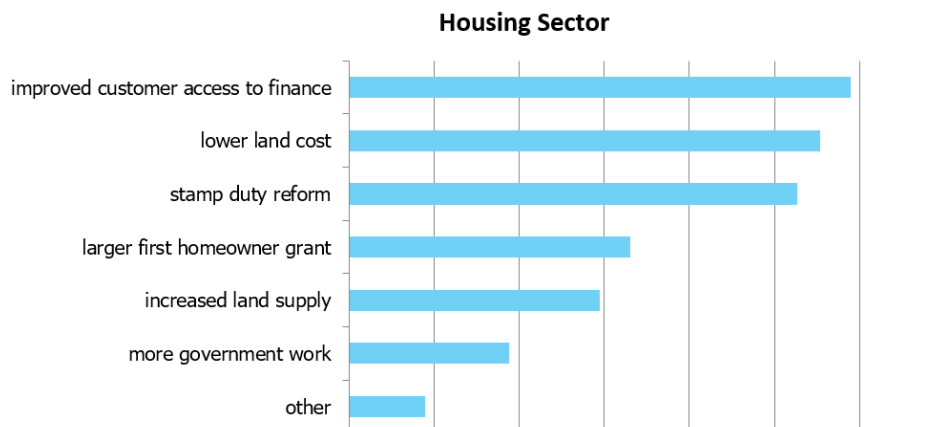


POLICY AGENDA 2019

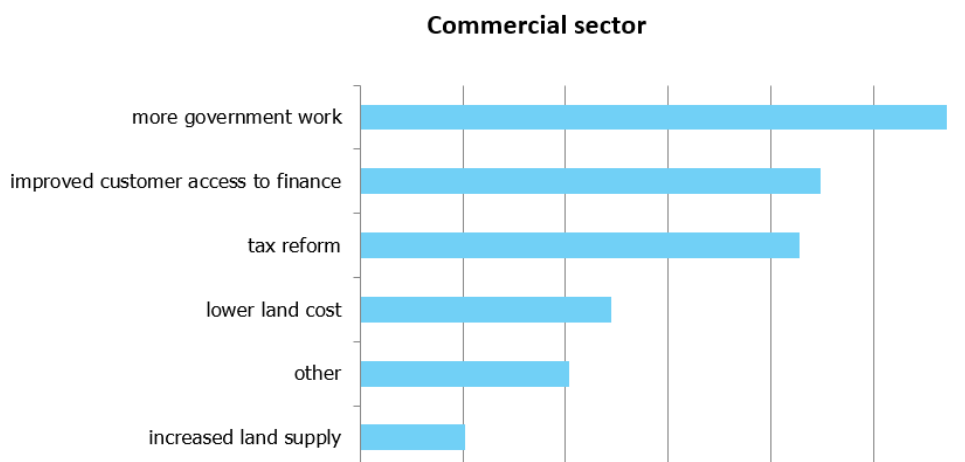
Increase Demand

The number one limit on the demand for new housing is customer access to finance. Recent moves by the Australian Prudential Regulation Authority (APRA) to tighten the rules around lending practices and a more conservative approach taken by the banks in the face of the Royal Commission, have put the brakes on new home lending. In some areas it is also difficult for loan valuations to stack up against construction costs.

Respondents called for "more help for first home buyers" and reductions in the local government infrastructure charges to help bridge the gap.



To increase demand in the commercial sector, more government building work is the number one ask. According to Australian Bureau of Statistics government spending on new buildings, while up over the past year, continues at a historic low.

