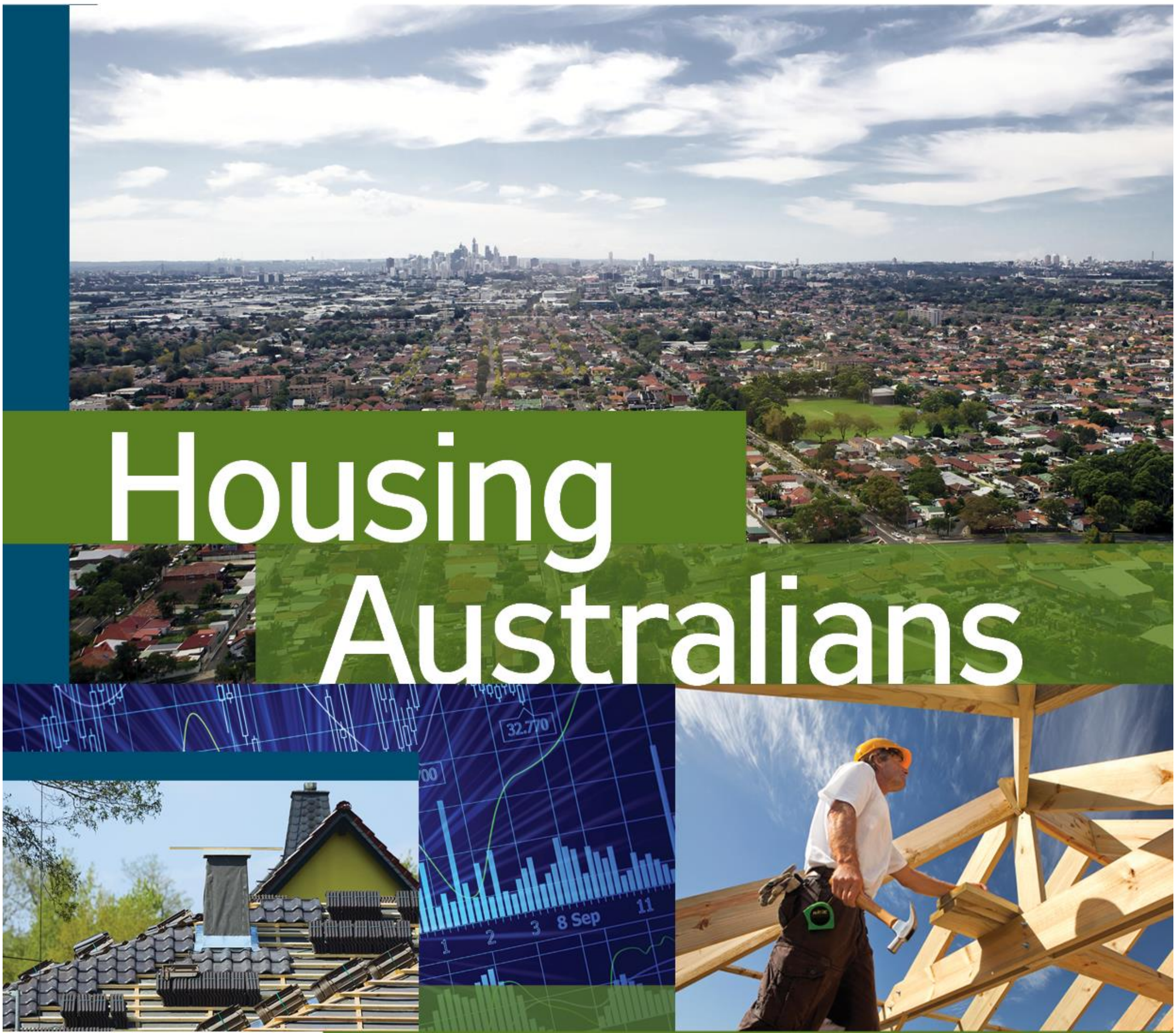
HOUSING INDUSTRY ASSOCIATION



Home Ownership Matters

Submission to Treasury

2020-2021 Pre-Budget Submission

24 August 2020

HOUSING INDUSTRY ASSOCIATION

contents

EXECUTIVE SUMMARY

The impact of a significant contraction in residential building activity across the Australian economy is well understood. So too is the important role that the residential building industry has played previously in leading the national recovery through, or out of, past economic shocks, including the post-GST and post-GFC recoveries.

HIA is acutely aware of the historical contribution the Australian Government has already made during the COVID-19 pandemic to support the nation’s ongoing economic activity. The effects of the health crisis have been felt across the economy with many sectors continuing to be fundamentally shutdown. The residential building and construction industry has been fortunate – we have been able to remain active under each phase of the shutdowns and proven that we can meet the necessary health and hygiene requirements - but this does not mean the sector has not suffered.

As pre-COVID housing projects reach completion there will be fewer new projects coming in behind them. This impact will be felt in both the detached housing market and the higher density apartment market for some time to come.

While a slowdown was on foot before the COVID-19 outbreak, the events of the last five months have thrown a level of unprecedented uncertainty into the market for both builders and consumers.

The Government’s swift action through schemes like JobKeeper and the Supporting Apprentices and Trainees wage subsidy has meant thousands of people have retained their jobs over the last five month. The residential building industry has been able to continue operating at effective levels. This has been crucial not only from an economic and employment perspective, but also from a consumer perspective. Where at first people were less likely to build a new house given the financial risks that were present, now there is more confidence entering the market knowing contracts can be honoured and houses built on time.

The positive signs from the HomeBuilder incentive are also beginning to bear results as the financial incentive has led people who might not otherwise explore the option of building a new home to do so. New home sales for July mirrored the boost in June, suggesting that the incentive will lead to slabs on the ground in the coming months.

While these policy initiatives have supported the residential building industry during COVID-19, HIA has identified further cost effective measures that will not only benefit the industry while business remains subdued, but will assist with the recovery of the industry after the crisis is over.

HIA has argued for many of the following measures prior to COVID-19. The crisis has heightened the importance of moving ahead now and accelerating reforms to help the residential building industry recover.

