

NSW Government Principles for Partnership with the Construction Industry

2024



Acknowledgement of Country

Infrastructure NSW acknowledges the Traditional Custodians of the lands where we walk, work and live, and pays respect to their Elders past and present.

We acknowledge and respect their continuing connection to the land, seas and waterways of NSW, and the continuation of their cultural, spiritual and educational practices.

In preparing this Report, we acknowledge the importance of Aboriginal and Torres Strait Islander people's unique history of land and water management, and of art, culture and society that began over 65,000 years ago.





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Collaboration
between government
and industry
is essential to
deliver high quality
infrastructure for the
people of NSW.

Foreword

I am pleased to launch the *NSW Government Principles for Partnership with the Construction Industry*. With these Principles, the NSW Government reaffirms its dedication to deliver more housing and to build up domestic manufacturing capability.



This new policy recognises that collaboration with all members of the construction industry –including contractors, sub-contractors, consultants, unions and workers –is essential to delivering high quality infrastructure for the people of NSW.

These *Principles* outline a new set of actions essential to addressing current sector challenges, while encouraging improved collaboration between government and the construction industry.

Addressing these challenges through a strong partnership between government and industry is key to delivering on the government’s priority of building more homes and essential infrastructure for the people of NSW.

As a product of the Construction Leadership Group, led by Infrastructure NSW and consisting of all NSW Government agencies responsible for infrastructure delivery, the new policy aligns government and industry efforts in delivering the \$119.4 billion essential infrastructure plan.

The NSW Government is committed to building local industry and manufacturing capability and is working toward delivering significant election commitments relating to industry and manufacturing in NSW. This includes creating a more flexible and accessible government procurement framework and system and providing opportunities to workers local to the project area.

Interventions outlined in these *Principles* will help stimulate the local construction industry and increase opportunities for participation of local businesses.

The Construction Leadership Group and its member agencies will now develop an implementation plan to ensure these Principles are rolled out progressively over the NSW infrastructure portfolio.

We look forward to working with our partners across NSW Government and the construction sector to implement these Principles and create a healthy, diverse, safe and productive construction industry for all.

A stylized, blue ink signature consisting of several overlapping loops and lines, written in a cursive style.








The Hon. Daniel Mookhey MLC
Treasurer

Overview

The Principles for Partnership confirm the NSW Government principles for working in partnership with the construction industry. The Principles seek to help with industry’s understanding of government priorities, and to strengthen collaboration between government and industry to continue to deliver high-quality infrastructure for the people of NSW.

The *NSW Government Action Plan: A Ten Point Commitment to the Construction Sector* was published in 2018. Significant progress has been made since then, but new challenges and priorities require a refresh of the principles that underpin the partnership between government and industry.

Given this progress, the NSW Government has the following “Principles for Partnership” with the construction industry:

	Build up domestic manufacturing
	Ensure safety and wellbeing
	Boost productivity
	Invest in skills and local jobs
	Enhance industry culture and diversity
	Improve financial sustainability
	Decarbonise to meet Net Zero targets

In addition to making it easier to do business with government, these Principles include important social policy objectives that can be achieved via the NSW Government infrastructure pipeline.

The Principles will be delivered through active partnership between government and all construction industry participants including contractors, sub-contractors, unions and workers

throughout the construction supply chain. As such, this document includes actions for all construction industry participants under the sections “together we will”. The document also includes specific actions that the NSW Government commits to, and actions for industry partners.

Policy and practice have advanced in procuring and managing projects in a more collaborative way. For example, through the increased use of incentivised target cost/pain share/gain share models. However, collaboration across all parts of the construction supply chain remains critical to delivery of high-quality infrastructure outcomes at the best possible value for the people of NSW.

While much work is already underway to deliver on these Principles, this document includes new commitments under each area. Delivering on these Principles will require investment in both capability and capacity across the public sector and industry that is underpinned by robust and evidence-based decisions. Current skills shortages in the construction sector continue to add pressure to project timeframes and budgets, and the NSW Government is funding several skills and training programs to help address this.

The NSW Government also remains committed to transparency of its project pipeline, to attract investment and early industry engagement in the design, construction, management and operation of major infrastructure projects. Accordingly, the [NSW Infrastructure Pipeline](#) will continue to be updated regularly by Infrastructure NSW.

