



HOUSING INDUSTRY ASSOCIATION



Submission to the  
Productivity Commission Review

**Increasing Australia's Future Prosperity  
Discussion Paper - 5 year Productivity Review**

December 2016



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## ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the industry, HIA represents some 40,000 member businesses throughout Australia. The residential building industry includes land development, detached home construction, home renovations, low/medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diversity of residential builders, including the Housing 100 volume builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers and consultants to the industry. HIA members construct over 85 per cent of the nation's new building stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

*"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."*

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into manufacturing, supply, and retail sectors.

The aggregate residential industry contribution to the Australian economy is over \$150 billion per annum, with over one million employees in building and construction, tens of thousands of small businesses, and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 23 centres around the nation providing a wide range of advocacy, business support including services and products to members, technical and compliance advice, training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.



## 1. INTRODUCTION

The comments in this submission are provided in response to the Productivity Commission Discussion Paper for the Review titled *"Increasing Australia's Future Prosperity - 5 Year Productivity Review"*.

HIA understands this Review is one in a series to be conducted every 5 years. The purpose is to investigate areas of government policy affecting productivity. In particular, how various policy settings might be altered to enable increased productivity in individual sectors over time. All levels of government, local state and national are included for consideration.

HIA's comments relate to the significant contribution the residential construction industry makes to the Australian economy and the benefits of increasing productivity in this sector. Key economic policies for improving efficiency include reforming taxation of the industry across all levels of governments, reforming and reducing building and planning laws and barriers, cutting red tape, creating a fair and productive workplace, reducing the inequity and inefficiency entrenched in the current model for funding new housing infrastructure, fostering small business, and enabling more training for a skilled workforce in the industry.

HIA is pleased to provide, as an attachment to this response, its 40 key policy imperatives to address these matters. These policies have been developed not only to assist governments to improve the efficiency in this sector, but to address the dual challenges of producing sufficient affordable housing in Australia to meet both the current and projected population of our nation.

## 2. INCREASING PRODUCTIVITY IN THE HOUSING SECTOR

Despite reaching very high levels of construction recently, Australia has for some time suffered from an undersupply of new housing and creating a pent-up demand for more homes to be built. Whilst the industry generally has the capacity to deliver more homes, it is artificially limited in doing so by a number of regulations and restrictions that apply.

As the HIA's Policy Imperatives reveal, the residential building industry operates within a complex and often conflicting regulatory environment developed by all levels of government. Business taxation that discriminates against legitimate contractors, finance market controls, foreign investment regulation, migration policy, complex planning and building regulation, high taxes on land and new housing, a lack of build ready residential land and other industrial relations requirements that are placed on the businesses that deliver housing together with a shortage of skilled trades, all significantly hinder the industry's productivity and ability to deliver the number of homes to house all Australians, across all levels of affordability and demographic demand. By altering key policy settings, greater efficiencies can be achieved in the residential construction sector.

There is a sound economic argument for altering the policy settings. The housing industry is a strong contributor to the Australian economy. In 2010 HIA commissioned the Centre for Independent Studies (CIE) to undertake research to provide information on the extent of this contribution. A comprehensive analysis of the relationship between the residential sector, the construction industry, and the wider Australian economy was undertaken, encompassing the last 20 years. The analysis was conducted under a range of labour market conditions.

The study demonstrated that improving productivity in the residential construction sector will not only grow output and jobs in the industry but, importantly, it will also have significant flow on benefits to the broader Australian economy - including increased national activity (GDP). The study also found that if governments were to remove inefficient taxes on housing there would be an even greater benefit. In investigating the interrelationship between different sectors and how productivity is increased in residential construction, it was found that as productivity increases in the housing sector, other costs are freed up allowing other sectors, such as manufacturing, to grow further. This provides an economic boost to those sectors as well.





The CIE study draws the following conclusions around productivity in the housing sector and how improving efficiencies would benefit Australia's economy:

- For every dollar generated by a 1.0% productivity increase in residential building, there will be an additional \$4.19 of GDP created in the wider economy;
- A 1.0% productivity increase in the residential building industry will generate an additional \$863 million of GDP a year, in a constrained labour market. Under less than full employment, this figure increases to \$1.15 billion;
- A 1.0% increase in productivity of the entire construction sector is worth an estimated \$2.36 billion of additional GDP a year;

As mentioned, the CIE study found that inefficient taxes are over-represented in the housing industry. A reduction in inefficient taxes on housing, (as identified in the Henry Tax Review), would lower the cost of residential building by 1.0%, and raise residential building activity by around 0.6%; and increase GDP by an estimated \$780 million.

There are a number of inefficient taxes which are levied solely to raise general government revenue. The inefficiency is represented by the excessive portion of what would otherwise be a user charge. This includes the *excessive portion* of infrastructure charges, stamp duty and long service leave to name a few. There are also some inefficient taxes where the excessive portion of arrangements increase costs in an attempt to achieve other social objectives. This includes where building standards are set at overly stringent levels or, for example, where minimum energy efficiency ratings are set above an economically efficient level.

In a similar, but previous study the CIE also found that in some states the *total* tax bill - including all taxes, not just those classed as inefficient taxes, amounts to over 40 per cent of the final price of a new home. Taxes on new housing slow economic activity. They represent a constraint on housing affordability and labour mobility and productivity.

### 3. ECONOMIC ACTIVITY AND EMPLOYMENT CREATION

The residential building industry has been the engine of growth for the Australian domestic economy in recent years. The residential building and renovation industry will add around \$90 billion to the Australian economy in 2016 and has contributed significantly to employment growth. Improving productivity in the industry will have a material impact on the domestic economy overall. When account is taken of the strong impact that healthy residential construction activity has on the broader economy, the number of jobs and activity created is substantially higher. It is vital that Government's policies are enabling the industry activity to continue strongly.

There are production induced effects across those businesses manufacturing and supplying the materials, products and assemblies needed for additional, efficiency induced construction. For example, extra concrete slabs and steel frames for additional houses and apartments, require inputs from those businesses supplying and servicing the concrete and steel frame businesses, including aggregate quarrying, cement and steel production, fabrication and material transportation. There are also strong linkages into other sectors like furniture, whitegoods and floor coverings. Not all these jobs are necessarily going to be full time, but clearly the employment multiplier effect across businesses involved in construction or closely aligned to construction is considerable.

### 4. THE WAY FORWARD – 40 HOUSING POLICY IMPERATIVES

There are substantial economic gains to be achieved from policy reforms that allow both increased productivity in the housing industry and better targeting of the way government collects revenue.



Given the strong multiplier impact that healthy residential construction activity has on the broader economy, the number of jobs created and the total economic contribution of the industry to the economy, it is vital that Government's policies are enabling the industry to further operate at a greater capacity to meet housing demand.

Even though Australia has seen a recent peak in new home building at very high levels of 229,823 new residential dwellings starting construction in 2015/16, this has only just started to make a contribution to easing the under-supply of housing for both owner occupiers and renters that had built up over the previous ten years as identified by the National Housing Supply Council.

HIA has developed a list of 40 Housing Policy Imperatives which, if implemented, would assist with lifting productivity in the residential construction industry. HIA has also outlined below are some of the key policy triggers for increased productivity in the sector. A full set of policy initiatives is provided at Attachment 1.

#### **4.1 LAND SUPPLY AND HOUSING COST**

The regulation of land development lies at the heart of higher housing costs and lack of land supply. However, regulation of new housing is not confined to land supply. Higher costs of new housing through more onerous regulation of areas such as water, energy efficiency, excessive planning controls and accessibility requirements can have a similar effect on the efficient supply and cost of new housing. With further policy changes likely to increase the stringency in energy efficiency, climate change, life cycle assessment and accessibility, there will be a considerable, unnecessary and unjustified cost flow on to new housing. Increasingly, new regulatory controls, additional red tape and increased regulation stringencies are politically motivated, rather than responsive to a proven market failure. Regulatory impact statements are often inadequate, fail to demonstrate cost-benefit justification and ignore the flow on impact on new housing supply, the price of established housing, housing affordability, employment and the economy more broadly.

Governments should be:

- Maintaining abundant land supplies including short, medium and long term land supply in the pipeline for detached housing sites in conjunction with medium and high density opportunities.
- Setting clear land supply targets for authorities to ensure land supplied for housing in both greenfield and infill sites are maintained.
- Addressing the excessive and inefficient taxation burden on housing.
- Restricting any further development contributions being levied on housing, particularly those which levy for community infrastructure items that should be funded by general taxation measures.
- Providing the community-wide infrastructure that supports residential building rather than place that responsibility back onto industry and ultimately onto home owners and renters.
- Ensuring a streamlined planning approvals process where constraints on the land are clearly identified in the first instance and standards for the subsequent design and construction of housing are specified in single residential housing codes for all jurisdictions.
- Allowing private sector certification of the code-based planning rules to provide more efficient and timely decisions, in the same way as private certification of building regulations has delivered efficiency gains for the community.
- Identifying surplus government land for residential development and facilitate its release in a timely manner.



