Re-building Productivity

Final submission to the
Queensland Productivity Commission

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1.0 INTRODUCTION

As the peak industry body representing the interests of 10,000 members across the state, Master Builders plays an important role in supporting the health and sustainability of the building and construction sector. Our membership spans the full spectrum of the industry – from residential and commercial builders to subcontractors, manufacturers, and consultants.

Improving productivity in the building and construction industry is a central driver to building a strong Queensland economy, delivering housing targets and planned infrastructure, and increasing industry capacity over time.

We welcome the opportunity to be part of the conversation to improve productivity for the Queensland construction industry in order to be able to better delivery on the buildings that our State needs.

This submission to adds to the information provided in our preliminary submission to the Queensland Productivity Commission (QPC) and responses specifically to the preliminary recommendations and requests for information offered in the QPC's Interim Report. Where appropriate we have also provided insight and guidance on how a program of productivity reform could be implemented.

2.0 CONTENTS

3.0 IMPLEMENTATION PRIORITIES

The recommendations that will have the greatest impact on productivity and have a clear path for implementation should be prioritised. The implementation priorities for the preliminary recommendations and reform directions provided in the Productivity Commission's Interim can therefore be summarised as follows:

GOVERNMENT PROCUREMENT		
PR1	Project sequencing	URGENT
PR2	Project rationalisation	Underway
RD1	Governance and oversight	Long-term
PR3	Procurement policies	Important
RD2	Pre-qualification	Long-term
PR4	Repeal BPIC	URGENT
RD3	Industry reset	Long-term
RD4	Tendering and contracting	URGENT
LAND USE REGULATION		
PR5	Design of planning regulation	Important
PR6	Infrastructure charges	Not supported
PR7	Streamline high priority assessments	Further investigation
RD5	Amend the Planning Regulation	Long-term solution with the opportunity for some 'quick' wins to be identified.
PR8	Planning performance monitoring	Important
PR9	Ease zoning restrictions	Important
PR10	Targets for construction ready land	Important
RD6	Community support	URGENT and ongoing
REGULATION OF BUILDING ACTIVITIES		
PR11	Make NCC 2022 voluntary	URGENT
PR12	Future adoption of change to NCC	Important
RD7	Review building regulations	Long-term
RD8	QBCC performance	Long-term
-	Thresholds for insurance works	Low priority
-	Deposit caps	URGENT
PR13	Minimum Financial Requirements	Important
PR14	Trust account framework	URGENT
PR15	Modern Methods of Construction	Important
PR16	WHS enforcement and monitoring policy	
PR17	WHS single digital reporting	Underway

RD9	WHS reform	URGENT
LABOUR MARKETS		
RD10	Training and apprenticeship reform	Long-term
PR18	Licensing review	Long-term and ongoing
PR19	Regulatory impact of pending licensing changes	URGENT
PR20	Automatic Mutual Recognition	Long-term
RD11	Overseas migration	URGENT
RD12	Labour hire licensing	Low priority
OTHER MATTERS		
-	Taxes on foreign investment	URGENT
PR21	Utility connections	URGENT
-	Energy Queensland EBA	Long-term
-	Banks and financial institutions	Important

4.0 GOVERNMENT PROCUREMENT

4.1. Project selection and sequencing

PRELIMINARY RECOMMENDATION 1 - PROJECT SEQUENCING

Ensure projects are staged and prioritised to be commensurate with market capacity.

RESPONSE & FURTHER INFORMATION

This preliminary recommendation is supported. Project sequencing undertaken on a whole-of-government basis beyond the current 4 year budget estimates horizon will benefit government and industry. Key issues to be considered when developing a project sequencing plan are:

- Government should prepare a rolling 5 year plan with a firm project timeframes and a 10 year long term view that provides a longer-term indication of the project pipeline. The project pipeline should be updated as part of the annual budget process.
- Government departments should adhere to the published plan and pipeline to the greatest extent possible. Where changes to project timelines are necessary these should be broadcast to industry early and changes made considering the impacts on industry capacity.
- The project plan and pipeline should provide a range of project sizes (for small, medium and large contractors) and provide a geographically diverse allocation of projects, so that individual contractors have the opportunity to deliver a consistent and reliable pipeline of projects.
- When sequencing government projects consideration must be given to current and future privately funded infrastructure on the capacity of industry and disruption to community. Privately funded projects can be identified through the approval process managed by government departments and local councils.
- Early engagement with industry on capacity when defining plan is imperative. Feedback on project mix and location could be tested in an industry forum before locking projects into the 5 year plan.

Implementation

Given the context of the large program of work needed in Queensland over the coming 5 to 10 years, this recommendation is an important and urgent priority.

PRELIMINARY RECOMMENDATION 2 - PROJECT RATIONALISATION

Government review of its capital program to:

- forward work program reflects key priorities, whilst being cognisant of market factors
- scope of works is necessary to achieve the outcomes being sought and no more

- consider ways of delivering outcomes at lower cost, including through non-infrastructure solutions.

RESPONSE & FURTHER INFORMATION

This preliminary recommendation is supported. These are important principles of good program management which the government should strive to achieve. For example, a well-defined scope of works smooths project delivery in minimising variations and unnecessary work, adding to improved productivity.

Government has recently completed this review in part under the Health Rescue Plan and a review is also underway for the Olympics venue program.

One of the key factors to be considered in the implementation of this recommendation is ensuring that the capital program is reviewed on a whole-of-government basis.

Implementation

A whole-of-government review should be completed as part of developing a project sequencing plan and pipeline outlined in Preliminary Recommendation 1.

REFORM DIRECTION 1 - GOVERNANCE AND OVERSIGHT OF INFRASTRUCTURE DECISIONS

Better governance frameworks and instruments for how projects are assessed, selected, sequenced and prioritised.

Embed more transparent processes in procurement decisions, including public disclosure of a cost-benefit analysis.

Other options include improved governance frameworks and oversight mechanisms.

All mechanisms cost-effective, not impose unnecessary compliance requirements, be transparent, have longevity, and able to influence decision making.

RESPONSE & FURTHER INFORMATION

This recommendation is supported.

We note that other submissions have made comment on governance frameworks that exist in other jurisdictions and we support those suggestions being considered as part of a holistic review of governance and oversight of infrastructure decisions.

Implementation

Implementation should occur following proper assessment of alternate governance structures and after the implementation of other more immediate recommendations made in the QPC's Interim Report.

4.2. General procurement policies

PRELIMINARY RECOMMENDATION 3 – QUEENSLAND GOVERNMENT PROCUREMENT POLICIES

The government's procurement policy should have a sole objective of value for money, defined as the project's i) whole-of-life costs and ii) fitness for purpose, with due consideration for risk and quality outcomes.

Reduce administrative burden on tenderers and increase competition, particularly in regional areas. Policies that are not directly related to value for money, should be removed as requirements, including:

- Ethical Supplier Mandate and Ethical Supplier Threshold
- Supplier Code of Conduct
- Queensland Government Building and Construction Training Policy
- Local Benefits Test
- Queensland Renewable Energy Procurement Policy.

All procurement instruments that are used for the tender process should be reviewed with the aim of achieving administrative simplicity.

RESPONSE & FURTHER INFORMATION

The general direction of this recommendation is supported, however we would like to identify some issues for consideration before certain policies are removed in their entirety from the procurement system.

Firstly, as acknowledged in the preliminary recommendation, focusing solely on value for money should not mean that government chases the lowest price tender. Consideration should also be given to *i) whole-of-life costs and ii) fit for purpose, with due consideration for risk and quality outcomes*, as identified by the QPC in the preliminary recommendation.

Our first submission to the QPC recommended all policies and provisions under the Queensland Procurement Policy (QPP) be reviewed. We support the removal of the Ethical Supplier Mandate and Threshold.

We note that the QPP is already under review, and that future reviews be undertaken of the Supplier Code of Conduct and the Queensland Government Building and Construction Training Policy.

We would support the Local Benefits Test also being subject to a detailed review. Local content rules need to be workable and provide common sense solutions. For example, the requirement for a local office is locking out regional builders because they do not have an office in a specific regional city. The rules can also have the reverse effect of restricting regional builders from working in SEQ.

We believe there is value in maintaining policy documents which outline the government's policy objectives on supplier code of conduct, industry training and maximising local benefits, however the policy outcomes may be better achieved through mechanisms other than the procurement system.

We do not have any comments to make on the Queensland Renewable Energy Procurement Policy.

Implementation

Master Builders supports the continuation and implementation of the current review of the QPP. This review could open up the opportunity for smaller and regional businesses to tender for government work.

Future review and reform work should then commence immediately to address the remaining recommendations of the QPC.

REFORM DIRECTION 2 - PRE-QUALIFICATION

Issues with Queensland's pre-qualification (PQC) system are that it includes unnecessary requirements, is difficult to navigate, duplicates existing requirements, is excessively risk-averse and rigid, particularly for growing or less-established firms. It is also likely to restrict competition.

There also appears to be a case for conducting a review of PQC contract value thresholds.

RESPONSE & FURTHER INFORMATION

Master Builders supports a review and streamlining of the pre-qualification (PQC) system. The review should seek to achieve greater consistency and streamlining in three key areas:

- Consistency with other government department verification systems, for example, consistency with national PQC systems and QBCC Minimum Financial Requirements (MFRs). The PQC system is currently a more risk-adverse system because it excludes consideration of certain elements from the calculation of Net Tangible Assets, for example, related entity loans and investments (whether collectible or not collectible) to a related entity, subsidiary or an associated entity, which are included in the MFR assessment.
- Adopt a 'tell-us-once' approach so that key information necessary for the PQC assessment is submitted once and then digitally shared between (or sourced from) government departments.
- Review the timing of verification so it is not unnecessarily repeated through the tender and contract award process. Greater alignment between the PQC and MFR assessment would assist this.

We note that other recommendations of the QPC may impact the QBCC's MFR process. The outcomes of those recommendations need to be considered as part of any review of the PQC system.

Implementation

A review of the PQC system should immediately follow the implementation of the current review of the Queensland Procurement Policy.

4.3. Best Practice Industry Conditions

PRELIMINARY RECOMMENDATION 4 - BEST PRACTICE INDUSTRY CONDITIONS

Best Practice Industry Conditions (BPICs) should be permanently removed from the Queensland Government's procurement policy.

RESPONSE & FURTHER INFORMATION

Master Builders fully supports BPICs being permanently removed as a priority action. All information we have in support of this recommendation was provided in our initial submission.

In response to the specific request for further information on the impact of BPIC on safety outcomes, there is no evidence to indicate that BPIC has lead to increased safety outcomes. There has been long-term improvement in safety outcomes across the building and construction industry because of the collaborative efforts of employers, workers (including union representatives) and regulators, industry training, improved safety management systems, and improvements in industry safety leadership and culture.

Evidence of the impact of BPIC was provided in our first submission to the QPC, including the *QEAS Report – CFMEU EBA Impact on Apartment Prices, June 2024*.

Implementation

The BPIC's are currently on hold and their permanent repeal should proceed as a priority. Doing so will give industry confidence in their project scoping and planning.

REFORM DIRECTION 3 - OPTIONS FOR A BROADER INDUSTRY RESET

Options for improving confidence and allowing a more competitive market:

- a revised set of policies for large construction projects that provide for higher productivity, for example by excluding firms that allow pass through of enterprise bargaining conditions to sub-contractors and/or provisions that reduce flexibility, competition or enable unnecessary or disproportionate productivity reducing practices

- guidance on managing contentious workplace health and safety issues, such as work during wet and hot weather events, processes for proportionate responses to workplace health and safety incidents, and requirements for site shutdowns
- the establishment of an independent arbiter to negotiate disagreements and/or a watchdog to reduce illegal or anti-competitive conduct on work sites.

RESPONSE & FURTHER INFORMATION

This reform direction is supported. We would like to make the following responses to the information requested.

Improving workplace practices on large construction sites will be achieved through:

- continued collaboration between key stakeholders
- ongoing industry training across all levels of the business (workers, supervisors, managers, and employers)
- maintenance of safety legislation, with a move towards the national model safety legislation
- strong and targeted regulatory enforcement of safety laws and standards

Re-setting industry practices more broadly will be achieved through:

- continued discussions between builders, subcontractors, workers and unions on how worksite productivity can be improved and how current industrial agreements can be more flexibility applied to improve productivity.
- implementation of the CFMEU Administrator Mark Irving's response to the report (noting the recommendation to establish a consultative forum) commissioned by him from Geoffrey Watson SC into violence in the Queensland construction industry.
- what government could do to create conditions to encourage greater competition for large construction projects, including to encourage growth of existing Tier 2 construction firms – we have addressed this issue in our first, preliminary submission to the QPC.

Implementation

The opportunities for productivity gains within an industry reset are significant and reform work in this area should proceed as a priority.

4.4. Contractual arrangements

REFORM DIRECTION 4 – IMPROVING TENDERING AND CONTRACTING

Improve government tenders and contracts:

- addressing barriers to 'digital by default' approaches that would increase efficiency, facilitate information sharing and collaboration, and reduce risk
- making greater use of collaborative contracting arrangements to encourage innovation

- developing guidance around appropriate risk/profit sharing arrangements in Government contracts, including on the use of performance incentives
- adopting standard contracts to reduce administration costs
- better 'sizing' of tenders to suit circumstances — this could involve bundling of similar projects and/or breaking up large projects into smaller packages.

The Commission notes that these initiatives, at least in part, are already government policy. It is possible that, to facilitate better outcomes, agency capabilities and incentives need to be changed.

RESPONSE & FURTHER INFORMATION

This reform direction is supported.

Our preliminary submission outlined the various issues with government contractual arrangements. We have also discussed the identified issues with relevant government departments over many years in an attempt to make gradual improvement.

We note that slow progress towards addressing issues identified by the QPC (for example collaborative contracting models, adhering to standardised contracts, and inappropriate risk allocation in government contracts) will slow down productivity improvements, and impact other recommendations made by the QPC. Not fully addressing these issues also disproportionality impact small businesses who have limited capacity to absorb unnecessary compliance costs and inappropriate risk allocation to small contractors.

Implementation

In order to deliver on the significant pipeline of work, productivity in government tendering must be addressed as an urgent priority.

We recommend a series of collaborative workshops between the relevant government departments, a cross section of contractors, peak bodies and subject matter experts be held to find solutions to each identified issue.

5.0 LAND USE REGULATION

5.1. Design of planning regulation

PRELIMINARY RECOMMENDATION 5 - DESIGN OF PLANNING REGULATION

Government should:

- review to remove inconsistencies between the Planning Act and the Building Act
- local government planning schemes are consistent with the Queensland Development Code
- variations from the Queensland Development Code in local and state government planning schemes have demonstrated net benefits to the community
- amend the Planning Act to standardise zoning types across all local plans
- continue to progress standardised siting and design requirements for detached housing, secondary dwellings, and smaller townhouse and apartment buildings
- ensure that state and local government overlays are consistently applied across planning schemes.

RESPONSE & FURTHER INFORMATION

Master Builders strongly supports the objective to reduce uncertainty and unnecessary regulatory impost on building design to improve productivity and allow greater innovation. Too often conditions are imposed on new construction, without a full understanding of the barriers that productivity and innovation that the requirements create.

As to the specific recommendations being proposed by the QPC, Master Builders offers the following:

- *address the inconsistencies between the Planning Act and Building Act*
  As provided in our preliminary submission, Master Builders continues to support this important recommendation.

- *local government planning schemes consistent with the Queensland Development Code*
  It is essential that local government planning schemes are not only consistent with the Queensland Development Code but they are also to not speak to areas covered by the building assessment provision in both the Queensland Development Code and the National Construction Code. This has been not always been the case, but current government process checks better ensure that they are and must continue to be robust.

- *variations from the Queensland Development Code demonstrate net benefits*
  All local variations to the Queensland Development Code come at a cost to delivery to construction. They need to be limited to cases where they deliver a clear local benefit.

- *amend the Planning Act to standardise zoning types*

Consistency in how planning schemes approach zoning and in how they communicate the detail of their planning schemes would be of value. It will provide greater consistency and certainty in project planning and programming. Investing in digitalisation will assist local governments in achieving this consistency.

- *standardised siting and design requirements*
  A mandatory statewide Queensland Housing Code is an important productivity driver in that it will standardise siting and design requirements, allowing greater economies of scale in housing design and construction and more streamlined approval processes. It is equally important that this opportunity be extended to secondary dwellings, smaller townhouses and apartment buildings.

- *state and local government overlays are consistently applied*
  Consistency in how planning schemes approach zoning and in how they communicate the detail of their planning schemes would be of value. It will provide greater consistency and certainty in project planning and programming.

Also important is greater consistency in the application of planning rules across local governments. There needs to be a clear bar for when they seek to make a local variation. While recognising the importance of reflecting community expectations in planning, this needs to occur within an agreed and consistent framework.

Implementation

There are many opportunities for productivity gains in the design of planning regulation. A review of the inconsistencies in between the Planning Act and Building Act has the support of both local government and industry making it an important and effective first step.

PRELIMINARY RECOMMENDATION 6 - INFRASTRUCTURE CHARGING

Review of infrastructure charging to provide:

- an efficient level of funding to support the necessary infrastructure to support development
- price signals that ensure that future development considers the efficient use and provision of infrastructure assets.

