



MASTER BUILDERS
TASMANIA

Building Tasmania Since 1891

State Budget Submission

August 2020, Version 2

Master Builders' Association of Tasmania Inc.

This submission is made on behalf of the members of Master Builders' Association of Tasmania Inc.

Master Builders' Association of Tasmania Inc. (Master Builders - MBT) is the State's peak building and construction industry association. Over a 128 years the movement has expanded to greater than 650 businesses and Master Builders' members represent all segments of the building and construction industry in Tasmania, including the largest commercial and civil construction firms, small and medium sized businesses, building industry service providers and regional and remote business operators. Around 45 per cent of all construction undertaken by accredited builders in the State is undertaken by MBT members.

As part of our mission, MBT seeks to lead the development and professional standards of the industry to further the interests of its members and the Tasmanian community.

The building and construction industry is an extremely important part of, and contributor to, the Tasmanian economy and community. The industry contributed more than \$2.5 billion to the Tasmanian economy in 2019, including the construction of more than 2,900 new homes, new schools, hospitals and roads to service a fast-growing Tasmanian population.

The cumulative building task over the next five years will require work done to the value of more than \$15 billion and for the number of people employed in the industry to rise to 25,000.

The building and construction industry:

- Consists of over 3,500 business entities, almost all of which (95%) employ fewer than 20 people and over half (55%) having no employees;
- Employs over 20,000 people, 80 per cent of which are full-time skilled workers;
- The value of work done represents approximately 8 per cent of Gross State Product; and has grown faster than the local economy for the past two years, and
- Is the largest employer of trainees and apprentices in the economy.

Master Builders Proposals for the State Budget 2020/2021

This submission is made an update to the previous Master Builders Budget submission sent on 9 December 2019.

It captures a broader list of recommendations in response to the impacts of COVID-19 and government economic lockdown restrictions. The recommendations are consistent with those provided to government as part of Master Builders 'Rebuilding Tasmania – How the building and civil construction sector can drive Tasmania's economic recovery' and submission to the Premiers Economic and Social Recovery Advisory Council. The latter submissions are provided as supporting documents to this Budget Submission.

Master Builders thanks the Gutwein government for its support of the building and construction industry. Particularly in terms of the stimulus measures implemented in response to Master Builders 'Rebuilding Tasmania' submission. Most notably, Master Builders urged the government to introduce a new Home Builder scheme which increases the grants funding available and extends the eligibility to all Tasmanians hoping to build a new home.

However, the industry is not immune to the impacts of COVID-19 and several longer-term challenges will challenge the industry to maintain its workforce and play a leading role in the economy, as it did pre-COVID-19.

It is extremely important that the government continues to support the Building and Construction industry and this Budget submission (version 2) raises several areas where further support is need and issues which still need to be addressed as a matter of urgency.

There are emerging supply constraints in the form of land shortages and capacity constraints in the training system which may limit the effectiveness of government stimulus measures and the role of the building and construction industry in the economic recovery strategy.

There are also opportunities in the stimulus program which, we believe are not currently being leveraged, particularly in the development of future skills and job opportunities for Tasmanians.

The construction industry could, if properly supported, be the single largest source of demand for full time jobs in the Tasmanian economy over the next four years. It will also be the single largest employer of new apprentices and will need take an increasing share of the workforce to delivery the accelerated infrastructure pipeline and stimulus supported construction under programs like HomeBuilder.

The body of this submission largely focussed on:

- the likely impacts of COVID-19 on the building and construction industry
- address the significant challenge presented by the rapid deterioration of private investment
- ways the government can help the industry to deliver the accelerated infrastructure program, and
- that stimulus programs support local jobs and ensure that the significant multiplier effect of spending on construction projects is captured to drive the economic recovery.

Last year's State Budget identified six overarching themes for strengthening Tasmania's economy. These cornerstone elements included:

- delivering a stronger economy and more jobs;
- investing in health, education and Tasmanians in need;
- keeping Tasmanians safe;
- building infrastructure for the 21st century;
- protecting the Tasmanian way of life; and
- taking action on the cost of living.

This updated budget submission from Master Builders remains consistent with the strategic direction embarked upon by the government last year and adds to these, specific measures to address COVID-19 impacts on the building and construction industry.

We propose a range of measures which will enhance the objectives of strengthening Tasmania's economy of which the construction industry is a key pillar.

