Master Builders policy & advocacy priorities October 2022

Contents

1. Introduction

1.1. 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.

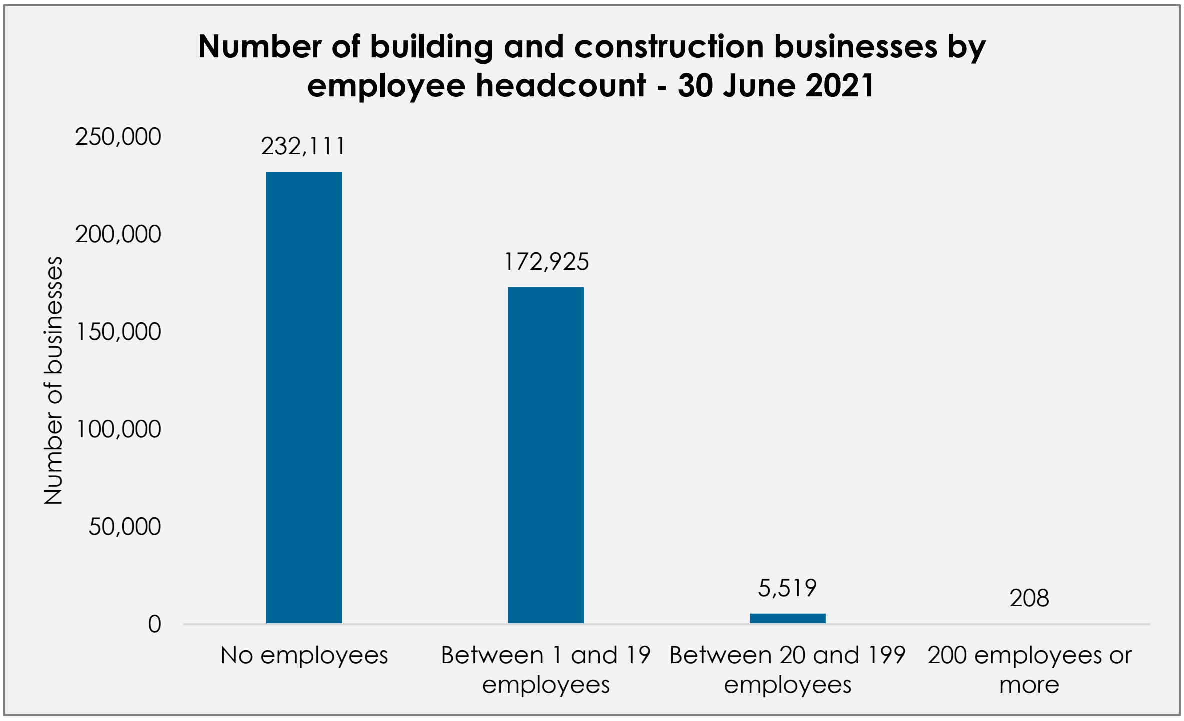
1.2. Australia's building and construction industry

Building and construction is one of the largest sectors of the Australian economy. Latest figures from the Australia Bureau of Statistics (ABS) indicate that the total value of building and construction work done over the year to March 2022 totalled $227.1 billion in value, an amount directly equivalent to 10.2 per cent of total GDP.

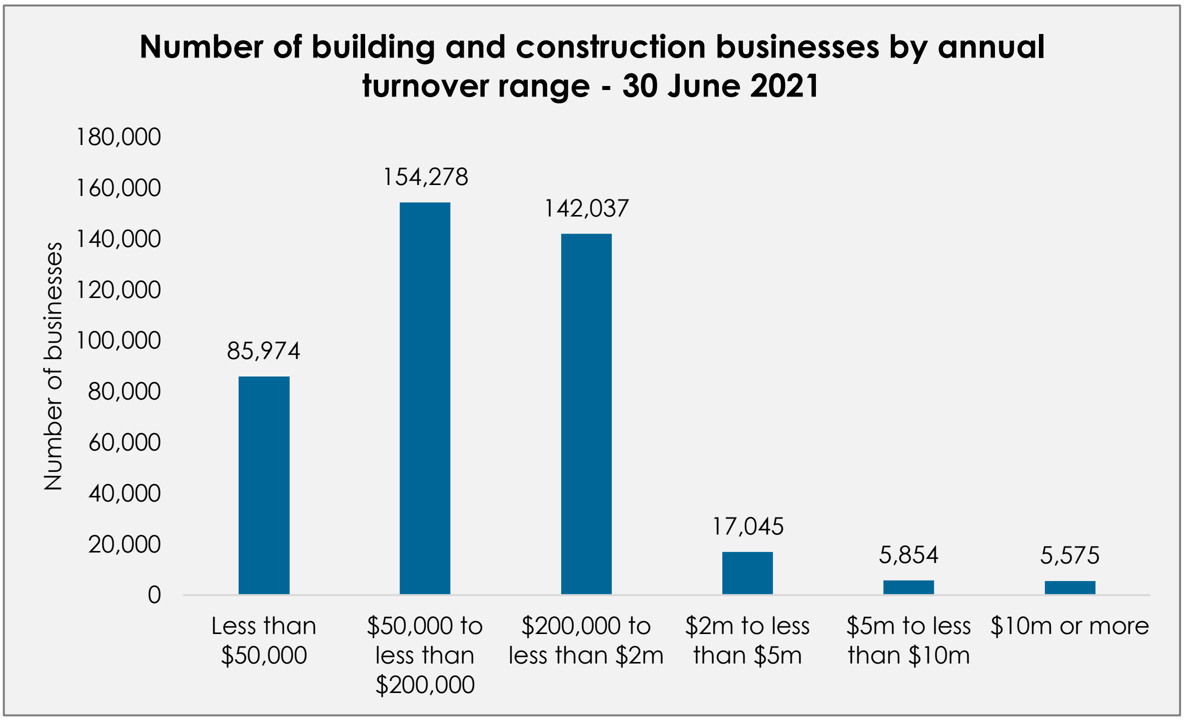
Our industry packs its biggest punch when it comes to the provision of full-time employment and support for small business. During May 2022, there were 1.19 million people employed in the building and construction industry. About 86 per cent of these jobs were full-time in nature, a far higher proportion 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 May 2022, there were 1.02 million full-time jobs in the construction industry – more than every sector of the economy outside of health.

During the 2021-22, 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 indicates that as at 30 June 2022, there were a total of 445,253 construction businesses in operation across Australia. 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 (98.6 per cent) are small in size with less than 20 employees. More than half of our construction businesses (56.5 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 (58.5 per cent) turn over less than $200,000 per year with about 1 in 5 (20.9 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.



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 of to the tune of $3 million. Similar, $1 million worth of building and construction activity is estimated to support a total of nine 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 $97.4 billion worth of civil and engineering construction was carried out over the year to March 2022. In addition to this, residential building work totalled $80.1 billion over the same period with $49.6 billion in non-residential building activity.

Latest figures show that work started on about 227,500 new homes over the year to March 2022, of which 143,000 were detached houses (63 per cent of the total). Over the same period, almost 178,000 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 461,000 Australians.

Over the year to March 2022, building work began on 4,150 new units of public housing – an increase of +13.9 per cent on one year earlier. However, the share of new home building accounted for by the public sector is quite low by historic standards and this represents a key challenge.

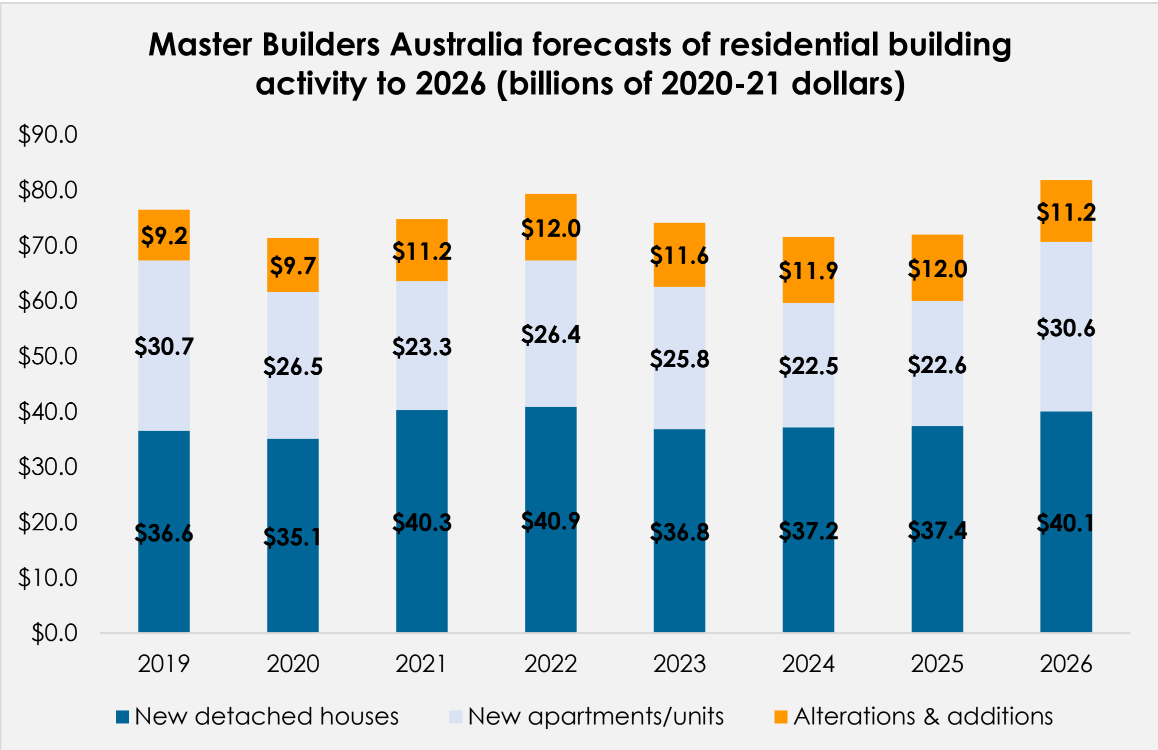
The building and construction industry is at the fulcrum of mentoring our nation's next generation of trades workers. During 2021, a total of 19,695 new apprenticeships were completed with a further 50,475 new construction apprentices and trainees beginning their journey. At the end of 2021, a total of 111,670 construction industry apprentices were in training. Encouraging, 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.

2. Medium term outlook for building and construction

The latest Master Builders Australia forecasts assess the prospects for activity up to 2026. Our latest 2022–26 Building and Construction Industry Forecasts show bumps along the path to pandemic recovery, with activity declining in the first few years, then picking up in 2025. Over the forecast horizon, residential activity won't get back to a reasonable base of 200,000 starts until 2026, with medium/high rise residential hardest hit. After a decline in activity in 2023, non-residential and engineering building and construction activity will increase steadily from 2024 but will cost taxpayers more because of the abolition of the Australian Building and Construction Commission.

