

WA BUILDING INDUSTRY REFORM PACKAGE 2022



Master Builders Association WA
Construction Council



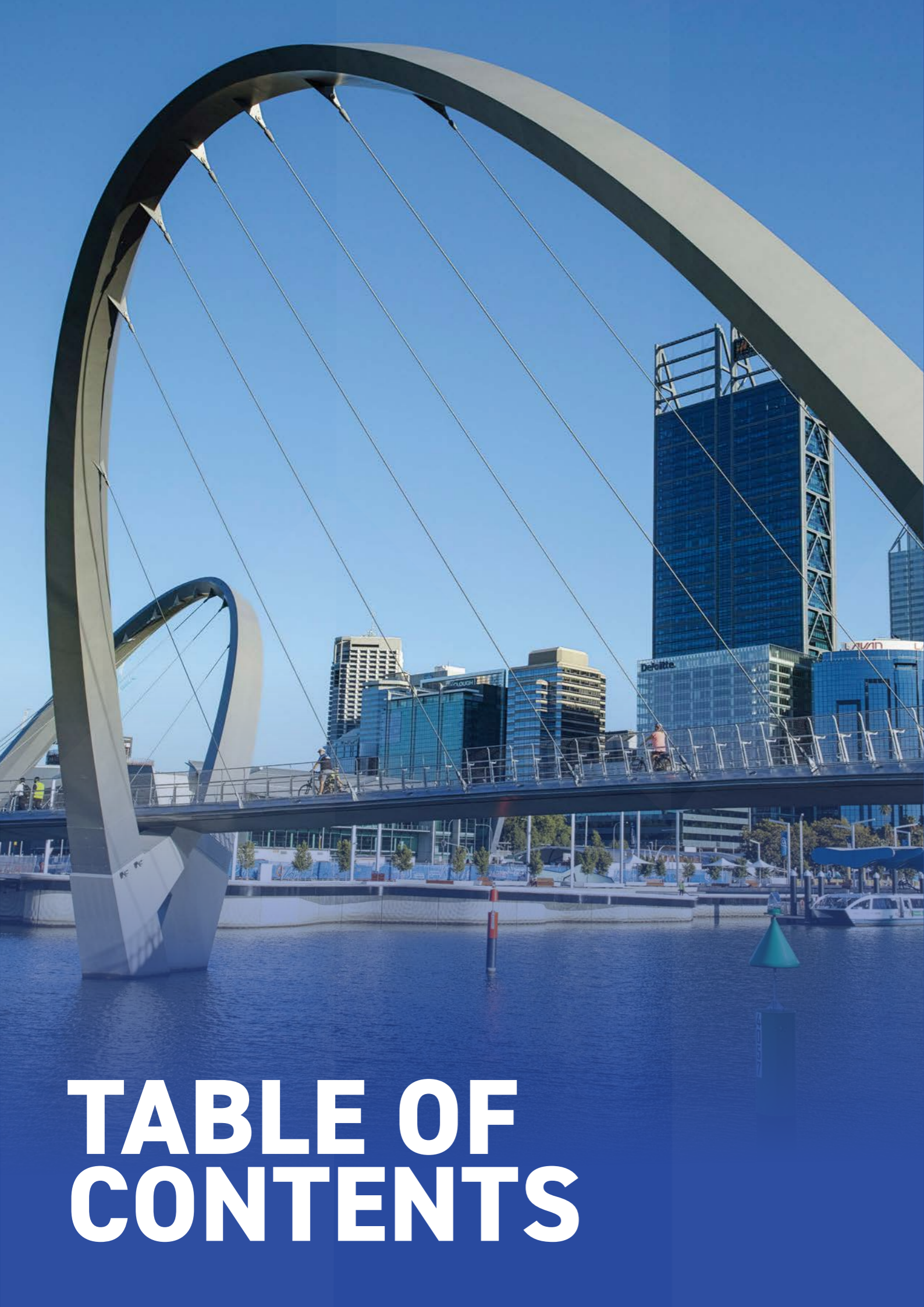


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Multiplex Constructions

Winner 2022 Bankwest Best Project of the Year
2022 Master Builders-Bankwest Excellence in Construction Awards

SECTION 1 EXECUTIVE SUMMARY

The building and construction industry of Western Australia is currently experiencing unprecedented times which many analysts have described as a “profitless boom” with no foreseeable end.

The unpredicted surge in demand since 2020 has exposed underlying issues with standard procurement methods (in both the private and public sector projects), the use of non-standard contract formats, contract payment terms and timing.

The Master Builders Association of WA, in consultation with its members, has prepared the following **Building Industry Reform Package 2022** which seeks to promote initiatives to establish a more sustainable building and construction industry for all within Western Australia.

The current approach to selecting a Builder in the Commercial Sector offers limited transparency and is heavily weighted on the “lowest price wins” scenario. This approach has resulted in a race to the bottom which has directly contributed to insolvencies within the industry.

Many successful alternative procurement models are operating in other international markets which focus on value outcomes. The **Building Industry Reform Package 2022** seeks procurement reform through exploring procurement models applied in Western Australia.

Due to the volatile nature of global supply chains, the current financial challenges of unpredictable price escalation, availability of construction materials, and skilled labour limitations, coupled with onerous contractual requirements have seen the pendulum of risk move away from a fair and balanced arrangement.

The **Building Industry Reform Package 2022** outlines provisions for contract format rationalisation delivering fair provisions for all parties, as applicable to all contracting models and incentives to address industry jobs and skills within Western Australia as core reforms needed for the industry to move forward confidently.

Department Mines Industry Regulation and Safety (DMIRS) and Master Builders Association of WA share common outcomes in each of our current Strategic Goals. DMIRS strategic priority SP1.3 (Towards 2024) calls for *“Forward-thinking in our approach to regulatory and other reforms, which support economic recovery and protect the community.”*

The **Building Industry Reform Package 2022** echoes the Master Builders Association of WA 2022 Strategic Plan objectives which calls for *“Forward-thinking and committed to the growth of the Building and Construction Industry”*.



SECTION 2 PROCUREMENT REFORM TO MODEL AND PROCESS

Over the past decade, prior to the COVID-19 outbreak, Western Australia had experienced a stable and consistent market in terms of anticipated costs and consistent availability of construction materials and labour.

