



Master Builders Association of Victoria

Pre-Budget Submission

2012-13

Brian Welch
Executive Director
Ph: 9411 4501
Fax: 9411 4507
Email: bwelch@mbav.com.au

Tim Salathiel
Policy and Communications Manager
Ph: 9411 4515
Email: tsalathiel@mbav.com.au

Master Builders Association of Victoria
332 Albert St
EAST MELBOURNE VIC 3002

CHALLENGES CONFRONTING VICTORIA'S BUILDING AND CONSTRUCTION INDUSTRY

Victoria's building and construction sector is a substantial contributor to the state's economic prosperity.

As a state without access to a booming mining economy like other parts of our resource rich nation, Victoria relies on our sector as the second-largest contributor of full-time jobs, only behind manufacturing. We provide more full-time jobs than the retail trade, transport, education, agriculture or health care industries.

The community relies on the work we do to build their homes, offices, workplaces, schools, hospitals, roads, factories, gas and sewerage pipelines, telecommunications networks and other vital infrastructure. Our ability to work effectively and efficiently impacts the way Victorians live their lives. We want to play our part in helping address issues such as housing affordability, sustainability and liveability. We are, however, an industry confronting significant challenges and only by working together can we fully realise the great potential our state has to offer.

The 240,000 Victorians who work in building and construction face a difficult future, as do the companies that provide more than eight per cent of our state's employment.

Rising costs, weakening demand and a soft global economy all have the capacity to threaten jobs in our industry. Productivity remains an ongoing issue in our industry too and it will not be helped by the Federal Government's determination to abolish the Australian Building and Construction Commission and introduce a price on carbon.

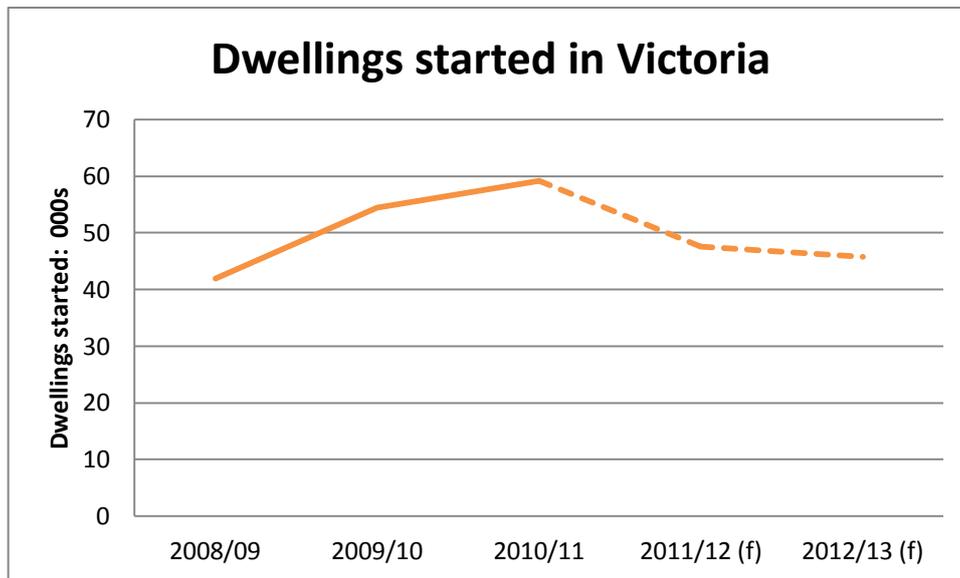
Since November 2011, the construction industry in Victoria has seen the loss of around 27,700 jobs or 10.3 per cent of its total workforce, including 22,200 full-time jobs. On average, this represents some 307 jobs lost in our industry every day for the past three months.



Source: ABS 6291.0.55.003

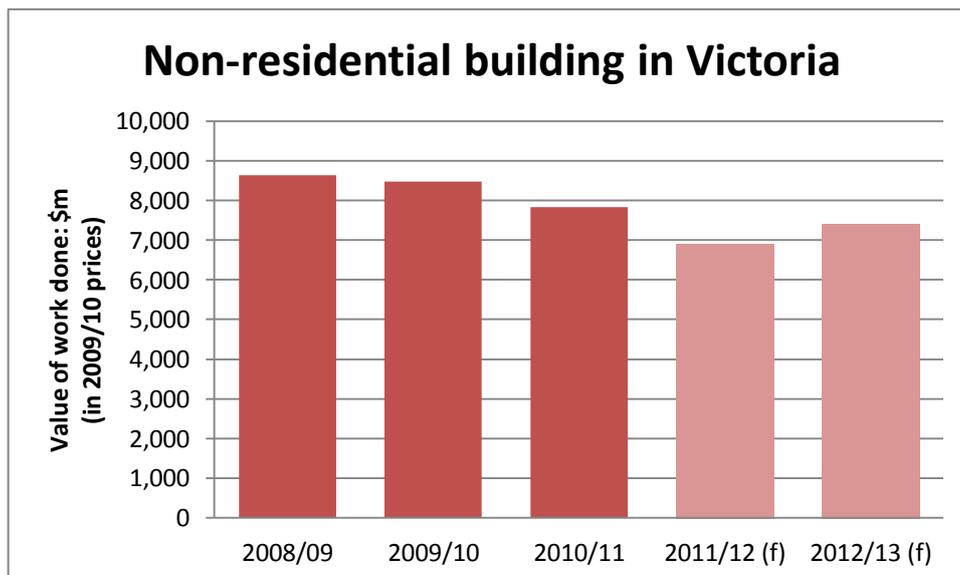
While the building and construction industry supplied Victoria with 11.3 per cent of its total full-time jobs in November 2011, by February 2012 it only accounts for 10.2 per cent – a significant decline over such a short period of time.