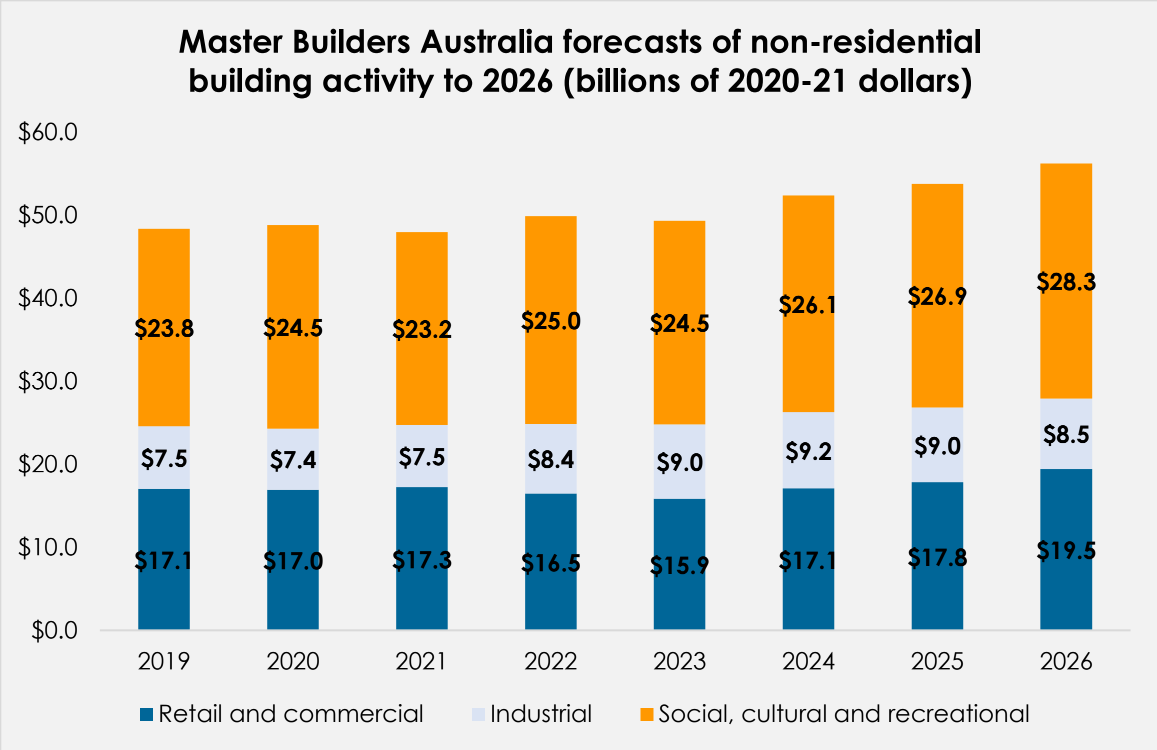
2.1. Residential building

Detached house building and home renovations enjoyed a feast during the pandemic. Work began on a record 150,000 new detached houses in 2021 while the volume of home renovations activity soared by 15.1 per cent. However, rising interest rates and the temporary absence of house price growth will force residential building to decline for the next couple of years. Beyond that, the eventual return of inward migration to pre-pandemic levels will help bring larger numbers of higher-density projects into existence. Government-led stimulus will also play an important role here.



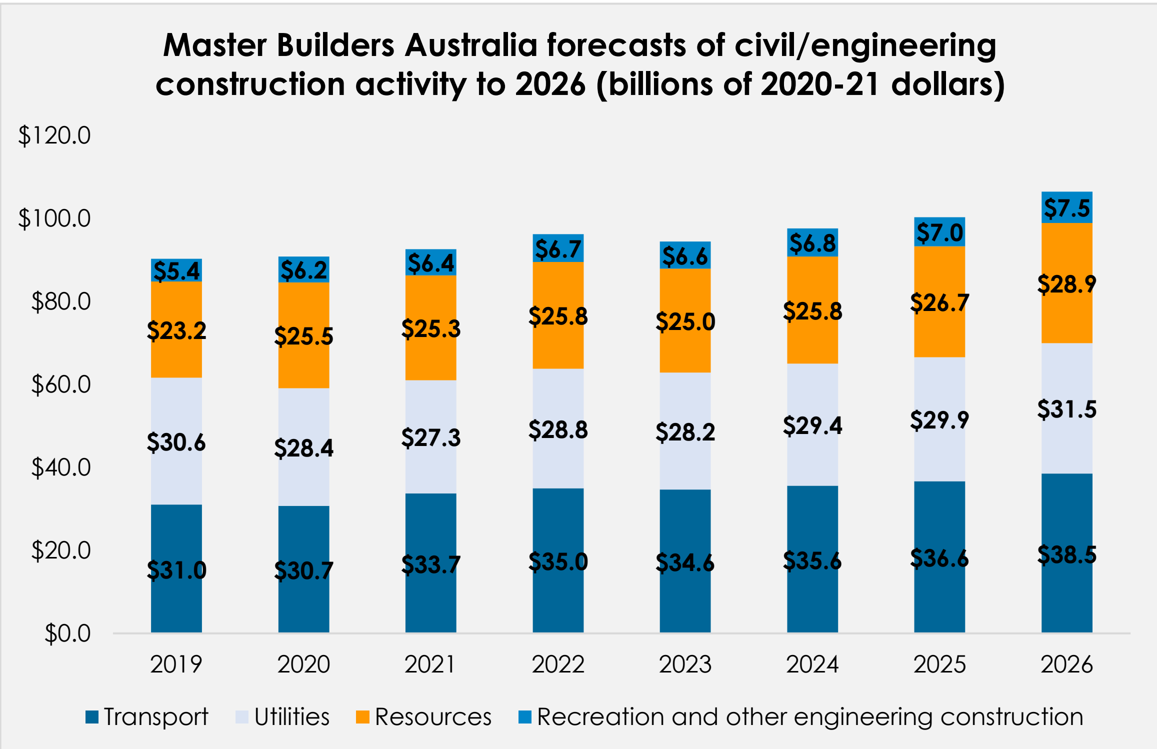
2.2. Non-residential building

Non-residential building activity encompasses a very diverse range of projects. For some, like those related to warehousing, health and industrial production, the pandemic has fuelled their expansion. However, unfavourable changes to the industrial relations framework are in the process of being rolled out, and these could hamper activity by damaging productivity. Despite this, the outlook for non-residential building is still quite reasonable for the period to 2026. This is because the acceleration of population growth and further expansion in the workforce is likely to underpin demand for new building projects and public sector-funded work.



2.3. Engineering construction

The prospects for civil and engineering activity are probably the strongest of the three strands that make up building and construction. Along with the thick portfolio of government-led infrastructure initiatives, major gains in the price of key commodities may help boost resource projects. Accordingly, we anticipate that activity here is likely to drop back by 3.6 per cent during 2023 before resuming its upward trajectory over subsequent years. Like non-residential building, however, civil and engineering construction activity will be vulnerable to the more difficult industrial relations environment, with costs and productivity likely to suffer in some areas.



3. Overview of Master Builders Australia's policy & advocacy priorities

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

- Reduce visa application timeframes, remove restrictive occupational migration lists, and dramatically increase the cap for all work visas in 2022-23 and 2023-24.
- Finalise new vocational education and training (VET) funding agreement with the state and territory governments and ensure that the new agreement delivers real increases in funding for VET delivery, allocates funding based on the quality of training and outcomes, and improves transparency of total funding and its allocation.
- Develop an Apprentice Commencement and Retention Strategy that assesses the impact of government policy and program decisions on commencements and retention and draws on the findings of pilots and programs undertaken in recent decades to embed evidence-based approaches and targets that will improve the consistency and outcomes of the Australian apprenticeship system.
- Reverse the previous government's reduction in the apprentice wage subsidy to ensure businesses continue to hire apprentices and introduce a retention bonus for apprentices at six months, 12 months and on completion.
- Maintain commitment and funding to the establishment and ongoing operation of Industry Clusters to perform workforce planning and forecasting, career pathway development and promotion, and to oversee the development and maintenance of national VET qualifications and competencies.
- Fast track rollout of a Construction Industry Skills Cluster.
- Continue 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.

Supporting 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 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 30,000 new social and affordable homes over a 5-year period.
- 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.

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 in a way which reduces the cost to small businesses of competing for contracts with federal government and other public entities. Resourcing should also be provided to ensure that the risk exposure of smaller businesses is minimised when entering into building and construction contracts with government and public entities.

Simplify and better regulatory settings

- Improve productivity though more efficient administrative frameworks.
- Commence a real de-regulation 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 are minimised, potentially through grants and subsidies.
- The federal government pays for industry standards that are required by law.
- Improving access and reliability of regulation through clear and concise communication of regulatory outcomes.

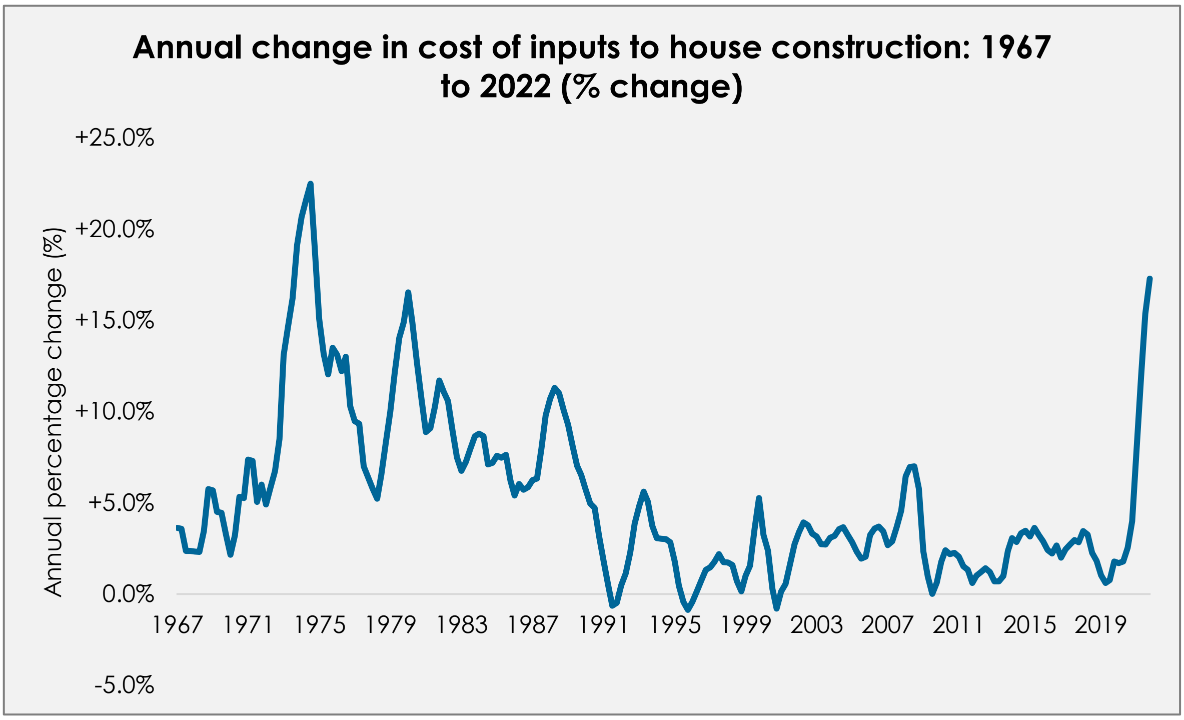
Industrial relations and safety

- Maximising the safety of everyone in the industry through clear and consistent laws.
- Ensure the appropriate resourcing of federal agencies including the Asbestos Eradication & Safety Agency (ASEA) and the Office of the Federal Safety Commissioner (OFSC).
- Review the government's decision to abolish the Australian Building & Construction Commission (ABCC) to ensure the full of law is fully upheld on building and construction sites across Australia.
- If the government proceeds to abolish the ABCC and Registered Organisations Commission (ROC), alternative provisions and appropriate resourcing must be made available to ensure they can discharge their role and functions.
- 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.