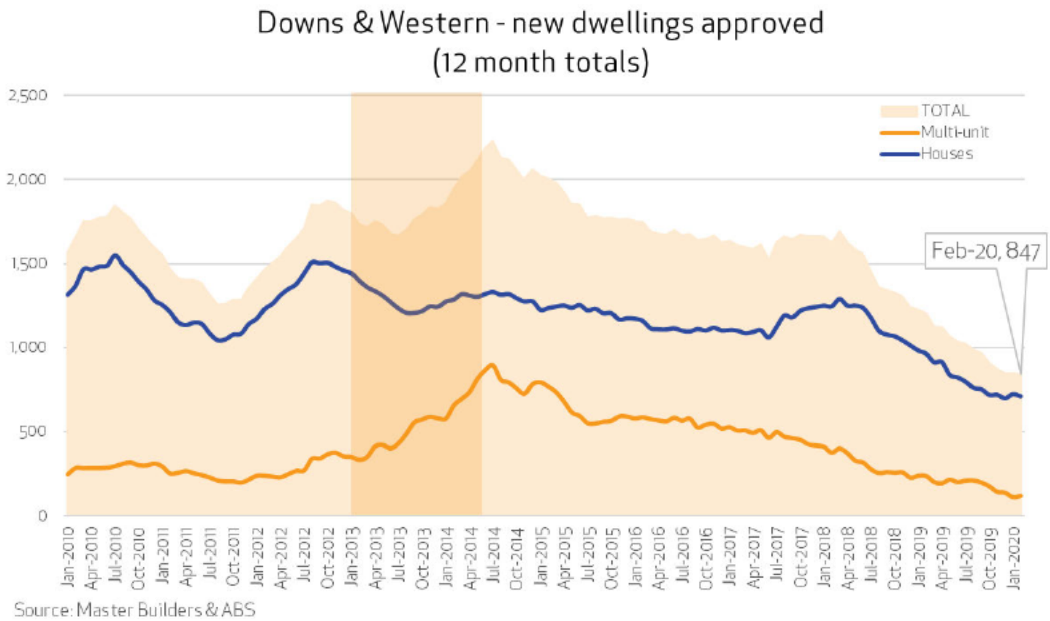
RESPONSE & FURTHER INFORMATION

Infrastructure charges represent a significant portion of the cost of new development and can substantially affect project viability—ultimately determining whether a development proceeds or not. Any review of infrastructure charges therefore runs a significant risk of introducing uncertainty to project planning holding up projects.

The significant impact of infrastructure charging on new development can be tracked through the building approval data. When local government offers a concession to the charge for a specific type of development, it is often followed by a surge in that type of development.

Toowoomba Regional Council provides a particularly clear example from when it offered its 'Temporary Urban Consolidation Incentives' from January 2013 to June 2014. The program was aimed at stimulating unit development in existing urban areas. The policy temporarily offered discounts on infrastructure charges for unit developments within the redevelopment areas of Toowoomba City.

The ABS building approval data showed that there was a sharp improvement in the number of units approved to be built during the period of the incentive.



Implementation

There should be no review of the infrastructure charging regime but rather there should be a focus on finding more productive ways to use the existing infrastructure funding across the public and private sectors.

5.2. Approval processes

PRELIMINARY RECOMMENDATION 7 - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

Alternative development assessment pathway for significant developments, including for housing which should:

- use independent planning professionals
- have objectives consistent with maximising the welfare of Queenslanders
- should have clear guidelines on the definition of a significant development but should not be subject to any other requirements.

RESPONSE & FURTHER INFORMATION

All opportunities to improve the development assessment pathways for significant developments is welcome and important contributors to productivity. The focus should be on enhancing coordination across agencies and streamlining processes.

As for how this can best be achieved, Master Builders defers to industry colleagues at the Property Council of Australia and the Urban Development Institute of Australia who have more expertise in this area.

REFORM DIRECTION 5 - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

Amend the Planning Regulation to reduce procedural complexity and make the approval process more accountable.

This could be achieved by enhancing the role of building certifiers to manage the approval process, including changing requirements so that only a single development application is required for assessable developments and a third party becoming the prescribed assessment manager, with local government's role changing to a referral agency.

RESPONSE & FURTHER INFORMATION

All opportunities to reduce the procedural complexity and make the approval process more accountable are welcome and important contributors to productivity.

As for how this can be best achieved, Master Builders defers to industry colleagues at the Property Council of Australia and the Urban Development Institute of Australia who have more expertise in this area.

PRELIMINARY RECOMMENDATION 8 - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

To improve approval processes, government should:

- review the Building Act and Planning Act to ensure statutory timeframes are adequate to allow for staged approval processes
- local governments to publish their performance information, including approval outcomes, time taken to approve developments and outcomes from disputes taken to court
- entity to consolidate and publish local government performance information
- 'service guarantee' to ensure approval processes occur in an efficient and timely manner

- digital planning and permitting technologies to improve the approval process.

RESPONSE & FURTHER INFORMATION

Master Builders supports a review of the Building Act, Planning Act and Planning regulation to be more effective and better aid in the approval processes.

There is also value in greater transparency in performance metrics where it provides meaningful insights that can be acted on to improve outcomes. There is an opportunity here to link to the development targets that will be provided through the updated regional planning process about to get underway.

The planning approval process should also take in subsequent approvals required for construction, such as road closures. This will allow for more efficient project programming and will help manage community expectations through the construction process.

For example, a construction project on the Gold Coast was put on hold for 4 weeks awaiting approval for a temporary (24 hours) lane closure to pull down a tower crane. In another case the local council revoked an existing (in place for 6 months) traffic management plan with 24hrs notice. This meant deliveries were not possible, stopping all work on site until the permit was reissued. This effectively stopped work on site for 8 weeks until the permit was reissued.

Implementation

This is a large piece of work that should be staged and programmed to achieve both 'quick wins' in the short-term and comprehensive reform into the long-term. An immediate opportunity that would unpin change in this area, is an immediate review of a relationship between building and planning and opportunities for clarity there (PR5).

5.3. Zoning regulations and land supply

PRELIMINARY RECOMMENDATION 9 - ZONING REGULATIONS AND LAND SUPPLY

Measures to ease zoning restrictions in well:

- identify well located areas near where housing densities could be increased
- institute a rigorous process on how and where greater densities should be achieved
- increase the allowable densities in appropriate areas.

RESPONSE & FURTHER INFORMATION

Master Builders supports measures which improve the supply of well-located land for development. Land being a major contributor to the ability to deliver new construction.

For how this can be best achieved, Master Builders defers to industry colleagues at the Property Council of Australia and the Urban Development Institute of Australia who have more expertise in this area.

PRELIMINARY RECOMMENDATION 10 - ZONING REGULATIONS AND LAND SUPPLY

Annual targets for the supply of construction-ready land and for the construction of new housing for each local government area and hold local governments accountable for meeting these targets. To enact this, the Queensland Government should:

- set targets that include desired outcomes for low, medium and high-density housing, and include short- and long-term targets to zoned supply, development rights, approvals and new land and dwelling supply
- require local governments to report against these targets in their annual reports, including whether targets have been met, and, where they have not been met, the reason
- require reporting on development and building approval outcomes, including acceptance/refusal, time taken to complete approvals and outcomes for cases brought to the planning court
- improve monitoring and reporting on the implementation and performance of housing supply targets across Queensland
- regularly consolidate local and state planning performance information and publish this in a public report
- consider applying financial incentives and/or penalties to local governments to incentivise them to meet any new land and housing targets.

RESPONSE & FURTHER INFORMATION

Master Builders supports measures which improve the supply of well-located land for development. Land being a major contributor to the ability to deliver new construction.

For how this can be best achieved, Master Builders defers to industry colleagues at the Property Council of Australia and the Urban Development Institute of Australia who have more expertise in this area.

5.4. Incentivising change

REFORM DIRECTION 6 - COMMUNITY SUPPORT FOR HOUSING DEVELOPMENT AND REFORM

Governments better assess and build community support for housing development and reform.

- building the case for development and reform
- engaging earlier and better with the community on proposed developments
- enacting provisions to enable more local involvement in the way development occurs
- improving consultation approaches so community views are better understood and represented

- sharing the benefits of development with the community by enhancing local neighbourhoods and enacting reforms to allow greater negotiation between developers and residents on the conditions of development.

RESPONSE & FURTHER INFORMATION

Support for housing density and diversity through positive and intentional community engagement and education is of critical importance for the current and future housing supply. It should be proactively fostered.

There should be proactive community engagement and education through campaigns to reduce 'Not In My Backyard' (NIMBY) attitudes towards new housing developments. These should set out to share both the consequences of restricting new housing development and the opportunities in it proceeding. The intent should be to empower feedback from the broader community and not just the vocal minority which so is often the case.

Implementation

This must proceed in parallel to measures to reform the planning system for the community to see the connection and value in the changes.

Master Builders recommends the collective expertise within the Housing Diversity Community of Practice lead by Queensland Shelter as a strong source of information and evidence on how to build community for housing developments.

6.0 REGULATION OF BUILDING ACTIVITIES

6.1. Building design and codes

PRELIMINARY RECOMMENDATION 11 – IMPACTS ARISING FROM NCC 2022

Amend the Queensland Development Code to opt-out of these provisions (make them voluntary).

RESPONSE & FURTHER INFORMATION

Master Builders strongly supports this recommendation. A demonstrated net community benefit is an essential prerequisite to the adoption of good regulation.

The energy efficiency and accessibility changes introduced in NCC 2022 did not meet that standard with the regulatory impact assessments both demonstrating that they come at a net cost.[1]

The additional costs to new home construction are substantial. Master Builders recently commissioned a quantity surveyor to provide up to date costings of meeting the additional requirements. The quantity surveyor assessed the cost impacts on three typical housing types; single story slab on ground construction; double storey slab on ground construction; and raised 'Queenslander' dwelling. In each case, costs were provided by builders based on their actual experience and then analysed by the quantity surveyor. This analysis found that compliance with NCC 2022 (livable housing and energy efficiency requirements) added $22,450, $40,550 and $44,600 respectively to the cost of these dwellings.[2]

Further to the additional cost, there are technical challenges in the provisions that still remain. In some of the technical detail there are conflicts with other NCC requirements (waterproofing and water ingress). In other areas, the requirements place unwarranted restrictions on consumer choice for their own homes. For example, allocating space in bathrooms over other living areas and reducing the size of windows.

The challenges with the provisions are reflected in the inconsistency that they are adopted across states and territories. The livable housing provisions have not been adopted in NSW or Western Australia and the energy efficiency changes have not been adopted in Tasmania, with NSW operating their own system. Queensland taking leadership in providing an example for the voluntary adoption to the provisions can lead to national consistency.

[1] Decision Regulation Impact Statements | ABCB

[2] Mitchell Brandtman: NCC 2022 Review

Implementation

This recommendation should be implemented as an urgent priority with the mechanism to do so being a relatively straightforward amendment to the Queensland Development Code (QDC).

Industry has flagged concerns with the energy efficiency and livable housing measures since they were first proposed. In response, government has made successive attempts to the correct some of the extensive problems in the technical detail. In Queensland we already have QDC MP 4.5 Liveable dwellings and grading to floor wastes and MP 4.1 Sustainable buildings which have served to correct some of the most significant of these problems.

Government has committed to addressing the remaining technical problems identified by industry as part of a six month review (due in November 2024). This review is still ongoing with no clear direction on when action will be taken. Each day this continues is adding unnecessary cost and complexity to the construction of new homes.

The mechanism to issue a new QDC which make the changes voluntary, could be enacted immediately addressing both the net cost to the community and the technical concerns.

PRELIMINARY RECOMMENDATION 12 – FUTURE REGULATORY CHANGES TO BUILDING CODES

Government should:

- only adopt future NCC changes where they have been through robust regulatory impact analysis to demonstrate they provide a net community benefit
- only adopt other building code changes where these have been assessed as providing a net benefit under the Queensland Government Better Regulation Policy
- advocate for improved regulatory processes at the national level, including for NCC.

RESPONSE & FURTHER INFORMATION

Future NCC changes

Master Builders supports the principle that changes to the National Construction Code (NCC) should only be implemented where they provide a net community benefit. To achieve this there must be improved regulatory processes at the national level for the review and adoption of change in the NCC.

This review should start with the Australian Building Codes Board (ABCB) business priorities being founded on reports from the States and territories of building defects that impact the core objectives of the NCC – safety, quality risk of building failure and hazards. Building defects are a significant drag on productivity in the cost and time lost in rectification, making it the key priority for updates to the NCC.

An industry policy forum is also needed where reform proposals are to be examined before they are developed and to the assist governments with priorities for the ABCB. Prior to the implementation of any new provisions they must be effectively tested and trialled. For significant change this should include a comprehensive assessment of net community benefit.

This process will support productivity in allowing for a flexible response to the broad range of changes being proposed for the NCC. That is changes that are well supported by stakeholders and administrative in nature can move through a relatively fast and efficient technical assessment. Often these changes are to enhance the practicality and workability of the Code and should be able to be adopted quickly. More comprehensive changes that are rooted in a policy change (as was the case with livable housing and energy efficiency in NCC 2022) would be subject to a more wide reaching assessment, with industry engaged from the beginning. This is where a full regulatory impact analysis will need to be employed.

Further, where an assessment of net benefit is be undertaken, this cannot be undertaken in isolation. The NCC is a technical document and needs to be considered as a whole. Where changes to one part of the Code are proposed, these must be considered in light of their impact on other requirements in the Code. It is also important that as it is a technical document the practical 'buildability' of the changes are considered and addressed.

The energy efficiency and accessible housing changes in the NCC 2022 are an example where this was not the case and industry is still grappling with the resulting problems. The changes were pushed through despite the costs being greater than the benefits and they did not talk to the buildability of new construction. The result was provisions that in some cases were in conflict with other parts of the Code and for some dwelling types were prohibitively expensive to deliver.

Regulatory policy and process

As the NCC is a national document the regulatory test should be the Australian equivalent of the Queensland Government Better Regulation Policy - Regulatory Policy, Practice & Performance Framework. A single national assessment does not need to be replicated at the state level unless there is going to be a significant Queensland variation.

For a robust NCC it is equally important that the ABCB is able to provide robust governance and is appropriately resourced. The Intergovernmental Agreement which provides funding for the ABCB via the states, territories and Commonwealth has not provided a funding increase for the organisation in over five years. Housing and Construction taxes and charges are already substantial for the industry and should not be considered a funding offset[3].

Implementation

The role and function of the Australian Building Codes Board and with it the NCC should be addressed at the national level. Queensland should proactively and constructively contribute to this national process.

REFORM DIRECTION 7 – STOCK REVIEW OF BUILDING REGULATIONS AND STANDARDS

Given the accumulation of regulatory burden, there is likely to be value in undertaking a targeted, in-depth review of building regulations and standards, including how they are made, implemented and administered.

RESPONSE & FURTHER INFORMATION

Master Builders welcomes a targeted, in-depth review of building regulations and standards. Much of the legislation, regulation and related standards for building and construction have not been the subject of a comprehensive review.

Examples including the design and siting requirements in the Queensland Development Code (MP1.1 and MP1.2) have not been updated since 2010 – 15 years ago. The current work to replace the provisions with a Queensland Housing Code must be completed as a priority.

The Technical qualifications for building and construction licences is another example. After a regular cadence of updates, it has not been updated since December 2022. A review of this document will be an opportunity to address many of the challenges being experienced in licensing.

This review should start with access to Australian Standards referenced in the NCC. These are regulatory documents that currently sit behind a paywall, acting as a barrier to meeting the obligations.

[3] Taxes and statutory charges already make up close to 50 per cent of the cost of housing in jurisdictions like NSW (*CIE 2024*) and $130bn in combined Australian and State Government revenues are contributed annually by the property sector (*Property Council of Australia 2024, Economic Significance of the Property Industry to the Australian Economy 2021-22*).

Implementation

This should be seen as an ongoing process into the long-term. It should not delay the immediate opportunities for change identified in the preliminary recommendations.

REFORM DIRECTION 8 – QBCC PERFORMANCE

Implement recommendations of the 2022 QBCC review, where relevant.

Measures to improve performance, including streamlining its licensing processes, improving its responsiveness to stakeholder and customer concerns, ensure it has sufficient presence in regional areas and continue to work to reduce compliance burdens on industry.

Consideration be given to whether the regulatory framework underpinning the QBCC provides the right incentives for ongoing improvements to regulatory performance.

RESPONSE & FURTHER INFORMATION

Challenges with the QBCC has long plagued the industry and been a barrier to construction productivity.

Operational reform

Under the new leadership, the QBCC is undergoing a period of operational reform. There is an expectation that this review will lead to improved performance in the licensing processes and improving responsiveness to stakeholder and customer concerns, reducing the compliance burden on industry.

Master Builders is awaiting a number of outcomes from this review, specifically:

1. Licensed contractor accountability across the contractual chain
2. Regulatory decisions and processes in accordance with the governing legislation
3. Consistent, fair and reasonable decision making and investigative practices
4. Regulatory outcomes are proportionate to the harm to be addressed
5. Customer service accountability through response targets.

Regulatory reform

Beyond the operational change there will be a need for further regulatory reform. Many of these measures are addressed elsewhere in this submission (e.g. MFR reporting).

An area of QBCC regulatory reform that will need specific attention is the power to filter claims for defective work that are improper or vexatious. Claims without any basis are tying up contractors in unnecessary work, adding cost and time to construction. The regulator needs to limit the effect that these have on both its own operations and the industry it regulates. Builders tell of needing to deal with an unfounded complaint every month, where they need to attend the site and prepare a response. Consumers are willing to take the most minor issue through to inspection as there is no cost to them. Filtering these claims at an early stage would assist both industry productivity and provide an early response to those consumers who do not have a good case.

Governance reform

There is also value in revising the recommendations of the 2022 QBCC governance review. It was a comprehensive piece of work that provided a ways forward for a number of the challenges the QBCC is posing to industry productivity.

An important recommendation for governance reform covers the size and composition of the QBC Board [Recommendation 3]. The Board does not include those with hands-on industry experience. This must be rectified. Also there must be an industry advisory body that is genuinely used to seek industry feedback and advice.

Reporting and transparency

In addition to requiring reporting the QBCC must be held to account. The numbers must mean something. In measuring performance they must inform future planning and direct change.

Also of value will be greater transparency in the reporting of defects found by the regulator. Building defects are significant drag on productivity both in the time and cost to rectify. Data on their nature, frequency and location should be the starting point for both regulatory enforcement and regulatory change.

Implementation

While the operational review is currently underway, structural and regulatory reform will be a long-term response.

REQUEST FOR INFORMATION - THRESHOLD FOR INSURABLE WORKS

A subcommittee of the Ministerial Construction Council (MCC) made up of government and industry stakeholders conducted a review into the Home Warranty Scheme.[4] It recommended that there should be an increase to the threshold subject to actuary advice. [Recommendation 1.1] It found that accounting for inflation, the original $3,000 value set in 1980 would be equivalent to approximately $13,600 in current dollars. This is in the same region as other jurisdictions' current thresholds. [p12]

Further it found that the threshold should be reviewed periodically to endure the Scheme keeps pace with inflation and the cost of building work. [Recommendation 1.3]

[4] Report to the Ministerial Construction Council: Subcommittee on Queensland Home Warranty Scheme Review, December 2022.

