

September 2017 SNAPSHOT

Survey of Industry Conditions



Queensland

While state-wide conditions continued to decline, driven by more subdued results in the south east, there were strong results from many of the regions. Wide Bay, Central Queensland, Mackay and North Queensland all recorded stronger turnover, profitability and contract prices.

There is also confidence in the future with both the residential and non-residential sectors expected to improve in coming months. The high cost of labour and materials continues as the most significant constraint on the industry.



Greater Brisbane

The non-residential sector is steady, while conditions in the residential sector have taken a dive in recent months as a result of the fall in unit constructions. This isn't expected to last with turnover, profit, new contracts, contract price and employee levels stronger for the majority of respondents.



GOLD COAST

Trading conditions have faltered but this isn't expected to continue with reports of stronger turnover, profitability and contract prices. High labour and material costs is the most pressing constraint affecting business.



SUNSHINE COAST

While trading conditions have been tight, turnover, profitability and contract prices are all improving. Level of demand, staff availability and cost of labour and materials are the greatest challenges for businesses.



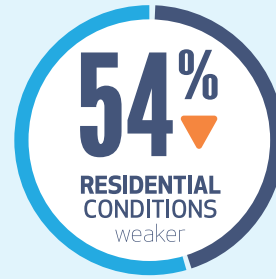
DOWNNS & WESTERN

While both the residential and non-residential sectors have been struggling, there's confidence in the future. Going forward, higher turnover and contract prices are expected to support improved profit and employment levels.



WIDE BAY BURNETT

There was a dip in trading conditions for both the residential and non-residential sectors but that's expected to be short lived with each of the business performance indicators reporting back strongly. Top constraints continue to be high cost of labour and materials and a lack of available qualified staff.



CENTRAL QUEENSLAND

After a long struggle, Central Queensland is currently experiencing stronger conditions. Turnover, profitability and new work are all much improved. The improvement is still tenuous, however, with the current pipeline of work not expected to extend far into the future.



MACKAY & WHITSUNDAY

While there was a large improvement in trading conditions in the region off the back of Cyclone Debbie repair work this is now coming to an end. Still, the outlook for the future is good, as all business performance indicators are now either stable or stronger, with the exception of apprentice numbers.



NORTH QUEENSLAND

Trading conditions for both the residential and non-residential sectors have improved. The more stable outlook is well founded with key business performance indicators being reported back well. Lack of available qualified staff as a key constraint also speaks to the stronger conditions.



FAR NORTH QUEENSLAND

While trading conditions have not been reported as strong, work is beginning to flow through and there is confidence in the future. Lack of demand continues to be the key constraint but turnover, profitability and contract prices are all stronger.

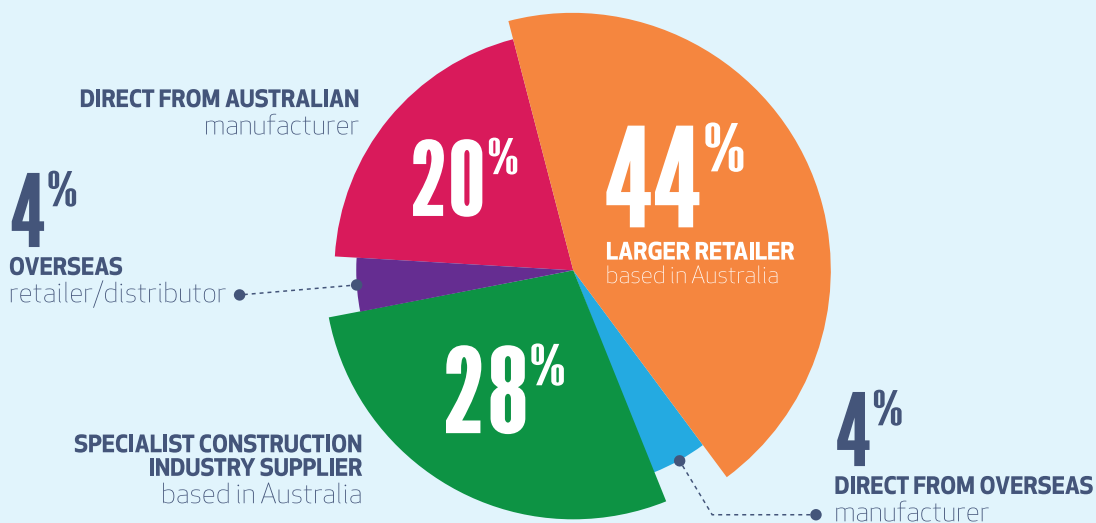


Hot topic NON-CONFORMING PRODUCTS

Non-conforming products are a significant problem for our industry, but thanks to increased vigilance there's now a decrease in their use on building projects.

