



**MASTER BUILDERS**  
A U S T R A L I A

# FEDERAL ELECTION POLICY PRIORITIES 2010

27 July 2010

*building australia*



# Master Builders Australia

## POLICY PRIORITIES 2010

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# INTRODUCTION

Master Builders Australia is the pre-eminent association for Australia's building and construction industry.

Master Builders Australia members are the Master Builder State and Territory Associations who collectively have more than 30,000 members.

The membership consists of large international and national contractors, residential and commercial builders, civil contractors, specialist contractors, as well as many small, independent subcontractors. Suppliers and industry professionals are also important members of the Association.

This broad ranging membership allows Master Builders to represent 95 per cent of all sectors of the building and construction industry.

Master Builders Australia's leadership role ensures that the interests of all its members are represented to government and its various agencies at the federal level.

Master Builders Australia "Federal Election Policy Priorities 2010" sets out the national policy priorities to advance the interests and needs of Australia's building and construction industry and of the Master Builder members who operate in and contribute to it, in order to support the growing national economy.

# MASTER BUILDERS AUSTRALIA'S OVERARCHING POLICY PRIORITIES 2010

Master Builders Australia, will work in a bipartisan way with both major political parties during the 2010 election campaign to ensure that election policies support the estimated \$2 trillion of investment required to build Australia's economic and social infrastructure over the next decade.

Few other national industries are of such enormous scale and of such vital importance for Australia's long-term economic and social well-being. The building and construction industry delivers Australia's freeways, harbours, airports, hospitals, schools, urban and industrial infrastructure, homes and offices. The industry is vital to Australia's wealth generation and job creation.

Master Builders is proudly pro-industry and pro-job creation and we therefore advocate policy outcomes for our industry and for the national economy that are consistent with those two aims. Building and construction last year attracted more than \$200 billion of investment and provided jobs for over 1 million workers.

## Overarching Policy Priorities

Master Builders Australia has three overarching policy priorities for the building and construction industry for the next term of government to assist it to deliver the estimated \$2 trillion of investment in economic and social infrastructure in a cost effective and efficient manner. The overarching policy priorities cover:

1. Responsible economic management;
2. Flexible workplace relations policy; and
3. Adequate housing supply and affordable housing

Maintaining a strong building and construction industry should be a top priority for the next Government. A strong building and construction industry needs a robust economy, a more flexible workplace relations system and fewer regulations and government charges to make housing more affordable and in greater supply

The building and construction industry played an important role in helping the Australian economy weather the GFC in 2009 without suffering a technical recession and in sustaining jobs, particularly for young people.

## 1 Responsible Economic Management

The GFC fiscal exit strategies will be critical to business and to the economy. They will affect overall business and consumer confidence and, as a consequence, the capacity for a private sector recovery following the stimulus package. A sudden and sharp withdrawal of the current stimulus package is not supported. A responsible and clearly articulated fiscal phase down is required. This needs to be accompanied by measures to stimulate private sector investment and to attract more foreign capital to meet business capital needs for growth. This lack of capital is currently holding back projects in the building and construction industry and will be a drag on the private sector recovery.

The Australian economy defied the great global recession with a comparatively mild and short downturn in 2009. Economic growth is now regaining momentum, despite weak business investment. The economic stimulus program continues to work to offset

the impact of the credit squeeze. Government spending meant investment and the labour market did not weaken as much as had been feared, but the pace of recovery is still being hampered by tight credit and, latterly, higher interest rates.

Effective and timely policy measures provided critical stimulus needed to insulate the economy from the worst effects of the global financial crisis, particularly unemployment. The Government's strong focus on building and construction stimulus programs was appropriate given the industry's labour intensive nature and strong linkages throughout the domestic economy. The strategy has proved successful in terms of cushioning the downturn in the Australian economy.

The next Government needs to have a strong productivity agenda to ensure that the building and construction industry can make a positive contribution to a private-sector led economic recovery in the post GFC environment. The imperative for Australia to increase its productivity also comes from an ageing population which will intensify in the next decade, leading to a large exodus of skilled workers from the workforce

Sound macro-economic policy, fiscal and monetary settings, and micro-economic reform are critical elements needed to underpin the building and construction industry.

The other crucial reform elements of the micro-economic productivity agenda are tax reform – including the red tape burden for small business, and labour market reform. These reform measures will send the right signals to overseas investors to direct capital and investment to Australia.

It is a lack of capital that continues to severely constrain the building and construction industry, in turn limiting the private sector recovery which is essential for a broad-based recovery in the Australian economy.

Business taxes should be reduced. The Henry Tax Review recommended that the company tax rate be reduced to 25 per cent and this should be achievable during the term of the next Government and not be dependent on or linked to the recently negotiated Mining Resource Rent Tax (MRRT).

Further reductions in personal income tax rates should be reviewed and planned.

The need for more economic infrastructure is well documented. The challenge is the capacity and availability of capital needed to bring this to realisation. The next Government should review tax constraints on capital to encourage reform to facilitate early investment in infrastructure projects.

Another critical element of the productivity agenda is the need to increase the efficiency and flexibility of Australia's labour market to sustain and create jobs, particularly for young people.

## **2. Flexible Workplace Policy**

Workplace relations reform by necessity has to be ongoing to ensure that the building and construction industry can contribute to a resilient and competitive economy.

The workplace relations system must not put up barriers to labour market efficiency and flexibility nor should it prevent workers from being able to negotiate arrangements with their employer that best suit their circumstances without unnecessary third party intervention.

Lawful industrial behaviour is high on the building industry's election priorities list. The industry needs a strong cop on the beat with the retention of a well empowered regulator. All Australians have gained from the benefits of the industrial relations reforms that have been introduced by the establishment of the Office of the Australian

Building and Construction Commissioner (ABCC) and the related industry specific reforms.

The existence of a well empowered regulator has been paramount in achieving a return to the rule of law in the industry. The continued existence of the industry regulator is essential to maintain labour and economic productivity.

## **Modern Awards**

The modern Awards introduced on 1 January 2010 have had a substantial effect on the building and construction industry, particularly the *Building and Construction General On-Site Award 2010*, and its ability to deliver a safety net that is appropriate or sufficiently flexible to maintain productivity.

The re-regulation of the labour market under the *Fair Work Act, 2009 (Cth)* is reducing employment flexibility and is unnecessarily adding to labour costs. The award modernisation process is cumbersome and adds a considerable compliance burden.

There needs to be a further overhaul of Awards to eliminate inflexibilities and to rationalise matters such as the more than 60 allowances that must be paid by building and construction employers for a vast array of matters.

The modern awards should be re-written in plain English so that legal disputes are lessened.

There should also be one model for the structure of modern Awards adopted by Fair Work Australia so that there are few differences in fundamental employment terms between industry sectors.