This environment coincided with increased contractual risks being applied to the Builder in both the private and public sectors, as well as increased administration being required to demonstrate compliance.

Since the COVID-19 outbreak the cost of construction material and labour are rising so rapidly and construction times increasing substantially that it is no longer realistic for Builders to sign up to Fixed Price Lump Sum contracts and be expected to absorb escalation risk.

It is clear that the custom and practice of the last decade is not sustainable in the commercial contracting environment. The arrangement between the Principal and Builder needs to change.

Procurement reform is required to enable the Builder to demonstrate true value to the Principal.

SECTION 2.1 PROCUREMENT MODELS TO BE NORMALISED

The procurement model must apportion contractual risk more fairly between the parties in accordance with the principle that the party most appropriate to manage the risk be responsible for it.

Fairer and better structured models that enable the Builder to secure the majority of construction materials immediately, early engagement of subcontractors, with an opportunity to establish a transparent arrangement for preliminaries costs, margin, and escalation.

Traditionally Western Australia has operated primarily under Fixed Price Lump Sum contracts (either 'Design & Construct' or 'Construct Only') which are less flexible in their response to the impacts of a rapidly fluctuating market and asks the Builder to commit to locking in pricing and timing of items that the Builder has no direct control over.

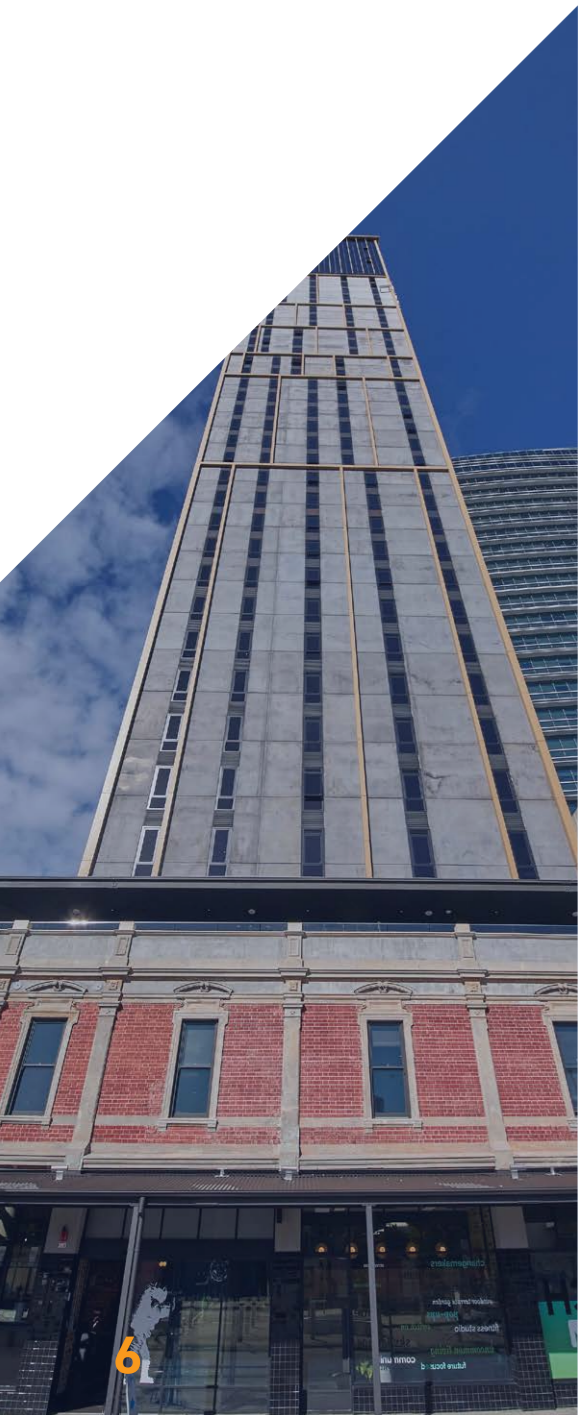
In the time between submission of the tender and the awarding of the contract prices could have increased significantly in the market meaning the Builder faces a loss before they have even started.

The application of Fixed Price Lump Sum contracts within the industry is unsustainable within the current commercial market as they can directly lead to heavy losses and even insolvencies.

Procurement models which focus on project value outcomes are operating successfully in all other international jurisdictions. These include Early Contractor Involvement (ECI), Construction Management (CM), Managing Contractor (MC) and Cost Plus (CP) arrangements apportion risk more fairly.

These models encourage a partnership type approach and allow for the risk pricing to be a whole of project issue, and better managed, based on fact rather than guesswork.

It is recommended that these procurement models become the primary contracting arrangements pursued and are normalised within Western Australia moving forward.



ICON SI (AUST)
Winner Best Multi Unit Development \$50,000,000 - \$100,000,000
2022 Master Builders-Bankwest Excellence in Construction Awards

SECTION 2.1 PROCUREMENT MODELS TO BE NORMALISED

APPLICATION OF EARLY CONTRACTOR INVOLVEMENT (ECI)

This form of engagement creates a framework for the Builder to provide technical, rational and industry based advice around how to best achieve the Principals project aspirations through the design and delivery phases.

This approach, which can be applied prior to execution of any form of head contract, allows for exceptional collaboration and understanding between all members of the team working towards a common goal.

The Principal achieves value through this process as the Builder works towards defined objectives within a predetermined timeframe. This model enables project risks to be identified and mitigation strategies implemented between the parties.

An ECI engagement can lead to the following procurement models and contracting arrangements.

PREFERRED CONTRACT ARRANGEMENT - PARTNERSHIP APPROACH

Construction Management (CM)

This arrangement is very different to traditional fixed price lump sum contracting and remains one type of an ECI approach. The model enables the Principal to hold complete control and visibility over the amounts payable to subcontractors as they are directly engaged by the Principal, whilst the Principal still benefits from the expertise of a Builder.

Managing Contractor (MC)

This arrangement is a collaborative form of contract in nature. The Builder is engaged early in the design process, based on fixed preliminaries costs required to deliver the construction phase plus a percentage fee of the total trade costs.

Cost Plus (CP)

This arrangement enables the Builder to obtain material and services throughout the stages of the building process with direct costs passed to the Principal alongside an agreed margin to cover overheads and profits. Preliminaries costs are pre-agreed upon on a rate/time utilised basis.

