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# Report

## **Multi-Outcome Construction Policies: Comparative Analysis of Western Australian and Queensland Policies**

**Research Project No: 2006-036-A-02**

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**Research Program: A  
Business and Industry Development**

**Project: 2006-036-A  
Multi Outcomes Construction Policies**

**Date: December 2007**

Leaders in Construction and Property Research

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## ***Introduction***

This document provides an overview of the differences and similarities in the objectives and implementation frameworks of the training and employment policies applying to public construction projects in Western Australia and Queensland. The material in the document clearly demonstrates the extent to which approaches to the pursuit of training objectives in particular have been informed by the experiences of other jurisdictions. The two State governments now have very similar approaches to the promotion of training with the WA government basing a good part of its policy approach on the “Queensland model”. As the two States share many similar economic and other characteristics, and have very similar social and economic goals, this similarity is to be expected. The capacity to benefit from the experiences of other jurisdictions is to be welcomed. The similarity in policy approach also suggests a potential for ongoing collaborations between the State governments on research aimed at further improving training and employment outcomes via public construction projects.

## **2. Training Policies**

As was noted in the introduction, the training policies that apply to Western Australian and Queensland public works are very similar. In large part this reflects the basing of the WA Building Skills Policy on the Queensland 10% Training Policy. The table below, which summarises the stated objectives of these two policies and their implementation frameworks, demonstrates their close alignment.

The differences that do exist in the approaches taken to the achievement of training objectives relate, first, to the methods used to encourage training on relatively small public construction projects. In Queensland the 10% Training Policy has a relatively low trigger value and, as such it applies to a much larger range of projects than the WA Building Skills Policy does. In Western Australia, the Priority Access Policy, which requires contractors to accumulate a sufficient number of ‘training points’ before being eligible to tender on public construction projects, is used to regulate training investments on relatively small projects.

The Queensland approach also features a role for a committee of major stakeholders who are affected by the 10% Training Policy. This is convened by the Queensland Department of Education, Training, and the Arts to discuss issues with the Policy and suggest ways the Policy can be modified to improve the efficiency of its implementation. An equivalent ‘feedback’ mechanism does not feature in the formal arrangements for the Building Skills Policy in Western Australia.

The results of the qualitative assessment of the training policies that was undertaken as part of this research project also highlights some important similarities and differences. In both jurisdictions there was a degree of skepticism among contractors about the impact of the policies on actual training outcomes. In Western Australia this viewpoint appeared to be pronounced and related to a common perception that the Priority Access Policy (PAP) was, essentially, a ‘toothless tiger’. Similar opinions were expressed about the Building

Skills Policy. However, it appeared in our transcript evidence that the provisions of this Policy were somewhat less susceptible to avoidance activities than those of the PAP. In Queensland, most of the contractors we interviewed complied with the requirements of the 10% Training Policy but asserted that it had little to no impact on their training decisions.

The key difference in the qualitative evidence gathered in the two States related to the perceptions of policy officers in the relevant sponsoring and contracting agencies. The Queensland officers were generally positive about the benefits of the 10% Training Policy, pointing especially to the role of the Policy in creating a culture of training and what they saw as strong industry support for the Policy. The Western Australian officers were generally sceptical about the practical impact of the PAP and Building Skills Policies on training outcomes. Tangible benefits were perceived to be small whilst administrative and, especially, additional contracting costs were perceived to be large.

The only detail of the design of the two policy approaches that can account for the differing perceptions of the policy officers in the two States is the committee of major stakeholders mentioned above. This provides industry feedback on policy design in Queensland and is likely to serve a positive role in communicating the objectives of the Policy, and in building shared commitments to training. Its absence from the policy framework in Western Australia may be an important omission that could be addressed in future developments of that State's policy framework.