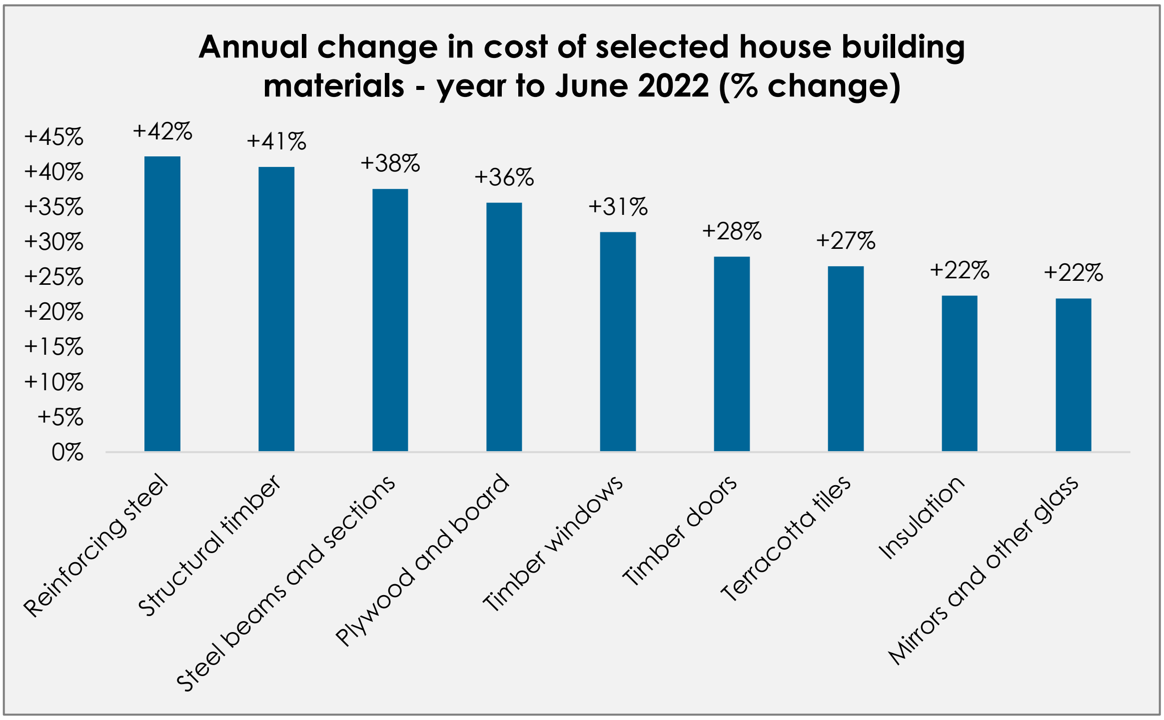
4. Details of policy proposals

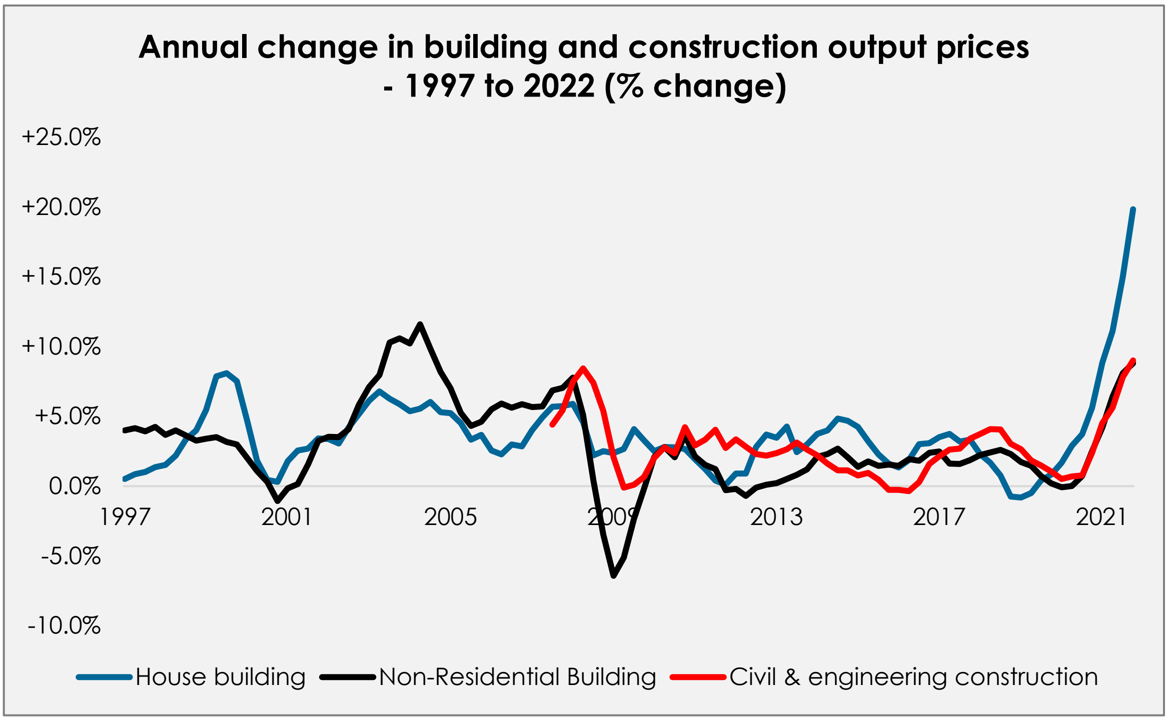
4.1. Dealing with industry cost pressures

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.



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.





To address these challenges, we recommend the following:

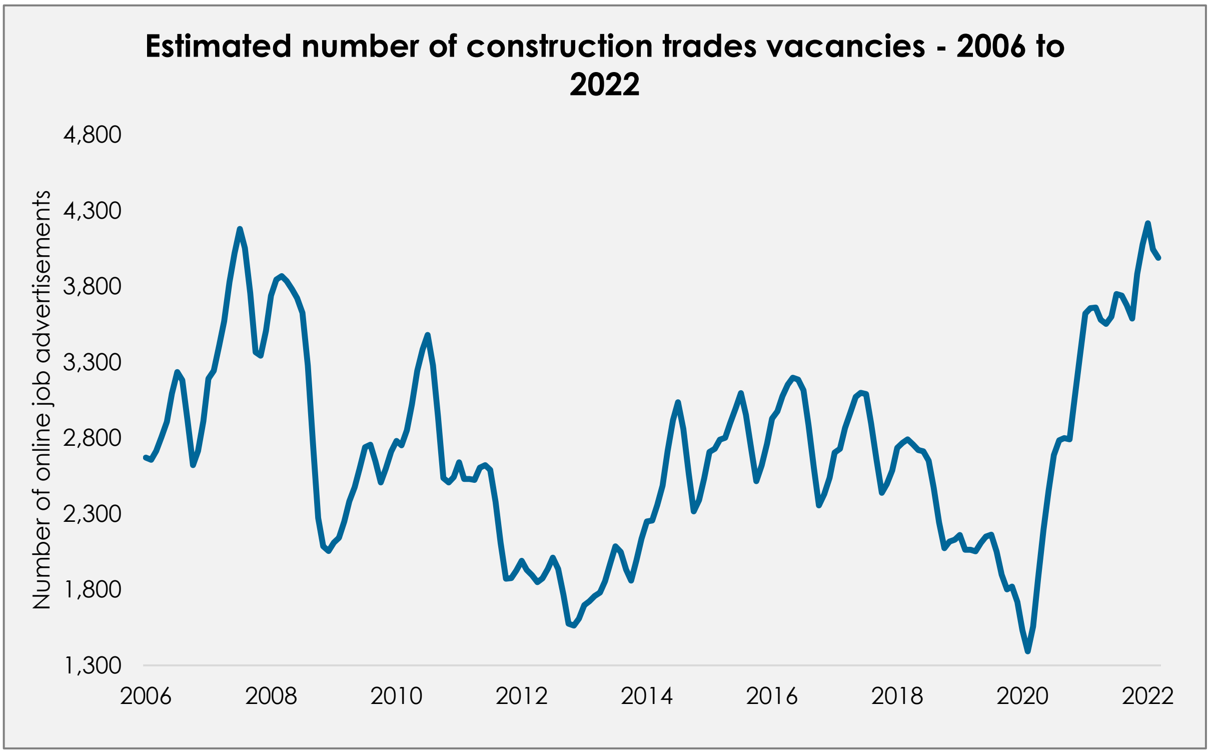
- Federal government to offer flexibility in its contractual dealings with building and construction companies whose operations have been hampered by cost spikes, labour shortages and other supply chain complications.
- Resources should be made available to federal government entities, including the ATO, in order to facilitate a sensitive approach to the recovery of debt from businesses experiencing difficulties in their operating environment.
- Where possible, resources should be provided to the ACCC in order to allow the 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, 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.

4.2. Supporting the construction workforce

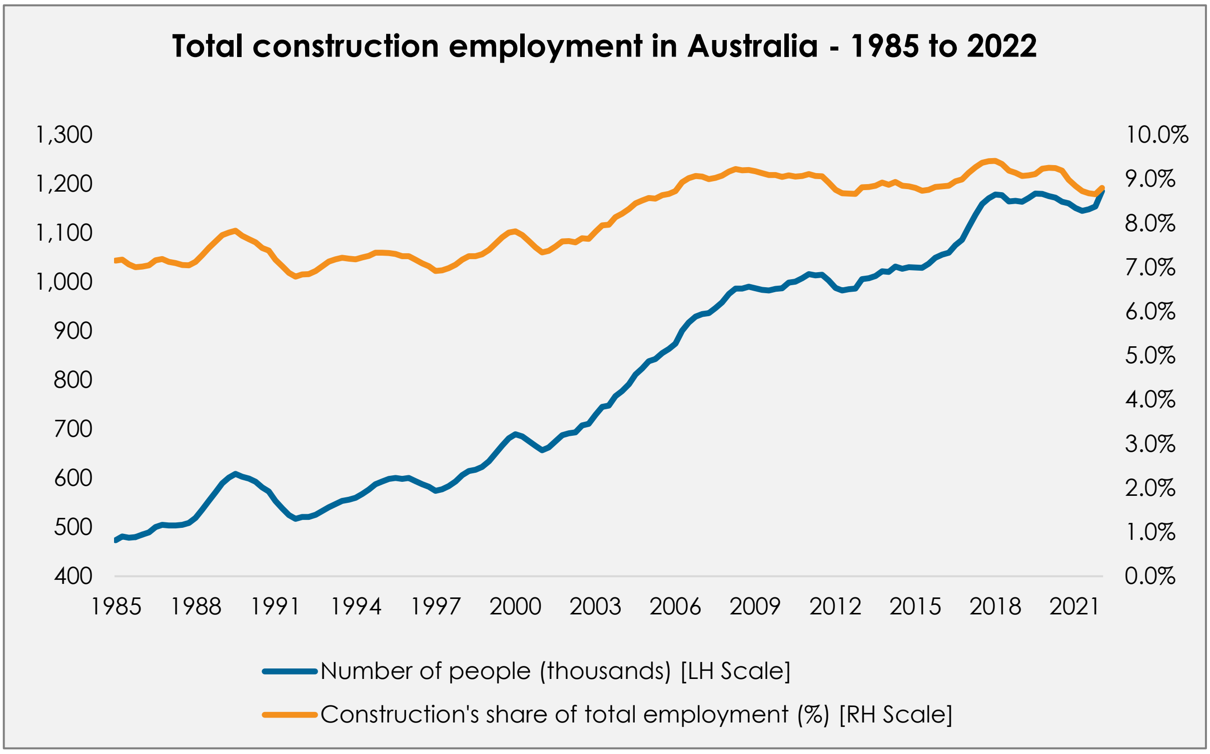
Across industries and skill levels the Australian workforce is experiencing critical shortages which are inhibiting economic recovery and productivity growth. There are a number of elements to these difficulties.



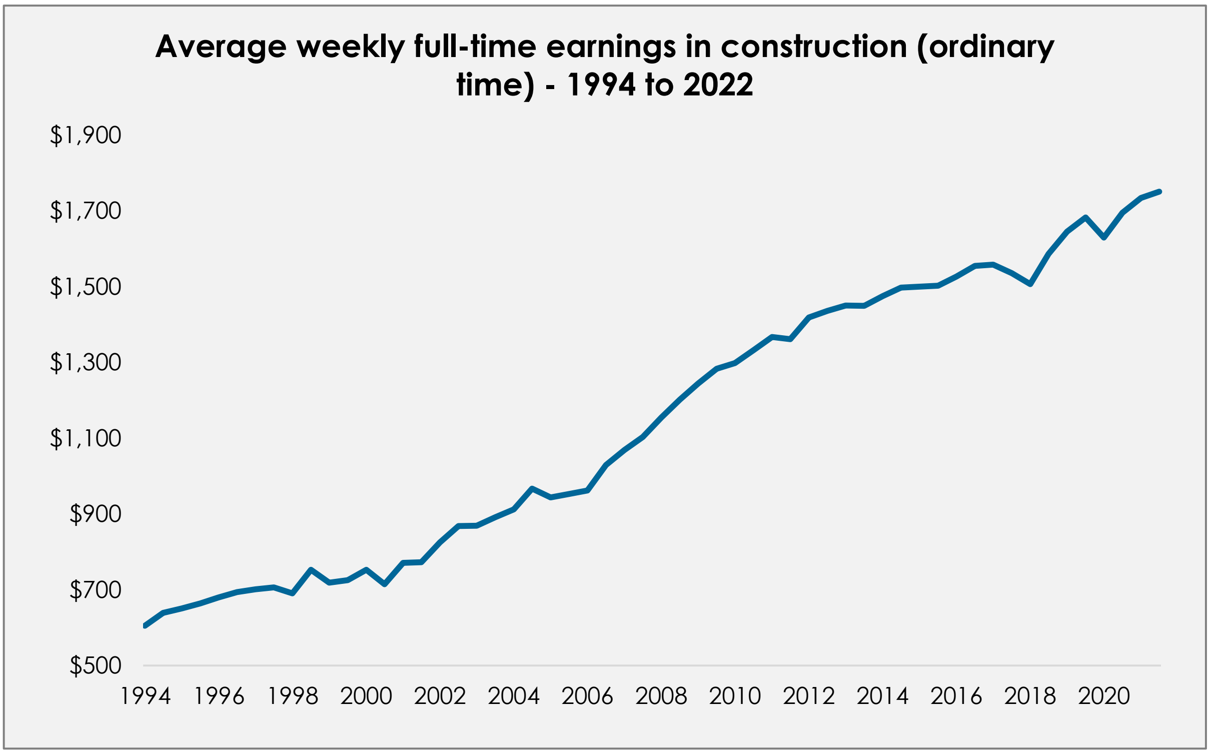
Overseas migration represents the single most important source of new members of Australia's labour force. At present, their entry to the market is being impeded by a range of circumstances including lengthy visa processing times, the restrictive nature of current occupational migration lists and a cap 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 is also an obstacle to attracting the migrants we need from overseas.



