



# Master Builders' priorities: Building Our Future

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OLD  
TREASURY  
BUILDING



## MASTER BUILDERS OVERVIEW

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 around 9000 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;
- Technical advice on the interpretation of building legislation and 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; and
- Assisting members in preparing applications to become registered builders.





# BUILDING OUR FUTURE

For 140 years, Master Builders' members have built the structures that Victorians rely on, which have enshrined Melbourne's place as one of the world's most liveable cities.

Our industry has delivered our community's great icons – from the Royal Exhibition Buildings in Carlton, to Federation Square, the Eureka Tower and AAMI Park. We have also constructed the homes, schools, hospitals, sporting grounds, transport connections, offices and workplaces that allow our community to thrive.

More than 200,000 Victorians are employed in the building and construction sector and we are the second-largest provider of full-time jobs in the state.

A strong building industry is crucial to a strong economy. However, the recent decision to abolish the East-West Link project puts this at risk.

Our priorities for *Building Our Future* outline a number of key initiatives we need to see in this budget to ensure our industry remains strong by stimulating investment in construction projects and generating more jobs.

The State Government has a fundamental role in funding a pipeline of construction works that provides Victorians with the infrastructure needed for the future. Master Builders is calling for a range of government-funded projects to be announced as a matter of urgency to help replace the large number of jobs the East-West Link was to create.

We also want to see projects to support smaller scale construction companies through funding new school buildings, hospital upgrades and recreational facilities in our regional towns and cities, as well as in Melbourne's growing outer suburbs.

In addition to funding projects, Master Builders highlights the need for our industry to be able to deliver construction projects in an efficient and effective manner. The State Government must enforce the rule of law in our sector, to help drive productivity and stimulate private-sector investment in construction.

Action must also be taken to level the playing field, so legitimate registered builders are not forced to compete with unregistered operators or an ever increasing number of owner builders.

Finally, across the state builders face a constant battle complying with overbearing planning and building red tape requirements. Every time a builder steps over a council border, they are forced to throw out the rulebook. Builders need to be spending less time filling in bureaucratic paperwork so they can get on with delivering the projects Victorians rely on.

We urge the State Government to consider these and other important initiatives outlined in this paper to ensure Victoria remains a safe place to invest and work.

Radley de Silva  
Chief Executive Officer



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## SUMMARY OF RECOMMENDATIONS

<p>PRIORITY 1: INVEST IN INFRASTRUCTURE</p>	<p>Master Builders calls on the State Government to prioritise infrastructure investment by -</p> <ul style="list-style-type: none"> <li>• Increasing infrastructure expenditure as a percentage of GSP in line with population growth;</li> <li>• Taking actions to ensure Victoria’s debt profile allows the state to retain its AAA credit rating; and</li> <li>• Pursuing equal GST per capita funding to help fund state-shaping infrastructure projects.</li> </ul>
<p>PRIORITY 2: ESTABLISH INFRASTRUCTURE VICTORIA AND RELEASE A MAJOR WORKS PIPELINE</p>	<p>Master Builders calls on the State Government to prioritise the establishment of Infrastructure Victoria as an independent statutory body to undertake and provide public advice on matters including -</p> <ul style="list-style-type: none"> <li>• Identifying Victoria’s current and future infrastructure needs;</li> <li>• Investigating the potential to involve superannuation funds in priority infrastructure projects; and</li> <li>• Examining world leading practices in the sound delivery of public-private partnerships.</li> </ul> <p>We also call on the State Government to publicly release short, medium and long term infrastructure priorities, funding sources and more specific delivery timeframes with the budget papers.</p>
<p>PRIORITY 3: PROVIDE GREATER TRANSPORT OPTIONS FOR COMMUTERS</p>	<p>Master Builders calls on the State Government to boost investment in both public transport and road infrastructure projects to make them ‘shovel-ready’ as soon as possible, as well as maximising the value of existing assets to reduce congestion and offer commuters greater choice in their travel options.</p>
<p>PRIORITY 4: UPHOLD THE RULE OF LAW IN OUR INDUSTRY</p>	<p>Master Builders calls on the State Government to uphold the rule of law in the building and construction industry by reintroducing a strong code of practice and body to enforce this.</p>