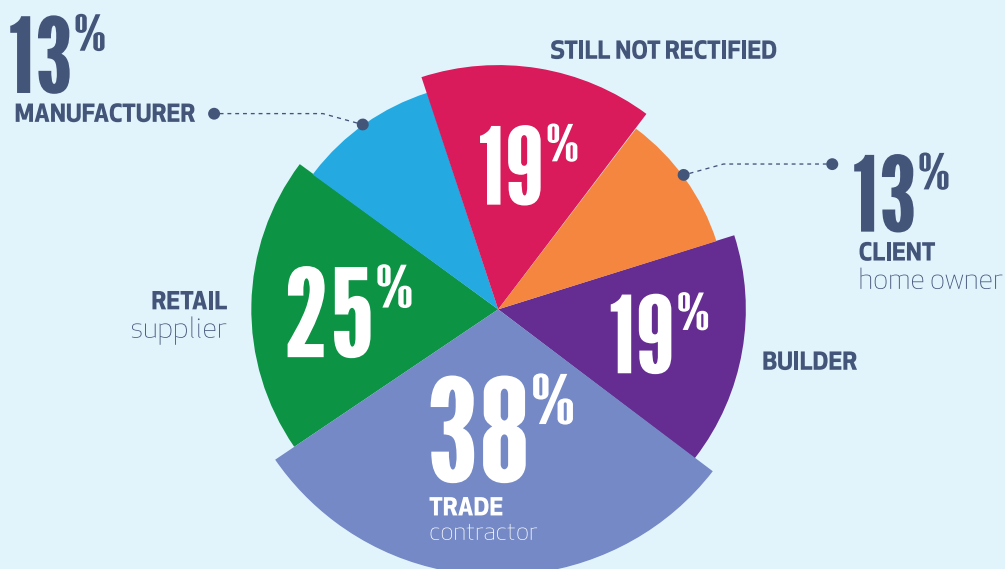
Master Builders' survey results show that in 2017 only 10 per cent of respondents had a non-conforming product on one of their sites, compared to 40 per cent back in 2014. Still, given non-conforming products aren't always apparent, we're yet to see if the hidden number is actually much higher.

While anecdotally the problem is often reported as being one of cheap overseas imports, it's not the whole story. In fact, 20 per cent of respondents claimed the non-conforming product was purchased from an Australian manufacturer; a five per cent increase from 2014, with 44 per cent from large Australian-based retailers and 28 per cent from industry specialists.



The problem goes beyond high profile failures, like cladding and electrical cable, reaching across every building product category. Fasteners, windows and glass, tiles, paints, engineered timber and plumbing products were all reported as problematic.

There's been little change in who is taking responsibility for rectification, with most instances the installer, i.e. the trade contractor (38 per cent) and builders (19 per cent) taking responsibility. The manufacturer is occasionally held responsible (13 per cent).



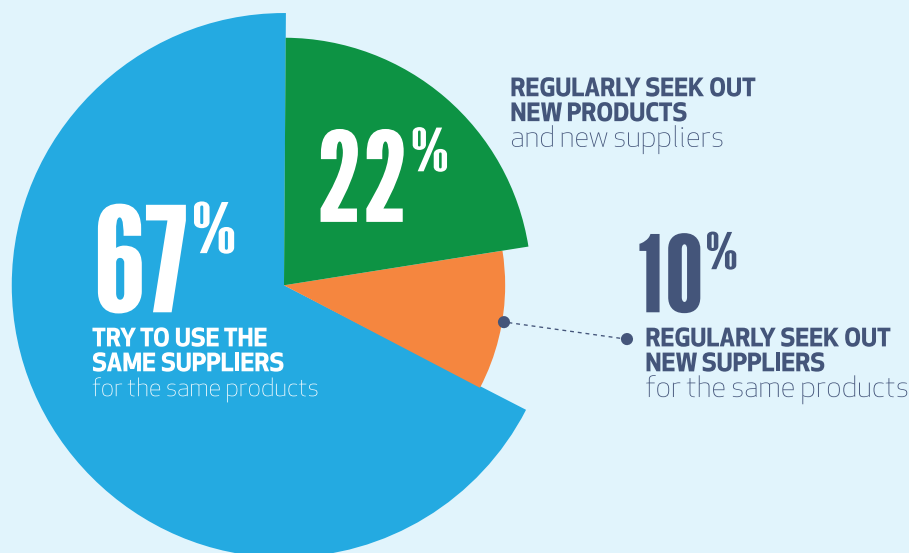
Strategies to minimise risk

Builders have been taking a conservative approach to product procurement by seeking to stay with the same suppliers for the same products (67 per cent), compared to 22 per cent regularly sourcing new products with new suppliers. Unfortunately this limits opportunities for innovation and efficiency gains.

Operating a detailed checking process, including formal quality assurance processes and personal checks, also appears to be an effective way to manage risk exposure.

Moreover, the survey showed a marked increase in respondents asking their suppliers for assurance and evidence that products conform to Australian Standards. Certifiers, consultants and industry associations are also regarded as valuable information resources.

The incidence of having no checking mechanisms in place has significantly declined over the past three years.



Product information

While the majority of respondents were comfortable with the information being provided by their suppliers there were many suggestions for improvement. These included:

- Providing details of product certification and/or the Australian Standard it meets on the purchase documents
- More point-of-sale staff who know their products
- Easily accessible technical information and installation guides in clear, plain English
- A system of independent, third party certification for all building products
- A single, easily accessible database of conforming products
- Branding of all compliant products with a single symbol (similar to the European "CE" system).

Respondents also wanted homeowners to be educated on the importance of seeking product compliance information for any product they want a builder or trade contractor to install. Easier and free access to Australian Standards is also important.

Accountability

For many, accountability clearly sits with the manufacturer and supplier, so the survey results show a clear preference for non-conforming products to be removed from sale and/or prevented from being imported.

Similarly, there's a call for indemnity clauses in suppliers' terms and conditions to be made unenforceable.

Improving manufacturer and suppliers warranties is also thought to help eliminate a lot of the problem.

Product specifiers, including architects, building designers and engineers, also have an important role to play and need to supply reliable information and be held accountable.