



HOUSING INDUSTRY ASSOCIATION



# Housing Australians



Home Ownership Matters

Submission to Treasury

**2021-2022 Pre-Budget Submission**

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## 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.

The residential building industry is on track to fulfil this role again as Australia recovers from the COVID-19 recession. This is in no small part due to the coordinated and collaborative policy responses by the Australian Government, state and territory governments.

Residential building activity continued throughout 2020 despite the early impacts of COVID-19 restrictions on economic activity. Activity improved towards the end of the year as restrictions were lifted and policy measures to support activity in the sector laid the ground work for what is now expected to be an elevated level of detached home building in 2021. Challenges continue weigh on activity in the multi-unit market which had been in the midst of a cyclical contraction at the onset of the COVID-19 recession.

The disruption to immigration and the consequential drop in population growth will weigh on demand for housing. This drop in demand is expected to manifest in a material drop in residential building activity in 2022. There is a high degree of uncertainty about the length of time that this drop in activity will persist beyond 2022, which reflects the uncertainty around the prospect for immigration to return.

The Government's response to the economic challenges of COVID-19 have demonstrated a commitment to maintaining the living standards of Australians while sticking to the long term objective of improving the productivity of the Australian economy.

The environment in which the residential building industry operates is influenced by the legislative, regulatory, tax and transfer arrangements of all three tiers of government. The Australian Government has an important role in leading a coordinated policy agenda that will improve housing outcomes for all Australians.

This submission presents a range of initiatives that if implemented will, inter alia, assist the housing industry to navigate the economic challenges that lay ahead, will improve the efficiency and productivity within the industry, lift the rate of home ownership, improve access to the career opportunities within the industry and thereby foster a productive workforce for the future.



## 1. INDUSTRY OUTLOOK

The residential building industry was fortunate to experience less interruption throughout 2020 than many had feared when the health, social and economic implications of the COVID-19 pandemic response became evident. The depth of recession appears to be shallower than forecasters expected and many indicators suggest that an economic recovery is progressing well. At the beginning of 2021, household and business confidence is in a much better position than expected.

The stronger economic outlook, low interest rates and targeted policy measures, such as HomeBuilder and the commencement of the First Home Deposit Guarantee scheme in January 2020, have provided for strong demand in some parts of the residential building industry.

A large share of the building activity that was completed during 2020 and work scheduled to commence during the first half of 2021 can be attributed to the economic support measures implemented by the Australian Government and state governments.

The pipeline of detached house construction at the beginning of 2021 is healthy. HIA's monthly New Home Sales survey in December 2020 showed the strongest level of detached house sales in any month since March 2001.

Accordingly, building approvals figures also improved in the latter months of 2020, with the total number of dwellings approved during the three months to November 2020 up by 14 per cent compared to the same period a year earlier. This increase was due to a 31.4 per cent increase in detached house approvals over this period, while multi-unit approvals declined by 9.7 per cent. Also, the aggregate value of home renovations approved reached a record high in the three months to November.

The influx of applications to the HomeBuilder scheme in December and the time limits that apply to eligibility for the scheme implies a strong level of detached house commencements should occur throughout the first half of the year, before activity eases late in the year. The extent to which the HomeBuilder scheme has provided an inducement for households to bring forward purchases, leaving lower demand after the scheme concludes, represents a risk for late in 2021 and throughout 2022.

Accommodative monetary policy appears to have provided support for residential lending. The number of construction loans (typically associated with a detached house construction) increased steadily each month beginning in July 2020. The number of construction loans during the three months to November 2020 were up by over 80 per cent compared to the same period a year earlier, and loans for the purchase of vacant residential land doubled over this period.

The number of loans for the purchase of new homes (typically associated with apartment and spec home purchases) also increased over this period although by a comparatively modest 15.9 per cent. This is likely to reflect the settlement of apartments purchased off the plan some time ago as these developments continue to reach completion rather than reflecting a positive response to recent economic developments.



The apartment developments which are reaching completion are doing so in a very different economic environment to that which would have been anticipated at the time that buyers purchased off the plan. This has effected market prices, rental prices and demand.

There were significant changes to demographic trends during 2020 which stand to influence demand for housing over the years ahead. Most notably, border closures led to a halt to immigration and slowed Australia's population growth dramatically. This was most significant in New South Wales and Victoria, and the capital city areas specifically. There was also a significant change in Australia's long term trend towards urbanisation, with a greater number of people moving from capital cities to regional areas.

The extent to which these demographic trends could persist over the longer term, or could quickly reverse if the risk of COVID-19 can be effectively managed, represents a considerable source of uncertainty for the housing industry. The segment of the industry involved in marketing, building and supplying the inputs for apartment construction are most exposed to this uncertainty, although the uncertainty about the halt to immigration is affecting the entire housing industry.

The pipeline of residential building work is likely to generate a healthy level of demand for labour throughout 2021, although strong demand in the detached house segment is likely to be offset by the ongoing easing in demand in the apartment segment. In some instances, workers will be able to transfer their skills from one segment to the other in response to a change in demand although this is not universal across all occupations.

