



**MASTER BUILDERS
AUSTRALIA**

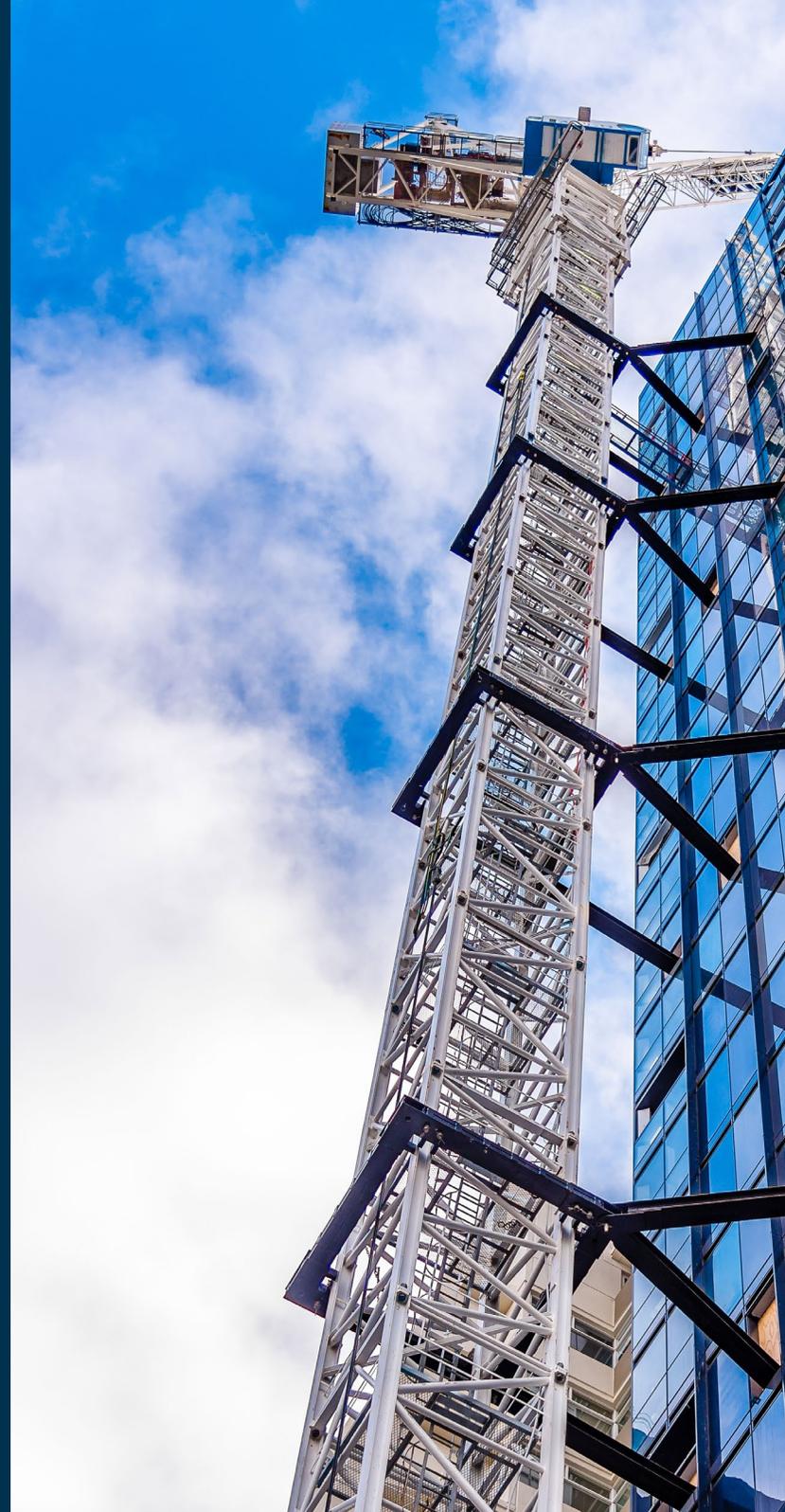
MASTER BUILDERS AUSTRALIA SUBMISSION FOR FEDERAL BUDGET 2023-24

February 2023

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1. Introduction

The 2023-24 federal budget is being formulated against a difficult economic backdrop. Inflation is at its highest in over 30 years, partly as a result of labour shortages and cost pressures in the markets for raw materials. This has resulted in the toughest phase of interest rate increases since the early 1990s. While this represents a challenge, it also provides a real opportunity for bold budgetary reform to be advanced and for businesses to be unshackled.

For our industry, the greatest long-term challenges relate to providing for Australia's future building and infrastructure needs, including the supply of housing. At present, this manifests itself in the form of shortages of key trades workers in our industry as well as bottlenecks in the market for key building materials and products whilst substantial industry transformation is underway for a net zero economy, with an ageing population. Over recent years, our industry has moved backwards in terms of its productivity performance. Recent developments with respect to industrial relations, including the abolition of the Australian Building & Construction Commission (ABCC), do not augur well for prospects here.

Fortunately, it is possible for us to overcome these obstacles and our budget submission makes detailed proposals which we believe will get us moving forward again. At times of economic difficulty, private sector demand can make the vital difference and our industry has much to offer in this respect.

Our submission addresses seven key themes, namely:

- Dealing with industry cost pressures
- Supporting the construction workforce
- Delivering Australia's housing needs
- Achieving the right tax settings
- Investing in infrastructure
- Simplifying regulatory settings
- Industrial relations and safety

In making these proposals, our focus is on improving productivity in the industry and allowing for more favourable outcomes when it comes to the cost, quality and quantity of building and construction output. In the past, the supply of new homes has failed to fully keep up with demand with housing affordability deteriorating steadily in response.

Master Builders Australia welcomes the opportunity to provide Treasury with further details about any of our proposals.

2. Building and construction industry overview

2.1. Master Builders Australia

Master Builders Australia (Master Builders) is the nation's peak building and construction industry association which was federated on a national basis in 1890. Master Builders' members are the Master Builder state and territory associations.

Over 130 years, the movement has grown to over 32,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry association that represents all three sectors, namely residential, commercial and engineering/civil construction.

2.2. Australia's building and construction industry

Value to the economy

Building and construction is one of the largest sectors of the Australian economy. Latest ABS figures indicate that the total value of building and construction work done over the year to September 2022 totalled \$238.7 billion in value, an amount directly equivalent to 10.0 per cent of total GDP.

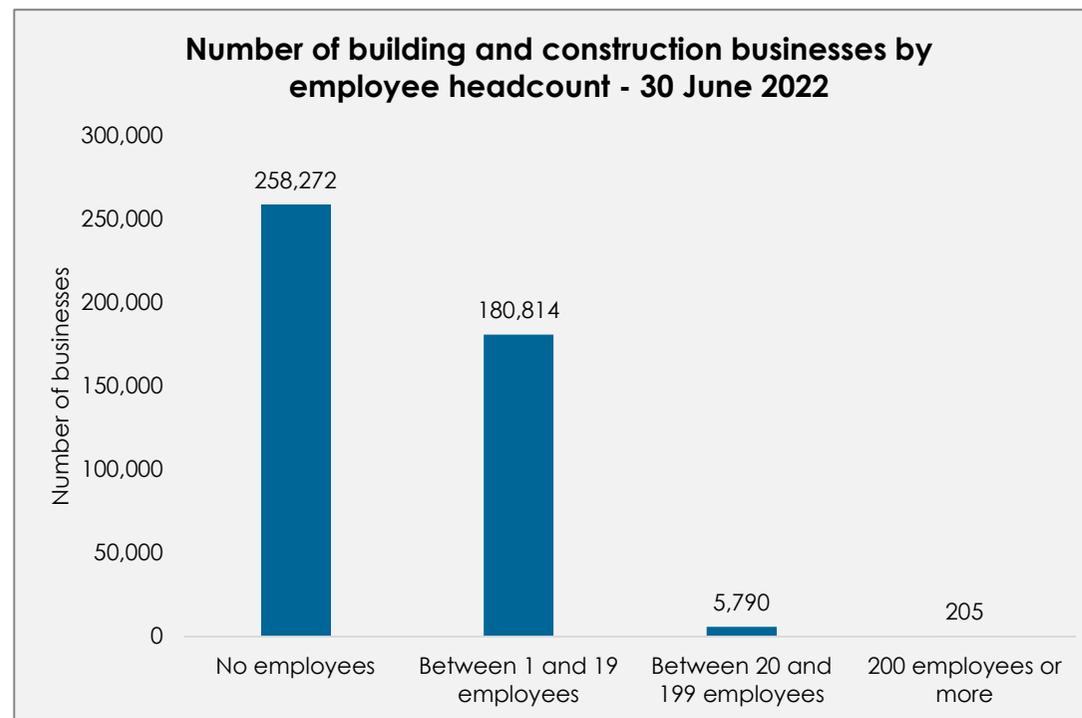
Our industry packs its biggest punch when it comes to the provision of full-time employment and support for small business. During November 2022, there were 1.29 million people employed in the building and construction industry. About 86 per cent of these jobs were full-time in nature, a far higher proportion than in the rest of the economy. This means that construction

has consistently been the economy's largest provider of full-time jobs over many decades. During November 2022, there were 1.12 million full-time jobs in the construction industry – more than every sector of the economy outside of health and social services.

During the 2021-22 financial year, it is estimated that construction businesses paid out a total of \$66.1 billion in wages and salaries to its employees, with

gross operating profits in the industry amounting to \$35.3 billion over the year. Industry turnover was \$384.2 billion during 2021-22, a sum which includes sales from construction businesses to other construction businesses.

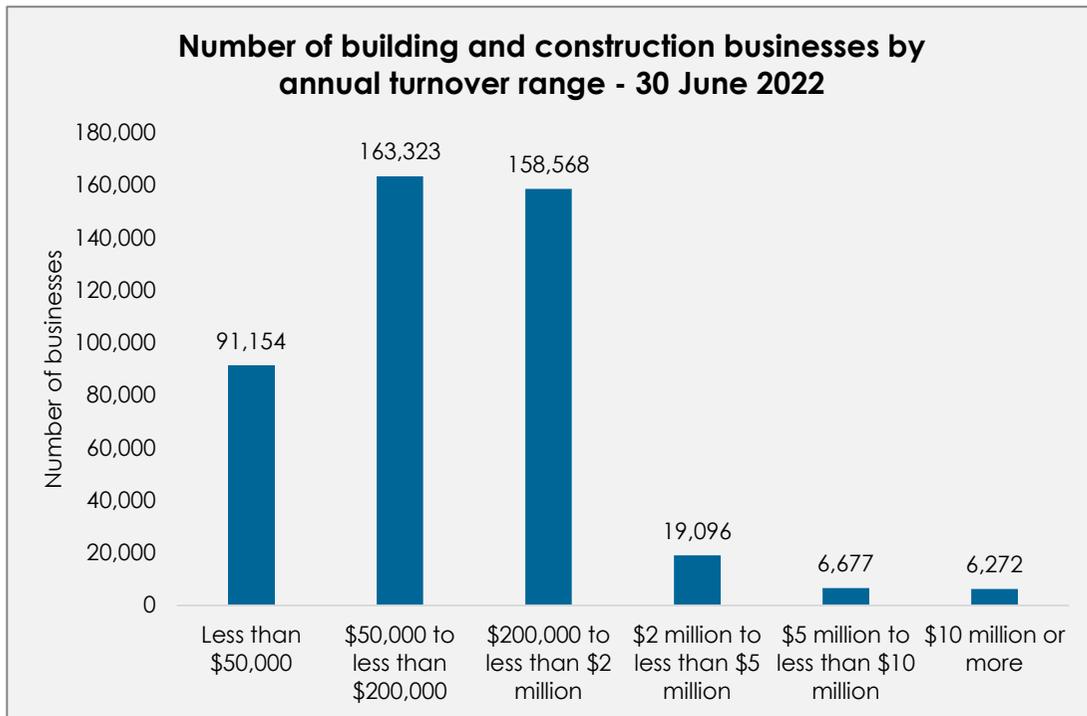
The most up-to-date ABS data indicate that as at 30 June 2022, there was a total of 445,081 construction businesses in operation across Australia.



Source: Master Builders Australia analysis of ABS Counts of Australian Businesses, including Entries and Exits (8165.0)

This is more than every other sector of the economy. The most striking feature of our industry's construction businesses is their size: of the total, the overwhelming majority (98.7 per cent) are small in size with less than 20 employees. Well over one half of our construction businesses (58.0 per cent) have no employees at all, typically operating as sole traders or partnerships.

The small size of construction businesses is reflected in their pattern of turnover. The majority (57.2 per cent) turn over less than \$200,000 per year with about one in five (20.5 per cent) earning less than \$50,000 annually. Just 1.4 per cent of building and construction businesses have annual revenues in excess of \$10 million.



Source: Master Builders Australia analysis of ABS Counts of Australian Businesses, including Entries and Exits (8165.0)



Construction activity

The structure of construction activity means that the support offered by it to other parts of the economy is strong. This is because there is a high domestic content to our industry's inputs including building materials, labour and professional services. As a result, it is estimated that for every \$1 million worth of residential building activity the entire economy is better off to the tune of \$3 million. Similarly, \$1 million worth of building and construction activity is estimated to support a total of 9 full-time jobs across Australia's economy – including three jobs in other sectors outside of building and construction.

In terms of our industry's outputs, about \$102.2 billion worth of civil and engineering construction was carried out over the year to September 2022. In addition to this, residential building work totalled \$83.5 billion over the same period with \$52.9 billion in non-residential building activity.

Latest figures show that work started on about 195,500 new homes over the year to September 2022, of which 124,800 were detached houses (64 per cent of the total). Over the same period, about 173,100 new homes were completed and became available to live in for the first time – meaning that a roof was put over the heads of an additional 448,300 Australians.

Over the year to June 2022, building work began on 4,275 new units of public housing – an increase of +15.7 per cent on one year earlier. At just 2.1 per cent, the share of new home building accounted for by the public sector is quite low by historic standards and this represents a key challenge going forward.

Construction workforce

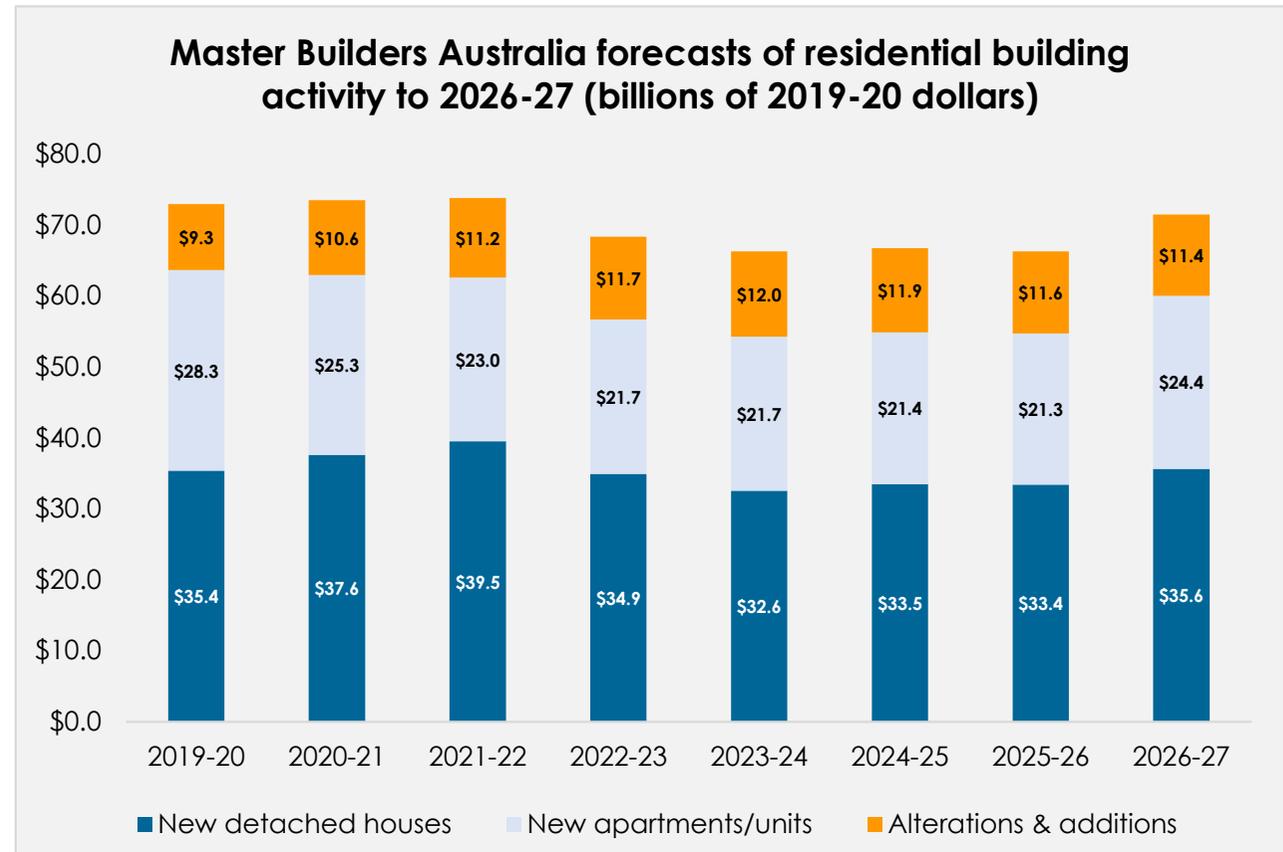
The building and construction industry is at the fulcrum of mentoring our nation's next generation of trades workers. Over the year to June 2022, a total of 21,690 new construction apprenticeships were completed with a further 56,575 new construction apprentices and trainees beginning their journey. At the end of June 2022, a record 124,440 construction industry apprentices were in training. Encouragingly, apprentice involvement in the industry has grown strongly over the last couple of years thanks to enhanced government support programs as well as favourable business conditions in the industry.

3. MBA Forecasts: Medium term outlook for building and construction

The latest Master Builders Australia forecasts assess the prospects for activity up to 2026-27. The current environment is a difficult one for building and construction activity with a range of challenges on both the supply and demand sides. Despite this, the total volume of construction activity grew modestly (+1.5 per cent) to \$215.1 billion during 2021-22. However, we are anticipating that activity will slip back by 1.8 per cent during 2022-23 largely because of the weakness in residential building. Beyond that, activity is projected to recover gently before picking up from the middle of the decade onwards. By 2026-27, the volume of work is forecast to reach \$232.0 billion.

