



6 July 2004.

Mr T Hinton
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Mr Hinton

**Productivity Commission Study into
Reform of Building Regulation:
ACEA Comments**

Please note the following comments from the Association of Consulting Engineers Australia (ACEA) with regard to the Productivity Commission Study into Reform of Building Regulation. We acknowledge the lateness of this material but believe that it will be helpful to the Commission in its Study.

ACEA is a national organisation which represents some 300 firms providing engineering and technology services throughout Australia and internationally. A profile of ACEA and the consulting engineering industry is attached.

ACEA seeks to assist with the Review by providing the following comments:

Issues Paper Question 1 Page 1

Work and Functions of the Australian Building Codes Board (ABCB)

ACEA fully supports the work and objectives of the ABCB in developing a national framework for the administration of regulations, and adopting processes and systems to improve the building regulatory environment. The ABCB has achieved many positive outcomes.

Feedback from firms however indicates that the lack of access to adequate training in some areas has meant that some practitioners, including consulting engineers and their building industry clients, have been unable to keep pace with many of the substantial changes including regulation reform, code development and changes to standards.

ACEA believes that, in measuring the effectiveness of the reform process, consideration needs to be given to the capacity of the process itself to routinely transfer knowledge in order to effectively implement the required changes. Perhaps one way of achieving this is through more widespread and accessible training programs or through the use of State and Territory industry advisory bodies. ACEA supports the ten objectives of the IGA on Building Regulation Reform, including item 10 on Page 11 of the Issues Paper, which refers to education and marketing activities.

Issues Paper Page 7

Nationally Consistent Building Codes, Standards and Regulatory Systems

ACEA agrees that this is pivotal to achieving efficiency and cost effectiveness in Australia's building industry. This consistency is a crucial means by which to meet community expectations for health, safety and amenity in a cost-effective and efficient manner.

For the majority of ACEA firms, this lack of consistency has led to major inefficiencies in terms of the time and costs required to apply widely varying codes and standards to the design of buildings across national boundaries.

Issues Paper Page 13

'Delivering Outcomes which are Effective and Efficient

ACEA believes that the work of the ABCB is a pivotal part of national reform. However, ACEA has a vital interest in the development of uniform codes and regulations across Federal, State and Local Government jurisdictions. In terms of Local Government regulations, the devolution of State powers has resulted in a myriad of inconsistencies which arise from the desire by councils to apply their own regulations, or their own interpretations of the regulations. This leads to major cost inefficiencies in the industry. Given that the ABCB has no power to make regulatory reforms, a nationally agreed reform agenda needs to include a process for regulatory reform and application.

Another area which impacts on the delivery of cost effective outcomes is the inconsistency of contracts across national jurisdictions, across organisations of State Governments, and within the same organisation. Differences in the approaches to areas such as risk and liability often lead to costly or unattainable professional indemnity insurance requirements, costly and unproductive contractual disputes discrimination against engineering innovation. ACEA has developed its Standard Contract and is working with Standards Australia in their development of the AS 4000 suite of consulting contracts. We therefore believe that the development and use of nationally consistent contracting conditions would lead to a reduction in costs and improved outcomes in the building industry.

Issues Paper Page 36

Reforming the Risk and Liability Landscape

ACEA has been at the forefront of tort and liability law reform through its support for the introduction of national professional standards and proportionate liability. ACEA believes that these changes will lead to an improvement in the risk and liability environment for consulting engineering firms, and some relief from the continuing escalation in the cost of PI insurance and improved insurance availability.

The impact of the changes to liability arrangements will lead to cost and availability improvement in PI insurance over time. Insurers have been quick to point out that the nature of PI insurance, being a 'long tail' business means that the benefits will not be immediately flow to insureds.

There are more immediately beneficial methods available to implement improved and efficient allocation of risk and liability across the building industry. ACEA has been working with the Australian Procurement and Construction Council (APCC) to implement a more structured and sustainable approach by government organisations to the determination of professional indemnity insurance requirements on projects. This was done in the knowledge by both parties that PI insurance is a limited resource that needs to be applied according to realistic needs.

ACEA is hopeful of achieving similar limitations on consultants' liability and has expressed its desire to work with the private sector to achieve similar outcomes.

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ASSOCIATION OF CONSULTING ENGINEERS AUSTRALIA

The Voice of the Consulting Engineering Industry



- The Association of Consulting Engineers Australia (ACEA) represents Australian consulting engineering firms which provide technology-based consulting services to government and private sector clients in Australia and 40 countries worldwide. Services are provided in the fields of building, infrastructure, transport, communications and information technology, project management, environmental management, geotechnical, electrical, mining, oil and gas.
- The ACEA is the sole voice of engineering firms in Australia. ACEA members number nearly 300 firms in all states and territories. These members constitute some three-quarters of the consulting engineering firms employing ten or more people in Australia. Most large and medium-sized firms in the industry are ACEA members, along with a substantial number of the smaller firms.
- Engineering consulting revenues of \$3.8 billion in 1999/00 were equal to 0.6 per cent of Australia's GDP of \$629 billion. Industry revenue has risen by 61 per cent since 1992/93 and share of GDP from 0.5 per cent to 0.6 per cent.
- Engineering consulting firms employed 42,000 people in 1999/00, including approximately 30,000 engineering and technical professionals. Employment in the industry has risen by 31 per cent since 1992/93. The increase has been much more rapid than the 17 per cent rise in national employment.
- The total value of projects designed by ACEA firms in 1999/00 was \$11 billion.
- Engineering services accounted for the major share of all service exports related to building and construction – 53 per cent of total building and construction services exports in 1999/00. Engineering consulting exports accounted for 1.3 per cent of Australia's total service exports of \$28.2 billion in 1999/00. Exports of engineering services have grown strongly and fairly steadily from \$141 million in 1992/93 to \$370 million in 1999/00, an average growth rate of nearly 15 per cent a year.
- ACEA is represented on all of the major government and private-sector industry bodies concerned with consulting engineering and building and construction. It is also a member of a number of bodies concerned with more general business and industry issues.
- There are ACEA offices in all capital cities in Australia.
- ACEA is one of the largest members of FIDIC, the international association of engineering, technology and management firms related to the built and natural environment. FIDIC includes some 67 member associations worldwide.
- ACEA firms designed all of the major facilities and infrastructure for the 2000 Olympic Games, including Stadium Australia, the Superdome, the Olympic Village, and the Olympic Flame Lighting Event and Aerial Effects. Large national projects designed by ACEA firms include the Sydney Opera House, Darling Harbour, Star City Casino, Colonial Stadium Melbourne, St Mary's Cathedral Spires Sydney, Sydney Domestic Terminals, the M1 Motorway in Sydney and Citilink in Melbourne. Major international projects designed by ACEA firms include the Hong Kong Airport, the Singapore Exhibition and Convention Centre, the My Thuan Bridge linking Vietnam and Laos, and Wembley Stadium.

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