MASTER BUILDERS
AUSTRALIA

Submission to the Treasury's National Competition Policy | Lowering barriers to the adoption of international and overseas standards in regulation

A Better, Safer and Fairer Building and Construction Industry

AUGUST 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.

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CONSTRUCTION SECTOR PRODUCTIVITY

The built environment is essential to maintaining and improving the living standards of all Australians. As a foundational sector of the economy, the building and construction industry plays a critical role in enabling national productivity and supporting broader economic growth. However, its ability to meet this responsibility is being undermined by declining productivity and increasingly complex operating conditions.

Master Builders Australia supports a renewed national focus on structural reform to lift productivity performance, which has stagnated across the economy in recent decades. In building and construction, these challenges are especially acute. Labour productivity in the industry has declined in seven of the past nine years. This means that the amount of output delivered per hour by the typical construction worker is 16 per cent lower than a decade ago. Persistently low productivity has slowed the delivery of essential infrastructure and housing, driven up costs, and, in many cases, prevented projects from proceeding altogether. Because of productivity issues, the projects that do end up proceeding are often smaller in scale and higher in cost. The fact that the cost of a new house is 42.7 per cent higher than before the pandemic is a stark illustration of this.

The National Housing Accord requires us to create more new homes than ever before over the five years to June 2029. Unfavourable productivity settings seriously undermine Australia's chances of making it.

The building and construction industry's poor productivity performance has ramifications for the entire economy. As housing makes up a large share of workers' wages, higher housing costs tend to worsen wage pressures in the economy. When housing costs across Australia deteriorate, the country's ability to attract the workers needed from overseas in vital areas like health and aged care is more difficult.

The sector's structure adds to the complexity of the problem. It comprises more than 450,000 businesses, around 98 per cent of which are small to medium enterprises. These businesses employ over 1.35 million Australians and contribute flexibility, innovation, and strong community links. However, they are also particularly exposed to economic, regulatory, and operational pressures.

The delivery of new homes and infrastructure is being increasingly hampered by a convergence of 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 industry sustainability;
- Acute labour shortages and misaligned/outdated skills packages, 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;
- Lack of enforcement of existing regulations, allowing bad actors to flourish;
- More frequent extreme weather events disrupting construction timelines.

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

Master Builders has consistently called on the federal government to support business investment, remove unnecessary red tape, and simplify the regulatory environment to enable a sustainable future for the sector.

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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.

To achieve this, reforms must address the structural barriers holding the industry back. Regulatory fragmentation and rigid market settings, such as duplicative occupational licensing systems, inconsistent adoption of international standards, and anti-competitive industrial relations, work health and safety, and workplace relations practices, continue to limit workforce mobility, inflate compliance costs, and dampen innovation.

Targeted reforms in these areas present a clear opportunity to unlock significant national economic gains. For example, the Productivity Commission has estimated that reforming occupational licensing alone could increase real GDP by $10.33 billion through enhanced labour flexibility and reduced red tape. Likewise, progress on standards harmonisation and competition policy, particularly regarding enterprise bargaining and union conduct, would improve market efficiency, reduce delivery delays, and strengthen competitive pressures across the economy. A report commissioned by the ABCB and produced by the Centre for International Economics 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." (Building Confidence Report – Model Guidance)

Master Builders recommends prioritising these reforms within the National Competition Policy agenda, with a strong emphasis on practical implementation, intergovernmental coordination, and active industry engagement. Productivity reforms must also be designed to ensure that small businesses are not left behind. Too often, poorly designed policy and regulatory complexity hold back the very businesses that are essential to the industry's success.

Unlocking productivity is key to building a better, safer, and fairer construction industry. With the right structural reforms, Australia can better meet housing demand, reduce cost pressures, and strengthen its long-term economic foundations.

NATIONAL COMPETITION POLICY | LOWERING BARRIERS TO THE ADOPTION OF INTERNATIONAL AND OVERSEAS STANDARDS IN REGULATION RESPONSE

Master Builders Australia welcomes the opportunity to respond to the Productivity Commission's consultation on the National Competition Policy International. 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 further measures to reduce red tape and support a more productive sector.

As the paper highlighted, measures to ensure nationally consistent standards that enable greater labour mobility, while maintaining high standards or updating them to reflect international good practice.

