



**MASTER BUILDERS**  
A U S T R A L I A

# **LAYING THE FOUNDATIONS FOR GROWTH**

Strengthening Australia's economy by unlocking  
the building and construction industry

**MASTER BUILDERS AUSTRALIA  
2025-26 PRE-BUDGET SUBMISSION**



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# EXECUTIVE SUMMARY

Master Builders Australia (Master Builders) calls for a 2025-26 Federal Budget that focuses on laying the foundations for economic growth by unlocking building and construction industry capacity and tackling entrenched inflation and declining productivity, which is currently holding Australia back.

## ANNUAL PRICE RISES – YEAR TO SEPTEMBER 2024



**New homes  
purchases**  
Δ 4.8%



**Building and  
construction costs**  
Δ 5.9%



**Rents**  
Δ 6.7%



**Apartment  
building costs**  
Δ 6.9%



**Non-residential  
construction**  
Δ 6.6%

## THE PAST FEW YEARS HAVE SEEN THE ECONOMY WALKING A DIFFICULT TIGHTROPE OF COMBATING HIGH INFLATION AND KEEPING OUT OF RECESSION.

The Australian economy grew by only 1.5 per cent in 2023–24, the weakest annual growth (excluding the COVID-19 pandemic) since 1991–92.

In the 2024 September quarter, annual inflation dropped to 2.8 per cent, with trimmed mean inflation at 3.5 per cent. This has been welcome news, but several entrenched inflationary challenges are keeping trimmed inflation above the Reserve Bank of Australia's (RBA) target of two to three per cent.

Housing related inflation is higher than it should be. Over the year to September 2024, the cost of new home purchases is up 4.8 per cent, and rents are up 6.7 per cent.

Building and construction output costs have risen by 5.9 per cent over the same period – 6.9 per cent for apartments and 6.6 per cent for non-residential building.

Over the last five years, building costs have soared by 44.1 per cent. In the early years, the cost of materials was the primary driver (up 35 per cent), but it is now a result of multiple and complex challenges from:

- declining productivity;
- chronic labour shortages;
- a complex industrial relations environment;
- blown out build times;
- stifling red tape; and
- rising business costs.

**These areas require urgent budgetary attention and policy reform to put downward pressure on housing inflation and help the RBA meet its target.**

This can only be done with a strong and growing economy with the building and construction industry at its core.

Building and construction activity has a sizeable impact on the performance of Australia's economy.

**For every \$1 spent in the building and construction industry, \$3 is returned to the economy.**

During 2023–24, \$299.9 billion worth of building and construction work was performed – an amount directly equivalent to 11.2 per cent of Australia's Gross Domestic Production (GDP).

**While this is significant and forecasted activity looks bright, the industry can do better if additional capacity is unlocked.**

When the building and construction industry is strong, so too is the economy.

In addition to providing an immediate boost to demand, construction work also improves Australian living standards.

The durable nature of the projects the industry delivers today means that new homes, schools, hospitals, roads, railways and utilities will benefit Australians for future generations.

**The 2025–26 Federal Budget provides an opportunity to focus on:**

- Lifting productivity
- Building more homes for Aussies
- Overhauling bad workplace laws and cleaning up the CFMEU
- Growing and strengthening the workforce
- Supporting business development
- Ensuring safety and wellbeing in the workplace
- Getting the tax structure right
- Removing unnecessary regulatory burden
- Investing in a sustainable future
- Ensuring fairness and security for all in the construction chain
- Building Defence capabilities
- Enhancing the Federation



# SUMMARY OF RECOMMENDATIONS

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## Lifting productivity

- ✔ Progress national and state productivity reviews into the building and construction sector and consult industry on implementing recommendations from these processes.
- ✔ Expand the size of the National Productivity Fund to include other areas of regulatory reform including occupational licensing
- ✔ Provide incentives for businesses to innovate and invest in productivity-enhancing investment across the supply chain (for example in design, digital, IT systems, manufacturing and assembly).

## Building more homes for Aussies

- ✔ Current negative gearing and capital gains tax concessions add to the supply of housing and rental accommodation. They must remain in place.
- ✔ No principal residences should be subject to any additional taxes (like capital gains tax).
- ✔ 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.
- ✔ 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.

- ✔ More 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 percent of development taxes and charges to social and affordable housing.
- ✔ 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.
- ✔ Ensure a transparent 10-year rolling pipeline of infrastructure.
- ✔ 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.
- ✔ Expansion of funding to state and local governments, and developers to ensure the timely delivery of critical infrastructure projects.
- ✔ Improve planning consistency, remove last mile bottlenecks and review planning arrangements and land availability across jurisdictions.
- ✔ Establish housing targets with incentives for states and territories to meet them.

- ✔ Review existing consumer financing arrangements to ensure adequate security and to establish a better understanding of working capital requirements for industry in upfront and progress payment times.
- ✔ 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.
- ✔ All levels of government should consider developing a nationally consistent approach for Minimum Energy Efficiency rental requirements subject to further consultation with industry stakeholders.
- ✔ 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.

## Growing and strengthening the workforce

- ✔ Governments, with input from industry and employers, research, develop and fund the implementation of a rolling apprentice commencement and retention strategy.
- ✔ To promote the value of Australian apprenticeship pathways to young people, their parents and careers advisors, Master Builders advocates for a coordinated national apprenticeship campaign that focuses on bringing more people into building and construction training.
- ✔ Government should invest heavily in programs that give potential apprentices a clear and practical understanding of what their apprenticeship, and future career pathways could be like.
- ✔ Government should address the bias toward university, and invest in campaigns that overcome misconceptions, and also overhaul the quality, funding and availability of careers education in schools.
- ✔ Master Builders welcomes the Government's announcement to increase apprentice incentives to \$10,000 over the course of an apprenticeship in residential building trades. However, Government must also implement incentives to employers to offset the significant cost that comes with employing and training an apprentice, as well as implementing completion incentives to apprentices already enrolled in these trades. Changes to the incentive system should not be limited to future apprentices.
- ✔ All incentive payments should be tax-free, and a continuous employment bonus post-qualification might apply for apprentices and employers who continue their journey together.
- ✔ Fund the cost differential so that hosting an apprentice through an industry-run Group Training Organisation like those in the Master Builders network costs the same as employing directly.
- ✔ Fund the difference between employing a junior and an adult in an effort to incentivise more businesses to take on adult apprentices in building and construction.
- ✔ Provide incentives to apprentices to encourage them to complete their Certificate IV. This should be in the form of an incentive payment upon completion of a Certificate IV in a building and construction trade, and/or a complete fee subsidy for the final year of study.
- ✔ Fund a pilot program to support work experience placements in building and construction.
- ✔ Government must ensure that, although TAFE is important, it is not the only beneficiary of funding or flexibility and, for example, should afford industry-run Registered Training Organisations (RTO) like those in the Master Builders network the benefit of self-accreditation.
- ✔ The development of microcredentials should be properly funded and then recognised by governments.
- ✔ Invest in the Master Builders careers guide (formerly called the Jobseeker Handbook) and develop it into an online, interactive resource that helps students, parents and careers advisers alike get an in-depth, realistic and relevant understanding of what a career in building and construction looks like.
- ✔ Ensure adequate worker housing near key project sites to support the workforce in rural, regional and remote parts of Australia. Many projects in the Northern Territory require workers to relocate, so affordable housing solutions for employees are essential.
- ✔ Enhance existing programs to provide networking and mentoring opportunities for young women, especially through programs like Women Building Australia.
- ✔ Funding for programs to promote good culture and safety practices – there is no room in the building and construction industry for bullying, harassment, assault, suicide, misogyny, racism, discrimination or gender-based violence.
- ✔ Give young women access to unbiased careers education and information, including the opportunity to try different trades and get time on the tools.
- ✔ Invest in creating a simpler visa system with lower costs, quicker processing times, better employment outcomes, and clearer pathways to permanency.

- ✔ Remove or reduce the Skilling Australians Fund levy, especially in regional areas and for small businesses, or at the very least enable a program where the Levy is paid in instalments and can be recovered in the event that the employee leaves their employment within a certain timeframe.
- ✔ Prioritise the processing of construction occupation visas and skilled assessments.
- ✔ All levels of government should invest in pilot programs that make it easier for skilled migrants to come to Australia and for businesses to employ them.
- ✔ The Job Ready Program should be better utilised by Government to support international students in trades to become skilled and able to join the building and construction workforce.
- ✔ Migrants who are not permanent residents or citizens must be able to building and construction trade apprenticeships and visa restrictions must be lifted to reflect this.
- ✔ Government must create and fund a Construction Skills Pathway visa that will ensure skilled migrants can apply for cost effective, fast visas that will provide options for permanency and embrace mutual recognition of comparable, or better, trade qualifications from other jurisdictions.

- ✔ Government should undertake a review of skills recognition processes so migrant tradespeople with comparable, or better international qualifications are identified and exempt from hefty skills assessment processes, including those with trade qualifications from the United Kingdom, New Zealand, Ireland and Germany. Mutual recognition agreements should be formed to exempt migrants with comparable qualifications from needing a detailed skills assessment.
- ✔ Government should support the Activate Australia's Skills campaign, especially by funding the implementation of an Ombudsman to oversee skills assessment bodies.
- ✔ Government should require and fund BuildSkills Australia to work with industry to develop a pilot for a gap training course for tradespeople who have qualifications from comparable jurisdictions and are seeking to work in Australia (outside of the scoping work currently being undertaken for migrant plumbers).
- ✔ Provide free or low-cost skills assessments to people in the country on humanitarian or partner visas and who have building and construction qualifications and experience.

## Overhauling bad workplace laws and cleaning up the CFMEU

- ✔ The Government should repeal all changes that negatively impact the building and construction industry in the Fair Work Amendment (Closing Loopholes) Act 2023 and the Secure Jobs, Better Pay Act 2022, consistent with our submissions to the 2024 Review and Senate Enquiries.
- ✔ The Government should ensure appropriate funding is allocated to allow the continued operation of the National Construction Industry Forum and its work on a Construction Industry Blueprint.
- ✔ The Federal Government should ensure appropriations are made to support the establishment of a dedicated building and construction industry regulator with sole responsibility for the enforcement of industry-specific laws, underpinned by strong investigation, compliance and enforcement powers.
- ✔ The appropriation should also support moves to permanently change a range of existing laws and instead create rules, regulations and obligations specific to the building and construction industry and its participants, to be enforced and overseen by the dedicated regulator.

