

Working together for better housing and sustainable communities: discussion paper

Master Builders commends the Government for adopting a broad and comprehensive approach to tackling the important issues of housing and sustainable communities. We are keen to work with the Government to deliver sustainable communities, affordable housing and a responsive housing system.

The building and construction industry is the cornerstone of the State's economy. It is the number one contributor to gross state product and one of the State's top employers. But the importance of the industry goes beyond numbers. Building contractors bring us the homes, workplaces, schools, hospitals and shops essential to our communities.

Builders have an obvious role in delivering housing and we share the Government's aspiration for better housing in sustainable Queensland communities.

In responding to the issues raised in the discussion paper we have focused specifically on the themes of Sustainable Communities and Housing Affordability. In summary, we believe that a successful Housing Strategy needs to encompass the following actions:

- Encourage support for new public infrastructure funding models, increasing targeted capital investment
- Work collaboratively to increase the industry's uptake of new materials and methods of construction, reducing completion times and driving down costs
- Enable building contractors to select products that are fit-for-purpose with ease and confidence by way of a comprehensive, transparent and rigorous product certification system
- Lift technical, managerial and contractual knowledge of licensed contractors through a scheme of continuing professional development and targeted action on identified problem areas
- Better manage risk in construction (liability cap, security of payment, contract administration) to support consumers to confidently invest in new housing
- Tackle the high cost of new housing, up to 20% of which can be due to government taxes, duties and charges. Tackling the inefficient, stamp duty is an obvious place to start
- Attract, recruit, develop and maintain a skilled workforce through effective and cooperative training and industrial relations systems
- Subject all proposed regulatory requirements to a rigorous cost-benefit analysis, and only introduce regulation that can be clearly demonstrated to have a significant net benefit to the community
- Continue to develop and evolve private sector delivery models for public housing
- Develop a consistent, streamlined approach to planning through a state-wide House Code.

THEME 1 SUSTAINABLE COMMUNITIES

Contribution of housing to sustainable communities

Successful, sustainable communities require infrastructure investment. They require housing that is well located in respect to transport, shops, schools and employment.

Our growing cities cannot afford the continued postponement of key infrastructure. The infrastructure challenges will only grow into the future. As major contractors look for new opportunities in the face of continued decline in resource investment now is the time to invest.

In the face of continued constraints on government revenues, more needs to be done to encourage support for new public infrastructure funding models, increasing targeted capital investment.

Innovative infrastructure funding models can unlock new investment and new opportunities. The UK City Deals model is a good example. Here future revenue is leveraged to fund catalytic infrastructure and unlock new development. It requires a partnership approach across all levels of government and the private sector. The Federal government has already backed this approach in pledging \$100M as a “City Deal” to help fund the Townsville Integrated Stadium and Entertainment Centre.

Prudent borrowing should also be considered for infrastructure investment with a high return. Expanding the use of privatisation to provide infrastructure that would not otherwise be possible must also be explored.

Protecting housing consumers – non conforming products

The prevalence of non-conforming products is a major concern. It is a threat to consumer safety and the long-term value of peoples’ homes. The risk is also stifling innovation.

Increasingly builders are finding non-conforming products that do not meet Australian standards. The breadth of the problem is staggering with dodgy products being found across most sectors.

More must be done to remove non-conforming products at the point of sale and to proactively identify and remove from our buildings non-conforming products that slip through the net.

We must enable building contractors to select products that are fit-for-purpose with ease and confidence by way of a comprehensive, transparent and rigorous product certification system.

Master Builders has been working towards a solution with an alliance of Queensland industry groups. Together we have developed the Queensland Proposal and are calling for a third party product certification system that is transparent, easy to navigate, covers all product types and extends to auditing, surveillance and enforcement.

It is a proposal to pull together the current patchwork system of assessment schemes into an overall product certification system that has a regulated framework, is better coordinated and is easier to assess the validity of compliance. This would then need to be supported by a strong enforcement regime so products found not to meet Australian regulatory requirements are quickly removed from sale and/or can be effectively located and recalled.

