



Welcome to the Monthly

Construction Advisor is pleased to welcome you to our new monthly newsletter – Industry Insight. Bringing you all of the latest industry news, project announcements and data to help you to plan and build your business. Register now to get your essential monthly news source delivered to your inbox.

COVID19 Restrictions in Victoria: Stage 4

- Developments over 3 stories in height can only have 25% of total workforce on site.
- Small developments can only have 5 workers on site.
- Trade Specialists are limited to 3 sites per week (unless work threatens life or injury).
- Land developers limited to 10 personnel per hectare.
- COVID Safe plans required for all.
- No car-pooling of staff.



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Construction in a COVID-19 World.

It is fair to say that 2020 has not been a year for budget's and forecast's. Only a handful of commentators have been willing to make predictions of the how, what and when of a Covid-19 recovery will look like. So we thought we would sift through what we do know and what we can reasonably expect from the rest of 2020 and 2021.

We know that the first easing of restrictions in Victoria will come in mid-September at the earliest and the state is likely to remain under some level of COVID management into 2021. After the Melbourne experience of the 'second-wave' we can safely assume that the response in other states to any outbreaks will be swift and strong although likely more localised responses (i.e. shutting down regions/postcodes).

Travel between states is likely to be allowed within a few months subject to individual states' ability to control any outbreaks. International travel is unlikely to return until mid-2021 and will involve significant restrictions and conditions. In-bound immigration is unlikely to return to meaningful levels until at least 2022. Having said that, the Australian experience of the pandemic may make it an attractive destination for migrants from regions harder hit in the future.

What about a vaccine? The typical lifecycle of a vaccine development is 10-15 years, that we now have 6 reputable candidates in phase-3 trials within 7 months is nothing short of miraculous. The reality is that assuming at least 1 candidate passes phase-3 trials we then require regulatory approval followed by the capacity to actually mass-produce the vaccine and distribute/administer it on-masse. Any vaccine will be applied in stages: the most vulnerable (elderly), healthcare workers, essential services followed by the general populace. **In a best-case scenario this means that we will not see a broad-spectrum vaccine before early-mid 2021.**

Monash University has released the first study of workers' intentions in a post-Covid environment. Key findings included an aversion to using public transport for commuting and a massive 75% increase in working-from-home. This equates to 1 in 5 CBD workers not expecting to return to working in the Melbourne city. This means that even with lower numbers of workers in the CBD, traffic congestion and the need for parking spaces is expected to increase (at least in the short-term). So has COVID-19 led to a structural change in how our society works and lives?

Residential Apartment Buildings Act 2020 (NSW)

On September 1st 2020 the new Residential Apartment Building Act comes into effect. The Act is the weapon of the newly installed NSW Building Commissioner David Chandler.

Drafted and enacted in the wake of the significant structural issues identified in apartment buildings in Sydney in 2018-2020, the Act is designed to protect buyers and owners of apartment properties where developers or builders may be operating or conducting work that fails to meet acceptable development standards. Penalties and fines can be severe based on the nature of the breaches.

Key powers granted under the act include:

- The ability to prevent occupation certificates from being issued.
- Enter and inspect sites without a warrant and seize information related to the development.
- Issue Stop-Work orders.

Get the latest fact sheet from [Morrissey Law + Advisory](#) to ensure you understand your rights.



So let's translate all of this into real impacts on the industry for the next few years.

Firstly, foreign tourism is not going to happen anytime soon. This means that investment in **hotels, casinos, resorts and entertainment will head into a down cycle for 2-3 years.** Domestic tourism will inevitably pickup some of the revenue slack but USD and Euros flow much thicker than AUD.

If we accept the Monash study findings, the requirement for office-space in CBD areas may fall by as much as 25% very quickly. However, this doesn't necessarily directly correlate with building activity – we still need offices, but we probably need slightly different offices to what we have been building. The progression towards 'open' offices and 'hot-desking' will take a back-seat for a while.