Demand in the residential building sector has also dramatically decreased. Compared to 2010/11, residential builders are facing a dramatic 19.6 per cent decline in the number of new dwellings started in Victoria this financial year. Our projections show a further decline of around 3.8 per cent is expected in 2012/13.



Source: ABS 8750.0, Master Builders

The value of work done on non-residential construction in Victoria is also declining markedly. Compared to 2010/11, this part of our industry is confronting an 11.8 per cent decrease in work value this year alone. While it is expected there may be some turnaround for this sector in the next financial year, the value of work undertaken is projected to remain significantly below recent years.



Source: ABS 8752.0, Master Builders

This budget submission outlines a range of initiatives that will help support jobs in building and construction, address housing affordability and improve Victoria's overly-complex planning system. Our industry is ready and willing to confront the challenges that lie ahead of it. Action is required now and it is our hope that the State Government will play its part in helping to support jobs and investment in our sector.

Brian Welch
Executive Director

March 2012

OVERVIEW OF MASTER BUILDERS

The Master Builders Association of Victoria (“Master Builders”) is the peak body representing employers in the building and construction industry in Victoria. Our membership consists of around 7500 builders, subcontractors, manufacturers and suppliers.

Master Builders provides a range of services aimed at maximising opportunities and standards for our members. These include the provision of training, OHS and legal advice, programs to support apprentices and recognition of excellence through the Master Builder Awards program.

PRIORITIES FOR LIVEABILITY, PRODUCTIVITY AND JOBS

Given the importance of the construction sector to our economy, Master Builders believes that the 2012-13 State Budget must enshrine Victoria’s liveability, support jobs and ensure Victoria remains an attractive place to live and to do business. The Budget should include measures that help:

- 1. Address Victoria’s housing affordability crisis;**
- 2. Simplify our overly-complex planning system and cut red tape;**
- 3. Stimulate investment, drive productivity and support jobs; and**
- 4. Support skills and safe workplaces.**

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ACTIONS SUMMARY

OBJECTIVE ONE: Address Victoria's housing affordability crisis

- Action 1: Master Builders calls on the State Government to extend the First Home Bonus initiative throughout 2012/13 and beyond.
- Action 2: Master Builders calls on the State Government to ensure sufficient land is available, appropriately zoned, assessed and suitable for long-term new housing needs in both Melbourne and Victoria's regional cities and that regular, transparent reviews of growth boundaries take place.
- Action 3: Master Builders calls on the State Government to introduce a standardised, justified method for calculating Development Contributions across all municipalities, including a reporting mechanism that ensures councils are answerable to residents in new developments.
- Action 4: Master Builders calls on the State Government to fund infrastructure initiatives from general revenue and abolish the GAIC.

OBJECTIVE TWO: Simplify our overly-complex planning system and cut red tape

- Action 5: Master Builders calls on the State Government to ensure its planning reforms:
a) Streamline the Victorian Planning Provisions and eliminate excessively broad or ambiguous requirements;
b) Enable private certification of planning permit applications;
c) Ensure only people genuinely affected by a planning application have the capacity to object to it; and
d) Introduce 'as-of-right' developments for dual occupancy developments across Victoria and multi-unit occupancies in designated zones in established suburbs and growth areas to encourage more affordable, medium-density housing.
- Action 6: Master Builders calls on the State Government to remove mandatory requirements for indemnity insurance for commercial building structural defects.
- Action 7: Master Builders calls on the State Government to improve its industry consultation processes on issues that impact builders, including through the use of comprehensive regulatory impact statements.
- Action 8: Master Builders calls on the State Government to form a working group aimed at resolving the competing objectives in six star energy efficiency and price on carbon policies.
- Action 9: Master Builders calls on the State Government to allow appropriately qualified builders to install metal roofs.
- Action 10: Master Builders calls on the State Government to introduce a quicker, more cost-effective domestic building disputes process that empowers appropriately trained inspectors.

- Action 11: Master Builders calls on the State Government to take action on Owner-Builder activity, by:
- a) Requiring Owner-Builders to complete a mandatory course and exam to ensure they build quality housing;
 - b) Requiring a time period of six years to have elapsed before an Owner-Builder can be recertified to carry out works on different properties;
 - c) Empowering the Building Commission to more effectively monitor Owner-Builder activity; and
 - d) Undertaking research aimed at identifying whether Owner-Builder built housing is done to an acceptable quality.

