

Master Builders' priorities 2016-17

Building for Growth

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**Master
Builders**

ASSOCIATION

Building for growth

As Australia's fastest-growing city, the Bureau of Statistics projects that by 2051 Melbourne's population could double to nearly 7.7 million, requiring construction of up to 1.6 million new homes-including 480,000 apartments¹. This presents significant opportunities for Victoria's economy and the building and construction industry – but it also highlights the substantial challenges that need to be addressed.

For the Victorian economy to continue to prosper and embrace the forecast growth, Master Builders has identified eight key areas of reform in this submission:

1. **Planning**
2. **Housing affordability**
3. **Trades registration**
4. **Domestic Building Insurance (DBI)**
5. **Infrastructure investment**
6. **Enterprise Bargaining Agreement (EBA)**
7. **Training and skills**
8. **Construction technology**

The Victorian economy's outlook is, for the most part, positive, with the building and construction sector making a strong contribution to its success. New housing increased by four per cent in the final quarter of 2015, with work on multi-units 22 per cent higher than a year earlier, and work on houses up 3.9 per cent. This is forecast to increase from \$8.6 billion in 2014/15 to \$9.4 billion this year, and close to \$9.8 billion in 2016/17. Work in Victoria's non-residential sector was unchanged and consistent by the end of 2015, generating an annual rate of \$9.8 billion for the economy. Of concern is the outlook for non-residential activity, which is not as positive as its residential counterpart, with activity forecast to fall by six per cent this year to \$8.9 billion².

As the volume of work increases, so does the workforce. Construction experienced the third largest growth of jobs during the period 2000-2015³, accounting for 238,000 jobs, or 8.2 per cent of the total workforce⁴, making it the state's second-largest full time employer. As well as building the state's infrastructure and housing, this sector is a massive economic contributor.

Growth in building and construction is set to continue, in keeping with the population growth forecast for Victoria. In 2014 Victoria's growth rate of 1.8 per cent was faster than any other state or territory, ahead of Western Australia's 1.6 per cent and well ahead of the 1.4 per cent reached in New South Wales and Queensland. The figures show Victoria attracting far more migrants from the

¹ <http://www.mpa.vic.gov.au/>

² Geoff Bills, January Economic Profile 2016

³ As at December 2014, State Government of Victoria, 2015 Victoria's Future Industries: Construction Technologies Discussion

Paper
⁴ Ibid



rest of Australia than any other state. This continued in 2015, with the Bureau of Statistics reporting that Victoria gained an extra 101,500 residents in the year to December- Melbourne gained an extra 95,600⁵ people.

The opportunities that come with population growth should be embraced and adequately planned for. As a major economic contributor, the building and construction industry can play a key role in delivering the homes, infrastructure and jobs for Victoria's future.

Priority 1: Establish a clear strategy for planning

Excessive red tape in the planning system is delaying the delivery of building and construction work, and costing the economy. The Victorian Competition and Efficiency Commission (VCEC) 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. As well as council delays, the scope for objections in Victoria is vast and means that planning gets further entangled in VCAT appeals: Victoria 1 in 10 planning applications are appealed, compared to 1 in 83 in NSW and 1 in 1000 in Queensland⁶.

Local council planning delays and third-party appeals must be reduced as a matter of priority.

Priority 2: Address Housing Affordability

The cost of housing continues to grow: Master Builders' figures show there has been a 21 per cent decline in housing affordability across Victoria in the past decade, and in the last 12 months the price of dwellings has increased by 11 per cent. This price hike has meant that higher income households who would previously have entered the home ownership market are now renting. This competition in the private rental market drives up rental prices and places additional stress on lower-income households wishing to rent. This is occurring in a policy environment where changes are being considered, which could have the unintended impact of further driving up the cost of housing.

We need a clear strategy for achieving housing affordability.

Priority 3: Introduce mandatory trades registration

The building and construction industry also faces challenges within the regulatory environment. The current lack of mandatory trades registration means that only 2000 trades people are registered in Victoria, compared to 40,000 in NSW and 46,000 in Queensland. This means that a lot of the building work in Victoria is being performed by people who may have neither the training nor skills to do the job, and because they are not registered, cannot be held accountable for the shortcomings of their work. We know trades registration is a priority issue for Victorians: over 1250 people signed the

⁵ Australian Bureau of Statistics <http://www.smh.com.au/federal-politics/political-news/australians-flock-to-melbourne-as-victoria-becomes-australias-fastest-growing-state-20150625-ghxj27.html#ixzz3nrENNird>

⁶ Jane Francis Kelly, 'The Houses We'd Choose' Grattan Institute, 2011 page 32

Master Builders' petition calling on the government to 'Introduce Mandatory Registration of Trades in Victoria'.

The next round of building legislation reforms must create an efficient and effective environment to benefit consumers and the industry.

The lack of registration in Victoria means poor-quality outcomes, no accountability and, ultimately, acts to the consumer detriment.

Priority 4: Reform Victorian Domestic Building Insurance

Domestic Building Insurance is an important consumer protection measure. In May 2015 the Victorian Auditor General identified three major issues with domestic building insurance: (1) the costs of administering the scheme; (2) possible reduced premiums from alternative policy options; and (3) consumer awareness about what their certificate entitles them to⁷.

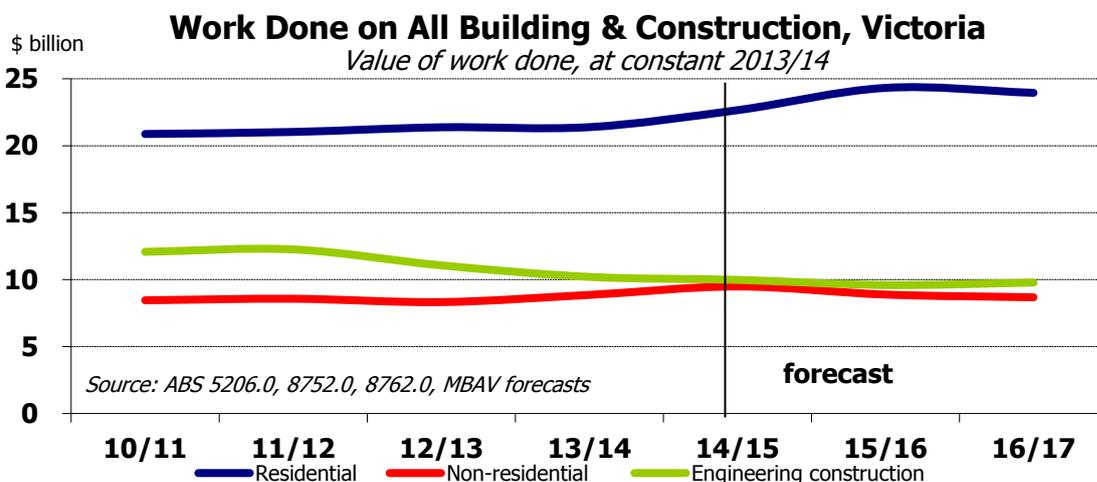
Master Builders considers that the costs of administering the DBI scheme can be significantly reduced. The low risk model that Master Builders proposes retains DBI Advisers (formally known as 'Brokers') as an essential element of the scheme. This savings from Master Builders' scheme could be used to tackle other issues of concern raised in the VAGO Report, such as reducing premiums for consumers and spending on consumer awareness programs.

Domestic Building Insurance needs to be reformed to protect Victorian consumers.

Priority 5: Invest in infrastructure

Population growth will place additional stress on some of Victoria's ageing key public infrastructure. An audit by Infrastructure Australia found that the annual cost of delays on Melbourne's roads will triple to more than \$9 billion in the next 15 years if the problem is not fixed⁸.

The graph below demonstrates that work done in non-residential building and engineering construction is forecast to decline.



⁷ Victorian Auditor-General's Report, *Victoria's Consumer Protection Framework for Building Construction* 2015

⁸ Infrastructure Australia, 'Australian Infrastructure Audit Report' 2015

With a rapidly growing population, a strong pipeline of infrastructure and commercial investment is crucial.