Supporting housing supply and home ownership

HIA recommends that:

- the COAG Select Council on Housing and Homelessness be re-engaged, reporting to the Minister for Housing;
- the Minister for Housing appoint an Housing Industry Consultation forum to provide advice on the outputs of the National Housing and Homelessness Agreement in relation to the national housing priority policy areas and provide input to the Housing and Homelessness Data Working Group;
- make land and housing supply be included as a permanent item on the COAG Select Council on Housing and Homelessness agenda;
- the adequate resourcing of the Australian Bureau of Statistics, with a view to maximising the accuracy of key macroeconomic data and recommencing the collection of national housing information that underpins an accurate understand of the housing market in Australia;
- the ongoing operation of a housing and land data and research function within the National Housing Finance and Investment Corporation;
- the Minister for Housing be recognised as a fixed position within Federal Cabinet;
- additional places in the First Home Loan Deposit Scheme be allocated in 2020/21 for new home buyers;
- the process and timeframes for confirming these places be amended to recognise the time involved in entering into a building contract to purchase a new home;
- National Cabinet open a dialogue on reforming the taxes on housing;
- agreement should be reached to provide stamp duty concessions for all new home building contracts entered into up to 31 December 2021;
- agreement should be reached to provide permanent stamp duty exemptions for all over 65 year olds seeking to downsize;
- the National Housing Finance and Investment Corporation develop a national first home buyer mortgage assistance scheme, modelled on KeyStart;
- the National Cabinet develop a funding package to deliver long term social and affordable housing units to increase the current stock of housing, similar to the post-GFC arrangements;
- a Commonwealth 'land rent' scheme be established to allow the construction of social and affordable housing on surplus Crown land suitable for residential purposes;
- State and Territory governments be encouraged to introduce a 'land rent' scheme to allow the construction of social and affordable housing on surplus state owned Crown land suitable for residential purposes;
- a Home Renovation package for home owners and landlords be introduced to undertake targeted renovations and additions which improve the resilience of existing homes;
- Australian Government work with the Reserve Bank, ASIC and APRA, to ensure an adequate supply of housing finance for all home buyers is available, but particularly first home buyers, recognising the low risk rating that exists in the Australian housing market.;
- the Commonwealth Annual Vacancy Fee be waived for the duration that Australia's international border remains closed; and
- the National Cabinet 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.

Reducing the tax on housing through productivity reforms

HIA recommends that:

- the National Cabinet establish an agreement to a 12 month national moratorium on any new regulation affecting the residential building industry to provide the industry 'clean air' to focus on recovery. This should include building regulations, workers compensation, licensing, training requirements and planning reforms;
- the Australian Government lead an urgent process through National Cabinet to reform the planning and building approval processes in all states to ensure that proposed single dwellings on residential land, that are compliant with the relevant residential design code, only require one statutory approval, being building approval;
- the Productivity Commission be requested to undertake a review into the removal of out dated, duplicative and state based variations to the technical and administrative requirements for buildings;
- the Productivity Commission review also look at adequacy of current Regulatory Impact Assessment work on assessing new reforms and the cumulative impacts of regulatory reforms, and investigate appropriate offsets for any new substantive or cumulative regulatory interventions;
- the Productivity Commission hold an inquiry into the real costs of home building and recommendations on how costs can be lowered;
- the National Cabinet identify ways to eliminate the cascading application of stamp duty on Goods and Services Tax (GST), development and infrastructure taxes and levies; and
- $12 million be allocated to a national education program for independent advice to contractors about meeting their tax and other regulatory business compliance obligations. Contractors could be referred to the program by the ATO or other business regulators or be free to seek out advice directly.

Making Australia a destination of choice

HIA recommends that:

- the Australian government remove the artificial cap of 160,000 permanent migrants per annum;
- establish appropriate visa arrangements for students and skilled foreign workers to hasten the restoration of overseas migration; and
- the Government regularly consult with industry regarding skilled labour requirements which cannot be filled through the domestic workforce and training system and be guided by industry input and market forces in determining an appropriate annual intake of skilled labour.

Skills for the future

HIA recommends that:

- the National Skills Reform agenda continue to progress and that all existing incentive payments for employers and apprentices under COVID-19 arrangements be retained until 31 December 2021;
- the first year apprentice financial incentive scheme for employers be retained over the course of the apprentices first year to help offset the financial burden and risk of taking on a first year apprentice;
- apprentices be permitted to transfer the incentive between employers where they are required to move to a new host due to a reduction in work relating to COVID-19;
- as part of the response to COVID-19, the National Skills Commission, in partnership with the National Careers Institute, identify ways to ensure that the classes of 2020 and 2021 can attain

appropriate funding for vocational education opportunities to commence their training regardless of access to an employer; and
- $3 million, to be matched by industry funding, be committed to establish a national on-line network for building apprentices delivering a modified ongoing industry mentoring program.

Improving building outcomes

HIA recommends that:

- funding be allocated to each of the actions in the Trajectory to facilitate their delivery by 2023 and support improvements in the energy efficiency of existing residential buildings.;
- $2 million be allocated over two years to deliver industry training for residential builders on the National Construction Code energy efficiency requirements, with a further $1 million allocated to a consumer education campaign on the options available for home buyers and home owners to improve the energy efficiency of their homes;
- $2 million be allocated over two years to deliver industry training for residential builders on universal housing design features, with a further $1 million allocated to a consumer education campaign on the options available for home buyers and home owners, particularly seniors downsizing, to request the inclusion of universal design features;
- $5 million be allocated to industry associations over three years to develop and deliver training to residential builders and trade contractors on the National Construction Code and Australian Standards related to Class 1 and Class 2 residential buildings;
- $4 million is allocated over 4 years to establish an industry lead advisory service on the interpretation of the National Construction Code and Australian Standards for residential builders; and
- $2 million be allocated over three years to the ABCB, or similar national body, to undertake research and development of amendments to the National Construction Code, Australian Standards and State and Territory administrative systems, which appropriately address the needs of prefabricated design and construction in Class 1 and Class 2 residential buildings;

1. INTRODUCTION

1.1 THE CHALLENGE OF COVID-19

The impact of a significant contraction in residential building activity across the Australian economy is well understood. So too is the important role the residential building industry has played previously in leading the national recovery through, or out of, past economic shocks, including the post-GST and post-GFC recoveries.

HIA is acutely aware of the historical contribution the Australian Government has already made during the COVID-19 pandemic to support the nation's ongoing economic activity. The effects of the health crisis have been felt across the economy with many sectors continuing to be fundamentally shutdown. The residential building and construction industry has been fortunate – we have been able to remain active under each phase of the shutdowns and proven the necessary health and hygiene requirements can be met - but this does not mean the sector has not suffered.

The Government's swift response in March as impacts on activity began to take hold provided a vital safety net. The ongoing support for apprentices, JobKeeper, HomeBuilder and JobTrainer, are providing much needed assistance for many residential building businesses. Providing support for residential building activity has in turn supported hundreds of thousands of other related businesses to operate, supporting jobs and economic activity across the economy. Despite this, the problems brought about by the combined health and economic crisis are not over, nor will they be for years to come.

HIA's January 2020 pre-budget submission set out a suite of actions we consider remain relevant to improving the business environment for the residential building industry at a national level. This submission updates those actions and outlines additional practical and cost effective measures that address the negative impacts of COVID-19 on residential building evident today, and predicted to become evident over the next 12 months. These measures will not only support the housing industry of the future, but ensure affordable rental and private housing availability for all Australians, and ensure the economic benefits that flow from residential building activity can be realised in these unprecedented times.

1.2 HIA'S HOME BUILDING RECOVERY PLAN

In May, HIA released our COVID-19 Home Building Recovery Plan setting out a number of measures for the Australian Government, along with measures for state and territory governments, through the National Cabinet process, for consideration.

HIA has supported the steps taken by all governments to manage residential building activity during COVID-19. Many of these reflect HIA's call to action set out in May 2020 and collectively provided much needed assistance to allow the industry to continue operating during the economic slowdown.