OBJECTIVE THREE: Stimulate investment, drive productivity and support jobs

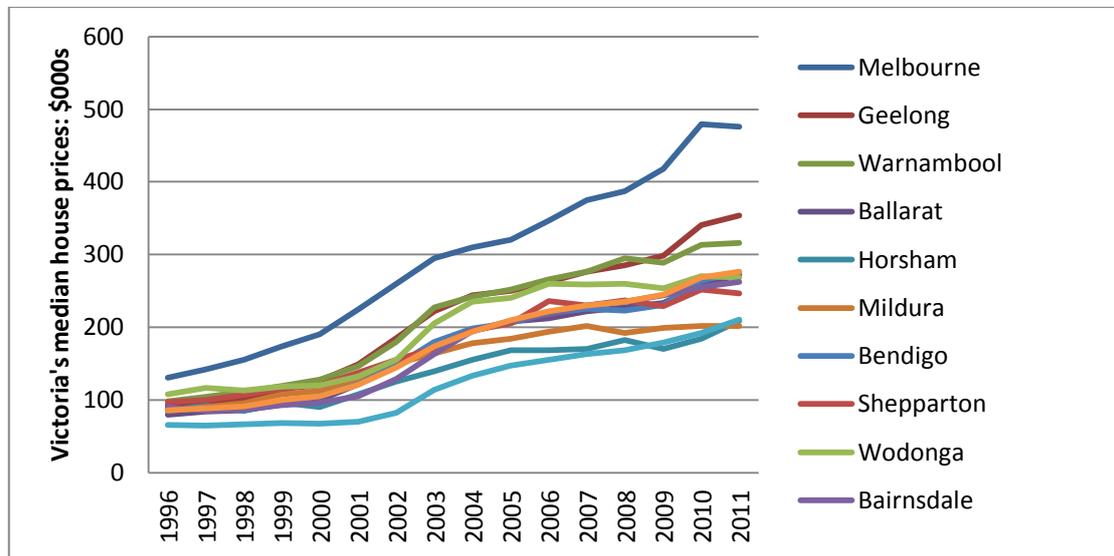
- Action 12: Master Builders calls on the State Government to finalise the Guidelines to the Victorian Code of Practice as a matter of urgency and establish a well-resourced monitoring and compliance unit with suitable experienced personnel to oversee conformity with the law.
- Action 13: Master Builders calls on the State Government to maintain a high level of public investment into capital infrastructure projects and supports calls for a fairer share of Federal grants, including through Infrastructure Australia, to expedite funding for critical projects.
- Action 14: Master Builders calls on the State Government to reject the introduction of the National Occupational Licensing System.

OBJECTIVE FOUR: Support skills and safe workplaces

- Action 15: Master Builders calls on the State Government to maintain existing TAFE funding levels and not transfer additional costs to builders (predominantly small businesses) who are playing a pivotal role in training apprentices for tomorrow's skills needs.
- Action 16: Master Builders calls on the State Government to ensure VCAL continues to help supply our industry with talented young people to help address the potential for long-term skills shortages.
- Action 17: Master Builders calls on the State Government to support the ongoing development of content for the Building Leadership Simulation Centre to ensure we boost the skills of our workforce.
- Action 18: Master Builders calls on the State Government to continue funding the Small Business OHS Consultancy Program and abandon plans to exclude experienced OHS professionals without a bachelor degree from delivering benefits through the program.

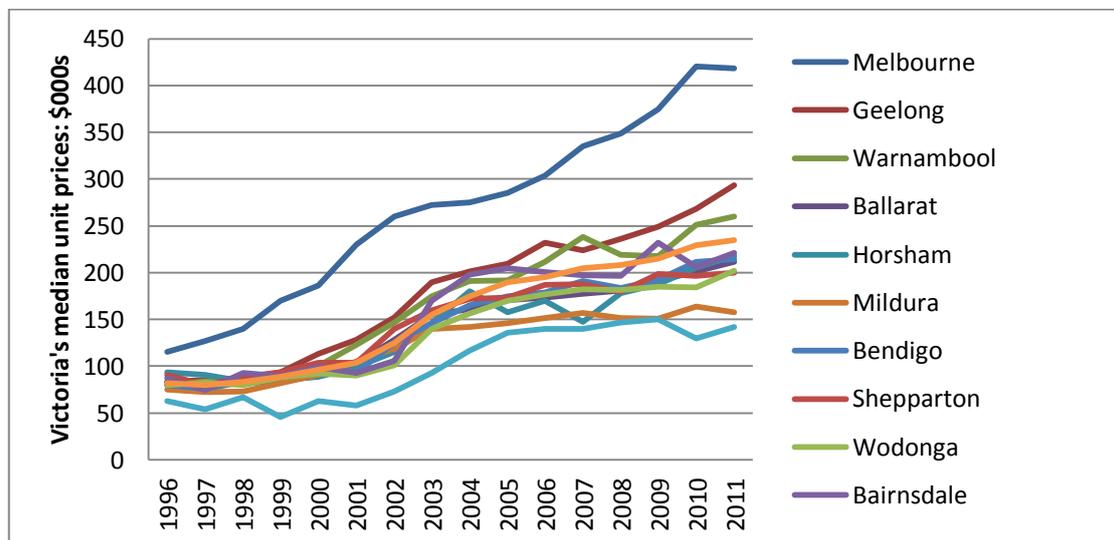
OBJECTIVE ONE:
ADDRESS VICTORIA'S HOUSING AFFORDABILITY CRISIS

House prices across Victoria have grown by record levels over the past 15 years. In Melbourne alone, the median house price has jumped by 263 per cent since 1996 to \$475,500 in 2011. Over the same time, the median house price in regional Victoria has increased 223 per cent to \$276,500.