- Actively promoting policies which to allow for a range and mix of housing to be developed at all price points.
- Making new housing supply and housing affordability an objective of state planning legislation.

## 4.2 WORKPLACE RELATIONS

Whilst the recently passed legislation re-instating the Australian Building and Construction Commission will support and foster productivity across the construction industry, addressing the current efficiency constraints within the Australian Workplace Relations system would also improve the residential construction sector's productivity and have wider economic benefits.

The *Fair Work Act 2009* (the 'Act') has effectively re-regulated Australia's labour market, reversing many of the positive reforms from the 1980s and 1990s that were aimed at supporting productivity and efficiency, assisting businesses to compete in an ever developing global economy. Feedback from HIA members points to an overly complex industrial framework. The Fair Work laws have swung the pendulum too far in favour of employees. The increase in the time spent dealing with 'HR issues' is also a common complaint.

As a result, there is a distinct disincentive to employ. Prescriptive employment conditions that largely prevent individual bargaining coupled with the one size fits all approach reflected in the Modern Awards and the National Employment Standards are specific elements of concern for the residential building industry where work is cyclical and project based, and where the project workforce is often transient. Importantly, the current framework is distorted and biased towards employment as opposed to independent contracting.

Independent contracting is an essential and legitimate element of the Australian economy providing substantial benefits which are not available using employees alone. Yet the extension of a number of employment "protections" to independent contractors coupled with the approval of union enterprise agreements that restrict the use and engagement of independent contractors have imposed considerable costs and uncertainties on the residential construction industry. This is far from an outcome that encourages productivity, competitiveness and business investment. Similarly, reforms that would outlaw pattern bargaining to enable agreements to be made to reflect genuine enterprise needs, would certainly go some way to ensuring that productivity gains can be a matter addressed during bargaining.

## 4.3 SKILLS DEVELOPMENT

The Australian apprenticeship system plays a vital role in developing and maintaining a competent, capable and productive workforce, redressing skill shortages and supporting youth unemployment initiatives. However, the current regulatory framework adds very little to resolving complex issues associated with apprenticeships and in fact often adversely impacts attempts by business and industry to address them.

An apprenticeship is a unique form of employment. It is based on a legal contract - the contract of training - involving three parties; the apprentice, employer and a training provider.

Significantly, the contract of training is but one part of the legal or regulatory framework that impinges on apprenticeships. The 'contract of training', which provides for a program of structured training, operates within the Workplace Relations framework which does not adequately 'fit' with this form of engagement - like trying to force a square peg into a round hole.

A similar view was expressed by the findings of the *Expert Report - A shared responsibility - Apprenticeships for the 21st Century* (the '**Apprenticeship Expert Panel Report**'):

*'The workplace relations system does not complement the Australian Apprenticeships system, which has created potential barriers to the system being able to deliver maximum productivity...'*

...



*'There is currently a lack of integration between the Australian Apprenticeships system and the workplace relations system. We note particularly the inconsistencies in modern awards on a range of issues related to apprenticeship and traineeship wages and conditions. ... The workplace relations framework needs to complement and support the VET system, be responsive to the needs of industry and encourage the take-up and completion of apprenticeships and traineeships.'*<sup>1</sup>

The challenges posed by the Australian apprenticeship system are not novel, yet the lack of co-ordinated and dedicated evolution in this space is a source of constant frustration posing broader deleterious consequences. For example, apprentice commencement and completions in the residential construction industry are directly impacted by workplace relations policy and legislative settings. A downturn in apprenticeships, in turn, impacts on the availability of skilled trades in the industry and the overall ability of the sector to meet housing demand.

This view was shared by the findings of the Apprenticeship Expert Panel Report:

*'The Australian Apprenticeships system will require significant improvement to performance, such as retention, completion outcomes and its impact on productivity and innovation, if Australia is to respond effectively to the challenge of competing in a global marketplace. A skilled and flexible workforce that can meet these challenges will be critical to Australia's future standard of living.'*<sup>2</sup>

Simplifying procedural complexities and duplication with regard to the interaction between the training contract and industrial relations system, and ensuring the Modern Awards support employment opportunities for young people and people who wish to develop new skills by introducing junior rates of pay, are just some examples of measures that would support skills development in the residential construction industry and positively impact on the industries productivity.

## 5. CONCLUSION

The residential construction sector operates in a complex regulatory environment with enormous scope for productivity gains. There are many policy levers. With the right policy changes, however, the industry could operate at even more efficient levels and contribute to increasing housing supply and lifting productivity across key sectors of the Australian economy.

Without access to appropriate and affordable housing it is impossible for many in the community to contribute economically and socially to their full potential.

The renewed Federal Government interest in housing affordability and cities more generally provides an opportunity for the Commonwealth to lead the process of reform across the myriad of state, local, and federal government taxes and regulations on new housing and support and promote initiatives that improve housing supply and housing affordability for all households. Improving productivity in the residential construction sector will not only grow output and jobs in the industry but importantly, will also have significant flow on benefits to the broader Australian economy.

Australia lacks a managed and coordinated approach to new housing supply across all levels of government.

By creating barriers to the supply of new homes for both owner-occupier and private rental occupation, through poor policy settings, governments place additional and unnecessary pressure down the housing supply continuum, increasing demand for greater government expenditure on rental and housing assistance.

Appendix 1 provides 40 policy imperatives to as the Housing Industry's solution to the issues raised in this submission.

<sup>1</sup> A shared responsibility - Apprenticeships for the 21st Century'. Final Report of the Expert Panel, 31 January 2011 p.9-10.

<sup>2</sup> Ibid p. 8.





**FEDERAL ELECTION**

**2016**

# **HOUSING AUSTRALIANS:**

**HIA FEDERAL ELECTION  
POLICY IMPERATIVES**



**HOUSING INDUSTRY ASSOCIATION**



**THE OVER-ARCHING IMPERATIVE FOR  
THE RESIDENTIAL BUILDING INDUSTRY  
FOR THE 2016 FEDERAL ELECTION  
IS TO CONTINUE TO ADDRESS THE  
BOTTLENECKS AND INEFFICIENCIES  
THAT THE POLICY AND REGULATORY  
ENVIRONMENT INFLICT ON THE INDUSTRY**

# FOREWORD

## **REMOVING THE SHACKLES ON RESIDENTIAL BUILDING PRODUCTIVITY AND EFFICIENCY WILL DELIVER FOR ALL AUSTRALIANS.**

When *Housing Australians: HIA Federal Election Policy Imperatives* was released for the 2013 Federal Election the residential building industry was operating at a low ebb. Years of under-building to meet our growing population's housing needs had left a legacy of serious under-supply of new homes. The backdrop to the 2016 Federal Election Policy Imperatives is very different with residential building reaching record levels in 2015. Over the last three years this growth in residential building has not only provided a major boost to national economic growth, it has also provided tens of thousands of jobs and reinvigorated the building industry supply chain. The housing supply challenge remains.

The 2013 Policy Imperatives provided an important catalyst to the housing policy debate: housing supply issues became front and centre. It is something of a policy breakthrough that it is now commonly accepted that the community's housing affordability challenges cannot be properly addressed without an overhaul of the issues that inhibit the industry's ability to supply new homes at an affordable price.

One pleasing result from the 2013 Imperatives has been the initiation of a number of important Commonwealth inquiries into housing affordability, productivity, foreign investment, product conformance and red tape. This focus on residential building has also been developing at a state level with reviews of planning systems, building regulation and certification. Clearly, HIA's policies have been informative and have driven essential policy debate and change.

Although some of the specific 2013 imperatives have been addressed by governments, including a modest lowering of the tax burden on residential building through the removal of the carbon tax, much remains to be done.

The over-arching imperative for the residential building industry for the 2016 Federal Election is to continue to address the bottlenecks and inefficiencies that the policy and regulatory environment inflict on the industry. The potential cost savings to the industry and its customers, Australia's home buying public, and the productivity gains for the economy are enormous.

The 2016 Policy Imperatives have not been developed in a vacuum. Through its regional, state and national committee structure, some 1,200 HIA members have been at the centre of the development of HIA's strategic policy plan from which these 2016 Policy Imperatives have been drawn.

HIA calls for a commitment from the incoming Federal Government to engage deeply with the residential building industry in considering these Policy Imperatives. Thoughtfully implemented, these imperatives can deliver a more robust, efficient and innovative industry to the benefit of the nation.