3.1. Residential building

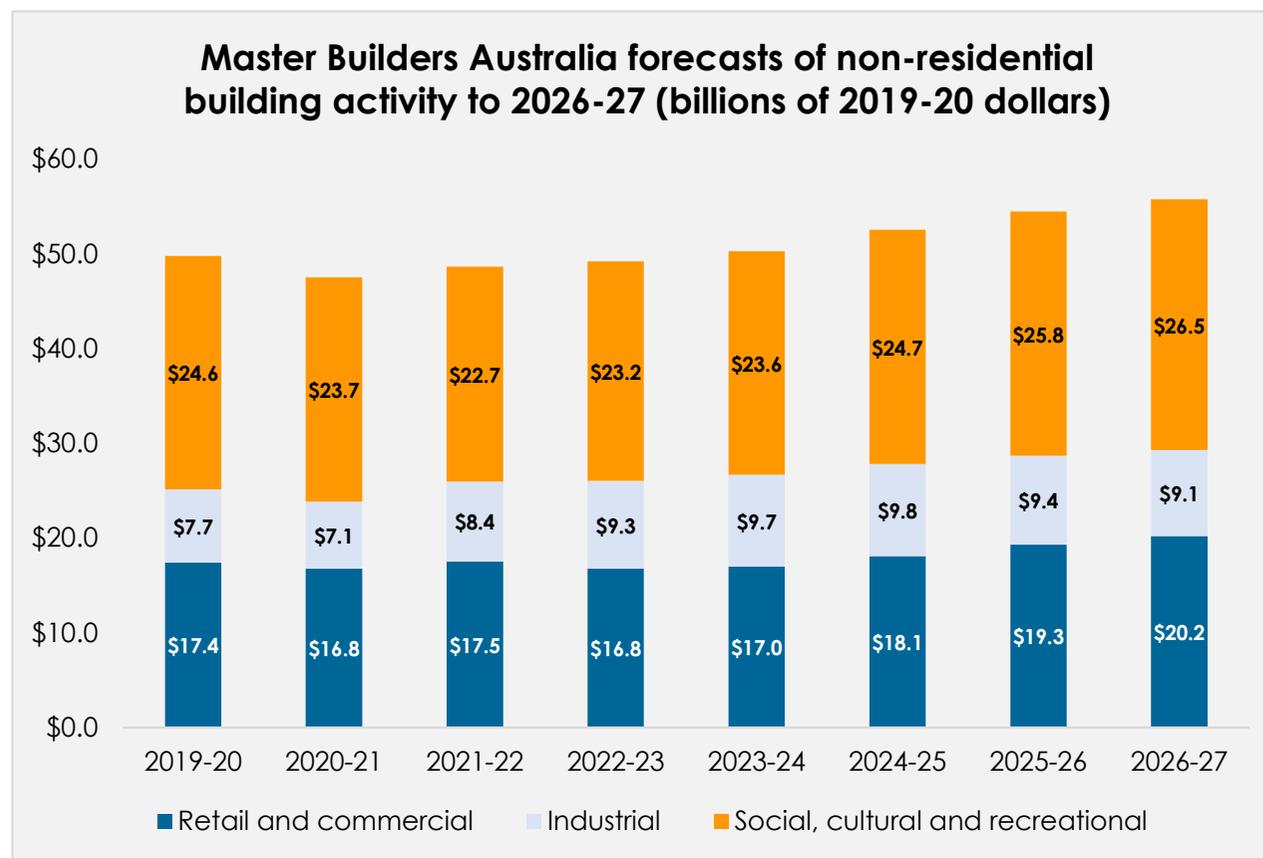
Some areas of residential building activity grew to spectacular levels early in the pandemic, particularly detached house building and home renovations. Residential building work squeezed just higher (+0.4 per cent) in 2021-22 to \$73.8 billion but it is now firmly in reverse gear and projected to slump by 7.4 per cent over the course of 2022-23. Following a couple of years in the doldrums, a decent pace of growth is likely to resume with activity projected to reach \$71.4 billion in 2026-27. This would still be some way short of recent highs.



Source: Master Builders Australia forecasts

3.2. Non-residential building

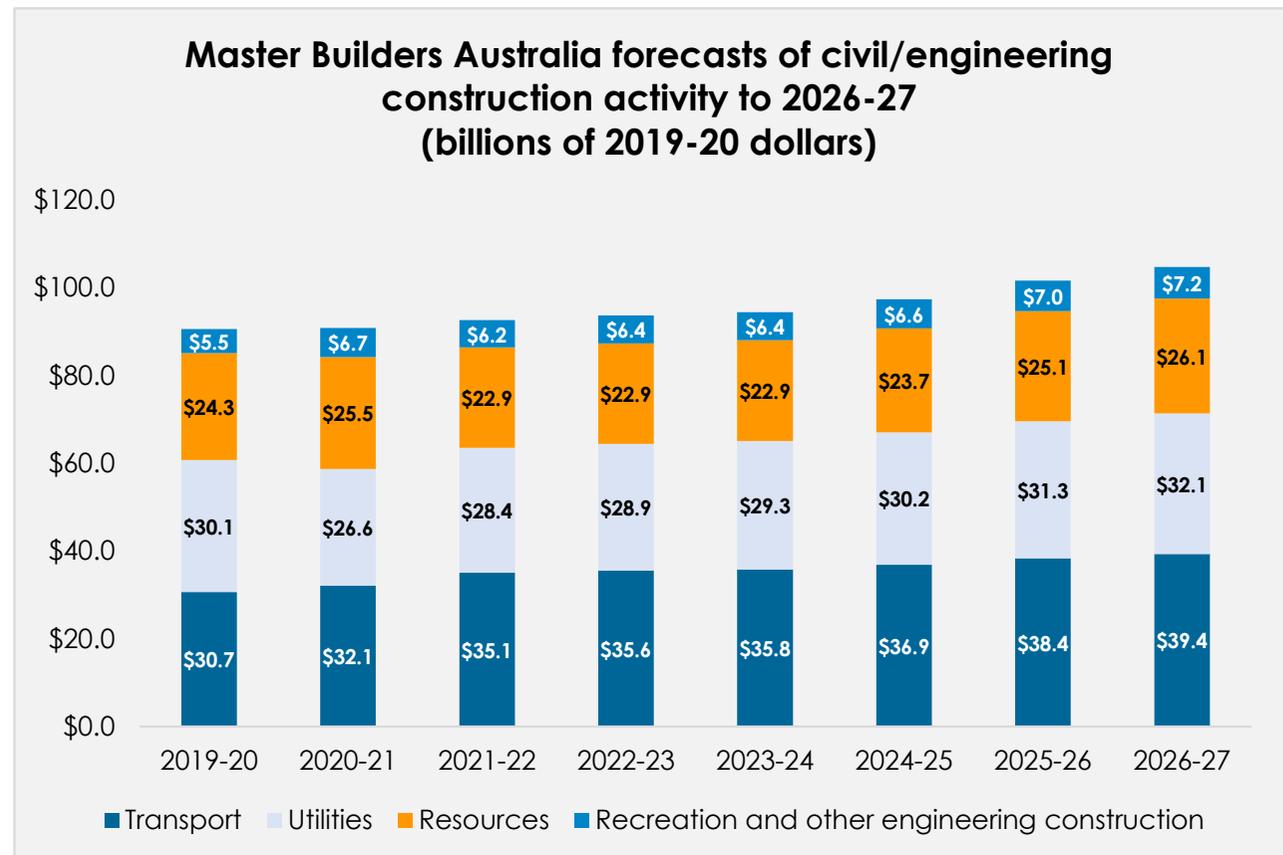
Non-residential building grew by 2.3 per cent during 2021-22 with the size of the market expanding to \$48.6 billion. The pace of growth is likely to slow to +1.2 per cent during 2022-23 as some of the market pressures bite. However, the combination of strong government-funded project work as well as the recovery in the areas worst hit by the pandemic mean that modest growth is likely to occur consistently over our forecast horizon. By 2026-27, we project that the volume of activity will total \$55.8 billion.



Source: Master Builders Australia forecasts

3.3. Engineering construction

Civil and engineering construction activity faces a reasonably steady outlook to 2026-27. Activity here saw growth of 1.9 per cent during 2022-23 with the volume of work reaching \$92.7 billion. The coming years will be shaped by the large pipeline of government-funded infrastructure projects, particularly relating to transport. Servicing the needs of a growing population will support work relating to utilities while buoyant commodities prices could help on the resources project front. However, acute labour shortages and supply chain issues could hold things back. By 2026-27, we forecast that activity will reach \$104.8 billion.



Source: Master Builders Australia forecasts

4. Summary of Master Builders Australia's proposals

The building and construction industry plays a critical role in boosting economic growth by leveraging our three times multiplier effect. Strong Building Industry = Stronger Economy.

As we face economic volatility, the industry is the canary in the coal mine so must ensure spending is carefully targeted at boosting productivity for business, building resilient supply chains and supporting the workforce.

The immediate pressures confronting building and construction relate to the supply of affordable and social housing, boosting people and capability in the construction workforce, and improving productivity in the construction industry.

Dealing with industry cost pressures

- Federal government to offer flexibility in contractual dealings with building and construction companies whose operations have been hampered by cost spikes, labour shortages and other supply chain complications.
- Resources should be made available to federal government entities, including the ATO, in order to facilitate a sensitive approach to the recovery of debt from businesses experiencing difficulties in their operating environment.
- Where possible, resources should be provided to the ACCC for continuous monitoring of developments in the market for building materials and products with a view to taking action against any anti-competitive behaviour which is detected.

- Over the longer term, allow for the National Reconstruction Fund to be fully leveraged to help expand Australia's onshore manufacturing and distribution capacity with respect to key building materials like timber, steel, and modern manufacturing output.
- Expand the jurisdiction of the Modern Manufacturing Strategy to include the building materials industry.

Supporting the construction workforce

- Funding a National Partnership Agreement on Quality Careers Education.
- Developing an Apprentice Commencement and Retention Strategy.
- Tasking the National Careers Institute to lead a coordinated national campaign which promotes apprenticeship pathways.
- Funding the development of a digital apprentice sign-up and onboarding platform.
- Develop and publishing VET quality indicators at the Registered Training Organisation (RTO) level.
- Refocusing Australian Apprenticeship Incentive Payments to better achieve policy objectives.
- Implementing the Australian Skills Guarantee in a way that expands the pool of underrepresented workers and does not place a heavier burden on employers.

- Continued funding for Women Building Australia to address the gender imbalance in the male-dominated construction industry.
- Developing a rolling ten-year migration plan to ensure migration levels are consistent with Australia's long-term needs.
- Increasing the permanent skilled visa cap to at least 200,000 in 2023-24 and 2024-25.
- Simplifying the migration system and expanding visa eligibility for newly trained construction trade workers.
- Piloting an Australian visa pathway for potential building and construction apprentices.
- Piloting a building and construction stream within the Pacific Australia Labour Mobility (PALM) Scheme.

Delivering Australia's housing needs

- Release more Commonwealth land for the development of housing and publish an inventory of its current land holdings and categorise it according to its suitability for future residential development.
- Future financial payments from the federal government to the states and territories should be linked to how much progress they achieve in boosting the supply of new housing. In particular, their performance with respect to planning reform, taxes and charges imposed on new home building, transparency, accountability and the improvement of data collection should be taken into account.

- Provide adequate resources to allow for the timely and rigorous implementation of the Help to Buy scheme.
- Fast track the rollout of the Housing Australia Future Fund which is designed to create 40,000 new social and affordable homes over a 5-year period.
- Expand the size of Housing Future Fund capital investment from \$10 billion to \$20 billion.
- Establish Housing Australia under whose remit the new National Housing Supply & Affordability Council offers considerable potential with respect to addressing the undersupply of new housing and consequent affordability problems. Spending allocations in the federal budget must support Housing Australia in tackling these issues as quickly and effectively as possible.
- Delivering an effective National Housing Plan that deals with the challenges in delivering affordable housing options for all Australians.
- Consideration should be given to measures to help expand the stock of new homes in regional areas so that migrant labour inflows can be accommodated more readily.
- Introducing tax incentives to address the gap between risk and return for major institutional investors.

- Commit all levels of government to redirect one per cent of development taxes and charges to social and affordable housing.

Enhance the safety of everyone in the industry through clear, simple and nationally consistent laws.

- Ensuring safe and productive workplaces
- Reverse the decision to abolish the Australian Building and Construction Commission or create industry-specific industry relations laws to tackle unlawful conduct and bullying which is unique to construction worksites, enforced by a specific dedicated division within the Fair Work Ombudsman with greater resources.
- Hold a dedicated independent review to examine the impacts arising from the abolition of the ABCC on both the building and construction industry and government infrastructure costs.
- In the absence of restoring the ABCC, Government should establish a dedicated Building and Construction Division within the Office of the Fair Work Ombudsman. Additional resources should be made available to this Division for training, field work, pro-active site visits and a rapid-response team. Master Builders estimates that a minimum of \$20m per year be allocated across the forward estimates for this purpose.
- Adopt key principles for future workplace reform that better suit the needs of small business.

- Review the agreement that underpins the operation of Safe Work Australia (SWA) to ensure that it appropriately reflects the need for harmonised safety laws that are applied consistently throughout all jurisdictions.
- Ensure the appropriate resourcing of federal agencies including the Asbestos Eradication & Safety Agency (ASEA) and the Office of the Federal Safety Commissioner (OFSC).
- Budgetary measures must ensure that the rights of independent contractors are protected, and that independent contracting continues as a legitimate and necessary form of business engagement.

Achieving the right tax settings

- For a temporary period, expand depreciation allowances to non-residential building work financed by the private sector and shown to be productivity boosting in nature. This could include education, IT, distribution, agricultural, industrial and commercial projects, amongst others.
- The existing Technology Investment Boost and Skills and Training Boost for small businesses be extended to the end of June 2025 and adapted to ensure that non-employing entities like sole traders and partnerships are able to fully avail

of the benefits. Given the sharp rise in costs since the announcement of the schemes, consideration should be given to lifting the maximum annual deduction from \$100,000 at present to \$110,000 to \$120,000 going forward.

- Incentives to business, particularly small business, including tax breaks for productivity enhancing investment in digital and IT systems; and more generous treatment of capital building works.
- Extend cuts to company tax for businesses over \$50 million turnover.

Investing in infrastructure

- Ensure that a rolling 10-year forward pipeline of infrastructure work of at least \$125 billion (in 2021-22 prices) is always in place.
- Ensure that sufficient resources are provided to allow for the full implementation of the ongoing independent review of Infrastructure Australia.
- Continue community, city and regional focused infrastructure funding programs through genuine partnerships across levels of government and with industry. Embed and test housing targets more effectively in these programs.
- Ensure adequate resourcing for a federal government-maintained ‘reserve list’ of building and infrastructure projects that can be activated quickly in the event of sudden or severe downturns in private demand for building and construction projects.

- With respect to procurement, the federal budget should allocate resources and put in place policy settings to ensure that small businesses are not precluded from tendering for contracts with federal government and other public entities.
- Resourcing should also be provided to ensure that the risk exposure and administrative burden for smaller businesses is minimised when entering into building and construction contracts with government and public entities.

Simplifying regulatory settings

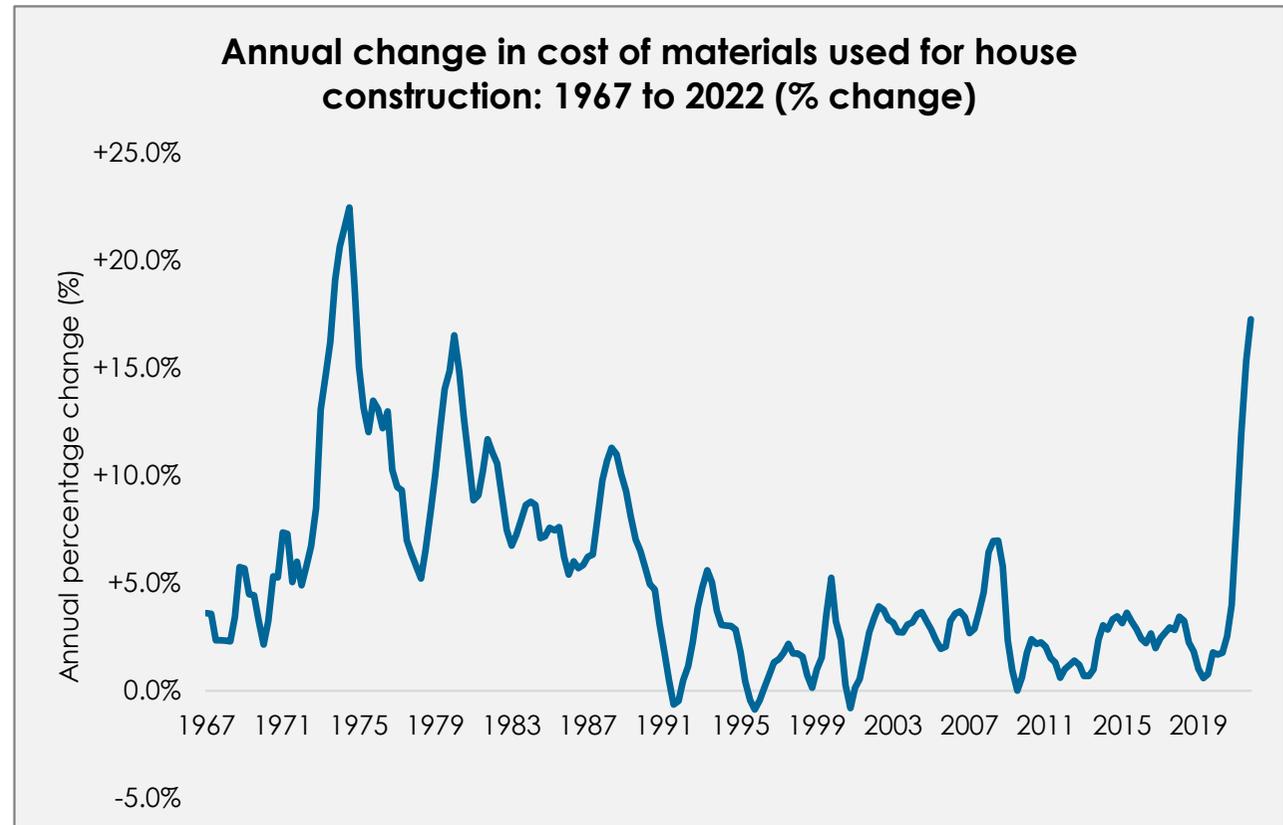
- Improve productivity through more efficient administrative frameworks.
- Commence a real deregulation agenda that will have a meaningful impact.
- Introduce a mechanism by which any proposed new regulation is rigorously tested, and alternatives considered before the regulation is introduced.
- Future regulatory changes including those related to building regulation need to be evaluated with respect to the total aggregate cost of regulation in the event of their introduction, rather than just the marginal cost of the proposed regulations.
- Regulatory transition to better quality, energy-efficient, resilient, accessible housing needs appropriate risk mitigation measures developed, transition period, and provision of free content for industry and consumer education.

