



**MASTER BUILDERS
AUSTRALIA**

REBUILDING AUSTRALIA

Master Builders Australia Proposals for October 2020 Federal Budget

As at 11 August 2020

Summary of Proposed Budget measures

01. Rebuild Australia through investment in building and construction that gives back to the economy

Residential investment

- a. HomeBuilder: 12 months extension to allow for high-rise apartment purchase and construction; expand eligibility to include land lease communities and retirement developments; relax price and income caps; review arm's length requirements in regional and smaller markets.
- b. Extend the First Home Loan Deposit Scheme for new builds only from 1 January 2021 and allow early access superannuation to build or purchase a home.
- c. Incentivise residential investors to renovate by reducing capital work deduction timeframes.
- d. Facilitate social and affordable housing investment through NHFIC by expanding bond aggregator eligibility; increasing capacity to maximise funding through equity funding from investors to compliment existing debt funding; and fast tracking project processes such as land availability, planning and procurement.

- e. Facilitate better up-take of build to rent through subsidies and/or tax breaks.
- f. Introduce a Resilience Building Fund to support residential building and address challenges such as insurance gaps from bushfire rebuilding and risk mitigation from natural disasters.
- g. Allow first home buyers to access a portion of their superannuation to build or purchase a home.
- h. Fast track the release of land on the Australian Government Property Register.
- i. Resourcing Livable Housing Australia to further develop and promote accessible housing design guidelines, with a particular focus on review of ageing in place design needs.

Commercial Infrastructure investment

- j. Government funding for projects that can be delivered quickly, e.g. small scale projects, upgrades, rectifications and refurbishments.
- k. Establish CommunityBuilder to implement the successful HomeBuilder model to support commercial construction businesses by activating investment by community groups or not-for-profit organisations. It is proposed that the Federal Government invest funding through grants of 25% into

the building of new community facilities, or substantial renovations of existing facilities, up to a value of \$5 million.

- l. Identify new large social infrastructure projects that could be delivered in partnership with other governments or institutional investors.
- m. Substantially reduce the timeframe in which an investor can claim capital work deductions.

Civil infrastructure Investment

- n. Fast track the roll out of existing infrastructure spending commitments, projects recently added to the Infrastructure Australia Priority List, and public works yet to be done by the private sector.
- o. Continue a rolling 10 year \$100 billion commitment to investment in civil infrastructure.

02. Rebuild Australia by supporting business performance

- p. Provide tax relief and incentives for business investment by reducing immediately reducing the company tax rate to 25 per cent and extending all COVID-19 business investment stimulus initiatives, such as the instant asset write-off, to the end of the forward estimates.

- q. Provide \$2.7 million over 12 months for a Building and Construction SME Digital Literacy Business Skills Pilot and the additional funding sought through the Master Builders proposal to support female business operators in building and construction.

03. Rebuild Australia by supporting people in the building and construction workforce

- r. Simplify and streamline employer incentives for hiring apprentices by transitioning Australian Apprenticeship Incentive Payments to the single touch payroll system.
- s. Provide \$43.3 million over three years for 10,000 places in building and construction introduction courses.
- t. Develop a comprehensive, national housing and construction workforce plan.
- u. Provide \$20 million over four years to establish a Building and Construction Skills Organisation Pilot, with potential initiatives including careers resources, assessment pilots, GTO support and pastoral care.

04. Rebuild Australia by improving procurement, planning and regulation

- v. Procurement: Establish and implement a COVID-19 procurement action plan to guide better procurement outcomes; development SME training on Federal Government tendering processes to overcome barriers to participation; and reform tender and contract processes to be simpler and more accessible for SMEs.
- w. Reform regulatory impact assessment processes to include the cumulative impact of regulatory change over time on small business.
- x. Red tape: Establish a national process to fast-track more efficient planning and building approval processes.
- y. Make key Australian Building Standards free; and establish a dedicated government body to develop and update Australian Building Standards (reduce/remove funding for Standards Australia).

- z. Shergold-Weird Building Confidence Report: fast track licensing work and expand to include trades; improve VET and higher education links; establish and fund a shared national data platform for building regulator information; establish a national system that governs building product suitability, conformance and compliance; and establish a national centre of construction excellence and innovation.

05. Rebuild Australia by appointing a Minister for Housing and Construction

- aa. Establish a dedicated Minister and portfolio for Housing and Construction to better target and coordinate government planning, procurement, investment and regulation of building and construction activity.

Industry highlights

Each year in Australia, total building and construction activity directly contributes over \$200 billion to the economy. In the 12 months to 31 March 2020, building and construction activity exceeded 10 per cent of gross domestic product (GDP).

Residential and commercial building offers amongst the highest economic multiplier effect for government stimulus and investment. Recent research by the National Housing Finance and Investment Commission (NHFIC) reported the multiplier effect for residential building and commercial construction to be in the order of \$2.90 for every \$1 invested.

The pre-COVID-19 building and construction industry comprised nearly 1.2 million workers, or 9.1 per cent of all working Australians. The sector has more full-time workers and more apprentices than any other industry.

16.6 per cent of businesses in Australia are in the building and construction industry. Of the 395,000 businesses in the industry, 98.5 per cent are small businesses employing less than 20 workers and nearly 60 per cent have no employees at all. There are more small to medium sized businesses (SMEs) in the building and construction industry than any other industry in Australia.

Impacts of COVID-19

The COVID-19 crisis has transformed the global and Australian economic landscapes. The tight relationship between the health of the economy and building activity means that construction has been heavily impacted by the crisis.

In February 2020, Master Builders modelling anticipated that new home building commencements for 2020–21 would exceed 150,000. However revised figures released in late April 2020, downgraded commencements to approximately 116,000. This number has since been buoyed by the announcement of HomeBuilder. We also anticipate commercial building activity to contract by 17.3 per cent in 2020–21 and that both residential and commercial will be below stable activity levels for around four years.

Since Australia recorded its 100th case of COVID-19 on 14 March 2020, nearly 82,000 jobs have been lost in the building and construction industry, a decline of 6 per cent. This is despite around 130,000 construction businesses and nearly 350,000 workers receiving JobKeeper support payments and HomeBuilder stimulus.

82k 

Jobs lost

In the building and construction industry since March due to COVID-19.

