

CONTACT Australasia



CIOB Elects New President

“James Wates, deputy chairman of the Wates Group has been elected as the 108th President of the Chartered Institute of Building (CIOB)”



Parliament meets the Built Environment

Sustainability Update

Forecasting Within Residential Construction

Why forecasts are so difficult to get right

Females within the Construction Industry

Reduction in female enrolments

The Credit Squeeze

Borrowing money in a poor credit environment

Editorial

This issue of CONTACT has a variety of articles that will appeal to the most jaded of Construction Professionals. From the installation of a new President for the Chartered Institute of Building to the historic holding of the organisations AGM outside the UK for the first time and over to the installation of a new Chapter President for the NSW Branch of the Chartered Institute of Building that nicely segues into the Security of Payment Legislation and the issuing of Practical Completion Certificates.

Dr Ron Webber has produced a very interesting article on the factors influencing forecasting within the residential building sector and hot on the heels of the global economic crisis and the lack of finance in the economy generally Ken Feltham has produced a very detailed analysis of the present situation.

The Editor has been notified of some upcoming events generally within the NSW branch that will involve a lot of socialising between the Members of the Chartered Institute of Building and other Institutes and these events will be emailed to all Members as they become organised, I am led to believe that there may be the possibility of some

subsidised beverages that no person who works in construction can ever refuse.

Now as an Editor it is my pleasure to receive, read and sometimes write articles for CONTACT, however, I, like most readers appreciate a variety in the content of the magazine and to this end I have produced a basic list of criteria and an email address where any budding reporters or academics may wish to submit any of these missives.

Contributors Guide Types of Articles

The CONTACT Australasia magazine for the Chartered Institute of Building publishes articles that focus on issues and practises in Building Construction and Civil Engineering and other disciplines that have an influence on the built environment.

The Editor welcomes informal inquiries about prospective articles. Send an email to the editor at aperigo@me.com with an abstract summary of your proposed article and any background information that you may deem to be useful.

- The length of an article is usually dictated by the subject matter. However a maximum of 1,000 (two pages)



words can be used as a guide.

- The editor will review the subject matter according to the following criteria;
- The appeal and relevance to the readers of CONTACT
- Importance of the topic
- Clarity, conciseness and interest in the writing
- The soundness of appropriate research information

Now, I encourage all readers to read the articles contained within CONTACT and please don't hesitate to contact the Editor with any comments or letters or articles that may interest other readers of this magazine.

Adam Perigo MCIQB MAIB
Editor CONTACT Australasia magazine for the Chartered Institute of Building
CIOB Contact details for the staff and for all branches of the organisation are listed on the back page of this publication.

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Knowledge. Foresight. Analysis. Strategy.

President's column

The CIOB is considered to be a leading Institute internationally within the construction and building industry. The CIOB promotes excellence in the construction and building industry internationally and also encourages international accreditation in universities for building and construction management subjects.

The CIOB has several awards that are designed to encourage young industry leaders, which are awarded annually to university students who show their dedication and enthusiasm towards construction subjects. The CIOB has recently started to encourage the Australian and New Zealand construction industry and students to get together so that all could benefit from each other's experience

and knowledge.

CIOB is an international institute and its members enjoy work opportunities internationally as a direct consequence of their association with the CIOB.

As the world is working towards renewable energy, the CIOB is dedicated to assist by encouraging university students to carry out research programs and to this end we welcome any articles in this field that can be published in our journals and magazines.

I would encourage construction and building industry leaders to join together with educational institutions in order to promote excellence within their respective organisations and the construction industry and built environment in general.



Varoujan Bedrossian M DesSc, FCIQB, FAIB, MAIPM, MIAMA, AAIQS, JP, Regional President, CIOB Australasia

As President of the Australasian Chapter of the CIOB I would like to see more communication and cooperation between building construction organisations and the various educational institutions that would ultimately result in positive benefits being experienced by all interested parties.

Sustainability update

Built Environment Meets Parliament

The annual Built Environment Meets Parliament forum met in June in Canberra. Representatives from across the built environment met Government representatives including Senator Penny Wong, Minister for Climate Change, Energy Efficiency and Water and Lindsay Tanner MP, Minister for Finance and Deregulation to review the achievements in the built environment over the last 12-months, discuss current issues and plan for future progress on three themes of population, affordability and development.

Continuing the theme of "Liveable Cities", and focussing on city planning the forum looked at the proposition that Australia "is not and will not be overpopulated", but rather is "poorly planned".

To promote the debate, the meeting saw the release of the report "Spotlight on Australia's Capital Cities: An Independent Audit of City Planning Systems", an audit of Australia's capital city planning systems undertaken by KPMG for the BEMP alliance.

This report measures each capital city against the nine performance criteria for effective city planning adopted by COAG on 7 December 2009 and provides an overall score and ranking (Table 1).

The report also measured these planning frameworks against actual performance in the following areas: budget performance, population planning, housing affordability for key workers and traffic congestion, also providing an overall score against the criteria (out of 100) and ranking (Table 2).

The report makes several recommendations, supported in-principle by the BEMP alliance, such as:

- an expanded role for the Federal

- Government in urban policy, including:
- releasing a national urban policy with performance targets,
 - launching a refreshed Better Cities program to target infrastructure investment,
 - appointing a Cabinet Minister for Urban Affairs,
 - establishing a centre for design excellence.
 - establishing metropolitan authorities in capital cities to improve decision-making and delivery;
 - streamlining planning by adopting the Development Assessment Forum (DAF) model for local development assessment processes;
 - ensuring that metro strategies take precedence over other planning laws and have clear targets;
 - adopting priority activity plans for land release and infrastructure priorities;
 - adopting innovative and modern public funding mechanisms such as bonds and reforming developer contributions; and
 - setting city based performance targets and national reporting on progress against these targets.

