



2022-2023 PRE-BUDGET SUBMISSION

**HOME
OWNERSHIP
MATTERS**

AUSTRALIA'S HOUSING FACTS



There are **over one million** people directly engaged in residential building

Source: HIA Economics



Annual value of residential building work – **\$108.1 billion**

Source: ABS National Accounts



Housing affordability is a top three concern, after cost of living and healthcare and ageing

Source: National poll of 1500 Australians on Housing Issues, JWS Research, December 2018



of renters aspire to own



feel they will achieve it

Source: National poll of 1500 Australians on Housing Issues, JWS Research, December 2018



EXECUTIVE SUMMARY

There is an exceptionally high level of residential building underway and the pipeline implies that a high level of activity will be sustained throughout 2022.

The number of new homes that commenced in 2021 was comparable to the all-time high recorded in 2016. Yet this cycle differs from the 2016 cycle in that activity is driven by a record volume of detached house construction which is geographically dispersed rather than a boom in capital city apartment construction.

This spike in demand for new homes has exacerbated many of the supply side issues that have perpetually challenged the industry. Disruptions to international supply chains and domestic and international freight have presented additional challenges. The industry is set to face further challenges in 2022 as substantial changes to the National Construction Code are scheduled to be adopted.

Changes in consumer spending patterns in response to COVID related restrictions, newfound ability to work from home, supported by fiscal and monetary policy settings has revealed Australia's underlying demand for housing. People have sought more 'breathing room' with some households seeking larger homes, others moving out of cities to regional areas while others reduced the number of people in the household and created new households.

This has been a marked shift in the housing market dynamics during COVID. Vacancy rates remain low despite the halt to overseas migration and high level of home building. The Australian government should take a leading role in reviewing the nation's housing supply strategies taking account of these changes.

Housing affordability has deteriorated further over recent years which is the enduring legacy of the past policy failures that have impeded the efficient supply of housing over several decades. The Australian government must have the ambition to set the country on a path to make sustained improvements in housing affordability and ensure that home ownership is an attainable aspiration for all Australians. This submission presents a series of recommendations that would enable the Australian government to correct these past failures.

In order to supply Australians with the housing they need, the housing industry requires an appropriate supply of land for housing, reform to inefficient taxes, equitable access to capital, a well trained workforce and an efficient supply chain.

THE HOUSING INDUSTRY REQUIRES AN APPROPRIATE SUPPLY OF LAND FOR HOUSING

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CONTRIBUTING OVER \$100 BILLION PER ANNUM, THE RESIDENTIAL BUILDING INDUSTRY EMPLOYS OVER ONE MILLION PEOPLE

ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering on average more than 170,000 new homes each year through the construction of new housing estates, detached homes, low and medium-density housing developments, apartment buildings and completing renovations on Australia's 10 million existing homes.

HIA members comprise a diverse mix of companies, including large builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year, building product manufacturers and suppliers, and businesses providing professional and allied services.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into the manufacturing, supply and retail sectors.

Contributing over \$100 billion per annum and accounting for 6.9 per cent of Gross Domestic Product, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 200,000 subcontractors reliant on the industry for their livelihood.

The association operates offices in 22 centres around the nation providing a wide range of advocacy, business support services and products for members, including legal, technical, planning, workplace health and safety and business compliance advice, along with training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.



1 INDUSTRY OUTLOOK

Demand for residential building was exceptionally strong throughout 2021 and demand is expected to remain elevated throughout 2022. Low interest rates for borrowers, fiscal stimulus measures and more positive employment outcomes than had been feared, have combined to have a positive impact on housing market sentiment. Further, changes in household spending in response to lockdowns and border closures has led to additional demand for residential building.

Strong demand for any available new housing supply and intense competition in the market for established homes led to rapid growth in indicators tracking home price movements throughout 2021. Recent data suggests that price growth slowed late in 2021, which likely reflects an affordability constraint at the higher price point and a shift in interest rate expectations.

There has been a distinct shift towards lower density housing during the pandemic and this trend does not appear to show signs of slowing. This shift is not just those in units moving to detached housing but includes a shift to fewer people per household. As a result, the industry has observed a significant change in the volume, type and location of new homes sought by buyers. Furthermore, rental markets remain tight despite the net outflow of migrants over the last two years.

Leading indicators show that the demand for new detached homes remains strong. Across the country, sales of new houses since the end of HomeBuilder (April 2021 – October 2021) are the strongest they have been since 2017 when over 115,000 detached homes commenced construction. This strong level of home building activity suggests that the current boom in house building will be sustained throughout 2022.