Our proposals focus on achieving better housing outcomes for ordinary Tasmanians – one of the most essential services of all, creating jobs to support growth in the industry and economy, and to make it easier for businesses to operate, particularly small businesses. As construction is comprised of a very large number of small firms and sole traders, measures to strengthen small businesses and reduce the impost of regulation will have particularly positive effects in our industry.

COVID-19 Impacts

COVID-19 has had a significant and immediate impact on the building and construction industry. To understand the challenges, Master Builders undertook detailed surveys of our members. The results provide a significant insight into the effects of COVID-19.

While our industry is fortunate to be designated as an essential service there is already an emerging and growing trend of projects being postponed and tenders delayed or withdrawn.

Work programs are falling apart with little to no notice, which will, over time impact on workforce retention and productive capacity.

Stimulus measure have helped, particularly in the residential construction sector where demand for new housing construction has responded positively to the governments announcement to match the Commonwealth governments HomeBuilder scheme. As a result of this stimulus more than 1,400 Tasmanians have registered for HomeBuilder.

The HomeBuilder the program has been so successful that land supply constraints are again the primary impediment to development. The latter may also put upward pressure of new housing construction if more 'shovel ready' land is not made available in time.

However, other sectors in commercial construction have not received the same level of stimulus support and have suffered to a greater extent in terms of COVID-19 related economic impacts.

A survey of major commercial contractors undertaken by Master Builders and the Australian Institute of Architects identified more than \$800 million in commercial construction projects delayed or postponed because of the downturn. These projects extend across projects at various stages, in the design, tendering and secured stages of development.

A list of projects identified as delayed or postponed can be shared with Treasury upon request.

Impact on activity

- Modelling released by Deloitte Access Economics on 29 April 2020, estimates revenue in the construction industry nationally will fall by more than \$5 billion in the four months from 1 April, making our industry one of the hardest hit sectors of the economy.

The report notes:

“governments – federal, state and local – are trying hard to speed up or add to the construction projects that they’re financing. But a bunch of private sector projects are slowing, and some projects are being put on hold, as businesses reassess the need to build”

- Master Builders recently updated forecasts estimate that the value of work done on commercial projects will drop by \$260 million over the next 12 months without government support. The latter assumes a uptick on public spending on health and education infrastructure consistent with that in previous economic downturns. More detail on Master Builders post-COVID-19 building and construction forecasts are provided as supporting materials to this submission.

Impact on employment

Recent data released by the Australian Bureau of Statistics and estimates from consulting firm McKinsey show the construction industry is predicted to be one of the hardest hit in terms of job losses.

- In Tasmania, more than 1,000 construction workers have been retrenched since the government lock down restriction were put in place according to the latest ABS jobs data released 11 August 2020. Many of these are due to the retreat of private sector investment into major projects.
- A recent McKinsey report “the next normal for Australian industries and workforces’ put construction third nationally behind retail and accommodation services in terms of total predicted job losses due to COVID-19.

Immediate Economic Stimulus

It's clear that sustained, elevated levels of public gross fixed capital and support for private investment is the best option available to the Tasmanian Government to stimulate the economy in light of the COVID-19 economic downturn.

Master Builders firmly believes that investing in the building and construction sector will provide a significant return on investment in the short-term through supporting jobs and economic stimulus and in the long-term, through productivity growth in the economy from the legacy of the buildings and infrastructure delivered.

There are a several actions the government can take to protect the sector. These priorities are consistent with this present to government in Master Builders 'Rebuilding Tasmania' submission and presented below, in recognition that steps have already been taken in some areas, for example HomeBuilder. These recommendations are grouped into five main sections.

In considering any economic stimulus measures, the Government should look to ensure that as many Tasmanian businesses and as many Tasmanian workers benefit from those measures.

We would encourage Government to ensure that the Buy Local Policy, as set out in the Procurement Framework under the Treasurer's Instructions is strengthened and applied rigorously.

In addition we would urge the government to undertake a review of the Construction Training policy as it applies to government procurement contracts and consider strengthening this policy to accommodate a greater portion of apprentices – from the current 1 in 5 ratio to 1 in 4 – and invest in additional resources to boost enforcement.

Additional stimulus recommendations include:

HomeBuilder Boost

The commitment to offer a \$20,000 grant to owner occupiers in company with the Commonwealth's \$25,000 grant is strongly supported by Master Builders and formed a key recommendation presented to government as part of the 'Rebuilding Tasmania' submission.