## Supporting business development

- ✔ The Government should allow for the National Reconstruction Fund to be fully leveraged to help expand Australia's onshore manufacturing and distribution capacity with respect to key building materials like timber, steel and modern manufacturing.
- ✔ Housing Australia-supported projects should lead the way with a more sustainable model of risk sharing with building and construction businesses involved in the procurement process.
- ✔ Government should 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 developed to ensure small businesses are not precluded from tendering for contracts with federal government and public entities.
- ✔ Government procurement and standard form contracting arrangements should not penalise contractors for costs and delays beyond their reasonable control.

## Ensuring safety and wellbeing in the workplace

- ✔ Government increases funding to the Department of Employment by \$10 million per year over the forward estimates to reflect the increased number of companies seeking accreditation under the OFSC's Work Health and Safety Accreditation Scheme including under the current (and subsequent) HAFF funding rounds.
- ✔ Additional funding is also allocated to continue and expand the OFSC's successful awareness and education initiatives.
- ✔ Boost appropriations for ASSEA over the forward estimates to support its expanded remit and facilitate the successful roll-out its Asbestos and Silica National Strategic Plans.
- ✔ Boost funding of SWA by not less than \$10 per year over the forward estimates in acknowledgment of its increased workload and to prioritise the review and simplification of industry Model Codes of Practice,
- ✔ Additional funding also be provided to SWA to undertake a review of the *Inter-Governmental Agreement for Regulatory and Operational Reform in Occupational Health and Safety*, with the objective of removing any barriers to the further harmonisation of WHS laws.
- ✔ In light of new mandatory training obligations under WHS laws, BuildSkills Australia must – as a matter of priority – fund an urgent 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 that is freely accessible to industry.
- ✔ There must be sufficient funding and support to ensure a thorough impact analysis is undertaken prior to the consideration by WHS Ministers of any changes to the Model regulatory framework.

## Investing in a sustainable future

- ✓ Further research with appropriate funding must be conducted into and incentives provided for businesses that operate within the circular economy to ensure Australian building and construction companies have access to recycling and reuse facilities.
- ✓ Provide funding to the CSIRO or similar organisation to undertake research into sustainable building practices including wet area design.
- ✓ 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.
- ✓ Funding for 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 review of energy market regulation is needed to ensure barriers to investment in electricity upgrades do not exist in legislative frameworks.
- ✓ Funding to develop, in conjunction with industry, roadmaps for achieving net zero emissions goals and a circular economy.
- ✓ Funding for further research on the benefits and advantages that prefabricated and modular construction can provide with a focus on improved environmental impact and quality control.
- ✓ A sector-based plan on delivering better local outcomes through the National Reconstruction Fund.
- ✓ 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.
- ✓ Develop and fund a national building product traceability standards to underpin a national, industry-wide traceability framework.

## Getting the tax structure right

- ✓ Capital gains tax and negative gearing arrangements must remain in their current form to avoid unnecessary impacts to the industry's capacity to meet demand.
- ✓ Withholding tax and capital works deductions for Managed Investment Trust Build to Rent properties should be put on par with other property assets.
- ✓ There should be incentives for businesses, particularly small businesses, including tax breaks for productivity-enhancing investments in digital and IT systems and more generous treatment of capital building works.
- ✓ Extend cuts to company tax for businesses over \$50 million turnover.
- ✓ Extend the Skills and Training Investment Boost and expand with non-employing businesses.
- ✓ 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.
- ✓ Provide 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.
- ✓ 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.

## Removing unnecessary regulatory burden

- ✔ Implement a de-regulation agenda to remove superfluous regulatory requirements and make a meaningful impact to productivity.
- ✔ Make access to all mandatory international and Australian standards free.
- ✔ Provide funding to review the NCC and ABCB to determine whether they are fit for purpose and enhance productivity or whether restructuring and redevelopment is required, especially if a pause in change to the NCC is enacted.
- ✔ Regulatory impact statements must be provided and publicly released for all legislative or regulatory changes.
- ✔ 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.
- ✔ More budgetary resources be provided to facilitate the transfer of all building product chain responsibilities away from the builders using them.

## Ensuring fairness and security for all in the construction chain

- ✔ The Federal Government should lead by example as a 'model-client' and encourage better industry practices by taking a fairer approach to the way it procures and manages publicly funded building works, including to the allocation or contractual risk.
- ✔ Take meaningful steps to ensure effective, streamlined, and more nationally consistent regulation to ease unnecessary business costs and improve workforce mobility.
- ✔ Ensure laws are simple, clear and provide certainty, allowing businesses to better estimate future costs, adopt a smarter approach to managing, mitigating or estimating business risk.
- ✔ Provide greater support for business education, to develop greater resilience and help businesses operate in a sustainable and financially stable manner.
- ✔ Better support increased adoption of digital business practices, which have been proven to help business better manage resources, finances and future work.
- ✔ Increase funding to ensure better enforcement of existing laws to reduce industry insolvencies by taking action before it is too late, and the damage is done. Greater levels of visible regulator enforcement activity will discourage unscrupulous conduct that undermines legitimate builders and subbies and makes it harder for them to compete fairly.
- ✔ Establish a "Fair Payment Guarantee Fund" to provide a safety net of last resort with assistance available for eligible subcontractors.





## Building Defence capabilities

- ✔ Implement placed-based approaches to ensuring that key regional 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 for 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 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 effective in maximising local capacity and capability.
- ✔ Funding allocated to 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.

## Enhancing the Federation

- ✔ Funding to implement better mutual recognition of licensing across states and territories for trade workers.
- ✔ 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.
- ✔ 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.

# ABOUT MASTER BUILDERS AUSTRALIA

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MASTER BUILDERS AUSTRALIA 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, of which 99 per cent are small businesses and includes 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.

# INDUSTRY SNAPSHOT



**One in 11 Australians  
are employed in building  
and construction  
(August 2024)**



**Construction businesses  
paid \$86.6 billion in wages  
during 2022–23**



**1.3 million workers  
(August 2024)**



**452,626 businesses, of which  
99 per cent are small in size  
(June 2024)**



**Forecast that \$1.38 trillion  
worth of building and  
construction work will be  
carried out from now to  
2028–29**



**Women make up 13.5 per cent  
of the workforce but account  
for 4.1 per cent of tradespeople  
(August 2024)**



**Fourth largest industry  
employer in Australia  
(August 2024)**



**More than 319,200  
independent contractors  
(August 2022)**



**121,530 apprentices  
in training  
(end of March 2024)**



**55 per cent of businesses  
turn over less than  
\$200,000 per year  
(30 June 2023)**

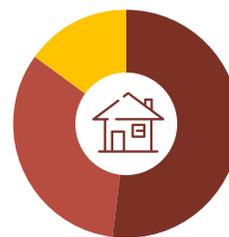


# Building and construction industry outlook

## Residential building

Over the five years to 2028-29, Master Builders anticipates that a total of \$451.1 billion worth of residential building work will get carried out across Australia in inflation-adjusted terms. This would represent 13.7 per cent more work than what was achieved over the last five years. Of the work projected to take place, \$227.3 billion relates to new detached house building with higher density home building forecast to total \$162.6 billion. Major home renovations are expected to account for the remaining \$61.2 billion worth of work. The volume of residential building work is expected to expand fairly steadily from now until the end of the forecast horizon.

COMPOSITION OF RESIDENTIAL BUILDING WORK DONE IN 2023-24

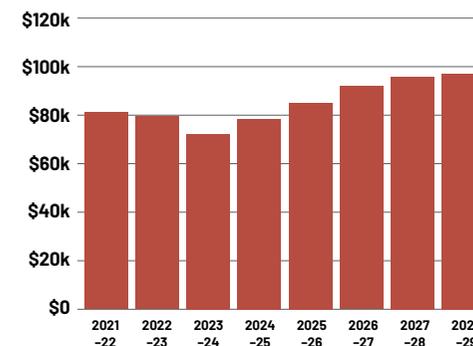


**52%**  
New detached houses

**33%**  
New higher density dwellings

**15%**  
Residential alterations and additions

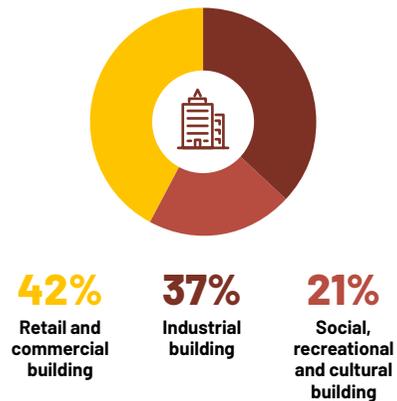
RESIDENTIAL BUILDING ACTIVITY (\$M)



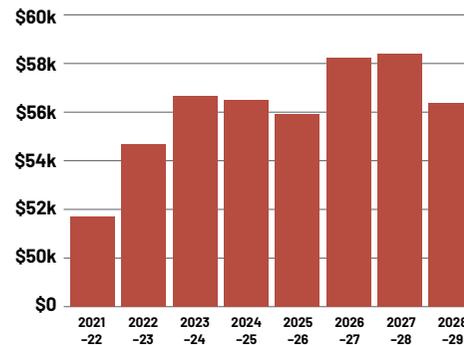
## Non-Residential Building

Over the next five years, prospects for non-residential building look to be favourable. Demand will be boosted by population growth. Master Builders' expectation is that the value of non-residential building activity will total \$285.6 billion over the next five years, 7.3 per cent more work than what was achieved in the last five years. Projects related to social, cultural, and recreational building are set to do particularly well thanks in part to several big health projects. However, industrial building is likely to step back from recent record highs.