350k 

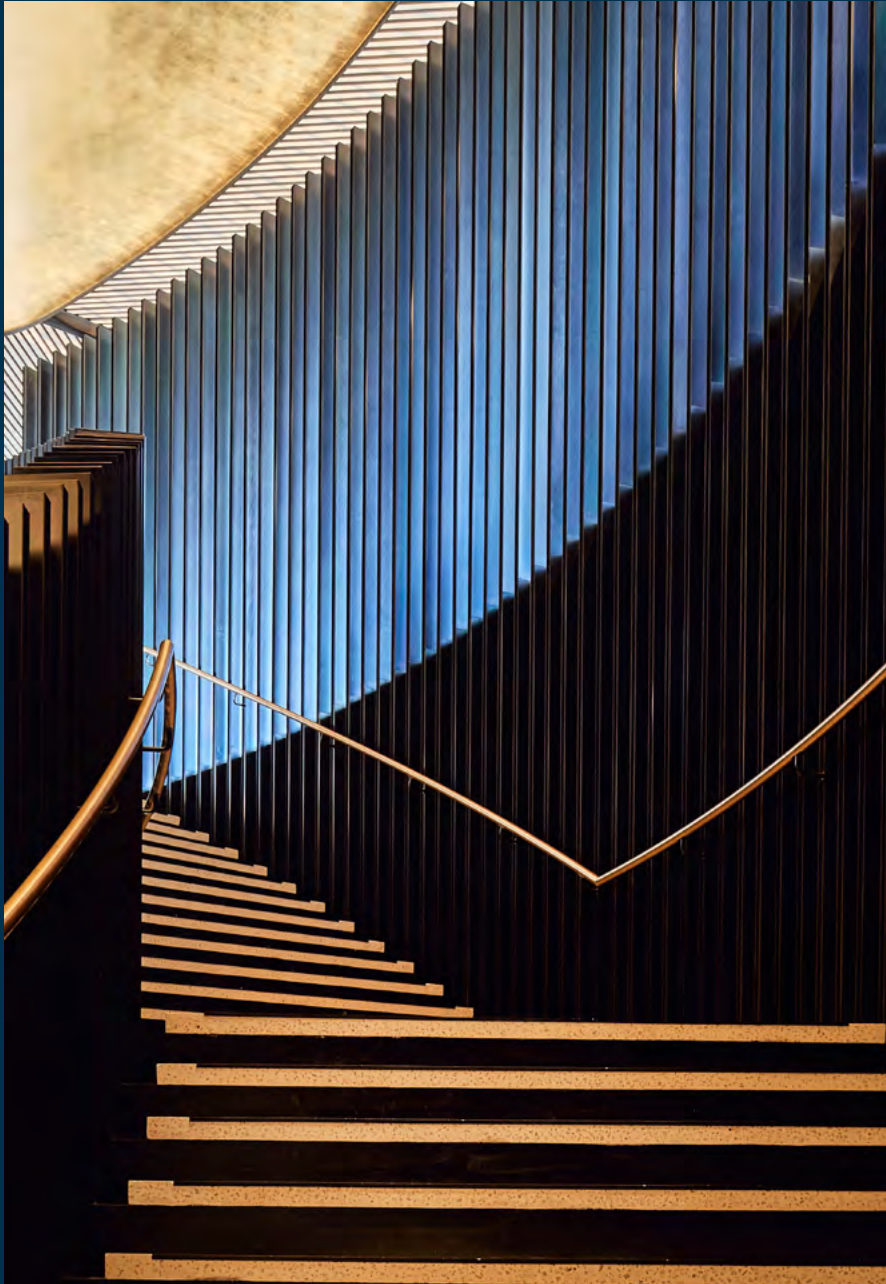
Workers

Are receiving JobKeeper support payments and HomeBuilder stimulus.

33% 

Businesses

Have been impacted by COVID-19.



Highlights from the July 2020 Economic & Fiscal Update

Treasury's July 2020 economic and fiscal update provides the latest information on the likely economic and budgetary trajectory facing Australia over the years ahead considering the COVID-19 crisis. At this stage, the expectation is that economic activity will see further measured deterioration, with heavy fiscal support acting as a bulwark against more severe decline.

According to the outlook (undertaken prior to the Stage 4 lockdown in Victoria):

- Having declined by an estimated 4.4% during 2019–20, total employment across Australia is forecast to recover slightly (+1%) in 2020–21.
- GDP is expected to have slipped by 0.25% during 2019–20. The economy is projected to shrink by 2.5% in 2020–21.
- Over the course of 2020–21, the unemployment rate is anticipated to average 8.75%. The latest estimate for June 2020 puts the unemployment rate at 7.4%.

Not surprisingly, the massive fiscal support being provided by the Federal Government means that the scale of budget deficits will be unlike anything seen since the Second World War.

- The underlying cash deficit is estimated to have totalled \$85.8 billion during 2019–20, equivalent to 4.3% of GDP.
- In 2020–21, Treasury projects that the deficit will hit \$184.5 billion or 9.7% of GDP.
- The borrowing required to finance these deficits is anticipated to lift the gross Federal Government debt from \$684.3 billion at the end of June 2020 to \$851.9 billion on 30 June 2021, 45.0% of GDP.

The July 2020 fiscal update identified key measures delivered since the COVID-19 pandemic hit to immediately support business transition through the first wave of the pandemic, including:



Residential and civil stimulus

- \$680 million in 2020–21 for HomeBuilder.
- \$2 billion over three years for infrastructure, including shovel ready projects, road safety works and local roads and community infrastructure.

Business incentives

- Backing business investment.
- Instant asset write-off.
- \$31.9 billion over 2019–20 and 2020–21 to provide cash flow boosts to SMEs.

Workforce retention and training incentives

- \$75 billion over 2019–20 and 2020–21 for JobKeeper.
- \$2.8 billion over five years to keep apprentices and trainees employed.
- \$800 million over four years to establish a National Priorities and Industry Linkage Fund to increase partnerships between industry and universities.
- \$500 million for JobTrainer to support job seekers to reskill and upskill and ensure school leavers can access training.
- \$11.9 million for PaTH Business Placement Partnership – National Industry Associations to develop and deliver industry-led employment pathways to help young people into work.

Master Builders is highly supportive of these measures and the contribution they have made to boosting confidence, supporting activity, and retaining jobs. The highly sensitive nature of building and construction activity to changes in the economic environment means that our industry is particularly dependent on fiscal support.

Despite the support announced to date, our expectation is that both residential and commercial building will still fall sharply during 2020–21 before entering the early stages of a very modest upturn. Any further support, through the activation of private investment, and direct stimulus measures and subsidies, will activate the significant multiplier effect of the building and construction industry that will sustain and create jobs. Consistency and certainty in a future pipeline of work is critical in this regard.

industry, 98.5 per cent are small businesses employing less than 20 workers and nearly 60 per cent have no employees at all. There are more small to medium sized businesses (SMEs) in the building and construction industry than any other industry in Australia.

Master Builders outlook for building activity to 2024–25

Master Builders released a comprehensive set of forecasts for building and construction activity in late February 2020, only weeks before the most rapid phase of deterioration with respect to COVID-19. The drastically changed circumstances necessitated revised sets of forecasts for building activity. The first round of updated forecasts was released in April 2020 and the most recent set produced during the second half of July 2020 (prior to the Stage 4 lockdown in Victoria).

