

# FOR THE **BUILDING AND CONSTRUCTION INDUSTRY**

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### CODE OF PRACTICE

FOR THE BUILDING AND CONSTRUCTION INDUSTRY Prepared by Department of Infrastructure for the Victorian Government.

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### FOREWORD



The Victorian Government's commitment to rebuilding Victoria and revitalising the State's economy continues. Major initiatives and essential reforms are being undertaken in every sphere of government activity. These positive changes have already transformed and prepared the State for the challenges and opportunities of the future.

The promotion of best practice and wide-ranging workplace reform, together with the establishment of the highest ethical

principles, are essential items on the Government's reform agenda.

Victoria's building and construction industry plays a critical role in this revitalisation. The industry has a significant impact on the State's economy, on the provision of jobs, vital infrastructure, commercial, civic and residential assets for all Victorians.

The revised *Code of Practice for the Building and Construction Industry* lays a strong foundation for improving the industry's standards and competitiveness. The Code clearly sets out the minimum standards that the Victorian Government upholds and, in turn, requires to be upheld by those seeking government business.

The Victorian Government supports the national approach for the development of the construction industry. This has been reflected in its endorsement of the *National Code of Practice for the Construction Industry* and, in particular, the industrial relations elements.

I believe that the revised Code of Practice continues to set high and significant benchmarks for industry best practice in this State. I encourage all other sectors of the industry to continue to adopt the Code on a voluntary basis.

Together, we have the opportunity to develop a more competitive and efficient industry - one that all Victorians can be proud of and one that sets an example for Australia.

Retent Machellen

Robert Maclellan Minister for Planning and Local Government

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### Appendix A: National Code of Practice for the Construction Industry

### **DEFINITIONS**

The following are explanations of terms as they are used in this document:

### Act

The Project Development and Construction Management Act 1994.

### **Building and construction work**

All activities associated with residential, non-residential and engineering construction, maintenance contracts and consultancies within the industry.

### Client

Any project owner, project manager, or initiator, inviting or receiving proposals or tenders.

### Consultant

A person who provides specialist advice and / or professional service.

### Contractor

A person who provides building and construction works and services, and includes subcontractors and suppliers.

### Intellectual property

Any patent, registered design, trade mark, name or copyright.

### Minister

The Minister responsible for administering the Act.

### Party

'Party' includes but is not limited to: clients, contractors, subcontractors, suppliers, consultants, employees, unions - their officials, employees and members and industry associations while undertaking a representative role.

### **Proven breach**

A breach which, after following of the process described in Section 7, the Secretary considers has been proven.

### **Public construction**

"Public construction" under Section 3 of the Act means any matter relating to the construction, maintenance, rehabilitation, alteration, extension or demolition of any improvements on land by, or on behalf of, departments or public bodies and includes -

- (a) design and construction practices;
- (b) tendering processes;
- (c) project delivery;
- (d) contract administration.

In the context of this definition -

"department" means -

- (a) a department within the meaning of section 4 of the Public Sector Management and Employment Act 1998; or
- (b) an office specified in section 16(1) of that Act

"public body" means -

- (a) a public statutory authority;
- (b) a State business corporation within the meaning of the State Owned Enterprises Act 1992;
- (c) a body, office or trust body -
  - (i) established by or under an Act or enactment; or
  - established by the Governor in Council or a Minister and that is declared by the Minister, by notice published in the Government Gazette, to be a body or office.

"public statutory corporation" means any corporation established by or under an Act for a public purpose other than a municipal council.

### **Responsible Minister**

The Minister responsible for the particular works, project or agency.

### Secretary

The Secretary to the Department of Infrastructure.

### Tender

An offer in writing, which includes price, in response to an invitation to execute work or supply goods.

### Tenderer

Any party submitting a tender, including contractors, subcontractors and suppliers.

### **1. INTRODUCTION**

### 1.1 A best-practice approach

The Victorian Government's commitment to reform in the building and construction industry in this State continues. This commitment embraces a wide range of initiatives covering workplace reform, best practice and legislative reform. The Government's best practice initiatives encompass efficient processes and the implementation of improvements to achieve optimum value.

Victoria's building and construction industry has a major impact on other industrial activities. Its cost competitiveness and efficiency influence the general cost of infrastructure, and even firms' decisions on location. The industry's best practice standards need to measure up to world best practice.

The *Code of Practice for the Building and Construction Industry* is a key element of the Victorian Government's strategy of reform. The Code sets out specific principles and standards of behaviour that underpin best practice, and promotes attitudinal change in the industry.

Although the Code primarily addresses standard methods of procurement and delivery, it also seeks to actively encourage innovation and alternative delivery systems. The Government recognises that the industry's standard of performance must be improved by encouraging innovation and co-operative practices which lead to better quality projects, lower costs over the life of buildings and better value for money. Innovative approaches and delivery systems, such as joint ventures, alliance contracting, partnering, strategic alliances and the like, which are consistent with the standards of behaviour required by the Code, should be pursued by the parties where there are benefits to be obtained.

As a major client of the industry in Victoria, the Government will continue to use its capital investment programs to bring about positive change. The challenge for government sector managers is to encourage members of the industry to become more competitive and responsive to the needs of clients, and to recognise the rights of large and small participants. This will assist the industry to reach a performance level appropriate to its influential position in the State's economy.

The implementation of the Code is the responsibility of the Minister and will be monitored under the authority of the Secretary.

The Secretary will report proven breaches of the Code by all parties to the Minister and the responsible Minister.

### 1.2 Objectives

The Code prescribes minimum standards of acceptable practice for the industry in its dealings with government and by government agencies in their procurement practices. It provides a suitable benchmark for the industry.

The Code encourages high ethical standards in the building and construction industry in order to achieve better procurement practices, higher productivity, high-quality construction work, better working conditions and the elimination of malpractice, with significant benefits to the entire community.