## SUMMARY OF RECOMMENDATIONS

<p>PRIORITY 5: ADDRESS HOUSING AFFORDABILITY</p>	<p>Master Builders calls for the release of the terms of reference and timeframes for the National Taskforce into Housing Affordability being led by the Victorian Treasurer to best identify the causes of unaffordable housing, encourage a public dialogue and offer potential solutions to help address it as a matter of urgency.</p> <p>We also urge the State Government to -</p> <ul style="list-style-type: none"> <li>• Do more to attract Victorians into home ownership by easing government fees and charges;</li> <li>• Assist first home buyers through further cuts to stamp duty concessions or grant assistance;</li> <li>• Ensure sufficient land supply is available, appropriate zoned, assessed and suitable for long-term new housing needs in Victoria; and</li> <li>• Develop a framework to identify and utilise surplus government land for future development to reduce housing affordability burdens.</li> </ul>
<p>PRIORITY 6: INTRODUCE TRADES REGISTRATION</p>	<p>Master Builders calls on the State Government to introduce mandatory registration of tradespeople in Victoria.</p>
<p>PRIORITY 7: GET TOUGH ON OWNER BUILDERS AND UNREGISTERED PRACTITIONERS</p>	<p>Master Builders calls on the State Government to -</p> <ul style="list-style-type: none"> <li>• Undertake a strong enforcement campaign with the Victorian Building Authority to address unregistered building activity; and</li> <li>• Require Owner Builders to complete a mandatory course or exam, have a time period of six years elapse before they can be recertified to carry out works on a different property and empower the Victorian Building Authority to more effectively monitor and better collect data on Owner Builder activity in Victoria.</li> </ul>



## SUMMARY OF RECOMMENDATIONS

**PRIORITY 8:  
CUT BUILDING RED TAPE**

Master Builders calls on the State Government to -

- Work with the Federal Government to develop a system of reward payments, similar to the National Competition Payments system, to ensure planning matters are handled by local councils in an effective and timely manner;
- Improve the planning system through the introduction of as of right code assessed processes or privatised planning certification; and
- Harmonise local council laws across Victoria.



## PRIORITY 1: INVEST IN INFRASTRUCTURE

Investment in infrastructure must be a key priority of the State Government to promote productivity, create employment, stimulate economic growth and ensure Victorians continue to have access to quality services. We strongly support the delivery of a range of projects including the Melbourne Metro Rail and removal of 50 level crossings. However, we would also like to see the State Government pursue:

- Stage 2 of the East-West Link;
- Further road upgrades;
- A rail link to Melbourne Airport;
- More schools and hospitals in our suburbs; and
- Additional inner city urban renewal projects at Federation Square East, E-Gate and Arden-Macaulay.

Projections from the Australian Bureau of Statistics show that by 2050, Melbourne's population is likely to reach between 7.6 million and 8.4 million people. In order to accommodate this growth, Master Builders believes the State Government should consider increasing Victoria's overall infrastructure expenditure. Standard and Poor's September 2014 report affirmed Victoria's AAA credit rating, but noted that our capital expenditure ratio for 2014/15 will be 11.6 per cent of all expenditure, down from 13.9 per cent in 2013/14.

In New South Wales, the State Government dedicated \$15.5 billion (including \$9.1 billion from the General Government Sector) – 3.1 per cent of gross state product (GSP) - towards infrastructure in 2013-14, compared to \$5.8 billion (around 1.3 per cent of GSP) in Victoria.

Therefore, we recommend the State Government work to increase expenditure as a percentage of GSP to address infrastructure backlogs, whilst pursuing action that ensures the state retains its AAA credit rating.

