

10 March 2020

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The Hon. Jackie Trad MP  
Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships  
GPO Box 611  
Brisbane QLD 4001

Email: [treasurer@ministerial.qld.gov.au](mailto:treasurer@ministerial.qld.gov.au)

Dear Deputy-Premier

I am writing on behalf of Master Builders' membership in relation to the 2020-21 State Budget, in particular measures to drive activity in both the residential and commercial construction sectors.

2020 is turning out to be a challenging year for the building and construction industry, which is still working through the downturn in demand and significant changes in government policy at both a state and federal level. This is now increasingly being overlaid with further uncertainty as the effects of the coronavirus work through our industry.

The Queensland construction industry is the cornerstone of our economy. It is the largest provider of full-time jobs, employing over 247,000 Queenslanders. It contributes \$26 billion to the state's income; nearly one tenth of the total. The construction industry makes up the largest number of Queensland businesses and this is heavily weighted towards micro business with over half turning over less than \$200,000 each year. Businesses that are unlikely to be well placed to weather the ongoing headwinds.

We conservatively expect the residential sector to slip another 6 per cent from the 33,000 dwelling commencements in 2019 to under 31,000 in 2020. Building approvals continue to plummet outside South-East Queensland. 2019 had the dubious honour of a new record low for the number of new dwellings approved in Queensland's regions. Across all of Queensland total building work fell by a further 5.5 per cent and is now sitting at its lowest level since 2014.

Tightening in finance requirements and a lack of investor confidence is largely to blame and while we have previously hoped that solid underlying market fundamentals of employment growth and an increasing population might help mitigate against the contraction, the latest figures prove the problem persists. This is of significant concern particularly for regional Queensland and for the small family businesses that are responsible for half the turnover in our industry.


**HEAD OFFICE**

417 Wickham Tce, Brisbane Qld 4000

T (07) 3225 6444

F (07) 3225 6545

[mbqld.com.au](http://mbqld.com.au)



It is better news on the commercial front where the current pipeline of commercial building work is up 32 per cent (based on the value of commercial building approvals). In 2020 we are forecasting an increase in the level of commercial building – up 7.3 per cent from the 2019 estimate to \$7.8 billion, mostly on the back of government expenditure on public buildings. We commend the government for recognising the need for this investment.

Still for our industry as a whole, the signs of recovery that we saw in early 2019 are officially gone, making it more important than ever to consider measures to stimulate demand.

As we move into the new financial year, we are therefore urging the Government to do more to ensure that the building and construction industry can continue its role as the cornerstone of the Queensland economy.


We therefore ask that as you frame the 2020-21 State Budget you consider the following.

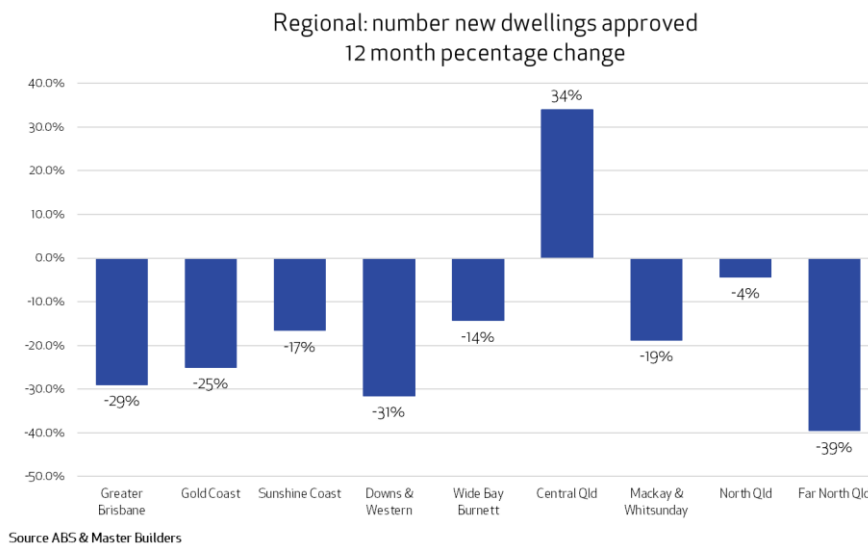
### First Home Owners' Grant

The boost in the Queensland First Homeowners' Grant (FHOG) to \$20,000 was an important tool in bringing first home owners into the market, but it came to an end back in June 2018.

During the two years the boost was offered, there was a 48 per cent increase in the number of grants, with a large number of these in regional areas. Increasing the grant also proved effective in underpinning demand and therefore jobs during the last global financial downturn, the GFC.

Building approvals for new dwellings in regional Queensland are now at the lowest they have been in the 19 years since the current regional data reporting commenced. The one bright spot is Central Queensland which saw a 34 per cent increase in approvals for new residential dwellings over the past 12 months. Central Queensland is also where Rockhampton Regional Council introduced a \$5,000 Housing and Construction Grant for new homes built between August 2019 and March 2021. Despite the success of this program, other local governments are reluctant to follow with their own program as they regard this as the role of State Government.





Our regions need support to get building again. A return of the boost to the FHOG would help regional Queenslanders get into their first home as well as providing a much needed ‘shot in the arm’ for regional businesses.