At BEMP it was emphasised that from 2012, the Commonwealth Government will allocate future infrastructure funding to jurisdictions according to their achievement of 9 "Capital City Strategic Planning Criteria" detailed in the report.

The full report may be downloaded from BEMP at <http://www.bemp.com.au/documents/SpotlightonAustraliasCapitalCities.pdf>

Philip Sanders
Vice-President Australasia and Sustainability Ambassador

Table 1: Relative capital city performance

Performance Against External Indicators		
Rank	Capital City	Score
1	Adelaide	73
2	Canberra	68
3	Hobart	58
4	Brisbane	55
5	Darwin	53
6	Melbourne	48
7	Perth	45
8	Sydney	40

Table 2: Performance against external indicators

Relative Capital City Performance		
Rank	Capital City	Score
1	Melbourne	69
2	Brisbane	64
3	Adelaide	61
4	Perth	56
5	Canberra	54
6	Sydney	47
7	Darwin	44
8	Hobart	38

Notice

Facts and opinions expressed in this publication are those of the authors of the articles. They may not be the official position of CIOB on any given matter.

West meets East

For the first time in its 187 year history, the Chartered Institute of Building held its AGM, Board of Trustees and Members Forum meetings outside of the UK. CIOB China hosted a packed week of meetings, CPD Events and visits. In addition to the working meetings, the two highlights of a busy week were the International Construction Conference focused on sustainability and 'zero carbon' construction and a visit to World Expo 2010.

Following on from the meetings, we have a new President, James Wates. James is Deputy chairman of Wates Group and chairman of the industry training board, CITB-ConstructionSkills. A renewed focus on CIOB's role as the world's leading international 'Construction Management' organisation (with a new definition of 'construction management'), a focus on both CIOB and the construction industry delivering a Zero Carbon footprint and the start of a revitalised strategic planning process. All of these elements will be the focus of more information in later columns, for now I would like to pass on some impressions from the visit – it really was a case of 'west meets east'!

The sheer size, scale and sophistication of the Chinese economy is almost overwhelming; the one statistic that for me sums up where China is going, is the 60 million qualified university graduates that enter the workforce each year. Many of China's Universities are world class and the concept of an annual intake of new graduates entering the workforce that is three times the total population of Australia speaks volumes for the skills, innovative capability and sheer energy being generated in this vast economy.

The region we visited was the Yangtze River Delta. This region has always been a major industrial centre and the emergence of Shanghai as the economic capital of China has simply accelerated its development and expansion. Today, this part of China has double the foreign trade of the entire Indian economy and represents 25% of China's GDP. But this progress has not come without major costs and challenges.

What is happening in the Yangtze Delta is the merging of Shanghai and many of the surrounding cities and municipal districts into one megalopolis. Of the 135 million people that live in the region (roughly the population of Japan), a significant proportion will end up living in this emerging megalopolis within the next few years. The challenges this creates are recognised by the authorities and are being addressed at a range of levels.

High speed rail and road links are being constructed at a phenomenal rate and new buildings are going up everywhere. But the policy is not 'slash and burn' there are numerous projects to renovate and rejuvenate areas of historical significance and to create green space. I was able to spend time walking around the Xintiandi urban renewal project in the centre of Shanghai. The quality of the renovations in the historical precinct is world class and the crowds day and night clearly show it is appreciated. When finally completed, Xintiandi will include offices, residential precincts, schools, shops, parks and a lake creating a community that minimises the need for travel. Interestingly, the whole development is being funded by a private company.

The focus of World Expo 2010, Shanghai is also directly focused on the challenges of urbanisation. When the first Great Exhibition was held in 1851 at the Crystal Palace, London, a little more than 2% of the global population lived in cities. Today, the UN estimates this has increased to 55% of the total human population. The Expo theme 'Better City, Better Life' is directly focused on developing ways to make city living more enjoyable and environmentally sustainable; and challenges both local authorities and the international community to develop policies to achieve this outcome. To meet this challenge, policy makers will need to set the right framework, but it will be construction managers that translate the policies into improved urban landscapes.

World Expo sets out to show how this can be accomplished. At one level it is already a triumph for project managers, primarily

from the Shanghai region and Chinese construction industry but also from all of the nations that built and fitted out their pavilions. The Expo site covers a total area of 5.28 square kilometres spread along both sides of the Huangpu River in downtown Shanghai; it includes gardens, wet lands, paved walkways and 100s of new and renovated buildings, all completed on schedule. Over its 6 months of operation, 75 million visitors are expected with more than 500,000 people entering the site on busy days.

At another level Expo is a triumph for humanity. Everywhere you look on the site there are queues but the organisers keep things moving, the officials are polite and helpful and the crowd rubs along without friction, maybe even enjoying the experience. For locals to visit the Chinese pavilion, someone has to join the queue outside the gates at 6:00am to so when the gates open at 9:00am they can be near enough to the front of the next queue at the Chinese pavilion to receive some of the 50,000 tickets issued daily to allow them join another queue for 2 to 3 hours to get inside and experience the wonderful exhibits.

For me, my visit to Shanghai really was a case of 'West meets East' the overwhelming size and dynamism of the city is amazing as is the intellectual energy being applied to solving the problems of sustainability and successful urban living. What was even more impressive is that with a population of 20 million, Shanghai is not the largest city in China; this privilege goes to the home of our former President Professor Li Shirong; Chongqing in South West China has a population of more than 32 million.