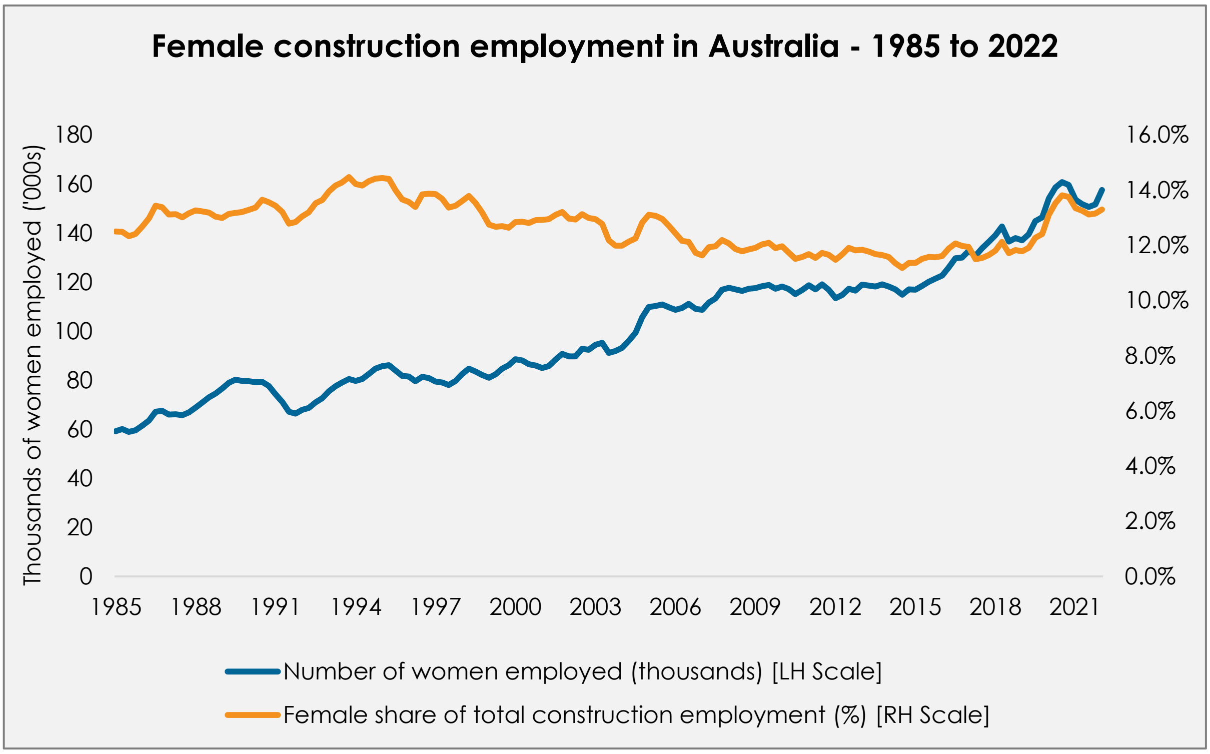
For the construction industry itself, achieving the training outcomes we need for new entrants is contingent on VET funding commitments being sufficiently large as well as the distribution framework being attuned to the goal of maximising value for. Ensuring that our future construction workforce is 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.

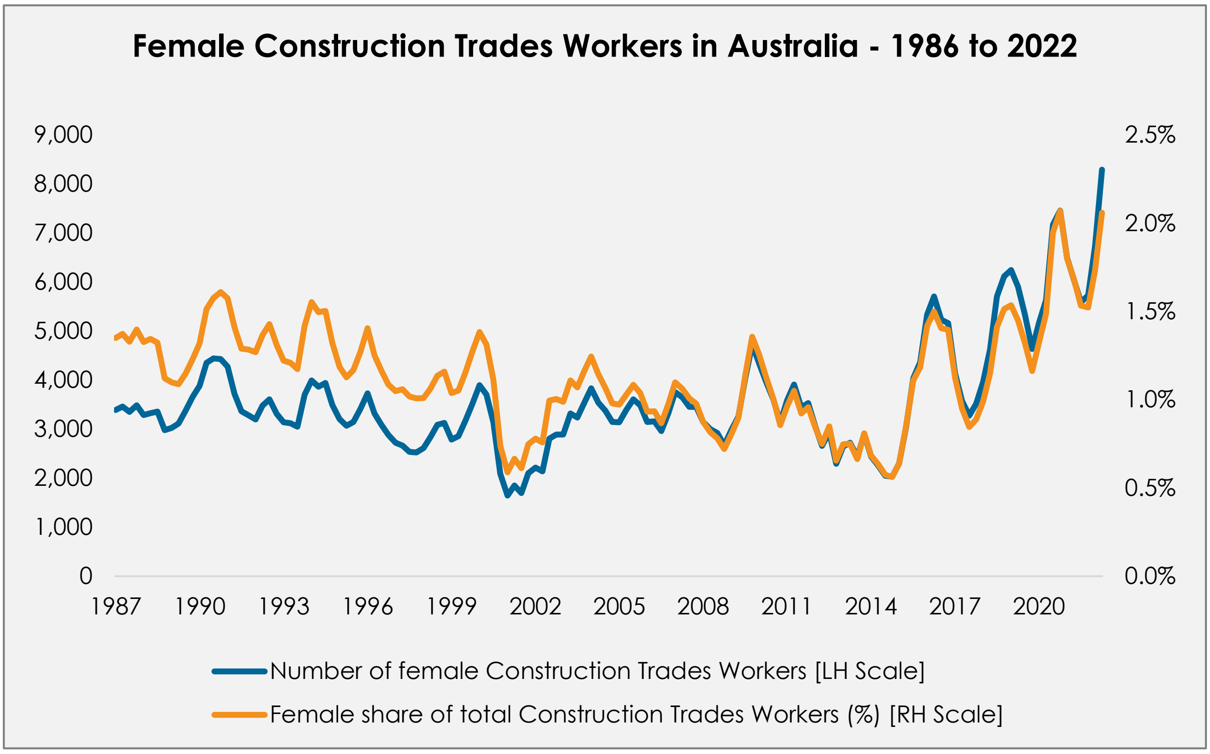


With considerable numbers of older workers permanently retiring from the construction industry each week, the pressure to replace their decades of experience and upskilling is considerable.

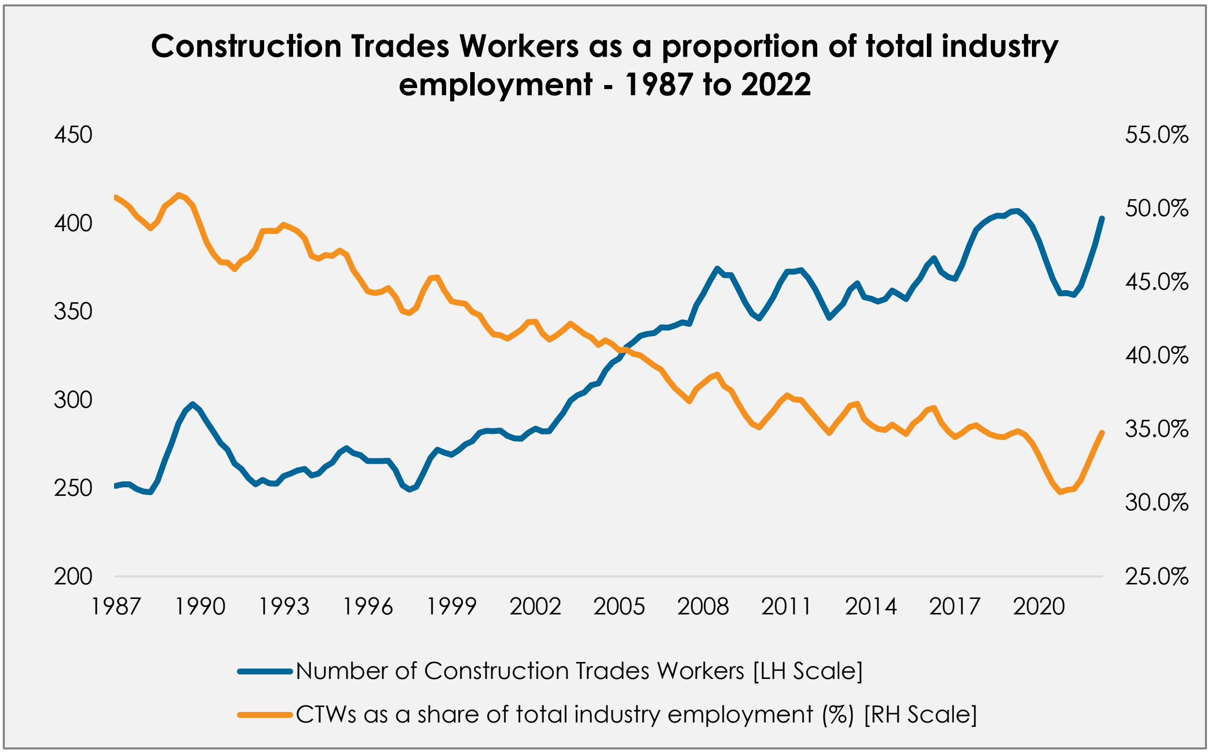
One of the great opportunities for Australia's construction workforce lies in enhancing its diversity and striving to increase participation rates amongst those currently underrepresented in our workforce. At present, women account for just 13 per cent of the construction industry's 1.19 million workers.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

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 particular barriers faced by women wishing to pursue construction apprenticeships.