In order to facilitate increased expenditure, Master Builders notes that it is crucial Victorians receive a fairer share of Goods and Services Tax (GST) allocations. Despite accounting for 25 per cent of Australia's population, in 2013/14 Victoria received 22.6 per cent of GST revenue, down from 22.9 per cent (costing an extra \$207 million) in the previous year. These additional funds could be used to pursue new transport, hospital and school projects for Victorians.

Master Builders calls on the State Government to prioritise infrastructure investment by -

- Increasing infrastructure expenditure as a percentage of GSP in line with population growth;
- Taking actions to ensure Victoria's debt profile allows the state to retain its AAA credit rating; and
- Pursuing equal GST per capita funding to help fund state-shaping infrastructure projects.



## PRIORITY 2: ESTABLISH INFRASTRUCTURE VICTORIA AND RELEASE A MAJOR WORKS PIPELINE

Master Builders urges the State Government to establish Infrastructure Victoria, which should be undertaken as a matter of priority. We have made repeated calls for an independent infrastructure advisory body to be created in Victoria to investigate the long term infrastructure needs to support our growing population and identify innovative funding, procurement and delivery options for major projects in partnership with industry.

Based on the experience of similar bodies, we believe this would also help to ensure Victoria receives a fair share of national funding, and provide a much needed interface between the government and private sector that could widen funding opportunities for major projects.

We acknowledge that our calls for increased infrastructure expenditure comes at a time when government revenues are increasingly constrained and suggest that Infrastructure Victoria could work to identify assets to be earmarked for privatisation, particularly for superannuation investors, which on average have allocated just 5 per cent of their \$1.3 trillion funds to infrastructure.

The New South Wales Government's move to offer long term private leases for Port Botany and Port Kembla, which has seen net proceeds of around \$4 billion to be invested in the NSW Government's infrastructure fund – Restart NSW, is a model that states like Victoria should consider following on from the privatisation of assets in the 1990s to pay down public debt.

Similarly, Infrastructure Victoria could have a key role in identifying world leading practices in commercial financing arrangements. For example, they could examine sound public-private partnership (PPP) models for the supply and ongoing management of new services.

PPPs offer a statistically significant cost efficiency over traditional procurement methods (Performance of PPPs and Traditional Procurement in Australia, 2007). If approximately \$400 billion is invested in infrastructure in Australia over the next decade and PPPs account for 10 to 15 per cent of the market share, this would generate around \$6 billion in potential benefit to the community.

Finally, short, medium and long term infrastructure priorities, funding sources and more specific delivery timeframes need to be released in conjunction with the budget papers to allow our industry to be best placed to build these city-shaping projects more efficiently.

Master Builders calls on the State Government to prioritise the establishment of Infrastructure Victoria as an independent statutory body to undertake and provide public advice on matters including -

- Identifying Victoria's current and future infrastructure needs;
- Investigating the potential to involve superannuation funds in priority infrastructure projects; and
- Examining world leading practices in the sound delivery of public-private partnerships.

We also call on the State Government to publicly release short, medium and long term infrastructure priorities, funding sources and more specific delivery timeframes with the budget papers.



## PRIORITY 3: PROVIDE GREATER TRANSPORT OPTIONS FOR COMMUTERS

The majority of travel by Melburnians occurs by motor vehicle and VicRoads' data shows that over the 10 years to 2010/11, the number of vehicle kilometres travelled in Melbourne grew 16 per cent – from 23.5 billion to 27.3 billion kilometres.

Furthermore, the costs to Melbourne's economy if commuters continue to drive will climb to \$6.1 billion by 2020, up from \$3.0 billion in 2007 (Bureau of Transport and Regional Economics, 2007) due to congestion delays and higher costs for operating vehicles, as well as air pollution and noise impacts.

At the same time, Census data shows that public transport usage is growing three times faster than Melbourne's population. More than 280,000 people utilised Melbourne's trams, trains, buses and taxis to work on Census day in 2011, compared with 209,918 in 2006.