All of these procurement models encourage collaboration between the Principal and Builder and allows project risks to be identified and managed in the most efficient way for the benefit of the project and each of the contracting parties.

SECTION 2.2 TENDERING PROCESS EQUIVALENT BUILDER MODEL - WHAT DEMONSTRATES “TRUE VALUE”

Under a procurement reform process, the Principal should tender under an Equivalent Builder Model with constrained participation affording the participating Builder the opportunity to demonstrate value.

Builders should be invited to participate within a tender assessment process evaluated against other organisations on a number of qualitative criteria such as financial stability, HSEQ accreditations and qualifications, experience, past performance, ability to deliver in similar project formats, proposed staffing levels and capability.

The participating Builder tender list should be restricted by holding a preliminary submission round as an Expression of Interest (EOI) or via the application of an alternate procurement model approach (as listed above) which enables the Principal to restrict the number of participating organisations to decrease the financial burden of tendering within the industry.

The inequitable process of “open tenders”, where potential for an unlimited number of tenderers, should be strongly discouraged in both the private and public sectors as it is a waste of industry resources which ultimately is passed back to the Principal.

It is recommended to deliver value to the Principal that the number be constrained to a maximum of 4 participating organisations.

Only projects with pre-approved funding arrangements in place should be released to market for tender.



St Mary's Pre-Primary Building
H&M Tracey Construction

Winner 2022 Bankwest Best Regional Project Kimberley Pilbara Region
2022 Master Builders-Bankwest Building Excellence Awards Kimberley Pilbara

SECTION 2.3 TENDER ASSESSMENT QUANTITATIVE AND QUALITATIVE CRITERIA MODEL

Procurement reform requires a balanced assessment where value is determined across multiple criteria. The selection of a Builder should be based on the merit of their complete offer not based solely on the “lowest price wins” scenario.

A tender assessment should provide a comprehensive assessment of both quantitative and qualitative criteria. Each should be considered of equal value to the Principal.

The weighting of the scoring against the qualitative criterion and the tender sum should be designed to generate an outcome that gives the Principal the best value for money - which is not necessarily the lowest price. Organisations such as the Western Australian Local Government Association (WALGA) have practiced this type of tender evaluation for many years.

In order to sustain fairness in this approach the quantitative and qualitative criteria responses should be opened separately and independently by the tender assessors with the weighted scores recorded without reference to the alternate criteria.

The qualitative criteria weighted scores should be assessed first to remove any potential bias. It is important that the scoring matrix and decision making assessments are completely transparent and feedback is returned so Builders can understand how they are being perceived and make improvements as necessary.

TREATMENT OF TENDER QUALIFICATIONS

Qualifications are an important tool to ensure that both parties are absolutely clear as to what is included in the tender sum breakdown.

Currently, qualifications are generally acceptable in the private sector but not allowed in public sector tenders where a tender response is rejected as being ‘non-conforming’ without consideration.

There are often ambiguities in the documentation so a qualification will clarify which option has been included in the pricing. There are also occasions where the Builder is being asked to take on risk that they are not in a position to manage. It is not unreasonable in this situation for a qualification to be tabled to identify and exclude that risk from the tender offer.

A reasonably educated Principal should have no problem in assessing the commercial impact of any qualifications in order to compare tenders fairly on a like for like basis.

SECTION 2.4 TENDER VALIDITY PERIOD

Traditionally Principals have required the Builder to provide tender validity periods in the order of 60 to 90 days from the date of tender submission.

Projects should have approved funding arrangements in place prior to taking a project to market.

Often the Principal requests a further extension of this tender validity period to finalise the tender assessment process whilst validating alternate offers or proposed value engineering. These tender validity periods and further extensions are no longer viable for any Builder to provide within any contract form arrangement.

As a direct result of the volatility and availability of construction materials and labour within the participating market, Builders are unable to secure pricing submissions from subcontractors and suppliers beyond a maximum of 30 days from the date of tender submission, sometimes even less.

Further tender extension requests to this tender validity period are unable to be accommodated.



ACorp Construction
Winner Best Industrial Building \$5,000,000 - \$10,000,000
2022 Master Builders-Bankwest Building Excellence Awards Goldfields Esperance

SECTION 2.5 ANTICIPATED COSTS FOR PARTICIPATION

The Builder invests and dedicates a significant number of internal resources to the compilation of tender responses including cost planning, estimating, value engineering, innovation, developing construction methodology, programming and writing all quantitative response criteria.

For more complex tenders, all participating parties in the tender compilation and assessment process should be entitled to be financially reimbursed for their invested time – especially if the procurement model has any form of design component.

The value of this reimbursement should be transparent and equal for each participating organisation.

In order to limit the Principal's financial exposure for this reimbursement the number of participating tenderers should be limited or capped to a predetermined number (highlighted in Section 2.2). This could be managed through an Expression of Interest (EOI) process to assess interested Builders' credentials for the particular project.