The objectives of the Code are to:

- encourage best practice within the industry in Victoria;
- reduce costs and increase the value obtained from the State's capital assets;
- promote improved efficiency and productivity for the benefit of all industry parties, and eliminate improper practices;
- further the Government's contribution to making the industry vibrant, efficient and internationally competitive;
- promote the highest standards in the industry by seeking a commitment to comply with the spirit and intent of all laws, regulations and codes that have an impact on the industry;
- maximise opportunities for local industry participation on the basis of value for money;
- improve the performance of all participants in the industry;
- encourage professional development and industry training;
- promote goodwill in the industry and minimise disputes through the observance of statutory and contractual requirements and obligations of employment;
- clarify the standards required by the Government of tenderers and government agencies that call tenders; and
- support the principles of sustainable development.

The Code will be reviewed from time to time as determined by the Minister to assess the adequacy of its provisions in clarifying the Government's industry reform objectives.

### 1.3 Application

### 1.3.1 Scope

The Code applies to all parties involved in 'public construction' as defined in Section 3 of the Act. It must be observed by all parties involved in such work. It also prescribes what must be observed by government agencies and statutory corporations in their dealings with the industry.

The Government encourages all parties involved in local government and non-government building and construction work in the State to adopt the Code on a voluntary basis.

### 1.3.2 Government purchasing policy

The State's purchasing power will be focused by adoption of a 'whole-of-government' approach involving consistent capital investment, building, construction and contractual policies.

### 1.3.3 Exceptions

The Government intends to apply the Code strictly, but envisages that circumstances may arise where it is appropriate to vary the provisions.

Accordingly, the Government reserves the right to vary certain provisions in the Code for particular projects. Relevant parties will be informed of the nature of such variations.

### 2. NATIONAL CODE OF PRACTICE FOR THE CONSTRUCTION INDUSTRY

The *National Code of Practice for the Construction Industry* has been endorsed by the Victorian Government.

A copy of the National Code is included as Appendix A.

The Industrial Relations elements of the National Code shall apply to all Victorian and Commonwealth Government construction projects.

The principles established in the National Code are consistent with those in this Code and both Codes should be read conjointly. The provisions of the Victorian Code shall prevail to the extent of any inconsistency.

All parties involved in building and construction work that is covered by this Code must act in accordance with the principles and standards of behaviour expected under the National Code.

The Victorian Government will work closely with the Commonwealth and other State and Territory Governments in monitoring the effectiveness of the National Code.

### **3. INITIATING PROJECTS**

This section applies to those clients who initiate projects and sets out their key obligations.

All clients have a responsibility to ensure that effective planning and documentation for projects is carried out.

### 3.1 Planning initiation

Clients must:

- define the project;
- adequately research their market, service and business needs;
- clearly define the brief in physical, financial and functional terms, including service needs and objectives;
- allow sufficient time for project definition, design and documentation;
- determine and clearly convey the time and cost objectives (if appropriate) and quality standards to be met;
- undertake adequate, robust project feasibility evaluation;
- select the procurement strategy best suited to their needs;
- identify a clear project implementation and procurement strategy including clear project stages with defined outcomes and timing;
- adequately identify and obtain the financial resources required to complete the project;
- commence effective construction planning during design; and
- recognise that the impact of change on the project is less costly and more effective before construction has commenced.

### 3.2 Managing initiation

Clients must:

- utilise best practice in the project initiation phases;
- apply the necessary management skills;
- establish clear procedures and communication channels;
- use team processes involving relevant stakeholders;
- maintain continuity in the key elements of the project team;
- recognise the value of human resources;
- use technology effectively;
- identify constraints;
- identify and fairly and clearly allocate each major project risk to the party best able to manage, or otherwise prepared to bear, that particular risk; and
- refrain from seeking free services.

### 4. SELECTION OF CONSULTANTS

### 4.1 Application

This section of the Code applies to all clients, parties representing clients and consultants for the provision of consultant services in the building and construction industry. It defines the obligations of the parties with regard to best practice in the invitation and management of submissions and the selection and engagement of consultants.

The following sections of the Code also apply to consultants:

- Section 1 Introduction
- Section 2 National Code of Practice for the Construction Industry
- Section 5.6.1 Conflict of interest
- Section 5.6.2 Collusive tendering
- Section 6 Contract administration
- Section 7 Enforcement.

Clients have the right to choose with whom they do business and to determine and communicate the standards of performance and behaviour they expect. Business relationships are, however, built upon the qualities of trust, cooperation, equity and honesty. These qualities must be reflected in the selection procedures and the agreements between clients and consultants.

### 4.2 Best practice

A commitment to the following practices is encouraged. The parties should aim to achieve best practice in relation to:

- quality in all aspects of service and service delivery;
- achieving project requirements;
- application of professional and technical expertise;
- design innovation;
- value for money;
- training, research and development;
- occupational health and safety; and
- equal opportunity.

### 4.3 Objectives

This section of the Code sets standards of acceptable practice for clients and consultants. It provides a suitable benchmark for the provision of professional consultant services to the building and construction industry.

This section also encourages high ethical standards by parties engaging consultants and those providing consultant services in the building and construction industry to achieve appropriate procurement practices and high quality outcomes.

### 4.4 Ethics

Ethical behaviour and high standards of professional conduct between the parties to an agreement facilitate the equitable discharge of the obligations and responsibilities of the parties and minimises disputes. Accordingly, it will enhance the reputation of the parties within the industry.

The ethics to be adopted by the parties should be consistent with Section 4 of AS4121 - 1994 *Code of ethics and procedures for the selection of consultants.* 

### 4.5 Pre-qualification

Pre-qualification of consultants is recommended.

Criteria for pre-qualification should be notified to the consultant and include:

- organisation capacity;
- technical and professional expertise and qualifications;
- previous experience;
- innovative ability;
- resource availability; and
- health and safety management.

### 4.6 General principles

All parties must:

- avoid any practice which gives one party an improper advantage over another;
- comply with all legal obligations;
- conduct themselves fairly and honestly;
- not engage in any conduct or practice which would defeat the purpose of a fair and transparent selection process;
- have regard to the costs of preparing submissions with a view to minimising the overall cost of selection;
- immediately declare any conflict of interest to the affected party; and
- preserve the confidentiality of information.