- Cost impacts of new regulations are minimised, potentially through implementation grants and subsidies.
- Funding under the Australian Building Codes Board (ABCB) Intergovernmental Agreement should be increased to allow for all of the Australian Standards which are embedded into the National Construction Code (NCC) to be accessible to builders completely free of charge.
- In addition, construction-related Standards are referenced widely in a multitude of other instruments including WHS legislation, Modern Awards, Enterprise Agreements and Safe Work Australia (SWA) Model Codes of Practice. We strongly urge the federal budget to allocate appropriate funding to cover the costs of purchasing referenced Standards so as to ensure that they are available at no cost to building companies.
- Improving access and reliability of regulation through clear and concise communication of regulatory outcomes.
- More budgetary resources need to be provided to facilitate the transfer of all building product chain responsibilities completely away from the builders using them.

5. Details of policy proposals

5.1. Dealing with industry cost pressures

Timber, cement, steel, and other metals are amongst the most important inputs to building and construction activity. Since the pandemic, global demand has significantly eclipsed supply and this has caused building materials cost inflation to reach its highest rate since 1975. The unanticipated nature of the acceleration of materials cost inflation has placed unprecedented financial pressure on builders, many of whom locked into fixed price building contracts at pre-inflation price levels. For them, the deterioration in costs has eroded or eliminated their profit margins and undermined their long-term viability. This situation needs to be remedied in order to preserve the small business-centred fabric of our industry.



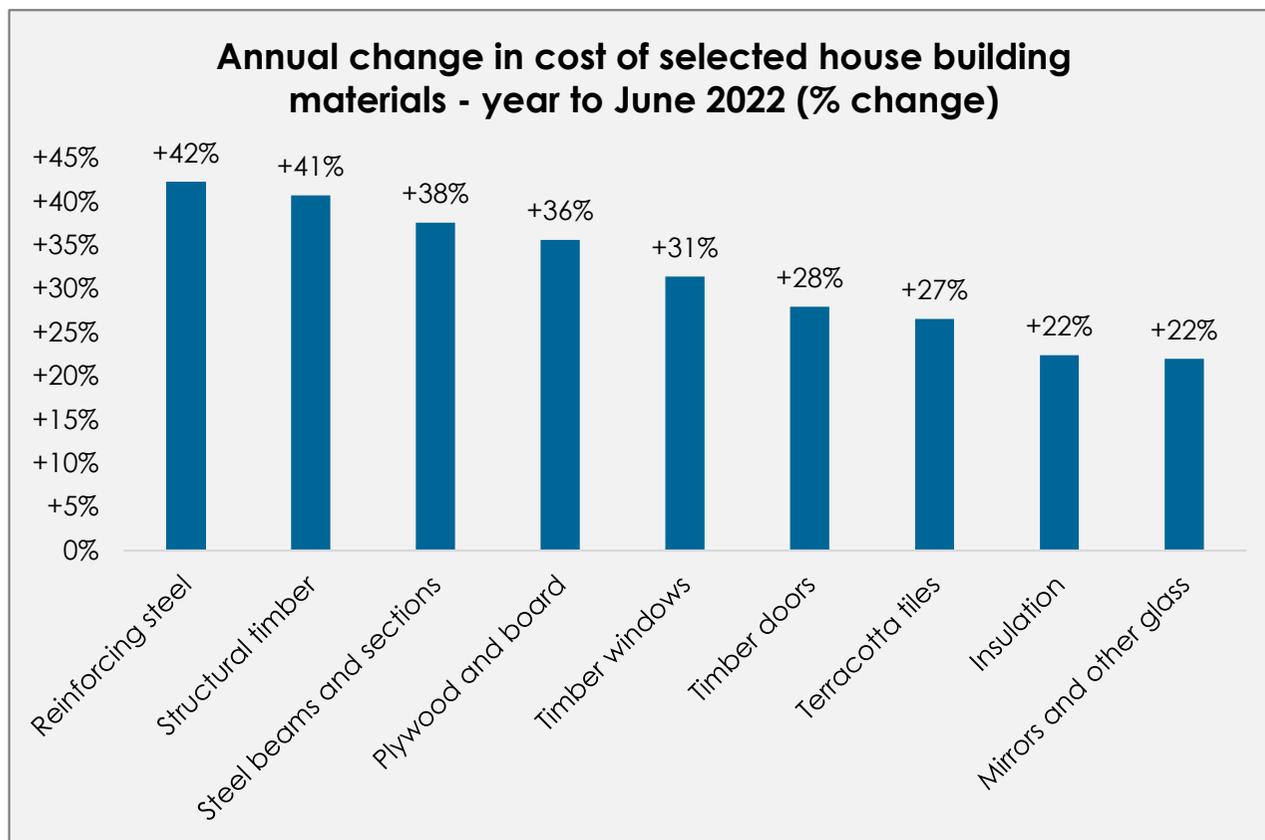
Source: Master Builders Australia analysis of ABS Producer Price Index

The risk of repeating a building materials shortage over future years can also be reduced by supporting long-term investment in Australia’s domestic stock of timber plantations, as well as through expanding capacity when it comes to manufacturing,

storage and distribution of key materials like steel, engineered timber, copper and aluminium. Where appropriate, the diversification of international markets for certain products and materials may also be prudent.

To address these challenges, we recommend the following:

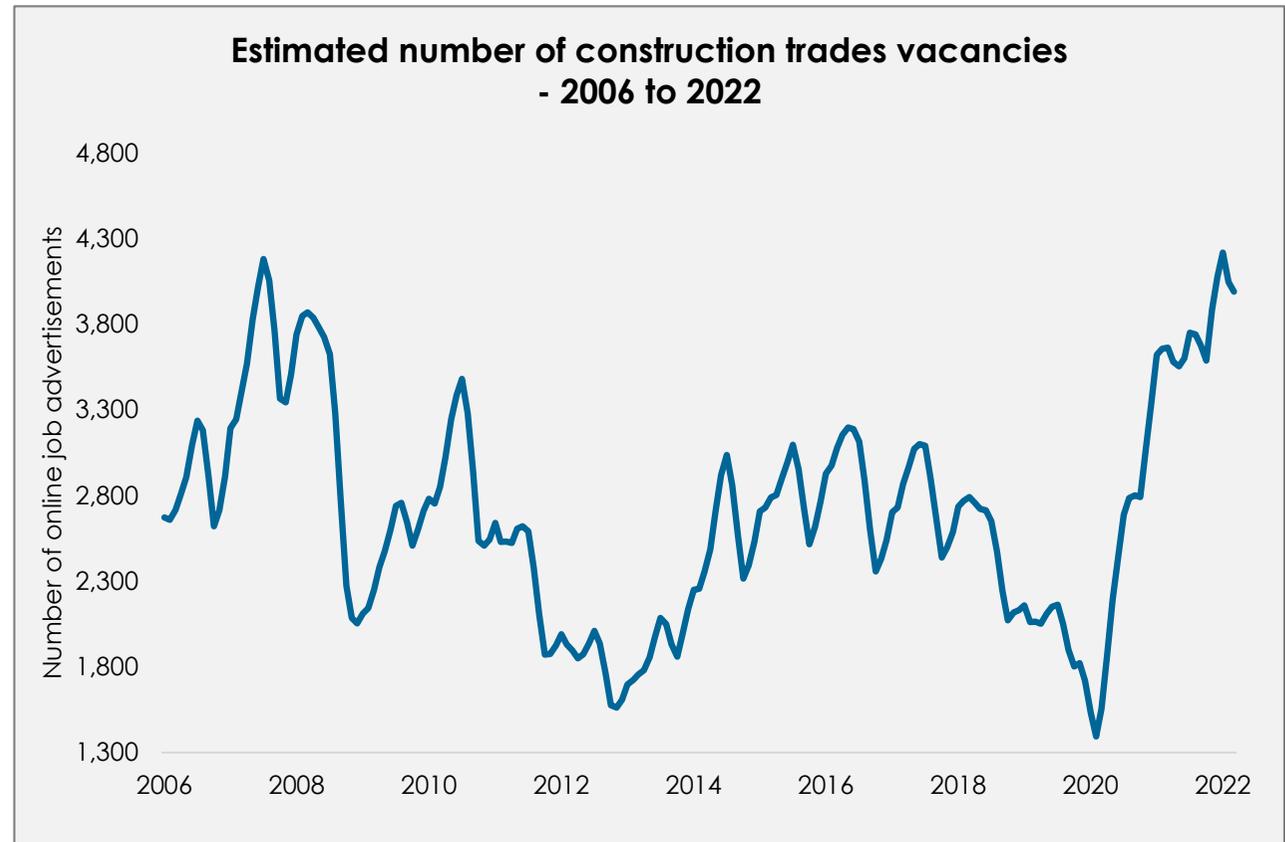
- Federal government to offer flexibility in its contractual dealings with building and construction companies whose operations have been hampered by cost spikes, labour shortages and other supply chain complications.
- Resources should be made available to federal government entities, including the ATO, in order to facilitate a sensitive approach to the recovery of debt from businesses experiencing difficulties in their operating environment.
- Over the longer term, the federal government should allow for the National Reconstruction Fund to be fully leveraged to help expand Australia’s onshore manufacturing and distribution capacity with respect to key building materials like timber, steel and modern manufacturing output.
- Consideration should be given to widening the jurisdiction of the Modern Manufacturing Strategy to include the building materials industry.



Source: Master Builders Australia analysis of ABS Producer Price Index

5.2. Supporting the construction workforce

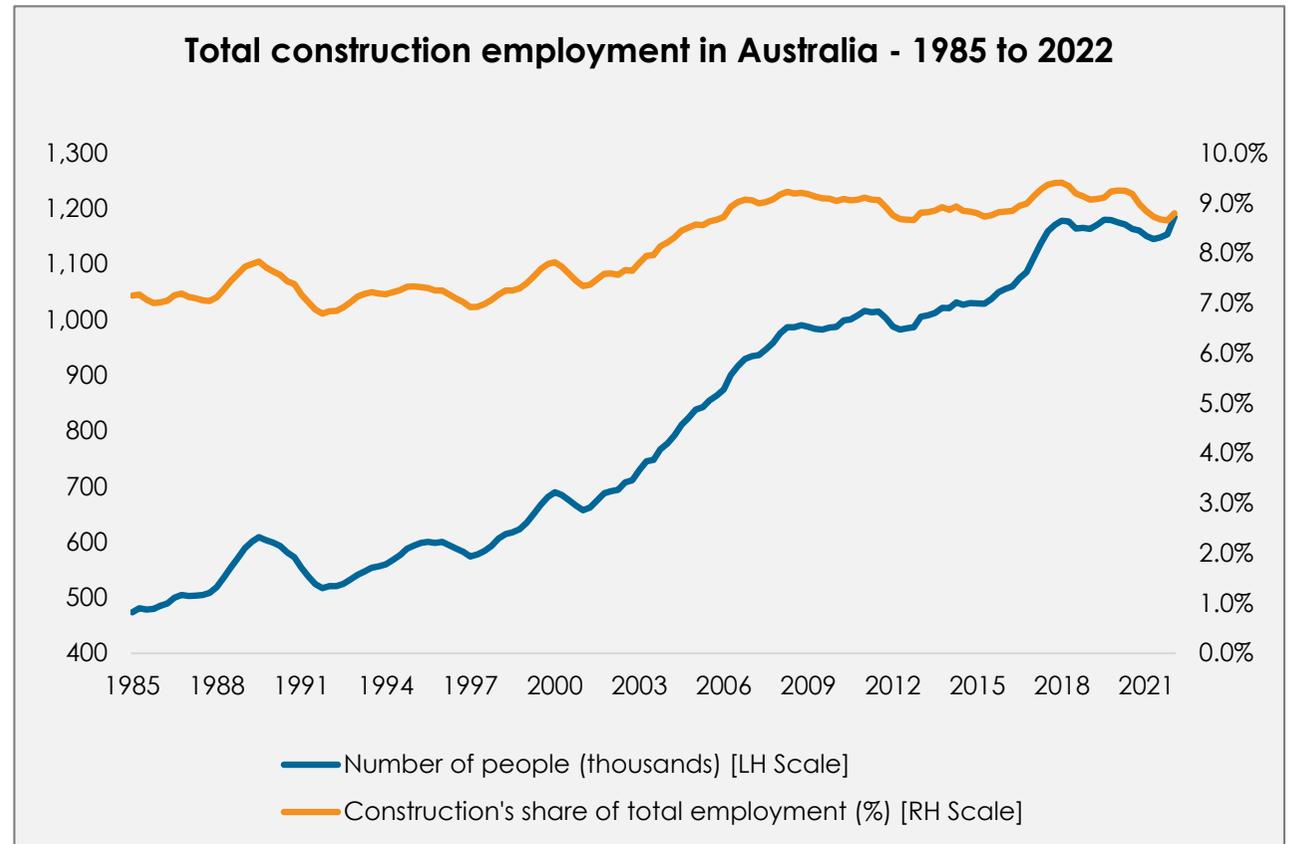
Across industries and skill levels the Australian workforce is experiencing critical shortages which are inhibiting economic recovery and productivity growth. There are a number of elements to these difficulties. We believe that the solution lies in boosting industry participation amongst underrepresented segments, enhancing training and increasing the intake of migrants from overseas to Australia.



Source: Master Builders Australia analysis of National Skills Commission Internet Vacancy Index

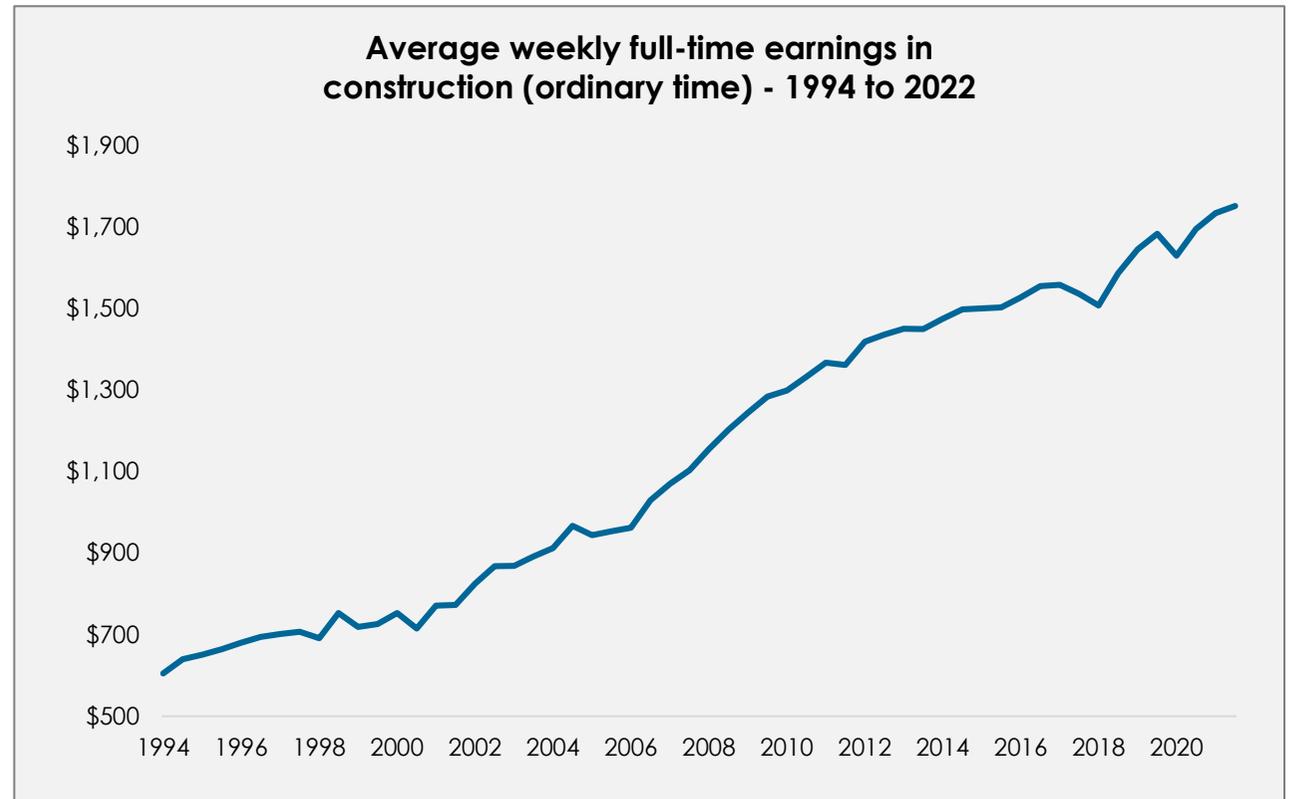
Overseas migration represents the single most important source of new members of Australia's labour force. At present, their entry to the market is being impeded by a range of circumstances including longer than necessary visa processing times, the restrictive nature of current occupational migration lists, excessively high English language requirements and a cap on the annual number of work visas which is simply too low to meet current needs.

The willingness of would-be migrants to come to Australia for work is strained by the exceptionally high visa fees they face as well as a lack of simplicity in the visa application process. As described later in this document, the difficult situation with respect to housing affordability in Australia's major cities and regional locations is also an obstacle to attracting the migrants we need from overseas.



Source: Master Builders Australia analysis of ABS Labour Force, Australia, Detailed

For the construction industry itself, achieving the training outcomes we need for new entrants is contingent on VET funding commitments being sufficiently large as well as the distribution framework being attuned to the goal of maximising value for money. Ensuring that our future construction workforce is large and productive enough to be able to deliver on our building and construction needs over the coming decades relies upon attracting and sustaining a steady flow of new apprentices to the industry each year. Perhaps the biggest problem of all is that a large share of the apprentices permanently exiting their training prematurely, often because immediate earning opportunities can be more attractive in other industries.