## **Independent Contractors**

The subcontract system has demonstrated itself to be a highly productive and cost effective method of building. More importantly, the subcontract system exemplifies the principles of freedom of association, enterprise, competition and independent endeavour. It is one where earnings directly motivate productivity and one in which efficient tradespersons can maximise their income.

Building and construction businesses use independent contracting to flexibly satisfy short-term labour requirements and to deliver a number of efficiencies. In order for such contractors to fairly compete, they should be regulated by commercial and not industrial, law.

Policies that preserve and enhance the subcontract system in the building and construction industry, including the retention of and enhancement of the Independent Contractors legislation are necessary for a flexible and productive industry.

The *Fair Work Act* currently allows for independent contractors to be regulated by enterprise agreements under the guise of job security for employees.

This is unnecessary as contractors are used to fill temporary skills shortages. It is also directly contrary to the principles of freedom of contract. It amounts to 'back-door' regulation which unfairly protects the privileges of one set of employees over the rights of another. There should be the prohibition of any regulation of independent contractors by way of enterprise agreements or any other workplace law.

Similarly, the current taxation rules about when a contractor conducts a personal services business should not be changed. They allow contractor's businesses to be

appropriately taxed as a business rather than as an individual. They have worked well and have become familiar to the industry.

### **3. Housing Supply and Housing Affordability**

The lack of affordable housing adds to social dislocation and threatens Australia's economic growth and productivity.

The family home has increasingly become unattainable as a confluence of circumstances have mitigated against an average Australian household realising the goal of affordable home ownership.

Home ownership is one of the cornerstones of Australia's social fabric and wellbeing and it is imperative that affordable housing remains within reach of all Australians.

The National Housing Supply Council has estimated the cumulative shortfall in new housing at around 180,000 dwellings.

The shortfall in new housing is not due to the lack of production capacity of the industry but rather the supply constraints that prevent the industry from supplying not only the required quantum but also affordable new housing.

There has to be a focus on the supply side of the problem such as dealing with chronic land shortages. Demand is not the problem and more demand driven solutions by themselves will only drive up house prices. Demand measures must be matched with supply side reforms and supply constraints need to be urgently addressed.

In terms of affordability, the Henry Tax Review undertook a major analysis of Australia's housing affordability challenge and has come up with two key recommendations; one to free up zoning and planning and two to set appropriate infrastructure charges (developer charges). Those reforms must be top priorities for the new Government to be pursued through COAG.

The Henry Review also categorically stated that taxation is not the major source of supply constraints in the Australian housing market. They strongly made the point that reforms designed to change the tax treatment of investor housing should only be considered once the housing supply issue has been resolved.

Interest rate settings strongly influence new housing outcomes. In that regard fiscal strategies are important to keep downward pressure on interest rates.

The housing sector is constantly subject to increased regulations and standards that add to cost. The cumulative effects of this cost creep have added to Australia's affordability problem.

The recent decision by COAG to increase the energy efficiency standard for new residential dwelling to six stars is an example. Mandatory minimum energy efficiency standards for new homes should not go beyond the proposed six star rating. Going to seven and eight star is not warranted and can only unnecessarily add to the cost of home ownership for young home buyers and add a further cost barrier to home ownership exacerbating Australia's undersupply of new and affordable residential dwellings.

# MASTER BUILDERS 2010 ELECTION POLICIES

Master Builders' overarching policy priorities for the next term of government present as national issues with enormous policy implications for both major parties and for the national economy. The challenge ahead is to avoid cost blow-outs or 'wage inflation' because of a failure of national policy to recognise industry needs.

The major political parties must develop policies that preserve a buoyant building and construction industry, ensure industrial harmony, deliver high productivity and assist with housing affordability and at the same time pursuing sound economic and fiscal management and keeping inflation low.

Master Builders Australia policy priorities demonstrate its commitment to building a better Australia, a stronger economy and a rewarding career.

Master Builders' policy priorities for the building and construction industry go beyond the three overarching policy areas identified. The overarching policies determine our approach to a range of specific policies that impact on the industry. Policy imperatives covered in this section of the document include:

1. Economy: Growth and Productivity
2. Reducing the Tax Burden
3. Workplace Relations
4. Workplace Safety
5. Housing Supply and Affordability
6. Environmental Sustainability and Energy Efficiency
7. Workforce Development
8. Population and Immigration
9. Senior and Co-ordinated Ministerial Representation

# 1. ECONOMY: GROWTH AND PRODUCTIVITY

The building and construction industry is a major driver of the Australian economy and makes a major contribution to the generation of wealth and the welfare of the community, particularly through the provision of homes and the construction of commercial and infrastructure projects.

At the same time, the wellbeing of the building and construction industry is closely linked to the general state of the domestic economy and increasingly the international economy.

In 2009 the building and construction industry made a major contribution to the economy:

- \$175 billion of work done or 7 per cent of GDP
- 1,000,000 jobs or 9 per cent of total employment

## **Responsible economic management**

Master Builders believes that economic policy should be directed towards achieving sustainable and equitable increases in Australia's prosperity. This can best be achieved by directing fiscal and monetary policy towards maintaining low inflation, a sustainable external balance and restoring the budget to surplus in a timely fashion.

The GFC fiscal exit strategies will be critical to business and to the economy. It will affect overall business and consumer confidence and as a consequence the capacity for a private sector recovery following the stimulus package. A sudden and sharp withdrawal of the current stimulus package is not supported. A clearly articulated phase down is required. This needs to be accompanied by measures to stimulate private sector investment and to attract more foreign capital to meet business capital needs for growth. This lack of capital is currently holding back projects in the building and construction industry and will be a drag on the private sector recovery.

In the aftermath of the global economic downturn and the need for strong discipline to restore the budget to balance, there needs to be a strong commitment to microeconomic reform. Master Builders believes this will be the most effective way to promote productivity growth in the private sector. Enhanced productivity growth will lift economic performance and ensure the budget is better positioned to deal with future fiscal pressures.

The challenge for the next Australian Government, is to maintain a conducive policy environment that builds on prior growth and prosperity without adding to inflationary pressures. This will require an integrated and multi-faceted policy response.

The next Government needs to build on the key reforms of the past: the floating of the currency, de-regulation of the finance sector, dismantling of the 'tariff-wall', competition reform, and increased labour market flexibility. These reforms have provided Australians with the prosperity they currently enjoy.

There cannot and should not be any turning back of the clock on these achievements, least of all in labour market reform, where the momentum has only just begun. Master Builders considers labour market reform an imperative for the building and construction industry, and critical to the underpinning of continued economic growth and prosperity.