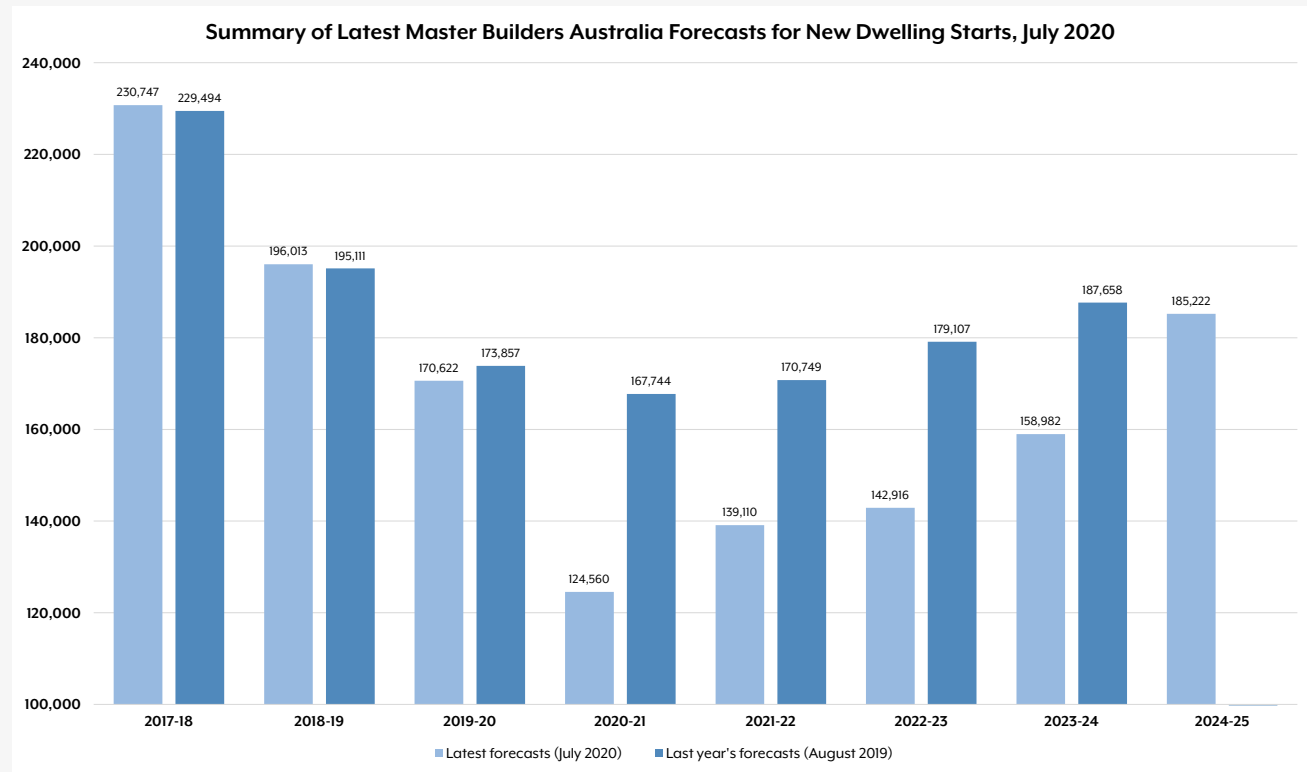
The forecasting horizon stretches to the 2024–25 financial year. It is important to note that the data for 2019–20 is based on results which were available up to March 2020 - the final quarter data is based on Master Builders estimates.

It is also worth noting that:

- Master Builders' forecasts only consider stimulus measures announced to date. Any further support measures would, to some degree, improve the outlook for building activity.
- Our forecasting assumptions largely align with the economic parameters of the July 2020 *Economic and Fiscal Update* produced by the Federal Treasury.

As the chart below summarises, the number of new home building starts is projected to fall to 124,550 during the 2020–21 financial year compared with an estimated 151,772 starts in 2019–20. Our 2020–21 forecast had been even lower, but the announcement of the HomeBuilder scheme in early June is anticipated to

bump up the amount of new home building over the next year or so. Modelling by EY which was commissioned by Master Builders prior to the unveiling of HomeBuilder indicated that a targeted new home building grant could lead to an additional 14,000 new dwellings being built over a 12-month period.



Australia: Summary of revisions to Master Builders Australia's new home building forecasts, July 2020

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Latest forecasts (July 2020)	230,747	196,013	170,622	124,560	139,110	142,916	158,982	185,222
Last year's forecasts (August 2019)	229,494	195,111	173,857	167,744	170,749	179,107	187,658	***
<i>Absolute revision</i>	+1,253	+902	-3,235	-43,184	-31,639	-36,191	-28,676	***
<i>Revision (%)</i>	+0.5%	+0.5%	-1.9%	-25.7%	-18.5%	-20.2%	-15.3%	***

Over time, a modest recovery in new home building is likely to unfold with the total number of new starts likely to top 185,000 by the end of our forecast horizon during 2024-25. The more risk-sensitive nature of high-density home building means that this part of the market is set to bear a disproportionate share of the pain while detached house building will hold up a bit more firmly noting that HomeBuilder has a very limited impact on high density residential building.



HomeBuilder was the right intervention, at the right time, for the right reasons. It's rate of take up Australia-wide is clear evidence of its success. It is the most effective government stimulus measure that I have seen in my 30 years in the industry. 2021 is shaping up to be a very tough year for the home building sector and extending HomeBuilder for 12 months will tap the appetite for home-ownership in the market and keep the economy moving.

Kelvin Ryan, CEO, Simonds Homes

HomeBuilder has been a Godsend in helping builders keep their doors open and tradies employed. It's also been a game-changer for many young people to move ahead with building their first home.

Paula West, General Manager, Inspired Homes, WA

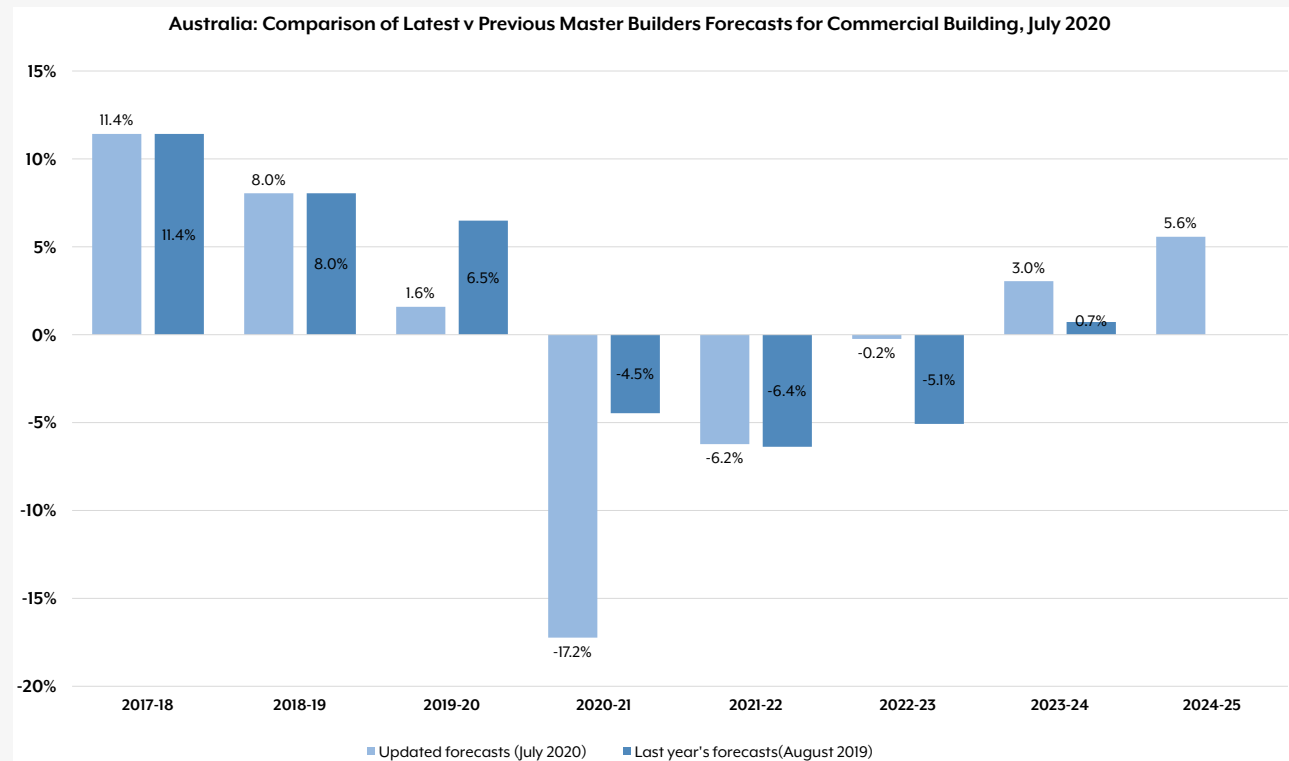
HomeBuilder was shaping as a game-changer for the housing industry but the Stage 4 lock-down has stopped it dead in its tracks. An extension of HomeBuilder is needed to get activity going again and it would be a huge fillip for Victorian home builders.