A 2013 report from Southern Cross University, *Commuter costs and potential savings* found that full-time workers who drive between Melbourne's suburbs and the central business district spend between \$6000 to \$10,000 more per year on average commuting than workers who use public transport.

Master Builders wants to see a greater investment in both public transport and road infrastructure projects to make them 'shovel-ready' as soon as possible given the East West Link project has been abandoned, to offer commuters greater choice in the mode of transport they decide to use, reduce 'lost time' and boost our economy. This includes progressing the Melbourne Metro cross-city rail tunnel, removal of the

50 most dangerous and congested level crossings across metropolitan suburbs and regional Victoria and upgrading Cranbourne-Packenham Rail Upgrade.

Master Builders also recommends pursuing:

- Widening the Tullamarine Freeway to boost access to and from Melbourne Airport;
- Creating additional free 'park and ride' facilities around key public transport nodes;
- Investigating Brisbane's model of dedicated busways and bus tunnels that, in some circumstances, deliver similar benefits more cost-effectively than new rail lines; and
- Making better use of our existing assets, through initiatives such as introducing freeway management systems like those on the M1 corridor, better utilising emergency lanes and ensuring shared road use priorities are established to provide preference to certain transport modes such as light vehicles, trams, trucks or cyclists on certain roads.

Master Builders calls on the State Government to boost investment in both public transport and road infrastructure projects to make them 'shovel-ready' as soon as possible, as well as maximising the value of existing assets to reduce congestion and offer commuters greater choice in their travel options.



## PRIORITY 4: UPHOLD THE RULE OF LAW IN OUR INDUSTRY

The Royal Commission into trade union governance has shined a light onto coercion, thuggery and intimidation being undertaken by unions across our industry.

This needs to be weeded out by the State Government upholding the rule of law in our sector, otherwise the competitiveness of our industry will suffer.

We also need government agencies, such as WorkSafe to act swiftly against those who disregard laws such as right of entry provisions.

Master Builders was disappointed by the State Government's decision to abolish the Construction Code Compliance Unit and the Construction Code of Practice.

A strong code of practice for our industry is vital in preventing unproductive and costly work practices dictated to contractors by unions, which drive up the costs of construction.

Master Builders calls on the State Government to uphold the rule of law in the building and construction industry by reintroducing a strong code of practice and body to enforce this.



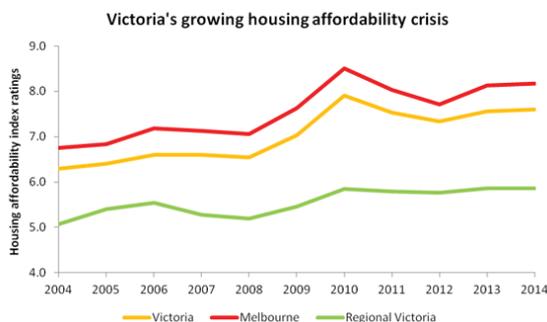
## PRIORITY 5: ADDRESS HOUSING AFFORDABILITY

Master Builders' figures show there has been a 21 per cent decline in housing affordability across Victoria in the past decade.

Households in Melbourne are now bringing home \$18,700 more a year than they were just a decade ago, but over the same period the average house price has grown by \$217,500. Similar problems have also taken place in regional Victoria, particularly in places like Geelong, Ballarat, Bendigo and Gippsland.

Master Builders has developed a comprehensive Housing Affordability Index which measures the ratio of a community's after tax median annual household income against the average cost of a house in the same community. For example, in a community where average post-tax household yearly earnings were \$60,000 and the average cost of a house was \$600,000, our rating would show as 10.0.

Based on research by the National Centre for Social and Economic Modelling, we have defined extremely unaffordable housing to be where this ratio is more than 8, while affordable housing is where the ratio is 5 or lower:



As a result, Master Builders calls for the release of the terms of reference and timeframes for the National Taskforce into Housing Affordability being led by the Victorian Treasurer to best identify the causes of unaffordable housing, encourage a public dialogue and offer potential solutions to help address it as a matter of urgency.

