



Master Builders Association of Victoria

Submission - Melbourne's Water Future

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MELBOURNE'S WATER FUTURE

Master Builders thanks the Office of Living Victoria for providing a briefing on its *Melbourne's Water Future* draft strategy. Our organisation is pleased to be provided with an opportunity to comment on the contents of the draft strategy as Victoria's pre-eminent voice for the building and construction industry.

As an organisation, we agree that efforts are required to better manage the use and re-use of all the water sources throughout our community. This has the capacity to reduce the need for large-scale, expensive water infrastructure, which in turn eases long-term cost of living pressures faced by Melbourne households.

Our whole community understands that water is in fact a precious, finite resource. Efforts should be made to ensure our homes, gardens, parks, offices and workplaces play a role in the sustainable use of water. Master Builders firmly believes this aim would be best achieved by encouraging consumers to look at sensible, cost-effective water use solutions when purchasing a new home or building or upgrading an existing asset.

Melbournians have proven to be savvy water users and their actions helped preserve our water resources when they were needed most during the drought last decade. Master Builders is confident that government can enlist the goodwill of local residents to again drive new water-efficient practices. However, we are concerned the draft strategy could lead to additional, mandated requirements that drive up the costs of building, hurting jobs and investment in our sector, which is the second-largest provider of full-time jobs in this state.

Housing affordability and an overly-complex planning system plague our industry. Moves that simply add further cost or regulatory burdens without proof that upfront capital investments can lead to significant cost or water savings over a short, medium and long term period would be counterproductive to the aims the draft strategy presents.

Only by fostering a true partnership between government, industry and the community can we truly hope to drive water use innovation and help Melbourne retain its status as the world's most liveable city for years to come. It is pleasing to see efforts by the Office of Living Victoria to establish such links and Master Builders hopes this is merely the beginning of a productive, fruitful and sensible dialogue to improve the water usage practices across our suburbs.

It should be acknowledged that innovative building solutions are already being utilised to help preserve our vital water assets, including stormwater harvesting and treatment, stormwater run-off mitigation as well as treatment and recycling of wastewater. Demand for such features in new buildings and retrofit projects is increasing. The focus of government actions in this space should be to help stimulate demand rather than using bureaucracy, red tape or mandated requirements for an industry already combating extraordinary levels of public policy intrusion that simply drive the price of building projects up, hurting the competitiveness of our industry.

Radley de Silva
Chief Executive Officer

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OVERVIEW OF MASTER BUILDERS ASSOCIATION OF VICTORIA

The Master Builders Association of Victoria (“Master Builders”) is the peak body representing employers in Victoria’s building and construction industry. Our membership consists of more than 9,500 builders, subcontractors, manufacturers/suppliers and students. More than 50 per cent of our professional members are small businesses with an annual turnover of \$2 million or less.

Master Builders provides a range of services to members. Many of these would be cost prohibitive if not offered by a not-for-profit group that supports builders, particularly those in small businesses, including:

- Legal advice on matters such as preparing domestic building contracts and resolving building disputes;
- OHS advice, including delivering the Small Business OHS Consultancy Program in partnership with WorkSafe;
- Advice on the interpretation of building legislation and the technical provisions of the National Construction Code;
- Training services including Diploma, Certificate level and short courses designed to meet the needs of the various sectors within the industry;
- ALink, our go to support and advisory centre offering a range of services including placements, Industrial Relations and OHS advice for apprentices, apprenticeship service providers and those seeking a career in the building and construction industry to help reduce the attrition rate of apprentices and to raise the profile of the industry as a provider of rewarding career pathways;
- Our award-winning Virtual Office cloud-based system providing members access to services including e-contracts, e-permits and monitoring of CPD points;
- Assisting members in preparing applications to become registered builders.

Given our close contact on day-to-day basis with building businesses, from large to small, that deliver the homes, offices, warehouses, factories, workplaces, schools, hospitals, roads, transport and other social infrastructure for the metropolitan region, Master Builders is uniquely placed to comment on the issues raised in the *Melbourne’s Water Future* consultation draft paper.

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RATIONALE FOR CHANGE

The basis of *Melbourne's Water Future* appears to be that, without action, modelling indicates a requirement for an additional two desalination plants at a total cost of \$6 billion between now and 2050. However, the first appearance of this rationale is on page 11 of the draft strategy.

The need to avoid large long-term increases in water bills faced by households and businesses alike through the construction of expensive large-scale potable water generating infrastructure is indeed a powerful reason for alternative action. This would address concerns relating to increased cost-of-living pressures faced by many people in our community. It should form the heart of the government's rationale for change, even if it may contradict previous statements about the need for the current desalination plant near Wonthaggi.