COMPOSITION OF NON-RESIDENTIAL BUILDING WORK DONE IN 2023-24



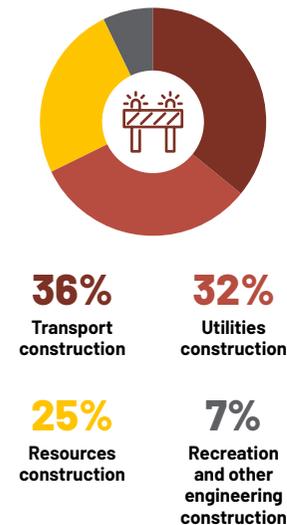
NON-RESIDENTIAL BUILDING ACTIVITY (\$M)



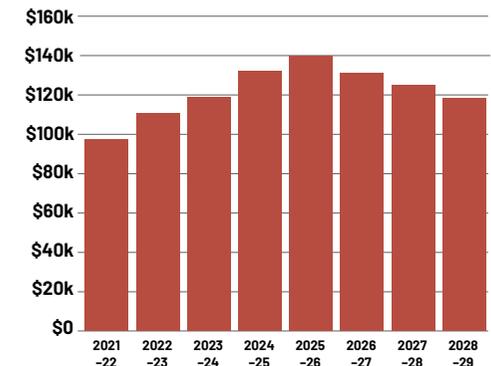
## Civil construction

Things are looking up for civil and engineering construction activity. Over the next five years, Master Builders forecasts that \$645.3 billion worth of work will be done in this sector – an expansion of 23.1 per cent compared with the last five years. Transport projects will be the single biggest piece of the action, while the resources project pipeline is also set to make gains. The pace of growth in population and the process of transforming Australia's energy creation patterns both mean that the utilities construction market is likely to be more than one third bigger over the next five years.

COMPOSITION OF CIVIL AND ENGINEERING CONSTRUCTION WORK DONE IN 2023-24



CIVIL AND ENGINEERING CONSTRUCTION ACTIVITY (\$M)





# **BARRIERS** TO A **STRONG ECONOMY**

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# Australia's productivity problem

EVEN THOUGH OVER 387,000 NEW JOBS WERE CREATED OVER THE YEAR TO OCTOBER 2024, LATEST FIGURES SHOW THAT THE ECONOMY SCRAPED AHEAD, GROWING BY JUST 1.0 PER CENT OVER THE YEAR TO JUNE 2024.

Poor performance of labour productivity is the reason strong jobs growth translated into such weak economic growth.

**Put simply, Australia's workers are not as productive as they used to be.**

Worsening labour productivity means that less economic output is produced per hour worked compared with previous times.

In the parts of the economy where it is measurable, labour productivity dropped by 2.9 per cent during 2022-23 – the largest annual fall since records began in the mid-1990s.

**This is a problem because productivity gains are the central driver of improvements in living standards and industry capacity over time.**

Like many other parts of the economy, the absence of productivity gains has been a serious problem for the construction industry. Labour productivity has gone backwards during seven of the past nine years. This means that the typical construction worker gets 18 per cent less work done per hour compared with a decade ago.

This collapse in productivity has real consequences for the economy.

Worsening productivity means it takes much longer for new homes, buildings and infrastructure to get delivered. These settings also result in new building and construction output being more expensive and harder for people, businesses and governments to afford. Something we are seeing play out today.

Worst of all, productivity problems can eliminate the economic rationale for projects proceeding at all. When this happens, some of the homes, buildings and infrastructure needed are never actually built.

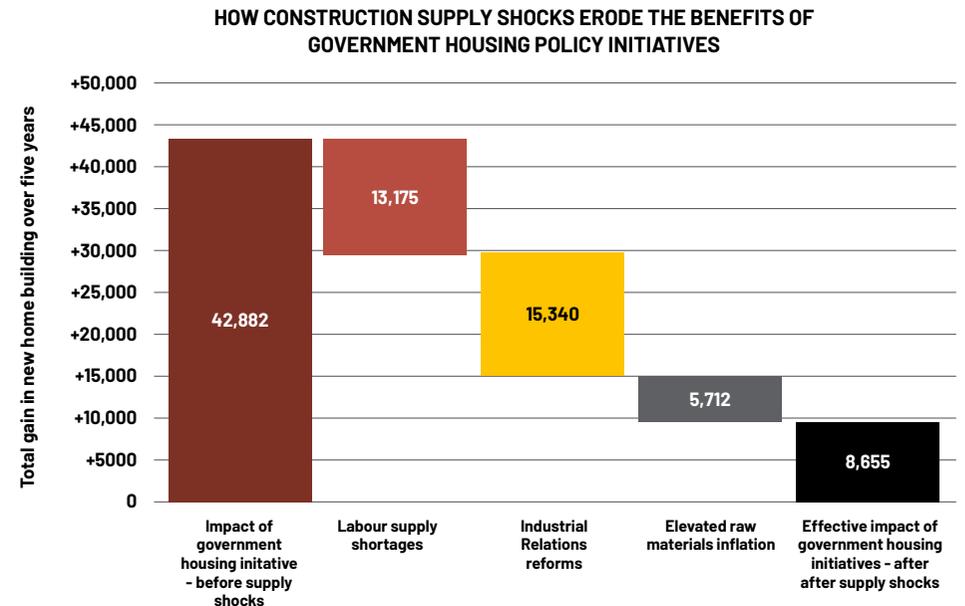
Housing cost pressures also influence wage demands in the economy, meaning that Australia's entire economic competitiveness is undermined.

This makes it harder to find export markets and renders the country less attractive as a destination for international investment. The deterioration in housing costs brought about by substandard building and construction industry productivity results in Australia comparing poorly as a destination for skilled migrants.

**This is an unfortunate and avoidable consequence at a time of acute labour shortages in many industries like health, education, agriculture and services.**

In early 2024, Master Builders commissioned the Centre for International Economics to assist in the development of a report *The Cost of Letting Productivity Slip* which assesses the cumulative impact of positive and negative changes in the industry over the next five years. Even though the negative impacts assessed took a conservative approach, the results showed cause for alarm.

There have been some attempts to release housing supply pressures through incentives and reforms targeted at delivering more housing which will only be effective if productivity issues for the industry are addressed in tandem.



Source: Master Builders Australia analysis of the CIE research

# A national housing crisis

## THE HOUSING CRISIS. THESE ARE NOT JUST BUZZWORDS USED IN POLITICS AND NEWSPAPERS.

The housing crisis is real, and it is being felt strongly by people all around the country. By potential first-home buyers, by investors, by homeowners trying to pay down their mortgages, by renters looking for security of housing, or by vulnerable members of the community needing social or emergency housing.

**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 wellbeing of so many families.

Australia's housing crisis has been decades in the making and requires a coordinated approach by governments at all levels and across a range of portfolios to fix. The building and construction industry is central to the solution with the residential, commercial and civil sectors all playing a role to build the communities Australians need.

The National Housing Accord, commenced on 1 July 2024. Master Builders is an enthusiastic signatory to the Accord and members are working hard to meet the ambitious target set by all levels of government to build 1.2 million new homes by the end of June 2029.

**This level of new home building has never been achieved before and without active measures to address supply constraints the task will be difficult.**

The closest Australia came is over the five years between 2014–15 and 2018–19 when work began on 1,101,000 new homes.

Unfortunately, the Accord period started on the back foot with new home building commencing from the weakest position in a decade.

Master Builders, in its [September 2024 forecasts](#), anticipated that 1.03 million homes would be built in the five years from 1 July 2024. This is a 166,000-shortfall relative to the 1.2 million national target.

The shortfall will be caused by a confluence of factors, including labour shortages, high material costs, delays in planning and building approvals, slow land release, delays in critical utilities and infrastructure and increased compliance costs.

Lending policies are also having a practical effect in inhibiting building activity, including approaches to valuation, sequencing and the mechanics of staged payments. This includes the contingencies (or lack thereof) and qualified variations in regard to mortgage and contract requirements.

This is a downgrade of the Master Builders April forecasts because new home building was then being held back by the persistence of higher interest rates as well as continued impediments on the supply side of the residential building market, especially workforce shortages.

**Demand for housing is high, but so is the cost of living. Interest rates have been climbing, and Australians are calling out for relief from compounding pressures.**

The people who usually drive demand by investing in housing are backing off because of cost uncertainty. When owner-occupiers and investors both cool their heels, the building industry pipeline becomes fragile. Workflow planning, staffing and materials purchasing becomes more difficult for the businesses actually required to build the 1.2 million new homes Australia seeks.

**This puts more pressure on industry.**

While new home building starts have fallen to a decade low during 2023–24, it is anticipated the market will gradually recover over the next few years especially as interest rates head downwards. Performance by higher-density building will be crucial to meeting this target, and more work is needed to reduce cost barriers.

# A complex industrial relations environment

## MOST OF THE RECENT CHANGES TO WORKPLACE LAWS HAVE TAKEN AUSTRALIAN WORKPLACES BACKWARDS AND MADE THEIR JOB OF REMAINING COMPETITIVE AND INNOVATIVE FAR HARDER.

In the building and construction industry, things are even worse. Many of the recent changes introduced are a fundamental and comprehensive rewrite of core elements within the regulatory framework applicable to all workplaces that will result in greater complexity, uncertainty and additional cost which is unnecessary and unjustified.

Recent changes have resulted in a series of problems including:

- Changing elements of the law that were clear, simple and certain and replacing them with arrangements that are unwieldy, unworkable and complicated.
- Abandoning or undermining a range of legitimate arrangements under which work is necessarily performed in the building and construction industry, including the use of independent contractors and specialist service subcontractors.
- Requiring employers to spend a lot more time working on compliance and paperwork while introducing uncertainty and significant increased legal risk. This has made it far harder for employers who need to estimate costs in advance, make future business plans or tender for new work.
- Reduced competition within the sector and artificially driven-up costs for business operations and consumers.
- Failure to support or improve workplace productivity.
- Undermining the ability for people to choose to work as an independent contractor to give them the flexibility and freedom to choose the hours they work, the projects they work on, who they work for and to negotiate their own fees and conditions.