Governance

Construction industry matters in NSW are coordinated through the Construction Leadership Group (CLG), which is chaired by Infrastructure NSW with representation from key infrastructure delivery agencies, NSW Treasury and Building Commission NSW. The role of the CLG is to ensure a consistent approach to whole-of-government infrastructure and construction industry matters, and to provide strategy and leadership in priority areas.

The CLG regularly interacts with industry through its engagement function, supporting joint government and industry activities, along with other state and territory jurisdictions and the Commonwealth Government.

Accountability framework

The NSW Government is committed to accountability and transparency in its interactions with the sector. Since 2019, Infrastructure NSW has produced an annual Progress Report documenting progress against the *10 Point Commitment to the Construction Sector*.

Moving forward, the annual Progress Report will document progress against the Principles for Partnership.

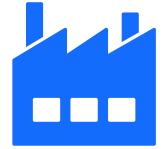
The CLG is also updating the whole-of-government contractor performance reporting system to improve visibility of how contractors are delivering infrastructure projects for the NSW Government and alignment with these Principles.

Note on document scope

Note that this document outlines a set of Principles to facilitate collaboration across all areas of the construction supply chain. These Principles are not intended to, and do not, override any legislative, regulatory or contractual requirements.

The commitments included in this document may be considered or implemented where appropriate and are subject to funding and approval.

Build up domestic manufacturing



Overview

The NSW Government is committed to building local industry and manufacturing capability, and is working toward delivering significant election commitments relating to industry and manufacturing in NSW, including:

- Establishing new functions (e.g. the Jobs First Commission and Future Jobs and Investment Authority) to focus on industry participation and local content in procurement.
- Creating a more flexible and accessible government procurement framework and system to increase participation opportunities for small and local businesses.
- Mandating tender weightings to support local content, job creation, small business and ethical supply chains.
- Expanding the Industry Capability Network (ICN) to assist businesses and increase opportunities for suppliers to do business in NSW.
- Providing opportunities to the local workforce in the project area.

These interventions will also help stimulate the local construction industry and increase opportunities for participation of local businesses.

The Principle will support delivery of the government's housing objectives by increasing the efficiency of construction through development of local off-site and pre-fabricated component manufacturers, and increasing use of modern methods of construction.

Examples of good practice

Modern Methods of Construction - Department of Education - School Infrastructure

School Infrastructure has adopted consistent, repeatable and digitally enabled design approaches that support modern methods of construction. This will improve the speed of delivering high quality, efficient and sustainable educational infrastructure. Several schools including Fern Bay Public School, Ryde Secondary College and Oran Park Public School have been completed as prototypes to test the approach.

Sydney Metro West precast facility

Sydney Metro identified the need for a dedicated facility to meet the pre-cast segment capacity across three separate tunnelling contracts for the Metro West Project and as such purchased vacant land at Eastern Creek. As of January 2024, the site has produced over 40% of the total 130,000 total concrete segments associated with tunnelling between the Bays station and Westmead station, at a rate of up to approximately 500 segments per day.

Next steps

Together we will:

- Collaborate early in the design process to increase opportunities for modern methods of construction and encourage the development of local industry.

NSW Government commits to:

- Signal early opportunities for local manufacturing in NSW Government infrastructure projects coming to market.
- Pilot approaches on appropriate projects in consultation with industry.
- Increase opportunities for local content, local jobs, local manufacturing and small business engagement in NSW Government infrastructure projects.
- Consider investing in new and expanding existing initiatives that have successfully increased local manufacturing skills, capability and capacity.

We ask our industry partners to:

- Understand NSW Government priorities for infrastructure investment and opportunities to optimise local content outcomes within projects.
- Work with local suppliers and partners where possible to develop local industries and businesses.

Ensure safety and wellbeing



Overview

The construction industry is one of NSW's highest risk industries. It is also an industry that is traditionally characterised by a highly adversarial and often aggressive culture which presents significant risks to health and wellbeing.

Safety is a fundamental objective, and improving on-site practices to address new risks and employer obligations regarding psychosocial hazards for all workers is essential.¹ Every year in Australia, 190 construction workers die by suicide. Young male construction workers are over two times more likely to take their own lives than other young Australian men.²

The NSW Government is taking active steps to promote positive change. While safety on sites has improved significantly in recent years,³ safety and wellbeing must remain front of mind for all industry participants. Safety and wellbeing, and industry culture and diversity are interlinked and require efforts from both government and industry to make the construction sector a safe and inclusive place to work for everyone.