For the Home Warranty Scheme threshold Master Builders expects that a threshold in the order of $11,000 to $12,000 is an appropriate balance between consumer protection and efficiency. This would need to be confirmed by actuary advice for the impact on premiums and the viability of the scheme.

Implementation

The recommendations of the MCC subcommittee remain current and should be advanced.

REQUEST FOR INFORMATION - DEPOSIT CAPS

Master Builders' preliminary submission to the QPC provided significant evidence of the damaging impact of the current deposit caps for residential construction businesses. The challenges to cashflow for construction businesses, often small or micro family businesses, is leading to financial stress and instability. It is also serving as a brake to these businesses taking on additional projects.

Further to the evidence already provided, we can now provide updated data from our members of the current costs that must be carried by businesses to get a project underway.

PRE-COMMENCEMENT COSTS	Scenario 1	Scenario 2
Total Contract sum including GST	$428,000	$769,645
Survey, Engineering, Drafting		
Site condition searches (registered plan, planning requirements, ownership, access etc)	$250	$300
Under/over ground service investigation	$250	$500
Survey Plan (boundaries and contours)	$1,500	$1,634
Geotechnical Engineer / Soil Report	$500	$3,652
Structural engineer for foundations	$3,850	$3,300
Energy Effiency rating & register report	$195	$1,650
Design to incorporate site conditions	$1,200	$3,784
Building plan copies / drafting / update	$1,500	$2,463
Approvals and Government Fees		
Plumbing/drainage plans and approvals	$1,278	$1,116
Building Approval & certificer	$3,395	$2,105
QBCC - Home Warranty Insurance	$4,048	$9,094
QLeave levy	$2,237	$3,971
Builder Costs		
Prepare building program and site works schedule / Estimation	$750	$1,650
Prepare contract / sub-contract documentation	$660	$2,750
Client liaison (orientation, energy efficiency options, colour and fixtures/fittings selection)	$1,500	$1,320
Coordinate with owner and financial institutions (cash flow report / Certificate of Currency)		
Public Liability and Material Damage Insurance	$1,205	$4,000
Sales Commission	$3,000	$12,293
Overheads (quotation costs, staffing, licensing, safety management system, advertising etc)	$2,815	$4,667
Builder's margin	$5,795	$7,561
Total Costs	$35,928	$75,532
Percentage of contract total	8.4%	9.8%

Not only are builders are being expected to provide the finance to get projects underway, they must continue to carry the financial burden of the subsequent costs of the initial ground work, trades, materials and overheads before receiving the first stage payment when the slab is complete. It is not until this stage that they can begin to 'balance the books'.

A solution was offered in by the Ministerial Construction Council (MMC) sub-committee, made up of key government and industry stakeholders that recommended in its second report on the review of the Queensland Home Warranty Scheme[5] that premiums payable under the scheme

[5] Report to the Ministerial Construction Council: Subcommittee on Queensland Home Warranty Scheme Review, April 2024.

should be “decoupled from deposits contractors collect from consumers and the further analysis should occur into whether the deposit percentages domestic building contacts remain contemporary and review of contractors’ upfront costs” [Recommendation 3.1].

Implementation

Removing the Home Warranty Scheme premium from the deposit would provide an indirect solution in not requiring the premium to be paid from within the regulated deposit amount. This would have the effect of increasing the amount of the deposit available to cover other essential upfront costs. Increasing the deposit directly would be the most straightforward approach.

6.2. Financial regulations

PRELIMINARY RECOMMENDATION 13 – MINIMUM FINANCIAL REQUIREMENTS

Unless it can be demonstrated that Queensland’s minimum financial requirements deliver net benefits to the community, the Queensland Government should remove the requirements.

RESPONSE & FURTHER INFORMATION

Master Builders agrees with the QPC’s finding that MFR’s have not been effective in reducing insolvencies. In 2022, Master Builders commissioned Ernst and Young to undertake a report into assessing the effectives of Queensland’s minimum financial requirements for building practitioners[6]. The report concluded that “Queensland’s MFRs are no more effective than other regimes across Australia” when it comes to reducing financial failure in the building and construction industry.

There is value however, in maintaining a financial assessment requirement as part of the licensing system. This should be a process that drives good financial management and helps assess financial capacity to undertake work appropriate to the expedient risk. The current reporting system could be amended replaced with a system which aligns as closely as possible with existing accounting standards and the preparation of standard financial statements to minimise additional costs to businesses. It should also be consistent with other financial reporting requirements such as PQC where possible.

Done right an updated assessment could improve productivity by improving financial literacy and helping to ensure that work is only undertaken by those with the financial capacity to do so.

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[6] Assessment-of-MFRs-EY-Report, April 2022

Implementation

Project trust accounts are the more damaging measure and must be scrapped as a priority. Master Builders therefore argues that PR14 proceed first.

RECOMMENDATION 14 – TRUST ACCOUNT FRAMEWORK

Pause rollout of Queensland's trust account framework pending a regulatory impact analysis.

RESPONSE & FURTHER INFORMATION

While Master Builders supports the recommendation that there be pause on further rollout of Queensland's trust account framework, we are of the view that this does not go far enough. It has been long established that trust accounts do not work and do not achieve their intended objectives. They should be scrapped immediately. We welcome the QPC recommending a way forward on this important reform and urge that this be advanced as an urgent priority.

The recent EY Report[7] answers many of the QPC's outstanding questions. The report found evidence to addresses each of the QPC's requests for further information. Specifically:

Stakeholder experience

"Complying with the Framework – particularly the PTA regime – involves additional costs for industry which must set up and operationalise dedicated accounts on a project-by-project basis. This process can be complex to manage, and involves additional banking, legal, and software costs. From 2021 to 2024, EY modelling estimates that the industry has incurred nearly $165 million in additional costs to meet the regime's. This represents an average cost to businesses captured by the regime of around $40,000 per business, although it can be substantially higher if tailored software is purchased and implemented." [p3]

Impact across project sizes

"Smaller and medium-sized firms, which typically lack the resources to absorb these additional expenses, are disproportionately affected."

"The costs to industry have increased due to regulatory 'bracket creep'. Cost inflation of around 30-40% since COVID-19 pandemic has meant that many smaller projects now meet the framework's thresholds. As a result, the Framework has indirectly expanded to include businesses that were arguably outside its original design intent. This expansion has increased the compliance

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[7] EY Parthenon, The performance and efficacy of Queensland's trust account framework , 4 July 2025

burden for smaller businesses that frequently undertake projects near these thresholds, and prevents their scaling up." [p3]

Reductions in contract pricing

There have been no observed reductions in contract pricing that can be attributed to trust accounts reducing the risk of non-payment.

Impediment to undertaking construction

The Framework can "serve to raise the barriers to entry and discourage builders from other states from taking on projects in Queensland". [p29]

Non-payment

"The Framework has not improved security and timeliness of payments and may even have worsened outcomes". [p18]

Specifically, the report found that "the framework primarily focuses on the relationship between head contractors and subcontractors, overlooking the critical payment timelines from principal developers to head contractors. Since principal developers are at the top of the contractual chain and typically control the funds, any delays in their payments can create financial stress for head contractors. This leads to knock-on impacts further down the contractual chain."

"The administrative complexity of the framework and audits significantly increases compliance costs and causes delays for head contractors when establishing and managing the trust accounts. This often results in longer payment periods for subcontractors compared to the payment periods prior to the Framework being implemented."

Managed Finances

There was some feedback from stakeholders that it helps to encourage a higher level of financial awareness within the industry and supported better record keeping practices. There are however, less costly mechanisms to achieve this end, such as Minimum Financial Requirements and targeted QBCC audits.

Adequacy of alternatives

Monies Owed Complaints

The QBCC monies owed complaints system was introduced in 2014 under legislation and has proven effective in assisting subcontractors to get paid promptly. The system is relatively quick and at no cost to the subcontractor or supplier. Where a debt is genuinely in dispute (e.g. claim of defect work) the applicant can apply to adjudication.

In simple terms, licensed contractors have a statutory obligation (in the form of a statutory licence to pay their undisputed debts when they are due and owing (section 17N QBCC MFR Regulation). Failure to comply with the condition may lead to licence suspension and cancellation (Section 48, QBCC Act).

A substantial proportion of non-payment complaints are resolved without further regulatory action or any cost outlaid. The QCCC 2022-23 Annual Report (pages 14-15) states that the monies owed complaint system resulted in $6.3M in outstanding debts being paid to creditors for the financial year. The Report also identifies that the monies owed complaint system has resulted in $50M being paid to creditors since its commenced.

Currently action can only be taken against QBCC licensees with the penalties reaching to the removal of a licence. While effective, this system does not extend to those in the supply chain who are not QBCC licensees, leaving many in the supply chain without access to this quick and effective monies owed process.

Adjudication

Adjudication is another effective mechanism for resolving payment disputes but it also does not extend to cover the entire supply chain.

While it can be used for payment disputes in the case of developers, non-resident owners, investors, owner builders and anyone contracting through a company or trust, builders and subcontractors there is no recourse against domestic consumers. In Queensland the only option for resolving payment disputes with residential owners is QCAT which is usually lengthy (15 months) and expensive. In NSW builders have the option to apply for a credit statutory demand provided consumers are given a warning note in the contract and payment claims are endorsed as being a claim under the Act.

The adjudication system also includes the option to place withholding requests on funds. In practice this is used instead of the Subcontractor Charge system which is overly complex.

QBCC Regulatory Powers

The QBCC has a range of regulatory powers that are designed to identify early and protect the industry and consumers from licensed contractors who engage in fraudulent, recklessly indifferent, or high risk financial practices.

In addition and related to the processes to resolve non-payment detailed above (monies owed and adjudication) the QBCC Act and regulations include the following regulatory powers to help ensure security of payment:

- avoidance of contractual obligations causing significant financial loss - section 42E
- disciplinary proceedings for failing to pay a subcontractor in compliance with a subcontract under section Part 6A (see section 74B(1)(n)).
- supply of financial records powers (section 50C (1)(b)(i)) to investigate and address reported breaches of requirement to pay debts (section 17N QBCC (MFR) Regulation).
- ability to require high risk licensees to attend mandatory financial management training through the imposition of a licensing condition (section 36).

- immediate suspension of a licence if the QBCC "reasonable believes there is a real likelihood that a person will suffer serious financial loss or other serious harm if the licence is not immediately suspended" (section 49A).

The benefit of these existing powers is that they target QBCC's regulatory efforts at those licensees who are not paying their subcontractors, rather than imposing a regulatory burden on all the industry.

Still there is a concern that the QBCC is not using these existing powers to address non-payment effectively. This is clear in two examples:

- Section 42E, QBCC Act was introduced in 2017 with the policy intent of "addressing conduct such as poor payment practices and deliberate avoidance of contractual obligations". The QBCC has never taken a regulatory action under this section of the Act.
- Disciplinary proceedings system introduced into the QBCC Act in 2014. The system was intended to be a cost efficient administrative alternative to court proceedings. One of the grounds for QBCC to take disciplinary action is that the "licensee fails to pay a subcontractor in compliance with a building contract that is a subcontract" (section 74B(1)(n)). The disciplinary action process allows the QBCC to direct a licensee to pay compensation to a subcontractor for an unpaid debt (section 74D(c)). This is in addition to imposing substantive fines and a range of licensing outcomes (section 74D). The QBCC never taken disciplinary action against a licensee on the grounds stated in section 74B(1)(n).

Technological solutions

Despite continued efforts on the part of government, there continues to be few accounting software platforms which are compliant with the Queensland regime. The EY report found that this was due to several factors. "…High development costs and the limited market potential, as the software would only be purchased by Queensland's building and construction sector. Moreover, designing accounting systems that can accurately track equitable interests and meet the reporting obligations of the PTA regime is complex, and software developers would not undertake this development without a clear commercial proposition."

Implementation

Project trust accounts should be scrapped as an immediate priority. The mechanism to do so is straightforward. There are many protections in place that have been proven to protection the payments to sub-contractors without the need to rely on the onerous and costly trust account requirements.

6.3. Modern methods of construction

PRELIMINARY RECOMMENDATION 15 – MODERN METHODS OF CONSTRUCTION

Remove unnecessary regulatory barriers to the adoption of MMC:

- adopt a nationally consistent definition of MMC / national definitions in legislation
- amend building legislation to accept manufacturer's certificates for NCC compliance (National Voluntary Certification Scheme)
- regulatory neutrality in planning schemes and consumer protections for MMC
- NCC performance-based provisions to be production-neutral, or, where necessary, develop MMC specific guidance
- Australian Standards accommodate MMC.

RESPONSE & FURTHER INFORMATION

MMC offers an important opportunity to realise major productivity gains in our industry. It is an opportunity to improve quality and safety through innovation in building methods. It is an opportunity to shorten project timelines through parallel programming. It is a response to labour shortages, both reducing the need for labour and opening up opportunities for people with different skills and abilities to join our industry. It can provide a way to better manage risk such as weather that can significantly affect onsite construction. The controlled environment can also improve worker safety. It has been able to realise sufficient benefits in waste management and is an opportunity to address the growing push for improved environmental performance, such as net carbon targets.

There is an opportunity in MMC to reduce the cost of construction, though for now this opportunity is only mostly only being realised on projects with specific challenges, such rural or remote locations. Looking forward it may provide costs saving opportunities for a wider range of projects. The standardised approach of MMC can also reduce upfront design and approval process and help to provide more accurate feasibilities with fixed pricing per module.

It is therefore a very important opportunity for a transformative shift in industry productivity and should be a key point of focus for the QPC.

Regulation

Removing the unnecessary regulatory barriers to the adoption of MMC is an important first step toward the widespread adoption of MMC. As proposed in the recommendation, it is important the regulatory framework for MMC is harmonised across State and territory jurisdictions wherever possible. This allows for economies of scale in investment and production.

The construction regulatory system has been developed in response to traditional on-site construction methods. One example there is the requirement in the *Queensland Building and Construction Act 1991 that* specifically prohibits residential building contractors claiming payment for work performed unless:

(a) It is the allowable initial deposit; or
(b) It is directly related to the progress of building work on the site.

Where more than 50 per cent of the work is to be completed offsite the allowable deposit is 20 per cent. The effect is to restrict what licensees can claim payment for work performed off-site (including prefabrication works), or where materials delivered to site, until they are incorporated into the works on site. Where a significant proportion of project is for work off-site this creates a financial risk and cashflow challenges to be carried by the manufacturer or builder before receiving payment.

Clarification is also required in how payments for off-site prefabricated works are secured in the event a contractor or prefabricator went into external administration. Does the Person Property Securities Register provide appropriate and adequate protection?

Finance

The challenge of receiving payment for off-site work is also a barrier in the financial sector. Banks and other financial lenders can be reluctant to lend for off-site construction. There has been some progress with the program from the Commonwealth Bank for Assessed Manufacturers. This needs to become more widespread.

Demand drivers

A demand side barrier for prefabricated homes is market acceptance and an outdated perception of poor quality stemming from historic examples. Even now, there are developers who will preclude modular housing from their developments.

Government can help address this in leading by example and providing demonstration opportunities that can highlight the modular housing of today.

It is also important in any regulatory reform that modular housing is not regarded as something ‘special’ or ‘different’ and therefore not the equivalent of ‘regular’ housing. The usual regulatory processes are being used to approve modular housing and any change towards special treatment should be taken with great care so as to not have the unintended consequence of perpetuating the perception that a modular home is somehow less than traditional construction. If consumers see that their home will go through a special approval process it will rightly raise questions.

Also important is removing are any biases towards on-site in project procurement. Currently, there is often assumptions favouring on-site construction embedded throughout procurement processes. Where this occurs is precludes MMC builders from tendering for the work. The Queensland Government can provide leadership in ensuring that their own procurement process is agnostic as to the production method.

Government procurement can also help with providing a pipeline of demand and increased volume to improve the viability of those builders investing in MMC methods.

Planning System

A complication with the planning system commonly encountered by MMC builds are the large variations in the design and siting requirements across councils. This is particularly the case for housing on smaller lots (450 sqm and under), a segment of the market many volumetric MMC builders meet. This can be addressed by state planning codes that are mandatory across the state.

The government has commitment to a Queensland Housing Code. This must be followed by a Secondary Dwelling Code as an urgent priority. Preliminary Recommendation 5 is in support of this.

Another challenge for limited access to factory land that is well located to transport (Bruce Highway), labour and the supply chain. This can start with the planning system in ensuring sufficient land is zoned for this type of investment.

Implementation

There is already significant work underway to clear the regulatory barriers to the widespread uptake of MMC. This work should continue as a priority. In Queensland, this will mean continuing to support the work being undertaken at a national level to adopt statewide planning codes (starting with the Queensland Housing Code) as a priority. Also import is for government to continue its leadership role through the QBuild MMC program which has provided a successful incubator for the emerging industry segment.

6.4. Regulation of workplace health and safety

PRELIMINARY RECOMMENDATION 16 – WORKPLACE HEALTH AND SAFETY

Review the Compliance Monitoring and Enforcement Policy to ensure that it provides adequate guidance and direction on how to ensure that compliance monitoring and enforcement activities appropriately manage risk while minimising unnecessary costs to businesses and society.

RESPONSE & FURTHER INFORMATION

Master Builders supports a review examples of unnecessary costs to business and society. Of particular concern is the inflexibility in how the policy can been applied. Currently, WHS Inspectors have little or no opportunity to apply discretion and are obligated to take an enforcement action, even where the specific circumstances on site do not warrant it.

Implementation

This recommendation can be referred to the WHS Board for consideration for the Construction Industry Standing Committee to conduct a review.

PRELIMINARY RECOMMENDATION 17 – WORKPLACE HEALTH AND SAFETY

A single incident reporting framework, with the ability for single point digital reporting.

