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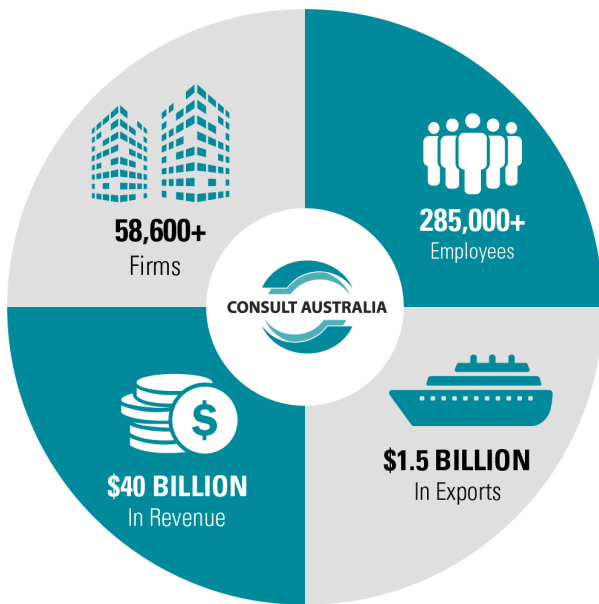
# 2022-23 FEDERAL BUDGET

SUBMISSION TO TREASURY

**CONSULT AUSTRALIA**

Postal Address: GPO Box 56, Sydney NSW 2000  
Email: [info@consultaaustralia.com.au](mailto:info@consultaaustralia.com.au)

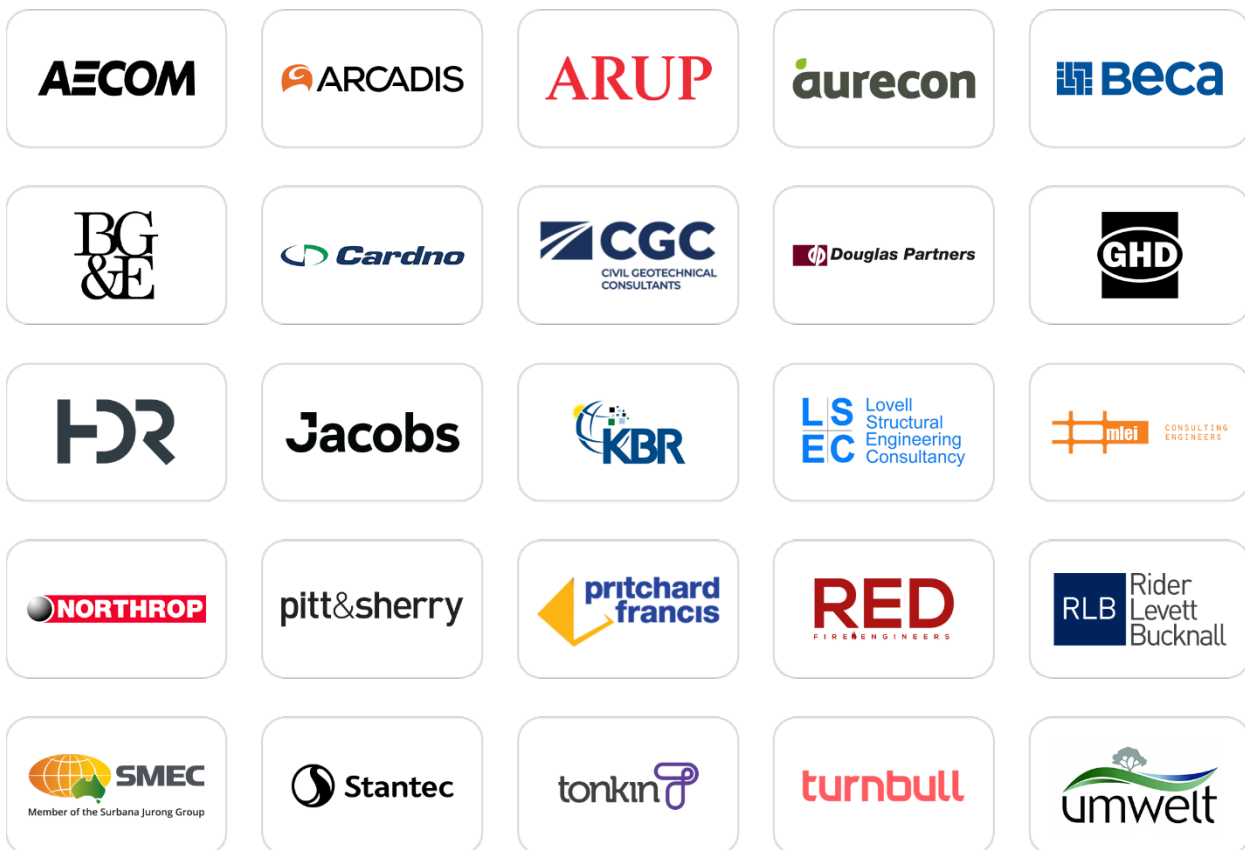
Tel: 02 8252 6700  
Web: [consultaaustralia.com.au](http://consultaaustralia.com.au)