Greg Zuccala, Director, Zuccala Homes, Vic

The dependence on private demand for commercial building work (around 70 per cent) means that the pipeline of project work is facing a huge challenge. In particular, the collapse in tourism-related activity means that accommodation building as well as work relating to leisure, recreation and some areas of transport is set to struggle. Changes in household and business behaviours (such as working from home) which were triggered by the COVID-19 crisis are likely to become permanent to some degree and could cause a structural decline in demand within office, retail and wholesale building activity which persists over the long term.

Our latest set of commercial building forecasts are shown in the chart (right) and indicate that the volume of work done is set to decline by 17.3 per cent in 2020–21 with a further drop of 6.3 per cent during 2021–22. Activity is then anticipated to stabilise during 2022–23 with a modest portion of lost ground being clawed back over the following two years.

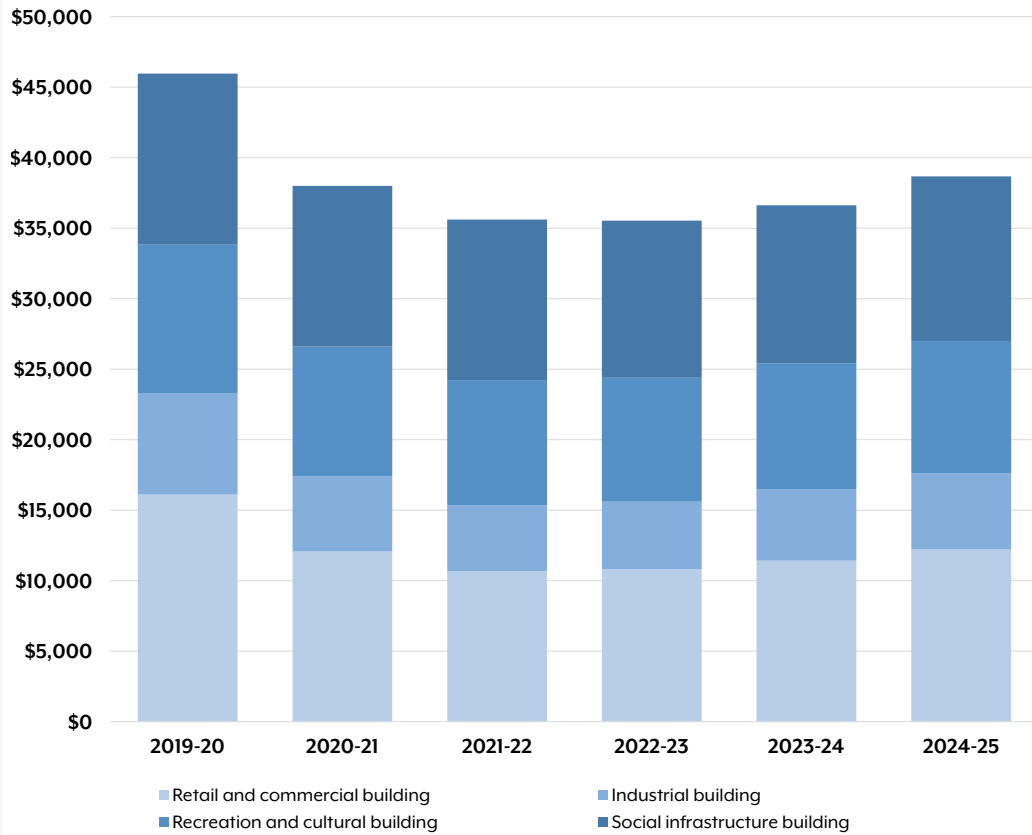
One of the potential opportunities for commercial building activity lies in what is termed the social infrastructure space which includes building centred around education, health, aged care, and community amenities, along with defence assets, where the public sector share of activity is high.



A consolidated and coherent set of stimulus from all levels of government, with support from institutional investors, in social and defence infrastructure areas would have the potential to lift commercial building activity at a time when private sector sentiment is extremely nervous.

Achieving a more consolidated and broad-based recovery in commercial building would also be assisted by enhancing the appetite for the private sector to start building again, both through targeted incentives as well as by speeding up the economic recovery more generally.

Australia: Master Builders Australia forecasts of commercial building volumes to 2024-25 (millions of dollars)



Australia: Master Builders Australia forecast change in commercial building volumes to 2024-25 (%), July 2020

	2020-21	2021-22	2022-23	2023-24	2024-25
Retail and commercial building	-25.1%	-11.7%	+1.6%	+5.4%	+6.9%
Industrial building	-25.8%	-12.2%	+1.8%	+5.7%	+7.0%
Recreation and cultural building	-12.6%	-3.4%	-1.1%	+1.9%	+4.9%
Social infrastructure building	-6.1%	-0.1%	-2.1%	+0.6%	+4.1%
Total Commercial Building	-17.3%	-6.3%	-0.2%	+3.1%	+5.6%

Rebuilding Australia - Highlights

Almost every sector of the economy is suffering heavily because of COVID-19. Building and construction is particularly exposed due to the 'big ticket' nature of building projects.

The performance of the building and construction industry is a key part of the economic health and wellbeing of the nation because of the multiplier effect it has on the broader economy. As well as boosting construction activity, higher volumes of building and construction work contribute to stronger demand for building materials, household furnishings and services in fields like architecture, legal, engineering and administration.

In times of economic uncertainty both households and businesses recoil from major spending, with building work in the front line. This effect is amplified as most building work is financed by households and businesses taking on large loans. In addition, people tend to constrain spending to immediate essentials and pay down existing debt.

Construction activity and employment has been reasonably measured to date, largely due to the pipeline of work initiated before COVID-19. However, this pipeline has and/or is coming to an end but would have been much worse without the quick intervention of the Federal Government with the HomeBuilder program.

More stimulus into the industry (*the term "stimulus" in this document is used in its broadest sense, to include direct Federal Government expenditure, in full or in part, OR, Government policy change that can facilitate private investment*) is needed to establish an immediate and longer-term pipeline of construction work.

Master Builders forecasts indicate that housing and commercial activity will not recover to stable platforms for at least four years. Without this work to drive Australia's economic recovery, the value of spending in job retention and retraining initiatives will be lost.

Federal Government stimulus to date has been very favourable for building businesses and jobs. Our forecasts demonstrate that the introduction of the HomeBuilder scheme has lifted the outlook for new home building and renovations work over the next 12 months. Other economy-wide supports like JobKeeper have been vital in safeguarding the viability of tens of thousands of building and construction firms and preserving cash flow and employment.



The focus now turns to the medium term of the next 18–24 months with the aim to ensure that the industry does not drop to the forecast levels so that the multiplier effect can be used to its full advantage. Master Builders strongly recommends an approach that facilitates spending in the building and construction industry to maximise a consistent pipeline of work so that the workforce objectives of the Federal Government to enable job outcomes is achieved for the benefit of all Australians.