The shift to lower household density is also the likely driver of demand for multi-units. Approvals for multi-units were 34.3 per cent higher in the September 2021 quarter than the same quarter a year earlier. The decline is evident in medium density housing and high-rise apartments. Nevertheless, there is a modest level of

support for this sector from price sensitive households who have been priced out of the detached house market. The emerging build-to-rent market is also supporting activity in the sector.

The industry will continue to run at capacity, constrained by the availability of land, labour and materials. Over the year to September, the price of skilled trades increased by 5.2 per cent. The ABS's Producer Price Index tracking material inputs into housing shows they increased by 8.0 per cent, although industry reports far more significant price rises. The inability to source key inputs is also contributing to construction delays. The price of residential land increased by 8.5 per cent in the 2020/21 financial year. Combined this has led to an increase in the cost of a new house and land package.

The impact of the loss of migration is not yet fully evident in the demand housing. The reduction in household density amongst the resident population appears to have largely offset the reduction in demand from migrant households in the rental market.

The owner-occupier market is unlikely to have been adversely affected by border closures as demand from migrants is primarily from households who are permanent residents. The number of permanent visas granted has remained close to the 160,000 per annum cap throughout the border closures. This was achieved through temporary visa holders already residing in Australia transitioning to permanent visas. The lack of short term migrant arrivals over the last two years may impact permanent migration in the future and a drop in permanent migration may impact demand for new homes.

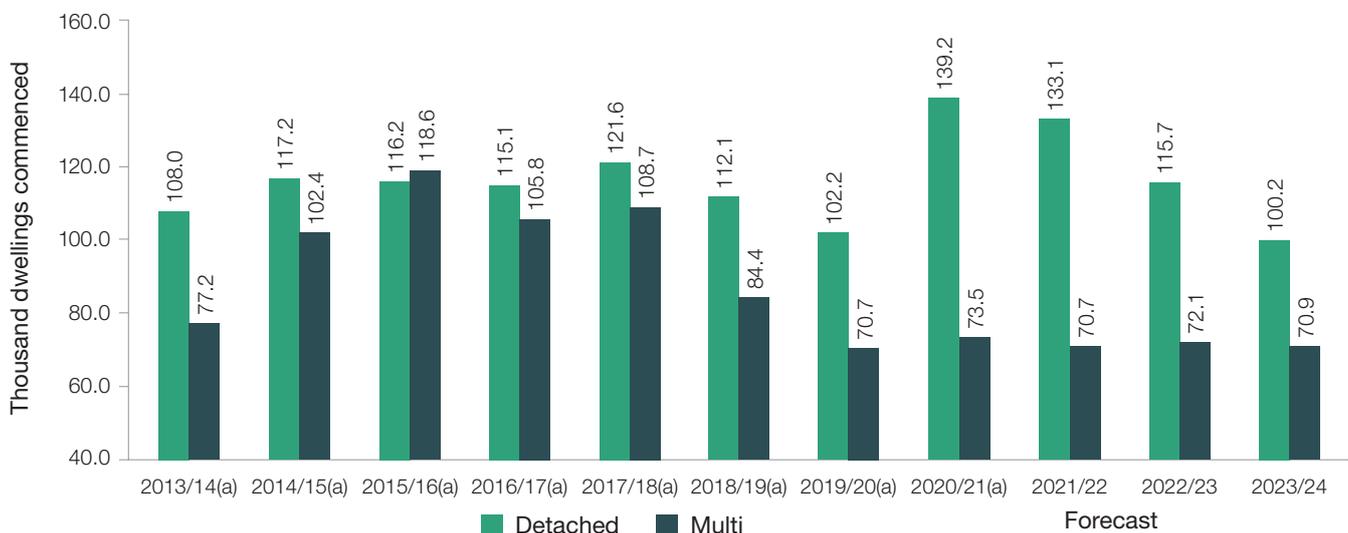
It is estimated that there were 148,880 detached houses that commenced construction in 2021. This is a record and represents growth of 31.3 per cent over 2020. A further 121,200 starts are expected in 2022. This is 11 per cent above average for the 10 years to 2020. Starts are expected to decline to 107,700 in 2023. This is broadly in line with the average of the 10 years to 2020. There is considerable downside risk to the levels of residential building in 2024. The recent peak in activity is likely to cast a shadow and rising interest rates will weigh on starts in 2024.