Priority 6: Create a sustainable industrial relations environment

In August last year Master Builders released a report by Deloitte Access Economics *Victorian Construction – Labour Costs and Productivity* which highlighted that construction industry Enterprise Bargaining Agreement (EBA) wages have been growing at unsustainably high rates and costing Victorians jobs and much needed infrastructure.

The report highlighted that EBA real unit labour costs have grown by 2.4 per cent per annum more than can be justified by productivity increases. If EBA wages continue to increase at the same rate of 5 per cent over the next four years, the Victorian government (using taxpayer funds) will have to spend more than \$700 million *just to meet current commitments made*. That is the equivalent of 40 new secondary schools, which would be lost to Victorians in a windfall gain for already highly paid EBA workers. Union EBA carpenters and entry-level labourers already earn far more than nurses, defence force members, fire fighters, police or teachers.

As the Victorian building and construction industry prepares for the Enterprise Bargaining Agreement discussion, Master Builders believes these unrealistic costs and their implications need to be properly understood.

A responsible construction EBA agreement needs to provide a sustainable wage increase justified by meaningful flexibility and productivity improvements.

Priority 7: Invest in industry training and skills development

We need to examine building and construction workforce training, skills and capacity. Simultaneous with a steady decline in funding for the sector across Australia, a shortage of available skilled tradespeople is becoming evident.

The industry needs a greater diversity of skills to deal with the challenges associated with Victoria's population growth and new emerging technologies in the sector.

As a training provider, industry RTOs like Master Builders focus on achieving good outcomes for students. As well as providing tailored industry content, Master Builders provide students with expert support and guidance. Of particular note, we have a specialised Learning Enrolment Team consisting of dedicated administrators and expert learning consultants who:

- conduct pre-enrolment testing and interviewing,
- training and careers advice,
- literacy and numeracy testing,
- targeted learning and literacy support,
- individualised attention from a learning enrolment officer throughout the student's course of study, and
- extra tutorials for students if required.

The importance of Industry Registered Trade Organisations needs to be recognised for a strong future building and construction industry.

Priority 8: Invest in construction technology

As summed up in *Super Connected Jobs: Understanding Australia's Future Workforce* (2015), there will be demand in the future for skills to build houses and infrastructure to accommodate the bigger population.

This poses three interesting challenges for Victoria:

1. To ensure the construction workforce grows so that it can keep up with demand – and that people have the desire to enter the building and construction industry as a career path;
2. To embrace technologies to improve productivity; and
3. To ensure the workforce has the skills required to use new technologies to deliver new housing and infrastructure.

So that the Victorian building and construction industry can keep up with the demand for housing and infrastructure, we need to invest in new ways of delivering constant high quality outcomes.

As investments continue into developing new technologies, it is vital that we continue to look at ways that the building and construction workforce can evolve to work with and adapt to them.

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Summary of Recommendations

1. Establish a Clear Strategy for Planning	
RECOMMENDATION 1.1	Master Builders calls on the government to create a more detailed Housing Strategy. This would preferably involve targets on housing mix and affordable housing needs and information on land supply locations to meet those needs. Local councils would be held to account for this.
RECOMMENDATION 1.2	Master Builders recommends that the government set up or allocate responsibility for monitoring the implementation of a strategic plan and for planning development assessment, to a specific agency and/or planning assessment hubs.
RECOMMENDATION 1.3	Master Builders calls on the government to create responsible 'as-of-right' codified processes. This might occur in development zones around principal activity centres and major public transport networks and, more generally, in Neighbourhood Residential & General Residential Zones. Depending on the zone, it could include secondary dwellings, dual occupancy, low-rise townhouses, apartments and other forms of medium - high density housing.
2. Address Housing Affordability	
RECOMMENDATION 2.1	Master Builders recommends that the government publicly articulates the work and time frames of the National Taskforce into Housing Affordability being chaired by the Treasurer, Tim Pallas. As a matter of urgency, identify the causes of unaffordable housing and encourage public dialogue to develop a comprehensive set of potential solutions to help address the issue.
RECOMMENDATION 2.2	Master Builders calls on the government to reform the Victorian Planning system as a matter of priority, consistent with Priority 1.
RECOMMENDATION 2.3	Master Builders recommends that the government balance decisions of the regulatory proposals, like the <i>Better Apartments</i> review, in the context of housing affordability to avoid further costs to the community.
RECOMMENDATION 2.4	Master Builders recommends that the government develop and implement a 'Housing Affordability Impact Assessment' tool to be included in the assessments of regulatory proposals, for example this could be incorporated as a benchmark in the RIS cost/benefit assessment process.
3. Introduce mandatory trades registration	
RECOMMENDATION 3.1	Master Builders calls on the government to introduce mandatory registration of trades as a matter of priority.
4. Reform Victorian Domestic Building Insurance (DBI)	
RECOMMENDATION 4.1	Master Builders recommends that the government moves towards the proposed Master Builders' model for the Victorian DBI scheme, which is a low risk option and retains DBI Advisers (formally known as 'Brokers') as an essential element of the scheme.
RECOMMENDATION 4.2	Master Builders recommends that the government consider further initiatives that could reduce costs of the DBI scheme – such as moving to a 'completions based underwriting model', review 'by exception' and two tiered cover options.

RECOMMENDATION 4.3	Master Builders recommends some of the savings in administration costs from the Master Builders' model of the DBI scheme could be used to build effective consumer awareness campaigns.
5. Invest in infrastructure	
RECOMMENDATION 5.1	Master Builders recommends that the State Government establish a strong pipeline of commercial and engineering investment as a matter of priority.
RECOMMENDATION 5.2	Master Builders recommends that the government consider innovative funding arrangements for increased investment in commercial and infrastructure opportunities.
RECOMMENDATION 5.3	Master Builders recommends that in taking action to invest, the State Government ensure that Victoria's debt profile allows the state to retain its AAA credit rating.
RECOMMENDATION 5.4	Master Builders recommends that the government pursue increased GST funding to help fund crucial infrastructure projects.
6. Create a sustainable industrial relations environment	
RECOMMENDATION 6.1	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 government agency to enforce this.
RECOMMENDATION 6.2	Master Builders recommends that all interested stakeholders, including the State Government, community, employers, unions and employees support the creation of an industry EBA agreement that is sustainable and in the best interests of the future of the Victorian community.
7. Invest in industry training and skills	
RECOMMENDATION 7.1	Master Builders recommends that the Government consider ways to provide greater financial support to the VET sector, including support for industry RTOs.
RECOMMENDATION 7.2	Master Builders call on the release of the Victorian Skills Commissioner's a detailed work program as a matter of priority and that it include ways to ensure that young people can be encouraged into the building and construction sector as a career path, including by training in industry RTOs that deliver quality learning outcomes.
RECOMMENDATION 7.3	Master Builders calls on the Victorian Skills Commissioner to examine the building and construction industry as a matter of importance.
8. Invest in construction technology	
RECOMMENDATION 8.1	Master Builders urges the State Government to prioritise investment in BIM technology.
RECOMMENDATION 8.2	Master Builders calls on the State Government to consider ways to support new technologies including modular and pre-fabrication techniques.
RECOMMENDATION 8.3	Master Builders recommends that the government consider ways to engage more people in training to use emerging technologies in the building and construction workforce.

Priority 1: Establish a Clear Strategy for Planning

The Victorian planning system needs to evolve if it is to accommodate the rapid population growth forecast for Victoria, while still ensuring the continued viability of the building and construction sector and strengthen Victoria's reputation as a place for investment and prosperity.

As outlined, Melbourne's population is forecast to grow which will necessitate the construction of up to 1.6 million new homes⁹ over the next 35 years. All agencies of government and industry need to work together to ensure that growing communities, both new and existing, have access to the appropriate living standards, services and amenities.

Master Builders welcomes the State Government's recognition that there needs to be substantial changes made to the planning system, as demonstrated through the *Plan Melbourne Refresh: Discussion Paper, October 2015* (Plan Melbourne Refresh). In its submission to Plan Melbourne Refresh, Master Builders outlined our four key objectives for reform of the planning system, which are seen as necessary to meet our housing and infrastructure objectives for Victoria's future.

