



MASTER BUILDERS
A U S T R A L I A

Submission to the Productivity Commission's interim reports on
the Five Pillars for Productivity Reform

A Better, Safer and Fairer Building and Construction Industry

September 2025



+61 2 6202 8888



PO Box 7170, Yarralumla ACT 2600



enquiries@masterbuilders.com.au
www.masterbuilders.com.au

WHO WE ARE

Master Builders is the nation's peak building and construction industry association, which was federated on a national basis in 1890. Master Builders' members are the Master Builder State and Territory Associations. Over 130 years, the Master Builders network has grown to more than 32,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry association representing all three sectors: residential, commercial, and civil construction.

The Master Builders network also delivers vocational education and training through its network of registered and group training organisations across Australia. This includes trade qualifications in building and carpentry as well as ongoing professional development training.

Membership with Master Builders is a stamp of quality, demonstrating that a builder values high standards of skill, integrity, and responsibility to their clients.

Master Builders' vision is for a profitable and sustainable building and construction industry.

AUSTRALIA'S PRODUCTIVITY PROBLEM

The built environment is essential to maintaining and improving the living standards of all Australians. The building and construction industry can only meet this enormous responsibility through stronger productivity growth.

Boosting productivity is essential to building a better, safer and fairer building and construction industry. It allows the industry to deliver quality outcomes more efficiently, reduce cost pressures, lift safety standards and ensure businesses of all sizes can thrive and compete on a level playing field.

Unfortunately, productivity in the industry has been going backward. Productivity has declined in eight of the last ten years and is 18.6 per cent lower than it was a decade ago. Persistently low productivity has prevented the industry from reaching its full potential.

This decline matters. Poor productivity slows the delivery of buildings and infrastructure, and in many cases, prevents projects from proceeding altogether. As a result, construction takes longer and costs more across the board.

Nowhere is this more evident than in housing, where supply shortages are acute. Since the pandemic, the typical cost of a newly built house has climbed by 43.1 per cent.

Australia's construction industry is made up of more than 462,500 businesses the overwhelming majority (98 per cent) of which are small in size. Together, they employ more than 1.32 million Australians. While this structure brings flexibility and strong community links, it also exposes the industry to a wide range of risks and vulnerabilities.

The delivery of new homes and the broader built environment has been increasingly hampered by a convergence of complex and compounding challenges, including:

- persistent supply chain disruptions and rising material costs;
- fixed-price contracts that no longer reflect market volatility;
- razor-thin or non-existent profit margins, undermining the industry's sustainability;
- acute labour shortages leading to project delays and increased uncertainty;
- workplace relations changes that restrict flexibility and stifle productivity gains;
- macroeconomic pressures such as high inflation and elevated interest rates;
- mounting regulatory and administrative burdens, particularly for small businesses, pulling time and focus away from on-the-ground delivery;
- lack of enforcement of existing regulations, which gives rise to bad actors; and
- more frequent extreme weather events disrupting construction timelines.

Together, these pressures are eroding industry capacity and investor confidence, fuelling a cycle of delay, disruption, and declining supply.

Master Builders has consistently sought action from the federal government around supporting business investment, removing unnecessary red tape, simplifying the regulatory environment, and enabling a sustainable future for the building and construction sector.

Productivity in building and construction is not about cutting corners or doing more with less. It is about working smarter, eliminating waste, streamlining processes, and empowering the industry to deliver higher quality outcomes more efficiently and sustainably.

While scalability and innovation are part of the solution, too often small businesses are held back by excessive regulation and poorly designed policy. Productivity reforms must acknowledge these barriers and ensure that smaller operators are supported with the right tools, resources, and incentives to grow and adapt, rather than being left behind.

FIVE PILLARS INTERIM REPORTS RESPONSE

Master Builders welcomes the Productivity Commission's interim reports and the constructive focus they bring to the drivers of national productivity. Across the Commission's work, there is clear alignment with the priorities of the building and construction industry: reducing unnecessary regulatory burden, strengthening workforce capability, harnessing digital technologies, and managing the transition to cheaper, cleaner energy.

These are the right areas of focus, but their success will depend on whether reforms are designed to work in practice for an industry and economy dominated by small firms. Regulatory and investment reforms must be ambitious in outcome but grounded in practical delivery. Workforce reforms must move beyond system-level ambitions to deliver higher apprenticeship completions, faster recognition of skills, stronger digital capability in trades and more effective use of migrant talent. Digital reforms must be carefully staged, sequenced through proven pilots, and supported with funding so that small businesses can participate fully and safely. Energy reforms must be buildable, affordable and fair, sequenced to reflect supply-chain and workforce readiness, and paired with clear roadmaps, funding and accountability.

Master Builders supports the Commission's ambition; however, emphasises that ambition must be matched with practical implementation. Reforms must be sequenced, accompanied by adequate transition supports, informed by readiness checks, and designed to ensure that the many small firms that build Australia's homes and infrastructure are not excluded or disadvantaged. With these safeguards, the Commission's agenda can deliver durable productivity gains, lower costs for households and businesses, and a stronger, more competitive construction industry.

