



# **2019-20 Pre-Budget Submission**

**The Treasury | Australian Government**

**January 2019**

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## About us



Consult Australia is the industry association representing consulting firms operating in the built and natural environment sectors. These services include design, engineering, architecture, technology, survey, legal and management solutions for individual consumers through to major companies in the private and public sector including local, state and federal governments. We represent an industry comprising some 48,000 firms across Australia, ranging from sole practitioners through to some of Australia's top 500 firms with combined revenue exceeding \$40 billion a year.

### Some of our member firms include:



## Summary

The scale of infrastructure and other exciting built environment projects being rolled out across Australia highlights that we are currently in the midst of an exciting and transformational change in how people are connected and how services are delivered. This level of investment from both the public and the private sectors has been described by many as a ‘new normal’; recognising how crucial it is to deliver these projects over the coming decades, and to maintain Australia’s high liveability reputation through good growth.

New Infrastructure and built environment projects improve our prosperity, create thriving places, and provide valuable links for society and the economy. They enable businesses to grow, provide better connections to services, and support population growth. In short, continued investment in the right projects will have a compounding effect on economic growth across Australia’s cities and regions.

However, improving how we deliver infrastructure and built environment projects is not as simple as the total spend. Instead, we must continue to refine and support our approach by getting principles right around how we plan, fund, design and deliver new projects. And this must be underpinned by developing a vibrant and sustainable workforce capable of delivering the built environment of tomorrow.

As the industry association representing the interests of consulting firms providing professional services in the built environment sector, Consult Australia’s pre-budget submission is structured around three priority areas focused on refining and support the Australian Government’s approach to the built environment:

- A strong infrastructure pipeline – measures to develop more robust and investment-ready projects, that are underpinned by an effective investment approach, and provide certainty to industry;
- Supporting our people – measures to create a strong built environment workforce through effective STEM education outcomes for our future talent, and sound skilled migration arrangements; and
- Improving procurement practices – measures that enable government and industry to deliver better value through best practice procurement arrangements and a strong partnership approach.

## Summary of recommendations

Throughout this pre-budget submission, Consult Australia makes the following recommendations:

Pipeline	<ul style="list-style-type: none"> <li>• Establish a new Infrastructure Innovation Fund</li> <li>• Re-establish an improved asset recycling initiative</li> <li>• Set a minimum cap on infrastructure grant funding</li> </ul>
People	<ul style="list-style-type: none"> <li>• Funding to close the gap on the current STEM teacher shortage</li> <li>• Develop a built environment workforce strategy to increase the sector’s capacity</li> <li>• Re-introduce the skilled migration industry outreach initiative</li> <li>• Reform the subclass 400 visa (temporary work - short stay specialist)</li> <li>• Funding to review the Australian and New Zealand Standard Classification of Occupations</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>• Expand the 'Coordinated Procurement Contracting Special Account' to become a National Procurement Centre of Excellence</li> </ul>

Further details on these recommendations are outlined in the following sections.

## Pipeline – supporting a long-term pipeline of infrastructure projects to provide certainty to industry

### Establish a new Infrastructure Innovation Fund

**Recommendation 1:** *Establish a new Infrastructure Innovation Fund to enable the Australian Government to partner with states and territories to develop innovative, sound and investment-ready infrastructure project proposals that are in the national interest.*

A major challenge facing the Australian Government in infrastructure delivery is the shortage of sound and investment-ready projects developed through robust integrated strategic planning, community engagement and participation, and business case development. Too often project proposals are rushed and are developed reactively against pre-made decisions. This can lead to:

- Compromises in the design of assets;
- Poor overall business case development and information asymmetries in decisions to proceed;
- A failure to achieve social licence from the community; and
- In some cases, project cancelation and a perception of increased sovereign risk with investors.

Without adequate investment to support the existing framework for a long-term infrastructure pipeline, at the earliest stages of project conception and development, the ability for the Australia Government to invest in the best projects that align with national interests are significantly diminished. As we increasingly look to infrastructure investments as a counter-cyclical economic lever and a driver to increasing Australia's productivity, it is critical that well-conceived projects can quickly move to the construction phase to deliver the best value for taxpayers.

An Infrastructure Innovation Fund, separate from pre-determined infrastructure projects, will address this problem. The fund should be used to support state and territory governments to develop new ideas and investment-ready projects that are in the national interest through feasibility studies, community engagement and participation, business case development, benefits analysis (including wider economic benefits), and environment impact analysis.