Objective 1: Create a clear planning scheme and strategic plan

As the underlying basis for decisions that affect the way Victoria's land can be used or developed, our planning scheme must be able to be applied by all levels of government in a consistent and transparent manner. This means ensuring a clear and transparent development and application of land and zoning requirements; ensuring planning policies are not contradictory; and ensuring that the planning scheme deals only with planning issues and is not broadened beyond its scope to take into account other areas, such as building requirements.

A clear strategic plan that is consistent with the broad-scope planning policies is vital. In Plan Melbourne Refresh, the Government indicated a desire to lock down the urban growth boundary (UGB). However, this will reduce the land that is available to develop new housing to accommodate population growth, which in turn has the potential to drive up the price of housing.

Plan Melbourne Refresh also suggested that established areas provide 70 per cent of Melbourne's new housing supply and greenfield areas provide 30 per cent. However, **locking down the UGB and emphasising higher densities in existing suburbs requires a realistic look at how land supply and appropriate mixes of housing can be delivered.**

Master Builders believes that land release in the existing boundaries must be guaranteed. This will provide some level of certainty for investment and ensure that we will continue to be able to build new housing to accommodate the growth. Further, to ensure that we can accommodate the growth while still locking down the UGB, Master Builders supports the provision of a detailed Housing Strategy that incorporates a Housing Plan, which would include information about housing mix, size and affordable housing needs as well as land supply locations to meet those needs.

⁹ <http://www.mpa.vic.gov.au/>

Objective 2: Planning scheme structures are capable of delivering on state planning policy objectives

Given the range of stakeholders affected, the planning scheme must have clear lines of responsibility and accountability so that it is capable of delivering on the State's planning policy objectives and strategy. It makes sense to clarify the roles and responsibilities of State and Local Governments, in terms of developing planning policy and ensuring there are appropriate organisations capable of having oversight for the implementation of planning strategy.

Planning can be divided into two components: (a) strategic planning (eg Plan Melbourne, Infrastructure Victoria 30 year plan); and (b) development assessment.¹⁰

There are a number of strategic 'plans' being developed that require implementation, including Plan Melbourne Refresh and Infrastructure Victoria's plans.

At present, **development assessment is conducted at a local council level and while this ought to take into account the overarching strategic goals or policies eg. those created in Plan Melbourne Refresh, it is difficult to hold councils to account for their decisions that do not deliver on the strategic plans.**

Therefore, there needs to be a way that council's adherence to a broader strategy can be monitored and regulated. This could involve taking the development assessment out of the hands of councils, or creating agencies to hold the councils to account for their decision making. This concept is timely in the context of the current *Local Government Act* review, which could incorporate consideration of delegation of authority for planning and development assessment outside of local councils.

Objective 3: Consistency of interpretation and application of requirements in planning schemes

Master Builders believes that reforms are urgently needed at local level to reduce costs and inefficiencies in our planning system. This not only includes reforms to reduce planning delays and to introduce greater accountability to local government, but also to create 'as of right' development processes to speed up the planning system and ensure that growth objectives can be achieved efficiently.

Planning delays cost Victorian builders and consumers a great deal. As stated, the VCEC 2010 inquiry 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, including around \$180 million each year due to unexpected delays in planning decisions.**¹¹

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 believes that one of the most efficient ways to ensure the delivery of Victoria's housing needs is to remove red tape in the planning system, and reduce permit waiting times by

¹⁰ As discussed in Gareth Griffith, The Greater Sydney Commission, NSW Parliamentary Research Service, October 2015, e-brief 20/2015, page 2

¹¹ Victorian Competition and Efficiency Commission report *Local Government for a Better Victoria: An Inquiry into Streamlining Local Government Regulation* (2010)

creating responsible 'as-of-right' codified processes. This might occur in development zones around principal activity centres and major public transport networks and in Neighbourhood Residential & General Residential Zones. This could apply to secondary dwellings, dual occupancy, low-rise townhouses, apartments and other forms of medium - high density housing.

Objective 4: Scope of objections to planning scheme amendments and permit applications limited to effective and efficient outcomes

At present, the scope of objections people can lodge in relation to planning permits is very broad, and when objections proceed to VCAT significant costs and delays can be incurred. In fact, the delays to planning and delivery of strategic plans are particularly problematic in Victoria. Indeed, the Grattan Institute¹² stated:

“The greatest area of concern for developers is Melbourne’s wide ranging third party appeals. As one said: ‘anyone can appeal and take the decision to VCAT, creating significant uncertainty’. **In Victoria, 1 in 10 applications are appealed, compared to 1 in 83 in NSW and 1 in 1000 in Queensland. The median length of the Victorian appeals process is 21 weeks.**”

VCAT also decides on a range of consumer related disputes and applications, making it less clear whether there are technical experts for deciding on issues in the building industry. The expertise of a decision-making body such as VCAT must be assured, in order to achieve efficient and effective outcomes for the industry.

The long delays experienced at VCAT could be alleviated somewhat by the delivery of the 'code-assessed' approach, which could limit the degree to which objections could be made towards proposed planning development.

Recommendations

1.1 Master Builders calls on the government to create a more detailed Housing Strategy. This would preferably involve targets on housing mix and affordable housing needs and information on land supply locations to meet those needs. Local councils would be held to account for this.

1.2 Master Builders recommends that the government set up or allocate responsibility for monitoring the implementation of a strategic plan and for planning development assessment, to a specific agency or planning assessment hubs.

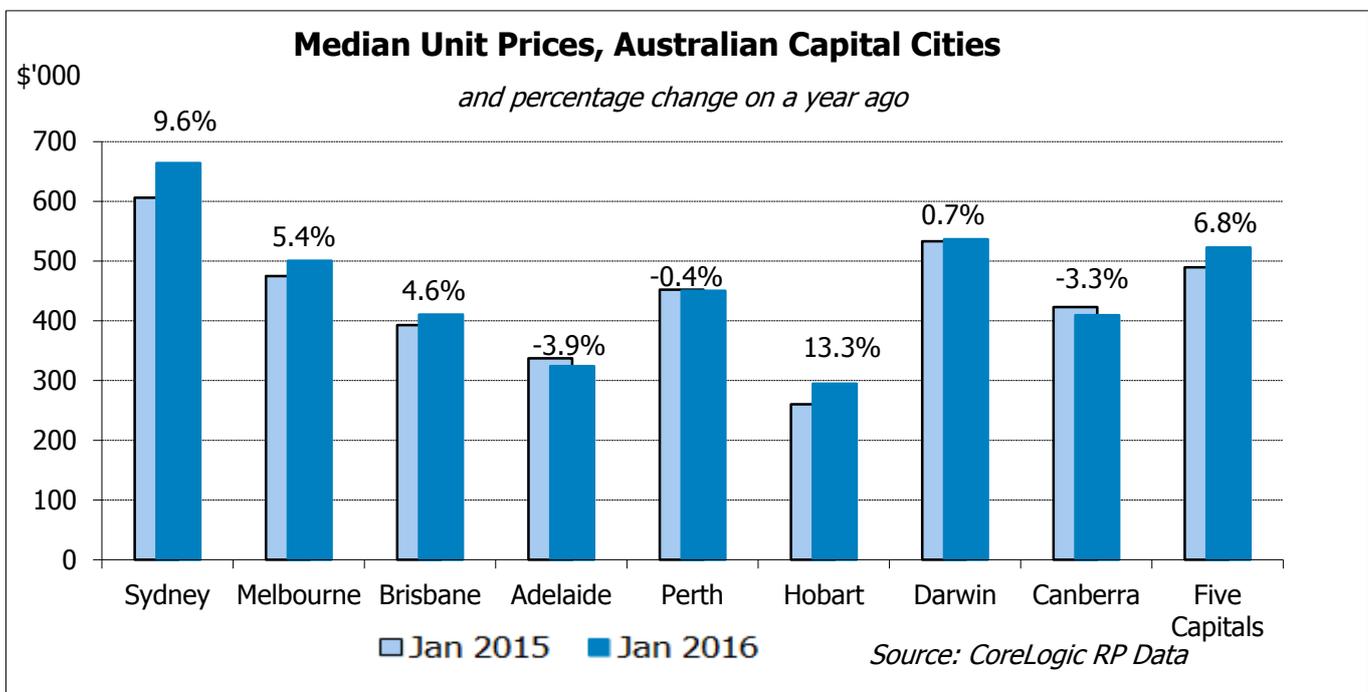
1.3 Master Builders calls on the government to create responsible 'as-of-right' codified processes. This might occur in development zones around principal activity centres and major public transport networks and, more generally, in Neighbourhood Residential & General Residential Zones. Depending on the zone, it could include secondary dwellings, dual occupancy, low-rise townhouses, apartments and other forms of medium - high density housing.