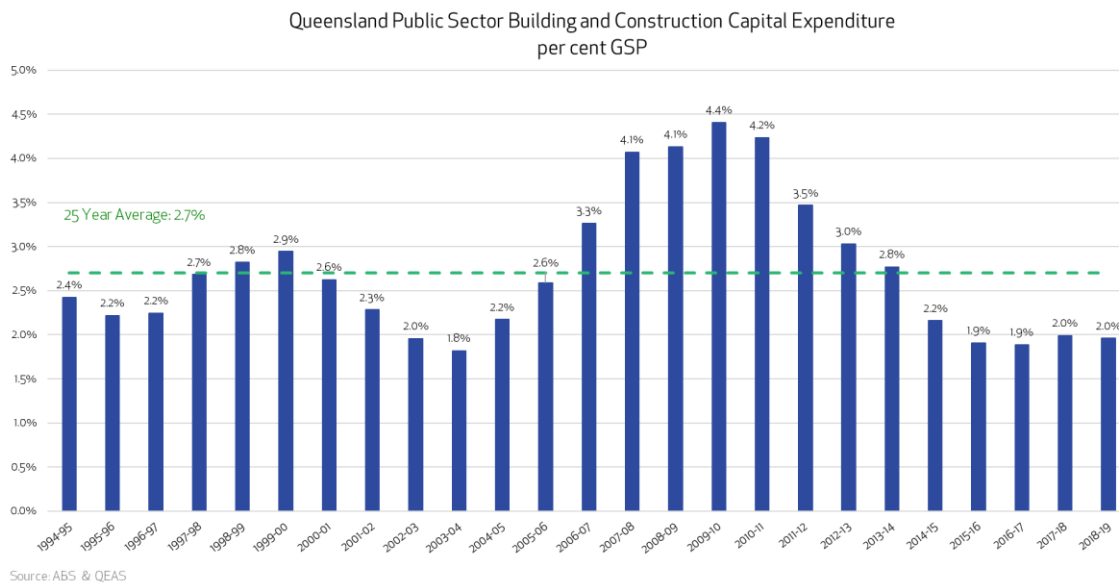
**Master Builders strongly urges the Government to bring back the boost to the FHOG for regional Queensland.**

## Capital Expenditure

Investment in public buildings and engineering construction represents an investment in the future prosperity of our state: it is vital to the Queensland economy and the building and construction industry. Capital expenditure on public buildings and engineering construction positions Queensland for economic growth and is essential if we are to meet the needs of a growing population spread across our large state.

In contrast, while Queensland has continued to grow (and with it the need for new schools, hospitals and other infrastructure), our investment in public buildings and engineering construction has fallen. Since 2009-10, spending has fallen by one-third from \$10.77 billion to \$7.23 billion in 2018-19 (from 4.4 per cent of Queensland gross state product to just 2.0 per cent). One quarter below the 25-year average of 2.7 per cent (as illustrated in the chart below).

For 2018-19 alone this has meant a spending shortfall of \$2.8 billion from the 25-year average.



Employment and training outcomes cannot be sustained in the face of low State Government spending. Skilled workers developed by Queensland construction companies are following the work and relocating across the border. We cannot expect this workforce to return to Queensland without continued opportunities for stable work.

To ensure that a growing Queensland continues to have the buildings and infrastructure it needs, and the construction industry can provide long-term employment opportunities, we are calling on the Government to establish a **Queensland Public Sector Building and Construction Capital Expenditure Benchmark**. The benchmark should be set at the 25-year average of 2.7 per cent of gross state product.

This would mean an additional \$2.8 billion annual expenditure on top of the \$7.2 billion spent on public sector building and construction (residential and non-residential buildings together with engineering construction) in 2018-19.

Within this total spend we also recommend consideration be given to the public building component (as opposed to engineering and civil work). Over the last 10 years the Queensland government's capital expenditure has been weighted towards engineering and civil construction (roads, bridges, water etc) – 83 per cent in 2018-19. We are recommending a **second benchmark, for the public (residential and non-residential) building component**. This should also be set at the 25-year average which for this component is 0.6 per cent of gross state product.

In past years Master Builders has urged the Queensland Government ensure that the money allocated in its budget is spent. We commend the Queensland Government on the significant

improvement in this area. The most recent data shows that over the past two years 98.7 cents in the dollar have been delivered in Queensland Government capital purchases against the budgeted amount. This compares to the previous three years, and prior to Master Builders advocacy on this issue, where only 79.2 cent in the dollar was being delivered.

We also welcome information on the pipeline of building work that is now being provided by QTenders in the “Future procurement opportunities suppliers”.

The work that remains is to ensure that money the Government spends is to the greatest effect. Bid costs for Government tenders need to be minimised. This can be achieved by scrapping the current impractical tender process. The Government should **replace the Best Practice Principles and Ethical Supplier Mandate with a comprehensive process for assessing contractor performance.**

We believe that returning the boost to the FHOG in regional Queensland and increasing capital expenditure will hold up the demand for new construction.

We look forward to continuing to work with you towards building a stronger, prosperous economy for Queenslanders.

Regards,

A handwritten signature in black ink, appearing to read 'Grant Galvin', with a horizontal line underneath.

**Grant Galvin**  
CEO