Summary of positions

Pillar 1: Creating a dynamic and resilient economy

- Recommendations and model guidance from the Shergold-Weir Building Confidence report should be implemented by states and territories to give the community confidence and create a level playing field for the industry. Progress should be reported nationally.
- Attach an implementation roadmap to every reform recommendation that includes staged timelines, realistic transition and compliance cost estimates disaggregated by firm size, a named lead agency, proposed funding lines for transition supports, and a timetable for evaluation.
- Commission a targeted, time-bound National Construction Code (NCC) review that reaffirms the Code's role as a minimum safety standard, requires explicit buildability and supply-readiness tests before any "best practice" measures are added, and mandates free public access to legally binding standards and clearer Deemed-to-Satisfy (DtS) pathways. This review should account for a pause in non-critical NCC changes.
- Land and construction taxes should be reviewed. They collectively create disincentives to investment in our built environment. Regulatory costs, statutory taxes, and infrastructure charges add significantly to house prices, contributing up to 49 per cent to the cost of a greenfield house and land package in Sydney in 2023–24 (CIE, 2025).
- Publish national procurement principles that preserve SME contestability, limit unnecessary roster rigidity, require procurement impact statements assessing SME access and competition effects, and mandate a procurement review two years after implementation.
- Propose a narrow, evidence-based competition package for the construction sector that applies competition law to enterprise agreements strengthens remedies for secondary-boycott/cartel conduct where shown to harm competition, and establishes an industry enforcement mechanism.
- Any tightening of product, performance or environmental standards should be accompanied by a published Supply-Readiness Test. The test should assess domestic manufacturing capacity, import dependency, workforce implications and cost impacts and should set objective go/no-go gates for mandatory adoption.
- Pair regulatory change with targeted transition funding: SME digital and compliance grants, temporary tax offsets or accelerated deductions for compliance capital, employer-friendly apprenticeship incentives, and retrofit finance. Funding envelopes for pilots should be specified and conditional upon independent evaluation.

Pillar 2: Building a more skilled and adaptable workforce

- Stage the roll-out of a national Recognition of Prior Learning (RPL) and credit-transfer system by establishing regional practical-assessment hubs and a registry of verified credit-transfer decisions, with funded assessment subsidies for candidates and strengthened Registered Training Organisation (RTO) audit powers to protect assessment quality and employer confidence.

- Endorse and provide seed funding for BuildSkills Australia (or an equivalent industry-led delivery body) to coordinate trade-specific pilots, digital-skills rollouts, employer engagement programs, RPL hubs and migrant bridging initiatives. Governance should be industry-led with transparent reporting and independent evaluation.
- Fund targeted digital and manufacturing pilots for trades that integrate Building Information Modelling (BIM), Design for Manufacture and Assembly (DfMA) and Virtual Reality/Augmented Reality (VR/AR) training into apprenticeship pathways, include employer co-funding, and provide matched digital-adoption grants to SMEs to purchase the basic tools required for on-site productivity gains.
- Implement occupation-specific migrant bridging and fast-track assessment pilots for priority trades, using employer-supervised on-site assessment and time-bound recognition targets. Each pilot should include funded assessment fees and a short employer placement guarantee to secure workplace validation.
- Redesign apprenticeship incentives so that payments are phased and outcome-contingent: monthly wage support in the early stages, a completion bonus at qualification, and supervisor/mentor micro-grants to reflect the true costs of hosting apprentices in a project-based industry. Require robust evaluation metrics and conditional continuation based on completion and retention results.
- Map and scale group-training capacity where shortages exist by funding targeted capacity grants, incentivising host placements through micro-grants, and monitoring hosting rates and completion outcomes to inform further investment.
- Embed stronger school-to-trade pathways by funding vocational modules in national edtech pilots, supporting teacher externships in industry, and mandating local employer–RTO linkages for work-experience placements in pilot regions.

Pillar 3: Harnessing digital technology

- Embed digital literacy in secondary education through expanded VET-in-Schools programs, and update vocational training packages to include modular digital components that can be taken standalone or as part of apprenticeships.
- Fund mid-career digital upskilling programs for supervisors and trades to ensure the current workforce can adapt to digital tools such as BIM, digital twins and compliance platforms.
- Adopt a tiered approach to procurement and reporting, with simplified templates and extended transition support for SMEs, while applying fuller digital obligations to large entities.
- Pair any new digital reporting or data-sharing requirements with subsidised SME cybersecurity supports, including template protocols, subsidised tools and industry-led awareness campaigns.
- Require regulators to include cyber resilience as a condition of interoperability and data-sharing pilots.

- Develop a voluntary national construction data framework for traceability and embodied-carbon reporting, building on existing industry guidance.
- Fund interoperability pilots across platforms and environmental product declaration providers and use procurement incentives to encourage early adoption.