No comparative cost, however, has been provided for the types of reforms outlined in the draft strategy. Master Builders is therefore unable to comment on whether the actions listed in the government's strategy would indeed be more cost-effective than the construction of additional desalination plants, but does acknowledge the statement in the strategy stating its benefits are estimated to amount to up to \$7 billion in net present value terms as well as healthier waterways, reduced mains water demand, wastewater discharge and energy emissions.

THE IMPACT OF DROUGHT ON HOUSING STOCK

There is no doubt that prolonged droughts can have severely adverse impacts on housing and building stock, both old and new. The efficient use of stormwater could play a vital role in supporting moisture in the soil our houses and buildings are constructed upon.

As the charts on page 50 of the draft strategy shows, rainfall patterns are not homogenous across Melbourne, with our western and northern suburbs receiving significantly less rain than many of our eastern and south-eastern regions. Different approaches will be required to help boost water sustainability in these areas of low rainfall.

Cases of slab heave, which has had serious implications for a number of consumers and builders, may have been caused by unstable soil reactions both throughout and following the Millennium drought. These cases have also predominantly occurred in the western and northern suburbs of our city. Master Builders supports government initiatives such as that proposed in *Melbourne's Water Future* to applying a precinct-by-precinct method to managing the water needs of different communities rather than a one-size-fits-all approach. This is to be encouraged and applauded. We hope it helps nourish the land our industry builds on so that our houses and buildings will continue to serve our community for decades to come.

HOUSING AFFORDABILITY AND GOVERNMENT REGULATION

Master Builders' data shows the price of houses in Melbourne were 3.3 times the size of average household income in 1996. This ratio has grown exponentially since and by 2011 house prices were around 6.8 times the size of average household incomes. Getting into the housing market is becoming an increasingly difficult challenge for many people and families in Melbourne. During the same period, the median house price in Melbourne climbed nearly four fold, from \$152,800 to \$575,000. However, the average median household income here in Melbourne has less than doubled in the same time, climbing from just under \$46,000 in 1996 to \$84,000 by 2011.

It is becoming increasingly difficult for Melbournians to fulfil the great Australian dream of owning their own home. And even for those who get there, the Australians for Affordable Housing has estimated that nearly 57,000 total mortgagees throughout Melbourne, including more than 14,000 first home buyers, are at risk of financial hardship or poverty after paying their housing costs.

This is a situation requiring urgent action. While house prices may have fallen in the last couple of years while average incomes climbed, housing affordability remains at near record lows. Master Builders has previously lobbied for reforms to help address housing affordability across Victoria, highlighted by our *Is Anybody Listening?* campaign in 2010.

Despite these efforts and subsequent commitment for modest grants and stamp duty discounts for first home buyers, government taxes, charges and policy settings continue to be a drag on housing affordability and social equality. Stamp duty, development contributions, infrastructure charges, planning and building permit fees, bushfire zones and six-star efficiency standards add tens of thousands of dollars on to the costs of a new home.

Mandating the use of new water efficient measures into the construction of new and upgraded buildings will compound housing affordability and add further government red tape to the construction of homes and workplaces right across Melbourne. Such moves are not supported by Master Builders. Should moves to introduce such a scheme proceed, it is vital government examines and publicly releases information pertaining to the reasonably expected costs and benefits of such initiatives and work with industry to ensure there is significant value for building industry consumers. The government should also look at rebates or tax concessions to help offset any further increase in construction costs resulting from its own policy decisions, with a particular focus on low-income and middle-income households struggling to afford to pay for the installation of water saving infrastructure in their homes. Likewise, a continuous emphasis needs to continue to be place on providing sufficient support to small businesses. This may include a review of the Living Victoria Water Rebate Program, launched in 2012, to ensure it is most effectively helping to reduce the costs associated with the installation of sustainable water measures in new homes or building retrofit projects.

Master Builders believes an effective method to generate more sustainable water use and re-use within Melbourne's homes and workplaces is to encourage the take up of sustainable water design features by consumers through education rather than compulsory requirements. That's why our organisation supports initiatives that improve the disclosure of water performance for homes when being sold or leased, as outlined in the *Melbourne's Water Future* draft strategy. Rating systems outlining the water and energy efficiency of whitegoods and other products, combined with

rebate systems for items such as water tanks, have helped stimulate activity and more sustainable purchases by consumers. We look forward to taking part in further discussions with the Office of Living Victoria to examine options that may improve the disclosure of household water efficiency to prospective homebuyers and tenants. We do, however, emphasise that for any solution to work, compliance red tape for builders must be minimised.

LINKS TO BUILDING REGULATIONS, STANDARDS AND CODES

Any moves to encourage greater use of water-sustainable building features need to be linked to relevant state and national building codes, requirements, standards, regulations and practices. This will require action on a number of fronts, including:

- Liaising with the Australian Building Codes Board;
- Working closely with the recently established Victorian Building Authority;
- Developing partnerships with Standards Australia; and
- Undertaking education campaigns outlining any proposed changes that would impact builders to ensure the industry is best placed to deliver reforms on the ground.

