



**Australian Institute of Building**

**Pre-Budget Submission to the**

***2014-15 Federal Budget***

## **Introduction**

The Australian Institute of Building (AIB) welcomes the opportunity to lodge a pre-Budget submission to the *2014-15 Australian Federal Budget*.

Founded in 1951 and granted a Royal Charter in 1969, the Australian Institute of Building (AIB) concerns itself with increasing the professionalism amongst builders. The AIB is the voice of professionally trained and experienced construction managers who number more than 80,000, according to the 2011 census. AIB members hold degree qualifications in building and construction management and work as project managers and in senior levels within construction companies. With a focus on supporting the next generation of building professionals, AIB cooperates with universities to ensure the relevance of undergraduate programs in building disciplines, and assists in improving course curriculums. AIB accredits only the courses of the highest standards.

## **AIB Objectives**

The objectives of the AIB are:

- To promote excellence in the construction of buildings and just and honourable practices in the conduct of business.
- To advance the study of Building and all kindred matters, arts and sciences.
- To encourage the friendly exchange between members of knowledge in practical, technical and ethical subjects.
- To uphold the dignity of the profession of Building and status of the Institute.

## Executive Summary

AIB advocates the following measures in the 2014-15 Federal Budget:

- \$1.1 million for the establishment of a Chartered Builder Program;
- The Federal Government to coordinate the implementation of CPD for professional builders around Australia, and fund this if necessary;
- Funding for up-skilling and transition to new professions in the construction industry;
- Increased funding is needed for Safe Work Australia to ensure that Australia's building and construction sites are safe as they possibly can be;
- \$5 million in funding, directly for suicide prevention and improving mental health amongst construction workers;
- Funding so that the National Construction Code is freely available, as well as funding for better accessibility and training for its use;
- AIB advocates that the company tax cut planned prior to the 2012-13 Budget be implemented in 2014-15;
- Funding for the re-instated Australian Building and Construction Commission should be at least \$50 million;
- The effect of the Coalition's Direct Action Plan (or Carbon Pricing Mechanism should it remain in place) on building and construction industry should be minimal; and
- Funding to commence a program that establishes an office for construction compliance.

## Education & Raising Standards

### Chartered Builder Program

AIB advocates the need for a Chartered Builder/Graduate Development Program for construction managers, which would have demonstrable public benefits for consumers, the profession, businesses and Governments. Industry and the Building Profession maintain that there are significant improvements in the industry to be achieved by continuing to educate those young professionals working on building sites. The benefits will include:

- building sites more appealing to apprentices thus increasing retention rates;
- early identification of stress and mental illness on sites thus reducing suicide rates;
- improved identification and use of modern building practices that will improve workmanship and reduce material; and
- enhanced graduate training by independent and impartial profession rather than the *ad hoc* company specific programs currently run.

The initial funding should come from government and not industry as the program must be impartial, uncommercial and would have clear public interest. This program would be a first of its kind in the building industry and has strong support amongst the industry. The ongoing funding model would see the program supported by industry enrolling their young graduates, meaning that only seed funding was required from the Federal Government. That is, the program would be self-funding from fees from students.

**The Australian Institute of Building is therefore requesting \$1.1 million for start-up and development costs for a Chartered Builder/Graduate Development Program to be established and operated by the AIB.**

The key deliverables from this funding would be:

- Course curriculum, website and materials created in the first six months;
- A target of 1,000 construction management graduates participating in the course each year for the first three years, and rising significantly thereafter; and
- A target of 800 construction managers graduating each year from the program for the first three years, and rising significantly thereafter.

The timeline to establish and roll-out the Graduate Development Program once funding received is as follows:

- First six months (July-Dec 2014) - Course curriculum, website and materials created.
- Next 12 months (2015) - First year of inaugural AIB Graduate Development Program.

The Australian Institute of Building would guarantee to the Federal Government the highest standards of transparency, accountability and auditing. Regular financial updates and progress reports would be provided to the Federal Government, and audits would be undertaken by one of the 'big four' accounting firms. In order to ensure the success of the program, and that Government is well briefed of progress, AIB suggests the following:

- Nominated point of contact at AIB, and AIB General Manager available to discuss any issues;
- Governing committee consisting of several AIB Council members, Government Departmental staff, and two or three eminent persons suited to the role;
- Guidelines for dispute resolution will arrived at via workshop with AIB and Government personnel, once in-principal funding is agreed;
- Quarterly reports to Government for first three years of the program; and

- Availability of AIB staff to appear before Senates Estimates Committees if needed.