RESPONSE & FURTHER INFORMATION

Master Builders has long called for a single point of reporting for WHS incidents and strongly supports this recommendation.

Implementation

Master Builders notes that this recommendation is already in place in practice and the pending legislative change currently before Parliament will remove the obligation completely.

REFORM DIRECTION 9 – WORKPLACE HEALTH AND SAFETY

Options for improving the operation of the workplace health and safety regime:

- Queensland's WHS laws reflect the National Model WHS Law
- review the powers and functions of the regulator, including provisions for the removal from worksites of any parties acting illegally
- WHS representatives are elected representatives of company workers with a cap of one per working unit, with fit and proper person tests and options for suspension where misconduct has been demonstrated, or where it can be demonstrated through a ballot
- right of entry provisions are commensurate with risk
- codes of practice that outline right of entry, agreed approaches to wet and hot weather events, appropriate responses to safety incidents, and how and when site shutdowns occur
- ensuring WHS regulators are appropriately funded, resourced and supported to undertake their designated functions
- taskforce of principal contractors, subcontractors, Industry associations and unions, to review stoppage data, resolve recurring issues and update guidelines.

RESPONSE & FURTHER INFORMATION

National Model Laws

On a building site, safety is everyone's responsibility. Over several years, Queensland's workplace health and safety (WHS) laws have progressively moved further away from the national model WHS laws. Compounding this, the former government's Best Practice Industry Conditions, which are reflected in the pattern CFMEU enterprise agreement, and have assisted the union to use safety to advance their industrial relations agenda.

To rebalance the safety legislative framework, amendments should be made to Queensland's WHS laws to bring them back in line with the national model laws.

To the extent it can reflect national model law. As a minimum reversing all changes to the WHS Act made by the previous government in March 2024, as outlined in the following table:

WHS Act Section	Section Name
ss.48 5	Nature of Consultation
ss.50B	Invitation to request election of health and safety representatives
s.52	Negotiations for agreement for work group
s.54	Failure of Negotiations
s.61	Procedure for election of health and safety representatives
s.68	Powers and functions of health and safety representatives
s.70	General obligations of person conducting business or undertaking
s.71	Exceptions from obligations under s71(1)
s.72	Obligation to train health and safety representatives
s.75	Health and safety committees
s.76	Consultation of committee
s.80	Parties to an issue
s.81	Resolution of health and safety issues
s.85A	Contents of a cease work notice
s.92	Contents of a provisional improvement notice
s.94	Changes to provisional improvement notice
s.100	Request for review of provisional improvement notice
s.102A	Definitions for Division *(updated as required)*
s.118	Rights that may be exercised while at workplace
s.128	Work health and safety requirements

Review of Regulator Powers

A review of the regulator powers should include more power to address and responded to frivolous disputes.

Elected Representatives company workers

Reform that requirements the HSR to be a representative of company workers and subject to a fit and proper person test is supported. Measures to address misconduct and frivolous use of the legitimate rights of representatives are also welcome.

Right of Entry

The right of entry requirements sit within the federal Fair Work Act which will limit the extent to how they can be amended at a state level. Government has already introduced a requirement for there to be a 24 hour waiting period. Further change is best addressed in amending the requirements for HSRs.

Codes of Practice

Support a consistent approach to industry challenges wherever practical. Codes of Practice are not needed where already covered in legislation Industry reduces the ability for misuse / to be included in EBAs and minimise disputes. Develop through the Work taskforce and get alignment.

WHS regulator appropriately resourced

Government should take back sole responsibility for enforcement of safety and provide additional resources to WHS Queensland (WHSQ) for front-line safety inspectors and investigators. Specifically, additional funding is needed for additional WHS inspectors, training of inspectors, and additional funding to allow WHSQ to expand its educational role.

Taskforce

The recommendation that there be a taskforce reaching across all industry stakeholders is supported and will provide an avenue to identify where problems occurring and begin to address them. This could be the responsibility for the WHS Board which would allocate it as a key task for the Construction Industry Standing Committee after amending the terms of reference and the membership to cover key players.

Implementation

This is an urgent reform priority.

7.0 LABOUR MARKETS

7.1. Apprenticeships and training pathways

REFORM DIRECTION 10 – TRAINING AND APPRENTICESHIPS

Process to identify problems, reform opportunities and priorities to improve the training and apprenticeship system including:

- the attraction and retention of prospective students and apprentices, including the efficacy of pre-apprenticeship and mentoring programs
- the design, capacity and quality of the training system, and how these can be improved to meet the needs of industry and prospective and existing workers
- financial considerations for employers, apprentices and students, including whether the efficacy of apprenticeship subsidies can be improved
- development pathways to encourage a career in construction.

Attention should be given to:

- any legal or institutional barriers to reform in this area
- the appropriate sharing of funding among government, students and apprentices, individual businesses and industry generally, considering the incidence of benefits from training
- the design of measures to minimise market distortions to the construction industry and the broader economy
- broader reforms of the education and training systems, and how these interact with reforms proposed under this process
- the requirements of mature age apprentices, and other factors required to support diversity
- the requirements of regional and remote areas.

RESPONSE & FURTHER INFORMATION

Master Builders supports the reform direction and priorities to improve the training and apprenticeship system for the construction industry in Queensland.

Master Builders Australia has recently provided two reports to the Australian Productivity Commission which may address the QPC's request for information, namely:

- Submission to the Productivity Commission's consultation on the Five Pillars for Productivity Reform - A Better, Safer and Fairer Building and Construction Industry, June 2025
- Lifelong Learning Envelope, August 2025

[Both of these reports are provided as an attachment to this submission.]

Implementation

This is an important long term reform project.

7.2. Occupational licensing

PRELIMINARY RECOMMENDATION 18 - REVIEW OF OCCUPATIONAL LICENSING

All of Queensland's construction-related occupational licensing requirements should be reviewed through a multi-year coordinated program of stock reviews by relevant agencies in consultation with relevant stakeholders. At a minimum, each review should consider whether:

- there is reliable evidence of a market failure
- market failure is better addressed by existing regulation (for example, consumer law)
- there is clear evidence the licensing requirement addresses the market failure effectively
- licensing arrangements deliver net benefits to the community
- licensing requirements deliver the greatest net benefits to the community relative to other options.

There may also be opportunities to more fully recognise prior learning and experience in assessing whether licensing requirements have been met.

RESPONSE & FURTHER INFORMATION

While we support the general direction of this preliminary recommendation, we recommend the following priority be given to this review:

- An immediate focus on streamlining the operational licensing application process undertaken by the QBCC to ensure licensing requirements are transparent, easy to understand, and implemented consistently by the QBCC. We note that licensing guidelines are in the process of being developed by the QBCC. We support the development of these guidelines continuing.
- An initial focus on improving the timeliness and consistency assessing licensing applications which rely on qualifications and experience gained internationally and interstate.
- A later detailed review of license classes and scope (including any new license classes), and consideration of matters identified in the preliminary recommendation.

Implementation

This recommendation should be implemented in line with the priorities outlined above and in line with Reform Direction 8 for QBCC Performance.

PRELIMINARY RECOMMENDATION 19 – REGULATORY IMPACT ANALYSIS OF PENDING OCCUPATIONAL LICENSING

For any pending changes to occupational licensing that have the potential to increase requirements for the construction industry and have not been subject to an assessment under

Queensland's Better Regulation Policy, the Queensland Government should suspend their commencement until that analysis is completed.

RESPONSE & FURTHER INFORMATION

We support this preliminary recommendation. We note that proposed introduction of fire licensing and training requirements would have benefited from an assessment under the Better Regulation Policy.

Implementation

To be implemented pending any changes to occupational licensing as outlined in the preliminary recommendation.

PRELIMINARY RECOMMENDATION 20 – REMOVING BARRIERS TO LABOUR MOBILITY

The Queensland Government should:

- join other states and territories in participating in Automatic Mutual Recognition of occupational licences, at least in relation to the construction industry
- automatically recognise equivalent licensing obtained in other states for construction workers.

RESPONSE & FURTHER INFORMATION

This preliminary recommendation is supported.

Master Builders supports measures to remove the barriers to labour mobility such as the introduction of Automatic Mutual Recognition (AMR), however we note that there are a number of complicating factors that currently provide a barrier to achieving this. The most notable barrier to implementing AMR is Queensland's Minimum Financial Requirements which do not apply in other jurisdictions.

Implementation

We urge that any implementation of AMR be carefully planned out to ensure there are no unintended consequences or lowering of overall technical or quality in standards.

7.3. Skilled overseas migration

REFORM DIRECTION 11 – OPPORTUNITIES TO BETTER UTILISE SKILLED OVERSEAS MIGRATION

Queensland Government to:

- advocate for an increased allocation from skilled international migration
- nominate more subclass 190 or 491 visas for construction trades
- reduce duplicative skills assessments, or to recognise equivalent overseas qualifications of potential immigrants.

RESPONSE & FURTHER INFORMATION

Master Builders strongly supports all opportunities to increase the pool of qualified construction trades by increasing skilled migration. Shortages in skilled labour is a serious barrier to productivity. Skilled migrants represent an important part of the building and construction industry and its ability to remain robust and resilient with around a quarter of all industry participants born overseas. Migrants in building and construction are in many ways set up to fail by Australia's systems.[8]

The pathway to licensing in Queensland for those with overseas qualifications must be clear and easy to navigate. Comparable, or better international qualifications must be identified and exempt from hefty skills assessment processes. Having the right people here is of little value if they cannot work on Queensland construction sites. There are many reports of how challenging this process can be.

> *"I am originally from the UK where I had a building company, I have worked in the construction industry for around 25 years, I have worked on large commercial jobs concreting lift shafts and stairwells, concrete slabs on nuclear power plants the size of 6 football fields and found my true home on small commercial and domestic jobs renovations extensions kitchens bathrooms. I came to Australia on a 190 permanent resident visa as a carpenter and found it takes 2 years to get a licence even though I had to show I had 8 years' experience as a carpenter to get my 190 visa. There is a massive disconnect where Australia recognises my skills but the QBCC doesn't, claiming Australian carpentry is different to the UK. Well yes - once I did my 2 years Australian experience and showed my skills I was able to apply for 7 different trade licences - carpenter, joiner , sheds carports garages, metal gutters fascias, structural landscaping, floor laying, roof and wall cladding. There are so many British trades here who feel we have been scammed to get trades here only to find out we are not allowed to work due to stupid licence requirements."*

> *"I've been a carpenter my whole life, was a builder in the UK first 8 years, been jumping through hoops since I've been back trying to get my builders licence and the QBCC are no help whatsoever."*

> *"Completing my Cert IV in Building & Construction and then not being able to get the QBCC licence as I completed 20 yrs of building in the UK 15 yrs ago but I cannot provide the proof required. Also asking in person at QBCC for guidance and being told they weren't allowed to answer my questions. Having to go to*

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[8] Master Builders Australia, The future of the Workforce: Skilled Migrants in Building and Construction

NSW to obtain my restricted structural landscaping licence and then having to come back to QLD to get mutual recognition."

Implementation

This recommendation should proceed as an urgent priority. There is an opportunity to start with reform that bridges the qualifications in countries with systems similar to Australia, such as the United Kingdom. In addition to recognising overseas qualifications, it is also important to recognise overseas experience.

The mechanism to do this could be a review and update to the Technical qualifications for building and construction licences document. It has not been updated since December 2022 and is an opportunity to address the issues with recognition of overseas requirements.

Building and construction trades would also benefit from a gap training qualification to ensure skilled migrant tradespeople who have a qualification from a comparable jurisdiction can be quickly and comprehensively upskilled for the Australian workforce.

7.4. Labour hire licensing

REFORM DIRECTION 12 – LABOUR HIRE LICENSING

The Commission is considering whether existing labour hire licensing requirements should be applied to construction work, noting the rationale for labour hire licensing appears weaker for construction than for other industries.

RESPONSE & FURTHER INFORMATION

Master Builders supports the review of the existing Labour Hire Licencing arrangements for suitability to industry. Master Builders has not identified any value created or improvements by the introduction of the licensing regime. Similarly, there has been no evidence that it has created a burden for builders or contractors. This suggests the licensing regime serves no purpose in the building and construction industry and could easily be exempt from the regulation with no impact. This model is currently operational in South Australia.

If it remains, any changes must be sure that builders and contractors maintain the flexibility to 'lend' their workers to another contractor to help with short-term fluctuations in work. As the *Labour Hire Licensing Regulation 2018* excludes 'In House' employees from its scope this practice does not fall within the remit of labour hire. It is important that this be allowed to continue.

Implementation

This is not an immediate reform priority.

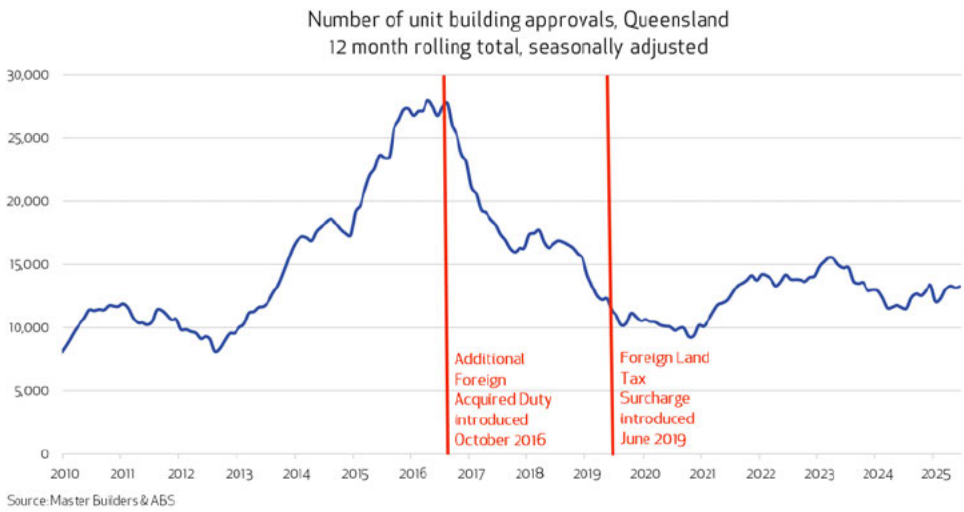
8.0 OTHER MATTERS

8.1. Taxes on foreign investment

RESPONSE & FURTHER INFORMATION

All taxes on new construction increase overall project costs and reduce project viability – reducing the likely of new construction proceeding. Foreign investment in new construction has enormous potential to increase the supply of housing.

We have seen this in Queensland following the introduction of the Foreign Land Tax Surcharge and the Additional Foreign Acquirer Duty. Both surcharges were brought in without a proper assessment of how they would affect the supply of new housing. Following the introduction of each of these taxes there was a noticeable decline in approvals for new unit developments.



To boost housing supply and meet the state's housing targets, it is essential to unlock the viability of new unit developments. Removing these two taxes would be a significant step toward achieving that goal.

These taxes should either be removed or, at the very least, be subject to an urgent and thorough impact assessment.

8.2. Utility connections

PRELIMINARY RECOMMENDATION 21 – UTILITY CONNECTIONS

Any requirements or conditions applied by utility providers should align, as far as practicable, with existing agreed standards. Where they do not align, the utility provider should offer clear, transparent, and evidence based justifications for any differing requirements imposed.

RESPONSE & FURTHER INFORMATION

As far as possible there must be certainty and transparency in the process of utility connections to ensure that developments for new construction must be serviced by the timely and efficient provision of utility services. As a minimum, this requires ensuring that utility providers align with existing agree standards and operating manuals is essential.

> *"More is needed. You can get a development approval and a building approval through and even got through the court system before you can get an operational works approval from Energex."*

Master Builders has a newly instigated schedule of regular meetings with the new division of Customer Connections. These meetings have only recently commenced, so no results or progress can be reported yet.

Guaranteed Service Level (GSL)

The existing performance standards and metrics are not appropriately incentivising performance. In particular, the GSL commitment and reporting is flawed, with numerous exceptions and departures from EQL's obligation to meet GSL connection timeframes. If a connection request is 'defected', or if the contractor is taken to have 'agreed' to an extended timeframe, the GSL no longer applies. Examples of unintended outcomes include:

- Connection request delayed by EQL. On the planned date the site was suitably clear for the connection. On the date EQL turned up, the roofer had delivered trusses to site and these were placed too close to the meter to enable connection. The connection was then 'defected'.
- EQL sent text message to contractor to advise of delay to connection. Their lack of response or dispute the new date was taken as agreement to extended timeframe and GSL no longer applied. The message was not sent in the form of a question but rather as a statement.

In both circumstances the GSL should apply, and that the GSL should only be waived if the contractor has agreed in writing to both an extension and non-application of GSL, or if there is a defect, not caused by a delay.

Transparency & recourse

The recourse available is also not appropriate to scale of costs being reported. There needs to be metric reporting that covers new development and new construction.

Currently there is no oversight of the process or opportunity for recourse which could be addressed by:

- Developers and builders should be made a 'relevant customer' under the *Energy and Water Ombudsman Act 2006*, enabling the Ombudsman to take industry complaints and use existing powers to direct resolutions.
- Establishing a new suite of developer and builder customer KPIs for oversight by Queensland Energy and Water Ombudsman to conduct a systemic issues investigation into delays (with reference to the Electrical Safety Office) and other obstacles to rapid housing delivery.

Implementation

The scope of the existing Queensland Ombudsman should be immediately expanded to include issues with utilities connections.

8.3. EQ EBA

EXTENSION OF ENERGY QUEENSLAND'S ENTERPRISE BARGAINING AGREEMENT RATES OF PAY TO CONTRACTORS AND SUBCONTRACTORS

RESPONSE & FURTHER INFORMATION

The definition of 'core works' which governs the scope of the 2024 Energy Queensland Union Collective Agreement (the EQ EBA), sits within the agreement. For this reason they cannot be varied out without the agreement of all parties to the agreement, the employer and the unions. There is no expectation that this will be possible.

Going forward there should be a requirement within government that enterprise agreements cannot include clauses which bind third parties who are not signatories to the agreement (also known as 'jump up' clauses).

Change can then be affected when the next agreement is due to be negotiated in 2028.

Implementation

In the short term we support efforts to revise the definition of contestable works, so that subcontractors are no longer covered by the EQ EBA.

