

STRUCTURAL IMPACT & RESPONSES TO COVID 19

SCENARIO STRUCTURAL PROBLEM	MEASURES ANNOUNCED	IMMEDIATE STIMULUS	LONGER TERM RECOVERY
BUSINESS			
<p>154,000 building and construction businesses close with a reduction from 395,000 to 241,000 businesses (high impact).</p> <p>117,000 building and construction businesses close with a reduction from 395,000 to 278,000 businesses (medium impact).</p>	<ul style="list-style-type: none"> SME Guarantee working capital loans x 3 years <\$50m. Bank business mortgage loan repayment suspension. Withholding Tax credit up to \$100k to Sept 2020. Tax enforcement action relief. Instant Asset write off up to \$150k to June 2020. Accelerated depreciation deductions for 50% of asset cost to June 2020. 50% apprentice wage subsidies to business/GTOs from Jan-Sept 2020. Various jurisdictions offering payroll and land tax exemptions and relief from other government charges. Various jurisdictions extending working hours w/e & p/h. 	<ul style="list-style-type: none"> Keep construction open for business. Effectively manage enforcement of liquidated damages in contracts. Sustain peer and community support mechanisms as people re-establish in recovery market. Funding for existing businesses to undertake a business health check. 	<p>Early and consistent engagement on progress, data, policy with government and across industry. Sustain peer and community support mechanisms as people re-establish in recovery market.</p> <p>Initiatives to improve the business and financial acumen of the building and construction industry. Informed and effective plan for re-opening international borders to tourists, migrant workers, international students.</p> <p>Develop WHS guidelines that the BCI can continue to work with over the next 12-18 months and with training tailored for this (MBA network).</p> <p>Get clients to accept surety bonds in lieu of bank guarantees that don't require companies to tie up equity for bank guarantees.</p>
ACTIVITY			
<p>Commercial building activity drops by 50% (high impact).</p> <p>Commercial building activity drops by 29% (medium impact).</p>	<ul style="list-style-type: none"> Fast tracking defence contract payments and offering time and cost relief. Various jurisdictions bringing forward more capital works and maintenance expenditure and projects. Various jurisdictions (SA, NT, TAS) spending on tourism infrastructure and promotion. Various jurisdictions offering relief from land tax charges. 	<ul style="list-style-type: none"> Keep construction open for business. Establish a dedicated COVID recovery and rebuilding process for a shovel ready pipeline of work (this is done in NZ). Bring forward approved infrastructure projects. Government support long-term infrastructure loans for universities and TAFE. Invest in maintenance and refurbishment of existing infrastructure. 	<p>Deliver productivity lifting stimulus measures that can off-set deficits accrued during survival phase. These may be through regulatory reforms or productivity lifting investments in community/city building and regeneration.</p> <p>Maintain continuity in supply chain activity though domestic and global supply and effective regulatory and compliance regimes.</p> <p>A greater reliance on reliable data/forecasting.</p>

		<ul style="list-style-type: none"> • Contribution towards cladding rectification. • Increase funding and expand eligibility to civil infrastructure work in NHIF. • Cover gap in bushfire recovery insurance. • Relax land and property taxes. 	A shift to greater harmonisation of regulatory and control frameworks.
<p>New housing starts fall to 100,000 down from 181,000 (high impact).</p> <p>New housing starts fall to 128,510 (medium impact).</p>	<ul style="list-style-type: none"> • Bank home loan mortgage suspension. • Various jurisdictions offering relief from land tax charges. 	<ul style="list-style-type: none"> • Speculative housing Interest free loans for title ready homes. • Allow home buyers to access super to build/renovate homes (this is done in NZ). • Fast track and expand investment in defence housing construction activity. • Extend FHB grant to \$40k and make available to all new home building. NZ has funding scheme for all new home building and property development. • Introduce build to rent type model. • Increase funding and expand eligibility to NHFIC beyond CHPs. • Instant asset write-off/NG for property investors to undertake renovations to rental properties. • Resilience funding program to support natural disaster, energy efficiency and accessibility renovations. • Cover gap in bushfire recovery insurance. • Contribution towards cladding rectification. • Fast-track planning approvals. • Relax land and property taxes (including stamp duty). • Apply a moratorium on all stamp duty bills for new homes and for vacant land until residential building recovery is on solid ground. 	<p>Massive program of publicly-supported new home building in order to address existing deficits and areas of potential undersupply going forward. This program will be necessary in order to kick-start a sustained recovery in new home building.</p> <p>Move away from stamp duty to land tax.</p> <p>Apply a moratorium on all stamp duty bills for new homes and for vacant land until residential building recovery is on solid ground.</p> <p>Bridge gap between mortgage valuation and cost of new home construction. In regional areas bank mortgage valuations can be less than average cost of construction.</p>
JOBS			
<p>464,300 construction jobs lost. Employment falls by 39% from 1 million to 700,000 jobs (high impact).</p> <p>352,210 construction jobs lost. Construction employment falls by 30% to 836,590 jobs (medium impact).</p>	<ul style="list-style-type: none"> • 50% apprentice wage subsidies to business/GTOs from Jan-Sept 2020. • Wage subsidies to business for employees impacted by COVID. • Increased and accelerated income support, including a time-limited coronavirus 	<ul style="list-style-type: none"> • Keep construction open for business. • Expand wage subsidy to all GTOS. • Wage subsidies to business for employees impacted by COVID. • Fund pre-apprenticeship general entry level reskilling. 	<p>Fund pre-apprenticeship general entry level reskilling.</p> <p>Build better alliances with schools/universities on key areas of training and reform.</p> <p>Online training on tendering for government contracts.</p>

