MASTER BUILDERS
AUSTRALIA

SUBMISSION TO TREASURY

DECEMBER 2025

CONTENTS

ABOUT

MASTER BUILDERS AUSTRALIA

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

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

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

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

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

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EXECUTIVE SUMMARY

October 2022 saw the launch of the ambitious National Housing Accord which aims to deliver 1.2 million new homes across Australia over the five years up to June 2029. It is commendable that such a high bar has been set – never before has such a large volume of new homes been delivered over any five-year period on record. The government must be praised for aiming high.

When it comes to the Accord, the Government's ambition is backed up with an impressive armoury of tailor-made programs which are designed to enhance our chances of delivering enough of the new homes that we need. Yet forecasts indicate that we will fall short of the Government's target. We are already 60,000 home short which means, year on year we now need to build an impressive 255,000 to reach the Governments goal.

This is why the 2026/27 budget is so important; while the government must heed current economic conditions and adopt policy measures to respond to that, the delivery of not only the Housing Accord target but an unprecedented infrastructure pipeline must be supported by targeted budgetary measures to improve housing affordability.

Productivity across the economy must be improved. To have any chance of meeting the Housing Accord target building and construction industry productivity needs to recover to where it was a decade ago.

A stronger building and construction industry means a stronger Australia. Every $1 million worth of building activity supports around $3 million in activity across the economy. A viable building and construction industry over the long term is crucial to economic growth.

This is why Master Builders Australia has five key asks from the 2026/27 budget. These key asks focus government policy on achieving the Housing Accord target and improving productivity on a long term and sustainable basis.

KEY BUDGET ASKS

Improve the regulatory environment

- The commitment to modernising the National Construction Code (NCC) is a significant and welcomed step forward, but ongoing resources must be allocated to the process, including to the Australin Building Codes Board (ABCB) to ensure that this critical framework remains fit for purpose.
- Regulated Australian Standards must be made freely available, and work must commence on improving their useability in concert with a modernised NCC. We understand Standards Australia (SA) is finalising a budget proposal facilitated by a MOU between SA and a range of Industry Associations seeking government funding in support of this that Master Builders endorses.
- Secure a commitment to a 25 per cent red tape reduction by 2030.

Taxation settings and incentives to boost productivity in the building and construction industry

- Offer accelerated depreciation for capital works to boost building and construction work that can encourage energy efficiency and sustainability uplift of existing building stock.
- Increase the Instant Asset Write Off to $150,000 and make a permanent feature.

Workforce needs

The industry is plagued by chronic and critical workforce shortages across all occupations. All avenues must be explored to address this including:

- Investing in all apprentice training pathways across TAFE, private RTO's and VET in schools.
- Arresting the 'sieve' effect by embedding entry and exit points within an apprenticeship by endorsing micro credentials to support skill accumulation and re-entry into the industry.
- Investing in technology to support training outcomes and delivery.
- Providing financial support and incentives directed at both apprentices and employers, including Group Training Organisations (GTOs).
- Sourcing migrant workers with the skills we need from overseas.

Improve efficiency and sustainability across the sector

Issues with the delivery of enabling infrastructure that prevent new housing developments from proceeding and inflate the cost of those that do go ahead.

Master Builders proposes that:

- The tax benefits to developers for investing in enabling infrastructure be enhanced to improve the financial viability of construction projects. These benefits should be realised earlier in the process than at present.
- The Government invest a further $5 billion in housing enabling infrastructure linked to the performance of local governments and utilities companies.

Invest in regulatory agencies to support the industry

There are six key regulatory agencies that directly impact the operation of the building and construction industry, their responsibilities span workplace health and safety and workplace relations.

Ensuring these agencies are appropriately resourced to not only ensure compliance with, and enforcement of the laws so that those complying with regulation are not undercut by those who aren't, but to also carry out education and awareness campaigns is critical to ensuring a strong building and construction industry.

SUMMARY OF BUDGET RECOMMENDATIONS

Improve the regulatory environment

- Ensure ongoing resources are allocated to the streamlining and modernisation of the NCC.
- Regulated Australian Standards must be made freely available, and work must commence on improving their useability in concert with the modernised NCC.
- Secure a commitment to a 25 per cent red tape reduction by 2030.

Taxation settings and incentives to boost productivity in the building and construction industry

- Offer accelerated depreciation for capital works to boost building and construction work.
- Increase the Instant Asset Write Off to $150,000 and make a permanent feature.

Workforce needs

- Expand Fee-Free VET access to capture an estimated 8,000-12,000 additional enrolments in construction trades.

  Estimated Cost: $80-96 million per annum, based on an average subsidy of $8,000.
- Embed entry and exit points within apprenticeships and formally recognise through industry-endorsed microcredentials.
- Seed-fund BuildSkills Australia (or equivalent) to coordinate trade-specific digital pilots, RPL hubs, employer-engagement programs, and migrant bridging initiatives.
- Fund digital and manufacturing skills pilots to expand capability across Certificate III, Certificate IV and higher-level construction qualifications.

  Estimated Cost: $40-60 million over 4 years, based on the Modern Manufacturing Initiative.
- Fund mid-career digital upskilling programs for supervisors and tradespeople.

  Estimated Cost: $15-24 million over 3 years, based on targeting 6,000-8,000 supervisors and experienced tradespeople for courses up to $3,000 in costs.
- Provide targeted support for small and medium businesses to adopt digital tools and meet emerging procurement requirements.
- Strengthen VET in Schools pathways.

  Estimated Cost: $30 million over 3 years.
- Implement a Stage-Based Retention and Completion Incentive that redistributes employer incentives across commencement, mid-point, and completion stages, links payments to verified competency milestones, and reserves later-stage bonuses as employer-only, non-transferable payments.

  Estimated Cost: $45 million, based on 8,000 eligible completions at $2,500 per completion.
- Provide a Mentor Support Allowance to employers delivering accredited on-the-job mentoring and supervision training through GTOs or endorsed providers.

  Estimated Cost: $45 million, based on an allowance of $2,000 to cover the cost of direct support, with an estimated 25,000 apprentices.
- Extend the GTO Reimbursement Program for at least 12 months beyond its April 2026.

  Estimated Cost: $2.08 million from January 2026 to January 2027.
- Establish Regional Continuity Payments to assist employers experiencing cyclical, seasonal, or temporary downturns to retain apprentices.

  Estimated Cost: $21 million, based on a payment of $3,000 per apprentice for 6-month support periods, with an estimated 7,000 apprentices.

- Co-fund Innovation in Apprenticeship Credit pilots with employers or GTOs.

  Estimated Cost: $15 million over 3 years, based on co-funding arrangements between employers and GTOs for 10 pilots across Australia at $1 million each, plus evaluation.

- Provide Pre-Apprenticeship Host Incentives for employers hosting school-based or VET-in-Schools.

  Estimated Cost: $5 million per annum.

- Provide targeted funding to reform the Certificate IV in Training and Assessment to enable retiring or semi-retiring tradespeople to transition into VET teaching and mentoring roles.

- Expand eligibility for the Key Apprenticeship Program to include civil and commercial builders and apprentices.

- Introduce a dedicated Construction Skills Pathway visa.

  Estimated Cost: $10 million over 4 years.

- Reduce or remove migration-related levies, for small, regional, and low-revenue businesses.

  Estimated Cost: $70 million/year.

- Expand education and training pathways, including the Job Ready program, to build a stronger domestic pipeline of skilled international students entering construction occupations.

  Estimated Cost: $24 million/year.

- Widen the Graduate Visa to include all Certificate III and above construction qualifications, expanding the pool of work-ready graduates aligned with industry needs.

- Adjust the migration points test to better incentivise highly skilled migrants in occupations facing domestic shortages and strengthen recognition and assessment of overseas qualifications to reduce processing delays and accelerate workforce participation.

  Estimated Cost: $60 million/year, based on targeting 8,000 applicants per year with a processing cost of $3,000 per applicant.

- Resource temporary visa processing to meet current and emerging demand, ensuring a steady pipeline of skilled workers and clearer options for transitioning to permanent residency.

  Estimated Cost: $19 million/year, based on the 2023-24 Budget measure to improve visa processing.

- Simplify and accelerate pathways to permanent residency for skilled building and construction workers.

  Estimated Cost: $15 million/year.

- Expand the Pacific Australia Labour Mobility (PALM) program.

  Estimated Cost: $9 million/year.

- Review English-language proficiency requirements to tailor standards to the communication demands of each profession, rather than applying blanket thresholds across all construction occupations.

Improve efficiency and sustainability across the sector

- The tax benefits to developers for investing in enabling infrastructure be enhanced so to improve the financial viability of construction projects.

- The Government invest a further $5 billion in housing enabling infrastructure linked to the performance of local governments and utilities companies.

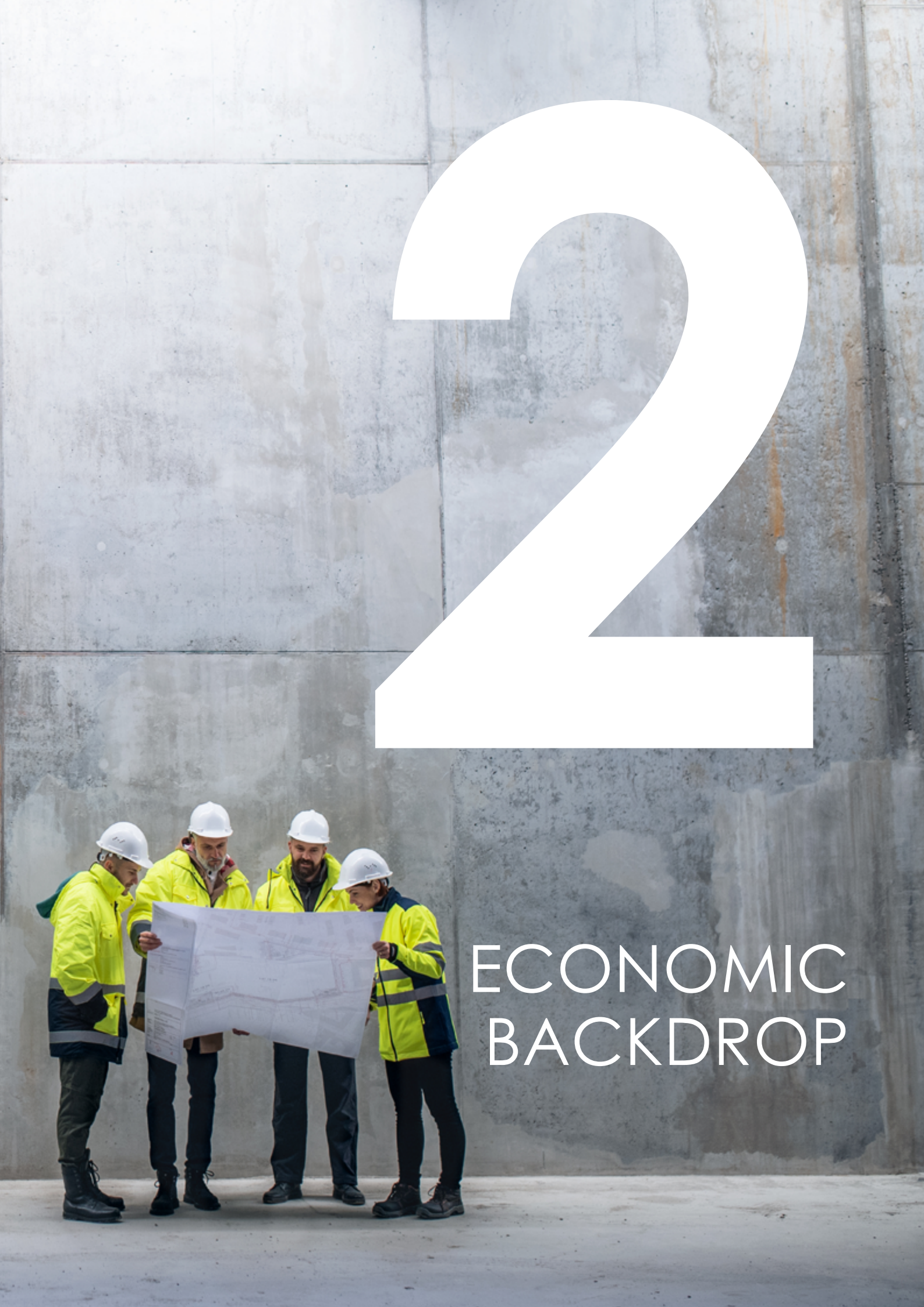
Invest in regulatory agencies to support the industry

Invest in regulatory agencies to support the industry. The following agencies to be funded as follows:

- ACCC: $557 million
- Fair Work Ombudsman: $321 million
- Fair Work Commission: $173 million
- Safe Work Australia: Funding increased by $10 million
- Office of the Federal Safety Commissioner: Funding increased by $10 million
- National Construction Industry Forum: Continue to fund.