Protecting housing consumers – building professionals

Consumers are best protected through a professional industry that gets the job done right the first time. Regulation to protect housing consumers is at its most effective when it is front-loaded and focused on prevention.

This can be realised by fostering a more professional industry by way of on-going training and information sharing. A system of continuing professional development tied to the current licensing system should be implemented as a priority. The scheme should target technical, managerial and contractual knowledge of licensed contractors and should include directed action in identified problem areas.

Protecting housing consumers – builder liability

To increase consumer confidence in the construction process we need to support building contractors in managing their operations, risks and legal liabilities.

Currently contractors have no limits on their common law liability. They can be sued at any time for damages arising from a building failure. This often leaves them with little choice but to close up successful companies and start again anew. Consumers need to have a recourse in cases where things go wrong but this needs to have limits if we are to foster a stable industry with a long-term focus. The builders' liability for latent defects, under the common law of negligence must be capped at 10 years.

Security of payment is also important in maintaining trust and confidence in the construction process. All parties in the building chain need to be confident that they will be paid what is owed. Controls and protections for one party cannot be introduced at the cost of another, nor hinder the efficient delivery of new construction. Solutions to this problem must therefore be all-inclusive and start with the owner.

The state government should be leading the way in its own contracting and set the example. It has an obligation to serve as a role model in fair and efficient project delivery. The government should therefore look to improve the performance of its own contract administration with the aim of being a model client for fair contracts and fair practices, improving outcomes for all parties in the contractual chain. The government should similarly look at adopting a Documentation Code under the Queensland Development Code to improve the quality of project documentation.

THEME 2 HOUSING AFFORDABILITY

Master Builders regularly surveys members on the impact of housing affordability. In the most recent survey results, two thirds of respondents reported that the affordability of new housing was negatively impacting demand. We can also see from the building approval and housing finance statistics that while state-wide, the demand for new housing construction has risen, much of this demand is being driven by investors. There has been little growth in demand by owner occupiers. Just over a tenth of the money loaned for housing goes toward the construction of new dwellings. This leaves those who are seeking to buy their own home to compete over established housing, bidding up prices and further decreasing affordability.

Builders are responding to the affordability challenge by squeezing margins, often to unsustainable levels. We need to find new ways to drive down or at least contain the cost of new construction. More needs to be done to shift housing investment in favour of new construction.

Providing more affordable housing - innovation

To continue to deliver the homes that our communities need we must be equipped for future challenges.

In meeting these challenges a culture of innovation is important to contain building costs and ensure quality. The industry has already shown capacity to adapt housing products to meet the changing needs of Queenslanders. Recently there has been a massive shift in demand in favour of new unit development.

More must be achieved however. We must work collaboratively to increase the adoption of new, cost-effective construction materials and methodologies. This is inherently risky and can involve significant up-front costs. It is particularly a challenge for Queensland industry that consists mainly of small businesses.

The CSIRO has an urban innovation program that works to equip urban centres for current and future challenges. Bringing their Urban Living Lab model of 'urban innovation zone' to Queensland would create the space and build the partnerships to enable this essential learning to take place in Queensland and focus on the challenges important to Queensland.

Providing more affordable housing – government costs

Government needs to look to the role it plays in eroding affordability by adding to the cost of new construction. A report by Urbis (2011) found that anywhere between 14 and 22 percent of the cost of a new home can be due to government taxes, duties and charges.

The Queensland government can start by ending the 'double-dip' on transfer duty (stamp duty) arrangements for new residential development.

In the case of a 'house and land' package the builder needs to buy the land and pay stamp duty. They then build the house and when their customer purchases the completed 'house and land' package they pay stamp duty again - this time on the total cost of the house and land. If they were to buy the land and then contract a builder separately, they would only have to pay stamp duty once on the land. There would be no stamp duty due on the cost of construction.

