



MASTER BUILDERS
A U S T R A L I A

2024-25
PRE-BUDGET
SUBMISSION

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ABOUT MASTER BUILDERS AUSTRALIA

Master Builders Australia (Master Builders) is the nation's peak building and construction industry association, serving as the only representative for all three sectors of the industry: residential, commercial and engineering/civil construction.

Over 130 years, the movement has grown to over 32,000 businesses nationwide, including the top 100 construction companies.

With Master Builders Associations in each state and territory, offices in all capital cities and 34 locations throughout metro and regional Australia, Master Builders is the authentic voice of the nation's building and construction industry.

Membership of Master Builders is a stamp of quality, a demonstration that a builder values high standards of skill, integrity and responsibility to its clients.

Master Builders' vision is for a profitable and sustainable building and construction industry.





EXECUTIVE SUMMARY



A strong building industry makes a strong economy. For every \$1 spent in the building and construction industry, \$3 is returned to the Australian economy.

The Australian economy is walking a delicate tightrope. There are many domestic and international factors impacting the Budget's bottom line. Over the last year, the Federal Government has committed to an ambitious housing agenda, shown spending restraint, and undertaken a range of initiatives in key policy areas – both positive and negative for the building and construction industry.

To lift economic growth and boost productivity, Master Builders argues that the Government focuses on additional policy areas, while at the same time returning to the drawing board on its industrial relations agenda.

The 2024–2025 Budget provides an opportunity for the Government to open the door to more private-led activity.

The Federal Budget serves as a vital tool to coordinate and ensure policy levers are pulling in the right direction, alongside the Reserve Bank of Australia (RBA)'s efforts to combat inflation. It is imperative that all available tools are used to get back on the road to a stronger economy.

From social and community housing, rental properties and owner-occupiers, there is a common constraint – supply. Taking decisive action to speed up the delivery of new homes will help win the battle against inflation more quickly.

The building and construction industry needs to be spending as much time as possible on the tools without unnecessary delay or disruption.

The industry is committed to meeting the 1.2 million new homes target under the National Housing Accord and achieving its sustainability goals by 2050, but it can only do so with support from all levels of government.

At a Federal level, it is critical that all portfolios are working together to ensure legislation is not undermining these objectives. For example, Master Builders welcomes the focus on filling skill shortages in the Government's Migration Strategy released in December 2023. Skilled migrants are needed now more than ever in the building and construction industry. Meanwhile, industrial relations policies such as the *Fair Work Amendment Closing Loopholes Bill* and the abolition of the Australian Building and Construction Commission, threaten the viability of businesses and the ability for the economy to bounce back.

There is too much at stake here, and an over-reliance on mortgage holders to do the heavy lifting is not sufficient.

Therefore, in preparing the 2024–2025 Budget, Master Builders submits the Government focuses on measures that:

- > Lift productivity;
- > Deliver Australia's housing needs;
- > Better connect communities;
- > Build up local defence capabilities;
- > Grow and support the workforce;
- > Ensure safety and wellbeing in the workplace;
- > Support investment;
- > Improve regulatory barriers;
- > Support sustainable building practices and a resilient built environment; and
- > Enhance the federation.

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ECONOMIC BACKDROP



AUSTRALIA'S ECONOMY HAS A PRODUCTIVITY PROBLEM

Sustained advances in living standards cannot be achieved without productivity growth. According to the Productivity Commission's Quarterly Productivity Bulletin in September 2023, there was a 2.0 per cent reverse in labour productivity during the June 2023 quarter. The losses resulting from subpar productivity growth are confronting.

During the 1990s, productivity grew by an average rate of 2.2 per cent annually. Had this favourable performance been maintained over the entire period up to 2023, average income per head would now be \$25,000 higher than it is.

Following a four-month pause, the RBA increased the cash rate by 25 basis points in November 2023.

Global impacts, including conflict and supply challenges in the Middle East and Europe, have caused fuel prices to surge, affecting the RBA's inflation target.

Domestic pressures are proving to be less volatile. While the overall rate of increasing inflation is starting to decelerate, there are areas within the economy that are resistant to monetary policy levers.

Along with fuel prices, services and housing inflation are currently the main sources of domestic inflationary pressures in the economy.

Lifting the cash rate over the last 18 months was necessary to curb spending in a post-COVID-19 environment with a high household savings buffer. However, it is not enough to address the challenges in the rental market.

The rental market continues to be affected by a prolonged drought in new apartment buildings and the negative consequences of rising interest rates. As interest rates rise, mortgage holders inevitably pass on these costs to renters and in a supply-constrained market, there is less ability for renters to move to more affordable accommodation.

Looking ahead, in response to accelerating rents and low vacancy rates, housing investor interest in the market is increasing. Lending figures to September 2023 show that almost half the loans issued for new home construction and residential land purchase are made to housing investors.

Significantly, housing investors are also out-borrowing owner occupiers and taking larger loans on average in several important segments, including residential land purchase, home renovation and new dwelling purchase.

Over time, it is expected that strong pressures in the rental market will force more high-density home-building projects into the sphere of financial viability. As a result, high-density home building is likely to expand significantly over the medium term.

Non-residential building activity performed strongly during COVID-19 but has declined in recent months. Areas including health and education building, which depend on public funding, are flourishing.

Office building faces a decline with high vacancy rates and depressed rents making the business case for new stock unappealing to builders and investors. Industrial building work prospered during COVID-19, but activity looks to have peaked, and the volume is likely to decrease in coming years.

The volume of civil and engineering construction during the June 2023 quarter is estimated to have increased by 17.8 per cent. The scale of expansion was very considerable when it came to both public sector (+16.5 per cent) and private sector (+18.8 per cent) projects.

Major transport infrastructure projects are the biggest source of growth in this part of the market, but work related to resources and the expansion of renewable energy generation capacity is also significant.

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**BUILDING AND
CONSTRUCTION:
A DRIVER OF
ECONOMIC GROWTH**



BUILDING AND CONSTRUCTION IS ONE OF THE LARGEST SECTORS OF THE AUSTRALIAN ECONOMY

Australian Bureau of Statistics (ABS) figures indicate the total value of building and construction work done over the year to September 2023 was \$280.3 billion – an amount equivalent to 10.7 per cent of Australia's Gross Domestic Production (GDP).

The economic impacts identified in this submission only capture the direct benefits of activity in this sector. Building and construction plays a significant role in expanding Australia's economic capacity. Housing, new roads, railways, office buildings, factories, shops, warehouses, tourism infrastructure and community infrastructure all allow the economy to flourish.

The industry's activity provides strong support to other parts of the economy. It is estimated that every \$1 million of residential building activity generates \$3 million in economic activity. This stems from the high domestic make-up of the industry, including building materials, labour and professional services.

A larger capital stock is one of the basic ingredients of economic growth. Much of that is delivered by building and construction.

WORKFORCE



EMPLOYS 1.31M PEOPLE

86 per cent of all jobs are full-time.

The most consistent employer of full-time workers than any other industry.
(August, 2023)



\$77.2 BILLION

in wages paid.
(2021-22)



124,440 APPRENTICES

are employed in the building and construction industry, accounting for roughly half of the economy's trade apprentices.

BUSINESS



OVER 444,000 BUSINESSES

of which 98.7 per cent are small businesses.
(June, 2023)



OVER 262,000

independent contractors typically operate as sole traders or partnerships.
(June, 2023)



57.2%

of businesses turn over less than \$200,000 a year. 1.4 per cent of businesses have annual revenues of more than \$10 million.

ACTIVITY



\$127.2B

worth of civil and engineering construction done.
(Year to September 2023)



171,000

new home starts 63 per cent detached dwellings.
(Year to June 2023)



2,930

new units of public sector housing commenced.
(Year to September 2023)

INDUSTRY FORECASTS

In 2022–2023, total building and construction activity across Australia is estimated to have expanded modestly, bringing the value of the market to \$226.4 billion. Other than residential building, 2023–2024 will focus on transport and social infrastructure projects.

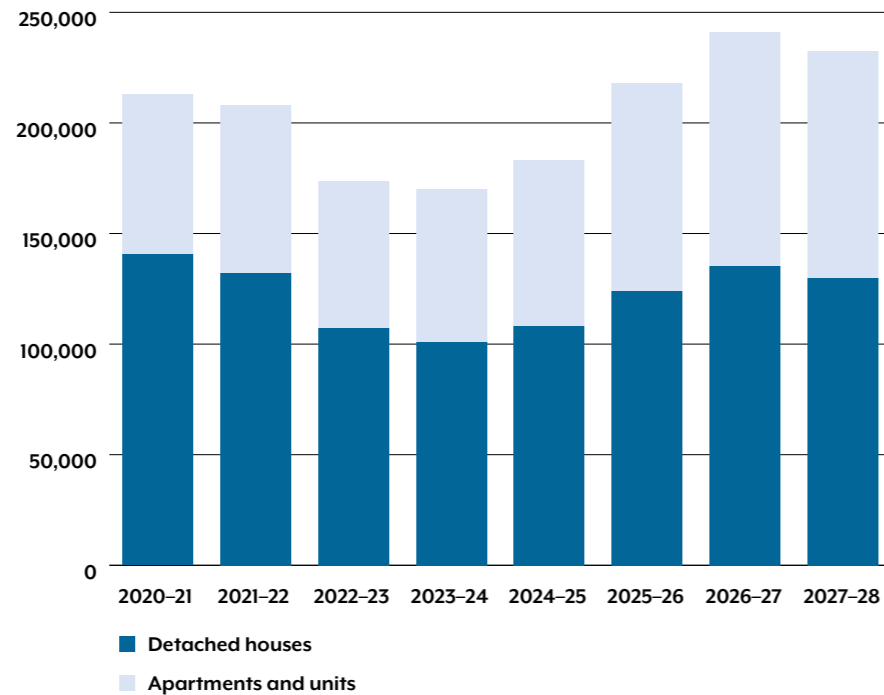
New home building is expected to start growing again just as the infrastructure wave passes. Altogether, Master Builders anticipates that the volume of building and construction activity will peak at \$246.2 billion during 2026–2027 before easing the following year.

RESIDENTIAL BUILDING

The volume of residential building work peaked at \$74.9 billion during 2021–2022. Master Builders anticipates that activity will bottom out at \$63.3 billion in 2023–2024. The recovery that follows will be particularly pronounced in the higher-density home building segment. However, detached house building will also fare well. From an expected trough of about 170,000 during 2023–2024, Master Builders projects that new home starts will peak at almost 242,000 in 2026–2027.

Overall, residential building activity is anticipated to expand steadily, reaching \$80.8 billion in 2026–2027 and rising to \$85.9 billion in 2027–2028, the final year of the forecast horizon.