Future Commonwealth Governments must remain vigilant with respect to both short and long-term outcomes. The Government's Intergenerational Reports examined issues associated with Australia's ageing population and long-term fiscal pressure on Commonwealth Budgets.

Future governments will need to respond to this challenge by better targeting of spending programs while at the same time facilitating targeted infrastructure development which will add to the capital base of the economy and increase growth rates. Ignoring the risks identified by the Intergenerational Reports and relying on rising tax receipts associated with, for example, bracket creep or new taxes is not a sustainable policy. Such a policy approach can only lead to lower levels of economic activity.

Master Builders also advocates a monetary policy stance which aims at minimising fluctuations in domestic demand over the medium term.

Master Builders advocates ongoing microeconomic reform and regulatory reform including industrial relations reform aimed at generating higher productivity.

## **Investing in infrastructure**

The provision of, and equitable and affordable access to, infrastructure is an integral part of the performance of the Australian economy in general and the building and construction sector in particular. Investment in infrastructure will allow Australia to manage its population growth.

Without this, economic performance will deteriorate and living standards will, over time, fall.

Government has a key role to play in facilitating the provision of infrastructure both in its own right and by creating favourable tax, regulatory and capital raising systems that will encourage increased private sector involvement.

Meeting infrastructure needs in Australian cities and regions is of paramount importance.

Australia should have a comparative advantage in low cost and well serviced urban land to underpin the productive capacity of the economy. If this advantage is allowed to be eroded, overall economic performance will suffer.

Master Builders advocates policies that redirect public spending away from recurrent, non-productive forms of expenditure and towards more productive forms of infrastructure outlay. Master Builders also strongly advocates policy initiatives to remove impediments such as unfavourable tax provisions to private sector involvement in infrastructure development.

## 2. REDUCING THE TAX BURDEN

The building and construction industry is one of the most widely and highly taxed industry sectors. It suffers a taxation burden, direct and indirect, at all levels of government – federal, State and local.

These tax burdens unduly work against achieving optimum economic and social objectives. The high tax burden distorts investment decisions, reduces employment opportunities and adds to the cost of compliance. This high tax burden also decreases housing affordability, increases housing stress and places a greater burden on governments for housing assistance.

Master Builders advocates:

- General tax reform
- Simplification of business tax compliance
- Removal of State taxes

### **General tax reform**

Master Builders calls on the Government to look for opportunities to pursue further fundamental taxation reform to reduce both personal and business tax burdens.

Business taxes should be reduced. The Henry Tax Review recommended that the company tax rate be reduced to 25 per cent and this should be achievable during the term of the next Government (and not be dependent on or linked to the recently negotiated MRRT). Further reductions in personal income tax rates should be reviewed and planned.

Master Builders continues to support moves to lower the top marginal tax rate to reduce the differential between personal tax rates and the company tax rate.

Master Builders also advocates the introduction of a stepped rate capital gains tax whereby the percentage of gains subject to the tax reduces the longer an asset is held.

### **Simplifying business tax compliance**

Raising revenue to fund government outlays must be done as efficiently as possible. The inefficient collection and administration of taxes distort economic decision making.

The increasing complexity and volume of Australia's tax law represents an ongoing burden for Australian business. Resources devoted to compliance with an unnecessarily complex tax system could be used more productively.

Master Builders therefore supports the minimisation by all levels of government of these costs. Master Builders is also particularly concerned that taxation complexity and its resulting compliance burden falls disproportionately on small business which cannot take advantage of economies of scale. This unfairly disadvantages small businesses relative to large.

### **Removal of State taxes**

State Governments continue to rely upon a range of narrowly based, highly distorting taxes for their revenue collection. In themselves these taxes represent large economic impositions on the business community as a result of their distortion of decision making

and direct increases in costs, as well as through high compliance costs and reduced overall economic efficiency.

These taxes generally fail badly on the tests of efficiency, simplicity, equity and ease of compliance and as transactional taxes, they impede economic activity.

These taxes fall disproportionately upon the building and construction industry.

The most distorting of these taxes are stamp duties.

Stamp duties are an inefficient tax which add directly to the price of houses but also make it more difficult for first home buyers to raise enough funds to pay both stamp duty and provide initial equity in the house. Stamp duties are also inefficient in that they are a transaction tax and other things being equal, would tend to reduce the turnover of housing resulting in inefficient use of the current housing stock.

While stamp duty may only be a small fraction of the total price of a house, it can be a significant proportion of the initial funding (particularly in major capital cities) needed to enter into home ownership.

Master Builders therefore encourages further moves to reduce stamp duties on home ownership, particularly as the burden falls disproportionately on first home buyers.

### 3. WORKPLACE RELATIONS

Workplace relations reform by necessity has to be ongoing to ensure that the building and construction industry can contribute to a resilient and competitive economy.

The workplace relations system must not put up barriers to labour market efficiency and flexibility nor should it prevent workers from being able to negotiate arrangements with their employer that best suit their circumstances without unnecessary third party intervention.

The building and construction industry uses independent contracting to flexibly satisfy short-term labour requirements and to deliver a number of efficiencies. The subcontract needs to be recognised as a legitimate form of delivering cost effective and highly productive outcomes.

Lawful industrial behaviour is high on the building industry's election priorities list. The industry needs a '*strong cop on the beat*' with the retention of a well empowered regulator. All Australians have gained from the benefits of the industrial relations reforms that have been introduced by the establishment of the Office of the Australian Building and Construction Commissioner (ABCC) and the related industry specific reforms.

The existence of a well empowered regulator has been paramount in achieving a return to the rule of law in the industry. The continued existence of the industry regulator is essential to maintain labour and multi-factor productivity.

#### **The Australian Building and Construction Commission**

The industry needs a well empowered watchdog. All Australians have gained from the benefits of the industrial relations reforms that have been introduced by the establishment of the Office of the Australian Building and Construction Commissioner (ABCC). It is Master Builders' policy that the continued existence of the industry regulator is essential to maintain productivity, particularly through the delivery of greater legal certainty.

The ABCC and related industrial relations reforms have added over 9 percent to labour productivity in the building and construction industry. The community is also \$5.9 billion better off through economic welfare gain because of the work of the ABCC. The effects of the ABCC also contributed to a reduction in inflation of 0.7% and added 0.6% to GDP. These findings were contained in the July 2010 Master Builders commissioned KPMG Econtech report on the economic effects of the work of the regulator. Abolition of the ABCC would throw away this vital economic activity. Master Builders strongly supports the retention of a well empowered regulator.

The Report also found that there has been a gain in industry productivity from the ABCC reforms. Since 2002 construction industry labour productivity has outperformed predictions based on historical performance relative to other industries by 7.7 percent. Multifactor productivity in the industry was no higher in 2000-2001 than 20 years earlier yet then accelerated to rise by 14.8 percent in the six years to 2007-2008.