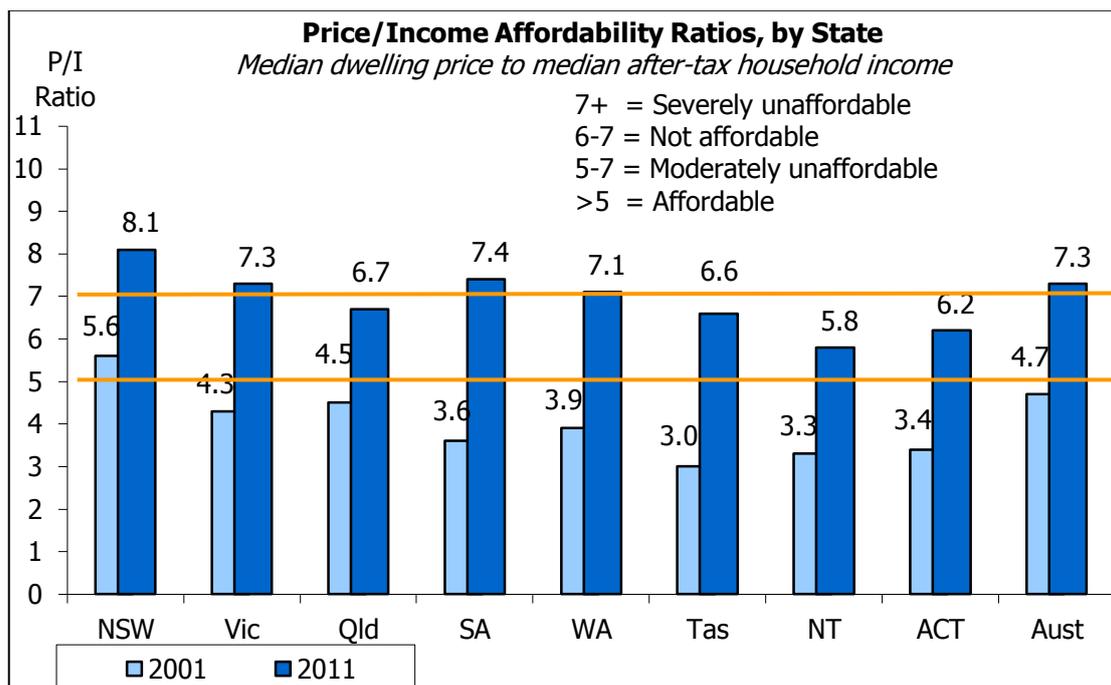
Source: Valuer-General

The value of units and apartments has also significantly increased since 1996. Throughout Melbourne, these types of homes have increased in median value by around 260 per cent to \$418,500.



Source: Valuer-General

The increase in costs of housing across the state is hurting those Victorians trying to enter the property market and fulfil the great Australian dream of owning their own home. It places significant burdens on many Victorians and their families as they struggle to meet the rising costs associated with increased mortgages or rents. The inability to buy a first home in turn leads to pressures on our rental market, which then flows through to the availability of public housing for those in our community who need it most.



As this graph shows, the past decade has seen the affordability of Victoria’s housing stock significantly deteriorate.

Our housing affordability crisis has taken place under the watch of successive governments and Victorians cannot afford for this trend to continue. Stamp Duty, haphazard land release, restrictive planning practices and cumbersome building regulations are all issues contributing to increased stress on the household budgets of Victorian families.

Measures are available to the State Government to help ease the pressure on household budgets, generate new building activity and support jobs in the construction sector.

1. Extend the First Home Bonus

Since January 2007, the Victorian Government has offered first home owners who qualify for the Federal First Home Owner Grant an additional incentive to buy a new home rather than an existing home. This has been done through the State First Home Bonus initiative, which currently provides \$13,000 to those eligible purchasing new homes and a further \$6500 if the new home is in a regional community.

The State’s program has supported nearly 37,000 Victorians buy their first home, including 9000 in regional areas, since July 2009. It has helped many Victorians break into the residential property market and supported jobs for those who have helped build tens of thousands of new homes throughout this time.

There is currently no commitment to extend this program beyond June 2012. At a time when the number of new homes being built in this state is already declining, the absence of the State Government’s First Home Bonus would further damage the residential building industry, lead to more job losses and hurt housing affordability.

ACTION 1: Master Builders calls on the State Government to extend the First Home Bonus initiative throughout 2012/13 and beyond.

2. Provide adequate land supply

Since 2002, the Urban Growth Boundary (UGB) has dictated land available for residential development in Melbourne. It has since been revisited twice and is again being reviewed as a result of land shortages in order to keep up with population growth.

These shortages drive up the costs of land, negatively impacting housing affordability in our growth area communities in the Casey, Wyndham, Hume, Whittlesea, Melton and Mitchell municipalities. In fact, research undertaken by Oliver Hume indicates that, for the first time, the price of land now eclipses the price of construction for new homes.

Master Builders supports the State Government's initiative to introduce an independent process to identify areas that should be included in the UGB and believes the boundary should be proactively reviewed regularly to ensure an adequate supply of land is available for Melbournians.

ACTION 2: Master Builders calls on the State Government to ensure sufficient land is available, appropriately zoned, assessed and suitable for long-term new housing needs in both Melbourne and Victoria's regional cities and that regular, transparent reviews of growth boundaries take place.

3. Introduce a fairer Development Contribution system

Development Contributions designed to help supply new communities with infrastructure such as open space and playgrounds, local roads, drainage and bike paths should be made through a fair, consistent and transparent process across Victoria.