**Ross Lang**  
National President  
Housing Industry Association

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A man with short brown hair, wearing large blue over-ear headphones and a grey polo shirt, is leaning forward and looking at a computer monitor. The background is a blurred workshop or office environment. The text 'ABOUT THE HOUSING INDUSTRY' is overlaid on the image.

# ABOUT THE HOUSING INDUSTRY

**THE HOUSING INDUSTRY ASSOCIATION (HIA) IS AUSTRALIA'S PEAK RESIDENTIAL BUILDING INDUSTRY ORGANISATION, REPRESENTING OVER 40,000 MEMBERS.**

HIA is the only national industry association with membership covering all building professionals across the residential construction sector. Members include builders, trade contractors, manufacturers and suppliers, and building design professionals.

The highly recognisable HIA logo is proudly displayed as a badge of professionalism on building sites across Australia.

The housing industry has built an inventory of over 9 million houses and apartments across Australia, putting over 350,000 people in new homes each year.

The industry also supports a thriving renovation market to upgrade that housing stock, which enhances amenity for residents, improves energy efficiency and provides greater access for an ageing population.

Residential construction is worth around \$70 billion to the Australian economy each year and there are over one million people employed across all types of construction.

The housing industry also has significant potential to contribute even further to economic growth and job creation. Independent economic analysis demonstrates that for every dollar generated by a 1.0% productivity increase in residential building, there will be an additional \$4.19 of GDP created in the wider economy.

# ASSOCIATION

**THE HIGHLY RECOGNISABLE HIA  
LOGO IS PROUDLY DISPLAYED AS A  
BADGE OF PROFESSIONALISM ON  
BUILDING SITES ACROSS AUSTRALIA**

## RESIDENTIAL CONSTRUCTION HAS PEAKED

Residential construction has made a significant contribution to Australia's economic growth and employment opportunities over the last three years. Following the post-Global Financial Crisis doldrums the industry grew to reach a record level of 220,000 housing starts in 2015. However, as residential construction activity declines over the next two years, its contribution to overall economic growth will increase.

The growth in activity was driven by low interest rates, strong investor demand in the face of low and risky returns available from alternative investments and the release of pent-up demand from many years of building below the level required to house our growing population. Improved consumer confidence also played an important part in the recovery as employment growth resumed.

Without this strength in home building in recent years the economy's adjustment to the end of the resources investment boom would have been significantly more painful. The flow-on effects to conditions in other parts of the economy from growth in residential construction have also delivered significant employment and activity returns. Residential construction has been able to achieve this strong growth in spite of the policy environment within which it operates; not because of it.

Residential construction is one of the most highly regulated industries in the country from the perspective of both the industry and its clients. Commonwealth, State and local governments all regulate the operations of the industry. Much of this regulation is inefficient, ineffective and ultimately detracts from the goal of delivering an efficient supply of new housing at affordable prices. All three levels of government also tax the industry to such an extent that it is the second most highly taxed sector of the economy.

The Commonwealth government has both a direct and strategic role to play in the supply of affordable shelter for all Australians. By providing leadership and support, through its policy and taxation settings, and via its partnerships with state, territory and local governments and with industry, the Commonwealth government can capitalise on the industry's contribution to economic growth, employment and housing supply.

# RESIDENTIAL BUILDING INDUSTRY

**RESIDENTIAL CONSTRUCTION HAS BEEN ABLE TO ACHIEVE THIS STRONG GROWTH IN SPITE OF THE POLICY ENVIRONMENT WITHIN WHICH IT OPERATES; NOT BECAUSE OF IT**



# ECONOMIC OUTLOOK





# A HOME TO LIVE IN

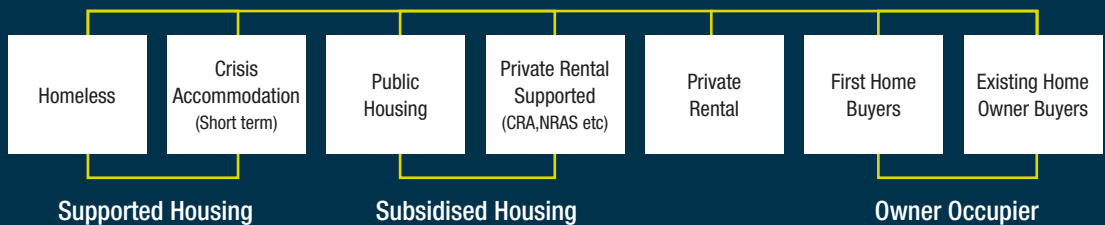


**EVERY AUSTRALIAN HAS A UNIQUE PERSPECTIVE ABOUT THE HOME THEY HOPE TO LIVE IN. FOR MANY AUSTRALIANS THIS HOME IS NOT THE HOME THEY CAN AFFORD TO LIVE IN TODAY.**

The focus for all governments must be to ensure all Australians have a home. Government policies and support programs must have this goal at their heart.

There is a continuum of housing supply that requires a different approach for each segment of the supply chain.

**THE HOUSING CONTINUUM**



Ultimately, housing affordability is improved as a consequence of an adequate supply of all housing types along the housing continuum at an appropriate price. When there is an imbalance in any one sector, pressure will be placed on all other sectors to ‘take up the slack’, which is the most common cause of increased purchase and rental prices in the private market.

By working to improve housing affordability we can create an environment where a person not currently in the private housing market has the ability to enter it, whether to rent or own.

When affordability is low, the ability to enter the market is restricted for those on low and moderate incomes. When affordability improves, the ability to enter the market, and remain in the market, for these households also improves.

**BY WORKING TO IMPROVE HOUSING AFFORDABILITY WE CAN CREATE AN ENVIRONMENT WHERE A PERSON NOT CURRENTLY IN THE PRIVATE HOUSING MARKET HAS THE ABILITY TO ENTER IT, WHETHER TO RENT OR OWN**

Poor housing affordability affects those people at the centre of the housing continuum, private renters and first home buyers. The effects cascade down the housing continuum and more severely impact those on public housing waiting lists and families in supported housing.

In simple terms an imbalance between the supply of and demand for housing, in any form, will lead to reduced housing affordability.

This election presents an important opportunity for all parties to:

- recognise that a continuing under-supply of housing stock contributes to the unaffordability of housing in Australia – across numerous segments of the community;
- recognise the extent to which taxation on new housing impacts housing affordability;
- support and enable industry to meet overall housing supply targets by creating the right environment to incentivise a wide variety of housing to be built in the marketplace;
- support the housing industry to voluntarily assist governments to improve the supply of low and moderate income housing stock (affordable housing), for rent or sale, as a supplement to governments own social and crisis accommodation provision; and
- support and promote initiatives that improve housing supply and therefore housing affordability for all households.

**THE FOCUS FOR ALL GOVERNMENTS MUST BE  
TO ENSURE ALL AUSTRALIAN HAVE A HOME.  
GOVERNMENT POLICIES AND SUPPORT PROGRAMS  
MUST HAVE THIS GOAL AT THEIR HEART**







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# OVERVIEW OF POLICY OPTIONS

The residential building industry calls for a commitment by all parties to the following policy options



# OVERVIEW: POLICY OPTIONS 1>6

<div>INVESTMENT IN HOUSING</div> <div>Introduce a reformed taxation system that promotes investment in housing delivery, land supply and as an asset for retirement.</div> <div>1</div>	<div>TAXATION REFORM</div> <div>The Commonwealth to lead an 'all of government' wide-ranging reform initiative that reduces the disproportionate tax burden on new housing and does not discriminate against residential property in regard to negative gearing and capital gains tax.</div> <div>2</div>	<div>INFRASTRUCTURE FUNDING</div> <div>Implement a Commonwealth guarantee to back state and local governments in developing and investing in both community and residential development infrastructure to support investment in housing delivery, including, for example, underwriting innovative and alternate funding mechanisms.</div> <div>3</div>
<div>4</div> <div>REVIEW OF THE BANKING SECTOR</div> <div>Convene a high-level expert panel review of competition and market power in the Australian banking industry.</div>	<div>5</div> <div>UNLOCKING SUPERANNUATION</div> <div>Develop a mechanism to facilitate access by home buyers to superannuation funds to support housing financing.</div>	<div>6</div> <div>COST OF HOUSING INQUIRY</div> <div>Instigate a holistic Productivity Commission inquiry into the cost of Australian housing that brings together the overlapping impact of regulations, taxes, workplace relations systems, land supply, labour market policies, skills capacity and other cost imposts.</div>

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## MINISTER FOR HOUSING

Maintain a dedicated Minister for Housing within Cabinet, with specific responsibility for promoting investment in housing delivery, land supply and improving housing affordability.