It will also be important to ensure a sufficient transition process is undertaken if any government regulations are altered in the future so that our industry has the opportunity to make necessary adjustments in a reasonable timeframe. Master Builders notes efforts mentioned in the draft strategy to also examine regulations to reduce burdens on developers, such as reviewing unknown factors such as requirements for new houses to include either rainwater tanks or solar panels. We encourage the Office of Living Victoria to continue to identify ways regulatory imposts can be minimised or certainty increased.

LINKAGE TO STATE PLANNING REQUIREMENTS

As outlined previously, government policies and regulatory requirements continue to see builders spend more time filling in bureaucratic paperwork and less time doing what they do best – that is building the homes, offices, workplaces, schools, hospitals and other infrastructure our community rightly expects and deserves. As such, it is important that proposals put forward through the draft strategy do not lead to an increase in red tape faced by our industry or onerous additions to either the Victorian Planning Provisions or the underlying planning system.

The Office of Living Victoria should work with other relevant government departments and agencies to identify ways to boost productivity with the planning system. This should include examining the feasibility of linking potential as-of-right or code assessed development opportunities with the types of water cycle management priorities sought through the *Melbourne's Water Future* draft strategy.

In public service remuneration agreements, government often requires a guarantee of productivity improvements before committing to pay increases. This discipline should be applied to the planning system, with any new measures proposed by government that leads to increased compliance costs or delays for industry being matched by initiatives that boost productivity elsewhere so there can be a net positive impact. This will allow the planning system to act more as an economic enabler rather than a constraint.

Efforts also need to be made to ensure Office of Living Victoria requirements do not unreasonably delay the availability of developable land. The supply of land is a crucial requirement in addressing housing affordability in Melbourne and any delays to the progress of items such as precinct structure plans could cause significant issues for the building industry.

Master Builders would likewise be concerned about any moves to add further delays to the planning system by including Office of Living Victoria as a planning referral authority. At present, a wide variety of government agencies can have referral powers including VicRoads and catchment management authorities (CMAs), which our members report can lead to lengthy, time-consuming delays for planning matters. Coordination is required with water bodies such as the CMAs and local councils to ensure all planning requirements are covered by one agency rather than adding delays by both examining similar components of development proposals.

ENCOURAGING SENSIBLE WATER USE

While the draft strategy has a strong focus on encouraging small-scale local water use and re-use infrastructure, no emphasis has been placed on encouraging behavioural change within households or workplaces. The *Target 155* campaign encouraged water use reductions by Melbournians by providing aspirational targets while water restrictions provide mandated, enforceable measures to reduce water consumption.

As the draft strategy itself states, overall annual drinking water consumption in Melbourne decreased from 500 GL to 343 GL per annum between 2000-01 and 2010-11, a significant decline of 30 per cent. It further states that household consumption (which accounts for 63 per cent of drinking water usage) declined from 247 to 146 litres per person over the same period, a decline of 40 per cent. This provides evidence that water restrictions and water use target campaigns can result in significant water savings throughout our community.

The building industry and its customers should not be forced to bear the brunt of regulatory reform. Partnerships must be made with water users, both in households and through workplaces, to ensure behaviour is changed and reduce the need for government to invest in large-scale water infrastructure.

Master Builders calls on government to strengthen the *Melbourne's Water Future* strategy by providing greater encouragement and incentives for behavioural change amongst water users. We encourage the proposal to develop geographically-specific benchmarks for both households and businesses and hope the outcomes will be reported regularly against these targets.

LIVING VICTORIA FUND

Master Builders supports the establishment of the Living Victoria Fund to help develop Integrated Water Management Cycle plans. Efforts need to be made to better promote the types of projects eligible for funding through this fund and identify ways to minimise costs in rolling out the delivery of sustainable water infrastructure. We back the use of this fund to stimulate innovation in water use reductions. A focus should be made, for example, on encouraging better use of potable water through fire sprinkler systems, which require regular testing but for which there are no incentives encouraging the recirculating of potable water, particularly within older buildings.

The draft strategy provides some details in how government will assist in installing more water efficient measures in public buildings, including schools, hospitals, airports, sporting grounds, libraries and transport assets. We do not see, however, any funding attached to this aspiration. We again emphasise the need to ensure all parties make significant contributions to future water conservation activities rather than putting the greatest emphasis on the construction or upgrading of non-government buildings.

FINAL COMMENTS

Again, Master Builders thanks the Office of Living Victoria for seeking comments on its proposed *Melbourne's Water Future* plan. We look forward to the consideration of the issues raised in this correspondence and hope that we can produce effective outcomes for the building industry that supports investment, cuts red tape and meets the needs of those Melbournians to purchase or use our building products. Master Builders also notes the commitment contained in the draft strategy for government to complete a cost-benefit analysis as part of steps to develop a regulatory impact statement. We look forward to seeing the results of this work.