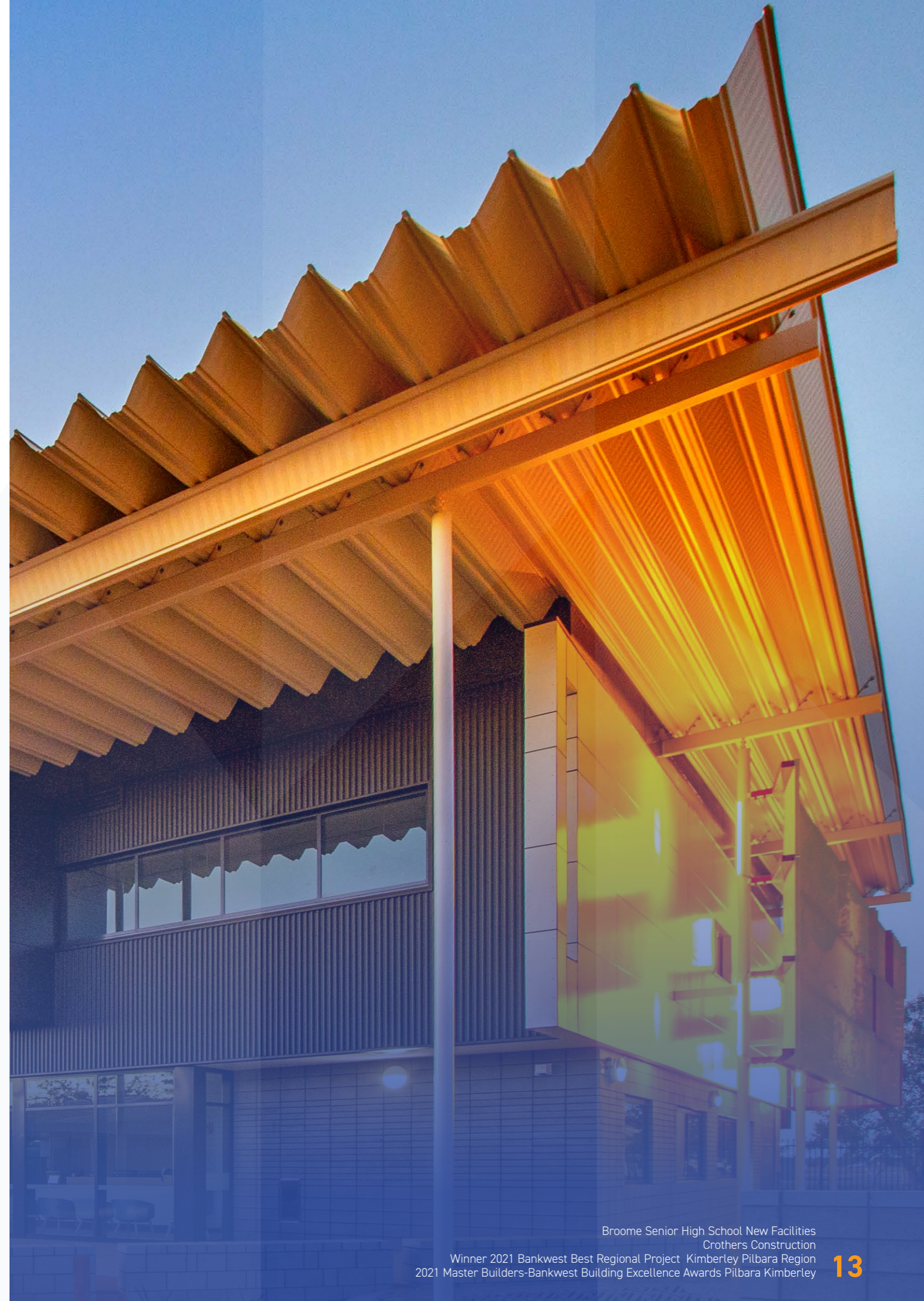
The application of alternative procurement models such as ECI engagement generally requires the Builder to submit a fee for its role in the process prior to contract award plus fixed preliminaries and margin costs as a percentage of the total build cost. This approach is far less onerous and additional financial reimbursement is not warranted.

SECTION 2.6 DISAGGREGATING MAJOR PROJECTS

Recent changes have been made to Commonwealth Procurement Rules to facilitate greater levels of SME involvement and reduce associated costs.

The principles of this initiative are sensible for contracts in both the private and public sectors and should be extended across all projects. The changes are said to “enhance SME opportunities for involvement major projects” by:

- Consider disaggregating major projects into smaller contract opportunities, where unbundling would allow greater competition and is appropriate to the type of work on offer;
- Reducing the value of insurance costs that suppliers incur, to a reasonable level, and making it clear that, in most circumstances, insurance is not required until a contract is awarded; and
- Providing faster cash flows through supply chains, by extending the 'pay on time' policy to all suppliers (i.e. paying invoices within 5 days and other invoices within 20 days or pay interest).



SECTION 3 CONTRACT FORMAT RATIONALISATION AND RISK SHARING

Where Principals are not prepared or able to adopt alternate procurement models (as outlined previously) it is recommended that standard form lump sum agreements, with a fair distribution of the risks between the parties is utilised.

Fair distribution of risk can be achieved by the appointment of an independent project Superintendent and making amendments to Standard Form Contracts as outlined within this section.

SECTION 3.1 UTILISING STANDARD FORM CONTRACTS

The term Standard Form Contracts are in reference to contracts that are readily available, tested in the industry and well-known agreements to both Principals and Builders.

These are contracts that have been developed through consultation by industry bodies or statutory bodies and applied within the industry consistently over time.

Standard Form Contracts are generally recognised as fair contract agreements that can be easily adapted to suit most projects. Examples of these include AS-2124, AS-4000, AS-4902 and ABIC MW.

Standard subcontract agreements with back to back terms are readily available for Standard Form Contracts. These subcontractor agreements share similar terms to that of the head contract and spread the risk fairly between both parties.

Whilst Standard Form Contracts are a good starting point for a fair contract agreement, these contracts have rarely been appropriately updated to reflect market condition changes over time.

Standard Form Contracts are readily available from SAI Global, Australian Institute of Architects or Master Builders Association.

SECTION 3.2 CONTRACT SECURITY AND RETENTION

It is recommended that contract security should be limited to 2.5% of the total contract value, which remains in line with all Standard Form Contracts agreements.

