

ARCHITECTURE SPACES OBJECTS IDEATION

100 New Town Road New Town Tasmania 7008 T +613 62310166  
contact@liminalstudio.com.au liminalstudio.com.au

LIMINAL  
STUDIO

30 November 2020

Premier's Economic and Social Recovery Advisory Council  
c/o Mr Tony Farrell  
Secretary  
The Treasury Building  
21 Murray Street  
Hobart TAS 7000

By email: [secretariat.PESRAC@treasury.tas.gov.au](mailto:secretariat.PESRAC@treasury.tas.gov.au)

Dear Secretary

**Premier's Economic and Social Recovery Advisory Council  
SUBMISSION**

We thank the Premier's Economic and Social Recovery Advisory Council (PESRAC) for the opportunity to provide this submission.

Our purpose is to provide a snapshot of the building and construction industry in Tasmania, with a focus on architecture and the impacts experienced as a result of COVID-19 and to provide a series of actions in relation to the sustainability of the sector.

We have previously liaised with the Property Council of Tasmania, the Tasmanian Chapter of the Australian Institute of Architects and have been updated by industry reports delivered by the Association of Consulting Architects (ACA) in the preparation of this document.

**The Building and Construction Industry Snapshot**

The building and construction industry typically makes up 13 per cent of Australia's gross domestic product. This includes the design, engineering, construction and planning sectors.

In Tasmania, the industry delivers a significant contribution to our local economy, adding some \$2.66 billion in 2017-2018, and is one of the largest employment sectors in the state, employing over 20,000 workers, including architects and professional services such as engineers and specialist consultants.

There is no doubt that the value generated through the whole building and construction sector is of vital importance to Tasmania's economy, liveability and social wellbeing.

We appreciate the COVID-19 business stimulus initiatives delivered to date by the State Government and endorse further strategic stimulus measures aimed at the entire building and construction industry as a priority.

### Next Stage COVID-19 Stimulus and Recovery

Now that the initial COVID-19 response has been delivered, it is timely to look to the future and consider how businesses and segments of the construction industry can move from a reliance on the Government's support to operating sustainably and continuing to deliver economic value. The principles that underpin the next stage strategies will need to consider forms of investment where every dollar spent multiplies a return and delivers value to as broad a range of sectors and services as possible.

To this end, we believe that it is important to understand the construction industry, its components and how it operates as a pipeline. We believe this understanding and approach will prevent further losses in many normally-viable segments of the industry and that without a staggered pipeline of projects in the mix, the result will be a substantial rise in unemployment and reliance on JobKeeper across the construction sector.

It is said that architecture is the 'canary in the coalmine' in terms of the broader building and construction industry and if so, the future outlook for the industry will be challenging.

In the October and most recent "Pulse Check" report, the ACA found:

- The delay in addressing the diminishing pipeline of work in a high number of architectural practices will have the inevitable flow-on effect of a shortage of projects ready for construction in the coming years. This will have a major impact on the sector as a whole, which is a substantial driver of the Australian economy.
- The costs of the delayed and cancelled projects are significant – a total of \$10 billion, comprising \$4 billion of cancelled work and \$6 billion of delayed work.
- JobKeeper has kept many practices afloat and saved many jobs. The recent reduced rate is a concern, with 22% of respondents expecting this to have a negative impact on their ability to keep staff on and 42% are uncertain about the impact at this stage.
- Federal Budget initiatives are not expected to make a difference. JobMaker does not apply to consultants in the construction industry and will not offset the impact of JobKeeper being reduced.

To maximise the value to the entire building and construction industry and pipeline into the future, we therefore offer and recommend the following principles and actions for PESRAC's consideration.

### Principles

1. **Investment in the pipeline starts with architecture:** the construction sector is broader than just building activity. Any investment strategy should consider the building and construction industry as a pipeline in order to achieve maximum value and sustainability.
2. **Procurement improvements:** look at minimising procurement processes that place financial burden on Tasmanian architects, that favour interstate practitioners and that limit opportunities.
3. **Extend 'Buy Local' initiatives to 'Engage' Local and embed skills development:** take a long-term view and retain knowledge and skills in Tasmania by engaging local consultants in an impactful and meaningful way, while upskilling the existing Tasmanian workforce and suppliers.
4. **Projects ready to go:** State and local governments have a long list of education, health and community projects ready to go. While some have now been activated in the last month (after 8 months of standstill) more are ready to go. A strategic *staggered* release of projects should continue to feed the pipeline.