This rise in productivity and economic benefits to the community must not be put in jeopardy by the watering down of the powers of the ABCC or through its abolition.

The Cole Royal Commission<sup>1</sup> comprehensively documented the workplace relations problems of the industry. It found that unacceptable and unlawful behaviours of unions in the commercial sector were a systemic problem.

The findings of the Royal Commission were supported by the work of the Interim Building Industry Taskforce which became the Building Industry Taskforce (the Taskforce) and then the ABCC. Both taskforces published reports that documented the unacceptable face of the building and construction industry.<sup>2</sup> In addition, the ABCC has published five reports on its compliance activities,<sup>3</sup> as well as a number of other reports that highlight the need for continuing action to curb unacceptable behaviour.

These reports also document clearly the important role that the ABCC has played in changing the industry culture and deterring unlawful industrial action. Master Builders is clear that there is a correlation between the ABCC's activities and the improvements in the culture and productivity of the industry.

The September 2005 Taskforce Report<sup>4</sup> highlighted the rationale for specific building industry workplace reform. It found that the industry norm was to disregard the then *Workplace Relations Act 1996* (Cth) (WRA) and adhere instead to "the law of the jungle". The Taskforce reported that incidences of inappropriate industrial pressure, sometimes involving violent and thuggish behaviour, contributed to the lawless culture that has plagued the industry for decades.

The specific reforms for the building and construction industry were introduced to transform the unacceptable culture identified by the Royal Commission. It was the singularity of the poor standard of industrial behaviour that led to the introduction of industry specific reform, the rationale for which has not at all altered. That is the important point: there is no case for changing something that was established following a detailed and rigorous Royal Commission that exposed unlawful and inappropriate behaviour. This is Master Builders' central policy: there is no need to abolish a system that is only just beginning to have an effect on cultural change. We oppose the terms of the *Building and Construction Industry Improvement Amendment (Transition to Fair Work) Bill 2009* introduced by the Rudd Government as a vehicle to replace the ABCC with another, weaker regulator.

This Bill would have unacceptably:

- abolished the Office of the ABCC and created the Office of the Fair Work Building Industry Inspectorate (Inspectorate);
- removed existing building industry specific laws that have been tailored to the industry's circumstances; and

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<sup>1</sup> Commonwealth of Australia, *Final Report of the Royal Commission into the Building and Construction Industry*, February 2003, [www.royalcombci.gov.au](http://www.royalcombci.gov.au), accessed 9 September 2008.

<sup>2</sup> Commonwealth of Australia, Interim Building Taskforce, *Upholding the Law – One Year On: Findings of the Interim Building Industry Taskforce*, March 2004 and Commonwealth of Australia, Taskforce, *Upholding the Law – Findings of the Building Industry Taskforce*, September 2005.

<sup>3</sup> Commonwealth of Australia, Office of the Australian Building and Construction Commissioner, *Report on the Exercise of Compliance Powers by the ABCC for the period 1 October 2005 to 31 March 2008; Exercise of Compliance Powers by the ABCC for the period 1 October 2005 to 31 August 2007; Exercise of Compliance Powers by the ABCC for the period 1 October 2005 to 31 December 2006; and Exercise of Compliance Powers by the ABCC for the period 1 October 2005 to 30 June 2006*, [www.abcc.gov.au/abcc/Reports/LegalReports/](http://www.abcc.gov.au/abcc/Reports/LegalReports/), accessed 9 September 2008.

<sup>4</sup> Note 6

- enabled the Inspectorate to compulsorily obtain information or documents relevant to an investigation from certain persons only after complying with strangling red tape.

Since September 2005, following the passage of the *Building and Construction Industry Improvement Act 2005* (Cth) (BCII Act), which created the ABCC, the building and construction industry has enjoyed a period of significantly improved industrial relations calm and increased productivity in which industrial relations has not been the predominant and negative influence that it has been in the past. Certainty for investors has been elevated when compared with the past. This change has benefited all parties in the industry, including workers. Equally importantly, it has benefited the Australian economy and the community.

Master Builders advocates that the advent of good industrial relations is related to the exercise of the powers of the ABCC, the work of which the Government's own recent inquiry into the industry found has not yet been done. The Wilcox Report made it clear that:

*The ABCC's work is not yet done. Although I accept there has been a big improvement in building industry behaviour during recent years, some problems remain. It would be unfortunate if the inclusion of the ABCC in the OFWO led to a reversal of the progress that has been made.*<sup>5</sup>

Master Builders policy is for the work of the ABCC in its current form to be continued.

Master Builders advocates that it is imperative that the ABCC continue its work with current levels of funding retained, and that that the work of the ABCC is able to continue as a "strong cop on the beat".

Master Builders also advocates that the same level of funding in real terms be provided for any ABCC successor body, and this be guaranteed for a five year period from its inception. Any successor must administer strong laws and possess appropriate investigative powers.

## **Reform of Procurement Instruments - The National Code and Implementation Guidelines**

The National Code and Guidelines have had a fundamental impact on agreement making in the building and construction industry. In particular, the Implementation Guidelines have been a means by which the Government has used its purchasing power to set the standards of workplace arrangements where building industry participants undertake work for the Commonwealth and its agencies, and where there is an element of Commonwealth funding associated with state and territory public works. Despite that policy, the Government determined that workplace relations laws are not to be affected by the Implementation Guidelines, insofar as where the Guidelines clash with a Fair Work enterprise agreements, the terms of the agreement will prevail.

The adoption of this policy position was made via a Ministerial Direction in October 2009. That Direction requires the Department of Education, Employment and Workplace Relations in assessing agreements made under the *Fair Work Act* to give precedence to the terms of those agreements. In examining agreements for compliance with the 2006 Implementation Guidelines, the Direction instructs the

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<sup>5</sup> Cth of Australia *Transition to Fair Work Australia for the Building and Construction Industry*, para 3.23 <http://www.deewr.gov.au/WorkplaceRelations/Policies/BuildingandConstruction/WilcoxReport/Pages/default.aspx>

Department to give primacy to section 8.1.1 of the Guidelines and 6.1 in the 2009 Guidelines so that if a Fair Work enterprise agreement is inconsistent with the Guidelines, the agreement prevails.

There is nothing on the face of the published documents (the 2006 and 2009 Guidelines) to indicate the fact that they are not to be interpreted as they are read by Master Builders' members. In other words, the Guidelines should not be contradicted by a Ministerial Direction that builders are frequently not aware of. This concern also applies to the application of the Guidelines by Government Departments and agencies when procuring construction work. Master Builders advocates that the National Code and Guidelines not be subject to the relevant Ministerial Direction or, at the least, that their terms reflect the Ministerial Direction.