2

ECONOMIC BACKDROP



Australia's economic circumstances remain mixed. Some barometers of activity appear quite favourable: Australia's unemployment rate dropped to 4.3 per cent during October 2025, something which was driven by very healthy full-time job creation during the month. Over 232,000 new jobs have been generated across the economy over the past year, a clear sign that demand for labour amongst business remains solid.

A stronger labour market is not all good news. A shortfall of workers relative to demand for them tends to propel labour costs higher. This effect has partly contributed to the acceleration in price inflation over recent months.

More disappointing was the deceleration of GDP growth to 0.4 per cent during the September 2025 quarter. Even though construction posted a strong performance, household consumption growth slowed as did exports. Recent quarters have also seen government spending lose some steam. The uncertain geopolitical environment and global trade turmoil have also taken their toll.

At 3.8 per cent during October 2025, Australia's inflation rate is well clear of where the RBA wants it to be. The three interest rate cuts we've enjoyed since the start of 2025 might well be the only ones we get. It is impossible for the RBA to reduce interest rates while inflation is so far off course. In fact, current financial markets pricing suggests that 2026 is more likely to see a rate rise than a cut.

Ominously, the recent deterioration in inflation has been driven by housing-related factors. Rents rose by 4.2 per cent over the year to October 2025 while the cost of buying a newly built home is 1.7 per cent more expensive than a year ago. The acceleration in new home costs is the result of construction-related labour shortages as well as an uptick in the cost of building products and materials.

The RBA released updated economic forecasts to 2027 at the start of November 2025 – and things look a little trickier than before. It has dialled its GDP projection down slightly, meaning that Australia's economy will grow no faster than 2.0 per cent at any stage over the next two years - still not a bad pace of growth. As a result, unemployment is expected to hold at around 4.4 per cent until the end of 2027. The recent jolt to price pressures means the inflation rate will peak at 3.7 per cent in mid-2026. It will not drop back into the RBA's 2-3 per cent target range until the first half of 2027.

The most likely outcome is that economic conditions over the next few years will resemble those of recent years: low unemployment, underwhelming GDP growth and struggles to contain inflation. However, the global economy's ability to propagate uncertainty has the potential to make things more difficult.

THE HOUSING ACCORD

The National Housing Accord's 5-year term kicked off at the start of July 2024. The results are in for its first year – and they don't inspire confidence. During 2024-25, a total of 179,000 new homes were started across Australia. This represents a deficit of over 60,000 homes relative to the 240,000 homes per year required under the Accord. Every single state and territory fell short of what was needed. It means an average of 255,000 new homes per year now need to be delivered over the remaining four years of the Accord.

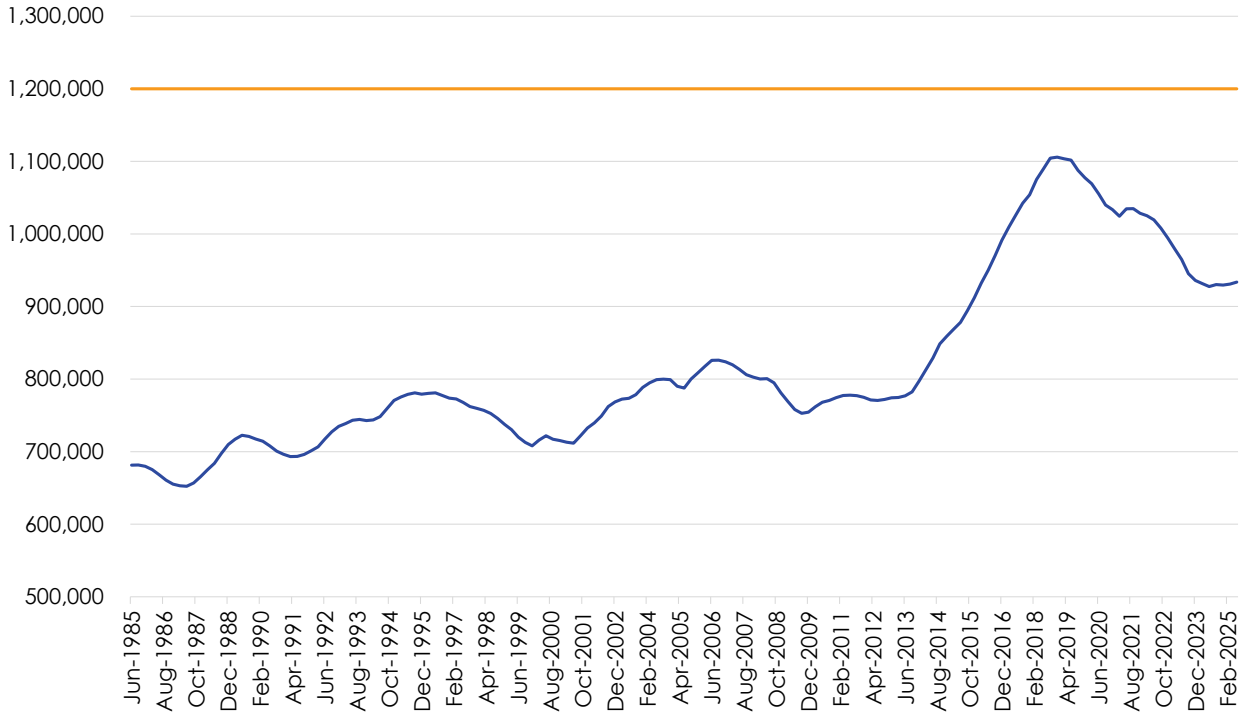
Data on building approvals allow us to see where things might be headed during 2025-26. Even though new home building approvals have moved higher, the pace of expansion is not nearly fast enough. Around 192,200 new homes were approved over the year to September 2025, a 13.7 per cent gain on the previous 12-month period but still over 62,000 homes short of the 255,000 per year needed in the Accord's remaining four years.

Our latest forecasts for new home building indicate that about 1,020,000 new homes will get built over the term of the Accord. Even though this would represent an elevated volume of new home building by historic standards, it would amount to a 180,000-home shortfall compared with the Accord target. If things turn out this way, the likelihood is that housing affordability will worsen further and Australia's housing deficit will widen.

It is interesting to look back at our past home building efforts. As the chart below shows, Australia enjoyed its best ever period for new home building over the five years up to 2018-19 when work began on over 1.1 million new homes across the country.

It is useful to compare conditions then with those prevailing today.

Previous five year totals for new home building versus Accord target, 1985 to 2025



How did we build so many houses during the 2010s?

For our home building industry, our 'personal best' was achieved during the 2010s decade when 1.1 million new homes were started over the five years from 2014 onwards. During this upturn, the first milestone we passed was in 2014-15 when home building topped 200,000 for the first time on record. We remained above this threshold for four straight years with 2015-16 representing the most prolific year ever for new home building, with 234,440 new dwellings delivered in twelve months.

Higher density home building was responsible for a disproportionately large share of the expansion in new home building during this period.

Here's why the 2010s was such a good one for new home building.

- Interest rates were quite low and predictable. Between 2010 and 2022, Australians didn't suffer a single interest rate increase.
- There was a receptive attitude to foreign investors in Australian housing.
- Productivity in the construction industry was much better than it was today.
- Inward migration to Australia was solid and stable, something which supported housing demand.
- Building materials cost inflation was in check.
- The financial viability of prospective home building projects was generally sound, with the balance of costs and likely revenues weighing strongly in favour of new projects proceeding.

Our chances of meeting the Accord target would be better if today's economic and policy environment was more like that of the 2010s. While Budget 2026-27 cannot turn back time, it can make efforts to replicate some of the more favourable aspects of the new home building environment during the 2010s and well as progressing other long-standing barriers to new home building.

Is the Accord out of reach?

An unprecedented expansion in new home building will be needed to give us any chance of hitting the Housing Accord target. It is not impossible – but it will require immediate and decisive policy action. The past has taught us that when conditions are right, higher density home building can quickly climb to very elevated levels. We need to get everything right to repeat this trick. The first step is to replicate some of the policy settings that worked so well during the 2010s decade.

On the face of it, our chances of hitting the Accord look quite good: Australia's construction workforce is around the largest it's ever been while there have never been as many active construction businesses as there are today. However, these favourable circumstances are eclipsed by the poor productivity situation in our industry. These circumstances skew the financial calculus in a way that renders many new home building projects unviable.

3

WINNING THE PRODUCTIVITY BATTLE

Economic productivity is hard to explain, even harder to measure - and very difficult to improve. Put simply, productivity assesses how effectively an industry converts resources like labour and capital into final outputs that benefit people - like new homes, roads, bridges, new schools and hospitals. Productivity matters hugely for our industry, and it has worsened steadily over the past decade. Deteriorating construction industry productivity hurts everyone. Here's why:

- Poor productivity means that new homes, schools, hospitals and other infrastructure end up being too expensive.
- New homes take longer to build when productivity is in reverse gear.
- Unfavourable productivity undermines the financial case for new building and construction projects, including housing. This can prevent some projects from ever being started.
- For this reason, the projects that do proceed are often on a smaller scale than would be the case if productivity settings were better.
- Industries afflicted by weak productivity struggle to innovate and are slow to come up with better products and processes.
- Bad productivity in the construction industry contaminates other parts of the economy and erodes the buying power of family incomes and government budgets.

