

22 November 2023

Mr Andrew Barr MLA
Chief Ministers & Treasurer
ACT Government

Via Email: budgetconsultation@act.gov.au

MASTER BUILDERS ACT SUBMISSION TO THE ACT BUDGET 2023-24

Thank you for the opportunity to provide a pre-budget submission to the 2024-25 ACT Budget.

The 2024-25 ACT budget is being formulated against a volatile and uncertain economic backdrop with the ACT economy still suffering the aftereffects of the COVID-19 lockdowns and the persistent impacts of high inflation. For at least the last two years, local businesses have suffered from a multitude of economic and political impacts, including:

- The highest levels of inflation in over 30 years
- Labour shortages, which are being compounded by chronic shortage of housing and high cost of housing which is impacting local business' ability to attract workers to Canberra
- Persistent (but easing) supply chain disruptions
- Uncertainty about Federal and ACT Government investment in infrastructure spending, and
- A barrage of new and proposed legislation, adding to the significant red-tape burden on small and medium businesses.

These challenges are feeding an environment of uncertainty, continued cash flow pressures, low productivity and a high-risk business environment.

This environment is making it difficult for the building and construction industry to support the ACT Government's plans to build more housing, build infrastructure to support our future growth, invest in new job creation, and generally contribute to the growth of the ACT's economy.

To support the ACT Government's efforts to grow our economy through budget measures, we also urge Government to review its legislative reform priorities to ensure future reforms are supporting economic growth, improving productivity and prioritising local businesses to thrive in the ACT.

Our submission addresses the following key issues:

- Delivering a Sustainable and Reliable Pipeline of ACT Government construction projects
- Supply of build-ready land for housing & addressing our long-term housing needs
- Growing and diversifying our workforce
- Supporting the energy transition
- Adequately resource the new planning system and other reforms

We thank you for the consultation on budget preparation held to date and welcome the opportunity to provide the ACT Government with further details about any of our proposals.

About Master Builders ACT

Master Builders ACT is the peak industry association for the building and construction industry. With over 1,000 members across residential and commercial builders, civil contractors, subcontractors, suppliers, and professional sectors of our industry.

Our members represent all levels of the supply chain, from the landowner and developer, through to builders, subcontractors, suppliers, designers, and engineers. Our members also include professionals who advise these building industry practitioners, including lawyers and accountants.

We operate Canberra's largest specialist building and construction industry training organisation, MBA Group Training, which currently trains approximately 200 carpentry apprentices and more than 10,000 construction workers in short courses each year.

ACT Building and Construction Industry Snapshot

Building and construction is one of the largest sectors of the ACT economy. Latest ABS figures indicate that the total value of building and construction work done over the year to June 2023 totalled \$4.13 billion in value. This comprises:

- \$2.04 billion in residential building
- \$1.19 billion worth of non-residential building; and
- \$898.0 million in civil and engineering construction activity.

During August 2023, the ACT's building and construction workforce totalled 14,495. This is equivalent to 5.4 per cent of all jobs in the ACT.

Our industry also does the heavy lifting when it comes to supporting apprentices and trainees. The building and construction industry is the number one employer of apprentices and trainees in the ACT. At the end of March 2023, there were 2,156 construction apprentices in-training in the ACT, which represents 35.7 per cent of all ACT apprentices.

The structure of the building and construction industry is unique in that it comprises a majority of small businesses. Of the 6,529 construction businesses in operation in the ACT at the end of

June 2022, 98.5 per cent had fewer than 20 employees. It is these small and family-owned businesses which should be the focus for support from the ACT Government's 2024-25 budget.

We urge the ACT Government to focus on supporting these local businesses in the 2024-25 ACT budget.

ACT Building and Construction Industry Outlook

The latest (September 2023) Master Builders Australia forecasts for the ACT are **attached**.

The forecasts paint an uncertain and volatile picture for the Australian and ACT economies, influenced by declining demand for new housing, high inflation, persistent (albeit easing) supply chain disruptions and labour shortages.

It is important for the ACT Government to recognise that in the current uncertain economic environment, building and construction businesses are more sensitive to direct investment by Government and the investment settings created by the Government's legislative reform agenda.

Continued and predictable investment in infrastructure and public building, which supports local contractors, designers, and consultants, is critical to supporting local building and construction businesses.

Understanding and minimising the cost burden of new legislation is also particularly critical in the current economic environment.

Building and Construction Industry Workforce

Across industries and skill levels the Australian workforce is experiencing critical shortages which are inhibiting economic recovery and productivity growth. There are a number of elements to these difficulties. We believe that the solution lies in boosting industry participation amongst underrepresented segments, enhancing training and increasing the intake of migrants from overseas to the ACT.

For the construction industry itself, achieving the training outcomes we need for new entrants is contingent on VET funding commitments increasing from the lowest subsidy rate in Australia to be in the top quartile for each building and construction trade.

Ensuring that our future local construction workforce is large and productive enough to be able to deliver on our building and construction needs over the coming decades relies upon attracting and sustaining a steady flow of new apprentices to the industry each year. Perhaps the biggest problem of all is that a large share of apprentices are permanently exiting their training prematurely, often because immediate earning opportunities can be more attractive in other industries.

With considerable numbers of older workers permanently retiring from the construction industry

each week, the pressure to replace their decades of experience and upskilling is considerable.

One of the great opportunities for Australia's construction workforce lies in enhancing its diversity and striving to increase participation rates amongst those currently underrepresented in our workforce. According to the ABS, as at February 2023, women account for just 15.8 per cent of the ACT's construction industry's workforce. Amongst construction trades workers, where shortages are most acute, women account for just 1.8 per cent of the headcount nationally.