It is anticipated there will have been 76,440 multi-unit starts in 2021. This is growth of 8.9 per cent on 2020. As noted, this heralds the beginning of a volatile period, as domestic demand returns while demand from recent immigrants and tourists remains weak. Expected starts drop to 70,130 in 2022 but improve to 72,010 in 2023 and stay around that level in 2024. Growth is expected to return from 2025 onwards.

Over a longer horizon we anticipate a similar number of homes will be built this decade as had been projected prior to the COVID recession. Greater acceptance of remote working arrangements is likely to favour greater demand for lower density dwellings in well-connected regional areas. This may partially reverse the trend towards higher density apartment living observed over the last decade.

Australia HIA Housing Starts Forecasts

Source: HIA Economics



2 A NATIONAL HOUSING AND LAND SUPPLY STRATEGY

2.1 Restoring the rate of home ownership

Poor housing affordability has become a characteristic of most of Australia's major metropolitan areas. An inadequate supply of additional housing over many years has led to a situation where there is intense competition to secure housing, amongst limited options. The intense competition is evident across the spectrum of the housing market.

In the market to purchase property, auctions for established properties are hotly contested, people looking to secure land in new residential developments are camping-out in front of sales offices ahead of land releases, and some developers operate ballots as a means to objectively allocate a limited supply of new lots across a large number of willing buyers. Rental vacancies are minimal and there are far too few homes available to households who rely on community housing providers and public housing.

Supporting the delivery of all forms of homes along the housing continuum must be a priority. If supply falls in any one sector it will directly affect the affordability of housing in each of the other sectors.

Housing supply underpins housing affordability and improving affordability will enable more households to own their own homes. Ensuring housing supply can respond to changes in demand in a timely way should be the basis for all government actions that influence the housing market.



ENSURING HOUSING SUPPLY CAN RESPOND TO CHANGES IN DEMAND IN A TIMELY WAY SHOULD BE THE BASIS FOR ALL GOVERNMENT ACTIONS THAT INFLUENCE THE HOUSING MARKET



A HOME HAS ALWAYS BEEN OUR HAVEN – POST PANDEMIC, MANY MORE AUSTRALIANS ALSO SEE THEIR HOME AS THEIR WORKPLACE, THEIR RETREAT AND A KEY PART OF THEIR FUTURE FINANCIAL STABILITY

Over the last two decades the rate of home ownership has declined. It is important to note that while the rate of home ownership across the entire population has only declined by a small amount, there has been an alarming drop in home ownership amongst those in younger age cohorts. The rate of home ownership amongst households aged 25-29 has dropped from 43.4 per cent to 37.4 per cent over the last decade. Twenty years earlier the rate of home ownership amongst this age group was over 50 per cent.

Housing preferences and the expectations that people have for their housing have changed in response to the scarcity of housing and rising costs, however the ‘Australian Dream’ of owning your own home remains. Polling by JWS Research found that 81 per cent of Australians believe that everyday Australians should be able to own their own home. Furthermore, the research found that 92 per cent of renting households aspire to own their own home, yet only 49 per cent of these households feel that they will achieve this aspiration.

The pandemic has further changed people’s approach to housing. The type of home people prefer, the location and the way they use their home have all changed. A home has always been our haven – post pandemic, many more Australians also see their home as their workplace, their retreat and a key part of their future financial stability.

HIA recommends that:

- A national housing and land supply strategy be developed that details the Australian government’s plan to ensure that there is sufficient housing supply to meet the needs of the community, alleviate affordability pressures and give more Australian households the opportunity to own their own home.

2.2 Balancing Australia's demography

Australia must maintain a population growth rate sufficient to secure ongoing improvement in Australia's economic performance, increase workforce capacity, lift national productivity and ultimately ensure ongoing improvements in living standards. To this end, it follows that rigid caps and limits should not be placed on visa categories such as skilled and business migration.

Australia's immigration policies should target working aged skilled migrants and business migration to assist in mitigating the rate of decline in the share of our working aged population compared to the share aged 65 and over.

The evidence that a strong immigration policy is of net benefit to Australia is both comprehensive and compelling.

A number of domestic and international bodies and reports support this conclusion, including: the Productivity Commission; Commonwealth Treasury; the Intergenerational Reports; the Department of Home Affairs; the Organisation for Economic Cooperation and Development (OECD); the International Monetary Fund (IMF); and the International Organisation for Migration.

As Australia reopens the border to international travellers it will be vital that the right settings are in place to support a timely recovery in the migration intake for skilled and business visa categories.

