

media release



MASTERS OF OUR INDUSTRY

Master Builders Association of Victoria
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Labour costs escalate as building activity slows

The latest Master Builders Business Sentiment Survey has revealed that most commercial builders cite increased labour costs as the biggest threat to profitability in the sector.

Of those surveyed, 37 per cent of commercial contractors said that the cost of labour was the biggest single threat to their profitability. Carbon Tax (17 per cent) and decreased government spending (17 per cent) were the other major factors cited.

Meanwhile, the majority of respondents said they had less than three months work on the books (58 per cent).

Master Builders Executive Director Brian Welch said that the industry's inability to resist large increases in the Enterprise Bargaining Agreement (EBA) negotiation with the CFMEU, means their concerns have now shifted to what damage these increases may have upon future work.

"Such is the pervasive power of the unions upon building businesses, that this situation will continue to repeat itself until there is satisfactory Government intervention to safeguard genuine negotiations," Mr Welch said.

"The CFMEU negotiated a 27 per cent pay rise for building industry employees in the most recent EBA negotiations – such a rise would be unheard of in any other industry," he said.

"Builders and contractors are concerned about these rising labour costs in such a tight economic market."

The outlook was bleak for many of the commercial contractors who responded with 38 per cent saying they expected profitability to decrease in the next 12 months and 36 per cent saying they expected business activity to slow.

"The message is clear – the reform process needed in the building industry has yet to begin," Mr Welch said.

"This is an unnecessary obstacle to profitability in a sector that is already being hard hit by tightening access to finance and an imminent Carbon Tax."

FAST FACTS:

- **37 per cent** of commercial contractors said that the **cost of labour** was the biggest single threat to their profitability.
- **17 per cent** said **Carbon Tax** was the biggest single threat to their profitability.
- **17 per cent** said **decreased government spending** was the biggest threat.
- **38 per cent** say they expect profitability to decrease in the next 12 months.
- **36 per cent** say they expect business activity to slow in the next 12 months.

Media enquiries:

Laura Luvara, Media Adviser, 0466 777 059 lluvara@mbav.com.au
Brian Welch, Executive Director, 0411 501 075