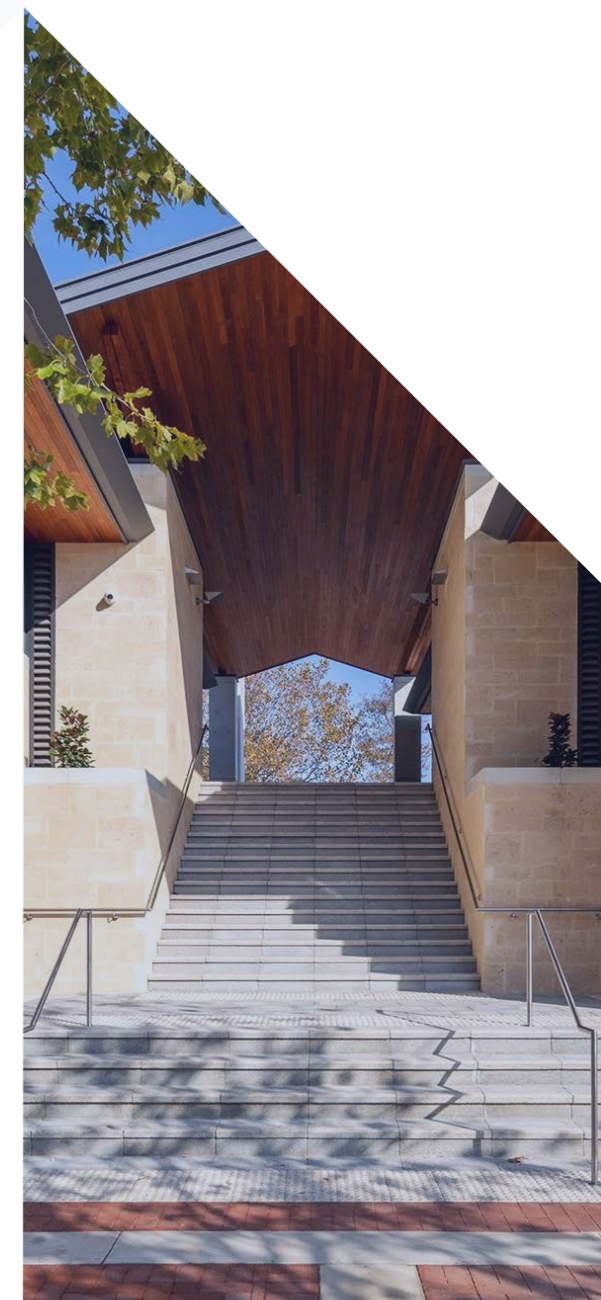
Additional performance bonds or parent company guarantees should not be required by the Principal in addition to the standard security provisions.

STATUTORY RETENTION TRUST MECHANISM

The Security of Payment Act has been implemented with the requirement for retention trust accounts to be implemented for certain projects commencing after 1 February 2023, the Department of Finance should review their position on the value of security to be put in place by the Builder.

Master Builders Association of WA views that the risks of the contract are shared between the Builder and its subcontractors and as such a proportion of the security monies held/retained in trust should account for the total aggregate value of security held by the Principal.

Seton Catholic College Stage 8
Sanpro Construction
Winner Best Education Building \$5,000,000 - \$10,000,000
2022 Master Builders-Bankwest Excellence in Construction Awards



SECTION 3.2 CONTRACT SECURITY AND RETENTION

TIMING FOR PAYMENT OF SECURITY AND RETENTION

Currently, it is a common requirement in both the private and public sector for the Builder to provide security to the Principal upon contract execution.

This is often several months prior to any works commencing on site which is an unnecessary burden on their business cash flow.

A more flexible approach needs to be adopted to both the forms of security required and the timing for the provision to coincide with commencement of works on site.

PROCESS TO RELEASE/RETURN SECURITY AND RETENTION

Release of the security at the end of the Defects Liability Period (DLP) is often a protracted process due to one or two minor items remaining under assessment or disputed between the parties.

Often these items account for defects that may have been rectified but subject to a request from the Principal for the Builder to provide an extended warranty liability period.

Holding the full value of the initial contract security for an extended period places unnecessary strain on the Builder's cash flow and affects their capacity to secure future works with others.

Where minor outstanding items or an extension of the DLP is deemed required the Superintendent/Principal should determine the value of the item (remaining under assessment or disputed) and a reduced security be implemented. This reduced security should be limited to the value of the remaining item.

This reduced security cover would remain in place until the items remaining under assessment or disputed between the parties have been resolved.

SECTION 3.3 PAYMENT TERMS/TIMING

Cost escalation and material availability remains a key challenge for the Builder and their subcontractors in the current industry market; with the larger risk profile currently being absorbed by the Builder.

Builders are working with subcontractors and suppliers to ensure that construction materials are procured early to overcome cost escalation or supply chain constraints.

Across the board Builders are providing supplementary support to their subcontractor's cash flow by implementing shortened payment terms/cycles, limiting security provisions, and provision of Advanced Payment Agreements.

These modified provisions directly impact the Builders cash flow. To assist the Builder in their endeavor to further support the industry, standard payment terms with the Principal should equally be amended.

It is recommended that a reduced certification period of 7 days and a payment timeframe of 7 days (14-day provision from the date of progress claim submission) be implemented.

DEPOSIT PAYMENT

The Builder disperses considerable expenses prior to any works commencing on site which is a burden on their business cash flow. Examples include tender submission preparation, fees, insurances, programming preparation, site accommodation, site security, temporary water and power connections, safety provisions, etc.

It remains unreasonable to expect the Builder to carry these costs until the first progress claim is ultimately paid; often 60 days or more after commencement of works on site.

For example, within the residential sector the *Home Building Contracts Act 1991* limits home building work contract deposits to 6.5% of the total contract price (where the contract value is between \$7,500 and \$500,000).

Within the commercial sector the value of the deposit payment should be a minimum of 5% or be negotiated with the Principal to equitably reflect the value of these anticipated expenses.

SECTION 3.3 PAYMENT TERMS/TIMING

PAYMENT PROVISIONS FOR UNFIXED MATERIALS

Construction materials are being procured earlier within a projects construction schedule in an effort to minimise the impact of extended fabrication, manufacturing, shipment, storage and logistics management on the project delivery time frames. The pursuit of early procurement is a demonstration of the Builder's mitigation measure to current market conditions.

Currently Builders have implemented Advanced Payment Agreements with subcontractors and suppliers for these payments which require bank guarantees/Personal Properties Security Register (PPSR).

In order to claim for these early costs for unfixed materials another layer of security is often requested to be issued from the Builder to the Principals; which ultimately further affects the Builder's cash flow.

Builders understand that security needs to be provided when payments are made for unfixed items however the security implemented in order for the Advanced Payment Agreement to be processed (between the Builder and subcontractor or supplier) should be accepted by the Principal to enable payment to the Builder.

Alternatively, the Principal is able to obtain security directly over the unfixed materials through lodging a Personal properties Security Register application, storing the materials themselves, or forming an agreement with the Builder/subcontractor/supplier.

MATERIAL AND EQUIPMENT DEPOSIT PAYMENTS

Suppliers and subcontractors are increasingly requiring deposit payments to be transacted upon placement of orders for items with long lead times. Traditionally deposit payments for materials and equipment have only been required for very specialised items such a lifts and escalators. These deposits are often required prior to manufacturing or fabrication of the items.

The broader requirement for increased material deposits has stemmed from the volatile market conditions and extended supply time frames.