In the October 2020 Budget, Master Builders' urges the Federal Government to:

01 **Rebuild Australia through investment in building and construction that gives back to the economy**

Residential and commercial building offers one of the highest economic jobs and investment multiplier effects and, combined with civil infrastructure investment, the industry can play a leading role in rebuilding the Australian economy. We urge further Federal Government stimulus in all facets of the building and construction industry through direct government expenditure (in full or in part) and Government policy change that can facilitate private investment in building and construction.

HomeBuilder has proven to be a highly successful program that has seen partial financial stimulus from the Federal Government encourage otherwise latent private investment that in turn creates significantly more economic activity than that from direct and total funding by government.

Master Builders believes this is a successful model that can be replicated in other parts of the industry.

02 **Rebuild Australia by supporting business performance**

Businesses are facing unprecedented times and heightened uncertainty. To encourage economic recovery and growth, building and construction businesses need to be able to stay open. They need business investment incentives and business resilience support so that their business remains viable and they and their staff remain physically, mentally, and financially secure.

03 **Rebuild Australia by supporting people in the building and construction industry**

To maximise the value of stimulus for building and construction activity it needs to occur concurrently with opportunities to build the workforce capacity of people in, or seeking to join, the industry.

The industry, along with the Master Builders training network, has the capacity to maximise job opportunities that can go hand in hand with stimulus that creates a pipeline of work. Federal Government support in workforce development will not only maximise job outcomes but can, through skills development, ensure that there is also a focus on lifting the standard of building quality that has been sought by industry and governments.

Workforce development support, whether it is through apprentice incentives, a building and construction new workers program or support to group training organisations (GTOs) as a mechanism to manage the uncertainty of future work, should be undertaken through the development of a building and construction industry workforce plan and the establishment of a Building and Construction Skills Organisation pilot.

04

Rebuild Australia by improving procurement, planning and regulation

The Federal Government as a client in the building and construction process plays a significant role through its procurement processes to assist in economic activity. It is critical that the Federal Government fast-tracks existing funded projects as quickly as possible, continues to identify new projects that can maximise job outcomes in the shortest possible timeframe, enable the tender process to be simpler and more accessible for SMEs, and ensures that Federal Government projects (either direct or indirect) are competitive in tender processes, while maintaining good building standards.

Planning restrictions and delays continue to create unnecessary burdens on building and construction activity and the National Cabinet needs to double down on its efforts to ensure that the current inefficiencies and cost burdens are lifted, otherwise they are going to be a barrier to implementing stimulus initiatives.

A targeted response to deregulation and regulation simplification needs to be developed to enhance stimulus and support recovery and rebuilding. A strong and effective construction sector requires regulations that safeguard people, ensure good standards of building, but do not act as a barrier to innovation and delivery. This approach needs to consider reforming the regulatory impact assessment process to account for the cumulative burden of regulation on small business and reforming regulatory levers that are barriers to productivity and that strengthen quality assurance.

05

Rebuild Australia by appointing a Minister for Housing and Construction

The building and construction industry delivers one of the highest economic jobs and investment multiplier effects for government stimulus. Federal Government investment in building and construction will contribute more to the economy than investment in other areas and deliver more efficient cities, better housing, and improved community spaces.

The building and construction industry will play a critical role in COVID-19 recovery and rebuilding. This supports the need for a streamlined and more coordinated approach from the Federal Government. Such an approach exists for other sectors like agriculture – which contributes less to GDP; and resources – which employs fewer people, than the building and construction industry.

A dedicated portfolio Minister for Housing and Construction that should have responsibility for housing and construction, including: population and planning reform; housing; communities and cities; procurement policy; building regulation, quality and standards; housing and construction industry workforce planning and be supported by a Department of Housing and Construction.

01 Rebuild Australia through investment in building and construction that gives back to the economy

Residential and commercial building offers one of the highest economic jobs and investment multiplier effects and, combined with civil infrastructure investment, the industry can play a leading role in rebuilding the Australian economy. We urge further Federal Government stimulus in all facets of the building and construction industry through direct government expenditure, in full or in part, and, government policy change that can facilitate private investment in building and construction.

The October 2020 Federal Budget needs to establish a strong pipeline of projects across residential, commercial, and civil construction. This will provide the industry with more certainty that will boost confidence, support investment, and maintain and create jobs.

HomeBuilder has proven to be a highly successful program that has seen partial financial stimulus from the Federal Government encourage otherwise latent private investment that in turn creates significantly more economic activity than that from direct and total funding by government.

Residential investment

Master Builders forecasting indicates that new home building starts will not recover to stable levels for around four years.

Pre-COVID, Master Builders had forecast that Australia needed to build around 200,000 new homes a year to meet population demand that were fit for purpose with recent building rates being around 170,000 homes a year.

In terms of its economic impact, residential building packs a particularly powerful punch that is reflected in the modelling by both NHFIC and EY.

Given the size of the residential building workforce (approximately 857,000 as at May 2020), number of

businesses (around 317,000) and direct contribution to GDP (\$103.4 billion over the year to March 2020, or 5.1 per cent of GDP), government stimulus will be key to rebuilding the economy.

Residential investment also covers high-rise, affordable, retirement and social housing. While HomeBuilder has been very successful, it has only been of value for single dwellings or medium density housing. Beyond HomeBuilder, it is argued that the remainder of the residential market could also benefit from Federal Government support to fully maximise the economic activity multiplier of the residential building sector.

The establishment of the NHFIC in 2017 was a big step forward in tackling the ever-present challenge

of ensuring we have enough housing to support our population. While NHFIC is working well, there is the capacity to expand its capacity to maximise institutional investment. This could be in the form of a Trust to establish equity funding to compliment debt funding.

Master Builder recommends the following:

- Extend HomeBuilder for a further 12 months to provide certainty to SME builders and enable more time for off the plan purchase and construction of high-rise apartments. In addition make land lease communities and retirement living developments eligible.
- A relaxation of some of the restrictions around HomeBuilder, including the current price and income caps and consideration to be given to an extension of the three-month commencement window. In regional and smaller markets, the stipulations around 'arm's length' relationships between the homeowner and builder should be not be applied punitively and recognise the limited size of the local market.
- Extend the First Home Loan Deposit Scheme with a focus on new builds only from 1 January 2021.
- Create an incentive for residential property investors to undertake renovations by substantially reducing the timeframe in which they can claim capital work deductions.



- Facilitate social and affordable housing investment through NHFIC, including expansion of bond aggregator eligibility; increasing capacity to maximise funding through equity institutional funding from investors to compliment debt funding; and fast tracking whole of government processes that make projects happen including available land, planning and procurement processes.
- Facilitate better up-take of large-scale development of rental accommodation (build to rent) through subsidies and/or tax breaks.
- Introduce a Resilience Building Fund to support residential building activity that can also address certain challenges such as insurance gaps from bushfire rebuilding and risk mitigation from natural disasters.
- Allow first homeowners access a portion of their superannuation to build or purchase a home.
- Fast track the release of land on the Australian Government Property Register to open more land for construction as demand for land surges with government stimulus.
- Resourcing Livable Housing Australia to further develop and promote accessible housing design guidelines, with a particular focus on review of ageing in place design needs.