MASTER BUILDERS FORECASTS OF NEW DWELLING STARTS BY TYPE TO 2027–28

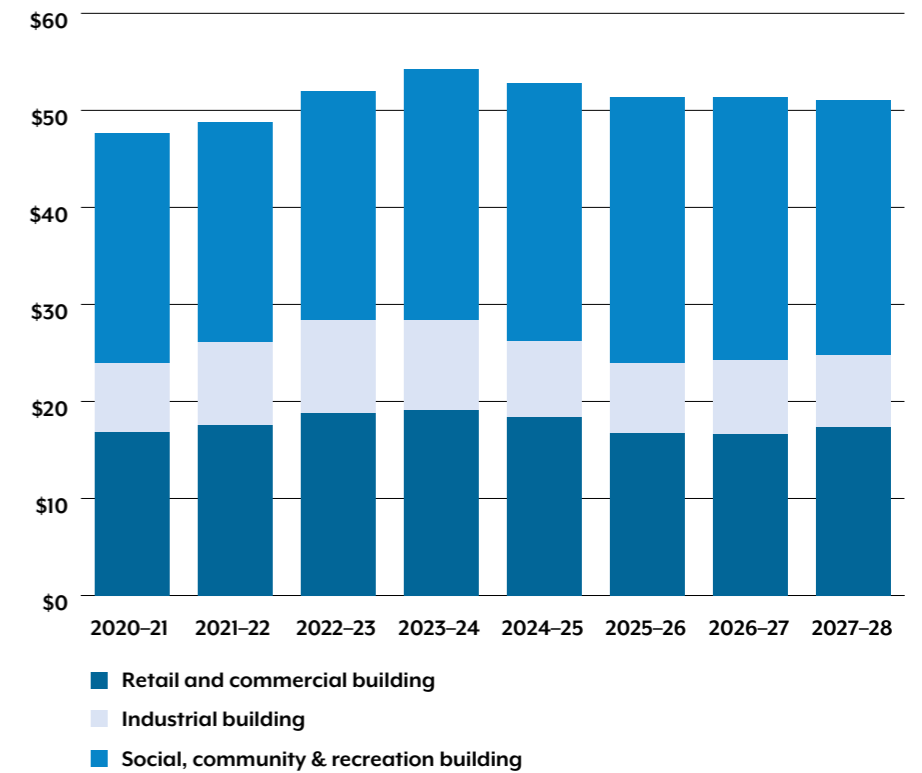


NON-RESIDENTIAL BUILDING

Non-residential building activity is likely to hit a peak during 2023–2024 when \$54.27 billion of work is carried out. From there, Master Builders anticipates activity to fall to \$51.4 billion in 2026–2027 with another dip bringing the size of the market to \$51.01 billion in 2027–2028. Industrial building projects are likely to see the sharpest drop with retail and commercial building activity also set to decrease.

There will, however, be more work in social and community infrastructure where the public sector contribution to major projects like hospitals will be substantial.

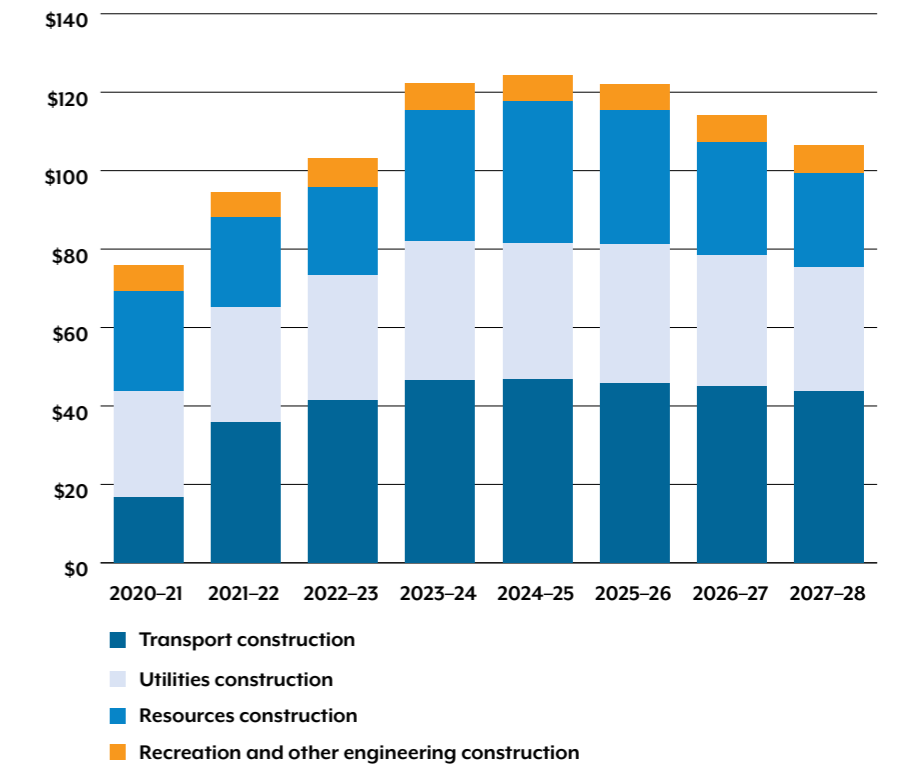
MASTER BUILDERS FORECASTS OF NON-RESIDENTIAL BUILDING ACTIVITY TO 2027–28 (MILLIONS OF 2020–21 DOLLARS)



CIVIL CONSTRUCTION

During 2022–2023, work was estimated to total \$103.17 billion. The forecast is for activity to peak at \$124.33 billion during 2024–2025. Resource and major transport infrastructure projects will do much of the lifting. From there, it is anticipated the value will decline to \$114.0 billion in 2026–2027 before retreating to \$106.42 billion in 2027–2028, the final year of the forecast horizon.

MASTER BUILDERS FORECASTS OF CIVIL AND ENGINEERING CONSTRUCTION ACTIVITY TO 2027–28 (MILLIONS OF 2020–21 DOLLARS)



4

**WHERE DO WE
WANT TO BE?**

SUSTAINABILITY GOALS 2050

The building and construction industry stands on the precipice of change.

In the coming decades, the built environment must meet new goals, with longevity and sustainability at the core of all building and construction work.

The community rightly expects homes to be healthier, more comfortable and more affordable to maintain. Building materials and supply chains will also need to be more sustainable and employ better manufacturing practices. More Australians will demand access to home ownership and infrastructure to support a growing population.

To help ensure the industry can realise this vision, Master Builders released its *Building and Construction Industry Sustainability Goals 2050* in July 2023. The goals outline a commitment to fostering a more robust, environmentally aware, and sustainable industry.

The goals take a three-pronged approach to sustainability: environmental, social and governance. Environmental goals to attain a net zero built environment, ensure building laws, regulations and standards are fit for purpose and minimise the environmental footprint of the industry. Social goals have been set to achieve a sustained reduction in fatalities

and injuries in the industry, to inject more equality, diversity and inclusion and to ensure the sector is known for being a positive and supportive workplace. Governance goals seek to ensure the structures, frameworks and relationships in the supply chain reflect a profitable and sustainable outcome and that the industry develops and implements best practice standards in community engagement.

With a target to achieve these goals by 2050, Master Builders will advocate for measures to ensure specific milestones are met by 2030. Supporting these goals are three-year action plans, ensuring accountability and progress.

Master Builders acknowledges that large-scale reform cannot happen overnight or in isolation. The building and construction industry is made up overwhelmingly of small businesses. The time it takes for these businesses to recruit and train staff, implement regulatory and legislative requirements, manage a business and keep up with changing policy priorities is significant.

It is, therefore, imperative that adequate and appropriate strategic planning must be undertaken to ensure the impact of change is positive and effective. If mishandled, it will drive people from the industry, putting more pressure on those left behind.

By addressing the critical issues affecting business performance, minimising risks, and maximising

opportunities through this framework, Master Builders aims to shape a more sustainable and resilient future for businesses, workers and communities.

It is through this framework, the agenda of the Albanese Government, and the current economic climate that Master Builders makes its pre-budget policy recommendations.



Environment

Net zero built environment

Buildings built to enable net zero emissions.

Resilient built environment

Building laws, standards, and performance are at an appropriate level to meet the health and wellbeing needs of our future population and contribute to better building outcomes.

Circular economy

The building and construction industry minimises its environmental footprint by reducing its quantum of waste, adopting best practice recycling programs, and minimising its water usage.



Social

Fair and safe workplace conditions

To achieve a sustained and ongoing reduction in fatalities and injuries within the building and construction industry.

Equality, diversity and inclusion

That the building and construction workforce reflects the Australian population.

Mental health

To ensure the building and construction industry is known as a sector that fosters and supports positive workplace mental health and has eliminated (or substantially reduced) the incidence of suicide amongst industry participants.



Governance

Business conduct

The structures, frameworks and relationships in the industry supply chain reflect a profitable and sustainable outcome for all.

Community engagement

That the industry has developed and implemented best practice standards in community engagement.



5

**WHAT ARE THE
OBSTACLES?**

In recent years, the building and construction industry has been confronted by unprecedented challenges

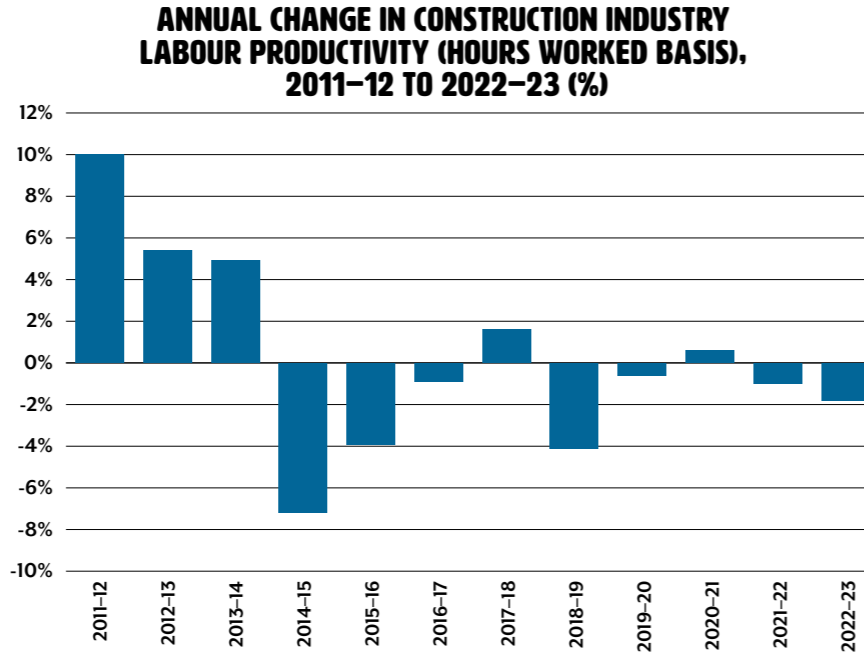
POOR PRODUCTIVITY

When it comes to productivity, the construction industry has been going nowhere for over a decade. Labour productivity in our industry has fallen in seven of the past nine years. This means that 18 per cent less work is getting done per hour worked in our industry compared with 2013-14. This is an alarming pace of reverse.

It matters because deteriorating productivity slows down the delivery of new homes, hospitals and schools. It means that the final cost of all types of building and construction work ends up being much higher than it needs to be.

Most importantly, substandard productivity in our industry hurts living standards because many of the buildings and infrastructure that we need so badly never end up getting built at all.

Productivity relates to how effectively our industry converts inputs like labour and materials into final outputs in the form of buildings and infrastructure. If we look at what happened in 2022-23, one of the ironies is that our industry's output actually rose by a creditable 3.7 per cent during the year. The problem is that securing this gain involved using 3.9 per cent more work hours. In other words, labour inputs rose more quickly than output did – a bad productivity outcome.



There are lots of ways in which we can drive better productivity outcomes in the future. Key to this is flexibility: our construction businesses must have a broad suite of options and choices with respect to how they run their operations and interact with employees and subcontractors. Imposing more restrictions in this area will shut off avenues of potential productivity improvement and narrow the scope for new ideas to be implemented.

