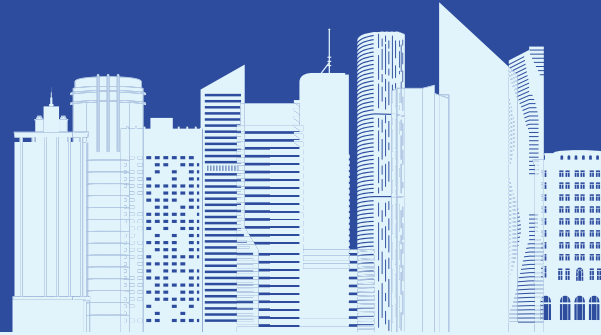


March 2018

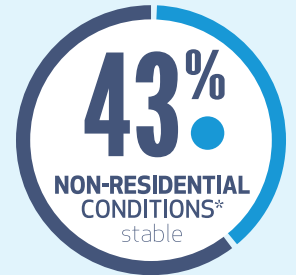
SNAPSHOT

Survey of Industry Conditions



QUEENSLAND

State-wide residential conditions remained muted and while the non-residential sector continues to struggle, there was an increase in reports of more stable conditions. There's more confidence in the future with the residential and non-residential sectors expected to strengthen in coming months. This is backed up with strong turnover, profitability and contract prices. High labour costs and materials continue to be Queensland's most significant constraint on the industry.



GREATER BRISBANE

Trading conditions in both the residential and non-residential sectors fell away after a strong end to 2017. This is expected to stabilise over the coming three months. The improved outlook is well-founded with turnover, profit, new contracts, contract prices and employee levels looking stable for nearly all respondents. The high cost of labour and materials continues to provide the greatest challenge.



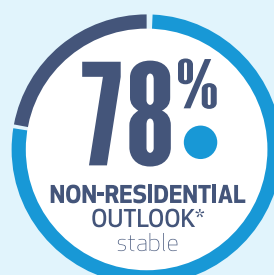
GOLD COAST

Both the residential and non-residential sectors struggled at the beginning of 2018. Looking forward, trading conditions are expected to stabilise with turnover, profitability, contract prices and staffing levels all expected to be stable. Labour and material costs remain the most pressing constraint affecting business.



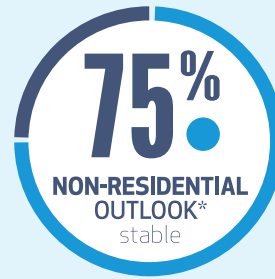
SUNSHINE COAST

While trading conditions for both the residential and non-residential sectors remained muted over the quarter, there's optimism for the future; optimism that's well-founded with turnover, profitability and new contracts all improving. The cost of labour and materials is the greatest challenge for businesses in the region.



DOWNNS & WESTERN

Respondents across both the residential and non-residential sectors reported a much improved start to the year with even further improvement expected over the coming three months. Stable turnover and contract prices are supporting good profit and employment levels. At the same time, rising labour and material costs are a critical constraint on businesses.



WIDE BAY BURNETT

Respondents reported a stable start to the New Year after a weak end to 2017 for both the residential and non-residential sectors. This is expected to continue into the coming three months with turnover, profitability and contracts all looking stable. The top constraint continues to be the high cost of labour and materials.



CENTRAL QUEENSLAND

While non-residential trading conditions remained stable, there was an improvement in residential conditions. This is expected to be short-lived with turnover, profitability and contracts all weakening. Difficulty in finding qualified staff, and high labour and material costs continue as significant constraints in the region.



MACKAY & WHITSUNDAY

While the region has been improving, the March results show weaker trading conditions for both the residential and non-residential sectors. There is more confidence in the future with conditions expected to be stable off the back of stable turnover, profitability and contract prices. Employment levels are on the rise, having the knock-on effect of making it more difficult to find qualified staff and contractors.



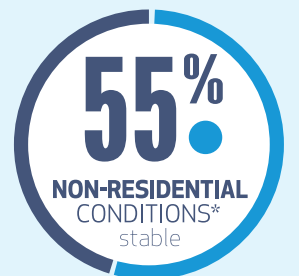
NORTH QUEENSLAND

While the region has been enjoying improved conditions, the March quarter returned a more muted result with an increase in both residential and non-residential sectors reporting weak conditions. This is expected to stabilise in the near future with turnover, profitability and contract prices all stable. The challenges caused by high labour and material costs are reaching a critical level.