¹²Jane-Frances Kelly, 'The housing we'd choose'

Priority 2: Address Housing Affordability

The Victorian housing affordability crisis impacts our economy, the building and construction industry and society as a whole. Lack of housing affordability prevents home ownership, locks out first home buyers and leads to high rental prices. It presents a significant constraint on new building activity and ongoing work, and also impacts the availability of social or affordable housing. As the cost of housing in Victoria soars, Master Builders urges the State Government to take steps to improve housing affordability.

Master Builders' figures show that in **January 2016 the median dwelling price for Melbourne was \$563,000; 11% higher than it was a year earlier**. Similarly in Sydney, the median dwelling price in Jan was \$727,500; 10.5% higher than a year earlier.



The surge in house prices is being accompanied by rapid population growth. The Bureau projects that by 2056 Melbourne's population could double to nearly 8.2 million people, meaning that the government's planning strategy has to guarantee sufficient space to accommodate this substantial growth rate, including giving ample consideration to the availability of housing, jobs and services to support the growth.

Master Builders calls on the State Government to accelerate the comprehensive review of housing affordability as a matter of urgency, in line with work being conducted by the National Taskforce into Housing Affordability, chaired by the Victorian Treasurer Tim Pallas. This would provide policy and decision makers, industry and the broader community with an opportunity for public dialogue and offer potential solutions to help address it.

The existing planning system and its delays contribute to the cost of housing and construction, which is why Master Builders encourages the State Government to explore a reform of the planning system (discussed in further detail in Priority 1).

The increase in house prices in Victoria mean that higher income households who would previously have entered the home ownership market are now renting. This competition in the private rental market drives up rental prices and places additional stress on lower income households wishing to rent. Following on from this is additional pressure placed on the public housing system. Between March and September 2015 the public housing wait list has increased by over 2,000 applicants to almost 35,000 applications¹³, which, according to the Victorian Public Tenants Association, represents more than 60,000 people.

As well as policies that have a direct impact on housing affordability, many can indirectly affect it.

The policy agenda the government is pursuing is exciting and ambitious: over the next year we are expecting to see the release of *Plan Melbourne Refresh*, *Better Apartments*, *Residential Zones State of Play* reports, review of the *Local Government Act* to name a few. The broad scope of factors that influence housing affordability mean that these and other policies will indirectly influence affordability. For example, proposals to introduce minimum apartment sizes or ceiling heights as part of *Better Apartments* will impact the cost of building and housing. According to the Property Council of Australia every extra square metre of space would cost \$9000¹⁴. **While *Better Apartments* is primarily intended to improve living spaces, the impact it will have on housing affordability should not be ignored.** That is why Master Builders suggests consideration is given to developing a “housing affordability impact assessment” tool for consideration of all policy proposals. This could be incorporated, for example, in the regulatory impact statement (RIS) cost/benefit assessment process and be applied to government housing and planning policies in the future. This indicator would encourage policy makers to consider what impact a policy – such as *Better Apartments* - will have on housing affordability.

Master Builders is hopeful that strong leadership from the State Government will reduce the severity of the housing affordability crisis. We have considered a range of options that the Government could employ to address the issue, and are willing to work closely with the government in designing an appropriate response to this issue that will accommodate the needs of a broad section of the Victorian population.

Recommendations

2.1 Master Builders recommends that the government publicly articulates the work and time frames of the National Taskforce into Housing Affordability being chaired by the Treasurer, Tim Pallas. As a matter of urgency, identify the causes of unaffordable housing and encourage public dialogue to develop a comprehensive set of potential solutions to help address the issue.

2.2 Master Builders calls on the government to reform the Victorian Planning system as a matter of priority, consistent with Priority 1.

¹³ Public Housing Waiting and Transfer List, Department of Human Services, September 2015

¹⁴ Property Council of Australia, quoted in *The Age*, 8 January 2016

2.3 Master Builders recommends that the government balance decisions of the regulatory proposals, like the *Better Apartments* review, in the context of housing affordability to avoid further costs to the community.

2.4 Master Builders recommends that the government develop and implement a 'Housing Affordability Impact Assessment' tool to be included in the assessments of regulatory proposals, for example this could be incorporated as a benchmark in the RIS cost/benefit assessment process.

Priority 3: Introduce Mandatory Trades Registration

As the pace of building works to keep up with Victoria's rapidly expanding population, it is essential that tradespeople like carpenters, concreters, waterprooferers and bricklayers are appropriately skilled and registered, to protect consumers and the industry from poor workmanship.

Only 2000 trades people are registered in Victoria, compared to 40,000 in NSW and 46,000 in Queensland. It is alarming that Victoria is so far behind. NSW and QLD both require trades to be registered if the tradespeople are undergoing work that is above a prescribed monetary threshold. However in Victoria, tradespeople are exempt from registration if they are contracting to a registered builder.

This means that a lot of the building work in Victoria is being done by people who may have neither the training nor skills to do the job, and because they are not registered, cannot be held accountable for the shortcomings of their work.

Trades registration is a priority issue for Victorians. Over 1250 people signed the Master Builders petition calling on the government to 'Introduce Mandatory Registration of Trades in Victoria'.

Comments left by more than 1200 signatories to our petition, provide evidence that the Victorian building industry and its consumers are faced with a series of problems that would be resolved through mandatory trades registration, and they are calling for the government to make trades registration mandatory in Victoria.

Lack of accountability

The lack of mandatory registration in Victoria means that there is no formal way of connecting poor workmanship to subcontractors, so unregistered tradespeople can go unaccountable for their work.

Quotes from petition:

'Trades should be held accountable for their work'

'Trades should be accountable for the work they produce'

Consumer protection

The lack of registration means that it is difficult for consumers to make informed decisions about who to employ. In the current system, consumers rely heavily on the word of a tradesperson to understand their work experience, which is not always reliable. This can lead to consumers being taken advantage of by unskilled trades people.

Quotes from petition:

'I'm sick of fixing shonky work done by unqualified people who charge clients trade rates. All care and no responsibility'

'Unsuspecting builders and customers should not have to risk their work with unqualified and unsuitable persons claiming to be a qualified painter, tiler etc...'

'The cowboys make money off unsuspecting consumers, who end up with dodgy workmanship'.

Ability to monitor licenses

A system of registration would provide consumers with the ability to search the names and verify the qualification of potential subcontractors. This would also encourage a system of accountability by allowing consumers to see any substantiated complaints against the tradesperson.

Reducing poor quality outcomes

The May 2015 VAGO report *Victoria's Consumer Protection Framework for Building Construction* found that nearly one third (28 per cent) of people in the course of their building or renovating projects have experienced problems, and that a high percentage of those incidents involved poor workmanship.

Quotes from petition:

'I'm a qualified carpenter and see poor workmanship and unsafe practices everyday!'

'Poor quality tradesmen undercut professionals with poor quality work and materials'

'I am concerned about the quality and credibility of unqualified trades entering the worksite'

A trades registration system protects consumers by requiring tradespeople to obtain a minimum level of competency. In addition to demonstrating the ability to complete hands-on work in an effective, safe and skilful way, tradespeople should also have basic business management skills, a basic understanding of contracts and legal obligation, and a sound understanding of OHS requirements.

Quote from petition:

'A house is the most expensive item that most Australians will ever own; it should be built by competent trades people!'

Minimum skills and training standards

The current system does not require tradespeople to provide evidence of their qualifications or training, which means that it is incredibly difficult to know whether tradespeople are aware of best practice and occupational health and safety practices. Requiring a license ensures that practitioners will proactively keep up to date with their skills and training.

Quote from petition:

'If you gave trades a registration, then they have something to lose.'