A significant decrease in public-transport use will drive the requirement for additional parking, short-trip transport (trams) and park-and-ride sites.

We have already seen increased telecommuting leading to a surge in regional housing purchases as workers choose cheaper housing combined with improved NBN connectivity and upgraded rail networks to regional hubs.

Most likely one of the first sectors to bounce back will be international students. Many of these people were already granted travel exceptions in the first wave.

“one of the first sectors to bounce back will be international students”

It is worth remembering that even before COVID19, high density residential development was already entering a down cycle and this was simply accelerated in 2020.

Unfortunately, the shift was made into office-space, hotels and student accommodation to fill this gap but these projects are now looking far less attractive in the short term.

Mining too has not escaped the ravages of the pandemic with varying

impacts on commodities. Iron Ore appears for the moment to be powering ahead albeit with prices elevated by the severe impact of the pandemic on Vale's operations in Brazil. In contrast, coal, gas and other materials are flailing on reduced energy requirements world-wide.

From a local perspective, there is a growing concern that Australia's last two refineries (in QLD and VIC) are losing significant money for their foreign owners. Shutting down the last domestic refining capacity in the country would be a devastating risk to our national security in the case of a future conflict.

So what can we reliably expect to drive construction in the coming quarters? Infrastructure is a favourite of politicians of all stripes but will not pull the broader economy back to growth. Social and Institutional development is a good bet because **healthcare, education and justice can expect a new development pipeline coming in the next few months.** Also, commercial, warehousing and logistics will be big winners from the accelerated shift to the online economy. The biggest retail 'winners' during this period have been those that quickly (or were already) adapted to online purchasing and distribution. **Kogan and Harvey Norman may not quite be local equivalents of Amazon but they have thrived and will be looking to enhance their service offering to capitalise on their new market capture.**

Construction Mentoring

"The greatest good you can do for another is not just to share your riches, but to reveal to him his OWN." Benjamin Disraeli

Construction Advisor is now offering an innovative online Mentoring Program which provides access to competent guidance and an independent sounding board to enhance current performance and increase promotability.

As well as introductory training modules, CM offers a range of skilled development initiatives based on individual/industry needs.



Our Code of Conduct ensures all parties are protected. The fee structure is based around either a self-funded learner model or via company sponsorship of individual Mentees.

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Is infrastructure the answer?

A favourite of politician's worldwide when employment is looking shaky... "nation building" infrastructure.

Big projects have always been an attractive beacon for the political set – they signal progress, jobs, vision... and legacy. As we look to a post-covid economy, building and construction are clearly high on the priority list for politicians and their plans for the rebuild. Despite a shift in rhetoric towards 'shovel-ready' projects, big builds are still very much part of the plan.

There is no doubt that 'big' projects employ thousands of workers ranging through Project managers/directors, Engineers, plant operators to labourers. However the rhetoric of 'nation-building projects' evokes by-gone images of hundreds of unskilled workers, shovel in hand toiling away. The reality is that today there is one worker in the air-conditioned cab of a 20t grader or 5 highly qualified engineers operating a tunnel boring machine. We do need these projects but these are not the only answer to building our way out of the recession. Major infrastructure, for obvious reasons, has a long lead time covering planning and approvals.

For most of the east-coast, its infrastructure pipeline was already strong. Brisbane is already well underway with light-rail, cross-river rail and the Bruce upgrades. NSW is well advanced in the Connex projects, Metro West, Badgerys Creek, Snowy 2.0 and plenty more. And Melbourne can barely keep up with its Metro and Westgate Tunnels, North-East Link and Level Crossing Removal Programs.

"today there is one worker in the air-conditioned cab of a 20t grader or 5 highly qualified engineers operating a tunnel boring machine"

There is no doubt that all of these projects are necessary and will, in time, deliver significant social benefit. However, are these the projects we need now to help the economy recover? Are these the types of projects that will provide enough jobs to see us through? Ultimately, if we see a truly structural change to the way we live, work and commute, do these projects still stack-up?