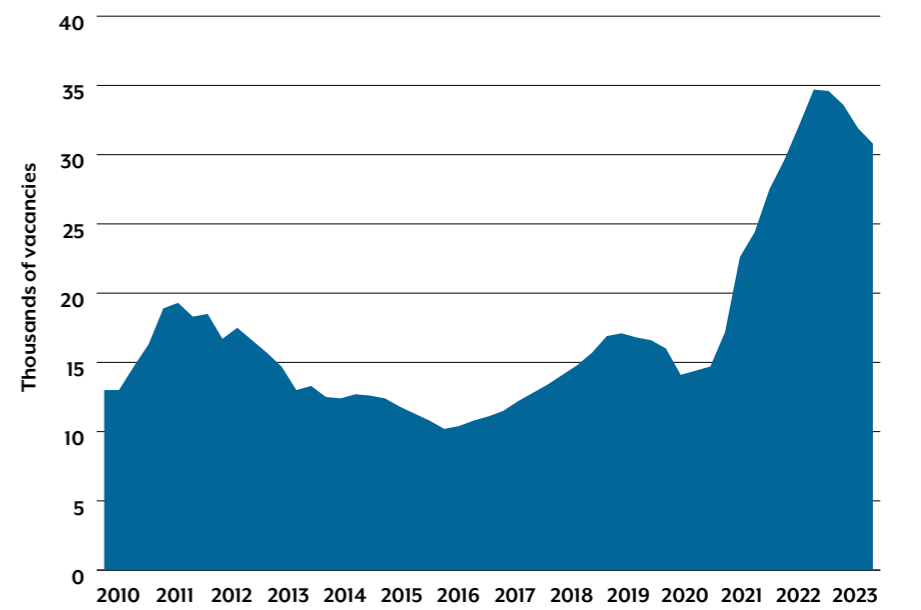
LABOUR SHORTAGES

Labour shortages remain the biggest source of cost pressures and disruption for the industry. Labour shortages impact the final cost and timeline of new homes and infrastructure.

The tight labour market has forced wages to accelerate in a way that has not been seen in decades: in the September 2023 quarter, average hourly wages across the economy rose by 1.3 per cent. This was the largest increase for any quarter since records began in 1997.

While labour shortages are stark, the Government is also developing more stringent building regulations and unnecessary overreaching industrial relations laws, which will serve to restrict movement of or drive workers from this industry.

NUMBER OF CONSTRUCTION INDUSTRY JOB VACANCIES, 2010 TO 2023 (FOUR QUARTER MOVING AVERAGE)



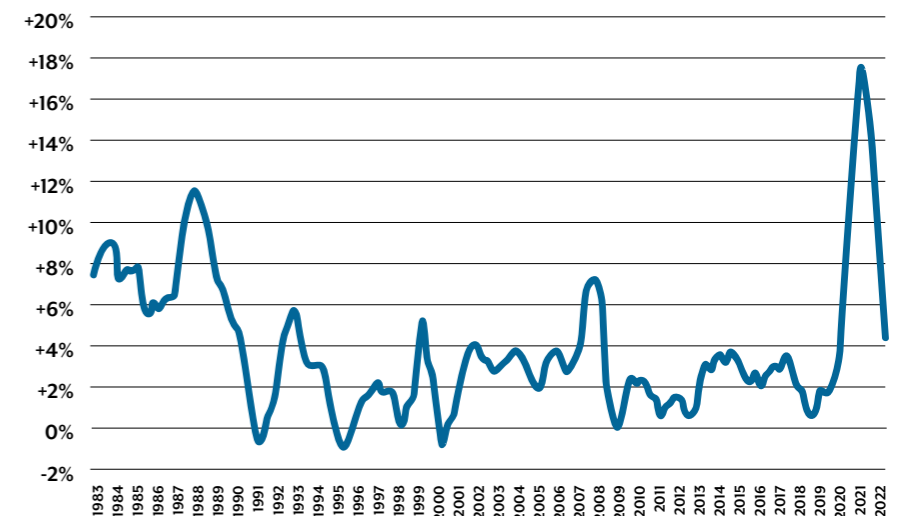
MATERIALS INFLATION

To the relief of most in the building and construction industry, building materials prices have continued to stabilise over the 2023-2024 financial year.

Overall, building material costs were largely unchanged during the September 2023 quarter – the first time since COVID-19 that prices did not increase in a quarter. Timber and steel prices have dropped while cement, concrete and ceramic prices accelerated as a result of the heavy use of thermal energy in the production processes.

However, the rapid increase in the cost of materials over the last few years has added more pressure to profit margins for building and construction businesses.

ALL MATERIALS USED IN HOUSE BUILDING: ANNUAL PRICE CHANGE IN AUSTRALIA UP TO SEPTEMBER 2023 (%)



BUILD TIMES

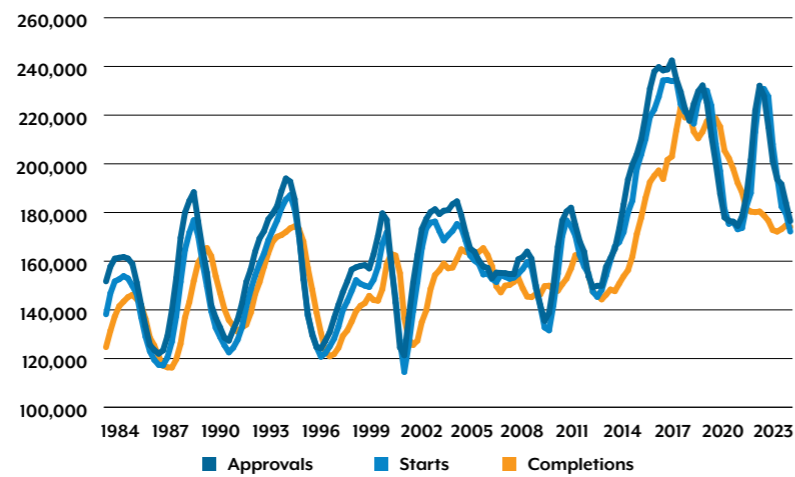
Over recent years, the delivery of the new homes we desperately need has been obstructed by the combination of labour shortages, broken supply chains and other pandemic-related restrictions.

This is on top of the already formidable set of impediments in the form of planning delays, insufficient land release and red tape.

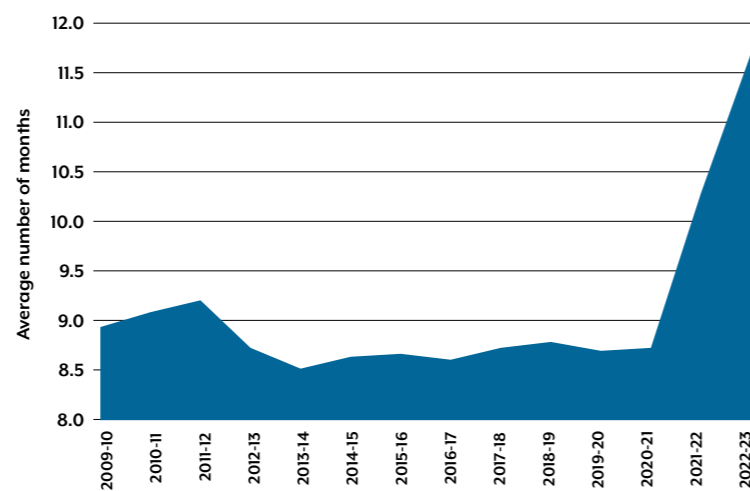
The average build time for a new detached house was less than nine months during the pandemic. However, this increased to 11.7 months in 2022–2023.

For apartments, the delays have also been significant. In 2018–19 the average build time was 24.5 months. Two years later, the average apartment took 30.6 months to build from approval to completion. Apartment build times have since dropped back, but at 28.8 months in 2022–2023 they are still much slower than prior to the COVID-19 pandemic.

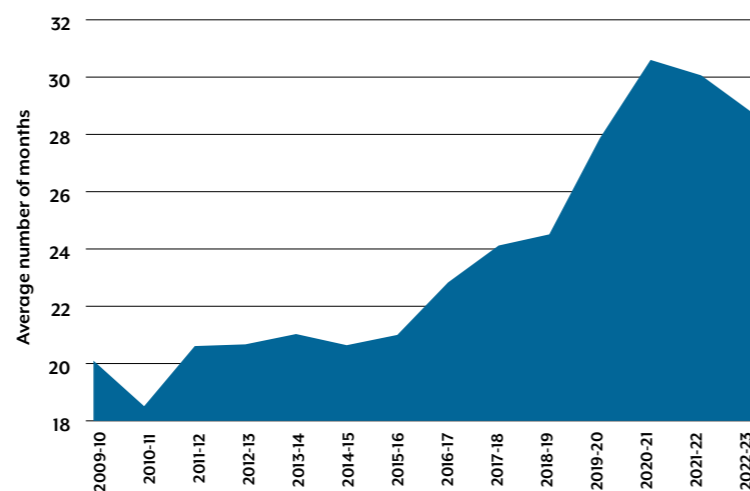
AUSTRALIA: NEW HOME BUILDING MILESTONES, 1984 TO 2023 (MOVING ANNUAL TOTAL)



AUSTRALIA: AVERAGE TIME FROM APPROVAL TO COMPLETION FOR NEW HOUSES TO 2022–23 (NUMBER OF MONTHS)



AUSTRALIA: AVERAGE TIME FROM APPROVAL TO COMPLETION FOR APARTMENTS TO 2022–23 (NUMBER OF MONTHS)



INSOLVENCIES

Insolvency numbers remain high. This is the result of unanticipated escalations in the cost of labour and materials at a time when so many businesses were locked into fixed-price contracts.

The industry experienced its highest-ever monthly total during August 2023, with over 300 construction businesses entering external administration.

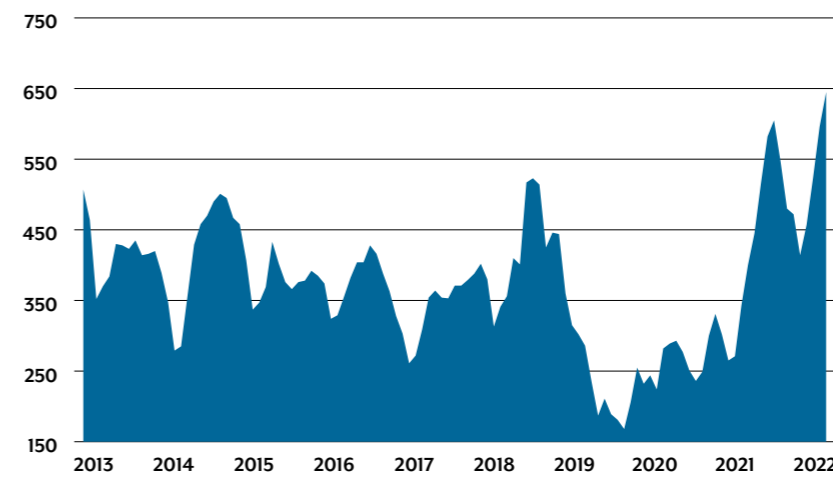
Overall, the industry has remained resilient. Latest ABS data on entry and exits for 2022–2023 shows the number of building and construction businesses shrunk by only 0.1 per cent despite a record-high year of corporate insolvencies.