## 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>

## EXECUTIVE SUMMARY

Australia's economic future relies heavily on delivering the record investment in infrastructure 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 federal government to be a part of this future by delivering a 2022-23 Federal Budget that emphasises the importance of infrastructure and built environment projects for improving our economic prosperity, creating thriving communities, and providing valuable links for people and goods. Improving our approach to these projects will have a compounding effect on economic growth across the country, and on the wellbeing of Australians.

We must continue to improve how we plan, fund, procure, design, and deliver new projects. This includes simplifying and streamlining the approvals process for major projects and avoiding duplication in the regulatory process, investing in research and development including patent box to support grants and other financial assistance, and investment in the circular economy. This must be underpinned by a vibrant workforce with the right capabilities and capacity to meet demands, with funding in place to support skilled migration, upskill those capable already in the community and strong policies to assist working parents.

The impacts of COVID-19 on the Australian economy are unprecedented. Australia now faces a long-term challenge of finding the economic gains and future growth areas needed in the next phase of our response. Reforms that increase the productivity and innovation of the professional consulting industry, which is relied upon for its engineering, design, and advisory skills, will result in a strong return on investment for government. To achieve this, we call on the Australian Government to direct funding to the following key areas:

- **Statutory reforms and improved procurement to de-risk the market**  
Amending civil liability laws and the Australian Consumer Law, as well as continue funding of the Commonwealth Centre of Procurement Excellence (CoPE) to drive procurement reform.
- **Prioritise a smarter pipeline approach to project investment**  
Committing to a 'go slow to go fast' approach, embedding continuous improvement into the process, and potentially developing a national infrastructure ratings scheme to improve project outcomes.
- **Drive innovation by committing to digital investment**  
Mandating Building Information Modelling (BIM) for government projects. Implementing a digital solution to successfully operate the automatic mutual recognition/automatic deemed registration regime throughout Australia. Updating the Australian New Zealand Standard Classification of Occupations (ANZSCO) for emerging occupation recognition.
- **Tackle skills capacity issues**  
Introducing a new model for funding engineering education with national priority places for engineering and establishing a National Industry, University and Government Engineering Council that identifies immediate and strategic needs in the national engineering workforce and that sets the annual guidelines for the national priority places for engineering. Implementing the recommendations of the final report on [Temporary Migration](#) and the final report into the [Inquiry into Australia's Skilled Migration Program](#).
- **Invest in and championing mental health**  
Adopting our [Model Client Policy](#) to set the tone from the top regarding client behaviours to support the sustainability and health of the industry.

In addition, Consult Australia endorses the recommendations proposed by the Australian Chamber of Commerce and Industry (ACCI). We highlight the following ACCI recommendations in particular, which we have provided input into through our membership of ACCI:

- Deregulation and regulatory reform
  - Prioritise and adequately resource the development, design, and implementation of a user-centric approach to regulation across the whole of government
  - Work with states and territories to simplify and streamline the approvals process for major projects and avoid duplication in the regulatory process
  - Impose greater accountability requirements on the cost recovery process for regulatory agencies and ensure incentives are in place to drive efficient regulation.