- Encouraging pattern bargaining and related practices which force employers to adopt union EBA pattern agreements which impose standardised conditions, rates and working arrangements which hurt productivity, destroy innovation and drive up the costs of housing.
- Opening the door for unions to interfere in, and control, commercial matters between contracting parties; removing several crucial existing protections for independent contractors and exposing them to undue pressure, tactics and conduct which the industry already experiences in certain subsectors.

Many of the changes, designed to target circumstances in sectors other than construction, have resulted in generic changes that have fundamentally re-written, changed and undermined a wide range of the long-standing core principles central to construction workplaces, such as the legitimate use of sub-contracting, genuine workplace-level bargaining and the rights for individuals to be their own boss and start their own business.

The building and construction industry, when facing risk and uncertainty that it can't overcome, accounts for this by factoring in contingencies which means higher costs. This is passed on to consumers and drives up the cost of construction for the entire community.

This complexity and risk come at a time when the community is faced with yet more revelations about the Construction, Forestry and Maritime Employees Union Construction and General Division (CFMEU) and criminality and corruption within the construction industry. These latest revelations were no surprise to the industry and were inevitable given the abolition of an industry-specific regulator in the form of the Australian Building and Construction Commission (ABCC).

While the appointment of administrators to the CFMEU is a welcome first step, far more needs to be done to ensure lasting and positive cultural change in building and construction.

**The entire building and construction industry deserves an environment which is safe, modern, productive and free from the poor culture and attitudes of those who think they are above the law.**



# Chronic labour shortages

THE BUILDING AND CONSTRUCTION WORKFORCE IS 1.3 MILLION-STRONG, HOWEVER, IT IS STILL NOT BIG ENOUGH TO MEET DEMAND.

Building and construction can only meet Australia's future needs if the productivity decline is reversed and if there is a large enough expansion in the size of the workforce to be able to match demand.

**The industry is plagued by chronic and critical workforce shortages across almost all occupations.**

According to Jobs and Skills Australia, "all occupations in the Construction Trades Workers category are in persistent shortage. This implies tight labour market conditions simply exacerbate shortage issues that appear to be chronic in the sector. Even if the construction sector was to see a significant downturn, many construction roles would likely still be in shortage."<sup>1</sup>

Jobs and Skills Australia notes that occupations that have a strong gender imbalance are more likely to be in shortage. Of male-dominated occupations, 54 per cent are in shortage, compared with 40 per cent of female-dominated occupations. By comparison, only 25 per cent of occupations with a better workforce gender balance are in shortage.<sup>2</sup>

BuildSkills Australia noted in March 2024 that the building and construction industry needed 90,000 new trades workers in 2029.<sup>3</sup> In its Workforce Plan, released in October 2024, BuildSkills Australia notes that the industry will need to grow by 18 per cent by 2029.<sup>4</sup>

<sup>1</sup> Jobs and Skills Australia (September 2023) *2023 Skills Priority List Key Findings Report*, at [https://www.jobsandskills.gov.au/sites/default/files/2023-09/2023%20SPL%20Key%20Findings%20Report\\_0.pdf](https://www.jobsandskills.gov.au/sites/default/files/2023-09/2023%20SPL%20Key%20Findings%20Report_0.pdf), p. 11.

<sup>2</sup> Ibid.

<sup>3</sup> BuildSkills Australia (24 March 2024) *90,000 extra tradies needed to deliver Housing Accord* at <https://buildskills.com.au/news/90-000-extra-tradies-needed-to-deliver-housing-accord>.

<sup>4</sup> See <https://buildskills.com.au/workforce-plan>.

Infrastructure Australia's modelling shows a 129 per cent shortfall in the public infrastructure workforce, with shortages expected to continue to 2027, despite the impending smoothing of the infrastructure pipeline.<sup>5</sup>

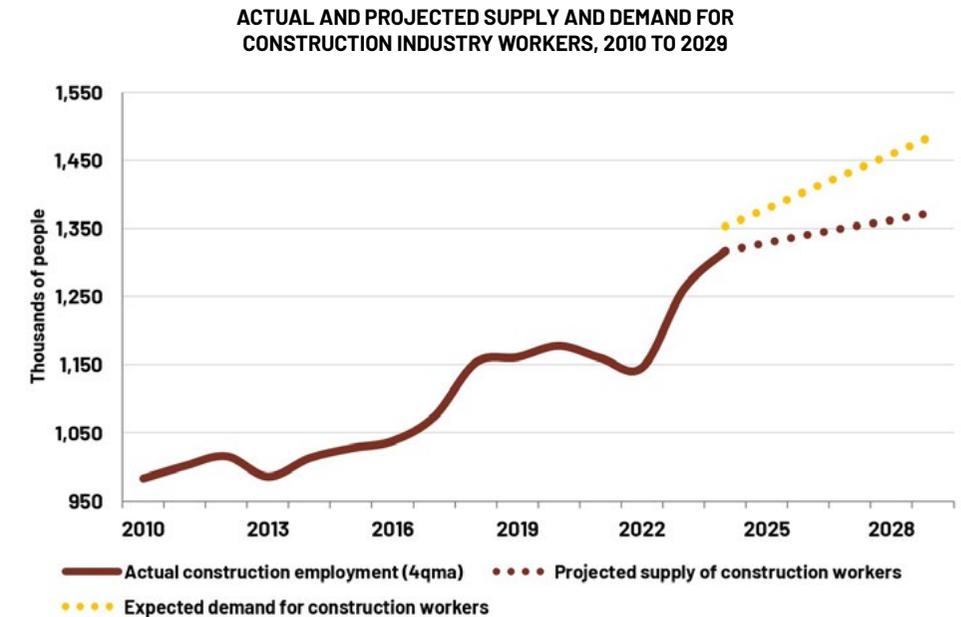
According to research by the Centre for International Economics for Master Builders, the building and construction workforce will need to grow to about 1.5 million people by 2029 to be able to perform the work that Australia needs over that period.

In addition to replacing lost workers (which account for about 8 per cent of the industry each year), building and construction needs another 200,000 new entrants over the next five years.

**No fewer than two-thirds of those people will need to be skilled trades workers, operators and labourers.**

Add to this the pressure of downward trending productivity, burdensome industrial relations frameworks, complex regulation and an increased cost of living/doing business and it can be expected that workforce growth will slow.

**Workforce shortages will continue to be felt across the industry, and the pain will become sharper if the Housing Accord targets fall behind.**



Source: Master Builders Australia analysis of Australian Bureau of Statistics Labour Force, Australia, Detailed; Centre for International Economics The Cost of Letting Productivity Slip

<sup>5</sup> Infrastructure Australia (December 2023) *Infrastructure Market Capacity 2023 Report* at [https://www.infrastructureaustralia.gov.au/sites/default/files/2023-12/IA23\\_Market%20Capacity%20Report.pdf](https://www.infrastructureaustralia.gov.au/sites/default/files/2023-12/IA23_Market%20Capacity%20Report.pdf), p. 64.

# Rising costs of doing business

## THE COST OF DOING BUSINESS IN AUSTRALIA IS INCREASING.

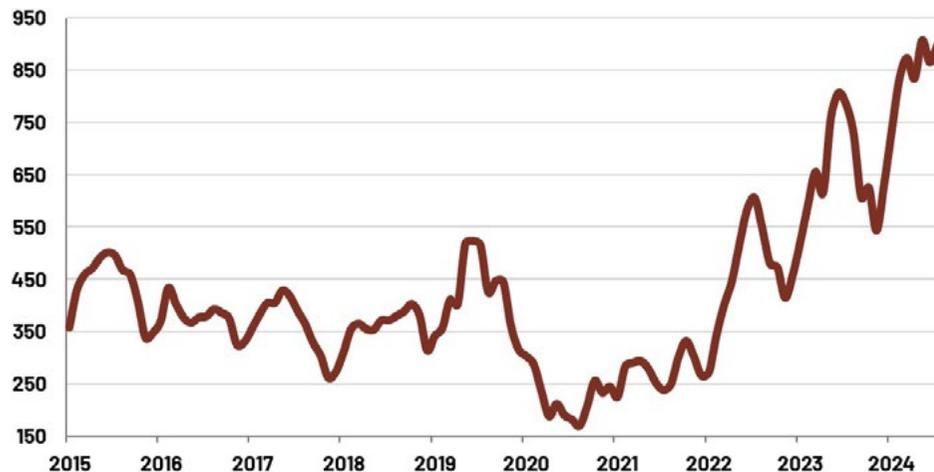
From general cost of living pressures, declining productivity, high taxes to increasing administrative obligations, businesses have been feeling the pinch over the last few years.

There are about 459,000 businesses in the building and construction industry. Nearly all of them are small businesses.

**In fact, 98.6 per cent of businesses in the industry employ fewer than 19 people and 59 per cent have no employees at all.**

The compounding pressures on small businesses in particular is seeing insolvencies increase right across the economy. October 2024 was the worst month on record for construction insolvencies with 353 businesses entering external administration. A further 320 businesses were lost in this way during November.

**AUSTRALIA: TOTAL NUMBER OF CONSTRUCTION BUSINESSES ENTERING EXTERNAL ADMINISTRATION TO SEPTEMBER 2024 (THREE MONTH MOVING TOTAL)**

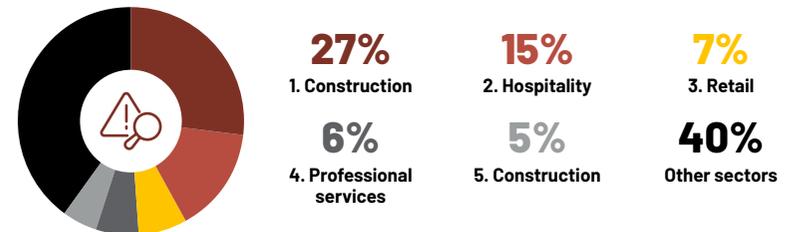


SOURCE: Master Builders Australia analysis of ASIC Insolvency Statistics (Series 1)

Building and construction accounted for 22.2 per cent of all insolvencies across the economy during November 2024. Over the three months to November 2024, 971 construction businesses entered insolvency – an increase of 12.3 per cent on the previous quarter.