### [Continuing Professional Development](#)

AIB supports mandatory continuing professional development (CPD) for builders (and all construction-related professionals) in all of Australia's states and territories, and believes that this is an issue that the Australian Building & Construction Board (ABCB), the Federal Government and the Council of Australian Governments (COAG) should advance proactively. CPD is crucial to raise and maintain standards, and has a whole host of benefits for the industry and the community, including safety of workers and buildings, financial dispute resolution, and better environmental outcomes, to name a few.

**AIB urges the Federal Government to coordinate the implementation of legislation for mandatory CPD for professional builders around Australia, and fund this if necessary.**

### [Up-skilling and Transition to New Professions](#)

New professions are rapidly being created in the construction industry. One example is Building Information Modelling (BIM) managers. It is important that Australia be prepared for the new professions being created, and is at the cutting edge of construction innovation. Improved and continued funding is required for the Workforce Development Fund and the Skills Councils to ensure these emerging and vital new skills are properly developed.

**Federal funding is needed for up-skilling and transition to new professions in the construction industry.**

## Safety

### [Safe Work Australia](#)

In 2009-10, amongst industry sectors, the construction sector recorded the third highest rate of fatalities and the fatality rate of 2.8 per 100,000 employees was almost three times the rate for all industries (*Notified Fatalities Statistical Report 2009-10*, Safe Work Australia, 2011).

**AIB therefore advocates that increased funding is needed for Safe Work Australia significantly above and beyond the inflation rate to ensure that Australia's building and construction sites are safer workplaces.**

### [Suicide awareness and prevention programs](#)

Mental health in the building and construction industry in Australia has long been a silent and destructive problem that has had a profound impact on individuals, their families, friends and colleagues, as well as on the productivity of the industry. According to *Mates in Construction*, an organisation dedicated to improving mental health in the construction industry:

- Construction workers are more than twice as likely to commit suicide than other people in Australia.
- Construction workers are six times more likely to die by suicide than through a workplace accident.
- Apprentices in construction are two and a half times more likely to suicide than other young men their age.

In relation to mental health in the building and construction industry, AIB holds the following positions:

- Suicide prevention is too large a task in the construction industry to be left to health professionals, and those in the industry should be proactive in being part of the solution;
- Workers in the industry should also be encouraged to seek external help where needed, and assisted to be put in touch with those professionals;
- Getting help should be an easy and hassle-free, and not just to prevent suicide, but for all mental health and wellbeing issues on construction sites. This help offered to workers must be relevant and effective;
- Mental health and wellbeing issues need to be de-stigmatised and construction workers should be encouraged to seek help for a range of issues, and not just those that relate to suicide. People should not be afraid or ashamed to admit that they have a problem with their mental health;
- Suicide awareness and prevention should become a part of everyday activities in the construction industry;
- AIB supports organisations and initiatives that assist with suicide prevention, such as Mates in Construction, Black Dog Institute, Beyond Blue and OzHelp;
- Awareness should be raised of suicide as a preventable problem within the building and construction industry, and seminars, webinars, addresses and one-on-one and group discussions are all means of doing this;
- Construction sites should have access to appropriate and available suicide first aid resources;
- The culture on construction sites of conflict and intimidation by certain groups needs to end;
- Suicides in the industry are often indicative of a greater malaise, and so there is also a need to address the underlying issues; and
- Substance abuse, such as abusing drugs and alcohol, as well as gambling and other addictions, are also indicative of mental health issues, and need to be addressed.

**AIB advocates the need for \$5 million in funding for the relevant organisations, directly for suicide prevention and improving mental health amongst construction workers.**

## **National Construction Code**

Currently there is only a 9 percent take up rate of the National Construction Code amongst construction workers. The Australian Institute of Building therefore advocates that the National Construction Code (NCC) should be available at no cost for builders, and other construction professionals and tradespersons. Those who most need the NCC should not have access restricted by cost considerations, and easy access to the NCC by building professionals and tradespersons would have significant consumer benefits, keeping in mind that construction 'consumers' can be individuals, businesses or governments. The Federal Government should work with COAG and the ABCB to ensure that the NCC is freely available as soon as possible.

The NCC has four volumes including appendices, so it is not so portable, and not easy to access on construction sites. Funding is thus needed for the education and up-skilling for construction workers to properly utilise the NCC, and for NCC to be easily available on a range of contemporary electronic devices to allow construction workers to easily access the information wherever they may be. These changes would also benefit building consumers.

**Thus, AIB advocates that Federal Government to provide the \$6 million so that the National Construction Code is available for all builders to use and adhere to, if an alternative cannot be quickly agreed with COAG and the ABCB, and that funding be provided to ensure construction workers can understand and easily access the NCC.**

## **Encouraging the Growth of the Construction Industry**

The AIB is of the view that the Federal Government must increase investment in the non-mining infrastructure in order to stimulate growth in the building and construction industry. This in turn would stimulate growth in the Australian economy as a whole.