Examples of good practice

Work site flexibility and the 5 day work week – Health Infrastructure

Health Infrastructure has implemented a five-day work week in over 24 project contracts, totalling approximately \$2.2 billion across the health portfolio as at May 2024. It has consistently seen flexible working arrangements improve work-life balance and wellbeing, with negligible program impacts in terms of cost or time.

Psychological Health and Safety Strategy 2024-2026 – SafeWork NSW

The SafeWork NSW Psychological Health and Safety Strategy outlines how SafeWork will support reduction of harm to NSW workers by supporting businesses to manage psychosocial hazards and comply with their legislative obligations. Subsequent actions will include raising awareness, building capability and strengthening compliance. The NSW Government is committed to fostering safer and more respectful workplaces in NSW, the Respect at Work Advisory group, strategy and SafeWork will drive efforts to prevent sexual harassment in the workplace by educating NSW businesses on their duties to prevent and respond to workplace sexual harassment before it occurs and take appropriate enforcement action to protect NSW workers.

1 For example, 'An Indicative Assessment of Four Key Areas of Climate Risk' for the 2021 NSW Intergenerational Report found that heatwaves could impact workforce productivity through health issues

2 Mates in Construction, [The Problem - Mates in Construction](#)

3 [Key work health and safety statistics Australia 2022 | Safe Work Australia](#)

Next steps

Together we will:

- Be proactive in ensuring worker health, safety and wellbeing is a priority on our sites and in our organisations.
- Continue to prioritise good mental health in a stigma free space.

NSW Government commits to:

- Being a model client and advocating for improved worker safety and wellbeing, and initiatives that improve safety and culture on site.
- Update the WHS Management Guidelines for Construction to reflect new requirements and expectations for worker health, safety and wellbeing, including protecting psychosocial safety and wellbeing.
- Take into account high performing contractors with respect to opportunities for further work.

We ask our industry partners to:

- Propose innovative ideas to promote improved safety and wellbeing on sites.
- Advise clients if proposed project requirements might introduce avoidable safety and wellbeing risks.
- Principal contractors should incorporate updated safety and wellbeing expectations within subcontractor and supply chain arrangements.

Boost productivity



Overview

Historic underperformance in construction sector productivity is a constraint in Australia and internationally. In Australia, construction productivity growth has been slow over the past 30 years and is lagging other sectors of the economy.⁴ A recent study found that multifactor productivity in the construction industry was 1.6% lower in FY2022 than in FY1990, representing an average growth rate of -0.05% per annum since FY1990. Over the same period, productivity in the manufacturing sector grew at an average annual rate of 0.76%.⁵

Understanding key drivers of the poor productivity performance in the construction sector has been elusive. However, it is evident that uplifting worker capability contributes to increasing productivity, this is particularly so in the case of upskilling workers in digital, lean, more efficient processes. More work needs to be done to understand the productivity drivers in the infrastructure sectors and identify key levers and opportunities.

There is broad consensus around some immediate opportunities to reduce cost and improve efficiency across the construction lifecycle, starting from planning and business case development, through to operating assets. Several enabling actions will be pursued under this area in order to improve efficiency, including:

- 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.

To drive consistency in this area, particularly for more efficient procurement processes, three new Guidance Notes have been developed to promote

early market engagement, transparency on criteria weighting in tender processes, and effective post-tender debriefs. These Guidance Notes set out expected behaviours for NSW Government infrastructure delivery agencies.

Examples of good practice

Digital Engineering Framework – Transport for NSW

This framework supports projects to adopt new digital ways of working by standardising the management and use of data. This helps to connect digital practices, processes and technologies across various project disciplines to improve and accelerate the way assets are planned, designed, constructed, operated and maintained. As a result, there has been a significant increase in the number of Transport projects utilising digital engineering practices. Additionally, in partnership with UTS, Transport for NSW has developed two micro-credential courses to aid the uplift in Digital Engineering capability for project teams across the construction and engineering sectors.

Gateway to Innovate initiative – Transport for NSW

Transport for NSW has launched Gateway to Innovate to fast-track new and more effective ways of delivering the agency's \$72.3 billion infrastructure pipeline. Gateway to Innovate is designed for delivery solutions to be pitched outside the standard procurement of projects and to remove barriers to implementation. It is an opportunity for industry to partner with the largest procurer of infrastructure in the state to means-test innovations on some of Australia's most complex and high-profile projects. Transport for NSW will partner with chosen innovators and match the successful innovations to pilot on upcoming projects in the agency's capital portfolio.