At present, there are other procurement instruments that affect enterprise agreements reached in the building and construction industry, particularly the *Fair Work Principles*. The threshold for the application of these principles is different from the application of the Code and Guidelines. The method of enforcing compliance is also different from the Code and Guidelines. Master Builders advocates that these instruments be rationalised so that they have common thresholds and like compliance regimes.

## **Modern Awards**

The modern Awards that affect the building and construction industry, particularly the *Building and Construction General On-Site Award 2010*, do not deliver a safety net that is appropriate or sufficiently flexible. Its terms are unclear. The links with history muddy its interpretation.

Master Builders advocates a further overhaul of Awards to eliminate inflexibilities and to rationalise matters such as the more than 60 allowances that must be paid by employers for a vast array of matters.

Master Builders advocates the re-writing of modern Awards by plain English experts so that legal disputes are lessened.

Master Builders also advocates that one model for the structure of modern Awards be adopted by Fair Work Australia so that there are not very large differences in fundamental employment terms between industries.

## **Independent Contractors**

Master Builders is a strong advocate of the subcontract system. The subcontract system has demonstrated itself to be a highly productive and cost effective method of building. More importantly, the sub contract system exemplifies the principles of freedom of association, enterprise, competition and independent endeavour. It is one where earnings directly motivate productivity and one in which efficient trades persons can maximise their income.

Building and construction businesses use independent contracting to flexibly satisfy short-term labour requirements and to deliver a number of efficiencies. In order for such contractors to fairly compete, they should be regulated by commercial, not industrial, law.

Master Builders strongly advocates policies which preserve and enhance the sub contract system in the building and construction industry, including the retention of and enhancement of the Independent Contractors legislation.

Master Builders is also concerned that the *Fair Work Act 2009* (Cth) currently allows for independent contractors to be regulated by enterprise agreements under the

guise of job security for employees. This is unnecessary as contractors are used to fill temporary skills shortages. It is also directly contrary to the principles of freedom of contract. It amounts to 'back-door' regulation which unfairly protects the privileges of one set of employees over the rights of another. Master Builders advocates the prohibition of any regulation of independent contractors by way of enterprise agreements or any other workplace law.

Similarly, the current taxation rules about when a contractor conducts a personal services business should not be changed. They allow contractor's businesses to be appropriately taxed as a business rather than as an individual. They work well and have become familiar to the industry.

## 4. WORKPLACE SAFETY

Master Builders' two main policy objectives for OHS are to achieve improved building and construction industry OHS performance and a national, consistent OH&S regulatory framework that reduces the complexity of the regulatory burden on businesses operating across jurisdictions and that is reasonable and fair to employers.

Master Builders Australia occupational health and safety policy priorities 2010 advocate:

- nationally consistent OHS laws;
- nationally consistent enforcement of OHS legislation;
- a comprehensive, independent review of the Australian Government Building and Construction OHS Accreditation Scheme;
- a national asbestos policy unit to raise community awareness of asbestos.

The building and construction industry is improving its occupational health and safety record. The personal and community costs of serious injuries and death at work are unacceptable and strategies are being adopted to lessen this toll. These are articulated in the Master Builders Occupational Health and Safety Blueprint published in April 2010 available from the website.

In the Blueprint, Master Builders' commitment to the National OHS strategy including targets of a 40 per cent reduction in injuries and a 20 per cent reduction in fatalities by 2012 is set out.

### **Nationally consistent OHS laws**

Master Builders supports the harmonisation of OHS laws provided that it results in regulation that is fair and reasonable for industry and does not disadvantage companies that conduct business in one jurisdiction only. In particular, model OHS regulations must be clear and workable for the industry and not unnecessarily add to the industry's regulatory burden.

### **Nationally consistent enforcement of OH&S legislation**

Master Builders advocates that penalties for breaches of OHS legislation should be consistently applied across all jurisdictions. A focus of resources upon preventative measures will generate better OHS outcomes than the diversion of resources into enforcing legislation such as industrial manslaughter offences.

### **Review of the FSC Accreditation Scheme**

The Accreditation Scheme overseen by the Federal Safety Commissioner (FSC) is now in its 5<sup>th</sup> year of operation. Master Builders considers that it is timely for a comprehensive, independent review of the Scheme to assess what role it is playing in achieving improved OHS performance in the industry. The review is also needed to address industry concerns about the structure and operation of the Scheme and to ensure that the Scheme is consistent with, and does not operate in isolation from, harmonised OHS laws.

### **National asbestos policy unit**

Master Builders supports the establishment of a national asbestos policy unit to properly address the legacy of widespread asbestos use in Australia. Currently there is insufficient community understanding of the circumstances in which

asbestos poses a risk to health. Establishing a national asbestos unit would help raise community awareness of asbestos. The unit could also develop a long-term national strategy to deal with asbestos which appropriately takes into account the complex issues around the removal and disposal of asbestos.

## 5. HOUSING SUPPLY AND AFFORDABILITY

Home ownership is an integral part of Australia's social fabric. However the cost of a family home has increasingly become unattainable as a confluence of circumstances have mitigated against an average Australian household realising the goal of affordable home ownership.

As home ownership is one of the cornerstones of Australia's social fabric and wellbeing it is important that affordable housing is within reach of all Australians.

The lack of affordable housing adds to social dislocation and threatens Australia's economic growth and productivity. The National Housing Supply Council has estimated the cumulative shortfall in new housing at around 180,000 dwellings.

The key factors leading to a worsening of housing affordability include:

- Shortage of available land and inefficient land release strategies.
- Infrastructure costs being loaded onto developers and in turn passed on to home owners.
- Excessive infrastructure specifications in subdivisions.
- Excessive Council development levies, taxes and charges imposed by state and territory governments.
- Excessive Council planning and building requirements.
- Regulatory creep pushing codes and standards higher than required.
- Uncoordinated local and state government environmental regulations.

A responsible fiscal strategy is important in order to keep downward pressure on interest rates.

Governments need to embrace a package of reforms including reform of developer charges, timely land release programs, effective planning approval processes and removal of stamp duties.

Master Builders welcomes the Government's range of initiatives for dealing with housing affordability, including: infrastructure assistance to local governments; subsidies for rental investment properties; setting up a special savings fund for first home buyers; and releasing Commonwealth land. These are important and immediate first steps but by themselves are not long term sustainable solutions.

A recent key decision of COAG was to make housing a priority for microeconomic reform for 2010 with Treasurers to lead the development of a housing reform agenda with Housing and Planning Ministers. State and Territory Treasurers have been tasked with the job of developing a reform agenda to tackle housing supply and affordability issues. States and Territories also agreed to have capital city strategic plans by 2012 that will be independently assessed by the COAG Reform Council.