### 4.7 Obligations of clients

Clients must:

- inform all invited consultants of the process by which submissions will be considered;
- inform all invited consultants of the number of submissions being invited where that number exceeds three;
- use the same conditions of inviting proposals for each consultant;
- use consultant selection and engagement processes which are auditable, transparent and accountable;
- consider insurance coverage commensurate with the level of risk involved with each consultancy;
- provide invitation documents, which clearly and adequately specify the clients requirements;
- refrain from issuing invitations without a firm intention to proceed with the consultancy;
- use terms and conditions of selection and engagement, which are standard in the industry, with special conditions only where necessary;
- comply with Ministerial Directions issued under the Act;
- recognise that consultants retain their intellectual property rights unless otherwise indicated in the submission documents and/or contract;
- not accept late submissions;
- reject submissions which do not comply in a material way with the invitation documents;
- clearly specify evaluation criteria in the invitation documents;
- apply evaluation criteria in a predetermined and fair manner;
- if no submission is acceptable, negotiate with the initial best-value consultant to achieve an acceptable proposal;
- not trade off one consultant's fee proposal against another or negotiate with more than one consultant at a time in an attempt to obtain a lower fee; and
- notify unsuccessful consultants in writing of the name of the successful consultant and, if requested, the basis of the decision.

### 4.8 Obligations of consultants

Consultants must:

- refrain from submitting proposals without a firm intention to proceed;
- refrain from responding if unable to provide the services required;
- immediately advise the client if unable to submit, having accepted an invitation to do so;
- ensure that their submissions comply with the requirements of the invitation documents;
- provide evidence of professional indemnity and/or other insurance where required; and
- select subconsultants using the selection principles within the Code.

### 4.9 Agreements between the parties

The parties must:

- enter into an agreement which sets out the obligations and responsibilities of each party with respect to the project; and
- ensure that the agreements include the requirement for compliance with this Code and incorporate appropriate dispute resolution procedures.

### 4.10 Inviting submissions

Clients may use any recognised method, to invite and select consultants, that complies with Ministerial Directions issued under the Act.

Invitations to submit must include the following reference to the Code: 'Consultants are required to comply with the *Victorian Government's Code of Practice for the Building and Construction Industry'*.

The number of consultants invited to submit should generally be between three and six.

The invitation documents should conform to the following objectives:

- clearly state the conditions of engagement;
- clearly define the brief in physical, financial and functional terms;
- provide adequate definition of the scope of service to be provided by the consultant;
- ensure that the time allowed for the consultant's response is reasonable;
- clearly establish the program, budget and quality requirements for the project; and
- define the supporting information to be provided by the consultant with the submission.

Clients should:

- allow sufficient time for project definition, design and documentation;
- advise all consultants of amendments to invitation documents during the submission stage;
- make the names of all those who lodge submissions available upon request;
- specify the weightings of the evaluation criteria in the invitation documents;
- arrange for submissions to be assessed by persons with relevant skills and knowledge;
- generally accept those submissions representing best value as determined by the application of the evaluation criteria;
- only reinvite submissions in compelling circumstances; and
- consider reimbursing consultants reasonable costs of preparing submissions if the consultancy does not proceed.

### 4.11 Providing submissions

Consultants should:

- thoroughly familiarise themselves with the briefing documents to ensure that their submission is complete and reflects a full understanding of the work required;
- promptly advise the client of any errors, omissions, ambiguities or discrepancies in the documents of which they are aware, and seek clarification;
- include a statement of appreciation of the task;
- demonstrate ability to undertake the consultancy;
- detail the technical and physical resources available and identify appropriate project personnel;
- state current commitments where requested; and
- provide a methodology and work plan for the project.

### 4.12 Professional development

The Code encourages professional development by the harnessing and extension of skills and creativity and the continual development of training to maintain high professional standards.

### **5. SELECTION OF CONTRACTORS**

### 5.1 Application

This section applies to all processes used on public construction relating to tendering by head contractors, subcontractors and suppliers, and when consultants act as the agent or representative of the client.

The following sections of the Code also apply to contractors:

- Section 1 Introduction
- Section 2 National Code of Practice for the Construction Industry
- Section 6 Contract administration
- Section 7 Enforcement.

### 5.2 Pre-qualification

Pre-qualification of contractors is recommended.

Criteria for pre-qualification should be notified to the contractor and include:

- financial capacity;
- organisation capacity;
- performance capability;
- resource availability; and
- health and safety management.

### 5.3 General principles

All parties must:

- avoid any practice which gives one party an improper advantage over another;
- comply with all legal obligations;
- conduct themselves fairly and honestly to all parties;
- refrain from collusion, hidden commissions and other anti-competitive behaviour;
- be prepared to attest to their probity in all issues related to selection and engagement by statutory declaration;
- have regard to the cost of tendering and seek to constrain such cost;
- immediately declare any conflict of interest to the affected party;
- preserve confidential information as confidential and ensure that such information is not disclosed to other tenderers in circumstances that may reduce the competitive nature of tendering;

- respect the intellectual property rights of all parties and not use intellectual property submitted with a tender to obtain prices from, or negotiate with, other tenderers for like or similar scope; and
- ensure that the details of any tender, including the amount or break-up of any tender price, is not disclosed to third parties prior to the close of tenders.

### 5.4 Obligations of clients

Clients must:

- refrain from discriminating against tenderers who have previously declined an invitation to tender;
- inform all invited tenderers of the process by which tenders will be considered;
- inform all invited tenderers of the number of tenderers being invited to tender where that number exceeds three;
- use the same conditions of invitation, selection and engagement for all tenderers on a particular job;
- use selection and engagement processes which are auditable, transparent and accountable;
- consider insurance coverage commensurate with the level of risk involved with each project;
- provide documentation which clearly and adequately specifies the client's requirements to enable tenderers to tender;
- refrain from seeking tenders without a firm intention to proceed;
- use terms and conditions of tendering, selection and engagement which are standard in the industry;
- comply with Ministerial Directions issued under the Act; and
- recognise that tenderers retain their intellectual property rights unless otherwise indicated in the tender documents and/or contract.

### 5.5 Obligations of contractors

Contractors must:

- refrain from submitting tenders without a firm intention to proceed;
- refrain from responding if unable to provide the services required;
- immediately advise the client if unable to tender, having accepted an invitation to do so;
- ensure that their tenders comply with the requirements of the tender documents;
- provide evidence of professional indemnity and/or other insurance where required; and
- select subcontractors using the selection principles within the Code.