While many councils use these contributions, paid for by builders, to provide services to new communities, there are unfortunately some that use Development Contributions as a cash grab, refusing to account for how funds received are used to supply local infrastructure. This can lead to excessive, unjustified council charges flowing through to house prices in new developments, hurting homebuyers in these regions.

As a result, there is a lack of consistency in the calculation of these contributions across municipal boundaries. Further, a lack of transparency means there are no guarantees that the eventual residents of these new communities will have access to the infrastructure and services they and their homebuilders have paid for.

ACTION 3: Master Builders calls on the State Government to introduce a standardised, justified method for calculating Development Contributions across all municipalities, including a reporting mechanism that ensures councils are answerable to residents in new developments.

4. Eliminate the Growth Areas Infrastructure Contribution

The Growth Area Infrastructure Contribution (GAIC) is a State Government tax which applies to land brought into the UGB in the 2005-06 and 2010 expansions. It is different from Development Contribution in that it is used to fund infrastructure ordinarily provided by the State, such as public transport, rather than just local infrastructure.

Master Builders strongly disagrees with developers being forced to pay for the provision of infrastructure that would ordinarily be paid for from State revenue, as all current and potential residents of Melbourne benefit from a larger and more livable city. Population growth has been one of the most significant drivers of economic growth in Victoria and therefore infrastructure that benefits our whole community should be paid for out of general revenue.

The GAIC has a negative impact on housing affordability. For land brought into the UGB after 2006 and zoned as Urban Growth Zone, the GAIC is levied at \$98,030 per hectare. Inevitably, this is passed on to homebuyers as part of the net cost of house and land packages and translates to approximately \$3,921 for a standard 400sqm lot.

ACTION 4: Master Builders calls on the State Government to fund infrastructure initiatives from general revenue and abolish the GAIC.
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OBJECTIVE TWO:
SIMPLIFY OUR OVERLY-COMPLEX PLANNING
SYSTEM AND CUT RED TAPE

Victoria's complex and uncertain planning system hurts house builders and homebuyers. The current system can add significant costs to new housing, inconsistent outcomes, lengthy project delays, high compliance costs and onerous administrative burdens.

Reforming the system will help address housing affordability, support jobs associated with residential building and create a more consistent approach to planning across the state.

1. Reform the planning system

Planning delays are getting worse, with the Department of Planning and Community Development's *Planning Permit Activity in Victoria Annual Report 2010/11* showing that:

- Only 62 per cent of planning permit applications were decided within the 60 day statutory time frame (down from 65 per cent in 2009/10);
- An average of 122 days were required for a planning decision (a 4.3 per cent increase); and
- Nearly 7 per cent of applications ended up at the Victorian Civil and Administrative Tribunal.

The cost to businesses in Victoria arising from planning delays alone in 2009-10 was estimated to be \$183 million, according to an Allens Consulting Group report commissioned by the Victorian Competition and Efficiency Commission. This a significant cost burdening builders and in many cases is being passed on to homebuyers, thereby negatively impacting the affordability of new housing. Our members have identified the following key planning issues requiring reform:

- A lack of consistency between councils, in addition to excessively complex planning processes, leads to high compliance costs and uncertain planning outcomes;
- Many council town planners have little awareness of the commercial imperatives faced by builders; and
- Those eligible to object to planning applications is too broad, leading to a high number of vexatious objectors.

The State Government has taken steps to comprehensively review the planning system through a Ministerial Advisory Committee appointed last year. To help deal with cost of living pressures faced by homebuyers and to support jobs in the residential building sector, reforms are desperately needed to bring consistency, certainty and fair balance into our planning system.

ACTION 5: Master Builders calls on the State Government to ensure its planning reforms:

- a) Streamline the Victorian Planning Provisions and eliminate excessively broad or ambiguous requirements;**
- b) Enable private certification of planning permit applications;**
- c) Ensure only people genuinely affected by a planning application have the capacity to object to it; and**
- d) Introduce ‘as-of-right’ developments for dual occupancy developments across Victoria and multi-unit occupancies in designated zones in established suburbs and growth areas to encourage more affordable, medium-density housing.**

2. Remove mandatory builders’ indemnity insurance for structural defects for commercial builders

Master Builders has long held concerns regarding the registration requirement for commercial builders to have indemnity insurance, which was originally created to mitigate risks that have since been shown to not exist.

There are almost no claims made from this indemnity insurance and Victoria is the only state that imposes this insurance regime on builders, which costs our industry up to \$10 million each year. This regime reduces the attractiveness of building here in Victoria and the only winners in this system are insurance companies who see these products as money-for-jam.

We believe sufficient measures are in place between commercial builders and their clients to deal with any structural defect claims indemnity insurance is designed to cover. The lack of claims in our portfolio would support this argument.

In addition to making business in Victoria easier for commercial builders, removing these indemnity insurance requirements will help the State Government address its commitment to cut regulatory burdens.

ACTION 6: Master Builders calls on the State Government to remove mandatory requirements for indemnity insurance for commercial building structural defects.

3. Improve industry consultation for proposed building regulations

Minimum building standards are at the core of ensuring buildings meet the needs of their users. These standards are contained, in the most part, within the National Construction Code, which is imported into Victorian legislation and regulation.