What was clear after a week of intense activity is that our profession of construction management, has a key role to play helping make 'Better City, Better Life' a reality for millions world-wide. We learned a lot in Shanghai and there are many innovations flowing out of the meetings and workshops that are likely to reframe our profession and institute in the years to come as we adapt to the challenges of internationalisation, globalisation and sustainability.

CIOB Shanghai 2010

In week commencing 27 June 2010, CIOB members from around the world met in Shanghai, China. During the week a number of meetings and events took place including the annual general meeting, board of Trustees meeting, members forum and the Global Construction Summit.

About Shanghai

Shanghai is a metropolis in eastern China it has a population of about 15 million people. Originally a fishing and textiles town, Shanghai grew to importance in the 19th century due to its favorable port location and as one of the cities opened to foreign trade by the 1842 treaty of Nanking. The city flourished as a center of commerce between east and west, it became a multinational hub of finance and business by the 1930s. After 1990, the economic reforms resulted in intense re-development and financing in Shanghai, and in 2005 Shanghai became the world's largest cargo port.

The city is a tourist destination renowned for its historical landmarks such as the Bund and City God Temple, and its modern and ever-expanding Pudong skyline including the Oriental Pearl Tower. Today, Shanghai is the largest center of commerce and finance in mainland China, and has been described as the "showpiece" of the world's fastest growing major economy.

CIOB a Standard Bearer for Sustainable Issues?

One of the themes of the week was the consideration of sustainable issues, including workshops, the CIOB Global Construction Summit (Building better cities, East meets West) including a keynote speech at the by John Prescott.

Strategic Plan

CIOB Head Office will be producing a strategic plan for the organisation over the next few months, it will take advantage of feedback from brain-storming sessions held in some of the workshops that were throughout the week. This is a great opportunity not only to ensure that CIOB is heading in the right direction and aligned to the views of the members. It can also be used to benchmark the institute's performance and be reviewed regularly at future members forums. I am looking forward to seeing drafts of this document (which will be a big piece of work) as it develops.

International Issues

I found that one of the advantages of having the members forum in China was that it gave everyone an international perspective of CIOB, from reviewing the current position



to providing feedback and suggestions about how the organisation should progress (the direction and strategies that it will follow) in the future.

It was interesting to get the views of immediate past president of CIOB, Li Sharong, that "the Chinese place a great deal of value in being members of a truly international institute" for construction professionals. This was encouraging to hear, as a non-UK based CIOB member it is good to see that the institute now appears to be more aligned to international considerations.

A CIOB Asia Pacific hub has been formed, this is a panel made up from the time zone representatives and will be chaired by Li Sharong. Feedback from members located around the world highlighted the fact that CIOB should not take a "one size fits all" approach to managing its development throughout the world. The hub will be able to give a significant voice for local issues in the region. One of the first tasks of the Hub is to develop its role and plan how it will be most effective.

In one of the meetings (9.30 pm on Monday night) we discussed relationships with other organisations such as the Australian Institute of Building. Hopefully, we can develop relationship of this nature, to the benefit of all institutes and the industry.

CIOB Global Construction Summit

This event took place in the "Great Theatre" in central Shanghai. It is the first time that I have attended an event where I had a radio receiver on my ear so that I could have a translation of the speeches given in Chinese as they happened.

Tongji University

As part of the programme, we visited the university and used the occasion to extend the link between CIOB and the university. Having about 72,000 students it is a large establishment, we were also advised that each year in China there are approximately 60 million graduates leaving universities and looking for jobs.

I particularly enjoyed presentations from three students and was impressed by

their ability to deliver them in a foreign language (English). The students covered subjects such as the planning and BIM (building information management) tools used for the buildings constructed on the 5.2 square km World Expo site, a travel hub incorporating air, rail and motor vehicle forms of transport, handling about half a million people every day. It was encouraging to see that sustainability issues were addressed in all of the presentation. The opportunity was used to point the students to the CIOB web-site should they wish to become student members.

It was great to see that CIOB's visit to the university was taken very seriously with a meeting attended by a senior official from the Personnel Department of Ministry of Housing and Urban- Rural Development of the Peoples Republic of China (visiting from Beijing).

Although the busy schedule of meetings and workshops etc. did not allow me to have an extensive look round, I found Shanghai to be a fascinating place, quite a contrast from where I live in rural New Zealand.

In addition to the CIOB items, my highlights of the trip were.

- Visiting the World Expo, Chinese and UK pavilions
- Walking around some of the non-tourist areas
- Going 430 km/hour on the maglev train to the airport

Conclusion

It was both a very busy, interesting and productive week. The Chinese hosts were excellent as was the amount of effort put in by CIOB staff to ensure that everything went to plan. To me, the biggest opportunity for the institute is to develop as a truly world-wide and world-class institute, with the development and implementation of the strategic plan being an essential tool to achieve this goal. Hopefully, when people look back at the Shanghai members forum they will see it as being a springboard that helped to effectively drive the institute in the right direction.

Profile

Daniel O’Riordan BSc (Hons), MBA, MCIOB, TMIEAust (Civil), MAIPM

CIOB New South Wales Centre Chair

I first became aware of the CIOB when I was a student doing my Bachelor of Science (Honours) in Construction Management at the Waterford Institute of Technology, in Ireland. I joined CIOB as a student member until the completion of my studies in 1997. Upon completion of my studies, I took up a role of Quantity Surveyor for Kentz Pty Ltd in South Africa for a two-year contract. Kentz Pty Ltd is a global engineering specialist solutions provider in procurement and construction (EPC) services and technical support services to clients in the energy and resources sectors. The role involved working on heavy industrial and engineering projects i.e. aluminium smelters and paper products factories in Natal and Johannesburg. The main duties involved site measurement, progress claim submission and variation negotiation. The clients I worked with consisted of Hullett’s Aluminium, Mondi Kraft and Kimberley Clark. The major challenges I found were dealing with different cultures and languages within South Africa and how they interacted within the local construction industry.