The response to this policy has been extraordinary, with many builder, particularly large volume home builders, reporting a shortage in the supply of shovel ready, titled land lots as a result of the uptick in demand.

Land supply has again become a constraint on new construction and risks, artificially pushing up house prices if land supply is not able to keep pace with demand.

It is recommended that:

- government seek immediate options to boost land supply, possibly through a fast-tracked system to develop new subdivisions and issue titles.
- Make additional resources available to assist with the higher than average volume of development applications, building permits and plumbing permits for local government agencies to access.

- Consider extending the scheme to ensure people who have registered for the scheme do not miss out due to timing issues with land titles, building and plumbing permits.

Modelling suggests that the HomeBuilder scheme will create 1,124 jobs and create \$149.3 million of construction activity.¹

Fast track land development for new housing supply

The Homebuilder scheme has put additional demands on already constrained land supply. There is a risk that future land supply shortage will again put upward pressure on house prices if not addressed.

We know that a shortage of shovel ready land and embedded charges and planning costs can add 30 per cent to the cost of a new home. These costs are attributed to inadequate land supply, embedded land costs, rising developer and infrastructure charges and poor planning and zoning. As a result, land prices have grown at rates up to four times faster than construction costs in recent years.²

The housing shortage is not so much a shortage of homes, but a shortage of land to build homes. Past research by Master Builders has shown infrastructure development that unlocks land supply is the most effective way of boosting new housing supply.

Work with local councils to release land for new housing supply

Government should work with local councils to identify land that could potentially be released for housing supply and also issues that are hindering the release of land by local councils for housing supply. This would include the Government immediately amending the current urban growth boundaries.

Resilience renovations program

The Government should consider developing a resilience renovations program to provide funding to eligible homeowners to improve the accessibility of their homes and/or the resilience of their homes to natural disaster.

Modelling suggests that this policy would create 463 jobs and create \$61.5 million of construction activity.³

Implement and asbestos removal program

The Government should consider immediately funding asbestos removal projects on the National Asbestos Exposure Register for both publicly and privately owned buildings. Given that many buildings are currently empty and likely to be empty for the foreseeable future, this presents an opportunity to remove asbestos in a way that provides an enduring benefit to the community at a time when it is safe to undertake such work.

¹ Ernst and Young modelling, May 2020

² Unlocking Supply, Volume 2, (MBA 2017)

³ Ernst and Young modelling, May 2020

Modelling suggests that this policy would create 277 jobs and create \$36.8 million of construction activity.⁴

Postponed projects register

A significant number of projects were close to commencing when the COVID-19 outbreak occurred. Some of these projects have been cancelled, others have simply been postponed. The Government should urgently compile a register of postponed projects and work with developers to understand what can be done to ensure these projects proceed as soon as possible.

Bring forward all maintenance and infrastructure investment for Government Business Enterprise/State-Owned Companies (including TasWater)

The Government, as shareholders of Tasmania's Government Business Enterprises and State-owned Companies, should write to each organisation instructing them to immediately prepare a plan to bring forward maintenance and infrastructure investment to present to Government. The Government should also look to jointly finance significant new infrastructure projects with these entities.

The Government should consider offering to bring forward its equity contribution to TasWater in return for a commensurate increase in infrastructure and maintenance investment.

Provide no interest loans for headworks on new subdivisions

Headworks charges are often cited by developers as one of the biggest inhibitors to developments such as sub-divisions. Developers are often expected to pay headworks charges up-front and recoup costs at a later stage.

It is recommended that the Government consider offering no interest loans to councils to undertake headworks to encourage developers to pursue planned developments, including sub-divisions. Developers would enter into an agreement to pay councils an amount equivalent to the loan repayments over a five to ten-year timeframe.

Immediately implement the Major projects legislation

Master Builders and the Civil Contractors Federation both support the proposed major projects legislation. It is our view this legislation should be made an absolute priority and implemented as soon as possible.

Fast-track the red tape reduction program

Any proposed acceleration in infrastructure expenditure may be impacted by the regulatory planning and approvals process. While it may not be possible to fundamentally change these processes quickly enough to deliver the required stimulus, Government should look at what actions can be taken now to provide at least some relief.

The Government should consider using mechanisms such as Ministerial Planning Directives to reduce the regulatory burden on smaller, lower-risk developments, which would in turn take pressure off councils.