The Henry Tax Review undertook a major analysis of Australia's housing affordability challenge and has come up with two key recommendations to free up zoning and planning and to set appropriate infrastructure charges (developer charges). Those reforms must be top priorities for the new Government to be pursued through COAG.

The Henry Review categorically stated that taxation is not the major source of supply constraints in the Australian housing market. They strongly made the point that reforms designed to change the tax treatment of investor housing should only be considered once the housing supply issue has been resolved.

Mandatory minimum energy efficiency standards for new homes are a critical determinant in the cost of new housing. Master Builders recently commissioned research shows that energy efficiency standards for residential dwellings should not go beyond the proposed six star rating agreed to by COAG. Going to seven and eight star is not warranted and can only unnecessarily add to the cost of home ownership for young home buyers and add a further cost barrier to home ownership.

Master Builders' housing policy advocates:

- Urgent reform of inefficient and costly infrastructure charges and levies.
- Reforms to Increase land supply.
- Reforms to the planning and development processes to reduce costs and delays.
- Mandatory minimum energy efficiency standards not to exceed six stars.
- Provision of an appropriate level of public housing.
- Maintenance of the tax-exempt status of the family home.
- Retention of current negative gearing provisions.
- Maintenance of the First Home Owners Grant Scheme.
- Reduction in the burden, and simplification of, business tax compliance.

### **Inefficient Infrastructure Charges**

Inefficient infrastructure charges threaten intergenerational equity and should be reformed. Recent research by Master Builders Australia shows that developer charges, one of the fastest growing taxes in Australia, flow through to higher prices for newly built homes, making them less affordable and depressing building activity.

The problem has been recognised by the Federal Government and the Reserve Bank Governor. Unreasonably high developer charges have contributed to the current housing undersupply situation which in turn has exacerbated broader social problems such as a higher house prices, a lower level of home ownership, and undersupply of rental housing leading to higher rents.

Historically, urban infrastructure provision for housing development has been funded through a combination of local council rates and state/territory government general taxes, but state and local governments have imposed high developer charges that over time have risen to unprecedented and hurtful levels.

Master Builders Australia put these concerns in a detailed submission to the Henry Review of Taxation including 13 key recommendations to restrict the ability of councils and state governments to impose economically harmful charges; to enhance the accountability and transparency of the process; and to expand the capacity of these governments to raise revenue through more rational means.

## **Land Supply**

Australia has plenty of habitable land. Restrictions on the supply of land are driven by state and local government policies largely to reduce urban sprawl.

Limiting urban sprawl became a predominant policy as governments became increasingly less willing to fund new urban infrastructure associated with growth.

Public policy now typically seeks to contain growth within existing urban footprints, citing the need for more efficient use of existing infrastructure (through higher density) and attempting to prescribe this outcome by creating urban land boundaries around major cities.

Master Builders advocates that all governments, at all levels, collaborate to increase both the supply of affordable land and the construction of well planned infrastructure to support new land releases.

## **Local Government Planning Approvals**

Master Builders Australia believes more reform is needed within the planning approval system. Councils need to effectively develop strategic planning frameworks to encourage more investment expenditure to facilitate opportunities for growth.

Master Builder's key policy objectives are to:

- Involve independent experts in decision making
- Create a statutory framework for private certification
- Allow as of right compliance with planning schemes
- Ensure planning schemes are easily accessible and drafted in plain English.

## **Provision of Public and Social Housing**

Master Builders believes that there are compelling social and economic reasons for the provision of housing assistance by governments. Secure and affordable housing provides substantial direct and indirect benefits to households and the economy as a whole.

Housing assistance helps to relieve poverty, provides a stable and secure home environment, enhances employment prospects, contributes to better health and provides one of the critical components for security in retirement.

Master Builder's public housing policy includes:

- Provision of quality shelter for those individuals and families who, for social, health or other reasons are unable to avail themselves of home ownership or rental assistance should be available.
- Public housing should not be expected to provide an alternative to home ownership. Public housing should concentrate on solving the problems of those in housing difficulties.
- Increase the supply of housing, both in the private and public sector. For the public sector this means maintaining funding in real terms and in reviewing the efficiency and effectiveness of the delivery system for this sector of housing.

## **Protecting the tax exempt status of the family home**

Decent, affordable housing for all Australians has been a goal of all Commonwealth Governments since Federation. The importance of striving towards this goal cannot be underestimated. As well as providing shelter, secure housing helps people to cope with economic, social and health issues.

There is no empirical evidence to support the proposition by some that the tax exempt status of home ownership undermines the equity or efficiency of the tax system.

Master Builders therefore advocates the continuation of the tax exempt status of the family home.

## **Maintain and index the First Home Owners Grant Scheme**

The original and underlying policy principle of the Scheme was to ensure that first home buyers were not financially disadvantaged by the increase in the cost of new homes as a result of the introduction of the GST.

The Government's compensation policy was premised on an assumption that the GST would increase the prices of new homes by about 4.7 per cent and the fact that existing home owners would benefit from a rise in the value of their homes.

In the period since the introduction of the GST on 1 July 2000, a number of events have occurred that have diminished original the value of the \$7,000 compensation package.

Master Builders submits there is a strong case to index the compensation payment under the current Scheme to maintain the intended policy objectives and bring the grant into line with other areas of spending which are indexed annually to maintain their real value.

Master Builders also advocates that a higher grant be applied to those purchasing new homes rather than to those purchasing established homes.

It is the purchase of new homes which directly adds to activity in the housing area and which also brings advantages in terms of the significant flow-on effects to upstream and downstream industries.

Master Builders advocates that the Government increase the grant for new houses to \$15,000 and that both this and the existing grant for established houses be indexed to the CPI.

## **Retention of negative gearing provisions**

Some commentators argued that the 1999 capital gains tax changes caused asset price bubbles, particularly in the housing market. These commentators argue that a bubble in house prices in 2003 and 2004 was caused by the combination of CGT and negative gearing and that an appropriate policy solution was to subject housing to even more taxation through either a reduced CGT concession or a reduction in negative gearing.

There is no proof to substantiate this proposition and Master Builders does not support it.

As the Productivity Commission has noted:

*"Ostensibly 'quick fixes' suggested by many participants – such as limiting negative gearing or removing the CGT discount for housing – could detract from rather than promote more efficient investment." (Productivity Commission, First Home Ownership Inquiry, p. XXV, 2004)*

In addition, around 70 per cent of the housing stock is owner-occupied and not subject to CGT at all. The imposition of CGT on owner-occupied housing is not being proposed by commentators, so an increase in CGT for investment housing would merely increase the tax discrepancy between investor and owner-occupied housing. It is not clear that this will have any effect on the total demand for housing although it will increase the tax on rental property.

Finally, as noted, housing also has distinct benefits that are often overlooked, including increased wealth and employment, and many social benefits including increased stability, and social capital.