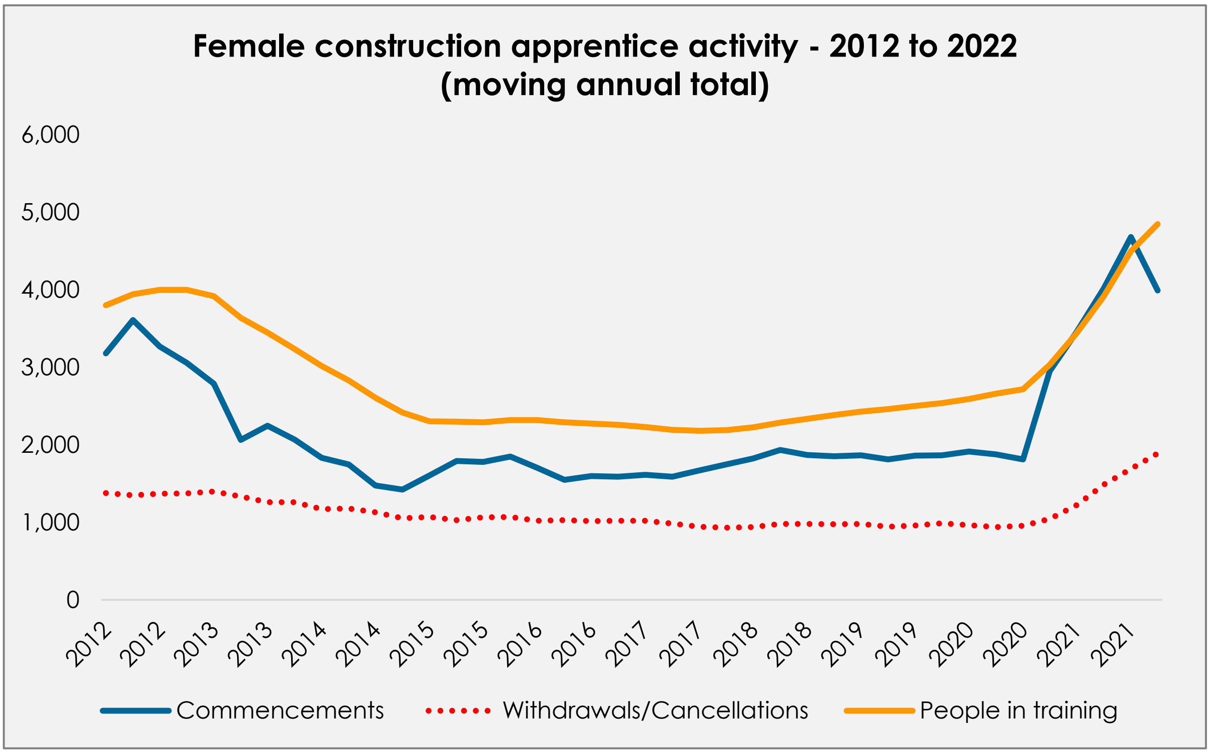


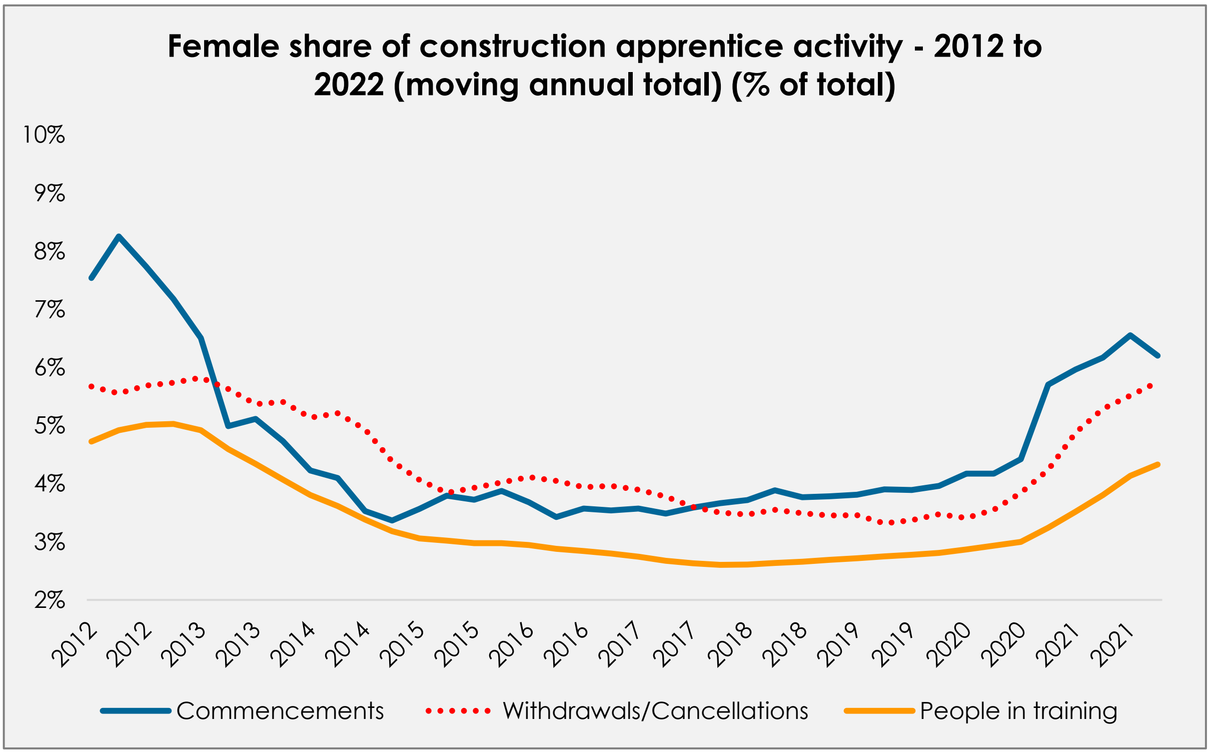


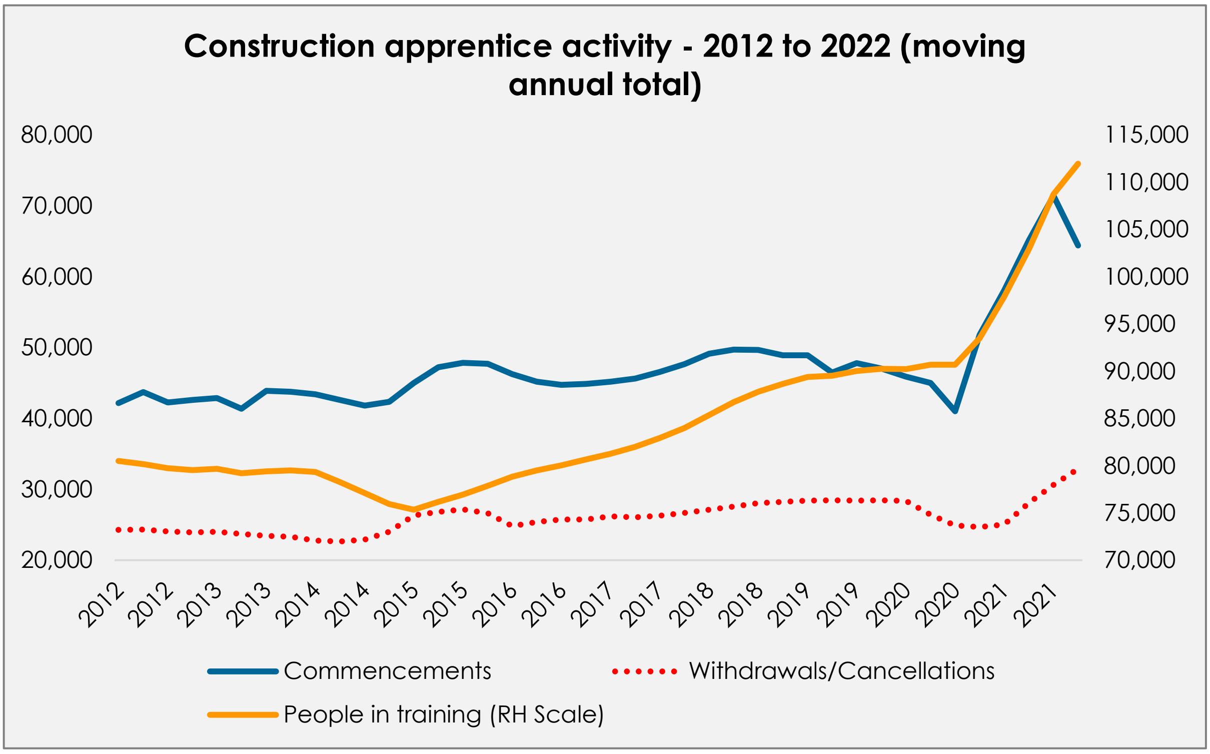
Female Construction Trades Workers in Australia - 1986 to 2022
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
1987
1990
1993
1996
1999
2002
2005
2008
2011
2014
2017
2020
Number of female Construction Trades Workers [LH Scale]
Female share of total Construction Trades Workers (%) [RH Scale]



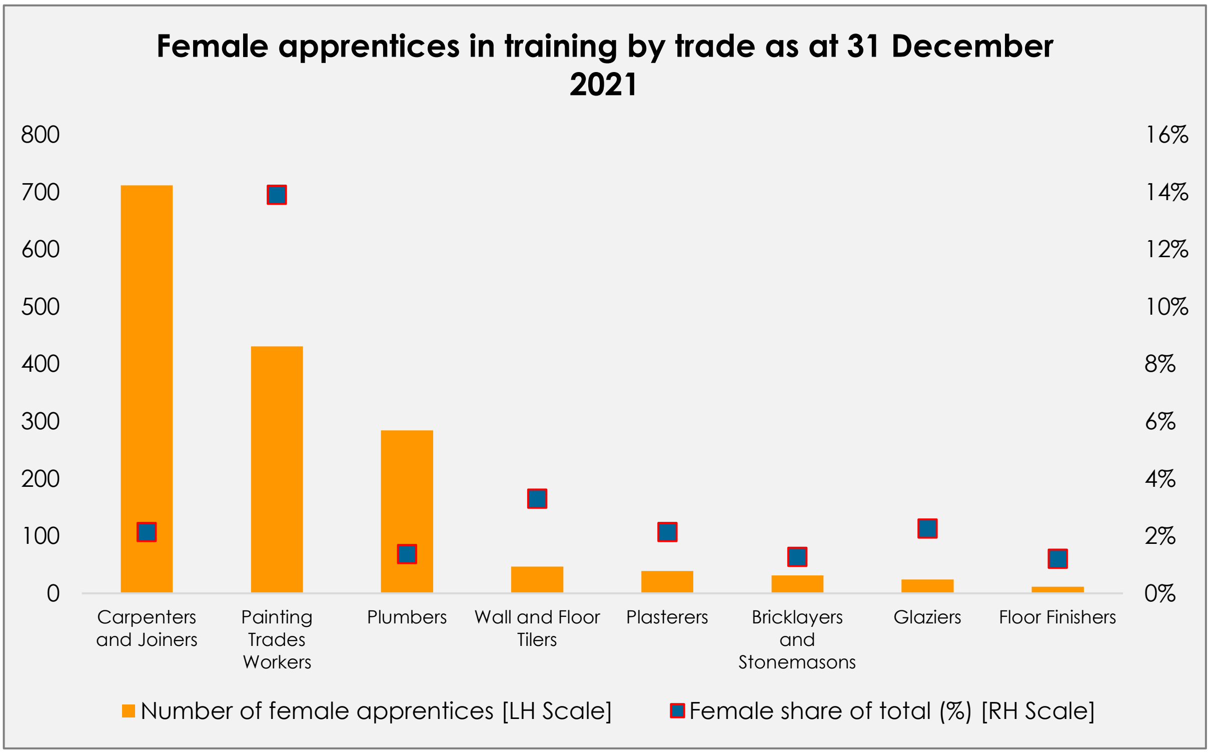
Construction Trades Workers as a proportion of total industry employment - 1987 to 2022
450
400
350
300
250
200
55.0%
50.0%
45.0%
40.0%
35.0%
30.0%
25.0%
1987
1990
1993
1996
1999
2002
2005
2008
2011
2014
2017
2020
Number of Construction Trades Workers [LH Scale]
CTWs as a share of total industry employment (%) [RH Scale]


Female construction apprentice activity - 2012 to 2022 (moving annual total)
6,000
5,000
4,000
3,000
2,000
1,000
0
2012
2012
2013
2013
2014
2014
2015
2015
2016
2016
2017
2017
2018
2018
2019
2019
2020
2020
2021
2021
Commencements
Withdrawals/Cancellations
People in training

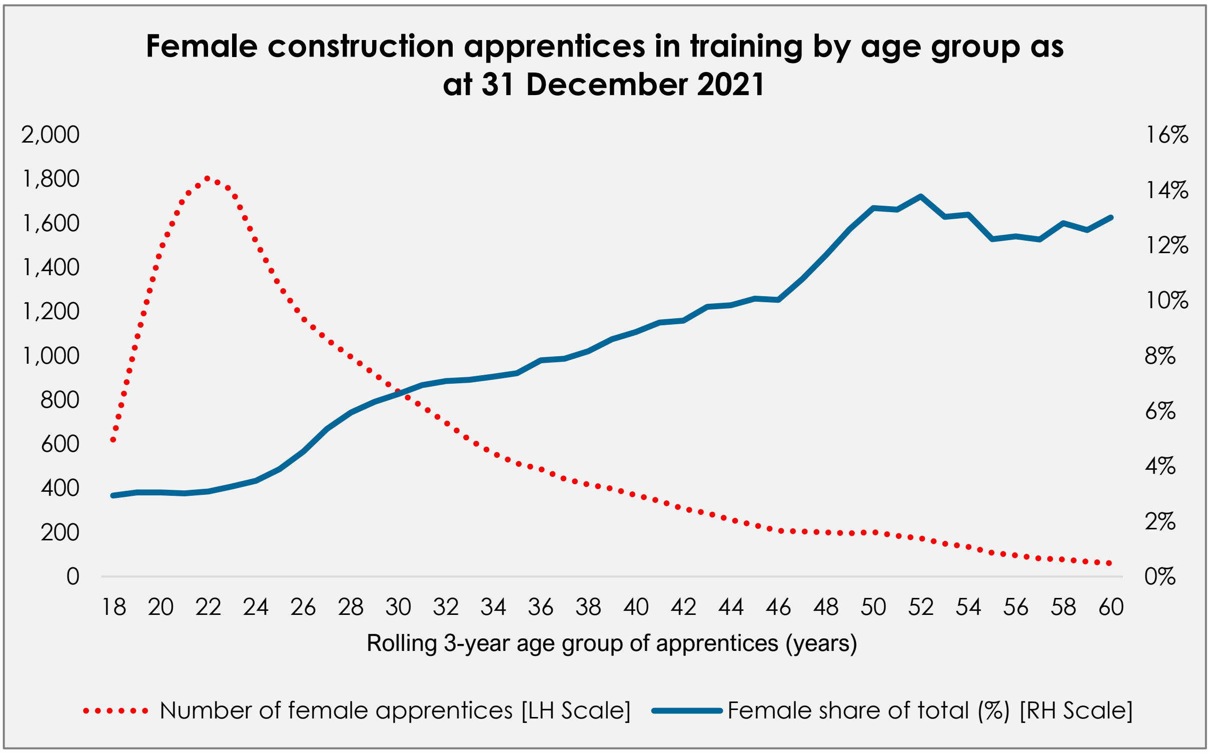

Female share of construction apprentice activity - 2012 to 2022 (moving annual total) (% of total)
10%
9%
8%
7%
6%
5%
4%
3%
2%
2012
2012
2013
2013
2014
2014
2015
2015
2016
2016
2017
2017
2018
2018
2019
2019
2020
2020
2021
2021
Commencements
Withdrawals/Cancellations
People in training