Essentially Builders are having to make these payments early to ensure that construction materials and equipment are ordered for a rate close to that within their tender estimate and secondly to ensure that they are secured and available when they are needed on site to minimise potential delay to the project construction schedule.

SECTION 3.4 PROJECT BANK ACCOUNTS

Master Builders Association WA has been working with our members to understand the correct processes required to manage projects that require Project Bank Accounts (PBAs) to be in place.

As previously outlined, Builders across the board are providing supplementary support to their subcontractor's cash flow by implementing shortened payment terms – often providing weekly or fortnightly payment cycles, providing deposit payments for material supply and provision of APA for unfixed materials or equipment.

These payments are made to secure labour and construction materials in an effort to mitigate delays to project delivery in the current challenging market conditions.

To recognise these market changes it is recommended that contract conditions amendments are made to share the risk between parties in a fair and equitable manner.

These recommended amendments have the ability to ease the burden the Builder is currently experiencing to their cash flow restrictions as they endeavour to provide financial support downstream.



Eden East - Floreat
PACT Construction
Winner Best Multi Unit Development \$20,000,000 - \$50,000,000
2022 Master Builders-Bankwest Excellence in Construction Awards

SECTION 3.5 CONTRACT VARIATIONS – PROVISION FOR ADEQUATE PROFIT AND OVERHEADS

A Contract Variation (CV) is a change to the Builder's scope of works under contract that results in a net change to the value of the works.

Contrary to common perceptions the preparation, assessment and execution of contract variations are an onerous and often profitless process for the Builder.

The allowances assessed and paid to the Builder to cover profit and overheads applicable to the change should adequately cover the Builder's costs (inclusive of expenses for measuring, arranging, coordinating, insuring and administrating this change), profit, and attendance.

Over the past decade this allowance has traditionally stagnated within a fixed standard provision of 5% - 10% (dependent on the project value).

The industry has not adjusted this allowance to adequately reflect increases applicable to the Builders direct operational costs over this time. It is recommended that the standard provision should be increased to a fixed standard provision of a minimum of 10%.

Where the net change results in an applied credit to the Principal the standard provision for profit and overhead applied is to be 0%.

Alocasia Apartments
Thomas Building
Winner Best Multi Unit Development \$5,000,000 - \$10,000,000
2022 Master Builders-Bankwest Excellence in Construction Awards

SECTION 3.6 CONTRACT VARIATIONS – TIMING FOR RESPONSE

There are currently very few contract formats utilised within the building and construction industry that stipulate a timeframe for the project's Superintendent/Principal to provide approval for variation costs as submitted by the Builder.

The Contract Variation (CV) approval process often becomes drawn out over successive months as information is shared between the parties.

In accordance with most current commercial contract provisions the Builder must proceed with additional works or changes if instructed to do so by the project's Superintendent/Principal regardless of whether the submitted costs have been approved.

Despite the Builder having paid all subcontractors and suppliers for the completed works the Builder is unable to seek payment for these works from the Principal without pursuing the matter through the provisions of the *Construction Contracts Act 2004* or dispute resolution process. This is an unnecessary burden on the Builder's cash flow.

It is recommended that it remains reasonable for responses to be received within 14 days of submission, and an assessment determination within 28 days of submission, otherwise the submission should be deemed to be approved as submitted.

It remains reasonable for the recommended response timeframes to be applied for all items where the project's Superintendent/Principal is required to provide an assessment or response to the Builder on all commercial matters.

Bunbury Senior High School
Perkins Builders
Winner Best Education Building \$1,500,000 - \$5,000,000
2021 Master Builders-Bankwest Building Excellence Awards South West

SECTION 3.7 PROVISION FOR PRICE ESCALATION MECHANISM

The management of price escalation in the current market is a serious issue. It is not unusual to see supply escalation affecting either the material or labour costs component of a project numerous times during the projects duration.

Builders are making all available efforts to mitigate these risks, where possible, by accelerating procurement and pre-purchasing construction materials however this risk lies solely with the Builder which is unsustainable.

A cost escalation clause and assessment methodology is required for a fair adjustment for the true additional costs that are being passed on to Builders during the project.

SECTION 3.8 FAIR PROVISIONS FOR TIME AND COST RECOVERY

Health Event delays have become a real issue to construction projects over the last two years during the COVID-19 outbreak.

Whilst time extensions have been recognised and granted by Principals, the direct costs incurred by the Builder for these delays, including the provision of preliminaries, plant, equipment and additional storage have not been granted.

These costs are directly affecting the bottom line for the Builder.

Current construction contracts need to be amended to allow 'Significant Health Events' and 'Industrial Conditions, which includes significant and unforeseen changes to the availability of labour as events for which extension of time and delay costs can be claimed by the Builder.



SECTION 4 INDUSTRY JOBS AND SKILLS

The building and construction industry is generally based on the organisation and facilitation of trade based subcontractor organisations and construction materials suppliers.

The Builder is the “organiser” and manages the project delivery to meet time and cost objectives for the Principal.

In this sector model the Builder does not directly employ the workers (whom are engaged by subcontractor organisations) and generally only supplies specific equipment and construction materials.

Subcontractors are the employers of trade skilled labour which are high in number on a project.

The Builder's ability to deliver the project to a pre-agreed construction schedule has been severely affected by a number of factors including:

- Closure of state borders preventing access for labour from interstate or overseas.
- Limited availability of labour due to local supply and demand – every sector is currently booming i.e. mining, infrastructure, residential and commercial.
- Labour productivity – live examples provided outlining inability to secure consistent labour across program Work Breakdown Structure items as could secure 14 people on day 1 to drop down to 3-4 on day 2. Builders are unable to secure/sustain and therefore accept this liability with limited available relief.
- Unpredictable COVID-19 restrictions on site working conditions through lockdowns, social distancing etc.
- Global and local shortages of material.
- Limited apprenticeships available within the commercial market.

SECTION 4.1 INCENTIVES TO WORK IN WESTERN AUSTRALIA

Attracting construction workers to Western Australia has its difficulties. The remoteness of Perth, as a city and its various work locations (across a sprawling metropolitan suburb expanse of 150km), contributes to the complication of incentivising workers to move west.