Pillar 5: Investing in cheaper, cleaner energy

- Adopt a clear, performance-based definition of resilience that reflects industry practice – a focused on a structure's ability to withstand discrete physical shocks – rather than broader behavioural or socio-economic attributes.
- Ensure resilience measures are developed as a shared national responsibility, supported by systemic government investment, rather than shifting costs onto individual households or small builders.
Require regulatory proposals on resilience to include clear accountability for cost allocation and to demonstrate consistency across jurisdictions, avoiding fragmented or duplicative standards.
- Establish a structured sequencing framework for all new performance standards and reporting obligations. This framework should include explicit readiness tests covering supply-chain maturity, data and verification tools, installer capacity, and realistic transition timelines before adoption is mandated.
- Design retrofit and resilience programs that combine demand-side incentives, accessible finance, clear DtS, and verified installer lists.
- Use procurement and co-investment levers to provide scale and certainty for domestic manufacturers of low-emissions and resilient building products, ensuring supply capacity grows in step with demand.
- Develop a national capability plan that aligns vocational education, migration pathways and workforce distribution with the construction needs of the net zero transition.

Detailed response

Pillar 1: Creating a dynamic and resilient economy

While the interim report advances useful high-level principles, there are several substantive omissions that, unless addressed, risk undermining practical implementation in the building and construction sector. The Commission's proposed tax mix – notably the net-cashflow tax proposal – challenges the small-business-first approach that is necessary for a nation and sector dominated by small firms. Master Builders supports targeted company tax relief and other small-business measures rather than broad net-cashflow reform. While not directly providing measures to address the proposed net-cashflow tax proposal, the Treasurer's Economic Reform Roundtable put forward three key areas that will be necessary to prosecute. These include A fair go for working people (intergenerational equity), an affordable, responsible way to incentivise business investment, and making the tax system simpler and more sustainable. Master Builders looks forward to feeding into the work arising from the roundtable on these matters.

Recent developments in the domestic building market can also illustrate the interim report's call for stronger regulatory governance. Current deposit-cap settings for residential building contracts were designed in a different regulatory environment but now intersect with materially increased pre-construction compliance requirements, such as insurance, certification, and planning approvals. This interaction creates acute cash-flow pressures for builders, particularly small firms, and risks forcing unsustainable working-capital outcomes. These pressures are not simply sectoral grievances; they demonstrate why the Commission's proposed reforms to regulatory agenda-setting, impact analysis, and ex post review are essential. A more disciplined process that tests for unintended interactions, models cumulative compliance costs, and requires regulators to revisit settings in light of structural market changes would help avoid outcomes that undermine firm viability and sectoral productivity.

The treatment of regulatory frameworks in the interim report would benefit from sector-level case studies to demonstrate the consequences of poor regulatory design. In the building and construction industry, the evolution of the National Construction Code (NCC) illustrates the risks the Commission is seeking to address. Over time, the NCC has drifted from a minimum-safety baseline towards embedding aspirational or best-practice measures (such as accessibility and sustainability features). That drift materially increases complexity, drives reliance on performance solutions and raises buildability and compliance costs unless new measures are subjected to explicit buildability checks and clear Deemed-to-Satisfy (Dts) pathways. Expanding on the interim report's general focus on regulatory simplification, ensuring free access to the Standards, along with more disciplined criteria for adding "best practice" into the Code as appendices, and explicit buildability testing before adoption would support quality growth across the sector.

The interim report highlights the need to strengthen competition and remove barriers to firm entry and growth. Public procurement settings in construction provide a clear sectoral example of where these objectives can be frustrated. In several jurisdictions, procurement rules and rostering arrangements create rigidity in tender design, reducing SME contestability and raising delivery costs. For an industry dominated by small firms, these barriers materially limit competitive participation and blunt productivity gains. While procurement frameworks were not addressed directly in the interim report, the issues mirror the Commission's diagnosis of weak regulatory accountability and insufficient focus on competition outcomes. Embedding national procurement principles that require regulators and

agencies to assess SME access and contestability as part of procurement design would apply the Commission's recommended governance standards in a practical, sector-sensitive way. Additionally, encouraging alignment of rules across levels of government to prevent unnecessary duplication of work, which oftentimes leads to external consultant report requirements that increase both time and cost for applications and builds.

The Commission's recommendations do not sufficiently test reforms against supply-side realities. High and volatile materials costs, limits in domestic manufacturing capacity for low-emissions materials, land availability and planning bottlenecks are critical constraints that change the feasible timing and net benefits of many regulatory reforms. Additional reporting requirements have contributed to these issues, which has also led to increasingly complex bureaucratic processes that have open timeframes and unclear expectations. This creates uncertainty for developers and builders, which affects cashflows and timeframes. Equally, there is an absence of transition funding and incentives tied to major regulatory shifts: digital adoption grants, tax offsets for compliance capital, targeted apprenticeship and training incentives, and retrofit finance are examples of measures that should accompany regulatory change to avoid uneven and regressive impacts.