HIA recommends that:

- the Australian government remove the cap of 160,000 permanent migrants per annum.
- the Australian government develop a dynamic population strategy with medium and long term growth targets and enable the level of overseas migration to better respond to variations in economic conditions.

2.3 Improving public reporting of residential land supply

Housing supply is fundamentally linked to land supply and the supply chain for residential land in Australia remains broken. The systemic issues arising from the zoning, subdivision and development processes across all states and territories means that it continues to take more than a decade to bring unzoned land to market as a shovel ready residential lot.

There continues to be no data tracking land supply through the stages of development that can be relied upon at a national level to plan for Australia's housing future. While the National Housing Finance and Investment Corporation (NHFIC) has received seed funding to address this issue, a long term commitment is necessary. Land supply management must be a priority and this can only be achieved through decision making guided by high quality data.

HIA recommends that:

- resourcing is committed to NHFIC to prepare an annual report on progress against the National Housing and Land Supply Strategy including reporting on the seven stages of land development.



In 2000 land accounted for **33%** of the cost of a house and land package, in 2021 land accounts for **45%** of the cost

Source: HIA Economics

3 AN INCREASED ROLE FOR THE NATIONAL HOUSING FINANCE AND INVESTMENT CORPORATION

3.1 Expanding the first home loan deposit scheme

The First Home Loan Deposit Scheme, which is currently operating as a pilot program, has proven to be highly successful. A place in the scheme is likely to become more important to first home buyers as lenders apply Basel III prudential standards which impose higher risk weightings for mortgage lending with high loan to valuation ratios.

The scheme provided support to a broad cross-section of first home buyers in all states and territories across both metropolitan and regional areas. As part of the pilot, a further 10,000 places were made available in July 2020 and July 2021.

In response to the issues facing those purchasing new homes, the government's Economic Recovery Plan included a further 10,000 places (the New Home Guarantee) specifically for buyers purchasing new homes. The eligibility criteria which applied to the New Home Guarantee better accommodates the longer time frames that are typically required to build a new home or purchase a new home off the plan.



THE SCHEME HAS PROVEN ITS VALUE TO FIRST HOME BUYERS AND SHOULD BECOME A PERMANENT TOOL IN THE AUSTRALIAN HOUSING MARKET TO ASSIST FIRST HOME BUYERS ACHIEVE HOME OWNERSHIP

The number of first home buyers eased throughout the latter stages of 2021 although lending data shows that first home buyer activity remained considerably higher than had been achieved throughout most of the last decade. This is clearly due, in part, to the operation of the Scheme. The Scheme has proven its value to first home buyers and should become a permanent tool in the Australian housing market to assist first home buyers achieve home ownership.

HIA recommends that:

- the government commit to making the First Home Loan Deposit Scheme a permanent program.
- the government remove the 10,000 per annum cap on places in the scheme, or substantially increase the number of places over the Budget horizon.
- the transaction timelines accommodated within the New Home Guarantee should apply to any first home buyer purchasing a new home with a place in the First Home Loan Deposit Scheme.

3.2 Boosting supply of social and affordable housing

The Commonwealth, with the States and Territories, shares responsibility for the supply of social and affordable housing.

Operation of the Affordable Housing Bond Aggregator has facilitated an increase in low cost funding which is enabling the community housing sector to increase the supply of affordable housing. The recent review of the National Housing Finance and Investment Corporation (NHFIC) made a recommendation that NHFIC be given the explicit mandate to 'crowd in' other financiers to increase the supply of housing, particularly social and affordable housing. The Government's response to the review noted its support for this recommendation.

The capacity to 'crowd in' additional finance, particularly private sector investment could be further enhanced if this was supported by additional measures from the Australian Government.

HIA recommends that:

- the Government introduce a mechanism such as the Housing Capital Aggregator funding model to enable community housing providers to attract private sector investment in projects delivering additional affordable housing supply.
- a Commonwealth 'land rent' scheme be established to make lots within surplus Crown land suitable for residential purposes available to social and community housing providers to build additional affordable housing units.
- State and Territory governments be encouraged to introduce a 'land rent' scheme to allow the construction of affordable housing on surplus state owned land suitable for residential purposes.

3.3 Improving national housing data collection

Good decision making relies on good information. Improving the breadth, quality, timeliness and reliability of housing data will enable all levels of government, and businesses, to make better informed decisions about resource allocation. Improving the quality of decisions will lead to more efficient operations for businesses and enable governments to better align policy settings with community needs.

It is critical that the Australian Bureau of Statistics and other Government Agencies are well placed to collect and publicly report a wider range of housing data. It is critical that this role be recognised as a long-term priority for the Australian government.