### 5.6 Tendering

### 5.6.1 Conflict of interest

Any party with a conflict of interest must declare that interest to the affected party as soon as the conflict is identified.

Where conflict of interest arises, it must be assessed and resolved in favour of the public interest by the relevant parties.

All parties are required to ensure that their performance in this area is beyond reproach.

### 5.6.2 Collusive tendering

All parties must not engage in collusive tendering or any other anti-competitive practices such as but not limited to:

- agreement between tenderers as to who should be the successful tenderer;
- any meeting of tenderers to discuss tenders prior to the submission of the tenders if the client is not present;
- exchange of information between tenderers about their tenders prior to awarding of a contract or commission;
- agreement or exchange of information between tenderers for the payment of money or the securing of reward or benefit for unsuccessful tenderers by the successful tenderer;
- agreements between tenderers to fix prices or conditions of contract (this means any collaboration between tenderers on prices or conditions to be included in contracts or commissions without the consent of the client);
- submission of a cover tender or any assistance to any tenderer to submit a cover tender (that is, a tender submitted as genuine but which has been deliberately priced in order not to win the contract or commission);
- any agreement between tenderers prior to submission of tenders to fix the rate of payment of employer or industry association fees where the payment of such fees is conditional upon the tenderer being awarded the contract or commission; and
- payment to any third party of money, fees, incentives or other concessions contingent on the success of the tender that do not relate to the provision of proper services relevant to the tender.

These provisions are not intended to prohibit proper practices or arrangements, which are aimed at providing innovative or non-standard forms of procurement and delivery, such as joint ventures, alliance partnering and the like.

### 5.6.3 Calling tenders

The following procedural obligations give practical effect to the general principles outlined in Section 5.3.

Clients must ensure that project funding is available for the works or services before starting the tendering process.

Sufficient time must be allowed between issuing tender documents and the close of tenders to enable tenderers to make site visits and undertake any other work necessary to tender.

Clients must make the site reasonably available for inspection by tenderers.

### Tender documents

Tender documents must specify requirements clearly and precisely and be appropriate for the particular procurement strategy.

All parties must have regard to the costs of tendering to the industry and the community at large, and avoid calling repeated rounds of tendering.

The number of tenderers invited to tender should generally be between three and six.

The number of tenderers invited to tender should be disclosed to tenderers where that number exceeds three.

Tender documents must:

- clearly define the proposed contractual obligations of the parties;
- provide full details of work for which the tender is called;
- provide a bill of quantities if appropriate;
- nominate a reasonable time for tendering and construction;
- provide all known information that may affect the risks in the project;
- designate any supporting information required from tenderers;
- nominate a person to provide additional information;
- provide for local (Australian and New Zealand) industry participation in public sector procurement on the basis of value for money and avoid purchasing practices that are biased in favour of foreign goods and suppliers;
- contain sufficient detail to avoid undue design and documentation work prior to the selection of a tender, unless the client offers to pay;
- specify the method and time of lodgement and, in the case of public opening of tenders, details as to the time and place of the public opening;
- use general conditions of contract standard in the industry, with special conditions only where necessary;
- comply with Ministerial Directions issued under the Act;
- clearly identify any special conditions or obligations under the contract that are not part of the standard conditions;

- provide guidance to tenderers on the evaluation process; and
- inform the tenderer of the obligation to comply with the Code. The documents must include the following:

'All tenderers must comply with the *Victorian Government Code of Practice for the Building and Construction Industry.* The calling and lodgement of tenders will signify the parties agreement to comply with the Code throughout the tendering process and for the duration of any contract that may be awarded.

Failure to comply with the Code may be taken into account by the client when considering this or any subsequent tender and may result in this or any subsequent tender being passed over.'

### Innovation

Clients should encourage innovation and alternative solutions by using performance based specifications where appropriate leading to:

- increased efficiency in design, tendering, project management and financial management;
- speedy resolution of complex design and production problems;
- less rework and a lower cost finished product; and
- improved delivery of projects in terms of higher quality outcomes, timely delivery and environmentally responsible buildings.

Clients should also encourage innovation by:

- allowing an extended tender period; and
- making innovation a high priority evaluation criterion.

### Invitation to tender

Invitations to tender must include the following information:

- an adequate description of the work required;
- details of where tender documents may be obtained;
- precise details of where and when tenders will close;
- details of any tender deposit required; and
- the following reference to the Code: 'Tenderers are required to comply with the Victorian Government Code of Practice for the Building and Construction Industry.'

### Tender inquiries

Clients must nominate a person with knowledge of the work to respond to all inquiries from tenderers. These inquiries must be recorded, noting the time and date, the tenderer and the issue discussed.

Information given to one particular tenderer by the client must also be given promptly in writing to all other tenderers.

#### Amendments to tender documents

Clients have an obligation to issue complete tender documents and avoid amendments to such documents. Where amendments are required, they must be provided as an addendum to all tenderers. Consideration must be given to extending the tender period when an addendum is issued.

Design changes and/or addenda should not be introduced in the last week of the tender period. Should there be a need to make changes to the tender documents in this last week period before the close of tenders, then a reasonable extension to the closing date of tenders must be made.

A client must promptly inform all tenderers of any errors, omissions, ambiguities or discrepancies identified in the tender documents.

### **Receipt of tenders**

Clients must make arrangements to safeguard the security and confidentiality of all tenders. Information provided in a tender by a tenderer must not be disclosed to another tenderer at any stage during the tender process or after it has concluded, except for the price of each tender, which may only be disclosed at the conclusion of the tendering process.

The tender-opening process must be auditable, transparent and accountable.

Late tenders will not be accepted. When a late tender is received, the time and date of receipt must be recorded on the document.

#### **Closing of tenders**

The method and time for the lodgement of tenders must be stated on the tender documents.

Clients should make the names of all those who lodge tenders available upon request.

The following is recommended practice for the closing of tenders:

- not before 2 p.m.;
- not on a Monday or a day following a public holiday;
- at least one clear day after a weekend, building industry holiday or standard industry RDO; and
- at least one week after a recognised industry holiday period.

### **Evaluation of tenders**

Evaluation criteria must be predetermined and fairly applied.

Evaluation criteria must be specified in the tender documents and should include as appropriate:

- financial capacity;
- organisation capacity;
- performance capability;
- resource availability;
- health and safety management; and
- price.