⁴ Australian Bureau of Statistics (ABS) Cat. 5260.0.55.002 Estimates of Industry Multifactor Productivity, Australia (13 December 2023)

⁵ BIS Oxford Economics, The Opportunity Cost of Poor Productivity Performance in the Australian Construction Industry, June 2023

Next steps

Together we will:

- Collate and publish standardised data and baseline productivity metrics on key project performance measures, to better identify areas of productivity improvement, and areas for improvement.
- Accelerate adoption and application of digital practices and tools in project design, procurement and delivery.
- Collaborate on appropriate data management to facilitate improved productivity.

NSW Government commits to:

- Investigate ways to enhance government tender processes to incorporate innovation and reduce the cost of bidding, for example, reliance on technical documentation.
- Do less design internally up front (for example, capping at 30%), where appropriate, in order to involve industry early in the design process and promote innovative solutions.

Improve consistency and streamline government processes

- Review of project specifications, design standards and review processes to streamline requirements and promote innovation.
- Where possible, harmonise requirements and standards with other jurisdictions.
- Explore the harmonisation of qualifications across jurisdictions, recognition of trade qualifications obtained overseas for critical skills areas, and the transferability of skills across adjacent sectors to address skills shortages.
- Updates to and promotion of the whole-of-government GC21 standard form construction contracts.

Better early market interactions / market signalling

- Enhance the effectiveness of early market interactions and stakeholder engagement (including community engagement) by exploring how these Principles can be implemented on projects.
- Better engagement of relevant market participants early in project development to avoid over-engineering and focus on performance or outcomes-based specifications.

Encourage innovation

- Explore greater use of modern methods of construction (MMC) such as prefabricated or design for manufacture and assembly (DFMA).
- Encourage innovation in contractual arrangements, where appropriate.
- Consider innovative ideas from industry as part of the tender process, and benefit sharing arrangements where appropriate.

We ask our industry partners to:

- Be an active participant in early market engagement sessions to deliver high quality infrastructure outcomes for the people of NSW.
- Identify opportunities for innovation that align with government objectives.
- Digitalise practices on construction projects in line with whole-of-government data and information management practices.
- Provide standardised data in line with new project requirements, and continue to suggest areas for data streamlining.

Invest in skills and local jobs



Overview

Building a highly skilled, certified, safe and competent workforce is critical to the on-time and on-budget delivery of infrastructure and housing for the people of NSW.

The NSW government is investing heavily in infrastructure, alongside the commitment to increasing housing supply and an ambitious renewable energy plan. This will continue to put pressure on the supply of construction skills.

The Infrastructure Australia Market Capacity report anticipates a shortfall of almost 98,000 skilled construction workers in NSW for public infrastructure in 2025.⁶ Jobs and Skills Australia also predicts a shortage of construction related occupations in NSW, particularly in the roles of construction managers, contract and project managers, carpenters, electricians, plumbers, and civil engineering professionals.⁷

Investment in skill development is critical to ensure there is a highly skilled construction workforce to meet demand for the construction of government infrastructure, housing development and renewable infrastructure. Collaboration between government and industry stakeholders is required to develop the skilled workforce for construction, especially through partnering on attraction and retention strategies.

There is also a clear link between a highly skilled workforce and increased productivity, highlighted in many reports including the Infrastructure Australia report. Increased productivity also links to new technologies and processes that require upskilling construction workers to meet these new requirements.

Government and industry need to work together to make sure that local people benefit from local projects through skills and employment opportunities.

Examples of good practice

Infrastructure Skills Legacy Program – Department of Education

This Program aims to address skills shortages and increase diversity in the construction sector. The Program mandates specific skills, training and diversity targets agreed by government and industry and has had a direct impact on attracting and retaining skilled construction workers. Training Management Guidelines developed in consultation with government agencies and contractors guide and facilitate the achievement of skills and diversity outcomes.

