

Submission to the Productivity Commission's consultation on the Five Pillars for Productivity Reform

A Better, Safer and Fairer Building and Construction Industry

June 2025



WHO WE ARE

Master Builders is the nation's peak building and construction industry association, which was federated on a national basis in 1890. Master Builders' members are the Master Builder State and Territory Associations. Over 130 years, the Master Builders network has grown to more than 32,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry association representing all three sectors: residential, commercial, and civil construction.

The Master Builders network also delivers vocational education and training through its network of registered and group training organisations across Australia. This includes trade qualifications in building and carpentry as well as ongoing professional development training.

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

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





AUSTRALIA'S PRODUCTIVITY PROBLEM

The built environment is essential to maintaining and improving the living standards of all Australians. The building and construction industry can only meet this enormous responsibility through stronger productivity growth.

Boosting productivity is essential to building a better, safer and fairer building and construction industry. It allows the industry to deliver quality outcomes more efficiently, reduce cost pressures, lift safety standards and ensure businesses of all sizes can thrive and compete on a level playing field.

Unfortunately, productivity in the industry has been going backward. Labour productivity has declined in seven of the past nine years, falling by 18 per cent over the last decade. Persistently low productivity has prevented the industry from reaching its full potential.

This decline matters. Poor productivity slows the delivery of buildings and infrastructure, and in many cases, prevents projects from proceeding altogether. As a result, construction takes longer and costs more across the board.

Nowhere is this more evident than in housing, where supply shortages are acute. Since the pandemic, the average cost of building a home has risen by 44.1 per cent.

The industry is made up of more than 450,000 businesses, with around 98 per cent of them classified as small. Together, they employ over 1.35 million Australians. While this structure brings flexibility and strong community links, it also exposes the industry to a wide range of risks and vulnerabilities.

The delivery of new homes and the broader built environment has been increasingly hampered by a convergence of complex and compounding challenges, including:

- persistent supply chain disruptions and rising material costs;
- fixed-price contracts that no longer reflect market volatility;
- razor-thin or non-existent profit margins, undermining the industry's sustainability;
- acute labour shortages leading to project delays and increased uncertainty;
- workplace relations changes that restrict flexibility and stifle productivity gains;
- macroeconomic pressures such as high inflation and elevated interest rates;
- mounting regulatory and administrative burdens, particularly for small businesses, pulling time and focus away from on-the-ground delivery;
- lack of enforcement of existing regulations, which gives rise to bad actors; and
- more frequent extreme weather events disrupting construction timelines.

Together, these pressures are eroding industry capacity and investor confidence, fuelling a cycle of delay, disruption, and declining supply.

Master Builders has consistently sought action from the federal government around supporting business investment, removing unnecessary red tape, simplifying the regulatory environment, and enabling a sustainable future for the building and construction sector.

Productivity in building and construction is not about cutting corners or doing more with less. It is about working smarter, eliminating waste, streamlining processes, and empowering the industry to deliver higher quality outcomes more efficiently and sustainably.

While scalability and innovation are part of the solution, too often small businesses are held back by excessive regulation and poorly designed policy. Productivity reforms must acknowledge these barriers and ensure that smaller operators are supported with the right tools, resources, and incentives to grow and adapt—rather than being left behind.





FIVE PILLARS RESPONSE

Master Builders Australia welcomes the opportunity to respond to the Productivity Commission's consultation on the five pillars for productivity reform.

In addition, Master Builders supports and acknowledges the work in the Commission's recent Housing construction productivity: Can we fix it? research paper.¹ This comprehensive assessment by the Commission in the residential sector is to be commended and should be built on to support the five pillars report, as the Commission broadens its scope across other sectors in the building and construction industry and the economy.

The impact of government policies on housing construction productivity has also been laid bare, with the research paper shining a spotlight on the impact of slow and poorly coordinated regulatory processes, inconsistency across jurisdictions, and policies that have chilled innovation.

This submission has responded to four of the five pillar inquiries, including:

- Pillar 1: Creating a dynamic and resilient economy.
- Pillar 2: Building a more skilled and adaptable workforce.
- Pillar 3: Harnessing digital technology.
- Pillar 5: Investing in cheaper, cleaner energy.

Summary of positions

Pillar 1: Creating a dynamic and resilient economy

Every \$1 million worth of building activity supports around \$3 million in activity across the economy. This represents one of the strongest multipliers in the Australian economy and is why it is crucial to have economic settings that support a strong building and construction industry.

Master Builders Australia notes there are critical issues that need addressing for an improvement in the capacity of the building and construction industry to create a dynamic and resilient economy:

- Inflation and interest rates, critical to private investment in the building and construction industry must be low and stable. Where governments can play a role to ensure that this goal is consistently maintained then they should do so as opposed to implementing policies that are contrary to this core objective.
- Company tax settings need to be competitive to support economic growth. Master Builders supports a reduction in company taxation for small business to 20 per cent as recommended by the Council of Small Business Organisations Australia (COSBOA), of which Master Builders Australia is a member. A recent COSBOA study found a direct economic benefit of \$11.4 billion if small business pays less tax.²
- Taxes on foreign investment in housing be removed or at least reduced. Current taxes on foreign investment limit investment in high-density housing, which is necessary to accelerate the supply of new housing.
- Land and construction taxes should be reviewed. They collectively create disincentives to investment in Australia's built environment. Regulatory costs, statutory taxes, and infrastructure





¹ <u>https://www.pc.gov.au/research/completed/housing-construction</u>

²https://www.cosboa.org.au/post/small-business-tax-cut-a-11-4b-boon-for-economy

charges add significantly to house prices, contributing up to 49 per cent to the cost of a greenfield house and land package in Sydney in 2023-24 (CIE, 2025).

- Incentives for small businesses to scale and innovate. If the objective is for industry to scale and innovate to improve productivity, then regulatory reforms must support that goal. These reforms should not displace small businesses. Instead, they must more effectively bring them along the change journey. This will require cost offsets through a tax system that incentivises early adoption of key reforms, better regulation, and compliance frameworks, as well as information and education resources to enable change.
- Tax policy settings that have supported building and construction investment should be continued. This includes negative gearing (NG) and capital gains tax (CGT) discounts, and the Instant Asset Write Off (IAWO). The financial viability of new home building would be weaker without NG/CGT, and removing asset write-off incentives makes it less attractive to buy new equipment, machinery, and technology. Master Builders recommends an expansion of the IAWO and for it to be made permanent.
- **Removal and/or simplification of red-tape is crucial.** Businesses struggle to scale partly due to the burden of regulation. For example, the National Construction Code (NCC) has shifted from setting minimum standards to imposing best-practice benchmarks, creating unnecessary complexity and poor integration. Ambitious targets for accessibility and sustainability are adding layers of regulation, diverting focus from safety, quality, the core building process. The NCC should be reviewed, as recommended by the Productivity Commission's Housing research paper.
- Implementation of compliance and enforcement systems. Recommendations and model guidance from the Shergold-Weir Building Confidence report should be implemented by states and territories to give the community confidence and create a level playing field for the industry. Progress should be reported nationally.³
- Free access to the law. Australian building standards that are regulated through the NCC should be freely available because they are legal documents that govern safety, accessibility, sustainability, and quality in building and construction. Charging for standards effectively puts a paywall on legal obligations. Removing the cost of standards would support better compliance, improve productivity, and promote national consistency. It would level the playing field across the industry, reducing errors and rework.
- Fast-track planning reforms, boost infrastructure funding, and unlock more build-ready land. Planning and building approval bottlenecks and the lack of funding to build enabling infrastructure to ensure land is "build ready" is one of the key factors that stifles the building and construction of homes and social and transport infrastructure. Governments are focused on these issues but more needs to be done to address the magnitude of the problems.
- Workplace relations cannot be ignored. Workplace relations should not be ignored as a contributing factor in creating a dynamic and resilient economy. Master Builders has consistently provided evidence to show that restrictions on workplace flexibility and unchecked disruption hampers productivity. The action by the Federal Government in putting the CFMEU into administration is a good first step, but more needs to be done. While this Productivity Commission reform process should include workplace relations reform, if it is not to





