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Queensland Health

Ms Angela Moody
Productivity Commissioner and Chair
Queensland Productivity Commission
1 William Street
BRISBANE QLD 4000

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Dear Commissioner and Chair

Thank you for the opportunity to respond to the Productivity Commission's Inquiry into Opportunities to Improve Productivity in the Construction Sector. I am pleased to submit a response on behalf of Health Infrastructure Queensland (HIQ).

HIQ is committed to delivering its significant capital infrastructure program in a manner which optimises value for money, supports productivity, and removes barriers within the Queensland Construction Sector.

HIQ welcomed the temporary suspension of the Best Practice Industry Conditions (BPICs) on all new state government-funded construction projects and the ability to seek productivity improvements on existing projects. HIQ also welcomed the relaxation of the mandate to utilise two-stage contracts for projects over \$100 million.

These suspensions have allowed HIQ to partner with a more diverse range of construction suppliers utilising standard contract models. For example, Traditional Design and Construct methodology utilising the AS4300 General Conditions of Contract.

It is estimated that engaging with lower tier construction suppliers and simplified contract models will result in productivity improvements and cost savings.

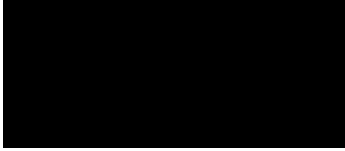
In Attachment 1, HIQ has provided an initial response to the 12 Key Considerations detailed within the Terms of Reference. The key recommendations are as follows:

- that BPIC be removed indefinitely.
- that contract model mandates be removed indefinitely.
- that the Prequalification (PQC) System and its policy application through the Building Policy Framework is reviewed to ensure that it is still fit for purpose including a review of the dollar thresholds for consultancies (\$60,000) and building contractors (\$1 million) which no longer align with market conditions.

As part of the overarching Building Construction and Maintenance (BCM) procurement category, HIQ is committed to working in partnership with other agencies in the BCM category to deliver productivity improvements that improve outcomes for Queensland.

I understand that further stakeholder consultation will occur in July 2025 with final submissions due in early August 2025. HIQ will provide a detailed response at that stage.

Yours sincerely



Paul Emmett
A/Deputy Director-General
Health Infrastructure Queensland
2 / 6 / 2025

Attachment 1 – HIQ Submission to Construction Productivity

Queensland Health

Attachment 1. Response to Queensland Productivity Commission Construction Productivity Inquiry

Health Infrastructure Queensland

June 2025



**Queensland
Government**

Key Considerations	HIQ Response
<p>1. Current conditions in the housing market, residential development sector, infrastructure delivery and construction sector in Queensland, including in both housing and non-residential construction as they relate to the delivery of additional housing supply and housing affordability</p>	<p>The current pipeline of private and public construction projects including hospital infrastructure projects is placing considerable pressure on an already strained construction sector. An agreed forward Pipeline across Whole of Government is a priority.</p> <p>Market capacity constraints are escalating land and construction costs. There are limited workforce and contractor availability throughout Queensland – especially in regional areas.</p> <p>A lack of housing in regional areas also affects the ability to delivery construction projects. In some situations, larger projects require temporary accommodation arrangements to be constructed to support the workforce as a lack of rental / permanent accommodation is available.</p>
<p>2. Key trends in the sector including input costs, prices, competition, supply chain developments, productivity, and relevant comparisons with other jurisdictions and, where possible, across Queensland regions</p>	<p>Economies of scale are difficult to achieve due to fragmented industry and separate government agencies all attempting to partner with a limited number of larger construction suppliers.</p> <p>The NSW Government Principles for Partnership with the Construction Industry provided several initiatives to enhance productivity which HIQ believes could be applied to the Queensland market including:</p> <ul style="list-style-type: none"> • Improved consistency, standardisation and streamlining government processes (including procurement processes). • Better early market interactions with industry to inform project design and delivery. • Encouraging innovation (for example, if industry identifies a more efficient way of delivering a project than a proposed draft design). • Widespread adoption of digital practices and data management tools. <p>The Independent review of the Capacity Expansion Program (now the Hospital Rescue Plan) recommends engaging with smaller Tier 2/Tier 3 Contractors for some Tier 1 work which may result in enhanced productivity and reduce costs. This is currently being tested with some tenders for projects in the Carpark Program.</p> <p>The Construction Industry can be prone to cascading failures (reliance on one stage to be completed before another commences) causing significant delays and increase in price. For example, learnings to account for delays such as weather or approvals do not seem to be incorporated into tender submissions.</p>