**Table 1: Training Policy Objectives and Implementation Frameworks**

WESTERN AUSTRALIA		QUEENSLAND	
<b>The Building Skills Policy</b>		<b>The 10% Training Policy (State Government Building and Construction Contracts – Structured Training Policy)</b>	
<b>Policy Objectives</b>	<p>The objective of the Building Skills Policy is to ensure that there is an adequate supply of skilled labour in the building and construction industry to meet the current and future demand. The policy has been designed to meet this objective through two means:</p> <ul style="list-style-type: none"> <li>• By ensuring a new supply of skilled labour is entering the building and construction industry through apprenticeships and traineeships; and</li> <li>• By up-skilling existing workers in the building and construction industry.</li> </ul> <p>These objectives are expressed in the key Building Skills Policy document (Building Skills n.d., p.3) in the following terms:</p>	<b>Policy Objectives</b>	<p>The 10% Training Policy also aims at promoting the supply of skilled labour via the provision of on-site training opportunities. The key policy document (“10% Training Policy” for Queensland Government building and construction contracts n.d., p.2) expresses the objectives of the Policy in the following terms: <i>‘The policy is designed to maximise the potential of Queensland capital works projects to address skills shortages and create additional employment opportunities for apprentices, trainees and cadets in the building and construction industry’.</i></p>

	<i>'The Western Australian Government and the building and construction industry have a firm commitment to building skills within the industry to ensure an adequate supply of skilled labour for current and future needs. The Building Skills Policy utilises State Government building and construction contracts as a mechanism for skills development in the sector'.</i>		
<b>Policy Trigger Value</b>	State Government building and construction contracts with a total contract value exceeding \$2m.	<b>Policy Trigger Value</b>	State Government building and construction contracts with a total contract value exceeding \$250,000 for building or \$500,000 for civil construction.
<b>Implementation Time</b>	Post-tender.	<b>Implementation Time</b>	Post-tender.

<b>Quantity Requirements</b>	10% of the deemed labour hours <sup>1</sup> must be allocated to the employment of apprentices and/or trainees. In addition, up to a maximum of 25% of deemed labour hours may also be allocated to the up-skilling of existing workers.	<b>Quantity Requirements</b>	10% of the deemed labour hours must be allocated to the employment of apprentices, trainees or cadets. In addition, up to a maximum of 25% of deemed labour hours may also be allocated to the up-skilling of existing workers.
<b>Quality Controls</b>	In the case of apprentices and trainees, training must lead to a nationally recognised building and construction qualification. In the case of up-skilling existing workers, training must lead to a Statement of Attainment from a nationally building and construction qualification.	<b>Quality Controls</b>	Training must lead to a nationally recognised building and construction qualification or a Statement of Attainment.
<b>Responsible Entity</b>	Head contractors and/or subcontractors.	<b>Responsible Entity</b>	Head contractors and/or subcontractors.

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<sup>1</sup> See the main report for a definition of ‘deemed labour hours’.

### ***3. Indigenous Employment Policies***

The two jurisdictions approach the promotion of indigenous employment and economic opportunity through their public works contracts in quite different ways. The Aboriginal Enterprise and Employment Tendering Preference Policy (Western Australia) is a tendering price preference policy, whereas the Indigenous Employment Policy (Queensland) is a post-tender policy that applies to specific indigenous communities within Queensland. As such, the WA policy delivers potential benefits to construction companies that are already either owned by indigenous people or that currently employ indigenous workers. In contrast, the Queensland policy potentially improves employment and training opportunities for indigenous people in non-indigenous construction companies and/or companies that do not currently employ indigenous workers. A further important difference between the two indigenous employment policies is that the Queensland policy specifically targets employment and training opportunities in particular communities, whereas the WA policy has no such focus.

**Table 2: Indigenous Employment Policy Objectives and Implementation Frameworks**

<b>WESTERN AUSTRALIA</b>		<b>QUEENSLAND</b>	
<b>The Aboriginal Enterprise &amp; Employment Tendering Preference Policy</b>		<b>The Indigenous Employment Policy for Queensland Government Building and Civil Construction Projects (IEP)</b>	
<b>Objectives</b>	The objective of the Aboriginal Enterprise and Employment strategy is to increase the number of Aboriginal owned and operated enterprises, or enterprises that employ Aboriginal people, that supply government agencies.	<b>Objectives</b>	The Indigenous Employment Policy has the stated objective of maximising: <i>“... the potential employment opportunities on Queensland Government building and civil construction projects and address skills shortages in Indigenous communities. It also aims to build Indigenous capacity to participate in building and civil construction.”</i> (IEP, n.d., p.2)
<b>Policy Trigger Value</b>	All State Government building and construction contracts.	<b>Policy Trigger Value</b>	All State Government building and construction contracts in specified Indigenous communities with a total contract value exceeding \$100,000 for building or civil construction contracts of any value.