The commitments by all governments under the National Housing and Homelessness Agreement reflect a willingness to gather housing data but it remains unclear how the objectives in the Agreement will be achieved without greater resourcing.

HIA recommends that:

- the government commit to the ongoing funding of a housing and land data and research function within the National Housing Finance and Investment Corporation.
- additional resourcing be allocated to the Australian Bureau of Statistics to improve the collection of housing data and better utilise data collected through administrative processes overseen by state and local governments.

IMPROVING THE BREADTH, QUALITY, TIMELINESS AND RELIABILITY OF HOUSING DATA WILL ENABLE ALL LEVELS OF GOVERNMENT, AND BUSINESSES, TO MAKE BETTER INFORMED DECISIONS ABOUT RESOURCE ALLOCATION

4 REFORMING TAXES ON HOUSING

4.1 A national agenda to reform taxes on housing

In 2019, the Centre for International Economics (CIE) released a research report *Taxation on the Housing Sector* which identifies the costs associated with bringing land and housing to market and provides a breakdown of these costs as either resource costs, regulatory costs (red tape), statutory taxes (federal, state and local) or excessive charges.



50% of the price of a new house and land package is attributable to **taxes and charges** (based on house and land package in Greater Sydney)

Source: The Centre for International Economics, 2019

The research shows that the combined costs of the statutory taxes, regulatory costs and excessive charges equate to 50 per cent of the cost of a new house and land package in Sydney, which equates to \$417,000 per dwelling in taxes and charges. In Melbourne the costs reduce to 37 per cent (\$216,000), 32 per cent in Brisbane (\$169,000), 33 per cent in Perth (\$178,000) and 29 per cent in Adelaide (\$125,000) but in every case the impost on the upfront price of a new home is significant. These costs are smaller for new apartments but these are nevertheless very significant, being 37 per cent in Sydney, 35 per cent in Melbourne, 34 per cent in Brisbane, 32 per cent in Perth and 28 per cent in Adelaide.

Many of these costs arise from the actions of state and local governments. While the scope for the Australian Government to influence these costs is limited, a range of federal financial relations mechanisms do exist which could be used to leverage reforms that directly impact the price of new housing.

Statutory taxes that are applied by governments on new housing raise revenue that funds government operations and public services. Any government decisions



HIGH TRANSACTION COSTS ARE A BARRIER TO PEOPLE MOVING TO WHERE BETTER EMPLOYMENT OPPORTUNITIES EXIST

to increase these measures will cause the total outlay made by the new home buyer to increase, yet the new home buyer does not receive a larger or a higher quality home because of this increased outlay. Rather, it results in an increase in funding for government operations and public services; which the new home buyer may or may not directly benefit from.

In contrast, regulatory costs, often referred to as red tape, increase the costs of new housing development but do not create more revenue for governments. For example, the various approvals required from government(s) to proceed with new housing have associated fees and charges. Projects routinely face delays which are unreasonable in these government-controlled processes. As housing development is generally debt financed, these unreasonable delays add to the interest costs incurred by the developer which is passed onto new home buyers via a commensurate increase in the transfer price.

The Australian government has the capacity to address inefficiencies in the administrative processes that exist across a number of Commonwealth agencies, and provide leadership that would facilitate reforms to state and territory regulatory processes that impact house prices.

HIA recommends that:

- National Cabinet open a dialogue on reforming the taxes on housing.

4.2 Removing stamp duty

Stamp duty is an inequitable and inefficient tax.

It falls on a small cohort of households who need to move for varying reasons including for employment, education and training, health or financial reasons. It has a disproportionately high impact on vulnerable households who face significant changes in their life circumstances such that they need to move.

It represents a significant transaction cost that discourages the population moving to a home that best suits their changing needs. Older and smaller households may not downsize, while growing families are discouraged from upsizing.

The higher transaction costs are a barrier to people moving to where better employment opportunities exist. It is expected that COVID-19 will generate interest from many Australians to relocate to a location more suited to their needs.

The consequence is an inefficient allocation of economic resources, particularly labour and the stock of housing.

Stamp duty reform was one of the key recommendations of the Henry Tax Review. The ACT is the only jurisdiction to undertake this process and is now midway through a 20-year transition from stamp duty to a broad-based land tax.

HIA supports broad-based taxation that collects sufficient revenue to provide necessary government services and is not focused on a small cohort that undertake a particular activity, such as purchasing a home.