Of note, the Australian Government has already supported HIA's call to:

- introduce an incentive targeted at new home building through the HomeBuilder grant;
- formalise the National Cabinet;
- support apprentices and their hosts by wage assistance through the original Supporting

Apprentices and Trainees wage and the JobTrainer extension of the subsidy; and
- provide an industry specific methodology for turnover under the JobKeeper scheme.

State and territory governments have also provided much needed support for home building through:

- the introduction of state home building grants in Tasmania and Western Australia,
- changes to stamp duty concessions in NSW, Western Australia and the ACT, and
- supporting the re-opening of display homes under COVID-19 business restrictions.

HIA believes the remaining recommendations of the COVID-19 Home Building Recovery Plan warrant ongoing consideration as part of the 2020/21 Federal Budget.

1.3 Housing's Contribution to Economic Activity

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 manufacturing, supply, and retail sectors.

The aggregate residential building and construction industry's contribution to the Australian economy exceeded $108 billion in 2018/19 and accounted for 5.7 per cent of total expenditure.

There are over 1 million people engaged in the residential building industry. Over 700,000 people are working in construction roles, while just under 300,000 people are active in non-construction roles.

Many of those employed in construction trade occupations work across a range of dwelling types and renovations work and some work across residential and commercial construction projects.

As the residential building cycle adjusts, the role of the Australian Government in providing stable policy settings for finance and taxation, population growth, oversight of land and housing supply, building regulation, support for the social and community housing, and ongoing assistance for industry based training is critical.

The lack of consumer confidence in the housing market and the overall economic uncertainty created by COVID-19 has meant employers in the residential building industry have less incentive to take on new employees or apprentices.

Another impediment for residential building activity is the ongoing border closures, both international and state, which has meant immigration and future economic prosperity is faltering. HIA recognises and supports the closure of borders for the safety of Australians but the closures have had repercussions on our future population growth that must be recognised now. HIA believes that when the situation has stabilised there will be a real need to direct skilled migrants to Australia in large numbers to support our national recovery.

Taxes and red tape continue to cause serious problems for existing projects that could provide hundreds if not thousands of houses and jobs for Australians. The JobMaker plan sets out an early roadmap for productivity reform, but more will be needed.

HIA recognises that the fiscal burden of COVID-19 on the Australian Government has been immense making the 2020 Budget extremely complex and the opportunity for new funding problematic. This submission offers measures which do not, by their nature, have significant or long term costs attached. Many have been championed by HIA before. However, COVID-19 has added impetus to acting on these measures now – to support the residential building and construction industry and to support the Australian economy into the future.

2 THE CHANGING OUTLOOK FOR HOUSING

At the start of the 2020 HIA's national outlook for home building (February 2020) predicted the industry would deliver around 171,000 new homes for 2019/20, with a slight increase in starts to 177,000 new homes in 2020/21, lifting to 180,000 starts in 2021/22.

By April 2020, just a month into the economic shutdown, HIA revised our forecast to take into account the potential impacts of COVID-19 on home building.

As the crisis continued, HIA's May quarterly outlook update took further account of housing indicators which were signposting a significant decline in the home building pipeline beginning to take hold. This outlook foreshadowed a lower finish to 2019/20, followed by a massive decline in 2020/21 that could have been as low 111,000 starts. This would have meant dire consequences not only for the housing industry but for the national economy as whole.

In June 2020, shortly after the announcement of HomeBuilder, HIA's forecasts were again revised confirming an improved outcome may be possible for 2020/21 due to the additional stimulus and confidence flowing from that announcement.

Even with the resilient performance of the Australian economy and the impact of HomeBuilder, expectation today is that the number of new home starts will contract from 173,000 in 2019/20 to 139,700 in 2020/21. The medium-term forecast sees starts gradually recovering from a new trough between September 2021 and March 2022 and returning to 163,500 starts in 2024/25.

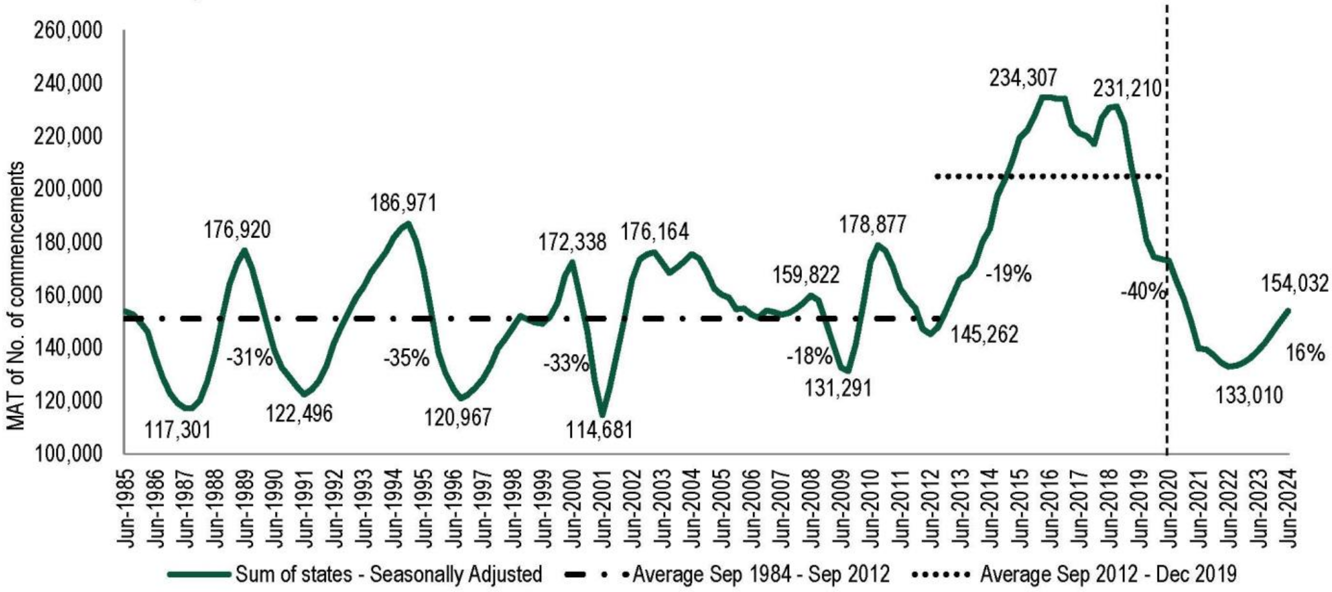
The multi-unit market will bear the brunt of the COVID-19 shock. The contraction in multi-unit starts will occur sooner and be more pronounced than for the detached market. Slowing in multi-unit starts had been underway since 2018 when starts in this part of the market exceeded 100,000 annually.

HIA is anticipating a further decline of 41 per cent for the multi-unit sector starts in 2020/21 from 71,600 to just 42,100 starts. This contraction will be focused on high-rise apartments in east-coast cities.

The detached home building market will be slow going into 2021/22 and reach a trough in the September 2021 quarter. This reflects the impact of HomeBuilder drawing forward starts into the March quarter as well as the slowdown in aggregate demand (wage growth, household disposable income, employment, etc.) due to the recession. Detached starts are expected to fall by 3.7 per cent in 2020/21, to the lowest level since 2013/14 of 97,600.