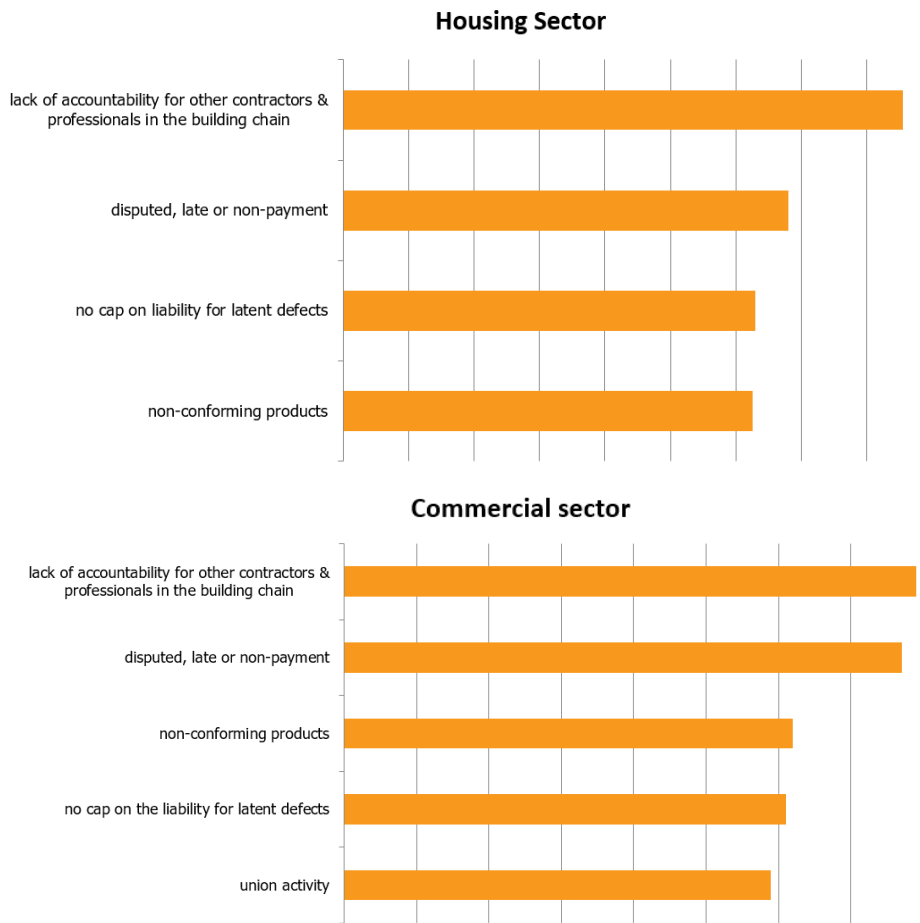


Risks to Construction and Businesses

When it comes to risks to construction and business, the lack of accountability for other contractors and professionals in the building chain was a significant concern across both the Housing and Commercial sectors.

“The responsibility needs to be spread through the industry.”

“Contractors should be held accountable for their works. They are protected under new payment legislation however builders seem to be held responsible for them and their workmanship.”



Role of the QBCC in sub-contractor accountability

The QBCC was singled out for its role in sub-contractor accountability. “They are licenced by QBCC so they should also be held accountable to the QBCC.”

Respondents felt that builders should have recourse through the QBCC against licenced sub-contractors. “The trade licence’s record should reflect any action taken against them, the same as licenced builders have.” The QBCC needs to go “directly to them, without also bringing the builder down too if they have done all the right things.”

“At the moment all trades know they can perform poor workmanship, not be held accountable and demand payment or lodge a money owed complaint.”

Many builders claimed that they can no longer have a dispute with a sub-contractor, regardless of the circumstances. “They try to tarnish your record by improperly accusing you of non-payment and reporting you to the QBCC, when what has happened is they have produced substandard work.” “The QBCC are now either ignoring or are simply unaware of the increasing illegal practices of sub-contractors. They have created an environment where a builder will no longer report sub-contractors for bad practices out of fear of being audited.”

QBCC Enforcement

In addition to concerns, as to how the QBCC should approach allegations of sub-standard work by sub-contractors, addressed above, respondents also had the following feedback for how the QBCC undertakes its enforcement role.