Requirements for prohibited terms and conditions should be implemented prior to the next EBA due in 2028.

9.0 FURTHER MATTERS FOR CONSIDERATION

9.1. Banks and financial institutions

Financial institutions play a significant role in creating housing productivity problems through their rigid lending practices and risk-averse behaviour. One key issue is their frequent refusal to support or recognise valuations of building works. This often undervalues housing projects, restricting borrower capacity and slowing development timelines. In turn, builders face difficulties securing the finance needed to deliver housing efficiently.

Another barrier arises from delays in the release of progress payments to builders. Banks and lenders typically require extensive checks before approving payments, leading to weeks-long delays that disrupt construction schedules. Builders, who rely on steady cash flow to pay subcontractors and suppliers, are left carrying significant financial risk. These interruptions not only inflate project costs but also extend completion timeframes, further worsening Australia's housing supply shortage.

Additionally, financial institutions rarely support flexible payment schedules (such as accepting Method B payment schedules in the Master Builders Residential Building Contract) that reflect the realities of modern construction practices. Instead, they enforce rigid, standardised milestone payments, which fail to accommodate variations in project size, complexity, or market conditions. This inflexibility reduces builder productivity and financial stability, ultimately constraining housing delivery. Collectively, these practices by financial institutions create systemic bottlenecks that undermine efficiency and exacerbate Australia's housing affordability challenges.

The Queensland government could assist the building industry to resolve these issues by convening collaborative discussions between financial institutions, builders and peak bodies, and subject matter experts (valuers, quantity surveyors) to find workable solutions to these identified problems.

MASTER BUILDERS
AUSTRALIA

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

A Better, Safer and Fairer Building and Construction Industry

June 2025

WHO WE ARE

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

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

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

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

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AUSTRALIA'S PRODUCTIVITY PROBLEM

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

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

Unfortunately, productivity in the industry has been going backward. Labour productivity has declined in seven of the past nine years, falling by 18 per cent over the last decade. Persistently low productivity has prevented the industry from reaching its full potential.

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

Nowhere is this more evident than in housing, where supply shortages are acute. Since the pandemic, the average cost of building a home has risen by 44.1 per cent.

The industry is made up of more than 450,000 businesses, with around 98 per cent of them classified as small. Together, they employ over 1.35 million Australians. While this structure brings flexibility and strong community links, it also exposes the industry to a wide range of risks and vulnerabilities.

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

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

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

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

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

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

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FIVE PILLARS RESPONSE

Master Builders Australia welcomes the opportunity to respond to the Productivity Commission's consultation on the five pillars for productivity reform.

In addition, Master Builders supports and acknowledges the work in the Commission's recent *Housing construction productivity: Can we fix it?* research paper.[1] This comprehensive assessment by the Commission in the residential sector is to be commended and should be built on to support the five pillars report, as the Commission broadens its scope across other sectors in the building and construction industry and the economy.

The impact of government policies on housing construction productivity has also been laid bare, with the research paper shining a spotlight on the impact of slow and poorly coordinated regulatory processes, inconsistency across jurisdictions, and policies that have chilled innovation.

This submission has responded to four of the five pillar inquiries, including:
- Pillar 1: Creating a dynamic and resilient economy.
- Pillar 2: Building a more skilled and adaptable workforce.
- Pillar 3: Harnessing digital technology.
- Pillar 5: Investing in cheaper, cleaner energy.

Summary of positions

Pillar 1: Creating a dynamic and resilient economy

Every $1 million worth of building activity supports around $3 million in activity across the economy. This represents one of the strongest multipliers in the Australian economy and is why it is crucial to have economic settings that support a strong building and construction industry.

Master Builders Australia notes there are critical issues that need addressing for an improvement in the capacity of the building and construction industry to create a dynamic and resilient economy:

- **Inflation and interest rates, critical to private investment in the building and construction industry must be low and stable.** Where governments can play a role to ensure that this goal is consistently maintained then they should do so as opposed to implementing policies that are contrary to this core objective.

- **Company tax settings need to be competitive to support economic growth.** Master Builders supports a reduction in company taxation for small business to 20 per cent as recommended by the Council of Small Business Organisations Australia (COSBOA), of which Master Builders Australia is a member. A recent COSBOA study found a direct economic benefit of $11.4 billion if small business pays less tax.[2]

- **Taxes on foreign investment in housing be removed or at least reduced.** Current taxes on foreign investment limit investment in high-density housing, which is necessary to accelerate the supply of new housing.

- **Land and construction taxes should be reviewed.** They collectively create disincentives to investment in our built environment. Regulatory costs, statutory taxes, and infrastructure

[1] https://www.pc.gov.au/research/completed/housing-construction

[2] https://www.cosboa.org.au/post/small-business-tax-cut-a-11-4b-boon-for-economy

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charges add significantly to house prices, contributing up to 49 per cent to the cost of a greenfield house and land package in Sydney in 2023-24 (CIE, 2025).

- **Incentives for small businesses to scale and innovate.** If the objective is for industry to scale and innovate to improve productivity, then regulatory reforms must support that goal. These reforms should not displace small businesses. Instead, they must more effectively bring them along the change journey. This will require cost offsets through a tax system that incentivises early adoption of key reforms, better regulation, and compliance frameworks, as well as information and education resources to enable change.

- **Tax policy settings that have supported building and construction investment should be continued.** This includes negative gearing (NG) and capital gains tax (CGT) discounts, and the Instant Asset Write Off (IAWO). The financial viability of new home building would be weaker without NG/CGT, and removing asset write-off incentives makes it less attractive to buy new equipment, machinery, and technology. Master Builders recommends an expansion of the IAWO and for it to be made permanent.

- **Removal and/or simplification of red-tape is crucial.** Businesses struggle to scale partly due to the burden of regulation. For example, the National Construction Code (NCC) has shifted from setting minimum standards to imposing best-practice benchmarks, creating unnecessary complexity and poor integration. Ambitious targets for accessibility and sustainability are adding layers of regulation, diverting focus from safety, quality, the core building process. The NCC should be reviewed, as recommended by the Productivity Commission's Housing research paper.

- **Implementation of compliance and enforcement systems**. Recommendations and model guidance from the Shergold-Weir Building Confidence report should be implemented by states and territories to give the community confidence and create a level playing field for the industry. Progress should be reported nationally.[3]

- **Free access to the law.** Australian building standards that are regulated through the NCC should be freely available because they are legal documents that govern safety, accessibility, sustainability, and quality in building and construction. Charging for standards effectively puts a paywall on legal obligations. Removing the cost of standards would support better compliance, improve productivity, and promote national consistency. It would level the playing field across the industry, reducing errors and rework.

- **Fast-track planning reforms, boost infrastructure funding, and unlock more build-ready land.** Planning and building approval bottlenecks and the lack of funding to build enabling infrastructure to ensure land is "build ready" is one of the key factors that stifles the building and construction of homes and social and transport infrastructure. Governments are focused on these issues but more needs to be done to address the magnitude of the problems.

- **Workplace relations cannot be ignored.**
Workplace relations should not be ignored as a contributing factor in creating a dynamic and resilient economy. Master Builders has consistently provided evidence to show that restrictions on workplace flexibility and unchecked disruption hampers productivity. The action by the Federal Government in putting the CFMEU into administration is a good first step, but more needs to be done. While this Productivity Commission reform process should include workplace

[3] https://www.industry.gov.au/sites/default/files/July%202018/document/pdf/building_ministers_forum_expert_assessment_-_building_confidence.pdf

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relations reform, if it is not to be included, Master Builders encourages this review to consider the impact of the blanket exemption of industrial relations from competition law. Master Builders is of the view that the Government needs to focus its attention on bad players in the industry, from wherever they sit within the industry, that could come under the purview of anti-competitive provisions of competition law in addition to Workplace Relations laws.

Pillar 2: Building a more skilled and adaptable workforce

The building and construction industry is in dire need of more skilled people in its workforce and a system that encourages an increase in those taking on a trade through more adaptable mechanisms. This could be achieved by:

- Addressing the skills shortage through **better tools and information** to assist learning and showcase careers in construction.

- Workforce development systems aren't ready to deliver the skills needed for **contemporary construction**, such as operating smart equipment, managing digital supply chains, utilising Building Information Modelling (BIM) and Virtual Reality (VR) platforms, and implementing design for Manufacturing and Assembly. More work needs to be done and BuildSkills Australia should be supported in doing so.

- The vocational nature of building makes it a good case study to develop **maths in construction tools** for High School curricula that has already been the subject of a successful pilot.

- **Credit transfer and recognition of prior learning do not work well in construction-related jobs.** It does not operate easily and can be very expensive. The system can also be abused by some registered training organisations (RTOs), leading to inconsistent outcomes and reduced trust. Credit transfers can work if course codes/equivalence can be easily recognised across learning options and they are current (three-to-five-year window). More work needs to be done to identify where this could occur.

- More should be done to improve the process and reduce the need for **skills assessments for migrants** coming from countries with comparable qualification and training frameworks. The skills recognition process is cumbersome, costly, slow and in some cases completely unnecessary. We need to provide bridging opportunities so that their skills can be recognised and any gaps in their knowledge filled. Further, **the skills recognition process that remains should be quick, simple and cost effective**. BuildSkills Australia should work with industry and government to develop a pilot for a gap training course for trades who have a qualification from comparable jurisdictions and seeking to work in Australia.

- **Streamline national licensing frameworks** insofar as possible to enable workforce movement and allow for nationally accredited gap training for all licensed trades.

- **Removing building-related exemptions from mutual recognition of occupational licensing arrangements** across states/territories and harmonising requirements for building-related occupations.

Pillar 3: Harnessing digital technology

Harnessing digital technology is critical to a productivity uplift for the building and construction industry, however, Government needs to be mindful of the fact that around 98 per cent of businesses

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are SMEs with a very low digital uptake. Master Builders is seeking to lead the way in providing the platforms that are purpose built for SMEs.

- Moving toward an **'outcomes-based' approach to privacy**, whilst it might have future benefits once the approach is implemented and solidified, it would not be without risk, uncertainty, and challenges across all organisation types and sectors. Transitioning to this model would require a generous transition period, together with the creation of useful resources, education, and information being made available for organisations, as well as internal implementation to ensure that compliance could be achieved.

- It is important that **artificial intelligence (AI) does not replace certain processes or services where oversight governance is needed**. For building and construction, while efficient systems improve in achieving project delivery, there is still a human element needed in project supervision and delivery of the project.

- **Master Builders has an online contract platform that has the potential to change the culture of construction**. It is not the intention of this product to replace a physical/human contract manager but to assist in assuring that the management of the contract improves efficiencies and communication between parties, mitigates risk, and assists with cashflow.

- Master Builders is part of the National Building Products Coalition, which has developed an **implementation guide for the traceability and digitalisation of building project information** across the Australian construction supply chain.

Pillar 5: Investing in cheaper, cleaner energy

Master Builders supports the move to net zero that includes appropriate transition arrangements that recognises and manages risks and identifies innovation in the industry to mitigate risks and improve productivity in the move to net zero.

- To improve policy alignment and cost-effectiveness in emissions reduction across sectors, **a key priority should be the development and harmonisation of robust, practical tools for measuring and reporting embodied carbon across supply chains**.

- Recognising the need for **transparent, reliable, and interoperable data** outlined in the Implementation Guide, consistent Scope 3 emissions reporting will become critical with mandatory climate reporting commencing in 2025-26.

- **Continue voluntary pathways for measuring carbon abatement**, especially for the construction sector, where shifting prematurely to mandatory requirements could create implementation and cost burdens without commensurate benefits.

- **The construction sector needs a coordinated national framework integrating carbon, product compliance, and safety data** that would significantly enhance both regulatory effectiveness and industry engagement (ultimately reducing administrative duplication and compliance costs).

- Ensuring consistent implementation of policies and initiatives across the sector that is both information and cost-effective requires **addressing existing prescriptive/non-prescriptive reporting requirements within the National Construction Code (NCC)**.

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- **Research and policy on the structural implications of electronic vehicle (EV) fire events** within residential and commercial buildings should be undertaken to support the safe and effective uptake of EVs within buildings.

- **Aligning existing research and policy proposals**, such as the recommendations arising from the Productivity Commission's *Housing construction productivity: Can we fix it? Research Paper*, should be implemented before additional measures are implemented.

- **Diminishing returns from continual increases in the Nationwide House Energy Rating Scheme (NatHERS) star ratings indicate a need for a more targeted approach**. Establishing clear, localised Deemed-to-Satisfy (DtS) provisions for key elements such as building envelope sealing, windows, and insulation would promote meaningful industry adoption and reduce compliance ambiguity.

- **Planning and approvals processes,** particularly for electrical connections to building sites, are complex, subject to change and experiencing significant delays. This is impacting productivity, project delivery timelines and project budgets. Streamlining is urgently needed.

- Rather than exempting clean energy projects from environmental or other regulatory scrutiny, governments should focus on **expediting assessments through improved guidance, pre-approval pathways**, and dedicated approval streams for projects aligned with national climate targets.

- **Embedding community engagement as a core part of initial project planning** (i.e., ideation stages), rather than a late-stage compliance obligation, will support social licence and reduce objections that lead to project delays.

- **Barriers to adaptation of existing stock** include limited consumer knowledge, high upfront costs, fragmented regulatory frameworks, and insurance disincentives. Incentives are required.

- **Improving the resilience of Australia's existing housing stock through retrofitting is essential to mitigate risks from climate change** (e.g., bushfires, floods, extreme heat) while keeping costs manageable for homeowners and governments. Incentives are required.

- **Minimum standards (articulated within the NCC) are important** baselines for establishing resilience in new builds and regulated renovations, **but their role must be carefully scoped**. Standards must be: Practical, enforceable, and clearly communicated; aligned with planning overlays and hazard maps.

- **A review of the NCC should include better alignment of net-zero and climate-resilient building practices and standards**, while supporting improved literacy for Australians.

- **Integration of climate risk into regulation and standards needs to be evidence-based, nationally consistent, and economically viable.**

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Detailed response

Pillar 1: Creating a dynamic and resilient economy

What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

Investment in building and construction is dependent on the following key factors:

- Inflation & interest rates;
- tax settings;
- business capacity; and
- supply constraints particularly access to build ready land, planning bottlenecks, building approval bottlenecks, complex building regulations, skill shortages, and workplace relations laws.

Fundamentally, a building and construction business will not be successful if there is a lack of private investment in Australia's built environment. As such, in consideration of business investment in the industry, Master Builders is focused on economic conditions that support investment in building and construction while ensuring that the businesses within the industry have the capacity to deliver.

Under Pillar 1, Master Builders focuses on tax settings, business capacity, and supply constraints other than skills which is covered under Pillar 2.

<u>Support investment through tax reform</u>

Company Tax

Company tax settings need to be competitive to support economic growth. Master Builders supports a reduction in company taxation for small business to 20 per cent as recommended by the Council of Small Business Organisations Australia (COSBOA), of which Master Builders Australia is a member. Over 98 per cent of building and construction businesses are small to medium sized and struggle with the cost of doing business.

The proposal would provide instant respite to Australian small businesses and let them focus on what they do best. Investment growth has been lacklustre in Australia, leading to reduced competition, higher prices and lower living standards.

Independent modelling based on a small business tax rate cut from 25 per cent to 20 per cent, found the move was "fiscally prudent" and "good economic policy", stimulating cashflow and business growth to provide a "net benefit to the Australian community".

Foreign Investment

Around ten years ago, Australia's home building industry delivered its strongest ever annual performance. This saw work commence on 234,400 new homes during 2015-16 – a pace of home building just shy of the 240,000 per year required under the National Housing Accord. How did we get there? Through unprecedented volumes of home building on the higher-density side of the market. Why did this happen? Partly due to the strong demand from foreign investors for apartments. The strong demand from foreign investors was met with strong demands for protectionism, and this resulted in most state and territory governments imposing formidable taxes on housing purchases by foreign investors.

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Higher-density home building subsequently nosedived and is yet to recover. As the rental market relies heavily on an adequate supply of higher-density homes, reduced building volumes here caused rents to surge and conditions to deteriorate for those relying on the rental market.

It is recommended that foreign housing investment taxes be removed or at least reduced to incentivise higher density home building in the absence of a booming domestic investment market.

Land and construction taxes

Australia's system of land and construction taxes is creating serious disincentives to investment in the built environment, particularly in new housing supply. These taxes and charges, which include infrastructure levies, stamp duty, land tax, developer contributions, and a range of regulatory costs, significantly increase the cost of delivering new homes.

At the same time, housing construction remains one of the most heavily taxed sectors in the economy, even as governments seek to subsidise demand through grants and incentives for first home buyers.

The result is contradictory policy settings where supply is penalised while demand is encouraged, fuelling price pressures and reducing the viability of many projects.

According to the Centre for International Economics, taxes, charges and regulatory costs accounted for up to 49 per cent of the total price of a greenfield house and land package in Sydney in 2023-24.[4]

Such a high and growing tax burden acts as a brake on investment, stifles housing affordability, and undermines efforts to boost supply. A comprehensive review of land and construction taxes is urgently needed to remove perverse disincentives, improve housing affordability, and support long-term investment in built environment.

Tax Offsets

More should be done through the tax system to offset regulatory reform costs that are needed to enable productivity improvements and minimise cost and transition burdens for businesses that come with this.

If the objective is for industry to scale and innovate to improve productivity, then regulatory reforms must support that goal. These reforms should not displace small businesses. Instead, they must more effectively bring them along the change journey. This will require cost offsets through a tax system that incentivises early adoption of key reforms, better regulation and compliance frameworks, as well as information and education resources to enable change.

Maintain existing tax settings that work

Several policy settings have been favourable to investment over the past decade and should be maintained.

In the case of new home building, current arrangements around negative gearing and the Capital Gains Tax (CGT) discount work to enhance demand for new home building. In the absence of these tax settings, fewer new homes would be built each year because the financial viability of new home building projects would be weaker without them. For home building projects under consideration, the

[4] https://hia.com.au/-/media/files/our-industry/advocacy/projects/cie-report-2025/cie-report_taxation_housing_sector_2025.pdf

existence of negative gearing and the CGT discount can often be the factor that tips the project into financially viable territory from the perspective of developers.

