

29 April 2004

Productivity Commission Reform
of Building Regulations
PO Box 80
Belconnen ACT 2616

Dear Commissioner,

REFORM OF BUILDING REGULATION

The Airconditioning and Mechanical Contractors Association (AMCA) welcomes the opportunity to comment on the discussion paper issued on 17 February 2004.

I draw your attention to the fact that the association was not included in your listing of relevant industry bodies. This is unfortunate because the role taken by our members in the construction process is significant. The significance is witnessed by the technical and engineering expertise they bring to projects as well as the high level of risk that they take.

Further relevant detail of the association and its members is set out in the submission.

Representatives of the association will be available to meet with your review group, either in company with other bodies, or separately, if you wish to elaborate on the matters that are raised in our response.

Yours truly,



David Eynon
National Director

SUBMISSION BY THE AIRCONDITIONING & MECHANICAL CONTRACTORS'
ASSOCIATION TO THE PRODUCTIVITY COMMISSION INQUIRY INTO THE
REFORM OF BUILDING REGULATION

BACKGROUND

1. The Air Conditioning and Mechanical Contractors' Association (AMCA), is a nationwide trade association established to represent and service its members in the air conditioning and mechanical services industry. It acts as the industry voice in dealing with governments at all levels, regulatory bodies, other construction industry groups and trade unions.
2. AMCA is the peak industry body representing companies across Australia. AMCA members are responsible for approximately 85% of all air conditioning and mechanical services contracting work in the commercial and industrial construction sector. Our members also operate large air conditioning service companies.
3. AMCA is the only industry/employer association that is exclusively dedicated to the air conditioning and mechanical services industry. Since its inception over 40 years ago AMCA's objectives have been to provide and protect the interests of the air conditioning and mechanical services industry, its members, and the public they serve.
4. In doing so, our members maintain the highest ethical standards of advertising, pricing, installation and service. While competing in competitive markets, AMCA members share certain goals and aspirations designed to improve quality of service provided to the public. For these reasons the association has endorsed a Code of Ethics.

CODE OF ETHICS

5. The ethics by which our members work are:
 - *The Air Conditioning and Mechanical Contractors' Association and its State and Territory Member Associations represent specialist contractors in the air conditioning and mechanical services industry.*
 - *AMCA membership consists of mechanical contracting companies which, in relation to the following ethics and practices, hereby declare their intent to:*

- *Be cognisant of obligations to clients and to deliver cost effective quality systems and service indicative of industry best practice.*
- *Engage competent highly trained specialist to evaluate the technical requirements of specifications and the technical merits of works and to deliver to the client, a project which is correctly engineered, completed on time, within budget and with minimisation of life cycle costs.*
- *Meet all contractual and legal obligations including compliance with relevant legislation, Australian Standards and Codes of Practice. This in particular includes those which apply to environmental and health and safety issues.*
- *Implement and maintain correct business and management practices, together with adequate asset backing, to ensure financial accountability and financial stability.*
- *Implement the appropriate standards of quality assurance.*
- *Promote the best interests of the community and the environment by ensuring that clients are aware of the effect of new developments in technology, materials and systems.*
- *Encourage education, training and advancement of employees including apprentices, tradesperson, engineers and administration staff to ensure a competent and multi skilled workforce within equal opportunity guidelines.*
- *Honour requirements of confidentiality and to observe the highest standards of business principles so as to prevent deceptive, misleading or other improper conduct.*
- *Follow and encourage the adoption of proper tendering practices in accordance with the relevant Australian Standards and Codes.*
- *Liaise with Government authorities, clients, consultants and training institutions to provide ongoing review, research and development for the betterment of the industry.*

STRUCTURE

6. AMCA at a national level is a federation of state organisations. A full-time office arrangement exists in every state.

7. Each of the state organisations is a separately incorporated body, either established as a company limited by guarantee under the corporations law, or alternatively an incorporated association.

MEMBER SERVICES

8. AMCA's principal mission is to provide a range of services to members on a cost efficient and collective basis, and to act in ways that are designed to improve and enhance the commercial climate in which members operate their businesses.
9. In order to achieve its mission, AMCA provides the following key range of member services.
 - Industrial relations policy advice, information, and representation.
 - Occupational safety and health policy advice and information.
 - Access to commercial credit rating organisations.
 - Training programs.
 - Access to technical information.
 - Up to date and statistical information on commercial trends in the industry.
 - Contract and other related commercial information.
 - Contractual information and legal assistance on contracts.
10. AMCA is active in representing the industry in policy issues being pursued by government and other industry bodies. AMCA is represented on a wide range of committees ranging from industrial relations matters, industry reform, and commercial matters.
11. Air conditioning and mechanical services contractors are the largest employers of labour in the services sector of the construction industry.
12. The specialist staff they employ directly include:
 - Engineers
 - Refrigeration Mechanics
 - Plumbers
 - Administration staff
 - Electricians
 - Draftsmen
 - Sheetmetal workers
 - Commissioning Technicians
 - Estimators
 - Project Managers