There should be a “higher focus on past performance” and less reliance on arbitrary and bureaucratic enforcement. Instead of this one size fits all approach, there should be an “individual assessment of companies”

“QBCC needs to do more than ‘take the money’, they need to be in touch with their builder licensees without being overbearing and let’s drop the big stick and license the right people in the first place.” “Ensure people with licenses know what they are doing and are doing the right thing so they don’t drag down the industry with cheap prices doing dodgy work.”

Many are also avoiding tax through cash payment and unlicensed contracting. “It is the worst I’ve ever seen and I’ve been in the building industry since the 70s.” Efforts to report it to the QBCC have proved fruitless. “I’ve tried to report this to the QBCC several times but have been told on each occasion to fill out a complaints form. They don’t understand the fraud I’m trying to report. By now, I would have had to fill out 100s of forms.” “We need support from the QBCC to stop unlicensed trades working in the inspection field.”

It was suggested that the QBCC take a very serious look at the internet trade services websites like Hi Pages, Tradecritic, Gumtree trade services etc. “They are a very convenient and surreptitious way for unlicensed subcontractors to operate completely undetected. These people now thrive because of these new internet ‘trade services’ organisations. Often if I do a licence search, they either don’t exist or the details are completely different to the information they have given me. They lie about the licence class they have. When I query their lack of licence, the standard responses are “we don’t do work for builders” or “I’m now too busy”. Sometimes they are appear to be unaware of the requirement of a licence. If I happen to get these ‘subbies’ to my building project to inspect and quote, they regularly and quite openly offer me discount deals for cash up front. Sometimes when I reject this, they try get my client’s details to broker deals directly with them. Other subcontractors continue to pyramid ‘lend’ their licences out to them.”

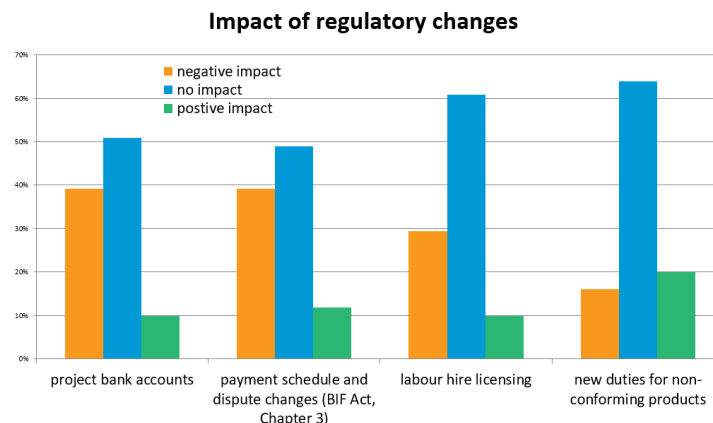
Respondents were supportive of efforts to tighten the minimum financial requirements. “It is appropriate for the QBCC to have much stricter scrutiny of builders’ financial health.” “The relaxing of giving financial health checks to three years from one year was just plain irresponsible. Isn’t it a good idea for a builder to be told by his accountant that he doesn’t make the liquidity ratio?”

For many respondents, the QBCC is not regarded as a fair arbitrator in disputes. They are seen as biased towards the consumer. We need a body independent from the QBCC for disputes.” “The QBCC should be a better representative of licensees.” “Enforcement is often overhanded by the QBCC.”

Similarly, the QBCC “should be assisting the majority of licence holders not the minority; small builders not large companies”.

Regulatory Changes

The recent changes brought in with the Building Industry Fairness Act are having the most significant negative impact on the industry.



There is a perception that the whole industry is being made to suffer for a few “cowboys”. “There needs to be a more balanced approach by government.”

“There should have been more builder consultation on Project Bank Accounts and the BCIPA changes to make it fairer for all.”

Respondents see the government as having introduced “blanket” control systems targeting larger builders, both commercial and project home builders. “As a small builder I am now so completely buried in compliance systems and requirements that it has made my business untenable. I simply cannot run a sustainable business as a one man practitioner as I have done so for 30 years.”