The estimates economic impacts of HomeBuilder 2.0 are based on the modelling done by EY which found that a similar scheme would:

- Lift GDP by between \$2.91 and \$3.28 per \$1 committed
- Cause total employment to rise by 3.42 FTEs per \$1 spent
- Increase new home building commencements by 2.71 to 4.61 per \$1

Indicative estimates of likely economic benefits resulting from extended HomeBuilder Scheme for further 12 months

Total Funding for HomeBuilder Extension (millions of dollars)	HomeBuilder 2.0 funding as a proportion of HomeBuilder 1.0 funding (%)	Boost to GDP (millions of dollars)		Total employment uplift (full-time equivalents)	Uplift in new dwelling starts	
		Lower range	Upper range		Lower range	Upper range
\$170.0	25%	\$494.1	\$558.2	581	460	784
\$340.0	50%	\$988.3	\$1,116.4	1,162	920	1,569
\$510.0	75%	\$1,482.4	\$1,674.6	1,743	1,380	2,353
\$680.0	100%	\$1,976.6	\$2,232.8	2,324	1,840	3,138
\$1,020.0	150%	\$2,964.8	\$3,349.2	3,486	2,760	4,706
\$1,360.0	200%	\$3,953.1	\$4,465.6	4,648	3,680	6,275
\$1,700.0	250%	\$4,941.4	\$5,582.0	5,810	4,600	7,844
\$2,040.0	300%	\$5,929.7	\$6,698.4	6,972	5,520	9,413

Commercial infrastructure investment

The value of commercial activity – which is largely dependent on private investment (around 70 per cent) – is expected to decline over the next three years before stabilising in 2022–23. Over the year to March 2020, the value of commercial building work done by the private sector was \$34.6 billion, equivalent to 72 per cent of all commercial building work done.

A forecast decline of 17.3 per cent in 2020–21 in commercial construction will have a significant impact on jobs unless otherwise arrested through stimulus.

Government investment is typically highest in the social infrastructure section of commercial building.

Increasing government investment, either directly, or in partnership with private investors, in social infrastructure is needed to lift commercial activity during a time when private investment is extremely low. Projects that can be delivered quickly should be the priority.

There are five key social infrastructure sectors that should be given greater attention:

- Social housing
- Health and aged care
- Education
- Justice and emergency services
- Recreation services.

Infrastructure Australia in its 2019 audit identified a range of issues affecting social infrastructure assets:

- Increased demand particularly in regions already under serviced.
- Ageing stock that is no longer fit for purpose and too costly to refurbish to make it fit for purpose.
- Poor maintenance and upkeep.

In addition, further funding can be allocated to Defence assets. While recognising that considerable funding has already been allocated to construction for defence assets, we believe more can be done in a manner consistent with the Defence Strategy particularly in Northern Australia.

There are several mechanisms available to the Federal Government to activate commercial construction to facilitate job outcomes and economic activity:

- Direct government funding – either solely or in partnership with state and territory governments – of projects that could be delivered quickly including small and medium-sized health, community and education projects; sport and recreational facilities; public place and space upgrades; combustible cladding rectification works and asbestos removal; regional public tourism upgrades; and government building refurbishments.

- Establish “CommunityBuilder”. CommunityBuilder seeks to implement the successful HomeBuilder model to support commercial construction businesses by activating investment by community groups or not-for-profit organisations. It is proposed that the Federal Government invest funding through grants of 25% into the building of new community facilities, or substantial renovations of existing facilities, up to a value of \$5 million. The Federal Government CommunityBuilder grant could be supplemented by other Government Grants at Federal, State or Local level. To ensure that there is competition in the tendering process it is strongly recommended that the works be completed within 2 years, and that at least 50% of the cost of the building is met by the recipient to provide motivation to ensure value for money.
- Identify new large social infrastructure projects that could be delivered in partnership with other governments or institutional investors.
- Substantially reduce the timeframe in which an investor can claim capital work deductions.



EY modelling commissioned by Master Builders Australia found that support for a non-residential building stimulus would:

- Cause GDP to expand by \$1.76 overall per \$1
- Result in total employment increasing by 3.42 FTEs per \$1

On this basis, CommunityBuilder would support:

Potential economic benefits arising from proposed CommunityBuilder Scheme

Funding commitment for CommunityBuilder (millions of dollars)	CommunityBuilder funding as proportion of annual public sector social infrastructure building work done (year to March 2020) (%)	Boost to GDP (millions of dollars)	Total employment uplift (full-time equivalents)
\$385.0	5%	\$677.4	1,315
\$770.0	10%	\$1,354.8	2,630
\$1,155.0	15%	\$2,032.1	3,945
\$1,925.0	25%	\$3,386.9	6,575
\$3,850.0	50%	\$6,773.8	13,151
\$5,775.0	75%	\$10,160.7	19,726
\$7,700.0	100%	\$13,547.6	26,302
\$11,550.0	150%	\$20,321.4	39,453
\$15,400.0	200%	\$27,095.2	52,604

CommunityBuilder Case study

Matt leads an industry not-for-profit industry organisation that is keen to build a training facility to create career opportunities for young men and women and also provide retraining and new hope for those who employment has been lost due to COVID-19. He has costed the facility at around \$2 million dollars with \$1 million currently in the bank. His organisation has been gifted the land by the State Government but his organisation is delaying the commencement of construction because of difficulty to borrow 50% of the costs. If the Federal Government contributed 25% (\$500,000) this would mean that he would only need to service a debt of \$500,000 instead of \$1 million that places his organisation in less financial pressure and enable him to get Board approval to proceed on construction that would not have otherwise happened.

Civil infrastructure investment

The value of engineering and civil construction works to the Australian economy has declined since highs in the early 2010s to around \$90 billion. 2019 was the weakest year in volume terms since 2007. Prior to COVID-19, ramping up of government backed transport infrastructure projects was expected to lift activity in this area in the early 2020s. This sector includes transport infrastructure, mining, natural resources, telecommunications, energy, and distribution networks.

In the October 2020 Budget, the Federal Government needs to fast track the roll out of existing infrastructure spending commitments and continue a rolling 10 year \$100 billion commitment to investment in civil infrastructure. Further civil infrastructure projects were recently added to the Infrastructure Australia Priority List that could be fast-tracked.

Furthermore, latest official figures show that at the end of March 2020, there was an estimated \$27.9 billion worth of project work yet to be done by the private sector for the public sector that could potentially be fast tracked. This includes:

\$17.1b 

Worth of railway construction

\$6.2b 

In road projects

\$2.0b 

In work related to electricity



02 Rebuild Australia by supporting business performance

To encourage economic recovery and growth, building and construction businesses need to be able to stay open. They need business investment incentives and business resilience support so that their business remains viable and they and their staff remain physically, mentally, and financially secure.

Tax relief and incentives for business investment

Businesses are facing unprecedented times and heightened uncertainty. To encourage economic recovery and growth the Federal Government should immediately cut the company tax rate to 25% and extend incentives that encourage private business investment now and in the coming years.



The Instant Asset Write Off at \$150,000 (decreased receipts estimated at \$2 billion).



Accelerated depreciation for other purchases.



Boosting cash-flow partial refund on withholding tax (\$51 billion over three years).



ATO relief on payments/ deferrals, withholding enforcements, etc. on a case by case basis.

Master Builders calls on the Federal Government to extend all COVID-19 business investment stimulus to the end of the forward estimates, 30 June 2024, including the following:



Business skills for building and construction

The business operating environment is continually evolving and at present is going through rapid changes with heightened uncertainty. A key challenge, especially for small and micro-businesses (98.5 per cent of construction businesses are small, nearly 60 per cent have no employees at all), is recognising skills needs.