The weighting or priority given to each of these criteria by the client may vary, depending on the desired project outcomes, and should be decided prior to the calling of tenders.

The weightings should be specified in the tender documents.

Tender documents should clearly specify what constitutes a complying tender. Clients seeking innovative proposals should specify performance objectives.

Alternatives are encouraged but may only be considered if submitted as part of a complying tender. Where a tenderer offers an alternative, a comparable price for the alternative must not be obtained from other tenderers, nor may the alternative be used as the basis for the re-calling of tenders.

Tenders which do not comply in a material way with the tender documents must be rejected.

Tenders should be assessed by persons with relevant skills and knowledge.

Generally the best-value tender should be accepted as determined by the application of the evaluation criteria.

A client may only decide to re-call tenders in compelling circumstances. The original tenderers must be advised of the reasons for re-calling and should be invited to submit new tenders.

Clients should consider reimbursing tenderers for the reasonable costs of tendering if the project does not proceed.

### Negotiation

Documents should be clear so as to minimise the need for post-tender clarification.

If no tender is acceptable, and the client seeks to negotiate an amended tender, negotiations must first be conducted with the initial best-value tenderer to achieve an acceptable tender.

In such negotiations, the client must not trade-off one tenderer's price against another in an attempt to obtain a lower price. The client must exhaust negotiations with the initial best value tenderer before negotiating with subsequent tenderers. Clients must not negotiate with more than one tenderer at a time.

Further, the practice of 'bid shopping' is prohibited by all parties.

#### Notification of result

Clients must notify unsuccessful tenderers in writing of the name and the price of the successful tenderer and, if requested, the basis of the decision.

#### 5.6.4 Submitting tenders

Tenderers should only submit tenders if they genuinely believe they have the competence and capacity to undertake the work being offered.

In the case of invited tenders, a tenderer may decline to tender, and should promptly inform the client.

#### Formulation of tender

To ensure that a tender is complete and reflects a full understanding of the documents and the work required, tenderers must examine the documents and the site on which the work is to be constructed, and, if in doubt, seek clarification from the client.

No tenderer may seek, or expect to be given, information not available to all other tenderers. A tenderer must accept that additional information provided on request to them will also be provided to other tenderers.

A tenderer must promptly inform the client of any errors, omissions, ambiguities or discrepancies identified in the tender documents.

#### Uncompetitive behaviour

A tenderer must not engage in any uncompetitive behaviour or practice that denies legitimate business opportunities to other tenderers or participants in the tender process, including, but not limited to, the matters referred to in Section 5.6.2 concerning collusive tendering.

A tenderer must not:

- accept or provide secret commissions;
- enter any improper commercial arrangements with other contractors, subcontractors, suppliers, agents or parties;
- seek to influence contract decisions by improper means during the tender process; or
- accept incentives to provide contracts or services to other contractors, subcontractors or suppliers that financially disadvantage the client.

#### 5.6.5 Confidentiality

Information provided by tenderers to clients in the course of, and following, the submission of tenders must be treated as confidential, except for that information required to be notified to unsuccessful tenderers. The price of each tender may only be disclosed at the conclusion of the tendering process.

### **6. CONTRACT ADMINISTRATION**

Parties involved in contracts must:

- cooperate with other parties in the administration of contracts to enable them to fulfil their contractual obligations;
- protect 'commercial-in-confidence' information;
- appoint employees or staff with an appropriate level of competence and authority to administer contracts;
- respond promptly to reasonable requests for advice and information;
- submit accurate and fair progress claims;
- deal with contractual claims strictly in accordance with the terms of the contract;
- process and pay contractual entitlements in a timely manner;
- cooperate to minimise problems, claims or disputes; and
- adopt a cooperative approach to dispute resolution so that adversarial action is minimised and legal proceedings initiated only as a last resort.

### 7. ENFORCEMENT

### 7.1 Compliance

The Minister has overall responsibility for the implementation of the Code.

The Secretary (or an approved nominee) is the central monitoring and review authority for the Code.

The Secretary (or an approved nominee) shall determine any matter relating to the interpretation or clarification as between the National Code and this Code.

Monitoring compliance with specific statutory requirements remains the responsibility of the government agency which administers those requirements.

### 7.2 Breaches

### 7.2.1 General principles

Any party wishing to report an alleged breach of the Code must do so in writing to the Secretary (or an approved nominee). Such report must include:

- details of the circumstances and extent of the alleged breach or breaches; and
- a copy of any written information or advice exchanged in relation to the matter.

The party reporting the alleged breach must notify the party alleged to have breached the Code of the report. The Secretary (or an approved nominee) must provide a copy of the report to the party alleged to have breached the Code. The Secretary (or an approved nominee) must give the party alleged to have breached the Code an opportunity to make submissions to the Secretary (or an approved nominee). Parties reporting alleged breaches must be informed of the investigations made and any action taken.

The Secretary's approved nominee may, or will, if requested by a party, liaise with the relevant industry association representing the party alleged to have breached the Code.

The Secretary will report all proven breaches to the Minister.

In connection with an investigation or a review, the Secretary (or an approved nominee) has absolute discretion as to which, if any, information or documents should be provided to any person.

### 7.2.2 Review of investigation outcome

Any person aggrieved by the outcome of an investigation into alleged non compliance with this Code may request a review of that investigation outcome by writing to the Secretary within 21 days of the date of the letter advising of the investigation outcome.

The review is to be conducted in an informal manner, usually without a hearing and taking into account those matters considered during the investigation in the light of the matters raised in the letter requesting the review. It is intended that there will be no delay to a project as a result of the review.

The review will be conducted by a person appointed by the Secretary, who, in the Secretary's opinion, has relevant experience.

The person conducting the review shall provide a written report to the Secretary, who, in turn, will respond to the person requesting the review.

### 7.2.3 Breaches by agencies and agency employees

Proven breaches by a government agency will also be reported by the Secretary to the responsible Minister.

The Government has made adherence to the Code a key measure of agencies' performance. Chief Executive Officers are responsible for ensuring their agencies' performance.

The avenues already available to individuals in the private sector who wish to raise issues associated with the performance of government agencies, including representations to government Ministers, Members of Parliament and the Ombudsman are unaffected by the Code.