- Investment, capital deepening and innovation
  - Invest in digital technology by establishing a small business ICT Modernisation Fund to encourage greater investment in technology and digital innovation
  - Invest in R&D by broadening the patent box to all industry sectors and to grants and other financial assistance for businesses to commercialise R&D and innovation
  - Invest in energy by providing greater incentives for investment in R&D and innovation in developing technologies as well as working with state and territory governments to streamline energy policy
  - Invest in the circular economy including through public procurement policies, creating a market for and incentives to use recycled materials produced in Australia. Also work with states, territories and local government to ensure consistent policy on the circular economy and recycling schemes
  - Invest in infrastructure by working with states, territories, and local government to deliver infrastructure investment more efficiently and effectively, including improved procurement practices (explored more below). Encourage investment in a broader range of infrastructure, particularly those with high long-term social benefits.
- Employment, skills, and training
  - Commit to vocational education and training (VET) including consistent funding and funding increases to ensure the economy's skills needs are adequately met. Also fund the National Skills Commission to undertake a biennial National Workforce Development Strategy.
  - Invest in policies to assist in employment including stronger policies to make childcare more accessible, with more options available to assist parents to return to the workforce sooner.
  - Prioritise migration and population reforms including increasing the permanent annual migration levels, funding an Industry Outreach Officer Initiative and remove the SAF levy for temporary and permanent employer nominated visas.

## STATUTORY REFORMS AND IMPROVED PROCUREMENT TO DE-RISK THE MARKET

Budget should be allocated to the following initiatives:

- Amending civil liability laws to guarantee prohibition of contracting out of proportionate liability in professional services contracts (in-line with the current civil liability law in QLD) – requiring commitment by state and territory governments
- Amending the Australian Consumer Law to:
  - Limit misleading or deceptive conduct provisions to protect consumers and small businesses, not sophisticated business parties in business-to-business contracts. This will reduce the current behaviour of large sophisticated businesses using misleading or deceptive conduct claims to avoid paying in full for the services provided by our members, by pressuring them to settle claims as opposed to bearing the cost of defending their work in court.
  - Strengthen unfair contract term (UCT) protections by:
    - ensuring that all government contracts are covered
    - implementing the reforms agreed by Commonwealth, state, and territory consumer ministers in November 2020, by amending the Australian Consumer Law and the *Australian Securities and Investments Commission Act 2001* (Cth)
    - allocating more power and resources to the ACCC to investigate UCT issues raised by small businesses
    - establishing a searchable and public register of UCTs to inform and empower small businesses
    - ensuring industry involvement in the determination of the exempted clauses.
- Continuing funding for the Commonwealth’s Centre of Procurement Excellence (CoPE) to upskill and professionalise the commercial and legal skills of those in government with procurement responsibility. Additionally, drive procurement reform such as a collaborative procurement policy in line with our [Uplifting Productivity](#) and [Model Client Policy](#). This collaborative procurement policy should be a condition of releasing funds to the states and territories for infrastructure. A key element of the collaborative procurement policy is principal acquired insurance by default. This recommendation ties into the proposal below to have a ratings tool for infrastructure (see below under pipeline discussion).

### Cost considerations

The government will need to invest at the federal level as well as secure commitment from national cabinet to fully realise this proposal.

Investing here will have a significant positive impact on business in Australia and the economy. This investment will improve business viability and market relationships, unlock productivity, and reduce disputation. This will see the return of stability in the professional indemnity insurance market.

The full cost-benefits of this proposal are unknown, but we know from a 2015 Consult Australia commissioned Deloitte Access Economics report that improvements in sub-optimal procurement practices could have significant cost impacts. The findings showed that with improvements in briefs, delivery models and contracts, the costs of projects could be reduced by 5.4%, the delays to projects by 7%, and improve the quality of projects by 7%.

In the same year we published [Better Buying, Better Outcomes](#) setting out a series of findings and recommendations arising from the work undertaken by Deloitte Access Economics. These recommendations aimed to improve procurement and thus unlock greater productivity not only during the project and but also over the asset’s lifecycle.

Reform recommendations made by Consult Australia and other organisations, including in reports prior to and post 2015, have all converged on the same themes. There is an urgent need to create a more collaborative procurement and contracting framework, with balanced commercial structures, that will improve the culture across the industry, which will result in greater productivity.

## PRIORITISE A SMARTER PIPELINE APPROACH TO PROJECT INVESTMENT

A smarter pipeline of built environment projects has several elements including a 'go slow to go fast' approach, embedding continuous improvement into the process, and potentially developing a national infrastructure ratings scheme to improve project outcomes.

Ensuring a smarter pipeline of projects means:

- investing time and resources up front to improve how projects are conceived, planned, designed, which directly results in greater productivity, innovation, and enhances project outcomes
- adopting sequenced investment strategies that align with capacity in the market (skills / materials etc)
- breaking down mega projects to attract diversity of businesses
- providing a process for continuous improvement by sharing of outcomes.