## Principles in Detail

**Principle 1: Investment in the pipeline starts with architecture:** the construction sector is broader than just building activity that keeps suburban builders and tradespeople busy. Any investment strategy should consider the entire building and construction industry (including the creative industries' contribution) as a pipeline in order to achieve maximum value and sustainability.

If architects are not drawing today, builders are not building tomorrow.  
In our research, for every dollar spent on an architect, a further \$30 is generated in the economy.

Currently, there is widespread concern about the pipeline of work outside the residential market in the building and construction industry. In June, the ACA 'Pulse Check' reported that only 17 per cent of architecture practices in Australia have enough work to see them through to the end of 2020 and 37 per cent of practices were short on work.

The current building and construction industry COVID-19 stimulus provided has been directed to a very narrow segment of the industry and largely benefitted small-scale, residential builders and tradespeople – a part of the industry that was already stable. This segment cannot deliver the full range of projects essential to economic and social sustainability.

Architects are often the 'canary in the coal mine' of the building and construction industry and experience the impact of economic disruption long before other building and construction companies, trades and suppliers. The ACA reported that eight out of ten architectural practices had projects that were cancelled or put on hold. In the months that have followed, while there has been some recovery, this will still result in a shortage of projects going to tender this year and in 2021.

If architects and other building industry consultants continue to be bypassed in terms of investment and stimulus, the pipeline that feeds the entire industry will dry up. PESRAC rightly identified in its interim report, *'The State Government should carefully manage the roll-out of its 'Construction Blitz' program. The flow of housing construction should be scheduled to deliver the intended stimulatory effect without overheating the industry.'* The focus needs to be on non-residential (ie single houses) construction stimulus as this part of the industry will be most impacted upon.

It is worth noting that investment in the type of building and its scale has an impact on the health of the sector. For example, it is estimated that for buildings three storeys high or more, over 50 per cent of the project's investment is in labour on site, expanding the employment multiplier effect.

### Proposed Actions:

- 1.1. Bring forward development projects that benefit the community. Accelerate spending on development projects that capture and deliver value to a larger portion of the building and construction industry to ensure immediate and continued economic recovery. This includes existing projects identified and new projects that have long-lasting benefit and deliver broad public benefit to the community including areas such as education, health, affordable intergenerational medium density housing, innovative developments that offer alternative aged-care models, tourism projects and initiatives that preference the integration of environmentally sustainable principles.
- 1.2. Consider a clearly articulated and identified pipeline of work (short and long term). Industry confidence will return more quickly if there is a clearly articulated pipeline of future work (not just immediate and short-term response, but a continuum overtime).
- 1.3. Ensure that fast-tracking development application approvals does not impact on the quality of the built outcome provided by good design and quality construction methods
- 1.4. Ensure that an array of Tasmanian practices can compete on significant tenders that are released by State Government and enable the net to be cast wide. The 'Buy Local' government policy does not make it mandatory for interstate or international consultants to partner with local consultants and therefore needs to be prescriptive about partnering authentically with local firms in the delivery of Architectural Services. This is expanded further under 'Principle 3'.

### CASE STUDY: COVID-19 and Liminal Studio

*A survey conducted by the ACA of 450 architectural practices nationally in June found two thirds of architecture practices lost more than 30 per cent of their revenue and eight in ten had projects cancelled or put on hold. Six out of ten are relying on JobKeeper and half had cut pay or working hours. Three out of ten had stood down or sacked staff and only 15 per cent believe they have enough work to see out the year.*

This national finding reflects the experience of Tasmanian based Liminal Studio (Liminal). Liminal is one of the largest architecture and design practices in Tasmania (although defined as an SME in the Australian context) and is considered an industry leader as a successful and respected practice further amplified by the many global and national awards received for excellence.

