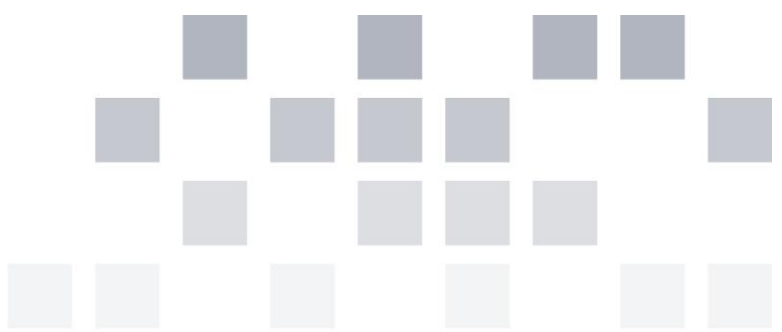




acif

Australian Construction
Industry Forum



CONSTRUCTING VALUE POLICY

ACIF POLICY POSITION

1. The starting point to consistently achieving excellence on capital works projects is a consistent framework of project procurement and management learning, which empowers all client project directors to create project environments within which teams are motivated to achieve excellence.
2. The establishment of such a learning framework would lead to consistent project initiation, procurement, and management procedures on all public sector projects.
3. The creation of project environments underpinning highly motivated teams on public sector projects would lead in turn to far greater predictability of project time, cost and quality outcomes.

OVERVIEW

4. Consistency in procurement practices amongst similar clients for similar kinds of work is a major potential influence on efficiency in the construction industry. Understanding and meeting the varying procurement practices of clients involves considerable wasted effort.
5. Inevitably, the cost of that wasted effort is reflected in either or both of:
 - increased overheads built in to prices to project sponsors (end users, owners and financiers); and
 - corner cutting and “blind” risk taking, reflected in sub-optimal service delivery to project sponsors.
6. There has not been consistency in procurement practices amongst public sector clients of the industry since the late 1980’s. Devolvement of responsibility for capital works expenditure from central public works agencies to operating agencies has freed those agencies from the constraints of a single “one size fits all” approach to procurement. This has led to a proliferation of project delivery strategies, practices, and contract conditions.
7. The downsizing of traditional public works agencies has reduced the pool of executives within public investors with wide and varied experience of capital works project initiation and procurement procedures. Agencies in general do not maintain staff with experience of construction, contracting project management in the broad to consultants when needed.
8. The construction industry understands that both public and private project sponsors need to undertake tendering, selection and contract management procedures to suit their individual needs. ACIF believes however, that there are long term costs associated with investors “re-inventing the wheel” on each project, and that costs could be reduced if project sponsors were minded to adopt more unified procurement processes, sending clear and consistent signals about procurement standards to private sector suppliers.
9. Regrettably the industry’s experience is that the body of knowledge of consistent and well understood practices, once shared by public and private sector capital works procurement experts, and construction industry suppliers, has been diminished, as has the capacity of project sponsors to send consistent signals to suppliers about what is expected from them.
10. The public sector has an opportunity to demonstrate leadership by adopting greater consistency in procurement practices across agencies, particularly at the stage of project initiation. Consistent Commonwealth Government practices are a potential catalyst for enhanced performance across the industry.

Members: Air Conditioning and Mechanical Contractors’ Association of Australia; Australian Constructors Association; Association of Consulting Architects Australia; Australian Institute of Architects; Australian Institute of Building; Australian Institute of Building Surveyors; Australian Institute of Quantity Surveyors; Consult Australia; Engineers Australia; Fire Protection Association Australia; Housing Industry Association; Master Builders Australia; National Fire Industry Association; National Electrical and Communications Association; National Precast Concrete Association; Property Council of Australia.

ISSUES TO BE ADDRESSED

11. Procurement practices can impact on costs and the challenge is to manage procurement of capital works consistently to minimise wasted effort and unnecessary cost.
12. There are three areas of wasted effort and cost that arise in the early stages of all projects.
 - The nature of the project process itself. Each construction project creates a temporary enterprise made up of sometimes hundreds of organisations that are relative strangers to each other. Members of project teams are selected, too often, on the basis of lowest price. Little if any attention is paid to matching the attitudes of key team members. Less is paid to whether they will work well as a team. Relationships are crucial for success on a construction project.
 - The necessary level of management and human resource skills needed to manage each new project based 'enterprises' as it is created is not always readily available.
 - Inexperienced clients' expectations of the industry may be unrealistic, treating the procurement of a capital works asset as a repetitive manufacturing process, rather than for what it is - the provision of a prototype.
13. Research commissioned by the Property Council of Australia in 2001 showed that project sponsors have the capacity to fundamentally drive an excellent project outcome by:
 - Appointing a project director who is adequately briefed to be a client of the construction industry;
 - Clearly articulating end user needs; and
 - Establishing a project environment within which all project team members are motivated to deliver end user needs.

ACTION REQUIRED

14. ACIF believes that both public and private enterprises are constrained from improving on demonstrated weaknesses in project initiation and procurement by perceptions of the restraints of policies or processes. These include perceptions of the limitations of policies such as business transparency and probity. Whilst all project sponsors must operate within the bounds of their own legislative or corporate governance requirements none, we believe, should continue to be the victims of wasted effort.
15. The construction industry, whilst employing some very capable people who are able to initiate continuous improvement, behaves within confines, perceived or real, imposed by their clients. In short they respond rather than take initiatives for fear of offending or giving away competitive advantage. In order to release this continuous improvement capability, public sector agencies need to show focused leadership.
16. ACIF proposes the development of a joint procurement process continuous improvement program with the Commonwealth Government, designed to remove wasted effort by reviewing existing processes, to:
 - ensure perceptions are acknowledged as such and worked through so as not to restrain improvements;
 - develop processes that fit within existing policies, and
 - encourage the development of alternative policies or procedures if they can be proven to be value adding and risk averse.

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