³<u>https://www.industry.gov.au/sites/default/files/July%202018/document/pdf/building_ministers_forum_expert_assessm</u> <u>ent - building_confidence.pdf</u>

be included, Master Builders encourages this review to consider the impact of the blanket exemption of industrial relations from competition law. Master Builders is of the view that the Government needs to focus its attention on bad players in the industry, from wherever they sit within the industry, that could come under the purview of anti-competitive provisions of competition law in addition to Workplace Relations laws.

Pillar 2: Building a more skilled and adaptable workforce

The building and construction industry is in dire need of more skilled people in its workforce and a system that encourages an increase in those taking on a trade through more adaptable mechanisms. This could be achieved by:

- Addressing the skills shortage through **better tools and information** to assist learning and showcase careers in construction.
- Workforce development systems aren't ready to deliver the skills needed for **contemporary construction**, such as operating smart equipment, managing digital supply chains, utilising Building Information Modelling (BIM) and Virtual Reality (VR) platforms, and implementing design for Manufacturing and Assembly. More work needs to be done and BuildSkills Australia should be supported in doing so.
- The vocational nature of building makes it a good case study to develop **maths in construction tools** for High School curricula that has already been the subject of a successful pilot.
- Credit transfer and recognition of prior learning do not work well in construction-related jobs. It does not operate easily and can be very expensive. The system can also be abused by some registered training organisations (RTOs), leading to inconsistent outcomes and reduced trust. Credit transfers can work if course codes/equivalence can be easily recognised across learning options and they are current (three-to-five-year window). More work needs to be done to identify where this could occur.
- More should be done to improve the process and reduce the need for skills assessments for migrants coming from countries with comparable qualification and training frameworks. The skills recognition process is cumbersome, costly, slow and in some cases completely unnecessary. We need to provide bridging opportunities so that their skills can be recognised and any gaps in their knowledge filled. Further, the skills recognition process that remains should be quick, simple and cost effective. BuildSkills Australia should work with industry and government to develop a pilot for a gap training course for trades who have a qualification from comparable jurisdictions and seeking to work in Australia.
- Streamline national licensing frameworks insofar as possible to enable workforce movement and allow for nationally accredited gap training for all licensed trades.
- Removing building-related exemptions from mutual recognition of occupational licensing arrangements across states/territories and harmonising requirements for building-related occupations.

Pillar 3: Harnessing digital technology

Harnessing digital technology is critical to a productivity uplift for the building and construction industry, however, Government needs to be mindful of the fact that around 98 per cent of businesses





are SMEs with a very low digital uptake. Master Builders is seeking to lead the way in providing the platforms that are purpose built for SMEs.

- Moving toward an 'outcomes-based' approach to privacy, whilst it might have future benefits once the approach is implemented and solidified, it would not be without risk, uncertainty, and challenges across all organisation types and sectors. Transitioning to this model would require a generous transition period, together with the creation of useful resources, education, and information being made available for organisations, as well as internal implementation to ensure that compliance could be achieved.
- It is important that artificial intelligence (AI) does not replace certain processes or services • where oversight governance is needed. For building and construction, while efficient systems improve in achieving project delivery, there is still a human element needed in project supervision and delivery of the project.
- Master Builders has an online contract platform that has the potential to change the culture of • construction. It is not the intention of this product to replace a physical/human contract manager but to assist in assuring that the management of the contract improves efficiencies and communication between parties, mitigates risk, and assists with cashflow.
- Master Builders is part of the National Building Products Coalition, which has developed an implementation guide for the traceability and digitalisation of building project information across the Australian construction supply chain.

Pillar 5: Investing in cheaper, cleaner energy

Master Builders supports the move to net zero that includes appropriate transition arrangements that recognises and manages risks and identifies innovation in the industry to mitigate risks and improve productivity in the move to net zero.

- To improve policy alignment and cost-effectiveness in emissions reduction across sectors, **a key** priority should be the development and harmonisation of robust, practical tools for measuring and reporting embodied carbon across supply chains.
- Recognising the need for transparent, reliable, and interoperable data outlined in the • Implementation Guide, consistent Scope 3 emissions reporting will become critical with mandatory climate reporting commencing in 2025-26.
- Continue voluntary pathways for measuring carbon abatement, especially for the construction ٠ sector, where shifting prematurely to mandatory requirements could create implementation and cost burdens without commensurate benefits.
- The construction sector needs a coordinated national framework integrating carbon, product compliance, and safety data that would significantly enhance both regulatory effectiveness and industry engagement (ultimately reducing administrative duplication and compliance costs).
- Ensuring consistent implementation of policies and initiatives across the sector that is both information and cost-effective requires addressing existing prescriptive/non-prescriptive reporting requirements within the National Construction Code (NCC).





- Research and policy on the structural implications of electronic vehicle (EV) fire events within residential and commercial buildings should be undertaken to support the safe and effective uptake of EVs within buildings.
- Aligning existing research and policy proposals, such as the recommendations arising from the • Productivity Commission's Housing construction productivity: Can we fix it? Research Paper, should be implemented before additional measures are implemented.
- Diminishing returns from continual increases in the Nationwide House Energy Rating Scheme • (NatHERS) star ratings indicate a need for a more targeted approach. Establishing clear, localised Deemed-to-Satisfy (DtS) provisions for key elements such as building envelope sealing, windows, and insulation would promote meaningful industry adoption and reduce compliance ambiguity.
- Planning and approvals processes, particularly for electrical connections to building sites, are • complex, subject to change and experiencing significant delays. This is impacting productivity, project delivery timelines and project budgets. Streamlining is urgently needed.
- Rather than exempting clean energy projects from environmental or other regulatory scrutiny, • governments should focus on expediting assessments through improved guidance, preapproval pathways, and dedicated approval streams for projects aligned with national climate targets.
- Embedding community engagement as a core part of initial project planning (i.e., ideation • stages), rather than a late-stage compliance obligation, will support social licence and reduce objections that lead to project delays.
- Barriers to adaptation of existing stock include limited consumer knowledge, high upfront • costs, fragmented regulatory frameworks, and insurance disincentives. Incentives are required.
- Improving the resilience of Australia's existing housing stock through retrofitting is essential to mitigate risks from climate change (e.g., bushfires, floods, extreme heat) while keeping costs manageable for homeowners and governments. Incentives are required.
- Minimum standards (articulated within the NCC) are important baselines for establishing • resilience in new builds and regulated renovations, but their role must be carefully scoped. Standards must be: Practical, enforceable, and clearly communicated; aligned with planning overlays and hazard maps.
- A review of the NCC should include better alignment of net-zero and climate-resilient building • practices and standards, while supporting improved literacy for Australians.
- Integration of climate risk into regulation and standards needs to be evidence-based, • nationally consistent, and economically viable.