Over the last five years for every \$1 spent with Liminal, a further \$30 of economic activity has been generated. As architects and designers that deliver projects valued from anywhere between \$0.1M to \$600M, this represents a significant contribution to the economy. Not many commercial businesses and broader sector investment have the same multiplier impact as this, proving a substantial return on investment.

Prior to COVID-19, Liminal employed a team of fifteen people. At the end of March 2020, 90 per cent of the Studio's projects were paused. Jobkeeper enabled the team to be sustained on reduced hours, however the pipeline dried up and in September, Liminal was forced to reduce the team.

Eight months since the impact of Covid-19, numerous government (State, Local Govt, PAHSMA and UTAS) tenders for architectural services are now being released. While we welcome and have been asking for these opportunities to surface in a staggered fashion before now, the time lag and lack of coordination of their delivery increases financial strain imposed on businesses to provide the unfunded resources required to undertake multiple bids at one time. Even if there is eventual success, the time lag between now and the prospect of receiving an income from these projects with multiple stages of submission requirements, is significant.

Activating new, paused and previously identified projects within a coordinated, staggered timeframe, will mean we will not be dependent on government funds or support and we can continue to deliver both short and long-term value to the economy and related industries.

**Principle 2: Procurement improvements:** look at minimising procurement processes that place financial burden on Tasmanian architects, that favour interstate practitioners and limit opportunities.

The current procurement process costs architects tens of thousands of dollars to submit a tender and fosters a fee-bidding culture rather than a value-for-money culture. Due to the pre-qualification constraints dictated by the Department of Treasury and Finance, projects valued over \$10M preference interstate practices due to the required third-party certified quality assurance standards and reduces the number of firms eligible to submit, reducing the competitive field and value for money. Inflicting cost impositions, encouraging fee bidding or free designs and 'buying' projects in this fragile economy will result in poorer outcomes in terms of delivery and community as practices compete to stay afloat.

## Proposed Actions:

- 2.1 Establish a two-envelope selection process based on a Qualitative and Quantitative tender submission. An accepted fee range is determined by the Government agency prior to calling for tenders. The shortlisting and selection is based on the preferred Qualitative submission. Once selected, if the favoured submission's Quantitative (fee) proposal is within the predetermined fee range, the Consultant is successful in winning the bid. This prevents fee cutting that undermines the profession, increases risk and encourages short-cuts leading to compromised results.
- 2.2 Raise the capped value for 2nd Party Certification of Quality Assurance systems from \$10M to the previous \$25M cap. Those firms prequalified with the Department of Treasury and Finance to third party consists of a small handful of firms eligible to tender in Tasmania, reducing competitiveness.
- 2.3 Delete clauses from consultant contracts that put unnecessary risk and un-insurable onuses on the architect. For example, avoid unlimited liability insurance clauses in contracts.
- 2.4 Allow architects and secondary consultants to invoice fees upfront based on a sliding percentage relative to the scale of the project.

**Principle 3: Extend 'Buy Local' initiatives to 'Engage' Local and embed skills development:** take a long-term view and retain knowledge and skills in Tasmania by engaging local consultants in an impactful and meaningful way and upskilling the existing Tasmanian workforce and suppliers.

Tasmanian architects and practices deliver significant projects in the state that attract national and international acknowledgement for their excellence. Should these larger practices cease to operate due to a lack of projects in the pipeline, future large-scaled projects will only be delivered by interstate architects.

The knowledge, skills and ability to deliver projects of significance will therefore be exported and deliver value to interstate businesses rather than delivering economic and social benefit to Tasmania. This must not happen for the sake of Tasmania's brand and longevity.

We welcome the increased 'Buy Local' criteria weighting, from 20 per cent to 25 per cent, announced by the State Government in July and would suggest this is raised even higher in the building and construction industry to encourage projects that deliver an increased benefit to the local economy.

One of the largest projects identified as part of the State Government's 'Construction Blitz' is the \$68.5M Derwent Entertainment Centre redevelopment. This project is being delivered by interstate architects engaging interstate secondary/subconsultants, therefore a large portion of the economic value of this project is bypassing local practices and suppliers.