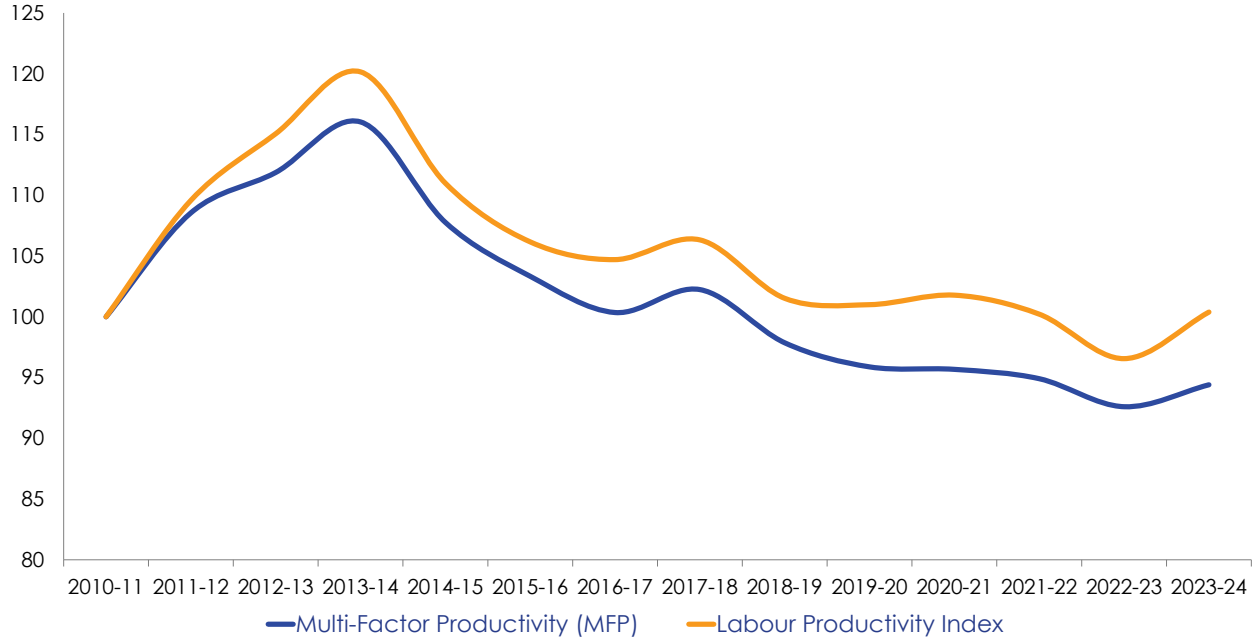
How bad is construction productivity?

Whatever way you cut it, productivity in our industry is a shadow of its former self.

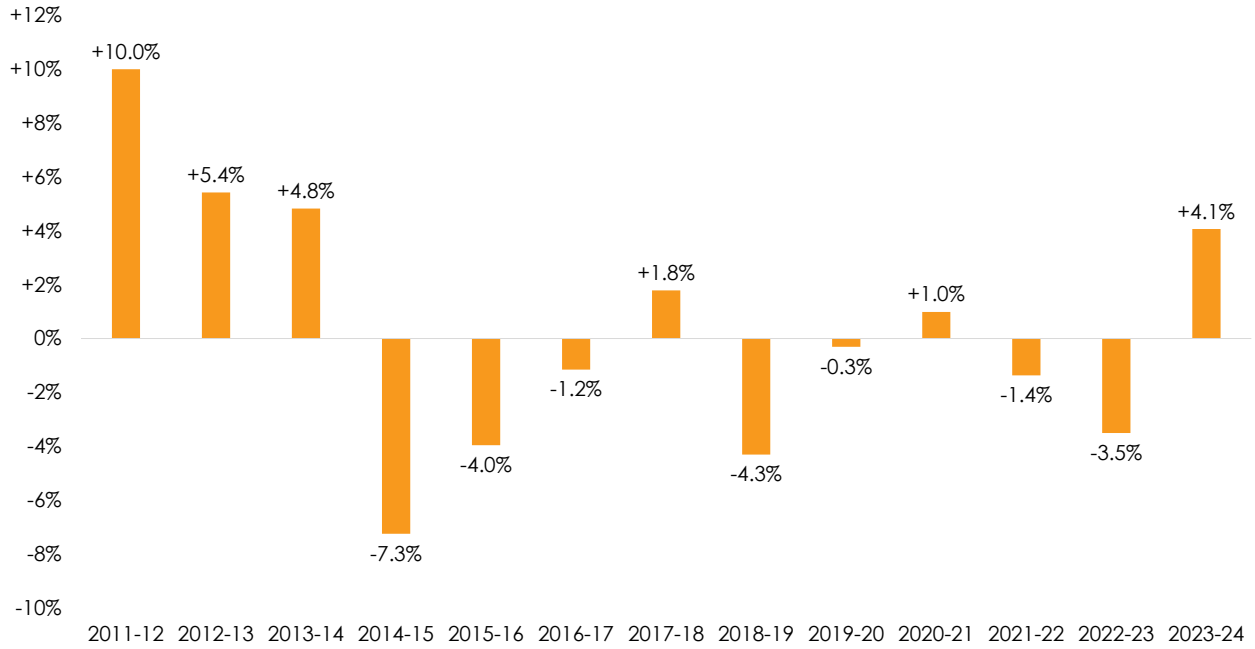
Construction productivity's fall from grace is illustrated clearly in the charts on the next page. Multi-factor productivity is 18.6 per cent lower compared with its high point in 2013-14. Labour productivity has seen a 16.4 per cent reverse over the same period. In other words, the typical amount of work done per hour by the average construction industry is 16.4 per cent lower than it was a decade ago.

Labour productivity has dropped in seven of the past ten years. It is easy to see why build costs have soared and build times have ballooned.

Indexes of construction industry's productivity performance, 2010-11 to 2023-24 (2010-11=100)



Annual change in construction industry labour productivity (hours worked basis), 2011-12 to 2023-24 (%)



CONSTRUCTION PRODUCTIVITY: WHAT'S THE DAMAGE?

The fallout from substandard productivity isn't just confined to spreadsheets. It can also be seen in the real world too. Here's how.

It's taking much longer to build new homes

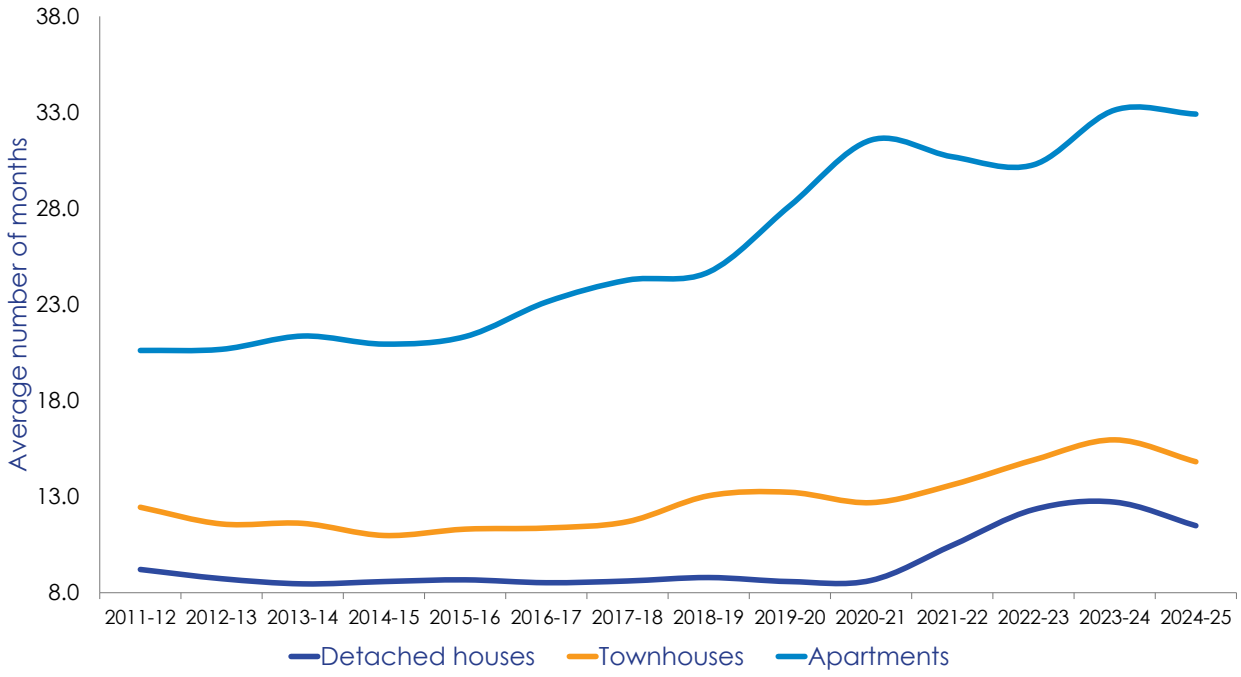
Against the backdrop of flailing productivity, the time taken to deliver new homes has mushroomed over the past decade. The chart below illustrates how the time to complete a new home after receipt of approval has stretched.

- A decade ago, it took 8.6 months to complete the typical detached house. The build time is now 11.5 months.
- Townhouses typically need 14.8 months to reach completion. This compares with 11.0 months a decade ago.
- The worst delays have affected apartments. In 2024-25, the average apartment build time was 32.9 months. Ten years ago, less than 21 months was the norm.

There are a few reasons why slower home build times are a problem.

- Families are deprived of the homes they need for even longer.
- Slower build times inflate the final cost of new homes and other construction projects.
- Longer home building times magnify the financial risks to developers and builders. When build times get longer, the odds shorten on the chances of a potential project being loss making. In the end, it may not get the go ahead. If it does go ahead, it may have to be on a much smaller scale.

Average time taken from approval to completion of new homes, 2011-12 to 2024-25 (number of months)



Poor productivity leads to higher costs

Worsening productivity and longer delays in home building have very unfavourable ramifications for new home building costs. This is because many overheads increase in proportion to the length of build times. These include insurance, labour, administration and regulation-driven expenses. Because longer build times magnify the risks of a project ending up as a loss maker, finance costs climb when the speed of building flags.

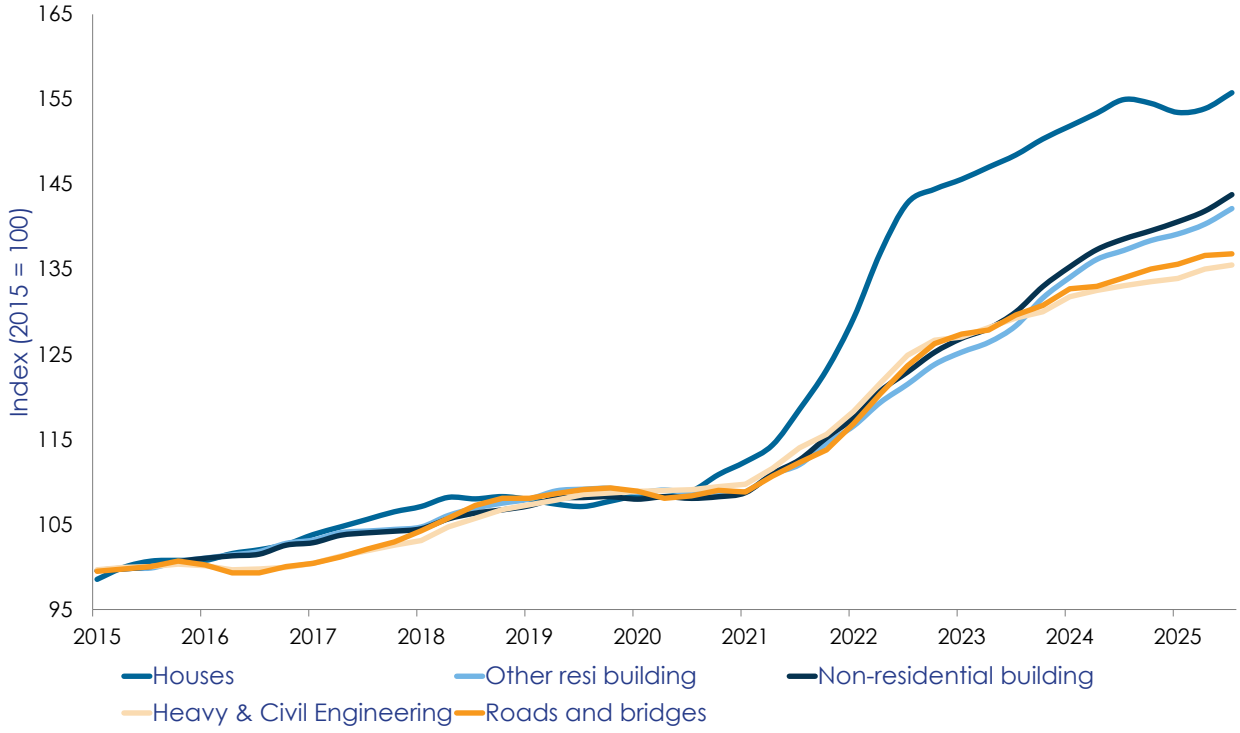
Falling productivity means that workers in our industry are getting less done in a typical hour than in the past. It's easy to see how this pumps up wage costs as more people have to be hired for more hours just to get the same amount of work done on projects.