Initiatives like the Women in Civil and Women in Trades programs (which are delivered by the MBA, other stakeholders and with support from the ACT Government) are working hard to improve female participation in construction trades occupations by dispelling some of the misconceptions around the nature of the work as well as through tackling the barriers faced by women wishing to pursue construction apprenticeships. Initiatives provided by the MBA ACT, including our Women in Construction program, are also supporting women working develop and advance their careers in the construction industry.

Based on the MBA Australia's *Future-proof construction: a workforce blueprint (attached)*, the ACT needs 6,982 new construction workers between February 2023 and November 2026 to meet our needs.

These new jobs are required in the following roles:

• Managers	1,390
• Professionals	605
• Technicians & Trades	2,065
• Admin	1,334
• Machinery	284
• Labourers	451
• Total	6,982

Specific Master Builders ACT Budget Proposals

Delivering a Sustainable and Reliable Pipeline of ACT Government construction projects:

- Deliver on last year's budget announcement to build \$8.2 billion of infrastructure over the five years to 2027-28, with an appropriate mix of small and medium sized projects for all sectors of the building and construction industry which can be released for tender in the short term.
- Ensure a rolling \$5 billion, 5 year, pipeline of capital works projects is always in place for local building and construction businesses.
- Invest in appropriate design and documentation of capital projects to both improve the quality of tender documents, and to increase the bank of build-ready projects available for tender to local construction companies.
- Develop a long-term infrastructure plan for the ACT which incorporates infrastructure funded by the ACT Government, infrastructure funded by the Commonwealth

Government, infrastructure procured by Icon Water and Evoenergy, and any other relevant infrastructure to support the Territory's long term growth.

- ACT Government to offer new building and construction contracts which fairly and appropriately share risk between key stakeholders.

Supply of build-ready land for housing & Addressing our long term housing needs

- Accelerate the investment in the planning, construction, and sales of land through the Suburban Land Agency to meet current demand, and build a stock of build-ready land for housing.
- Review the design and lot mix of future suburbs delivered by the Suburban Land Agency to ensure there is appropriate supply of affordable land to meet the needs of first home buyers.
- Commence the planning studies, site investigation, design and approval of future new suburbs to ensure there is a long-term supply of land for new housing.
- Investigate models to partner with the private sector to increase the supply of build-ready land for housing.
- Address cost of living, housing affordability and availability measures which encourage population growth and attraction of key workers to the ACT to support our future economy.
- Increasing the supply of public and social housing to meet the needs of the ACT community.
- Set annual housing targets for the ACT based on the new National Housing Accord and provide regular reports against the delivery of these targets. As part of this reporting, set out how estimated future demand for land is determined, and report on the number and location of zoned and development-ready lots, disaggregated by infill/greenfield and permitted density.
- Amend planning and zoning rules that currently allow only single detached houses, to allow more dense development 'as of right' along key transport corridors, with height limits set up front; relax regulations limiting the use of secondary dwellings and dual occupancies, and relax minimum carpark requirements for developments where there is good access to public transport.

Growing and Diversifying our Workforce

- Increase apprenticeship subsidies for all trade apprenticeships, including carpentry and plumbing apprentices which are currently provided the lowest subsidy in the ACT compared with any other State or Territory.
- Develop a workforce transition plan, with appropriate funding for re-skilling and new trade apprenticeships, to meet the needs of the ACT's electrification transition.
- Reintroduce funding for Women in Civil, Women in Trades and other pre-apprenticeship programs to help attract a diverse workforce to the building and construction industry.
- Tackle lower trade apprenticeship completion rates by offering incentives for successful

- completions and continue funding to employers for apprenticeship commencements.
- Provide resourcing to promote vocational education and training pathways, and trade apprenticeship opportunities, for school leavers.
 - Funding the development of a digital apprentice sign-up and onboarding platform.
 - Work with the Commonwealth Government to prioritise skilled migration into the ACT.
 - Leverage the NCVET data to develop and publish VET quality indicators at the RTO level to enable prospective students, apprentices and employers to make informed decisions about their training pathway and training provider, to incentive RTOs to strive for excellence, and to inform decision making on funding for training delivery.

Supporting the Energy Transition

- Replicate the \$85million program announced in the 2023/24 ACT Budget to electrify government owned and operated buildings to privately owned buildings. This will allow common building typologies (eg. commercial office and apartment buildings) to undergo electrification as demonstration projects. The learnings from these demonstration programs will inform future Government policy and assist industry to prepare for the significant challenge of electrifying all existing buildings in the ACT.

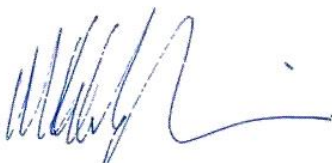
Adequately resource the new planning system and other reforms

- Invest in additional resources, including new landscape design, urban design and architecture positions, to support the outcomes-based planning system.
- Adequately resource the Environment, Planning and Sustainable Development Directorate to implement the recommendations of the 2018 Building Confidence Report.
- Provide funding for industry training to support the new and upcoming legislative reforms (National Construction Code 2022, New Planning System, Property Developers Licensing).
- Adequately fund the National Capital Design Review Panel so that proponents can book review meetings in a timely fashion and so the Panel can appropriately support the new outcomes-focused planning regime.

Conclusion

We are available to discuss any aspect of this submission.

Yours sincerely



Michael Hopkins
Chief Executive Officer

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