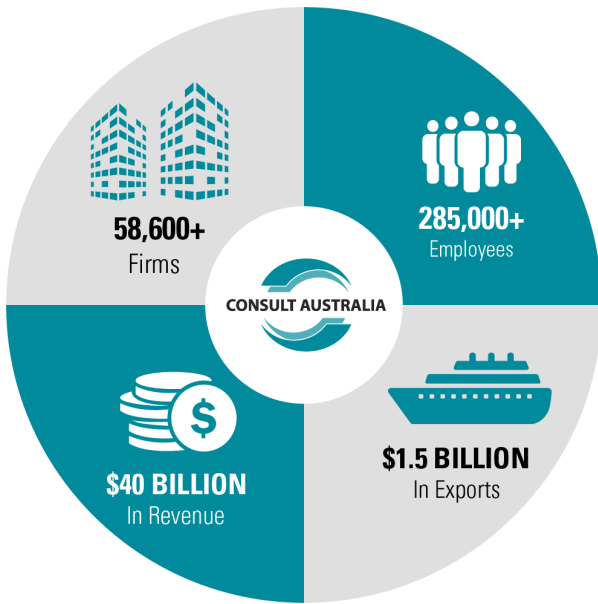




SA ELECTION 2022



ABOUT US

Consult Australia is the industry association representing consulting businesses in design, advisory and engineering, an industry comprised of over 58,600 businesses across Australia. This includes some of Australia’s top 500 companies and many small businesses (97%). Our members provide solutions for individual consumers through to major companies in the private sector and across all tiers of government. Our industry directly employs over 285,000 people in architectural, engineering and technical services and many more in advisory and business support. It is also a job creator for the Australian economy, the services we provide unlock many more jobs across the construction industry and the broader community.

Our members include:



A full membership list is available at: <https://www.consultaustralia.com.au/home/about-us/members>

Consult Australia advocates for a healthy and sustainable ecosystem of productive businesses to realise South Australia's economic future

Consultants design the future. With every design, advisory and engineering service provided by our membership, there is a positive impact on job growth, community connectivity, and economic productivity.

South Australia's economic future relies heavily on delivering the record investment in infrastructure – inclusive of the once in a generation North South Corridor project – as well as stimulating private sector investment in other areas. To achieve this, we need a strong ecosystem of productive businesses, ready to take the lead on innovation and collaboration. We call on the next state government to be a part of this future by adopting our seven key policy recommendations, set out below.

Now is the time for a robust reform agenda to unlock productivity and build the talent pipeline in South Australia. As acknowledged by [Infrastructure Australia's 2021 Plan](#), Consult Australia and other industry groups/thought leaders have called for reform over many years. Reform is now more urgent than ever because of the diminishing health of the industry as a whole and the size and scale of the demand, especially in infrastructure. Consult Australia's solutions, will deliver benefits for industry, the South Australian Government, and the community. Our proposals span across seven priorities to fix the insurance market, procurement practices, skills, and mental health. At the heart, our priorities are business driven but people centric.

De-risking for delivery



Implement a more sustainable approach to risk allocation and reforms to de-risk the market. This will dramatically reduce the level of disputation and bring some balance back to the professional indemnity insurance market.

Collaboration as culture



Embrace and embed collaboration as the cultural norm in contract design and tendering approaches. This will significantly reduce the imbalance between contracting parties and provide a more collaborative, productive environment with all parties focussed on successful project delivery.

'Go slow to go fast'



Adopt and support a 'go slow to go fast' approach for all projects ensuring best practice in due diligence right at the start of projects. This will deliver better projects and minimise cost and time over-runs that currently mar projects, particularly infrastructure projects.

Smarter pipeline of projects



Adopt and support an approach to the pipeline of projects that provides certainty to the industry and increases accessibility for SME businesses. This will deliver benefits to productivity (both industry and government), workforce planning and regional participation.

Digital by default



Drive innovation by committing to and pushing for digital investment at all stages and on all projects so businesses, particularly small businesses, have the confidence to do the same. This will deliver benefits for both government and industry.

Thinking smarter about skills



Invest in a range of initiatives to tackle the deepening skills shortage in engineering and related professions. This will ensure that we maintain world class design, engineering and advisory services for South Australia and boost productivity by job growth and high employment participation.

Striving for a mentally healthy industry



Champion model behaviours both as a government and a client to support the vitality of our industry. This will ensure we have sustainable businesses with healthy and productive people at the heart.