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## LAND PLANNING COUNCIL

Establish and resource a land planning council to provide national monitoring and reporting of land supply at all stages of the pipeline as part of the Housing Minister's portfolio. As a first step, establish a mandatory national reporting framework for states and territories to identify the current and predicted supply of unzoned, zoned, approved and completed residential land.

8

## STATISTICS RESOURCING

Improve resourcing to the Australian Bureau of Statistics to collect and report housing and land supply data.

9

10

## MIGRATION PROGRAM

Introduce targeted immigration programs to stimulate population growth and to ensure the industry has sufficient capacity and skills to meet demand.

11

## SUPPORT MANUFACTURING R&D

Increase investment in research and development in the form of a Commonwealth government and industry partnership relating to manufacturing technologies, techniques and innovation in housing design and construction.

12

## SUPPORT INVESTMENT IN MANUFACTURING

Introduce accelerated depreciation on new plant and equipment across the whole manufacturing sector.

OVERVIEW: POLICY OPTIONS 13 > 17

REDUCE THE COST OF DOING BUSINESS

Reform the cost structure of business inputs for manufacturers, including energy and transport costs.

13

LEVEL PLAYING FIELD

Implement appropriate mechanisms to manage imported building products to ensure they meet relevant Australian building and anti-dumping laws, in consultation with the Australian Competition and Consumer Commission, Department of Immigration and Border Protection, the Department of Foreign Affairs and Trade and federal and state building regulators.

14

CONFORMANCE OF BUILDING PRODUCTS

Establish an effective regime to eliminate the use of non-conforming products entering Australia's building construction process and supply chain.

15

16

ADDRESSING WORKPLACE LAWLESSNESS

Establish an effective national regulatory and policing body to ensure compliance with workplace laws at building construction workplaces.

17

MODERNISE AUSTRALIAN WORKPLACE LAWS

Promote productivity and competitiveness by reforming Australia's workplace relations arrangements by, for example:

- removing the direct and indirect regulation of independent contractors under industrial laws;
- engaging in a process of genuine 'award modernisation';
- abolishing industry specific redundancy schemes;
- including genuine exemptions for small business from unfair dismissal claims; and
- restoring a mechanism for fair and equitable individual workplace agreements.

**OVERVIEW: POLICY OPTIONS 18>23**

**REDUCING RED TAPE FOR BUILDING**

Support a nationally coordinated approach to identify and deliver reforms which improve the efficiency of the regulatory environment for residential building, both state by state and nationally, and ensure there is a positive net cost benefit to all states and territories.

18

**COSTS OF REGULATORY HARMONISATION**

Continue and extend to all jurisdictions a moratorium on further proposals for regulatory ‘harmonisation’ unless a cost benefit analysis clearly shows a positive impact on housing affordability and on small businesses.

19

**SMALL BUSINESS COMPLIANCE**

Assist small business compliance with appropriate measures including standardising lodgement dates, calendars and definitions and repealing the Australian Taxation Office contractor reporting regulations for the construction industry.

20

21

**SUPERANNUATION COVERAGE**

Remove Superannuation Guarantee Charge coverage from other than PAYG employees.

22

**FREEING UP CONTRACTORS**

Prohibit anti-competitive clauses in enterprise agreements, including, for example, those that restrict the ability to engage independent contractors and restrict an employer’s prerogative to choose an employment mix suited to their business.

23

**CONSISTENT TREATMENT OF CONTRACTORS**

Expand the Alienation of Personal Services Income (APSI) provisions of the Income Tax Assessment Act to recognise all legitimate contractor activities. Acceptance by all Commonwealth agencies of a presumption that contractors operate small businesses until otherwise established.

OVERVIEW: POLICY OPTIONS 24>29

TREAT CONTRACTORS LIKE BUSINESSES NOT EMPLOYEES

Abolish workplace relations laws that attempt to extend employment regulation to contractors.

24

TREAT CONTRACTORS LIKE BUSINESSES NOT CONSUMERS

Repeal consumer-based unfair contract and misuse of market power laws that treat small businesses as consumers and erode their independent status.

25

SUPPORT FOR APPRENTICES

Provide management training support for apprentices transitioning to a career as a trade contractor.

26

27

GREATER ACCESS TO STANDARDS

Fully fund the provision of free online access for technical standards referenced in the National Construction Code.

28

MAINTAINING HOUSING SPECIFIC BUILDING STANDARDS

Retain the Housing Provisions (Volume Two) as a stand-alone document in the National Construction Code.

29

ENHANCING THE AUSTRALIAN BUILDING CODES BOARD

Make the Australian Building Codes Board an independent statutory authority with an exclusive jurisdiction and its own budget appropriation.



OVERVIEW: POLICY OPTIONS 30> 35

EFFECTIVE ADMINISTRATIVE FRAMEWORK

Direct the Australian Building Codes Board to review state and territory administrative frameworks to determine opportunities to implement further micro-economic reforms through the building approval process.

30

IMPROVE ENERGY EFFICIENCY OF EXISTING BUILDINGS

Introduce a practical and affordable voluntary disclosure scheme for residential buildings constructed prior to 2003.

31

MAINTAIN CURRENT ENERGY STANDARDS

Commit to maintaining energy efficiency standards for residential buildings at current levels and support industry to apply these standards across all new homes and educate home owners.

32

33

SINGLE APPROVAL PROCESS FOR HOUSES

Commit to champion a nationally consistent single approval process for detached housing and low scale housing development, including dual occupancy and multiple dwelling developments.

34

ENVIRONMENTAL CONSTRAINTS ON EXISTING LAND

Introduce a national framework to require legal certainty for the management of planning decisions by Commonwealth, state and local government to protect zoned residential development land, where environmental constraints have been retrospectively identified.

35

ADDRESSING THE SKILLS SHORTAGE

Focus government support on attracting, supporting and encouraging apprentices in areas of genuine skills shortage while retaining and up-skilling the existing workforce.

OVERVIEW: POLICY OPTIONS 36>40

**IMPROVING  
GOVERNMENT  
INCENTIVES**

Direct government apprenticeship incentives to provide:

- direct assistance to employers to close the cost/productivity gap;
- apprentices with genuine incentives for completion; and
- for user choice funding, including Cert IV and Diploma level.

**SKILLING  
YOUNG PEOPLE**

Introduce effective school-to-trade transition programs.

**AGEING  
WORKFORCE**

Introduce mechanisms to redeploy the ageing workforce to effectively participate in complementary industry activities and retain industry skills and knowledge.

36

37

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39

40

**IMPROVED  
FLEXIBILITY**

Improve the flexibility of the training system by, for example, including recognition of defined skills sets as intermediate qualifications and developing a broader apprentice program.

**MODERN, RELEVANT  
COMPETENCY BASED TRAINING**

Introduce policies and frameworks that give greater powers to industry to develop training that delivers construction qualifications that meet industry’s needs. Recognise competency based training in a fair and transparent assessment system in which the employer, the Registered Training Organisation and the apprentice are all active participants and have confidence in the system and outcome.



# REFORM SUMMARY

# A POLICIES FOR GROWTH



## REFORM OBJECTIVES

### 1: A PRODUCTIVE & GROWING ECONOMY

The housing industry has a proven record in driving national economic growth.

The reduction in economic growth from the resources sector since the 2013 Federal Election has placed pressure on all governments to stimulate and support other sectors of the economy to deliver new productivity and growth.

To create a productive and growing economy, the government must create a clear economic reform agenda that will promote investment in housing, taxation reform, financial reform and put housing at the heart of policy making based on accurate information about housing supply.

Residential building makes a significant contribution to the Australian economy. New home construction also plays a fundamental role in providing shelter for all Australians, something that should never be ignored.

HIA advocates policies that will enable Australia's residential building industry to deliver new land and housing to meet the needs of all Australians, by sustaining a highly productive, internationally competitive and diverse housing sector.

**RESIDENTIAL BUILDING MAKES  
A SIGNIFICANT CONTRIBUTION  
TO THE AUSTRALIAN ECONOMY**





# 1

## INVESTMENT IN HOUSING

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Introduce a reformed taxation system that promotes investment in housing delivery, land supply and as an asset for retirement.

Whilst buying a first home is the most significant investment most Australians will ever make, retaining that home as part of their future income and prosperity into retirement is also a fundamental Australian dream.

With pressures on future funding of health and aged care, allowing Australians to own a home and to invest in their retirement is essential.

The Commonwealth government has a key role in supporting investment in new housing through sensible and holistic reforms to the taxation system that promote investment in housing delivery, land supply and as an asset for retirement.