### 7.2.4 Breaches by others

The Secretary will report proven breaches by other parties to the Minister.

### 7.3 Sanctions

The scope of sanctions imposed for proven breaches of the Code will depend on the nature of the breach.

### 7.3.1 Sanctions on agencies and agency employees

On the advice of the Secretary, the Minister and the responsible Minister will consider appropriate actions to ensure future compliance with the Code.

Where it is demonstrated that employees have breached the Code, disciplinary action may be taken.

Further breaches will lead to more severe sanctions.

### 7.3.2 Sanctions on others

In the case of a proven breach by other parties, sanctions may include, but are not be limited to:

- a formal warning that a further breach will lead to severe sanctions;
- referral of a complaint to the relevant industry organisation for assessment against its own professional code of conduct and appropriate action;
- reduction in tendering opportunities at either agency or government-wide level, for example, by exclusion of the breaching party from tendering for government work above a certain value or for a specified period;
- reporting of the breach to an appropriate statutory body; and
- publicising the breach and identification of the party.

More information about the *Code of Practice for the Building and Construction Industry* is available from:

Building Policy Department of Infrastructure Level 12, Nauru House 80 Collins Street Melbourne 3000

Telephone(03) 9655 6391Facsimile(03) 9655 6427

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Phillip Horne. 2.3-99.

Date



## NATIONAL CODE OF PRACTICE

# FOR THE CONSTRUCTION INDUSTRY

1997

Meeting of Procurement and Construction Ministers Australian Procurement & Construction Council Inc National Code of Practice for the Construction Industry Perth, 1997

Requests for additional copies of this document should be addressed to:

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# **INTRODUCTION**

The construction industry is an important sector of the Australian economy because of its direct contribution to the national economy and its influence on other sectors of the economy. In peak periods the industry produces almost seven per cent of Gross Domestic Product and employs nearly five per cent of the work force. The construction industry in Australia must be efficient and competitive if it is to fulfil its potential to contribute towards national economic growth.

A major share of output across all construction sectors is generated by the continuing demand for public asset and infrastructure development. This demand is generated by direct government investment and, increasingly, through joint arrangements between the public and private sector for the provision of community infrastructure.

As major clients of the industry Governments are providing leadership in effecting major improvements in the way business is conducted, encouraging changes in industry production processes to raise productivity, and other actions that will help develop an industry which achieves internationally-competitive standards.

The National Code of Practice for the Construction Industry (the Code) expresses the principles which Commonwealth, State and Territory Governments agree should underpin the future development of the construction industry in Australia.

The Code emphasises the maintenance of the highest ethical standards in all construction-related activities. The core principles of the Code, supported by the practices and initiatives of each jurisdiction, are aimed at ensuring that the industry:

- is client-focused and respects the rights of clients
- builds relationships on a foundation of trust
- observes the highest ethical principles in tendering
- maintains a positive commitment to continuous improvement and best practice
- supports broadly-based workplace reform
- maintains high standards in occupational health safety and rehabilitation and in environmental management, and
- encourages responsible industrial relations leading to economically-sustainable arrangements.

The principles incorporated in the Code represent the Governments' agreed positions regarding the industry issues detailed. Individual governments will be able to maintain existing codes or develop codes to suit the priorities and circumstances relevant to particular jurisdictions.

It is acknowledged that existing codes or new codes developed will be consistent with the principles established in the Code. Where a relevant State/Territory Code provides for provisions in addition to the Code those provisions will apply in that State/Territory. The Code provides the minimum level of compliance.

# APPLICATION OF THE CODE

The construction industry in Australia is one of the largest employers in the country. Its activity in residential and non-residential building and engineering construction produces much of the infrastructure that drives our economy. It also facilitates the delivery of services to the community by government, and contributes to a better working and living environment for everyone.

The construction industry includes all organised activities concerned with demolition, building, landscaping, maintenance, civil engineering, process engineering, mining and heavy engineering.

This National Code of Practice for the Construction Industry in Australia was developed by the Commonwealth, State and Territory Governments.

The Code establishes a set of principles and standards of behaviour that is expected to apply in dealings between clients, their representatives and members of the construction industry. The private sector is to be encouraged to adopt the code on a voluntary basis.

Any party wishing to do business with governments or work on government construction projects will be required to comply with all aspects of the Code applicable to their activities:

the term "party" in the Code includes but is not limited to: clients, principal contractors, subcontractors, suppliers, consultants, employees, unions—their officials, employees and members and industry associations whilst undertaking a representative role.

Adoption of the Code expresses a commitment to deal only with organisations and personnel in the construction industry whose standards and behaviour conform with the principles expressed in the Code. In particular coercion of any form is prohibited.

Achievement of best practice throughout the industry is the responsibility of all participants and adoption of the principles on private sector projects is strongly encouraged. The industry as a whole and the community will be best served if industry participants adhere to high standards of honesty and integrity.

# NATIONAL PRINCIPLES

## **Client's Rights and Responsibilities**

Clients have the right to choose with whom they do business and to determine and communicate the standards of performance and behaviour they expect from all industry participants.

Clients recognise that their expectations play a central role in driving industry improvement and, in future, they will apply even more stringent criteria to identify, encourage and reward better performers.

Clients will base their decisions on the track record of service providers in terms of trust, capacity and capability to perform and a demonstrated ability to deliver high quality solutions.

Clients will also respect the need for fairness and equity in all business transactions and selection processes, and apply these standards consistently in all dealings with the industry.

## **Relationships**

# Business relationships must be built upon the essential qualities of trust, cooperation, equity, and honesty. These qualities must be reflected at all links in the contract chain.

All jurisdictions have clearly defined expectations for service providers which reflect this principle and have implemented business practices which help participants to focus on successful project outcomes.

Industry participants are expected to respond to these requirements by a positive commitment to develop relationships that are: cooperative (i.e., founded on shared objectives and shared benefits); built upon the essential qualities of openness, trust, equity and honesty; established for the long rather than short-term; complement and enhance the business outcomes of all parties involved.

To facilitate a cooperative approach a number of jurisdictions are promoting approaches such as Partnering and Alternative Dispute Resolution. These approaches require a commitment by all parties to address dealings positively and cooperate in finding solutions to problems or disputes should they arise.

