

President's Report

As the dust continues to settle and we slide towards the end of 2023, GDP growth is expected to remain restrained, and the economic near-term outlook reflects subdued growth in household consumption as cost-of-living pressures and higher interest rates bite into disposable income.

You would think given the experience of the last few years that we would begin to see some kind of steadiness or a levelling out of pricing, labour, and projects, but with some regained perspective the short-term outlook for the Construction Industry is clouded by elevated levels of uncertainty. With a looming economic recession in major markets thanks to soaring energy prices and those increasing interest rates, prospects for growth will be muted as we ride the year out.

Local Challenges Hindering Progress

Tighter monetary policy and lower household purchasing power will weigh on demand for new building prospects. Tightening by banks with aggressive policy in 2022 has lifted borrowing rates predictably reducing the demand for building and construction work. A large backlog of work that remains however will go some way to alleviate what impact it has on construction work throughout the rest of 2023 and into 2024.

The construction market has rebounded but slowly as the spread of COVID-19 has been brought under control. Our challenge continues to be the ever-increasing labour and supply chain costs, higher inflation, and those waiting times for materials and equipment meaning many organisations are facing significant challenges to deliver their projects successfully at the cost that was calculated when the project went out to tender. Furthermore, the redirection of skills and material to support energy transition projects and new energy network infrastructures are significantly affecting our sector.

Australia's Infrastructure Investment Program

The Federal Government has undertaken an independent review of its \$120 billion 10-year infrastructure pipeline under the Infrastructure Investment Program. In context, a decade ago there were around 150 projects within this pipeline, at present, it is closer to 700.

Fixed Priced Projects

It is inevitable there will be a shift away from fixed priced bricklaying, contracts and procurement, construction, and design-construct contracts. Rather, we will see a greater swing towards incentivised collaborative, cost based and time and materials contracts with limited downside risk. Material cost escalation, labour issues and supply chain disruptions contribute to poor performance, and it is the contractors who are losing out. Around Australia, the pressures facing contractors continue to cause pain, from wage and material cost escalation, supply chain disruption and skilled labour shortages to high profile bankruptcies and productivity rates that have not really changed much over the last 30 years.

Adjustment of Attitude

The Australian Construction Industry is poised for a breakthrough as companies and contractors recalibrate how they partner together to deliver work. Companies will require open communication around project costs, timings, and risks, while contractors will seek relationships with those who understand industry pressures and will help lessen outsized risks. Project delivery teams who understand and jointly confront risks and plan for new challenges will survive and thrive into the next decade.

Impacts for Assessment and Redress

- Appropriate and current delivery and procurement models.
- More sophisticated cost estimation and structure; this is being put back onto the contractor with contracts becoming larger and more complicated therefore potential to overlook or omit less obvious chargeable items.
- Achievable construction schedules: unachievable timelines being tendered.
- Embedded and integrated risk management practices are over demanding.
- Robust risk qualifications are required for both schedule and cost.
- Appropriate and current risk allocation between parties.
- Integrated project controls.

Outlook

Despite some stabilisation of prices, Australia's Construction Industry is expected to shrink overall by 2.6% in this year. The long-term outlook is more positive with the sector forecast to grow at a 3.1% annual rate from 2024 to 2027, due to the governments sustained albeit reduced emphasis on infrastructure development.

Conclusion

Having worked in the Construction Industry for over 30 years, whilst there may be many challenges, obstacles, and continuing unknowns, Australian construction is and remains one of the innovative and successful and most rewarding industries to be a part of and we should always remember and appreciate that Australia historically has by and large fared well through many global and financial upheavals and has ridden out the negative effects of many an international concern and there is every reason to have the confidence to believe it will continue to do so into the future.



Brendan Coyle
MCA President

Masonry Contractors Australia (MCA) and its Members continue to be a fundamental part of the Construction Industry. Our Team have an ongoing goal to support and contribute to innovative solutions to advance the Bricklaying and Blocklaying Industries for our Members whether they are a Sole Trader or a Tier 1 or 2 Contractor. We cannot thank all our Members and Sponsors enough for their continued support with which the MCA Team will continue to endeavour to surpass the potential of our Members.