This submission has responded to each component of the consultation paper, including:

- Competition Reform Guidelines
- Best Practice Handbook
- Priority Sectors for Reform

SUMMARY OF RECOMMENDATIONS

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Competition Reform Guidelines

Enhancements to International Standards Adoption

- Require **domestic vetting** of all international, regional, and overseas standards before adoption.
- Avoid **default adoption** of international standards; ensure they are suitable for Australia's climate, materials, and industry capabilities.
- Embed **technical input from Australian stakeholders**, particularly in construction, into all decisions on standard adoption.
- Promote **greater Australian participation** in international standard-setting forums to avoid becoming a "standards taker".

Harmonisation and Implementation

- Introduce **accountability measures** for jurisdictions that deviate from harmonised approaches (e.g., public justification, cost-benefit analysis).
- Establish **formal coordination mechanisms** (e.g., model clauses, regulatory templates) for national implementation alignment.
- Use **productivity payments** or **benchmarking incentives** to drive interjurisdictional consistency.
- Invest in **national digital infrastructure** (e.g., data standards for product traceability) to support harmonisation.

New Guiding Principles to Include

- **Accessibility of Standards**: Mandated standards must be free or publicly funded to ensure equitable access, especially for SMEs.
- **Proportionality and Scalability**: Standards should not impose disproportionate burdens on smaller businesses.
- **Dynamic Updating**: Standards referenced in law must have agile update mechanisms (e.g., ambulatory referencing).
- **Stakeholder Engagement**: Systematic consultation with local industries, including working groups and technical committees.
- **Sovereign Capability**: Preserve domestic regulatory sovereignty and promote innovation by allowing divergence where needed.

Best Practice Handbook

Improving International Standards Adoption

- More explicit integration of **local suitability assessment** as a core principle, not an afterthought.
- Strengthen evaluation via:
    - Systematic **local risk assessments**

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- **Case studies** of international standards success/failure in Australia
- Inclusion of **Australian experts** in review processes
- Guidance for **divergence management** when standards do not fit Australian objectives

Improving National Harmonisation

- Include a **harmonisation protocol** to encourage state/territory coordination.
- Recommend **uniform templates** for referencing standards in law.
- Establish **shared infrastructure** for conformity assessment and standard interpretation.
- Encourage **joint technical committees** to coordinate across jurisdictions.
- Address **fragmentation of the NCC** through clearer guidance on consistent implementation.

New Tools and Design Elements to Include

- **Regulatory burden assessment tool** for SMEs
- **Accessibility checklist** to ensure mandated standards are not behind paywalls
- **Local adaptation checklist** to support modifications for Australian conditions
- **Stakeholder engagement model** for structured consultation
- **Performance-based alignment tool** to allow innovation (e.g., digital construction, prefabrication)

Priority Sectors for Reform

Construction Sector

This sector will **benefit most** from applying the Guidelines and Handbook due to:

- High exposure to **environmental variation** (bushfires, cyclones, pests)
- A need for **national consistency** in standards like the NCC to support cross-border assistance in natural disasters and large-scale insurance events
- Fragmentation in current implementation of building standards causing **duplication**, **inefficiency**, and **reduced productivity**
- Rapid evolution of technologies (e.g., **digital tools**, **offsite manufacturing**, **energy-efficient systems**) needing responsive standards

Benefits of Applying Guidelines/Handbook in Construction

- Improved **national consistency** and reduced compliance burden
- Better alignment with **local conditions and capabilities**
- **Increased competitiveness** of SMEs through affordable and appropriate standards
- Enabling **innovation** by integrating performance-based approaches

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- Enhanced ability for **inter-jurisdictional collaboration** in disaster response and insurance recovery

DETAILED RESPONSE

Competition Reform Guidelines

Do the Guidelines help policymakers adopt suitable international, regional and overseas standards that meet their objectives? Why/Why not?

Master Builders Australia supports the intent of the Guidelines to provide a clear framework for evaluating and potentially adopting suitable international, regional and overseas standards. The Guidelines provide a necessary starting point for aligning Australia's regulatory systems with globally recognised standards while preserving the ability to consider and maintain local conditions where appropriate.

However, while the Guidelines promote alignment, their success will depend heavily on how rigorously the suitability of international standards is assessed against Australia's specific needs. The adoption of such standards mustn't come at the expense of the Australian context, safety requirements, or construction conditions, particularly in a sector like building and construction where climate, materials, and industry capability vary significantly from international settings.