Detailed response

Pillar 1: Creating a dynamic and resilient economy

What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

Investment in building and construction is dependent on the following key factors:

- Inflation & interest rates; •
- tax settings; •
- business capacity; and
- supply constraints particularly access to build ready land, planning bottlenecks, building approval bottlenecks, complex building regulations, skill shortages, and workplace relations laws.

Fundamentally, a building and construction business will not be successful if there is a lack of private investment in Australia's built environment. As such, in consideration of business investment in the industry, Master Builders is focused on economic conditions that support investment in building and construction while ensuring that the businesses within the industry have the capacity to deliver.

Under Pillar 1, Master Builders focuses on tax settings, business capacity, and supply constraints other than skills which is covered under Pillar 2.

Support investment through tax reform

Company Tax

Company tax settings need to be competitive to support economic growth. Master Builders supports a reduction in company taxation for small business to 20 per cent as recommended by the Council of Small Business Organisations Australia (COSBOA), of which Master Builders Australia is a member. Over 98 per cent of building and construction businesses are small to medium sized and struggle with the cost of doing business.

The proposal would provide instant respite to Australian small businesses and let them focus on what they do best. Investment growth has been lacklustre in Australia, leading to reduced competition, higher prices and lower living standards.

Independent modelling based on a small business tax rate cut from 25 per cent to 20 per cent, found the move was "fiscally prudent" and "good economic policy", stimulating cashflow and business growth to provide a "net benefit to the Australian community".

Foreign Investment

Around ten years ago, Australia's home building industry delivered its strongest ever annual performance. This saw work commence on 234,400 new homes during 2015-16 – a pace of home building just shy of the 240,000 per year required under the National Housing Accord. How did we get there? Through unprecedented volumes of home building on the higher-density side of the market. Why did this happen? Partly due to the strong demand from foreign investors for apartments. The strong demand from foreign investors was met with strong demands for protectionism, and this resulted in most state and territory governments imposing formidable taxes on housing purchases by foreign investors.





Higher-density home building subsequently nosedived and is yet to recover. As the rental market relies heavily on an adequate supply of higher-density homes, reduced building volumes here caused rents to surge and conditions to deteriorate for those relying on the rental market.

It is recommended that foreign housing investment taxes be removed or at least reduced to incentivise higher density home building in the absence of a booming domestic investment market.

Land and construction taxes

Australia's system of land and construction taxes is creating serious disincentives to investment in the built environment, particularly in new housing supply. These taxes and charges, which include infrastructure levies, stamp duty, land tax, developer contributions, and a range of regulatory costs, significantly increase the cost of delivering new homes.

At the same time, housing construction remains one of the most heavily taxed sectors in the economy, even as governments seek to subsidise demand through grants and incentives for first home buyers.

The result is contradictory policy settings where supply is penalised while demand is encouraged, fuelling price pressures and reducing the viability of many projects.

According to the Centre for International Economics, taxes, charges and regulatory costs accounted for up to 49 per cent of the total price of a greenfield house and land package in Sydney in 2023-24.4

Such a high and growing tax burden acts as a brake on investment, stifles housing affordability, and undermines efforts to boost supply. A comprehensive review of land and construction taxes is urgently needed to remove perverse disincentives, improve housing affordability, and support long-term investment in built environment.

Tax Offsets

More should be done through the tax system to offset regulatory reform costs that are needed to enable productivity improvements and minimise cost and transition burdens for businesses that come with this.

If the objective is for industry to scale and innovate to improve productivity, then regulatory reforms must support that goal. These reforms should not displace small businesses. Instead, they must more effectively bring them along the change journey. This will require cost offsets through a tax system that incentivises early adoption of key reforms, better regulation and compliance frameworks, as well as information and education resources to enable change.

Maintain existing tax settings that work

Several policy settings have been favourable to investment over the past decade and should be maintained.

In the case of new home building, current arrangements around negative gearing and the Capital Gains Tax (CGT) discount work to enhance demand for new home building. In the absence of these tax settings, fewer new homes would be built each year because the financial viability of new home building projects would be weaker without them. For home building projects under consideration, the





⁴ <u>https://hia.com.au/-/media/files/our-industry/advocacy/projects/cie-report-2025/cie-report_taxation_housing_sector_2025.pdf</u>

existence of negative gearing and the CGT discount can often be the factor that tips the project into financially viable territory from the perspective of developers.

For similar reasons, the continued exemption of primary residences from CGT and other taxes results in more new homes being created each year.

The past decade has also seen significant improvements to the Instant Asset Write Off (IAWO). This tax setting makes it less expensive for eligible businesses to buy new equipment, vehicles, machinery, and technology. One of the best ways to put productivity on the right track is by enhancing the quality and quantity of technology and equipment available to those working in the industry. The Instant Asset Write Off (IAWO) magnifies the attractiveness for construction firms of making these kinds of investments.

However, the current thresholds and eligibility criteria often exclude growing or capital-intensive businesses, like those in building and construction, that would benefit most from upgrading their equipment.

Consideration should be given to widening the criteria for IAWO-eligible businesses. Most important of all, the maximum IATO allowance should be significantly increased with a view to providing a 'big bang' for productivity in construction and other sectors. In addition, it must be made permanent, and its cap should automatically increase each year to take full account of cost inflation across the economy.

Reduce the impact of regulation on business dynamism

What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

Regulatory Burden

There is a perception that the burden of regulation on the building and construction industry gets steadily heavier over time. It's not just about the size of the burden – the frequency with which regulations change is also a major issue.

The abysmally low productivity performance of the industry is indeed a complex story with many causes. However, there is a clear link between declining productivity and growing regulation.

Regulation also affects the industry's productivity indirectly. For example, the inability of most building and construction businesses to grow in scale prevents productivity gains from being realised. It is well known that a business's inability to scale up is partly due to the suffocating effect of regulation.

In terms of setting regulations for the industry, it is vitally important to consider the fact building and construction businesses are typically very small in size and resources. The overwhelming majority of construction businesses (98 per cent) employ less than 20 people. Even more striking is the fact most of the industry's 450,000 construction businesses are too small to have any employees at all and operate as sole traders or partnerships.

This means that the focus of these businesses' energies and attention is on doing what building and construction businesses were set up to do – build new homes, commercial premises, schools, hospitals, and infrastructure.

Dealing with new regulations or changes to existing ones stretches the scope of these smaller firms to their outer limits. Unlike large companies, these microbusinesses do not enjoy entire departments and units dedicated to regulation.





The changes to the NCC in 2022 are a prime example. The objectives sought by governments were predominantly supported by industry but what wasn't supported was the breadth of change and the speed of change that was predicted to have adverse consequences on builders and cost implications for clients.

The subsequent reversal by many state governments of the building ministers' decision on timing of those changes and whether the changes are to be implemented at all, reflects the fundamental problems associated with the decision-making in the first place. The decision-making process to implement regulation needs to change.

Regulatory changes should be subject to clear implementation roadmaps, realistic transition timeframes, and meaningful consultation with industry stakeholders to ensure they are practical, proportionate, and deliver the intended outcomes.