Challenges to be Addressed

The interim report advances major tax and regulatory reforms on an economy-wide basis, but without sector-level transition modelling or staging. In construction, reforms that appear neutral at the aggregate level can impose disproportionate costs on small firms with limited capacity to absorb compliance or cash-flow shocks. Transparent transition cost estimates, disaggregated by firm size and sector, together with staged implementation roadmaps, are essential to ensure reforms achieve their intended productivity benefits without destabilising SMEs. Partnering with BuildSkills Australia to scope these costs in construction, as a priority industry, would provide a robust evidence base for implementation.

Alongside these structural considerations, the report presents headline gains from the proposed tax package, including around \$8 billion in additional private investment, \$14 billion higher GDP, and a 0.5 per cent uplift in labour productivity. While these aggregate figures are useful, they mask sectoral variation. In high-cost, cyclical and low-margin industries such as construction, the pathway to capturing these gains will be slower and more complex. Without disaggregated modelling, there is a risk of overstating the upside of reform while underestimating sector-specific compliance, training, and system-change costs that must be absorbed before benefits flow.

The report's recommendations on regulatory governance rightly emphasise better agenda-setting, rigorous impact analysis, and systematic ex post review. Construction provides a clear example of why this matters. The evolution of the NCC has at times introduced performance-based or aspirational requirements ahead of supply-chain, skills, or domestic manufacturing readiness, resulting in higher costs, delays and compliance challenges. Embedding buildability checks, supply-readiness assessments, and transparent cost-benefit testing into regulatory processes would operationalise the Commission's principles and avoid repeating these sequencing problems.

The interim report recommends reforms to promote business dynamism by lowering entry barriers and strengthening competition. In high fixed-cost sectors such as construction, however, competition reform interacts with broader questions of capability and resilience. Without safeguards, deregulation can amplify volatility, reduce investment certainty, and weaken already fragile domestic supply chains. Aligning competition reforms with measures that protect sovereign industrial capability would

ensure that dynamism is achieved without exacerbating skill and supply imbalances in the construction ecosystem.

Recommendations

Master Builders recommends the Productivity Commission revise Pillar 1 outputs to incorporate practical, sector-sensitive implementation safeguards. The following recommendations should be adopted as conditions on any major Pillar 1 reforms:

- Recommendations and model guidance from the Shergold-Weir Building Confidence report should be implemented by states and territories to give the community confidence and create a level playing field for the industry. Progress should be reported nationally.
- Attach an implementation roadmap to every reform recommendation that includes staged timelines, realistic transition and compliance cost estimates disaggregated by firm size, a named lead agency, proposed funding lines for transition supports, and a timetable for evaluation.
- Commission a targeted, time-bound NCC review that reaffirms the Code's role as a minimum safety standard, requires explicit buildability and supply-readiness tests before any "best practice" measures are added, and mandates free public access to legally binding standards and clearer DtS pathways. This review should account for a pause in non-critical NCC changes.
- Land and construction taxes should be reviewed. They collectively create disincentives to investment in our built environment. Regulatory costs, statutory taxes, and infrastructure charges add significantly to house prices, contributing up to 49 per cent to the cost of a greenfield house and land package in Sydney in 2023–24 (CIE, 2025).
- Publish national procurement principles that preserve SME contestability, limit unnecessary roster rigidity, require procurement impact statements assessing SME access and competition effects, and mandate a procurement review two years after implementation.
- Propose a narrow, evidence-based competition package for the construction sector that clarifies the interaction of enterprise agreements and competition law in defined circumstances, strengthens remedies for secondary-boycott/cartel conduct where shown to harm competition, and pilots an industry enforcement mechanism with a sunset review.
- Any tightening of product, performance or environmental standards should be accompanied by a published Supply-Readiness Test. The test should assess domestic manufacturing capacity, import dependency, workforce implications and cost impacts and should set objective go/no-go gates for mandatory adoption.
- Pair regulatory change with targeted transition funding: SME digital and compliance grants, temporary tax offsets or accelerated deductions for compliance capital, employer-friendly apprenticeship incentives, and retrofit finance. Funding envelopes for pilots should be specified and conditional upon independent evaluation.

Pillar 2: Building a more skilled and adaptable workforce

Master Builders welcomes the interim report's recognition of the necessity for better career information, stronger employer engagement with training providers and reform of credit transfer and recognition of prior learning (RPL) where risks to safety and quality are low. The PC's interim report recognises the necessity of reducing unnecessary barriers to occupational entry and better connecting school-age students to trade pathways and meaningful on-the-job experiences. These priorities provide a sound platform for practical reforms that can lift both participation and completion rates in construction trades, and reflect the intent of the Australian Apprenticeships Incentive Review.

The interim report's treatment of foundational education and workforce pathways has direct implications for the construction sector that warrant stronger attention. A large share of construction apprentices enter the industry with literacy and numeracy deficits that make technical training more difficult and increase attrition. This reflects the declining proportion of school leavers with solid foundational skills, as identified by the Commission. Foundation skills affects whether apprentices can safely read plans, complete compliance paperwork, and engage in digital systems now embedded across worksites. Master Builders supports national action to raise foundational skill outcomes; however, the report does not go far enough in addressing the long term pedagogical and cultural issues affecting student exposure and interest in varied occupations.