<b>Implementation Time</b>	Tender evaluation.	<b>Implementation Time</b>	Post-tender.
<b>Quantity Requirements</b>	The policy has been implemented through the use of a tendering preference. The tendering preference is calculated as 10% of the tender amount, with the maximum tendering preference being set at \$100,000. The preference amount depends on whether the organisation employs indigenous people or is an indigenous enterprise.	<b>Quantity Requirements</b>	The policy replaces the 10% Training Policy in specified indigenous communities. The quantity requirements in the policy require that a minimum of 20% of the deemed labour hours be undertaken by indigenous people recruited from the local community, with half of the 20% of labour hours to be in accredited training.
<b>Quality Controls</b>	None.	<b>Quality Controls</b>	None.
<b>Responsible Entity</b>	Tenderer	<b>Responsible Entity</b>	Contractors and/or subcontractors.

#### **4. Local Employment Policies**

As was noted in the introduction, there are currently substantial differences between the Queensland and WA approach to the promotion of local employment/enterprise via state government construction contracts. The WA Buy Local Policy is based on a tendering price preference scheme whereas the Queensland Local Industry Policy is based on identifying potential local suppliers and disseminating information to local contractors and subcontractors about forthcoming construction projects. As such, the Queensland approach avoids a limitation of the price preference approach, that it is negated by the Australian and New Zealand Procurement Agreement when a tender is submitted from either another state in Australia or from New Zealand.

The Local Industry Policy is also implemented much earlier in the life-cycle of construction projects than the Buy Local Policy. Specifically, it comes into operation in the planning/pre-tender stage of a project, whereas the Buy Local policy is not implemented until the tendering stage of a project. The Queensland approach features a role for the Industry Capability Network in gathering, providing, and/or disseminating information to project proponents on the capabilities and competitiveness of local suppliers. This proactive approach to involving local suppliers in state construction projects is not evident in the WA approach.

The Local Industry Policy, unlike the Buy Local Policy, also adopts a focused approach to the pursuit of local employment opportunities. The Policy is only applied to construction projects when benefits are anticipated. Projects that, for example, by their nature already contain high levels of local content are exempted from the Policy. This provides a mechanism whereby the administrative and other costs of the Policy's imposition can be weighed against potential benefits.

The Local Industry Policy also features a flexible approach to the definition of the local area, which is not evident in the WA Buy Local Policy. In the Queensland policy, the

prescribed distance from the contract location is based on the existence of a competitive pool of tenderers, whereas in the WA policy the prescribed distance from the contract location is fixed. This difference between the policies is likely to affect the policies' respective impacts on the competitiveness of the tendering process and, potentially, contract prices.

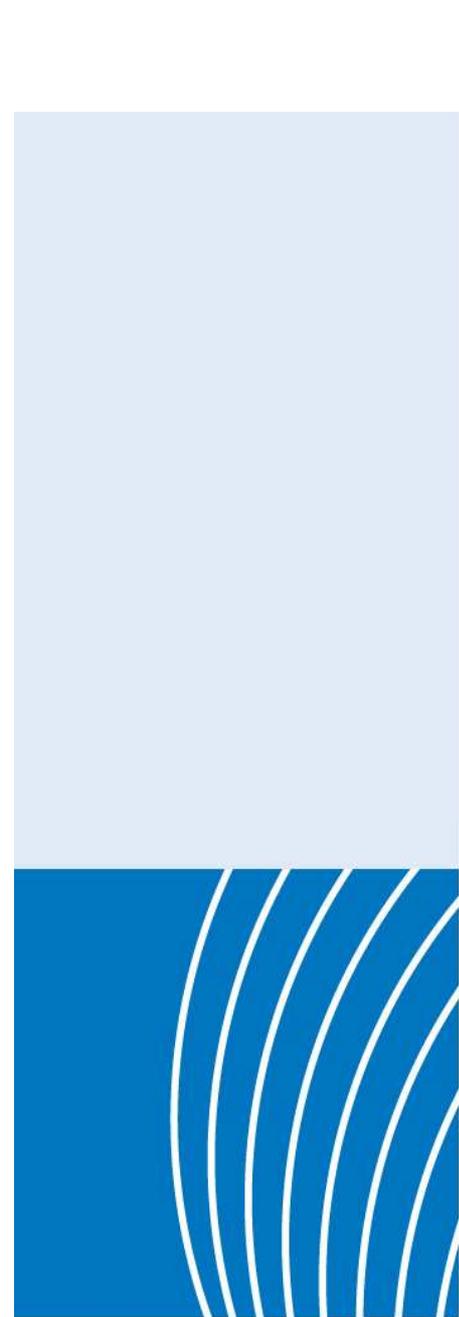
**Table 3: Local Employment Policy Objectives and Implementation Frameworks**