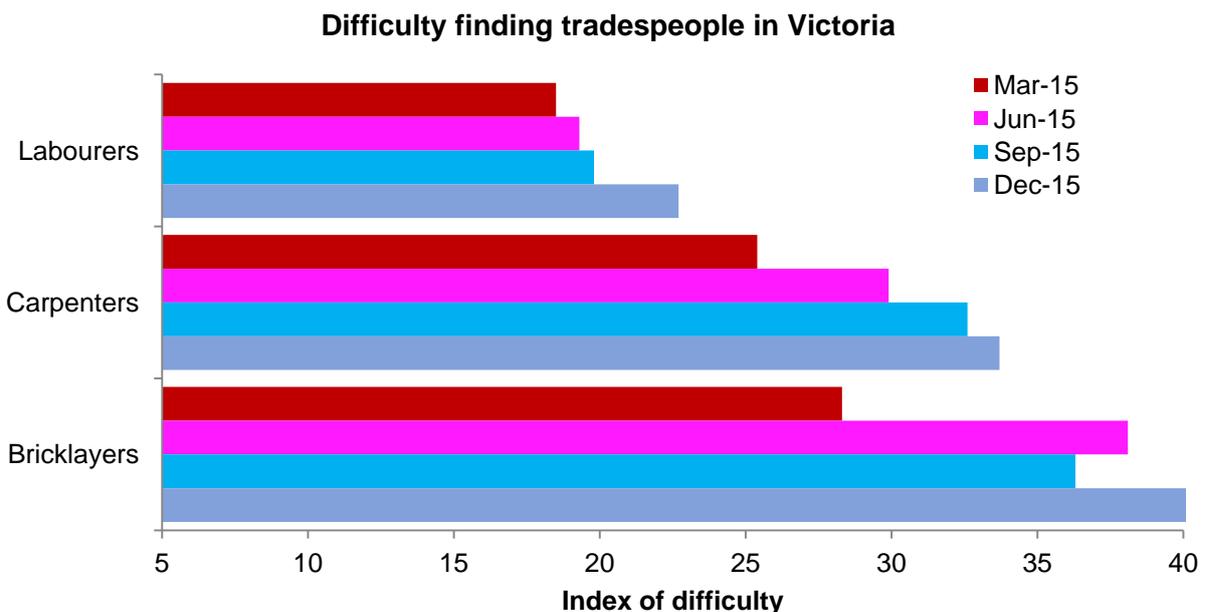
Government oversight and industry trends

A system of mandatory trades registration would allow the regulator to understand trends of poor quality work, or issues in the industry; and to enforce the laws and stop unskilled workers from conducting business.

Skills and career path for tradespeople

The current workforce is facing challenges to keep up with demand. As reported in *The Australian* newspaper on 14 September 2015, the residential construction boom is being plagued by a 'tradie crisis', with a shortage of skilled labour increasing the cost and time involved in building a house and adding to already high property prices in Melbourne¹⁵. This is compounded by an increasing rate of trades students withdrawing from training in Victoria, compared with NSW. As the demand continues to grow, the government must look at policies that will increase the number of people entering and staying in the industry.

As demonstrated in the graph below, the quarter to December 2015 Master Builders survey of members in Victoria highlighted that over the year it became increasingly difficult to source labourers, carpenters and bricklayers.



Source: Master Builders December 2015 National Survey Results

Reforms are needed to attract people into the building and construction industry and for it to be treated as an attractive and viable career. Requiring people to obtain specific training and/or qualifications gives legitimacy and reputation to the trades qualification and makes a trade more attractive as a career path.

¹⁵ Brown, G 2015 'Tradie shortage pushes home prices up as skills lost to mining', *The Australian*, 14 September 2015, p.5

Interstate competition

Builders who work across Victorian borders can see the difference between the states that have mandatory trades registration and those that do not. To attract business and investment opportunities, and underpin a strong building and construction sector, we must ensure the Victorian industry is a viable competitor.

Quotes from petition:

'My company works in other states that have trade registration and I do believe the quality of trades is much better [in the other states] and we are able to build homes more consistently and quicker'.

'[Trades registration] will bring Victoria into line with other states and better control over all trades'

The benefits of reforming trades registration in Victoria are numerous. A registration system will protect consumers by improving the accountability and quality in the industry; improve the industry by ensuring that quality is achieved and minimum skills are obtained; and allow trends in work and complaints to be dealt with. It is also highly likely to enhance the careers of tradespeople by strengthening the reputation and skill level of the industry; and will equip Victorian trades people with the skills and qualifications to match the jobs for a strong and robust future industry.

There are a number of ways a system of registration can be established in Victoria. This includes establishing categories for registration and making minor legislative amendments to the Building Regulations 2006 and the Domestic Building Contracts Act 1995.

The government made a good start in introducing *Building Legislation Amendment (Consumer Protection) Bill 2015* to Parliament in December 2015 to crack down on owner builders in Victoria – reforming trades registration is the next logical step.

Recommendation

3.1 Master Builders calls on the government to introduce mandatory registration of trades as a matter of priority.

Priority 4: Reform Victorian Domestic Building Insurance

Some of the key challenges of the current Domestic Building Insurance (DBI) scheme in Victoria were recently highlighted in the May 2015 Victorian Auditor-General's Report, *Victoria's Consumer Protection Framework for Building Construction* (VAGO Report). These were

- (1) the costs of administering the scheme;
- (2) possible reduced premiums from alternative policy options; and
- (3) consumer awareness about what their certificate entitles them to.

Master Builders considers that the costs of administering the DBI scheme can be significantly reduced by creating a new scheme that retains DBI Advisers (formally known as 'Brokers') as an essential element of the scheme and saves in administration costs. This saving could be used to tackle other issues of concern raised in the VAGO Report, such as reducing premiums for consumers and spending on consumer awareness programs.

The alternative model would be for the VMIA to take all of the various functions 'in house'.

Master Builders does not consider this to be appropriate as 'DBI Advisers' should be retained as they are already well trained and expert in DBI and provide an important function in the scheme.

We also believe that retaining 'DBI Advisers' is a **lower risk option**, when you consider the risks associated with the VMIA having to recruit, train and build an entirely new customer service team of approximately 60 FTE's. Not only would the 'in house' model be more costly for the VMIA, it would potentially slow the entire residential building industry down. An example of the upheaval that can be caused by changing schemes was never more evident than during the HIH collapse in 2001 and the withdrawal of Dexta in 2002, when building activity nearly came to a standstill.

We recommend that the government consider further initiatives that could reduce costs of the DBI scheme. By way of some examples, consideration could be had towards:

- moving to a **'completions' based underwriting model** (as recently introduced in NSW)¹⁶ – by better tracking contingent liabilities and thereby having greater control over portfolio exposure, the VMIA could significantly reduce claims cost, and hence reinsurance costs;
- amending the VMIA's current underwriting review guidelines, whereby builders with turnovers of less than \$3m, would only **require review 'by exception'**. This occurs in other jurisdictions such as NSW, thus lowering total administrative underwriting expenses significantly; and
- **developing a two tiered cover option** which could be cheaper for the consumer than the current compulsory option, but would have slightly lower indemnity periods. Consumers

¹⁶ As builders hand in completions certificates, the VMIA can monitor build periods and develop processes – which can also highlight builders at risk of insolvency or who are running poor businesses.

could choose to purchase an extended cover option – if they wished to increase the length of coverage.

Greater awareness and consumer education

Master Builders supports greater consumer awareness of the DBI product through education, in order to help 'manage consumer expectations'. Consumers should understand exactly what cover they receive from a DBI certificate. Some of the savings in administration costs could be used to build effective consumer awareness campaigns.

Other initiatives that will improve the consumer protection framework

In addition to focusing on fixing the DBI scheme, fixing the causes of poor quality workmanship in the industry should also be a matter of priority. We believe that **trades registration**, in addition to improvements to the builder registration system, would assist in the reduction of disputes and poor workmanship in the building industry. Proposed **changes to dispute resolution processes** under the *Building Legislation Amendment (Consumer Protection) Bill 2015* should go some way towards enabling a more efficient process – protecting builders and consumers. In addition, proposed reforms in the bill to the requirements of **owner-builders** should reduce the incidence of poor workmanship in the industry.

Recommendations

4.1 Master Builders recommends that the government moves towards the proposed Master Builders' model for the Victorian DBI scheme, which is a low risk option and retains DBI Advisers (formally known as 'Brokers') as an essential element of the scheme.

