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Mr Mike Kaiser
Director General
Department of State Development, Infrastructure, Local Government and Planning
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Dear Mike

Housing Roundtable: proposed agenda items

Thank you for the opportunity to continue to engage with the work of the Summit and the invitation to provide input to the agenda for the upcoming Housing Roundtable.

Master Builders sees the Roundtable as an opportunity to both help to further advance the key actions identified in the Queensland Housing Summit Outcomes Report (Outcomes Report) and to capture those opportunities which have been missed.

It is particularly important to retain focus on housing delivery in light of two recent reports:

- CommSec State of the States January 2023, which identified Queensland in decline in the economic indicators of construction work, housing finance and dwelling starts
- Productivity Commission Report on Government Services 2022 which found Queensland spends the least on social housing services nationally per capita, combined with a decrease in capital expenditure on housing.

Recent construction cost data released by the ABS in January 2023 also shows costs are still rising, with the cost to build a home in Queensland increasing more than other jurisdictions – the cost to build a home in Queensland increased by 18 per cent over the last 12 months and a massive 42 per cent over the past three years.

Master Builders proposes the following three agenda items for the Roundtable:

1. Queensland Housing Code
2. Regulatory settings hampering housing delivery and increasing the cost of housing
3. Innovative funding and delivery to construct more housing

These are explained in detail below.

1. Queensland Housing Code

In the Outcomes Report the Government undertook to “progress a suite of planning measures to further encourage increased housing supply” and identified areas for further work to “examine opportunities to better support housing diversity and affordability through a Queensland Housing Code”.

A state-wide, mandatory Housing Code will be an important initiative to come out of the Summit.

The Code would introduce consistent siting requirements for new housing across the State by reflecting current accepted boundary setbacks for detached housing, duplexes and medium density development. It will remove unnecessary delays and complexity in the planning approvals for new housing and allow for economies of scale.

A lot of work has already been done towards the Code, revisiting it at the Roundtable could provide the focus needed to get this important work completed and implemented.

2. Regulatory settings hampering housing delivery and increasing the cost of housing

The Outcomes Report sought to detail the barriers to supply and the opportunities to address those barriers. Builders are at the coal face of housing supply and experience the barriers firsthand.

Currently, Queensland’s builders are working with one arm tied behind their back, with inappropriate regulation hampering their ability to deliver much-needed housing. This over-regulation is adding cost to new construction and not producing a sufficient corresponding benefit for homeowners or subcontractors. The combination of over-regulation with existing time and cost pressures is too much, causing some builders and trade contractors to leave the sector.

For the Housing Summit to realise the goal of more housing supply, we need to reduce the unnecessary red tape tying up new construction. This is a key opportunity that was missed in the Outcomes Report.

The Roundtable should therefore consider these in more detail, specifically:

- *National Construction Code changes increasing cost of housing*
National Construction Code (NCC) changes taking effect from October 2023 to add accessibility and 7-star requirements to new housing will add to the complexity and cost of new housing. It will also lead to delays as designs need to be amended and new supply chains need to be put in place.

The governments’ own cost benefit analyses undertaken demonstrated that the costs of these changes outweigh potential benefits.

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.

While the homes delivered by volume builders are typically not social or affordable housing, the impact cannot be ignored as without a strong supply of new housing more people renting, reduce the availability of accommodation and increase its cost.

The Housing Roundtable should therefore consider a more realistic transition timeframe with a start date not before October 2024.

Further, density was a key topic discussed at the initial Housing Summit. However, the NCC 2022 changes will hinder the ability to achieve 'gentle density'. Many new developments in southeast Queensland involve narrow, small and steep lots. Builders and developers are telling us they cannot meet accessible housing requirements and provide the same number of dwellings or bedrooms.

The Housing Roundtable should therefore consider Queensland Development Code exemptions for narrow, small and steep lots to enable higher density housing.

The Housing Roundtable should also consider how the governance of the NCC ensures robust, evidence based changes, starting with an exemption for the new requirements for bathroom floors.

The NCC changes (taking effect from 1 May 2023) adding new requirements for bathroom floors are expected to add thousands to the cost of new homes without a supporting cost benefit analysis. The Australian Building Codes Board (ABCB) technical committee recommended against this change and yet the Board still decided to proceed without any consideration of the impacts.

This is an example of how the NCC decision-making process is broken and not based on evidence, technical analysis or cost benefit analysis outcomes. This must be rectified in order for affordable housing to be feasible.

- *Project trust accounts*

Queensland has legislated an expensive and complicated trust account framework that does not provide the protection that was intended. It is estimated project trust accounts add approximately 3 per cent of the contract value to a project due to the additional administrative burden including audit requirements, without any proven benefit.

The regime in Queensland is entirely different to any scheme adopted elsewhere and is not what was recommended in the "Review of Security Payment Laws" (Murray Report). Many experts have identified the system as unworkable.

If trust account requirements are extended to smaller housing projects (such as triplexes and small unit complexes), the pool of available builders can be expected to shrink further due to the administrative burden.

The Roundtable agenda should consider the impact on housing supply and whether the trust account regime should be repealed or at least not be extended beyond its current application (for non-government projects over \$10 million and government projects over \$1 million).

- *Minimum financial requirements (MFR)*

Queensland builders and subcontractors face a costly and complex minimum financial requirements (MFR) and annual reporting regime including a requirement for accounting reports that cost thousands to prepare. The MFR framework is more burdensome than the financial requirements in other jurisdictions and has not delivered any 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 reasonable requirements that are not overly onerous.

The Roundtable agenda should consider whether MFR regulation should be repealed. Failing that the framework must be simplified with a reduced cost of compliance.

- *Streamlined licensing approvals to facilitate new qualified trades*

Mutual recognition laws are not working effectively – they do not apply to company licensees, and individuals not required to be licensed in their home State cannot benefit. On top of this, Queensland licensing requirements do not recognise older qualifications. Accordingly, critical trades needed in Queensland, such as brick and blocklayers, are unable to easily come and work in Queensland to subcontract for a head contractor. Confusingly, unlicensed trades may work for a licensed subcontractor of the same trade, but not a licensed builder.

The Roundtable should consider a solution whereby qualified subcontractors from interstate (e.g. with minimum 2 years experience in the trade and a certificate qualification) can come to Queensland and lawfully work for a head contractor for a short period (e.g. 6 – 12 months) on a ‘temporary licence’ arrangement. In this scenario, the subcontracting trade would not be able to contract directly with consumers, only to a licensed head contractor for a limited period.

3. Innovative funding and delivery to construct more housing

The Roundtable should also consider innovative models to fund the construction of more housing. For example, Government projects could achieve more efficient delivery of housing by adding new housing construction into the scope of suitable government projects, to be utilised for social or affordable housing. Also, worker accommodation for major projects could be relocatable housing suitable for social / affordable housing in any region on completion of the project.

Coordinated tendering requirements for social and affordable housing projects would also assist in delivery.

The Housing Roundtable is an important opportunity to continue the work of the Housing Summit.

Master Builders is firmly of the view that including the Queensland Housing Code, regulatory settings and innovative funding and delivery models as part of the agenda for the Roundtable will give us a chance to clear some of the barriers to housing supply. A few sensible changes will better place Queensland's builders to get on with the job of delivering the housing that Queenslanders need.

Regards,

Paul Bidwell
CEO