The detached market will continue to cool to 94,000 starts in 2021/22, before beginning to recover from the start of 2022. The recovery over the next three years will be modest and the number of new detached home starts are not expected to return to levels experienced in 2019 - over 25,000 detached starts per quarter - until the September quarter of 2023.

Dwelling Commencements / HIA Forecasts - Australia
Source: ABS 8752 Qtr, HIA



3 SUPPORTING HOUSING SUPPLY & HOME OWNERSHIP

HIA's January pre-Budget submission set out a number of actions in relation to supporting housing supply and home ownership. HIA believes those actions remain relevant post-COVID and should be supported in this Federal Budget.

HIA recommends that:

- the COAG Select Council on Housing and Homelessness be re-engaged, reporting to the Minister for Housing;
- the Minister for Housing appoint an Housing Industry Consultation forum to provide advice on the outputs of the National Housing and Homelessness Agreement in relation to the national housing priority policy areas and provide input to the Housing and Homelessness Data Working Group; and
- ensure land and housing supply is included as a permanent item on the COAG Select Council on Housing and Homelessness Agenda.

HIA recommends that funding be allocated towards:

- the adequate resourcing of the Australian Bureau of Statistics, with a view to maximising the accuracy of key macroeconomic data and recommencing the collection of national housing information that underpins an accurate understand of the housing market in Australia; and
- the ongoing operation of a housing and land data and research function within the National Housing Finance and Investment Corporation.

In addition to these January 2020 actions, the following additional measures are suggested to support housing post-COVID.

3.1 Importance of Dedicated Housing Minister

The appointment of an Australian Minister for Housing following the 2019 Federal election signalled the Government's recognition that housing is the one of the largest contributors to economic growth, stability and security for the Australian economy.

During the COVID-19 crisis the Housing Minister has proved invaluable in acting as an advocate for the industry and has been able to understand and effectively respond to the unique problems the industry has faced.

HIA contends that without the assistance of the Housing Minister over the last five months, the very specific and serious issues that faced the housing industry would have fallen through the cracks. Through effective communication and policy direction the housing sector has been able to remain operational preserving jobs and ensuring new homes and renovations can be completed.

HIA recommends that:

- the Minister for Housing be recognised as a fixed position within Federal Cabinet.

3.2 EXTENDING THE FIRST HOME LOAN DEPOSIT SCHEME

One of the important incentive schemes the Government has introduced is the First Home Loan Deposit Scheme. This scheme responded to HIA's call for action to support first home buyers and redress the exorbitant up-front costs layered onto a new home loan for those with less than 20 per cent deposit saved. HIA has always contended this would help first home buyers get in to a home sooner and enable them to overcome the hurdles that such financial burdens attach to accessing finance in fact create.

The first allocation of 10,000 places released on 1 January 2020 prior to COVID-19 was successful with the full quota being taken up. However, it appears that the primary users of the scheme are first home buyers purchasing existing homes rather than entering new home building contracts.

The scheme is not well suited to the new home building process. In March, HIA called on the Government to provide a dedicated allocation of places under the scheme for new home buyers to ensure the economic benefits of home building are also part of its success.

The second release of a further 10,000 places on 1 July 2020 has now commenced and the take up rate appears strong despite COVID-19 but the same concerns exist that new home buyers may not be participating in the scheme.

With a further 10,000 places allocated for 2021, HIA would hope to see this scheme continue to be supported in the Budget with ongoing funding, along with the scheme being expanded in a meaningful way during this uncertain time.

HIA recommends that:

- additional places in the First Home Loan Deposit Scheme be allocated in 2020/21 for new home buyers; and
- the process and timeframes for confirming these places be amended to recognise the time involved in entering into a building contract to purchase a new home.

3.3 REFORMING STAMP DUTY

Stamp duty is an inequitable 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.

Stamp duty is an inefficient tax. It represents a significant additional (though artificial) moving cost that discourages the population moving to a more appropriate home (and location) that best suits their changing needs.

The higher moving costs are a barrier to people moving to where better employment opportunities exist. Some may tolerate a longer commute time but this just represents another element of how stamp duty places real barriers to people achieving their full career and earnings potential. It is expected that COVID-19 will generate interest from many Australians to relocate to a location that they consider is more suited to their needs.

The higher moving costs are also a barrier to households moving to the most appropriate homes. Older and smaller households may not downsize, while growing families are discouraged from upsizing (the calculation being to extend rather than move).

The consequence for the wider economy is an inefficient allocation of its resources, particularly labour and the stock of housing.

Stamp duty is an unfit-for-purpose source of state government revenue. As stamp duty revenue depends on two main factors – dwelling prices and the volume of transactions occurring in the market – it is subject to the whims of the property market. When the property market is booming (with strong price growth and large transaction volumes) stamp duty provides windfall revenues. By the same token in times of property market weakness, stamp duty revenues also fall and weigh on budget outcomes.

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

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

Reforming stamp duty is not simple. It will require the collective agreement of the Australian Government and all states and territories. Reforming stamp duty during a housing market correction to assist in Australia's economic recovery makes sense. A commitment to begin a dialogue through the National Cabinet to reform the taxes on housing would be a welcome step.

HIA recommends that:

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

3.4 Supporting First Home Buyers and Downsizers

Until genuine reform is made to the taxes on housing in all forms, there remains a need to support home buyers, particularly first home buyers and downsizers, in their housing journey.

HIA believes that through the National Cabinet processes, State and Territory support should be gained to provide stamp duty concessions for all new home building contracts entered into up to 31 December 2021.

Similarly the National Cabinet should support State and Territory governments to remove stamp duty for over 65 year olds purchasing a new home (downsizing) as a permanent change to existing arrangements.

HIA recommends that through National Cabinet:

- agreement should be reached to provide stamp duty concessions for all new home building contracts entered into up to 31 December 2021.
- agreement should be reached to provide permanent stamp duty exemptions for all over 65 year olds seeking to downsize.

The opportunity exists to introduce a national KeyStart lending scheme managed by the National Housing and Finance Investment Corporation (NHFIC). HIA has supported the Australian government taking a role of this nature for many years. NHFIC are well placed to bring such a scheme together and to manage the program, based on KeyStart in Western Australia, on behalf of the all Australian governments.

HIA recommends that:

- the National Housing Finance and Investment Corporation develop a national first home buyer mortgage assistance scheme, modelled on KeyStart.

3.5 Social and Affordable Housing

The Commonwealth with the States and Territories, shares responsibility for the supply of social and affordable housing. The impact of COVID-19 on housing affordability remains unclear, but the short term impact for many rental households and new home buyers has been significant.

The steps taken to provide loan and rental waivers and holidays, along with the income support through JobKeeper and JobSeeker, have assisted. However the reality is there will be many households over the coming years that are set back in their housing arrangements.

Providing ongoing support for public housing and subsidised affordable rental housing is a fundamental role of Government at all times, but even more so in the current circumstances.

In the last five months, States and Territories have committed funds towards increasing the supply of social and affordable housing, but there is always more than can be done.