Upon completion of my stint in South Africa I visited Australia on a working holiday visa in 1999. Whilst in Australia, I was offered and undertook a role with Network Design and Construct “NDC” (subsidiary of Telstra) as a Contracts Manager on a large telecommunications project One. Tel. NDC sponsored me on a two-year business visa to fulfil my commitments for the organisation. Upon completion of my contract with NDC, I had gained my permanent residency in Australia. I then secured a role with Walter Construction Group as a Contracts Manager on a \$50 million tunnel project in the CBD until the organisation went into receivership in 2002, due to the financial collapse of the parent company Walter Bau in Germany. It was a major challenge to resolve outstanding payments to subcontractors and suppliers with the administrator appointed to Walter Construction Group. With the winding

up of Walter Construction Group I took up a role of Sydney Contracts Manager with the Daracon Group, a civil contractor involved in Road Traffic Authority projects and developments in Sydney. During this period of my career I received my MCIOB accreditation for CIOB through the Australian branch, which was a major milestone highlight in my career.

The last three years I have been involved in the water and waste water projects with United Group Infrastructure in the roles of senior contracts manager, commercial and procurement manager. I have worked on two major alliances and I am currently the commercial and procurement manager on the \$330 million Alliance with Sydney Water where I am managing 250 sub-contractors and suppliers. My role is to source and engage sub-contractors, suppliers and consultants to execute the works as required by the client. I make my selection based on the quality of their work, the price, their reliance and the innovation they bring to the project. My approach to managing sub-contractors is to be proactive – not reactive – to ensure that the works are completed in a timely manner. I have created and developed procurement and commercial processes specifically for working on Alliance projects, such as procurement schedules and payment certificates. I have created a suite of contract forms and documents compliant to Australian standards and the client’s requirements to maximise efficiency and uniformity. This gives all sub-contractors and suppliers a clear understanding of what is required from them and when. I have developed training programs for commercial and contracts management that informs project engineers, site supervisors, project managers and commercial staff on the processes involved in the project. The major challenges I have found in the Australian built environment is keeping up to date with the continuous legislative changes and requirements i.e. Security of Payment Act, NSW 1999. During this



period of my career I have become the New South Wales Committee Chair for the Chartered Institute of Building.

Within the last five years I have been heavily involved in tertiary education for my further professional development. I have completed a Masters in Business Administration at the Sydney Graduated School of Management, University of Western Sydney in 2008. I am also presently half way through a Masters in Engineering (Civil) by mode of distance education through the University of Southern Queensland. The engineering program will enable me to be fully accredited as a Chartered Civil Engineer. In addition to the CIOB, I have been involved with other professional associations specifically aimed at those who practice in construction and engineering environment. Those professional associations are Engineers Australia and Australia Institute of Project Management. So why join the CIOB? My interest in joining the CIOB was motivated by my desire to become involved with a respected industry body that would allow me to further develop my skills, knowledge and network with other professionals. As a member I can expect exposure to a variety of training events, conferences and seminars. I would recommend membership to anyone working in and connected with the industry and who are committed to making the industry better through learning and professional development.

In my spare time I have been seen on the golf course trying to improve my handicap to respectable two-digit score. I also enjoy spending time with family and friends.

The Credit Squeeze

This article is not meant to be alarmist; it should be seen more as the musings of a sceptic, someone who does not abide by the economic views that seem to rain down. The information is meant to better inform and maybe allow better judgment of where the economy may be. Arguably, economic commentators can be seen as similar to “shock jocks”. Controversy helps sales!

Economists purport to use modelling to predict what affect historic data will have in the future. Many or most rely on the use of some form of probability for their modelling. Rather than promulgate an argument about “probability” a simple question may be sufficed to satisfy most. Are human beings able to recognise random events?

Arguably not!

Rather than recognise their fallibility most economists and economic commentators appear to adopt a position of omnipotence, their superior knowledge allows them to predict without any caveats.

A simple example of this relates to comments Craig Emerson (Minister for Small Business), made some two months ago & was reported as suggesting that small & medium enterprises were not being affected by a credit squeeze. He argued that it would be difficult to find a solution to this squeeze because the problem was more a perception than reality. Most business owners would probably disagree!

The cost of funding for SMEs, if available is increasing.

The Sydney Morning Herald’s Business Day 16 July 2010 has an article headed “Why the engine room of the economy is finding it hard to borrow a few bucks”. Joseph Healy, the National Australia Bank’s group executive of business banking, wrote the article. The article followed on from a speech given by Joseph Healy to the American Chamber of Commerce lunch in Sydney.

The basis of the argument is the efficiency of capital allocation by the banking system & the current bias towards allocating capital towards home lending, resulting in less credit being allocated to business which is one of the most productive areas of the economy.

Preceding this article & speech was a commentary in The Daily Reckoning (18 June 2009) by Dan Denning. Explicitly, the basis of this commentary was predicated on the premise that the deposit base of the Australian Banks was too low & that the

Banks were too reliant on offshore money. Denning argued, “Australia’s property boom was bought with borrowed money. Both residential & commercial property values soared with the credit boom. If you think the banks are fine because they don’t have a subprime problem think again. The banks have a property problem, and you can find it on the asset side of the balance sheet”.

Recent media releases tend to confirm that some of the banks are trying to realise assets where borrowers have breached their lending covenants. Newspaper articles abound with tales of properties that have or are being sold for considerably less than their “book value”. Business & commercial loans are perceived to be riskier and have a higher failure rate than loans for home lending & the cost of lending reflects this.

