

31 October 2018

Mr Andrew Barr
Chief Minister and Treasurer
GPO Box 1020
CANBERRA ACT 2601

By email: BudgetConsultation@act.gov.au

Dear Chief Minister

Submission from the Master Builders Association of the ACT: 2019-20 ACT Budget

Thank you for inviting the Master Builders Association of the ACT (**MBA ACT**) to make this submission as part of the 2019-20 ACT budget consultation process.

The building and construction industry is the second largest industry in Australia, accounting for 8.1 per cent of Gross Domestic Product and provides jobs for close to 1.1 million Australians - 8.9 per cent of total employment in Australia. The industry is also a significant contributor to the ACT economy, employing around 14,600 people (*ABS, 2018*) and made a \$1.7 billion contribution towards Gross State Product (by Industry Value Added) in 2015-16 (*ACT Government, Economic Indicators for the ACT*).

This pre-Budget submission sets out the MBA's proposed budget priorities and our key recommendations in the areas of the long-term infrastructure planning, housing and land release, taxes, fees and charges, skills and training and ACT government resourcing.

If you require any further information or clarification, I may be contacted on (02) 6175 5900.

Yours sincerely



Michael Hopkins
Chief Executive Officer

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MASTER BUILDERS
AUSTRALIAN CAPITAL TERRITORY

Master Builders ACT

2019-20 ACT Budget Submission

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1. Master Builders ACT

Master Builders ACT (MBA) was formed in 1925 and represents the interests of around 1,200 commercial builders, residential builders, civil contractors, suppliers, subcontractors and professionals.

The majority of our members (more than 95%) are small and family businesses.

Master Builders ACT is the largest membership association in the ACT in our industry and also operates Canberra's leading Registered Training Organisation (MBA Group Training Limited) and Group Training Organisation.

The building and construction industry is a significant contributor to the ACT economy, employing around 14,600 people (ABS, 2018). The industry made a \$1.7 Billion contribution towards Gross State Product (by Industry Value Added) in 2015-16 (ACT Government, Economic Indicators for the ACT).

2. Recommendations

A summary of recommendations to government for the 2019-20 ACT budget are as follows:

Long Term Infrastructure Planning

- 4.1 Additional and on-going funding be allocated for the permanent appointment of the ACT Government Engineer.
- 4.2 The ACT Government prepare a 30 year infrastructure plan, which includes all infrastructure under the direct funding control of the ACT Government, and where possible includes infrastructure provided by Government owned and non-government utility providers (ActewAGL, Icon Water, telecommunication providers, etc) and cross-infrastructure infrastructure provided by adjoining local Councils.
- 4.3 Government continue to implement the ACT Local Industry Participation Policy as a priority action. This will ensure that as the ACT grows, the flow-on economic value created through additional building and construction activity will be captured within the ACT economy. Government procurement can play a vital role to help to grow and develop local industry for the overall benefit of the ACT economy.
- 4.4 Government increase investment in infrastructure in key growth corridors, activity centres and align infrastructure spending with the planned delivery of new suburbs by the ACT Government and private sector.
- 4.5 Infrastructure projects which contain full or part Federal Government funding be exempted from the Secure Local Jobs Procurement Rules to avoid the compliance

costs with this new law being incorporated into the infrastructure cost and so that individual contractors don't have to apply for individual exceptions.

Housing and Land Release

- 5.1 Increase the supply of residential land for mixed and medium density housing to meet community need.
- 5.2 Disclose in the published land release program, the number of single houses, semi-attached and apartment dwellings planned in each suburb for the four years of the program.
- 5.3 Make targeted sales of englobo land for residential development to the private sector. Over time, government should move towards a policy of the majority of residential land being delivered by the private sector, so that government can focus on strategic planning, infrastructure planning and delivery, and long-term land release policy.
- 5.4 Align the release of land and residential planning controls with the 30-year infrastructure plan.
- 5.5 Increase funding in the Environment, Planning and Sustainable Development Directorate (**EPSDD**) to ensure that the Housing Choices policy and consequential Territory Plan amendments are implemented as a priority action.

Taxes, fees and charges

- 6.1 No new taxes, increases in taxes, rates, fees or charges be applied to the property, building or construction industry to give small and family businesses a chance to adjust to the long-term ACT taxation reforms.