Protections for builders should have also be included, such as measures to make developers and homeowners more accountable to make payments on time. “They have no accountability and there is no risk for them. They can burn the builder and walk away.” “There needs to be government licencing of the developers to ensure they have the financial capacity and credentials to take on the role of principle.”

“Increased power for the builder to enforce payment of claims within contract terms and review of progress claim frequency on multi-unit construction in order to improve cash flow requirements.”

“Builders’ retention and dispute funds should be placed into trust accounts the same as subcontractors.”

Overall our industry needs “less government changes”. Our industry “requires some level heads”. “Government is always reactive. We have more regulations and too many bureaucrats who have no feel for the industry and the person on the ground”. “How many other industries are subjected to the changes and regulation of our industry?”

Red Tape

Respondents expressed concern that the growing regulatory requirements are increasingly making projects unfeasible. There was a call to “review legislation to reduce the cost of building” and “reduce the cost of doing business”. “Less paperwork!!”

It was suggested that this could be achieved in part by faster, better and cheaper town planning and development approval processes. Specifically it was suggested to reduce “the overlays and local government requirements for bushfire, flood, security deposits etc. and to remove the secondary dwelling approval process.”

Licensing & Training

There needs to be more comprehensive training for apprentices. “Better training of apprentices and all training providers regulated properly on how they treat apprentices”. “Start by all apprentices going back to college”. “Apprentices actually learning appropriate work and being competent at their trade.”

Some respondents felt that the licencing regime should be expanded to include flooring specialists such as vinyl, carpet, timber floors etc. While others felt that the licence classes for subcontractors should be reduced. As discussed above, many would like to see a licence for principals and developers (Regulatory Changes).

The transition from low rise to medium rise licence should made easier and there should be a review of the system to ensure that the smaller builders can compete.

Many were in favour of the \$3,300 threshold for licensed work to be reduced to nil to eliminate the ‘handyman’ doing building work. “Reducing threshold to \$zero would force ‘fly-by-nighters’ to either invest in their craft or choose a different career.”

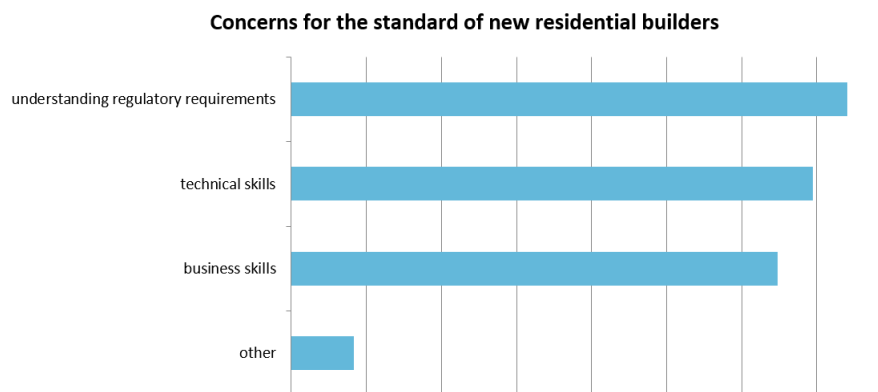
It was recommended to reduce the number of licences being handed out. “The industry is flooded with new comers which is having the effect of a ‘race to the bottom’.”

There needs to be more training and information in rural areas and more support for mature age apprentices.

Standard of new residential builders

The majority of respondents have concerns for the standard of new residential builders in our industry. "It's too easy for new builders to get a license."

"Today more than ever builders need to have a much better understanding of all the elements of construction not just the trade that they come from. Their reliance on the skill of their sub-contractors is oft times misguided."



A solution was seen in addressing QBCC's license process. "QBCC needs to put value back into building licenses by doing due diligence prior to licensing any person or entity."