Further to this, the Macquarie Point parcel of land release packages are developer driven. As most large developers are interstate or internationally based, this often results in developers selecting the majority of the project team from the same place they operate. The Tasmanian Government Buy Local Policy does not specify that the designers or architects need to partner with local architects or other consultants. The developer could meet the 'Buy Local' criteria just buy using local builders, subcontractors and product suppliers and bypassing the local architectural profession altogether.

As voiced already by our industry partners, where a major development project is initiated, we recommend the Principal Consultant is based in Tasmania, with a partnership or collaborative relationship with other suppliers and consultants who may bring specialist expertise from interstate or internationally. The Hedberg development is an example of such an arrangement where Liminal Architecture is the Principal Consultant in collaboration with WOHA architects from Singapore.

### Proposed Actions:

- 3.1. Expand the 'Buy Local' strategy to 'Engage Local' and recognise that the services delivered by consultants are different to the products supplied by builders, suppliers and manufacturers.
- 3.2. Increase 'Buy Local/Engage Local' criteria for the building and construction sector to 30 per cent and ensure authentic partnerships with local architectural practices are established for larger projects.
- 3.3. Consider stimulus funds, tax incentives and enterprising grants offered for consultants that will encourage much needed training and skills development in relation to new technologies, sustainable design and opportunities for prototyping and testing to encourage enterprise and innovation in the construction industry.
- 3.4. Consider training concessions to encourage the employment of graduates of architecture in their first year from graduation (similar to JobMaker and apprentice incentives for builders). Currently architecture practices bear the cost of training recent graduates for the first 12 to 18 months before they can contribute economically to a business. The starting salary for graduates under the Architect Award is currently \$58,000 plus superannuation per annum, which initially provides a financial imposition with little return.

#### CASE STUDY: *The Hedberg*

Architecture is the first occupation category in the building and construction industry pipeline. It therefore plays a vital role in employment and contract opportunities right through to delivering value to Tasmanian manufacturers.

Liminal was awarded the Principal Consultant role in the competitive bid for The Hedberg - a \$110M development delivered in partnership with the University of Tasmania and the State and Federal Government.

Below is non-exhaustive snapshot of some of the subconsultants and secondary consultants that were engaged under Liminal's management for the delivery of the project: Interior Designer, Furniture Designer, First Nations Designer, Landscape Architect, Cost Consultant, Town Planning Consultant, Building Surveyor, Land Surveyor, Heritage and Conservation Consultant, Archaeologist, First Nations People's Heritage Consultant, Environmental (ESD) Consultant, Acoustic and Theatre Design Engineers, Façade Engineer, Structural and Geotech Engineer, Services Engineers, Fire Engineer, Civil Engineer, Graphics and Wayfinding Designer, Traffic Engineer, Universal Accessibility Consultant and Safe Design Consultant, to name a few. For every interstate or international consultant, there was a local equivalent partnering, where available.

In addition, due to a local awareness of suppliers, fabricators and manufacturers, Liminal ensured Tasmanian manufactured products and local materials were preferred where possible, and that Tasmanian contextual stories were revealed.

These local suppliers are often overlooked by interstate architects who, due to unfamiliarity, preference cheaper, imported Australian-made and international products or stick to what they know. Tasmanian architects and designers, as a rule, tend to have knowledge of and preference our local suppliers, therefore providing a major source of income to manufacturers and suppliers.

Liminal's strong relationship with local industry has also sparked innovation in terms of the development of products, such as expanding the brick range produced from Austral's Longford brickmaking facility developed for the Glenorchy Health Centre and providing new, cost effective methods of 'pitting' and texturing concrete panels as a graffiti deterrent applied to the concrete panels at *The Hedberg*.

**Principle 4: Projects ready to go:** State and local governments have a long list of education, health and community projects ready to go ahead now that could be activated in a staggered fashion within the next few months with stimulus funds made available from the Federal or State Government.

To ensure a continued flow of work across the industry, stimulus funds should be considered specifically for those projects that either have existing masterplans or require masterplan development or design approval, thereby ensuring ready to build projects materialise in nine to twelve months' time when the current building and construction projects drop off.

Prioritising projects with completed masterplans and already identified priority projects prevents knee-jerk spending and compromised outcomes that are unable to deliver long-term value to the Tasmanian brand, community or economy. Many schools either have strategic masterplans in place or are undertaking masterplans due to numerous secondary schools expanding to years 11 and 12. Investment in these projects can be activated through the stimulus process. We acknowledge submissions for some of these are now starting to come through.