Exacerbating the bias towards home lending has been the withdrawal or scaling back of operations by smaller banks & some offshore banks. The low deposit to loan ratio where less than 60 per cent of all lending is funded by domestic deposits has resulted in significant reliance on wholesale & offshore funding. Significantly, Australian banks offshore borrowings amount to \$827 billion most of which has gone into the Australian housing market. Exacerbating this problem for the banks is that approximately \$441 billion of this foreign debt matures in 90 days or less and has to be continually rolled over. Additionally the banks have to find another \$60 billion to cover the current account deficit.

Due to the Global Financial Crisis the world is facing many proposals to reform finance, the most important proposal is the international set of rules known as “Basel 3” which will govern the capital and liquidity buffers banks must carry. One of the main thrusts of this regulation is to get banks to wean themselves off short term funding. Basel 3 is due to be implemented by late 2012. Critical to these new regulations is the need for banks to boost their capital and whilst it is conceded that the objective of raising safety buffers is needed, any changes may be expected to impede economic growth. Credit Suisse considers that the regulator’s proposed “net stable funding ratio” would require European banks to raise \$1.6 trillion dollars (US) in long term funding.

If these statistics are correct, the cost of funding can be expected to continue to rise. Australian banks are competing in the international money markets for funding. The only way that Australia can continue to

fund its debt needs is by sharply increasing interest rates. The need for banks to pay higher interest rates to attract funding is independent of what the Reserve Bank does with official interest rates.

All doom & gloom, not at all!

Good businesses can be expected to prosper even in difficult times; businesses that depend upon the largesse of their banks may find it increasingly difficult to survive. Smart business owners do not move away from what they know works.

Ken Feltham

FAPI GDLE M.Comm (L.ec.)

If you have any comments in relation to this article and would like to speak with Ken Feltham directly then email him at kfeltham@bigpond.net.au

Females Within the Construction Industry

Few females enroll in construction management degrees. The number of tertiary engineering students has been decreasing for the past two decades in many western countries. Both male and female enrolments have declined across the US, Canada and Australia, but the percentage of female enrolments has dropped even more markedly. Against this backdrop, the University of South Australia has been leading an Australian Learning and Teaching Council project entitled ‘Gender Inclusive Curriculum in Engineering and Construction Management’ to define and implement inclusive curricula to assist in attracting and retaining more female students in these disciplines. The two year project will conclude at the end of 2010.

To date, the project leaders have released a book, Gender Inclusive Engineering Education (Mills, Ayre and Gill, Routledge, 2010) and have run various successful Gender Inclusive Education Workshops at universities in Adelaide, Sydney and Newcastle. The next workshop is due to be held at the AUBEA 2010 workshop in Melbourne (14-17 July). A project website has been established at <http://resource.unisa.edu.au/course/view.php?id=568> – more information is due to be published on the site in time for the AUBEA conference. For more information on the project, please contact Julie Mills (julie.mills@unisa.edu.au).

Practical Completion Certificates

A practical completion certificate need not be in any particular form. A simple letter from the architect stating when practical completion of the works occurred is normally sufficient. For partial possession, the architect needs to identify which part of the structure the employer is taking possession of. Where the contract includes a provision for sectional completion, the section that is being certified as complete must be identified.

The certificate must not be issued until the person issuing it believes practical completion has occurred. It is not enough for the employer or contractor, both of whom may be seeking to put pressure on the certifier, to confirm this.

It is possible to define practical completion in a building contract, for example by identifying things that must be done before it can be certified.

Sometimes handing over a health and safety file or collateral warranties is a precondition to practical completion, but this can give rise to arguments because providing bits of paper may seem irrelevant to whether works are complete.

The certificate must not be issued in circumstances where works are outstanding or where there are patent defects – defects arising after completion should be dealt with in the defects liability period. However, a certificate of practical completion may be issued where outstanding works are de minimis, that is, when they are insignificant.

The certificate must not be issued conditionally or subject to items of work being completed. Often such certificates are issued subject to long lists of outstanding works, “snagging”. There is no mention of snagging in most suites of contracts, which may come as a surprise to some. Contract administrators who engage in this practice are opening themselves up to claims for professional negligence.

A practical completion certificate cannot be rescinded. It is not open to the issuer to have a change of heart, rescind the certificate and issue a fresh one. If a certificate of practical completion is wrong, then it can only be challenged through a dispute resolution mechanism in the contract.

Issuing the certificate normally triggers the release of the first half of retention money to the contractor. After issue of the certificate the employer may withhold the second half. However, any other amounts being withheld must be covered by a valid withholding notice.

A practical completion certificate means the work is finished. There is no power for the contractor’s employment to be determined for failure to progress regularly and diligently with the works after the certificate has been issued. There is no requirement on the contractor to proceed regularly and diligently with remedying defects identified to him after practical completion. Under most forms of contract the contractor need only complete them within a reasonable

time of an instruction so to do.

The certificate triggers the employer’s responsibilities with regards to insuring the works.

It represents the cut-off point in terms of the employer’s right to deduct liquidated damages and the contractor’s entitlement to claim loss and expense. It seems hard to believe, but contractors do sometimes make claims for loss and expense relating to periods after practical completion.

By and large, the certificate stands as the latest date when the limitation period for claims will start to run. Breaches of design liability often occur early on in a project so that the limitation period starts to run well before practical completion. However, designers are sometimes said to be under a continuing duty to advise in relation to design, which means that the limitation period for claims for breach of that duty does not start to run until practical completion.

It is worth noting that limitations on liability, such as one sometimes finds in collateral warranties (to the effect that claims may not be brought against the warrantor more than a specified time after practical completion of the works) do not have the effect of enabling the warrantee to sue until that specified time has expired after practical completion of the works – this is just a long stop and claims may have become time-barred long before that specified time after practical completion.