Over-reliance on global standards could result in solutions that are technically compliant but practically unfit for Australian conditions. Excessive alignment without appropriate domestic vetting may diminish Australia's regulatory sovereignty and reduce the development of innovative, high-quality domestic standards tailored to local needs. Care must also be taken to ensure that international standard-setting processes, which are often dominated by larger economies, adequately reflect Australian interests.

MBA strongly cautions against the automatic or default adoption of overseas standards. Reforms must preserve a role for Australian experts, industry, and governments in the determination of what constitutes appropriate standards. International standards are often dominated by large economies whose needs and regulatory environments differ from Australia's, and many do not account for Australia's unique factors, such as bushfire risk, extreme weather, pest resilience, or remote area logistics.

To be effective, the Guidelines must explicitly require domestic vetting for all proposed standards and ensure technical input from Australian construction industry stakeholders is embedded into decision-making. Furthermore, support must be given to greater Australian participation in international standard-setting forums to avoid the risk of Australia becoming a "standards taker."

Do the Guidelines help governments harmonise mandatory standards across Australia? If no, how would you change the Guidelines to better harmonise mandatory standards?

The Guidelines make a valuable contribution by reinforcing the need for consistency and interoperability of mandatory standards across jurisdictions. This is particularly important in the construction sector, where inconsistencies in how standards are adopted under state and territory law, including the National Construction Code, undermine national coherence, increase compliance burden, and can inhibit productivity and innovation. For example, when natural disasters hits, a lack of consistency across the country can inhibit the ability for cross-jurisdictional assistance when needed at

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short notice. Even in respect of insurance work, post natural disaster barriers to entry can limit those from across the country who could assist.

However, achieving harmonisation in practice requires stronger mechanisms than voluntary alignment. While the Guidelines reference interoperability and public benefit, they fall short of ensuring consistent implementation. Master Builders recommends strengthening the Guidelines by:

- Requiring jurisdictions to publicly justify deviations from harmonised approaches, including through cost-benefit analysis and stakeholder consultation.
- Establishing formal coordination mechanisms for states and territories to align implementation practices, including model clauses and regulatory templates.
- Incentivising harmonisation through productivity payments or regulatory performance benchmarking tied to interjurisdictional consistency.

Additionally, regulatory harmonisation should be supported by investment in nationally consistent digital infrastructure (e.g., common data standards for construction product traceability) to further reduce fragmentation.

What other principles or considerations should the Guidelines include?

Master Builders recommends the Guidelines be expanded to include the following key principles:

- **Accessibility of Standards:** Any international, regional or Australian standard referenced in law, such as the National Construction Code, must be freely accessible to all affected stakeholders. The current cost of accessing standards is a major barrier to harmonisation, particularly for small businesses that make up 98% of the construction sector. The government must fund public access if it mandates compliance.
- **Proportionality and Scalability:** Standards adoption should consider sector size, risk profile and capacity. Smaller businesses should not be disproportionately burdened by complex or inflexible compliance regimes, especially where the risks are low or already well-managed.
- **Dynamic Updating and Responsiveness:** Where international standards are referenced, the Guidelines should reinforce the need for agile updating mechanisms (e.g., ambulatory referencing, rolling reviews) to prevent regulatory lag and maintain alignment with evolving technologies and practices.
- **Stakeholder Involvement and Transparency:** Policymaking should embed structured consultation with affected industries, including via technical committees and cross-jurisdictional working groups. This is critical to avoid loss of local expertise and ensure standards remain fit for purpose.
- **Alignment with Sovereign Capability:** While harmonisation is important, it must not erode domestic regulatory sovereignty or innovation capacity. Australia should prioritise developing domestic standards where international ones are insufficient or poorly suited to our operating context.

What risks, challenges or unintended effects may come up when applying the Guidelines?

Several risks and challenges may arise if the Guidelines are applied without adequate safeguards:

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- **Loss of Local Suitability:** Over-reliance on international standards may result in regulations that are not suited to Australia's environmental conditions, geographic diversity, or construction methods. This can compromise safety, quality, and durability of built infrastructure.
- **Marginalisation of Australian Industry Input:** Without deliberate inclusion of Australian stakeholders in decision-making, there is a risk that technical expertise within Australia is sidelined, weakening the legitimacy and appropriateness of adopted standards.
- **Regulatory Fragmentation Despite Guidance:** The Guidelines lack enforcement mechanisms. States and territories may continue to diverge in implementation, undermining the goal of national harmonisation unless stronger incentives and accountability measures are introduced.
- **Access Barriers for SMEs:** If international or Australian standards are incorporated into law but remain behind paywalls, small and medium construction firms will face compliance barriers, undermining equity and transparency. This challenge is compounded when standards are complex or rapidly updated without support.
- **Reduced Innovation and Productivity:** Embedding overly prescriptive or static standards may constrain the industry's ability to innovate, particularly in areas such as prefabrication, modular systems, and digital construction, where international best practice may evolve faster than Australian regulation.