Key Considerations	HIQ Response
<p>3. Productivity on residential, commercial and infrastructure construction sites, across a range of typologies and locations, relative to productivity performance in other States.</p>	<p>Productivity varies across typologies.</p> <p>Health infrastructure often involves complex staged works within live hospital environments, reducing productivity.</p> <p>Regional sites experience additional inefficiencies due to workforce travel, limited supplier base, inconsistent approvals, and smaller project budgets.</p>
<p>4. Factors shaping Queensland's productivity performance including commonwealth, state and local government legislation and regulation, industrial relations matters, procurement policies and labour force needs (individually, cumulatively or through duplication) and opportunities for improvement.</p>	<p>Segregation of approvals and decisions (streamline state and local planning). Segregation of Licence and Regulations across jurisdictions causes additional confusion and delays.</p> <p>Liquidity measures and licencing rules implemented by QBCC create challenges for large contractors and their corporate structures and balance sheets. There may be better ways to guarantee and insure work.</p> <p>Feedback from suppliers indicates that there are several portals for suppliers to register when buying within Queensland, if there were to be one portal/registration for suppliers it would reduce the administrative burden and simplify things for suppliers and government.</p> <p>The Crisafulli government announced a temporary suspension of BPIC in December 2024. The Building Construction and Maintenance (BCM) Category met and determined possible productivity measures to track based on existing systems. In accordance with that, data has been captured monthly by HIQ to track possible cost and time impacts that may be attributable to the removal of BPIC.</p>
<p>5. The opportunities for improvements in productivity in Queensland including regulatory and non-regulatory mechanisms.</p>	<p>We note that there has already been a change to some previously mandated requirements in contracting requirements for BPP projects and this is welcome.</p> <p>Further opportunities include:</p> <ul style="list-style-type: none"> • Streamline development approval pathways, • Improve consistency of planning between state and local government. • Create agile procurement pathways which are adaptable to government objectives: and • Investigate amendments to the requirement to use the Prequalification (PQC) System and Building Policy Framework for BPP projects and possibly further.

Key Considerations	HIQ Response
	<ul style="list-style-type: none"> Ensure that a designated pathway is outlined for when an agency will not be following a policy or regulatory requirement (if not, why not approach?).
<p>6. Priority areas for reform for the Queensland Government to efficiently address identified challenges in the short, medium and long term (including but not limited to labour availability, skills availability and market competition, the availability of suitably qualified head contractors and subcontractors etc) key recommendations and themes from other relevant productivity reviews, including those undertaken by the Australian Government Productivity Commission.</p>	<p>Priority areas include:</p> <ul style="list-style-type: none"> Expand skilled labour through targeted trade training including regional programs. Remove and/or adjust PQC requirements to better balance risk management with greater market access to government work flexible procurement. Development of a Category and Whole of Government level collaboration to delivery infrastructure projects including. <p>The Commonwealth Housing Productivity identified a range of issues which also apply to the Queensland Construction Sector productivity which HIQ believe should be investigated within the Queensland context including:</p> <ul style="list-style-type: none"> Approval Process Lack of scale; and Lack of Construction innovation.
<p>7. Impact on small and medium scale subcontractors in regional areas to compete for government tenders due to regulatory requirements.</p>	<p>Requirement for PQC prequalification drives cost prices up in regional areas due to limited pool.</p> <p>Further, there is thus little differential between Tender responses from the Building Contractor when the same subcontractor has tendered across multiple submissions.</p> <p>Regional or small-scale subcontractors may be reluctant to register with PQC/other government regulations.</p>
<p>8. Flow on effect across the industry of government regulations to compete for labour and resources on both wages and work conditions.</p>	<p>The current pipeline of hospital infrastructure projects is placing pressure on an already strained construction sector. This is further exacerbated by the requirement for HIQ to use PQC Qualified Contractors and Subcontractors which puts further constraints on available labour.</p> <p>Removing the requirement of PQC would reduce the administrative burden on Contractors and diversify the labour market and resource pool, which would increase the competition and decrease prices.</p>
<p>9. Factors that limit the availability of suitable labour for building and civil construction, skills development of the labour force, and matching of labour supply with sector</p>	<p>The inconsistency of registration requirements at a federal and state level causes confusion and creates an unnecessary burden on suppliers.</p>

Key Considerations	HIQ Response
demand, and how policy settings can be improved.	There are not enough incentives for apprentices to join the labour force, thus perpetuating the shortage. More needs to be done in terms of apprentice pay, and a focus on development in regional areas.
10. How government procurement and contracting arrangements, including Best Practice Industry Conditions, affect productivity in the construction sector, and how practices and policy settings can be improved.	<p>BPIC adds administrative burden and cost for contractors, with limited perceived benefit for productivity or safety.</p> <p>BPIC also requires subcontractors to be BPP prequalified, which places limits on subcontractors that can be engaged on projects.</p> <p>The Training Hours Policy should be renewed to consider whether it is meeting its aims.</p>
11. Barriers to entry, investment and innovation in the sector, and potential options to address those impediments.	<p>PQC creates a barrier to entry for suppliers as an additional administrative burden and hoop for them to climb. Although the policies that PQC reviews are important, such as safety, financial capacity there are other mechanisms in place for these policies.</p> <p>We recommend the Queensland Government consider having a dedicated market engagement team that actively identify and seek to engage new suppliers and assist with their registration and compliance with government requirements.</p>
12. Key issues to be considered in implementing reform options identified and views on how recommendations could be prioritised.	<p>There are important reasons for regulations however the current level of Queensland based regulation hinders construction productivity.</p> <p>It is important to consider a broad review of regulation to balance risk and productivity and implement changes at a category level and work with government counterparts.</p>