The fund should encourage innovative or 'blue sky' solutions to problems at the earliest stages of identification. Early engagement with experts can deliver more cost-effective solutions than those developed without an appropriate analysis and evidence. Methods and models to be more innovative and customer-focused could include 'design thinking' – a human-centred iterative design process consisting of five steps on emphasise, define, ideate, prototype and test. Not every idea or solution investigated through this fund should result in an investment-ready project, but sometimes the decision not to proceed will deliver greater benefits than an ill-informed decision to build.

## Re-establish an improved asset recycling initiative

**Recommendation 2:** *A new asset recycling initiative be re-established. Incentive payments for states and territories under the new initiative should no longer be based on asset transfer prices or a 'first come, first serve' approach, and instead be based on an assessment of asset transfer conditions.*

The Australian Government has an important role to play in driving consistent reform across the country to improve how states and territories plan, deliver and manage infrastructure assets. As highlighted by Infrastructure Australia, the Australian Government is best placed to address the current 'vertical fiscal imbalance' between jurisdictions by using its responsibility to address disparities (through funding allocations) as a tool for implementing reform.<sup>1</sup>

To this end, we believe the Australian Government should promote asset recycling as an important reform to help states and territories unlock capital from balance sheets and to fund additional infrastructure. Asset recycling can provide a sustainable option to fund growing infrastructure needs that are rapidly increasing from significant population growth in many of our cities and regions.

Asset recycling does not lead to successful outcomes by default. There are numerous examples that point to successful and unsuccessful approaches to asset recycling. It is the unsuccessful examples that highlight our concern with the design of the Australian Government's previous asset recycling initiative, which was heavily focused on asset transaction prices and did not focus enough on asset transfer conditions. We believe this creates a risk of a 'race to the bottom' where impacts on service outcomes and ongoing public benefits are not sufficiently considered.

Consult Australia therefore recommends the Australian Government re-establish a new and improved asset recycling initiative to improve the approach and to encourage consistency across the country. The initiative should be designed around the below principles.

- Increase the appetite of states and territories to explore asset recycling as an option to fund additional infrastructure needs.
- Encourage a nationally consistent approach to asset recycling focused on improving service outcomes for users, delivering tangible public benefits, aligning with national interests, and ensuring no jurisdiction is left behind from a structural infrastructure funding gap.
- Include a national position on appropriate asset recycling by asset type and transfer conditions, to influence the approach taken by states and territories.
- Require states and territories to reinvest all proceeds from asset transfers into new infrastructure to be eligible for incentive payments.
- Incentive payments should not be based or linked to asset transfer prices. Instead, incentive payments should be based on an assessment against the Australian Government's position on appropriate asset recycling. This will discourage any desire to maximise the upfront value of an asset at the expense of transfer conditions.
- Encourage the uptake of new technology to manage assets more efficiently and to improve the user experience through asset transfers.

<sup>1</sup> Infrastructure Australia, [Making reform happen: using incentives to drive a new era of infrastructure reform \(2018\)](#)

- Include some balance across states and territories in regard to incentive payments. The new initiative should no longer be a 'first come, first serve' approach, and instead could be limited by caps for each jurisdiction.

A new asset recycling initiative should also include funding for Infrastructure Australia to work with states and territories to identify assets appropriate for recycling, and to help determine any regulatory structures or transfer conditions required to limit negative outcomes. Other support could include helping states and territories develop a better understanding of the full lifecycle of assets to better understand future costs.

### Set a minimum cap on infrastructure grant funding

**Recommendation 3:** *Commit to a minimum cap on infrastructure grant funding as a proportion of GDP in future budgets to provide an appropriate balance between public and private investment in infrastructure.*

Consult Australia is a strong supporter and sees significant benefits in increasing private sector financing and funding in infrastructure projects when this results in an overall increase in total infrastructure investments. Investing in increasingly complex and large-scale projects presents a significant challenge for the Australian Government, and it is clear that public investment alone will not sufficiently deliver the infrastructure required to support future growth, and improve productivity and prosperity across Australia. To this end, we see an important need for the Australian Government to continue to pursue alternative and innovative private funding and financing opportunities, such as value capture, public private partnerships, and asset recycling, to help close the infrastructure funding gap.