TAFE NSW Institute of Applied Technology, Construction – Department of Education

The Institute of Applied Technology (IAT) brings together vocational education, universities, and industry to fast-track training solutions for the construction sector. The IAT has been established to address rapidly emerging skills needs by co-designing and co-delivering microskills and microcredential programs based on industry-identified skills needs. The IAT – Construction brings together TAFE NSW, CPB Contractors, and Western Sydney University with a focus on courses for Project Management, Contract Administration, Digital Skills in Construction, Leadership, Sustainability and WHS.

6 Public Infrastructure Workforce Supply Dashboard, Infrastructure Australia, accessed December 2023 <https://www.infrastructureaustralia.gov.au/public-infrastructure-workforce-supply-dashboard>

7 Jobs and Skills Australia <https://www.jobsandskills.gov.au/data/skills-shortages-analysis/skills-priority-list>

Next steps

Together we will:

- Invest in our people, upskilling and building capability across the workforce, for all of the priority areas.
- Provide opportunities for diverse and underrepresented groups in skills and training programs.
- Increase employment opportunities and pathways on our infrastructure projects for people living locally.
- Make construction an industry of choice through attraction and retention strategies, particularly working to change perceptions and improve the culture in the industry.
- Ensure high quality products and appropriate level of skills and capabilities exist in industry.

NSW Government commits to:

- Include construction as a priority area in the upcoming NSW Skills Plan.
- Implement further evidence-based programs and supplier requirements which deliver improved diversity outcomes for underrepresented groups.
- Work with industry to identify opportunities to identify future skills needed for construction.
- Ensuring high quality training through apprenticeships, traineeships and other vocational education and training courses.

We ask our industry partners to:

- Invest in skills development to build capability and capacity to support the delivery of these Principles, address skills shortages and increase productivity.
- Work with local communities to maximise skills and employment opportunities for local people and businesses.
- Engage with local First Nations communities to ensure First Nations people and First Nations owned businesses benefit from skills development and local employment opportunities through local investment in projects.

Enhance industry culture and diversity



Overview

The construction sector has struggled to increase gender diversity and equity in its workforce, despite many reforms to address this problem. Women still account for a very small proportion of the construction industry workforce. The proportion of women in the industry has increased from 16% in 2016⁸ to 26% in 2023⁹ across all roles in the sector, with most roles held by women being administrative. Women make up only 2% of qualified trade workers in the construction industry in Australia¹⁰.

Further positive change will be enabled by encouraging practices that promote work-life balance and flexible working hours on site, increasing accountability for such improvements in project performance assessments, and uplifting capability for project managers and project directors across both industry and government teams.

Data collected from recently launched programs including the draft Construction Industry Culture Standard pilots and the Women in Construction Program demonstrate that improvements in culture and diversity on construction sites help drive change and bring benefits of improved culture and wellbeing to the entire sector workforce.

Examples of good practice

NSW Government Women in Construction Program

Infrastructure NSW is leading the NSW Government Women in Construction Program in close partnership with the Department of Education and infrastructure delivery agencies via the Construction Leadership Group. The Program has a number of priority actions linked to the overall objective of attracting and retaining women in trade and non-traditional roles, with a view to building a more gender-balanced construction sector.

Construction Industry Culture Taskforce – Australian Constructors Association (ACA), NSW Government and Victorian Government

The Construction Industry Culture Taskforce is working to improve productivity and offer a great workplace experience for employees in the construction sector. The Taskforce has developed a new draft Culture Standard which aims to lift the productivity and performance of construction and address the major issues in the construction industry – excessive work hours and fatigue, poor mental health, and failure to attract a diverse workforce. The full draft Culture Standard is being trialled on the Mulgoa Road Stage 1 project and Wentworth Point High School project in NSW.

8 WGEA, Australia's Gender Equality Scorecard 2015-16, https://www.wgea.gov.au/sites/default/files/documents/80653_2015-16-gender-equality-scorecard.pdf

9 WGEA, Australia's Gender Equality Scorecard 2022-23, <https://www.wgea.gov.au/sites/default/files/documents/2022-23%20WGEA%20Gender%20Equality%20Scorecard.pdf>

10 NSW Government Behavioural Insights Unit, <https://www.nsw.gov.au/sites/default/files/noindex/2024-04/employers-toolkit-women-in-trades.pdf>

Next steps

Together we will:

- Model inclusive and collaborative behaviours, and leave behind the traditional, adversarial ways of working in construction.
- Take positive action to increase diversity on sites and in our organisations.
- Be open and collaborative with all members of the construction supply chain to foster a culture of trust.