Recommendations

De-risking for delivery



The state government should implement a more sustainable approach to risk allocation. Consult Australia is actively encouraging all government clients around Australia to embrace this approach. A focus on de-risking will have a significant positive impact on consulting businesses in Australia and for the delivery of projects. We are currently seeing the worst conditions in the professional indemnity (PI) insurance market since the collapse of HIH in 2001. Unfair contract terms in professional services contracts are driven predominately by the imbalance in market power between the professional services consultant and their client (whether public or private).

Unfortunately, Australia has the most litigious building and construction industry outside of the US. As stated in Infrastructure Australia's 2021 Infrastructure Plan, we need to move away from risk transfer to risk avoidance and risk mitigation. There are many aspects to this including:

- investing more time in the planning phases of projects (aka 'go slow to go fast')
- setting liability caps in contracts
- having fair and collaborative contracts including:
 - ensuring parties are only liable for the damage/loss they contribute to (proportionate liability)
 - contract terms are not automatically 'back-to-back' down the supply chain.

We have also seen in other jurisdictions government clients acquiring the insurance for projects (ensuring coverage for the consultants and well as the contractors) which assists because the government has greater market power to secure insurance at those higher levels, more than individual businesses. This also dissuades all parties from considering the consultant's PI insurance as theirs, when it is a business tool for the consultant, not a client or consumer safeguard.

The South Australian Government should ensure:

- more time is given in the development stages of a project
- all procurement officers and decision-makers are upskilled on the interaction between risk, contract terms and insurance
- principal-acquired insurance is sought for all large-scale projects that covers all the parties
- use of standard suite of contracts across all government procured projects (ideally using Australian Standards such as AS4122-2010 for consultants), which do not have uninsurable terms and include a liability cap (that is separate from any consideration of insurance)
- do not fall for the fallacy of 'back-to-back' being fair.

If these de-risking reforms are prioritised by the government, we will see significant changes in the productivity and mental health of the industry and enhanced business certainty for our professionals. Without a focus on de-risking, the PI insurance market will continue to deteriorate, and the diversity of consultant businesses will diminish as businesses and people exit our industry thus impacting the ability to design the future. It is up to the South Australian Government to champion model client behaviour by embracing these de-risking opportunities.

See our [Professional Indemnity Insurance Market Briefing \(September 2021\)](#), [Model Client Policy](#), our [submission](#) to the Parliamentary Standing Committee on Infrastructure, Transport and Cities, Inquiry into Procurement Practices for Government-Funded Infrastructure as well as the [Infrastructure Australia's 2021 Plan](#) for more information.

Collaboration as culture



The state government should embrace collaboration as the cultural norm and embed collaboration in contract design and tendering approaches which will significantly reduce the imbalance between contracting parties and provide a more collaborative, productive environment with all parties focussed on successful project delivery.

Collaboration as culture is a commitment by everyone to shift away from disputation and embed a positive collaborative culture at every stage of a project, underpinned by communication. This combined with 'de-risking for delivery' (above) and 'go slow to go fast' (below) will dramatically change the broader construction industry for the better and deliver significant productivity savings for all parties. Using past projects as case studies, Consult Australia's [Uplifting Productivity](#) report demonstrates how collaboration and communication can be prioritised at all stages of a project from pre-tender to post-completion.

Having a collaborative culture would also dramatically reduce the disputation in the market and create more mentally healthy workplaces. It is acknowledged by government clients, contractors, and consultants that while no one contract model is by default 'always good' or 'always bad' some models are typically less collaborative, such as lump sum design and construct (D&C) contracting.

Consult Australia has collected claims data that demonstrates that 57% of consultant revenue is at risk when entering a D&C contract. This is a devastating impact on consultant businesses, despite representing only a very small percentage of the overall construction cost of a project (0.9%), hence government clients are often unaware of the extent of the disputation. Consult Australia holds that the claims, especially where 'design error' is cited, cannot represent actual design errors otherwise we would see more rectification work being undertaken around the country. These claims are typically settled before adjudication in the courtroom because the number and type of claims made are constructed tactically to push the consulting business towards settlement to avoid the substantial costs of defending the claim in court.

Adoption of more collaborative forms of contract and procurement practices will have multiple benefits:

- Significant reduction in the costs and resources (both government and industry) throughout the project lifecycle
- Uplift in productivity
- Uplift in innovation: noting that the value-add services our members provide is finding solutions to wicked problems, most significantly transitioning to a net-zero economy.