CIOB Elects New President

James Wates, deputy chairman of the Wates Group has been elected as the 108th President of the Chartered Institute of Building (CIOB).

Taking up the mantle in Shanghai at the CIOB’s first AGM to be held overseas James said, “It is a huge honour and I am very proud to be taking it on. It’s been commented before that I wear many hats in the industry. That has obvious benefits and allows me to pull together a variety of organisations and make construction, and all its constituent parts, a bit more joined up. Becoming President of the CIOB strengthens those relationships in all directions.

“My message as CIOB President will come as no surprise to many people. I am interested in the future, and the people that will take us there. Everything we have achieved as an industry is a result of the people who make it happen. That will always be the case. New

technology and a new way of doing things will of course emerge. But people are the source of these ideas and we need to invest in them and improve our inclusivity.

“At the same time it is important we collectively promote the value of our industry in terms of economy, society and the role we can play in providing solutions to climate change. There is a need to speak with a clearer voice and we should all work closer together to achieve that.”

James Wates has been a builder all his life having started site visits with his father in the family business at the age of four. He first worked on site during school holidays as a 15 year old and after reading Estate Management at the University of Westminster (previously Polytechnic of Central London) from 1979 to 1983, he joined the family business as a management trainee in October 1983 working on the

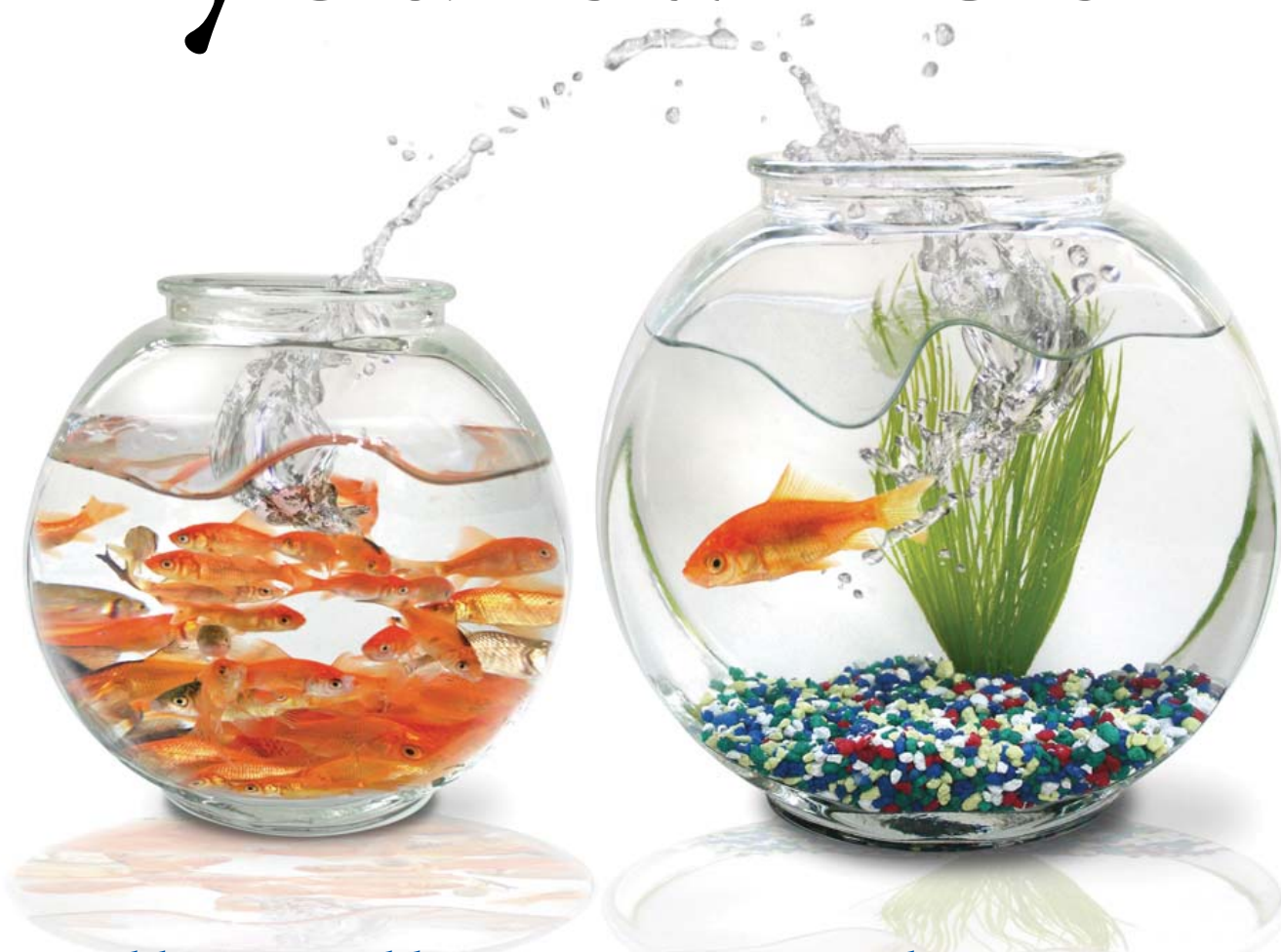
construction side of the business. In 1997 he joined the main Wates Board and was appointed deputy chairman of the Group in 2007.

He is also chairman of the UK Contractors Group and a vice chairman of the CBI Construction Council. Earlier this year James was appointed chairman of CITB-ConstructionSkills, taking over from Sir Michael Latham.