There were fewer insolvencies during September and October. During October 2023, building and construction accounted for over a quarter of insolvencies compared to over a third in earlier months.

Master Builders anticipates that building and construction insolvencies may decrease over the remainder of this financial year as businesses have worked through the bulk of their loss-making contracts.

Government and public sector entities, including the Australian Taxation Office (ATO), must play a role in safeguarding the financial viability of the industry through practices including fairer risk sharing in contract design and allowing flexibility when it comes to the payment of taxes, charges and other costs.

AUSTRALIA: TOTAL NUMBER OF CONSTRUCTION BUSINESSES ENTERING EXTERNAL ADMINISTRATION TO MAY 2023 (THREE MONTH MOVING TOTAL)



DRACONIAN INDUSTRIAL RELATIONS REFORMS

The Government has proposed and passed a variety of workplace reforms. Some have a significant impact on the construction industry both directly and indirectly.

Increasing the costs and risks for businesses while also reducing the productivity of workers is in direct contradiction to other focus areas for the Government which has been outlined in the submission.

The *Fair Work Amendment Closing Loopholes Bill* is riddled with complex, unclear and costly changes that ultimately reduce labour productivity and drive people out of the industry.

The Bill fails to account for the unique way building and construction work is performed and places unnecessary restrictions on the way people work, including independent contractors and subcontractors.

These arrangements are not 'loopholes' but are lawful, long-standing, and they are central to how building works are undertaken both domestically and internationally.

For the otherwise vibrant and innovative residential building sector, it simply means more disputes, higher costs, lower productivity and fewer small residential builders, tradies and specialist contractors – all in return for higher construction costs and less new homes for Australians.

6

**HOW DO WE
OVERCOME THEM?**



LIFT PRODUCTIVITY THROUGH A FLEXIBLE WORKPLACE RELATIONS SYSTEM

A strong and flexible industrial relations system underpins a competitive, modern and productive economy.

Master Builders supports policies that promote safer and more productive workplaces, but also encourages governments to consider the broader consequences of legislative and regulatory changes. Independent contracting is critical to the industry's conventional structure and successful execution of work, and the Government must safeguard its rights.

The current industrial relations reform agenda raises concerns about the potential benefits for workplaces, and a common-sense, practical approach is needed with a focus on quality over quantity of legislation and regulation. Balancing minimum conditions for workers with equal rights for employers while promoting job creation is crucial, and any legislation and regulation should be clear and simple to understand, reducing confusion and complexity for businesses.

Following the abolition of the Australian Building and Construction Commission (ABCC), Government must re-establish an industry-specific regulator and ensure ongoing resourcing.

Building and construction work is contractor-based, making the industry uniquely susceptible to disruption and delay pressures. It continues to have a culture of industrial disputation disproportionate to other sectors. Master Builders understands the principle that workplace laws should not be different by sector, but the reality is different. 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 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 \$88 million per year across the forward estimates period.

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- > Abandon all changes negatively impacting the building and construction industry in the *Fair Work Amendment Closing Loopholes Bill*. Government should 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.
- > 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.
- > Recognise the needs for small business and encourage them to take on new workers.
- > Improve bargaining laws to help workers and businesses quickly and effectively put in place arrangements without ineffective red-tape and lengthy delays.
- > Reflect that employers and employees are the two most important parts of an employment relationship.
- > Be fair and simple to reduce disputation and enhance compliance.
- > Include appropriate and effective consequences for those who breach laws.
- > Promote the effective operation of competitive market forces and fair competition.
- > Preserve and strengthen fundamental economic principles that underpin a free, stable and productive economy.

RECOGNISE THE IMPORTANCE OF AN INDUSTRY SPECIFIC-REGULATOR

- > Re-establish the ABCC or similar regulatory body for the building and construction industry.
- > The Government must conduct a detailed examination of the impacts on the industry arising from the decision to abolish the ABCC. This review should be separate and distinct from the planned statutory review of the *Secure Jobs, Better Pay Act and Closing Loopholes Bill*, 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 \$2 million should be set aside for this comprehensive and independent review.

APPROPRIATE RESOURCING FOR THE FAIR WORK COMMISSION AND FAIR WORK OMBUDSMAN

- > 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, proactive site visits and a rapid response team. Master Builders estimates that a minimum of \$20 million per year be allocated across the forward estimates for this purpose.
- > Government must fund the development of additional resources and guidance materials made for, and in consultation with, industry regarding any requisite changes to industrial laws and modern awards.
- > Where relevant, funding should also be allocated for additional resources and development of guidance materials for (and in consultation with) business regarding any changes following passage of the *Fair Work Legislation Amendment 'Closing Loopholes' Act 2023* or any further elements of the *Fair Work Legislation Amendment Closing Loopholes Bill*.
- > Newly allocated funding to develop, in consultation with industry, improved on-line modern award guidance tools for business.

2

DELIVER AUSTRALIA'S HOUSING NEEDS

Australia's struggles with housing affordability have persisted for decades due to a lack of supply keeping up with demand.

Whether through mortgage repayments or rents, housing costs are a substantial share of most household incomes. That is why housing affordability conditions have such a major impact on the well-being of so many Australian families.

Poor housing affordability outcomes also make Australia a less attractive destination for workers from overseas. For an economy that will depend so much on foreign labour in the coming decades, this is problematic.

The building and construction industry has a major role to play in creating better housing affordability over the years ahead.

The National Housing Accord (the Accord), to which Master Builders is an enthusiastic signatory, involves an ambitious target of delivering 1.2 million new homes over the five years to 30 June 2029. Meeting and sustaining this volume of output would represent success in the decades-long struggle to match supply with demand.

Australia has never delivered 1.2 million new homes over a five-year period. The closest was during 2014–2018 when a total of 1.1 million new dwellings were commenced.

Master Builders forecasts indicates that output will fall short of targets. Over the five years from 2023–2024 to 2027–2028, it is forecast that 1.04 million new home starts will take place.

This is not only due to industry shortages and pressures. Latest ABS data shows that just over 945,000 new homes received approval over the five years to October 2023. This volume is more than 20 per cent lower than what is required to meet the Accord targets.

To meet housing demand and targets, it is imperative that Government policy interventions and spending are effective and do not constrain capacity to deliver.

With over \$3.5 trillion in assets, Australia's superannuation funds have an impact on the housing scheme. Even if a relatively small portion of superannuation fund resources were directed into new housing and supporting infrastructure, the consequences would be significant for the flow of new home building.

The involvement of superannuation funds and other institutional investors in housing has been peripheral because the risk profile of this investment class compares poorly with other asset classes given the financial returns available. Institutional funding will only flow once this fundamental difficulty is addressed.

The Interim National Housing Supply and Affordability Council made 11 recommendations to help attract institutional investment that are supported by Master Builders and should be considered further.

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

TAXES, CHARGES AND LEVIES

- › Current incentives regarding negative gearing and the capital gains tax (CGT) discount have the effect of dampening rental costs and expanding the supply of rental accommodation. They should remain in place.
- › No principal residences should be subject to any additional taxes (like CGT).
- › Foreign investment should be leveraged in a way that expands the supply of new homes as well as associated infrastructure. All special charges, taxes and levies imposed on foreign investors (mostly at state and territory level) should be waived for transactions which support new home building activity or infrastructure development.

COMMUNITIES

- › Government should roll out measures that help expand the stock of new homes in regional areas so that migrant labour inflows can be accommodated more readily.
- › 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.

IMPROVE INSTITUTIONAL INVESTMENT IN HOUSING

- › Improve planning consistency for build to rent; and reviewing planning arrangements and land availability across jurisdictions.
- › Establish housing targets and offering states and territories incentives to meet them.
- › Improve data availability.
- › Review superannuation regulations so they do not disincentivise investment in housing.
- › Address market gaps in long-term debt financing that may limit institutional investment in housing.

- › Support institutional investment in the social and community housing sector, including through a proposed social and affordable housing asset aggregator.

NET ZERO

- › All levels of government should consider developing a nationally consistent approach for Minimum Energy Efficiency rental requirements subject to further consultation with industry stakeholders.
- › Ensure that the introduction of regulatory settings for more liveable and energy efficient homes are workable, affordable and effective.
- › The Federal Government's commitment to delivering 40,000 new social and affordable homes to 7-Stars or the state/territory equivalent is the start of the process of improvement for new dwellings for this type of housing stock.
- › Governments should commit to achieving 5-star NatHERS by 2030 in the 319,800 existing state/territory public and community housing dwellings (including Indigenous housing).
- › Increasing the required NatHERS ratings also increases the importance of the allotment orientation and the siting of a building. Land use planning requirements for developments should be designed to contribute to and be assessed for energy efficiency outcomes.
- › To offset the cost of transition, governments are offering consumers low-cost finance to upgrade homes and banks are developing green finance products. There are mixed views about the effectiveness of these schemes. The success or otherwise of these incentives needs to be closely evaluated as they progress. The taxation system could be used more effectively to offset electrification costs and the transition to net zero.

- › In the regulatory change environment, Government needs to shift its focus to renewable energy connection and capacity as well as improving performance of existing homes. Existing homes make up approximately 14 per cent of Australia's emissions and new homes have already done much of the heavy lifting.

GOVERNMENT SPENDING

- › 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.
- › Spending allocations in future federal budgets must comprehensively support Housing Australia in delivering on its mandate.
- › Banks and other lenders have a responsibility to keep mortgage finance accessible to those wishing to move from renting to owning their home. Similarly, competitive conditions in the provision of insurance, legal and other services used by homebuyers must be regulated in a way that produces optimal pricing and quality outcomes for consumers. The federal budget must ensure sufficient resourcing for relevant agencies to enforce competitive conditions.
- › Resources must be provided to allow the delivery of an effective National Housing and Homelessness Plan that deals with the challenges in delivering affordable housing options for all Australians.
- › Expand the size of Housing Future Fund capital investment to \$20 billion.
- › All levels of government should commit to redirect one per cent of development taxes and charges to social and affordable housing.

3

BETTER CONNECT COMMUNITIES

Infrastructure is one of the key building blocks of productivity. Against the backdrop of a growing population, more roads, bridges and railways are needed, as well as an expanded capacity to create and distribute key utilities like electricity, water and digital information.

A bigger stock of infrastructure connects people and businesses more effectively and can be a source of productivity gains. From the Government's perspective, well-targeted infrastructure investment can be appealing: it lasts a long time and it provides a real boost to living standards and economic performance.

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- > Ensure that a rolling 10-year forward pipeline of infrastructure work of at least \$125 billion (in 2021–2022 prices) is always in place.
- > 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 work.
- > 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 building and construction contracts with Government and public entities.

4

FOSTER BUSINESS DEVELOPMENT & GROWTH

The building and construction industry is comprised of a large number of small businesses. This structure brings with it great flexibility, and a sense of connection with communities around the country. However, small-scale businesses are also vulnerable in different ways. The lack of ancillary support means that paperwork, regulation, and administrative obligations can be a huge source of stress for the people running these businesses.

Amidst increasing materials costs, labour shortages, rising interest rates, disruptions and delays, the industry faces new challenges every day. These conditions have seen a significant increase in insolvencies and business shutdowns.

