



**MASTER BUILDERS**  
**TASMANIA**

*Building Tasmania Since 1891*

# State Budget Submission

March 2021

## 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 130 years the movement has expanded to greater than 600 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.

## Contribution to the Economy

The building and construction industry is an extremely important part of, and contributor to, the Tasmanian economy and community. The past 12 months is a vivid example of this contribution, with the construction industry playing a leading role in accelerating our recovery out of COVID.

The construction industry is slated to support more than \$2.5 billion in economic activity in each year across the Budget forward estimates. Including the delivery of stimulus programs such as HomeBuilder, putting housing construction and homeownership at the centre of the recovery strategy. A legacy of this strategy will be that more Tasmanians will benefit from the long term social and economic benefits of homeownership.

To deliver this significant pipeline of work it is estimated that the construction workforce will need to grow to 25,000, a train upwards of 7,500 new workers over the next four year.

### **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 three years, and
- Is the largest employer of trainees and apprentices in the Tasmanian economy.
- Create \$3 in economic activity for every \$1 spent on a construction project in Tasmania.

## Summary of Budget Measures

Master Builders commends the Gutwein government for its support of the building and construction industry. Several stimulus measures implemented aligned closely with Master Builders and CCF submission: *'Rebuilding Tasmania – How the building and civil construction sector can drive Tasmania's economic recovery'*.

These measures have saved more than 1,200 construction jobs, saved businesses, and avoided a construction cliff which was estimated to see new housing construction fall short by more than 800 dwelling and create a \$1 billion hole in commercial construction activity.

Last year's State Budget identified Jobs, Confidence, Community and Rebuilding a Stronger Tasmania as key themes.

Master Builders 2021-22 Pre-budget submission is consistent with these themes and focusses on building capacity in the construction industry to ensure it can continue to lead a sustainable economic recovery.

The following list of policy priorities are presented in support of a strategy to keep construction sites and the community safe, unlock private investment to drive the recovery and support jobs and long-term sustainability in the construction industry.

Policies focus on:

1. Commercial building activity
2. Residential building activity
3. Civil and engineering building activity
4. Backing business to create more jobs
5. Keeping Tasmanians safe, and
6. Skilling for the Recovery

All policies are developed in consultation with Master Builders members and State Council.

## Commercial Building Activity

Commercial construction is highly dependent on private sector investment that in turn is driven largely by investor and business confidence.

One of the lasting impacts of COVID has been a deterioration in private sector investment. At the height of COVID more than \$1 billion in projects were flagged as stalled.

Some projects have recommenced at various stages of development, largely thanks to immediate government stimulus and fast-tracked publicly funded projects. However, building approval statistics for non-residential construction remain well below pre-COVID levels.

The long-term recovery and sustainability in the construction industry will rely on how well and how quickly private sector investment can be encouraged back into Tasmania.

Master Builders strongly recommends that measures to help stimulate commercial construction activity over the long term be a feature of the 2021 State Budget.

Later sections of this submission which address policy recommendations on safety, ease of doing business, taxation, and the sustainability of the construction industry workforce complement the list of recommendations provided immediately below:

### Policy Priorities

7. A significant expansion to the \$10 million Building Support Program to give private investors incentives to invest now.
8. Funding for additional resources for the Office of the Coordinator General to work with developers and contractors to bring forward stalled projects, starting with projects identified on Master Builders stalled projects list.
9. Long run workforce planning to address bottlenecks created by major projects and access to skills.
10. Funding to bring forward maintenance and infrastructure investment across Government Business Enterprises.
11. Adequate resourcing for Treasury to better coordinate tendering schedules of major government projects (more than \$20 million) across government departments.
12. 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.
13. The publication of accurate and timely information to the public on the government's pipeline of construction work.
14. Government assistance for smaller contractors to meet government pre-qualification requirements.

## Residential Building Activity

For the residential sector, the announcement of HomeBuilder, combining \$25,000 in federal government and \$20,000 in state government stimulus was transformative. It formed a key recommendation presented to government as part of the Master Builders and CCF 'Rebuilding Tasmania' COVID recovery plan.

In the early days of COVID, it was feared that new housing construction could fall short by as much as 800 dwellings over the 2021 calendar year. The resulting losses in jobs and activity would have been catastrophic.

The enthusiastic take-up of HomeBuilder by the community has been extraordinary. Supporting more than 2,600 applications, 6,400 full-time jobs and more than \$700 million in economic activity across the economy.