Skills and training

- 7.1 Government should maintain its investment in vocational education and training (VET) for both full qualifications and skill sets commensurate with the future skills needs of the industry.
- 7.2 Government should invest in public and not-for-profit registered training providers equally.
- 7.3 Government should invest in advancing the skills of and the retraining of workers in key identified areas through the provision of funding for non-accredited training.
- 7.4 The ACT government should also work with Federal governments to ensure the VET system delivers quality training outcomes.

ACT Government resourcing

8.1 Additional permanent resourcing be provided in the areas of building quality, WorkSafe ACT, and development assessment.

3. Key Issues for Consideration

The building and construction industry has been a key driver of the ACT economy through a period of transition and has played an important role in buffering the impacts of past reductions in Commonwealth Government spending and employment.

In this submission we urge the Government to consider the benefits to the ACT economy of budget measures that are directly aimed at supporting the local construction industry. Of particular relevance to the construction industry is the Government's focus on growing Canberra's population, diversifying the economy, and delivering urban renewal. These priorities have been echoed in ACT budget submissions made by the MBA over a number of years.

The MBA would like to make a number of recommendations to government (which are detailed in the section above), and grouped into the following themes:

- Long Term Infrastructure Planning
- Housing and Land Release
- Taxes, fees and charges
- Skills and training
- ACT Government resourcing

We would appreciate the opportunity to discuss these issues with you in greater detail.

4. Long Term Infrastructure Plan

Building infrastructure that underpins the long-term future of the ACT is government's core responsibility. The ACT is lacking a long term and detailed infrastructure plan which provides certainty for investors, the community and the construction industry.

Too often annual ACT government budgets promise large capital works program, only to have the actual expenditure pushed into future years as procurement, program or delivery delays result in actual capital works expenditure far less than budgeted. This outcome is a symptom of short-term planning.

It is important that long term infrastructure plan be developed and funded in conjunction with the ACT planning strategy and Territory Plan review. With the planning strategy refresh recently completed, and work to redraft the Territory Plan about to commence, there is an ideal opportunity to progress the Territory Plan and Infrastructure Plan in parallel.

Development of a long-term infrastructure plan will have the added benefit of allowing local contractors to prepare their businesses for upcoming projects. This preparation will include investment of skills and training, adjusting the capacity within their business to accommodate upcoming projects, and even form joint-ventures to bid for upcoming major projects. This form of planning by small businesses is not possible with the current short-term approach to infrastructure planning.

To address these issues, Master Builders ACT recommends the following actions:

- 4.6 Additional and on-going funding be allocated for the permanent appointment of the ACT Government Engineer.
- 4.7 The ACT Government prepare a 30-year infrastructure plan, which includes all infrastructure under the direct funding control of the ACT Government, and where possible includes infrastructure provided by Government owned and non-government utility providers (ActewAGL, Icon Water, telecommunication providers, etc) and cross-infrastructure infrastructure provided by adjoining local Councils.
- 4.8 Government continue to implement the ACT Local Industry Participation Policy as a priority action. This will ensure that as the ACT grows, the flow-on economic value created through additional building and construction activity will be captured within the ACT economy. Government procurement can play a vital role to help to grow and develop local industry for the overall benefit of the ACT economy.
- 4.9 Government increase investment in infrastructure in key growth corridors, activity centres and align infrastructure spending with the planned delivery of new suburbs by the ACT Government and private sector.
- 4.10 Infrastructure projects which contain full or part Federal Government funding be exempted from the Secure Local Jobs Procurement Rules to avoid the compliance costs with this new law being incorporated into the infrastructure cost and so that individual contractors don't have to apply for individual exceptions.

5. Housing and Land Release

Despite recent efforts of Government, the supply of land for new housing is still not keeping up with demand. Additionally, the type of land being released does not allow for appropriate housing which meets the changing demographics of the ACT. For example:

- Constraints in the supply of land for single housing have led to rapid increases in the price of land for single housing, which works against Government's housing affordability policy,
- Substantial supply of land for large apartments has meant the ACT is now well supplied with new apartments; and

- Land for mixed and medium density housing is severely constrained meaning a large of part of the Canberra community (included the aging) is not being supplied with housing that meets their needs.