Investing in a smarter pipeline of projects will reduce project risks making it more likely to achieve the following:

- Government clients will meet financial settings and reduce financial loss as well as be able to utilise industry feedback more effectively, especially on barriers seen by industry (which may not yet be seen by government – including skills shortages).
- Industry participants will be able to meet delivery deadlines including delivering the right operational outcomes. Further, industry will be able to predict, prepare, and plan the resources required to meet demand, including the creation and maintenance of a dynamic workforce including attracting workers to regional areas based on the pipeline in the region.
- All parties will benefit from increased productivity and innovation.

This is in stark contrast to the current environment where projects are put to market without regard for capacity and supply constraints in industry, a clear/defined scope, incomplete design, and substantial risk transfer. Ongoing commitment and funding by the Commonwealth Government to Infrastructure Australia is key to the delivery of a smarter pipeline approach.

We understand that the Australian Constructors Association (ACA) is exploring the adoption of an infrastructure ratings scheme (the Future Australia Infrastructure Rating (FAIR) Scheme), similar to building ratings tools (e.g. NABERS, NatHERS and Green Star). Consult Australia sees the merits of such a scheme to provide a consistent measure and in noting the success of rating schemes in achieving continuous improvement. It is proposed that outcomes such as productivity improvements, emissions reductions, increased participation of women in the industry, improved health and wellbeing of the workforce, increased sovereign capability, skills development and dispute avoidance can all be measured and rated. This could be achieved by utilising existing frameworks (for example, the [Infrastructure Sustainability Council's](#) scheme) and processes where these exist. As a first step the Budget could include funding to assist in the exploration and development of a scheme in partnership with peak industry groups, including Consult Australia and ACA.

### Cost considerations

The Commonwealth Government will need to invest at the federal level as well as secure commitment from national cabinet to fully realise this proposal.

If prioritised by all levels of government, a smarter pipeline approach, including a 'go slow to go fast' process can deliver significant benefits to all stakeholders and enhance project outcomes.

For industry, this can produce a '*single, dependable, predictable pipeline of projects*...'<sup>1</sup>

For government, the benefits are improved '*scheduling, resourcing and training, making project delivery cheaper and less risky*.'<sup>2</sup>

<sup>1</sup> Infrastructure Australia, [2021 Australian Infrastructure Plan](#), p. 261.

<sup>2</sup> Infrastructure Australia, [2021 Australian Infrastructure Plan](#), p. 261.

Ultimately, investment upfront will, according to Infrastructure Australia, *'deliver a more productive and cost-efficient infrastructure sector overall.'*<sup>3</sup>

Governments have already invested record expenditure in public infrastructure. A smarter pipeline of projects will ensure that ongoing spending is productive and strengthens the ecosystem from small to large businesses.

## DRIVE INNOVATION BY COMMITTING TO DIGITAL INVESTMENT

Consult Australia advocates for digital by default which will lead to job growth, global leadership, increased productivity, proper risk management, and solutions to improve accessibility and innovation. This requires the federal government to drive innovation by committing to and pushing for digital investment at all stages of project conception, delivery, operation, and maintenance. 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. Once government goes digital by default businesses (especially small businesses) will see the cost of digital tools as an investment rather than cost burden.

In addition to ACCI's recommendation to establish a small business ICT Modernisation Fund to encourage greater investment in technology and digital innovation, Consult Australia recommends investment in the following:

- Mandated BIM for government projects. Very few jurisdictions take this approach, see Consult Australia's [Uplifting Productivity](#) report for examples where digital solutions were used in successful projects.
- Digital solutions to successfully implement the automatic mutual recognition/automatic deemed registration regime throughout Australia, particularly for engineers and other registered professionals. We commend the government for releasing funds through the Business Research and Innovation Initiative to realise this.
- Updates to Australian New Zealand Standard Classification of Occupations (ANZSCO) for emerging occupation recognition. With technology rapidly changing and the future of work creating many new job types, government investment is vital to ensure that emerging occupations are viable in the Australian job market. Design, engineering, and advisory occupations need to be a priority area as our industry faces significant skills shortages while simultaneously having significant work in the pipeline.

### Cost considerations

The government will need to invest at the federal level as well as secure commitment from national cabinet to fully realise this proposal.

The benefits of digital investment are plentiful as many government agencies have already demonstrated. We encourage the Commonwealth Government to continue championing digital investment in productivity solutions, such as the Business Research and Innovative Initiative that has recently promised \$6.5 million in grants for the development of technology solutions to support automatic deemed registration.