Some regulatory changes needed and identified but yet to be implemented

Elements of the <u>Shergold-Weir Building Confidence report</u> produced for Building Ministers in 2018 identified reform options for building industry compliance and enforcement systems. These were supported by Master Builders as important reforms for the community but also to ensure a level playing for those in the industry through sustainability of the sector.

The CIE report commissioned to assess the cost benefit of implementing the recommendations concluded that consistent adoption of the model guidance has the potential to reduce building defects saving consumers approximately \$1.4 billion annually and offer industry time savings worth approximately \$375 million annually.⁵

Building Ministers responded to the 24 report recommendations with <u>best practice model guidance</u> for action but many have yet to be implemented. Several areas could be actioned further by governments regarding:

- Building product assurance and traceability NCC evidence of suitability provisions need to set a minimum standard format for compliance information, increase the rigour of evidence required to demonstrate compliance and instruct pathways for use.
- Consistent registration of building professions and trades.
- Continued Professional Development (CPD) requirements being introduced in all states and territories.
- Consistent requirements for inspection processes.
- Building compliance process which incorporates clear obligations for the ongoing approval of amended documentation by the appointed building surveyor throughout a project.
- Product certification system for high-risk building products.

Building Regulation Reform

The NCC has shifted from setting minimum standards to imposing best-practice benchmarks, creating unnecessary complexity and poor integration. Ambitious targets for accessibility and sustainability are adding layers of regulation, diverting focus from safety, quality, and the core building process.

Master Builders recommends urgent fixes to the NCC and its implementation at the state and territory level, reducing reliance on performance solutions, and making regulated standards free.





⁵ <u>https://www.abcb.gov.au/sites/default/files/resources/2022/Building-confidence-report-case-intervention.pdf</u>, page 7

This should start with implementing Productivity Commission recommendations from the <u>Housing</u> <u>construction productivity: Can we fix it?</u> Research Paper:

An independent review of building regulations – governments should commission an independent review of building regulations. The focus should be on the NCC and its implementation at the state and territory government level. A review should consider the NCC's objectives, the regularity of code updates, options to improve consistency in implementation by state and territory governments, approaches to approvals, certification, compliance, and enforcement, impediments to innovation, and local government rules that relate directly to the construction of dwellings. (P6 of PC report)

Australian building standards should be freely available because they are legal documents that govern safety, accessibility, sustainability, and quality in building and construction. If compliance is mandatory, access should not be restricted by cost. Charging for standards effectively puts a paywall on legal obligations, creating barriers for small businesses, sole traders, and new entrants trying to meet regulatory requirements.

Removing the cost of standards would support better compliance, improve productivity, and promote national consistency. It would level the playing field across the industry, reducing errors and rework.

<u>Planning Reform</u>

There are elements of planning reform that could improve the environment for building and construction that are worth considering given planning delays and blockages continue to hamper the delivery of Australia's built environment.

Each jurisdiction operates under its own planning legislation and frameworks, leading to a fragmented system that complicates national coordination and investment. Master Builders acknowledges the Housing Minister Clare O'Neil's recent commentary on a national, coordinated focus to planning reform.⁶

The Productivity Commission in its research paper Housing Construction Productivity: Can we fix it? identified four key areas that have contributed to falling productivity including complex and slow approvals that create 'cascading failures' which push up costs.⁷

While the Federal Government continues to drive coordinated planning reform across state and local governments, more needs to be done. The <u>Planning Reform Blueprint</u> should continue to track and report on jurisdictional planning reform efforts, promote the reforms that are boosting construction supply outcomes, and identify new approaches.

Workplace Relations Reform

Workplace relations cannot be ignored when considering the regulatory impact on business dynamism. The breadth and depth of changes to the Workplace Relations Act has been astonishing over the last 20 years with many changes in recent years restricting the flexibility of businesses to make productivity enhancements. This is very evident in the building and construction industry with the approach by building and construction unions to enforce pattern enterprise agreements that contain





⁶ <u>https://www.theage.com.au/politics/federal/o-neil-says-she-s-not-a-yimby-but-this-is-how-she-plans-to-help-fix-the-housing-shortage-20250609-p5m5v7.html</u>

⁷ Productivity Commission Research Report, Housing Construction Productivity: Can we fix it?, page 3 of Executive Summary

a range of provisions, that are heavily enforced, that are detrimental to productive outcomes for the industry.

Master Builders has consistently provided evidence to show that restrictions on workplace flexibility and unchecked disruption hamper productivity. The action by the Federal Government in putting the CFMEU into administration is a good first step, but more needs to be done as outlined in Master Builders' Breaking Building Bad proposal.⁸

While the broader productivity reform process should include workplace relations reform, if it is not to be included, Master Builders encourages this review to consider the impact of the blanket exemption of industrial relations from competition law.

Master Builders recommends a range of changes should be made to the Competition and Consumer Act 2010 that would only apply to the building and construction industry. These changes should include, as a minimum, that the Competition and Consumer Act 2010 be amended to strengthen laws about cartel behaviour, better target secondary boycott behaviour, clarify that enterprise agreements under the Fair Work Act made in the building and construction industry are a contract, arrangement or understanding for the purposes of competition laws and give an industry-regulator powers necessary for enforcement.

Master Builders is strongly of the view that the government needs to focus its attention on bad players in the industry, from wherever they sit within the industry, that could come under the purview of anticompetitive provisions of competition law.

How has your regulatory burden changed over time?

Regulatory burden has changed and grown over time, impacting contracting, insurance, planning and building approvals, workforce, building product inputs, building compliance and workplace health and safety regulatory oversight.

Some key changes include:

- In some jurisdictions where overreaching or restrictive procurement codes have been introduced, Master Builders asserts that they have added unnecessary cost and limit flexibility. For example, in Queensland:
 - o 96 working days lost because of a lack of roster flexibility.
 - Small and medium contractors have been constrained from competing for government tenders.
 - Pausing this requirement has not diminished worker entitlements and conditions or reduced workplace safety.
- National Construction Code:
 - Its role has been shifting from setting minimum requirements to best practice. The pace, scale, and style of change is adding unnecessary complexity and not being well integrated with existing minimum standards.
 - Ambitious targets for accessibility and sustainability of buildings are adding additional layers of regulation, taking away the focus of the basics from safety, quality and the process of building.
- Since a deposit cap on domestic building contracts (a requirement in many jurisdictions) was introduced, there has been substantial increase in the scale and cost of tasks performed at pre-construction stage (e.g. energy assessments, site safety plans, training levy, portable long





⁸ https://masterbuilders.com.au/wp-content/uploads/2024/08/Breaking-Building-Bad_final.pdf

service leave, increase in certification costs, more careful/detailed project documentation) and home warranty insurance. This is in addition to local government searches, building approval lodgement fees, contract documentation, other insurances, wages, commissions and overhead costs. Domestic building contract deposit caps need to be lifted to accommodate this and allow for proper management of builders' cashflow.

• Substantive changes and additions to Workplace Relations and Work Health and Safety Laws making the compliance burden and duties significantly more onerous.

Master Builders keeps hearing that scale and innovation are the key to bringing about productivity improvements, but ongoing complex regulatory reforms prohibit the capacity of business to innovate.