State Government incentives for private sector activities

⁴ Ernst and Young modelling, May 2020

One of our biggest concerns is that private sector investors and developers will take an overly cautious approach and either postpone or cancel projects.

To provide an incentive to the private sector, we ask that the Government consider offering a rebate on taxes and charges for projects where a development application has been lodged in either of the 2018-19 financial year or the 2019-20 financial year and completed in the 2021-22 financial year. Any rebate would only be paid on the project's completion. This rebate scheme should also apply to projects with development applications lodged in 2020-21 and finished in 2022-23.

The intent of this would be to encourage the private sector to persevere with its current projects and to bring forward any potential projects. In effect, this policy wouldn't cost the Government as it would apply to projects that are unlikely to proceed in the current climate.

Provide payroll tax incentives to businesses of all sizes

Payroll tax is a tax on jobs. The government should immediately provide a payroll tax holiday while any government-imposed lockdown restrictions are in place.

We note the Government's announcement that for businesses with a payroll of under \$5 million payroll tax will be waived for 2019-20. Why this was not offered to large businesses who already pay a higher rate of payroll tax is unclear. This penalises larger businesses and their workers unfairly.

Most jobs losses in the construction industry since April 2020 are from major contractors. Reducing the payroll tax burden on large building contractor businesses will save jobs.

Build capacity in the training system through the development of a construction skills training hub

There are issues with the scale and scope of the construction industry training system, with gaps in training services becoming a constraint on industry and local jobs creation in recent years.

The future capacity of Tasmanians to work on projects outlined in Tasmania's infrastructure pipeline may be significantly hindered as a result. This has further been highlighted in the recent workforce plan undertaken by the Civil Contractors Federation.

By our estimates, accounting for replacements and retirements, and to meet the Government's targets to boost employment by 5,000 in the next five years to deliver future projects, the training system will be required to up-skill more than 8,000 new workers. Not meeting these targets will limit local jobs and may be a barrier to delivering the Government's major projects pipeline.

Every worker in the construction industry requires some form of training, whether formally accredited training to become eligible for trades licenses, or site safety or white card accreditation as a requirement for project and work site induction.

Master Builders currently delivers more than 1000 individual training places per year, but capacity constraints in existing facilities will limit our ability to expand these services.

It is recommended that the government:

- Support the development of an Industry Training Hub to expand the scope of training courses offered to business in the construction industry, and
- Implement recommendations 14 and 15 from the PESRAC interim report immediately.

The remaining sections of this submission are consistent with Master Builder Pre-Budget Submission to government in December 2019.

Removing Charges and Taxes Which Add to Building Costs

For the building sector, one of the least equitable features of the current taxation regime is the situation of 'taxes on taxes'. For example, stamp duties paid on the acquisition of land by developers are included in the base for calculating stamp duty at later stages in the building and development process.

In the case of the final GST charge on new buildings and homes, taxes paid during the building process (like stamp duty, rates, etc.) have the effect of inflating the final GST bill paid by the new homeowner or business.

There are examples of local government fees being levied on GST inclusive building costs – another example of 'taxes on taxes'.

The construction industry is taxed at all three levels of government and a root and branch review of the taxation system should also examine the costly and inefficient developer taxes, charges and levies, and planning and zoning restrictions imposed upon the building sector. The combination of these, make up a significant portion of the final cost of a new dwelling and add further to house prices by reducing supply.

The growth in tax revenue from property – land taxes and conveyance duties – were again estimated to exceed growth in total State taxation. This has been the case for some time and means that the property sector continues to make up a greater share of tax revenue than its share of the economy. This is unsustainable and adds significantly to the costs of construction.

Tax relief for small businesses who employ apprentices has been a very successful policy, and a key reason why Tasmania has managed to go against the nation trend, with new apprentice commencement growing by over 10 per cent in the past 12 months compared to a fall nationally. However, to be most effective businesses need longer term certainty given an apprenticeship is a four-year commitment.

With respect to taxation, the 2020/2021 State Budget should:

- Maintain the payroll tax exemption for apprentices for four years to give businesses the confidence to employ for the full term of an apprenticeship.
- Where possible, reduce taxes and charges related to new construction activity through a reform of costly infrastructure, taxes and charges, as well as bringing the growth in conveyance duties and land taxes in line with broader growth in total State taxation.
- Remove 'double taxation' in all forms and at all stages of property development projects.
- A timeframe of measures and initiatives for making a substantial reduction in the regulatory burden on small businesses in the building and construction sector.
- Fast track the implementation of a single State-wide Planning scheme. Master Builders recommends the government re-establish the Planning Taskforce to help drive the speedy delivery of these reforms.
- Local government reform which seriously considers the long-term viability of maintaining 29 councils serving just over half a million people.