FAR NORTH QUEENSLAND

Non-residential trading conditions stabilised over the March quarter, while residential conditions remained weak. Stable turnover, profitability and contract prices are expected to help trading conditions in both sectors to stabilise in the coming three months. The high cost of labour and materials is now a critical constraint acting on the region.



*percentage of total respondents

Hot topic ELECTRICITY CONNECTIONS

In response to ongoing reports of significant problems with electricity connections, this quarter's Hot Topic explored how often the delays are being experienced and the impact they are having on Queensland businesses.

Two out of three respondents (66 per cent) suffer through regular delays to their projects as a result of the length of time required to connect the electricity. A further 21 per cent experience occasional delays.

“Even a relatively simple builder’s pole can take up to 3 months to get connected. And getting them removed is even harder especially if the initial contact staff have changed.”

These delays are growing to the point that they are impacting on project costs. The costs added to a construction project vary, but are commonly in the order of \$1,000 to \$2,000. Some respondents reported that they were as high as \$5,000. This is due to the cost of hiring a generator, temporary builders’ pole and delayed settlement. The additional costs of wasted time are difficult to quantify.

Costs of this magnitude can wipe out the profit on a project. Or if added to the end price and passed onto the consumer, they may mean the project now is valued higher than what qualifies for a mortgage.

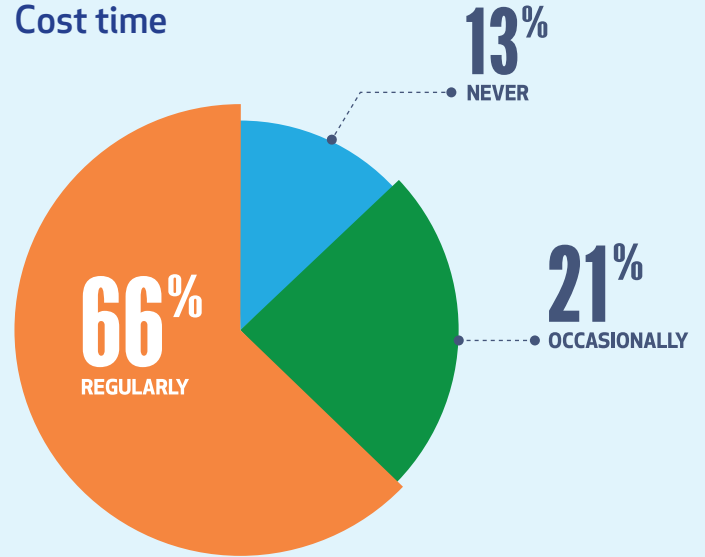
“It can be thousands in both lost time and lost opportunity. It is so frustrating.”

According to the survey, it did not matter which electricity retailer, the delays were reported to be common across all of them.

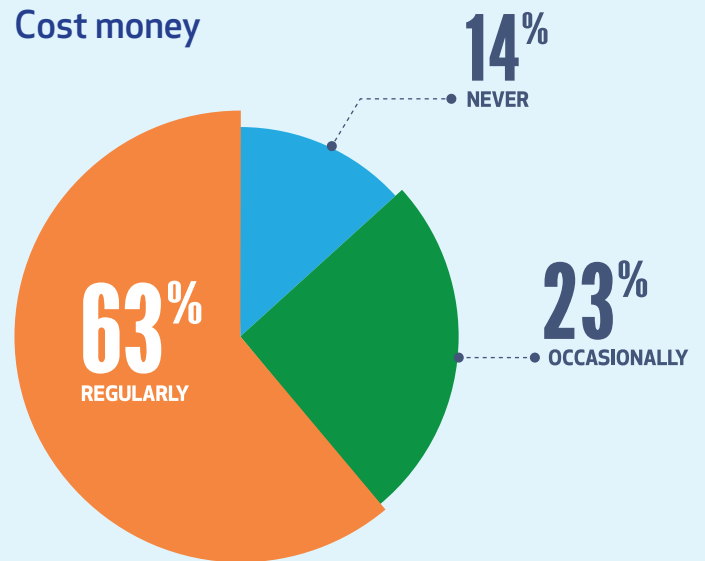
Longest wait

Since the roll out of the Federal Government’s “Power of Choice” program in late 2017, according to the respondents, the situation has only worsened. The Australia-wide program has reportedly increased the time, cost and complexity of the process.