The chart below summarises trends in the final costs of different types of builds over the past decade. We can see how the cost of every type of building and construction output has escalated significantly over the past decade. There was a particularly pronounced acceleration in building cost inflation during the pandemic.

The accumulation of cost pressures over the past decade means that;

- New houses are 55.8 per cent more expensive than a decade ago.
- Other residential work like higher density home building and renovations job have suffered a 42.1 per cent cost increase.
- Non-residential building is now 43.8 per cent more expensive compared with 2015.
- Heavy and civil engineering projects are 35.5 per cent more costly.
- The final cost of road and bridge projects is 36.8 per cent higher than ten years ago.
- Other types of heavy and civil engineering work have suffered 35.3 per cent cost escalations.

Output costs of building and construction work since 2015



The chart below summarises the deterioration in building and construction costs over the past decade.

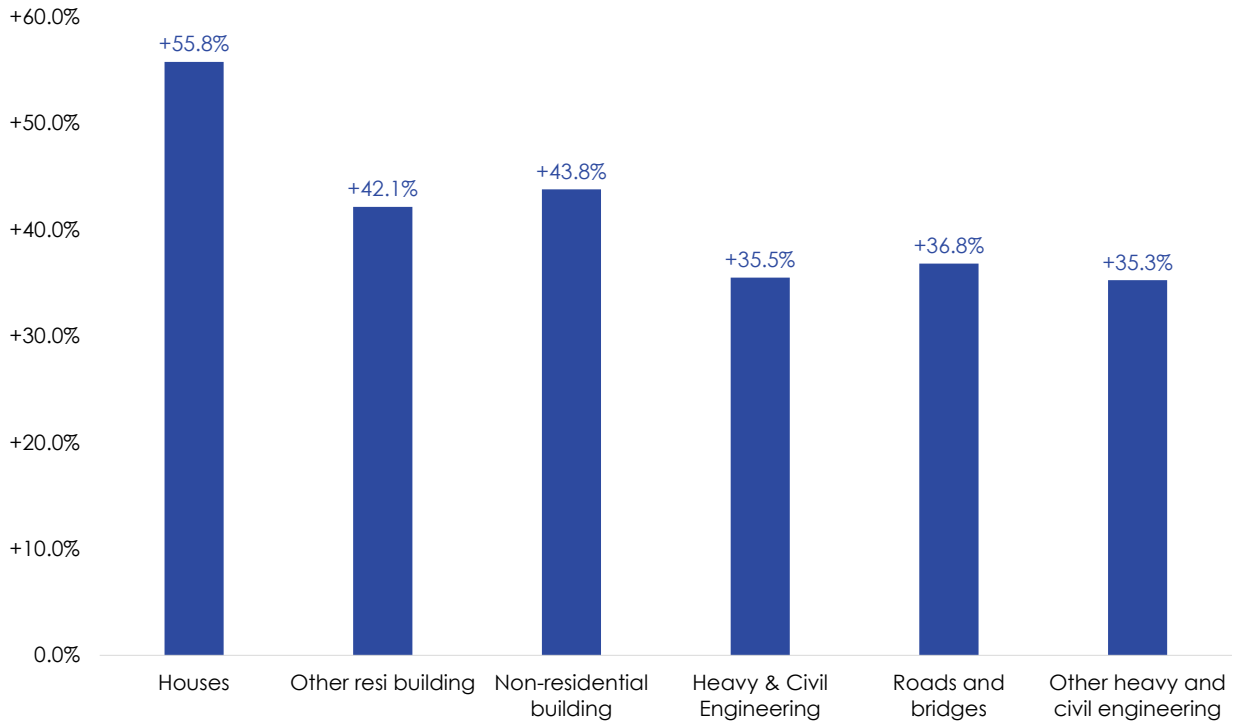
It's not just about the construction industry

Until recently, the pace of rental inflation had been decelerating. Worryingly, the last few months have seen rents speed up again while the cost of newly build homes is also growing more quickly. This is very bad news for housing affordability and shows how poor productivity in our industry can damage the living standards of so many Australians.

The pain doesn't stop here. When workers are forced to spend more of their pay packets on housing, wage cost pressures intensify even further. This damages Australia's economic competitiveness at a time when international trading conditions are the toughest in decades. Bigger wage bills also risk suffocating businesses, prompting layoffs or closures. Small business is especially vulnerable here.

Our built infrastructure is an integral ingredient of almost everything that happens in Australia's economy and society. When projects become more expensive to build, the consequences of this will show up everywhere: the running costs of small and large businesses, the budgetary position of governments, the capacity and coverage of our schools and hospitals.

Escalation of building and construction output costs since 2015 (+/-%)



Why is construction productivity so bad?

We've seen how much we've lost in the productivity battle over the past decade, how it has slowed down home building and magnified the final cost of building and construction projects. But why?

Identifying solutions to the construction industry's productivity crisis first requires some understanding of the problem's sources. Fortunately, our own Productivity Commission did just that earlier in 2025. In its *Housing construction productivity: Can we fix it?* report, they found that the poor productivity performance of Australia's home building had its roots in a number of areas.

- The slow and complex system for receiving approval to build new homes from government.
- A lack of innovation in Australia's residential building industry.
- The fact that residential building businesses that are small in size.
- The industry's difficulty in attracting and retaining skilled workers.

4

KEY BUDGET ASK

1

IMPROVE THE REGULATORY ENVIRONMENT

Earlier we described how productivity has plummeted over the past decade. This has resulted in slower build times, higher build costs – and many cases where projects can't proceed because they lack financial viability. Earlier this year, the Productivity Commission identified the regulatory burden as one of the main culprits behind our industry's poor productivity performance.

There are several difficulties resulting from the way our industry is regulated:

- The complete set of regulations and standards which govern our industry are not available from any centralised source on a free-of-charge basis.
- Even if regulations were easily available, their sheer volume means that digesting, interpreting and implementing them is very costly in terms of the time, money, mental capacity and organisational cohesion of construction businesses – the vast bulk of which are small scale.
- Over time, the burden of regulation has grown heavier.
- Regulations change frequently, and this forces construction businesses to repeat the cycle of absorbing and implementing new rules.
- Because our 537 local governments each have different regulations, there is huge geographic heterogeneity in Australia's patchwork of construction-related regulations.
- The regulatory environment prevents new construction businesses from starting out – and obstructs the growth of existing ones.
- As the Productivity Commission noted, regulation inhibits innovation in the construction industry including initiatives like prefabrication.

Regulations serve a very important purpose. Without correctly calibrated regulations, the safety and quality of new homes and buildings would be at risk of falling short. Regulations also safeguard our environment and ensure that our industry's workforce can operate in settings that are healthy and secure.

The set of rules that construction businesses have to abide by has major implications for our industry's productivity performance. The collective rulebook is vast, and traverses such areas as health, safety, environmental protection, industrial relations, accountancy, cashflow management – not to mention building standards. For construction businesses, the process of understanding and implementing the rules that apply to their business is very difficult because the rules are dispersed so widely. This problem is exacerbated by the fact that regulation flows from all levels of government – including the 537 councils.

Even worse is the fact that businesses are required to purchase copies of some rules and regulations. While the 2,000-page NCC is freely available to everybody online, the 120+ Australian Standards referenced in it are not – and can only be inspected after first purchasing copies of each.

For an individual construction business, accessing all of the regulations that apply to them is far from straightforward. The geographic heterogeneity inherent in the regulatory landscape means that different construction businesses rarely have the option of pooling the regulatory information they hold because what applies to a business in one local government area is unlikely to suffice for a different company in another jurisdiction.

The inability of construction firms to grow is one of the reasons why productivity improvements are so hard to win. Current regulatory settings suffocate business growth and prevent productivity from improving. In the same way, regulations make it very hard for new businesses to set up in the construction industry, something which has unfavourable effects for competition.

A helpful first step would be to ensure that every single Australian Standard referenced in the NCC is available online at no cost to everybody operating in the industry – on a permanent basis.

Recommendations

- The review and modernisation of the NCC must be appropriately resourced into the future to ensure the NCC remains fit for purpose. Equally the role and governance of the ABCB must form part of this process.
- Regulated Australian Standards must be freely available, and their usability in concert with the modernised NCC, must be improved.
- In line with the submissions of other industry groups part of the Business Alliance Master Builders supports securing governments commitment to a 25 per cent red tape reduction by 2030 and to undertaking to publish an economy-wide regulatory stocktake. The Productivity Commission can help develop a robust, cost effective and common method to support this work, in line with existing international norms for regulatory policy, such as those established by the OECD.

2

TAX SETTINGS AND INCENTIVES

The outcomes in our industry are determined by the interaction of supply and demand. Tax settings affect both.

When it comes to tax, the main issues are that:

- Taxation muffles demand for building and construction projects.
- Delivering new building and construction projects is made more expensive by tax.
- Tax can make it too expensive for businesses to undertake productivity-enhancing capital expenditure.

Many builders complain that projects they'd like to proceed with lack financial viability. The feasibility of projects is determined by the cost of building them, the price paid by the client – and the timing of financial flows on both sides of the ledger.

Demand-side taxes are those paid by the clients of building and construction businesses. They include stamp duty and GST. The imposition of these taxes damages the financial viability of new projects because they reduce the income received by the builder for doing the work. If these taxes didn't exist, builders would receive better prices for their work – with their clients paying less for the work. In this scenario, a larger field of building projects would enjoy financial viability and end up going ahead. The final cost of new homes and other projects would be lower than before, and more projects would become a reality.

Other types of tax make it more expensive to perform building and construction work. These supply-side taxes include developer contributions, infrastructure contributions and payroll tax. From the builder's perspective, these taxes take a huge bite out of project profit margins. In many cases, they completely erase the scope for profit and transform a potentially profitable project into being a financially unfeasible loss maker. Supply-side taxes prevent many projects from proceeding. Those that do go ahead end up being scaled down and more expensive because of supply side taxes.

Productivity difficulties are not confined to the construction industry. The whole economy has laboured with sluggish productivity growth for an extended period. For individual businesses, productivity improvements can be achieved by investing in new technology, machinery and equipment. Unfortunately, tax makes all of these productivity boosters more expensive – and in many cases beyond reach, especially for smaller businesses. In this way, the design of the tax system closes off the avenues to better productivity across our economy.