# **Competitive Behaviour**

Principles of ethical behaviour must be adhered to by all parties, at all times, and at all levels. Tendering processes must be conducted with commitment, honesty and fairness. Anti-competitive behaviour or any other practice which denies other participants legitimate business opportunities are unacceptable. These practices are inconsistent with the establishment and maintenance of ethical business practices which must underlie good working relationships between a client and a service provider and between service providers.

All clients emphasise the need for ethical behaviour at all levels of a project. These expectations are essentially based on the following nine ethical principles:

- all aspects of the tendering process must be conducted with honesty and fairness at all levels of the industry
- parties must conform to all legal obligations
- parties must not engage in any practice which gives one party an improper advantage over another
- tenderers must not engage in any form of collusive practice and must be prepared to attest to their probity
- conditions of tendering must be the same for each tenderer on any particular project
- clients must clearly specify their requirements in the tender documents and indicate criteria for evaluation
- evaluation of tenders must be based on the conditions of tendering and selection criteria defined in the tender documents
- the confidentiality of all information provided in the course of tendering must be preserved
- any party with a conflict of interest must declare that interest as soon as the conflict is known to that party

These principles apply to all parties in the contractual chain thus the terms 'client' and 'tenderer' are interchangeable at each link in the chain. For example, a contractor will act as a client when seeking tenders for subcontract packages.

All jurisdictions emphasise that collusive tendering, participation in price-fixing cartels for either service or supplies, 'bid shopping' or any other practice which seeks to limit competition, are specifically prohibited. Prohibited practices include:

- agreement between tenderers as to who should be the successful tenderer
- any meetings of tenderers to discuss tenders prior to the submission of the tenders if the client is not present
- exchange of information between tenderers for the payment of money or the securing of reward or benefit for unsuccessful tenderers by the successful tenderer
- agreements between tenderers to fix prices or conditions of contract (this means any collaboration between tenderers on prices or conditions to be included in contracts or commissions without the consent of the client)
- any assistance to any tenderer to submit a cover tender (that is, a tender submitted as genuine but which has been deliberately priced in order not to win the contract or commission)
- any agreement between tenderers prior to submission of tenders to fix the rate of payment of employer or industry association fees where the payment of such fees is conditional upon the tenderer being awarded the contract or commission

All jurisdictions agree to promptly report suspected cases of anti-competitive behaviour to the appropriate authority.

The Commonwealth, State and Territory Governments also have a particular responsibility to ensure that the principles in the National Competition Policy Agreements are observed in their own practices and in dealings with industry.

## **Continuous Improvement & Best Practice**

A positive commitment to best practice is required of all industry participants. This commitment will be demonstrated by evidence of continuous improvement; excellent business practices and relationships; effective organisational systems and standards; exceptional people management policies and practices; and, superior time, cost, and quality outcomes.

A commitment to fostering industry development is expected of all service providers and suppliers by clients.

This extends to performance in terms of such things as: business relationships and practices; organisational systems and standards; employee qualifications; people management policies and practices; time, cost and quality outcomes; value for money; training; research and development; equal employment opportunity; effective management of occupational health safety and rehabilitation issues; security of payment; cooperative contracting; pro-active project planning (which includes environmental, business and financial issues); and, ensuring contract management is undertaken with an appropriate level of competence.

The Commonwealth, State and Territory Governments have agreed to use pre-qualification as one strategy to drive the development of a national industry committed to best practice, international competitiveness and the highest ethical behaviour.

Wherever possible the commitment to best practice will be tested and measured using criteria incorporated into pre-qualification and other selection processes. Service providers will be expected to justify claims by reference to past performance or evidence of the implementation, where appropriate, of appropriate business and operating systems and standards. Service providers may also expect to be monitored, reviewed and/or audited during the contract period. Post-contract analysis of performance may also be undertaken.

# Workplace Reform

Industry participants are encouraged to adopt a broad-based agenda to improve productivity through the development of workplace and management practices that are flexible and responsive to the business demands of the enterprise and its clients requirements. An Enterprise with this focus will achieve a workplace culture that is recognised for value, quality, innovation and competitiveness and will be a preferred partner for clients' projects.

A broad agenda is being encouraged, aimed at achieving improved productivity by: effective communication; teamwork; high standards in OHS&R; competency-based training and skill formation opportunities; flexible workplace practices; implementation of policies designed to promote access, equity and equal employment opportunity; continuous improvement and best practice.

Clients encourage reform through their own work practices and policies and by requiring evidence of these practices at an appropriate level when selecting service providers.

## Occupational Health Safety & Rehabilitation (OHS&R)

OHS&R obligations must be actively addressed by all industry participants. Unequivocal commitment to OHS&R management must be demonstrated in systems that address responsibilities, policies, procedures and performance standards to be met by all parties involved in a project and are directly linked to quality OHS&R outcomes.

The highest priority has been given by all jurisdictions to improvement in the management of OHS&R in the Construction industry.

Service providers must meet their OHS&R obligations according to relevant laws whether working on private or government client's projects and sites. Additionally, they are expected to prove that they have an appropriate OHS&R management system operating within their individual enterprise.

They may also be expected to establish a site specific OHS&R management plan before work commences on a government project or site.

Clients will prefer to deal with service providers who recognise that the active management of OHS&R issues leads to superior safety and less costly outcomes than reliance on the lowest common denominator approach typified by simple regulatory compliance.

## **Industrial Relations**

It is agreed by Australian Governments that the industrial relations principles embodied in this Code are to apply to their construction projects.

#### Awards and Legal obligations relating to employment

All parties must comply with the provisions of applicable:

- awards and workplace arrangements which have been certified, registered or otherwise approved under the relevant industrial relations legislation; and
- legislative requirements.

#### Workplace Arrangements

Workplace arrangements which reflect the needs of the enterprise are important elements in achieving continuous improvement and best practice.

The content of the workplace arrangements are a matter for the parties to those arrangements, subject to them meeting legislative requirements. However they may encompass:

- improved OHS and rehabilitation practices;
- training and skill formation strategies;
- multi skilling; and
- flexible work practices, for example in relation to working time.