This double-dip in stamp duty for 'house and land' packages is an additional \$16,000 on an average \$500,000 project. This often makes them unviable.

Providing more affordable housing – labour costs

The cost and availability of labour is another barrier in the delivery of affordable housing. Being able to attract, recruit, develop and maintain a skilled workforce is fundamental to the growth and productivity of our industry. Unless future demand is met for suitably qualified and experienced staff, the skills shortfall will result in even greater housing affordability pressures.

We need to promote the industry and demonstrate the positive aspects of pursuing a career in the industry. Developing clear career paths with a focus on life time learning and continuous professional development is central to this goal. Develop a training system that provides a career pathway through quality training, transferrable skills and core qualifications.

At the same we need to address the disruptive effect the building and construction industry unions have on workplaces, stifling productivity and in some cases adding up to 30% to the cost of building. To improve affordability, we need an industrial relations system that encourages and protects bargaining, delivers fair outcomes for employees while offering certainty and protection for employers. The 'rule of law' must serve as the bedrock of this system. It is time to foster a working relationship between building unions and the industry, developing areas of common ground to improve the working lives of everyone in the industry.

Sustainable housing practices to improve affordability

The industry recognises the benefits and importance of sustainable housing and works to deliver sustainable communities. We also acknowledge that there have been efforts to adopt Livable Housing design.

In order to realise this goal, the government must be practical in regulating the industry. New regulatory requirements which appear sensible on the surface can have prohibitive cost implications. Of particular concern to Master Builders are regulatory requirements for energy efficiency and Livable Housing design that do not take the context of the building site into consideration.

It is important that any such changes are fully-costed before being implemented. All proposed regulatory requirements should be subjected to a rigorous cost-benefit analysis, and new regulation should only be introduced when it can be clearly demonstrated to deliver a significant net benefit to the community.

Partnerships in providing public housing

The industry's enthusiastic response to the Department's public housing development opportunities program is evidence of its willingness to work in partnership with government. For the private sector, such programs can help to smooth the damaging swings of under and over demand. For government, the value lies in being able to tap the relative efficiency of the private sector.

These benefits can only be realised in programs that are genuinely approached as a partnership. A public program that is simply transferred to the private sector will always be an awkward fit and unlikely to realise its full potential.

It is important therefore to capture to lessons learned in each program to better align the objectives and realities of both the private and government sectors, improving cooperation and better employing the relative strengths of each sector.

Role of local government

Housing affordability can be significantly improved through a consistent approach to planning. Streamlining and simplifying the development approval process will free up builders to get on with delivering new supply.

While Queensland has new planning legislation, the benefits of this new legislation will only be realised in the implementation. In particular, the implementation by local government.

Local government needs to place greater reliance on code-based planning assessment. We strongly support the development, and adoption by all councils, of a Housing Code under the Queensland Development Code. A single, state-wide code addressing appropriate use, building bulk, form and setbacks will deliver significant efficiencies, while still ensuring new development meets community expectations.

The Government should also look at rewarding best practice performance in planning assessment and housing-related services, such as realistic land release and in-fill development plans. This could be achieved by way of payments to higher-performing local governments based on national competition policy principles. In addition to rewarding effective councils, implementing a payment system would serve to facilitate the identification and sharing of best practice processes.

As with sustainable housing it is important what any well-meaning ideas for improving the affordability of housing, such as inclusionary zoning, undergo a full cost benefit analysis prior to their adoption. It is not good enough to simply transfer whole of community costs onto one segment of the community.

CONCLUSION

If we are to realise the goal of more affordable housing in sustainable communities we need to tackle the challenges of low demand for new construction, high costs, and the high risks of doing business. While these challenges are complex and multi-faceted, we believe that taking action in the areas outlined above will deliver immediate and significant benefits for both our industry and the Queensland economy more broadly.

The Queensland building and construction industry is keen to work with the Government in tackling these important issues.