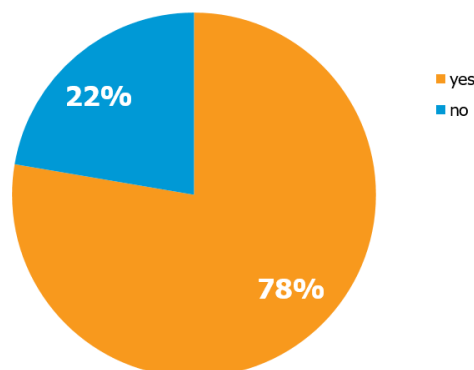
"What about a back to basics exam on the general building knowledge of a builder license applicant. It might show more than just knowledge, may show who actually has pride in what they do."

"The QBCC should get a bank guarantee from new builders of say \$20,000, but then that is paid back to the builder over a four year period."

Continuing Professional Development

A system of ongoing training was seen as important across both the Housing and Construction sectors. "There should be a points system to keep your license. Each builder would have to complete courses that would accrue points towards their license." "All non-compliant contractors undertake accreditation to improve industry standards."

System of ongoing training and development (CPD) to raise standards in our industry



Banks & Owners

There needs to be a better understanding from banks as to how builders need to have progress claims approved. "Method B: Designated Stage Payment" is not widely recognised as a valid method for reflecting the timing of construction costs on certain projects. "Not all jobs can work with a standard progress claim schedule (deposit, base, frame, enclosed, fit off and completion)." "Banks needs to be more open on approving client/developers loans on a trade summary basis."

There should be an obligation put on owners and developers to produce a contract funding plan for each project signed off for accuracy by a chartered accountant. Alternatively, Master Builders head contracts should force an owner or developer to provide higher levels of security of funding. This is in addition to the recommendation that there is a mandatory license for developers as discussed above [Regulatory Changes].

There is value in further education on what Master Builders means to consumers and why they should invest with Master Builders, also awareness of the work they want done and the value they can expect. "They expect a Roll's Royce job with a push bike budget."

Tendering, Quotations & Project Documentation

Respondents felt that a review of the government tendering system, especially for minor and medium sized works was warranted. "Massive time waste in the preparation of supporting documentation that surely should only be provided by the successful, or perhaps the three most competitive tenderers."

The government's procurement also needs to include a "real regional local content policy, benefitting real regional industries growth that affords the opportunities to train and retain talent in regional areas". "We need to maintain and grow actual skills that are retained in the Construction community so that we can always keep an affordable workforce local to the community that they will work and live in."

All project documentation needs to come with proper details and scope of works. This is especially the case for tender documentation. "It needs to be improved, to include better prepared plans and a bill of quantities."

There should be government approved construction contracts rather than the multitude of one sided, lawyer altered contracts.

Some respondents would like to see an end to "design and construct" procurement, with a move back to traditional procurement for buildings. There also needs to be "realistic time frames for a quality project delivery".

In the Commercial sector, there were respondents who would like to see paid tendering, and in the Housing sector an ability to charge for quoting, "to deter so many time wasters".

Other issues - Housing Sector

Other issues raised by respondents working the commercial sector included:

- sub-contractors need to be able to manage their paperwork better, for example Workplace Health and Safety requirements, contracts etc;
- better relationships with water providers, Councils etc;
- promote a greater use of sustainable materials and improved energy efficiency;
- business grants for innovative builders and renovators;
- better access to one stop certification - building/ plumbing/ etc;
- more incentives for employing people;
- standards for advertising new home prices with "no more starting prices advertised excluding site specific costs in the case of house and land packages";
- simple and inexpensive way for subcontractors to get paid by builders who are not paying their accounts; and
- an easier system for hiring of trades and labour, especially on small jobs.

Other issues - Commercial Sector

Other issues raised by respondents working the commercial sector included:

- access to more information regarding changes to Personal Protection Equipment (PPE) requirements;
- reasonable wage rates and less union intervention;
- lower company tax rate; and
- removal of the requirement for smaller sub-contractors to hold an ABN.