Master Builders submits that regulatory reforms must not displace small business but instead more effectively bring them along the change journey. This will require policy makers listening to business in terms of alternative approaches and/or transition arrangements that are practical and reduce the burden, coupled with cost offsets through a tax system that incentivises early adoption of key reforms, better regulation and compliance frameworks, as well as information and education resources to enable change.





Pillar 2: Building a more skilled and adaptable workforce

Australia's chronic skills shortage is holding back Australia's ability to deliver the homes, infrastructure, and public amenities communities desperately need.

Urgent action is needed to boost the building workforce by supporting employers and students, lifting apprentice completions, and accelerating skilled migration. Several Productivity Commission reports, including the most recent *Housing construction productivity: Can we fix it report, have already pointed to the need for this type of support.*

The focus of questions in the Pillar 2 consultation is on tools for fixing student and teacher outcomes, flexibility in education and training methods, and fit for purpose occupational licensing.

So, what is Master Builders doing to improve school student outcomes with the best available tools and resources?

Master Builders is utilising a range of tools to support teaching and to better support people on the learning journey for a building and construction career. Whether it's through better career information or digital tools that link real-world experience with learning, collaboration across industry and in the development of future education and training tools will be essential.

Collaboration on workforce development for contemporary construction

Workforce development systems are not ready to deliver the skills needed for contemporary construction, such as operating smart equipment, managing digital supply chains, utilising Building Information Modelling (BIM) and Virtual Reality (VR) platforms, and implementing design for Manufacturing and Assembly.

This work can be developed further by connecting training providers, BuildSkills Australia, Prefab Innovation Hubs, and Melbourne Polytechnics' Future of Housing Construction Centre of Excellence to deliver better workforce development systems and tools. Master Builders supports the development of conventional and future workforce needs, education, and training tools.

Additionally, the current <u>Strategic Examination of Research and Development</u> provides an opportunity to reshape how innovative research can be applied through partnerships with industry. Leveraging these connections will help to transform the conversion of research into viable innovation practices for the construction industry, while opening opportunities to re-evaluate the training and workforce pipeline.

Better early learning opportunities

Master Builders Australia has developed <u>Construct Your Career: the Ultimate Guide to Jobs in Building</u> <u>and Construction</u> a practical, industry-driven resource to inspire more Australians to pursue a career in the trades.

The Guide outlines how anyone, regardless of age, gender, or background, can get started in construction and highlights real stories from people working across the industry, from trades and machine operation to architecture, engineering, and project management.

With pressure on young Australians to choose university over vocational education and training (VET), this Guide gives careers advisers, students, and parents the tools to explore the exciting and rewarding pathways available in construction. Master Builders is seeking the support of Government to move it from a static to an interactive tool.





Further examination of the school curricula should be undertaken to ensure it embeds diversified opportunities for students to develop varied interests, skills, and abilities across a range of applied and theoretical areas. This may include improving collaborations between schools and VET and TAFE providers to expose students to opportunities such as construction.

Digital Tools

Tools that provide a more immersive experience for the student are part of the answer.

In <u>Victoria, virtual reality technologies</u> has been developed that allow secondary students to see, touch, and experience different workplaces. Virtual Reality goggles are available to schools to enable career experiences.

Master Builders Victoria offers immersive training through its <u>Leadership Simulation Centre</u>. The Centre offers a unique combination of classroom learning, feedback workshops, and a simulated building site. Participants assume a site leadership role and are provided with an opportunity to practice and apply newly learnt skills and knowledge.

The vocational nature of building makes it a good case study to develop maths in construction tools for high schools. In the NSW Hunter region, Master Builders Newcastle is partnering with the NSW Department of Education to raise awareness about maths in construction with high school teachers. The collaboration has brought together nine schools and walked them through using maths during a day in construction. A classroom visit completed a simple construction task, with interviews about the maths involved, which has been filmed and is expected to be distributed through schools.

Support the workforce through a flexible post-secondary education and training sector

In your experience, how well does the credit transfer and recognition of prior learning system operate in Australia? Does it adequately support students to move between courses or have their work experience recognised as part of a qualification? Are there ways it could be improved?

Credit transfer and recognition of prior learning do not work well in construction-related jobs. It does not operate easily and can be very expensive. The system can also be abused by some registered training organisations (RTOs), leading to inconsistent outcomes and reduced trust.

It does not consistently support students. While the framework exists, in practice, students often face barriers such as unclear processes, lack of transparency, and limited support from institutions. This can discourage mobility and recognition of valuable work experience.

Credit transfers can work if course codes and equivalence can be easily recognised across learning options, and they are current (a three to five-year window). More work needs to be done to identify where this could occur.

The Federal Government's Jobs and Skills Council relevant to the building and construction industry, BuildSkills Australia, would be best placed to develop tools for assessing current competencies as a starting point for further consideration of credit transfer and recognition processes. This needs to be mindful of the ongoing <u>VET Qualification reform</u> work that the Commonwealth, states and territories have signed up to.

Services to support students through the process, such as dedicated advisors, clearer guidelines, and streamlined application systems, would make a significant difference. (e.g., a plumber might move mid-apprenticeship to carpentry). Greater oversight and standardisation across RTOs could also help ensure fairness and quality.





What are the main reasons individuals and/or businesses do or do not participate in work-related training?

The main reasons individuals may avoid training are due to cost, time constraints, lack of awareness of available options, or uncertainty about the return on investment.

The primary reasons businesses may hesitate are due to budget limitations, concerns about staff turnover after training, or a lack of tailored training options that meet their specific needs. Specifically to apprenticeships, there are limited incentives provided to employers to offset the productivity costs of hiring an apprentice, especially in the first two years of an apprenticeship. A more detailed response surrounding apprenticeship system incentives can be found in Master Builders' submissions to the Federal Government's 2024 Strategic Review of the Australian Apprenticeship Incentive System.⁹

Balance service availability and quality through fit-for-purpose occupational entry regulations

What are the effects of occupational entry regulations? Please describe your experience and name the specific occupations you are referring to.

Workforce mobility is linked to improved productivity and enables the flow of workers to respond to business demand and economic conditions.

Occupational entry regulations for building and construction jobs vary across the country. Master Builders has been a long-standing advocate for harmonising these arrangements to enable better workplace mobility.

Automatic Mutual Recognition (AMR) of occupational licensing is designed to simplify state and territory requirements. Most construction jobs are exempt from this requirement because of inconsistent requirements across jurisdictions. Victoria is one of the few jurisdictions where AMR applies to most building construction professionals, excluding building surveyors and plumbers.

Some of the benefits from the regulations are that workers who comply with occupational entry requirements benefit from increased wages following completion of apprenticeships, and new workers have a minimum safety understanding before commencing work on site.

A national <u>framework for the registration of building practitioners</u> was produced by Australian Building Ministers several years ago including for building qualifications and plumbing trade occupations. This work should be developed further to establish more consistent requirements for building and construction jobs. Master Builders has flagged this in a number of publications, including its <u>Future of the Workforce Skilled Migrants in Construction</u> publication.