<sup>3</sup> Infrastructure Australia, [2021 Australian Infrastructure Plan](#), p. 257.

## TACKLE SKILLS CAPACITY ISSUES

It is well documented that there are significant capacity constraints across our industry, most recently quantified in Infrastructure Australia's [Market Capacity Report](#):

- Over 41,000 further individuals are required to fill current engineering occupations. These shortages are particularly acute for senior experienced positions and will be exacerbated as they retire.
- An additional 57,000 full-time engineers are needed for the projects scheduled in 2021-22.
- A peak deficit of 70,000 engineers, scientists, and architects will occur between 2022-24.

Consult Australia endorses the recommendations put forward by ACCI in this area but also urge the government to think smarter about skills because the problem is multi-faceted. Education and migration play an important role in attracting skilled people but we also need to look to solutions to retain the talent we have. This includes addressing the issues that are causing burn-out of our people because of the culture in which our industry operates, including the issues discussed in this submission.

In terms of education, Consult Australia recommends that Australia needs a coordinated approach to tackling the skills shortage that starts with a cohesive education strategy. A collaborative approach should be taken, with industry, educators, and government working in partnership to identify ways to increase accessibility and awareness, improve performance standards, and broaden the perception of engineering and related careers. The current policies and programmes in place to support the teaching of STEM in schools, most specifically maths and engineering, are not having the desired effect and urgent action is needed to understand why and how we can work together to address. To read more about our STEM education challenges and the opportunities to improve outcomes, access our discussion paper, [Australia's STEM Education Challenges](#).

Having participated in a Summit on Securing the Future of Australia's Engineering Workforce with the Group of Eight university deans, Consult Australia understands the complexity of addressing the current education crisis and the diminished engineering (and related) workforce. We stand committed to help the government and universities to address this, and we endorse the following urgent recommendations:

- A new model for funding engineering education that addresses necessary recurrent per student funding, research costs, and infrastructure and equipment costs in engineering.
- National Priority Places for Engineering which is a model for increasing the engineering workforce pipeline with competitive funding for additional engineering places at universities framed by collaboration between industry, universities and government.
- A National Industry, University and Government Engineering Council that identifies immediate and strategic needs in the national engineering workforce, mechanisms for enhancing industry-university collaboration in engineering education, and that sets the annual guidelines for the National Priority Places for Engineering (as above).

Consult Australia also recommends that the National Industry, University and Government Engineering Council considers the development and roll-out of a new practical post-bachelor graduate course for engineers focussed on understanding and applying Australian Standards and the Building Code of Australia/National Construction Code. These elements have been identified by various jurisdictions as shortfalls in knowledge of currently practicing engineers.

In terms of migration, Consult Australia recommends the government implement of the recommendations of the final report on [Temporary Migration](#) and the final report into the [Inquiry into Australia's Skilled Migration Program](#), the key initiatives are as follows:

- A national workforce plan that streamlines state and federal government approaches to address the skills challenges in education, employment and skilled migration. Additionally, the federal government should invest in the development of accepted definitions of acute and persistent skills shortages with a list of these to replace the existing priority migration skilled occupation list.
- Continued support for higher education but also micro-credentialling for flexibility – for example this could utilise existing skilled migrant workforce and provide mid-level candidates an opportunity to upskill.



Infrastructure Australia states in their [Market Capacity Report](#) that *existing migrants struggle to get into the public infrastructure sector – 28% of migrant qualified civil engineers were unable to find work in their occupation.*<sup>4</sup>

- Simplifying skills and occupation lists so that they remain accessible, applicable and updated.
- Upskilling and supporting businesses to navigate the migration system by introducing an industry liaison officer initiative to work with industry associations like Consult Australia whose members are experiencing systemic skills shortages. This was a successful policy initiative deployed during the mining boom.
- Increase permanent annual migration levels, also for all employer nominated visas provide the option of a pathway to permanency, including the short-term stream of the temporary skills shortage visa.

### Cost considerations

The Commonwealth Government will need to invest at the federal level as well as secure commitment from national cabinet to fully realise this proposal.

Long term investment in education, including ensuring sufficient overall spending on relevant university degree types and innovative ways to improve practical knowledge post-graduation is needed to ensure that the future of our workforce is guaranteed. Achieving big improvements will need a joint approach with government, universities and industry.