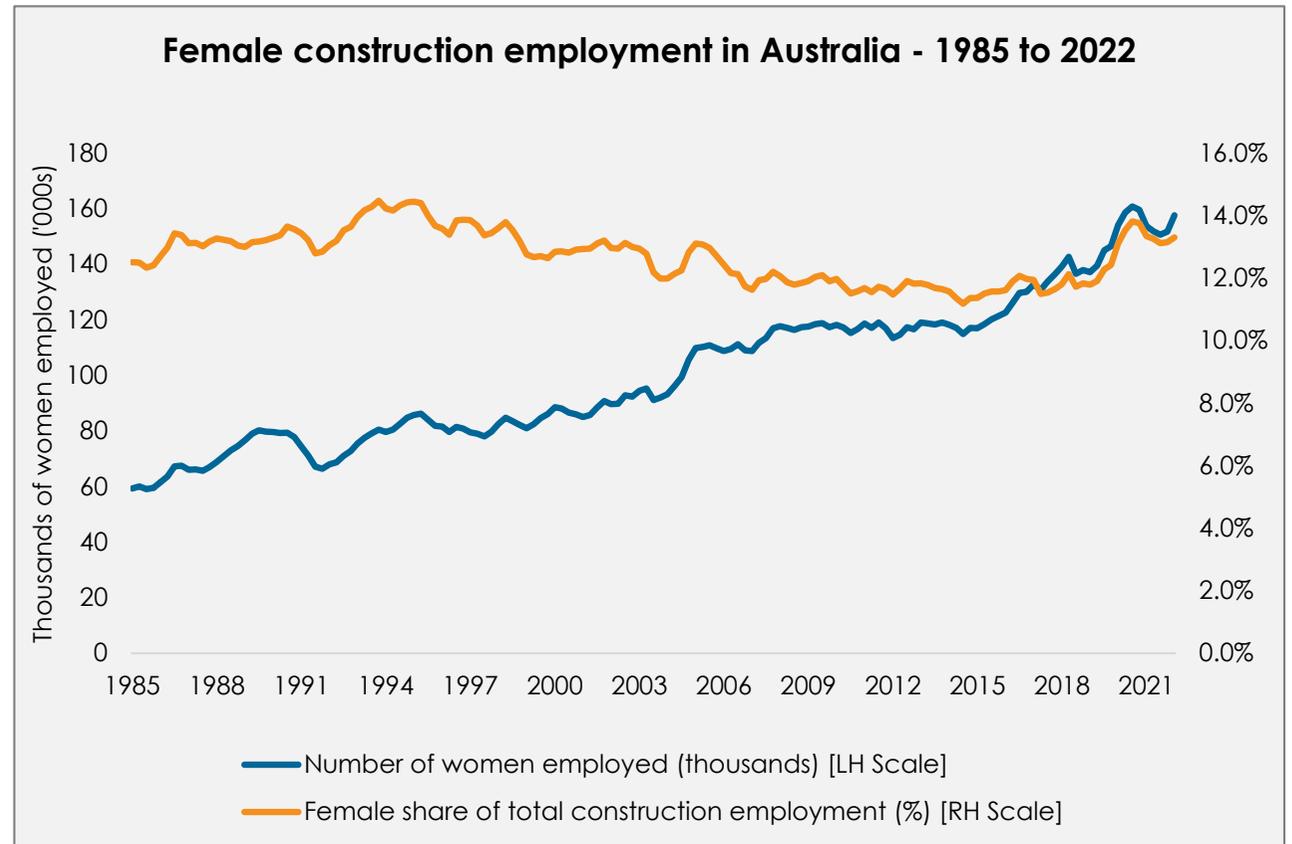


Source: Master Builders Australia analysis of ABS Average Weekly Earnings

With considerable numbers of older workers permanently retiring from the construction industry each week, the pressure to replace their decades of experience and upskilling is considerable. Over the next five years or so, it is likely that our industry will require around 470,000 new entrants in order to offset the effect of those permanently exiting the industry.

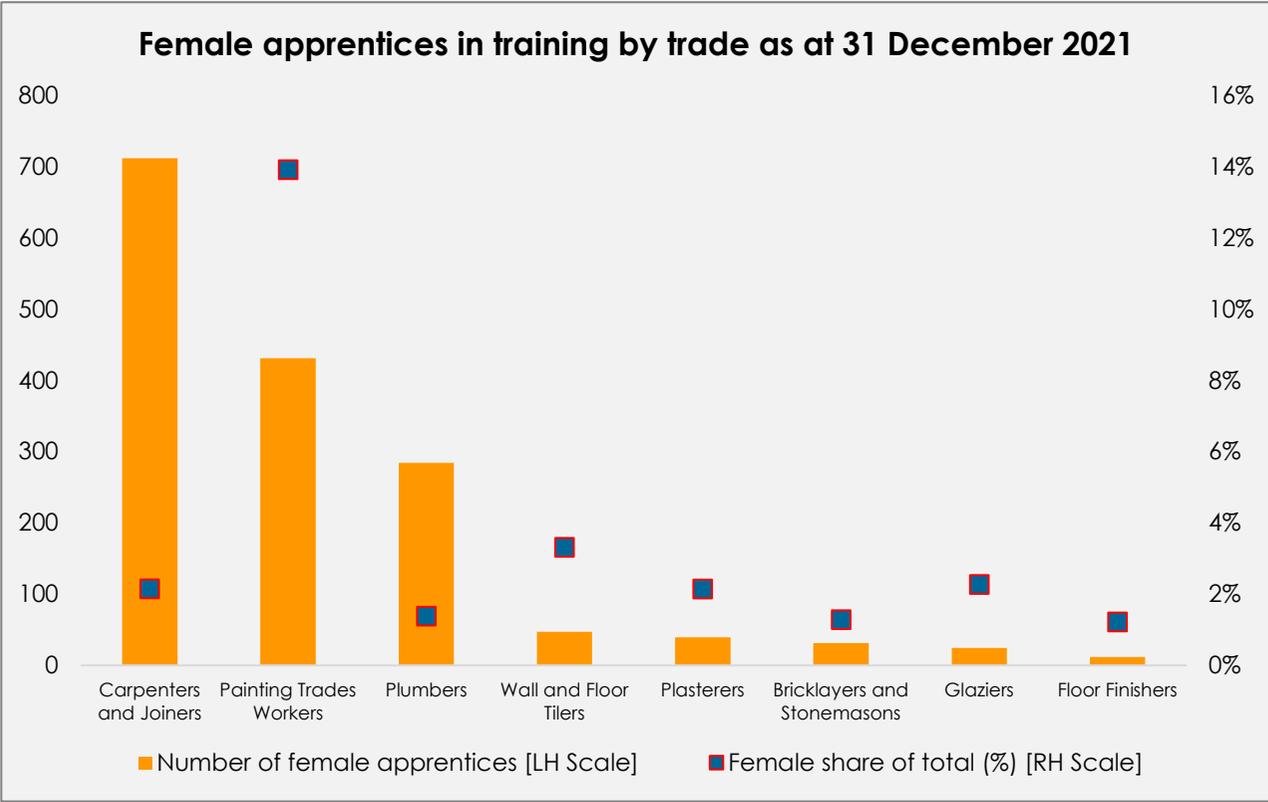
One of the great opportunities for Australia's construction workforce lies in enhancing its diversity and striving to increase participation rates amongst those currently underrepresented in our workforce. At present, women account for just 13 per cent of the construction industry's 1.19 million workers. Amongst construction trades workers, where shortages are most acute, women account for just 1.8 per cent of the headcount.

The Government's recent consultation on the design and implementation of the Australian Skills Guarantee sought feedback on potential targets for female participation across major government funded construction projects. As identified in our submission, targets applicable to a narrow sub-sector of the industry are more likely to see female workers poached from privately funded to publicly funded projects rather than increasing overall participation. Initiatives need to focus on growing the pool of female workers across the whole industry.



Source: Master Builders Australia analysis of ABS Average Weekly Earnings

Programs like Women Building Australia are working hard to improve female participation in construction trades occupations by dispelling some of the misconceptions around the nature of the work as well as through tackling the barriers faced by women wishing to pursue construction apprenticeships. As the chart below shows, female participation in some trades is becoming significant. However, in others it remains very low.



Source: Master Builders Australia analysis of ABS Average Weekly Earnings

**To address these challenges,
we recommend the following:**

- Funding a National Partnership Agreement on Quality Careers Education to improve the standard of careers education in secondary schools by ensuring that students have access to comprehensive, unbiased and up-to-date careers education.
- Developing an Apprentice Commencement and Retention Strategy to embed evidence-based learnings that will improve the consistency and outcomes of the Australian Apprenticeship System. The Strategy should assess the impact of government policy and program decisions on commencements and retention and draw on the findings of pilots and programs undertaken in recent decades.
- Tasking the National Careers Institute to lead a coordinated national campaign to dispel the myths and promote the value and potential of apprenticeship pathways to young people, their parents and advisers.
- Funding the development of a digital apprentice sign-up and onboarding platform to improve the efficiency of apprentice training contract execution and to free up Australian Apprenticeship Support Network resources to better support apprentices in the initial months of their journey thereby improving retention and completion rates.
- Leveraging the NCVET data to develop and publish VET quality indicators at the RTO level to enable prospective students, apprentices and employers to make informed decisions about their training pathway and training provider, to incentive RTOs to strive for excellence, and to inform decision making on funding for training delivery.
- Refocusing Australian Apprenticeship Incentive Payments to better achieve policy objectives.
 - Wage subsidies need to incentivise commencements and offset high supervisory costs in the first year. Wage subsidies currently spread across years one, two and three should be redirected and front-loaded to provide employers with a 30 per cent wage subsidy for first year apprentices.
 - Financial incentives for apprentices should target completion of the first year (when apprentices are most likely to drop out) and completion of the full apprenticeship. Financial incentives should be provided at six months, at 12 months and on final completion.
- Ensuring that implementation of the Australian Skills Guarantee does not impose unnecessary red tape on employers, does not duplicate reporting where state and territory arrangements already exist, and focuses on growing the total pool of under-represented workers (rather than implementing rigid targets that result in poaching).
- Continued funding for Women Building Australia to address the gender imbalance in the male-dominated construction industry by improving awareness of pathways, occupations and careers; supporting new female entrants into the industry; providing training and support to female-led businesses; and addressing unacceptable behaviour through education and a bullying and harassment hotline.
- Tasking the Department of Home Affairs, the Centre for Population, and Jobs and Skills Australia with developing a rolling ten-year migration plan to ensure migration levels are consistent with Australia's long-term needs.
- Increasing the permanent skilled visa cap to at least 200,000 in 2023-24 and 2024-25 with preference to employer sponsored visa applications to address acute workforce shortages and strengthen Australia's economic resilience.

- Simplifying the migration system by removing the requirement for labour market testing, reducing the proliferation of occupation lists, improving recognition of comparable international qualifications and pathways, and reviewing whether English language requirements are unnecessarily high.
- Expanding eligibility for the graduate visa and graduate visa extension to all AQF Certificate III and above qualifications to address acute workforce shortages and improve economic outcomes.
- Piloting an apprentice visa pathway for relevant occupations as a mechanism to address projected workforce shortages in occupations unable to attract sufficient numbers of Australians.
- Piloting a building and construction stream within the Pacific Australia Labour Mobility (PALM) Scheme to meet the government's commitment to improving opportunities for Pacific nationals in Australia and to assist Australian businesses and employers in delivering the Government's infrastructure pipeline.

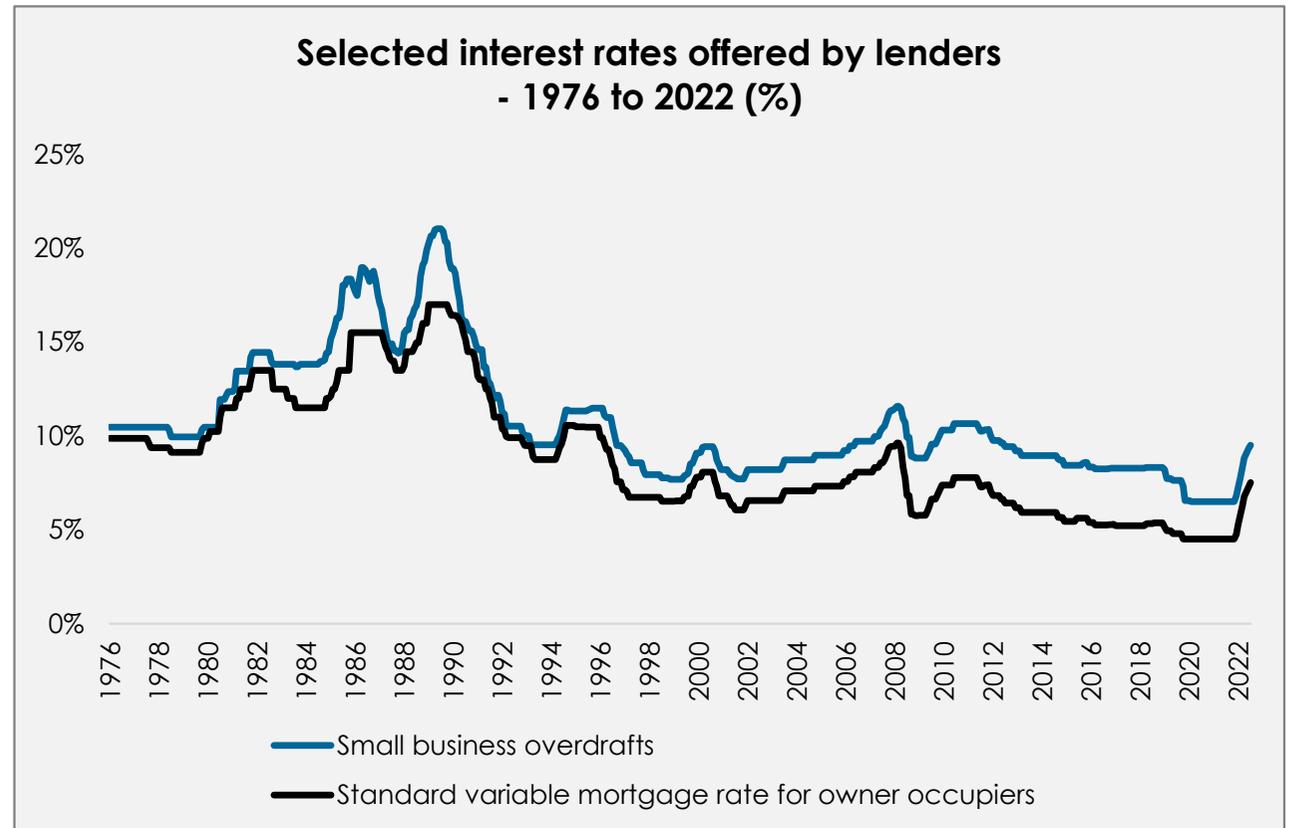


5.3. Delivering Australia's housing needs

Homeownership benefits Australian families and households by providing greater economic and social security. It also allows the roots of community building to be planted and deepened to the benefit of all. Not surprisingly, rates of home ownership have been drifting lower over time.

For individuals and families, housing costs typically absorb very substantial shares of household income. This means that conditions around housing affordability have major implications for living standards and quality of life. Unfavourable outcomes on the housing affordability front will also make it more difficult for Australia to attract the overseas workers we need over the decades ahead.

Struggles around housing affordability have persisted over many decades. These difficulties have arisen because the supply of homes has not been able to fully keep up with growth in housing demand. Achieving better housing affordability outcomes in the future means that changes need to be made to the way we do things.

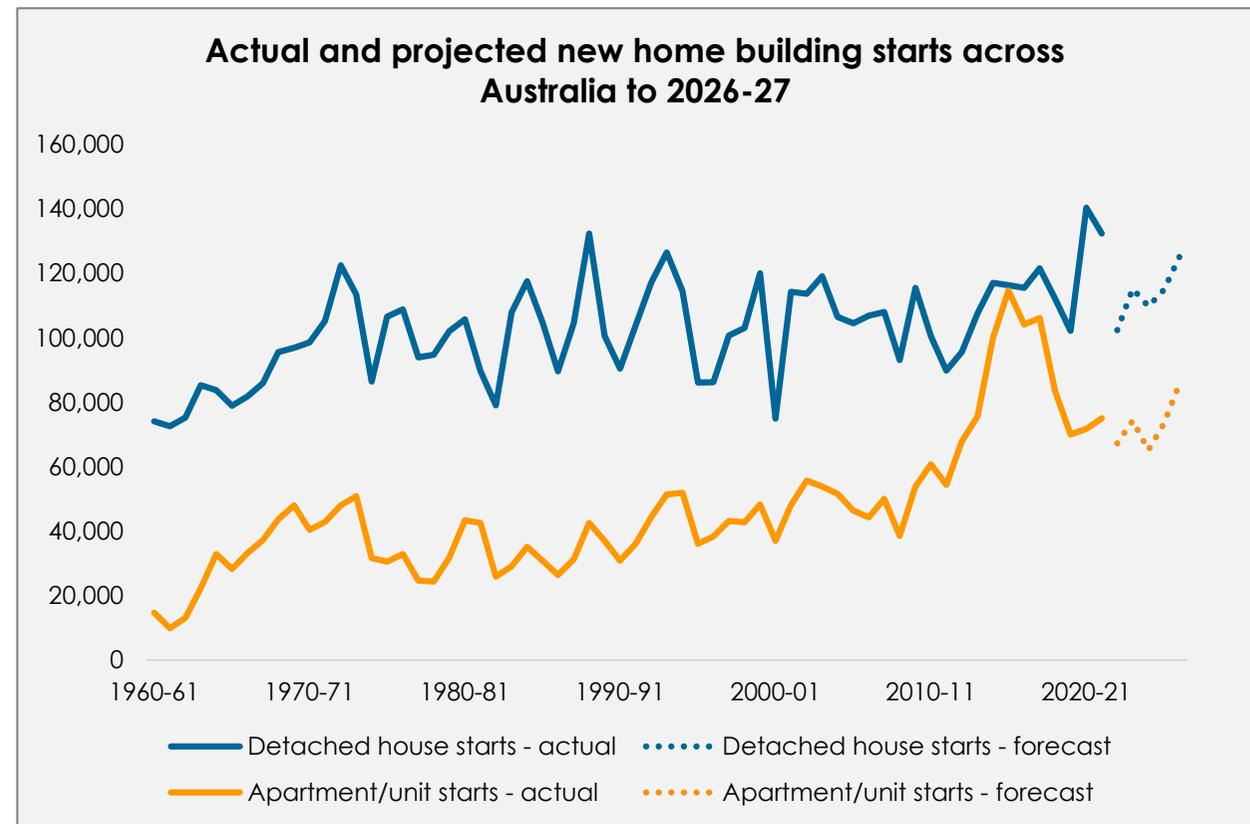


Source: Master Builders Australia analysis of Reserve Bank of Australia statistics

Right now, there are obstacles in place which are preventing many of the homes we need from getting built. The homes that do end up getting built are often delayed by the many barriers encountered on their journey to final completion, including unnecessary planning impediments and the lengthy approvals process. These factors, plus taxes suffered during the development and building process, substantially inflate the final cost. Heaped on top of all this are additional taxes paid by the buyer of new homes, like GST and stamp duties at the time of purchase. Taking all of this together, it is not difficult to see how homes end up being so much more expensive than they could be. The federal government has a major role to play in addressing all of the components that pump up the cost of new housing stock.

In some parts of regional Australia, economic progress is being obstructed by a lack of sufficient housing stock which limits the volume of migrant labour that can be absorbed into such markets. Migrant labour can be crucial for delivering major projects in regional Australia and the lack of adequate housing capacity can slow down or even prevent such projects from proceeding. One potential solution might be to ensure that there is a direct linkage between the size of new projects in regional areas and the volume of new housing stock which is delivered in tandem.