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- > There is an opportunity for Housing Australia-supported projects to lead the way with a more sustainable model of risk sharing with building and construction businesses involved in the procurement process.
- > Government must 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.
- > Government procurement and standard form contracting arrangements should not penalise contractors for costs and delays beyond their reasonable control.

5

GROW AND SUPPORT THE WORKFORCE

In the year to June 2023, a total of 23,297 new building and construction apprenticeships were completed with a further 41,552 apprentices and trainees commencing. At the end of June 2023, 122,677 construction industry apprentices were in training.

The Australian workforce, however, is facing significant shortages in areas including building and construction. According to the most recent Skills Priority List prepared by the National Skills Commission, 47 per cent of jobs within the Technicians and Trade Workers ANZSCO group were in shortage in 2022. Builders, building inspectors, electricians, estimators, tilers, cabinetmakers, scaffolders, riggers, steel workers, crane chasers and excavator operators, among others, are all on the national skills shortage list and have a strong or moderate future demand.

At a time when Australia is trying to meet ambitious housing and efficiency targets, the building and construction workforce needs more support than ever before.

By the end of 2026, the Australian construction workforce must attract more than 480,000 new entrants to the industry. This does not include the huge number of specialist workers who will be required to meet net zero and other sustainability targets by 2050 and beyond, nor the Accord. In a workforce built on long-term learning and professional development, the idea that existing tradespeople will simply retrain to join the transformation workforce is fraught. Learning and perfecting a trade is a long-term commitment that is not easily replaced or transferred.

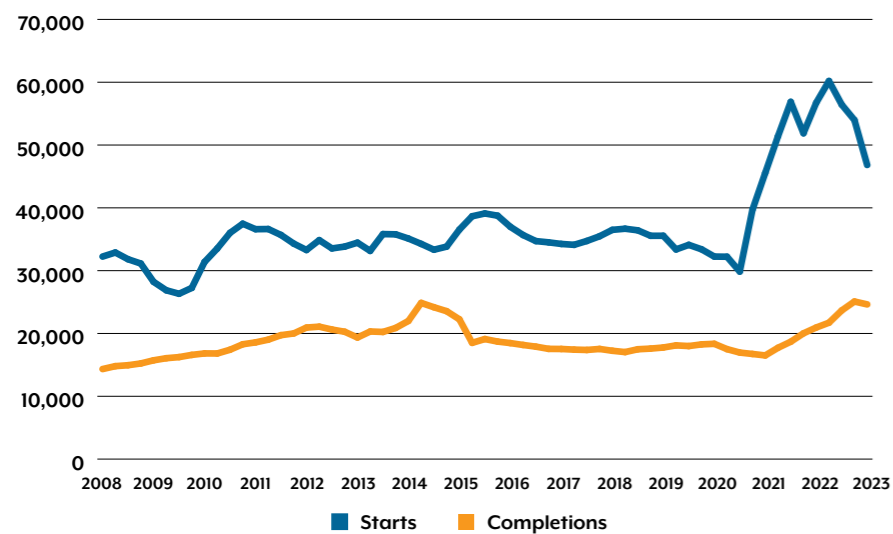
There is huge opportunity for diverse workers in the building and construction industry, but there simply are not enough people.

There are a number of workforce sources that can be encouraged into the building and construction industry. These include but are not limited to apprentices, migrants, women, people with a disability and people 45 years and older.

The apprentice completion rate for building and construction related trades at TAFE is around 50 per cent. At non-profit Registered Training Organisations (RTOs) it is higher and at Master Builders Associations RTOs around the country, it is even higher again.

Looking at completion per centages might imply a heartening story, but when the number of people commencing apprenticeships is declining¹, the story changes. With the phasing out of COVID-19 subsidies and supports, the number of people commencing is not enough to meet Australia's building and construction needs.

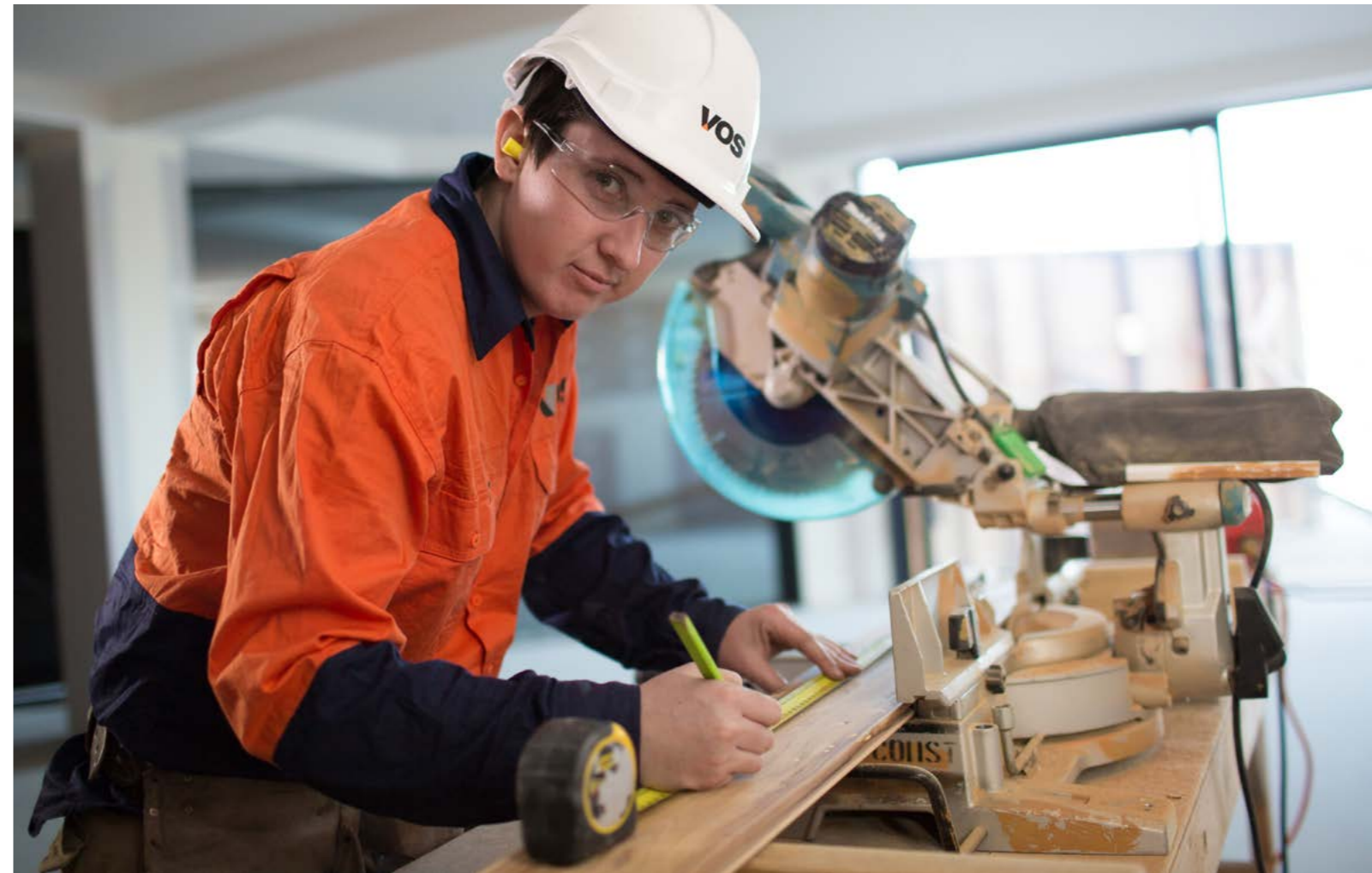
NUMBER OF CONSTRUCTION APPRENTICESHIP STARTS AND COMPLETIONS, 2008 TO 2023 (MOVING ANNUAL TOTAL)



¹ NCVET (1 August 2023) Apprentices and trainees in-training and completions remain strong at <https://www.ncver.edu.au/news-and-events/media-releases/apprentices-and-trainees-in-training-and-completions-remain-strong>

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- › Increase the number and value of apprentice wage subsidies for employers to incentivise commencements and offset high supervisory costs in the first year of an apprenticeship. Apply a 30 per cent first year subsidy, followed by 10 per cent in each of the following years.
- › Provide financial incentives to apprentices to assist with the increasing cost of living and costs associated with purchasing the tools and materials required to complete an apprenticeship.
- › Provide attractive wage and financial subsidies for apprentices over the age of 45 to incentivise them to trades and remove financial barriers that act as a deterrent to this cohort.
- › Invest in careers education in the early years of high school, with a focus on the different styles of learning available in the tertiary sector, as well as encouraging work experience and 'try a trade' experiences to help manage the expectations of prospective apprentices and their parents.
- › Fund the development of 'come and try' trade programs, leaning on the value of virtual reality in giving prospective students an understanding of what they could expect from a trade career.
- › Examine the apprenticeship system to provide better support at the times during the apprenticeship journey that are most important to retention – the initial commencement and at the end of the first year.
- › Develop an apprentice commencement and retention strategy to improve the outcomes of the apprenticeship system.
- › Lead a national campaign to dispel the idea that vocational education is subpar to higher education.



THE ROLE OF MIGRATION

Skilled migrants represent a vital source of new members of the labour force. However, their entry is impeded by issues including long visa processing times, restrictive regulation, lack of recognition of overseas qualifications and difficulties securing housing upon arrival.

The Migration Strategy released by the Government on 11 December goes some way to addressing these issues. However, additional trade and

mutual recognition agreements are required to recognise international qualifications and incentivise skilled migrants to the workforce. Further subsidies are also required.

By way of example, the Government of Western Australia recently launched the Construction Visa Subsidy Program² to support construction business fill the demand for a skilled workforce by providing grant payments of up to

\$10,000 to eligible Western Australian employers and independent skilled migrants. Programs like these incentivise employers to look to skilled migration to boost their workforce, as well as encourage skilled migrants to the region.

Master Builders recognises the additional strain population growth through migration puts on the economy, housing supply and infrastructure in the short term. However, the long-term benefit of attracting skilled migrants to Australia is invaluable.

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- > Ensure the multi-year planning model for permanent migration proposed in the Migration Strategy looks to the long-term (at least 10 years) with a view to keeping migration levels consistent with Australia's future needs.
- > Jobs and Skills Australia must work closely with industry to determine where there are skills shortages that warrant inclusion on the list that will be used to inform which occupations are eligible for new Skills in Demand visas. Industry input to this process will be vital to ensuring workforce needs are met.
- > Skills recognition should be reviewed, in particular, Government must look to countries with comparable or better qualifications frameworks than Australia's and waive the requirement for a skills recognition assessment for qualified tradespeople migrating from those jurisdictions.
- > Mutual Recognition and Trade Agreements should be used more widely to allow migrants with comparable or better trade qualifications who fill skills shortages easy access to Australian visas, without requiring skills assessment.
- > Government must develop a strategy to ensure skilled migrant tradespeople can still access appropriate visas with short turn-around times even if the occupation is not in national shortage. Rather, there may be state and territory or regional shortages that need to be filled and there must be a mechanism in place to accommodate this.
- > All labour market testing requirements should be removed, especially for the Skills in Demand visa streams.
- > Create a National Construction Visa Subsidy Program similar to that in Western Australia to attract and retain skilled migrants to construction roles in Australia.
- > Ensure that in holding private Vocational Education and Training providers accountable for their delivery of education to international students, policies do not inadvertently negatively impact providers that are operating correctly and lawfully.
- > When amending pathways to permanent residency that allow greater mobility between roles and

employers, Government must strike a careful balance between the needs of the migrant worker and the employer.