Across the whole economy, the year to November 2024 saw a total of 13,197 Australian businesses become insolvent, 45.7 per cent more than in the previous year. A total of 3,339 construction businesses entered external administration over the year to November 2024, an increase of 32.3 per cent on a year earlier. Over this period, construction businesses accounted for about one in four (25.3 per cent) of the economy's insolvencies.

**COMPOSITION OF BUSINESS INSOLVENCIES BY SECTOR DURING 2023-24 (PERCENTAGE OF TOTAL, %)**



SOURCE: Master Builders Australia analysis of ASIC Insolvency Statistics (Series 1)

**While this is significant, the industry overall has remained resilient.**

For example, the total number of operating construction businesses rose by over 8,200 over the course of the 2023-24 financial year despite the large number of insolvencies.

Building and construction businesses continue to feel the pressure of decreasing productivity, a lack of labour supply, an increased cost of doing business, and other problematic factors at a time when governments are expecting the industry to build more than ever.

**This is not sustainable over the long term.**



# Blown out build times

THE AVERAGE BUILD TIME FOR A NEW DETACHED HOUSE FROM APPROVAL TO COMPLETION WAS LESS THAN NINE MONTHS DURING THE COVID-19 PANDEMIC.

However, this increased to 11.7 months in 2022-23, and 12.7 months in 2023-24, according to the Australian Bureau of Statistics (ABS). This is an increase of over 40 per cent.

For apartments, delays have also been significant. In 2018-19 the average build time was 24.5 months. Now, the average apartment block takes 33.3 months to build from approval to completion. This is an increase of 80 per cent.

Unfortunately, there is a lack of data around the full extent of this problem given minimal transparency around delays to obtaining building approvals. Anecdotally, Master Builders members report that this is where the main delays are.

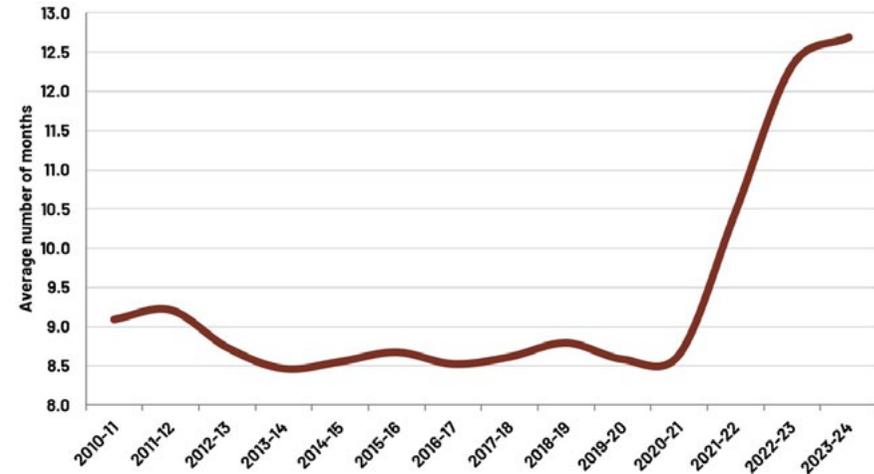
These extended construction timeframes are impacting the industry's ability to meet housing demand and tackle the housing crisis.

These build times are impacted largely by the confluence of pressures across the industry including labour shortages, declining productivity, union pattern agreements, supply chain disruptions, complex regulatory requirements, occupational certificate backlogs and critical infrastructure delays.

In favourable circumstances, meeting the Accord's 1.2-million home target would be a major challenge given that this rate of home building has never been achieved before.

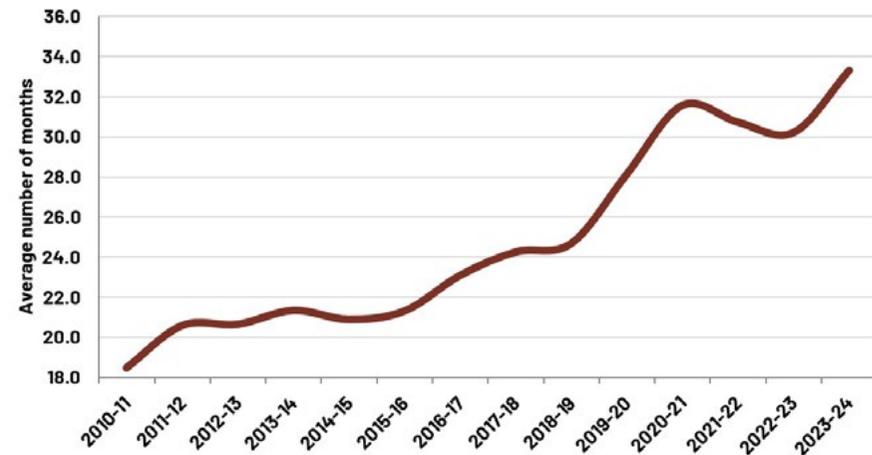
The fact that the Accord's term has kicked off during a time of increased home building times reduces its chances further. Action needs to be taken to shorten the amount of time it takes to deliver new homes and reduce the cost of creating new dwellings.

**AUSTRALIA: AVERAGE TIME FROM APPROVAL TO COMPLETION FOR NEW HOUSES TO 2023-24 (NUMBER OF MONTHS)**



SOURCE: Master Builders Australia analysis of ABS Building Activity, June 2024

**AUSTRALIA: AVERAGE TIME FROM APPROVAL TO COMPLETION FOR NEW APARTMENTS TO 2023-24 (NUMBER OF MONTHS)**



SOURCE: Master Builders Australia analysis of ABS Building Activity, June 2024

# Stifling red tape

## BUILDING AND CONSTRUCTION IS ONE OF THE MOST HIGHLY REGULATED SECTORS OF THE AUSTRALIAN ECONOMY.

It is layered with requirements at a national, state, territory and local government level, including but not limited to workplace health and safety, building codes and standards, environmental regulations, licensing and accreditation, industrial relations and fair work obligations.

Master Builders acknowledges that there are significant risks working in the industry, notwithstanding, communities rightfully expect building work to be delivered and undertaken in accordance with industry best practice.

### **Safety should always be the first and foremost important part of building and construction.**

However, unwarranted, contradictory, ambiguous and complex regulation is a significant barrier to productivity, adding to capacity constraints in the building and construction sector. The National Construction Code (NCC) and the state and territory regulatory regimes that enforce the NCC and WHS laws are significant contributors to the productivity problem.

With over 98 per cent of businesses being small in size in the industry, the frequency with which mandatory regulations are modified or added in an ever-changing regulatory framework means those businesses are always on the back foot when it comes to responding to and implementing statutory requirements.

### **When that regulation is developed by Government with very little (or sometimes no) consultation with industry, its application is not fit for purpose.**

This is affecting the capacity of the Australian building and construction industry to deliver, with more and more tradies spending time in the back office instead of on-site.

Although the Coalition's announcement that it would seek to place a pause on NCC changes should it form Government is welcomed by the industry, a pure pause on regulatory reform is not the whole answer.

We recognise that regulation plays an important part in the building and construction industry. It keeps workers safe and ensures structures and infrastructure are safe too.

### **Master Builders stresses that the issue is not with regulation, rather with unnecessary regulation. Regulation that is unfit for purpose, rushed and unclear.**

It is when the NCC and other regulatory instruments reach beyond sensible regulation and are used as a tool to achieve wider agendas, with often competing priorities, that the challenge occurs.

The result is overly complex or ambiguous technical requirements that are becoming increasingly difficult to navigate, delivering overlapping and conflicting obligations, greater dependence on expert advice and more complexity overall. This adds unnecessary cost and delays the development approval process at the state and local level.

# FOUNDATIONS FOR ECONOMIC GROWTH

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# Lifting Productivity

## THE TYPICAL WORKER IN BUILDING AND CONSTRUCTION NEEDS TO BE ABLE TO DELIVER MORE PER HOUR THAN IS CURRENTLY THE CASE.

The Federal Government has started to send the right signals with the re-establishment of the National Productivity Fund. Master Builders strongly supports this initiative and has long called for state and territory government incentives to reward those who are making meaningful reform.

The Fund is a positive step, but there's still a long way to go in the industry.

Labour productivity has plummeted in the past decade and if that trajectory is not righted the cost of building and construction output will deteriorate further. Projects will continue to be plagued by delays and blowouts, or worst case they will not go ahead at all.

Master Builders advocates for policies that not only promote safer and more productive workplaces but also encourage governments at all levels to consider the broader consequences of legislative and regulatory changes.

**The good news is that there are ways to reset the productivity trajectory.**

Technological improvements have always been a key source of productivity success. Progress in areas like modern methods of construction, prefabricated building practices and other techniques of offsite innovation should be supported in the Federal Budget.

Along with technology, capital is a vital nutrient of labour productivity. This includes physical capital like vehicles, equipment, machines and IT. It also includes human capital in the form of training, education and upskilling of the workforce. Government can support better outcomes here by offering improved financial incentives for Continuous Professional Development (CPD) and upskilling.

## **Master Builders makes the following recommendations:**

- ☑ Progress national and state productivity reviews into the building and construction sector and consult industry on implementing recommendations from these processes.
- ☑ Expand the size of the National Productivity Fund to include other areas of regulatory reform including occupational licensing.
- ☑ Provide incentives for businesses to innovate and invest in productivity-enhancing investment across the supply chain (for example in design, digital, IT systems, manufacturing and assembly).

**Recommendations around regulation and tax that have a productivity-boosting impact are included later in the submission.**



# Building more homes for Aussies

FOR EVERY MILLION DOLLARS OF BUILDING ACTIVITY UNDERTAKEN AROUND \$3 MILLION IS RETURNED TO THE ECONOMY.

This multiplier effect is vital to keeping the economy away from the risks of falling into a recession.

When it comes to the Housing Accord, to be able to meet housing demand and targets, it is imperative that Government policy interventions and spending are effective and do not constrain capacity to deliver.

Housing-related inflation must be controlled, and this requires a focus on the supply side of the economy.

This means all policy levers need to be pulling in the right direction, alongside the Reserve Bank of Australia's efforts to combat inflation.