Backing Business and Creating More Jobs

Last year's State Budget pledged to back business by delivering a stronger economy and more jobs. Construction firms are at the forefront of the economy, and our sector is overwhelmingly characterised by a highly competitive collection of small and very small firms. Latest ABS estimates indicate that 5,947 firms were active in the construction sector at the end of June 2018 – an increase of 199 businesses over the year. Of these, 3,619 were non-employing with a further 2,262 construction firms employing less than 20 people. This means that 98% of construction firms currently operate as small businesses – many of which are sole traders.

The ABS data also shows that the construction industry had the highest number of exits in the last 12 months. Some of these are due to transitional effects, but this does highlight the need for a greater focus on the promotion of business skills, particularly in financial management and literacy to give small business owners the best chance for success.

With most construction firms operating with a handful of staff, the burden of regulation and bureaucracy is particularly onerous on the building sector. Regular or ongoing changes to regulations can make it difficult for small business to comply. Compliance costs are a significant impost on businesses and often overly complex regulation and compliance is a cause of businesses failure to meet regulatory standards.

Accordingly, the State Budget should take account of this situation. Master Builders calls for:

- A greater effort to ensure regulation is fit for purpose and simplified – including plain English.
- Place a greater emphasis on tackling administered prices that impact the cost of doing business especially with respect to project approval documentation, holding costs, and environmental impact reporting and documentation.
- Funding for training for small businesses to set up and operate online financial management systems, e-commerce platforms including access to free or low-cost mentors on how to set up digital systems properly.
- Funding for construction businesses to upskilling business managers and owners in the areas of human resource management, financial management, and occupational health and safety.
- Greater financial support for small and medium businesses to employ apprentices. This funding must be equitable and accessible by all apprentice employers in the industry. This should include but not be limited to group training providers.
- No increase to NatHERS Star rating for residential buildings without full rebate from the government for additional costs incurred by firms.
- All documents and literature relating to regulations, codes and standards, to be made fully accessible online and free of charge for all. Making Australian Standards referenced in the National Construction Code freely available would be a significant step to improving compliance given that there are over 100 "Primary Referenced Australian Standards" and hundreds more "Secondary Referenced Australian Standards" contained within the National Construction Code.

Guaranteeing Essential Services

There are few services more essential to a society than housing. As well as providing shelter and the foundation of a society's social capital, an adequate housing stock facilitates the proper functioning of a competitive labour market and allows for mobility amongst the population.

For both renters and homeowners, housing is often the largest cost item in the household budget. In recent years, new housing supply has consistently struggled to keep pace with demand, with housing affordability deteriorating steadily as a result. Back in 1988, the median Australian house price was \$83,000. This reached \$138,500 a decade later and by 2008 was \$373,000. In mid-2018, the median house price was \$550,000.

Tasmania has traditionally been a more affordable place to buy a house and raise a family. But house price growth in Hobart has consistently outpaced that in other state capital cities for more than two years. House prices in Hobart have grown faster than incomes for the best part of a decade.

The latest population projections from the ABS indicate that population growth is on track to remain strong over the coming decades. Last year population growth in Tasmania ticked over 1.2 per cent and added more than 6,500 permanent residents to the community.

Rapidly growing student and tourist numbers are placing additional strain on the housing stock. Last year Hobart topped the list of capital cities in terms of rental growth and had the lowest residential and hotel vacancy rates in the country.

At current rates, over the next ten years the population of Tasmania will grow by approximately 60,000 people – requiring more than 25,000 new dwellings to be built.

Another emerging roadblock to new housing supply and affordability is the growing costs levied on the private sector to upgrade and maintain utilities infrastructure. There are several examples of delays in utilities connections adding to the challenge of getting affordable land to market.

If the policy settings are not improved to allow supply to more easily meet future demand, the risk is that the housing affordability squeeze will become even more acute.

Specifically, we need government to make new dwelling stock easier and less costly to build in a timely fashion. Land release and planning are central to this agenda. It is also important that planning allow people to live in places which are in proximity to other essential services and to their place of work. Doing so takes pressure off infrastructure and reduces the environmental footprint of our urban areas.