4.2 Master Builders recommends that the government consider further initiatives that could reduce costs of the DBI scheme – such as moving to a 'completions based underwriting model', review 'by exception' and two tiered cover options.

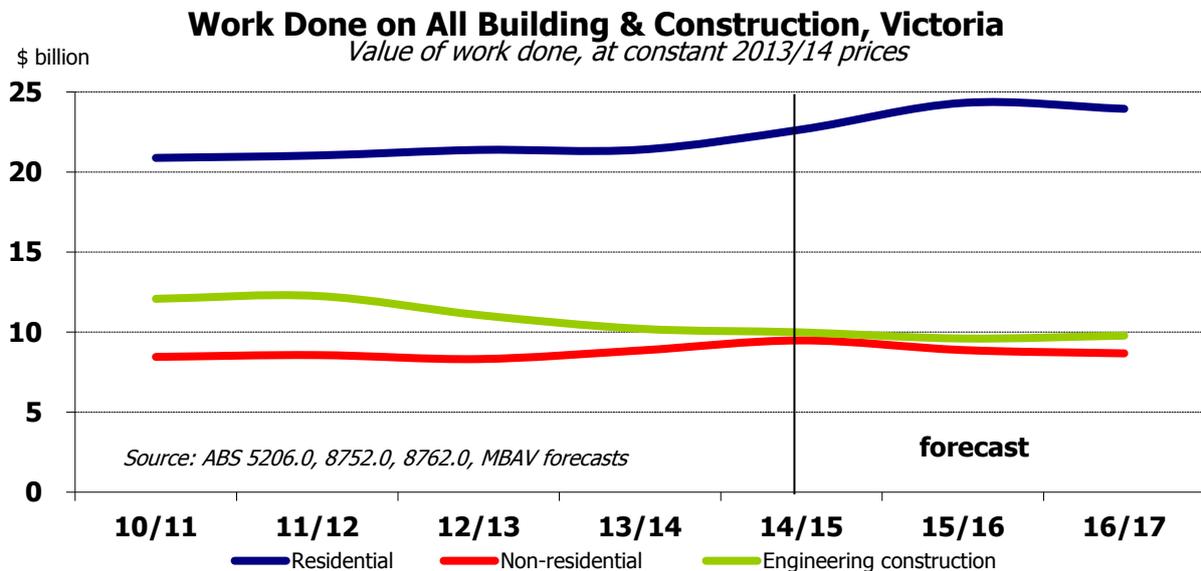
4.3 Master Builders recommends some of the savings in administration costs from the Master Builders' model of the DBI scheme could be used to build effective consumer awareness campaigns.

Priority 5: Invest in infrastructure

Melbourne has consistently transformed itself: over the past 40 years, the city has nearly doubled in size, growing by 1.5 million people to over 4.4 million¹⁷ and for the last five years it has been named the world's most liveable city¹⁸.

Victoria should embrace, and adequately prepare to accommodate, this growth to be able to continue to be a great place to live. The state will need more schools, public transport and road networks, services and jobs by 2051. The Government has to give ample consideration to funding infrastructure to support this growth.

In the face of growth, some of Victoria's key infrastructure has been in decline. An audit by Infrastructure Australia found that the annual cost of delays on Melbourne's roads will triple to more than \$9 billion in the next 15 years if the problem is not fixed¹⁹. Of concern, the level of work in the non-residential and engineering construction markets are not forecast to grow in coming years.

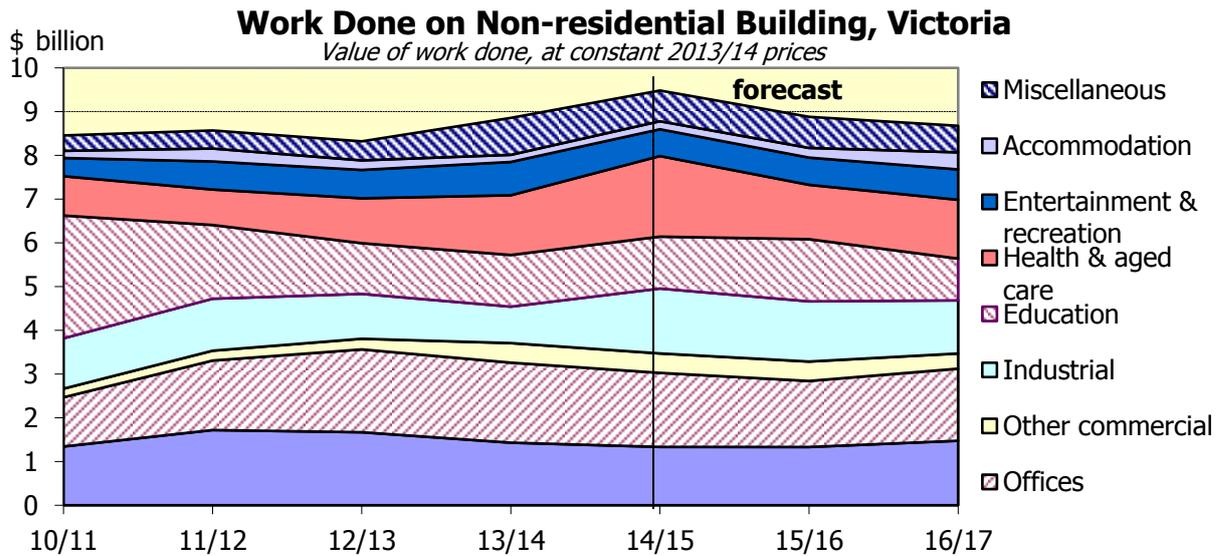


In particular, construction work in health and aged care, and recreation and entertainment are forecast to decline in coming years.

¹⁷ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3101.0> Australian demographic statistics March 2015, ABS Historical Population Data, 2011

¹⁸ The Economist Intelligence Unit *Global Liveability Report* 2015

¹⁹ Infrastructure Australia, 'Australian Infrastructure Audit Report' 2015



Source: ABS 8762.0, MBAV forecast

We commend the government for establishing Infrastructure Victoria, making steps towards removing 50 level crossings, and for releasing the Westgate Distributor business case. But for the State to continue to prosper and strengthen, we would like to see a strong pipeline of commercial and engineering investments established.

Master Builders believes the State Government should consider increasing Victoria's overall infrastructure expenditure. We are in a strong position to do so: Standard and Poor's August 2015 report reaffirmed Victoria's AAA credit rating, but noted that our capital expenditure ratio was 11.32 per cent, in 2015/16, down from 12.77 per cent in 2014/15²⁰. Master Builders welcomed Treasurer Tim Pallas' reaffirmation of Victoria's triple-A credit rating on 23 February 2016.

In order to facilitate increased investment in infrastructure in Victoria, Master Builders notes that it is important for Victoria to receive a fairer share of the Goods and Services Tax (GST) allocation. Despite accounting for 25 per cent of Australia's population, in 2014/15 Victoria only received 22.1 per cent of GST revenue²¹, down from 22.6 per cent in 2013/14. These additional funds could be used for critical investment in new transport, hospitals, roads and school projects for Victoria.

The current low interest rate environment offers the government many opportunities to consider financing of investment in infrastructure.

Recommendations

5.1 Master Builders recommends that the State Government establish a strong pipeline of commercial and engineering investment as a matter of priority.

5.2 Master Builders recommends that the government consider innovative funding arrangements for increased investment in commercial and infrastructure opportunities.

²⁰ Standard & Poor's ratings services, McGraw Hill Financial 'Ratings on Australian State of Victoria Affirmed at 'AAA/A-1+'; Outlook remains stable' August 27, 2015

²¹ Commonwealth Department of Treasury *Midyear Fiscal and Economic Update* December 2015, page 84

5.3 Master Builders recommends that in taking action to invest, the State Government ensure that Victoria's debt profile allows the state to retain its AAA credit rating.

5.4 Master Builders recommends that the government pursue increased GST funding to help fund crucial infrastructure projects.