The National Cabinet should consider supporting a national funding package to deliver social and affordable housing across all states and territories, similar to the post-GFC arrangements. This funding should focus on increasing the stock of both public housing and housing managed by community housing providers.

In addition, the Commonwealth government should investigate the opportunity to establish a ‘land rent’ scheme to allow the construction of social and affordable housing on surplus Crown land suitable for residential purposes.

Similarly, through the National Cabinet, State and Territory governments should also be encouraged to introduce a ‘land rent’ scheme to allow the construction of social and affordable housing on surplus state Crown land suitable for residential purposes or as part of shared equity arrangements for private purchase.

HIA recommends that:

- the National Cabinet develop a funding package to deliver long term social and affordable housing units to increase the current stock of housing, similar to the post-GFC arrangements.
- a Commonwealth ‘land rent’ scheme be established to allow the construction of social and affordable housing on surplus Crown land suitable for residential purposes.
- State and Territory governments be encouraged to introduce a ‘land rent’ scheme to allow the construction of social and affordable housing on surplus state owned Crown land suitable for residential purposes.

3.6 Home Renovations

The HomeBuilder grants have provided a short term incentive for eligible households considering renovation projects valued between $150,000 and $750,000 to commence work in 2020. This incentive provides an important measure to underpin residential building activity in 2020/21. However, a significant majority of renovation projects are valued below $150,000.

Australia’s private rental property market is underpinned by individual landlords, mums and dads, with only limited institutional investment in this sector. While these individual landlords take on a rental property to gain a financial benefit, this benefit is not generally realised in short term financial gain. These decisions are made as long term investments. This means that individual landlords are often unable to upgrade or renovate private rental housing due to the upfront financial outlay that would be required.

Building regulations in Australia have changed considerably in the last two decades including increased energy and water efficiency requirements. Incorporating these new standards into a renovation project could benefit tenants through annual savings in their energy and water bills. Many landlords would take up the opportunity to improve their property through options such as replacing windows, installing insulation, updating tapware, toilets and electrical fittings, to improve a rental property if financial support or incentives were available.

Similarly, home owners undertaking small renovations are often limited in their ability to ‘upgrade’ other parts of a home to meet the same standards as new building work. Support for additional energy and water efficiency upgrades, such as the energy efficiency schemes available in some states (e.g. Victorian Energy Efficiency Target) can offer a meaningful way to incentivise home upgrades to improve their resilience.

During the GFC, targeted incentives for energy efficiency upgrades were part of the Canadian response providing direct support for specific items installed in the home. During COVID-19 the British government has announced a similar model of incentive which focuses on specific upgrades that improve building resilience and energy efficiency.

HIA believes a Home Renovation package to support home owners and landlords to undertake renovations and additions which improve the resilience of existing homes should be a high priority in this Budget. A part of this package should be tailored to support homes located in bushfire prone areas to undertake renovations and additions to improve their resilience to future bushfires.

HIA recommends that:

- a Home Renovation package for home owners and landlords be introduced to undertake targeted renovations and additions which improve the resilience of existing homes.

3.7 Housing Finance for First Home Buyers

A decade of reactive regulatory restrictions have made it significantly harder for first home buyers to obtain a mortgage to purchase their first home. A raft of restrictions imposed by APRA and ASIC since the 2007 GFC has seen the number of home loans issued with a 10 per cent deposit fall from 21 per cent of all loans to just 7 per cent.

Analysis by HIA shows a direct correlation between each additional 'reform' and a further step down in lending for the purchase of a home.

At the Standing Committee on Economics in August, the Governor of the Reserve Bank, Phillip Lowe, reinforced this concern:

> *"What has happened is that those principles have turned into hundreds of pages of guidance. Once the compliance people, the lawyers, the regulators and the media get involved, these high-level principles put in law get turned into a lot of guidance, because people don't want to offend these kinds of regulatory requirements."*
>
> *"I think the principles in the legislation are sound, but I think the way we've translated those principles into reality needs looking at again."*

A decade of additional restrictions in residential mortgage lending has been successful in creating an 'unquestionably strong' financial system. The problem is, in the pursuit of this 'unquestionably strong' financial system, the regulatory squeeze has forced the banking sector to eliminate much of the flexibility in the mortgage market that made home ownership accessible for households of variable credit quality.

In the same address, Governor Lowe also stated:

> *"The pendulum has probably swung a bit too far to blaming the bank if a loan goes bad, because the bank didn't understand the customer; if it had done proper due diligence—this is the mindset of some—the bank would never have made the loan. So some of the banks have had this mindset, 'Well, we can't make loans that go bad.' I would have to say, though, that in the past three or four months I've heard fewer concerns from the banks about the responsible lending laws. ASIC introduced new guidance. Institutions are gradually coming to grips with those."*

Having an 'unquestionably strong' financial system is essential to the future of the residential building industry, but home ownership must remain an attainable goal for all Australian households.

The success to date of the First Home Loan Deposit Scheme is a reflection of how difficult finance restrictions are for first home buyers. The statistics from the scheme reveal that buyers of all ages are taking up the opportunity to buy their first home. First home ownership is the key to a strong financial future for all Australians.

The additional regulation has dis-incentivised risk taking within the banking system, which includes high LVR mortgage lending. This is a problem as almost all first home buyers enter the market with a high LVR mortgage.

During COVID-19 APRA have demonstrated they can relax rules to achieve specific objectives without creating system-wide dysfunction. At the moment, APRA are not requiring home loans deferred to be counted within a lenders non-performing loans for capital adequacy purposes. They have done this because applying the rules as they were intended would have created a disincentive for banks to accommodate those who are facing hardship because of COVID. Banks would be more likely to pressure households to service their loans at all costs which would likely force households out of home ownership. It is incongruous that regulation can be used to ensure that home owners are not forced into delinquency but at the same time regulation creates an incentive for lenders to keep households from ever becoming home owners.

The objective of future reform of the regulatory system should be to ensure that banks are able to take appropriate risk in lending to first home buyers. This outcome can be measured through the risk weighting applied to loans with a 10 per cent deposit or lower.

In lending to these customers, banks incur very little risk. House prices in Australia have rarely fallen by more than 10 per cent. Even if house prices were to fall by more than 10 per cent, the risk of default only arises if the household also faces a material change to their financial circumstances, such as a period of unemployment. Even if both of these events were to occur, banks are not exposed to the default due to mortgage insurance.

The risk weighting of mortgages for loans with a 10 per cent deposit appears to now significantly constrain the goal of home ownership in Australia. Home ownership is considered by more than 90 per cent of Australians, as essential to their retirement plans. Forcing households out of home ownership will require them to increase their retirement savings in order to pay for housing services in retirement.

There are a range of measures that could be pursued to achieve this objective.

Increased competition within the market place for the issuance of home loans and competition for the provision of mortgage insurance are two necessary steps.

In addition, a review of the risk weighting for loans with a 10 per cent deposit or lower, is needed.

HIA recommends that the Australian Government:

- work with the Reserve Bank, ASIC and APRA, to ensure an adequate supply of housing finance for all home buyers, but particularly first home buyers, recognizing the low risk rating that exists in the Australian housing market.

