



Submission to Inquiry into the Successful Delivery of Infrastructure Projects

John Lloyd

to:

paec@parliament.vic.gov.au

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From: John Lloyd <jlloyd@ipa.org.au>

To: "paec@parliament.vic.gov.au" <paec@parliament.vic.gov.au>

1 Attachment



050912 SUBMISSION - Public accounts and estimates committee.pdf

Please find attached a copy of a submission on behalf of the Institute of Public Affairs.

If you require a hard copy of the submission please let me know.

Regards

John Lloyd
Director, Work Reform and Productivity Unit

Institute of Public Affairs
Level 2, 410 Collins Street
Melbourne VIC 3000

T: 03 9600 4744

F: 03 9602 4989

M: 0417 130 634

E: jlloyd@ipa.org.au

W: <http://www.ipa.org.au/>



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From the desk of John Lloyd, Director, Work Reform and Productivity Unit

My mobile is 0417 130 634 or email me at jlloyd@ipa.org.au

**IPA Institute of
Public Affairs**

Free people, free society

5 September 2012

Mr Philip R Davis MP
Chairman
Public Accounts and Estimates Committee
Parliament House
Spring St
East Melbourne Vic 3002

Dear Mr Davis

**Inquiry Into Effective Decision Making For The Successful Delivery Of Significant Infrastructure
Projects**

I attach for the Committee's consideration a submission on behalf of the Institute of Public Affairs.

Yours sincerely


Hon. John Lloyd PSM
Director, Work reform and Productivity Unit





Public Accounts and Estimates Committee

Inquiry Into Effective Decision Making For The Successful Delivery of Significant Infrastructure Projects

**Hon. John Lloyd PSM
Director, Work Reform and Productivity Unit**

5 September 2012

 **Institute of
Public Affairs**
Free people, free society

Introduction

1. Significant infrastructure projects are inevitably large and complex undertakings. Public-private partnership arrangements will be utilised for many such undertakings.
2. The completion of any significant infrastructure project within budget and on time is a major challenge. It requires the application of sophisticated systems and skills. Public sector managers skilled in areas such as project design, contract management, financial analysis and tender evaluation and probity are required.
3. A government document entitled "National Public Private Partnership Guidelines – Overview" runs to a staggering 47 pages. The overview is supported by another nine volumes dealing with the application of the concept. This suggests a burden of red tape may be limiting the effectiveness of project delivery.

Workplace Relations

1. It is not uncommon for government project management processes to adopt a complacent “hands-off” approach to workplace relations.
2. Labour costs are a significant element in the pricing of all projects. Disruption due to workplace relations disputation frequently causes projects to incur significant delays and cost overruns.
3. In past years the actuarial allowance for industrial disruption on major projects in Victoria reached as high as 20-30 per cent of total project costs. The allowance fell to less than 5 per cent with the creation the Office of the Australian Building and Construction Commissioner (ABCC). An associated and crucial factor in the improvement was a rigorous application of the National Code of Practice.
4. Victoria, even in this environment, had an unenviable record for project disruption and unlawful conduct. Victoria accounted for about 50 per cent of ABCC court proceedings, investigations and compulsory examinations. It clearly had the worst record of all states.
5. In recent years Victorian Government projects have been the targets for industrial disruption. Projects such as the Royal Children’s Hospital, the Westgate Bridge Upgrade, the Wonthaggi desalination plant and the Epping Fresh Produce Market are notorious recent examples. Each of these projects experienced significant industrial disruption. This meant the projects incurred massive cost and delay imposts.
6. The building and construction industry’s workplace relations environment has deteriorated in recent months. The ABCC was abolished on 31 May 2012. The Gillard Government has systematically weakened the application of the National Code of Practice. These astounding policy developments have emboldened construction unions to engage in militant practices and campaigns. The current Grocon dispute is testimony to the adverse impacts of these changes.
7. The effective management of workplace relations on a project is enhanced when the client is involved. Too many major projects in Australia suffer from the client being disengaged and obliging the head contractor to bear all workplace relations risk.
8. In Victoria the Baillieu Government’s Code of Practice for the Building and Construction Industry (Victorian Code) is an important policy initiative. It ensures that the client, the government, will demand proper standards of conduct and compliance with workplace relations laws.
9. The best run projects are those that establish a firm commitment to upholding the law. It is essential that laws regarding freedom of association and right of entry are strictly observed from commencement.
10. The Code requires all contractors to adhere to the standards and obligations encapsulated in it. The expeditious notification of any industrial action to the Construction Code Unit is crucial. The concomitant obligation on the Government and its agencies is to support contractors upholding the law and resisting intimidation and coercion from unions.
11. The Code will be effective in limiting the workplace relations disruption and costs that afflict many Victorian projects. However, it will require a commitment and engagement by managers in government agencies.

12. Workplace relations can be challenging, with contractors often avoiding confronting unlawful conduct. Familiar relationships often develop between contractors, agency managers and union officials. This can result in less than rigorous management of workplace relations risk. It will be important to thoroughly train agency managers in the requirements for Code compliance and the importance of responding promptly to workplace relations disruption and unlawful conduct. They play an important role and must be equipped to carry it out. The support of chief executives and senior management will be required.
13. An opportunity exists for Victorian infrastructure projects to meet best practice workplace relations outcomes. It will be challenging and will only be achieved with improved skills amongst public sector managers.