We are also concerned about imposed taxes, levies, charges and fees across multiple levels of government that directly impact on housing affordability. These range from development charges to stamp duty, open space provisions to bushfire management provisions, planning fees and delays to sustainability measures, more and more fees are being piled onto the costs of new homes, which are being borne by home buyers.

Research detailed in the Productivity Commission's 2014 *Geographic Labour Mobility* report highlights the issue of government fees payable on home purchases, finding government charges represent some 4.7 per cent of the costs of purchasing an existing home in Melbourne. This is nearly \$23,400 for a home worth \$500,000.

It also indicates that government charges for existing houses in Melbourne is higher than nearly all other Australian capital cities, except for Adelaide (4.8 per cent) and Darwin (5.0 per cent). Cities such as Sydney (3.8 per cent) and Brisbane (1.8 per cent) have sufficiently lower government charges applied to housing than what is the case in Victoria.



## PRIORITY 5: ADDRESS HOUSING AFFORDABILITY

In the face of ever increasing cost of living pressures, the State Government needs to do more to attract Victorians into the home ownership market by easing fees and charges on the cost of new homes.

As first home buyer rates hit record low numbers, more support is also needed to assist them in entering the market, either by further cuts to stamp duty concessions or by additional assistance in the form of grants. These incentives should reward those who are purchasing new or off-the-plan homes.

Encouraging more people to buy their first home will ensure a market exists for upgrading the first home, purchasing a second home or perhaps renovating and will help generate more work and support jobs in our home building industry.

In addition, the supply of housing is crucial to addressing housing affordability and the then Department of Transport, Planning and Local Infrastructure's last published *Victorian Residential Land Bulletin* showed that lots in subdivision plans for the March 2013 quarter continued to fall, down 14 per cent on the previous quarter and that ABS dwelling approvals for metropolitan Melbourne fell to 7,629, down 20 per cent on the previous quarter.

It is vital that the State Government ensure land supply and residential zoning requirements keep up with demand to ease housing affordability pressures and develop a framework to identify and utilise surplus government land for future development.

Master Builders calls for the release of the terms of reference and timeframes for the National Taskforce into Housing Affordability being led by the Victorian Treasurer to best identify the causes of unaffordable housing, encourage a public dialogue and offer potential solutions to help address it as a matter of urgency.

We also urge the State Government to -

- Do more to attract Victorians into home ownership by easing government fees and charges;
- Assist first home buyers through further cuts to stamp duty concessions or grant assistance;
- Ensure sufficient land supply is available, appropriate zoned, assessed and suitable for long-term new housing needs in Victoria; and;
- Develop a framework to identify and utilise surplus government land for future development to reduce housing affordability burdens.



## PRIORITY 6: INTRODUCE TRADES REGISTRATION

Master Builders urges the State Government, the Victorian Building Authority and the Department of Environment, Land, Water and Planning to reform trades registration in Victoria.

In states where tradespeople are required to be registered, there are some 90,000 registered practitioners in Queensland and 85,000 in New South Wales, whereas Victoria currently has less than 2000 Domestic Builder Limited registrations.

Volume home builders operating across state borders where trades licensing is in place report much higher productivity levels and less costly building practices than in Victoria.

This is reflected in construction performance. Evidence from a major volume builder demonstrates, for example, that Queensland has significantly better benchmarks with starts to practical completion for single storey jobs 20 per cent faster than Victoria at an average of 19 weeks in 2012.

This could also provide a source of new revenue for the State Government. The new Queensland Building and Construction Commission reported over \$16 million in revenue over their first 7 months of operation to June 2014 for licensing renewal and application fees in its 2013/14 Annual Report and the previous Queensland Building Services Authority raised \$29 million from licensing renewal and application fees over the full 2012/13 financial year.