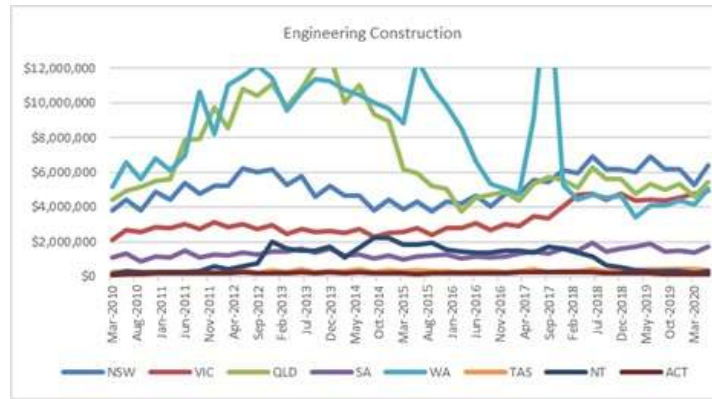
Sadly, many of these 'mega-project' investments aren't new spending at all – many are just re-hashing existing infrastructure projects and 'bundling' to make it seem as though it is new investment. An example of this is the recently gazetted 'North-West Melbourne City Deal Plan'. Billed as a multi-billion dollar recovery plan, in reality it is just a bundle of existing projects such as the Airport Rail Link, Footscray Hospital Redevelopment, Suburban Rail Loop and Western Freight Intermodal with a couple of 'add-ons'.

We are not suggesting that investment in construction and infrastructure is not both important nor an important piece of the COVID-19 environment recovery program, but should it be the only piece?

Given the uncertainty around the post-COVID economy, are we not better to invest in social infrastructure such as regional health, education, local amenities and institutional reform? They may not all be 'shovel' ready, but they need a lot of hammers and will have a guaranteed long-term social benefit.

Build by numbers: the sector by stats

What do the numbers tell us about the state of the industry and what is coming next?



Statistics take time to filter through but now we are starting to see the first real numbers about the impact of COVID19 on construction activity. What is emerging is that different construction sectors are being impacted disproportionately.

Most affected is residential construction recording a 5.5% decrease in work done QoQ to June (12.1% down YoY). This isn't in itself such a surprise for a number of reasons. Firstly, residential construction has actually been trending down for over 12 months, 2020 has just accelerated the move. Secondly for the most part it is easier to lift off or postpone residential work when compared to infrastructure or major non-residential developments.

The shock of the statistics world has been the incredibly strong residential approvals numbers reported for the June period. Houses were up 5.6% YoY and other dwellings were up 7.5% for the same reference. This confidence and enthusiasm seems odd given the current state of the economy – whether this translates into building starts will be interesting.

Non-Residential Construction has fared better with work done actually rising 6.2% YoY however this was a slight 1.5% contraction QoQ. With government stimulus to drive additional works on community assets, healthcare and education the sector should see a boost into the end of 2020 but will likely fall first in the September quarter.

“Engineering Construction is booming – up 3.8% QoQ and 2.2% YoY”

In contrast to building, Engineering Construction is booming – up 3.8% QoQ and 2.2% YoY. With the sector largely excluded from pandemic restrictions, some projects have even been accelerated during the pandemic. One example of this is the Level Crossing Removal Program in Melbourne which has advanced plans to take advantage of the reduced traffic volumes on the roads during lockdown. With a pipeline that was already strong on the back of widespread rail, road and tunnelling, the future is looking strong for EC heading into 2021.

What we can reliably count on is that a number of large infrastructure projects will be expedited as governments look to drive the economy with visible announcements.

Less certain is the outlook for the mining, oil & gas industry. Depressed prices due to the pandemic have led to a number of projects being put on ice – most notably Woodside's \$17Bn Scarborough and \$30Bn Browse projects. On the other hand, Iron Ore is powering along with strong demand from China combining with interrupted supply from Vale in Brazil due to the pandemic. Gold too is enjoying another surge as investors push the price higher in the safe-haven asset.