Reforming stamp duty is not simple and such a significant reform has the potential to influence the distribution of GST revenue amongst states. Progress on this reform will require the collective willingness of the Australian government and all states and territories.

HIA recommends that:

- the Australian government commit to a dialogue through the National Cabinet to investigate measures that would support state and territory governments remove stamp duty.

THE TAXES PAID THROUGHOUT THE PRODUCTION PROCESS ARE EMBEDDED IN THE PRICE OF HOUSE AND LAND PACKAGE PURCHASED BY A HOME BUYER – THIS IS INEQUITABLE AND ERODES AFFORDABILITY



4.3 Addressing the cascading of taxes on taxes

Housing taxes cascade on top of one another adding to costs along the development, building and sale process. Stamp duty can be paid multiple times as raw land is transferred through the development process with GST added along the way. There are many examples where a tax paid at one point in the process of bringing a new home to market forms part of the taxable value at a subsequent stage of development.

The taxes paid throughout the production process are embedded in the price of house and land package purchased by a home buyer. This is inequitable and erodes affordability.

HIA recommends that:

- the National Cabinet identify ways to eliminate the cascading application of stamp duty on Goods and Services Tax, development and infrastructure taxes and levies.

4.4 Treatment of foreign owners

Foreign buyers of residential property in Australia face significant restrictions which have increased in recent years including changes to administrative processes and fees. Foreign owners are also subject to the Commonwealth Annual Vacancy Fee. Given current border restrictions many foreign owners are unable to reside in their dwelling and the opportunity to rent the property has also been limited by state and territory restrictions on evictions and rental caps.

HIA recommends that:

- the Commonwealth Annual Vacancy Fee be waived for the duration that Australia's international border remains closed or limited.
- the National Cabinet should work to ensure consistency across jurisdictions in relation to the waiving of vacant residential property levies and to remove foreign investor surcharges for purchasing residential property.

5 DEVELOPING THE WORKFORCE OF THE FUTURE

5.1 Assisting to create employment opportunities for apprentices

The Australian government's programs to support apprentices remain or commence training and support employers creating training opportunities throughout the last two years have been highly successful. There has been a marked improvement in the number of apprentices and trainees beginning careers in the residential building industry since the Boosting Apprenticeship Commencements scheme commenced. The recent announcement of wage support for apprentices in their second and third year of training through the Completing Apprentice Commencements scheme has been well received by employers in the industry and will see apprentices proceed through to completion.

The wage subsidies provided by these schemes have offset the productivity deficit that employers often experience when hiring inexperienced workers and has thereby enabled more employers to create positions for apprentices.

The productivity gap for new apprentices aged over 21 can be significant as these workers are entitled to the higher adult apprentice wage. In the employment market this results in those aged over 21 facing a disadvantage compared with their younger peers when seeking employment as an apprentice.

While it is acknowledged that the level of wage subsidy provided by the BAC and CAC schemes would likely be fiscally unsustainable as permanent programs, these programs have demonstrated the efficacy of wage subsidies in lifting apprentice



THERE HAS BEEN A MARKED IMPROVEMENT IN THE NUMBER OF APPRENTICES AND TRAINEES BEGINNING CAREERS IN THE RESIDENTIAL BUILDING INDUSTRY SINCE THE BOOSTING APPRENTICESHIP COMMENCEMENTS SCHEME COMMENCED

numbers. An ongoing program providing a wage subsidy of lesser value is worthy of consideration. Such a program would complement the commencement and completion payments scheduled to be provided under the Incentives for Australian Apprenticeships payment scheme to commence in July 2022.

HIA recommends that:

- an apprentice wage subsidy program be introduced to operate on an ongoing basis to assist employers overcome the productivity deficit and risk of taking on apprentices, particularly in Years 1 and 2.
- a wage subsidy be introduced to offset the difference between junior and adult apprentice wages. This is critical if those aged 21 and over are to be given equitable access to apprenticeship training opportunities.

5.2 Supporting the mental health of apprentices

Transitioning from school to achieving a stable and productive livelihood constitutes an important stage in the lives of all young people. Many are moving from a structured school environment with clearly defined pathways, into a new environment that is often uncertain. This is a significant transition in young adults' lives which has been identified as a critical point for which adolescents should be prepared.

Many young people struggle with the transition from school to the professional workplace. The pressures of balancing formal training, beginning a new career and events in their personal lives can become overwhelming.

The effects of COVID-19 mean that both apprentices and employers will come under extra strain in their careers, be that mental, financial or personal. Workers in the construction industry need access to resources to assist navigate these challenges.