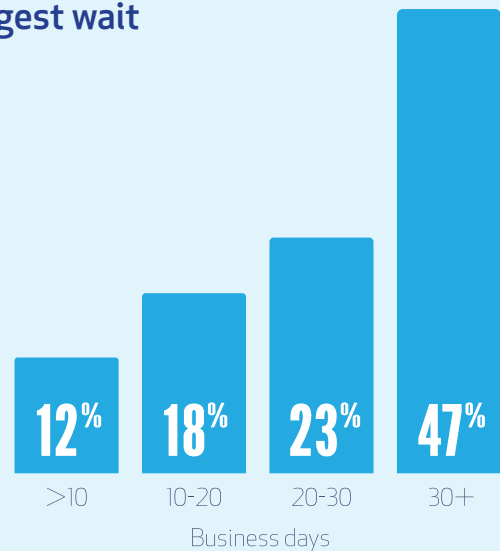
Cost time



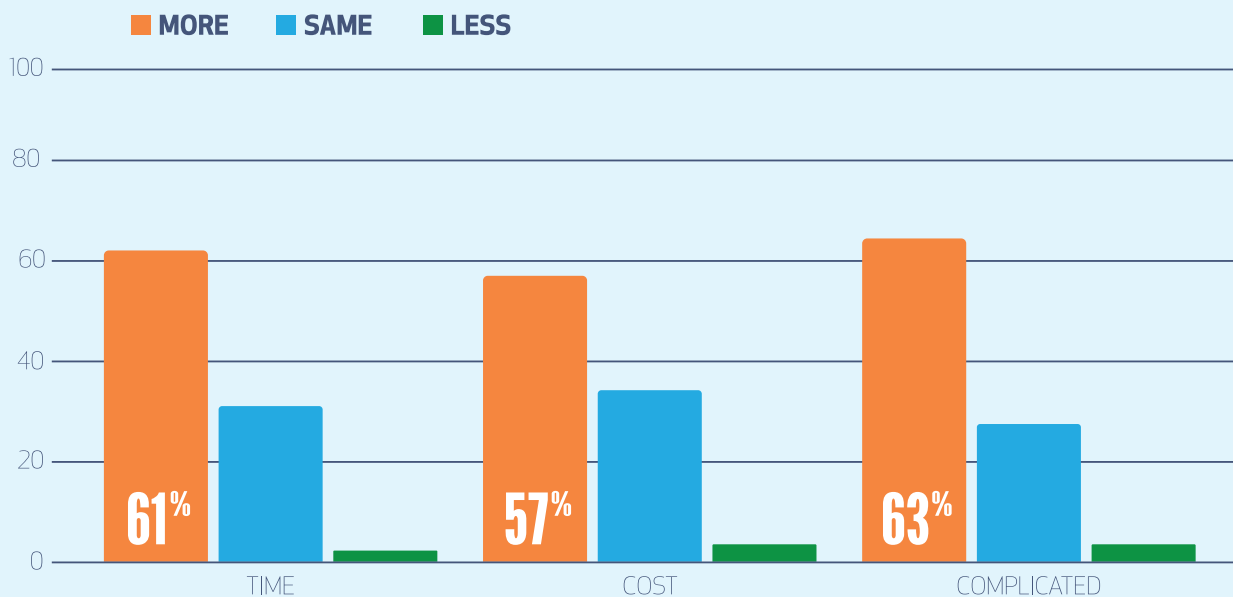
Cost money



Longest wait



Introduction of “Power of Choice”



Respondents were scathing of how the program works in practice.

“The retailer blames Energex or the electrician and vice versa. You spend weeks going round in circles. Energex completes the connection to a temporary pole, tapes up live wire in the back of the box and installs fuses. The retailer then shows up at a later date and installs the meter. This is an accident waiting to happen.”

“The idea that introducing another business unit into the power supply chain with the hope that it will bring down power prices is absurd. It’s just another business unit that needs to make a margin – at the consumer’s cost.”

“It is a complex process that takes ages and has a number of players involved. Clients don’t understand the process and that their selection of a retailer affects the whole process including the installation of the infrastructure required.”

The front-end administrative process of the retailers is also a source of frustration.

“There appears to be enormous communication problems between the agencies and providers. Unworkable. Get different advice every time you contact them.”

“No-one on the phone lines has any idea who to connect you through to. It’s a mess!”

“Minimum wait time to get through last week was 30 minutes – I have hung up after 45 minutes several times.”

“They are hopeless. Energex blames the retailer, the retailer blames Energex, even the sparkys can’t figure out what is going on.”

Members were also asked about problems with other utility connections. While they reported some concern with water, sewer and NBN in particular, it was not at the scale reported for electricity connections.