13. The AMCA also represents a range of sub contractors and suppliers on the industry.
14. Contractors working in the air conditioning and mechanical services sector require an extensive and diverse range of specialist services.
15. The range of services provided by AMCA members include:
 - Acoustic design and fabrication
 - Co-generation and thermal storage
 - Environment control systems
 - Energy performance efficiency
 - Industrial design and ventilation
 - Computer based control systems
 - Sheetmetal and steel fabrication
 - General design and installation
 - Clean room technology
 - Energy management
 - Fire protection systems
 - Smoke clearance systems
 - Pressure vessel technology
 - Hydraulic systems
 - Stainless steel fabrication
 - Life cost planning analysis
 - Air conditioning installation and management
 - Medical and laboratory gases and installation
16. Air conditioning and mechanical services contribute between 10 - 20% of the value of construction of modern buildings.
17. The industry has undergone a period of dramatic change over the past 10 to 15 years. The role and responsibility of mechanical service contractors has become increasingly important and complex as the design and installation of systems grows in sophistication.
18. Specialist mechanical services contractors co-ordinate the functions of many other crucial elements in the installation phase.
 - Mechanical electrical
 - Plant
 - Maintenance
 - Commissioning
 - Sheetmetal manufacture
 - Mechanical plumbing
 - Thermal insulation
 - Design

AFFILIATIONS

19. AMCA has affiliations with an extensive array of industry organisations both in Australia and overseas. We are members of the Airconditioning Refrigeration and Building Services Exhibitions (ARBS) and the National Refrigeration Airconditioning Council (NRAC).
20. Our international affiliation is with the International Alliance of Mechanical Contracting Associations. This alliance comprises representatives from the United States, England, Canada, and Australia.

BUILDING REGULATIONS Consistency

21. There are times when one could reasonably question whether Australia is one country. There are many instances where differences exist between the States and where it is difficult to see clearly the justification for these differences. Therefore we approach the issue of building regulation from the point of view that there ought to be as much commonality as is practically possible.
22. The multiplicity of planning and approval levels that we have in Australia is not in the interests of the industry or the consumer.
23. Against this background there needs to be a building code that sets the standards and any variation from it must be capable of objective scrutiny. In policy terms therefore, there is an urgent need for much greater cooperation between State governments to bring the planning and construction laws and processes closer together. It follows from this that local government level requirements need to be better harmonised also.
24. These comments should not be taken to mean that variations from the standard must not occur. Rather, variations should be the exception and not the rule. Where they occur they must stand up to objective scrutiny.

Scope

25. The code impacts on many stages of building and construction:-- project initiation, design, approval, construction, inspection, occupancy, operation and maintenance. However, the impact of the code is variable at these different stages. AMCA submits that the impact of the code on some parts of the process should be strengthened.
26. Two areas are highlighted for particular attention.

27. Procurement and project delivery systems remain as major issues for improvement in the industry. The tender practices followed by owners, including government leave much to be desired. Australian Standard AS4120 provides a solid foundation for a competitive tender selection processes. The principles that are established in AS-4120 form the basis of many codes of practice that have been adopted by Commonwealth and State governments. Unfortunately, all too often the requirements of these standards are not followed by the industry.
28. The overall situation can only be improved and helped by the BCA calling up and giving tangible encouragement to the use of AS-4120 so that it becomes commonplace in the industry.
29. The second area for attention is the requirements of buildings in their maintenance phase. All too often consideration to the maintenance requirements in respect to engineering services are not given due consideration in the design phase. Access to plant rooms and equipment that is installed can be hazardous. With the increased emphasis that is now placed onto occupational safety and health protection for those who service this equipment, it is imperative that these factors are taken into account and given appropriate attention in the design phase.
30. In our submission, both of these matters need to be addressed in this review.

Performance-based

31. As a general principle, the AMCA supports a performance-based approach to the code. The performance-based approach caters for, and to some extent, encourages parties in tendering for various packages in a project, to innovate and develop unique engineering solutions.
32. There is only one danger to this model. That is, when viewed in the context of the way in which the tendering process is often abused. A performance-based code provides increased scope for those who set out deliberately to abuse the system.

Insurance

33. Professional indemnity insurance continues to be a major issue and problem for the industry. There is so much emphasis these days on self protection that we now have multiple companies paying for the same insurance. The insurance required under plumbing regulations in Victoria is a clear case in point. Importantly, insurance requirements that might be appropriate to construction work in the domestic sector are applied in the

commercial sector where they clearly are not appropriate. Again the requirements of the plumbing sector in Victoria illustrate our point.

34. Insurance costs have developed into a serious problem for the industry in recent years. The problem has become so great that in recent times many head contractors have taken steps to shift a large portion of the project insurance responsibility onto the specialist trade subcontractors.

Funding

35. We have spoken about the need for greater consistency in the application of standards across the country. It follows in our submission therefore, that considerable Commonwealth funding is needed for the ABCB. Without a strong financial commitment on the part of the Commonwealth, it is difficult for us to see how the much-needed consistency can be achieved. If left to themselves, the States have shown that they do not have a good record of pursuing national consistency and standards.

Appointments to ABCB

36. Under the current arrangements, the Commonwealth Minister makes appointments to the ABCB. The practice has been to request three names and the final decision made by the Minister. This process has not always resulted in having the industry's preferred person appointed.
37. We believe that industry should select and decide on its representative to be the member of the ABCB. The Minister should have the power to refuse the nomination, but this power should only be exercised after objective reasons are given to the industry as to why the nomination is not acceptable.
38. The Australian Construction Industry Forum in our opinion is the appropriate body to provide the industry nomination.