Master Builders calls for:

- Increased emphasis on the provision of adequate stock of public housing and action to provide suitable accommodation to those families assessed as being in greatest need.
- Governments in coordination with industry, to encourage superannuation funds and other institutional investors to invest in both existing and new public infrastructure.
- Support for large-scale infrastructure projects in regional areas.
- Greater funding to upgrade utilities infrastructure, particularly in major growth corridors and areas slated for new residential development. Doing so could significantly cut the cost of land development and the price paid by consumers for new housing.

- State government incentive payments tied to local government performance with respect to delivering housing affordability policy outcomes against key performance metrics.
- State government incentive payments tied to local government performance with respect to efficiency improvements in planning and zoning.
- Funding to investigate the performance of local government and agencies with respect to planning and adequate land release.

Keeping Tasmanians Safe

The State Budget 2019/20 identified the safety of Tasmanians as one of its central pillars. The vast bulk of people's time is spent inside homes, schools, offices, shops and hospitals, all of which are created by the building industry. Conditions in our sector therefore have a profound impact on the safety, security and well-being of all Australians.

With over 20,000 Tasmanians employed in construction, working conditions in the sector also have a major impact on the physical and mental health of a large share of the population. The current WHS system is overly complex and highly administrative in its nature. Master Builders sees the refinement of the current WHS laws as one of its highest priorities moving forward. Feedback from MBT members (of all sizes) is that the WHS regime's increase in compliance costs have not been offset by an improvement in WHS practices.

Building quality has received a lot of attention as a result of significant failures in building products and defect issues in mainland states in recent years. This is a complex issue with a complex set of causes. The built environment in Tasmania does not present the same level of risks. However, there are a growing number of cases in the courts related to build quality and defect issues. This an impost to the courts, to business and to consumers. The current system where consumers in the residential sector are not covered by compulsorily warrant scheme is a risk to consumers.

Accordingly, Master Builders urges a greater focus on recommendations which improve the safety of buildings, those working on construction sites, and maintain high standards in building quality. MBT recommends:

- The 2020/2021 State Budget to provide dedicated resources for strengthening compliance and enforcement in relation to non-conforming building products and to oversee the review and implementation of agreed recommendations from the Shergold Weir Building Confidence Report.
- Funding for an assessment of the costs and benefits of a New Home Builders Warranty scheme.
- A WHS system which serves to protect workers, and which is simplified to improve understanding and compliance. The current WHS system is complex, onerous and from an industry perspective, difficult to apply and administer.
- Funding for businesses to assist in the development and implementation of safety management systems – ideally at an ISO 45001 compliant level.
- Funding for in-depth research into silica, silica exposure and management on Tasmanian construction sites.
- Compliance with 20+ Codes of Practice in addition to hundreds of pages of Regulations is arduous and not conducive to meeting the objectives of the WHS Act 2012.
- Master Builders recommends funding be included in the Budget for a performance review of the current WHS system and safety on Tasmanian construction sites, with a view to ensuring that the safety of all of those engaged in building and construction work is properly safeguarded in a manner that is consistent with avoiding over regulation and the imposition of excessive costs on firms in the construction industry.

Building Infrastructure for the 21st Century

The construction industry will be called upon over the next decade to deliver an unprecedented number of new commercial and civil construction projects. At the same time, we need to build more new homes to house a growing population. Done right this pipeline of work presents a huge opportunity for the construction industry and will have significant positive spill-over benefits for the rest of the economy.

It is important that government policy and regulatory settings are geared to assist the industry in increasing capacity, and to maximise the opportunities that this huge pipeline of projects presents to the construction industry and the economy.

Procurement policies should be targeted to maximise participation of local firms and ensure that projects are structured in an inclusive way which facilitates better access for small and medium businesses to government contracts. Clearly expressing the criteria by which successful tenders are measured would help small and medium businesses in the bidding process for government work.

Given many of the small and medium businesses who work on government projects do so under subcontractor arrangements, it is also important that there is greater transparency in the supply chain of government projects.

For the purpose of quality control, the government could consider a requirement to nominate major sub-contractors in the tender process.

The scheduling of public projects must be considered in a holistic fashion to prevent bottlenecks in the project pipeline.

A more coordinated approach to the scheduling of major public infrastructure projects would maximise the economic contribution of these projects to the Tasmanian economy and reduce the potential for adverse impacts which can result from supply constraints. We risk missing an opportunity to maximise the engagement of local firms and workers if major projects are not timed in a way which encourages local business and worker participation.

