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Hon Anastacia Palaszczuk MP
Premier and Minister for the Olympics
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Dear Premier

Housing Summit: Delivery risk as building industry tied up in red tape

Master Builders congratulates you on the Housing Summit and the steps your Government is taking to address the housing crisis in Queensland.

Master Builders strongly supports the calls for measures to improve land supply and (gently) increase density. Improved land supply, increased investment in social and affordable housing and a state-wide, mandatory Housing Code will all be important initiatives to come out of the Summit.

However, to deliver on the promise of more housing for Queenslanders the major regulatory issues facing the building industry must also be addressed.

Queensland's builders are working with one arm tied behind their back, with inappropriate regulation hampering their ability to deliver the much-needed housing. Regulation is adding cost to new construction and not producing a corresponding benefit for home owners or subbies.

We are calling for a commitment from your Government to address the burdens placed on new construction in this State. We want the initiatives coming out of the Housing Summit to work, but we need to end the unnecessary red tape tying up new construction.

National Construction Code transitions

The significant National Construction Code (NCC) changes for accessible housing and energy efficiency have been announced to commence in Queensland on 1 October 2023. There is no uniformity across the states and territories in the adoption of these provisions, some pushing out the start date to 2025 and others not adopting at all.

Concerns have been raised that industry will be unable to meet the unrealistic Queensland start date and that housing costs and delays will increase if more time is not given. Last week we saw one of the nation's largest home builders, Metricon, call out the insufficient transition for change.

The software tools to determine design changes to meet 7 star energy efficiency are simply not yet available and we are yet to receive clarity on several key elements of the accessibility changes. Home designs cannot yet be updated with certainty until these are available. That certainty is not expected until next year.

For volume builders in particular, the timeframes are unachievable as designs must be finalised across hundreds of plans, costed, new material orders placed, and teams trained. This process takes over a year, from the time the changes can be known with certainty.

On accessibility changes, many new developments in Southeast Queensland involve narrow, small lots. Builders and developers are telling us they can't meet accessible housing requirements and provide the same number of dwellings or bedrooms. We need more time to work out sensible solutions to these challenges.

A transition until at least October 2024 is needed for the accessible housing and energy efficiency changes in the NCC.

Project trust accounts

Queensland has legislated an expensive and complicated trust account framework that does not provide the protection that was intended.

It was reported in the Australian Financial Review earlier this week that John Murray AM, the author of the 'Murray Review of Security of Payment Laws in Australia', agreed the Queensland project trust account regime was too complex and burdensome, noting the legislation has made it virtually impossible for many contractors to comply.

To date, larger builders have been subject to project trust account requirements for contracts over \$10 million and government projects over \$1 million. Despite the scale of contracts and the builders involved, we understand that the QBCC has still detected technical non-compliance in every project it has audited. Yet subcontractors are being paid on these projects.

It is estimated project trust accounts add approximately 3 per cent of the contract value to a project due to the additional administrative burden without any proven benefit. The cost benefit analysis undertaken back in 2016 to justify the framework was deeply flawed and there is no rational basis for the complex system we have, let alone for it to apply to lower-value contracts.

With project trust accounts due to roll out on non-government projects over \$3 million from 1 April 2023 and \$1 million from 1 October 2023, builders are facing enormous stress. The system is just too complex and smaller builders will struggle to understand the obligations, let alone manage the cost of compliance.

We ask the Government does not roll out project trust accounts to lower-value projects in 2023 in light of the disastrous impact on builders. Small businesses in the building sector should not be required to comply with such complex, costly and cumbersome obligations.

Minimum financial requirements

Queensland builders and subcontractors also face a costly and complex minimum financial requirements (MFR) regime including a requirement for accounting reports that cost thousands to

prepare. The MFR framework is more burdensome than every other state and territory in Australia and has not delivered any corresponding additional benefit to Queensland businesses.

MFR reporting requirements also serve as a barrier for skilled workers looking to establish themselves as a trade contractor or builder in Queensland. At a time when skilled labour is in critical demand, we need to clear these barriers.

In summary, Master Builders is calling for a sensible regulatory framework for the building industry including a longer transition for NCC changes, a halt to the rollout of the project trust account framework and clear the barriers caused by MFRs.

By making these sensible changes to the regulatory environment for Queensland's builders, they will be better placed to get on with the job of delivering the housing that Queenslanders need.

Regards,

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CEO

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