In building and construction key skills needs for small and micro-business owners include financial literacy and business management, as evidenced by the sector having the second highest rate of insolvency in Australia.

In the current and challenging economic environment, it is more critical than ever that steps are taken to ensure business owners have access to opportunities to build resilience and to improve their financial literacy and business management skills.

Master Builders calls for the October 2020 Federal Budget to include a \$2.7 million fund over 12 months for a Building and Construction SME Digital Literacy Business Skills Pilot as outlined in the MYOB/MBA proposal and the additional funding sought through the Master Builders proposal to the Office of Women to provide support for female business operators in building and construction.

03 Rebuild Australia by supporting people in the building and construction workforce

The building and construction industry is set to play a significant role in Australia's economic recovery from the COVID-19 crisis. To achieve the maximum return on investment we need to get the workforce settings right.

At present, the building and construction industry employs approximately nine per cent of the Australian workforce and more full time workers and apprentices than any other industry.

The industry, along with the Master Builders training network, has the capacity to maximise job opportunities that can go hand in hand with stimulus that creates a pipeline of work. Federal Government support in workforce development will not only maximise job outcomes but can, through skills development, ensure that there is also a focus in lifting the standard of building quality that has been sought by industry and governments.

Workforce development support, whether it is through apprentice incentives, a building and construction new workers program, or support to GTOs, should be undertaken through the development of a building and construction industry workforce plan and the establish a Building and Construction Skills Organisation.

Simplifying and streamlining employer incentives for hiring apprentices

Master Builders is strongly supportive of financial incentives to hire apprentices. Anecdotal member feedback is that employer incentives are the tipping point for hiring/not hiring an apprentice, especially in their first year.

Australian Apprentice Incentive Payments are processed through Australian Apprentice Support Network (AASN) providers, including the current 50 per cent wage subsidy. Financial management of incentive payments is not the primary purpose

of AASNs and they are not resourced to provide frequent reimbursements.

COVID-19 has shown that the Australian Taxation Office has the infrastructure and capability to deliver frequent reimbursements to employers.

Master Builders calls on the Federal Government to transition Australian Apprenticeship Incentive Payments to the Single Touch Payroll (STP) system. Additionally, regular payments over the life of the apprenticeship are better for cashflow and incentivising continued employment – making smaller and more frequent payments would be more easily facilitated using STP.





Building and construction new workers program

Thousands of workers have been displaced because of the COVID-19 crisis. In addition to this, there were thousands seeking jobs pre COVID-19 that continue to want work as well as school leavers. The building and construction industry has a role to play in assisting displaced workers, job seekers and school leavers to upskill and reskill for positions in residential, commercial and civil construction.

Master Builders calls for the October 2020 Federal Budget to include \$43.3 million over three years for 10,000 places in building and construction introduction courses.

Proposed is a tailor made four-week introduction course that will provide training and employment opportunities for displaced workers, JobSeekers and school leavers through formal and informal training (including white card and asbestos awareness); mentoring and wellbeing support; and onsite work experience.

- Successful completion will provide participants three options: (1) direct work, e.g. as a labourer; (2) pursuit of short-courses, e.g. traffic control, rigging, or forklift licence; or (3) entry into an apprenticeship through direct employment or a group training organisation.
- Costs include an estimated \$42.3 million for course subsidies (\$3500/participant, plus additional funding for in-need participants and an adult apprentice supplement) and \$1 million for project management, communications, and promotion.

Workforce Plan

A key challenge for the building and construction industry is the lack of coordinated whole-of-industry approach from the Federal Government. In Section 5 of this submission we make the case for a Minister for Housing and Construction and a coordinated portfolio. In our view a key priority for the new Minister and Department should be the development of a comprehensive, national building and construction workforce plan.

Building and Construction Skills Organisation

The building and construction industry is heavily reliant on the vocational education and training (VET) sector for skilled workers. Of the workforce with post-secondary education the vast majority are trained in the VET sector. Only 11 per cent of the industry workforce has a higher education qualification. Work is needed to address many of the challenges relating to VET, including perceptions, assessment consistency, apprentice support and completions.

Master Builders calls the October 2020 Federal Budget to include \$20 million over four years to establish a Building and Construction Skills Organisation that will take a holistic view to the challenges facing the industry and VET, and explore and implement a range of initiatives. In the formative stages the organisation would identify and explore the feasibility of a range of initiatives to overcome current challenges.

Potential projects include:

- Development of industry specific resources for careers education in schools and for employment providers.
- Development of a suitability assessment tool looking at language, literacy and numeracy, as well as work-ready attributes and resilience to



ensure learners in need can access additional resources, with success measured through an increase in course completion rates.

- Piloting standardised, independent and proficiency-based assessment as mechanisms to improve the quality of training and training outcomes and to ensure greater consistency between training providers.
- Piloting pastoral support and mentoring initiatives for apprentices.

- Assessment of support needs of GTOs to assist them manage the variables associated with economic uncertainty while maintaining apprentice numbers.
- Establishing strong links between VET and higher education, potentially including the development of a credit transfer framework.
- Strengthening links between VET and continuing professional development (CPD).

04

Rebuild Australia by improving procurement, planning and regulation

The Federal Government as a client in the building and construction process plays a significant role through its procurement processes to assist in economic activity. It is critical that the Federal Government fast-tracks existing funded projects as quickly as possible, continues to identify new projects that can maximise job outcomes in the shortest possible timeframe, enable the tender process to be simpler and more accessible for SMEs, and ensuring that any Federal Government project (either direct or indirect) is competitive in its tender process but maintaining good building standards.

Planning restrictions and delays continue to create unnecessary burdens on building and construction activity and the National Cabinet needs to double down on its efforts to ensure that the current inefficiencies and cost burdens are lifted, otherwise they are going to be a barrier to implementing stimulus initiatives.

A targeted response to deregulation and regulation simplification needs to be developed to enhance stimulus and support recovery and rebuilding. A strong and effective building and construction sector requires regulations that safeguard people, ensure good standards of building, but do not act as a barrier to innovation and delivery. This approach needs to consider reforming the regulatory impact assessment process to account for the cumulative burden of regulation on small business and reforming regulatory levers that are barriers to productivity and that strengthen quality assurance.

Master Builders calls on the October 2020 Federal Budget to include:

- Funding to establish training for SMEs to get “procurement tender ready” and for reform to streamline procurement processes. This could be readily accessible to any interested SME through the Office of the Australian Small Business and Family Enterprise Ombudsman.
- Reforms to regulatory impact assessment processes to take account of the cumulative burden on small business.
- Incentives for states to remove inefficient taxes.
- Making key Australian Building Standards free and developed through a dedicated Federal Government body.
- Fast tracking key Shergold-Weir recommendations and establishing a mechanism for developing model legislation that supports building reform activity.

Procurement Processes

The building and construction industry is particularly vulnerable in the current environment due to its dependence on global supply chains and heavy reliance on cash-flow. This necessitates a more effective system to maximise the value of increased government investment, and to manage payment times and the distribution of risk.

Good procurement practices are essential to high performance in the sector. Getting procurement right at the start helps set things up for success including quality outcomes and value for money. Governments play a dual role as both a client and regulator in the procurement process. These two roles sometimes create conflicts with one another, resulting in complexity and unintended risk.