3.8 TREATMENT OF FOREIGN OWNERS

Foreign buyers of residential property in Australia face significant restrictions which have been 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 to some extent due to COVID-19.

It would be appropriate for the duration of Australia's international border closures to waive this annual fee.

Similarly, it would be appropriate through National Cabinet to defer vacancy fees applied by the states and territories.

To assist in stimulating future housing demand, recognising the importance of immigration and overseas students residing in Australia, a nationally consistent approach should be taken to remove foreign investor surcharges and vacant residential property duties.

HIA recommends that:

- the Commonwealth Annual Vacancy Fee be waived for the duration that Australia's international border remains closed.
- 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.

4 REDUCING THE TAX ON HOUSING THROUGH PRODUCTIVITY REFORM

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 online and provides a breakdown of these costs as either resource costs, regulatory costs (red tape), statutory taxes (federal, state and local) or excessive charges.

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. For a new apartment unit, these costs reduce but are also 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. If the government decides to increase these measures, this will cause the total outlay made by the new home buyer to increase, yet the new homebuyer 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, which is passed onto new home buyers via a commensurate increase in the transfer price.

Again the new home buyer does not receive a better or a larger home if they are forced to wait, and hence pay more for regulatory costs. Governments also do not directly benefit.

The Australian Government announced the JobMaker plan in May indicating that achieving productivity reforms is now a priority. While the focus in May was on skills and industrial relations, there is opportunity to address the inefficiencies in the administrative processes that exist across a number of Commonwealth agencies, and within state and territory regulatory processes. Any measures in this Budget that directly focus on achieving this outcome would be welcome.

4.1 Managing Regulatory Change

COVID-19 has presented the most challenging regulatory settings for policy makers in several decades. In one sense, the call to 'hold steady' is real and relevant, setting aside new reforms to allow a focus on the here and now. The shock to Australia's economy and the rethink needed as activity recommences present an important opportunity. The challenge now is to not simply revert back the way it's always been.

In line with this approach, it is important each industry has the time needed to re-establish and return to a functional level of activity before significant reforms recommence. HIA's experience during COVID-19 of seeking stakeholder input and guidance reflects the reality that just managing day to day has been the absolute focus for our members. Contemplating anything new has been a challenge and providing meaningful feedback even more difficult.

HIA believes that in the short term productivity can be improved by pausing the rate of change. Allowing businesses time to rebuild and to master the rules in place can be as effective in increasing productivity as any other type of reform. For this reason, HIA sought a national moratorium on any new regulation affecting housing in our Home Building Recovery Plan. Some months on, this request is still critically important to help businesses in the current environment.

HIA recommends that:

- the National Cabinet establish an agreement to a 12 month national moratorium on any new regulation affecting the residential building industry to give the industry 'clean air' to focus on recovery. This should include building regulations, workers compensation, licensing, training requirements and planning reforms.

4.2 Reforming Housing Approvals

HIA is constantly working with state and territory governments to achieve a simple and critical outcome for all new housing. One house on one block of land zoned for housing and created for a new home should only require one statutory approval for that house. Currently not all jurisdictions support this outcome.

HIA's Home Building Recovery Plan called for the Australian Government to work through the National Cabinet to gain the support of State and Territory governments to implement a single step approval processes from 1 July 2020 for all new homes that meet the design requirements of current state housing codes. While this outcome is yet to be taken up, it is still desirable.

This outcome should be a priority for the Planning and Building Ministers. By removing unnecessary red tape in the single dwelling approval process by facilitating a single approval, home owners seeking to take up the HomeBuilder grant and homes planned to be built in 2021 and onwards can benefit from faster construction, lower application cost and fees and reduced waiting time to move into their new home.

HIA recommends that:

- the Australian Government lead an urgent process through National Cabinet to reform the planning and building approval processes in all states to ensure that proposed single dwellings on residential land, that are compliant with the relevant residential design code, only require one statutory approval, being building approval.

4.3 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. Since its inception, 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 COAG national standards setting bodies, particularly with respect to their consultation with impacted stakeholders, the transparency in undertaking assessments and the decision making processes that follows regulatory assessments.

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 ensure that productivity is not hampered. The approach to regulatory assessment fails to address the cumulative impacts from multiple regulatory changes at one time, and regulatory changes by different bodies at the same time.

There also remains a concern for industry with respect to the outdated, duplicative and state based variations to technical and administrative requirements existing in building control, despite ongoing intergovernmental agreements to redress this.

HIA considers there is merit in taking a renewed look at the way in which regulatory assessments are managed for national standards (both model and legislative) and in making the streamlining of existing national technical standards a priority. In recent years, this process has required agencies to verify regulatory offsets that can be made to ensure there is no increase in the overall regulatory burden on the impacted sector. This should be reinstated as a mandatory part of managing the cumulative effect of new or amended regulation.

HIA recommends that:

- the Productivity Commission be requested to undertake a review into the removal of out dated, duplicative and state based variations to the technical and administrative requirements for buildings. This review should also look at adequacy of current Regulatory Impact Assessment work on assessing new reforms and assessing the cumulative impacts of regulatory reforms, and investigate appropriate offsets for any new substantive or cumulative regulatory interventions.

4.4 Identifying the Tax on Housing

Housing is the second most heavily taxed sector of the economy raising around $40 billion each year for federal, state and local governments; this is around 12 per cent of total government revenue.

Independent research shows tax typically accounts for up to 50 per cent of the cost of a new home, seriously damaging the affordability of new housing, which in turn affects the price of existing housing.

HIA recommends that:

- the Productivity Commission hold an inquiry into the real costs of home building and recommend how costs can be lowered.

Another barrier to home ownership is state and territory government stamp duties: they are paid up front and eat into a home buyer's deposit. They are universally acknowledged as inefficient.

Housing taxes cascade adding to cost. Stamp duty can be paid multiple times as raw land is transferred through the development process with GST added along the way. Taxing taxes is inequitable and erodes affordability. Placing a burden on new home buyers to finance these additional taxes in mortgages over a 30 year period then creates an even greater impost.

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.

4.5 Supporting Independent Contracting

The regulatory environment at a federal and state level surrounding the obligations of independent contractors are extremely complex, especially for the small businesses that dominate the residential building industry.

HIA commits significant resources each year to supporting our members in understanding their obligations including the development of guidance material, one on one advice and training forums. With several federal agencies involved in setting regulations which have an impact on independent contractors, it is considered appropriate that those agencies support the development and delivery of education for small businesses involved in residential building activities.

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.

HIA does not support sham contracting and sees measures that provide additional support to regulatory agencies to enforce existing laws as appropriate. Similar additional funding to support the compliance and enforcement activities of other regulators, including, for example the ATO should also be considered.

It is important that the Government takes a proactive role in supporting all businesses, but 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:

- $12 million be allocated to a national education program for independent advice to contractors about meeting their tax and other regulatory business compliance obligations. Contractors could be referred to the program by the ATO or other business regulators or be free to seek out advice directly.

5 MAKING AUSTRALIA A DESTINATION OF CHOICE

COVID-19 means that Australia's population growth will decline due to the drastic artificial halt to migration. While HIA recognises borders and therefore migration cannot open for some time to come, decisions need to be made now to support a strong migration plan and prepare to regain the economic stability that comes with population growth.

