

# Construction Costs of Major Projects - The Industry Commission's Draft Report

- Report review by John Tyrriil

The Industry Commission has been asked to report by 18 April 1991 on factors which lead to excessive construction costs for major projects within Australia and to recommend courses of action to reduce these costs.

The Commission has published a draft report entitled "Construction Costs Of Major Projects". This report will be finalised after public comment on it is reviewed and public hearings conducted.

The the New South Wales Royal Commission into the Building Industry and the Federal Government's Industry Commission's are dealing in parallel with similar issues, albeit that the Industry Commission's inquiry pre-dates the Royal Commission and the two inquiries are being conducted differently.

The Industry Commission's terms of reference were issued by Treasurer Keating under the *Industries Assistance Commission Act 1973 (Clth)* in October 1989. Put simply, the Commission was asked to inquire and report to on factors which lead to excessive construction costs for major projects within Australia and to recommend courses of action to reduce these costs.

The Industry Commission's draft report covers:

- overview and draft findings;
- the inquiry itself;
- the nature of the industry;
- management and risk allocation;
- capital cost and performance;
- regulations and approvals for building and development;
- industrial relations in the construction industry;
- Australian participation;
- other factors - including tariffs, taxation and interest costs;
- the implications of microeconomic reform for the construction industry; and
- extensive appendices.

There is no intention in this brief comment about the existence and availability of the report to go to detail. However, so far as concerns the relevant subject matter of this Newsletter, there are several interesting comments made in the draft report. These include:

- governments need to accelerate reviews of regulation, standards and associated administrative procedures so as to reduce uncertainties and delays. Greater resort should be made to "the one-stop-shop concept, increased use of performance standards, and mutual recog-

inition by governments of the standards and regulations of other governments ... to reduce costs in obtaining necessary approvals";

- the complex and intermittent nature of major projects in Australia provide limited opportunities for acquiring project management skills.

The draft report does contain one brief section entitled "Management And Risk Allocation". However, it is probably fair comment that this section adds little to the debate on these matters.

For those interested in the draft report or the work of the Commission's inquiry, contact details are as follows:

The Secretary  
Industry Commission  
PO Box 80  
Belconnen ACT 2616

Attention: Kim Bland  
Telephone: 06 264 3345  
Fax: 06 253 1999