Accelerated depreciation of capital works

Currently, expenditure by businesses on building and construction work is written off for tax purposes over 40 years, a very lengthy timeframe.

These means that the tax benefits are very limited for businesses which undertake building and construction work.

Another issue is that the tax deduction is not index linked to take account of the replacement cost of the building or construction piece. This erodes the real value of the tax benefit.

A more favourable depreciation regime would make it more attractive for businesses to undertake building and construction works. With a larger stock of physical capital, firms would enjoy improved productivity and cost improvements could result for their customers.

This could be achieved by reducing the depreciation life of building and construction assets from the current 40 years to 30, 20 or even 10 years. The shorter the depreciation timeframe, the greater the benefits.

Allowing the full or partial indexation of the building/construction work's original cost to take account of increases in costs over time would provide similarly favourable effects.

Doing so would allow firms to expand their capital stock less expensively thereby enhancing productivity across all industries outside of construction.

Accelerated depreciation would also enhance demand for building and construction output, allowing existing businesses a basis for expansion. The failure of our industry's businesses to grow in size over time is a key source of poor productivity.

Recommendation

The Government offer accelerated depreciation allowances for businesses undertaking building and construction work.

Conservative estimates indicate that this would reduce government revenue noting that more generous depreciation allowances would likely see reduced company tax income, at least in the short term. However, any such costs would be offset by improved building and construction activity and have a flow on effect across the economy.

Case Study: A Café Extension

- Mary runs a medium-sized café from a standalone building in a suburban location. She'd like to grow her business and has been quoted $350,000 by a builder to deliver an extension to the premises.
- Under the current Capital Works Deduction regime, Mary may deduct 2.5 per cent of the cost of these works from her business's taxable income each year. This equates to 2.5% x $350,000 = $8,750 per year, which reduces her business tax bill by $2,187.50 per year.
- In other words, $350,000 worth of capital expenditure reduces Mary's company tax bill by just $2,187.50 per year. This is just 0.62 per cent of the cost of the extension to her premises.
- Mary decides not to proceed with the extension.
- Under accelerated depreciation, the extension's tax life is reduced from 40 years to 10 years. Proceeding with the extension to her café would reduce the café's business tax bill by $8,750 annually. This is equivalent to 2.5 per cent of the extension's cost.
- Under this model of accelerated depreciation, proceeding with the extension to her café is likely to reduce Mary's total tax bill by $87,500 over the coming decade.
- Mary decides to proceed with the extension.
- As well as supporting a local non-residential builder, the café's extension results in 6 more staff being hired to work at the café.

Instant Asset Write off

Currently, an Instant Asset Write Off (IAWO) of $20,000 is in effect until at least 30 June 2026 – but only for small businesses.

It means that any assets costing up to $20,000 purchased during the financial year can be deducted from the business's taxable income in full during the current financial year.

This is beneficial to the business because the full tax benefits resulting from the asset's cost is enjoyed in the current financial year.

Before the IAWO, assets had to be depreciated against taxable income over several years. This meant that the tax benefits of acquiring business assets were lower in real terms and took longer to receive.

The table opposite explores some of the benefits and costs of increasing the Instant Asset Write Off to $150,000.

Recommendation

Increase the Instant Asset Write Off to $150,000 permanently from July 2026.

This would make it less expensive for construction (and other) firms to acquire productivity boosting assets. It would also bolster demand from businesses outside the construction industry for smaller scale non-residential building jobs.

Summary of costs and benefits of increasing IAWO from $20,000 to $150,000

Benefits	Costs
Improvements to small business profitability and cashflow	A more generous IAWO will result in small businesses purchasing larger volumes of equipment, machinery, vehicles and technology. Substantial amounts of this is sourced from overseas. A higher IAWO will result in imports to Australia increasing.
A larger stock of assets would facilitate productivity improvements for small businesses	In the short term, a higher IAWO will reduce the amount of business tax revenue flowing to the federal government. Depending on the federal government's priorities, this may result in tax increases being imposed elsewhere, expenditure being cut back and/or a deterioration in the government's fiscal/debt position.
A higher IAWO would make business assets less expensive to acquire. This may provide small businesses with a way to overcome labour shortages through acquiring labour-saving machines, vehicles, equipment and technology.	A higher IAWO makes it less expensive than before to acquire capital costing less than $150,000. In some cases, this may induce a substitution towards capital – at the expense of labour.
Increased expenditure on business assets would benefit the Australian producers, suppliers and distributors of such assets.	No cost impact.

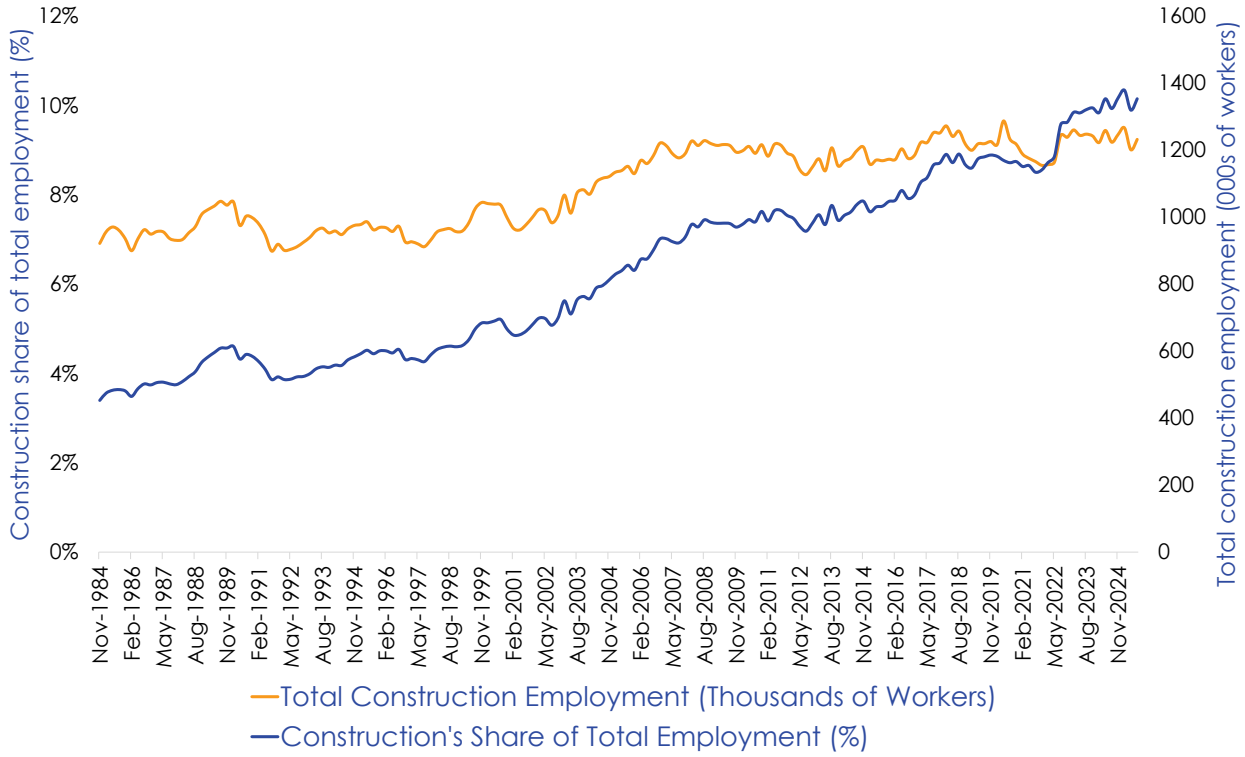
5

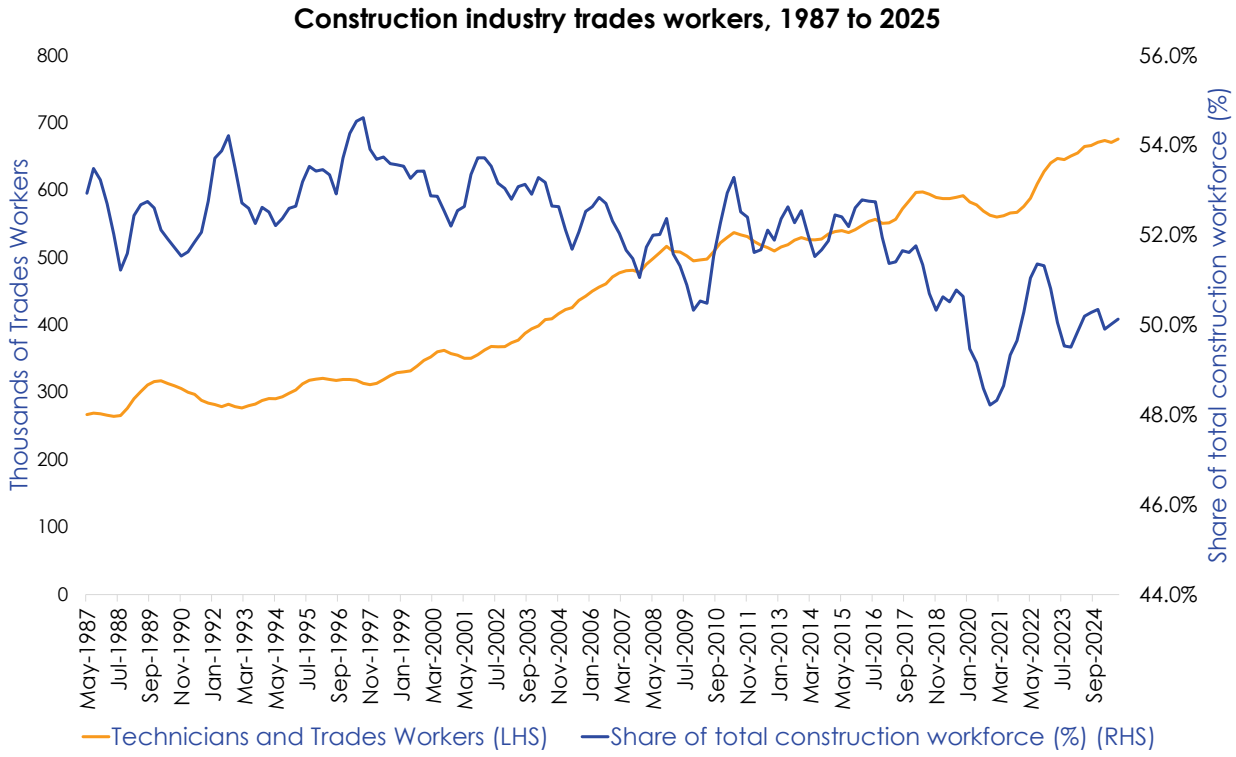
WORKFORCE NEEDS

Thanks to government incentives, the pandemic saw a spectacular increase in the number of new apprenticeship starters in the construction industry. After falling below 30,000, the number of new starters more than doubled, peaking at over 60,000 in the 2021-22 financial year. Given the multi-year nature of apprenticeship training, there is naturally a lag before these commencements translate into a fully qualified workforce. This lag is now beginning to ease, with over 25,400 construction apprentices completing their training in the year to March 2025.

Latest figures show that Australia's construction industry employed 1.35 million people during August 2025. There's good news in this: a net 29,200 people have joined our industry over the past year meaning that it's close to being bigger than at any time on record. As the chart below shows, construction's share of the economy's labour force had grown quite steadily over previous decade. However, this steady growth has run out of steam and the construction workforce's share has stalled over recent years.