Master Builders strongly supports retention of the current negative gearing provisions. In the main, most investors are 'mums and dads' who provide the bulk of investor/rental housing and are therefore the major source of affordable housing in Australia. Any changes can only create a housing affordability crisis as was the case when negative gearing was disallowed in the 1980s.

## 6. ENVIRONMENTAL SUSTAINABILITY AND ENERGY EFFICIENCY

Master Builders accepts that the building industry has a leadership role to play to influence the way in which the built environment is constructed and thus mitigate impacts on the environment.

Master Builders environmental policy supports measures which:

- Minimise greenhouse gas emissions.
- Promote cost effective energy efficiency particularly in existing buildings.
- Assist builders to reduce and recycle building materials.
- Promote sustainable building practices to builders and consumers
- Promote the efficient use of water.

Master Builders Australia policies are aimed at:

- Providing industry leadership by promoting and developing more sustainable building practices across Australia (through its Green Living initiative).
- Striving for nationally consistent regulations where it is demonstrated no other actions will produce the desired outcome.
- The provision of clear demarcation lines between sustainable planning and construction and building regulations.
- The development of an industry-based tool for assessing sustainability with built-in life cycle assessments.
- Strategies to reduce water consumption and increase ways of harvesting rainwater.
- Adoption of voluntary best practice measures through incentives and rebates for building owners and consumers.

Master Builders advocates that statutory sustainable policies be developed in full partnership with industry and that they be nationally consistent in the Builders Code of Australia, but allowing for appropriate regional variations and climatic conditions. It is also imperative that State and local variations not contradict the BCA's climate zones.

Master Builders advocates that all proposed regulations need to be supported by a rigorous cost benefit analysis.

### **Energy Efficiency**

Master Builders supports the aim of reducing carbon emissions to deal with climate change and believes that the most efficient way of doing this is through a comprehensive emissions trading scheme that gives price incentives.

Our concern is that the Government's decision to defer introduction of an emissions trading scheme will lead to undue focus on so-called 'second plank' or

complementary initiatives. There is a danger that policies introduced in the absence of an explicit carbon price will be inefficient and costly to the community.

Until a community consensus is reached and a proper price signal for carbon emissions is in place, the likelihood is that heavy-handed regulatory measures will gain more prominence, forcing a disproportionate burden in terms of reducing Australia's carbon footprint on areas such as the built environment.

In July 2009 COAG agreed to the National Strategy on Energy Efficiency (NSEE). The NSEE is designed to substantially improve minimum standards for energy efficiency and accelerate the introduction of new technologies through improving regulatory processes and addressing barriers to the uptake of new energy-efficient products.

Part of the NSEE is designed to drive significant improvement in minimum energy efficiency standards to deliver substantial growth in the number of highly energy efficient homes and commercial buildings. The transformation is expected to be achieved through a combination of measures addressing both new building construction and the existing building stock.

It states that new buildings will be constructed according to increasingly stringent energy efficiency standards that will lead to a reduction in energy consumption. Governments will set out a clear process and timetable for periodic review (for example, every three years starting in 2012) of energy efficiency standards so that over the life of this strategy energy efficiency requirements will be progressively increased. Six, seven and eight star buildings, or equivalent, will become the norm in Australia, not the exception.

Master Builders has serious concerns about this approach regarding mandating increasing stringency for energy efficiency in new buildings without regard to the economic cost to the community.

Australia is in the process of moving to more stringent mandated levels of energy efficiency in new buildings during 1 May 2010 to 1 May 2011 in its States and Territories (6-star in residential buildings). The Government's own cost benefit analysis (ABCB Regulatory Impact Statement) showed that the imminent move to 6-star will be at a great cost to the community, not to mention housing affordability. The cost to the community to move to 6-star in residential buildings was estimated to be \$444 million. Master Builders believes this is an under-estimate.

In a report recently commissioned by Master Builders Australia entitled "Energy-efficiency: building code star-ratings. What's optimal, what's not", the independent research firm, The CIE, says:

- it is a fallacy to assume that energy savings can be achieved at no resource cost;
- it is economically reckless to relentlessly pursue ever higher energy efficiency star ratings in buildings with no consideration of costs - this only creates political pressures to achieve incorrect economic targets;
- forcing home owners to build houses with higher star ratings (using mandatory minimum standards) will be financially detrimental to most new home owners and economically detrimental to the community; and
- higher star ratings will manifest in higher house prices and lower disposable incomes of Australians and it will not result in efficient reductions in greenhouse gases.

Based on 700 model simulations conducted by Pitt & Sherry and Energy Partners using AccuRate software, The CIE found that in all new house designs evaluated, marginal costs escalate rapidly above 6 stars, while benefits continue to diminish. For many new house designs this occurs at lower star rating (around 5 stars). The CIE states that the finding is very robust.

Even quite large increases in electricity prices or falls in construction or design costs will make very little difference to the conclusion that raising the minimum mandated star rating above current levels will be economically detrimental to Australia.

On the other hand, for existing homes, potential for economic gain may exist. For those homes with very low existing star ratings, those with star rating of 1 or below, there is probably potential for an economical 1 to 1.5 star gain.

Master Builders believes proposals to set pathways for ever higher energy efficiency-related minimum standards for new buildings is, quite simply, bad public policy.

Since new building replaces only about 2 per cent of the stock each year, Master Builders strongly recommends that the Government's policy focus for buildings should be on retrofitting the nearly \$3 trillion (\$3,000 billion) of the existing stock of buildings to make them more energy efficient and therefore less carbon intensive. A stronger focus on policies to ensure that existing buildings become more energy efficient is the most effective way of achieving carbon abatement in the short to medium term.

The means to achieve this could include: education of public in best practice and direct subsidies or rebates to assist with installation of improved insulation, tinted windows, draught proofing, outside colour alteration, solar hot water and other similar measures.

Construction of new, more energy efficient buildings and the retrofitting of existing buildings will require a more skilled workforce. Government assistance is needed to overcome structural skills shortages in the building industry and to train workers in the new green building techniques that will be required.

## 7. WORKFORCE DEVELOPMENT

The construction workforce currently represents over 9 per cent of the total Australian workforce with the number of jobs expected to increase by 200,000 to around 1.2 million employees over the next decade.

The Australian labour market is subject to a structural skills deficit. Although masked recently due to the economic downturn and reduced demand for workers, skills shortages will re-emerge as the economy recovers. Official projections have estimated that the national skills shortage could rise to 240,000 by 2016.

Similarly, the building and construction industry is also facing a structural skills deficit, currently being suppressed because of the weakening in the labour market associated with the economic downturn.