NSW Government commits to:

Culture

- Complete pilot programs for the draft *Culture Standard for the Construction Industry* on major government infrastructure projects and report back findings to government and industry.
- Implement key recommendations emerging from the Culture in Construction Taskforce pilot projects into business-as-usual project management.
- Consider innovative ideas from tenderers for culture improvement initiatives.
- Implement an updated whole-of-government Contractor Performance Reporting system to deliver enhanced insights, emphasising the importance of collaborative behaviours.
- Consider project timelines to reduce pressure on project workforce and consider approach to fatigue management for government infrastructure projects.

Diversity

- Continue the NSW Women in Construction Program, including increased targets for women in non-traditional roles and reporting on government infrastructure projects.
- Consider progress towards Workplace Gender Equality Agency (WGEA) Gender equitable employer of choice citation as part of the tender process.
- Consider recognition of prior learning or other relevant experience rather than typical 'years of experience' requirements where appropriate to enable development of emerging and diverse leaders.
- Implement further evidence-based programs and supplier requirements which deliver improved diversity outcomes for underrepresented groups.

We ask our industry partners to:

- Co-design innovative ideas with clients to promote improved culture and diversity on sites.
- Advise clients if proposed project requirements might introduce avoidable negative impacts to improving culture and diversity on sites.

Culture

- Commit to inclusive workplaces and sites by ensuring there are appropriate amenities, culture and behaviour on sites.
- Develop and implement workforce flexibility plans to target that all workers work ≤ 50 hours / week.
- Where possible, operate the site on a five-day work week, or where this is not viable, demonstrate why and where possible ensure workers are working a 5 in 7 program.

Diversity

- Work with clients to achieve diversity outcomes to attract and retain underrepresented groups.

Improve financial sustainability



Overview

In recent years, NSW has experienced significant and unprecedented investment in infrastructure and construction. The NSW Government's focus is broadening from traditional sectors such as road and rail to emerging sectors such as renewable energy, water and housing.

Government has several financial objectives with respect to the planning, procurement and delivery of infrastructure projects including the achievement of value for money and delivery of quality projects on time and on budget. The scale and complexity of major infrastructure projects and the current fiscal environment bring these financial objectives into even greater focus.

While contractors are likely to be understanding of the Government's financial objectives, they also have commercial objectives of profit making and good cashflow.

In the context of NSW Government projects, the achievement of Government's and industry's financial objectives have been challenging in recent years due to COVID-19, cost escalation, supply chain risks and skills shortages.

The pressures on the construction sector are reflected in greater volatility in key building material prices and fluctuating industry profits over the past 10 years, compared to other industries.¹¹ Over the 12 months to May 2024, the construction industry accounted for 31% of insolvencies in NSW.¹²

A recent focus for NSW Government has been the identification and mitigation of financial capacity risks during the project lifecycle.

Financial assessments are one of the tools which government uses throughout the project lifecycle to understand the financial capacity and insolvency risks that may influence a proponent's ability to

deliver a project. Financial capacity is one of a range of criteria which an agency takes into consideration before awarding a construction contract.

The NSW Government aims to achieve a better understanding of the State's exposure to specific contractors and insight into the financial health of the infrastructure sector, through improved financial capacity risk identification, mitigation and monitoring of contractors delivering the State's infrastructure projects. This will also contribute to streamlining procurement processes by reducing duplication through creating a central source of information and ensuring consistency across NSW Government procurements.

Examples of good practice

Zero Emission Buses – Transport for NSW

An increase in procurement volume of the new zero emissions buses means there will be a significant upfront capital outlay by local bus manufacturers to scale-up production, purchase components and upskill their workforce. Transport for NSW has considered milestone payments to support the local supply chain with cashflow management, as opposed to the current practice of payment on delivery. Milestone payments will support the industry transition to ZEB by providing bus manufacturers with consistent working capital and alleviate financial pressures. TfNSW will require financial securities, guarantees and evidence as part of the agreement for milestone payments. A nominated set of milestones and acceptance criteria are included in the tender documents with flexibility for Proponents to nominate their preferred structure through justification of the benefit associated with nominated frequency.