To address these issues, Master Builders ACT recommends the following actions:

- 5.6 Increase the supply of residential land for mixed and medium density housing to meet community need.
- 5.7 Disclose in the published land release program, the number of single houses, semi-attached and apartment dwellings planned in each suburb for the four years of the program.
- 5.8 Make targeted sales of englobo land for residential development to the private sector. Over time, government should move towards a policy of the majority of residential land being delivered by the private sector, so that government can focus on strategic planning, infrastructure planning and delivery, and long-term land release policy.
- 5.9 Align the release of land and residential planning controls with the 30-year infrastructure plan.
- 5.10 Increase funding in the Environment, Planning and Sustainable Development Directorate (**EPSDD**) to ensure that the Housing Choices policy and consequential Territory Plan amendments are implemented as a priority action.

6. Taxes, fees and charges

The building and construction industry is one of the most intensely regulated industries in Australia. This adds to the cost of building homes and community infrastructure.

The building and construction sector is also one of the most intensely taxed in Australia, and bears a direct and indirect tax burden from all levels of Government — Federal, State/Territory and local. This high and onerous tax burden distorts investment decisions, discourages entrepreneurship and innovation, and reduces business investment and employment opportunities. It also diverts scarce resources into unproductive and unnecessarily costly tax compliance within a key sector of the Australian economy.

In recent ACT Budgets the taxation on new housing has increased through increases in Lease Variation Charges (**LVC**) on certain residential leases, as well as significant increases in rates. The correspondence tax savings measures have not been sufficient to cover these increases.

To address these issues, Master Builders ACT recommends the following action:

6.2 No new taxes, increases in taxes, rates, fees or charges be applied to the property, building or construction industry to give small and family businesses a chance to adjust to the long-term ACT taxation reforms.

7. Skills and Training

A skilled local population is critical in a modern international city. There were around 14,600 people employed in the building and construction industry in the ACT in 2018, which represents around 8 per cent of total employment. The industry is the largest employer of skilled tradespeople in the Australian economy with approximately two thirds of the workforce employed in skilled roles.

Continued ACT government commitment to the vocational education system to satisfy the growing demand for construction and trade skills, and to avoid future skills and labour shortages is of vital importance.

Of equal importance is a focus on incentivising quality training providers and ridding the Territory of fly-by-night providers that aim to profit at the expense of our youth.

The MBA is proud of the quality of our apprentices. Our focus on quality has translated into apprentice retention rates (first year apprentices that complete their training with the MBA) of more than 90%. This impressive statistic is a benchmark other training organisations across Australia can only aspire to.

Government should work closely with industry to identify and respond to instances of poor practice, without increasing the red tape and cost burden on all training providers.

To address these issues, Master Builders ACT recommends the following action:

7.5 Government should maintain its investment in vocational education and training (VET) for both full qualifications and skill sets commensurate with the future skills needs of the industry.

7.6 Government should invest in public and not-for-profit registered training providers equally.

7.7 Government should invest in advancing the skills of and the retraining of workers in key identified areas through the provision of funding for non-accredited training.

7.8 The ACT government should also work with Federal governments to ensure the VET system delivers quality training outcomes.

8. ACT Government resourcing

It is important that the policy and budget priorities of Government be supported by an appropriately resourced and well structured ACT public service which aligns to these priorities. While recent changes to Ministerial portfolios to combine responsibility for safety under a single Minister and building quality improvements to a single Minister is welcomed, other policy priorities such as housing affordability, infrastructure planning and delivery, and planning and urban renewal still report to multiple Ministers with responsibility split between multiple Directorates. Furthermore, the level of resourcing within each Directorate does not allow for the efficient and timely delivery of Government priorities.

Three key areas of Government are highlighted as being in urgent need for additional resources:

- Additional resources to ensure the required building quality reforms can be urgently implemented, and on-going resources to ensure existing building laws are adequately enforced.
- Additional resources in WorkSafe ACT to allow the full and timely implementation of the review of the ACT's work safety, compliance infrastructure, policies and procedures.
- Additional resources in the development assessment team (within EPSDD) to ensure statutory assessment timeframes can be met in an environment where the number and complexity of applications is increasing.

To address these issues, Master Builders ACT recommends the following action:

8.1 Additional permanent resourcing be provided in the areas of building quality, WorkSafe ACT, and development assessment.

9. Conclusion

The MBA ACT welcomes the opportunity to contribute to the 2019-20 ACT budget. As the leading ACT industry association representing one of the Territory's largest non-government industry, the recommendations in our submission are aimed at growing the overall ACT economy, in particular growing the private sector components of the economy. We believe that a more diverse economy, including a strong private sector, will ultimately benefit the building and construction industry and the interests of our members.

We would welcome the opportunity to discuss any aspect of our submission in further detail.