
COUNCILS BUILDING EMPIRES AND “ROBBING” LOCAL BUSINESSES OF \$600 MILLION OF WORK A YEAR: CCF WARNS

An urgent call has been made to all of SA's local governments by one of South Australia's leading industry lobby groups demanding they immediately stop doing about \$600 million a year of civil construction work that local businesses can do.

In what is believed to be a first for South Australia, the Civil Contractors Federation (SA branch) has written personal letters to each of the State's 700-plus local government council members seeking their support for a cessation of infrastructure work that should be undertaken by private business.

The CCF has estimated such a bold commitment would inject about \$600 million a year into SA's private sector.

“Local Government should steer the boat, not row the boat,” Civil Contractors Federation (SA branch) Chief Executive, Mr Phil Sutherland, said today.

“Local councils are building empires and robbing local businesses of much needed work in an economic environment the likes of which we haven't seen for more than 20 years,” he said.

“Councils collectively across the state spend about \$800 million a year on various forms of infrastructure, of which we estimate about 80% of this goes to work the councils self -perform.

“You can just imagine what difference an annual injection of \$600 million would do to the private economy on a state wide basis.

“Enough is enough. This sort of practice has to stop or SA's ailing economy and unemployment rate will get even worse.

“As a state, we cannot afford that to happen.”

Mr Sutherland said he felt compelled to write to every local council member in the state after becoming increasingly concerned about councils “self-performing” civil construction projects rather than contracting the private sector to undertake such tasks – and witnessing significant growth in the practice in recent times.

Such trends had had a direct impact on reducing investment in public and private infrastructure, and a significant contraction in the total volume of work that local councils are offering to the market throughout SA.

The issue had now reached crisis point due to the beleaguered state of the South Australian economy, he said.

“Council self-performance of civil construction work is clearly inconsistent with our free market economy where the private sector provides the goods and services unless there is a market failure or a public good not able to be satisfied by the private sector,” Mr Sutherland said.

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“Compounding our concern is that in order to provide continuous work for the internal workforce some councils compete with local private contractors for work,” he said.

“It is not a community expectation that local government - or government at any level - competes with the private sector for work.

“On every measure this is an unfair and inequitable practice.”

Mr Sutherland said SA’s local councils – by undertaking civil construction work themselves – are virtually “robbing” work from local private civil contractors.

He believed the only acceptable exception was where a rural or remote council didn’t have access to private civil contracting firms in its area.

“The Local Government Act envisages Council as the enabler, not the deliverer,” he said.

“By not testing the market in an open merit based tender process, ratepayers cannot be confident they are receiving the ‘best value for money’ for the construction and maintenance of council assets.

“The increased prevalence of councils self-performing civil construction and maintenance is occurring at a time when the civil construction industry is at a 20 year low.

“South Australia is the poorer for this because it is losing private civil construction capacity.”

Mr Sutherland said given the critical role the civil construction sector plays in the growth and prosperity of South Australia, the issue should be a matter of serious concern to government at all levels.

“The reason why council rates are so high and grow each year well beyond CPI is because of the overhead costs councils have and continue to incur by ‘self-performing’ rather than outsourcing this to the private sector,” he said.

“Councils constantly say they are under financial pressure and are struggling to make ends meet. We say putting all civil work out to competitive tender in the open market would deliver price competitiveness and better value for the local tax payer.

“Council self-performance of civil projects is inherently more expensive due to the overheads most councils carry.

“We implore local councils across SA to support our call to arms – our great state can’t afford you not to.”

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ABOUT THE CIVIL CONTRACTORS FEDERATION:

The Civil Contractors Federation (South Australian Branch) has 600 company members who in turn employ up to 20,000 South Australians. Members are involved in a variety of projects and activities (from small to very large) including the development and maintenance of civil or “horizontal” infrastructure such as roads, bridges, sewer, water and drainage pipelines, dams, wharves, commercial and housing land development. Members are also involved in the preparatory works for mining and other resource developments.

South Australia’s prosperity is dependent upon functional, efficient and cost effective civil infrastructure. Healthy, well-functioning and productive countries depend on infrastructure that civil contractors construct and maintain. Civil contractors play a prime role in working with both public sector and private sector clients in infrastructure delivery. **This is the business of civil construction which has historically played a pivotal role in the growth and prosperity of South Australia.**

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