Many builders are reporting shortages in the supply chain. Policies which target these shortages will ensure that new housing construction can keep pace with demand over the long run.

Land supply has again become a constraint on new construction and may put upward pressure on house prices if land supply is not able to keep pace with demand.

It is equally important to continue with a strong focus on the adequate provision of social housing.

An adequate housing stock is the foundation of a society's social capital, facilitating the proper functioning of a competitive labour market and allows for greater mobility amongst the population. It is crucial for a well-functioning economy.

For both renters and homeowners, housing is often the largest cost item in the household budget. In recent years, new housing supply has consistently not kept pace with demand. The result is housing costs which have increased at a faster rate than average incomes for an extended period.

Tasmania has traditionally been a more affordable place to buy a house and raise a family. Affordability has been a drawcard, supporting inward migration from other Australian states.

At current growth 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.

Growing developer costs levied on the private sector to upgrade and maintain utilities infrastructure and planning delays which add to holding costs also continue to put upwards pressure on the cost of building a new home.

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 long run supply to better meet future long run demand more easily, the housing affordability squeeze will become even more acute.

Policy Priorities:

1. Provide immediate discretion to the Commissioner of the State Revenue Office to extended HomeBuilder commencement timeframes in circumstances where timing issues arise outside of the control of the builder or homeowner.
2. Boost land supply and unlock privately held land zoned for residential development, either through a fast-tracked system or agency tasked with increasing land supply for residential construction.
3. Make additional resources available to assist with the higher-than-average volume of development applications, building permits and plumbing permits for local government agencies and the Land Titles Office.
4. An increased emphasis on the provision of social housing and the provision of suitable accommodation to those families assessed as being in greatest need.
5. Provide no interest loans for headworks on new subdivisions. Headworks charges are often cited by developers as one of the biggest inhibitors to land development.
6. 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 ultimately the price paid by consumers for new housing.
7. Establish a digital development fund, similar that those which exist in other states of a \$1 for \$1 contribution to roll-out fibre optics and other digital infrastructure to regional areas and for new sub-divisions.
8. State government incentive payments tied to local government performance with respect to delivering housing affordability policy outcomes against key performance metrics.
9. State government incentive payments tied to local government performance with respect to efficiency improvements in planning and zoning.
10. Fast track the implementation of a single State-wide Planning scheme.
11. Resilience renovations program. The Government should consider implementing 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.
12. Local government reform which seriously considers the long-term viability of maintaining 29 councils, serving just over half a million people.

## Civil and Engineering Building Activity

Combined with commercial construction activity, the pipeline of major infrastructure is slated to contribute more than \$16 billion to the economy over the next decade.

Done right this pipeline of work presents a huge opportunity for the construction industry, the community, and the economy.

It is important that government policy and regulatory settings are geared to assist the industry in increasing capacity.

Capacity within government agencies must also be addressed if targeted infrastructure spending is to be met.

Procurement policies should be targeted to maximise participation of local firms and ensure that projects are structured in an inclusive way and facilitate better access for small and medium businesses.

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.

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 projects will also reduce the potential for supply constraints to add to delivery costs.

### Policy Priorities:

1. Establish and enforce apprentice/trainee workforce ratios on all government projects in the civil and engineering construction sector.
2. Provide funding for industry to expand the scope of training services on offer to workers in the civil and engineering construction sector.
3. Maintain the record levels of expenditure into infrastructure, to support Tasmania's growing population, create jobs and improve living standards. 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.



4. 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.
5. Provide extra resources for department procurement agencies, and State Growth to accelerate the delivery and roll-out of major infrastructure projects.

## Backing Business to Create 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 98% of construction firms currently operate as small businesses – many of which are sole traders.

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. Often, overly complex regulation and compliance is a cause of failures to meet regulatory standards.

Businesses which operate in the construction and property sectors are exposed to a greater tax burden than other industries. The impact can be lower activity and lower employment.

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 new dwellings and buildings.

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 primary reason why Tasmania has managed to go against the national trend, with new apprentice commencements growing in recent years. To be most effective, businesses need longer term certainty given an apprenticeship is a four-year commitment.

### Policy Priorities:

1. A greater effort to ensure regulation is fit for purpose and simplified – including plain English.
2. Place a greater emphasis on tackling administered prices that impact the cost of doing business, with respect to project approval documentation, holding costs, and environmental impact reporting and documentation.
3. Greater financial support for 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.
4. No increase to NatHERS Star ratings for residential buildings without a full rebate from the government for additional costs incurred by firms.