Total construction employment, 1984 to 2025



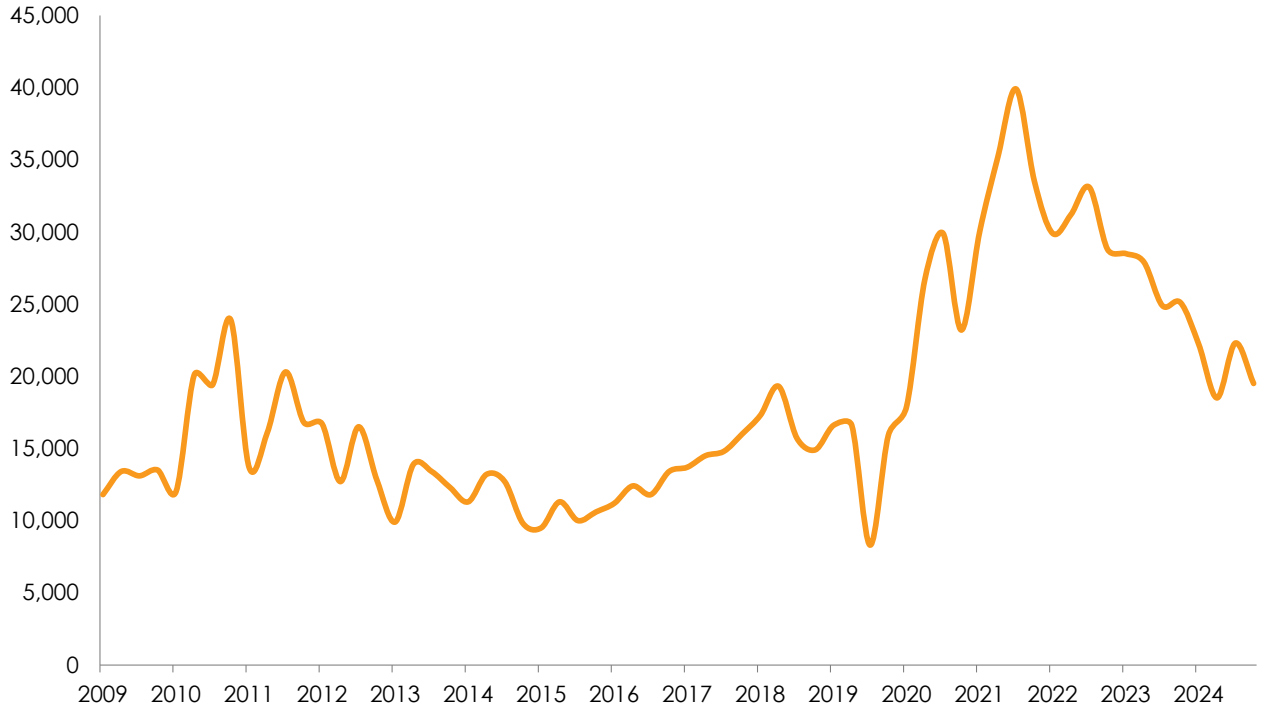


Today, tradies make up only one half of the construction workforce. Given that the delivery of projects on the ground is driven by tradies, the decline in their share of the workforce is a concern.

While the construction workforce is larger than ever before and more tradies than ever are operating in our industry the workforce is still not large enough to deliver all of the building and construction work that will be required over the years to come.

Construction businesses across Australia frequently report shortages of skilled construction trades. As the chart on the next page shows, there has been a welcome drop in the number of job vacancies in our industry – signalling an improved supply of workers. However, vacancies are still elevated by historic standards meaning that a tightness still exists.

Chart 1 - NUMBER OF CONSTRUCTION INDUSTRY JOB VACANCIES UP TO AUGUST 2025



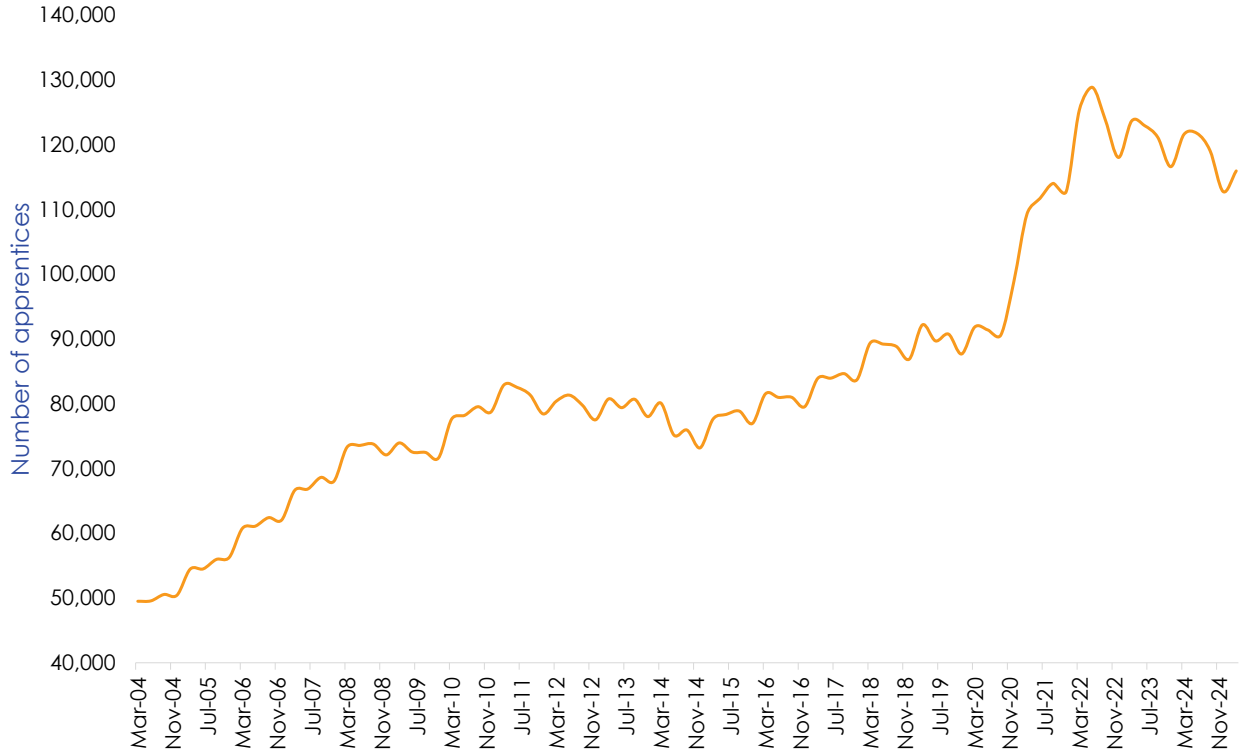
The sharp reverse in our industry's labour productivity over the past decade has magnified the gravity of our workforce shortage. Worsening productivity means that more workers are required just to deliver the same volume of construction output. When we actually have to expand the amount of output, the challenge becomes even more difficult.

BuildSkills Australia estimates that meeting the National Housing Accord will require 193,574 additional workers in the residential building industry while Infrastructure Australia believes that the national infrastructure workforce shortage is 141,000 today – and that it could reach a maximum of 300,000 workers by 2027.

At the end of March 2025, a total of 115,970 construction apprentices were still in training.

This is a high number by historic standards, but ground has been lost since the construction apprentice population peaked at 128,884 at the end of June 2022. The decline in the number of apprentices in training means that the flow of newly qualified apprentices over the years to come will be lower than it was in recent years.

Number of construction apprentices in training, 2004 to 2025



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

All avenues must be explored to address the structural workforce shortages in the building and construction industry this includes:

- Investing in all apprentice training pathways across TAFE, private RTO's and VET in schools.
- Arresting the 'sieve' effect by embedding entry and exit points within an apprenticeship by endorsing microcredentials to support skill accumulation and re-entry into the industry.
- Investing in technology to support training outcomes and delivery.
- Providing financial support and incentives directed at both apprentices and employers, including Group Training Organisations (GTOs).
- Sourcing migrant workers with the skills we need from overseas.

APPRENTICE TRAINING PATHWAYS

TAFE vs Private RTO's

The Fee Free TAFE program has played an important role in supporting access to vocational pathways beyond apprenticeships.

Between January 2023 and June 2024, over 508,000 enrolments were recorded nationally, including more than 34,900 in construction-related courses, demonstrating both scale and sectoral relevance. By March 2025, 171,145 participants had completed their courses, providing a pipeline of potential skilled workers to complement apprenticeships and support workforce renewal across the industry.

Expanding Fee Free TAFE to high-performing, not-for-profit VET providers beyond traditional TAFEs would support a sustainable lifelong learning model, enable mid-career entrants and career-changers to access quality training, and preserve market competition. Evidence from the National Centre for Vocational Education Research (NCVER) demonstrates that non TAFE providers consistently deliver at least comparable outcomes compared with TAFEs.

In the 2023 National Centre for Vocational Education Research (NCVER) "Employers' Use and Views" survey, private Registered Training Organisations (RTOs) achieved higher employer satisfaction scores than TAFE across most metrics: relevance of skills taught (85.7 % vs 80.1 %), condition of equipment and facilities (84.9 % vs 74.1 %), cost effectiveness of training (80.6 % vs 72.8 %), flexibility to meet employer needs (86.8 % vs 66.9 %), trainers' industry knowledge (86.3 % vs 76.8 %), standard of assessment (87.8 % vs 72.9 %), and overall satisfaction (85.9 % vs 76.6 %).[1]

Data from the NCVER shows that non-TAFE (private/enterprise) VET providers frequently match or exceed TAFE performance in delivering nationally recognised qualifications. In the 2022 funded student cohort, private/enterprise providers achieved a completion rate of 50.4 per cent, compared to 44.1 per cent for TAFE institutes.[2]

For the 2019 commencing cohort, NCVER reports an overall VET qualification completion rate of 47.3 per cent as at end 2023. Even where full qualification completion is not attained, subject-level pass rates remain high (around 83–84 per cent for training package courses). This evidence supports a policy design in which Fee Free VET is open to high-performing private RTOs and enterprises, not limited solely to public TAFEs, thereby preserving competition, expanding capacity and maintaining quality outcomes.[3]

Moreover, for non-apprenticeship nationally recognised training, in 2023, a majority (51.4 %) of employers used private training providers; among those, 85.9 % reported overall satisfaction with the training they received.[4]

These data points indicate that private and not-for-profit RTOs, including Group Training Organisations (GTOs), deliver high-quality, industry-aligned training with strong employer and student satisfaction, often outperforming public TAFEs. Restricting Fee Free VET to TAFEs alone suppresses effective competition, limiting access for mid-career entrants or career changers, and undermining the potential for a flexible, high-quality, demand-responsive vocational training system.

1 Employers' use and views of the VET system 2023
2 VET qualification completion rates 2022
3 VET qualification completion rates 2023
4 VET qualification completion rates increase

Recommendation

Expand Fee-Free VET access to highperforming not-for-profit private RTOs and enterprise providers to maintain competition, improve training quality, and support access for mid-career entrants and career changers.

Cost estimate: $80-96 million per annum, based on an average subsidy of $8,000.