- > Expand eligibility for the graduate visa and graduate visa extension to all Australian Qualifications Framework Certificate III and above qualifications to address acute workforce shortages and improve economic outcomes.
- > Pilot an apprentice visa pathway for relevant occupations as a mechanism to address projected workforce shortages in occupations unable to attract sufficient numbers of Australians.
- > The fee structures for trade and skills assessment are exorbitant and in many cases prohibitive. They should be reviewed and reduced and any worker with a comparable or better trade qualification should be exempt from assessment.
- > In cases where English language standards are assessed for visa applications, thoughtful consideration must be given to the level of proficiency required as it relates to a particular profession.

² Government of Western Australia Department of Training and Workforce Development (2023) *Construction Visa Subsidy Program* at <https://migration.wa.gov.au/our-services-support/construction-visa-subsidy-program>.

LIFT FEMALE PARTICIPATION

Traditionally, building and construction have been male dominated, and today men continue to hold the majority of roles.

In 2023, women make up 14.5 per cent of the industry's total workforce and 2.7 per cent of building trades. Those numbers are increasing year on year. Of those currently in construction apprenticeships or traineeships, approximately 5 per cent are women.

Female participation in the industry has many benefits. It lifts productivity, boosts the economy, facilitates financial independence, assists in developing an inclusive and diverse culture and meets the much-needed skills shortages the building and construction industry is facing. It also provides women with long-term and financially viable career paths that previously may not have been an option for them.

There are various barriers for women in the building and construction industry, including those related to workplace culture and work-life balance. Initiatives including more flexible and cheaper childcare arrangements, carers leave and improvements to workplace culture are needed.

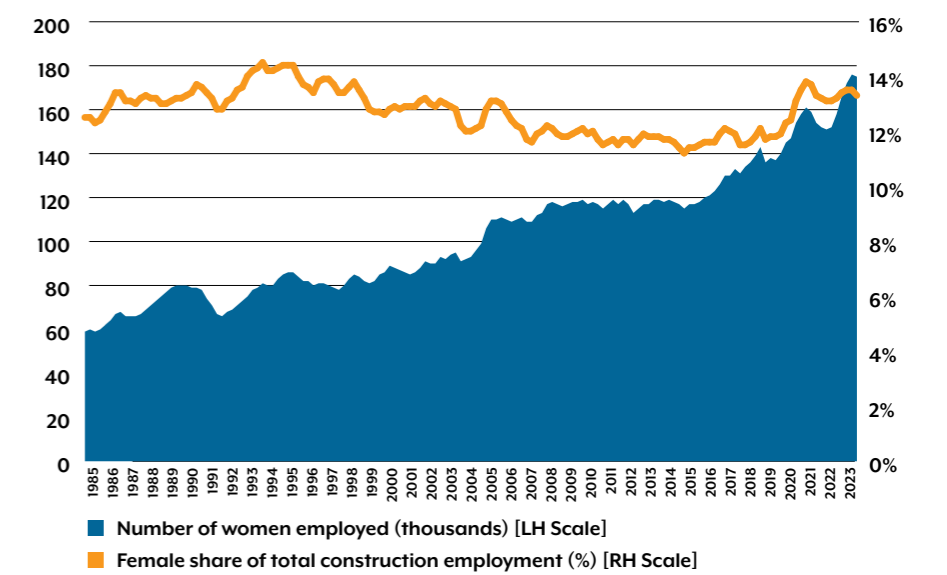
MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- > Continue funding 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.
- > Government must fund and commit to programs that:
 - > Provide mentoring, networking and support
 - > Better promote building and construction careers to young women of early high school age
 - > Provide parents with a comprehensive understanding of what a building and construction career might look like for their daughter
 - > Take male counterparts along on the journey to female inclusion.
- > More research must be commissioned on female participation in the industry that can underpin policy and funding decisions. While there are some valuable insights in this space, more can be done to truly understand what attracts and deters women from building and construction.
- > Government must seek to ensure that there is significant funding directed towards programs for young women, career advisors and parents that removes the bias towards university pathways and highlights for them the rewarding, long-term and well-paid career they could have in building and construction.

In 2017 Master Builders developed the Women Building Australia program which was expanded in 2020. The program exists to support women in the building and construction industry, provide guidance, resources, mentorship and a network. It aims to attract the best workers regardless of gender by promoting opportunities for women and their employers.

Women Building Australia is principally delivered through a national mentoring program which provides women with access to support, encouragement and advice from experienced individuals through a virtual or face-to-face mentoring relationship. Women Building Australia has been hugely successful in supporting women in building and construction.

FEMALE CONSTRUCTION EMPLOYMENT IN AUSTRALIA - 1985 TO 2023



6

BUILD UP LOCAL DEFENCE CAPABILITIES

Australia's national defence policy and strategy has been changed to address the new geostrategic risk of great power competition in the Indo-Pacific region.

As the Government's Defence Strategic Review (DSR) makes clear the magnitude of the change to Australia's geostrategic approach will require a whole of government approach and partnership with industry.

The construction industry is rapidly becoming a substantial subsector of the defence industry as the Federal Government addresses the infrastructure required to underpin the new national defence posture. Construction industry contractors and subcontractors will be mainstays of the subsequent sustainment of this defence infrastructure.

The whole of government approach should require the construction of new social infrastructure to support the larger population that will be needed to sustain the nation's new defence posture in regional centres, for example across northern Australia (northern Western Australia, Northern Territory, and north Queensland).

Development of regional and local capability and capacity is a key priority for the Department of Defence as outlined in the DSR but also across a range other government portfolios. A highly skilled construction industry

in key regional centres will be needed and this will increase confidence of our alliance partners there is the local capacity and capability to meet their needs where they invest in defence infrastructure. For example, economic modelling commissioned from ACIL Allen by Master Builders Northern Territory forecasts that of \$6.2 billion being spent on defence infrastructure to 2026/27 approximately \$2 billion will come from the US military.

Procurement policies implemented by the Department of Defence are structured to maximise the opportunities for local contractors and subcontractors to tender to work on defence projects in their regions with a realistic chance of success. The Department of Defence has moved beyond the lip service that is often paid to engaging local firms, in one case study, this has seen the participation of local Tier 2 and 3 firms and smaller businesses including Indigenous owned businesses increase by 40 per cent in the Northern Territory since the procurement policies were implemented in around 2017.

The success of these policies has not only benefited local economies and businesses but has also unlocked local capacity and capability sorely needed by government clients in regional Australia. They should be maintained.

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- › The Federal Government should implement placed based approaches to ensure that key centres are equipped to meet the demand for defence services including defence and social infrastructure in those communities. This includes workforce availability and housing.
- › Funding of a simulator school in northern Australia to train heavy plant and machine operators. Research commissioned by Master Builders Northern Territory shows that demand for this skill set will far and away exceed any other. This measure would be highly cost effective and play a substantial role in developing local capacity and capability.
- › Funding for a construction industry delegation with representatives from key defence hubs around Australia to visit the United States and Japan to meet with Prime Contractors, policy makers in government and defence departments, industry bodies experienced in to working with defence as a client and experience working with defence supply chains. It could be that this is conducted in association with an organisation like the American Australia Chamber of Commerce to ensure that maximum benefit is extracted from taxpayer investment.
- › Funding for a defence contractors' scheme to assist contractors and subcontractors to gear their businesses up to deliver defence projects. Working for defence comes with a range of substantial and costly complexities ranging from complying with strict security concerns, businesses having to invest in more secure IT systems and other tendering and compliance requirements that are unique to working for defence. Such a course would be highly effective in maximising local capacity and capability.
- › Funding for industry to conduct research into local capacity and capability to deliver defence projects across northern Australia. The study commissioned by Master Builders Northern Territory provides a template and methodology that could be cost effectively extended to apply in centres such as northern Western Australia, Adelaide, Perth, the Northern Territory and northern Queensland.



7

ENSURE SAFETY & WELLBEING IN THE WORKPLACE

Master Builders' top priority is ensuring workplaces in Australia are safe and productive. The building and construction industry is a significant contributor to the economy and employs almost one in 10 Australian workers. For that reason, it is imperative that safety and wellbeing in the workplace is top of mind for all involved in this industry.

One serious injury or death is one too many. Safety outcomes have consistently improved over the last 20 years, with fatality and serious incident data trending downwards, however, there is always more work to do.

Workplace health and safety law and policy must always be clear, concise and designed to facilitate and encourage compliance. It must drive meaningful outcomes and ensure businesses are assisted when it comes to implementation and management. Workplace health and safety law and

policy must strike an appropriate balance between prescription and flexibility, allowing businesses to make assessments of risks and hazards, while remaining compliant.

One of the goals of the *Building and Construction Industry Sustainability Goals 2050* is "to ensure the building and construction industry is known as a sector that fosters and supports positive workplace mental health and has eliminated (or substantially reduced) the incidence of suicide among participants."

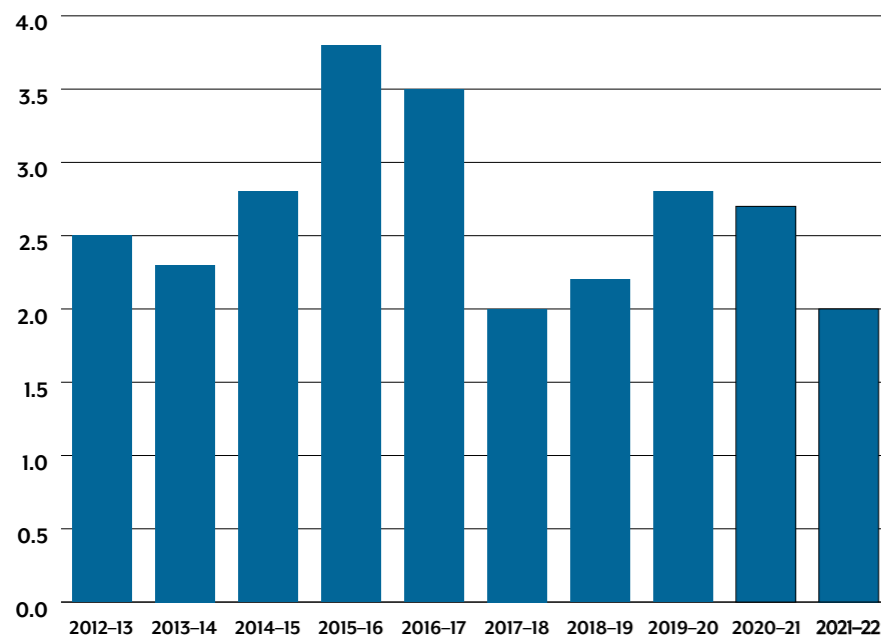
Building and construction workers – in particular, men in their 30s – have been identified as being at elevated risk of suicide compared to workers in other industries.

Government must continue to work closely with industry and experts in mental health and suicide prevention to identify measures that will reduce and mitigate psychosocial hazards.