Further information about James Wates can be found at: - www.ciob.org.uk/about/president



Be the best you can be



Calling all ICIOBs and MCIOBs

Do you know how close you are to upgrading your CIOB status?

To find out how to obtain either full membership or the prestigious Fellowship status, email ethomas@ciob.org.au and we will provide straightforward guidance on how you can achieve your potential.

Factors affecting accurate forecasting in the residential building sector

By Ronald J. Webber

Building predictions of growth or otherwise are based on the usual disclaimers and underlying assumptions such as; Wages, Inflation, Unemployment figures, CPI, Cash Rate, 10 year bond and Australian dollar in comparison to the US dollar. Moreover, changes in the world and local economic conditions, including sovereign government debt and general debt levels and their effects on the broader economic conditions within the Australian building industry make these predictions even more difficult to achieve.

It is probably worth discussing these issues in general as the key building projection forecast made are based on these and affect the forecast made for the Australian building industry.

More recently, government debt in some countries, (e.g. Greece, Ireland and other parts of Europe) has focused attention to the risks of possible default on government borrowings. The stock of government (or sovereign) debt outstanding varies greatly from country to country. In Australia the government debt is low, standing at about 15 per cent of GDP. However, while corporate borrowings are comparatively low in Australia, household debt is running at record levels.

Consequently the good news for Australians is the risk of default on the debt issued by Australian governments is negligible. Our central bank will not face the pressures of many other central banks to monetise a significant part of their country's huge stock of government bonds outstanding. (A central bank monetises government borrowings when it buys bonds directly from the government to finance government spending and when it buys bonds on market from secondary holders.)

However, while the Australia government borrowings and corporate debt is low, as noted, the household debt is very high, with the ratio of household debt to household disposable income, which 20 years ago stood at about 50 per cent, now exceeding 150 per cent then the ability to continue to borrow for spend for housing becomes very limited. When the Reserve Bank increases interest rates as it will have to due to inflationary changes, some households will feel real pain and residential construction level predictions will become less buoyant than the current predications and retail sales are likely to be soft as is currently happening.

While there are many factors, e.g.

immigration levels, first home government grants, housing affordability levels etc, that affect the level of residential building commencement and the main single factors is interest rate and the ability of Australians to service their home and other loans. One cannot accurately predict the future but several economist including; John Peters (Senor Economist for the Commonwealth Bank) and Shane Oliver (Capital Chief Economist) are predicting that interest rates will be in the order of 6% by 2011. Other less conservative economists are predicting even higher interest rates.

The overall economic well being of Australia, to some extent, relies on the well being of other countries such as America and China. It is estimated that US consumers consume somewhere between 60% and 70 % of goods produced. These products are largely produced in China and in turn Australia provides substantial amounts of raw minerals for the manufacture of these products, which to a large extent is keeping the Australian economy buoyant given the world economic environment.

As noted by Terry McCrann (July 2010), while China economy keeps booming then the Australian economy will remain in pretty good shape. However, this also depends on the American consumer's confidence levels to keep spending and thus Chinas' economy is directly tied to the US economy. Ben Bernanke recent outlook on the US economy was that it is "unusually uncertain" and according to McCrann this; translated, means that Bernanke "didn't have a clue".

According to other sources china's economic growth is moderating as Beijing slows down its overheated property market, which in turn reduces some of its demand for Australian resources.

In Australia government stimulus for the residential sector is being wound back and interest rates are expected to increase as noted and these influences may see some reduction in the number of projected commencements for the residential sector.

Those of us that have been involved in the building industry for many years have seen the inevitable building economic cycles of boom to bust before; however we have also been surprised by the current longevity of the last decade of boom cycle.

All projections are based on economic assumptions and variables that may hold true and are considered by the predictor to remain within certain limits and thus

provide the basis for their projections.

The current total dwelling units according to ABS figures (ABS ref. 8731.0 1July 2010) indicates that:

- the trend estimate for total dwellings approved fell 2.0% in May 2010 and is now showing falls for four months.
- The seasonally adjusted estimate for total dwellings approved fell 6.6% and has fallen for two months.
- For private sector houses ABS figures indicate that:
- the trend estimate for private sector houses approved fell 1.7% in May and has fallen for five months.
- the seasonally adjusted estimate for private sector houses approved rose 1.7% following a fall last month.

For private sector other dwelling units

- the trend estimate for private sector other dwellings approved rose 0.3% in May and has risen for eleven months.
- the seasonally adjusted estimate for private sector other dwellings approved fell 18.8% following rises for two months.

As noted Australia's economy and the building sector depends on various influences that affect its ongoing viability. Currently there has been some volatility in the various months and dwelling approvals on a seasonally adjusted basis fell by 6.6% this could change depending on changes to interest rates and the success of other countries' economies and in particular China and the US.

Before accepting a buoyant predication it is important for all building operatives to consider the various factors that can influence demand in the residential dwelling sector.

Ron Webber provided this article. Dr Ronald J. Webber is a CIOB member and has qualifications in Building Design, Building, Building Surveying, Education and Project Management. He has also participated in the building industry for some 30 years. He is currently the Program Manager with the Department of Justice Victoria.



Business transformation: An approach with empathy

In an age of global, national and regional business progress and change many construction organisations have an option which they take to activate the relocation and/or promotion of senior staff to new offices and locations to ensure, amongst other issues, that growth and profitability of the business is controlled.

It is a common theme of many internal business publications that "...our staffs are our most important asset". There is no Pandora's Box of solutions to ensure that any promotion or relocation is successful but there is however several key emotions that most individuals experience when faced with any form of personal transformation. A better understanding of these experiences by the business and individuals together could help to ensure that any transformation has an improved chance of success to the benefit of all parties.