During 2022, the Productivity Commission (PC) published a report into the National Housing & Homelessness Agreement (NHHA) which sharpened



Source: Master Builders Australia forecasts; ABS Building Activity

the evidence around housing market interventions. As well as directly dealing with the NHHA, the Productivity Commission report made valuable recommendations around data collection, new housing supply and the performance of Australia's construction industry.

In its report, the Productivity Commission finds that restrictions on supply are damaging housing affordability and that addressing barriers to the supply of housing is the best way to increase the supply of rental properties and improve rental affordability.

Interestingly, the report concluded that more housing supply in any segment of the market can improve affordability for low-income households. In other words, building more new homes will generally lead to better housing affordability outcomes for lower income households, either directly or indirectly. IT was also found that pursuing reforms around housing supply would put downward pressure on rents.

In terms of infrastructure delivery, the Productivity Commission believes that better coordination across State and Territory government agencies and between governments can help to align infrastructure delivery with housing developments. The PC also believes that the funding of infrastructure is not always as efficient as it could be with local governments making little use of debt to fund the type of infrastructure that could address bottlenecks.

Payments to government in the form of Developer Contributions and Infrastructure Charges are sometimes used to fund the delivery of general government services rather than being dedicated solely for infrastructure creation. This practice makes it considerably more expensive to create new homes.

The Productivity Commission's report also recommended that State and Territory Governments should phase out assistance provided to first home buyers through grants and stamp duty concessions. While this is a view not shared by Master Builders, we do believe that such supports could be leveraged more effectively. For example, restricting first home

buyer grants and stamp duty concessions to the building or purchase of new homes would result in more new homes getting built and help address one of the root causes of deteriorating housing affordability.

Following on from its findings, the Productivity Commission outlined details of how things could be improved over the years ahead. Some of its most important recommendations were that

- Governments should commission an independent review into the construction industry's productivity with a focus on how reforms to existing regulation such as the National Construction Code (and others) could deliver a better productivity performance in the industry.
- All States and Territories should set housing targets and work with local governments to meet the targets, an ideal which has been incorporated into the new National Housing Accord.
- States and Territories should report annual progress against land supply targets. As part of this, they should set out how they estimate future demand for land, and report on the number and location of zoned and development-ready lots, disaggregated by infill/greenfield and permitted density.
- While zoning arrangements vary from place to place, the Productivity Commission suggests that local governments review zoning rules that allow only single detached houses; allow

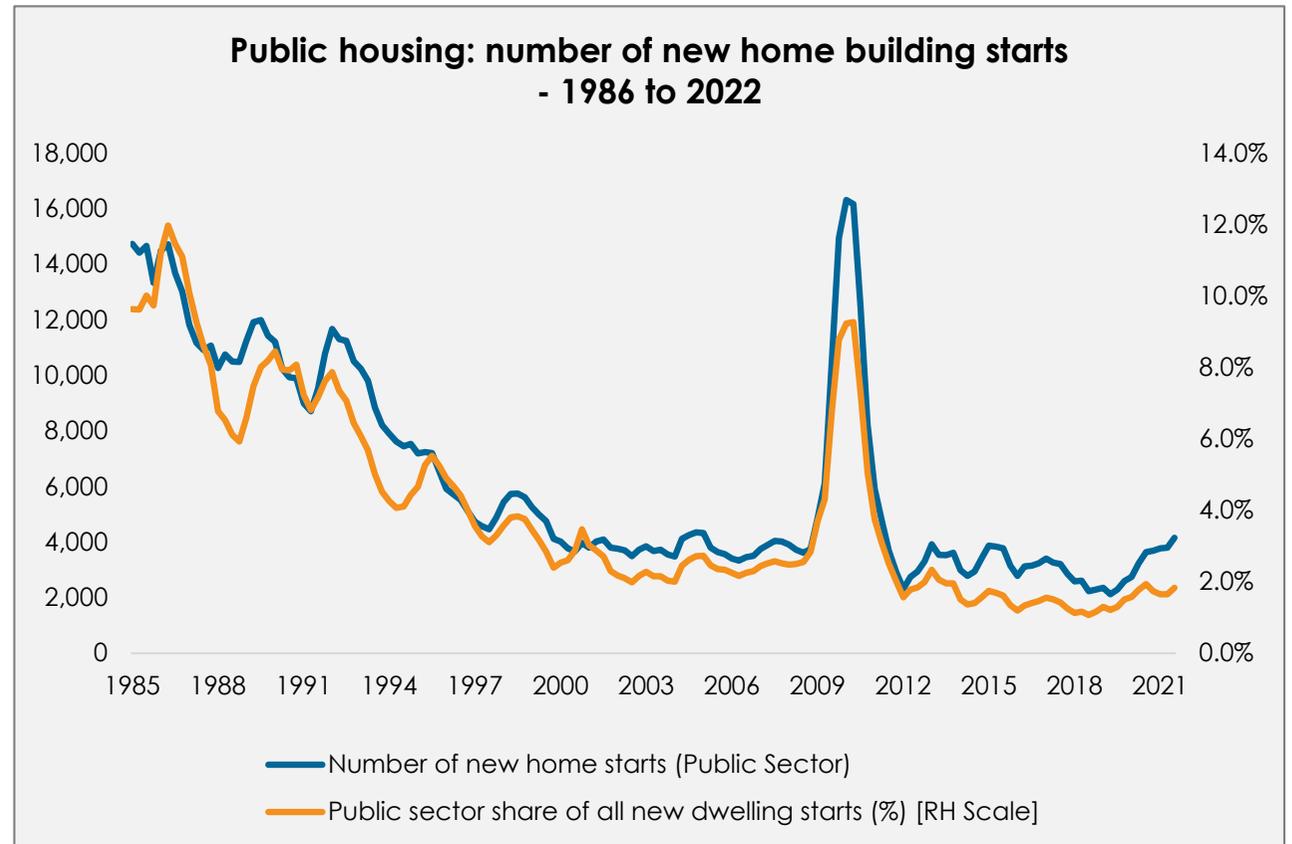
more dense development 'as of right' along key transport corridors, with height limits set up front; relax regulations limiting the use of secondary dwellings; relax minimum carpark requirements for developments where there is good access to public transport; and relax minimum floor sizes.

- State, Territory and local governments should revise their planning regulations to promote greater housing density and diversity.
- State and Territory Governments should improve the evidence base on the prevalence, nature and severity of building defects in their jurisdiction, including through better data collection and reporting.

In terms of the next version of the National Housing & Homelessness Agreement, the Productivity Commission also recommended that:

- Some requirements and references to building regulation should not be included in the next Agreement.
- Governments commit to rigorous, transparent assessment of the costs and benefits of regulatory and other reforms in the construction industry.
- The next Agreement should acknowledge the importance of housing supply as a solution to housing affordability and replace planning reforms with housing targets.

- The Australian, State and Territory Governments should ensure that the 2023-28 Data Improvement Plan (DIP) develops data for all performance indicators in the new performance monitoring and reporting framework.
- The DIP should also identify improvements to existing housing and homelessness datasets, develop new datasets to address gaps in the housing evidence base and identify opportunities to link data sets. The Australian and State and Territory Governments should ensure that the DIP is sufficiently funded to carry out this work.
- The importance of the construction industry in delivering more affordable, safer and sustainable housing be acknowledged more fully in the next Agreement.
- Construction market conditions be taken into account when designing and reporting on indicators and targets for the Agreement.
- Governments will explain how they will achieve balance for the trade-offs that will arise between affordability, safety and sustainably.
- Contain indicators related to the physical quality and characteristics of Australia's housing stock.



Source: Master Builders Australia analysis ABS Building Activity

We believe that the 2023-24 federal budget presents us with opportunities for improving the situation around housing supply and affordability settings. Accordingly, we make a number of proposals.

To address these challenges, we recommend the following:

- More Commonwealth land should be released for the development of housing. We urge the federal government to publish an inventory of its current land holdings and categorise it according to its suitability for future residential development.
- In future, financial payments from federal government to the states and territories should be linked to how much progress they achieve in boosting the supply of new housing. In particular, their performance with respect to planning reform, taxes and charges imposed on new home building, transparency, accountability and the improvement of data collection should be taken into account.
- The federal budget should also fast track the rollout of the Housing Australia Future Fund which is designed to create 30,000 new social and affordable homes over a 5-year period.
- The proposed redesignation of NHFIC as Housing Australia under whose remit the new National Housing Supply & Affordability Council offers considerable potential with respect to addressing the undersupply of new housing and consequent affordability problems. Spending allocations in the federal budget must support Housing Australia in tackling these issues as quickly and effectively as possible.
- Delivering an effective National Housing Plan that deals with the challenges in delivering affordable housing options for all Australians.
- Consideration should be given to measures to help expand the stock of new homes in regional areas so that migrant labour inflows can be accommodated more readily.
- Expand the size of Housing Future Fund capital investment from \$10 billion to \$20 billion.
- Introducing tax incentives to address the gap between risk and return for major institutional investors.
- Commit all levels of government to redirect one per cent of development taxes and charges to social and affordable housing.

5.4. Ensuring safe and productive workplaces

Industrial relations

The building and construction industry places a high priority on a safe and productive workplace relations environment. Harmonious, safe and productive workplaces are vital for a strong building industry, a thriving economy and more job opportunities.

Building and construction is a growing industry and will need even more workers over the next decade and the workplace relations system will be central to meeting these needs. This is why Master Builders supports policy that delivers safer and more productive workplaces.

Workplace relations will play a significant part in determining whether budget appropriations and initiatives succeed. The ramifications of an apparently small change to industrial relations laws are often frequently a magnitude that is underestimated and rarely anticipated. History demonstrates that initiatives proposed or adopted in other policy areas, regardless of merit, will work or fail only to the extent the industrial relations system allows.

Current reform agenda

Master Builders notes that the Government's industrial relations reform agenda is sizeable, ambitious and, once implemented, will represent significant systemic change. Despite stated

intentions, the building and construction industry holds significant reservations as to whether the direction of current reform will deliver any benefit to workplaces. There is an increasingly large number of reform steps that evidence the above view, including the abolition of the ABCC and the recent passage of the Secure Jobs, Better Pay Act

Abolition of the ABCC

The abolition of the ABCC and associated Code means that, for the first time since 2001, there will be no industry-specific body to regulate industrial relations and enforce compliance with workplace laws for building and construction workplaces. This will be a disaster for every single participant within the building and construction industry.

The reason Master Builders has always supported the need for the ABCC and sector-specific industrial relations laws is because they recognise and tackle the problems and conduct which is unique to the building and construction industry. As outlined hereunder, these problems are not new – they have existed for many decades and, while the ABCC has made inroads, they remain a regrettably common feature of the sector today.

In a general sense, the work of the ABCC to drive meaningful and lasting cultural change is not yet done. Its abolition will undoubtedly deliver a range of adverse outcomes for an industry that plays such an important role in, and contribution to, the overall economy.

The broader community also stands to suffer. A key benefit of the ABCC is that it ensures that projects funded directly or indirectly by the Commonwealth are delivered in a way that ensures taxpayers receive value for money and the community can enjoy much needed public infrastructure, such as roads, schools and hospitals. This benefit will be lost.

This cost to the community will be significant. Master Builders commissioned Ernst and Young ('EY') to undertake an analysis of the economic impacts were the ABCC to be abolished. EY's modelling found that in the context of building Australia's economic recovery from COVID-19 and acute supply-side pressures currently facing the industry, abolishing the ABCC could lead to significant economic losses including:

- A fall in the output of the construction sector of around \$18.4 billion by 2025 and \$35.4 billion by 2030;
- A decline in overall economic activity of \$16.3 billion by 2025 and \$47.5 billion by 2030;
- A fall in manufacturing output of \$4.8 billion by 2025 and \$13.1 billion by 2030;
- A decline in services output of \$5.9 billion by 2025 and \$19.5 billion by 2030;
- A fall in economic investment of \$24.7 billion by 2025 and by \$45.6 billion by 2030.



While Master Builders submits that the economic self-harm and community cost of abolishing the ABCC is clear. In addition, the evidence shows that the ABCC is not 'anti-union' and is in actually 'anti-lawbreaking'. The fact that one building union has been for decades the most common perpetrator of breaches of Australian workplace laws, not only in building and construction but throughout all sectors, demonstrates that the ABCC only does exactly what its underpinning legislation requires it to do – to uphold compliance with workplace laws and to prosecute breaches of those laws amongst participants in the industry.

Even when narrowed to only those unions which operate in building and construction, the evidence shows again that one specific building union is responsible for around 97 percent of the total \$17,206,523.00 in penalties handed to unions by Courts in judgements involving ABCC matters since 2016. Penalties given to other unions over the same period total \$584,000 – a total lower than amount awarded against building and construction employers.

To be clear, the need for the ABCC and industry specific industrial laws is not a source of pride for Master Builders or anyone in the building and construction industry. We suggest that all building industry participants would prefer to be covered by the same laws that cover other industries and other unions – but the reality is that construction sites are not like normal workplaces and building unions are not like normal unions – and this requires specialist laws and regulators to enforce them.

The sources of evidence that describe the conduct and history of building unions in, and impact on the culture of, the building and construction industry is vast. One of the most recent was the Final Report of the Heydon Royal Commission which devoted some 1160 pages to the building and construction sector alone.

Of the five volumes in the Final Report, almost one and a half volumes were specific to the building and construction sector and the conduct of the CFMEU. In respect of this conduct, the Royal Commissioner summarised:

“The conduct that has emerged discloses systemic corruption and unlawful conduct, including corrupt payments, physical and verbal violence, threats, intimidation, abuse of right of entry permits, secondary boycotts, breaches of fiduciary duty and contempt of court.”

Then further observed:

“The issues identified are not new. The same issues have been identified in reports of three separate Royal Commissions conducted over the past 40 years: the Winneke Royal Commission in 1982, the Gyles Royal Commission in 1992 and the Cole Royal Commission in 2003.”

And later:

“The continuing corruption and lawlessness that has been revealed during the Commission suggests a need to revisit, once again, the regulation of the building and construction industry.”

Insofar as the need for an industry specific regulator, the Heydon Royal Commission observed:

“One consideration which supports the need for an industry specific regulator is the high level of unlawful conduct in the industry. This is demonstrated by Appendix A to this Chapter. The sustained and entrenched disregard for both industrial and criminal laws shown by the country’s largest construction union further supports the need. Given the high level of unlawful activity within the building and construction sector, it is desirable to have a regulator tasked solely with enforcing the law within that sector.”

And later:

“Having regard to all of the available material, the argument that there is no need for an industry specific regulator cannot be sustained”.

It was also observed:

“Specialised treatment of a particular industry is not a novel concept: different areas of the financial services industry, for example, are subject to specialised laws and the supervision of a specialised regulator. Many professions are, likewise, subject to specialised laws that govern the manner in which their work is undertaken. It is not necessary to demonstrate in detail the public interest in that state of affairs. In the case of the building and construction industry, the justifications for special treatment have already been advanced”.

The Heydon Royal Commission recommended as follows:

“There should continue to be a building and construction industry regulator, separate from the Office of the Fair Work Ombudsman, with the role of investigating and enforcing the Fair Work Act 2009 (Cth) and other relevant industrial laws in connection with building industry participants.”

The above findings were made following broader commentary about the building industry, and particularly the CFMEU. They complimented observations from earlier commentary in the Interim Report which made the following observations about the CFMEU:

“The evidence in relation to the CFMEU case studies indicates that a number of CFMEU officials seek to conduct their affairs with a deliberate disregard for the rule of law. That evidence is suggestive of the existence of a pervasive and unhealthy culture within the CFMEU, under which:

- (a) the law is to be deliberately evaded, or crashed through as an irrelevance, where it stands in the way of achieving the objectives of particular officials;*
- (b) officials prefer to lie rather than reveal the truth and betray the union;*
- (c) the reputations of those who speak out about union wrongdoing become the subjects of baseless slurs and vilification.”*

Noting that additional case studies were undertaken by the Commission subsequent to the Interim Report, it was found that:

“The case studies considered in this Report only reinforce those conclusions”

And:

“The evidence has revealed possible criminal offences by the CFMEU or its officers against numerous provisions of numerous statutes including the Criminal Code (Cth), the Crimes Act 1900 (NSW), the Crimes Act 1958 (Vic), the Criminal Code 1899 (Qld), the Criminal Law Consolidation Act 1935 (SA), the Corporations Act 2001 (Cth), the Charitable Fundraising Act 1991 (NSW) and the Competition Policy Reform (Victoria) Act 1995 (Vic)”

Further:

“The conduct identified in the Commission is not an isolated occurrence. As the list in the previous paragraph reveals, it involves potential criminal offences against numerous laws. It involves senior officials of different branches across Australia.”

And:

“Nor is the conduct revealed in the Commission’s hearing unrepresentative”

Of the seventy-nine recommendations made for law reform in the Final Report, seven were specific to the building and construction sector. These recommendations largely went to addressing the conduct displayed by building unions.

With respect to the CFMEU, the Heydon Royal Commission found that it is home to “longstanding malignancy or disease” within the CFMEU and that lawlessness within the union was commonplace, with over 100 adverse court findings against the union since 2000. The report considered this history and found that:

“It points to both repeated unlawful conduct in the building and construction industry, and by the CFMEU in particular.”

Views akin to the above finding are regularly canvassed during court proceedings and have been the subject of much judicial commentary. A selection of this commentary follows:

“The union has not displayed any contrition or remorse for its conduct. The contravention is serious... Substantial penalties for misconduct, prior to that presently under consideration, have not caused the CFMEU to desist from similar unlawful conduct.”

(Tracey J, 21 November 2013, *Cozadinos v Construction, Forestry, Mining and Energy Union* [2013] FCA 1243)

“The circumstances of these cases ... nonetheless, bespeak a deplorable attitude, on the part of the CFMEU, to its legal obligations and the statutory processes which govern relations between unions and employers in this country. This ongoing willingness to engage in contravening conduct must weigh heavily when the need for both specific and general deterrence is brought to account.”

(Tracey J, 1 May 2015, *Director of the Fair Work Building Industry Inspectorate v Construction, Forestry, Mining and Energy Union (No 2)* [2015] FCA 407)

“There is clearly, as other judges have recorded, a strong record of noncompliance on the part of the Union through its officers with provisions of industrial relations legislation, although that does not mean that a disproportionate penalty can or should be imposed. I note that significant past penalties have not caused the Union to alter its apparent attitude to compliance with the entry provisions and restrictions under the FW Act.”

(Mansfield J, 14 August 2015, *Director of the Fair Work Building Industry Inspectorate v Construction, Forestry, Mining and Energy Union (No 3)* [2015] FCA 845)

“The conduct has in common features of abuse of industrial power and the use of whatever means the individuals involved considered likely to achieve outcomes favourable to the interests of the CFMEU. The conduct occurs so regularly, in situations with the same kinds of features, that the only available inference is that there is a conscious and deliberate strategy employed by the CFMEU and its officers to engage in disruptive, threatening and abusive behaviour towards employers without regard to the lawfulness of that action, and impervious to the prospect of prosecution and penalties.”