Recognition of prior learning and credit transfer reforms are another priority. The current patchwork of arrangements across states, training providers, and licensing bodies means that workers moving between jurisdictions or shifting into new occupations often repeat training unnecessarily. This is particularly reflective of skilled migrant experiences. For instance, there are 18,400 permanent migrants in Australia with qualifications in building and construction who are working below their skill level, and a key reason for this is Australia's costly and confusing approach to recognising overseas skills and qualifications. If these people were activated to work in construction throughout the Housing Accord period they could add around 30,000 new homes to these targets. Right now the system isn't working, and it is holding back productivity. Qualifications and skills recognition for construction-related fields is time-consuming, expensive and is blocking much-needed skills from helping us solve one of our nation's biggest crises.

Occupational entry regulations (OERs) present a critical and under-examined barrier in construction. While some licensing requirements are essential for safety, others are overly restrictive or inconsistent across states. Excessive qualification mandates and rigid apprenticeship structures limit workforce supply at a time of acute skill shortages. More flexible trades entry pathways, including competency-based progression, recognition of informal learning, and alternative non-apprenticeship routes, should be a reform focus. Unless these pathways are expanded, construction will struggle to attract and retain the diverse cohorts needed to meet future demand.

While the interim report sets out system-level reforms that, while directionally appropriate, it omits several operational details that are essential for successful delivery in construction. The design of a national RPL and credit-transfer system, for example, does not adequately reflect the practical realities of trade assessment: short currency windows for prior training, substantial costs for practical competency assessment, and variation in RTO assessment quality. Without stronger quality assurance, funded practical assessment and construction-specific equivalence rules, a national database risks delivering poor outcomes for employers and apprentices. Additionally, ensuring IP rules are supportive of provider delivery of RPL and credit must be maintained.

The Commission's proposals for a national approach to education technology also have immediate sector relevance. Digital learning tools, including virtual and augmented reality systems, are increasingly used in construction safety training, design coordination, and apprenticeships. A national framework for educational technology should explicitly encompass vocational training and construction trades, BIM, design for manufacture and assembly (DfMA), offsite assembly techniques and VR/AR workplace training are critical to the flow-through of other occupations and sectors, and requires prioritisation and resourcing needed to translate high-level reform into on-the-ground capability. An economy that lacks construction workers and a well-resourced and aligned construction sector will not have the capability to address other fundamentally important areas, such as health, infrastructure, education, and defence.

While the economic reform roundtable in August identified skilled migration as critical to resolving any workforce and skills issue, the treatment of skilled-migrant recognition in the interim report is underdeveloped. Faster, employer-linked bridging and assessment pathways for migrants from comparable jurisdictions would materially ease labour constraints but the interim material does not set out occupation-specific fast-track pilots, employer placement guarantees or funded assessment fees. These are high-return interventions that should be central to the Commission's workforce strategy.

Incentive design for apprenticeships and training lacks sufficient tailoring to the cashflow realities of construction businesses. Further discussion, analysis and testing of tax credit, offset and similar financial arrangements are necessary before implementation. Under current conditions, it is not clear whether generic tax credits or one-off subsidies would reliably change employer behaviour in an environment characterised by subcontracting, short project durations and thin margins. Incentives should be phased and conditional on completion and retention metrics to align employer incentives with workforce outcomes.

Finally, the interim reports do not designate an industry-facing delivery steward with the explicit remit and funding to translate system reform into trade-specific pilots and employer engagement. Without a named, funded coordinator there is a significant risk that pilots will be fragmented, under-resourced and slow to scale.

Challenges to be Addressed

The first issue is operationalising RPL and credit transfer in a way that safeguards competency and employer confidence. A national register is valuable, but it must be accompanied by funded, practical assessment hubs, clear currency windows for prior learning and stronger audit and enforcement powers for RTOs engaged in trade recognition.

The second issue is closing the digital-skills gap in trades. Productivity gains from digitalisation will be limited unless training pathways explicitly cover BIM, DfMA and on-site digital tooling, and unless small firms receive financial and advisory support to adopt and use those tools.

The third issue is enabling rapid, quality migrant integration into the workforce. Occupation-specific bridging, employer-supervised assessments and funded assessment mechanisms can deliver significant capacity at low marginal cost if designed and governed correctly.

The fourth issue is incentive alignment. Apprenticeship supports should be designed around phased wage contributions, completion bonuses and direct support for supervision and mentoring costs so

that incentives change employer behaviour rather than subsidise activity that would have occurred anyway.