However, we see minimal benefits if the use of private financing or funding opportunities is in lieu of grant funding for infrastructure projects from the Australian Government. Grant funding from the Australian Government for infrastructure projects (particularly those of a large scale, in regional areas, or for urban public transport) is critical for getting projects off the ground and for increasing the pace, quality and scale of infrastructure investments across the country.<sup>2</sup> We are therefore concerned that infrastructure grant funding by the Australian Government is now expected to decline over the forward estimates.

To address this decline, Consult Australia recommends the Australian Government commit to an appropriate balance between grant funding and the use of alternative financing and funding opportunities for infrastructure projects. As such, we call for the Australian Government to commit to a minimum cap for infrastructure grant funding as a proportion of gross domestic product (GDP). A minimum cap for infrastructure grant funding will help ensure private investment in infrastructure is viewed as supplementary to public investments, rather than a substitute.

<sup>2</sup> Infrastructure Partnerships Australia, [Pre-Budget Submission \(2017\)](#)

## People – creating a vibrant and sustainable workforce for consulting firms in the built environment sector

### Funding to close the gap on the current STEM teacher shortage

**Recommendation 4:** *Commit additional funding to encourage more teachers to specialise in STEM education at the primary and secondary levels through a demand-driven approach.*

Consult Australia is concerned the teaching profession is not attracting a sufficient number of people with science, technology, engineering and mathematics (STEM) qualifications to reflect current needs or future demands. The lack of educators in schools with STEM qualifications is resulting in an alarming number of teachers who are ‘teaching out of profession’ for STEM subjects. For example, around 20 per cent of secondary maths and science teachers, and around 30 per cent of secondary IT teachers, have no related qualification.<sup>3 4</sup> We see a strong link between teachers with no related qualifications in a subject area they are teaching and the decrease in STEM education outcomes in Australia over the past two decades.

Seeking to solve a STEM teacher shortage through a ‘teaching out of profession’ is creating downstream problems. It impacts on students as their teachers are unable to truly inspire an interest or passion in STEM education, and ultimately a career in a STEM related profession. This creates a downward cycle that begins with a negative learning experience for children in primary school years, and leads to a decline in the number of students choosing to pursue STEM education in secondary and tertiary levels. The problems from this downward cycle are exacerbated further when we consider an increased demand on STEM skills as the economy changes from new technology, particularly around artificial intelligence and big data.

As poor STEM education outcomes have a significant impact on the economy, we believe it is critical that the Australian Government provide additional funding to help address the current STEM teacher shortage across Australia. We recommend the Australia Government work in partnership with state and territory governments to increase the attractiveness of STEM teaching careers and to address poor STEM education outcomes.

We encourage this approach be demand-driven by putting in place measures that respond to teacher shortages in particularly specialisations. A demand-driven approach could also be responsive to the broader needs of the economy by focusing on areas where industry is experiencing a skills shortage or where there is an emerging market.

Demand-driven measures to increase the attractiveness of STEM teaching careers should focus on:

- Scholarships focused on exceptional talent with a passion in a subject area in demand;
- Financial incentives for teachers based on supply and demand for qualifications and experience in specialised subject areas;
- Promoting career progression opportunities based on expertise in specialised subject areas; and
- A national Continued Professional Development (CPD) approach, or recognised teacher development competency levels, based on specialised subject areas.

<sup>3</sup> Office of the Chief Scientist, [Science and Maths in Australian Secondary Schools \(2017\)](#)

<sup>4</sup> Productivity Commission, [Shifting the Dial: Five Year Productivity Review \(2017\)](#)

## Develop a built environment workforce strategy to increase the sector's capacity

**Recommendation 5:** *Develop a strategy on expanding and diversifying the pipeline of future talent for built environment careers and to increase Australia's capacity to deliver projects.*

An increase in infrastructure and other built environment projects across Australia is placing significant demands on the workforce delivering these projects, particularly consulting firms in the built environment sector. In Consult Australia's [2018 national skills survey results](#), 61 per cent of respondents from consulting firms in the built environment sector highlighted they are actively recruiting and experiencing a skills shortage. Furthermore, 84 per cent of respondents indicated these problems are experienced when recruiting for mid-level roles, and 41 per cent for senior level roles.

By breaking down this skills shortage into disciplines, civil engineers, civil drafters, engineering managers, and rail engineers are most in demand. Geographically, 61 per cent of respondents agreed Sydney and 47 per cent agreed Melbourne have been hard locations to find and place staff over the past 12 months.