These constraints are also a factor in the stability of the existing work force. At any time, the subcontractor trade worker base can be made up of 30-50% “transitory” interstate workers that are not permanently based within the state.

The restrictions on travel, and direct effect of recent COVID-19 mandates, has demonstrated how dependent the Western Australian building and construction industry is on the movement of workers coming to the state to supplement the local workforce.

A great number of interstate workers leaving the state to return home have not been replaced in their usual numbers. This has resulted in delays to work progress and driving steep escalation in labour pricing.

The inflationary effect on labour pricing due to low unemployment in the state is testimony to the current pricing of trades labour.

It is recognised that employers within the building and construction industry, including Builders and their subcontractors, cannot compete with the salary wages available in the mining industry and as such limits any ability to provide a remuneration-based incentive.

To attract interstate construction workers to Western Australia incentives that outline benefits for each worker to move are required. These initiatives would be a focused campaign advertising the attractions of the lifestyle available in Western Australia and the lower cost of living.

State Government incentives could provide relief to interstate transferees in the forms of stamp duty rebates (for the purchase of accommodations and vehicles) and payroll relief for employers attracting and employing interstate workers.

SECTION 4.2 INDUSTRY RELIEF VIA INTERNATIONAL SKILLED LABOUR

The attracting of international workers to assist with the labour shortages experienced within the Western Australia building and construction industry remains a focus of the State Government together with actions by the Federal Government.

The recent State Government's 'Build a Life in WA' campaign has been expanded internationally to help attract skilled workers to Western Australia and fill key skill shortages across a range of jobs.

Master Builders Association WA advocates for State and Federal Governments to pursue further initiatives such as expedited work visas, streamlining the visa application process for skilled workers, removal of the Priority Migration Skills Occupation List (PMSOL) and tax incentives for trades employing international labour on set term work periods.



Minderoo Exmouth Research Laboratory
DLR Building Co.
Winner Best Industrial Building \$1,500,000 - \$5,000,000
2022 Master Builders-Bankwest Building Excellence Awards Pilbara Kimberley

SECTION 4.3 INDUSTRY DIVERSIFICATION

It is projected that nationally the building and construction industry will require at least 300,000 additional workers over the next five years.

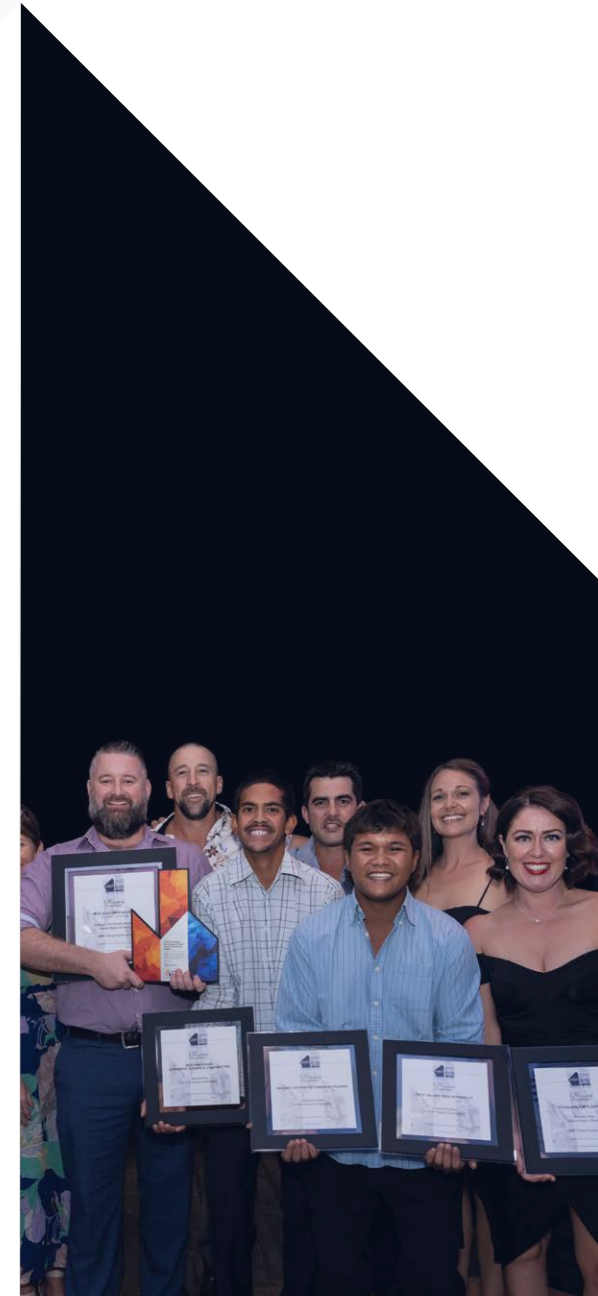
To attract and retain new workers into trades-based employment within the building and construction industry requires a gender neutral, age and culturally sensitive approach.

The current training system by its nature limits diversification of the labour force within Western Australia.

Master Builders Australia has developed the Women Building Australia (WBA) project which supports a national mentoring program, setting up a sexual harassment and discrimination helpline, and launched the Female Led Business Register. Master Builders Association WA promotes the WBA project to attract and support increased female participation in the building and construction industry.

There are many highly skilled retirees residing within the local community that would like to afford themselves of part-time work in the industry but due to the tax regime disincentive to those receiving a pension they are not willing to incur the significant reductions to their pension resulting from these earnings. This a Federal Government matter that has implications across Australia, across all sectors.

H&M Tracey Constructions
Chadwick Albert, Winner Best Second Year Apprentice of the Year and Best Apprentice Kimberley Pilbara
Brendon Roe, Winner Best Indigenous Apprentice Building and Construction
2022 Master Builders-Bankwest Building Excellence Awards Kimberley Pilbara



SECTION 4.4
ENFORCEMENT OF 5-DAY A WEEK
DELIVERY MODEL

There is a perception that the building and construction industry of Western Australia operates as a 6-day a week industry and a Saturday work shift is the expected norm.

Master Builders Association WA, in consultation with our members, challenge this perception in a bid to recruit and retain construction workers, promote a healthier work-life balance across the board, and to help ease the mental health crisis facing the industry.

In the current competitive market economy, considering work productivity constrains it is difficult to promote or enforce the concept of a unified 5-day a week industry. Further local government restrictions on weekend work would move this proposal in this direction.