Construction apprentice activity - 2012 to 2022 (moving annual total)
80,000
70,000
60,000
50,000
40,000
30,000
20,000
115,000
110,000
105,000
100,000
95,000
90,000
85,000
80,000
75,000
70,000
2012
2012
2013
2013
2014
2014
2015
2015
2016
2016
2017
2017
2018
2018
2019
2019
2020
2020
2021
2021
Commencements
Withdrawals/Cancellations
People in training (RH Scale)



Female apprentices in training by trade as at 31 December 2021
800
700
600
500
400
300
200
100
0
16%
14%
12%
10%
8%
6%
4%
2%
0%
Carpenters and Joiners
Painting Trades Workers
Plumbers
Wall and Floor Tilers
Plasterers
Bricklayers and Stonemasons
Glaziers
Floor Finishers
Number of female apprentices [LH Scale]
Female share of total (%) [RH Scale]



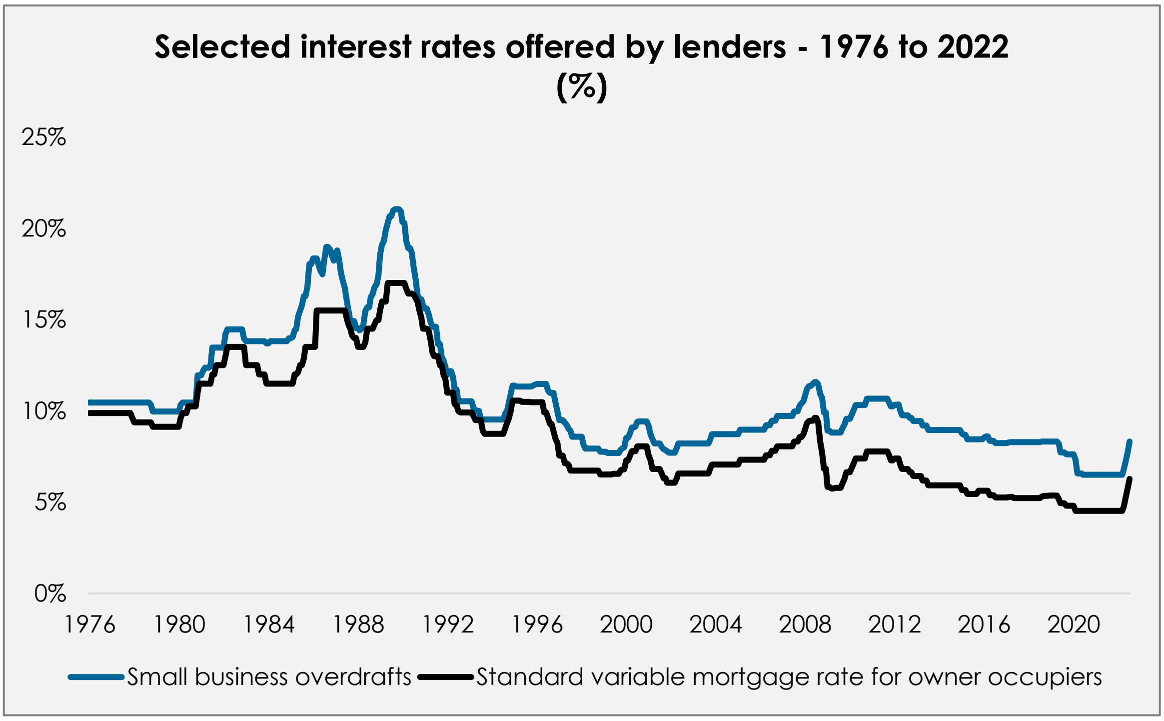
To address these challenges, we recommend the following:

- Immediate action is needed to reduce visa application timeframes, remove restrictive occupational migration lists, and dramatically increase the cap for all work visas in 2022-23 and 2023-24.
- Finalise the new VET funding agreement with the state and territory governments and ensure that the new Agreement delivers real increases in funding for VET delivery, allocates funding based on the quality of training and outcomes, and improves transparency of total funding and its allocation.
- Develop an Apprentice Commencement and Retention Strategy that assesses the impact of government policy and program decisions on commencements and retention and draws on the findings of pilots and programs undertaken in recent decades to embed evidence-based approaches and targets that will improve the consistency and outcomes of the Australian apprenticeship system.
- Reverse the previous government's reduction in the apprentice wage subsidy to ensure businesses continue to hire apprentices and introduce a retention bonus for apprentices at six months, 12 months and on completion.
- Maintain commitment and funding for the establishment and ongoing operation of Industry Clusters to perform workforce planning and forecasting, career pathway development and promotion, and to oversee the development and maintenance of national VET qualifications and competencies.
- Fast track rollout of a Construction Industry Skills Cluster.
- Continue 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.

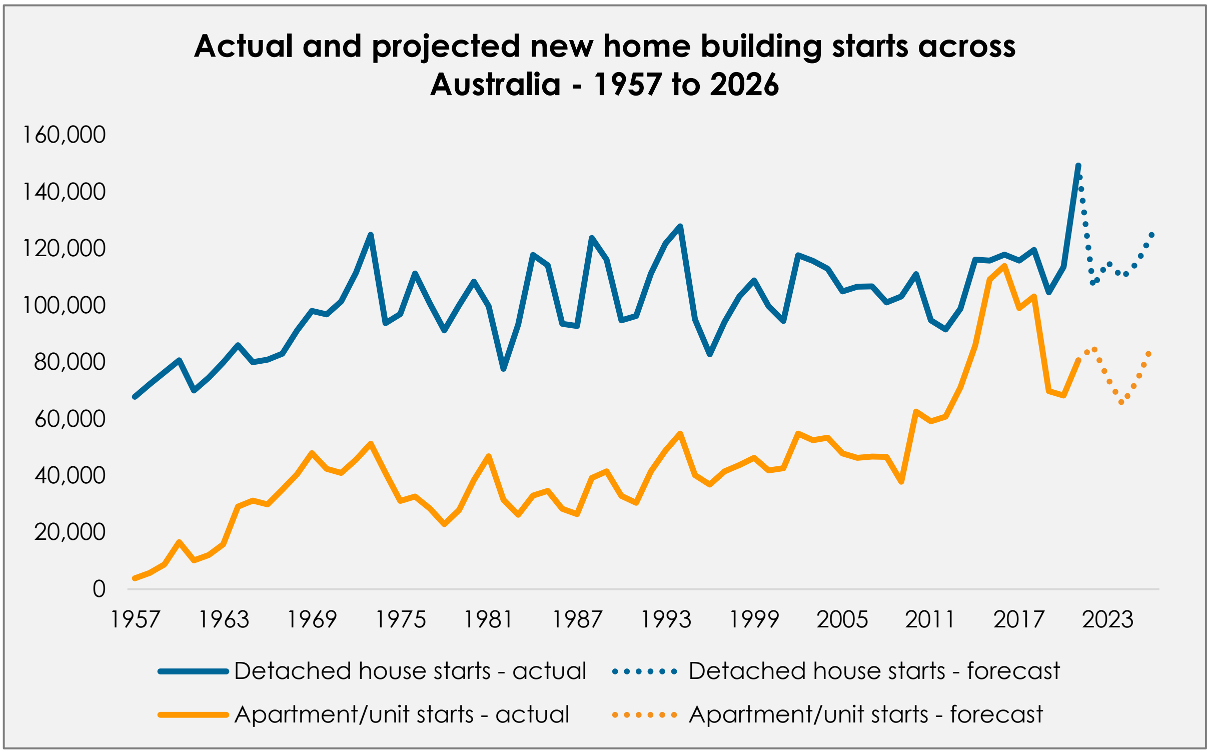
4.3. Supporting Australia's housing needs

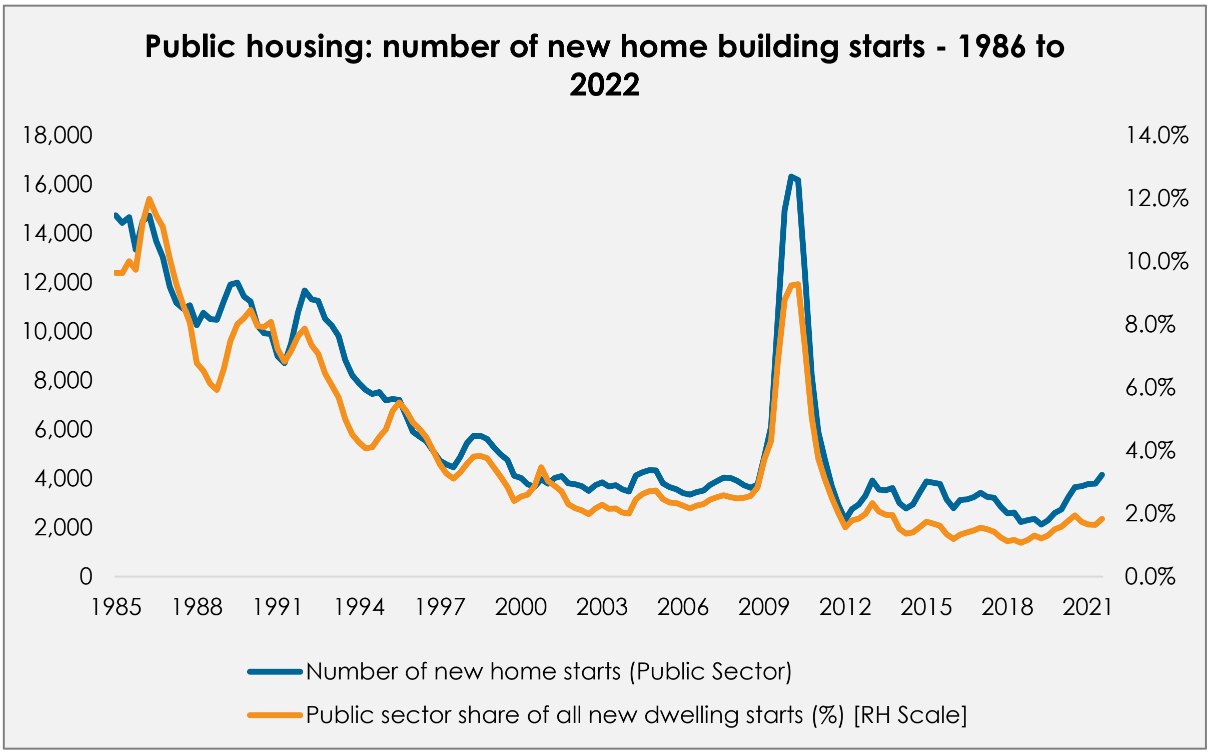
For individuals and families, housing costs typically absorb very substantial shares of household income. This means that conditions around housing affordability have major implications for living standards and quality of life. Unfavourable outcomes on the housing affordability front make it much more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



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.