While the standards should evolve to allow for new technologies and risk mitigation measures, efforts should be made to remember the system is designed to set minimum building standards. At present, there are a range of non-essential requirements in the standards which sees consumers paying for building features they neither want nor need, which adds unnecessary costs to projects. Master Builders believes building project consumers are best able to judge what features they want and can afford rather than having it dictated to them by bureaucrats.

A lack of industry consultation is leading to the rise of an objectives overload on building regulations. For example, six star energy efficiency ratings designed to

provide long-term sustainability features in new buildings contradict in many ways the design of the soon-to-be-introduced price on carbon, which imposes costs based on the energy used to manufacture building features. This is creating confusion within our industry over building products that may be carbon-intensive to supply but that deliver significant long-term sustainability benefits.

A further example includes the imposition of new bushfire regulations, which can add costs of between \$5000 and \$7000 to a new home. Our industry agrees that protecting buildings from bushfires should be done where it will benefit Victorians, but a lack of consultation has seen these costs imposed on new homes in areas with little legitimate bushfire risk, including metropolitan growth corridors.

ACTION 7: Master Builders calls on the State Government to improve its industry consultation processes on issues that impact builders, including through the use of comprehensive regulatory impact statements.

ACTION 8: Master Builders calls on the State Government to form a working group aimed at resolving the competing objectives in six star energy efficiency and price on carbon policies.

4. Open metal roof installations up to competition

Victoria is currently the only Australian state where the opportunity to build metal roofs is restricted to plumbers only. Despite calls for reform over the past two decades, there remains no reasonable, short-course available for builders that allows them to undertake this activity.

Homebuyers are hurt by this policy, which restricts competition and creates a market monopoly perpetuated by the influence of the relevant union. This is particularly the case in regional communities.

ACTION 9: Master Builders calls on the State Government to allow appropriately qualified builders to install metal roofs.

5. Implement a quick and cost effective domestic building disputes resolution process

The current building dispute resolution process in Victoria fails to meet the needs of builders and consumers. The process is overly-bureaucratic and leads to few disputes being resolved in a timely, conclusive or cost-effective manner.

The current process under Building Advice and Conciliation Victoria (BACV) is jointly administered by Consumer Affairs Victoria and the Building Commission. With consent of both the builder and the consumer, the process involves an on-site conciliation and a technical report from a Building Commission Inspector as to the existence of a defect.

The main failing of the current process is that the Inspector findings are not authoritative and there is no incentive for either party to follow the Inspectors recommendations. If there is no agreement the only recourse is through VCAT, resulting in substantial loss of time and money and additional stress for all parties involved.

As current Victorian laws permit homebuyers to withhold the final 10 per cent of payment until a building is completed, many builders choose to carry out additional works demanded by their consumer, even where they believe there is no defect. This course of action is often chosen as the litigation process is too costly and the loss of productive time at VCAT makes the majority of builders susceptible to this commercial intimidation.

New South Wales has a more productive disputes resolution process where an independent Building Inspector determines if works are required. We believe a similar process should be in place in Victoria, with appropriately qualified inspectors making determinations and having the power to compel consumers to make the final payment being withheld because of an alleged defect.

ACTION 10: Master Builders calls on the State Government to introduce a quicker, more cost-effective domestic building disputes process that empowers appropriately trained inspectors.

6. Reform Owner-Builders activity

Owner-Builder activity in Victoria risks the quality of Victoria's housing stock and mocks our legislated consumer protection regime. More stringent measures to qualify as an Owner-Builder and effective monitoring measures must be put in place.

The Building Commission's Pulse Data indicates that more than 27 per cent of new houses built in Victoria in 2011 were done by Owner-Builders. These builders do not face the same checks and balances that registered builders face. Owner-Builders are not required to undertake training or hold certain insurances that registered builders must have and there is minimal scrutiny of their activity.

While there are many legitimate Owner-Builders building on land they own, we suspect a great number are utilising Victoria's relaxed legal framework to bypass the safeguards in the Building Commission's registration process, using the Owner-Builder regime to perform works for other people at their own commercial benefit.

Like systems in New South Wales, Queensland and Western Australia, we believe Victorian Owner-Builders should be required to undertake an approved course and sit an exam. The ability to receive an Owner-Builder certificate every three years should also be lengthened, as is the case in other jurisdictions, to prevent illegitimate Owner-Builders profiting at the expense of registered builders.