<b>WESTERN AUSTRALIA</b>		<b>QUEENSLAND</b>	
<b>Buy Local Policy</b>		<b>Local Industry Policy</b>	
<b>Policy Objectives</b>	The stated objective of the Buy Local Policy is <i>'To maximise supply opportunities for competitive local Western Australian businesses when bidding for State government contracts'</i> (Buy Local Policy 2002, p.1). The Policy's specific aims include: increasing local contracting opportunities, facilitating sustainable local business employment growth, maximising industry development potential, stimulating competition, and ensuring that government agencies' purchasing decisions are based on best value for money.	<b>Policy Objectives</b>	The preamble to the Local Industry Policy also implies objectives relating to maximizing local employment:  <i>"Whilst recognising that investment decisions are made in a competitive global market, it is desirable to achieve the maximum level of local content in goods, services and labour where these are competitive as to price, quality, and delivery requirements."</i> ("Local Industry Policy" n.d., p.2)

<b>Policy Trigger Conditions</b>	A “local content” selection criterion is applied to the evaluation of state government tenders that have an estimated contract value of \$750,000 or above.	<b>Policy Trigger Conditions</b>	Queensland government funded projects with a value greater than \$5 million or major projects where the Queensland government has provided a significant contribution ( i.e. the Queensland government has made a total financial contribution with a value greater than \$2.5 million).
<b>Implementation Time</b>	Tender Evaluation.	<b>Implementation Time</b>	Pre-tender.
<b>Quantity Requirements</b>	Two <i>Regional Price Preference</i> schemes apply: the Regional Business Preference scheme; and the Regional Content Preference scheme. The Regional Business Preference scheme provides businesses that are located within a prescribed distance from a contract point with a price preference that applies to their total tender bid. When assessing tender bids, the scheme allows government agencies to reduce the value of total tender bids of	<b>Quantity Requirements</b>	The preparation of a Local Industry Participation Plan.

	<p>eligible businesses by a specified percentage.</p> <p>For the assessment of goods and services purchase or contract tenders, the total tender bid is reduced by 10%, up to a maximum reduction of \$50,000, and for the assessment of housing and works purchase or contract tenders, the total tender bid is reduced by 5%, up to a maximum of \$50,000.</p> <p>The Regional Content Preference provides businesses located beyond a prescribe distance from a contract point with a price preference that applies to the total cost of goods and services purchased from businesses within a prescribed distance from a contract point. When assessing tender bids, the regional content price preference scheme allows government agencies to reduce the value of the total cost of goods and services purchased from businesses within a</p>		
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	<p>prescribed distance from a contract point by a specified percentage. For the assessment of goods and services purchase or contract tenders , the total cost of goods and services purchased from businesses within a prescribed distance from a contract point is reduced by 10%, up to a maximum reduction of \$50,000. For the assessment of housing and works purchase or contract tenders, the total cost of goods and services purchased from businesses within a prescribed distance from a contract point is reduced by 5%, up to a maximum of \$50,000.</p>		
<p><b>Quality Controls</b></p>	<p>Not applicable.</p>	<p><b>Quality Controls</b></p>	<p>Not applicable.</p>



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