Mid to large projects should be prioritised in the education, tourism, housing and community sectors as these sectors will deliver further social and cultural benefit to the state. These public buildings should be prioritised over single residential dwellings where the benefit is limited to the owner and residential builder or in some cases benefit only the tradesperson.

Any stimulus funds targeting affordable and intergenerational housing projects should ensure that if they go directly to industry providers that they do not bypass the design and architecture segment of the industry, as they often do, and therefore limit or compromise the economic benefit, long-term liveability and maintenance outcomes are compromised. Affordable, medium density (infill) housing in the city where services currently exist is in short supply.

Fast tracking any approvals should not impact or compromise the quality of the outcomes offered by architects, good design and quality construction methods.

Such investment will build industry confidence in a continuum of projects and ensure the next wave of projects are under construction as soon as possible.

#### **Proposed Actions:**

- 4.1 Provide stimulus funds to activate public projects across the tourism, education, community and housing sectors that have already been identified as priorities or have existing masterplans.
- 4.2. Provide stimulus funds to active public projects masterplanning that will be long-term confidence and generate ready to go projects in six to twelve months.
- 4.3 Provide project incentives that encourage the University to activate its city sites that currently lay dormant and therefore deaden parts of the city.

#### **CASE STUDY: Projects Ready To Go**

##### *The State Library*

Libraries globally have become the living rooms of the city for local communities. Investing in the State Library to a level that enables it to be a centrepiece for the community in the heart of the city is long overdue. A repurposed library that is activated and welcoming, has the opportunity to become a much needed, contemporised facility to meet a present-day purpose for Tasmanians. With a masterplan already in place, this project is one that has the potential to present a meaningful community-owned project with a big beneficial multiplier impact.

*University of Tasmania projects – activation of the city*

The University has paused infrastructure and development projects in Hobart due to major losses incurred through the impact of COVID-19 and closed borders.

The University has invested heavily in the city and has in the past been a major generator of economic activity. If the University is constrained financially to activate and develop the sites it owns, there is risk that these sites will remain un-activated for the foreseeable future. Incentives for the University to accelerate development should be considered.

*Affordable inner-city infill housing*

The current stimulus directed at social and individual housing currently mostly goes to the provider not Communities Tasmania and so side-steps the architectural services tender process.

The providers are focused on fast delivery, rather than providing exemplar affordable accommodation that addresses communities, liveability and contributes positively to our suburban and urban streetscapes. If architects are by-passed the risk is value-added opportunities are missed, as is the opportunity to create desirable places to live.

Investment in affordable, intergenerational housing with mixed modes of accommodation focused on inner city developments has the following advantages:

- Urban renewal and increased vibrancy
- Medium density, mixed-use inner-city developments reduce stigma associated with 'social' housing and prevent suburban sprawl and the creation of 'ghettos', makes use and creates a density that stimulates activity and integration within the city framework, provides easy access to services without being car dependent and infills underutilised urban sites
- Intermixing between youth and older generations increases the likelihood of a natural support network to be created as opposed to an imposed one or a mono-culture
- A diverse community increases values associated with positive citizenship based on interaction.

## Summary

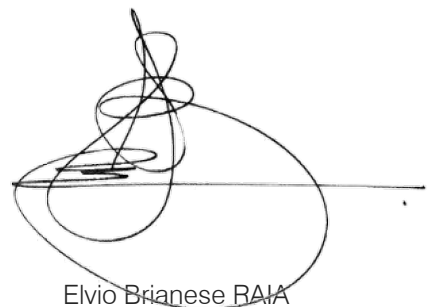
With the right interventions and stimulus strategies, we have the opportunity to not only support a significant industry during a time of economic strain but also to build a stronger industry, economy and community into the future. The potential gain for Tasmanians and Tasmania's brand, businesses and industries is significant and we hope this document serves to inform and assist PESRAC in achieving its purpose.

We are available for further consultation should this be of interest.

Yours faithfully  
LIMINAL STUDIO



Peta Heffernan RAIA  
Director



Elvio Brianese RAIA  
Director