Mentorship programs have been an extremely successful way to assist young apprentices. Dedicated apprentice mentors are also a valuable resource for those employing and working alongside apprentices, who are typically small business operators.

Through the successful Industry Specialist Mentoring for Australian Apprentices HIA provided 3,800 apprentices across Australia with assistance. HIA's role was to support and encourage these apprentices by providing expert advice, pathways, career and skill options while also assisting to offer forms of support to the many barriers and personal issues faced by these young men and women as they begin their journey in the working world.

HIA recommends that:

- \$3 million be committed to establish a national on-line resource to deliver an ongoing industry mentoring program for building apprentices.

THE EFFECTS OF COVID-19 MEAN THAT BOTH APPRENTICES AND EMPLOYERS WILL COME UNDER EXTRA STRAIN IN THEIR CAREERS, BE THAT MENTAL, FINANCIAL OR PERSONAL

IT IS IMPORTANT THAT THE AUSTRALIAN GOVERNMENT TAKES A PROACTIVE ROLE IN SUPPORTING BUSINESSES, PARTICULARLY SMALL BUSINESSES



5.3 Supporting small businesses

The regulatory environment at a federal and state level surrounding the obligations of small businesses and independent contractors are extremely complex.

With several federal agencies involved in setting regulations which have an impact on small businesses, it is appropriate that those agencies support the development and delivery of education for these businesses.

In the 2019/2020 Federal Budget the Government committed \$9.2 million over four years from 2019/20 (and \$2.3 million per year ongoing) to establish a dedicated sham contracting unit within the Fair Work Ombudsman (FWO) to more effectively tackle sham contracting by increasing education, compliance and enforcement activities and dedicated additional resources to investigate and litigate cases.

Measures that provide additional support to regulatory agencies to enforce existing laws are appropriate. Similar additional funding to support the compliance and education activities of other regulators, including for example the ATO, should also be considered.

It is important that the Australian government takes a proactive role in supporting businesses, particularly small businesses, to understand the plethora of regulations and administrative processes involved in day to day business compliance. To this end, HIA considers there should be dedicated funding to support education in business compliance by the relevant Commonwealth agencies.

HIA recommends that:

- a national program to provide independent advice to small businesses, and in particular independent contractors, about meeting their tax and other regulatory business compliance obligations be established.



5.4 A short term visa for skilled construction trades workers

A structural shortage of skilled trades workers in Australia impedes the efficiency of the residential building industry. Over an extended period of time the net increase in the workforce of skilled trades workers has been inadequate to meet growth in demand. This has arisen due to the combined impact of an acceleration in the number of workers leaving trade occupations as they age and an inadequate number of new entrants completing training and entering skilled trade occupations.

Improving the efficacy of the training system to ensure that it meets the needs of industry and participants should be the priority in addressing the shortfall in skilled trades workers. However, there remains a role for skilled migration to supplement the efforts to increase skilled trades workers, particularly where acute demand emerges as is presently the case.

The residential building industry requires migration pathways to enable the long-term structural shortage of workers to be addressed through permanent migration, and pathways that enable industry to recruit skilled workers for short periods to alleviate acute cyclical shortages.

While permanent and short-term visas are part of Australia's skilled migration program and the building trades that have been in the most acute shortages are included on lists of eligible occupations, there has been very little take up within the construction industry, particularly the residential building industry. Several aspects of these visas render them impractical for use by residential building businesses.

HIA recommends that:

- the government consult with industry to develop a visa that will enable the residential building industry to alleviate trade shortages through skilled migration.

6 REFORM OF BUILDING REGULATION

6.1 Establish a national building regulatory authority

Building regulation continues to be the responsibility of states and territories. For almost three decades, through the Intergovernmental Agreement (IGA) for the Australian Building Codes Board (ABCB), these governments have rightly sought to provide national oversight and direction to the setting of technical building standards in partnership with the Australian government. While the IGA represents one of the longest standing and well-functioning arrangements that has operated to benefit the national economy, there have been challenges to the capacity of the ABCB to deliver genuine national reforms.

The building and construction industry contributes 6.9% of Australia's Gross Domestic Product with the value of residential building activity alone sitting at \$108.1 billion in 2021/21. Funding for the ABCB to deliver the critical building standards and guidance necessary to support this industry sits at just \$8 million per annum shared between the Commonwealth, states and territories.