With a glimmer of light at the end of the tunnel there is no shortage of interest groups pushing new projects and agendas to the government. These range from nation-crossing pipelines to significant gas exploration and investment in renewables. Who manages to progress from 'interesting proposal' to 'boots on the ground' we'll just have to wait and see.

Need a workshop facilitator?

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Business Intelligence Comes of Age

Once the domain of global giants, business intelligence has finally become available to the masses – without the massive price tag.

More many years, even in the internet age, the notion of *business intelligence* seemed out for reach for most. IT boffins spoke in tongues about data warehouses, data gateways and ‘enterprise solutions’. Finally, data has become democratised. However, the right solution isn’t always the most obvious.

Companies have never in history been availed so much data at their

fingertips. But trawling through it is a brand new challenge – what data actually matters and what do I need to know to make decisions?

The good news is that the modern BI solutions are exponentially scalable and don’t have to cost an arm and a leg.

A simple Power BI implementation can cost as little as a few hundred dollars and enterprise solutions no longer need to demand a years budget.

Talk to the people who know and the people who actually deliver the

solutions.

Wolf & Bear Services deliver BI and CRM solutions to companies from sole-traders to enterprise level. We don’t sell products, we sell solutions. Our clients range across construction, equipment rental, logistics and finance.



“Intelligent Business Through Business Intelligence”™

Industry Interview: Philip Miles – Commercial & Legal Risk Management

What I’ve learned in this industry?

A1: When reviewing contract documents to identify risk, pay attention to the areas that can sometimes be glossed over in a normal Risk Review. For example, the contract definitions or parts of the specification. All too often there are significant obligations hidden away that only surface after the contract has been awarded. Practical Completion in terms of the Contract might mean in order to avoid LDs the Contractor must also hand over all QA documentation including as-built drawings, and not have the traditional luxury of a long tail after the Project has finished in which you can organise the paperwork.

A2: Devote time and effort into the Construction Schedule, making sure that it is correct from day one, and updated regularly. At the end of the job the schedule is a critical piece of information that drives entitlement to claim relief, and defence against delay damages.



Find out more about Philip at constructionadvisor.com.au

EYE ON IT Current Industry Trends: CRM

CRM tools are abundant and there is no doubt who the leader is (Salesforce). But there are a number of worthy competitors (and usually more fairly priced). The rule is, don’t jump in – evaluate, understand and scope before you choose a CRM. The implementation is more important than the platform.

Developing positive relationships at work and at home

Almost all kinds of relationships, become strained when either or both parties are subject to the challenges we now face under Covid-19, and current statistics bear this out (1 out of 2 breakdown).

Access to information which helps us understand, diagnose and improve relationship behaviours is critical if we are to create a positive environment, both in the workplace and at home.

Whether with clients, colleagues, a boss, a partner or children, the quality of these relationships will have a profound impact on both your business performance and personal wellbeing.



The Construction Advisor Relationship webinars contain 12 key principles designed to increase your relational competence to help you understand and implement helpful behaviours, and minimise destructive ones.

For further information ...

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Major Announcements This Month:

- [Final 3 Bidders announced for \\$115m Wonthaggi Hospital.](#)
- [Is construction facing a tidal wave of litigation?](#)
- [ADCO wins a sting of mid-cap projects](#)
- [Melbourne Airport is Going Green](#)
- [Bunbury Outer Rind Rd Awarded](#)
- [Infrastructure Australia Release mid-2020 Update](#)
- [\\$352m Rookwood Weir Contract Awarded](#)
- [Tenders out for \\$750m Fishmarket Project](#)
- [Tenders open for \\$400m Shiplift in Darwin](#)
- [Onsite Equipment Rental Goes Back to Debt Market](#)
- [Stage 4 Restrictions Start to Bite in Victoria](#)
- [Orange Hire Pitched to Market](#)