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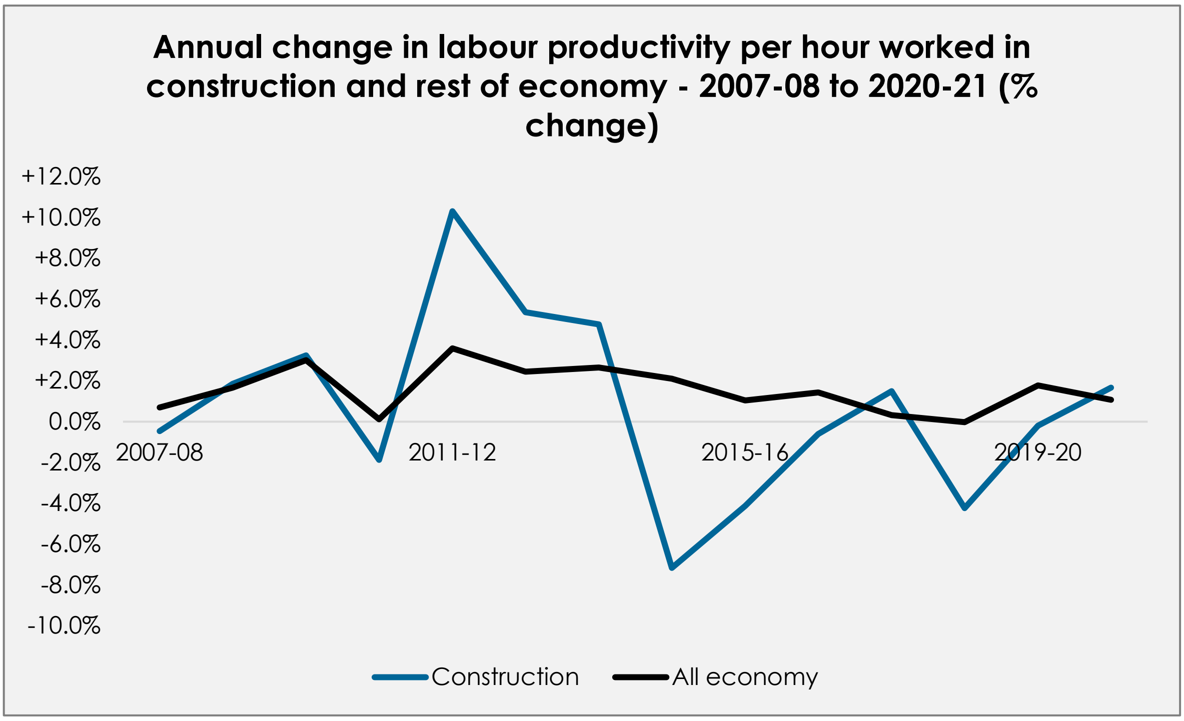
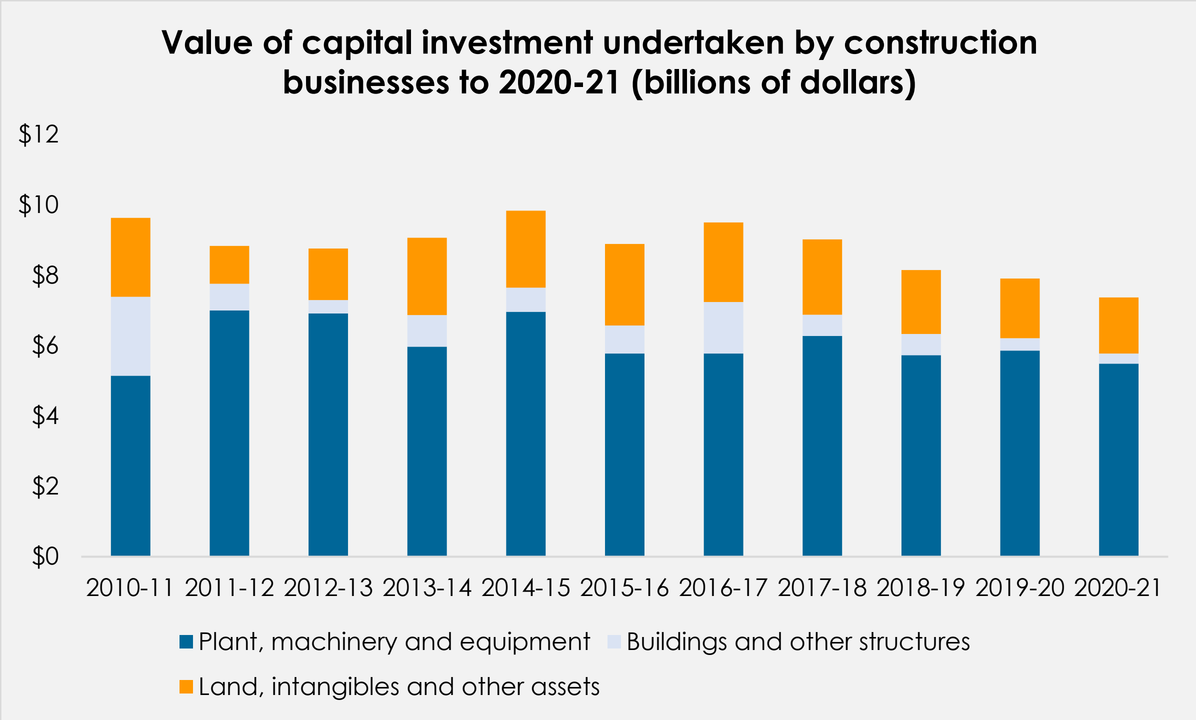
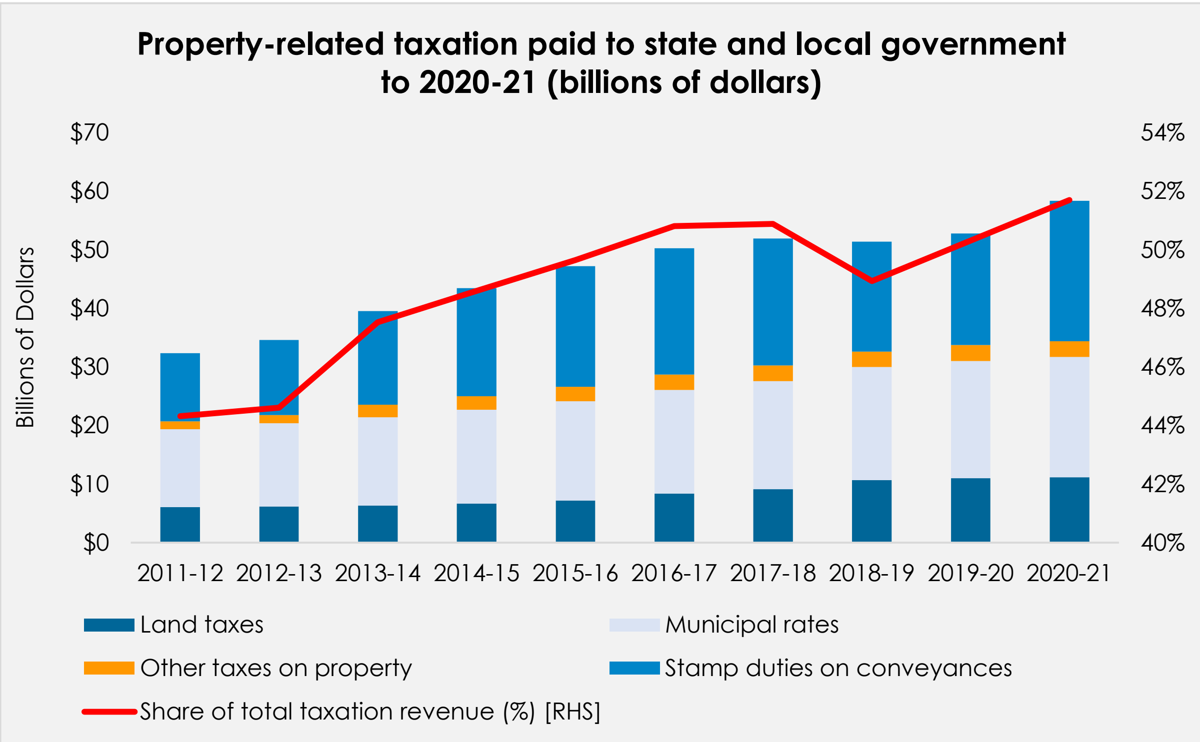
- The federal budget should also fast track the rollout of the Housing Australia Future Fund which is designed to create 30,000 new social and affordable homes over a 5-year period.
- The proposed redesignation of NHFIC as Housing Australia under whose remit the new National Housing Supply & Affordability 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.

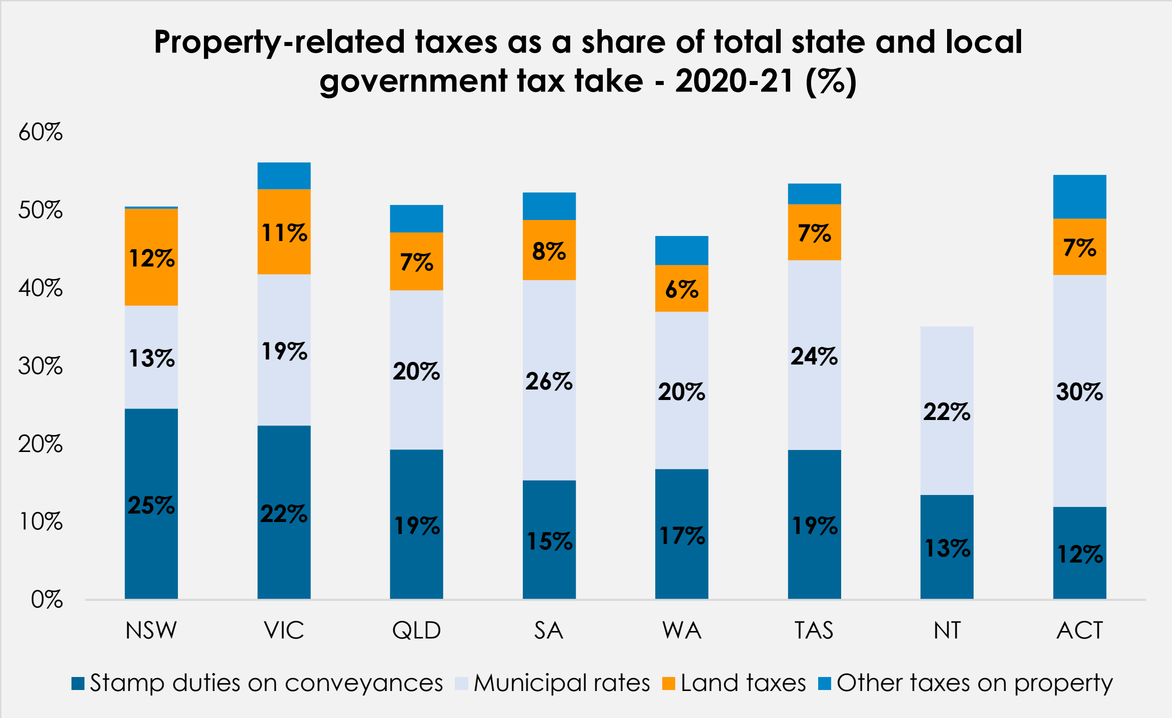
4.4. The right tax settings

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.




Value of capital investment undertaken by construction businesses to 2020-21 (billions of dollars)
$12
$10
$8
$6
$4
$2
$0
2010-11 2011-12 2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21
Plant, machinery and equipment
Buildings and other structures
Land, intangibles and other assets


Property-related taxation paid to state and local government to 2020-21 (billions of dollars)
Billions of Dollars
$70
$60
$50
$40
$30
$20
$10
$0
54%
52%
50%
48%
46%
44%
42%
40%
2011-12 2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21
Land taxes
Municipal rates
Other taxes on property
Stamp duties on conveyances
Share of total taxation revenue (%) [RHS]



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.

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.