⁹ <u>https://masterbuilders.com.au/strategic-review-of-the-australian-apprenticeship-incentive-system/;</u> <u>https://masterbuilders.com.au/supplementary-submission-strategic-review-of-the-australian-apprenticeship-incentive-system/</u>

Pillar 3: Harnessing data and digital technology

Support innovation through an outcomes-based approach to privacy

Whilst innovation and the reduction of regulatory red tape is welcomed by industry, careful and proper consideration must be given. This includes the approaches to be implemented, the impact on businesses of all types with a particular focus on small to medium sized enterprises, as well as ensuring that there is sufficient information and education made available prior to the implementation. This needs to be supported with a generous transition period to ensure maximum compliance.

Focusing specifically on the collection of data, including personal information, commercial inconfidence information and/or any other information that might be relevant to a particular client, project, or any other factor, also needs to be dealt with appropriately.

The collection of any data must be done in a lawful manner, must be kept confidential with all reasonable steps being taken to ensure the safety and appropriate storage of the information, but also having means to appropriately destroy any information received, if required. There are exponential threats to the unauthorised disclosure of information, not only to the person but also to the organisation from which the information was obtained.

Moving toward an 'outcomes-based' approach, whilst it might have future benefits once the approach is implemented and solidified, it would not be without risk, uncertainty, and challenges across all organisation types and sectors.

Ultimately, the impact would depend on the clarity of the outcomes, the support to be provided (e.g. guidelines, tools, or examples), and how regulators assess compliance. Transitioning to this model would require a generous transition period, coupled with the creation of useful resources, education and information being made available for organisations and an internal implementation to ensure that compliance could be achieved.

Master Builders would encourage that prior to the implementation of any changes to the existing regime, careful consideration is given to the potential impacts, particularly for small to medium-sized enterprises. Master Builders would welcome the opportunity to be involved in further consultation, as required.

Enhance reporting efficiency, transparency and accuracy through digital financial reporting

Enable Al's productivity potential

Artificial Intelligence (AI) is an emerging technology, and both businesses and consumers are still navigating how to use it effectively and responsibly.

Whilst AI is being utilised in various forms within the building and construction industry, there is still work to be done to improve the uptake, particularly with small to medium-sized enterprises. At the same time, the technology itself continues to evolve, becoming more accessible, intuitive, and user-friendly.

Industry is providing feedback that software products they are currently engaging with are also utilising AI in parts of the process, whether it be for reporting, information generation, communications with stakeholders, the list goes on.





The use of AI in any form presents both significant opportunities but also operational, compliance, and other regulatory challenges.

For businesses, AI offers potential for efficiency, innovation, and improved service delivery. For example, with the introduction of digital reporting, members have reported improvements in the efficiency of reporting; however, with the introduction of new systems and processes, there is always caution and scepticism.

The implementation of AI requires investment in education, infrastructure, and governance frameworks, both from the government but also from the enterprise itself. Careful consideration must also be given to ensure that the use of any new system or process aligns with legal, compliance, and ethical standards. Many organisations, particularly small and medium-sized enterprises, are still developing the internal capability to understand and deploy AI tools safely and effectively.

It is also important that AI does not replace certain processes or services where oversight and governance are required. Whilst AI, as it improves, might be able to carry out certain tasks or assist with aiding efficiencies, etc., there will always be the requirement for supervision and/or accountability. Particularly in the building and construction industry, whilst efficient systems improve achieving project delivery with adherence to timeframes and budgets, there is still the human element of supervision and delivery of the project. One example might be where AI is used to assist with contract management; there should still be a person nominated to oversee and maintain responsibility for the overall management of the contract, as there would be a personal nominee for a building project which is delivered on behalf of a corporate entity.

The trust in the construction contract process, from both the builder's and client's perspectives, has declined. There are several reasons for the decline, the most notable being issues with cash flow or delayed or disputed payments under a construction contract, and with construction insolvencies continuing to rise, it is prudent for the building and construction industry to adopt practices and processes that mitigate risk, improve efficiencies and better manage contractual relationships.

Recently, Master Builders Australia has implemented an online contract platform¹⁰ which has the potential to change the culture of construction contracts, including the administration of the contractual relationship and the overall construction experience for all participants, including clients and subcontractors alike.

At the time of writing, the platform is now live and being engaged with by building and construction industry participants. It is not the intention of this product to replace a physical/human contract manager but to assist with ensuring that the management of the contract for the duration of the project is done so in a manner that improves efficiencies and communication between the parties, mitigates risks, assists with project cash flow for the benefit of the parties involved.

This solution has been designed to assist with the administration and management of the contractual relationship with the overall outcome of ensuring compliance with the objective of the contract, improving payment security, assisting in mitigating and managing risk to the parties, and simplifying the overall contract management process. The use of the built-in contract management system, which includes budget management, invoicing and payment, efficient communication between the





¹⁰ <u>https://masterbuilders.com.au/master-builders-contracts/</u>

parties, reporting, and notice provision. Al is being utilised to assist in reducing the contract management burden, which ultimately should provide cost savings for parties involved in the project.

The platform provides clear visibility into budgets and payment milestones, which is of importance to all parties involved. Al-powered tools automate communications between the parties, have the capacity to update all parties on project progress, including notification of delays, variations, or other changes required under the contract, and overall reduce administrative overhead, saving time and money.

The platform is also client-focused, assisting clients to obtain a better understanding of the contract process and payment milestone approval process, which aids in maintaining trust with the builder throughout the duration of the project. These measures look to improve the trust in contracting with building and construction industry participants, which in turn, encourages more investment in building (new homes as well as renovating or modifying existing dwellings) to make improvements to ease the housing stress that is faced by the community.

Master Builders welcomes improvements to productivity through the use of AI, however, it encourages careful consideration to be given to the potential impacts in the use of AI, including the most appropriate uses for the application and to adopt regulatory processes that complement the introduction of such but do not further add to the red tape that industry is currently burdened by in its various forms.







Pillar 5: Investing in cheaper, cleaner energy

Reduce the cost of meeting carbon targets

What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

To improve policy alignment and cost-effectiveness in emissions reduction across sectors, a key priority should be the development and harmonisation of robust, practical tools for measuring and reporting embodied carbon across supply chains.

In collaboration with other industry bodies through the National Building Products Coalition, Master Builders has developed an <u>Implementation Guide for the Traceability and Digitalisation of</u> <u>Construction Product Information</u>. This guide presents a scalable model to support emissions tracking through the construction supply chain, improve product information transparency, and promote broader supply chain sustainability. It will facilitate the sharing of accessible, verifiable, timely, and harmonised information as to building product's attributes (such as embodied carbon) in association with its physical movement along the construction supply chain.

Transparent, reliable, and interoperable data, as detailed in the <u>Implementation Guide</u>, is imperative as the requirement for <u>Scope 3 emissions reporting</u> ramp up with mandatory climate reporting commencing in 2025-26.

In the interim, this requirement should be paused until a credible, accessible reporting framework, such as those being developed by the National Australian Built Environment Rating System (NABERS), Green Building Council of Australia (GBCA), and other Building Construction Industry (BCI)-aligned platforms, is fully operational and adopted.

Additionally, voluntary pathways for measuring carbon abatement should be maintained, especially for the construction sector, where shifting prematurely to mandatory requirements could create implementation and cost burdens without commensurate benefits.

Continued investment in platforms like Carbon Trace, recognition of Environmental Product Declarations (EPDs), and guidance such as the Embodied Carbon Measurement for Infrastructure should be prioritised.