Better staging of major project will also reduce the potential for supply constraints to add to delivery costs.

Accordingly, Master Builders recommends:

- Adequate resourcing for Treasury to better coordinate tendering schedules of major government projects (in excess of \$20 million) across government departments.
- Government procurement rules be modified to facilitate better access for small and medium firms to government contracts. This could involve a specific portion of the value of government contracts exclusively for small and medium firms each year.
- The publication of accurate and timely information to the public on the government's pipeline of construction work.
- Resuming regular (quarterly) construction industry roundtables. Several roundtables were held in 2018 and were an effective way for the public and private sector to discuss key challenges impacting on the timely roll out of infrastructure projects. Government assistance for smaller contractors to meet government pre-qualification requirements.

- An increase of the Second Party Quality Assurance Prequalification limit from \$1 million to \$1.25 million. This threshold has not changed for more than 5 years meaning that in real terms it is effectively lower than when originally introduced.
- Enforcement of apprentice workforce ratios on government projects.
- Maintain the record levels of expenditure into infrastructure, especially given Tasmania's growing population and the growing need for further investment. We are playing catch-up and it is important that infrastructure spending keeps pace with population and economic growth. Not doing so is a drain on productivity and threatens jobs across the economy.
- We urge the Government to meet year-on-year budgeted infrastructure spending commitments. This is important to enable businesses to plan and give confidence to invest in their own capacity to deliver the project pipeline
- Fast track smaller projects in the engineering and civil sectors to help fill short term gaps in the project pipeline which are likely to emerge in the early stages of 2020/21.

Skills to Deliver the Pipeline of Work Ahead of Us

Master Builders firmly supports the government's target to boost employment in the construction industry by 25 per cent. Meeting this target will be critical in the timely delivery of major public infrastructure projects over the forward estimates and beyond. There are several government projects underway which are helping to boost skills in the industry. Support for businesses to take on new apprentices is a necessary step to help boost skills in the industry in the medium and long-term. Master Builders urges the government to continue funding into these programs over the full forward estimates to give businesses in the construction industry the certainty to take on new apprentices.

Master Builders also supports the government's target to boost apprenticeship numbers in the construction industry by 40 per cent by 2020. However, to meet this target greater industry engagement is needed.

The aging demographics of the construction workforce, and growing retirement rate must also be considered in the funding of new placements. Retirement rates average around 2 per cent across the workforce but we expect this to be as high as 5 per cent in the construction trades over the next 5 years meaning we will need to replace up to 4,000 workers due to retirements.

We also need to be smarter about how we attract people of all backgrounds into the industry. This is particularly true for attracting women into the construction workforce. The industry will not meet skills demands if we do not get a fair share of workers from all segments of the community. It is Master Builders firm position that it is the responsibility of industry to promote Building and Construction as a career destination for a wider segment of the community. To do so we need to break down social barriers, stop the bullying on worksites which is a known deterrent to participation from people with diverse backgrounds, and demonstrate that the construction industry can be an inclusive industry.

Accordingly, Master Builders recommends:

- Government to undertake a coordinated campaign with the support of industry to promote apprenticeship opportunities in the building and construction industry and highlight the rewarding career opportunities which the industry can offer.
- Vocational Educational and Training;
 - Greater government support for VET skills development. TAFE is not suited on its own to provide the training choice to support all of industry training needs. Funding to understanding how TAFE might better work with industry would improve training outcomes.
 - Support for innovative training delivery options.
 - Funding to support skills development in remote areas.
 - Funding for the expansion of industry Construction Pathways program to reach more schools and include hands on experiences for schools.
- Greater support for small businesses to take on apprentices. This may include mentoring programs and access to EPL and counselling services.
- Support for future female leaders in the building and construction industry.
- Funding for a workforce planning research report to be undertaken across the construction sectors to identify skills chokepoints in the future project pipeline as presented in the Infrastructure Pipeline Report 2019 and for private major projects.

- Funding for programs which support/encourage great participation from women and other demographic groups into the construction workforce. For example, to support veterans and new migrants to undertake training and apprenticeships in the construction trades.
- Greater transparency around the release of future training funding to allow industry to better plan training programs and initiatives.
- Funding to assist transitions into teaching and training roles for industry participants.
- Greater funding to expand pre-apprenticeship training to improve the job readiness and job outcomes for new apprentices.