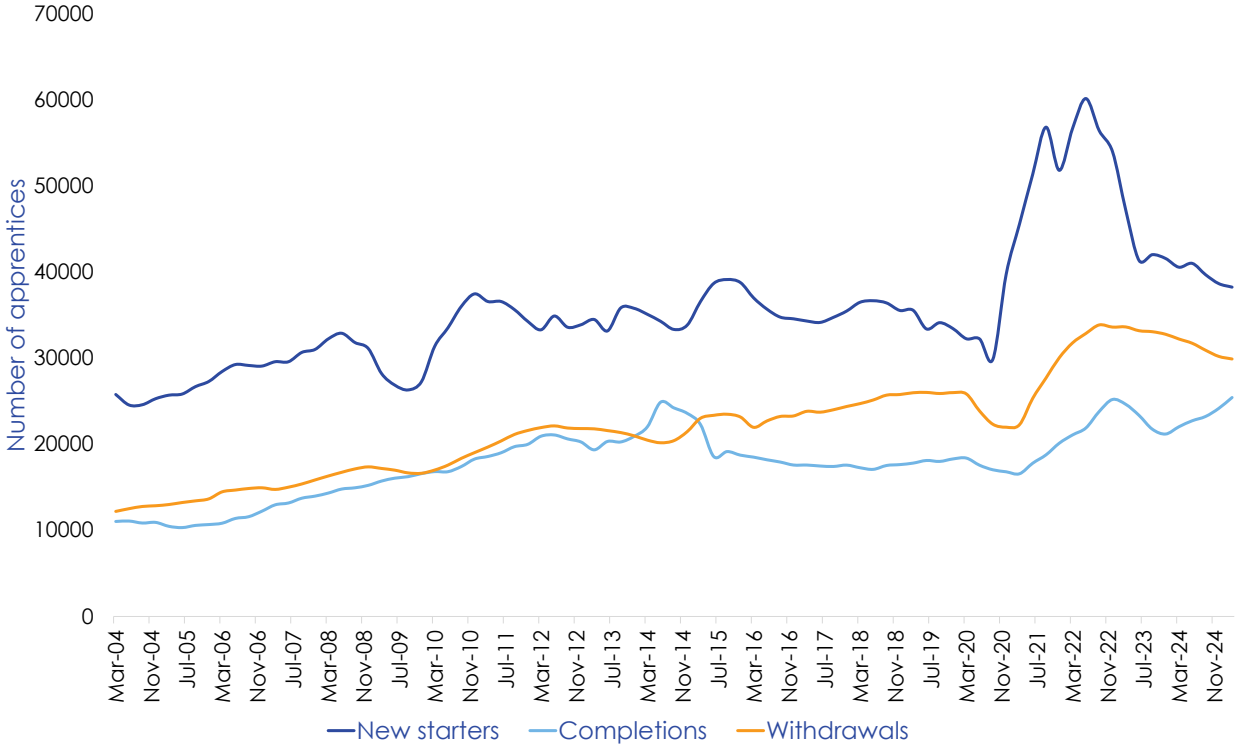
Arresting the 'sieve' effect

Approximately half of all construction apprentices prematurely exit their training. This is an astounding reality. If this continues, it will require 200 new apprentice starters to produce just 100 full qualifiers.

The chart below summarises how the number of apprentice withdrawals has been consistently higher than successful completions for more than a decade.

Measures that enable recognition of learning up to certain thresholds within an apprenticeship or training program – such as through discrete skills recognitions that can be used for credit or RPL purposes – could enable continuity of skill attainment that enables re-entry into the construction workforce or mobility across the trades ecosystem. In this way, the impact of formal non-completion of an apprenticeship diminishes.

Construction apprenticeship activity, 2004 to 2025 (moving annual totals)



NCVER 2023 data shows that the main causes for withdrawal were:

- the pay was too low or they were unhappy with working conditions or workplace (23.9%)
- for personal reasons (19.6%)
- they were offered a better job (13.7%)

The data also demonstrates that:

> "[a]fter training, 74.9% of trade completers were employed in the same occupational grouping as their apprenticeship or traineeship…A further 13.8% were employed in a different occupational grouping to their apprenticeship/traineeship and the training was relevant to their job after training".

This means that withdrawal from an apprenticeship is not necessarily a system failure, but reflects individual circumstance and opportunities available in a dynamic industry.[5] This nuance is important when recognising the myriad learning opportunities people seek and undertake. Evolving workforce needs therefore require changes to the training system that recognise diverse learning and working needs, particularly as workers pivot into evolving occupations.

Recommendation

Embed entry and exit points within apprenticeships to recognise gained skills through training and/or experience, which are formally recognised through industry-endorsed microcredentials. These entry and exit microcredentials will enable non-completers and experienced non-qualified individuals to have their experiences recognised and be used for further learning and re-entry.

The role of technology

The adoption of digital technology is essential to modernising the construction workforce and meeting emerging capability needs identified by Jobs and Skills Australia (JSA).

Demand is rising for workers who can operate in data-rich, technology-enabled environments, including digital modelling, spatial data interpretation, and automated safety and compliance systems.

Building Information Modelling (BIM) is now embedded in major procurement frameworks, requiring workers to coordinate trades through shared digital environments and manage information flows across design, engineering, and installation. Virtual Reality (VR), Augmented Reality (AR), Mixed Reality (MR) and Design for Manufacture and Assembly (DfMA) technologies are increasingly used to simulate high-risk work, reduce errors, streamline prefabricated and modular workflows, and strengthen digital literacy. Automation, drones, LiDAR and GIS tools are reshaping onsite workflows and introducing new technical skill requirements that are not yet consistently delivered at scale within the VET system.

To meet these needs, the national training system must modernise core trade training and expand access to digital construction capability. Existing units within the Construction, Plumbing and Services Training Package (CPC), the Manufacturing and Engineering Training Package (MEM), the Information and Communications Technology Training Package (ICT) and the Electrotechnology Training Package (UEE) provide partial coverage but are optional, inconsistent, and not aligned to real construction workflows.

5 Apprentice and trainee outcomes 2023

A Construction Digital Capability Program should embed BIM fundamentals, DfMA processes, digital plan reading, and technology-enabled safety skills into trade qualifications; scale VR/AR simulation facilities; and upgrade TAFE and RTO digital infrastructure.

Targeted support for small and medium businesses will be essential to ensure industry-wide adoption and avoid widening digital divides that would otherwise worsen skills shortages, impede productivity, and limit the sector's capacity to respond to evolving regulatory and technological demands.

Recommendations

- Seed-fund BuildSkills Australia (or an equivalent industry-led body) to coordinate trade-specific digital pilots, RPL hubs, employer-engagement programs, and migrant bridging initiatives that accelerate skilled workforce entry and improve system coherence.
- Fund digital and manufacturing skills pilots that integrate Building Information Modelling (BIM), Design for Manufacture and Assembly (DfMA), VR/AR, digital fabrication and related technologies, including matched digital-adoption grants for SMEs to expand capability across Certificate III, Certificate IV and higher-level construction qualifications.

  Cost estimate: $40-60 million over 4 years, based on the Modern Manufacturing Initiative.
- Fund mid-career digital upskilling programs for supervisors and tradespeople to adopt BIM, digital twins, compliance platforms, and other digital technologies, ensuring workforce capability keeps pace with industry change and supports Cert IV-level supervisory roles.

  Cost Estimate: $15-24 million over 3 years, based on targeting 6,000-8,000 supervisors and experienced tradespeople for courses up to $3,000 in costs.
- Provide targeted support for small and medium businesses to adopt digital tools and meet emerging procurement requirements.

VET in schools

Stronger VET in Schools pathways are critical to embedding vocational routes from school into the trades.

Funding vocational modules within national edtech pilots, supporting teacher externships in industry, and mandating local employer–RTO linkages for work experience would provide meaningful pathways into the sector.

Reporting should adopt the same rigour and transparency applied to ATAR results to ensure parity of esteem between vocational and higher education streams, thereby improving engagement and the long-term pipeline of skilled workers into construction.

Recommendation

Strengthen VET in Schools pathways by funding vocational modules within national edtech pilots, supporting teacher externships, mandating employer–RTO partnerships for structured work experience, and aligning reporting with ATAR standards to improve quality and industry relevance.

Cost estimate: $30 million over 3 years.

AUSTRALIAN APPRENTICESHIP INCENTIVE SYSTEM

The correlation between incentive schemes and completions is strong. The Deloitte Access Economics *MEGT Productivity Prospectus (2025)* (Deloitte Report) shows a clear, evidence-based correlation between employer incentive payments and apprenticeship commencements, completions, and attrition outcomes.

Over the past two decades, policy adjustments to employer incentives have been the single largest determinant of apprenticeship activity levels. When employer incentives were reduced in 2012, apprenticeship commencements and completions fell sharply, while the introduction of substantial incentives during the COVID-19 period – Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) programs – produced an immediate and significant increase in both commencements and completions. Following the withdrawal of these supports, commencements declined by around 10 per cent in 2024, returning to near-record lows.

The Deloitte Report further highlights that financial incentives are not only effective in increasing commencements but also in improving retention and completion rates.

Completion levels have historically tracked incentive availability, averaging 57 per cent of commencements, and increased during periods of stronger employer support. Attrition rates rise when incentives lapse, particularly among smaller businesses that face greater financial pressures in retaining apprentices through to completion. The responsiveness is especially pronounced in non-trade fields, where commencements fell by 65 per cent after the cessation of BAC and CAC, compared to 24 per cent in trades. This indicates that incentives are particularly important in stabilising participation in higher-risk, high-attrition areas.

The evidence also shows that smaller employers are the most sensitive to financial conditions, with incentives acting as a decisive factor in whether they hire and retain apprentices. Incentive availability, therefore, broadens overall system participation, with Deloitte estimating that achieving an uplift of 320,000 completions over the next decade through expanded employer incentives could generate $11.8 billion in additional lifetime earnings for individuals and a further $14.4 billion in productivity and fiscal benefits: a threefold public return on investment.

Recommendations

Master Builders proposes a range of apprentice incentive reforms aimed at boosting construction productivity by filling skill gaps quickly:

- Implement a Stage-Based Retention and Completion Incentive that redistributes employer incentives across commencement, mid-point, and completion stages, links payments to verified competency milestones, and reserves later-stage bonuses as employer-only, non-transferable payments to reduce wage distortion and discourage poaching.

  This measure involves a redistribution of existing funds for the Key Apprenticeship Program, plus a completion bonus for qualification retention.

  Cost estimate: $45 million, based on 8,000 eligible completions at $2,500 per completion.
- Provide a Mentor Support Allowance to employers delivering accredited on-the-job mentoring and supervision training through GTOs or endorsed providers, recognising the cost of structured supervision and strengthening apprentice retention outcomes.

  Cost estimate: $45 million, based on an allowance of $2,000 to cover the cost of direct support, with an estimated 25,000 apprentices.
- Extend the GTO Reimbursement Program for at least 12 months beyond its April 2026 end date to maintain alignment with the extended Apprenticeship Incentive Scheme and ensure continuity in apprentice management and support.

  Cost estimate: $2.08 million from January 2026 to January 2027.
- Establish Regional Continuity Payments to assist employers experiencing cyclical, seasonal, or temporary downturns to retain apprentices, contingent on apprentices continuing structured learning and engagement.

  Cost estimate: $21 million, based on a payment of $3,000 per apprentice for 6-month support periods, with an estimated 7,000 apprentices.
- Co-fund Innovation in Apprenticeship Credit pilots with employers or GTOs to test digital, sustainability, and productivity-focused innovations, supported by matched outcome measurement to ensure scalable benefits and efficient use of public funds.

  Cost estimate: $15 million over 3 years, based on co-funding arrangements between employers and GTOs for 10 pilots across Australia at $1 million each, plus evaluation.