A coordinated national framework integrating carbon, product compliance, and safety data would significantly enhance both regulatory effectiveness and industry engagement, ultimately reducing administrative duplication and compliance costs.

Are there gaps in the emissions-reduction policies in the industrial, electricity and transport sectors which should be addressed?

A lack of research and policy on the structural implications of emissions reduction policies is a concern.

For example, the increased uptake of electronic vehicle (EV) being used and stored in buildings needs to address the increased fire risk. Research into the scale and nature of fire events within residential and commercial buildings should be undertaken to support the safe and effective uptake of EV within buildings. The current NCC provisions requiring buildings to be "EV-ready" should not be extended without comprehensive research and risk assessments.





Aligning existing research and policy proposals, such as the recommendations arising from the Productivity Commission's <u>Housing construction productivity: Can we fix it? Research Paper</u>, should be implemented before additional measures are implemented. A key recommendation of this paper that should be actioned is an independent review of building regulations, including the objectives and frequency of NCC updates, to ensure consistency across jurisdictions and reduce unnecessary complexity. This could be achieved by reviewing the Distribution Network Service Providers (DNSP) performance and introducing KPIs for connection timeframes.

Are there any duplicative emissions-reduction policies in the industrial, electricity and transport sectors which could be streamlined?

Since the introduction of energy efficiency provisions in 2003, subsequent overlays (e.g., condensation management, liveable housing design) have lacked integration, resulting in regulatory duplication and inefficiencies. For instance, emissions-reduction policies affecting the built environment have become increasingly fragmented, particularly through overlapping or misaligned updates to the NCC. This was reflected in the Productivity Commission's <u>Housing construction productivity: Can we fix it?</u> <u>Research Paper</u>.

The NCC is gradually shifting from its foundational role of setting minimum construction standards toward promoting aspirational best practice, which is not always suitable or feasible for all segments of the industry and building types. This approach creates complexity and contributes to policy misalignment.

A comprehensive structural review of the NCC is needed to return it to its role as a sequential, processaligned construction manual. This would improve coherence and reduce regulatory burden, especially for small to medium-sized builders and contractors.

Diminishing returns from continual increases in the Nationwide House Energy Rating Scheme (NatHERS) star ratings also indicate a need for a more targeted approach. Establishing clear, localised Deemed-to-Satisfy (DtS) provisions for key elements such as building envelope sealing, windows, and insulation would promote meaningful industry adoption and reduce compliance ambiguity.

Addressing these issues would reduce the burden on Australia's predominantly (98 per cent) small to medium-sized housing and construction industry, while enabling greater resourcing towards innovation practices, which will ultimately contribute to improving Australia's productivity.

Speed up approvals for new energy infrastructure

Are planning and approvals processes for large energy infrastructure taking too long? If so, what causes the most delay?

Planning and approvals processes, particularly for electrical connections to building sites, are experiencing significant delays that are impacting productivity and project delivery timelines. While an issue across all states and territories, in Queensland, for example, builders report connection processes taking between 6 to 18 months to progress, which is unacceptably long given typical construction timeframes.

The most common causes of delay include:

- Unpredictable scheduling of site visits, often rescheduled at the last minute (including weekends).
- Frequent mid-project changes to design or regulatory requirements, often without clear guidance.





Administrative bottlenecks with limited transparency and no clear avenue for recourse or appeal.

These inefficiencies not only increase costs but also introduce significant uncertainty for builders and clients alike.

How can planning and approvals processes be sped up without unduly compromising regulatory standards?

Planning and approval processes can be made more efficient through a combination of targeted administrative reforms and oversight measures. For example:

- Jurisdictional investigations into delays and inefficiencies should be prioritised. In Queensland • for example, Master Builders has recommended the establishment of a government-led investigation into administrative bottlenecks affecting electrical connections.
- Performance-based KPIs for approval and connection timelines should be introduced, with • regular reporting overseen by an independent body such as the Energy and Water Ombudsman.
- Improved project pipeline coordination between infrastructure proponents and regulators can • reduce rescheduling and streamline inspections and approvals.

Such reforms can maintain regulatory integrity while improving process transparency, accountability, and efficiency.

Should clean energy projects be treated differently to other projects for the purpose of environmental and other approvals? If so, how?

Clean energy projects, including grid connections for buildings that support electrification or EVreadiness, could be prioritised in the approvals process where they contribute to broader net-zero transition goals. However, any preferential treatment must be:

- transparent in its rationale;
- backed by evidence-based criteria; and
- time-limited or conditional to avoid setting uneven precedents.

Rather than exempting clean energy projects from environmental or other regulatory scrutiny, governments should focus on expediting assessments through improved guidance, pre-approval pathways, and dedicated approval streams for projects aligned with national climate targets.

What can be done to build local community support for new energy infrastructure projects?

Building local support requires early, clear, and sustained engagement with communities, taking a multi-aspect approach to engagement. This approach includes:

- Proactive communication about the benefits of projects (e.g. job creation, energy cost savings, resilience).
- Transparency around impacts (e.g. visual, noise, traffic) and how they will be mitigated.
- Local procurement and job creation incentives, ensuring that communities directly benefit from project delivery.
- Simplifying technical language used in consultation processes so that residents can participate • meaningfully.





Additionally, taking a staged approach to engagement and development of initiatives will be critical to any positive outcomes. This requires identifying the appropriate stakeholders and outcomes at different stages of engagement, from ideation through to consultation, evaluation, and implementation.

As identified in the <u>Building a Sustainable & Resilient Future Inaugural Report</u>, Master Builders highlights that achieving net-zero emissions by 2050 necessitates a substantial increase in the construction workforce. Specifically, an estimated 486,000 new workers are needed by 2026 to meet construction demands, excluding additional requirements for net-zero goals. Investing in vocational education and training (VET) is crucial to equip workers with the necessary skills for renewable energy projects. This outcome necessitates new ways of engaging communities to highlight the various direct and indirect connections that communities and individuals have to energy.

Accordingly, embedding community engagement as a core part of initial project planning (i.e., ideation stages), rather than a late-stage compliance obligation, will support social licence and reduce objections that lead to project delays. As part of this engagement, clear demonstration of the need to embed sustainable development goals that affect whole-of-community activities, not just construction.

Please outline any evidence showing the productivity benefits of faster approvals for energy projects.

Analysis of average duration from approval to completion reveals that build times for houses took 9 months, 15 years ago, from approval to completion. Now, it takes 12.7 months – an increase of 40 per cent. A key part of the issue is the lead time in approval processing preventing the start and completion of houses. This is not only causing delays and additional costs for contractors and clients but preventing other houses from being built.

Research undertaken by <u>Clapin and Langden</u> that analyses onshore wind and solar PV project development lead times in Australia demonstrates an improvement between 2000 and 2023. For example, solar projects that commenced before 2010 had an average lead time of 83 months, which decreased to 41 months after 2016. Onshore wind projects took longer to develop, however, with lead times around 136 months before 2005 to around 53 months after 2016. Again, with the issues for housing, long lead times can increase the project costs significantly, even before construction begins.

<u>Fast-tracking approvals</u> is an interim measure and not a sustainable one. Instead, ensuring approval processes are streamlined but remain compliant with meaningful stakeholder consultation is critical to project implementation.

Encourage adaptation by addressing barriers to private investment

What are the barriers and enablers impacting decisions by owner-occupiers, landlords and developers about how housing is built and updated over time so that it is resilient to the effects of climate change?