Recommendations

Master Builders recommends the Commission incorporate the following implementation-focused measures into Pillar 2 so the reforms deliver measurable workforce outcomes:

- Stage the roll-out of a national RPL and credit-transfer system by establishing regional practical-assessment hubs and a registry of verified credit-transfer decisions, with funded assessment subsidies for candidates and strengthened RTO audit powers to protect assessment quality and employer confidence.
- Endorse and provide seed funding for BuildSkills Australia (or an equivalent industry-led delivery body) to coordinate trade-specific pilots, digital-skills rollouts, employer engagement programs, RPL hubs and migrant bridging initiatives. Governance should be industry-led with transparent reporting and independent evaluation.
- Fund targeted digital and manufacturing pilots for trades that integrate BIM, DfMA and VR/AR training into apprenticeship pathways, include employer co-funding, and provide matched digital-adoption grants to SMEs to purchase the basic tools required for on-site productivity gains.
- Implement occupation-specific migrant bridging and fast-track assessment pilots for priority trades, using employer-supervised on-site assessment and time-bound recognition targets. Each pilot should include funded assessment fees and a short employer placement guarantee to secure workplace validation.
- Redesign apprenticeship incentives so that payments are phased and outcome-contingent: monthly wage support in the early stages, a completion bonus at qualification, and supervisor/mentor micro-grants to reflect the true costs of hosting apprentices in a project-based industry. Require robust evaluation metrics and conditional continuation based on completion and retention results.
- Map and scale group-training capacity where shortages exist by funding targeted capacity grants, incentivising host placements through micro-grants, and monitoring hosting rates and completion outcomes to inform further investment.
- Embed stronger school-to-trade pathways by funding vocational modules in national edtech pilots, supporting teacher externships in industry, and mandating local employer–RTO linkages for work-experience placements in pilot regions.

Pillar 3: Harnessing data and digital technology

The interim report highlights the role of digital tools and AI in shaping workforce capability and adaptability. In construction, digital adoption cannot succeed without investment in training pathways for apprentices, tradespeople, and supervisors. Tools such as BIM platforms, and VR-assisted learning offer major productivity benefits, but they depend on a workforce that is digitally literate and confident. Master Builders recommends embedding digital skills into secondary schools through programs such as VET-in-Schools programs, and support updating vocational training packages to include modules that can be taken as part of a broader program or to support mid-career upskilling. This approach will support the long-term pipeline of digitally-literate, responsive and adaptable people necessary for that digital adoption strengthens workforce capacity rather than creating new divides.

The interim report also assumes a rate of SME readiness that does not reflect the construction sector's on-the-ground capability. Many builders and subcontractors lack even basic digital systems, meaning that reforms which presuppose universal digital capacity risk entrenching advantage for larger firms and creating de-facto procurement barriers. Outcomes-based privacy settings and any move toward default digital financial reporting will require worked sector templates, extended transition windows and funded capacity support for small firms to comply in practice.

Artificial intelligence (AI) presents significant opportunities across sectors, but its adoption must be carefully managed to safeguard safety, workforce capability, and public interest. In building and construction, AI should enhance project delivery without replacing the human oversight necessary for inspections, certification, and structural decision-making. Systems must include auditable logs, clear provenance for model outputs, and risk-based differentiation of use-cases, with sandbox testing used to establish appropriate guardrails. Importantly, AI adoption must not undermine the development of foundational skills or jeopardise the pipeline of skilled workers required to properly utilise the technology. Where algorithmic outputs inform inspections, certification, or on-site structural decisions, human oversight, auditable logs and provenance for model outputs are necessary to maintain safety and legal clarity. The interim material does not sufficiently distinguish AI use-cases by safety risk, nor does it set out a sandbox approach to test appropriate guardrails.

Critically, AI deployment and the energy required to support it should not compromise Australia's infrastructure or adversely impact households. Policymakers should ensure that AI technologies are implemented in a manner that is safe, efficient, and sustainable, while maintaining fairness and reliability for the broader community. As the report notes, Government involvement in AI regulation should be carefully limited to avoid unnecessary interference, but policymakers must remain mindful of potential risks. Over-saturation of AI could place significant pressure on energy systems and hinder Australia's net-zero transition, while also affecting education and skills development at all levels, from foundational competencies to complex technical expertise. Regulatory approaches should therefore balance enabling innovation with safeguarding workforce capability, environmental sustainability, and long-term public interest.

Cybersecurity is another critical enabler of digital transformation. SMEs in construction are disproportionately vulnerable: a single ransomware attack or data breach can derail projects and destabilise supply chains. Any expansion of data sharing, interoperability or digital reporting must therefore be paired with practical, low-cost supports for cyber resilience, including template protocols, subsidised tools and targeted awareness campaigns delivered through trusted industry

channels. Without these safeguards, adoption will remain uneven, and the trust required for widespread digital reform will not be achieved.

Finally, while traceability and embodied-carbon reporting are already at an advanced stage in industry, the absence of a voluntary national roadmap creates a risk of premature mandatory reporting. Unless interoperability of tools, data standards and verification pathways are proven through pilots, mandating reporting will create duplication, fragmented systems and high compliance costs. A staged approach, beginning with voluntary adoption supported by procurement incentives and moving to mandatory obligations only once system maturity is demonstrated, is the only pathway to durable reform.