(Mortimer J, 13 May 2016, *Director of the Fair Work Building Industry Inspectorate v Construction, Forestry, Mining and Energy Union (No 2)* [2016] FCA 436)

“In the period between 1 January 1999 and 31 March 2014, the CFMEU itself or through its officials had been dealt with for 17 contraventions of s 500 or its counterparts in earlier legislation, and for 194 contraventions of s 348 of the FW Act or other provisions proscribing forms of coercive conduct.”

(White J, 22 April 2016, *Director of the Fair Work Building Industry Inspectorate v O'Connor* [2016] FCA 415)

“The schedule paints, one would have to say, a depressing picture. But it is more than that. I am bound to say that the conduct referred to in the schedule bespeaks an organisational culture in which contraventions of the law have become normalised.”

(Jessup J, 4 November 2015, Director of the Fair Work Building Industry Inspectorate v Construction, Forestry, Mining and Energy Union (The Mitcham Rail Case) [2015] FCA 1173)

“...the litany of contraventions...[and] the many prior contraventions of relevant statutory proscriptions by the Union...indicating a propensity, on the part of the Union, to engage in proscribed conduct.”

(Goldberg, Jacobson and Tracey JJ, 10 September 2009, Draffin v CFMEU & Ors [2009] FCAFC 120; (2009) 189 IR 145)

“...the history tends to suggest that the Union has, with respect to anti-coercion and similar provisions of industrial laws, what the High Court in Veen described as ‘a continuing attitude of disobedience of the law’...”

(Jessup J, 29 May 2009, Williams v Construction, Forestry, Mining and Energy Union (No 2) [2009] FCA 548; (2009) 182 IR 327)

“There is ample evidence of significant contravention by the CFMEU and its ideological fellow travellers. The CFMEU, as a holistic organisation, has an extensive history of contraventions dating back to at least 1999. The only reasonable conclusion to be drawn is that the organisation either does not understand or does not care for the legal restrictions on industrial activity imposed by the legislature and the courts.”

(Burnett J, 28 February 2014, Director, Fair Work Building Industry Inspectorate v Myles & Ors [2014] FCCA 1429)

“The union has not displayed any contrition or remorse for its conduct. The contravention is serious... Substantial penalties for misconduct, prior to that presently under consideration, have not caused the CFMEU to desist from similar unlawful conduct.”

(Tracey J, 21 November 2013, Cozadinos v Construction, Forestry, Mining and Energy Union [2013] FCA 1243)

“The overwhelming inference is that the CFMEU, not for the first time, decided that its wishes should prevail over the interests of the companies and that this end justified the means.”

(Tracey J, 17 March 2015, Director of the Fair Work Building Industry Inspectorate v Construction, Forestry, Mining and Energy Union [2015] FCA 226)

“The CFMEU is to be regarded as a recidivist rather than as a first offender.”

(Tracey J, 17 March 2015, Director of the Fair Work Building Industry Inspectorate v Construction, Forestry, Mining and Energy Union [2015] FCA 226)

“The record indicates an attitude of indifference by the CFMEU to compliance with the requirements of the legislation regarding the exercise of rights of entry.”

(White J, 23 December 2014, Director of the Fair Work Building Industry Inspectorate v Stephenson [2014] FCA 1432)

“...the pattern of repeated defiance of court orders by the CFMEU revealed by those four cases is very troubling.”

(Cavanough J, 31 March 2014, Grocon & Ors v Construction, Forestry, Mining and Energy Union & Ors (No 2) [2014] VSC 134)

The above selection is just a very small sample from the array of evidence to which we earlier referred.

Master Builders opposed the transfer of powers from the ABCC to the FWO because, in simple terms the FWO will not be anywhere near as effective as the ABCC in discharging this vital role. This is because the FWO does not have the same powers and overall core function as the ABCC.

The ABCC has a range of powers carefully designed to target the types of illegal conduct that are a feature of building and construction. These include additional powers to gather evidence which are mostly used to protect individuals providing that evidence from retribution and threats. The FWO does not have these powers.

The ABCC has a role to intervene in permit-qualification matters that are heard before the FWC and provides very important evidence to assist the Commission determine disputes and proceedings involving right of entry laws and compliance by permit holders. The FWO does not have this role.

The ABCC is obliged at law to take action and bring prosecutions against industry participants who break the law, including by providing representation to industry participants where relevant. The FWO does not provide this representation and its compliance policy is discretionary.

The ABCC is obliged at law to ensure its resources are deployed and functions are focussed commensurate with the level and type of inquiry received. The FWO does not have this obligation.

Any notion or assertion that the FWO could ever take over the work of the ABCC or be an equivalent or effective regulator for building and construction is completely false. The reality is that for the first time in decades, the entire building and construction industry has been left without any industry-specific protections or laws and left without any industry specific regulator to enforce those laws.

The abolition of the ABCC represented one of most significant setbacks for building and construction workplaces and industrial relations in Australia that Master Builders has ever witnessed. It will undoubtedly increase industry disputation, reduce worksite productivity, and make it harder for workplaces to implement lawful arrangements that suit their own business and needs.



**To address these challenges,
we recommend the following:**

- Restore the ABCC and ensure ongoing resources. Master Builders submits that the Government should reverse its decision to abolish the ABCC and restore this agency and underpinning legislative regime as a matter of urgency.
Building work is contractor based, making the building and construction industry uniquely susceptible to disruption and pressures. It has fostered a culture that doesn't exist in other sectors which have plagued the industry for decades.
Master Builders understands the principle that workplace laws shouldn't be different by sector. But the reality is different, and until the industry-specific problems and culture are addressed, there is no option but to have industry-specific workplace rules and oversight. It is not uncommon for Government to implement industry or occupation-specific rules and regulations to fix sector-specific problems. For example, the current Fair Work Act contains very different rules for outworkers in the textile, clothing, and footwear sectors.
The cost to Government to restore the ABCC would be \$88m per year across the forward estimates period.
- ABCC Abolition – Detailed Examination of Impact on Building and Construction. Master Builders submits Government must conduct a detailed examination of the impacts arising from its decision to abolish the ABCC on the building and construction industry. This review should be separate and distinct from the planned statutory review of the Secure Jobs, Better Pay Act and be conducted by an independent chair.
The review should enable persons to provide evidence and information in a manner that prevents them from being subject to any recrimination or adverse consequence as a result of contributing to the review. The review should include an assessment of the additional costs to taxpayers associated with delivering Government funded infrastructure in an environment without industry-specific industrial relations laws and a dedicated regulator.
Master Builders estimates that \$2m should be set aside comprehensive and independent review.
- FWO – Additional Resourcing for a Dedicated Building and Construction Division. In the absence of restoring the ABCC, Government should establish a dedicated Building and Construction Division within the Office of the Fair Work Ombudsman. Additional resources should be made available to this Division for training, field work, pro-active site visits and a rapid-response team.
Master Builders estimates that a minimum of \$20m per year be allocated across the forward estimates for this purpose.

Secure Jobs, Better Pay Act

The changes in this Act were not supported by Master Builders and are contrary to the aims of this Paper. While there are some common areas within current workplace laws about which the need for improvement is generally agreed, such as enterprise bargaining, the provisions of the Act are not solutions and will, in many respects, make enterprise bargaining even less attractive than the evidence confirms it has already become.

The building and construction industry does not operate in an economic silo. We depend on many other industries and parts of the economy and any adverse consequences the new Act imposes on them will also flow through to, and impact adversely, building and construction. Builders are concerned that the Act has capacity to result in adverse impacts to national economic prosperity and future job creation.

Specifically:

- Industry-wide bargaining is a retrograde step and Master Builders opposed all parts of the Act that expand or create multi-employer bargaining streams. There is no doubt that these elements of the Bill will see a return to industry-wide pattern deals and entrench sector-wide strike action that will be damaging to workplaces and the broader Australian economy.
- The Act also removed the ‘enterprise’ from ‘enterprise bargaining’ and was strongly opposed in this area. Master Builders believes that workplace laws must encourage workplaces to drive productivity and foster innovation at the individual enterprise level. The Act does the exact opposite and will significantly undermine the capacity for building and construction workplaces to negotiate, agree and implement workplace arrangements that suits their specific needs. The will entrench and actively encourage a ‘one size fits all’ approach to the detriment of individual enterprises and workplaces.
- The Act also removed the ‘agreement’ from ‘enterprise agreements’. Master Builders has long supported workplace laws that provide a comprehensive and strong safety net of minimum employment conditions, above which workplaces may negotiate and bargain for a collective set of workplace specific arrangements that are reached in good faith and genuinely agreed by all parties. The Act gave the Fair Work Commission unprecedented power to reach into this process and make workplace determinations where the parties cannot agree. This will not only discourage meaningful and genuine discussions at the workplace, but will likely see workplaces being forced to adopt an ‘agreement’ that is not actually agreed by that workplace and has been determined by a third party who is not part of that workplace. Such changes effectively remove the ‘agreement’ aspect from ‘enterprise agreements’ and were opposed by Master Builders.

- The Act gave unions a greater say over workers terms and conditions than are available to those actual workers to whom the conditions apply. Master Builders has long believed that workplace laws should recognise and respect that workers and employers are the primary and most important parts of any employment relationship, and we oppose changes that would give unions more rights than available to everyday workers. Master Builders supports the right for workers to be represented by a union if requested by members, however only 10 per cent of the building and construction workforce are union members. That leaves around 90 per cent of a 1.1+ million workforce who have chosen to not join a union. The rights of this overwhelming majority cannot be subservient to those of a small majority.
- The Act left non-union and single enterprise agreements stuck in the slow-lane and mired in red tape. While it was said by Government that some changes under the Act were made to reduce the complex and technical aspects currently faced by parties when seeking to have agreements approved, many of these only apply to agreements

made under the multi-enterprise bargaining streams or are not applicable to single enterprise agreements. This will mean those making single enterprise or non-union agreements will face many of the same complexities and barriers that feature in the current law and are universally agreed to be a significant disincentive to workplace bargaining. The message this sends to workplaces is that unless a union is involved, workers don't know what is good for themselves, nor can they be trusted to negotiate and implement workplace arrangements that suit their needs. This is the wrong message and is not supported by Master Builders.

- The Act restored the system focus to arbitration which ignores the importance of encouraging workplaces to resolve their problems. It significantly increased powers available to bodies and persons who are not direct parties to an employment relationship, and expanded the arbitration powers of the Fair Work Commission. Master Builders, as a general principle, believes that Australian workplace laws should always focus on encouraging employers and employees to discuss concerns and resolve disputes at the workplace level. The Act is contrary to that approach.

Key elements for future workplace reform

Although Master Builders continues to press for industry-specific workplace laws enforced by a dedicated industry regulator, the existing Government agenda is sizeable and the immediate focus should be on ensuring changes arising are practicable, and capable of compliance at the workplace level, especially for small businesses which make up over 98 per cent of the employers in our sector.

Safer and more productive workplaces can be achieved without adding to the existing level of complexity and compliance. A common sense, practical approach is needed. The focus must be on the quality, rather than the quantity, of legislation and regulation.

It is important that we have a safety net of minimum conditions for workers enshrined in law. But these must be balanced so that workers and employers have equal rights, encourage job creation, and are clear and simple to understand.

Core workplace reform principles

Master Builders submits that all future workplace reform must:

- a) *Avoid unnecessary restrictions on the way people work, including the right to be an independent contractor and for employer and employees to implement work arrangements that suit their needs – not the needs and unreasonable demands of unions.*
- b) *Preserve freedom of association laws and avoids any change that gives unions more say or more rights than ordinary everyday workers, and make sure right of entry rules are strengthened and properly enforced.*
- c) *Recognise the needs of small business and encourage them to take on new workers.*
- d) *Improve bargaining laws to better help workers and business quickly and effectively put in place arrangements without ineffective red-tape and lengthy delays.*
- e) *Ensure that organisations of employers and employees are transparent, accountable and play by the rules.*
- f) *Stop the growing creep that blurs the line between industrial relations law and other laws, such as safety law.*
- g) *Reflect that employers and employees are the two most important parts of an employment relationship. The role of third parties should only exist where necessary or invited and must never take precedence over the wishes of employees and employers.*
- h) *Be fair and simple so as to reduce disputation and enhance compliance.*
- i) *Enhance and preserve the right of employers to fairly manage their own business*
- j) *Include appropriate and effective consequences for those who breach them.*
- k) *Recognise registered organisations and their place in Australia's industrial relations system. Equally, employees and employers' representatives must recognise that in accepting these statutorily granted privileges, this requires them to meet nominated obligations including accountability and transparency.*
- l) *Always have regard to the public interest in terms of their intent and application.*
- m) *Promote the effective operation of competitive market forces and fair competition.*
- n) *Preserve and strengthen fundamental economic principles that underpin a free, stable and productive economy.*
- o) *Support business, reduce red-tape, encourage growth, support innovation and reward hard-work and entrepreneurship.*
- p) *Facilitate the need to ensure taxpayer's money is spent wisely ensuring much needed community infrastructure is delivered on time, and on budget.*
- q) *Be implemented only after maximum consultation and engagement with industry to give policies the best chance of working successfully and effectively.*
- r) *Avoid the temptation of being based on 'good intentions' or wishing to 'be seen to do something' and instead return to an objective focus based on 'good evidence' where extra laws and regulations are made only if necessary and are not there simply to keep government workers in a job. Knee-jerk policy designed for good headlines or PR is always bad policy and must be avoided.*

Workplace health & safety

Ensuring workplaces are safe and productive is the number one consideration for Master Builders and our 33,000 members. As the building and construction industry is a significant part of the economy and community and is forecast to grow larger over the coming decade, making safe workplaces a key element for our future success as an industry. Safety outcomes in the BCI have consistently improved over the last 20 years, with fatality and serious incident data trending downwards. However, there is more work to do and the BCI retains the definition of 'priority industry' by Safe Work Australia (SWA).

Government must ensure that WHS law and policy is:

- be clear, consistent and encourage compliance;
- drive meaningful and tangible industry safety outcomes;
- ensure safety is always a shared responsibility;
- assist workplaces in a practical, real-world and pragmatic way and avoid unnecessary 'tick-a-box' compliance; and
- remain flexible and give individual workplaces capacity to accommodate various industry conditions and work processes.

Clear and consistent laws, with a focus on safety outcomes not safety checklists.

WHS systems and law in Australia are performance and outcome-based regimes which are now universally accepted as far more effective than prescriptive or inflexible regimes. Master Builders is concerned to ensure that the WHS framework retains this approach as workplaces should be able to choose the most effective and practicable course to address safety, particularly given the nature of work performed in the BCI.

Previous iterations of WHS laws that were overly prescriptive simply did not work. They assumed a 'one size fits all' approach where the focus was on compliance and process – and less on risk and hazard elimination - all at the expense of practical safety outcomes. While the existing framework, on the whole, represents a reasonable balance between prescription and flexibility, there is an increasing tendency to re-embrace prescriptive approaches and impose a range of administrative and reporting obligations.

Master Builders are increasingly concerned by the growing divergence from the Model WHS framework, with governments in several jurisdictions making fundamental changes that make safety laws very different around Australia. Nationally consistent WHS regulation is essential in improving safety outcomes and assisting businesses operating across multiple jurisdictions.

Government must:

- Ensure that any changes to the law do not detract from work to improve workplace safety in a meaningful way;
- Take action to ensure that safety laws, obligations, enforcement and compliance are consistent throughout Australia by requiring members of Safe Work Australia to adopt its outcomes, as a condition of membership;
- Not implement any law or change unless satisfied that it is accompanied by materials giving workplaces, especially small businesses, clear and simple tools to ensure WHS compliance, including where to look, what to do, and the standing/status of various information/guidance sources; and
- Increase focus on the need to ensure all WHS requirements, obligations and enforcement processes are realistic, clear, expressed simply and practicable.



Review safe work Australia structure and operation

The structure and operation of SWA should be the subject of an independent review. In particular, attention must be given to the agreement that underpins the operation of SWA to ensure that it appropriately reflects the need for harmonised safety laws that are applied consistently throughout all jurisdictions.

A system that is based on recognition that safety is a shared responsibility for everyone in the workplace.

Australian WHS laws must always ensure that safety is a shared responsibility and that everyone in the workplace takes a common-sense approach. Sadly, this is becoming less common with some governments introducing laws that create completely different safety rules depending on the status of individual.

For example, some governments have industrial manslaughter laws means two people who engage in exactly the same conduct involving the the same safety incident are treated differently – with one facing the threat of imprisonment and the other facing no consequence whatsoever. This is simply unfair and directly encourages one person to be less responsible than the next person.

Government must ensure that WHS is a shared responsibility and WHS laws should reflect the nature of the multitude of relationships that co-exist on a construction site.

Appropriately resourced safety agencies

The Asbestos Eradication and Safety Agency (ASEA) plays an important coordination and centralisation role as Australia moves to ensure asbestos hazards are controlled and without risk to health and safety.

Industry remains keen to see greater interaction with ASEA. Industry is concerned to see a greater degree of research undertaken in terms of managing asbestos in situ, and for greater levels of awareness and education amongst the community, especially amongst the DIY home renovation sector.

Government should not only maintain the existing level of appropriation for ASEA, but for it to be boosted by not less than \$5 million per year over the forward estimates to take advantage of the improved level of goodwill which exists within the building and construction sector and continue the successful roll-out of its National Strategic Plan.

The Office of the Federal Safety Commissioner (OFSC) is an effective entity that proactively engages industry in working towards achieving high standards of workplace health and safety on Australian building and construction projects.

Improvements in industry safety outcomes, by majority, are clear and compelling for those entities who have achieved accreditation under the Australian

Government Work Health and Safety Accreditation Scheme ('the Scheme'). These results are complimented by the OFSC's pursuit of sustainable cultural change within the industry, along with its support for innovative and positive WHS practices.

Government must boost funding to the OFSC by \$2 million per year over the forward estimates specifically to increase its capacity and capabilities to identify and progress best practice initiatives which improve industry safety performance and overall outcomes and to assist in the roll-out of any outcomes arising from the upcoming Scheme Review.

Ensuring workplaces are safe and productive is the number one consideration for Master Builders and our members. As the building and construction industry is a significant part of the economy and community and is forecast to grow larger over the coming decade, making safe workplaces a key element for our future success as an industry. Safety outcomes have consistently improved over the last 20 years, with fatality and serious incident data overall trending downwards. However, recent upswings in fatality data re-affirm that there is more work to do and our industry retains the definition of 'priority industry' by Safe Work Australia (SWA).