The state government has a role to play both as an investor in infrastructure projects, but also as a champion to bring other state and territory governments along on the same journey. If prioritised by government, collaboration as the cultural norm can deliver significant productivity benefits to everyone and enhance project outcomes.

Consult Australia commends and supports the introduction of the Department of Treasury and Finance's Industry Advisory Group to bring a closer relationship between government and industry within the context of South Australian Government procurement activities.

See our [Uplifting Productivity](#) report and [Model Client Policy](#) as well as the [Infrastructure Australia's 2021 Plan](#) for more on collaborative contracting.

'Go slow to go fast'

The state government should adopt and support a 'go slow to go fast' approach for all projects ensuring best practice in due diligence right at the start of projects. This will deliver better projects and minimise cost and time over-runs that currently mar projects, particularly infrastructure projects.

The 'go slow to go fast' approach is where the emphasis in project development is placed on preliminary due diligence to enhance project outcomes. The investment of time and resources up front will also reduce project risks making it more likely that:

- clients (including government clients) will meet financial settings and reduce financial loss
- industry will meet delivery deadlines
- industry will deliver the right outcomes.

This is in stark contrast to the current environment where projects are often put to market without a clear/defined scope, incomplete design, and substantial risk transfer. This predictably leads to problems with the market's ability to price the project, commit to a timetable, or assess the risks involved. Lack of due diligence in the early stages of project development is consistently cited in case study analysis of projects that have been beleaguered by disputes and failures.

If prioritised by government, 'go slow to go fast' can deliver significant benefits to everyone and enhance project outcomes and improve the operating environment for all stakeholders. In addition, with government clients leading the way, private projects will see the benefits of a 'go slow to go fast' approach and follow.

The greatest opportunities to ensure the best solution for the end-user happen at the earliest stages of the project during problem identification, project origination, and design. Improving how projects are conceived, planned, designed, and assured in these early stages has long been regarded the most effective mechanism owners have to consistently deliver superior project outcomes. While we have seen a greater investment in early studies, particularly in the Department for Infrastructure and Transport and SA Water, this occurs on an infrequent basis rather than a standard exercise. Early studies and early consultant and contractor involvement in preliminary project phases is key. This is really where industry can add value to South Australian projects.

See our [Uplifting Productivity](#) report and [Model Client Policy](#) as well as the [Infrastructure Australia's 2021 Plan](#) for more detailed consideration of this approach.

Smarter pipeline of projects

The state government should adopt and support an approach to the pipeline of projects that provides certainty to the industry and increases accessibility for small businesses. This will deliver benefits to productivity (both industry and government), workforce planning and regional participation.

A smarter pipeline of projects will produce sector-wide productivity, create a dynamic workforce, and increase regional participation. A smarter pipeline relies on the key elements of transparency and diversity of industry participants (in addition to an embedded 'go slow to go fast' mentality as discussed above).

It is expected that transparency of the upcoming pipeline of projects across South Australia will ensure that:

- the state government as a client can utilise industry feedback more effectively on barriers experienced by industry (which may not yet be seen by government – including skills shortages)
- industry can predict, prepare, and plan the resources required to meet demand, including the creation and maintenance of a dynamic workforce
- industry can attract workers to regional areas based on the pipeline in the region
- all parties benefit from increased productivity.

It is expected that if major projects are broken up into smaller packages, more small to medium businesses will be utilised for government projects, which will re-balance their current experience of having a downturn in work, and support larger businesses that are struggling to keep up with tender demands (see our latest [Industry Health Check results: September 2021](#)). This will help maintain a healthy diversity of businesses capable of delivering for South Australia.

If prioritised by the government, having a smarter pipeline of projects will lead to greater economic prosperity across the industry.

Digital by default



The state government should drive innovation by committing to and pushing for digital investment at all stages and on all projects so businesses, particularly small businesses, have the confidence to do the same. This will deliver benefits for both government and industry including job growth, increased productivity, improved risk management, improved accessibility, and innovation.

Digital by default means job growth, leadership, increased productivity, risk management, and digital solutions to improve accessibility and innovation.

There are numerous ways in which digital by default can be delivered, from data sharing during projects, digital project controls, using digital tools to manage project risks and delivering building information modelling (BIM) and/or digital twins of assets. By going digital by default, businesses (especially small businesses) will see the cost of digital tools as an investment rather than burden and will deliver better outcomes by reducing risk and increasing innovation.