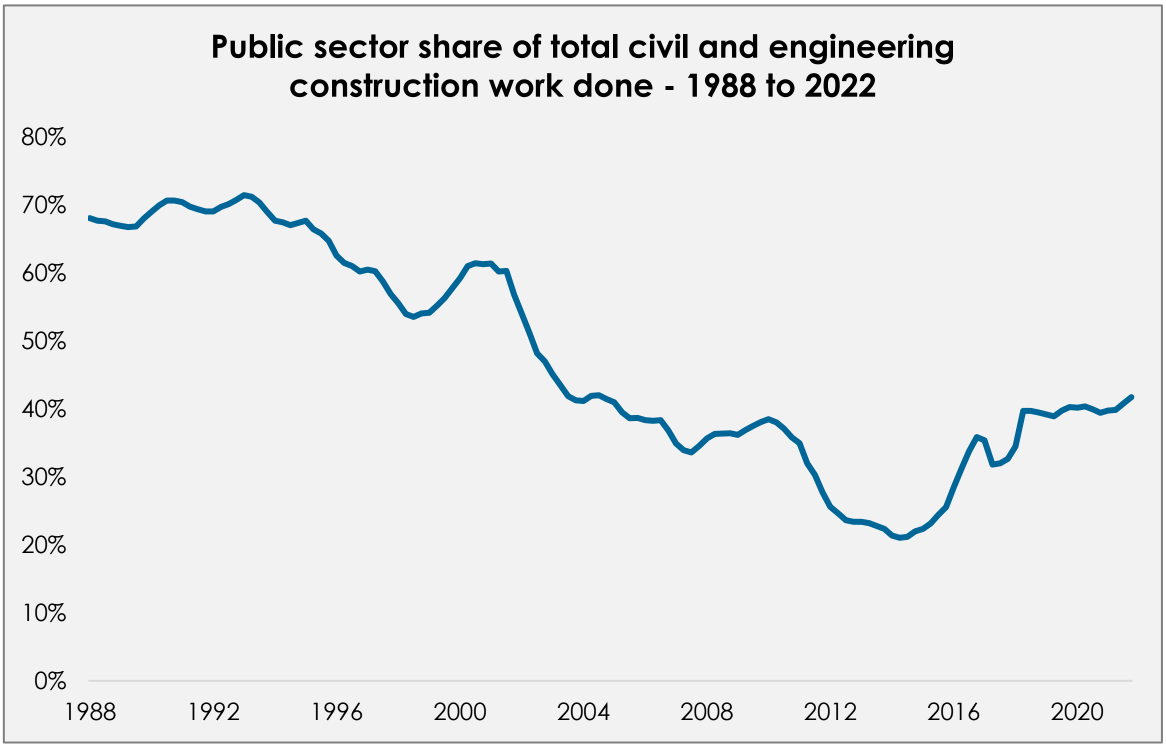
Incentives to business, particularly small business, including tax breaks for productivity enhancing investment in digital and IT systems; and more generous treatment of capital building works.

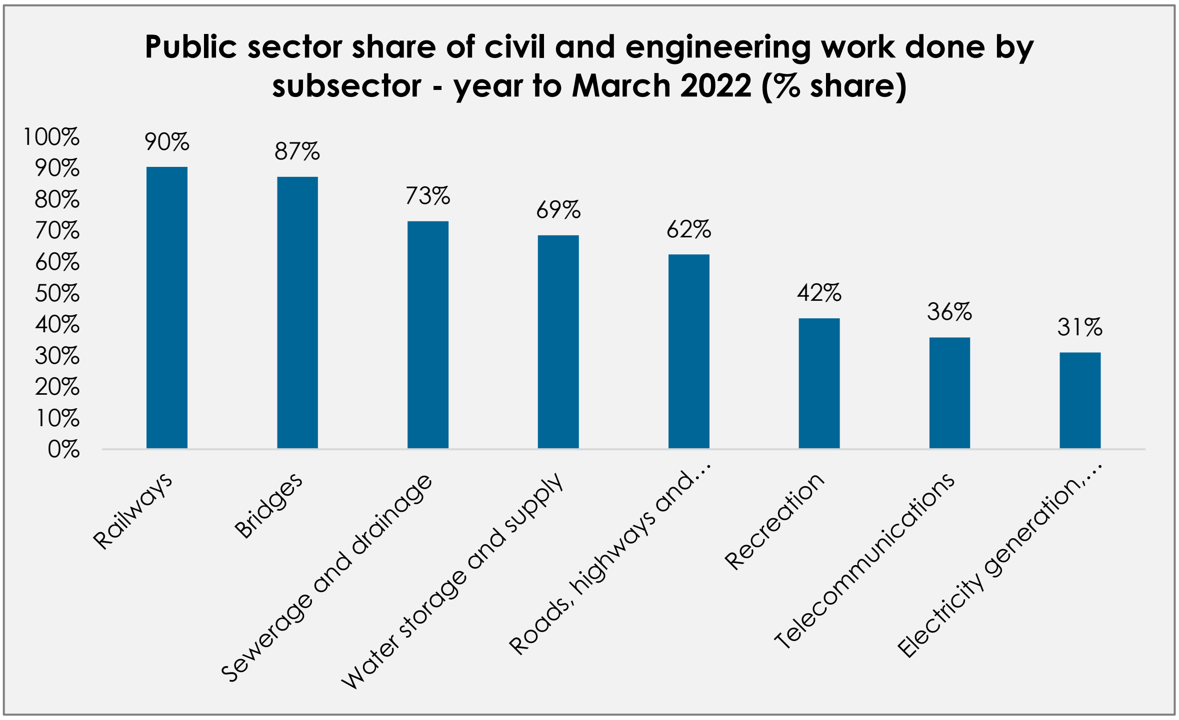
Extend cuts to company tax for businesses over $50 million turnover.

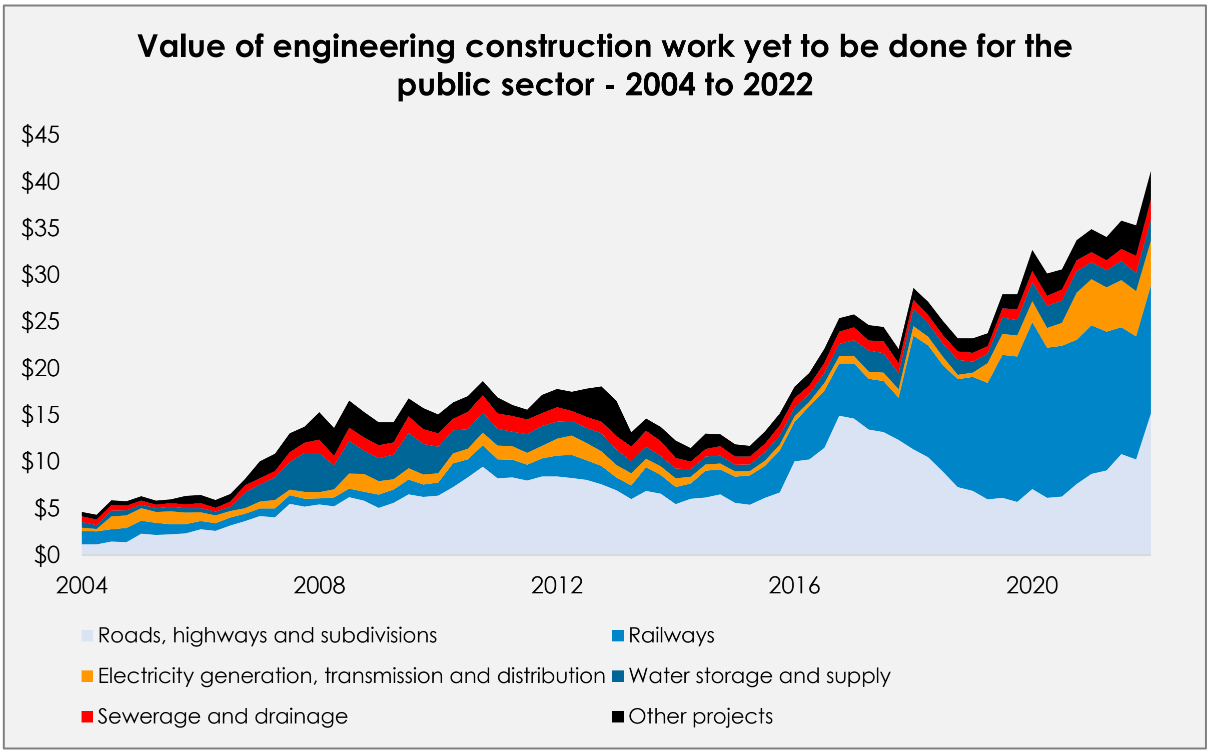
4.5. Investing in Infrastructure

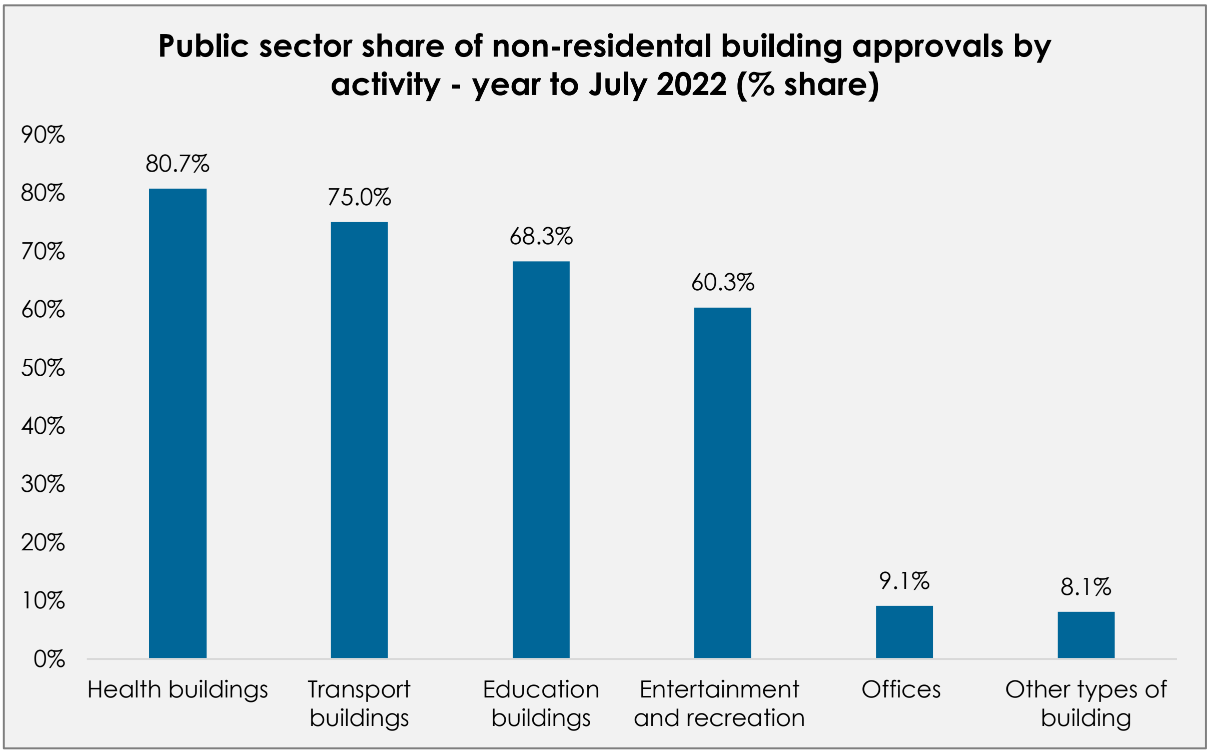
As well as having major benefits for quality of life and productivity growth, government support for infrastructure project work has the important effect of offering a safety net to the construction industry and providing our businesses with certainty around the minimum level of demand for their work 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.

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.




Public sector share of civil and engineering work done by subsector - year to March 2022 (% share)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
90%
87%
73%
69%
62%
42%
36%
31%
Railways
Bridges
Sewerage and drainage
Water storage and supply
Roads, highways and...
Recreation
Telecommunications
Electricity generation,...


Value of engineering construction work yet to be done for the public sector - 2004 to 2022
$45
$40
$35
$30
$25
$20
$15
$10
$5
$0
2004
2008
2012
2016
2020
Roads, highways and subdivisions
Railways
Electricity generation, transmission and distribution
Water storage and supply
Sewerage and drainage
Other projects



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 in a way which reduces the cost to small businesses of competing for contracts with federal government and other public entities. Resourcing should also be provided to ensure that the risk exposure of smaller businesses is minimised when entering into building and construction contracts with government and public entities.

4.6. Simplify and better reregulation 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 a. 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.

To address these challenges, we recommend the following:

- Improve productivity though 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, transition period, and provision of free content for industry and consumer education.
- Cost impacts are minimised, potentially through grants and subsidies.
- The Federal government pays for industry standards that are required by law.
- Improving access and reliability of regulation through clear and concise communication of regulatory outcomes.

4.7. Industrial relations and safety

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.
- Ensure the appropriate resourcing of federal agencies including the Asbestos Eradication & Safety Agency (ASEA) and the Office of the Federal Safety Commissioner (OFSC).
- Review the government's decision to abolish the Australian Building & Construction Commission (ABCC) to ensure the full of law is fully upheld on building and construction sites across Australia.
- If the government proceeds to abolish the ABCC and Registered Organisations Commission (ROC), alternative provisions and appropriate resourcing must be made available to ensure they can discharge their role and functions.
- 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.