To date Australia has been extremely fortunate in our COVID-19 journey when compared to many other countries. This is expected to make Australia a destination of choice in the future for would be migrants and attracting skilled migrants should now be a primary focus of our immigration strategy.

5.1 Maintaining a Strong Immigration Policy

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

Australia's population growth policies should target working aged skilled migration and business migration to assist in mitigating the rate of decline in the proportion of our working aged population compared to those 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.

In recent years the permanent migration component of Australia's net overseas migration intake has been progressively reduced from 190,000 per year down to 160,000 or less. The decision by the Government to maintain the permanent migration intake at 160,000 per annum from 2019/20 was regrettable. This lower 'cap' will adversely affect the supply of skilled labour required for Australia's workforce, in addition to constraining the nation's rate of economic and productivity growth and therefore the future standard of living.

As Australia emerges from the COVID-19 pandemic and seeks to reopen borders internationally, it will be vital that the right settings are in place to support a timely return to post COVID-19 immigration levels and a gradual, but appropriate, increase in the migration intake for skilled and business visa categories.

HIA recommends that:

- the Australian government remove the artificial cap of 160,000 permanent migrants per annum.

- establish appropriate visa arrangements for students and skilled foreign workers to hasten the restoration of overseas migration.
- the Government regularly consult with industry regarding skilled labour requirements which cannot be filled through the domestic workforce and training system and be guided by industry input and market forces in determining an appropriate annual intake of skilled labour.

When border restrictions are lifted the minimum annual intake should once again be 190,000 per annum with a focus on skilled labour. Whilst it is not entirely possible to put this target into practice at this time, it would be a welcome move for the Government to begin preparing for a change to be introduced in 2021 as travel hopefully becomes possible.

6 SKILLS FOR THE FUTURE

The COVID-19 crisis has had a drastic impact on those undertaking vocational education and training and completing apprenticeships. Had it not been for the Supporting Apprentices and Trainees wage subsidy, combined with initiatives such as JobKeeper and JobTrainer, the situation would be worse. However it is clear the economic impacts have affected the training opportunities for hundreds of thousands of people and left employers less likely to take on new staff or apprentices.

HIA is predicting that activity in the housing sector will remain below the long term average for several years. This means there will be a slowdown of hiring new apprentices which will have the greatest impact on the class of 2020 and 2021.

The residential building sector is unique from other sectors in the way it trains new entrants and the nature of the sector means that employers will not gain meaningful financial benefit from employing a first year apprentice due to the supervision and experience required to work with that apprentice. The benefits begin to flow as they enter their 2nd, 3rd and final years of an apprenticeship.

Apprentices have to attend off-site training, meaning that not only is the apprentice not working with their employer fulltime in years 1 and 2, but that the employer is also paying the apprentice when they are off-site, which for some can be another financial disincentive.

6.1 Continue the National Skills Reform Agenda

HIA acknowledges that significant national reform is currently underway in relation to skills and training and appreciates the Australian Government's focus on ensuring vocational education is seen as an equal and valid option to university for many young people as they leave secondary education.

The response in March to introduce the Supporting Apprentices and Trainees wage subsidy was welcomed by industry. The recent update to these arrangements announced in July will give thousands of businesses and apprentices ongoing security as the impact of COVID-19 continues.

Prior to COVID-19, the Australian Government and the COAG Skills Council were actively progressing reforms aimed at improving the vocational training and education framework. HIA is supportive of this work continuing and we look forward to working with the relevant agencies to progress these changes.

HIA notes the most recent statement by the COAG Skills Council with respect to the new national partnership agreement has taken up a recommendation from HIA's January pre-budget submission in relation to rebalancing funding for vocational education to ensure a commitment to yearly increases in real funding.

HIA recommends that

- the National Skills Reform agenda continue to progress and that all existing incentive payments for employers and apprentices under COVID-19 arrangements be retained until 31 December 2021.

6.2 Supporting Apprentice Employers

It is often the view that low apprentice wages are the primary cause of less apprentices taking up training and hence there are less skilled trades people joining the workforce.

This may be true in other trades that rely on apprenticeships, however in the residential building sector the number of available employers to take on those apprentices has most effect on the take up rates.

The lack of support for a potential employer to take on an apprentice is the key driver in keeping the number of apprentices entering building trades down. The financial hardship brought with COVID-19 has meant that there is even less incentive right now to 'grow' a business and take on staff.

HIA believes now is the time to establish a long term financial incentive scheme that encourages employers to take on first year apprentices in residential building. The experience of JobKeeper and the Supporting Apprentices and Trainees wage subsidy have shown employment incentives work, and provided they are well designed and regulated, they can produce excellent results for both apprentices and the employing business.

HIA recommends that:

- the first year apprentice financial incentive scheme for employers be retained over the course of the apprentices first year to help offset the financial burden and risk of taking on a first year apprentice.
- apprentices be permitted to transfer the incentive between employers where they are required to move to a new host due to a reduction in work relating to COVID-19.

6.3 The Classes of 2020 and 2021

Compounding the emerging slowdown in the housing cycle, COVID-19 will mean that the volume of housing activity will decrease more rapidly in 2021 and not return to long term levels for several years. The demand for the new apprentices during this part of the cycle will decrease.

While some may consider a slowdown as the time when support and funding for new apprentices can be reduced, in reality the exact opposite is needed. As a cyclical industry to prepare for the return of activity within the next 3-5 years the next generation of apprentices across all building trades must enter training now. The class of 2020 and 2021 will be the key to a skills shortage or not, in 2024.

Given the pressure on jobs and employers, 2021 may present the opportunity to support alternative models of funding for 'in class' learning. Providing a pathway for those students unable to obtain an employer, to take on full time vocational study before they move to gain much needed 'onsite' training with an employer. The key is to ensure a level playing field exists for funding of training for those students unable to access an employer in 2021.

The Australian Government has acknowledged that the VET system needs reform. The National Skills reform agenda is progressing and it is hoped that real change can come from this process. One part of this reform could be to identify ways to restructure the delivery of existing building trade training to include intensive courses allowing the apprentice to complete their formal education sooner making them more attractive to employers.

HIA recommends that:

- as part of the response to COVID-19, the National Skills Commission, in partnership with the National Careers Institute, identify ways to ensure that the classes of 2020 and 2021 can attain appropriate funding for vocational education opportunities to commence their training regardless of access to an employer.

6.4 Managing Mental Health

Transitioning from school to achieving a stable and productive livelihood constitutes an important stage in the lives of all young individuals. They are moving from more known, predictable environments and more clearly defined pathways, into new open, less controlled, less certain and unpredictable territory.

The workplace can present all types of risks and a sense of insecurity and uncertainty for some of these young people than was previously the case. This significant transitional change in young adults' lives 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 and the pressures of their new working life. Add to this the varying environmental conditions they find themselves in are often compounded by events happening in their personal lives.

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. More than ever they need help navigating the problems that arise when taking on or completing a trade in the construction industry.