Consult Australia has long called for mandated BIM for government projects, with very few jurisdictions taking that approach. See also Consult Australia's [Uplifting Productivity](#) report for examples where digital solutions were used in successful projects.

We also see digital solutions being vital in the successful implementation of the automatic mutual recognition/automatic deemed registration regime throughout Australia, particularly for engineers and other registered professionals.

The state government has a role to play both as an investor in infrastructure projects and a model client to mandate the adoption of digital by default. South Australia is behind on this front. Engineers and contractors are practising this now and government agencies are missing out on the benefits. If prioritised by government, digital by default will deliver significant productivity savings for South Australia.

See also [Infrastructure Australia's 2021 Plan](#) for more digital by default recommendations.

Thinking smarter about skills



The state government must think smarter about skills, investing in a range of initiatives to tackle the existing skills capacity issues – including developing a state workforce plan, simplifying skills and occupation lists incorporating emerging occupations, investing in education, and upskilling and supporting businesses to navigate the migration system. This will ensure that the current pipeline of projects can be delivered.

Thinking smarter about skills, includes investing in education and migration initiatives but also addressing the issues that currently impact on workplace mental health and cause burn-out of people (see above on 'de-risking for delivery' and 'go slow to go fast', and below on 'striving for a mentally healthy industry'). By doing this, we can ensure we have thriving workforce to deliver the current and future pipeline of projects.

The size of the infrastructure pipeline will create significant job growth both during the delivery phase and through the benefits of the infrastructure itself. However, we do not currently have enough people to deliver the infrastructure pipeline or participate in the job creation it will generate. This shortage of skills and resources is even more critical when considering the current and future needs of the North South Corridor project.

Consult Australia has campaigned for a stronger focus on engineering education for many years, noting that the skills shortages are systemic. Australia is not addressing our education system's poor performance in mathematics. The PISA results show 46% of Australian aged 15 years failed to meet the minimum national standards in mathematics and our mean scores have continuously declined. Engineering degree intakes have not increased in more than a decade and with the loss of international student intakes over the last two years of the COVID-19 pandemic (noting international students make up the majority), the skills shortages in engineering are going to deepen even further in coming years.

Infrastructure Australia's Market Capacity report published in October 2021 found that approximately 57,000 FTE jobs in engineering are required in 2021-2022 alone to meet demand. The sobering reality is our industry lacks the people resources to deliver on the productivity projections for the future. Skilled migration will assist to a degree and we support implementation of the recommendations of the final report on [Temporary Migration](#) and the final report into the [Inquiry into Australia's Skilled Migration Program](#).

For more information on the skills shortage facing our industry, please see [Infrastructure Australia's Market Capacity Report](#).

Striving for a mentally healthy industry



The state government must set the tone from the top and strive for a mentally healthy industry. In doing so, the government should champion model behaviours as a client to support the vitality of our industry. This will ensure we have sustainable businesses with healthy and productive people at the heart.

Striving for a mentally healthy industry is a multi-level problem needing many solutions. Many of the recommendations above, if realised will have a significant positive impact on the mental health of our people. Currently, the stress of accessing affordable PI insurance, the litigious nature of working in the construction and the built environment, pipeline demands, including client timetabling/tender requests, the lack of a collaborative culture, and the significant skills shortage, are all taking a toll on the mental health and wellbeing of our workforce.

Consult Australia calls on the South Australian Government to ensure under the State's procurement rules it is a condition for participation that any potential supplier demonstrate minimum standards of mental health support and care in their workplace. If the government is to adopt this recommendation, the government must set the tone from the top and strive for a mentally healthy culture in its dealings with industry. One way to demonstrate would be committing to Consult Australia's Christmas Tender Campaign and implementing a state-wide black-out tender period across Christmas and New Year to give industry a well-deserved and uninterrupted rest period. Currently, support from government agencies is sporadic and is often undermined by many projects 'by exception'.

The state government has a role to play by prioritising mental health of our people. We will see positive impacts on projects because the success and sustainability of South Australia's economy is underpinned by the health and wellbeing of its people.

For more information see Consult Australia's [Striving for Mentally Healthy Workplaces](#) as well as [Infrastructure Australia's 2021 Plan](#) which revealed that the construction industry is 'in the top three unsafe sectors in Australia.'

CONTACT

We would welcome any opportunity to further discuss the issues raised in this paper.

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