¹¹ ABS, [Business Indicators, Australia](#), (accessed April 2024)

¹² Australian Securities & Investments Commission, [Australian insolvency statistics](#), released 3 June 2024

Next steps

Together we will:

- Explore options for ongoing collaboration between government and industry and identification of appropriate actions to support financial sustainability.
- Commit to exploring collaborative approaches to risk allocation with particular regard to key areas where risk is hard to quantify.
- Promptly resolve commercial issues and claims raised on projects.

NSW Government commits to:

- Explore sizing of contract packages capable of being more readily priced and managed by a diverse range of contractors.
- Improve guidance to contractors in respect of information requirements and processes for financial capacity assessment throughout the project lifecycle.
- Develop an understanding of security requirements on construction projects and tailor those requirements to align with financial capacity risk profiles.
- Consider updating payment measures where appropriate e.g. increased payment frequency or advance payments.

We ask our industry partners to:

- Consider what structural changes are required in industry to innovate and foster financial sustainability throughout the supply chain.
- Transparently provide high quality and sufficiently detailed information to Government when requested in a timely manner to facilitate appropriate financial capacity assessments.
- Proactively report financial capacity risks to Government.
- Ensure timely payments to subcontractors.
- Collaboratively engage with Government to address financial capacity issues.

Decarbonise to achieve Net Zero targets



Overview

The NSW Government is committed to achieving Net Zero by 2050, with interim emission reduction targets of 50% and 70% by 2030 and 2035. Decarbonisation of infrastructure delivery will be central to achieving these ambitions. This is especially so, as the emissions associated with constructing and maintaining infrastructure assets –including embodied emissions– are set to form a growing share of total emissions as the electricity grid transitions to renewable sources, pushing direct operational emissions to zero.

The 2023 Strategic Infrastructure Review noted that decarbonisation aligns closely with better cost management of infrastructure projects. This reflects that carbon is a proxy for materials use. The most significant opportunity for both decarbonisation and cost management is to avoid construction. This requires government to more rigorously examine the need for new construction by considering whether existing assets can either be more efficiently used or retrofitted to meet needs and where this is not feasible, government needs to consider the most efficient way to build new assets.

Examples of good practice

Sustainable Procurement in Infrastructure Standard – Transport for NSW

Transport for NSW has implemented the Sustainable Procurement in Infrastructure Standard, an internal document that will guide Transport project staff on procurement requirements. The Standard has placed Transport as a national leader in embedding minimum emission reduction targets consistently into contracts. It integrates sustainability into early market engagement processes including early contractor and consultant involvement, and early supply chain involvement. This means decarbonisation targets and circular outcomes will be consistently evaluated alongside traditional criteria in tender evaluation. The Standard was refined through more than 30 active pilots across the entire project lifecycle. On the M1 Extension to Raymond Terrace project, the pilot has seen an increased bid target of 25% emission reduction included in the contract for the ‘Black Hill to Tomago’ Package.

Ryde Hospital whole-of-life carbon analysis – Health Infrastructure

In 2023, a whole-of-life carbon analysis of Health Infrastructure’s Ryde Hospital Redevelopment was undertaken during detailed design. It found embodied carbon was responsible for almost two thirds of the carbon emissions of the hospital building: 57% embodied (including 29% of upfront carbon), with 43% operational. The analysis clarified that for almost all health projects, the key opportunity for reducing upfront and embodied carbon is through structural design change.

Next steps

Together we will:

- Collaborate to uplift existing carbon management maturity and capability.
- Collaborate early on projects to avoid unnecessary rework and engage early with the supply chain.
- Consider design for deconstruction/disassembly.

NSW Government commits to:

Decarbonising Infrastructure Delivery Policy and Measurement Guidance

- Embed consideration of carbon into existing infrastructure decision-making processes, focusing on early project stages where the ability to reduce emissions is greatest.
- Challenge the need for new infrastructure where possible, considering options to upgrade or repurpose existing assets, and consider low carbon design and construction methods.
- Provide a consistent approach to measuring carbon across different asset types.
- Mandate measurement of embodied carbon emissions at three key stages in the project lifecycle: business case; planning approval, design and procurement; and practical completion.
- Ultimately enable future tracking and target setting to reduce carbon emissions.
- Incorporate government requirements in standard form construction contracts.
- Collaborate to expand the Decarbonising Infrastructure Delivery Policy and Measurement Guidance to cover whole life carbon.