A party must not, directly or indirectly, pressure or coerce another party to enter into, or to vary or to terminate a workplace arrangement. Nor may they pressure or coerce them about the parties to and/or the contents or the form of their workplace arrangements. This does not prevent action sanctioned by relevant industrial relations legislation.

#### **Overaward Payments**

"Overaward payment" is defined to mean any payment and/or benefit above that is set out in the relevant award, registered agreement and/or legislation. This includes payments provided for in workplace arrangements.

Decisions on over award payments, including superannuation, redundancy and workers' compensation insurance, shall be made by the individual employer to suit the needs of the enterprise. No employer may be compelled to pay benefits above that prescribed in the relevant workers compensation legislation.

A party must not, directly or indirectly, coerce or pressure another party to make over award payments. No employer may be compelled to contribute to any particular redundancy or superannuation fund, or similar body unless that there is an award or legal requirement to do so. This does not prevent action sanctioned by relevant industrial relations legislation.

#### **Project Agreements**

Project agreements will only be appropriate for major contracts. Accordingly project agreements incorporating site-wide payments, conditions or benefits may be negotiated where the strategy has first been authorised by the Principal.

The integrity of individual enterprise agreements must be maintained. This means project agreements cannot override the workplace arrangements of individual contractors, subcontractors, consultants and suppliers, nor may they provide conditions which by their nature have effect beyond the duration of the project, such as, for example, redundancy pay and superannuation contributions. While there may be provisions in a relevant workplace arrangement that enables the parties to the arrangement to encompass provisions in a project agreement, there shall be no double counting of "over award" payments.

There shall be no flow on of the provisions of project agreements.

Such agreements should be developed, where possible, in consultation with the subcontractors working on the project. The agreements shall be certified or otherwise approved under the relevant industrial relations legislation.

#### Freedom of Association

All parties have the right to freedom of association. This means that parties are free to join or not to join industrial associations of their choice and that they are not to be discriminated against or victimised on the grounds of membership or non membership of an industrial association. A person cannot be forced to pay a fee to an organisation if not a member.

#### **Dispute Settlement**

All parties are required to make every effort to resolve grievances or disputes with their employees and applicable unions at the enterprise level, in accordance with the procedure outlined in the relevant award or workplace arrangements.

#### Strike Pay

No payment shall be made to employees for time spent engaged in industrial action, unless payment is legally required or properly authorised by an industrial tribunal (where this is permitted by relevant industrial legislation).

#### Industrial Impacts

The client of the principal contractor shall be advised during the progress of the work, and at the earliest opportunity, of any industrial relations or OHS&R matter which may have an impact on the construction program, the principal contract, other related contracts or project costs.

### **Security of Payment**

To ensure that all parties receive payments due to them, the highest ethical standards must be observed throughout the contract chain. This specifically includes ensuring the timely progress of the processing, management and finalisation of claims, payments, retentions and securities due under the contract for all parties.

The Commonwealth, State and Territory Governments are applying the following set of principles<sup>1</sup> to security of payment in their jurisdictions:

- Participants have the right to receive full payment as and when due;
- All cash security and retention monies should be secured for the benefit of the party entitled to receive them;
- Payment periods lower in the contractual chain should be compatible with those in the head contract;
- Outstanding payments to participants, to the extent consistent with Commonwealth and State legislation, should receive priority over payments to other unsecured creditors;
- All construction contracts should provide for non payment to be a substantial breach;
- All construction contracts should make provision for alternative dispute resolution mechanisms.
- Only those parties who have the financial and technical capacity and business management skills to carry out and complete their obligations should participate in the industry;
- All construction contracts in the contractual chain should be in writing.

+ As incorporated into the 'National Actions on Security of Payment', agreed to by Construction Ministers on 18 October 1996

# **COMPLIANCE PRINCIPLES**

The Commonwealth, State and Territory Governments are developing appropriate sanctions, consistent with their business activities and the laws applicable in their respective jurisdictions, to encourage compliance with the principles.

Each jurisdiction will establish effective compliance and enforcement mechanisms to apply to the national code subject to the following principles:

- sanctions are based on the right of the client to choose who they do business with.
- the type of sanctions that is to be applied for an infringement will vary according to the nature of the specific breach and other circumstances.
- in the case of non compliance by a party the sanction may include but not be limited to:
  - the reporting of the breach to an appropriate statutory body or law enforcement agency;
  - a formal warning that continued non-compliance will lead to more severe sanctions;
  - reduction in the number of tendering opportunities that are given eg by excluding the non-complying party from tendering for Government work above a certain value;
  - preclusion from tendering for any Government work for a specified period; and/or;
  - publication of details of the breach and the identification of the party committing the breach; and
  - referral of the breach to the appropriate industry association for action consistent with industry codes of practice
- Full use is to be made of existing remedies and sanctions under existing legislation particularly under federal and state industrial relations laws.
- Each jurisdiction will be expected to ensure that there are avenues for appeal and review where a sanction has been or is to be imposed—appropriate administrative or commercial law mechanisms should be available.
- The Code and/or State Codes should be established as a condition of the tendering process.
- Jurisdictions will establish or provide effective coordinating mechanisms to ensure that the code is applied effectively in all agencies.
- Breaches of the Code in one jurisdiction will be regarded as a relevant factor by other jurisdictions when considering the suitability of parties for government projects.

- Labour Ministers will monitor the effectiveness of the industrial relations and occupational health and safety elements of the Code as a standing agenda item on the Labour Ministers' Council meeting.
- Construction Ministers will monitor the effectiveness of the broader construction elements of the Code as a standing agenda item on the Construction Ministers' Council meeting.

The National Code of Practice for the Construction Industry has been written by the Australian Procurement and Construction Council Inc. (APCC) in consultation with the Department of Labour Advisory Committee (DOLAC).

The APCC is the national reference for policy advice on procurement and construction matters and is the peak Council for industry interface for the Commonwealth, State and Territory Governments in these matters. The APCC convenes meetings of the procurements and Construction Ministers Council.

DOLAC provides a consultative forum on industrial relations matters of significant interest to the Commonwealth, States and Territories. In this forum, matters of mutual interest are discussed, agreed policies are endorsed and recommendations are made to Commonwealth, State and Territory Governments, through the Labour Ministers' Council (LMC).

# CONTACTS

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