There must be a better approach to the level of risk involved in building and construction, so that it is shared more fairly by everyone in the supply chain and not simply loaded onto the builder.

Critical infrastructure is essential to ending the housing crisis because it supports the development, accessibility, and sustainability of new housing projects. One of the key barriers to building enough houses for Australians across the country is access to roads, water supply, sewerage, electricity, and telecommunications in new communities. We cannot build homes until that infrastructure is in place.

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.

In the regulatory change environment, the focus for Government needs to be on renewable energy connection to the grid, reliable power supply and improving performance of existing homes. Existing homes make up approximately 24 percent of electricity use and 10 per cent of carbon emissions and new homes have already done much of the heavy lifting (that now require 7-Star NatHERS and whole of house energy performance ratings).

Foreign investment should be leveraged in a way that expands the supply of new homes as well as associated infrastructure.

The introduction of regulatory settings for more liveable and energy efficient homes must be workable, affordable and effective.

## Master Builders makes the following recommendations:

- ✔ Current negative gearing and capital gains tax concessions add to the supply of housing and rental accommodation. They must remain in place.
- ✔ No principal residences should be subject to any additional taxes (like capital gains tax).
- ✔ 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.
- ✔ 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.
- ✔ More 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 percent of development taxes and charges to social and affordable housing.
- ✔ 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.
- ✔ Ensure a transparent 10-year rolling pipeline of infrastructure.
- ✔ 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.
- ✔ Expansion of funding to state and local governments, and developers to ensure the timely delivery of critical infrastructure projects.
- ✔ Improve planning consistency, remove last mile bottlenecks and review planning arrangements and land availability across jurisdictions.
- ✔ Establish housing targets with incentives for states and territories to meet them.
- ✔ Review existing consumer financing arrangements to ensure adequate security and to establish a better understanding of working capital requirements for industry in upfront and progress payment times.
- ✔ 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.
- ✔ All levels of government should consider developing a nationally consistent approach for Minimum Energy Efficiency rental requirements subject to further consultation with industry stakeholders.
- ✔ 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.

# Overhauling bad workplace laws and cleaning up the CFMEU

## Industrial Relations reforms

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

Unfortunately, most of the recent changes to workplace laws have failed to support these aims and have, in many ways, only delivered contrary outcomes which have hurt productivity, increased risk, and significantly reduced the ability for all Australian workplaces to be modern, adaptive and competitive.

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.

**Master Builders supports a common-sense, practical approach 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.

## Master Builders supports a workplace relations system with the following aims:

- Ensure that workplace laws promote the effective operation of competitive market forces and fair competition.
- Preserve freedom of association laws and avoid any regulatory or legislative 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.
- 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.
- Ensure workplace laws are fair and simple to reduce disputation and enhance compliance.
- Include workplace laws are appropriate and effective in containing consequences for those who breach laws.
- Preserve and strengthen fundamental economic principles that underpin a free, stable and productive economy.

## Master Builders makes the following recommendations:

- ☑ The Government should repeal all changes that negatively impact the building and construction industry in the Fair Work Amendment (Closing Loopholes) Act 2023 and the Secure Jobs, Better Pay Act 2022, consistent with our submissions to the 2024 Review and Senate Enquiries.
- ☑ The Government should ensure appropriate funding is allocated to allow the continued operation of the National Construction Industry Forum and its work on a Construction Industry Blueprint.

## Cleaning up the CFMEU

Fresh revelations involving allegations of criminal activity involving the CFMEU and links to organised crime have once again shone a light on the unlawful conduct and toxic culture that thrives amongst some organisations who operate in the building and construction industry.

The current circumstances and culture facing the industry show that comprehensive action is necessary and essential. That the attempts of previous governments at all levels have tried and failed to drive cultural change demonstrate the need for a 'whole of government' approach which must be lasting and tangible.

Master Builders welcomed the announcement by the Albanese Government that the CFMEU would be put under administration, but the industry now needs real and tangible action to fix the problems and tackle the culture once and for all.

**The only way to do that is through a comprehensive and coordinated approach involving a range of immediate actions and future permanent law reform.**

Master Builders [published a paper](#) detailing a range of options for Government action that would:

- Ensure the organisations and individuals who thrive and promote the culture are identified and removed.
- Target the practices, opportunities and avenues that give rise to illegal activity, unlawful conduct and culture of disregard for the law.
- Monitor and quickly respond to any situation where illegality and unlawful conduct reoccurs.
- Recognise the important and lawful role of unions and promote the responsible and productive exercise of their duties and purpose.
- Put in place lasting and effective measures designed to ensure the criminality, corruption, and poor culture is stopped from ever happening again.

The below core elements would enable the Parliament to take a 'whole of government' approach to tackle the causes and drivers of poor culture, corruption and unlawful behaviour and allow for greater coordination and cooperation of regulator activity, ensuring a comprehensive approach is taken with outcomes that are effective and lasting.

It would also ensure that changes to the law are applicable only to the building and construction industry and are specifically targeted towards fixing the problems known to exist and represent an effective and long-term solution to cleaning up construction once and for all.

## Master Builders makes the following recommendations:

- ☑ The Federal Government should ensure appropriations are made to support the establishment of a dedicated building and construction industry regulator with sole responsibility for the enforcement of industry-specific laws, underpinned by strong investigation, compliance and enforcement powers.
- ☑ The appropriation should also support moves to permanently change a range of existing laws and instead create rules, regulations and obligations specific to the building and construction industry and its participants, to be enforced and overseen by the dedicated regulator.

# Growing and strengthening the workforce

## THERE IS NO QUICK FIX TO THE CRITICAL WORKFORCE SHORTAGES AFFECTING THE BUILDING AND CONSTRUCTION INDUSTRY.

Master Builders has long advocated for policy positions and funding that will go some way to rebalancing the workforce, positioning it to meet targets and relieve housing pressures.

The ways to do this are to attract more workers to the industry and to keep them here.

Attracting workers to the industry means:

- Telling the apprenticeship story in a more compelling way.
- Giving better careers advice to students and support to their parents.
- Improving diversity and righting the gender imbalance.
- Including skilled migrants as a vital piece of the puzzle

Keeping workers in the industry means:

- Providing better pastoral support and care to apprentices.
- Streamlining occupational licensing.
- Continuously learning.
- Providing better business support.
- Removing unnecessary regulatory burden.
- Ensuring workplace laws are fit for purpose.

Master Builders released four publications in recent months that point to ways industry, the community and all levels of government can work together to help the building and construction workforce become robust again.



[Breaking Ground: Women in building and construction](#) was released in May and represents a proactive effort to not only acknowledge the challenges faced by women in construction but also to present practical solutions and ignite meaningful discussions on this critical issue.



[The Future of the Workforce: Apprentices in building and construction](#) was released in June and details that at Master Builders, the aim is simple: to bring more apprentices to the industry, provide them with high quality training, education and on the job experience, give them support, help them thrive and provide them with a rewarding, financially viable and satisfying career. This is and will always be the priority of the building and construction industry.



[The Future of the Workforce: Skilled migrants in building and construction](#) was released in August and details the vital part skilled migrants play in meeting workforce needs and building Australia's future.



[The Future of the Workforce: The Building and Construction Industry](#) was released in September and provides a complete overview of the workforce shortages, and what, in the view of Master Builders needs to be done to help the industry grow.

In addition, the regional and remote parts of Australia present their own unique opportunities. Policies need to take a closer look at local barriers to entering or remaining in the workforce.

For example, in the electorate of Bass, a training facility is urgently needed to deliver the skills required to help build the workforce necessary to deliver on Tasmania's Housing Accord target. Those skills include:

- High-risk training including working at heights, working in confined spaces, scaffolding and dogging and rigging;
- Re-accreditation of migrant workers; and
- Pathways programs and training for school students, the unemployed, mature aged workers, migrant groups and other minority groups.

It is expected that the Tasmanian State Government and Master Builders Tasmania would also contribute to the Bass training facility.

In Northern Australia, specific programs that address the unique challenges of remote construction work and local recruitment could be especially beneficial. Partnerships with local educational institutions and Indigenous communities could help bridge skills gaps while also creating sustainable local job opportunities.

The recommendations made in those papers remain highly relevant to the 2024–25 Budget. Master Builders reiterates those recommendations below.

### **Master Builders makes the following recommendations:**

- ☑ Governments, with input from industry and employers, research, develop and fund the implementation of a rolling apprentice commencement and retention strategy.
- ☑ To promote the value of Australian apprenticeship pathways to young people, their parents and careers advisors, Master Builders advocates for a coordinated national apprenticeship campaign that focuses on bringing more people into building and construction training.
- ☑ Government should invest heavily in programs that give potential apprentices a clear and practical understanding of what their apprenticeship, and future career pathways could be like.
- ☑ Government should address the bias toward university, and invest in campaigns that overcome misconceptions, and also overhaul the quality, funding and availability of careers education in schools.
- ☑ Master Builders welcomes the Government's announcement to increase apprentice incentives to \$10,000 over the course of an apprenticeship in residential building trades. However, Government must also implement incentives to employers to offset the significant cost that comes with employing and training an apprentice, as well as implementing completion incentives to apprentices already enrolled in these trades. Changes to the incentive system should not be limited to future apprentices.
- ☑ All incentive payments should be tax-free, and a continuous employment bonus post-qualification might apply for apprentices and employers who continue their journey together.
- ☑ Fund the cost differential so that hosting an apprentice through an industry-run Group Training Organisation like those in the Master Builders network costs the same as employing directly.
- ☑ Fund the difference between employing a junior and an adult in an effort to incentivise more businesses to take on adult apprentices in building and construction.
- ☑ Provide incentives to apprentices to encourage them to complete their Certificate IV. This should be in the form of an incentive payment upon completion of a Certificate IV in a building and construction trade, and/or a complete fee subsidy for the final year of study.
- ☑ Fund a pilot program to support work experience placements in building and construction.
- ☑ Government must ensure that, although TAFE is important, it is not the only beneficiary of funding or flexibility and, for example, should afford industry-run Registered Training Organisations (RTO) like those in the Master Builders network the benefit of self-accreditation.
- ☑ The development of microcredentials, in consultation with industry, should be properly funded and then recognised by governments.