Master Builders calls for the Federal Government to guide better procurement outcomes during the recovery process by:

- Establishing and implementing a COVID-19 procurement action plan that:
 - Distinguishes between governments role in procurement as a client and a regulator.
 - Implements more collaborative approaches across governments to minimise procurement overlaps, delays and costs.

- Re-assesses risk transfer to make procurement more accessible to SMEs and in turn improve competition.
- Implements faster payment times for the long-term (for example, Defence has sought payment times in under five days).
- Developing training to assist SME's with Federal Government tendering processes, delivered through the Office of the Australian Small Business and Family Enterprise Ombudsman. Lack of training in how to be “tender ready” – is a barrier to participation, particularly as the cost to engage a consultant to undertake this role is cost prohibitive for many SMEs.
- Reforming the tender and contract process to ensure it is simpler and accessible to SMEs. SMEs are often frustrated by the lengthy and complex tendering processes, both pre and post decision.

Reforming Regulatory Impact Assessments

Our understanding of the present environment is that once a regulatory decision is made a line in the sand is drawn and that becomes the benchmark from which future regulatory impact assessments are made. This is fundamentally flawed as it ignores the cumulative burden of regulatory change and multiple regulations, particularly on small businesses.

While we acknowledge that a more comprehensive approach to regulatory impact assessment may be challenging for governments, it is necessary to ensure that governments can genuinely understand the impact of multiple and changing regulations on small businesses.

Master Builders calls on the October 2020 Federal Budget to reform regulatory impact assessment processes conducted by the Office of Best Practice Regulation to ensure assessments account for past regulatory changes, i.e. to assess the cumulative impact of regulatory change over a period of time, for example three or five years. This work should be funded from Departmental resources within the Department of Prime Minister and Cabinet.

Removing planning red tape

Red tape in planning has negative impacts in terms of the speed and cost at which building work is completed. There are multiple layers of government responsible for planning and recent actions in response to COVID-19 show reform is possible, such as faster approvals, new exemptions, and state government call in powers.

Recent research by the Reserve Bank of Australia (RBA) indicates that building and planning restrictions add some \$355,000 to the final price of a typical new apartment in Sydney, equivalent to 68 per cent of the cost of building the apartment. The RBA research also indicates that these restrictions inflate the sale price of new Melbourne apartments by \$98,000 which represents 20 per cent of the cost.¹

A more nationally coordinated response to make planning flexible and adaptable is necessary to effectively respond to construction demand during lock down and rebuilding and to remove barriers to rebuilding. An emerging barrier is the shortage of land following the surge in confidence from HomeBuilder and state and territory housing stimulus.

Master Builders calls for the Federal Government to establish a national process to fast-track more efficient planning and building approval processes through faster approval timeframes; types of approvals that are exempt; better government call in powers; and more resources to turnaround approvals.

¹ Reserve Bank of Australia (2020) *The Apartment Shortage* [Research discussion paper 2020-04.



Better access to Australian Standards

The cost and integration of Australian Standards in the National Construction Code (NCC) is a significant barrier to compliance and a substantial cost for builders and people training to be builders.

The cost of access to Australian Standards for the 2,572 primary and secondary standards referenced in the NCC is around \$320,000, based on an average cost per standard of \$125.

In addition, due to the reference of multiple Australian Standards in Safe Work Australia's Model Codes of Practice, compliance can cost up to \$4000 for each Code of Practice.

Following the recent bushfires, the Bushfire Standard (AS3959) was made available to industry at no cost with costs absorbed by the Federal Government.

Master Builders calls for the Federal Government to make key Australian Standards free and developed through a new dedicated government body. This body could work with industry stakeholders to ensure development and access is affordable for both industry and government with the cost to government offset by reducing funding to Standards Australia.

Shergold-Weir *Building Confidence Report* implementation and building control reform

In response to building quality concerns that have impacted the building and construction sector over the past decade, governments have committed to implementing building compliance and enforcement reforms off the back of the Shergold-Weir *Building Confidence Report*.

Master Builders identifies three key areas of reform identified in the Shergold-Weir *Building Confidence Report* that should be the immediate focus of governments. These are:

1. Licensing and registration.
2. Building regulator data collection.
3. Building product quality assurance.

1. **Licensing and Registration (Recommendations 1, 2 and CPD)**



Inconsistencies in licensing and registration between jurisdictions weakens the effectiveness of industry quality safeguards and contributes to greater insurance risk.

While all jurisdictions register building practitioners, the categories differ affecting mobility and complexity in applying mutual recognition. The scope of work performed by some building profession categories is not limited to the type of design and construction work they have the capability to perform.

Some examples of inconsistencies include:

- Some states only require builder registration/licensing for residential development while others require registration for both residential and commercial.
- Some states require tradespeople to be registered/licensed, while others do not.

Master Builders calls for the Federal Government to:

- Establish a more effective process to fast track and coordinate work already underway across levels of government.
- Expand registration/licensing recommendations to include trades.
- Consistently apply CPD points to VET units of competency.
- Establish clearer links between VET and higher education to enable the workforce to upskill to higher level licenses over time.

2. Building Regulator Data Collection (Recommendations 12-17)



A lack of regulator coordination around collection of building approval documentation contributes to poor building control outcomes, which adds to risk and the cost of building.

A single collection point for key building data (design, approval, operational) is needed to establish a national body of evidence that better informs policy and regulatory action, and provision of information and education resources to industry. The benefits include the ability for issues identified in one project to be identified in other projects, paperwork not going missing, and improved asset management and maintenance.

Master Builders calls for the Federal Government to:

- Establish a more effective process through a dedicated Minister for Housing and Construction to fast track and coordinate work already underway across governments.
- Establish and fund a shared national data platform for building regulator information.

3. Product Assurance (Recommendation 21)



Better Federal Government oversight and coordination of the building product assurance system is needed to improve the supply and installation of compliant building products.

This is needed to address the high incidence of building products in the marketplace that are not compliant with the standards set out in the NCC. Non-compliance results in inferior and sometimes dangerous products being used in the construction of buildings.

Regulation of building product safety is closely related to existing consumer protection regulation administered by the Australian Competition and Consumer Commission and relevant state and territory consumer affairs regulators.

There are a range of actions required by both industry and governments to improve the supply and installation of compliant building products.

Master Builders calls for the Federal Government to:

- Establish a national system that effectively governs product suitability, conformance, and compliance, with a focus on high risk construction products.
- Establish a centre for construction excellence and innovation to focus on product best practice, research, innovation and development.
- Further develop local manufacturing of construction products (timber, steel, masonry and finishing products) so Australia is less dependent on imports and delivers quality products.



05

Rebuild Australia by appointing a Minister for Housing and Construction

The building and construction industries contribution to GDP and the key role it is playing in the COVID-19 recovery and rebuilding requires a more targeted focus and streamlined governance approach. The agriculture sector generates a smaller contribution to GDP and the resources sector employs less workers than building and construction, yet they have a Minister with whole of industry responsibility.

Master Builders therefore calls on the Federal Government to:

- Establish a dedicated Minister and portfolio for Housing and Construction to better target and coordinate government planning, procurement, investment and regulation of building and construction activity.
- The Minister would have portfolio responsibility for all facets of housing and construction, including:



Population & Planning Reform



Housing



Communities & Cities



Procurement Policy



Building Regulation



Quality & Standards



Housing & construction industry workforce planning



Supported by a Department of Housing and Construction





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