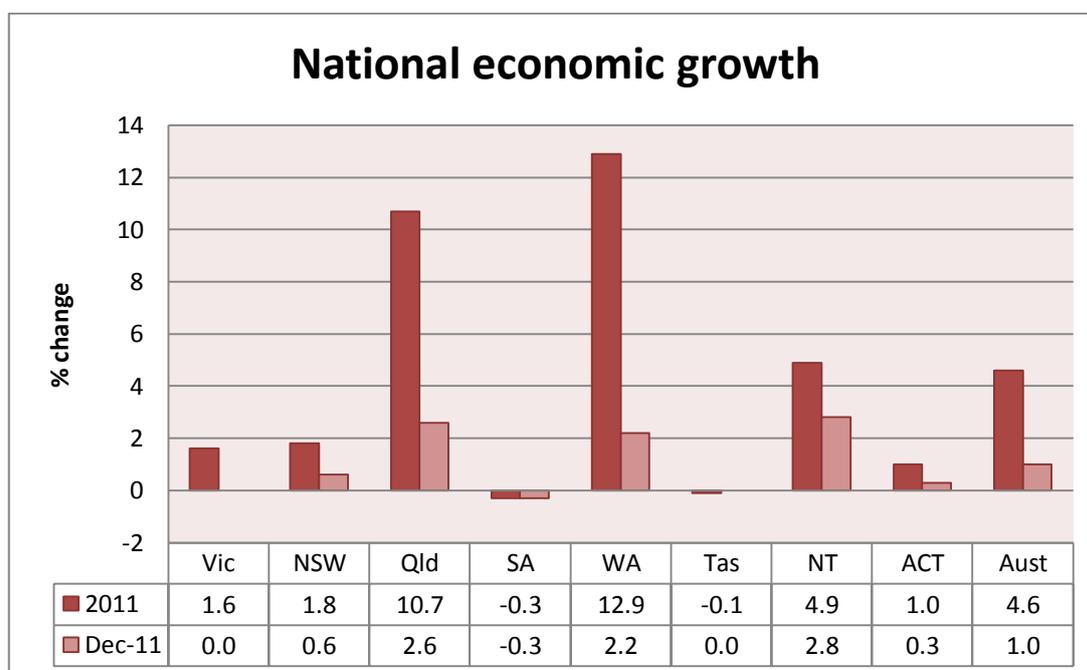
The Victorian Government Solicitor's Office has developed advice to empower the Building Commission to more effectively crack down on rogue Owner-Builders.

ACTION 11: Master Builders calls on the State Government to take action on Owner-Builder activity, by:

- a) Requiring Owner-Builders to complete a mandatory course and exam to ensure they build quality housing;**
- b) Requiring a time period of six years to have elapsed before an Owner-Builder can be recertified to carry out works on different properties;**
- c) Empowering the Building Commission to more effectively monitor Owner-Builder activity; and**
- d) Undertaking research aimed at identifying whether Owner-Builder built housing is done to an acceptable quality.**

OBJECTIVE THREE:
STIMULATE INVESTMENT, DRIVE PRODUCTIVITY
AND SUPPORT JOBS

Victoria doesn't have the luxury of a mining boom to grow its economy like Queensland or Western Australia has. With zero economic growth in the December quarter, stimulating investment and driving productivity will be essential to ensure we have a prosperous state with low unemployment and high living standards.



Source: ABS 5206.0 – Australian National Accounts

Soft economic conditions have resulted in an investment decline in commercial construction projects, which is particularly concerning as the Federal Government's Building Education Revolution stimulus tapers off. There has also been a decline in the residential building sector, which is expected to continue in 2012/13.

Given the current soft consumer and business sentiment, measures that bring down the costs of construction to increase Victoria's attractiveness as a place to invest and build are critical. At the same time, well-targeted publicly-funded projects that stimulate the industry and improve Victoria's long-term competitiveness are needed.

1. Ensure the rule of law prevails on work sites

The Federal Government's decision to abolish the Australian Building and Construction Commission (ABCC) will hurt productivity on Victorian building sites. Master Builders is pleased to see the State Government taking action in response to this move by appointing former ABCC Deputy Commissioner Nigel Hadgkiss to the new role of Director of Construction Code Compliance in the Department of Treasury and Finance.

It has long been recognised that unions in the building industry are able to wield disproportionate power compared with unions operating in other industries and it is essential the rule of law presides over our industry to ensure projects are delivered in a timely and cost effective-manner and for employers to improve the productivity of their building and construction sites.

Master Builders urges the State Government to ensure Mr Hadgkiss has an appropriate set of powers and a strong Building Code of Practice to ensure construction sites do not devolve into the thuggery and coercion that has happened in the past. The last thing Victorians need are the actions of a select few causing major delays and costs imposts on major projects like what has recently been seen at the West Gate Bridge upgrade or Melbourne Markets relocation project.

To tender for government projects, building contractors at all levels must comply with a revised Code on both public and private projects or risk being excluded from further Government funded works. The guidelines should also expressly state the type of clauses that would render agreements non-compliant with workplace relations law.

ACTION 12: Master Builders calls on the State Government to finalise the Guidelines to the Victorian Code of Practice as a matter of urgency and establish a well-resourced monitoring and compliance unit with suitable experienced personnel to oversee conformity with the law.

2. Stimulate investment and advocate for a fairer share of Federal grants

One of the best ways that governments can support building and construction jobs is to ensure the industry has a pipeline of publicly funded infrastructure projects.

Given Victoria's inability to cash in on mining royalties, it was particularly surprising that the Commonwealth Grants Commission announced unprecedented cuts to our state's GST revenue in 2011. While the Commission said these cuts were, in part, a result of growth in Victoria's property market, we have since seen a dramatic reduction in the number of houses being built and sold in Victoria.

While the Commission has recognised the resulting fall in Stamp Duty receipts, providing Victoria an additional \$192 million in 2012-13, its funding will not significantly help address our growing infrastructure constraints.

Master Builders believes projects the State Government is advocating for Federal assistance with, including the East-West road link tunnel between the Eastern Freeway and the western suburbs, a new Melbourne Metro rail tunnel and expansion of the Port of Hastings are worthy of proceeding.

ACTION 13: Master Builders calls on the State Government to maintain a high level of public investment into capital infrastructure projects and supports calls for a fairer share of Federal grants, including through Infrastructure Australia, to expedite funding for critical projects.

3. Oppose the introduction of the National Occupational Licensing System

Master Builders opposes the introduction of a National Occupational Licensing System (NOLS). This COAG initiative is aimed at reducing barriers for tradesmen and contractors generally to move across state boundaries.