Attracting young people into careers in the built environment sector is fundamental for Australia to continue to deliver infrastructure at scale. A shortage of key skills required to deliver projects, particularly in professional roles requiring extensive training and professional experience, will limit the sector's capacity to deliver current and future demands. We believe the Australian Government must take the lead in developing a long-term and coordinated strategy to ensure there is also a steady pipeline of future talent on hand to deliver Australia's ambitious pipeline of future infrastructure and other built environment projects.

This strategy should be developed in collaboration with state and territory governments, the education sector, and supported by industry. It should focus on attracting more students into STEM subjects at school, to improve the quality of STEM education, to attract more talent into careers in the built environment sector, and to retain more people in the sector. The strategy should also investigate a shift in demand and new skill requirements from the uptake of new technology and the impact this will have on project delivery, such as the need to move away from binary skills and to strengthen creative thinking and problem-solving skills.

## Re-introduce the skilled migration industry outreach initiative

**Recommendation 6:** *Re-introduce the Industry Outreach Officer initiative at the Department of Home Affairs, focusing on key sectors that contribute substantially to the productivity of the economy and where an economic contribution is being impeded through skills shortages.*

Feedback from Consult Australia member firms highlight complexity and confusion surrounding the Australian Government's skilled migration arrangements. This can serve as a deterrence for many businesses, which ultimately leads to a negative outcome on the Australian economy by limiting growth opportunities when skills are not readily available on the domestic market. To this end, we believe the first principle for the Australian Government when considering the design and industry support arrangements for skilled visa systems should accept that most businesses, particularly from professional sectors such as ours, prefer to recruit domestically and will only look at other options when facing a genuine skills gap.

In addition to streamlining requirements, we therefore believe there is an important role for the Department of Home Affairs to provide hands on assistance to industry to help navigate processes in the skilled visa systems when experiencing significant skills shortages. A support program previously existed when

significant skills shortages were experienced during the mining boom, the Industry Outreach Officer initiative, and we see a strong case to reinstate this program to help address the increasing skills gap in our sector from the current 'infrastructure investment boom'.

During the mining boom, our sector experienced significant skills shortages and the professional relationship built between industry outreach officers and our member firms was a big factor in meeting demands. A detailed understanding by the Department of the key skills issues facing our member firms, particularly an increased reliance on specialist engineers and other technical professions, helped ensure that our skilled migration needs were efficiently met. This included a threefold increase in those on temporary visas from 2,260 in 2003-04 to 6,940 in 2010-11, enabling our sector to continue to help meet Australia's needs at a time when the mining sector was placing significant demands on engineering skills.

We believe the reintroduction of the Industry Outreach Officer initiative should focus on sectors that contribute substantially to the broader productivity of the economy, and where additional support to address systemic skills shortages are in the national interest. This more tailored approach to the previous initiative recognises the need to apply fiscal discipline, but also recognises the benefits of supporting access to skills in areas of the economy driving growth.

### Reform the subclass 400 visa to be more relevant for project-based sectors

**Recommendation 7:** *Reform the subclass 400 visa (temporary work – short stay specialist) to increase the period of stay to be an accumulative period of up to six months, to be a multi-entry visa, and to reduce processing times through a risk-tiering approach.*

The ability for Consult Australia's member firms to leverage what is a global workforce in the built environment sector is a competitive advantage for Australia. This requires the ability for consulting firms in the built environment sector to quickly and easily bring in resources, including global experts, to support project requirements, knowledge transfer, training, and teamwork across multinational businesses. Temporary skilled migration arrangements are essential for this global movement.

Required travel patterns of specialist staff in our sector are not suited to the business visitor visa program as they are involved in substantive work. The typical travel patterns for specialist staff in our sector are:

- Short-term assignments of three to 12 months. These short stays arise particularly in project-based sectors which require a concentrated period of work and no intention for the employee to seek to reside in Australia permanently; and
- Short visits of only a few days or weeks each time, but:
  - Constantly or regularly over a long-term period, and
  - Involving substantive work.

Short-term specialised services have the potential to deliver significant benefits to infrastructure and building projects across Australia, many of which are nation-defining multi-billion-dollar projects. We see a strong rationale for the Australian Government to facilitate and support businesses to access global expertise, particularly when these skills are not readily available in Australia.