Best Practice Handbook

Does the Best Practice Handbook encourage policymakers to use suitable international, regional, and overseas standards? Why/Why not?

The Best Practice Handbook does provide a thoughtful and structured framework for considering whether and how to adopt international, regional, and overseas standards. Its emphasis on regulatory objectives, fit-for-purpose analysis, and net community benefit is sound and reflects good regulatory practice.

However, Master Builders Australia is concerned that in practice, the Handbook may over-emphasise the default adoption of international standards without giving equal weight to the necessary local evaluation. While the Handbook refers to "suitability for the Australian context," this must be more strongly embedded as a core principle, not simply a downstream check.

Automatic or presumptive adoption of international standards risks marginalising important local expertise, exposing Australia to inappropriate or ill-suited requirements, and bypassing necessary scrutiny of how international standards perform under Australian conditions, particularly in sectors like construction where geographic, climatic, and regulatory diversity is significant.

The Handbook should strengthen its treatment of how to evaluate the adequacy and appropriateness of international standards through:

- Systematic local risk assessment (e.g., design, environmental and material suitability)
- Inclusion of Australian industry experts in the decision process
- Practical case studies showing when international standards have succeeded, or failed, under local conditions

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- Explicit guidance for managing divergence when standards do not align with domestic objectives

Encouragement of adoption must always be balanced with a clear and rigorous framework to safeguard Australia's national interest, ensure safety and quality, and preserve regulatory sovereignty.

Does the Handbook help policymakers harmonise mandatory standards across Australia? If not, how would you change the handbook to better harmonise mandatory standards?

The Handbook is a useful technical guide, but on its own, it is insufficient to achieve true harmonisation across jurisdictions. It is primarily focused on Commonwealth regulatory processes and does not provide a mechanism for consistent interpretation or adoption across state and territory governments.

To better support harmonisation, the Handbook should:

- Include a harmonisation protocol that encourages states and territories to adopt a common approach to referencing and reviewing standards
- Recommend uniform templates for referencing standards in legislation and guidance on managing cross-jurisdictional consistency
- Address the need for shared infrastructure for conformity assessment and standard interpretation, including digital tools and centralised databases
- Encourage shared technical committees or working groups to interpret and adapt standards collaboratively between levels of government

In building and construction, inconsistencies between state interpretations of the National Construction Code (NCC) and referenced standards create costly duplication. The Handbook should support national harmonisation by identifying preferred pathways and conditions for nationally consistent implementation.

What other regulatory design questions or tools should the Handbook include?

Master Builders recommends the following additions to strengthen the Handbook's utility and ensure it is fit for industry-wide adoption:

- **Tools to assess proportionality and regulatory impact by business size:**
  Introduce a tool or checklist that helps regulators assess whether a proposed standard imposes disproportionate burdens on small to medium enterprises. Many current standards are designed with large or multinational firms in mind, disadvantaging smaller operators in construction.
- **Tool to assess the availability and accessibility of standards:**
  Before any standard is referenced in law, regulators should assess whether the standard is publicly and affordably accessible. The Handbook should advise policymakers to address cost and access barriers in advance, and provide guidance on making standards freely available or government-funded.
- **Local adaptation checklist:**
  Develop a more explicit decision-making checklist for determining when and how to modify a standard to suit local conditions (e.g., climate, geography, hazard exposure, construction

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techniques, logistics). This ensures consistency and transparency in modifying standards while preserving harmonisation goals.

- **Stakeholder engagement model:**
  Add a practical engagement tool that outlines when and how to consult industry, technical experts, community representatives, and regulators. Timely engagement is essential for ensuring standards are practical, understood, and broadly accepted.
- **Integration with performance-based regulation:**
  Include a design tool for aligning standards with performance-based regulatory approaches, particularly important for enabling innovation and modern construction methods (e.g., prefabrication, digital compliance, net-zero materials).

What risks, challenges or unintended effects may come up when using the Handbook?