- ✔ Invest in the Master Builders careers guide (formerly called the Jobseeker Handbook) and develop it into an online, interactive resource that helps students, parents and careers advisers alike get an in-depth, realistic and relevant understanding of what a career in building and construction looks like.
- ✔ Ensure adequate worker housing near key project sites to support the workforce in rural, regional and remote parts of Australia. Many projects in the Northern Territory require workers to relocate, so affordable housing solutions for employees are essential.
- ✔ Enhance existing programs to provide networking and mentoring opportunities for young women, especially through programs like Women Building Australia.
- ✔ Funding for programs to promote good culture and safety practices – there is no room in the building and construction industry for bullying, harassment, assault, suicide, misogyny, racism, discrimination or gender-based violence.
- ✔ Give young women access to unbiased careers education and information, including the opportunity to try different trades and get time on the tools.
- ✔ Invest in creating a simpler visa system with lower costs, quicker processing times, better employment outcomes, and clearer pathways to permanency.
- ✔ Remove or reduce the Skilling Australians Fund levy, especially in regional areas and for small businesses, or at the very least enable a program where the Levy is paid in instalments and can be recovered in the event that the employee leaves their employment within a certain timeframe.
- ✔ Prioritise the processing of construction occupation visas and skilled assessments.
- ✔ All levels of government should invest in pilot programs that make it easier for skilled migrants to come to Australia and for businesses to employ them.
- ✔ The Job Ready Program should be better utilised by Government to support international students in trades to become skilled and able to join the building and construction workforce.
- ✔ Migrants who are not permanent residents or citizens must be able to building and construction trade apprenticeships and visa restrictions must be lifted to reflect this.
- ✔ Government must create and fund a Construction Skills Pathway visa that will ensure skilled migrants can apply for cost effective, fast visas that will provide options for permanency and embrace mutual recognition of comparable, or better, trade qualifications from other jurisdictions.
- ✔ Government should undertake a review of skills recognition processes so migrant tradespeople with comparable, or better international qualifications are identified and exempt from hefty skills assessment processes, including those with trade qualifications from the United Kingdom, New Zealand, Ireland and Germany. Mutual recognition agreements should be formed to exempt migrants with comparable qualifications from needing a detailed skills assessment.
- ✔ Government should support the Activate Australia's Skills campaign, especially by funding the implementation of an Ombudsman to oversee skills assessment bodies.
- ✔ Government should require and fund BuildSkills Australia to work with industry to develop a pilot for a gap training course for tradespeople who have qualifications from comparable jurisdictions and are seeking to work in Australia (outside of the scoping work currently being undertaken for migrant plumbers).
- ✔ Provide free or low-cost skills assessments to people in the country on humanitarian or partner visas and who have building and construction qualifications and experience.

# Supporting business development

THE BUILDING AND CONSTRUCTION INDUSTRY IS THE BACKBONE OF OUR COMMUNITIES, WITH 98.7 PER CENT OF BUSINESSES EMPLOYING FEWER THAN 20 PEOPLE.

This small-business structure fosters flexibility, innovation, and deep community connections.

There is a stark lack of ancillary support to these kinds of businesses, which means paperwork, regulation, and administrative obligations can be a huge source of stress for business owners.

Despite these obstacles, the resilience and determination of small business owners are what keep the industry moving forward.

**With the right support, these businesses can not only survive but thrive.**

It's vital to recognise that building and construction relies on skilled people, not just technology, to deliver the homes and infrastructure Australia needs. Supporting the 400,000 small businesses in this sector will ensure they remain strong, adaptable, and ready to meet ambitious housing targets and the needs of our growing population.

In addition to workforce, regulation, taxation and incentives covered in other areas of this submission.

## Master Builders makes the following recommendations:

- ✓ The Government should allow for the National Reconstruction Fund to be fully leveraged to help expand Australia's onshore manufacturing and distribution capacity with respect to key building materials like timber, steel and modern manufacturing.
- ✓ Housing Australia-supported projects should lead the way with a more sustainable model of risk sharing with building and construction businesses involved in the procurement process.
- ✓ Government should 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 developed to ensure small businesses are not precluded from tendering for contracts with federal government and public entities.
- ✓ Government procurement and standard form contracting arrangements should not penalise contractors for costs and delays beyond their reasonable control.



# Ensuring safety and wellbeing in the workplace

## MASTER BUILDERS' TOP PRIORITY IS ENSURING WORKPLACES IN THE BUILDING AND CONSTRUCTION ARE SAFE.

### **One serious injury or death is one too many.**

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

Work Health and Safety (WHS) systems and law in Australia should be performance and outcomes-based, an approach which is now universally accepted as far more effective than prescriptive or inflexible regimes.

To ensure that WHS frameworks retain this approach, workplaces should be able to choose the most effective and practicable course to address safety, particularly given the specific nature of work performed in the building and construction industry.

While the existing regulatory framework, on the whole, represents a reasonable balance between prescription and flexibility, there is an increasing tendency to depart from this approach and, in addition, imposing a range of unnecessary administrative and reporting obligations.

Further, Master Builders is increasingly concerned by the growing divergence from the Model WHS framework, with governments in several jurisdictions enacting fundamental changes making safety laws very different around Australia.

In accordance with the *Inter-Governmental Agreement for Regulatory and Operational Reform in Occupational Health and Safety*, State and Territory Governments should continue the process of harmonisation to ensure a nationally consistent set of laws. Not only do these inconsistencies cause red tape and unnecessary costs to businesses, but more importantly, give rise to confusion and inadvertent non-compliance with safety obligations.

Relatedly, Safe Work Australia (SWA) Members should have an obligation to make recommendations to governments that support the pursuit of harmonisation, as well as the development of clear and simple guidance material.

Model Codes of Practice should only be produced and adopted if they meet specific development criteria, be clear, concise and be limited to duties and obligations under the law. Moreover, the status of any Codes or guidance material should be clearly identified and clarify which regulatory agency is responsible for their enforcement.

Noting that practical guidance is always preferable to prescriptive codes, Master Builders strongly supports a review of the full suite of Model Codes of Practice, with the view to simplifying and consolidating existing content into one industry-based resource.

This approach would recognise the need for materials, seeking to target those in the building and construction industry, to be in plain English and would remove existing duplication across an increasing number of cross-referenced Codes and Guides.

As part of the review, SWA should also update and reinstate its former guidelines established to determine whether a model Code of Practice, as opposed to practical guidance material, should be developed. Similarly, any changes more broadly to the WHS framework should not be considered in the absence of a robust regulatory impact analysis process.

In recognition of the agency's ever-increasing workload, including a plethora of work arising from silica-related reform, Government should increase SWA's funding to not only ensure it is adequately resourced to deliver its forward work plan, but so that all policy settings are fit for purpose and based on contemporary evidence and research. Nationally consistent WHS regulation is essential in improving safety outcomes and assisting businesses operating across multiple jurisdictions.

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

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

The Asbestos and Silica Safety and Eradication Agency (ASSEA) plays an important coordination and centralisation role in ensuring asbestos and silica hazards are controlled and without risk to health and safety.

Master Builders continues to support the work of ASSEA and for it to become a centralised repository for guidance on the management and prevention of harm arising from asbestos and silica-containing materials. We also encourage ASSEA to continue to focus its education efforts on the most at-risk groups within the community, especially amongst the DIY home renovation sector.

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

Improvements in industry safety outcomes, by majority, are clear and compelling for those entities who have achieved accreditation under the Australian Government's Work Health and Safety Accreditation Scheme. These results are complimented by the OFSC's pursuit of sustainable improvements to WHS across the industry, along with its support for innovative and proactive safety practices.

Government must boost funding to the OFSC to increase its capacity and capabilities due to the surge in companies seeking accreditation as a consequence of implementation of the Housing Australian Future Fund (HAFF). In addition, the OFSC should receive additional resourcing as it continues to identify and progress best practice safety initiatives, as well as to assist in the roll-out of any outcomes arising from the recently completed Scheme Review.

**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.

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

### **Master Builders makes the following recommendations:**

- ✔ Government increases funding to the Department of Employment by \$10 million per year over the forward estimates to reflect the increased number of companies seeking accreditation under the OFSC's Work Health and Safety Accreditation Scheme including under the current (and subsequent) HAFF funding rounds.
- ✔ Additional funding is also allocated to continue and expand the OFSC's successful awareness and education initiatives.
- ✔ Boost appropriations for ASSEA over the forward estimates to support its expanded remit and facilitate the successful roll-out its Asbestos and Silica National Strategic Plans.

- ✔ Boost funding of SWA by not less than \$10 per year over the forward estimates in acknowledgment of its increased workload and to prioritise the review and simplification of industry Model Codes of Practice.
- ✔ Additional funding also be provided to SWA to undertake a review of the *Inter-Governmental Agreement for Regulatory and Operational Reform in Occupational Health and Safety*, with the objective of removing any barriers to the further harmonisation of WHS laws.
- ✔ In light of new mandatory training obligations under WHS laws, BuildSkills Australia must – as a matter of priority – fund an urgent 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 that is freely accessible to industry.
- ✔ There must be sufficient funding and support to ensure a thorough impact analysis is undertaken prior to the consideration by WHS Ministers of any changes to the Model regulatory framework.

# Getting the tax structure right

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.

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

An example of the way getting the tax system wrong can impact the building and construction industry, and its capacity to meet demand, is recent rhetoric on the capital gains tax discount and negative gearing.

Master Builders commissioned Qaive to model the effects of several restrictions around negative gearing and the capital gains tax discount.

The results of the analysis show that regardless of how capital gains tax and negative gearing are restricted, all configurations modelled would result in fewer new homes getting built. There would also be detrimental impacts on GDP and construction employment.

**All scenarios modelled would discourage investment in housing, increase rents and reduce housing available for renters when supply is already unable to keep pace with demand.**

This tax increase would come on top of property taxes that already make up around 50 per cent of local tax revenue across all states and territories.

High business taxation levels impede activity in the industry and prevent it from reaching its full potential. This results in new buildings and infrastructure carrying a heavier price tag than they should.