	<p>supplement payment and access for sole traders.</p> <ul style="list-style-type: none"> Income support payments (\$750) for veterans & social security recipients. Early access to superannuation (\$10k) from July 2020. Utilise provisions in employment contracts (stand-down with or without pay). Jurisdictions offering funding to help workers that have lost their job. Various jurisdictions extending working hours to w/e & p/h. 	<ul style="list-style-type: none"> Online training on tendering for government contracts, including navigating defence tenders. Funding to support development and delivery of online training. Establish a Construction Skills Organisation to develop base standardised assessments for CPC courses. 	<p>Apprentice requirements for government contracts.</p>
CONSTRUCTION CHAIN DISRUPTION			
<p>Any closure of activity (types of building, contractors, product supply) in the construction chain will have impacts across construction activity.</p> <p>440,000 jobs in other sectors of the economy are dependent on construction work. 171,600 jobs could be lost in the sectors which depend on construction.</p>		<ul style="list-style-type: none"> Keep construction open for business. Effectively manage enforcement of liquidated damages in contracts. Fast-tracking payment throughout the construction chain. Ensure continuity in product supply. Whole of industry support packages. Support potential for emergency supply or emergency manufacturing capability to create onshore to cope with any future disruption to supply of key building materials. 	<p>Maintain continuity in supply chain activity though domestic and global supply and effective regulatory and compliance regimes.</p> <p>Maintain emergency supply or emergency manufacturing capability onshore to cope with any future disruption to supply of key building materials.</p>
REGULATORY (building controls & contracts)			
<p>COPID 19, bushfire and building quality have compounding impact on viability of BCI, insurance market and we see an increase in building litigation disputes.</p>	<ul style="list-style-type: none"> Applying appropriate COVID 19, safety and hygiene practices. Fast tracking defence contract payments and offering time and cost relief. 	<ul style="list-style-type: none"> Applying appropriate COVID 19, safety and hygiene practices. Effectively manage enforcement of liquidated damages in contracts. Fast-tracking payment throughout the construction chain, starting with government contracts. Pause on regulatory reform because cost of reform cannot be carried by industry or government. Relaxing essential regulatory requirements such as licensing/registration and inspections. 	<p>Identify recovery oriented harmonised models for BCI in relation to planning, building control, health and safety, IR to assist productivity.</p> <p>Work with local councils to develop programs to get approvals done with consistency and timeliness. Particularly around BAL but also more general approvals.</p> <p>Work to retain the shorter payment times by all in the supply chain – from clients/developers to sub-subbies - to avoid the need for PBA's and Trust accounts.</p>

* Stimulus measures in bold likely to have the biggest impact & Italicised measures additional to original stimulus list.

THREATS

The immediate threats are keeping construction open for business, a sufficient pipeline of work through the suppression phase and ensuring safe hygiene practices on site.

Countries like NZ have moved to defining areas of essential construction work and requiring a substantial shutdown of the industry. Master Builder does not support any move to close the industry down, either in full or in part during this crisis, on the basis that safety of workers can be maintained and it is an essential industry from an economic perspective.

The longer-term threat is managing fall-out from industry consolidation through strategic alliances, education, training, investment in productive renewal and rebuilding efforts and consolidation of regulation.

EARLY SIGNS OF RECOVERY

Observing trends in the following over a 2-3month period:

- Employment growth.
- Commercial building approval increases.
- House prices stability.
- Investor lending improvements.
- Lending to owner-occupiers increases.
- Building approval growth.
- Anecdotal feedback from members on the ground.
- Number of tenders being put out.