and our members are committed to transparency and ownership of the need for change across the sector.

The ACA proposes the following steps to help drive further collaboration between Industry and Government:

1. Construction Industry Leadership Forum to:

- Identify aspects of the 10 Point Commitment that are working and understand why.
- Identify areas where Government Agencies and Industry are not aligned, and key factors influencing this.
- Develop a set of agreed measurable objectives to demonstrate progress on the 10 Point Commitment and commission a joint review to be completed with Industry in 2021.

2. ACA to publish its own commitments to the sector against which progress can be jointly reviewed, enabling ACA and our members to be held accountable for their performance in meeting them.



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