# 2

## TAXATION REFORM

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The Commonwealth to lead an 'all of government' wide-ranging reform initiative that reduces the disproportionate tax burden on new housing and does not discriminate against residential property in regard to negative gearing and capital gains tax.

Artificially elevating new residential land costs through taxation mechanisms inevitably affects housing affordability, placing pressure on prices for both existing homes and new homes. Housing stress for low and middle income Australians is increasing.

Ad-hoc changes to negative gearing, first home owner grants, capital gains taxation and the Goods and Services Tax (GST) must be avoided.

New housing is the second most heavily and inefficiently taxed sector of the Australian economy. The taxes on new housing place a deadweight loss on the economy, inhibit labour mobility and limit the overall supply of new housing year on year. Removing the disproportionate tax burden on new housing and land promises large economic dividends and should be at the top of any government's economic reform agenda.



# 3

## INFRASTRUCTURE FUNDING

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Implement a Commonwealth guarantee to back state and local governments in developing and investing in both community and residential development infrastructure to support investment in housing delivery, including, for example, underwriting innovative and alternate funding mechanisms.

State and local governments face difficulties accessing funding for the infrastructure that supports new housing, and often face substantial premium costs which render projects unviable. The Commonwealth government can play an effective role by guaranteeing funding for state and territory governments who commit to deliver infrastructure that directly supports new residential developments.

Such an arrangement could be secured between all jurisdictions through the Council of Australian Governments (CoAG) or bilaterally with those states seeking support. This process should begin with a Commonwealth guarantee of state, territory and local government investment in large-scale infrastructure to support new residential development.

# 4

## REVIEW OF THE BANKING SECTOR

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Convene a high-level expert panel review of competition and market power in the Australian banking industry.

Reforming the Australian banking system to increase transparency and competition should be a key aim of a future government. This should start with a detailed review of the Australian banking system and an examination of the market power which banks enjoy under the current regulatory regime.

Small businesses in the residential building industry operate in a post-GFC environment where credit conditions and lending requirements are disproportionately tight.

There is a lack of available finance for commercially viable projects and capital adequacy requirements for small business have become unjustifiably stringent. This environment is threatening the commencement of many commercially sound small business operations, is contributing to business insolvencies and is hindering the level of efficiency or residential construction activity. A review of the banking system should endeavour to address these issues.

**NEW HOME CONSTRUCTION ALSO PLAYS A FUNDAMENTAL ROLE IN PROVIDING SHELTER FOR ALL AUSTRALIANS, SOMETHING THAT SHOULD NEVER BE IGNORED**

## 5 UNLOCKING SUPERANNUATION

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**Develop a mechanism to facilitate access by home buyers to superannuation funds to support housing financing.**

Superannuation funds provide a significant avenue for funding of residential construction for both private and institutional investment. Currently there is no effective way for home buyers who have limited or no other alternative equity to leverage these funds to purchase a home. Establishing a mechanism that allows superannuation savings to be accessed or leveraged, with appropriate limitations, provides a practical option for families to enter the housing market.

## 6 COST OF HOUSING INQUIRY

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**Instigate a holistic Productivity Commission inquiry into the cost of Australian housing that brings together the overlapping impact of regulations, taxes, workplace relations systems, land supply, labour market policies, skills capacity and other cost imposts.**

The residential building industry is continually subjected to 'silo' regulations and red tape with governments at all levels failing to recognise the cumulative impact of each change, whether related to the house design and construction, or to the operation of a small business.

Past inquiries into housing affordability have failed to capture the overlapping regulations, taxes, policies and costs associated with residential building and identify effective reforms. An inquiry by the Productivity Commission is an important first step in redressing the high cost of new housing and its economic implications.

## 7 MINISTER FOR HOUSING

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**Maintain a dedicated Minister for Housing within Cabinet, with specific responsibility for promoting investment in housing delivery, land supply and improving housing affordability.**

The Commonwealth government has a key leadership role in the coordination and support of the states and territories to deliver land for residential developments in a manner which improves housing affordability. By supporting programs and initiatives that increase the supply of affordable new housing, the Commonwealth government will assist all Australians to find suitable accommodation, whether through increased public housing stock or private rental or owner occupied accommodation.

A dedicated Housing Minister will lead effective engagement between the Commonwealth and the states and territories on key issues related to the supply and cost of private, as well as public, housing.

**THE HOUSING INDUSTRY HAS A PROVEN RECORD IN DRIVING NATIONAL ECONOMIC GROWTH**

# 8

## LAND PLANNING COUNCIL

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**Establish and resource a land planning council to provide national monitoring and reporting of land supply at all stages of the pipeline as part of the Housing Minister's portfolio. As a first step, establish a mandatory national reporting framework for states and territories to identify the current and predicted supply of unzoned, zoned, approved and completed residential land.**

State and territory governments collect and publish information on land supply, however in several instances it is not timely. In some cases it is not accurate, and in all cases it is not related to the projected housing delivery commitments envisaged in capital city metropolitan plans.

If we are to plan for and deliver the homes needed to accommodate our growing population and changing demographics, the Commonwealth government must play a role in the coordination of this information.

The collection of accurate and timely data on land supply which predicates new housing supply is a fundamental element in managing the growth of our cities. The Commonwealth government needs to lead a process to ensure there is a consistent approach to land supply monitoring and reporting, addressing every step in the land supply pipeline.

# 9

## STATISTICS RESOURCING

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**Improve resourcing to the Australian Bureau of Statistics to collect and report housing and land supply data.**

The Australian Bureau of Statistics is an essential source of information for the public and private sectors, providing vital information to assist with planning and investment decisions for residential building. It is essential that the collection of data on key housing indicators is maintained (for example, building approvals) to ensure government and industry can develop a clear and accurate perspective on future housing supply. There is also a need for improved measurement in areas such as labour force demographics, so that the residential and non-residential construction labour forces can be distinguished from each other.

# 10

## MIGRATION PROGRAM

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**Introduce targeted immigration programs to stimulate population growth and to ensure the industry has sufficient capacity and skills to meet demand.**

To drive economic growth Australia should introduce a targeted immigration program which seeks to achieve growth in Australia's population and deliver a skilled workforce with capacity to meet the demand for new home construction and achieve the productive output necessary to support economic growth and standards of living.

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## 2: COMPETITIVE AND INNOVATIVE MANUFACTURING

Australian homes have traditionally been constructed from Australian-made building products. Australian-based manufacturing companies are accountable to and understand our building codes and standards, provide a guaranteed level of services and ongoing support to the building industry, and help to develop innovative ways to build homes for Australian conditions.

The availability of competitively priced imported and locally produced building products helps to contain building costs and can assist to improve housing affordability. An efficient and cost effective Australian building product manufacturing sector is an important part of the Australian economy and should not be undermined by unfair competition from imports.

### 11 SUPPORT MANUFACTURING R&D

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**Increase investment in research and development in the form of a Commonwealth government and industry partnership relating to manufacturing technologies, techniques and innovation in housing design and construction.**

Despite significant pressures on Australian manufacturing, the supply of building and construction products in Australia has retained a strong local base of innovative businesses prepared to support the Australian economy. Residential buildings are becoming more complex and existing technologies and techniques are evolving. The costs to innovate and the challenges to grow Australia's manufacturing base are significant. Australia needs a strong partnership between the Commonwealth government and industry to promote investment in research and development of new building and construction products.

### 12 SUPPORT INVESTMENT IN MANUFACTURING

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**Introduce accelerated depreciation on new plant and equipment across the whole manufacturing sector.**

To support ongoing investments in building and construction product manufacturing, all businesses should have access to accelerated depreciation mechanisms on new plant and equipment acquisitions.

### 13 REDUCE THE COST OF DOING BUSINESS

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**Reform the cost structure of business inputs for manufacturers, including energy and transport costs.**

The cost of doing business locally for many building and construction product manufacturers is being challenged by the reality that local input costs such as energy and transport far exceed those in other countries. Yet the greater environmental impacts from overseas manufacturing processes and transport should point to the benefits of retaining a strong Australian manufacturing industry.

The cost structure of business inputs for building product manufacturers requires urgent reform to limit the potential for perverse outcomes in both financial and environmental costs for Australia.

# 14

## LEVEL PLAYING FIELD

Implement appropriate mechanisms to manage imported building products to ensure they meet relevant Australian building and anti-dumping laws, in consultation with the Australian Competition and Consumer Commission, Department of Immigration and Border Protection, the Department of Foreign Affairs and Trade and federal and state building regulators.

Building and construction products manufactured offshore are growing in their proportion of the Australian building product supply chain. Whilst many meet Australian building standards, many do not. There is no single body responsible for managing non-conforming building products entering the building product supply chain.