The Federal Government should work with the states and territories to achieve the removal of taxes and duties that were originally planned to be removed when the Goods & Services Tax (GST) was introduced, but were not.

The main one of these is stamp duty, which should be preferably removed, or significantly reduced. As recommendation 51 of the Henry Review of Taxation stated: *“Ideally, there would be no role for any stamp duties, in a modern Australian tax system. Recognising the revenue needs of the States, the removal of stamp duty should be achieved through a switch to more efficient taxes, such as those levied on broad consumption or land taxes. Increasing land tax and the same time as reducing stamp duty has the additional benefit of some offsetting impacts on asset prices.”* AIB concurs with this recommendation.

The second of these is payroll tax, which is essentially a tax on employment. This goes to the issue of ‘affordability’ for companies employing suitably qualified building professionals, and its removal would greatly assist the construction industry. As recommendation 57 of the Henry Review of Taxation stated: *“State payroll taxes should eventually be replaced with revenue from more efficient broad-based taxes that capture the value-add of labour.”* AIB also concurs with this recommendation.

Also in the 2012-13 Budget Papers, it stated that the former Government would not be proceeding with the planned company tax cut, which was to accompany the introduction of carbon tax. This was estimated to save the Government \$4.6 billion over five years (BP1: 5-16).

### **AIB advocates that this company tax cut be implemented in 2014-15.**

AIB notes that Recommendation 27 of the Henry Review of Taxation stated that, *“The company income tax rate should be reduced to 25 per cent over the short to medium term with the timing subject to economic and fiscal circumstances. Improved arrangements for charging for the use of non-renewable resources should be introduced at the same time.”* While AIB concurs with the first part of this recommendation, implementing the company tax cut planned for 2012-13 in 2014-15 would be a good first step.

## **Industrial Relations**

AIB would like to see the re-established Australian Building and Construction Commissioner (ABCC) appropriately funded. This funding is essential to have a ‘tough cop on the beat’ to ensure the rule of law is being adhered to in the building and construction industry, and that efficiency, transparency and fast decision-making occur within the organisation.

In the 2012-13 Budget papers, it stated that the Office of the Fair Work Building Industry Inspectorate would receive \$3.0 less spending each year over the following four years, due to “operational efficiencies” (BP2: p54), and that the Office of the Fair Work Building Industry Inspectorate would receive \$30,726,000 in funding in 2012-13 (BP4: p96). There was no funding for the Office of the Australian Building and Construction Commissioner in 2012-13, as it was phased out (BP4: p25).

**AIB would like to see the re-established Australian Building and Construction Commissioner (ABCC) appropriately funded, to at least \$50 million in the 2014-15 financial year.**

## **Carbon Pricing Mechanism**

AIB notes that it is the Coalition’s policy to abolish the Carbon Pricing Mechanism, otherwise known as “the carbon tax”. AIB also notes that the Coalition does not have the numbers in the Senate to do at present, although before the election, the Coalition promised a double dissolution of both houses of parliament should the Labor Party not respect the Coalition’s claimed mandate to repeal the tax. AIB awaits the Coalition’s response to this situation.

While the Australian Institute of Building (AIB) generally supports Government policies and legislation that benefit the environment, these should be tailored in a manner so as not to be harmful to existing essential industries, such as the building and construction industry. Measures had already been put in place by Federal and State Governments to reduce carbon emissions in building and construction prior to the implementation of the Carbon Pricing Mechanism, and emissions from the industry have more than halved in recent years. The Carbon Pricing Mechanism has added significant costs to building and construction, and even if these costs can be passed on to clients, the tax then has an adverse effect on demand. Consumers and Australian industry are also negatively affected by the increasing use of cheaper imported materials which are not be affected by the carbon price.

AIB raises the following additional points in relation to the Carbon Pricing Mechanism, the effect of which is still being assessed on builders:

- The states and territories already have effective energy efficiency measures for the building and construction industry (see below).
- The emission intensity of building and construction fell from 26 tonnes of CO<sub>2</sub>e per \$m output in 1996-7 to 11 tonnes of CO<sub>2</sub>e per \$m output in 2007-8, and continues to fall. The energy efficiency of new buildings is being improved without the carbon tax, and the National Construction Code is modified every year to improve the energy efficiency of buildings.
- The upward price impact of the Carbon Tax on building materials is three fold:
  - 1.) electricity prices, 2.) raw materials (cement, steel, aluminium, glass and bricks which make up around 20% of industry costs) and 3.) domestic shipping and transport fuels. The Allen Consulting Group estimated that the carbon tax would add \$3,821 to its model two storey brick veneer 200m<sup>2</sup> house. Queensland Master Builders Association estimated that a typical 200m<sup>2</sup> slab-on-the-ground home would increase in price by approximately \$7000-\$9000. The Centre for International Economics estimated a 5% increase in building and construction costs, while Master Builders Association Victoria estimated that 2% would be added to the cost of building and construction. The building and construction industry is one of the industries most affected by a carbon price, despite initial compensation to manufacturers of building materials exposed to

non-affected international competition. The increased costs affect both the supply and demand sides, in terms of increased costs and reduced investment activity.