Challenges to be Addressed

The scale of transition support required for small firms is underestimated. Many builders and subcontractors lack basic digital systems, meaning that without matched grants, tax pilots or subsidised advisory clinics, digital reforms will be uneven and risk reducing competition. In addition, digital tools such as BIM, AI scheduling and compliance platforms cannot succeed without investment in workforce capability. Digital literacy needs to be embedded in apprenticeships, vocational training, and mid-career upskilling so that digital reforms build productivity rather than creating new divides.

Construction contains high-consequence use-cases for AI, including inspections, certification and structural decision-making. These require prescriptive human-in-the-loop, audit and versioning rules, not a purely outcomes-based tolerance of all systems. Beyond safety, AI adoption also depends on trust: without auditable logs, provenance controls and a sandbox testing approach, both regulators and industry risk either over-regulation or unsafe deployment. AI frameworks must also consider the energy demands of large-scale deployment, ensuring adoption does not compromise Australia's net-zero transition or increase costs for households.

Traceability and embodied-carbon reporting are important reforms, but mandates must not outpace tool maturity and interoperability. Pilots to prove verification pathways, data standards and platform interoperability must precede any mandatory reporting. Premature obligations risk duplication, fragmented systems and excessive compliance costs, especially for small firms.

Policies that assume uniform digital capability create implicit thresholds in procurement and reporting that can exclude small and regional firms. Without tiered obligations, simplified templates and extended transition support, SMEs will face hidden costs that offset productivity gains. Regional builders also face connectivity barriers and higher costs of access, increasing the risk of digital exclusion. Reforms must explicitly address regional digital access to avoid further widening competitive gaps.

Recommendations

Master Builders recommends the following measures to ensure Pillar 3 reforms deliver productivity gains without imposing disproportionate costs on small businesses:

- Embed digital literacy in secondary education through expanded VET-in-Schools programs, and update vocational training packages to include modular digital components that can be taken standalone or as part of apprenticeships.

- Fund mid-career digital upskilling programs for supervisors and trades to ensure the current workforce can adapt to digital tools such as BIM, digital twins and compliance platforms.
- Adopt a tiered approach to procurement and reporting, with simplified templates and extended transition support for SMEs, while applying fuller digital obligations to large entities.
- Pair any new digital reporting or data-sharing requirements with subsidised SME cybersecurity supports, including template protocols, subsidised tools and industry-led awareness campaigns.
- Require regulators to include cyber resilience as a condition of interoperability and data-sharing pilots.
- Develop a voluntary national construction data framework for traceability and embodied-carbon reporting, building on existing industry guidance.
- Fund interoperability pilots across platforms and environmental product declaration providers and use procurement incentives to encourage early adoption.



Pillar 5: Investing in cheaper, cleaner energy

Master Builders supports the interim report's measures that reduce whole-of-system costs, speed low-emissions project delivery where appropriate, and improve the information available to regulators, builders and consumers. Better coordination of approvals, clearer data on grid capacity, and improved project-level transparency are practical steps that will deliver measurable benefits.

While the interim report appropriately emphasises efficient energy market design and transmission investment, these elements should be directly tied to affordability outcomes for both households and the construction sector. Rising electricity and gas costs directly increase the operating expenses of builders and manufacturers, feeding into higher project delivery costs and housing prices. Master Builders supports reforms that preserve competitive tension in energy markets, increase grid transparency, and reduce long-run wholesale price volatility. For the construction sector, the affordability of energy inputs is as critical as the cost of compliance.

Construction businesses are exposed to investment cycles in both housing and energy infrastructure. The Commission's recommendations on stable and credible decarbonisation pathways are essential to provide investor certainty. Master Builders recommends linking any tightening of standards or reporting obligations to the same principle of certainty, by embedding clear timelines, supply-readiness gates, and transparent sequencing into reforms. Just as investors require stable market settings, builders require predictable regulatory sequencing to plan investment in skills, tools and processes.

Delivering the scale of renewable generation, transmission and storage outlined in the interim report will require a significant uplift in construction and installation capacity. This extends beyond residential builders into commercial and civil and engineering construction. The Commission's final report should recognise that a net zero transition is contingent on a construction workforce that is adequately trained, retained and distributed across jurisdictions. Coordination with vocational education, skilled migration and procurement levers will be required to avoid delivery bottlenecks.

The interim report notes the dual task of decarbonisation and resilience. For the built environment, this means ensuring that housing and infrastructure can withstand more extreme weather events, as well as reducing emissions. Master Builders supports the Commission's focus on resilience as an economic as well as environmental imperative. However, resilience initiatives must be costed, sequenced and supported to avoid duplicative or premature regulation. For instance, pausing non-essential inclusions in the NCC – those not related to quality, safety or hazard – are important to ensure the NCC form and structure is fit for purpose, and the sector can appropriately adapt and pivot during the Housing Accord period. Pilot programs in social housing and public assets could demonstrate scalable models before wider mandates.