Master Builders identifies several key risks that may arise if the Handbook is used without appropriate safeguards or clarity:

- **Displacement of local expertise and regulatory independence:**
  The presumption in favour of adopting international standards may lead to the marginalisation of Australian expertise. Without structured local engagement and risk assessment, there is a danger that Australia becomes a passive "standards taker," applying foreign rules unsuited to domestic conditions or priorities.
- **Inappropriate technical fit:**
  International standards often do not account for Australia's unique conditions, including bushfire resilience, heat stress, wind loads, pest exposure, and material durability. If not adequately adapted, standards could allow for technically compliant but practically unsafe or underperforming outcomes in the built environment.
- **Implementation complexity and delays:**
  If conformity assessment procedures or risk evaluation tools in the Handbook are not applied consistently across jurisdictions, the result could be more, not less, regulatory fragmentation. Duplication of certification, inconsistent transition periods, and non-aligned enforcement regimes would frustrate industry, delay projects, and increase costs.
- **Compliance barriers for small business:**
  The continued referencing of proprietary or paywalled standards without addressing affordability and access will increase compliance risk for SMEs. This undermines equity and participation and has the unintended effect of privileging larger players with more legal and technical resources.
- **Slow responsiveness to innovation:**
  Where the Handbook encourages static referencing or fails to promote dynamic updates (e.g., ambulatory referencing, early warning systems for standard changes), regulations may lag behind technological advances, especially in areas like digital construction, energy efficiency, or advanced materials.

To address these risks, the Handbook should:

- Promote accessible and scalable regulatory design
- Mandate public interest tests before any adoption

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- Encourage dynamic review cycles and built-in evaluation
- Reinforce industry engagement as a prerequisite to implementation

Priority Sectors for Reform

Which sectors listed in Box 2 benefit most from applying the Guidelines and Handbook across Australia? What are the benefits and costs of applying them in that sector?

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What can the Government learn from overseas approaches to adopting and developing mandatory standards?

International jurisdictions offer useful lessons on how to pursue standards harmonisation while maintaining local integrity, market responsiveness, and competitive oversight.

New Zealand – Mutual Recognition and Pragmatic Integration

New Zealand's approach offers a practical example of standards harmonisation balanced with local oversight. Under the Trans-Tasman Mutual Recognition Arrangement (TTMRA), New Zealand accepts goods legally sold in Australia, and vice versa, subject to limited exceptions. This has reduced unnecessary regulatory duplication and supported a common market for building products between the two countries.

In the building sector, New Zealand also allows for the acceptance of international standards with local verification, where necessary. For example, imported construction materials and modular building systems are permitted if performance can be demonstrated through recognised means, including third-party conformity assessment bodies. The New Zealand Building Code includes performance-based objectives rather than prescriptive standards, allowing flexibility for overseas innovations to be assessed based on outcomes rather than inputs.

Key lesson:
Mutual recognition and performance-based regulatory systems can enable greater international integration without sacrificing quality or local context.

Canada – National Standardisation Framework with Regional Input

Canada's Standards Council of Canada (SCC) plays a central role in aligning national standards with international ones while maintaining a structured process for regional and stakeholder input. Canada has formal mechanisms to adopt or adapt ISO and IEC standards, with built-in review stages to assess local relevance, including safety, climate, and environmental conditions.

In the building sector, Canada uses a model national construction code, developed by the Canadian Commission on Building and Fire Codes, which provinces and territories can adopt with limited amendments. This process has facilitated national consistency in construction regulation while allowing for regional tailoring when justified.

Key lesson:
Centralised coordination with decentralised input allows for harmonisation with flexibility. It ensures international standards can be used as a baseline while preserving domestic regulatory authority and industry engagement.

Germany – Open Access, High Engagement, and Tiered Standard Adoption

Germany uses a tiered system of standards, with DIN standards (national) often directly aligned with European (EN) or international (ISO) equivalents. German regulators assess which standards can be adopted without modification and where local adjustments are needed. Importantly, Germany places a strong emphasis on transparency and accessibility: many standards referenced in law are made publicly available to ensure wide compliance and socialisation.

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In construction, this approach has supported rapid uptake of digital technologies like Building Information Modelling (BIM) through harmonised but flexible standards, aligned with European norms. Germany's engagement in international standard-setting bodies is also high, ensuring local interests are reflected in global rules.

Key lesson:
Widespread access to standards and active participation in international standards development are crucial for ensuring harmonisation delivers real benefits without displacing domestic interests.

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