Fostering sustainable industry

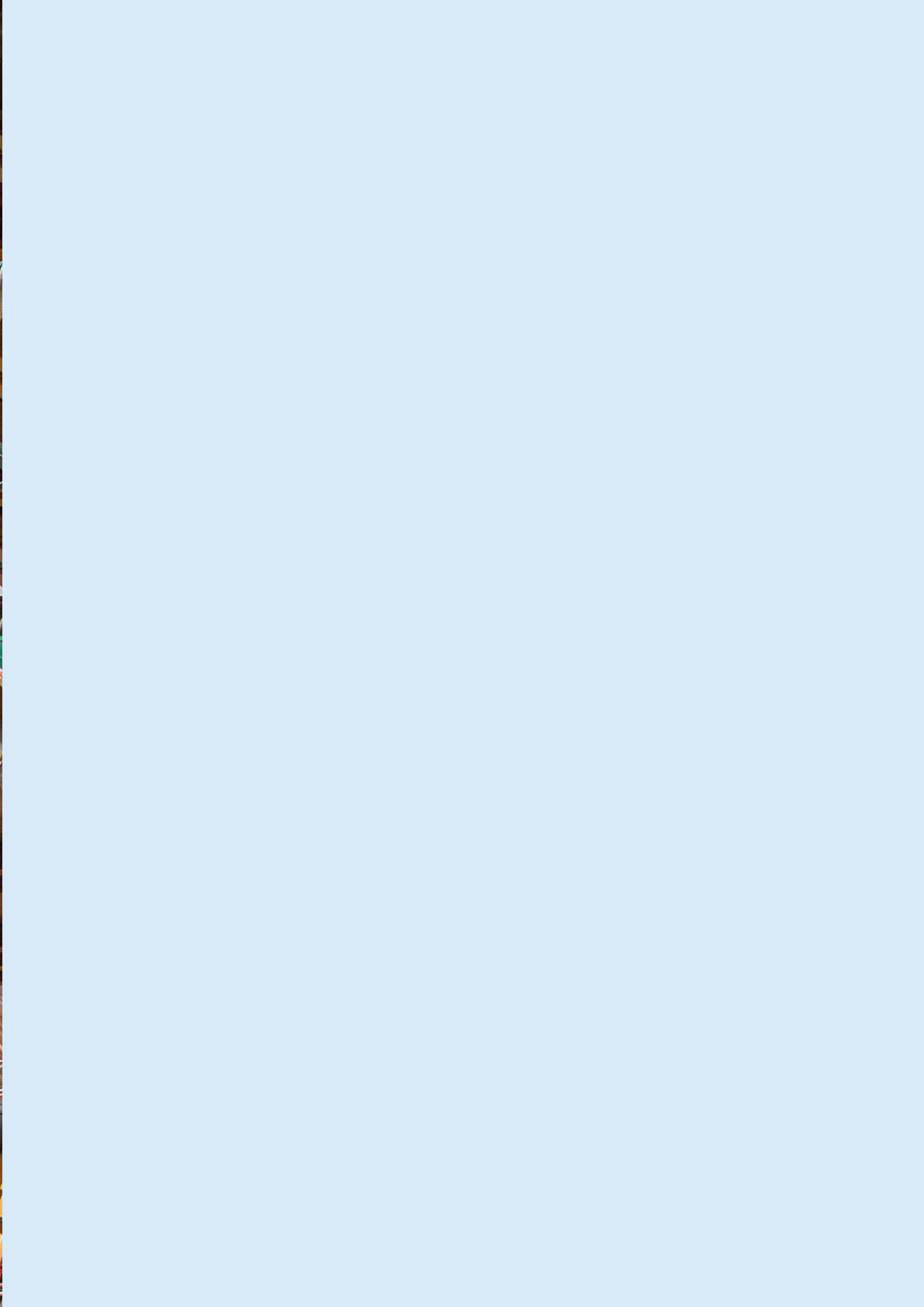
- Improve visibility of estimated material quantities for planned projects.

We ask our industry partners to:

- Embed consideration of carbon into industry building and infrastructure decision-making processes.
- Engage with Government on the consistent approach to measuring carbon across different asset types.
- Engage with Government on sharing intellectual property to allow publication of project embodied carbon data increasing transparency and promoting innovation in decarbonising construction.
- Prepare for climate-related financial disclosures.



Image: Construction works at Crows Nest Station, Sydney Metro



For enquiries regarding this report, please contact
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