- Unless the contracts contain a specific clause, existing contracts signed before the carbon tax was announced cannot be altered to take account price rises due to the tax.
- Builders may be prosecuted by the ACCC if they cannot exactly account for a price rise due to the carbon tax, and pass on a rough figure to their customers.
- The building and construction industry is already overtaxed.
- The viability of some manufacturers and builders may be threatened, leading to potential job losses.
- Many builders may use cheap, imported products, which will be unaffected by the carbon price, in an attempt keep prices down and maintain business, but this could have disastrous outcomes for consumers and Australian manufacturers.

In addition, legislation already existed to reduce carbon emissions in the building and construction industry prior to the introduction of the carbon tax:

Residential buildings: Every state and territory has star ratings systems for new residential buildings, with slight differences in various states. That is, the stars in Queensland are different to Victoria based on their different climates. The states and territories also have set different minimum, mandatory star systems (i.e. in Victoria it is six stars, but it could be five in another state).

Commercial buildings: All commercial buildings must comply with Section J of the national building code's energy efficiency standards. A voluntary green star system also operates across Australia.

AIB and its members are of the view that the carbon tax as it currently exists is detrimental to the building and construction industry. It should also be emphasised that the building and construction has already been drastically reducing carbon emissions in recent years.

**Accordingly, AIB urges the Federal Government to ensure that the effect of the Direct Action Plan (or Carbon Pricing Mechanism should it remain in place) on the building and construction industry be minimal in the 2014-15 Budget.**

## **Establishment of an Office for Construction Compliance**

Australia needs a national building compliance office, similar to CASA for aircraft. It is well known in the industry that compliance and workmanship were lacking on 'Building Education Revolution' (BER) projects. Further, in 2003, a hangar at the RAAF Fairburn base in Canberra collapsed due to faulty building materials, which led to twelve people being seriously injured. In 2012, up to 24 imported glass panels fell from the new ASIO building being constructed in Canberra, although in this instance no one was injured. These highlight the need for greater emphasis on building materials quality, as well as some form of testing and compliance regime. The governing body overseeing the new office should have representatives from industry, the professions, and regulators.

A program should be established that establishes an office for construction compliance, perhaps called the 'Australian Building & Construction Compliance Office' (ABCCO), which would aim to ensure compliance of, and improve standards of, both workmanship and products.

The ABCCO would be representative of the industry, profession and regulators and funded to develop and manage a compliance testing process to ensure building materials of consequence, assessed by an agreed risk assessment, are compliant with Australian Standards.

**AIB advocates that \$10 million of federal funding over three years is needed to commence a program that establishes an office for construction compliance, to be known as the Australian Building and Construction Compliance Office.**

## **End of Submission**

### **Further Information**

For further information, please contact the AIB General Manager, Mr Robert Hunt, or Mr James Cameron, AIB Policy & Advocacy Manager, on (02) 6247 7433 or [ceo@aib.or.au](mailto:ceo@aib.or.au) or [policy@aib.org.au](mailto:policy@aib.org.au)

Submission lodged on 31 January 2014.

## Appendix 1

### Further information about the AIB

Founded in 1951, the Australian Institute of Building (AIB) is the peak body for building and construction professionals in Australia and the Asia-Pacific region, acknowledged for its ability to bring individuals together who share a common interest in improving the standing of the building profession and their career within Australia and overseas.

The AIB was incorporated by Royal Charter in 1969, and as such members who meet the requirements are entitled to be referred to as 'Chartered Builder'.

Recognised as the accrediting body for building and construction degrees at educational institutions, the AIB has a long and proud history of supporting and servicing the building profession. For more than sixty years, the Institute has worked with the building and construction industry, government, universities and allied stakeholders to promote the building profession, support the development of university courses in building and construction whilst promoting the use of innovative building techniques and a best-practice regulatory environment.

The AIB's membership comprises some 2500 professional qualified and experience construction managers employed at senior levels by all major construction companies in Australia. The AIB represents the interest of some 85,000 qualified construction managers in Australian (2011 Census).

AIB is proud of its role in promoting the exchange of information amongst individuals and accomplishes this through publications including the *Construct* magazine and the Australasian Journal of Construction Economics & Building (AJCEB).

The AIB also has an extensive continuing professional development program in Australia and overseas and facilitates the annual AIB Professional Excellence in Building Awards Program.

For further information please go to [www.aib.org.au](http://www.aib.org.au)