For similar reasons, the continued exemption of primary residences from CGT and other taxes results in more new homes being created each year.

The past decade has also seen significant improvements to the Instant Asset Write Off (IAWO). This tax setting makes it less expensive for eligible businesses to buy new equipment, vehicles, machinery, and technology. One of the best ways to put productivity on the right track is by enhancing the quality and quantity of technology and equipment available to those working in the industry. The Instant Asset Write Off (IAWO) magnifies the attractiveness for construction firms of making these kinds of investments.

However, the current thresholds and eligibility criteria often exclude growing or capital-intensive businesses, like those in building and construction, that would benefit most from upgrading their equipment.

Consideration should be given to widening the criteria for IAWO-eligible businesses. Most important of all, the maximum IATO allowance should be significantly increased with a view to providing a 'big bang' for productivity in construction and other sectors. In addition, it must be made permanent, and its cap should automatically increase each year to take full account of cost inflation across the economy.

Reduce the impact of regulation on business dynamism

What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

<u>Regulatory Burden</u>

There is a perception that the burden of regulation on the building and construction industry gets steadily heavier over time. It's not just about the size of the burden – the frequency with which regulations change is also a major issue.

The abysmally low productivity performance of the industry is indeed a complex story with many causes. However, there is a clear link between declining productivity and growing regulation.

Regulation also affects the industry's productivity indirectly. For example, the inability of most building and construction businesses to grow in scale prevents productivity gains from being realised. It is well known that a business's inability to scale up is partly due to the suffocating effect of regulation.

In terms of setting regulations for the industry, it is vitally important to consider the fact building and construction businesses are typically very small in size and resources. The overwhelming majority of construction businesses (98 per cent) employ less than 20 people. Even more striking is the fact most of the industry's 450,000 construction businesses are too small to have any employees at all and operate as sole traders or partnerships.

This means that the focus of these businesses' energies and attention is on doing what building and construction businesses were set up to do – build new homes, commercial premises, schools, hospitals, and infrastructure.

Dealing with new regulations or changes to existing ones stretches the scope of these smaller firms to their outer limits. Unlike large companies, these microbusinesses do not enjoy entire departments and units dedicated to regulation.

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The changes to the NCC in 2022 are a prime example. The objectives sought by governments were predominantly supported by industry but what wasn't supported was the breadth of change and the speed of change that was predicted to have adverse consequences on builders and cost implications for clients.

The subsequent reversal by many state governments of the building ministers' decision on timing of those changes and whether the changes are to be implemented at all, reflects the fundamental problems associated with the decision-making in the first place. The decision-making process to implement regulation needs to change.

Regulatory changes should be subject to clear implementation roadmaps, realistic transition timeframes, and meaningful consultation with industry stakeholders to ensure they are practical, proportionate, and deliver the intended outcomes.

Some regulatory changes needed and identified but yet to be implemented

Elements of the Shergold-Weir Building Confidence report produced for Building Ministers in 2018 identified reform options for building industry compliance and enforcement systems. These were supported by Master Builders as important reforms for the community but also to ensure a level playing for those in the industry through sustainability of the sector.

The CIE report commissioned to assess the cost benefit of implementing the recommendations concluded that consistent adoption of the model guidance has the potential to reduce building defects saving consumers approximately $1.4 billion annually and offer industry time savings worth approximately $375 million annually.[5]

Building Ministers responded to the 24 report recommendations with best practice model guidance for action but many have yet to be implemented. Several areas could be actioned further by governments regarding:

- Building product assurance and traceability – NCC evidence of suitability provisions need to set a minimum standard format for compliance information, increase the rigour of evidence required to demonstrate compliance and instruct pathways for use.
- Consistent registration of building professions and trades.
- Continued Professional Development (CPD) requirements being introduced in all states and territories.
- Consistent requirements for inspection processes.
- Building compliance process which incorporates clear obligations for the ongoing approval of amended documentation by the appointed building surveyor throughout a project.
- Product certification system for high-risk building products.

Building Regulation Reform

The NCC has shifted from setting minimum standards to imposing best-practice benchmarks, creating unnecessary complexity and poor integration. Ambitious targets for accessibility and sustainability are adding layers of regulation, diverting focus from safety, quality, and the core building process.

Master Builders recommends urgent fixes to the NCC and its implementation at the state and territory level, reducing reliance on performance solutions, and making regulated standards free.

[5] https://www.abcb.gov.au/sites/default/files/resources/2022/Building-confidence-report-case-intervention.pdf, page 7

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This should start with implementing Productivity Commission recommendations from the Housing construction productivity: Can we fix it? Research Paper:

> *An independent review of building regulations – governments should commission an independent review of building regulations. The focus should be on the NCC and its implementation at the state and territory government level. A review should consider the NCC's objectives, the regularity of code updates, options to improve consistency in implementation by state and territory governments, approaches to approvals, certification, compliance, and enforcement, impediments to innovation, and local government rules that relate directly to the construction of dwellings. (P6 of PC report)*

Australian building standards should be freely available because they are legal documents that govern safety, accessibility, sustainability, and quality in building and construction. If compliance is mandatory, access should not be restricted by cost. Charging for standards effectively puts a paywall on legal obligations, creating barriers for small businesses, sole traders, and new entrants trying to meet regulatory requirements.

Removing the cost of standards would support better compliance, improve productivity, and promote national consistency. It would level the playing field across the industry, reducing errors and rework.

Planning Reform

There are elements of planning reform that could improve the environment for building and construction that are worth considering given planning delays and blockages continue to hamper the delivery of Australia's built environment.

Each jurisdiction operates under its own planning legislation and frameworks, leading to a fragmented system that complicates national coordination and investment. Master Builders acknowledges the Housing Minister Clare O'Neil's recent commentary on a national, coordinated focus to planning reform.[6]

The Productivity Commission in its research paper *Housing Construction Productivity: Can we fix it?* identified four key areas that have contributed to falling productivity including complex and slow approvals that create 'cascading failures' which push up costs.[7]

While the Federal Government continues to drive coordinated planning reform across state and local governments, more needs to be done. The Planning Reform Blueprint should continue to track and report on jurisdictional planning reform efforts, promote the reforms that are boosting construction supply outcomes, and identify new approaches.

Workplace Relations Reform

Workplace relations cannot be ignored when considering the regulatory impact on business dynamism. The breadth and depth of changes to the Workplace Relations Act has been astonishing over the last 20 years with many changes in recent years restricting the flexibility of businesses to make productivity enhancements. This is very evident in the building and construction industry with the approach by building and construction unions to enforce pattern enterprise agreements that contain

[6] https://www.theage.com.au/politics/federal/o-neil-says-she-s-not-a-yimby-but-this-is-how-she-plans-to-help-fix-the-housing-shortage-20250609-p5m5v7.html

[7] Productivity Commission Research Report, Housing Construction Productivity: Can we fix it?, page 3 of Executive Summary

a range of provisions, that are heavily enforced, that are detrimental to productive outcomes for the industry.

Master Builders has consistently provided evidence to show that restrictions on workplace flexibility and unchecked disruption hamper productivity. The action by the Federal Government in putting the CFMEU into administration is a good first step, but more needs to be done as outlined in Master Builders' Breaking Building Bad proposal.[8]

While the broader productivity reform process should include workplace relations reform, if it is not to be included, Master Builders encourages this review to consider the impact of the blanket exemption of industrial relations from competition law.

Master Builders recommends a range of changes should be made to the *Competition and Consumer Act 2010* that would only apply to the building and construction industry. These changes should include, as a minimum, that the *Competition and Consumer Act 2010* be amended to strengthen laws about cartel behaviour, better target secondary boycott behaviour, clarify that enterprise agreements under the *Fair Work Act* made in the building and construction industry are a contract, arrangement or understanding for the purposes of competition laws and give an industry-regulator powers necessary for enforcement.

Master Builders is strongly of the view that the government needs to focus its attention on bad players in the industry, from wherever they sit within the industry, that could come under the purview of anti-competitive provisions of competition law.

How has your regulatory burden changed over time?

Regulatory burden has changed and grown over time, impacting contracting, insurance, planning and building approvals, workforce, building product inputs, building compliance and workplace health and safety regulatory oversight.

Some key changes include:

- In some jurisdictions where overreaching or restrictive procurement codes have been introduced, Master Builders asserts that they have added unnecessary cost and limit flexibility. For example, in Queensland:
    - 96 working days lost because of a lack of roster flexibility.
    - Small and medium contractors have been constrained from competing for government tenders.
    - Pausing this requirement has not diminished worker entitlements and conditions or reduced workplace safety.
- National Construction Code:
    - Its role has been shifting from setting minimum requirements to best practice. The pace, scale, and style of change is adding unnecessary complexity and not being well integrated with existing minimum standards.
    - Ambitious targets for accessibility and sustainability of buildings are adding additional layers of regulation, taking away the focus of the basics from safety, quality and the process of building.
- Since a deposit cap on domestic building contracts (a requirement in many jurisdictions) was introduced, there has been substantial increase in the scale and cost of tasks performed at pre-construction stage (eg. energy assessments, site safety plans, training levy, portable long

[8] https://masterbuilders.com.au/wp-content/uploads/2024/08/Breaking-Building-Bad_final.pdf

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service leave, increase in certification costs, more careful/detailed project documentation) and home warranty insurance. This is in addition to local government searches, building approval lodgement fees, contract documentation, other insurances, wages, commissions and overhead costs. Domestic building contract deposit caps need to be lifted to accommodate this and allow for proper management of builders' cashflow.

- Substantive changes and additions to Workplace Relations and Work Health and Safety Laws making the compliance burden and duties significantly more onerous.

Master Builders keeps hearing that scale and innovation are the key to bringing about productivity improvements, but ongoing complex regulatory reforms prohibit the capacity of business to innovate.

Master Builders submits that regulatory reforms must not displace small business but instead more effectively bring them along the change journey. This will require policy makers listening to business in terms of alternative approaches and/or transition arrangements that are practical and reduce the burden, coupled with cost offsets through a tax system that incentivises early adoption of key reforms, better regulation and compliance frameworks, as well as information and education resources to enable change.

Pillar 2: Building a more skilled and adaptable workforce

Australia's chronic skills shortage is holding back Australia's ability to deliver the homes, infrastructure, and public amenities communities desperately need.

Urgent action is needed to boost the building workforce by supporting employers and students, lifting apprentice completions, and accelerating skilled migration. Several Productivity Commission reports, including the most recent *Housing construction productivity: Can we fix it* report, have already pointed to the need for this type of support.

The focus of questions in the Pillar 2 consultation is on tools for fixing student and teacher outcomes, flexibility in education and training methods, and fit for purpose occupational licensing.

So, what is Master Builders doing to improve school student outcomes with the best available tools and resources?

Master Builders is utilising a range of tools to support teaching and to better support people on the learning journey for a building and construction career. Whether it's through better career information or digital tools that link real-world experience with learning, collaboration across industry and in the development of future education and training tools will be essential.

Collaboration on workforce development for contemporary construction

Workforce development systems are not ready to deliver the skills needed for contemporary construction, such as operating smart equipment, managing digital supply chains, utilising Building Information Modelling (BIM) and Virtual Reality (VR) platforms, and implementing design for Manufacturing and Assembly.

This work can be developed further by connecting training providers, BuildSkills Australia, Prefab Innovation Hubs, and Melbourne Polytechnics' Future of Housing Construction Centre of Excellence to deliver better workforce development systems and tools. Master Builders supports the development of conventional and future workforce needs, education, and training tools.

Additionally, the current Strategic Examination of Research and Development provides an opportunity to reshape how innovative research can be applied through partnerships with industry. Leveraging these connections will help to transform the conversion of research into viable innovation practices for the construction industry, while opening opportunities to re-evaluate the training and workforce pipeline.

Better early learning opportunities

Master Builders Australia has developed *Construct Your Career: the Ultimate Guide to Jobs in Building and Construction* a practical, industry-driven resource to inspire more Australians to pursue a career in the trades.

The Guide outlines how anyone, regardless of age, gender, or background, can get started in construction and highlights real stories from people working across the industry, from trades and machine operation to architecture, engineering, and project management.

With pressure on young Australians to choose university over vocational education and training (VET), this Guide gives careers advisers, students, and parents the tools to explore the exciting and rewarding pathways available in construction. Master Builders is seeking the support of Government to move it from a static to an interactive tool.

Further examination of the school curricula should be undertaken to ensure it embeds diversified opportunities for students to develop varied interests, skills, and abilities across a range of applied and theoretical areas. This may include improving collaborations between schools and VET and TAFE providers to expose students to opportunities such as construction.

Digital Tools

Tools that provide a more immersive experience for the student are part of the answer.

In Victoria, virtual reality technologies has been developed that allow secondary students to see, touch, and experience different workplaces. Virtual Reality goggles are available to schools to enable career experiences.

Master Builders Victoria offers immersive training through its Leadership Simulation Centre. The Centre offers a unique combination of classroom learning, feedback workshops, and a simulated building site. Participants assume a site leadership role and are provided with an opportunity to practice and apply newly learnt skills and knowledge.

The vocational nature of building makes it a good case study to develop maths in construction tools for high schools. In the NSW Hunter region, Master Builders Newcastle is partnering with the NSW Department of Education to raise awareness about maths in construction with high school teachers. The collaboration has brought together nine schools and walked them through using maths during a day in construction. A classroom visit completed a simple construction task, with interviews about the maths involved, which has been filmed and is expected to be distributed through schools.

Support the workforce through a flexible post-secondary education and training sector

In your experience, how well does the credit transfer and recognition of prior learning system operate in Australia? Does it adequately support students to move between courses or have their work experience recognised as part of a qualification? Are there ways it could be improved?

Credit transfer and recognition of prior learning do not work well in construction-related jobs. It does not operate easily and can be very expensive. The system can also be abused by some registered training organisations (RTOs), leading to inconsistent outcomes and reduced trust.

It does not consistently support students. While the framework exists, in practice, students often face barriers such as unclear processes, lack of transparency, and limited support from institutions. This can discourage mobility and recognition of valuable work experience.

Credit transfers can work if course codes and equivalence can be easily recognised across learning options, and they are current (a three to five-year window). More work needs to be done to identify where this could occur.

The Federal Government's Jobs and Skills Council relevant to the building and construction industry, BuildSkills Australia, would be best placed to develop tools for assessing current competencies as a starting point for further consideration of credit transfer and recognition processes. This needs to be mindful of the ongoing VET Qualification reform work that the Commonwealth, states and territories have signed up to.

Services to support students through the process, such as dedicated advisors, clearer guidelines, and streamlined application systems, would make a significant difference. (e.g., a plumber might move mid-apprenticeship to carpentry). Greater oversight and standardisation across RTOs could also help ensure fairness and quality.

What are the main reasons individuals and/or businesses do or do not participate in work-related training?

The main reasons individuals may avoid training are due to cost, time constraints, lack of awareness of available options, or uncertainty about the return on investment.

The primary reasons businesses may hesitate are due to budget limitations, concerns about staff turnover after training, or a lack of tailored training options that meet their specific needs. Specifically to apprenticeships, there are limited incentives provided to employers to offset the productivity costs of hiring an apprentice, especially in the first two years of an apprenticeship. A more detailed response surrounding apprenticeship system incentives can be found in Master Builders' submissions to the Federal Government's 2024 Strategic Review of the Australian Apprenticeship Incentive System.[9]

Balance service availability and quality through fit-for-purpose occupational entry regulations

What are the effects of occupational entry regulations? Please describe your experience and name the specific occupations you are referring to.

Workforce mobility is linked to improved productivity and enables the flow of workers to respond to business demand and economic conditions.

Occupational entry regulations for building and construction jobs vary across the country. Master Builders has been a long-standing advocate for harmonising these arrangements to enable better workplace mobility.

Automatic Mutual Recognition (AMR) of occupational licensing is designed to simplify state and territory requirements. Most construction jobs are exempt from this requirement because of inconsistent requirements across jurisdictions. Victoria is one of the few jurisdictions where AMR applies to most building construction professionals, excluding building surveyors and plumbers.

Some of the benefits from the regulations are that workers who comply with occupational entry requirements benefit from increased wages following completion of apprenticeships, and new workers have a minimum safety understanding before commencing work on site.

A national framework for the registration of building practitioners was produced by Australian Building Ministers several years ago including for building qualifications and plumbing trade occupations. This work should be developed further to establish more consistent requirements for building and construction jobs. Master Builders has flagged this in a number of publications, including its Future of the Workforce Skilled Migrants in Construction publication.

[9] https://masterbuilders.com.au/strategic-review-of-the-australian-apprenticeship-incentive-system/; https://masterbuilders.com.au/supplementary-submission-strategic-review-of-the-australian-apprenticeship-incentive-system/

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Pillar 3: Harnessing data and digital technology

Support innovation through an outcomes-based approach to privacy

Whilst innovation and the reduction of regulatory red tape is welcomed by industry, careful and proper consideration must be given. This includes the approaches to be implemented, the impact on businesses of all types with a particular focus on small to medium sized enterprises, as well as ensuring that there is sufficient information and education made available prior to the implementation. This needs to be supported with a generous transition period to ensure maximum compliance.

Focusing specifically on the collection of data, including personal information, commercial in-confidence information and/or any other information that might be relevant to a particular client, project, or any other factor, also needs to be dealt with appropriately.

The collection of any data must be done in a lawful manner, must be kept confidential with all reasonable steps being taken to ensure the safety and appropriate storage of the information, but also having means to appropriately destroy any information received, if required. There are exponential threats to the unauthorised disclosure of information, not only to the person but also to the organisation from which the information was obtained.

Moving toward an 'outcomes-based' approach, whilst it might have future benefits once the approach is implemented and solidified, it would not be without risk, uncertainty, and challenges across all organisation types and sectors.

Ultimately, the impact would depend on the clarity of the outcomes, the support to be provided (e.g. guidelines, tools, or examples), and how regulators assess compliance. Transitioning to this model would require a generous transition period, coupled with the creation of useful resources, education and information being made available for organisations and an internal implementation to ensure that compliance could be achieved.