Some of the skilled employment demand in construction will continue to be met by immigration, with many (but not all) relevant occupations represented on the Government's Skilled Occupations List for migration purposes. However, industry sustainability can best be promoted through an appropriate balance between migration and investment in training and skills development within Australia.

Master Builders' latest national survey reveals only modest job cuts from recent economic instability, with most builders reporting that their workforce would be stable or fall fractionally in the period ahead. However, the situation regarding apprenticeships is much less positive. According to the National Centre for Vocational Education Research, commencements in the construction sector for the year ended 30 June 2009 fell from 24,183 to 17,520 (i.e. a 27 per cent decrease). This decrease is very concerning and Master Builders has advocated for increased support by way of financial incentives to assist employers to engage and retain apprentices during the economic slowdown.

The skills deficit issue is exacerbated by the age structure of the building and construction workforce. Australian Bureau of Statistics data reveals that there were around 122,600 building and construction tradespersons older than 55 years in 2007. This cohort is proceeding to retirement. Age cohort analysis indicates that 80,000 workers will exit our industry over the next five years, even allowing for one in five working after turning 60 years of age.

Aggressive measures to promote greater recruitment and retention of apprentices are needed to ensure the skills necessary for the future of the construction industry will be available. The 'Kickstart' program is one example of a successful initiative that has been strongly supported by industry. Overall, the cost to employers in training apprentices remains high and is disproportionate to the incentive received from government. While many builders will retain apprentices for as long as financially possible, the current incentive structure inevitably makes this cohort vulnerable in times of low economic growth.

Master Builders has conducted research, published in *Training for the Future: Master Builders Training Blueprint 2010-2012*, which demonstrates that the cost to an employer of training an apprentice over a nominal four year period is \$128,000. This cost is the single largest barrier to engaging an apprentice and is considered by many employers to be prohibitive. This analysis is supported by published research undertaken by NCVET, which articulates comparable costs to employers of engaging and training apprentices.

Master Builders also supports upskilling of the existing workforce.

Master Builders supports measures to address the retention of older workers in the building and construction industry, and the attraction of younger Australians into building trades through school-based pre-apprenticeships and appropriate advisory and placement services.

Consistent with the Master Builders Training Blueprint 2010-2012, Master Builders advocates:

- Increasing the standard employer incentives for apprenticeships provided by the Australian Government from \$4,000 to \$14,000 for all skills shortages occupations, with part payments being made at three stages of the apprenticeship contract (three months after commencement, mid term and on completion).
- Facilitating the early and complete implementation of Construction Training Package to offer a wider range of more contemporary qualifications required by industry.
- Establishing an open national market for VET provision, with consistent regulation of public and private providers, and a rigorous quality system involving a strong voice for industry representatives.
- Increasing grants under the Fast Track Apprenticeship program to \$100,000 per Registered Training Organisation in order to ensure increased resources are available to mentor apprentices and support employers in the current low economic growth environment.
- Increasing financial support for Group Training Organisations (GTOs) to meet increased costs where employers are less able to host apprentices or where work is less regular.
  - GTOs engaging such apprentices should have priority access to funding under the Jobs Fund to develop community infrastructure projects and the like when private host employers are unavailable.
- Providing income support to apprentices who have had to be retrenched, and meeting the cost of their continued training until they can find a new employer, which would allow their contract of training to be suspended rather than cancelled.

## 8. POPULATION AND IMMIGRATION

Australia's ageing population will have major implications for labour force growth and hence GDP growth in the future. Despite a recent up-tick in the fertility rate, it remains well below replacement levels with the rate more likely to flatten out or resume the previous downward trend than keep rising. Accordingly, Australia's long-term supply of labour will be crucially dependent on immigration and it should be a central platform of a broad strategy aimed at addressing stagnation of the workforce.

Immigration brings many social and economic benefits to Australia. It adds to the supply of skilled labour, increases accumulated savings and contributes to domestic investment and expanded domestic consumption.

Higher skilled immigration levels can help redress the risks to Australia's economic performance from an ageing population by slowing the demographic transition and lift Australia's economic growth potential over the medium to long term.

The building and construction industry has an imperative to encourage skilled migration as it is estimated that over 80,000 skilled tradespersons will exit the workforce due to ageing over the next five years. This is exacerbated by the current insufficient number of new entrants joining the industry to make up this shortfall. The industry's labour force needs will become more acute in the context the projected growth of the workforce of 200,000 to 1.2 million over the next decade to undertake the projected \$2 trillion of investment in Australia's economic and social infrastructure.

Although not a substitute for the training of a strong domestic skilled workforce, Master Builder's migration policy advocates higher levels of immigration, focusing on skilled migrants

Master Builders supports government programs that would be sympathetic to achieving net overseas migration of at least 180,000 per annum, on average over the long term. This is clearly sustainable and in Australia's long-term interest, especially in light of the findings of the Government's third Intergenerational Report. Program targets should be weighted heavily towards the skilled stream.

Master Builders supports the shift to permanent skilled migration as an important component in boosting Australia's long-term economic growth and productivity. The permanent skilled migration intake needs to be adjusted on a rolling annual basis in response to short term economic conditions, but Master Builders believes that planned permanent skilled migration intakes (currently 108,100, reduced from 133,000 in March 2009) will need to be much higher in coming years as the underlying skills shortage begins to resurface in a strengthening economy.

Skilled migration has to be an active policy as part of a range of initiatives to ensure an adequate supply of skilled labour in the building and construction industry in the medium to long term. Policies related to skilled migration need to be business friendly and flexible, thereby enabling employers to invest in the sponsoring of a new skilled migrant despite the vagaries and cyclicity of the building industry.

## **9. SENIOR AND COORDINATED MINISTERIAL REPRESENTATION**

The building and construction industry attracts more than \$200 billion of investment annually and provides jobs for over 1 million workers. It is now the third largest industry sector in Australia, contributing over 7 per cent to GDP and more than 9 per cent of total employment. The building and construction industry makes a major contribution to the economy.

A dedicated and senior Federal Minister for Building and Construction would enable proper recognition of the importance of the industry and the vital contribution it makes to the prosperity of the Australian economy, both directly and indirectly through its close linkages with other sectors. It is imperative given that much smaller sectors of the economy are represented through dedicated Ministers.

At present the various Commonwealth inputs to this sector are distributed across a myriad of Departments and portfolios such as Housing; Innovation and Industry; Infrastructure, Transport and Local Government; Employment and Workplace Relations; Treasury and Immigration. The move to create a Housing portfolio was certainly a step in the right direction but this vital part of the economy still suffers from a disjointed approach.

Master Builder's policy advocates the establishment of a senior Ministerial portfolio for building and construction with a dedicated departmental agency to work with industry to drive new industry policy and programs focusing on the private sector that will ensure that the industry maintains its position as the engine room of the Australian economy.