**Master Builders calls on the State Government to introduce mandatory registration of tradespeople in Victoria.**



## PRIORITY 7: GET TOUGH ON OWNER BUILDERS AND UNREGISTERED PRACTITIONERS

Hardworking registered builders face escalating problems of competing with unregistered builders and tradespeople, some of whom are registered inappropriately as owner builders.

Unregistered builders can undercut the costs of building projects because they aren't taking out insurance or paying registration fees. Not only does this hurt registered builders trying to do the right thing, it is jeopardising the quality of Victoria's building stock.

Many unregistered builders operate knowing that the risks of a government regulator turning up at their sites are low. If we are going to combat unregistered builder activity and protect consumers, a strong enforcement campaign is needed to weed out unregistered practitioners doing the wrong thing.

Owner builder activity is also an issue, with more than 70,000 building permits issued to them between mid-2007 and mid-2012. While there is no doubt that some owner builders are exercising their rights appropriately, owner builder activity in Victoria is significantly higher than in New South Wales and Queensland. There are flaws in the system that need to be addressed urgently.

Master Builders wants to see owner builders undertake a mandatory course, pass an exam to demonstrate their competence and extend recertification periods to six years to help protect Victoria's building stock.

The Victorian Building Authority also needs to be given more powers to investigate works taking place on owner builder sites.

Master Builders calls on the State Government to -

- Undertake a strong enforcement campaign with the Victorian Building Authority to address unregistered building activity; and
- Require Owner Builders to complete a mandatory course or exam, have a time period of six years elapse before they can be recertified to carry out works on a different property and empower the Victorian Building Authority to more effectively monitor and better collect data on Owner Builder activity in Victoria.



## PRIORITY 8: CUT BUILDING RED TAPE

Master Builders welcomes the State Government's commitment to continue supporting a 25 per cent reduction in red tape.

The Victorian Competition and Efficiency Commission 2010 report *Local Government for a Better Victoria: An Inquiry into Streamlining Local Government Regulation* found that the total costs to business of complying with land-use planning and building regulations are between \$500 million and \$875 million per year.

This includes a cost of around \$180 million each year due to unexpected delays in planning decisions.

Data from the Department of Transport, Planning and Local Infrastructure's *Planning Permit Activity in Victoria Annual Report 2013/14* confirms that only 67 per cent of the total 56,411 planning permit applications received were decided within the 60 day statutory time frame.

Master Builders recommends the introduction of a system for rewarding or penalising councils to ensure that planning permits are handled in an effective, timely manner.

The Council of Australian Government's (COAG) Reform Council's *Lessons for Federal Reform* paper (2013) notes that reward payments have been effective in encouraging reform and that even relatively small reward payments have been successful.

Master Builders also believes one of the best ways to remove red tape in the planning system and reduce permit waiting times, adding the certainty builders need for their businesses is to create responsible 'as-of-right' development zones around principal activity centres and major public transport networks, with priority given to the construction of dual occupancy, low-rise townhouses, apartments and other forms of medium density housing. This is critical to reducing the cost of housing and encouraging efficient land use.

Similarly, introducing private certification for planning permits in Victoria would allow builders to better plan their work, support jobs and ensure projects will be delivered in a more timely fashion. Since 1994, both local councils and private surveyors have been permitted to issue building permits. It is time to allow the private sector to play a role in issuing planning permits for sensible, logical proposals too.

This currently occurs in South Australia, where private planning certifiers can sign off new homes, routine residential work like sheds, verandas and carports, as well as some additions and alterations to existing homes.

Finally, builders are forced to get a new rule book off the shelf every time they step across a municipal border. Rules impacting how builders go about their business that differ across municipalities include hours allowed on site, asset protection and site lock up requirements. Harmonising local councils' laws will provide builders with more time to deliver quality building projects right across the state.

Master Builders calls on the State Government to -

- Work with the Federal Government to develop a system of reward payments, to ensure planning matters are handled by local councils in an effective and timely manner;
- Improve the planning system through the introduction of as of right, code assessed processes or privatised planning certification; and
- Harmonise local council laws across Victoria.