The taxation system could also 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.

**A lower tax burden would reduce the cost of doing business in the industry and help drive real improvements in Australian living standards.**

ANNUAL CHANGE IN LABOUR PRODUCTIVITY IN CONSTRUCTION AND OTHER INDUSTRIES TO 2022-23 (+/-%) [QUALITY-ADJUSTED HOURS WORKED BASIS]



SOURCE: Master Builders Australia analysis of ABS Estimates of Industry Multifactor Productivity, 2022-23

## Master Builders makes the following recommendations:

- ✔ Capital gains tax and negative gearing arrangements must remain in their current form to avoid unnecessary impacts to the industry's capacity to meet demand.
- ✔ Withholding tax and capital works deductions for Managed Investment Trust Build to Rent properties should be put on par with other property assets.
- ✔ There should be incentives for businesses, particularly small businesses, including tax breaks for productivity-enhancing investments in digital and IT systems and more generous treatment of capital building works.
- ✔ Extend cuts to company tax for businesses over \$50 million turnover.
- ✔ Extend the Skills and Training Investment Boost and expand with non-employed businesses.
- ✔ 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.
- ✔ Provide 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.
- ✔ 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.



# Removing unnecessary regulatory burden

## A MORE EFFICIENT REGULATORY ENVIRONMENT FOSTERS CONFIDENCE AND INVESTMENT IN THE INDUSTRY LEADING TO GREATER ECONOMIC GROWTH.

Master Builders has advocated for a number of years that high regulatory burden caused by constantly changing and increased red tape, as well as new regulation, is slowing productivity and placing extra pressure on small and medium sized businesses.

**The amount and extent of regulation imposed on the industry tends to lose sight of the people who are running those businesses.**

Much of the regulation across the industry is needed to keep people safe and ensure structures and infrastructure are fit for purpose.

What is not appropriate though, is using mechanisms like the NCC to place additional, unnecessary and overreaching regulation on the industry.

**Simplified regulations level the playing field for small businesses and frees them up to focus on what they do best: building homes and communities.**

The regulatory environment must have 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.

By reducing paperwork and administrative burden, small operators can channel their energy into growing their businesses, supporting local jobs, and delivering high-quality projects.

To alleviate regulatory change pressures, government needs to make regulatory frameworks that are mandatory freely available to access.

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.

More adaptable regulations pave the way for cutting-edge solutions like sustainable materials, modular construction, and smart technologies.

## **Master Builders makes the following recommendations:**

- Implement a de-regulation agenda to remove superfluous regulatory requirements and make a meaningful impact to productivity.
- ☑ Make access to all mandatory international and Australian standards free.
- ☑ Provide funding to review the NCC and ABCB to determine whether they are fit for purpose and enhance productivity or whether restructuring and redevelopment is required, especially if a pause in change to the NCC is enacted.
- ☑ Regulatory impact statements must be provided and publicly released for all legislative or regulatory changes.
- ☑ 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.
- ☑ More budgetary resources be provided to facilitate the transfer of all building product chain responsibilities away from the builders using them.



# Investing in a sustainable future

## MASTER BUILDERS IS COMMITTED TO THE SUSTAINABILITY OF THE INDUSTRY AND THE BUILT ENVIRONMENT.

That commitment was made through the [Building and Construction Industry Sustainability Goals 2050](#). Master Builders renewed this commitment in August 2024, in the [first annual report tracking progress](#).

Master Builders is leading transformation for the long-term benefit of the industry and Australia's built environment. This includes by:

- Working with Government and the building supply chain on changes to support the goal for a net zero built environment.
- Participating in reforms to building regulation on priority building resilience issues such as waterproofing and bushfires.
- Increasing female participation with the ongoing work of the Women Building Australia program and advocacy to Government for greater support.
- Partnering with a tech platform to provide much needed digital contract management and payment tools.
- Working with the Office of the Federal Safety Commissioner to promote better safety outcomes on building sites and to support the government's roll-out of the HAFF.

Further to this, Master Builders notes that to maintain focus on a sustainable future, land use planning must be at the forefront of Government priorities in the energy and environmental space.

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.

Master Builders is establishing partnerships regarding product assurance, traceability and net zero innovation with a specific [National 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.

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.

Master Builders participated in a consultation process conducted by the Australian Building Codes Board relating to product traceability.

A building product registration scheme has the potential to improve safety, quality, and transparency within the building and construction industry, beginning to address the risks associated with non-conforming and non-compliant materials. However, it must be carefully designed to balance these benefits with the potential increase in costs, regulatory burden, and trade considerations. More work must be done in this space.

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.

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 investment.

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.

### **Master Builders makes the following recommendations:**

- ☑ Further research with appropriate funding must be conducted into and incentives provided for businesses that operate within the circular economy to ensure Australian building and construction companies have access to recycling and reuse facilities.
- ☑ Provide funding to the CSIRO or similar organisation to undertake research into sustainable building practices including wet area design.
- ☑ 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.
- ☑ Funding for 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 review of energy market regulation is needed to ensure barriers to investment in electricity upgrades do not exist in legislative frameworks.
- ☑ Funding to develop, in conjunction with industry, roadmaps for achieving net zero emissions goals and a circular economy.
- ☑ Funding for further research on the benefits and advantages that prefabricated and modular construction can provide with a focus on improved environmental impact and quality control.
- ☑ A sector-based plan on delivering better local outcomes through the National Reconstruction Fund.
- ☑ 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.
- ☑ Develop and fund a national building product traceability standards to underpin a national, industry-wide traceability framework.

# Ensuring commercial fairness and security for all in the construction chain

## THE BUDGET PROVIDES GOVERNMENT WITH A RANGE OF OPPORTUNITIES TO CREATE BETTER LEVELS OF COMMERCIAL FAIRNESS, CERTAINTY AND SECURITY FOR BUILDING AND CONSTRUCTION INDUSTRY BUSINESSES.

The comparatively high level of insolvency amongst building and construction businesses is due to the way building work is performed and the contracting-based model that underpins the entire sector.

While this facilitates efficient and cost-effective delivery of the built environment, it also creates an intrinsically high level of co-dependency up and down the construction chain. This means when something goes wrong for one business, it can have broad ripple effects for others such as increased commercial, financial or other business pressures.

There are a wide range of additional factors which make this problem more acute. For example:

- Governments and clients often take an unfair and unrealistic approach to risk allocation in commercial contracts.
- The lending practices of most financial institutions encourage the use of 'fixed-price' contracts which leave little or no margins for clients and builders to incorporate agreed variations or if something goes wrong.
- Laws designed to help people get paid, such as Security of Payment (SOP) legislation, are different right around the country and have become unwieldy, complex and ineffective.
- Regulators are reluctant to take action even though they know businesses are in trouble.
- A range of business laws and regulation are constantly changing, creating additional levels of uncertainty and business risk, and making it hard to plan for contingencies or unforeseen liabilities.
- There is little focus on ensuring that individuals who start businesses have the right skills and tools to ensure they manage their business effectively and viably.
- There are few incentives to encourage businesses to adopt tools that assist in ensuring they are managed efficiently, stable and commercially viable.

In addition, a more effective system of SOP laws should be encouraged to ensure prompt and timely payment to everyone involved in the construction chain. To achieve this, Master Builders supports SOP laws that:

- Are nationally consistent, adopted uniformly by each state and territory.
- Provide everyone with easy access to swift dispute resolution processes, which are quick, informal, low-cost and conducted without regard to legal technicality.
- Are underpinned by the notion that parties to construction contracts need to be paid promptly for the work they do.

Addressing this complex problem isn't simple and requires a range of measures to drive genuine improvements for business viability and security.

## Master Builders makes the following recommendations:

- ✔ The Federal Government should lead by example as a 'model-client' and encourage better industry practices by taking a fairer approach to the way it procures and manages publicly funded building works, including to the allocation of contractual risk.
- ✔ Take meaningful steps to ensure effective, streamlined, and more nationally consistent regulation to ease unnecessary business costs and improve workforce mobility.
- ✔ Ensure laws are simple, clear and provide certainty, allowing businesses to better estimate future costs, adopt a smarter approach to managing, mitigating or estimating business risk.
- ✔ Provide greater support for business education, to develop greater resilience and help businesses operate in a sustainable and financially stable manner.
- ✔ Better support increased adoption of digital business practices, which have been proven to help business better manage resources, finances and future work.
- ✔ Increase funding to ensure better enforcement of existing laws to reduce industry insolvencies by taking action before it is too late, and the damage is done. Greater levels of visible regulator enforcement activity will discourage unscrupulous conduct that undermines legitimate builders and subbies and makes it harder for them to compete fairly.
- ✔ Establish a "Fair Payment Guarantee Fund" to provide a safety net of last resort with assistance available for eligible subcontractors.



# Building 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.

The construction industry is rapidly becoming a substantial subsector of the defence industry as the Federal Government addresses infrastructure needs that underpin national defence.

The whole of government approach is required for the construction of new social infrastructure that is needed to support the larger population that will sustain the nation's 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 clearly a key priority for the Department of Defence 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 alliance partners if there is the local capacity and capability to meet their needs when they invest in defence infrastructure.

Procurement policies implemented by the Department of Defence are structured to maximise the opportunities for local contractors and subcontractors to tender to work on projects in their regions with a realistic chance of success.

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:**

- ✔ Implement placed-based approaches to ensuring that key regional 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 for 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 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 effective in maximising local capacity and capability.
- ✔ Funding allocated to 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.



# Enhancing the Federation

THE AUSTRALIAN BUILDING AND CONSTRUCTION INDUSTRY IS BOUND TIGHTLY BY REGULATION AT ALL LEVELS OF GOVERNMENT – INCLUDING AT THE FEDERAL, STATE/TERRITORY AND LOCAL GOVERNMENT LEVEL.

Vocational education and training, licensing frameworks, building regulation and accreditation frameworks are disparate. They disincentivise national recognition 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:**

- ✓ Funding to implement better mutual recognition of licensing across states and territories for trade workers.
- ✓ 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.
- ✓ 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.



**MASTER BUILDERS**  
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**Published by**

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