Research prepared for Mates in Construction by The University of Melbourne (2022) found that over the period of 2001 to 2019, "the suicide mortality rate declined in both construction workers and those working in other occupations; however, the decline in suicide mortality was greater in construction workers compared to other workers." In particular, the analysis confirmed that there was "a rapid decline [in suicide rates] among construction versus other male workers."³

The research concluded that the decline in building and construction industry suicide rates "may be attributable to the combined effects of population-wide, male-specific, and sector-specific suicide prevention efforts over this same period, suggesting that the continuation or expansion of such efforts may lead to further declines."

CONSTRUCTION INDUSTRY FATALITY RATE (DEATHS PER 100,000 WORKERS), 2012–13 TO 2021–22



³ See King, Maheen and LaMontagne (2022) *Suicide in the Construction Industry Report* submitted to MATES in Construction by the University of Melbourne at <https://mates.org.au/media/documents/Melb-Uni-Construction-Suicide-2001-2019-Vol-V-August-2022-40pp-A4-2.pdf>

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

OFFICE OF THE FEDERAL SAFETY COMMISSIONER

- › Government must increase funding to reflect the increased number of accredited companies under the Office of the Federal Safety Commissioner's Work Health and Safety Accreditation Scheme and record investment in Commonwealth funded building work.
- › Allocate sufficient funding to continue and expand the Office of the Federal Safety Commissioner's successful awareness and education initiatives.
- › Government must increase funding to allow the Office of the Federal Safety Commissioner to undertake respirable crystalline silica exposure level monitoring of a sample of workers involved in general on-site construction to establish accurate risk matrices across the broad range of building and construction occupations.

ASBESTOS SAFETY AND ERADICATION AGENCY

- › Government must increase funding to support the development and roll-out of a national strategic plan for asbestos and newly acquired silica functions.
- › Include industry representatives such as Master Builders on its committees and council to ensure policy is industry driven and delivers real safety outcomes.

SAFE WORK AUSTRALIA

- › Government must allocate funding to prioritise the review of the Inter-Governmental Agreement for Regulatory and Operational Reform in Occupational Health and Safety.
- › Government should task Safe Work Australia with developing campaigns highlighting high-risk safety issues and how they can be managed to avoid injury or fatality.

SILICA

- › The Jobs and Skills Committee for building and construction, Buildskills Australia, must as a matter of priority, review existing units (both registered and unregistered) developed as part of the former Artibus Silica Safety Project, with a view to achieving registration of a National Unit of Competency for silica awareness.
- › In light of the prohibition on the use of engineered stone announced on 14 December 2023, to commence 1 July 2024 in most jurisdictions, Government must prioritise funding to develop a campaign to help building and construction workers understand their legal and safety obligations in relation to silica. Further information must also be provided regarding,
 - › any relevant contractual obligations, including under existing fixed-price residential contracts;
 - › the availability and delivery (or otherwise) of suitable alternative products at a similar price point;
 - › implications for businesses that already have significant quantities of engineered stone products in stock.
- › Government should fund a compensation or buy-back scheme for those financially impacted by the ban on engineered stone.
- › Safe Work Australia should be tasked with conducting further research to explore whether some engineered products should be exempt from the ban and whether alternative products, with appropriate controls,

could continue to be used safely.

MENTAL HEALTH

- › Government must undertake an analysis of evolving legal obligations relating to mental health and suicide and develop construction-specific practical materials and resources to assist members in identifying common relevant psychosocial risks and hazards.
- › Government should task Safe Work Australia with developing a pilot psychosocial hazard tool for the building and construction industry akin to its Safe Work Method Statement (SWMS) interactive tool.
- › Provide funding and support for campaigns that target high-risk safety issues with a view to reducing the number of injuries and fatalities in the industry.
- › Provide funding and support for organisations providing mental health and suicide prevention training and information to people within the industry.
- › Engage specialist service providers to identify and prevent psychosocial hazards in the building and construction industry.

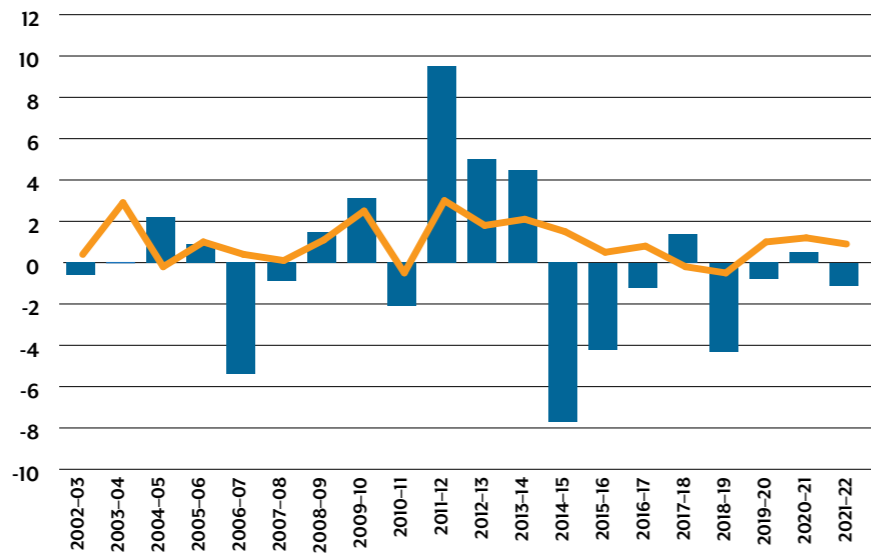
8

FIT FOR PURPOSE TAXATION

Although the tax system is a valuable source of financing for public services, taxes, can have a significant impact on economic activity. Tax can be a roadblock when it comes to home building, and it inflates the final cost of owning the buildings that are completed.

Fortunately, the taxation system can skew the balance between costs and benefits in a way that promotes better outcomes.

ANNUAL CHANGE IN LABOUR PRODUCTIVITY IN CONSTRUCTION AND OTHER INDUSTRIES, 2002-03 TO 2021-22 (+/-%) (QUALITY-ADJUSTED HOURS WORKED BASIS)



MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- > Enhanced depreciation allowances should be provided to non-residential building work financed by the private sector that is shown to boost productivity. This includes but is not limited to education, IT, distribution, agricultural, industrial and commercial projects.
- > The taxation system could be used more effectively to offset electrification costs and the transition to net zero. The current design of the taxation system means that the financial incentives for making improvements to rental accommodation are very small, with capital works only deductible over a 40-year horizon. Some ways this could be remedied is by:
 - > providing more favourable tax treatment to capital spending targeted at improving the quality and performance of rental stock for capital works which enhance the energy efficiency and accessibility of homes on the rental market; and
 - > treating the cost of energy efficiency upgrades to rental properties as an expense that can be claimed as an immediate tax deduction for negative gearing purposes.
- > Current arrangements around negative gearing and the CGT discount attract participation from domestic investors and should be retained in their current forms. Moves to curtail these features of the tax system would result in less accommodation being made available to the rental market.
- > All principal private residences are currently exempt from CGT and other forms of taxation. To ensure housing stock is used optimally, this needs to remain the case.
- > There is great potential for foreign investment to be leveraged in a way that expands the supply of new homes as well as associated infrastructure. Accordingly, all special charges, tax and levies imposed upon foreign investors (mostly at state and territory level) should be waived for any transactions which support new home building activity or the infrastructure development.
- > 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.
- > Better tax incentives to offset the cost of energy performance upgrades for private rental properties should be considered. For example, the cost of energy efficiency upgrades to rental properties could be treated as an expense that can be claimed as an immediate tax deduction for negative gearing purposes.

9

IMPROVE REGULATORY REGIMES

Regulation is a vital component of the building and construction industry. Effective regulatory frameworks support and protect businesses and customers. One in six Australian businesses are in the building and construction industry. The majority of them are small businesses.

The amount and extent of regulation imposed on the industry tends to lose sight of the people who are running these businesses. Some mandatory regulation restricts the way in which businesses can operate, which in turn has an impact on productivity. It makes projects more expensive, take longer to complete and effectively hinders the way buildings and infrastructure can be delivered.

The frequency with which mandatory regulations are modified or added in an ever-changing regulatory framework means small business is always on the back foot when it comes to responding to and implementing requirements. For example, the three-year cycle of the National Construction Code (NCC) means that by the time one iteration is finalised, rolled out, integrated in training packages or put on the Australian Qualifications Framework, delivered and implemented on site, a new iteration is commencing.

To alleviate regulatory change pressures, the Government needs to make regulatory frameworks that are mandatory, freely available to access. In particular, all Australian and international standards that are legislated or mandated for use must be available for free to anyone required to implement them. Placing this important content behind paywalls makes complying with mandatory regulation expensive and in some cases impossible. It sets people in the building and construction industry up to fail in their regulatory responsibilities.

The functionality of the NCC and its interaction with state and territory legislative frameworks must be reviewed as well as the operation of the Australian Building Codes Board (ABCB) to determine if they remain fit for purpose in serving the building and construction industry. Focus should be on whether the way in which regulation is designed, developed and reviewed is hindering the development of high-quality, fit for purpose building regulation and productivity.

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- › Make access to all mandatory international and Australian standards free.
- › The cost burden of the introduction of regulation – particularly relating to the net zero transformation – should be offset through grants and subsidies.
- › Government must engage a review of the NCC and ABCB to determine whether they are fit for purpose and enhance productivity or whether restructuring and redevelopment is required.
- › Implement a de-regulation agenda to remove superfluous regulatory requirements and make a meaningful impact to productivity.
- › Provide a system for better checks and balances when additional or amended regulation is proposed to determine its need, impact and what alternatives could be considered to achieve the desired outcome.
- › Any future regulatory changes must be analysed to determine 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.
- › Improved 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 away from the builders using them.



10

SUSTAINABLE BUILDING PRACTICES & RESILIENT BUILT ENVIRONMENT

Master Builders supports the goal to achieve net zero targets. The construction and operation of the built environment is a major contributor to greenhouse emissions and environmental outcomes. The operation of buildings alone accounts for half of Australia's electricity use, and almost a quarter of greenhouse gas emissions.

More sustainable building practices reduce the impact of the built environment. Creating a more resilient built environment is another core focus of the industry.

Land use planning must be at the forefront of Government priorities in the energy and environmental space. Planning laws must be fit for purpose and future-proof. Government must take an appropriate risk management approach to land use and planning laws. Without this, technical building regulations will always fail. There must be clear and concise rules that allow the industry to function and have the confidence of the community behind it.

More research must be done to explore future building and construction methods and how, in practice they can become more sustainable.

Sustainability is not just related to manufacturing processes or raw materials, but also longevity. Homes and infrastructure must be built for the long-term to be sustainable. They should last multiple generations without requiring significant rework.

Waterproofing practices are an example of where research and review are required. Wet design area practices remain largely unchanged in the last 20 years, although other building practices (such as increasing insulation and decreasing airflow) have advanced. Waterproofing technology has been left behind and is not fit for purpose. Government must task an organisation such as the CSIRO with undertaking research into how to bring practices such as waterproofing in line with sustainability goals.

Master Builders is establishing partnerships regarding product assurance, traceability and net zero innovation with a specific Building Products Coalition formed to advance work already started on developing better tools for the safe use of products. Master Builders is also part of the Building 4.0 CRC, investigating automated tracking of building and construction materials.

There are three key areas driving the need for improved traceability:

- > Building quality and safety – reliable information to determine whether a product is appropriate for a specific use.
- > Productivity – there is a driving imperative to ensure building and construction remains affordable and productive.
- > Environmental and Social Governance – imperative to be able to account for environmental and social impact of buildings (e.g. carbon accounting and modern slavery reporting).