Master Builders would encourage that prior to the implementation of any changes to the existing regime, careful consideration is given to the potential impacts, particularly for small to medium-sized enterprises. Master Builders would welcome the opportunity to be involved in further consultation, as required.

Enhance reporting efficiency, transparency and accuracy through digital financial reporting

<u>Enable AI's productivity potential</u>

Artificial Intelligence (AI) is an emerging technology, and both businesses and consumers are still navigating how to use it effectively and responsibly.

Whilst AI is being utilised in various forms within the building and construction industry, there is still work to be done to improve the uptake, particularly with small to medium-sized enterprises. At the same time, the technology itself continues to evolve, becoming more accessible, intuitive, and user-friendly.

Industry is providing feedback that software products they are currently engaging with are also utilising AI in parts of the process, whether it be for reporting, information generation, communications with stakeholders, the list goes on.

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The use of AI in any form presents both significant opportunities but also operational, compliance, and other regulatory challenges.

For businesses, AI offers potential for efficiency, innovation, and improved service delivery. For example, with the introduction of digital reporting, members have reported improvements in the efficiency of reporting; however, with the introduction of new systems and processes, there is always caution and scepticism.

The implementation of AI requires investment in education, infrastructure, and governance frameworks, both from the government but also from the enterprise itself. Careful consideration must also be given to ensure that the use of any new system or process aligns with legal, compliance, and ethical standards. Many organisations, particularly small and medium-sized enterprises, are still developing the internal capability to understand and deploy AI tools safely and effectively.

It is also important that AI does not replace certain processes or services where oversight and governance are required. Whilst AI, as it improves, might be able to carry out certain tasks or assist with aiding efficiencies, etc., there will always be the requirement for supervision and/or accountability. Particularly in the building and construction industry, whilst efficient systems improve achieving project delivery with adherence to timeframes and budgets, there is still the human element of supervision and delivery of the project. One example might be where AI is used to assist with contract management; there should still be a person nominated to oversee and maintain responsibility for the overall management of the contract, as there would be a personal nominee for a building project which is delivered on behalf of a corporate entity.

The trust in the construction contract process, from both the builder's and client's perspectives, has declined. There are several reasons for the decline, the most notable being issues with cash flow or delayed or disputed payments under a construction contract, and with construction insolvencies continuing to rise, it is prudent for the building and construction industry to adopt practices and processes that mitigate risk, improve efficiencies and better manage contractual relationships.

Recently, Master Builders Australia has implemented an online contract platform[10] which has the potential to change the culture of construction contracts, including the administration of the contractual relationship and the overall construction experience for all participants, including clients and subcontractors alike.

At the time of writing, the platform is now live and being engaged with by building and construction industry participants. It is not the intention of this product to replace a physical/human contract manager but to assist with ensuring that the management of the contract for the duration of the project is done so in a manner that improves efficiencies and communication between the parties, mitigates risks, assists with project cash flow for the benefit of the parties involved.

This solution has been designed to assist with the administration and management of the contractual relationship with the overall outcome of ensuring compliance with the objective of the contract, improving payment security, assisting in mitigating and managing risk to the parties, and simplifying the overall contract management process. The use of the built-in contract management system, which includes budget management, invoicing and payment, efficient communication between the

[10] https://masterbuilders.com.au/master-builders-contracts/

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parties, reporting, and notice provision. AI is being utilised to assist in reducing the contract management burden, which ultimately should provide cost savings for parties involved in the project.

The platform provides clear visibility into budgets and payment milestones, which is of importance to all parties involved. AI-powered tools automate communications between the parties, have the capacity to update all parties on project progress, including notification of delays, variations, or other changes required under the contract, and overall reduce administrative overhead, saving time and money.

The platform is also client-focused, assisting clients to obtain a better understanding of the contract process and payment milestone approval process, which aids in maintaining trust with the builder throughout the duration of the project. These measures look to improve the trust in contracting with building and construction industry participants, which in turn, encourages more investment in building (new homes as well as renovating or modifying existing dwellings) to make improvements to ease the housing stress that is faced by the community.

Master Builders welcomes improvements to productivity through the use of AI, however, it encourages careful consideration to be given to the potential impacts in the use of AI, including the most appropriate uses for the application and to adopt regulatory processes that complement the introduction of such but do not further add to the red tape that industry is currently burdened by in its various forms.

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Pillar 5: Investing in cheaper, cleaner energy

Reduce the cost of meeting carbon targets

What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

To improve policy alignment and cost-effectiveness in emissions reduction across sectors, a key priority should be the development and harmonisation of robust, practical tools for measuring and reporting embodied carbon across supply chains.

In collaboration with other industry bodies through the National Building Products Coalition, Master Builders has developed an *Implementation Guide for the Traceability and Digitalisation of Construction Product Information*. This guide presents a scalable model to support emissions tracking through the construction supply chain, improve product information transparency, and promote broader supply chain sustainability. It will facilitate the sharing of accessible, verifiable, timely, and harmonised information as to building product's attributes (such as embodied carbon) in association with its physical movement along the construction supply chain.

Transparent, reliable, and interoperable data, as detailed in the Implementation Guide, is imperative as the requirement for Scope 3 emissions reporting ramp up with mandatory climate reporting commencing in 2025-26.

In the interim, this requirement should be paused until a credible, accessible reporting framework, such as those being developed by the National Australian Built Environment Rating System (NABERS), Green Building Council of Australia (GBCA), and other Building Construction Industry (BCI)-aligned platforms, is fully operational and adopted.

Additionally, voluntary pathways for measuring carbon abatement should be maintained, especially for the construction sector, where shifting prematurely to mandatory requirements could create implementation and cost burdens without commensurate benefits.

Continued investment in platforms like Carbon Trace, recognition of Environmental Product Declarations (EPDs), and guidance such as the Embodied Carbon Measurement for Infrastructure should be prioritised.

A coordinated national framework integrating carbon, product compliance, and safety data would significantly enhance both regulatory effectiveness and industry engagement, ultimately reducing administrative duplication and compliance costs.

Are there gaps in the emissions-reduction policies in the industrial, electricity and transport sectors which should be addressed?

A lack of research and policy on the structural implications of emissions reduction policies is a concern.

For example, the increased uptake of electronic vehicle (EV) being used and stored in buildings needs to address the increased fire risk. Research into the scale and nature of fire events within residential and commercial buildings should be undertaken to support the safe and effective uptake of EV within buildings. The current NCC provisions requiring buildings to be "EV-ready" should not be extended without comprehensive research and risk assessments.

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Aligning existing research and policy proposals, such as the recommendations arising from the Productivity Commission's *Housing construction productivity: Can we fix it? Research Paper*, should be implemented before additional measures are implemented. A key recommendation of this paper that should be actioned is an independent review of building regulations, including the objectives and frequency of NCC updates, to ensure consistency across jurisdictions and reduce unnecessary complexity. This could be achieved by reviewing the Distribution Network Service Providers (DNSP) performance and introducing KPIs for connection timeframes.

Are there any duplicative emissions-reduction policies in the industrial, electricity and transport sectors which could be streamlined?

Since the introduction of energy efficiency provisions in 2003, subsequent overlays (e.g., condensation management, liveable housing design) have lacked integration, resulting in regulatory duplication and inefficiencies. For instance, emissions-reduction policies affecting the built environment have become increasingly fragmented, particularly through overlapping or misaligned updates to the NCC. This was reflected in the Productivity Commission's *Housing construction productivity: Can we fix it? Research Paper*.

The NCC is gradually shifting from its foundational role of setting minimum construction standards toward promoting aspirational best practice, which is not always suitable or feasible for all segments of the industry and building types. This approach creates complexity and contributes to policy misalignment.

A comprehensive structural review of the NCC is needed to return it to its role as a sequential, process-aligned construction manual. This would improve coherence and reduce regulatory burden, especially for small to medium-sized builders and contractors.

Diminishing returns from continual increases in the Nationwide House Energy Rating Scheme (NatHERS) star ratings also indicate a need for a more targeted approach. Establishing clear, localised Deemed-to-Satisfy (DtS) provisions for key elements such as building envelope sealing, windows, and insulation would promote meaningful industry adoption and reduce compliance ambiguity.

Addressing these issues would reduce the burden on Australia's predominantly (98 per cent) small to medium-sized housing and construction industry, while enabling greater resourcing towards innovation practices, which will ultimately contribute to improving Australia's productivity.

Speed up approvals for new energy infrastructure

Are planning and approvals processes for large energy infrastructure taking too long? If so, what causes the most delay?

Planning and approvals processes, particularly for electrical connections to building sites, are experiencing significant delays that are impacting productivity and project delivery timelines. While an issue across all states and territories, in Queensland, for example, builders report connection processes taking between 6 to 18 months to progress, which is unacceptably long given typical construction timeframes.

The most common causes of delay include:

- Unpredictable scheduling of site visits, often rescheduled at the last minute (including weekends).
- Frequent mid-project changes to design or regulatory requirements, often without clear guidance.

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- Administrative bottlenecks with limited transparency and no clear avenue for recourse or appeal.

These inefficiencies not only increase costs but also introduce significant uncertainty for builders and clients alike.

How can planning and approvals processes be sped up without unduly compromising regulatory standards?

Planning and approval processes can be made more efficient through a combination of targeted administrative reforms and oversight measures. For example:

- Jurisdictional investigations into delays and inefficiencies should be prioritised. In Queensland for example, Master Builders has recommended the establishment of a government-led investigation into administrative bottlenecks affecting electrical connections.
- Performance-based KPIs for approval and connection timelines should be introduced, with regular reporting overseen by an independent body such as the Energy and Water Ombudsman.
- Improved project pipeline coordination between infrastructure proponents and regulators can reduce rescheduling and streamline inspections and approvals.

Such reforms can maintain regulatory integrity while improving process transparency, accountability, and efficiency.

Should clean energy projects be treated differently to other projects for the purpose of environmental and other approvals? If so, how?

Clean energy projects, including grid connections for buildings that support electrification or EV-readiness, could be prioritised in the approvals process where they contribute to broader net-zero transition goals. However, any preferential treatment must be:

- transparent in its rationale;
- backed by evidence-based criteria; and
- time-limited or conditional to avoid setting uneven precedents.

Rather than exempting clean energy projects from environmental or other regulatory scrutiny, governments should focus on expediting assessments through improved guidance, pre-approval pathways, and dedicated approval streams for projects aligned with national climate targets.

What can be done to build local community support for new energy infrastructure projects?

Building local support requires early, clear, and sustained engagement with communities, taking a multi-aspect approach to engagement. This approach includes:

- Proactive communication about the benefits of projects (e.g. job creation, energy cost savings, resilience).
- Transparency around impacts (e.g. visual, noise, traffic) and how they will be mitigated.
- Local procurement and job creation incentives, ensuring that communities directly benefit from project delivery.
- Simplifying technical language used in consultation processes so that residents can participate meaningfully.

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Additionally, taking a staged approach to engagement and development of initiatives will be critical to any positive outcomes. This requires identifying the appropriate stakeholders and outcomes at different stages of engagement, from ideation through to consultation, evaluation, and implementation.

As identified in the *Building a Sustainable & Resilient Future Inaugural Report*, Master Builders highlights that achieving net-zero emissions by 2050 necessitates a substantial increase in the construction workforce. Specifically, an estimated 486,000 new workers are needed by 2026 to meet construction demands, excluding additional requirements for net-zero goals. Investing in vocational education and training (VET) is crucial to equip workers with the necessary skills for renewable energy projects. This outcome necessitates new ways of engaging communities to highlight the various direct and indirect connections that communities and individuals have to energy.

Accordingly, embedding community engagement as a core part of initial project planning (i.e., ideation stages), rather than a late-stage compliance obligation, will support social licence and reduce objections that lead to project delays. As part of this engagement, clear demonstration of the need to embed sustainable development goals that affect whole-of-community activities, not just construction.

Please outline any evidence showing the productivity benefits of faster approvals for energy projects.

Analysis of average duration from approval to completion reveals that build times for houses took 9 months, 15 years ago, from approval to completion. Now, it takes 12.7 months – an increase of 40 per cent. A key part of the issue is the lead time in approval processing preventing the start and completion of houses. This is not only causing delays and additional costs for contractors and clients but preventing other houses from being built.

Research undertaken by Clapin and Langden that analyses onshore wind and solar PV project development lead times in Australia demonstrates an improvement between 2000 and 2023. For example, solar projects that commenced before 2010 had an average lead time of 83 months, which decreased to 41 months after 2016. Onshore wind projects took longer to develop, however, with lead times around 136 months before 2005 to around 53 months after 2016. Again, with the issues for housing, long lead times can increase the project costs significantly, even before construction begins.

Fast-tracking approvals is an interim measure and not a sustainable one. Instead, ensuring approval processes are streamlined but remain compliant with meaningful stakeholder consultation is critical to project implementation.

Encourage adaptation by addressing barriers to private investment

What are the barriers and enablers impacting decisions by owner-occupiers, landlords and developers about how housing is built and updated over time so that it is resilient to the effects of climate change?

A key barrier is the age profile of Australia's housing stock. As of 31 December 2024, 69.2 per cent of dwellings (7.81 million homes) were over 20 years old.[11] These homes were built to standards that did not consider current climate risks, making retrofitting both necessary and complex. Renovation activity, which is measured by ABS as "residential alterations, additions and conversions", has grown steadily, with $68.15 billion in renovation work over the past five years, reflecting an opportunity to integrate resilience upgrades during routine improvements.

[11] Master Builders analysis of ABS Housing and Occupancy Costs data.

However, there are barriers, including:

- Limited consumer knowledge about resilience measures and their benefits.
- High upfront costs for climate-adaptive upgrades, particularly when not legally mandated.
- Fragmented regulatory frameworks across states and territories make compliance complex for builders and developers.
- Insurance disincentives, where premiums may not reflect improved resilience from voluntary upgrades.

Enablers include:

- Clear guidance tools for property owners outlining what measures are needed to improve resilience.
- Integrated planning and risk frameworks, as recommended by the AHURI inquiry, that align settlement planning, building codes, and management.
- Incentives tied to insurance or government support for voluntary upgrades beyond the minimum standard.
- Consumer education and improved industry understanding of risk classifications (e.g., BAL ratings for bushfire-prone areas), as supported by the Insurance Council of Australia.

What information do people need to make decisions about where to live, how to build and how to upgrade their homes to appropriately factor in climate change?

Highlighted within the AHURI inquiry, people need access to clear, localised, and practical information. This includes:

- Site-specific risk assessments, including flood, bushfire, and heat exposure, integrated into planning and real estate processes.
- Plain-language explanations of resilience standards (e.g., BAL levels, flood maps), how they're determined, and their implications for design, cost, and safety.
- Guidance for self-assessment and upgrades, including costed options and alternative materials/products for retrofitting.
- Information about financial and insurance incentives, such as premium reductions for resilience improvements.
- Improved digital tools to help owner-occupiers and builders understand which interventions are most relevant, effective, and affordable in a given location.

What are the most cost-effective retrofitting options for improving the resilience of Australia's existing housing stock? What are their costs and benefits?

Improving the resilience of Australia's existing housing stock through retrofitting is essential to mitigate risks from climate change (e.g., bushfires, floods, extreme heat) while keeping costs manageable for homeowners and governments. While the cost-effectiveness of resilience measures depends on location and hazard type, common interventions with high benefit-cost ratios include:

- Sealing, insulation, and roofing upgrades to reduce vulnerability to heat and storm damage.
- Flood-proofing features, such as elevated electricals, venting systems, and water-resistant materials in at-risk areas.
- Bushfire protections, such as ember guards, metal mesh screens, and non-combustible cladding for properties in bushfire-prone areas.

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Benefits include:

- Reduced risk of loss or damage, which may lead to lower insurance premiums.
- Improved energy efficiency, contributing to emissions reduction.
- Enhanced occupant comfort and safety, especially during extreme weather.

To improve uptake, these options should be paired with practical guidance and incentives, particularly for renovations not captured under regulatory requirements.

What role might minimum standards play in ensuring the resilience of Australia's housing stock?

Minimum standards, articulated within the National Construction Code, are important baselines for establishing resilience in new builds and regulated renovations, but their role must be carefully scoped. Standards must be:

- Practical, enforceable, and clearly communicated.
- Properly integrated with other building requirements.
- Aligned with planning overlays and hazard maps, ensuring minimum compliance is meaningful in context.
- Complemented by voluntary pathways and incentives, particularly for existing homes where minimum standards may not apply.

Importantly, minimum standards cannot compensate for poor planning decisions. For example, homes built on floodplains may meet current NCC requirements but still be at high risk due to unsuitable location and deficient surrounding infrastructure. This is a misalignment between the application of the standard and the underlying site risk, not a failure of the standard itself.

Accordingly, Master Builders calls on the Government to urgently review the NCC to better align net-zero and climate resilient building requirements with essential safety, health and amenity requirements already in the NCC (as well as eliminate unnecessary complexities). Master Builders notes that the Building Ministers agreed to enable the Australian Building Codes Board (ABCB) to embed resilient measures within the NCC. Government should also support improved literacy for Australians on resilient building practices.

The impacts of climate change are being factored into the regulation of where and how houses are built in different ways around Australia. What does leading practice look like? Where is there room for improvement? Are there lessons we can learn from other countries?

Master Builders supports the integration of climate risk into the regulation of where and how houses are built, provided it is evidence-based, nationally consistent, and economically viable. There are pockets of strong regulatory practice across Australian jurisdictions, but also significant room for improvement. The building and construction industry requires clear, forward-looking rules and a stable pipeline of work to support adaptation, mitigate risks, and ensure housing affordability.

Leading practices in integrating climate change considerations into housing regulations encompass:

- **Climate-Responsive Planning**: Incorporating climate risk assessments into land-use planning to avoid high-risk areas. For example, New Zealand undertook a consultation process on Managed Retreat – a long-term plan that would see certain locales of New Zealand moved away from high-risk areas, and those areas protected from habitation.
- **Adaptive Building Codes**: Regularly updating building codes to reflect the latest climate science and resilience strategies. This could be achieved by implementing a climate adaption

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3-year cycle for the NCC, ensuring it remains relevant. Performance monitoring after major disasters could support code revisions alongside independent studies that assess the performance of homes built under different NCC versions to support quality control.
- **Community Engagement**: Educating and involving communities in resilience planning to ensure local needs and knowledge are integrated. Utilising the existing YourHome resources, the government could provide material to state and local governments to improve resident literacy on DIY resilience checklists.