Government regulations need to foster an open market, whereby materials manufactured in Australia compete on an equal footing with those manufactured abroad. Government action is required to help ensure Australian building standards and requirements for the performance and safety of building materials and products are adhered to by all.

An appropriate mechanism needs to be developed which allows all relevant Commonwealth and state agencies to share information and identify non-conforming products early in the supply chain, before significant costs arise for the residential building industry and home owners.

# 15

## CONFORMANCE OF BUILDING PRODUCTS

Establish an effective regime to eliminate the use of non-conforming products entering Australia's building construction process and supply chain.

Regardless of the place of manufacture, evidence shows that non-conforming building products are entering the supply chain for residential building projects.

Defects in building materials may not show up for some time, and while laws exist making importers liable for their products, finding the importer and obtaining redress is not guaranteed in practice.

Without an effective regime to identify non-conforming products early, before their use in residential building projects, and remove them from the marketplace in a cost effective manner, the risks and consequences of significant losses to property, amenity and safety will continue to grow.

**AUSTRALIAN-BASED MANUFACTURING COMPANIES ARE ACCOUNTABLE TO AND UNDERSTAND OUR BUILDING CODES AND STANDARDS**



# B CREATING A FAIR AND



# PRODUCTIVE WORKPLACE

## REFORM OBJECTIVES

### 1: FAIR AND PRODUCTIVE WORKPLACE ARRANGEMENTS

The residential building industry is a key driver of economic growth in the Australian economy. Supporting this growth requires fair and productive workplace arrangements that ensure both businesses and workers have a choice in the

manner in which they participate in the workforce and where businesses and workers feel protected and have rights to limit unnecessary industrial action.

For decades the Australian building and construction industry was plagued by illegal strikes, pattern bargaining, right of entry infringements and the coercion of non-unionised subcontractors.

This conduct does not just occur on commercial building sites, it also has an impact on housing and the building product supply chain. Non-unionised subcontracting businesses often bear the risk of illegal activity.

The commencement of the Australian Building and Construction Commission (ABCC) in 2005 and the accompanying suite of industry-specific penalties helped to ensure that the construction industry no longer departed from the standards of commercial and industry conduct expected in the rest of the Australian economy.

Whilst the ABCC operated, unlawful conduct in the building and construction industry declined, productivity in the sector increased, and significant gains flowed through to the wider Australian economy.

# 16

## ADDRESSING WORKPLACE LAWLESSNESS

**Establish an effective national regulatory and policing body to ensure compliance with workplace laws at building construction workplaces.**

The abolition of the ABCC and the erosion of industry specific penalties for unlawful industrial behaviour has, as the industry had forewarned, emboldened industrial militants and led to a worsening of conduct on building sites.

The evidence is now undeniable that the construction industry needs an effective deterrent and a robust and independent enforcer of the rule of law.

There are now three Royal Commissions, the Giles Royal Commission, the 2002 Cole Royal Commission and the Heydon Royal Commission, that have each catalogued systemic lawlessness and illegal conduct throughout the building industry.

The black-banning of certain building product suppliers and manufacturers, disregard for right of entry rules, coercive pattern bargaining and the use of standover tactics against independent contractors and non-unionised businesses are unacceptable and should not be tolerated in the building industry.





# 17 MODERNISE AUSTRALIAN WORKPLACE LAWS

Promote productivity and competitiveness by reforming Australia's workplace relations arrangements by, for example:

- removing the direct and indirect regulation of independent contractors under industrial laws;
- engaging in a process of genuine 'award modernisation';
- abolishing industry specific redundancy schemes;
- including genuine exemptions for small business from unfair dismissal claims; and
- restoring a mechanism for fair and equitable individual workplace agreements.

The current industrial relations and modern award system is unfairly biased against the residential building industry, particularly small business employers. There is too much focus on the institutionalisation and inflexible collective outcomes promoted by Fair Work Australia and the Fair Work Ombudsman rather than the needs of the enterprise and its employees.

A significant problem is the unfettered ability of unions to interfere in independent contracting arrangements under the Fair Work Act. Significantly the Productivity Commission, Heydon Royal Commission and Harper Competition Review have all called for the outlawing of clauses in enterprise agreements that restrict the engagement of contractors and enable unions to force EBA rates and conditions onto contractors.

A lack of flexibility in employment conditions impacts significantly on small business. The alternative option of entering into complex enterprise bargaining negotiations with the unions is not practical for small business. Additionally, small business has once again been burdened by the reintroduction of unfair dismissal rules focused on inflexible, restrictive procedural rules rather than the merits of the dismissal.

The so-called 'modern' awards continue to cause confusion and uncertainty for the building industry. The modern award provisions are overly technical and unresponsive to the needs of business, but provide unions with a fertile source of restrictive practices that can be used as bargaining chips in enterprise bargaining negotiations. One example is the continuation in the building industry of 'redundancy payments' to workers who are not, in fact, redundant but simply choose to resign.

Sensible changes include the re-introduction of individual bargaining subject to a no disadvantage test, and those employers and employees who wish to avoid the calculations of allowances and other award based entitlements should have the statutory ability to convert these to 'all in rates'.

**THE SO-CALLED 'MODERN' AWARDS CONTINUE TO CAUSE CONFUSION AND UNCERTAINTY FOR THE BUILDING INDUSTRY**

# C CUTTING RED TAPE





## REFORM OBJECTIVES

### 1: REDUCING UNNECESSARY RED TAPE & REGULATION

The residential building industry is overly regulated and subject to unnecessarily complex and duplicated regulation. Regulations impose costs, barriers and administrative burdens on business

and in particular, the delivery of an adequate supply of new, affordable housing.

The majority of regulations that have an impact on the residential building industry are state-based and differ from state to state. While there has been a focus in recent years to harmonise many areas of regulation, the productivity gains from these reforms can be easily lost if they effectively translate into the general adoption of the most complex and intrusive regulations merely for the sake of consistency and there is no 'net loss' of existing regulation to reduce the administrative burden on residential building businesses.

**“THE MAJORITY OF REGULATIONS THAT  
HAVE AN IMPACT ON THE RESIDENTIAL  
BUILDING INDUSTRY ARE STATE-BASED  
AND DIFFER FROM STATE TO STATE”**



## 18 REDUCING RED TAPE FOR BUILDING

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Support a nationally coordinated approach to identify and deliver reforms which improve the efficiency of the regulatory environment for residential building, both state by state and nationally, and ensure there is a positive net cost benefit to all states and territories.

Red tape means more than regulation. Red tape is hidden in the forms and fees, the processes and the down time while businesses wait for an answer from a government department or agency. Real red tape reform must involve an analysis of the procedures and policies, and look behind the counter at the processes that slow down residential building without creating a better outcome for the home owner or a benefit to business.

The Commonwealth government must establish a process to identify the hidden impediments to doing business through a detailed business process analysis and must require the states and territories to include the costs of these impediments in the cost benefit assessment of any new regulations.

## 19 COSTS OF REGULATORY HARMONISATION

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Continue and extend to all jurisdictions a moratorium on further proposals for regulatory 'harmonisation' unless a cost benefit analysis clearly shows a positive impact on housing affordability and on small businesses.

Harmonisation that leads to a race to the top places a burden on all, often for the sake of the minority. Governments are tasked with ensuring that regulations are proportionate to the problem and address real market failure, rather than perception.

Without clear goals and sound justification for the degree of regulatory interference, harmonisation will not deliver effective reforms. As a 'deemed' national regulation, any move to establish harmonised laws in the residential building industry must be required to meet the CoAG principles for best practice regulation and national standard setting bodies, and be able to show a net cost benefit will be delivered to both the residential building industry and the new home owner.

# 20

## SMALL BUSINESS COMPLIANCE

**Assist small business compliance with appropriate measures including standardising lodgement dates, calendars and definitions and repealing the Australian Taxation Office contractor reporting regulations for the construction industry.**

All government departments should provide the same minimum level of service. For example, the Australian Taxation Office provides assistance in the form of education and practical on-site assistance with Business Activity Statements preparation – as a part of which the Commissioner gives an undertaking that there will be no audit activity arising from such assistance having been given. This constructive approach should apply across all agencies.

At present, due dates for returns and reports are spread across the calendar, depending on the department or agency. There are multiple definitions for a ‘year’ for reporting purposes, depending on the subject matter.

Likewise, there are multiple definitions of reportable units, wages being an example. Such measurables should be defined in exactly the same way whether it be for PAYG, superannuation, workers compensation or payroll purposes.