Currently, there are no agreed standards for building product manufacturers supplying the industry in relation to the creation, storage, management and exchange of product information. This makes it impossible for the industry to efficiently share reliable and trusted information about building products in a consistent way. One of the key elements of a net zero building industry is low or zero carbon building products. The building and construction industry requires support to implement this change. The National Building Product Assurance Framework sought to address this issue. A recommendation was made for product traceability and identification that would facilitate efficiency and productivity by allowing information accompanying building products to be substantiated at the key decision-making point, increasing the trustworthiness of product attribute claims.

Efficiency and productivity would be supported by allowing product data and information to be provided once, which then moves with, or ahead of the product through the supply chain. Currently, the inconsistency of data across construction supply chain requires the duplication of data entry, increasing the opportunity for errors. It also significantly adds to delays as information transferred manually cannot be delivered in real time and therefore less likely to be available at a time when it is required.

Greater certainty of building product information will help manage building and construction risks, improve safety and bring greater certainty to regulatory compliance by ensuring the appropriate conformity information (evidence of where and how a product is appropriate for use) is available. In doing so it will help prevent expensive disputes and delays at the point of building sign-off or beyond.

In the *Building and Construction Industry Sustainability Goals 2050* Master Builders notes the need for a roadmap of the substantial reforms that require appropriate transition, risk mitigation, education and capacity building processes to be effectively implemented. Furthermore, there must be a roadmap developed identifying pathways for waste, recycling and water efficiency targets to support a circular economy.

The benefits of electrification and net zero residential buildings are widely published. The challenge in achieving goals in this space is managing upfront costs. A balance must be struck between policy reform and regulatory change and the capacity of the electricity network and building and construction industry to deliver.

COVID-19 and subsequent economic shocks prove that Government must factor contingencies for these situations into long-term planning. There must be a broader acceptance that additional transition periods might be needed to navigate these types of circumstances. The pressure of change fatigue must be managed by reasonable sequencing of reform milestones and long-term signalling.

Effective strategies must be implemented by Government that attract new workers to the industry in current and emerging occupations. There must not be an expectation that existing tradespeople will simply upskill or change trades to meet net zero goals. The vocational education and training system is not set up to accommodate this

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- > Government supports the Master Builders sustainability goals and provides funding for a program that will develop content that brings together best practice information and allows the building and construction industry to upskill in sustainability-related areas.
 - > Further research into and incentives for the circular economy should be funded to ensure Australian building and construction companies have access to recycling and reuse facilities. Currently for many organisations in the industry the desire to engage in the circular economy is strong but the avenues to follow are few.
 - > Provide funding to the CSIRO or similar organisation to undertake research into sustainable building practices including wet area design.
 - > Work closely with state and territory governments to ensure land use planning reform is fit for purpose and meets the needs of Australia's growing population, without putting people and properties at risk by building on inappropriate land such as high-risk flood zones.
 - > Government should place a stronger focus on funding for resilient infrastructure, particularly where building back after an extreme weather event. Damaged infrastructure should be rebuilt in more adaptable and resilient ways rather than replacing damaged infrastructure with comparable outcomes.
 - > Government and industry collaboration to develop a framework for the disclosure of standardised current and future hazard property information for the consumer market and investment products that make it easier to access finance to build more resilient homes.
- > Work with industry via the Hazard Insurance Partnership to update, standardise and make publicly available climate hazard data and mapping that considers long-term time horizons and prioritises the high impact perils, including flood. This data work should start by focusing on the areas of high risk, which underpin key planning decisions. New investments in catchment modelling and mapping will be required to support effective planning for extreme weather in some areas.
 - > The introduction of national mandatory disclosure schemes for the energy performance of buildings is being progressed by Government. This will raise consumer awareness and drive demand for better performing homes. It should be made a priority.
 - > As part of a national plan for electrification and to coordinate efforts around the transition to net zero, a roadmap is needed to manage the implementation process and the capacity of industry to effectively and affordably deliver net zero objectives.
 - > A targeted program for the building and construction sector is needed that develops a plan for manufacturing and distribution, transformation and capability, as well as workforce planning and development. The plan must extend to reducing the embodied energy of manufactured products used in construction.
 - > A commitment from the Government to establish a Built Environment sector focus around energy transformation could help guide the implementation and capacity building process.
- > Actions that contribute to bringing down cost and enabling productivity are key to the pace and effectiveness of transformation. This requires:
 - > a combination of considered and measured approaches towards regulatory intervention;
 - > minimising construction timeframes;
 - > effective incentives to ease costs;
 - > a clear view on the capacity and capability of the market to deliver; and
 - > effective information and education resources for energy consumers, property owners and industry to better understand and navigate change.
 - > In regard to network capacity, a review of energy market regulation is needed to ensure barriers to investment in electricity upgrades don't exist in legislative frameworks.
 - > Government must develop, in conjunction with industry, roadmaps for achieving net zero emissions goals and a circular economy.
 - > There must be better standards that enable building outcomes for identified high-risk issues such as waterproofing.
 - > Regulated and legislated standards must be freely available for use to encourage implementation.
- > Funding for industry and Government collaboration should be allocated to developing guides and educational resources relating to the NCC and regulated standards changes. Industry peaks are well placed to deliver these materials for construction businesses and workers but need resourcing to effectively do this.
 - > In regard to electric vehicles, a combination of capacity to charge in the home and through charging stations needs to be developed further in a more considered plan regarding future requirements for safe electric vehicle charging.
 - > The capacity of the electricity grid to transform and support the transition to electric and manage demand for higher loads in the future is a significant barrier. This requires substantial Government investment in the grid that needs to be done first to give industry and the broader community the confidence to transition to electric.
 - > Further research should be undertaken on the benefits and advantages that prefabricated and modular construction can provide with a focus on improved environmental impact and quality control.
- > 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, modern manufacturing output and net zero transformation. This should be supported by a sector-based plan on delivering better local outcomes.
 - > Consideration should be given to widening the jurisdiction of the Modern Manufacturing Strategy to include the building materials industry.
 - > Identify and facilitate collaboration across the supply chain for industry productivity transformation in the key areas of: workplace relations, contracts, procurement including government procurement, security of payment, innovation in building materials or practices, and de-globalisation of materials and workforce needs.

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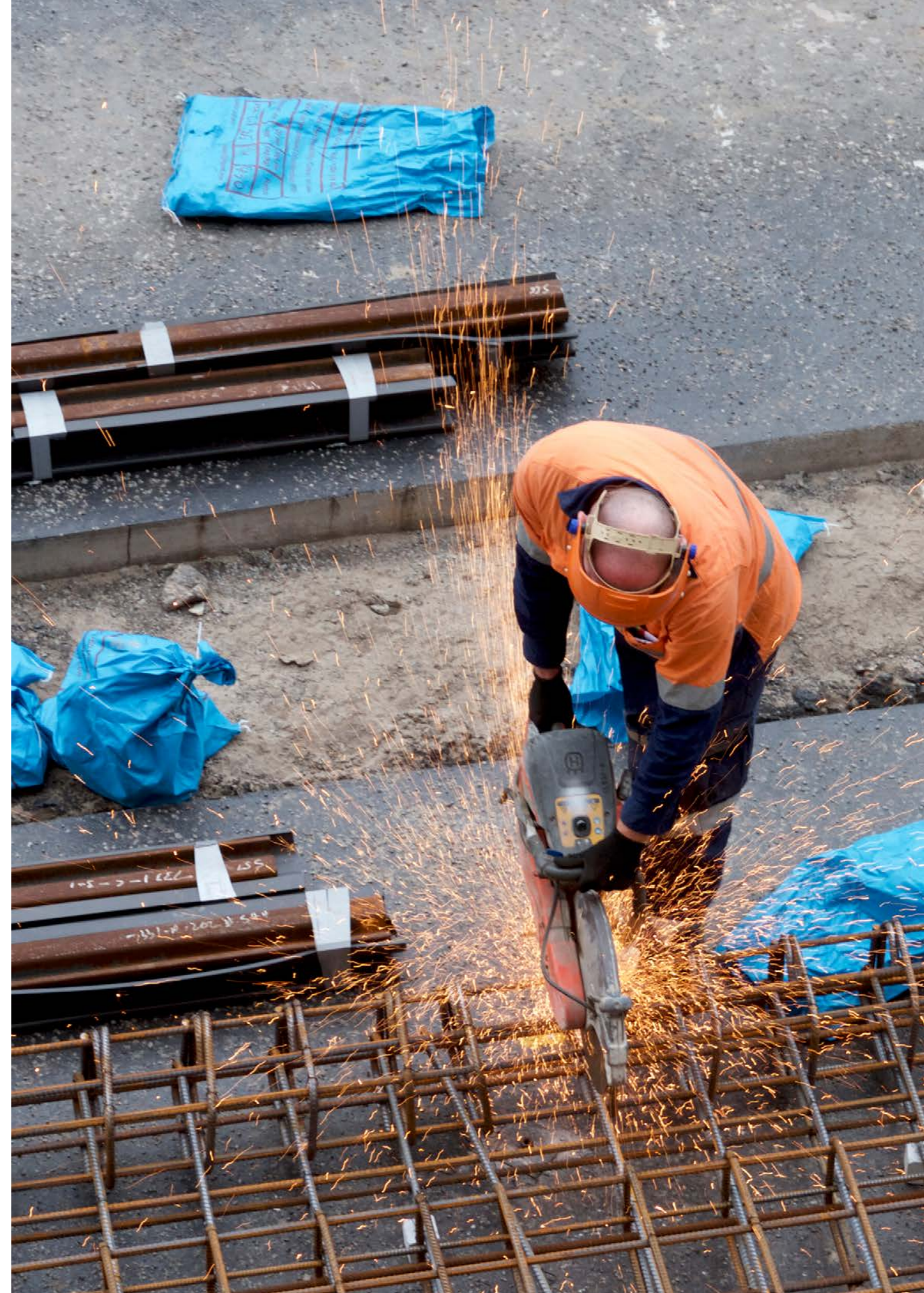
ENHANCE THE FEDERATION

The Australian building and construction industry is bound tightly by regulation at all levels of government – federal, state and territory and local government areas. Vocational education and training, licensing frameworks, building regulation and accreditation frameworks are disparate. They disincentivise national movement across the industry and even more so they create barriers to skilled migration.

Government must enhance the Federation to ensure consistency across all areas of legislation, policy and regulation in the building and construction industry. This will be particularly important as Australia progresses towards net zero energy targets and sustainable building practices.

MASTER BUILDERS MAKES THE FOLLOWING RECOMMENDATIONS

- › More Government-held land should be released for the development of housing and all levels of government should publish an inventory of its current land holdings and categorise it according to its suitability for future residential development.
- › While states and territories are responsible for regulating change around renewable energy use and connection at the development stage of subdivisions for new homes it is best achieved in a coordinated way under national leadership. The approach adopted by the ACT and Victoria using regulation and incentives provide a model for other jurisdictions to consider.
- › Planning laws must be consistent to meet net zero goals across all local government areas.
- › The Government must continue to maximise decision-making opportunities across the Federation through National Cabinet and Ministers' meetings, in consultation with industry, to assist with national consistency. Financial incentives should be considered for states and territories that adopt model laws.





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