The government should consider the following objectives:

- Maximising the safety of everyone in the industry through clear and consistent laws.
- Review the agreement that underpins the operation of Safe Work Australia (SWA) to ensure that it appropriately reflects the need for harmonised safety laws that are applied consistently throughout all jurisdictions.
- Ensure the appropriate resourcing of federal agencies including the Asbestos Eradication & Safety Agency (ASEA) and the Office of the Federal Safety Commissioner (OFSC).
- Conduct a distinct review of the impacts arising from the government's decision to abolish the Australian Building & Construction Commission (ABCC) that examines the effects on building and construction and considers alternative measures to ensure the full of law is fully upheld on building and construction sites across Australia.
- Budgetary measures must ensure that the rights of independent contractors are protected, and that independent contracting continues as a legitimate and necessary form of business engagement.

Support independent contracting

Master Builders supports the use of independent contracting as a legitimate and legal method of engagement and oppose measures that seek to undermine or erode its standing as a lawful and acceptable practice.

The entire building and construction industry is underpinned by a comprehensive system of relationships between contractors that is necessary in terms of both conventional industry structure and inherent in performing the tasks associated with construction work. This ensures:

- the labour force experiences high levels of utilisation;
- construction costs are not inflated due to delay or damages claims;
- delivery of much needed personal and public infrastructure (and the entire every day-built environment) is achieved in a productive way; and
- boosts in levels of employment, innovation and entrepreneurship that flow from a high concentration of SMEs and family businesses.

There are currently over 300,000 independent contractors engaged in the building and construction industry alone, representing around one-third of the total number within all sectors of the economy. It is clear that this form of engagement is vital to the ongoing and future successes and economic output of the building and construction industry.

Government must ensure that the rights of independent contractors are protected, and that independent contracting continues as a legitimate and necessary form of business engagement.



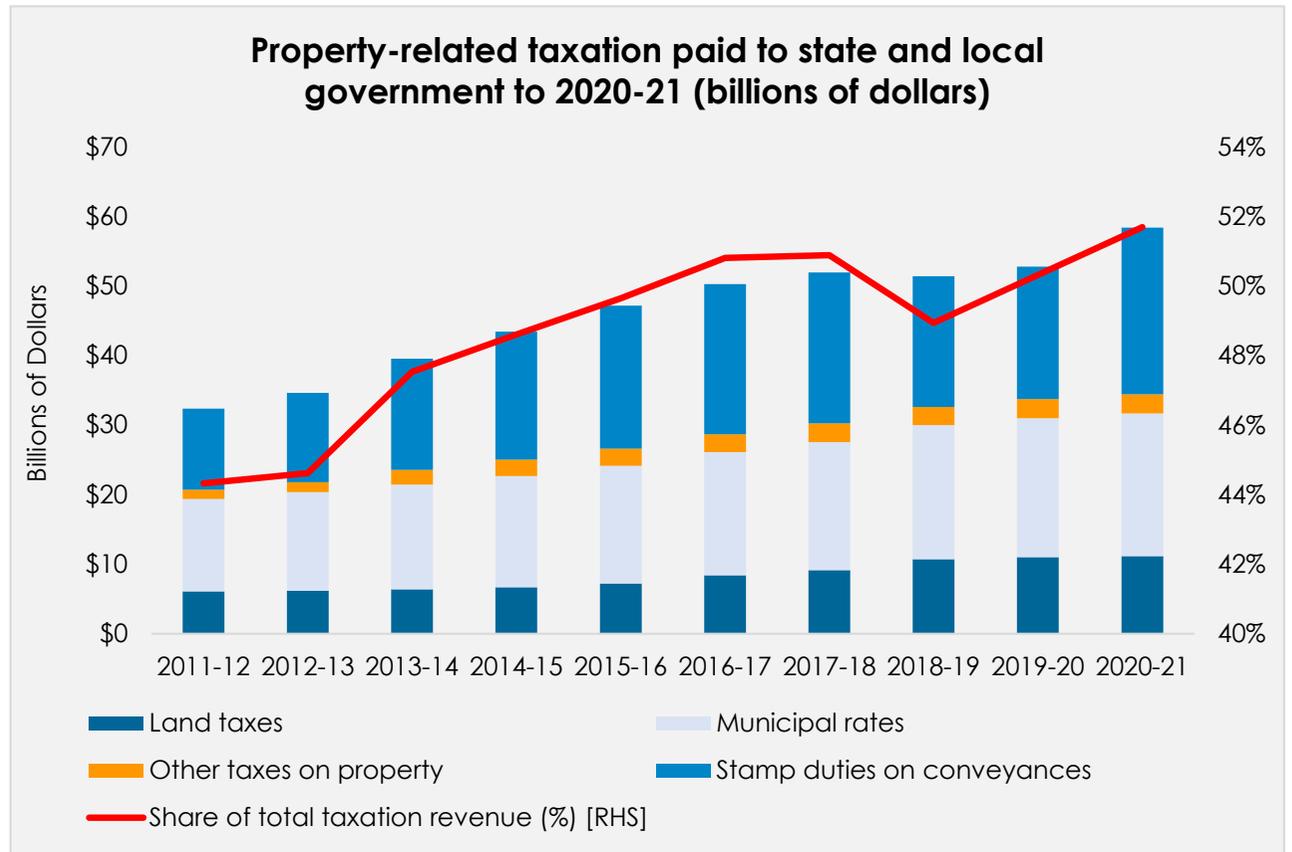
5.5. Achieving the right tax settings

While an essential source of financing for public services, the detrimental impact of taxes on economic activity is well documented. Our earlier discussion of housing supply has demonstrated how the positioning of taxes during the home building process completely prevents some of the homes we need from getting built and greatly inflates the final cost of those that do get completed. Taxation also acts as a disincentive to those considering working more hours each week or entering/re-entering the workforce, a particular issue at a time when acute labour shortages are stifling economic growth and amplifying inflationary pressures across the economy.



Source: Master Builders Australia analysis of ABS Estimates of Industry Multifactor Productivity

With productivity growth across the economy in need of sharpening, it is possible that the tax system could be skewed in a way that allows for productivity-enhancing building work to be incentivised. Generally, building work undertaken by the private sector may be written off slowly over a period of 40 years. In other words, the tax incentives for doing so are rather weak. Increased capital investment drives productivity growth and with productivity gains being so hard to notch up at the moment, the rewards for doing so should be improved. One way to do this would be to allow for much more generous tax write-offs for businesses that undertake building work demonstrated to generate productivity gains.



Source: Master Builders Australia analysis of ABS Taxation Revenue

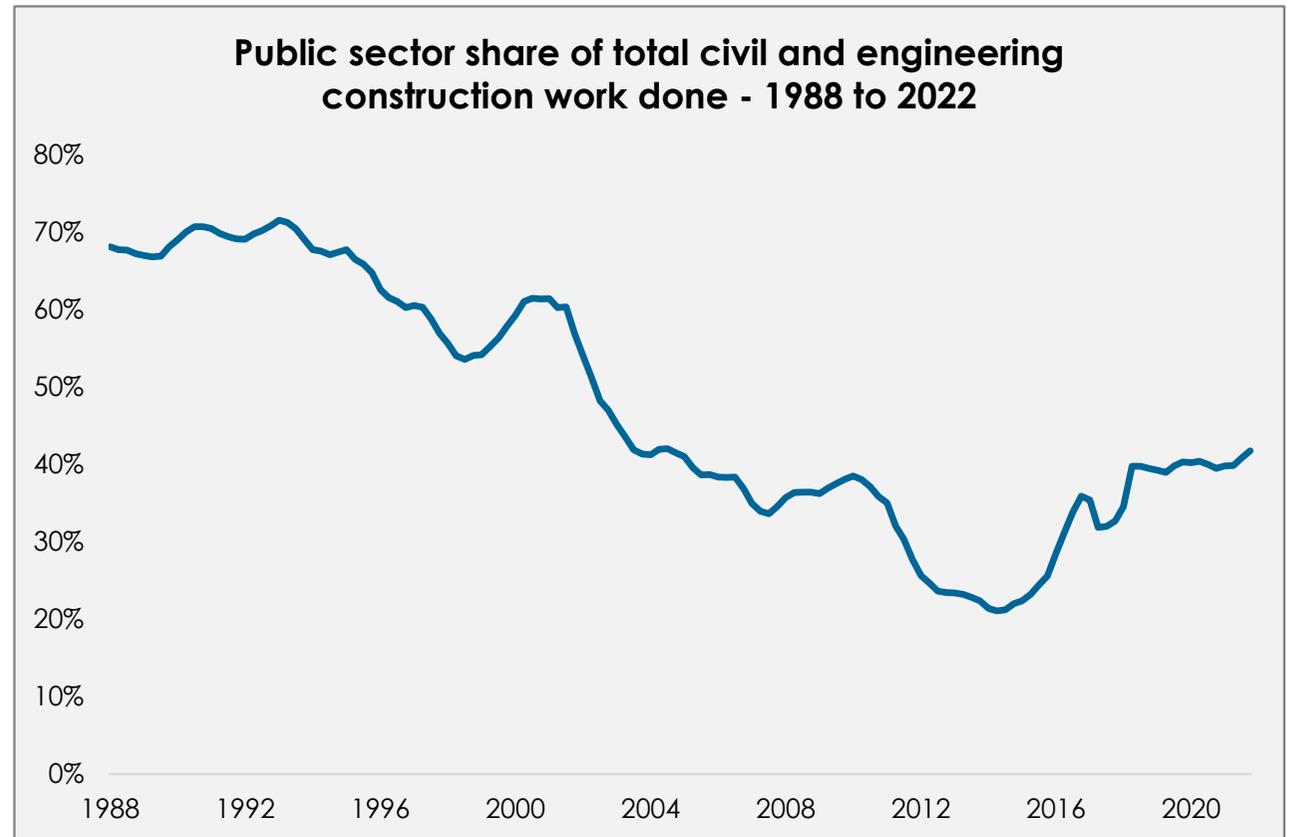
**To address these challenges,
we recommend the following:**

- For a temporary period, enhanced depreciation allowances should be provided to non-residential building work financed by the private sector and shown to be productivity boosting in nature. This could include education, IT, distribution, agricultural, industrial and commercial projects, amongst others.
- The existing Technology Investment Boost and Skills and Training Boost for small businesses should both be extended to the end of June 2025 and adapted to ensure that non-employing entities like sole traders and partnerships are able to fully avail of the benefits. Given the sharp rise in costs since the announcement of the schemes, consideration should be given to lifting the maximum annual deduction from \$100,000 at present to \$110,000 to \$120,000 going forward.
- Incentives to business, particularly small business, including tax breaks for productivity enhancing investment in digital and IT systems; and more generous treatment of capital building works.
- Extend cuts to company tax for businesses over \$50 million turnover.



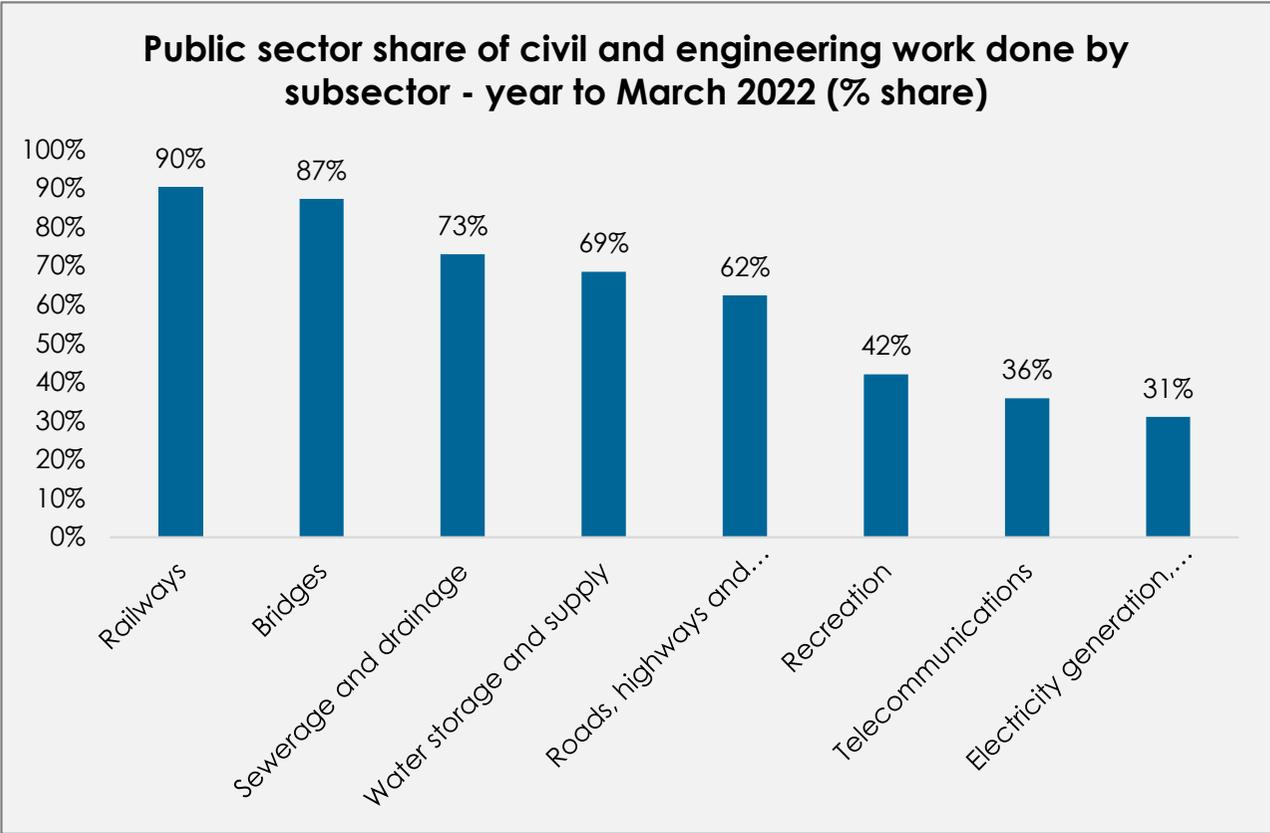
5.6. Investing in infrastructure

As well as having major benefits for quality of life and productivity growth, government support for infrastructure project work has the important effect of offering a safety net to the construction industry and providing businesses with certainty around the minimum level of demand for their work over the coming years. This is important because it provides rationale for struggling firms to continue trading through tough times in the knowledge that better days lie ahead, something which helps preserve the unique fabric of our industry.



Source: Master Builders Australia analysis of ABS Engineering Construction

For the industry as a whole, the expansion of activity caused by government infrastructure projects helps us realise economies of scale and allow for some work across a range of areas to be completed at lower cost.



Source: Master Builders Australia analysis of ABS Engineering Construction

A fair go for small business procurement

Small Business Government Procurement Advocate. Master Builders seeks the creation of a new office within the Department of Finance that is specifically dedicated to assisting SMEs increase their capabilities to tender for and engage in Commonwealth Government procurement.

Master Builders suggests that a new entity be created named the “Small Business Government Procurement Advocate” (‘SBGPA’) that would have a remit to:

- Be the advocate for SMEs insofar as procurement and any disputes pertaining thereto;
- Assist small business tender for Government work;
- Simplify procurement processes and increase the use of SME procurement;
- Educate SMEs to improve the standard of commercial conduct;
- Undertake meaningful research on small business commercial issues, including contracts and payment times; and
- Be a ‘one-stop shop’ for all small businesses seeking to contract with Government, departments or agencies.

Master Builders recommends that a total of not less than \$25 million be set aside for an entity such as the proposed ASBGPA with this appropriation front-loaded within the F/E’s to facilitate its initial creation and establishment.

To address these challenges, we recommend the following:

- Ensure that a rolling 10-year forward pipeline of infrastructure work of at least \$125 billion (in 2021-22 prices) is always in place.
- Ensure that sufficient resources are provided to allow for the full implementation of the ongoing independent review of Infrastructure Australia.
- Continue community, city and regional focused infrastructure funding programs through genuine partnerships across levels of government and with industry. Embed and test housing targets more effectively in these programs.
- Ensure adequate resourcing for a federal government-maintained ‘reserve list’ of building and infrastructure projects that can be activated quickly in the event of sudden or severe downturns in private demand for building and construction projects.
- With respect to procurement, the federal budget should allocate resources and put in place policy settings to ensure that small businesses are not precluded from tendering for contracts with federal government and other public entities.
- Resourcing should also be provided to ensure that the risk exposure and administrative burden for smaller businesses is minimised when entering into building and construction contracts with government and public entities.



5.7 Simplify and better regulation settings

While some degree of regulation is necessary and welcome when it comes to building and construction activity and its final outputs, the imposition of rules and restrictions has inevitable consequences for the cost and timing of our industry's output.

For those in the industry, some mandatory regulations have proven to restrict the way in which work can be performed. This means that more efficient and more cost-effective ways of completing projects may have to be dropped in favour of significantly more expensive techniques. The regulatory framework may also have the effect of preventing the delivery of some projects for which there is a willing market, and which would add to the supply of new homes. In short, regulation can sometimes get in the way of delivering the homes, buildings and infrastructure needed by our economy.

The overwhelming majority of building and construction businesses are small when it comes to turnover and the employee headcount: well over one half of businesses in our industry either do not have any employees at all or else turn over less than \$200,000 per year (or both). This means that most building and construction firms do not have resources in the form of regulatory staff or departments. As a result, they struggle to cope with the existing body of regulations.

This problem is compounded by the fact that regulations are frequently changing with each change sparking off yet another round of costly and productivity-sapping modifications to the business models underpinning their operating architecture. There is a perception amongst industry participants that the net effect of regulatory change over time is resulting in a heavier rather than lighter regulatory burden.

A further issue relates to the fact that the financial cost is very high when it comes to accessing the publications in which important Standards are set out. Master Builders believes that in situations where Australian Standards are mandated by regulation or law, they should be completely free of charge and accessible.

For builders, another major difficulty with the current regulatory framework is that current laws relating to building products chain of responsibility place obligations and duties on builders when it comes to the compliance, legality and quality of the products and materials used by them as part of their work. These responsibilities would be better placed with the suppliers, manufacturers and importers of the products and materials used by Australia's building and construction industry.

The National Building Products Assurance Framework is a starting point to leverage a workplan to develop ways to improve product traceability and information. We have seen other industries adopt QR codes on products linking to information. For building products, a link to a product data sheet with a standardised format containing necessary information would be useful.

Better product information and traceability would enhance industry productivity as well as product compliance.