Taxation regulations that require all builders to annually report all payments to contractors to the ATO have placed an excessive reporting burden on small businesses. These regulations were imposed without an assessment of the compliance costs and effectively penalise builders and principal contractors for choosing to engage subcontract labour. They place additional red tape and administrative and accounting costs upon them.

While it is important that there are effective policies in place for industry to report and pay tax, these laws are flawed. They are focused on businesses that pay subcontractors and do not directly deal with those businesses that are not meeting their taxation obligations such as those consumers, businesses and subcontractors in the cash economy and the owner-builder market.

**REGULATIONS IMPOSE COSTS, BARRIERS AND ADMINISTRATIVE BURDENS ON BUSINESS AND IN PARTICULAR, THE DELIVERY OF AN ADEQUATE SUPPLY OF NEW, AFFORDABLE HOUSING**

# D **STANDING UP FOR SMALL**



# BUSINESS

## REFORM OBJECTIVES

### 1: PROTECTING THE RIGHT TO CONTRACT

The small family owned contracting business is the backbone of Australia's residential building industry and is internationally renowned for its productivity. This model is characterised by businesses that are responsible for their own work, set their own hours and move flexibly from site to site.

Working predominantly on a contract basis is the incentive that these small businesses have to perform to the highest standards.

Over the last decade governments at all levels have eroded the position of small contracting business as the engine room of home building. Commonwealth and state governments have progressively 'deemed' that many classes of contractors should be covered by regulations that had previously only ever applied to employees.

At a federal level these measures have included taxation, superannuation and industrial relations laws. States have also spread the coverage of payroll tax and workers compensation to capture an increasing share of small businesses in their net. In the process small contracting businesses are being strangled in administrative red tape just to establish their own identity.

If Australia is to remain at the international forefront of residential building efficiency this slow constriction of small contracting businesses must not just be slowed, but reversed.

All parties need to fundamentally commit to small contracting businesses being a worthy and legitimate form of business, recognising that:

- they are not 'quasi employees' or 'deemed employees'
- they are business people who take personal financial risks, employ others and invest their own capital.



## 21 SUPERANNUATION COVERAGE

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**Remove Superannuation Guarantee Charge coverage from other than PAYG employees.**

There is considerable legal uncertainty as to whether the Superannuation Guarantee Charge is payable by a principal for any particular contractor they engage, yet company directors are personally liable for any underpayment. This creates a great deal of unnecessary paperwork and cost.

## 22 FREEING UP CONTRACTORS

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**Prohibit anti-competitive clauses in enterprise agreements, including, for example, those that restrict the ability to engage independent contractors and restrict an employer's prerogative to choose an employment mix suited to their business.**

Government regulations have allowed unions to have coverage over contractors and to have agreements that limit the use of contractors on building sites. These anti-competitive provisions must be removed to enable small business contractors to compete freely in the marketplace at what they do best rather than be hamstrung by external interference.

## 23 CONSISTENT TREATMENT OF CONTRACTORS

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**Expand the Alienation of Personal Services Income (APSI) provisions of the Income Tax Assessment Act to recognise all legitimate contractor activities. Acceptance by all Commonwealth agencies of a presumption that contractors operate small businesses until otherwise established.**

The narrow ambit of access to APSI acts as a powerful disincentive for someone to work in the productive world of contracting and demonises small business operators. If a business is registered for GST and is participating in the system by collecting GST from their clients and remitting it to the ATO then they should be regarded as being in a legitimate business structure and have access to APSI business deductions.

## 24 TREAT CONTRACTORS LIKE BUSINESSES NOT EMPLOYEES

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**Abolish workplace relations laws that attempt to extend employment regulation to contractors.**

Independent contractors are people running their own independent businesses. Laws that allow them to collectively bargain over rates and terms risks industrial and union capture of the industry. Similarly extending workplace protections intended for employees, such as bullying and adverse action provisions, and employee like entitlements such as long service leave, are unworkable for contractors and employers alike.



## 25 TREAT CONTRACTORS LIKE BUSINESSES NOT CONSUMERS

Repeal consumer-based unfair contract and misuse of market power laws that treat small businesses as consumers and erode their independent status.

Protecting one business at the expense of another is the antithesis of competition, stifling innovation and encouraging unnecessary government intervention and interference into longstanding established commercial relationships.

## 26 SUPPORT FOR APPRENTICES

Provide management training support for apprentices transitioning to a career as a trade contractor.

Building contractors typically start up their business at the conclusion of an apprenticeship. The transition to the world of business can be tricky, especially for younger people and the compliance burden can be overwhelming. Emerging contractor operations would benefit from a program of support and nurturing during their early years of business.

The Commonwealth government should extend its support for apprentices beyond their technical training by providing mentoring and other training as they move into running their own business.

# REFORMING BUILDING



# AND PLANNING LAWS

The systems that manage the approval of land for residential development and the design and construction of new communities and homes are a fundamental part of doing business for the residential building industry.

When the planning and building system fails to offer a consistent process across both state and local government borders, this impacts directly on the cost of new homes. When these systems become complex and focus on administrative issues, residential projects are delayed and sometimes abandoned. Rather than supporting housing supply, the processes impede project approvals and add costs that are passed onto new home buyers.

Whilst many of these regulations and processes are administered by states and territories, the oversight of the Commonwealth government and the development of strong partnership agreements with states and territories can effectively deliver reforms that can benefit both the residential building industry and new home buyers.

## REFORM OBJECTIVES

### 1. MAINTAINING COST EFFECTIVE STANDARDS & ADMINISTRATION

The national framework for building standards in Australia is one of the few successes on the road to national harmonisation. Whilst there is further to go in achieving harmonisation of administrative processes, the national building code sits as an

example of what can be achieved and provides a model for other areas of technical regulation.

Maintaining the benefits achieved to date will require a strong commitment by all governments. Delivering the remaining reforms will require renewed commitment to tackle the parochial nature of red tape and regulation. The Commonwealth government must take a leadership role in this process.





## 27 GREATER ACCESS TO STANDARDS

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**Fully fund the provision of free online access for technical standards referenced in the National Construction Code.**

The National Construction Code was made freely available online in 2015. The Code references over 100 technical standards which can only be accessed for a charge. As part of the national regulatory framework for residential building, these standards should be made freely available online. Improved access to these standards can effectively reduce business costs and increase compliance across all building sectors.

## 28 MAINTAINING HOUSING SPECIFIC BUILDING STANDARDS

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**Retain the Housing Provisions (Volume Two) as a stand-alone document in the National Construction Code.**

The construction of low rise residential buildings continues to be the significant proportion of the residential building industry in Australia. The retention of a tailored, easy to read stand-alone document as part of the National Construction Code series which includes 'deemed to satisfy' provisions supports residential builders and trade contractors to meet their legal obligations and deliver new homes. The Code should retain this approach.





## 30 EFFECTIVE ADMINISTRATIVE FRAMEWORK

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**Direct the Australian Building Codes Board to review state and territory administrative frameworks to determine opportunities to implement further micro-economic reforms through the building approval process.**

The Commonwealth, states and territories agreed to implement micro-economic reforms in the building industry through the establishment of the Australian Building Codes Board in 1994. The Intergovernmental Agreement provides two clear objectives – to deliver nationally agreed technical standards for construction and to deliver harmonised administrative processes for building approvals.

Over two decades later, these reforms have only been partially realised with the publication of the National Construction Code and the introduction of private building certification in some jurisdictions. However the failure of states and territories to deliver greater consistency in their approaches to building administration has limited the productivity benefits from being fully realised.

## 29 ENHANCING THE AUSTRALIAN BUILDING CODES BOARD

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**Make the Australian Building Codes Board an independent statutory authority with an exclusive jurisdiction and its own budget appropriation.**

The Australian Building Codes Board is responsible to the Commonwealth and all states and territories for the preparation of the National Construction Code. The current Intergovernmental Agreement enables individual jurisdictions to ‘opt out’ of the national Code.

The creation of an independent statutory authority for building administration would provide the ability for the National Construction Code to be a single national code and allow the authority to give clear guidance on the interpretation and application of the Code and remove inconsistent approaches by states and territories.



**NEW HOMES ARE REQUIRED TO  
MEET NATIONAL STANDARDS  
FOR ENERGY EFFICIENCY  
APPLIED THROUGH THE  
NATIONAL CONSTRUCTION CODE**

## 2. SUPPORTING ENERGY EFFICIENT HOMES

New homes are required to meet national standards for energy efficiency applied through the National Construction Code. Renovations to existing homes also have to meet the same standards. However there are eight million homes that were constructed before these requirements were introduced nationally.

Ensuring all homes, new and existing, meet a reasonable level of energy efficiency, can assist in reducing the energy consumed by households and reduce emissions from the residential building sector.