Areas for Improvement:

- **National Consistency**: Harmonising regulations across states and territories to ensure uniform resilience standards. This could be achieved by establishing a national framework for climate-resilient building standards under the ABCB, with clearly defined minimum and best-practice benchmarks adaptable to local conditions. This measure could be supplemented by climate hazard maps developed by the Bureau of Meteorology and the CSIRO. Such measures exist in *Canada's Codes, standards and guidance for climate resilience*, and respond to recommendations made by the AHURI inquiry.
- **Retrofitting Incentives**: Implementing programs to encourage and support the upgrading of existing housing stock. For example, through its Resilient Homes Program, funded by the Australian, NSW and Queensland governments fund buybacks, retrofits, and home raises (Queensland and NSW). Areas targeted by the program are those prone to flooding. Such measures could be applied more broadly across Australia to encourage people to move to lower-risk locations, and could be integrated into the Ready Fund. Similarly, working with the Insurance Council of Australia to establish premium discounts for homeowners who have retrofitted properties could support private actions and help reduce the fiscal impact on federal, state, and territory governments.
- **Data Accessibility**: Enhancing the availability and transparency of climate risk data to inform decision-making. This could be achieved through enhancing the Australian Climate Service to integrate building-specific information on resilience, audits, hazard overlays, and retrofitting guides for certain areas. Such data would require up-to-date reporting from local government areas, and could be communicated through an open API to encourage homeowner participation. The UK Climate Resilience Programme offers an example of a similar initiative.

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MASTER BUILDERS
AUSTRALIA

Policy Proposal

A Lifelong Learning Envelope

AUGUST 2025

Context

Lifelong learning is increasingly essential for labour-market adaptability, equity of opportunity and national productivity. Structural policy should therefore make learning accessible across life stages, school-leavers, post-school learners, workers (including part-time and casual), and retirees returning to learning for interest or reskilling. A dedicated, equity-focused **Lifelong Learning Envelope (LLE)** proposes a distinct funding vehicle (not a loan) that reduces the financial barrier to recognised learning across the life course and complements, rather than replaces, existing tertiary and VET settings.

Design choices are guided by three practical objectives: (1) **remove cost barriers** that disproportionately affect low-income and low-qualified workers; (2) **preserve quality and public confidence** by restricting use to accredited, trustworthy providers; and (3) **limit fiscal and design risks** by staging, targeting and clear governance. These objectives address the issues highlighted by the Productivity Commission, including low and concentrated work-related training, the need for recognition of prior learning, and the importance of making lifelong learning accessible to diverse cohorts.

The LLE is *not* HECS-HELP: it is a funding envelope, which is closer in form to a targeted entitlement/grant account than to an income-contingent loan. It is intended to increase access and lower up-front cost barriers to accredited learning across the life course.

Productivity and Skills Agenda

The Lifelong Learning Envelope directly aligns with the Government's broader productivity and skills agenda by addressing a critical constraint identified across multiple policy frameworks. The Productivity Commission's five pillars of productivity growth agenda emphasise the need for actionable reforms to boost productivity, while the Government's "progressive productivity agenda" focuses on investing in individuals, infrastructure, and institutions, recognising that "productivity is ultimately about what people can do".

The LLE specifically targets the skills development pillar by removing financial barriers to lifelong learning that particularly affect low-income workers and SMEs, cohorts identified by the Productivity Commission as underserved by current training arrangements. The Commission's 5-year inquiry recommendations around "building an adaptable workforce" and "harnessing digital tech and diffusing innovation" are directly supported by the LLE's focus on accredited, quality-assured learning pathways that follow individuals across their careers.

from major business organisations: the Business Council of Australia's "Future-Proof" paper specifically recommended "giving every Australian a capped lifelong skills account that can be used to pay for courses at approved providers", while the Victorian Chamber of Commerce and Industry has advocated for policy frameworks that "enable lifelong learning" and career navigation systems. The Australian Industry Group (AiG) has similarly advocated for a comprehensive skills and productivity agenda that prioritises capability development, while internationally, Singapore's SkillsFuture programme demonstrates how national lifelong learning credits can effectively promote skills development among adults and support workforce adaptability.

Previous Australian policy reviews, including the Bradley Review's emphasis on expanding higher education access and the ongoing discussions around skills reform, have consistently identified the need for more flexible, accessible learning pathways throughout working life. The LLE's grant-based structure (rather than loan-based) addresses the debt sustainability concerns that would otherwise limit its effectiveness for older workers and disadvantaged cohorts, positioning it as a complementary instrument that operationalises the Government's commitment to equity-focused productivity growth through human capital investment. Internationally, similar proposals have gained traction, with the US considering various "Lifelong Learning and Training Accounts" legislation since 2008, while the UK is implementing its own Lifelong Learning Entitlement from 2027, demonstrating growing international consensus around the need for portable, individual-controlled learning funding mechanisms.

The LLE's grant-based structure (rather than loan-based) addresses the debt sustainability concerns that would otherwise limit its effectiveness for older workers and disadvantaged cohorts, positioning it as a complementary instrument that operationalises the Government's commitment to equity-focused productivity growth through human capital investment.

Rationale: Why A Separate Envelope

Australia needs more people engaging in post-secondary and work-relevant learning to meet projected skill demand; work-related training is currently stagnating and concentrated in large firms, which leaves SMEs and many workers under-served. Policy should therefore target the financial and advisory frictions that deter training, especially in SMEs and for lower-income workers.

Existing HECS-HELP style arrangements are ill-suited as a universal lifelong learning vehicle: they extend debt exposure (with attendant DNER risk for older borrowers) and create timing/repayment incentives that are inconsistent with the episodic, modular and part-time nature of adult learning needs. The LLE avoids these problems by being an upfront, ring-fenced account usable for accredited learning rather than an income-contingent loan. (Where income-contingent financing is appropriate, it should be considered in separate policy work with explicit modelling of DNER and intergenerational impacts.). This measure also enables the extension of equity principles inherent in the Fee-Free TAFE scheme to quality non-TAFE providers and does not preference one sector over another when skills development will require full tertiary engagement.

International experience (for example, Singapore's SkillsFuture credit system) demonstrates the value of a simple, universal credit to lower immediate cost barriers and to signal a national commitment to lifelong learning, while also showing that design choices (targeting, governance, provider vetting, employer linkages) strongly affect equity and value-for-money outcomes. The LLE leverages the positive features of that experience without slavishly importing Singapore's take-up assumptions; its purpose is to expand access and reduce the cost barrier, not to guarantee automatic or full take-up.

DNER (Debt Not Expected To Be Repaid): Framing And Mitigation

The fiscal concern with extending HELP-style loans to lifelong learning is that older borrowers and retirees generate high DNER, raising long-run costs. Additionally, current HELP settings continue to incentivise low payback of investment due to the deferred and income-contingent nature of the scheme. For instance, less than half of HECS-HELP debtors have made a single compulsory repayment since the scheme started. For these reasons, lifelong training should avoid using existing income-contingent loan machinery as the primary LLE funding channel. To be clear:

- The LLE is structured as a grant/account (an upfront credit or pooled fund), not as a new income-contingent loan program. This removes the primary driver of DNER risk.

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- Where concessional loans or ICL options are considered in future, they must be modelled and costed separately and piloted with careful attention to age-profile, expected repayment horizons and DNER sensitivity. (That modelling is a separate policy task and should not be conflated with the LLE design.)

Because the LLE is not a loan, the major DNER risks identified for HELP do not apply in the same way; fiscal exposure is therefore controllable through account design (caps, indexing rules, expiry, employer co-contributions, means-testing and staged rollouts).

Solution: The Lifelong Learning Envelope

Core concept. Each eligible Australian receives a **USI-linked Lifelong Learning Envelope** (LLE) into which a single base credit is deposited (one-off on a life trigger such as finishing secondary school, first sustained employment, or another administratively tractable point). The LLE is usable **only** for accredited learning with providers that meet an enhanced trust standard (ASQA / TEQSA plus program-level checks and an LLE provider register). The account can be voluntarily topped up by employers, individuals or other parties; government contributions are designed to be progressive and targeted.

Key features:

1. **One-off base credit**: a single initial credit allocated on a life trigger (such as school graduation or completion of year ten or equivalent work experience) and scaled by socio-economic and regional factors to target those with the greatest need. The payment is a grant, not a loan.

2. **USI-linked and ATO-administered ledger**: the Unique Student Identifier links learning records; an ATO-hosted account records deposits, top-ups and approved draws. Funds cannot be withdrawn for non-learning purposes. Unspent funds lapse on death and are recycled into the LLE corpus.

3. **Provider and course eligibility**: LLE funds can only be spent on courses and microcredentials offered by providers that are registered with an LLE register and have passed an additional credibility and quality check administered jointly by ASQA/TEQSA and an LLE Stewardship Board. This reduces fraud risk and maintains quality.

4. **Complementary, not substitutive**: the LLE pays for accredited learning (including recognised short courses and microcredentials) and can co-pay existing employer training where appropriate; using LLE funds to pay for training already being delivered is acceptable so long as it reduces participant cost barriers and the training meets the LLE quality standard. This acknowledges the PC's emphasis on recognising diverse pathways while keeping the LLE narrowly focused on access.

5. **Flexible top-ups & employer incentives**: employers can contribute to employees' LLAs; the government can introduce targeted incentives (tax credits or matching) for SME contributions that encourage on-the-job upskilling. This directly addresses the PC's finding that SMEs under-invest in training.

6. **Indexing and thresholds**: government contributions could be modestly indexed (for example, to wage growth) up to a cap; individuals receive priority top-ups according to need. Exact parameters should be set after fiscal modelling and pilot evaluation.

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7. **Privacy & portability**: the USI linkage ensures an individual's account follows them across providers and states without creating a separate portable benefit that undermines program targeting or quality controls.

Implementation: Staged, Evidence-Based and Trialled

1. **Pilot & tranche approach.**
   Launch targeted pilots across a limited set of cohorts and contexts (for example, SMEs in selected regions; mature-age workers in high-transition sectors; regional and remote learners; and discrete government employee cohorts). Pilots would test operational systems (ATO ledger, USI mapping), provider eligibility checks, employer top-up mechanisms, and fraud controls. Pilots reduce scale-up risk and allow evaluation against participation, equity and workplace outcomes. This directly addresses the PC's call for trials of SME incentives and staged interventions.

2. **Provider governance & quality assurance.**
   Establish an LLE provider register jointly administered by ASQA and TEQSA with an LLE/lifelong learning Stewardship Board (Commonwealth + states/territories + industry + consumer reps), or be administered through the new Australian Tertiary Education Commission (ATEC). Provider eligibility requires evidence of delivery quality, compliance history and transparent learning outcomes; microcredentials must map to recognised competency standards or credit transfer pathways where possible. This mitigates the private-provider risks the PC and others have noted.

3. **Integration, but separation, from credit/RPL reform.**
   The LLE should be **operationally independent** from comprehensive national RPL and credit-transfer reform (which the PC sensibly recommends, and which improves lifetime pathways). However, the LLE should facilitate later integration – the USI/Australian Tertiary Education Commission can enable optional linkages so LLE-funded short courses and microcredentials are visible to credit authorities – a useful coordination step that does not delay LLE rollout. The data/credit problem is real but distinct; treat RPL/systemic credit reform as a complementary policy delivered in parallel, not as a precondition for the LLE.

4. **Evaluation & fiscal safeguards.**
   Mandate independent evaluation metrics (participation by income cohort, SME uptake, earnings and employment outcomes, fiscal cost per participant) and budgetary guardrails (per-person caps, cohort caps, gradual scale-up linked to outcomes). Unspent funds revert to the LLE corpus. These measures control fiscal exposure and allow evidence-based expansion.

5. **Legislative and administrative pathway.**
   Begin with pilots and administrative reform (ATO ledger, USI linkage and provider register) under existing authorities; if pilots succeed, pursue an LLE Act (codifying governance, privacy and financial rules). Where required, amend financial services and education legislation to enshrine protections and delivery mechanisms.

Evaluation

Design the pilots with pre-specified success criteria before scale-up:

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Core metrics (short/medium)

1. Participation and equity: take-up by income quintile.
2. Additionality: share of funded training that would *not* have occurred absent LLE (survey + counterfactual).
3. Employer co-investment rates (SME vs large).
4. Quality: completion rates, participant satisfaction, provider compliance incidents.
5. Labour outcomes (6–12 month): employment retention, job change, wage signals (where available).
6. Cost-effectiveness: cost per additional credential / cost per incremental employment outcome.

Sector Impact

The LLE would deliver direct benefits to the housing and construction industry by lowering upfront training costs for school-leavers, enabling smoother entry into apprenticeships and trades, while also supporting mature-age workers to retrain, upskill, or maintain licences without taking on additional debt. In tandem with other upskilling initiatives targeted at mature-age, mid-career or late-career changes, such as microcredentials or taster courses, this initiative could incentivise greater interest in the sector from non-traditional workers.

For SMEs, which dominate the sector, the LLE reduces financial barriers to investing in staff training, particularly in safety, compliance, sustainability, and digital construction methods, helping improve productivity and meet regulatory requirements. By targeting low-income, regional, and underrepresented groups, the LLE also broadens workforce participation, addresses critical skills shortages, and supports diversity in the industry, ensuring a stronger, more adaptable pipeline of construction workers across all career stages.

Funding Implications

Reprofiling Commonwealth programs

- **Carve-out from Fee-Free TAFE appropriations**
  Create an "LLE-eligible short course" carve-out inside the Fee-Free TAFE allocation. TAFEs stay eligible LLE providers, but access becomes learner-led (credits/vouchers) rather than place-led. This shifts a slice of TAFE funding from block subsidies to portable credits while keeping dollars in the public system. It also expands the program to eligible/accredited private Providers. Risk: under-utilised state-funded places unless TAFEs pivot quickly to LLE-approved microcredentials; mitigation is automatic TAFE inclusion on the LLE register and co-marketing.
- **Consolidate Commonwealth "uni-ready/enabling" support into LLE vouchers**
  Redirect enabling/bridging subsidies into LLE-funded accredited modules offered by universities and approved non-university providers. Universities can still deliver these modules and receive revenue, but via LLE drawdowns rather than separate enabling grants. This reduces duplication and moves prep study into the same portable account.
- **Create a small, fixed "CGS-to-microcredentials" sub-cap**
  Reallocate a modest share of CGS growth to the LLE so learners can buy stackable accredited

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microcredentials at universities/TAFEs/registered private providers. This nudges providers to unbundle offerings while keeping a firm cap on Commonwealth exposure because LLE grants are fixed-value and lapse if unused.

- **Shrink loan reliance at the margin**
  Because the LLE is a grant/account (not a HELP loan), some activities that would otherwise be HELP-financed moves into a capped grant. That lowers future DNER exposure and loan write-downs.

Concluding Comment: How The LLE Fills PC Gaps

The LLE directly addresses the PC's concerns about cost barriers, low SME training rates and the need for flexible, quality-assured lifelong learning pathways by providing a targeted, non-loan funding vehicle that prioritises equity and quality. It intentionally **does not** replace or postpone the PC's recommended reforms to credit transfer and RPL. These other measures are important, separate reforms that should proceed in parallel. The LLE is designed to be risk-conscious (grant form, provider vetting, pilots) while practical (USI linkage, employer top-ups) and equitable (progressive base credits and targeted SME incentives). It is therefore a concrete, operational policy instrument that complements the PC's recommendations rather than duplicating or undermining them.

The LLE is a lower-cost, lower-risk and higher-return investment compared to recent higher education and training expansions. For example, the Commonwealth has allocated **$350 million to the higher education "uni-ready" program** and **$86.4 million to expand Fee-Free TAFE by just 20,000 places**, both of which are supply-driven, high-cost initiatives that carry substantial risks of non-completion and sunk public costs with no return, such as through burgeoning DNER. By contrast, the LLE is capped – the government contribution, portable, and demand-led: funds follow the learner into accredited, short, work-relevant modules across trusted providers, with strict quality controls and expiry safeguards that recycle unused credits. This design ensures that public funds directly reduce barriers to access without creating large-scale non-repayment or wastage, while generating higher returns in workforce participation, SME upskilling, and skills mobility. In a budget-neutral setting, the LLE therefore provides a more efficient way to expand access and opportunity than large block-funded schemes that embed high fiscal exposure with limited completion or employment outcomes.

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Costed Example

Below are **illustrative** total costs for three simple scenarios (A, B, C) using three different credit sizes.
Assumptions used:

- Annual Year-12 completers (school leavers) = **250,000** (assumption for illustration).
- Targeted low-SES cohort = **25%** of school leavers = **62,500**.
- Mid-career pilot cohort (national pilot) = **500,000** people.
- SME matching pilot: 200,000 SME employees in scope; assume **25%** of them receive employer match; employer match set at **50%** of base credit.

Credit options = **$500**, **$2,000**, **$5,000**.

Scenario	**Formula**	**$500**	**$2,000**	**$5,000**
A. Universal youth (all school leavers)	250,000 × credit	$125,000,000	$500,000,000	$1,250,000,000
B. Targeted low-SES youth	70,000 × credit	$35,000,000	$140,000,000	$350,000,000
C. Mid-career pilot	500,000 × credit	$250,000,000	$1,000,000,000	$2,500,000,000
SME matching (pilot)	200,000×25%×(credit×50%)	$12,500,000	$50,000,000	$125,000,000

Quick Takeaway

- A universal youth credit at **$500** costs **~$125m** per cohort year. This is significantly less than the $350 million allocated to the higher education uni-ready program, or the $86.4 expansion to the Fee-Free Tafe program, that delivers 20,000 places.
- A targeted low-SES approach reduces cost significantly (to **~$35m** at $500).
- SME matching pilots can be modest budget items while testing employer response (here: $12.5m → $125m depending on credit).

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