With the ongoing pressures for reforms to address building quality and ensure the accurate and consistent understanding of building codes and the emerging societal issues, rather than market failures, now being considered for regulatory responses, it is critical the ABCB is appropriately structured and funded to undertake this vital national role into the future.

HIA recommends that:

- the current Commonwealth commitment under the Intergovernmental Agreement for the Australian Building Codes Board be immediately doubled and that a commitment to increase and match funding from the states and territories is included in the next review of the IGA.
- the Australian Building Codes Board be created as an independent statutory authority allowing it to guide governments responses to the array of challenges seeking to be addressed through the regulation of the built environment.



THERE CONTINUES TO BE LIMITED ATTENTION TO THE DISCLOSURE OF STATE AND TERRITORY VARIATIONS AND ADDITIONS TO THE NATIONAL CONSTRUCTION CODE, PARTICULARLY THROUGH STATE AND TERRITORY PROVISIONS

6.2 Productivity assessment of regulatory impacts

The Commonwealth is responsible for a number of national standards setting bodies with the Office of Best Practice Regulation (OBPR) responsible for overseeing the approach taken by these bodies to regulatory impact assessment. The OBPR's efforts have led to improvements in the way regulatory impact assessment is undertaken, however there continues to be examples of poor practice by some national standards setting bodies.

The residential building industry continues to be one of the most heavily regulated sectors in the economy yet the rigour applied to the assessment of new regulations, technical standards and administrative processes is insufficient to assess the impact of reforms of industry productivity.

Furthermore, the existing approach to regulatory assessment fails to address the cumulative impacts from multiple regulatory changes at one time, such as will occur in 2022 through the National Construction Code, and regulatory changes by different bodies at the same time.

HIA recommends that:

- the Productivity Commission be resourced to undertake a review into the adequacy of current Regulatory Impact Assessment processes to gauge the approach governments should take when assessing the cumulative impacts of concurrent regulatory reforms and the manner in approaching non-traditional regulatory issues.

6.3 Industry education campaign for National Construction Code 2022

A substantive update to the National Construction Code is set to be implemented this year which includes introduction of new requirements to make housing more accessible, changes to requirements to manage and prevent condensation, and requirements to achieve higher levels of energy efficiency.

The National Construction Code 2022 is scheduled to replace the 2019 edition of the code in September this year, yet details of the new requirements are not yet finalised. Businesses are likely to be given very little time to assess the impact of the new regulations on their businesses, their home designs and appropriately inform customers about the required changes.

In order to minimise the disruption to industry activity arising from adoption of the updated National Construction Code, particularly given the significant pipeline of home sales already committed for 2022 and 2023, it is important that builders, trade contractors, design professionals and building material suppliers are well informed of these changes.

HIA recommends that:

- funding be allocated to industry to deliver training specifically tailored for residential builders and trade contractors on the National Construction Code changes for energy efficiency, condensation and accessibility.

6.4 Reducing duplication and variations in regulation across jurisdictions

There are many outdated, duplicative and state based variations to national technical and administrative requirements relating to building control.

Despite long standing commitments in the Intergovernmental Agreement for the Australian Building Codes Board there continues to be limited attention to the disclosure of state and territory variations and additions to the National Construction Code, particularly through state and territory provisions.

HIA recommends that:

- the Australian Government, through the National Cabinet process, task the Planning and Building Ministers to identify and remove technical and administrative requirements that are outdated and/or duplicating the National Construction Code, and planning controls that overlap, exceed, or impose alternate requirements to those specified in the National Construction Code.

SINCE 2003 ALL RESIDENTIAL BUILDINGS IN AUSTRALIA HAVE BEEN REQUIRED TO MEET NATIONALLY AGREED MINIMUM ENERGY EFFICIENCY REQUIREMENTS



6.5 Improving energy efficiency of existing residential buildings

Since 2003 all residential buildings in Australia have been required to meet nationally agreed minimum energy efficiency requirements. These have a significant influence on the way new homes are designed and built. There are approximately 8 million existing homes in Australia that were built before these requirements were introduced (around 80 per cent of all homes).

The former COAG Energy Council, now the Energy National Cabinet Reform Committee, endorsed the Existing Buildings Trajectory in late 2019. This Trajectory identifies a number of proposed actions to improve the energy efficiency of existing homes including a grant scheme for upgrading existing residential buildings, the implementation of mandatory disclosure at the point of sale or lease of residential buildings and minimum standards for rental housing.

HIA recommends that:

- funding be allocated to facilitate the delivery of the actions identified in the Trajectory by 2024 and support improvements in the energy efficiency and resilience of existing residential buildings.

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