5. 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.

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

6. Maintain the payroll tax exemption for apprentices for four years to give businesses the confidence to employ for the full term of an apprenticeship.
7. 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.
8. Remove ‘double taxation’ in all forms and at all stages of property development projects.
9. Provide payroll tax incentives until the economy recovers and all jobs lost due to COVID are recovered.
10. Remove the higher payroll tax rate for large businesses. This penalises the workers of large businesses unfairly.

## Keeping Tasmanians Safe

The vast majority of people's time is spent inside homes, schools, offices, shops, hospitals, and other buildings produced by the construction industry. Conditions in our sector therefore have a profound impact on the safety, security, and well-being of all Tasmanians.

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 a compulsorily warrant scheme is a risk.

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

Policy recommendations:

1. Funding for a Resilience Renovations program giving eligible homeowners access to funding to improve the accessibility and/or resilience of their homes to natural disasters.
2. A fund giving access to building owners and homeowners for the removal of asbestos in buildings. This fund could be provided on a first come, first serve basis, capped each year over the forward estimates.
3. 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.
4. Funding for an assessment of the costs and benefits of a New Home Builders Warranty scheme.
5. 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. 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.
6. Funding for businesses to assist in the development and implementation of safety management systems – ideally at or close to an ISO 45001 compliant level.

## Skilling for Recovery

Master Builders firmly supports the government's target to boost employment in the construction industry by 25 per cent.

Equally, Master Builders supports the government's target to boost apprenticeship numbers in the construction industry by 40 per cent. To meet these targets greater industry engagement is needed.

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 job creation.

The future capacity of Tasmanian's to work on projects outlined in Tasmania's infrastructure pipeline may be significantly hindered as a result.

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, the training system will be required to up-skill upwards of 7,500 new workers. Not meeting these targets will limit local jobs and may be a barrier to delivering the future major projects pipeline.

We 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.

To do so we need to stop the bullying on worksites which is a known deterrent to participation from people with diverse backgrounds. We must demonstrate that the construction industry can be an inclusive industry.

Every worker in the construction industry requires some form of training, whether formally accredited for the purpose of trades licensing, or site safety or white card accreditation as a requirement to enter and safety work on a construction site.

Skills funding is not adequate to meet future demand. This is most acute in the contested funding available for private RTO's.

The process to apply for this funding is rigid, unresponsive to periods of increased demand and is a barrier for private training providers to meet the growing training needs of industry.

The construction industry is home to more apprentices and trainees than any other industry. It can account for upwards of 20 per cent of all trainees and apprentices in the workforce. Licencing which requires qualifications as pre-requisites to upskill place a greater burden on training needs.

The distribution of training funding across industries does not match the distribution of training needs.

The lack of physical capital and fit-for-purpose training facilities also limits the scope of training services on offer and the ability for the training system to scale up.

Over the long term, a lack of funding and capacity in the training system is likely to add to skills shortages, particularly in higher licence categories which demand a great investment in time and resources to attain.

Policy Priorities:

1. Greater funding to support TAFE/industry partnerships to deliver post-apprenticeship qualifications in all sectors of the construction industry. This funding should focus on qualifications required as prerequisites for occupational licences.
2. A significant increase in contested skills funding through Skills Tasmania. Moving to a demand driven system where funding is paid upon completion of courses/units.
3. It is urged that a portion of contested Skills Funding is quarantined for the construction industry, commensurate with industry's share of apprentices and trainees in the workforce. This should remain in place for the duration of the current building boom and be administered through or in close collaboration with Keystone.
4. Funding support to build a Construction Skills Training Hub. A fund to match industry contributions \$1 for \$1 in the form of a low interest loan would assist in expanding capacity within industry to meet growing training demands.
5. Support for innovative training delivery options, particularly that target regional and remote areas.
6. Funding for the expansion of the Construction Pathways program to reach more schools and include hands on experiences for schools.
7. Greater support for small businesses to take on apprentices. This should include mentoring programs and access to EPL and counselling services.
8. 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.
9. Funding to assist transitions into teaching and training roles for industry participants.
10. Greater funding to expand pre-apprenticeship training to improve the job readiness and job outcomes for new apprentices.
11. Funding for Skills Tasmania, as part of the amended Building and Construction Training Policy to employ officers to enforce the Building and Construction Training Policy on construction sites.
12. Implement recommendations 14 and 15 from the PESRAC interim report immediately.