These key emotional experiences could be assumed to be the necessary non-materialistic journeys which should be experienced and managed by the business promptly to ensure a timely and successful transition. In summary a successful transition is one where an individual accelerates from the initial post decision "can I cope" emotion to a feeling that both parties can move forward with the role will be satisfying and successful for all. The speed and time that an individual can transfer from the initial to latter emotion is different for everybody and more importantly is particularly relevant in the construction industry where

time management is of the essence and conflicts often occur between the closure of these transitional emotional processes and the daily work pressures such as Client relationships, personal management of the internal political dimensions, procurement, contractual and staffing to name but a few.

Although successful transition into a new role cannot be guaranteed a greater understanding of the transitional emotional process could reap personal and business rewards far greater than initially anticipated.

Failure to achieve a successful transition can lead to spoken or unspoken hostility which obviously has a negative impact on business and the individual alike. Another negative of an individual or business failing to understand the emotional transition process is a feeling that the individual will attempt to force acceptance via what they perceive to be positive hostility (I can and I will succeed at all costs)

Expectations and roles and responsibilities should where possible be clearly defined so that all parties have clarity of expectation. Lack of clarity could swiftly escalate to misunderstanding and internal conflict.

In summary the construction industry in an incredibly complex and diverse arena which fascinates, stimulates and frustrates some would say in equal measure. Perhaps this is a reason why we find it so compelling and addictive. It is a place where failure and success can still propel individuals to greater and better than anticipated achievement. The influence of the built environment on

society is immense and used positively and properly construction can without doubt influence greater community progress and achievement.

On the agreed assumption that staff and individuals are indeed the greatest asset of a business perhaps a more sensitive approach to emotional transformation could be the Pandora's Box solution to successful promotion / relocation?

John is interested in any comments related to the above on "hayesjohn66@aol.com"

- 1) COPING
- 2) AT LAST RECOGNITION
- 3) MAJOR IMPACT HOW WILL IT AFFECT
- 4) CAN I DO THIS
- 5) UNDER PRESSURE DID I REALLY SAY THAT
- 6) WHO AM I
HOSTILITY OR END
- 7) I CAN BEGIN TO SEE MYSELF IN THE FUTURE
- 8) MOVING FORWARD THIS CAN BE GOOD

John Hayes M.C.I.O.B, M.R.I.C.S, ADP (Cranfield University)

John relocated to Sydney from the United Kingdom with his wife and three young children in October 2009. He is keen to receive any views or comments on this



2010 Dates for Your Diary

Events and activities presented by CIOB Australia and our network of associated organisations.

For further information please contact events@ciob.org.au or telephone +61 (2) 9816 4700.

To view the latest in CIOB and Industry Events, CIOB News, Headlines and Press Releases, visit www.ciob.org.au

Date 2010	Event	Location
23-26 August	PMOZ 7th Annual Project Management Australia Conference - BRISBANE. Visit http://www.ciob.org.au/events or www.pmoz.com.au for further details.	Brisbane Convention & Exhibition Centre, Brisbane, QLD
24 August	CIOB PR Workshops - PERTH. For CIOB members interested in applying to upgrade to Chartered status. Contact Elizabeth Thomas at the office or email info@ciob.org.au for further details.	Noon – 1:30pm, Kimberly Boardroom, Level 29, The Forrest Centre, 221 St Georges Terrace, Perth
24 August	CIOB New PI Training - PERTH. For CIOB Chartered members interested in becoming a Panel Interviewer. Contact Elizabeth Thomas at the office or email info@ciob.org.au for further details.	4:00 - 5:30pm, Kimberly Boardroom, Level 29, The Forrest Centre, 221 St Georges Terrace, Perth
24 August	WA Centre Social Networking event. Come and meet other WA Centre Members as well as Hilary Brown from Head Office and Elizabeth Thomas from the Regional Office to discuss CIOB activities in WA. Contact Elizabeth or email info@ciob.org.au for further details.	6:00 – 7:30pm, Rigby's Bar and Bistro, Ground Floor, The Forrest Centre, 221 St Georges Terrace, Perth
25 August	Joint CIOB & IAMA Information Evening - SYDNEY. 'The Building & Construction Industry Security of Payment Act 1999'. Visit http://www.ciob.org.au/events for further details.	IAMA DRC, Level 9, 52 Phillip St Sydney, NSW
26/ 27 August	Accel Conference 2010 - SYDNEY. 'Resilience and Climate Change: Law's Response?' Visit http://www.ciob.org.au/events for further details.	Sydney Law School, Camperdown Campus The University of Sydney, NSW
27 August	CIOB PR Workshops - SYDNEY. For CIOB members interested in applying to upgrade to Chartered status. Contact Elizabeth Thomas at the office or email info@ciob.org.au for further details.	8am-9:30am The Royal Room, Regus Business Centre, Lvl 13, Macquarie House, 167 Macquarie Street, Sydney
27 August	CIOB Panel Refresher Training - SYDNEY. For previously trained CIOB panel members. Contact Elizabeth Thomas at the office or email info@ciob.org.au for further details.	Noon - 1:30pm The Royal Room, Regus Business Centre, Lvl 13, Macquarie House, 167 Macquarie Street, Sydney
7-9 September	10th National Mediation Conference - ADELAIDE. Visit http://www.ciob.org.au/events for further details.	Adelaide Convention Centre Adelaide, SA
10-13 October	AIPM Conference 2010 - DARWIN. Visit http://www.ciob.org.au/events for further details.	Darwin Convention Centre Darwin, NT

Find contact details and profiles of key Council members in the 'About Us' section of our Website: www.ciob.org.au

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Education Panel Chair	Willy Sher	Imm. Past President (08/09)	Chris Chainey

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