It is recommended that Principals (both in the private and public sector) consider the universal benefits to the industry to deliver all projects types within a 5-day a week works program.

When agreed all time based assessments are to be applied on this basis.



ABN Group Headquarters - Leederville
PACT Construction
Winner Best Building Fit-Out \$20,000,000 - \$50,000,000
2022 Master Builders-Bankwest Excellence in Construction Awards



Hames Sharley Head Office
ADCO Constructions
Winner Best Refurbishment or Renovation \$5,000,000 - \$10,000,000
2022 Master Builders-Bankwest Excellence in Construction Awards

BUILDING INDUSTRY REFORM PACKAGE 2022 RECOMMENDATIONS

The Master Builders Association WA, in consultation with its members, has prepared the following **Building Industry Reform Package 2022** recommendations which seeks to promote initiatives to establish a more sustainable building and construction industry for all within Western Australia.

Recommendations are to be applied from January 2023.

RECOMMENDATION 1 PROCUREMENT REFORM TO MODEL AND PROCESS

Procurement models which focus on project value outcomes to become the primary contracting arrangements pursued within Western Australia moving forward to fairly reflect risk.

RECOMMENDATION 2 EQUIVALENT BUILDER MODEL

The inequitable process of "open tenders" (potential for an unlimited number of tenderers) should be strongly discouraged.

Participating Builder tender list should be a restricted number constrained to a maximum of 4 participating organisations.

RECOMMENDATION 3 BALANCED TENDER ASSESSMENT

That there is a comprehensive and fair assessment of both quantitative and qualitative criteria considered of equal value to the Principal.

The qualitative criteria weighted scores should be assessed first to remove any potential bias.

Assessment feedback is to be provided to each Builder.

RECOMMENDATION 4 RESTRICTED TENDER VALIDITY PERIOD

To be limited to a maximum of 30 days from the date of the tender submission.

RECOMMENDATION 5 TENDER PARTICIPATION ANTICIPATED COSTS

Builders should be entitled to be financially reimbursed for their invested time.

RECOMMENDATION 6 UTILISING STANDARD FORM CONTRACTS

Utilise Standard Form Contracts Agreements maintaining balanced risk sharing between the parties. Standard Form Contracts should be appropriately updated to reflect market condition changes over time.

BUILDING INDUSTRY REFORM PACKAGE 2022 RECOMMENDATIONS

RECOMMENDATION 7 CONTRACT SECURITY CAP AND TIMING

It is recommended that contract security be limited to 2.5% of the total contract value without additional performance bonds or parent company guarantees required.

Timing for the provision of security to coincide with commencement of works on site.

RECOMMENDATION 8 RELEASE AND REDUCTION OF CONTRACT SECURITY

Implementation of reduced contract security at completion of defect liability period limited to the value of the remaining items under assessment.

RECOMMENDATION 9 CONTRACT PAYMENT TERMS/TIMING

Standard payment terms should be reduced to certification period of 7 days and a payment timeframe of 7 days (14-day provision from the date of the progress claim submission).

Hollywood Private Hospital South Block
Georgiou Group
Winner Best Health Care Building \$50,000,000 - \$100,000,000
2022 Master Builders-Bankwest Excellence in Construction Awards



BUILDING INDUSTRY REFORM PACKAGE 2022 RECOMMENDATIONS

RECOMMENDATION 10 DEPOSIT PAYMENTS

Provision for deposit payment should be a minimum of 5% or be negotiated with the Principal to equitably reflect the value of anticipated expenses prior to any works commencing.

RECOMMENDATION 11 PAYMENT FOR UNFIXED MATERIALS

That payment is made to the Builder for unfixed materials where there is an Advanced Payment Agreement between the Builder and subcontractor or supplier.

RECOMMENDATION 12 MATERIAL AND EQUIPMENT DEPOSIT PAYMENT

That payment is made to the Builder for evidenced material and equipment deposits for items with long lead times.

RECOMMENDATION 13 CONTRACT VARIATION PROVISION FOR PROFIT AND OVERHEAD

Increase standard industry provision for contract variations to a minimum of 10% to adequately cover the Builder's applicable profit and overheads.

Crothers Construction
Winner Best Education Building \$1,500,000 - \$5,000,000
2022 Master Builders-Bankwest Building Excellence Awards Mid West

BUILDING INDUSTRY REFORM PACKAGE 2022 RECOMMENDATIONS

RECOMMENDATION 14 CONTRACT VARIATION TIMING FOR RESPONSE

Responses to be received within 14 days of submission, and an assessment determination within 28 days of submission, otherwise the submission should be deemed to be approved as submitted.

RECOMMENDATION 15 PROVISION FOR PRICE ESCALATION

Cost escalation clause and assessment methodology is required in contracts for a fair adjustment for true additional costs.

RECOMMENDATION 16 FAIR PROVISION FOR TIME AND COST RECOVERY

Construction contracts to be amended to allow for time and cost increases due to unforeseen events, with 'Significant Health Events' and 'Industrial Conditions' to be events for which extension of time and delay costs can be claimed by the Builder.

Dental Excellence
Medift Design & Construct
Winner Best Building Fit-Out Under \$1,500,000
2022 Master Builders-Bankwest Excellence in Construction Awards

BUILDING INDUSTRY REFORM PACKAGE 2022 RECOMMENDATIONS

RECOMMENDATION 17 INCENTIVES TO WORK IN WA

State Government to implement stamp duty rebates (for the purchase of accommodations and vehicles) and payroll relief for employers attracting and employing interstate or international workers.

RECOMMENDATION 18 ENFORCEMENT OF A 5-DAY WEEK INDUSTRY

It is recommended that Principals (both in the private and public sector) consider the universal benefits to the building and construction industry to deliver all projects types within a 5-day a week works program.

For further information regarding the **WA Building Reform Package 2022**, please contact:

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www.mbawa.com

SPYDA Construction
Winner Best Refurbishment or Renovation \$1,500,000 - \$5,000,000
2022 Master Builders-Bankwest Excellence in Construction Awards



Kennedy Bay Golf Clubhouse
EMCO Building
Winner Best Public Use Building \$1,500,000 - \$5,000,000
2022 Master Builders-Bankwest Excellence in Construction Awards