- Provide Pre-Apprenticeship Host Incentives for employers hosting school-based or VET-in-Schools participants in structured placements (e.g., 5,000 placements at $1,000 per place), reflecting the supervision, compliance, and safety responsibilities required for high-quality placements.

  Cost estimate: $5 million per annum.
- Provide targeted funding to reform the Certificate IV in Training and Assessment to enable retiring or semi-retiring tradespeople to transition into VET teaching and mentoring roles, preserve critical sector knowledge, and strengthen the supply of qualified trainers. Undertaken by BuildSkills Australia.
- Expand eligibility for the Key Apprenticeship Program to include civil and commercial builders and apprentices, ensuring coverage reflects the breadth of employers necessary to meet national construction and infrastructure workforce requirements.

SKILLED MIGRATION

Skilled migration remains a last-resort workforce strategy for the building and construction industry because it is significantly more expensive, slower and administratively risky compared to employing or training a domestic worker.

For a small or regional builder, the total cost of bringing a single skilled tradesperson to Australia typically reaches between $18,000 and $31,000, once compulsory government charges, skills assessments and professional fees are accounted for. This is a significant cost for the majority of the building industry, of which 98 per cent are SMEs.

Employers must pay the Skilling Australia Fund (SAF) levy upfront for the full visa period, which amounts to $1,200 per year for small businesses and $4,800 for a standard four-year visa. Alongside visa application and nomination charges of roughly $3,210 and $750, respectively. Mandatory trades recognition processes routinely cost between $3,000 and $5,500; migration agent fees range from $2,500 to $7,000, and relocation, licensing and onboarding can add a further $2,000 to $10,000 depending on the role and region. These costs introduce substantial financial risk, particularly for smaller businesses navigating fluctuating project pipelines and resource cost increases.

As a result of these barriers, the scale of skilled migration within construction remains modest.

As of June 2025, we had 46,100 primary visa holders in Technicians and trades workers, which made up 39 per cent of all primary visa holders. In June 2015, this figure was 31,730, making up only 30 per cent of all visa holders. Industry analysis suggests that just around 3,644 of these workers were in core construction trade roles. Existing visa holders already in Australia provide some continuity, and in 2024–25 approximately 32,130 temporary skilled workers transitioned onto permanent or provisional visas across all sectors. However, construction employers continue to face long processing times and uncertainty.

Median processing for the TSS (subclass 482) visa sits at around 21 business days for decision-ready applications, while employer-sponsored permanent pathways such as the ENS (subclass 186) can take 12 to 18 months to finalise. Regional employer-sponsored pathways (subclass 494) can extend even longer depending on occupation, nomination complexity and regional certifying body requirements. These timeframes make skilled migration an unreliable response to immediate labour shortages or project delivery pressures. In a context where we need workers to build houses, these delays continue to exacerbate the shortfall in meeting Australia's housing targets.

Additionally, recent policy changes (e.g., the new "Skills in Demand" visas and Core Skills Occupation List, launched in November 2023) partly reflect these dynamics. The Migration Review recognised the fundamental flaws of excluding trades from the Core Skills Occupation List and has recently updated the list to rectify this oversight. However, there are currently 18,400 permanent migrants in Australia with qualifications in building and construction who are working below their skill level, and a key reason for this is Australia's costly and confusing approach to recognising overseas skills and qualifications. If these people were activated to work in construction throughout the Housing Accord period, they could add around 30,000 new homes to these targets.

Pathways to permanency for existing skilled workers require significant enhancement. Temporary visa applications should be appropriately resourced to manage current and projected demand, ensuring a steady pipeline of workers into Australia. The simplification and acceleration of pathways to permanent residency for skilled building workers already in Australia is critical to retaining experienced labour.

One initiative that could support this outcome is an expansion of the Pacific Australia Labour Mobility (PALM) program to include non-licensed building and construction trades, removing location restrictions, and broadening eligible business types would further strengthen regional labour supply. This expansion should integrate structured apprenticeship or gap training through the Australia Pacific Training Coalition (APTC), enabling workers to complete Australian qualifications under supervision and providing a direct pathway to permanent employment.

Recommendations

- Introduce a dedicated Construction Skills Pathway visa, modelled on Western Australia's approach, to streamline access to qualified tradespeople, offer fast and cost-effective pathways to permanent residency, and leverage mutual recognition of overseas qualifications.

  This should include recognising all construction skills and qualifications within ANZSCO Major Group 3 under the specialist skills stream to ensure eligible workers can access expedited pathways.

  Cost estimate: $10 million over 4 years.

- Reduce or remove migration-related levies, including the Skilling Australia Fund (SAF) fee for small, regional, and low-revenue businesses, to alleviate cost pressures on employers.

  Cost estimate: $70 million/year.

- Expand education and training pathways, including the Job Ready program, to build a stronger domestic pipeline of skilled international students entering construction occupations.

  Cost estimate: $24 million/year.

- Widen the Graduate Visa to include all Certificate III and above construction qualifications, expanding the pool of work-ready graduates aligned with industry needs.

- Adjust the migration points test to better incentivise highly skilled migrants in occupations facing domestic shortages and strengthen recognition and assessment of overseas qualifications to reduce processing delays and accelerate workforce participation.

  Cost estimate: $60 million/year, based on targeting 8,000 applicants per year with a processing cost of $3,000 per applicant.

- Resource temporary visa processing to meet current and emerging demand, ensuring a steady pipeline of skilled workers and clearer options for transitioning to permanent residency.

  Cost estimate: $19 million/year, based on the 2023-24 Budget measure to improve visa processing.

- Simplify and accelerate pathways to permanent residency for skilled building and construction workers already in Australia. Reflecting the 2023-24 Budget measure to improve visa processing.

  Cost estimate: $15 million/year.

- Expand the Pacific Australia Labour Mobility (PALM) program to include non-licensed building and construction trades, remove location restrictions, broaden eligible business types, and integrate structured apprenticeship or gap training through APTC to enable pathways to permanent employment.

  Cost estimate: $9 million/year.

- Review English-language proficiency requirements to tailor standards to the communication demands of each profession, rather than applying blanket thresholds across all construction occupations.

6

IMPROVING EFFICIENCY AND SUSTAINABILITY

ENABLING INFRASTRUCTURE

Before new housing developments can proceed, the necessary infrastructure must first be in place. The infrastructure-housing nexis is clear and strong: inefficient and/or inadequate infrastructure adds to the cost of housing.

This linkage is particularly important between transport and housing, as the great bulk of Australians need to travel each day between their homes, and their schools, workplaces or other essential places of mainstream life.

Poor transport infrastructure - whether roads, bridges, rail or ferry systems - for example, only serve to push housing prices higher than they would be otherwise.

There are three issues with housing-enabling infrastructure:

- Enabling infrastructure is very expensive. Before it can be created, developer contributions/infrastructure charges must be to paid by developers to the local government and utilities providers.
- By their nature, the costs of installing enabling infrastructure must be paid for very early in the process of creating new homes. In contrast, builders and developers will not receive any money from the sale of new homes until years later. The time value of money means that costs incurred early end up being magnified and have a disproportionately negative effect on the financial viability of potential housing developments.
- The process of physically creating enabling infrastructure is often much slower than it should be. Builders across Australia complain of delays in connecting new housing developments to water and power networks. Predictably, these delays harm the financial viability of new home building projects – and inflate the cost of those that do end up proceeding.

Recommendations

- The tax benefits to developers for investing in enabling infrastructure should be enhanced so that the financial viability of future projects is improved. These benefits should be realised earlier in the process than at present.
- The Government invest a further $5 billion in housing enabling infrastructure linked to the performance of local governments and utilities companies.

7

INVESTING IN REGULATORY AGENCIES TO SUPPORT THE INDUSTRY

Even though the regulatory landscape is often bewildering for construction businesses, it is important to acknowledge that regulation is a part of the economic landscape.

Several agencies rely on federal government funding to implement regulation in these areas and contribute to the day-to-day functioning of the building and construction industry. The 2026-27 federal budget must ensure that increased financial resourcing is directed at these agencies to account for expansions in the size of the construction industry, escalations in costs over the past 12 months and the need to ensure regulators are adequately resourced to ensure compliance with the law. Ensuring these agencies are appropriately resourced can result in a fairer competitive landscape, so that those complying with regulation are not undercut by those who aren't.

Generally. Master Builders proposals are based on the 2.2 percent construction industry workforce growth over the past year in conjunction with the RBA projected wages grow of 3 percent over the year to June 2027 resulting in a proposed uplift of agency resourcing by 5.5 percent.

Australian Competition and Consumer Commission

The Australian Competition and Consumer Commission (ACCC) undertakes important work in promoting competition across the economy. Improved competition is an important source of productivity improvements.

To that end, Master Builders sees a key role for the ACCC in the enforcement of anti-competitive and cartel like behaviour characterised as (legitimate) industrial relations arrangements. Advancing industrial interests through anti-competitive behaviour is a blight on the industry, a handbrake on productivity and at odds with the desire for cultural change across the sector.

The May 2026 federal budget provided $528.9 million in resourcing for the ACCC for the 2025-26 financial year.

Recommendation

An allocation of at least $557 million should be made for the ACCC to support the enforcement of the current competition laws.

Office of the Fair Work Ombudsman

The March 2025 federal budget allocated $304.8 million for the Office of the Fair Work Ombudsman's (OFWO) operations during 2025-26.

The OFWO plays a key role in shaping and monitoring workplace relations in the construction industry as well as being actively involved in the enforcement of regulations.

Recommendation

An allocation of at least $321 million should be made to support the OFWO's compliance and enforcement functions.

Fair Work Commission

As the independent employment tribunal, the Fair Work Commission plays a critical role in supporting the cultural shift needed in the building and construction industry. Their role in dispute resolution, the issuing of right of entry permits, enterprise bargaining and the regulation of registered organisations must be supported and enhanced to ensure the effective discharge of their functions.

We currently understand that the Commissions workload has increased significantly and is predicted to further increase into the future.

Recommendation

At least $173 million be invested in the Fair Work Commission to support their case load and functions with respect to registered organisations.

Safe Work Australia

Safe Work Australia (SWA) has important responsibilities in the construction industry and takes the lead in promoting better Work Health & Safety (WHS) arrangements. This includes the management of risks around engineered stone and silica-based products and spearheading asbestos safety initiatives. The federal budget allocated $54.4 million to fund SWA's operations during 2025-26,

Recommendation

SWA's funding be increased by $10 million to promote harmonisation and support the development of an industry based regulatory approach with the construction industry to be the next industry to adopt this approach.

Office of the Federal Safety Commissioner

The work of the Housing Australia Future Fund (HAFF) has highlighted the importance and central role of the Office of the Federal Safety Commissioner. The HAFF has significantly increased the OFSC workload due to need for most of this building work to have Federal WHS accreditation administered by the OFSC.

Recommendation

OFSC funding be increased by $10 million per year to reflect the increased number of companies seeking accreditation under the OFSC's Work Health and Safety Accreditation scheme including under the current and subsequent HAFF funding rounds.

Additional funding is also allocated to continue and expand the OFSC's successful awareness and education initiatives.

National Construction Industry Forum

We understand that the Government has committed $2.1 million over four years, alongside ongoing departmental support, to resource the NCIF's work, including coordinating activities, supporting subcommittees, and facilitating external consultation.

Recommendation

The Government should ensure continued appropriate funding is allocated to allow the continued operation of the NCIF and its work on the construction industry blueprint.

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