Priority 6: Create a sustainable industrial relations environment

Uphold the rule of law in our industry

The numerous accounts of lawlessness and thuggery that have been recorded in our worksites have been highlighted during the Royal Commission hearings into Trade Union Governance and Corruption (Heydon Royal Commission). The Heydon Royal Commission report released in December 2015 highlighted that:

“The conduct that has emerged discloses systemic corruption and unlawful conduct, including corrupt payments, physical and verbal violence, threats, intimidation, abuse of right of entry permits, secondary boycotts, breaches of fiduciary duty and contempt of court.”

This behaviour has unjustifiable social consequences including detrimental emotional and physical turmoil imposed upon individuals and their families. The behaviour undermines the reputation and professionalism of the people working in the sector and of the industry overall. **As a central economic pillar of the state delivering more than 200,000 jobs, it is vitally important that a pipeline of skills for Victoria’s building and construction sector is developed and maintained.** Young people suffer too; when bad behaviour is allowed to create a negative impression of the industry, they see fewer options for a rewarding career, and the sector misses out on great candidates.

Every single Victorian should be concerned about this problem. Intimidation and bullying tactics drain critical construction projects of time and money required for the roads, hospitals, aged care facilities and schools on which our community depends. Every single Victorian loses.

That is why it is essential that the reforms proposed by the Heydon Royal Commission, particularly the re-introduction of the Australian Building and Construction Commission (ABCC), are implemented for the benefit of our industry. We welcome the commitment by the Federal Government to reintroduce the ABCC and we urge support by all stakeholders for the Bill at the next opportunity.

But equally - coercion, thuggery and intimidation across our industry – also 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 need government agencies, such as WorkSafe to act swiftly against those who disregard laws such as right of entry provisions. Master Builders was also 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.

EBA negotiations

In August last year we released a report by Deloitte Access Economics *Victorian Construction – Labour Costs and Productivity* which highlighted that construction industry EBA wages have been growing at unsustainably high rates and costing Victorians jobs and much needed infrastructure.

Victoria has the country's fastest growing population and therefore faces a dire imperative to produce social infrastructure including roads, rail, schools and hospitals to accommodate these new arrivals. In light of government efforts to increase spending on much-needed social infrastructure to accommodate a burgeoning population, further wage increases for EBA employees, cannot be justified without productivity offsets.

The Deloitte report highlighted that EBA real unit labour costs have grown by 2.4 per cent per annum more than can be justified by productivity increases. **The Deloitte report revealed that if EBA wages continue to increase at the same rate of 5 per cent over the next four years, the Victorian government (using taxpayer funds) will have to spend more than \$700 million just to meet current commitments made.** That is the equivalent of 40 new secondary schools, which would be lost to Victorians in a windfall gain for already highly paid EBA workers. Union EBA carpenters and entry-level labourers already earn far more than nurses, defence force members, fire fighters, police or teachers.

A responsible construction EBA agreement needs to provide a sustainable wage increase justified by meaningful flexibility and productivity improvements.

Master Builders hopes that as the EBA negotiations approach, the CFMEU will consider the urgency of the economic circumstances in the State and in particular the needs of the industry they represent.

Recommendations

6.1 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 government agency to enforce this.

6.2 Master Builders recommends that all interested stakeholders, including the State Government, community, employers, unions and employees support the creation of an industry EBA agreement that is sustainable and in the best interests of the future of the Victorian community.

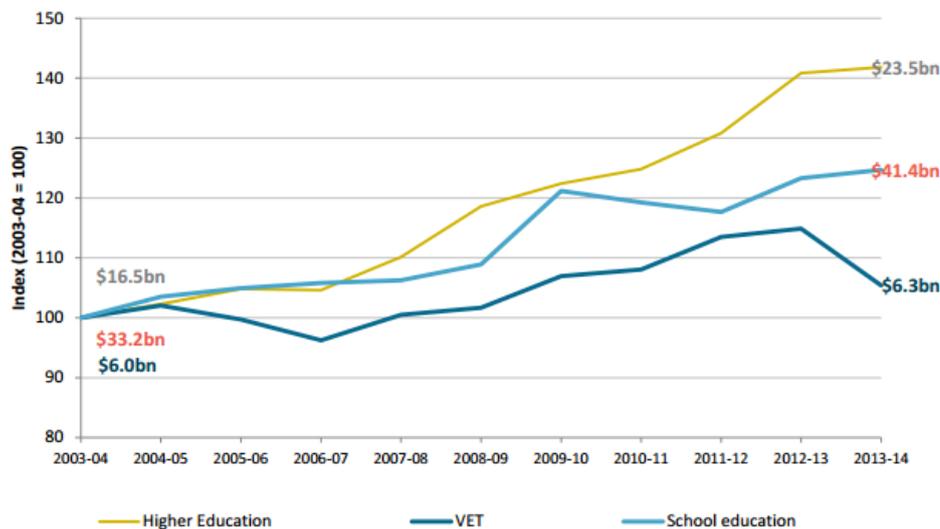
Priority 7: Invest in industry skills and training development

Vocational Education and Training (VET) is an integral part of Victoria's education system, economy and social fabric²². VET is provided by Technical And Further Education (TAFE) institutes, adult and community education providers as well as private Registered Training Organisations (RTOs), which includes industry RTOs, community organisations, private colleges and commercial and enterprise training providers. Additionally, some schools and universities provide VET.

VET enables students to gain qualifications for all types of employment, and specific skills to help them in the work place. The sector is crucial to the Australian economy, both for the development of the national workforce and as a major export industry²³.

Despite the important role VET plays, a report released in August 2015 by the Mitchell Institute for Health and Education Policy found that funding across Australia for vocational education has lagged behind that for universities and schools. VET funding has increased just 5 per cent over the past decade compared to 40 per cent for higher education and 25 per cent for schools.

Figure 1: Expenditure on education by sector – 2003-04 to 2013-14



ACIL Allen Consulting analysis based on Australian Bureau of Statistics data
Note: School expenditure includes all expenditure on government schools (including private contributions) and

Two reviews have recently been conducted in the Victorian sector: the VET Quality Assurance Review, and the VET Funding Review. These reviews discuss a range of issues within the system, amongst which the Funding Review highlighted that a succession of policy changes in recent years has resulted in lower quality training, students having qualifications withdrawn, and a mismatch between training and labour market needs²⁴. The Funding Review included three overarching objectives for the sector:

²² VET Funding Review: Final Report, Bruce MacKenzie, Neil Coulson 2015

²³ Australian Skills Quality Authority (ASQA) www.asqa.gov.au

²⁴ VET Funding Review, page 5

- delivering quality training that meets current and future industry needs;
- growing employment and further education outcomes; and
- promoting equity and addressing disadvantage.

In addition, the Funding Review's recommendations advocate strongly for better support for TAFES, which is an excellent start. However, Master Builders hopes that this will not detract from support for the important work that other providers – such as industry RTOs - deliver.

Role of industry RTOs in the VET sector

Industry RTOs are important training providers in the VET system. In Melbourne and in our regional offices, Master Builders provides training courses in business management, leadership, sustainability, safety, building and compliance, industrial relations and legal requirements. In 2014/15 Master Builders trained over 6500 people, providing more than 140,000 training hours. Training courses cross areas such as IR, OHS, legal, building and construction, human resource management, sales and customer service.

Industry RTOs like Master Builders provide specialised training services that are tailored towards the students working in the industry workplace. In addition, the Master Builders Building Leadership Simulation Centre (BLSC) is the only training provider in Australia to offer experiential learning in the form of simulation modules as part of construction and project management qualifications at certificate and diploma level. The success of the BLSC is evident in the growth it's experienced: it achieved a 72 per cent growth on the last financial year.

As well as providing tailored industry content, industry RTOs like Master Builders provide students with expert support and guidance. Of particular note, Master Builders has a specialised Learning Enrolment Team consisting of dedicated administrators and expert learning consultants who:

- conduct pre-enrolment testing and interviewing,
- training and careers advice,
- literacy and numeracy testing,
- targeted learning and literacy support,
- individualised attention from a learning enrolment officer throughout the student's course of study, and
- extra tutorials for students if required.

In the longer qualifications, Master Builders allocates each unit to trainers who have expert knowledge on that precise topic, rather than allocating the full course to just one trainer who may not have the same level of specific knowledge. With access to industry experts, students are also exposed to strong links in the industry, which can help in work experience placements and career paths.