### 31 IMPROVE ENERGY EFFICIENCY OF EXISTING BUILDINGS

**Introduce a practical and affordable voluntary disclosure scheme for residential buildings constructed prior to 2003.**

Almost eight million homes were constructed before the introduction of mandatory energy efficiency standards into the National Construction Code in 2003. When compared to new homes, existing homes are less energy efficient, providing significant opportunities to reduce household energy consumption across the existing housing stock.

To facilitate this, home owners must have access to a reliable and cost effective method to determine what improvements can be made. The Commonwealth government should lead the introduction of a free online voluntary disclosure scheme for residential buildings, with the capacity for the scheme to be expanded in the future to a mandatory disclosure mechanism that is triggered at the point of sale or lease of an existing home.

### 32 MAINTAIN CURRENT ENERGY STANDARDS

**Commit to maintaining energy efficiency standards for residential buildings at current levels and support industry to apply these standards across all new homes and educate home owners.**

The National Construction Code has been subject to change year on year since its introduction in 1993. Energy efficiency standards for residential buildings were introduced in 2003 and have been increased twice, along with numerous changes being undertaken in the intervening years. The residential building industry needs time to 'catch up' with the constantly changing standards and effectively implement these into their business practices. The stringency level of the standards in the Code impose costs that can exceed the benefits to the consumer.

The current method of assessing energy efficiency in new homes is limited in scope and only addresses the use of heating and cooling in new homes. The benefit from further increases in the current energy efficiency standards is extremely limited, unlikely to justify the additional compliance costs, overlooks other energy consumption of homes, and fails to recognise the significant opportunity for renewable energy offsets to play a role in reduced emissions from new houses.



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### 3. PLANNING REFORM

Australia needs a forward thinking and efficient planning system which supports our growing population, demographic change and economic growth, with housing supply and affordability at its heart.

Whilst the planning system is managed by the states and territories, the Commonwealth government can have a significant influence in the delivery of streamlined approval processes for new land and housing developments, encouraging greater standardisation of development assessment processes and codes across borders.

In 2012, the Commonwealth government removed itself from the process of planning reform. It is essential that the Commonwealth government recognise the opportunity to lead the planning reform process and recommence actively working, through CoAG, to improve planning systems for both the strategic planning and the development assessment processes to support the future growth of our cities.



## 33 SINGLE APPROVAL PROCESS FOR HOUSES

Commit to champion a nationally consistent single approval process for detached housing and low scale housing development, including dual occupancy and multiple dwelling developments.

Each state and territory applies similar yet inconsistent administrative processes for the approval of single detached dwellings. In some jurisdictions, a single house requires two approvals, while in others, only one approval is required, often obtained through a private certification process.

A residential block of land that is zoned for a single house should have access to a simple and fast mechanism for an approval. The construction of one house should require only one approval and the process should be consistent across Australia.

With increasing pressure for urban consolidation through the metropolitan planning schemes for all of our major cities, low scale multiple housing developments offer an effective way to increase housing supply without significantly altering the existing character of our suburban areas. Where planning zones already permit dual occupancy, townhouse and villa developments, these developments should also have access to a single approval process.

## 34 ENVIRONMENTAL CONSTRAINTS ON EXISTING LAND

Introduce a national framework to require legal certainty for the management of planning decisions by Commonwealth, state and local government to protect zoned residential development land, where environmental constraints have been retrospectively identified.

Over the last decade all levels of government have progressively applied a broader range of environmental constraints in their planning system that either limit the area of land that can be used for residential development or apply higher construction standards for development on that land.

Actions by governments and their agencies that impose additional environmental constraints or apply higher regulatory stringencies on land already approved or earmarked for residential development often ignore or disregard the impact their decisions have on land supply, housing affordability and the lengthy timeframe for delivery of new homes.

Proposals to introduce new environmental constraints or increase the level of stringency of existing requirements should not be applied retrospectively to, or affect the supply, cost or delivery of residential land.

**AUSTRALIA NEEDS A  
FORWARD THINKING AND  
EFFICIENT PLANNING SYSTEM**



# TRAINING FOR A



# SKILLED FUTURE

## REFORM OBJECTIVES

### 1: A CAREER IN BUILDING

In many ways housing is a unique industry in Australian terms, in that its products are generally hand built by skilled tradespersons in an infinitely variable workplace, and there is only a very limited ability to substitute industrial processes and unskilled labour for skilled trades if they are not available.

Demographics alone mean Australia faces a significant skills shortage in coming years, while the resource boom has also drained away many skilled workers from the housing industry and despite coming to an end, not all will return to this sector.

The residential building industry should be seen as a career pathway, taking a young person through an apprenticeship, and learning technical skills, to gaining experience and business understanding that enable and empower them to establish their own business. In their later career years, industry leaders and mentors should be encouraged and supported to remain involved in the industry to share their knowledge and develop the industry of the future.

**“DEMOGRAPHICS ALONE MEAN  
AUSTRALIA FACES A SIGNIFICANT  
SKILLS SHORTAGE IN COMING YEARS”**

## 35 ADDRESSING THE SKILLS SHORTAGE

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**Focus government support on attracting, supporting and encouraging apprentices in areas of genuine skills shortage while retaining and up-skilling the existing workforce.**

Many resources have previously been wasted on funding 'soft skills' courses without employment outcomes. A cooperative refocusing of government activity on attracting, supporting and encouraging apprentices in areas of genuine skills shortage is long overdue.

## 36 IMPROVING GOVERNMENT INCENTIVES

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**Direct government apprenticeship incentives to provide:**

- direct assistance to employers to close the cost/productivity gap;
- apprentices with genuine incentives for completion; and
- for user choice funding, including Cert IV and Diploma level.

An apprentice is a worker under training and their productivity will be lower than a fully trained and experienced worker, particularly during their first 12-18 months on the job. Wages need to reflect this fact.

Government policy and the Fair Work Act need to reflect that an employer taking on an apprentice makes a voluntary decision to do so – the work can alternatively be done by an employee or a contractor. Employers often cannot afford to take on an apprentice, more so if they cost more and are less productive than an employee or contractor.

Government incentives to employers should be aimed at making up the difference between fair apprentice wages and a fair

assessment of apprentice productivity. Government incentives to apprentices should be targeted towards encouraging them to finish their apprenticeship.

## 37 SKILLING YOUNG PEOPLE

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**Introduce effective school-to-trade transition programs.**

Effective school to trade transition programs are under development in most states but an ideal model has yet to be developed. Commonwealth and state government policies to address skills shortages have often been contradictory and poorly focused. Recent Commonwealth initiatives to increase apprenticeship retention have yet to demonstrate their full effectiveness.

## 38 AGEING WORKFORCE

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**Introduce mechanisms to redeploy the ageing workforce to effectively participate in complementary industry activities and retain industry skills and knowledge.**

Working in the residential building industry can take its toll physically leading many skilled and experienced builders and contractors to make a choice about their career pathway much earlier in their working life than occurs in other industries.

The more mature workforce represents a wealth of knowledge and experience that should be retained through the creation of pathways to other building and construction industry roles. Whether as educators, mentors, estimators, designers or supervisors, there are many career paths that could be taken up with appropriate support and incentives to remain in the building industry.

## 2: A COMPETENT AND SKILLED WORKFORCE

Becoming competent and skilled in the residential building industry takes time. In the last decade the processes for training and mentoring young apprentices has changed significantly.

The Commonwealth government is responsible for determining the training pathways for the building industry through the national training frameworks.

### 39 IMPROVED FLEXIBILITY

Improve the flexibility of the training system by, for example, including recognition of defined skills sets as intermediate qualifications and developing a broader apprentice program.

On average, around 50% of apprentices drop out of their apprenticeship before completion and without a qualification or recognised skill set.

A flexible pathway system that recognises their progress to date as a partial or intermediate qualification involving those sets of skills they have actually acquired would enable and encourage their return and completion of their trade qualification at a future convenient time.

### 40 MODERN, RELEVANT COMPETENCY BASED TRAINING

Introduce policies and frameworks that give greater powers to industry to develop training that delivers construction qualifications that meet industry's needs. Recognise competency based training in a fair and transparent assessment system in which the employer, the Registered Training Organisation and the apprentice are all active participants and have confidence in the system and outcome.

Competency Based Training permits accelerated completion of apprenticeships, but this concept needs to include an assessment system in which the industry can have confidence. If achievement of competency has wage implications, pressures exist on both sides which require a fair and transparent system in which the employer, Registered Training Organisation and the apprentice are all active participants.

**IN THE LAST DECADE THE PROCESSES FOR TRAINING AND MENTORING YOUNG APPRENTICES HAS CHANGED SIGNIFICANTLY**



**you're in good hands**

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