A key barrier is the age profile of Australia's housing stock. As of 31 December 2024, 69.2 per cent of dwellings (7.81 million homes) were over 20 years old.¹¹ These homes were built to standards that did not consider current climate risks, making retrofitting both necessary and complex. Renovation activity, which is measured by ABS as "residential alterations, additions and conversions", has grown steadily, with \$68.15 billion in renovation work over the past five years, reflecting an opportunity to integrate resilience upgrades during routine improvements.





¹¹ Master Builders analysis of ABS Housing and Occupancy Costs data.

However, there are barriers, including:

- Limited consumer knowledge about resilience measures and their benefits. •
- High upfront costs for climate-adaptive upgrades, particularly when not legally mandated. •
- Fragmented regulatory frameworks across states and territories make compliance complex for • builders and developers.
- Insurance disincentives, where premiums may not reflect improved resilience from voluntary • upgrades.

Enablers include:

- Clear guidance tools for property owners outlining what measures are needed to improve resilience.
- Integrated planning and risk frameworks, as recommended by the AHURI inquiry, that align settlement planning, building codes, and management.
- Incentives tied to insurance or government support for voluntary upgrades beyond the • minimum standard.
- Consumer education and improved industry understanding of risk classifications (e.g., BAL • ratings for bushfire-prone areas), as supported by the <u>Insurance Council of Australia</u>.

What information do people need to make decisions about where to live, how to build and how to upgrade their homes to appropriately factor in climate change?

Highlighted within the AHURI inquiry, people need access to clear, localised, and practical information. This includes:

- Site-specific risk assessments, including flood, bushfire, and heat exposure, integrated into planning and real estate processes.
- Plain-language explanations of resilience standards (e.g., BAL levels, flood maps), how they're • determined, and their implications for design, cost, and safety.
- Guidance for self-assessment and upgrades, including costed options and alternative ٠ materials/products for retrofitting.
- Information about financial and insurance incentives, such as premium reductions for resilience • improvements.
- Improved digital tools to help owner-occupiers and builders understand which interventions • are most relevant, effective, and affordable in a given location.

What are the most cost-effective retrofitting options for improving the resilience of Australia's existing housing stock? What are their costs and benefits?

Improving the resilience of Australia's existing housing stock through retrofitting is essential to mitigate risks from climate change (e.g., bushfires, floods, extreme heat) while keeping costs manageable for homeowners and governments. While the cost-effectiveness of resilience measures depends on location and hazard type, common interventions with high benefit-cost ratios include:

- Sealing, insulation, and roofing upgrades to reduce vulnerability to heat and storm damage.
- Flood-proofing features, such as elevated electricals, venting systems, and water-resistant materials in at-risk areas.
- Bushfire protections, such as ember guards, metal mesh screens, and non-combustible • cladding for properties in bushfire-prone areas.





Benefits include:

- Reduced risk of loss or damage, which may lead to lower insurance premiums.
- Improved energy efficiency, contributing to emissions reduction.
- Enhanced occupant comfort and safety, especially during extreme weather.

To improve uptake, these options should be paired with practical guidance and incentives, particularly for renovations not captured under regulatory requirements.

What role might minimum standards play in ensuring the resilience of Australia's housing stock?

Minimum standards, articulated within the National Construction Code, are important baselines for establishing resilience in new builds and regulated renovations, but their role must be carefully scoped. Standards must be:

- Practical, enforceable, and clearly communicated.
- Properly integrated with other building requirements.
- Aligned with planning overlays and hazard maps, ensuring minimum compliance is meaningful in context.
- Complemented by voluntary pathways and incentives, particularly for existing homes where minimum standards may not apply.

Importantly, minimum standards cannot compensate for poor planning decisions. For example, homes built on floodplains may meet current NCC requirements but still be at high risk due to unsuitable location and deficient surrounding infrastructure. This is a misalignment between the application of the standard and the underlying site risk, not a failure of the standard itself.

Accordingly, Master Builders calls on the Government to urgently review the NCC to better align netzero and climate resilient building requirements with essential safety, health and amenity requirements already in the NCC (as well as eliminate unnecessary complexities). Master Builders notes that the Building Ministers agreed to enable the Australian Building Codes Board (ABCB) to embed resilient measures within the NCC. Government should also support improved literacy for Australians on resilient building practices.

The impacts of climate change are being factored into the regulation of where and how houses are built in different ways around Australia. What does leading practice look like? Where is there room for improvement? Are there lessons we can learn from other countries?

Master Builders supports the integration of climate risk into the regulation of where and how houses are built, provided it is evidence-based, nationally consistent, and economically viable. There are pockets of strong regulatory practice across Australian jurisdictions, but also significant room for improvement. The building and construction industry requires clear, forward-looking rules and a stable pipeline of work to support adaptation, mitigate risks, and ensure housing affordability.

Leading practices in integrating climate change considerations into housing regulations encompass:

- Climate-Responsive Planning: Incorporating climate risk assessments into land-use planning to avoid high-risk areas. For example, New Zealand undertook a consultation process on <u>Managed Retreat</u> – a long-term plan that would see certain locales of New Zealand moved away from high-risk areas, and those areas protected from habitation.
- Adaptive Building Codes: Regularly updating building codes to reflect the latest climate science and resilience strategies. This could be achieved by implementing a climate adaption





3-year cycle for the NCC, ensuring it remains relevant. Performance monitoring after major disasters could support code revisions alongside independent studies that assess the performance of homes built under different NCC versions to support quality control.

• **Community Engagement**: Educating and involving communities in resilience planning to ensure local needs and knowledge are integrated. Utilising the existing <u>YourHome resources</u>, the government could provide material to state and local governments to improve resident literacy on DIY resilience checklists.

Areas for Improvement:

- National Consistency: Harmonising regulations across states and territories to ensure uniform resilience standards. This could be achieved by establishing a national framework for climate-resilient building standards under the ABCB, with clearly defined minimum and best-practice benchmarks adaptable to local conditions. This measure could be supplemented by climate hazard maps developed by the Bureau of Meteorology and the CSIRO. Such measures exist in <u>Canada's Codes</u>, standards and guidance for climate resilience, and respond to recommendations made by the <u>AHURI inquiry</u>.
- **Retrofitting Incentives**: Implementing programs to encourage and support the upgrading of existing housing stock. For example, through its <u>Resilient Homes Program</u>, funded by the Australian, NSW and Queensland governments fund buybacks, retrofits, and home raises (Queensland and NSW). Areas targeted by the program are those prone to flooding. Such measures could be applied more broadly across Australia to encourage people to move to lower-risk locations, and could be integrated into the <u>Ready Fund</u>. Similarly, working with the Insurance Council of Australia to establish premium discounts for homeowners who have retrofitted properties could support private actions and help reduce the fiscal impact on federal, state, and territory governments.
- Data Accessibility: Enhancing the availability and transparency of climate risk data to inform decision-making. This could be achieved through enhancing the Australian Climate Service to integrate building-specific information on resilience, audits, hazard overlays, and retrofitting guides for certain areas. Such data would require up-to-date reporting from local government areas, and could be communicated through an open API to encourage homeowner participation. The <u>UK Climate Resilience Programme</u> offers an example of a similar initiative.