Like many other well-intentioned plans, this initiative has all the hallmarks of an expensive white elephant. Costs will be borne by people who have no interest in operating in another state or region and will have a limited effect with no real improvement in systems or benefits for our industry. Master Builders believes this

system will bring about the lowest common denominator of trade competencies and further erode the skill base of our industry.

Despite the almost imminent introduction date for the building industry in July 2013, there is no clear idea of how the system will work. It appears that this licensing system will provide a national consumer protection regime that duplicates the existing state-based system.

High capital costs are about to be committed to put in place the required IT systems, with Victoria making its contribution through either the Building Commission or from general revenue.

Master Builders is concerned that the educational requirements, which are not yet finalised and will not be linked to trade skills, will significantly reduce the number of people entering our industry. This will result in either an unnecessary cost increase or create new black market building operations. In this regard Victoria is already the worst state in Australia, with the credibility of builder and tradesmen registration teetering on the brink.

ACTION 14: Master Builders calls on the State Government to reject the introduction of the National Occupational Licensing System.

OBJECTIVE FOUR: **SUPPORT SKILLS AND SAFE WORKPLACES**

Access to an appropriately skilled workforce is fundamental to ensuring building projects can be delivered safely, on time and on budget. The construction industry provides more than 10 per cent of full-time jobs in Victoria but as building activity ramps up in response to the interstate mining boom, a skills shortage here is imminent.

Through initiatives such as the soon-to-open Building Leadership Simulation Centre to our ALink program focusing on retaining apprentices to the Master Builders Foundation supporting young people in our industry, we are an organisation playing our part in supporting careers in our sector. It is imperative the State Government assists us to develop the skills of our workforce.

1. Maintain TAFE funding levels

Victoria's building and construction industry relies on a strong, public TAFE system to provide traditional trades apprenticeship training due to the typically high costs of delivery and infrastructure investment required. The vast majority of around 15,000 apprentices currently training in our industry access Victoria's TAFE system. We hope government continues to support the public system and enshrines quality skills development across the whole training sector to avoid the delivery of low level courses.

Government support for educating apprentices is vital to continue enhancing the skills in our workforce. Apprentices and their employers are currently faced with increased costs resulting from recent changes to funding Victoria's TAFE network. Our members expect that future funding for the public system will not lead to further cost increases imposed on them as they play their important role in supporting jobs and providing their apprentices with the skills they require to meet the needs of our community.

ACTION 15: Master Builders calls on the State Government to maintain existing TAFE funding levels and not transfer additional costs to builders (predominantly small businesses) who are playing a pivotal role in training apprentices for tomorrow's skills needs.

2. Provide support for VCAL

Attracting suitable entrants to our workforce through the Victorian school system is a priority for our industry. Pre-apprenticeship courses and Victorian Certificate of Applied Learning (VCAL) pathways have played a critical role in ensuring that students looking for a trade career are given the guidance, encouragement and training to lead them into an apprenticeship.

It is imperative VCAL continue to be supported to help encourage diverse paths into the building and construction industry and address future skills shortages.

ACTION 16: Master Builders calls on the State Government to ensure VCAL continues to help supply our industry with talented young people to help address the potential for long-term skills shortages.

3. Support innovative training models that add value to industry

Master Builders supports greater use of cutting edge technologies to enhance the skills of our workforce. That's why we have more than \$10 million into our new Building Leadership Simulation Centre (BLSC), scheduled to open in mid-2012.

The BLSC will revolutionise training in the building and construction industry for years to come. When it opens, Melbourne will be just one of three locations in the world to offer this kind of training to our sector's workforce.

Europe's largest construction companies have been utilising simulation technology for years and have reported improvements in OHS incident reductions, project quality and costs.

The Centre creates a virtual workplace where participants confront the challenges of a real building site in a risk-free environment. The innovative South Melbourne facility uses 3D technology, replica site sheds and a team of specialist actors to create an immersive, interactive learning experience.

ACTION 17: Master Builders calls on the State Government to support the ongoing development of content for the Building Leadership Simulation Centre to ensure we boost the skills of our workforce.

4. Reverse plans to increase red tape for Small Business OHS Consultancy Program

Master Builders has been delivering the Small Business OHS Consultancy Program since 2002. The WorkSafe initiative provides funding for industry associations to carry out three-hour OHS consultancies to businesses that employ less than 20 employees or have an annual turnover of less than \$2 million.

In the last seven years, Master Builders has delivered 850 consultancies and is very concerned that proposed changes to the scheme, due to come in from 1 July 2013, will increase red tape in a program that plays a valuable role in enhancing safety on Victorian building sites.

The proposed changes, particularly the requirement that service providers hold a minimum of a bachelor degree in OHS, will mean we are no longer able to offer this crucial service to our members. We have highly experienced and industry-wide respected OHS consultants but none hold the required educational qualifications.

We question what benefit the proposed reforms for this program will have, particularly when it seeks to exclude people with decades of OHS experience. If Master Builders no longer offers this program, small businesses in our industry will be severely limited in accessing quality OHS advice, thereby jeopardising safety across our sector.

ACTION 18: Master Builders calls on the State Government to continue funding the Small Business OHS Consultancy Program and abandon plans to exclude experienced OHS professionals without a bachelor degree from delivering benefits through the program.