By tackling education and migration issues as well as the procurement, pipeline, and mental health issues (discussed in this submission) the Commonwealth Government can ensure we have the right people in place able to deliver on the current pipeline of projects and that the industry is healthy and productive. Simply put, without our people we cannot achieve.

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<sup>4</sup> Infrastructure Australia, [Market Capacity Report](#), p. 89.

## INVESTING IN AND CHAMPIONING MENTAL HEALTH

The success and sustainability of Australia's economy is underpinned by the health and wellbeing of its people. To deliver the infrastructure projects promised we need to ensure the workforce remains healthy and productive. For many years Consult Australia and its members have been prioritising mental health campaigns and initiatives. Our activities have been recognised by Beyond Blue and the Commonwealth Government's National Mental Health Commission.

Since the start of the pandemic, we have conducted regular six-monthly industry health check surveys of our members to identify key issues impacting them and confidence in the future. Every survey since April 2020 has demonstrated that the mental health of the people working without our member organisations is a significant concern, with the latest results of [September 2021](#) indicating that mental health and wellbeing was the biggest challenge faced by businesses over the previous 12 months.

In addition to the mental health issues that come from isolation, lockdowns and the stress of the pandemic, other factors are driving poor mental health across our membership and industry at large:

- The current state of the professional indemnity insurance market**

All our members are under pressure in the current market, but especially our small business members as the litigious nature of the construction sector in Australia hits them. It is getting very difficult for our members to access affordable PI insurance. This is not a regular 'hard cycle' of the insurance market, it will be the state of play until there is action to de-risk the market as Australia's building and construction sector is now considered one of the highest risk industries in the world for PI insurance. Our small business members advise that PI insurance premiums are their largest business expense and year on year premiums are increasing while coverage amounts decrease – irrespective of claim history. While affordability is a key issue, we are now seeing small businesses and sole traders face forced business closure and early retirement based solely on the fact they can no longer get insurance at any price (let alone at an affordable price). Our budget recommendations above on statutory reform and procurement policies would go a significant way to addressing this.
- Pipeline demands**

Client timetabling/tender requests and the lack of a collaborative culture is putting significant pressure on our membership to perform and produce, often to unreasonable levels. These concerns are further complicated by the significant skills shortage that has impacted our industry prior to COVID-19 and continues to be constrained under the increasing pipeline demands. Our budget recommendations above for a smarter pipeline approach would go some way to addressing this.
- Setting the tone from the top**

The [final report of the House Select Committee on Mental Health and Suicide Prevention](#) recommends that *'the Australian Government ensure under the Commonwealth Procurement Rules it is a condition for participation that any potential supplier demonstrate minimum standards of mental health support and care in their workplace.'*<sup>5</sup>

If the government is to adopt this recommendation, it is vital they adhere to the same principles and recognise the impacts the behaviours of public servants have on the mental health and wellbeing of people employed by suppliers. We call on the government to adopt the principles outlined in our [Model Client Policy](#) and set the tone from the top on client behaviours to support the sustainability and health of the industry. Consult Australia anticipates that the Commonwealth Government's CoPE could play an important role here is setting standards and educating to improve behaviours.

### Cost considerations

The Commonwealth Government will need to invest at the federal level as well as secure commitment from national cabinet to fully realise this proposal. The Commonwealth Government has a role to play not only through the work of the National Mental Health Commission and related initiatives, but also as an investor in infrastructure projects and as a conduit bringing all the state and territory governments along the same journey.

<sup>5</sup> The House Select Committee on Mental Health and Suicide Prevention, [Final Report](#), recommendation 36.

By prioritising the mental health of our people, we will see positive impacts on projects because the success and sustainability of Australia's economy is underpinned by the health and wellbeing of its people.

Not only is striving for a mentally healthy industry the right thing to do, but Infrastructure Australia has reported that there is '*a proven positive return on investment of \$2.30 for every dollar invested into mental health*'.<sup>6</sup>

## CONTACT

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

### **Nicola Grayson**

Chief Executive  
Consult Australia  
[nicola@consultaaustralia.com.au](mailto:nicola@consultaaustralia.com.au)

### **Kristy Eulenstein**

Head of Policy and Government Relations  
Consult Australia  
[kristy@consultaaustralia.com.au](mailto:kristy@consultaaustralia.com.au)

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<sup>6</sup> Infrastructure Australia, [2021 Australian Infrastructure Plan](#), p. 265.