When the building and construction sector delivers substantial employment for the state, then the importance of building and construction RTOs are magnified. Master Builders is proud of our training outcomes, and our strong record at engaging and training students.

Government support is important to providing quality and consistent VET courses. We note the recent \$9.3million State Government commitment to Group Training Organisations. In addition, in response to the VET Funding Review, the State Government indicated that the market will remain

contestable but that funding will be prioritised for quality training that leads to jobs. In addition to supporting TAFEs, Master Builders is hopeful that the Government recognises the work of industry RTOs in delivering specialised and quality courses with excellent employment outcomes.

New Victorian Skills Commissioner

Master Builders welcomes the appointment of Neil Coulson as the Victorian Skills Commissioner (VSC), and the government's recognition of the 'important role industry plays in the training sector'²⁵. We hope that this new Office will play a productive role in monitoring the sector, and will identify the strengths in delivering training, particularly by industry.

Master Builders understands that the VSC will be identifying programs to ensure students obtain training for real jobs, exploring ways to enhance industry output so that training is strategic and targeted, and seeking to understand the training needs of existing and emerging businesses, new skills requirements for new technologies.

By aiming to better align training needs to Victorian industry and the economy, we encourage the VSC to recognise that the building and construction industry is a crucial sector which needs to be focused on in this regard.

In addition to what we understand the broad direction of the VSC to be, some of the key issues Master Builders hopes will also be examined include:

- Identifying and acting upon ways to engage more young people into VET courses in the building and construction industry.
- Identifying ways to better engage schools and promote building and construction industry VET as a viable post school option.
- Identifying the outcomes for building and construction industry students that train in industry RTOs and TAFEs.
- Identifying the future workforce skills and funding appropriate training organisations to deliver the training in the building and construction industry.

Recommendations

7.1 Master Builders recommends that the Government consider ways to provide greater financial support to the VET sector, including support for industry RTOs.

7.2 Master Builders call on the release of the Victorian Skills Commissioner's a detailed work program as a matter of priority and that it include ways to ensure that young people can be encouraged into the building and construction sector as a career path, including by training in industry RTOs that deliver quality learning outcomes.

7.3 Master Builders calls on the Victorian Skills Commissioner to examine the building and construction industry as a matter of importance.

²⁵ 'Victoria's First Skills Commission Appointed' Media Release, the Hon Steve Herbert, 14 December 2015

Priority 8: Invest in building and construction technology

As well as the 1.6 million new homes²⁶ that the ABS forecasts will be needed in Melbourne by 2051, there must be considerable investment in public infrastructure. Some of projects that are planned to occur include Fishermans Bend, the Ballarat West Employment Zone, E-Gate and the Queen Victorian Market Precinct. Other large scale construction projects include the Westgate Distributor Project, Melbourne Metro Link and the ongoing \$250m Children's Hospital Redevelopment.

As summed up in *Super Connected Jobs: Understanding Australia's Future Workforce* (2015), there will be demand in the future for skills to build houses and infrastructure to accommodate the bigger population.

This poses three interesting challenges for Victoria:

1. To ensure the construction workforce grows so that it can keep up with demand – and that people have the desire to enter the building and construction industry as a career path;
2. To embrace new technologies to improve productivity; and
3. To ensure the workforce has the skills required to use new technologies to deliver new housing and infrastructure.

Future workforce size

The Victorian construction sector experienced the third largest growth of jobs between 2000-2015, now accounting for 238,000 jobs (as at December 2014), or 8.2 per cent of the workforce²⁷, making it the second largest full time employer.

As already discussed, the current workforce is facing challenges to keep up with demand. In Priority 7, Master Builders suggests that Industry RTOs delivering training would go some way in resolving this. As the demand continues to grow, the government must look at ways to increase the number of people entering and staying in the industry.

BIM Technology and the future of construction

Technology in the building and construction industry must be embraced to accommodate growth and to improve productivity and quality of outputs. The Productivity Commission's *Inquiry into Public Infrastructure* suggested that innovative approaches to design and planning and expanding the use of prefabrication or pre-cast elements offered the greatest opportunities for productivity growth²⁸. This was supported by the US National Research Council that reported on five areas as having the potential for 'breakthrough' productivity improvements. The findings included the widespread take up of Building Information Modelling (BIM) and greater use of off-site pre-fabrication.

BIM provides a common platform for data across all construction projects and for facilities management. Allen Consulting Group estimates more widespread uptake of BIM could deliver an

²⁶ <http://www.mpa.vic.gov.au/>

²⁷ Commonwealth Department of Employment 2015

²⁸ Productivity Commission, 2014

immediate boost to Australia's economic output by at least 0.2 basis points, and as much as 0.5 basis points by 2025²⁹. Master Builders is hopeful that the Victorian Government will support the use of BIM to improve efficiency and outcomes, noting that the increased use of BIM will require new skills, processes and capabilities across the workforce.

Off site construction, or use of pre-fabrication and/or modular building components is another important advance in construction technology. While previously everything was constructed on site, off-site production involves producing complete buildings or sections of buildings including toilets and kitchens. This form of construction can offer reduced construction times, costs, project payback times and waste, while improving workplace safety. In the interests of the consumer, pre-fabrication can contribute to improved productivity by reducing time lost due to bad weather; it reduces traffic congestion and general disruption to those around worksites.

Future workforce skills

The skills in the construction industry must evolve with technology to meet demand and productivity. Advances in other areas of technology, such as robotics and autonomous vehicles, has led to discussion about future worksites that are:

*"...managed by a small team of programmers who spend their day using touch screen technology or even giving verbal instructions to direct a team of robots...to undertake tasks in an environment where waste and re-work is minimised and where accidents are almost unheard of."*³⁰

As investments continue into developing new technologies, it is vital that we continue to look at ways that the building and construction workforce can evolve to work with and adapt to them.

According to the Victorian government Department of Economic Development, Jobs, Transport and Resources, one of the key challenges to engaging new technologies such as pre-fabrication is the lack of training from education institutions in modular and prefabrication techniques³¹. Through Offices such as the new Skills Commissioner, Master Builders is hopeful that the Government will examine ways to engage more people in the workforce and provide opportunities for these new skills to be learnt.

Recommendations

8.1 Master Builders urges the State Government to prioritise investment in BIM technology .

8.2 Master Builders calls on the State Government to consider ways to support new technologies including modular and pre-fabrication techniques.

8.3 Master Builders recommends that the government consider ways to engage more people in training to use emerging technologies in the building and construction workforce.

²⁹ Allen Consulting Group 2010

³⁰ Martin Loosemore, 'Is the Future of Construction On-site or Off-site?' www.sourceable.net

³¹ State Government of Victoria, 2015

Master Builders Overview

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 9,000 builders, subcontractors, manufacturers/suppliers and students. More than 80 per cent of our professional members are small businesses with an annual turnover of \$2 million or less.

We are a leading provider of products and services to the building and construction industry — not just our members but all builders across the industry, students, apprentices and consumers. This year is our 140th year of operations, demonstrating our long-running influence and support of Victoria's building and construction industry.

Member Services

We assist our members, whether they are a large or small business, to win work and perform their work. We provide a range of free services such as legal, OHS, industrial relations and builder registration advice.

Training

We deliver the best training for the industry — members and non-members — by offering a range of courses including OHS, IR, leadership and Certificate IV in building and construction (Building).

Simulation Training

We have the only simulation training centre in Australia, which can provide unique simulated training experiences, using actors and filming and recording technology, to provide realistic scenarios. The courses provided at the Building Leadership Simulation Centre (BLSC) include leadership and management skills, onsite industrial relations and managing site safety.

Merchandise

We provide products for builders, like contracts, signage, diaries and work clothing.

Advocacy & Policy

We provide advocacy support for our members to Federal and State Governments and industry stakeholders like the media and the Victorian Building Authority (VBA), to ensure that the views and needs of our members are represented.

Insurance Services

Builders can also access insurance services through MBA Insurance Services, a subsidiary of Master Builders.

Assist

Our call centre Master Builders Assist team provides responsive and helpful advice to members, consumers and the community who call on a range of issues pertaining to the building and construction industry.

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