Consult Australia sees the subclass 400 visa as having the potential to be an essential tool for enabling consulting firms in the built environment sector to access high-value, high-impact specialised experts from the sector's globalised workforce. However, due to the current policy settings of this visa, travel patterns for

short-stay specialists in our sector are directed to the subclass 482 visa (temporary skill shortage) which instead includes policy settings that are too onerous for the length of stay involved.

At the same time, processing of subclass 400 visa applications is slow and convoluted because:

- Documentary requirements are inconsistent from post to post;
- Processing times are not sufficiently responsive to business needs; and
- Processing times vary from post to post.

In addition to improving the conditions for the subclass 400 visa, Consult Australia believes processing times should be reduced to 48 hours by adopting a risk-tiering approach to processing applications that negate the need for assessing every aspect of an application, and by implementing a 'trusted user' or accredited status for businesses with a sound compliance history.

### Funding to review ANZSCO

**Recommendation 8:** *The Australian Government should allocate the resources needed for the Australian Bureau of Statistics (ABS) to commence a review of the Australian and New Zealand Standard Classification of Occupations (ANZSCO).*

A key concern we have with current skilled visa system is in regard to the skills assessment approach, primarily around ANZSCO. We believe it is essential for the skilled visa system to truly reflect industry needs and skills shortages, and this is not being achieved under the current skills assessment approach.

ANZSCO provides an important pillar of labour market statistical information and is used to regulate which occupations are eligible for the program. Reviews of ANZSCO are managed by the ABS. Despite significant changes to the economy and the skills market, ANZSCO has only been reviewed twice since its introduction in 2006, with the last review in 2011.

In August 2018, a review of ANZSCO was again deferred by the ABS due to competing priorities and resource constraints. This means that at best a review of occupations will not be properly reflected until 2026, marking 15 years since the last major review. This results in a failure to understand the jobs market, and is inevitably resulting in a skilled migration system that does not truly reflect skills needs and does not maximise the economic benefits of the skill stream. For example, specialisations outlined under ANZSCO's civil engineering professionals grouping is missing many job types, including rail engineers despite being a skillset with a significant shortage in Australia.

Consult Australia therefore supports wider industry calls for the Australian Government to immediately allocate the resources needed to commence a review of ANZSCO to incorporate all jobs performed in the modern workplace. This review will help the program and the skilled stream visa categories best meet the needs of Australia into the future.

## Procurement – delivering better value through improved practices and a partnership approach with industry

### Establish a National Procurement Centre of Excellence

**Recommendation 9:** *Establish an independent Procurement Centre of Excellence to improve procurement skills, and to review the legislative and contractual status of the infrastructure sector and develop a nationally consistent and fit-for-purpose legal framework.*

Building on our previous call for all governments to embed [model client principles](#) into procurement practices, Consult Australia encourages the Australian Government to lead a knowledge sharing culture between governments across Australia (including the local level) and industry sectors focused on improving skills and addressing deficiencies in current procurement practices.

With over \$21 billion currently committed in the forward estimates to infrastructure projects by the Australian Government, a one per cent efficiency in current procurement practices could equate to a significant savings. The opportunity to translate these savings into new infrastructure projects and other government services are substantial.

Consult Australia was pleased to see the Australian Government commit funding in last year's budget to a 'Coordinated Procurement Contracting Special Account'. The purpose of this funding included providing tools, advice and whole-of-government systems to assist Commonwealth entities or another government to build procurement capability, streamline processes, and provide quality reporting to execute their procurement responsibilities. While this is a positive step, funding committed to date is relatively minor.

We call on the Australian Government to expand their approach to improving procurement practices by establishing a National Procurement Centre of Excellence. This centre should be tasked with building a stronger relationship between governments at all levels and industry, and championing best practice procurement across Australia. The centre should be:

- Be established as independent of the Australian Government;
- Build links between various industry sectors and clients (the procuring government departments and agencies, local governments, and other in the private sector);
- Provide transparent expert advice to all levels of government on procurement practices; and
- Develop guidelines to build capacity and improve standards.

Furthermore, a common issue faced by many in our sector is sub-optimal risk allocation in contracts. To this end, there are both legislative and policy fundamentals that could be reviewed and updated, as well as modifications to the contracts being used by the Australian Government. We therefore recommend the National Procurement Centre of Excellence also:

- Review and advise on legislative and policy best procurement practices in the built environment sector; and
- Advise on the development of a nationally consistent set of standard contracts that provide a robust and fair allocation of risk.

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## Contact

We would welcome any opportunity to further discuss the issues raised in this submission. To do so, please contact:

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