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PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER
LAUNCH OF THE CONSTRUCTION INDUSTRY
REFORM STRATEGY
CANBERRA - 3 DECEMBER 1991**

Ladies and Gentlemen

This is a very significant day not just for the Australian building and construction industry, but for Australia generally.

The Construction Industry Reform Strategy marks the beginning of a co-operative effort to solve some of the most intractable issues in this vital industry, and to nurture its considerable strengths.

At the outset, I wish to sincerely congratulate my Ministers Senator Peter Cook and David Beddall for the initiative and hard work they have put into developing this strategy. Let me also commend the cooperation of both sides of industry and all levels of Government which have made it possible.

Over the past 12 months some 100 senior company executives, union leaders, industry association personnel, Commonwealth and State ministers and officials have worked to develop a reform agreement and a code of practice.

Today is the culmination of this preliminary work, and marks the beginning of the next stage.

Australia's construction industry faces many problems.

Costs for major projects are estimated to be up to 20% higher than those of our major competitors.

The export performance by our construction companies is near the bottom of the table of OECD countries, and R&D expenditure by the industry is poor.

Our export orientation is also quite low by international standards. Latest data indicates that our export/turnover ratio is about 2% compared with the OECD country average of 14%. This is deserving of closer attention, particularly when one considers the excellent international reputation held by our civil engineers and consultancy firms.

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R&D expenditure by the private sector is of the order of \$13 million a year according to the ABS. For an industry which has an output of \$40 billion annually this is not good enough.

But the problems are not confined to the industry. There exists a maze of planning and building regulations, the result of a hundred years of provincialism, and certain work practices which have absolutely no place in an internationally competitive economy.

The construction industry is one of Australia's largest - currently employing more than 500,000 people it accounts for some 60% of the nation's gross fixed capital expenditure.

The importance of reform for the construction industry is demonstrated by the Centre for International Economics. Their work indicates that a 10 per cent gain in efficiency in construction would lead to a 2.5 per cent annual gain in GDP. That is, reforms in this industry could have twice the impact on GDP of efficiency gains in other sectors of similar size, such as health and education.

This is because the construction industry has important links to the rest of the economy, in particular to mining, transport and tourism.

The In-Principle Reform and Development Agreement signed today, accepts these challenges and points the way ahead.

The Agreement, by actually specifying the areas for reform, including restrictive work practices, ensures that these problems can be seen and dealt with out in the open.

The code of practice, to apply to tenderers to the Commonwealth, State and Territory public works markets, is the foundation for co-ordinated action to facilitate the development of companies embracing "best practice."

The ratings system for companies, to operate in conjunction with the code of practice, will give governments confidence that taxpayers' dollars are wisely spent.

The ratings system is important for two reasons.

First, it will send strong signals to companies as to where their public sector clients expect improvement.

Second, the ratings will provide an objective, transparent framework for decision-makers within government. And the efficiency of the tender process will be improved.

The Industry Development agenda of the Strategy will focus mostly on lifting the export, R&D and quality assurance aspects of the industry. As I indicated at the outset our efforts in these areas are well below our major competitors.

Labour market reform is an important element of the overall reform agenda.

The key areas are identified in the In Principle Reform Agreement.

- the implementation of more efficient and flexible work practices
- the development of specific measures to reduce the incidence of lost time
- the implementation of award restructuring, the introduction of new classifications and skill related career paths and associated training
- improvements in safety standards and working environment

There is more to this program than holding out examples of efficient practice as beacons in the wilderness for others to follow and copy. This is not just a program about change - this is a program for change.

The only way to achieve Best Practice is by enlisting and heeding and respecting all the skills and experience of all the people involved.

The involvement and commitment of the entire workforce are absolutely essential to reform in the workplace. Reform is impossible without them and industry without reform is no longer an option.

The reform agreement also refers to building regulation, which involves a key group of people - building inspectors, local councillors, builders of all sizes, and legal practitioners.

The current system of building regulation is complex, confusing and costly to laymen and industry practitioners alike.

A little over two years ago, the Premiers' conference on housing agreed to establish the Building Regulation Review Task Force. Its charter essentially was to examine how greater uniformity and "commonsense" could be introduced into the current system.

The task force, led by Dr John Nutt, Chairman of Ove (OVAY) Arup, is today submitting its report.

The BRR report is significant in two respects. It is a good example of how the three tiers of government have been co-operating to drive micro-economic reform, and it provides a blueprint for future action by governments and industry.

There are three aspects then to the strategy - industrial relations, industry development and building regulation.

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The Strategy will have Commonwealth funding of \$10.8 million over three years.

There has been strong support from State and Territory governments for the reform strategy.

South Australia, Victoria and the ACT will be signing the In Principle Reform Agreement today. Tasmania and Western Australia have indicated they will sign shortly, and Queensland has given strong support for the Commonwealth's initiatives.

A key element of the strategy - the code of practice - very much depends on state public works.

However, it is not just a one-way street. Companies will have the opportunity to increase their business with government.

A comprehensive system for consultation and implementation has been agreed by the major parties. The main elements are the establishment of the Construction Industry Development Council and the Construction Industry Reform Agency.

The Industry Council will have its inaugural meeting today, chaired by Ministers Beddall and Cook, with membership drawn from industry and unions and Governments.

The Reform Agency will be a small specialist group, drawn mainly from the private sector. Its job is to implement the key elements of the strategy.

I am pleased to announce today that the Chief Executive Officer of the Agency will be Ern MacDonald, the former chairman of Civil and Civic.

Ern brings to the position years of experience, and the universal support of the industry. I sincerely thank you for accepting this challenging position.

I am also pleased to announce that Paul White of Concrete Constructions has accepted the position of Chairman of the Board.

Board members already approved include Mr Martin Albrecht (Thiess Constructions), Mr David Chandler (Fletcher Construction), Mr Martin Ferguson (ACTU), Mr Jack Ritch (AMP), Mr Stan Sharkey (BWIU), Mr Malcolm Kinnaird (Kinhill Group), Mr Robert Milne (Hooker Cockram), Mr Malcolm Farrow (DITAC), Mr Bob Marshman (DIR).

A Member from the States will also be appointed.

We may now look forward to all the parties working together to transform this industry into an internationally competitive and dynamic one.

Ladies and gentlemen, today is the beginning of a new era for the construction industry. We have a strategy which is innovative, timely, based on good practice, has the support of the major groups, and goes to the heart of the industry's problems. It will change the way things are done in this industry - for the better.

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