Mentorship programs have been an extremely successful way to assist young apprentices. Dedicated mentors also play a role in supporting apprentice hosts by engaging with apprentices, especially at a time when financial hardship and uncertainty in the housing market means that both employers and apprentices are being put under much more pressure.

Through the successful Industry Specialist Mentoring for Australian Apprentices HIA provided more than 3,000 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.

2020/21 presents a vital period for apprentice mentoring given the additional external pressures facing businesses and young people.

HIA recommends that:

- $3 million, to be matched by industry funding, be committed to establish a national on-line network for building apprentices delivering a modified ongoing industry mentoring program.

7 IMPROVING BUILDING OUTCOMES

7.1 EXISTING RESIDENTIAL BUILDING ENERGY EFFICIENCY

All residential buildings in Australia have been required since 2003 to meet nationally agreed minimum energy efficiency requirements which dictate 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.

The COAG Energy Council endorsed the Existing Buildings Trajectory in late 2019 which 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 each of the actions in the Trajectory to facilitate their delivery by 2023 and support improvements in the energy efficiency of existing residential buildings.

7.2 NEW HOME ENERGY EFFICIENCY

The COAG Energy Council adopted a trajectory for new buildings in early 2019. Included in this was a further increase in the minimum standards for new homes and the introduction of a new 'whole of house' low carbon/zero energy (ready) assessment.

The Australian Building Codes Board (ABCB) is currently working to implement this action with the potential adoption of new standards set to occur in May 2022.

While funding has been allocated to the ABCB to undertake this project, no funding has been allocated to work with industry to educate practitioners in advance of any changes being made, and no funding has been allocated to promote to home buyers the energy efficient inclusions that they can consider in new home design.

HIA's GreenSmart program has trained over 6,000 practitioners over 20 years. The HIA GreenSmart Professional two day training program has recently been updated but there is a need for more tailored training on the specifics of mandatory energy efficiency requirements, water efficiency options, resource management and customer engagement to further expand industry knowledge about the opportunities to design and build energy efficient homes. There is also an unmet need to provide information for consumers on the practical choices they can make in new home design to improve a home's energy efficiency.

HIA recommends that:

- $2 million be allocated over two years to deliver industry training for residential builders on the National Construction Code energy efficiency requirements, with a further $1 million allocated to a consumer education campaign on the options available for home buyers and home owners to improve the energy efficiency of their homes.

7.3 Universal Design

HIA has been supporting the voluntary application of the Livable Housing Australia (LHA) universal design guidelines through the HIA GreenSmart program since 2010. HIA was a co-author of these guidelines. They are aimed at providing home owners and home builders with information on design features that can be included in a new home, or renovation of an existing home, to assist in improving access in the home.

In 2010 the Australian Government committed seed funding to promote these guidelines and to train the residential building industry on their application however this funding concluded in 2013.

New design requirements for Specialist Disability Accommodation under the National Disability Insurance Scheme (NDIS) have recently been introduced which provide more tailored design requirements to suit the needs of a range of disabilities and guide home renovations funded through the NDIS.

The ABCB is also currently considering the adoption of aspects of these guidelines as mandatory requirements for all new houses in Australia, potentially from May 2022.

HIA continues to support the voluntary application of universal design features in new and existing homes based on the home owner's choice. To improve the awareness of these design options and to support the implementation of the NDIS and potential future regulatory measures, it is vital that the residential building industry has access to a dedicated and targeted education program.

Industry associations such as HIA are well placed to partner with Government to deliver this training.

HIA recommends that:

- $2 million be allocated over two years to deliver industry training for residential builders on universal housing design features, with a further $1 million allocated to a consumer education campaign on the options available for home buyers and home owners, particularly seniors downsizing, to request the inclusion of universal design features.

7.4 Improving Building Quality

Education is critical to the industry transformation needed to implement any changes to the National Construction Code. In 2019 HIA provided face to face training on the NCC to over 2,000 practitioners in the space of just two months. However more is needed.

No state or federal agency provides advice and interpretation services on the National Construction Code and Australia Standards. This role is currently left to industry associations to provide and membership of industry associations is voluntary.

Arising from the Shergold-Weir Building Confidence Report, the ABCB is currently developing, on behalf of the Building Ministers' Forum, training on the National Construction Code. This will not extend to Australian Standards and it will not address the day to day gap in the provision of advice and interpretations to residential builders, industry practitioners and home owners. It is expected that the ABCB training will be focused on how specialist understanding of the code, as opposed to how to accurately interpret, design and build a new home in accordance with the NCC, in particular Volume 2.

In the last five years, many traditional home builders have moved to take up the opportunity to design and build medium density housing, including apartments, which requires a working knowledge of Volume 1 of the NCC and an understanding of a range of other technical requirements and contracting arrangements. With the ongoing demand for medium and high density housing, building practitioners need support to understand these requirements and ensure that building quality is maintained.

HIA recommends that:

- $5 million be allocated to industry associations over three years to develop and deliver training to residential builders and trade contractors on the National Construction Code and Australian Standards related to Class 1 and Class 2 residential buildings.
- $4 million is allocated over four years to establish an industry lead advisory service on the interpretation of the National Construction Code and Australian Standards for residential builders.

7.5 SUPPORTING INNOVATION AND PRODUCTIVITY IN HOME BUILDING

Modular and prefab construction is expanding its reach into home building, leading to improvements in construction times, construction costs, safety and quality outcomes. Work is currently being undertaken by the Advanced Manufacturing Growth Centre (AMGC) to investigate the potential for an industry hub to focus on prefabrication and modular construction.

HIA has supported this program as the Chair of the Steering Committee and we have a wide range of members working in this part of the industry that have identified barriers and constraints to greater take up of prefabrication. HIA commends the work of the AMGC under the recent funding and support the additional funding the Australian Government has provided to now establish a Prefab Hub.

While the work of AMGC and the Prefab Hub will be important in looking at the opportunities for modular construction going forward, it is also important to look at how industry can be supported to change mindsets to use and take up modular and prefab construction solutions.

The AMGC work will not be able to thoroughly analyse the range of regulatory barriers that exist preventing further uptake of modular construction in the housing sector. These regulatory barriers cut across a range of policy areas including national building codes and standards, state and territory administrative systems, insurance, licensing, housing finance and training packages. These barriers are the result of regulatory and administrative systems being developed over decades with traditional construction systems in mind.

These barriers need to be clearly understood to allow effective solutions to be identified. To achieve this a dedicated body of work should be undertaken to investigate the barriers and the potential solutions facing the prefabricated and modular construction home building sector with a view to support new and innovative construction systems and products in housing.

HIA recommends that:

- $2 million be allocated over three years to the ABCB, or similar national body, to undertake research and development of amendments to the NCC, Australian Standards and State and Territory administrative systems, which appropriately address the needs of prefabricated design and construction in Class 1 and Class 2 residential buildings.

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 & medium-density housing developments, apartment buildings and completing renovations on Australia's 9 million existing homes.

HIA members comprise a diverse mix of companies, including volume builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

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 5.8 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 sub-contractors reliant on the industry for their livelihood.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

> *"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."*

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

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.