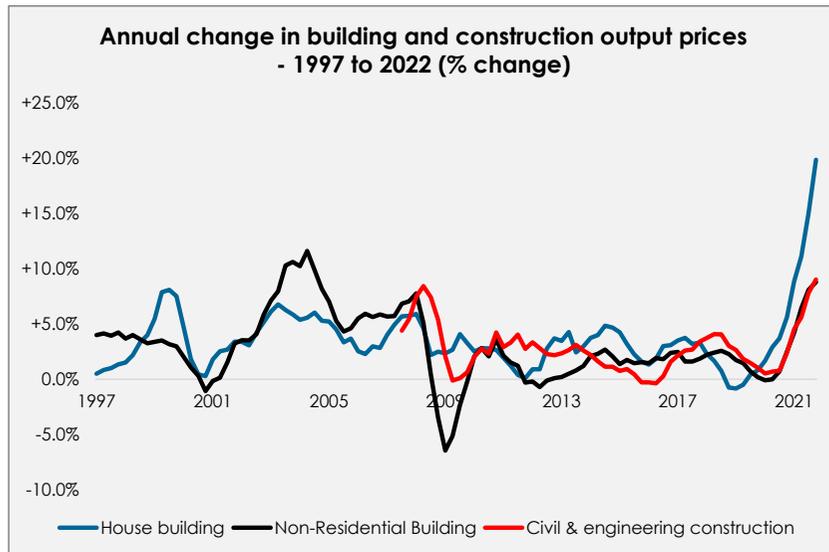
Product information provided on the product itself by manufactures, importers and/or suppliers can also include embodied carbon and other ESG obligations government determines.

**To address these challenges,
we recommend the following:**

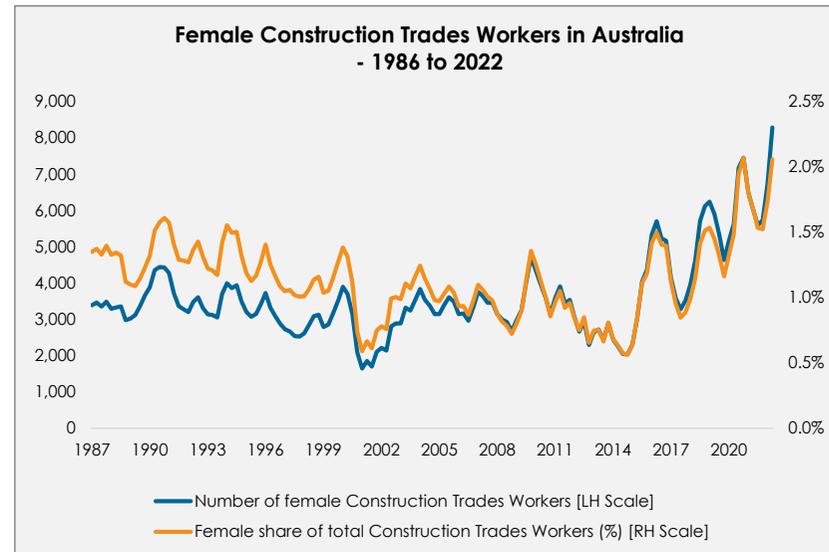
- Improve productivity through more efficient administrative frameworks.
- The Federal Government commences a real de-regulation agenda that will have a meaningful impact.
- The Federal Government introduces a mechanism by which any proposed new regulation is rigorously tested and alternatives considered before the regulation is introduced.
- Future regulatory changes including those related to building regulation need to be evaluated with respect to the total aggregate cost of regulation in the event of their introduction, rather than just the marginal cost of the proposed regulations.
- Regulatory transition to better quality, energy-efficient, resilient, accessible housing needs appropriate risk mitigation measures developed and provision of free content for industry and consumer education. Reasonable transition periods for implementation of building code reforms also need to be provided.
- Cost impacts are minimised, potentially through grants and subsidies.
- Funding under the ABCB Intergovernmental Agreement should be increased to allow for all of the Australian standards which are embedded into the National Construction Code (NCC) to be accessible to builders completely free of charge. Master Builders has undertaken an analysis based on information published by Standards Australia and believes the additional funding required would be in the order of an additional \$5 million per year.
- In addition, construction-related Standards are referenced widely in a multitude of other instruments including WHS legislation, Modern Awards, Enterprise Agreements and SWA Model Codes of Practice. We strongly urge the federal budget to allocate appropriate funding to cover the costs of purchasing referenced Standards so as to ensure that they are available at no cost to building companies.
- Improving access and reliability of regulation through clear and concise communication of regulatory outcomes.
- More budgetary resources need to be provided to facilitate the transfer of all building product chain responsibilities completely away from the builders using them.



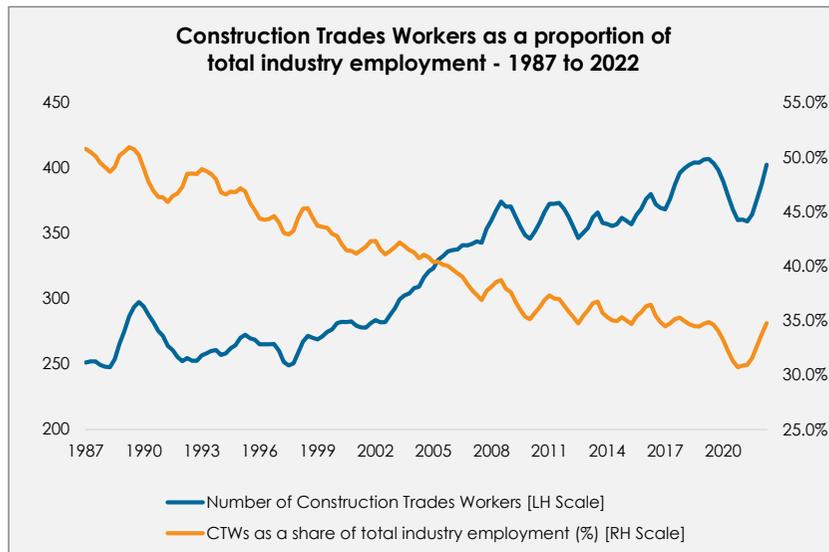
Appendix of additional charts



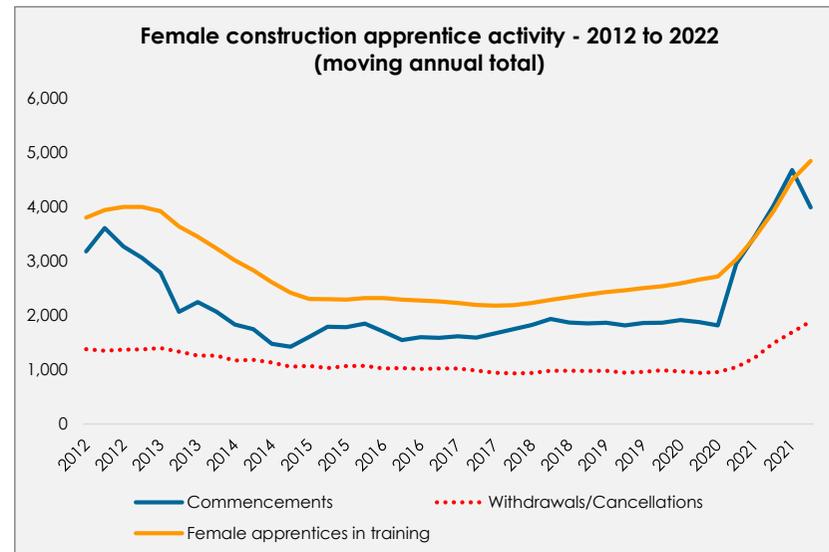
Source: Master Builders Australia analysis of ABS Producer Price Index



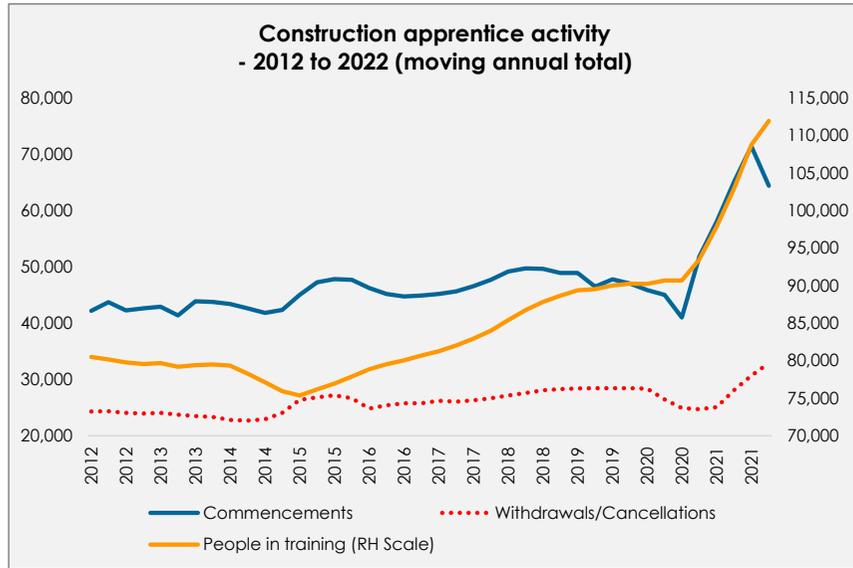
Source: Master Builders Australia analysis of ABS Labour Force, Australia, Detailed



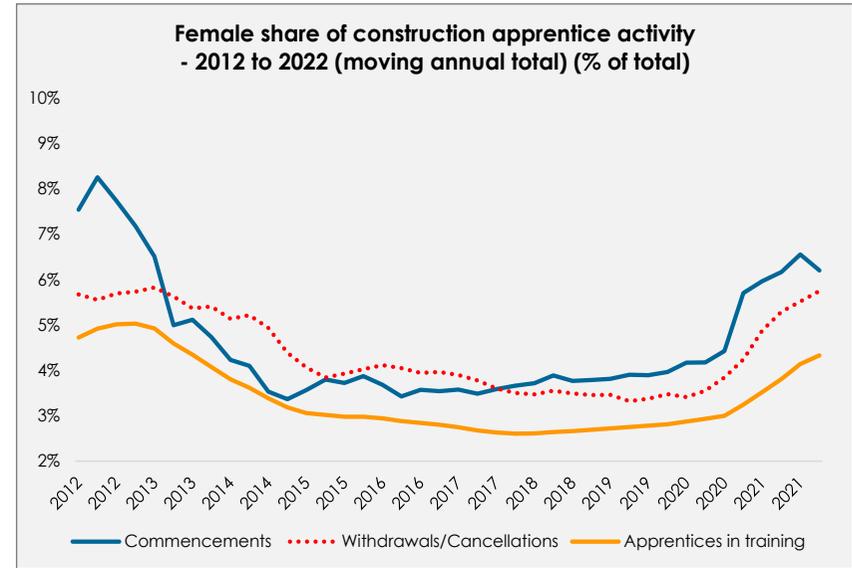
Source: Master Builders Australia analysis of ABS Labour Force, Australia, Detailed



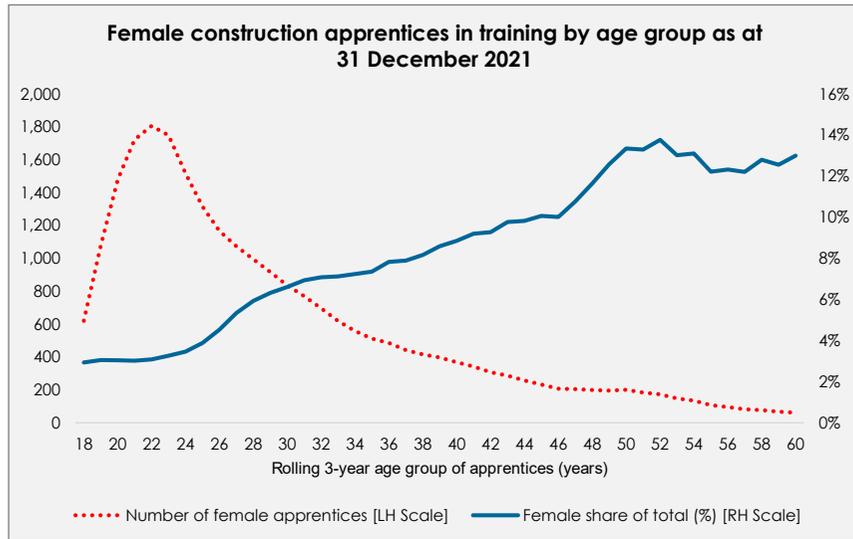
Source: Master Builders Australia analysis of NCVER VOCSTATS



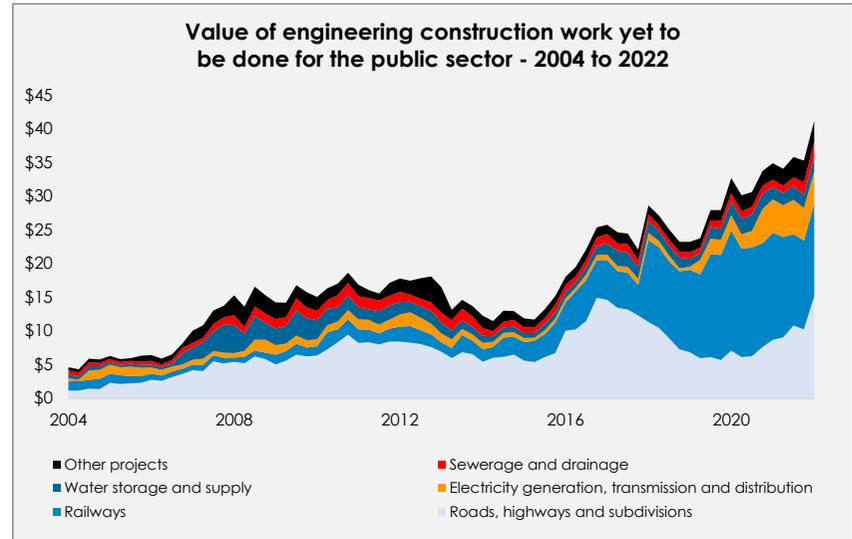
Source: Master Builders Australia analysis of NCVER VOCSTATS



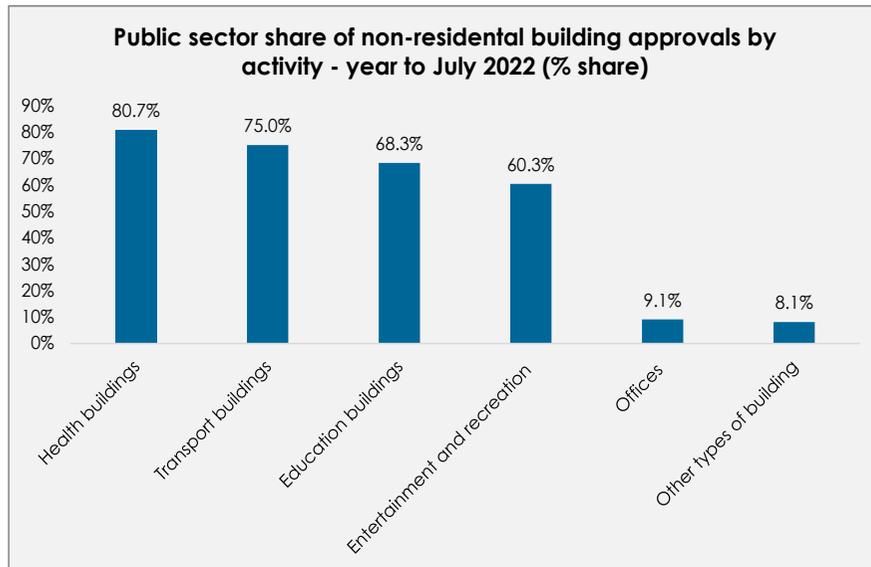
Source: Master Builders Australia analysis of NCVER VOCSTATS



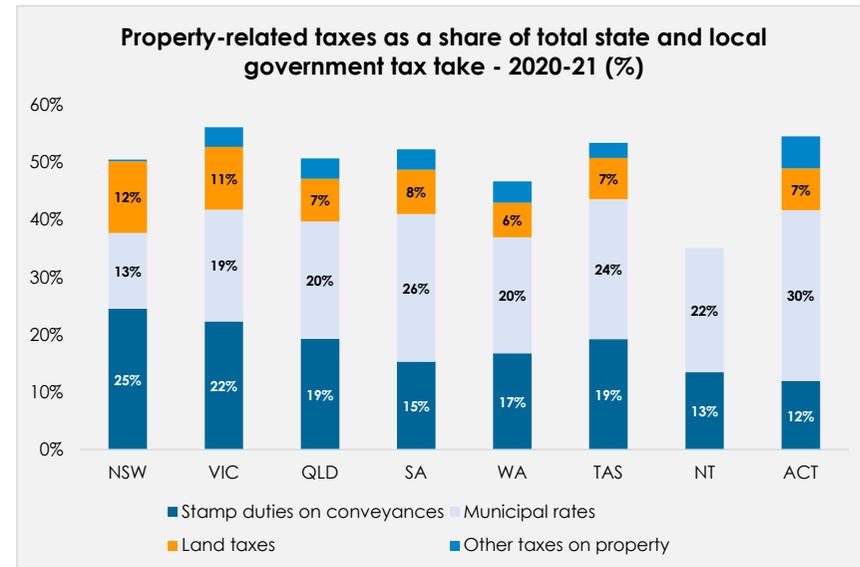
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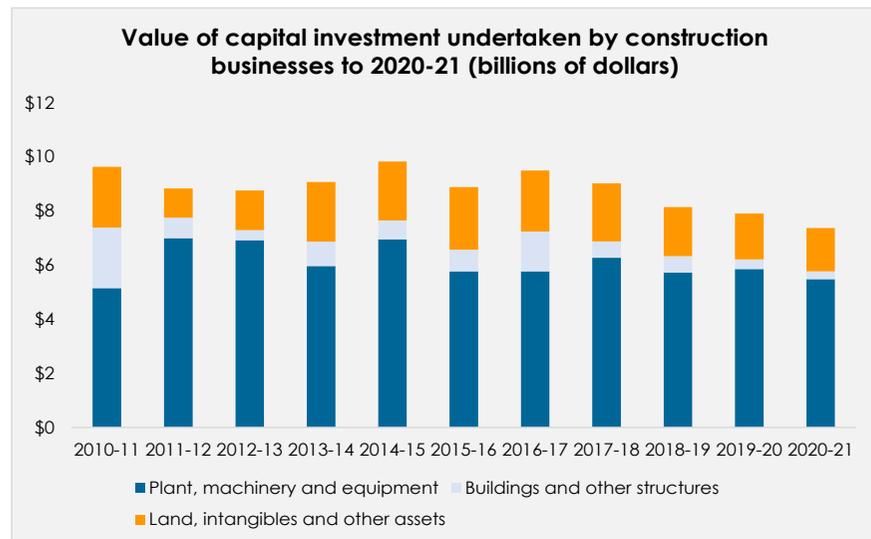
Source: Master Builders Australia analysis of ABS Engineering Construction



Source: Master Builders Australia analysis of ABS Building Approvals



Source: Master Builders Australia analysis of ABS Taxation Revenue



Source: Master Builders Australia analysis of ABS Australian Industry





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