However, the interim report does not yet provide the sequencing, supply-readiness checks or financing measures necessary to make higher performance standards practical and affordable. The current framing of "resilience" blends technical building requirements with broader socio-economic objectives in ways that risk blurring clear policy roles and cost allocations. Standards that raise performance expectations, whether through operational energy efficiency or embodied-carbon reporting, must be explicitly conditioned on supply-chain readiness and verified installer capacity. Without that discipline, reforms risk driving cost escalation, project delays and compliance gaps.

Embodied-carbon and Scope-3 reporting are important, but should follow a staged voluntary-to-mandatory trajectory. Mandatory reporting should only commence once interoperability of tools, data standards and verification pathways has been proven at scale. Premature obligations would increase compliance costs, fragment data systems and risk duplication. Similarly, retrofit uptake will remain limited unless incentives, straightforward DfS pathways and accessible finance are put in place to build viable demand and supply pipelines.

Finally, approvals, grid connections and insurance risks remain under-addressed. Grid connection and planning delays materially increase project risk and cost; reforms should therefore focus on pre-approval corridors and dedicated connection streams, supported by transparent capacity mapping and early community engagement. Blanket exemptions will not solve these problems. In addition, evidence gaps on emergent safety and insurance issues, such as EV battery fire behaviour in multi-unit settings and the long-term performance of new materials, must be addressed through targeted research and interim technical guidance to provide confidence for insurers, designers and builders before widespread uptake is mandated.

Challenges to be Addressed

The definition of “resilience” adopted in the interim report differs markedly from how it is used within the construction industry. For industry, resilience refers to a structure’s ability to withstand discrete physical shocks, tested through technical and performance-based measures. The Commission’s broader framing, which encompasses heat adaptation, insurance affordability, displacement risks and climate literacy, risks shifting resilience from a technical metric to a behavioural one. This creates confusion around standards and expectations, and blurs accountability for costs.

Additionally, the report appears to place much of the burden on individual consumers, rather than treating resilience as a national responsibility supported by government policy and systemic investment. This approach risks perverse outcomes: increased housing unaffordability and reduced investment; inconsistent resilience measures across projects; higher insurance burdens on builders and homeowners; potential declines in house values; volatile input pricing; and the scapegoating of builders for price increases linked to policy-driven redefinitions of resilience. A clearer, performance-based definition and fairer cost-sharing arrangements are needed to avoid these outcomes.

Higher performance standards and new reporting obligations must not run ahead of the maturity of supply chains, verification tools or installer capacity. Reforms that outpace industry readiness risk creating cost escalation, delays and compliance gaps. A structured sequencing framework with clear readiness checks is essential to ensure standards are both practical and deliverable.

The costs of tighter performance requirements cannot simply be shifted onto households and small builders. Without finance mechanisms or targeted support, reforms will have regressive effects, entrenching affordability pressures in housing and creating financial stress for smaller firms. Any new mandate must be accompanied by financing, incentives or transitional support to protect equity and viability.

Retrofit programs, streamlined approvals and procurement levers will only succeed if they are designed to generate demonstrable demand and to scale domestic capability. This requires incentives that stimulate uptake, finance that enables participation, and procurement frameworks that provide scale and certainty for suppliers and installers. Building capability in the domestic workforce and manufacturing base is central to effective delivery.

Emerging risks from new technologies and materials, such as EV battery fire behaviour in building contexts or the long-term performance of novel products, create uncertainty for insurers, designers and builders. Without targeted research and interim technical guidance, risk pricing will be conservative and may undermine adoption. Evidence-based guidance is needed to support insurer confidence and enable sensible risk management during the transition.

Recommendations

Master Builders recommends the Commission refine Pillar 5 so that policy settings are practical, staged and explicitly resourced. The following recommendations should be adopted as conditions on any major Pillar 5 reform:

- Adopt a clear, performance-based definition of resilience that reflects industry practice—focused on a structure's ability to withstand discrete physical shocks—rather than broader behavioural or socio-economic attributes.
- Ensure resilience measures are developed as a shared national responsibility, supported by systemic government investment, rather than shifting costs onto individual households or small builders.
Require regulatory proposals on resilience to include clear accountability for cost allocation and to demonstrate consistency across jurisdictions, avoiding fragmented or duplicative standards.
- Establish a structured sequencing framework for all new performance standards and reporting obligations. This framework should include explicit readiness tests covering supply-chain maturity, data and verification tools, installer capacity, and realistic transition timelines before adoption is mandated.
- Design retrofit and resilience programs that combine demand-side incentives, accessible finance, clear Deemed-to-Satisfy pathways, and verified installer lists.
- Use procurement and co-investment levers to provide scale and certainty for domestic manufacturers of low-emissions and resilient building products, ensuring supply capacity grows in step with demand.
- Develop a national capability plan that aligns vocational education, migration pathways and workforce distribution with the construction needs of the net zero transition.