The healthy level of residential building activity in new detached homes and home renovations that is expected to occur during the 2021 calendar year should offset the declining levels of activity in the apartment segment. However, the strong levels of demand for new detached houses is expected to ease following the conclusion of HomeBuilder. A deterioration in activity in detached house building at a time when the apartment market remains weak presents a risk that residential building may make only a modest contribution to economic growth in the 2021/22 budget year. The expected contraction in residential building activity in 2022/23 will create a headwind for Australia's economic recovery further along the Budget horizon.



## 2 NAVIGATING THE ECONOMIC RECOVERY

### 2.1 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 stability and security for Australians and makes a substantial contribution to growth of the national economy.

The Housing Minister has engaged closely with the industry and has demonstrated an understanding of the unique problems the industry faced as COVID took hold of the economy. The Government's responses to the challenges facing residential building have enabled the housing industry to be a major contributor to economic growth as we emerge from the recession.

Without the stewardship of the Housing Minister throughout 2020, 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 industry has been able to remain operational, preserving jobs and ensuring new homes and renovations can be carried out.

HIA recommends that:

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

### 2.2 PLANNING TO RESUME IMMIGRATION

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.

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

Australia's immigration policies should target working aged skilled migrants and business migration to assist in mitigating the rate of decline in the 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 not be reached during the period that Australia's borders remain closed.

The rapid roll out of a vaccine in 2021 that has the potential to provide all Australians with protection will put Australian in a unique position to consider how it manages border restrictions and population intake by the end of 2021. As Australia emerges from the COVID-19 pandemic and seeks to reopen the border to international travellers it will be vital that the right settings are in place to support a timely recovery in the migration intake for skilled and business visa categories.

HIA recommends that:

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

### **2.3 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 by state and territory restrictions on evictions and rental caps.

HIA recommends that:

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



## 3 SUPPORTING HOUSING SUPPLY AND HOME OWNERSHIP

### 3.1 ADVANCING THE FIRST HOME LOAN DEPOSIT SCHEME

The First Home Loan Deposit Scheme, which is currently operating as a pilot program, has proven to be highly successful. This scheme responded to HIA's call to support first home buyers and redress the high up-front transaction costs layered onto a new home loan for those with less than 20 per cent deposit saved.

A place in the scheme is likely to become more important to first home buyers as lenders apply Basel III prudential standards which impose higher risk weightings for mortgage lending with high loan to valuation ratios.

Analysis of the first allocation of 10,000 places in the scheme taken up in early 2020 revealed strong demand. The scheme provided support to a broad cross-section of first home buyers in all states and territories across both metropolitan and regional areas. As part of the pilot, a further 10,000 places were made available in July 2020 and a further 10,000 are scheduled to become available in July 2021.

Within the first 10,000 participants in the scheme there was an underrepresentation of home buyers purchasing new homes. The underrepresentation was due to aspects of the scheme's design which applied time frames which were too short for those wishing to purchase a new home.

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

The representation of first home buyers has significantly increased since the scheme began. Throughout 2020 the share of home loans approved to first time buyers increased by 6 percentage points, reaching 43 per cent of all new home loans approved in December 2020 which is the highest share since 2009. This is clearly due, in part, to the operation of the Scheme. The Scheme has proven its value to first home buyers and should become a permanent tool in the Australian housing market to assist first home buyers achieve home ownership.

HIA recommends that:

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





### **3.2 NATIONAL FIRST HOME BUYER MORTGAGE ASSISTANCE SCHEME**

An opportunity exists to introduce a national mortgage assistance scheme modelled on the KeyStart scheme which operates in Western Australia. HIA has supported the Australian government taking a role of this nature for many years. National Housing and Finance Investment Corporation (NHFIC) is now well placed to bring such a scheme together and to manage the program.

HIA recommends that:

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

### **3.3 BOOSTING SUPPLY OF SOCIAL AND AFFORDABLE HOUSING**

The Commonwealth with the States and Territories, shares responsibility for the supply of social and affordable housing. The steps taken to provide loan and rental waivers and holidays, along with the income support through JobKeeper and JobSeeker, has assisted many households meet their housing costs during the COVID-19 crisis. However, there will still be many households who continue to face challenges over the coming years.

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.

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

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 make surplus Crown land suitable for residential purposes available to social and community housing providers to build additional affordable housing units.
- State and Territory governments be encouraged to introduce a 'land rent' scheme to allow the construction of social and affordable housing on surplus state owned land suitable for residential purposes.

### **3.4 IMPROVING THE RESILIENCE OF THE EXISTING HOUSING STOCK**

Building regulations in Australia have changed considerably in the last two decades including increased energy and water efficiency requirements. Incorporating these new standards into renovation projects would improve environmental outcomes through reduced energy and water consumption.

Home owners, both owner-occupiers and investors, are often limited in their ability to update elements of their homes to meet the same energy and water efficiency standards that are achieved in 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 priority. A part of this package should be tailored to support homes located in bushfire prone areas to undertake improvements that increase 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.



## 4 REFORMING TAXES ON HOUSING

### 4.1 A NATIONAL AGENDA TO REFORM TAXES ON HOUSING

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

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.

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

HIA recommends that:

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



## 4.2 REMOVING STAMP DUTY

Stamp duty is an inequitable tax and inefficient tax.

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

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

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

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

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

HIA supports broad-based taxation that collects sufficient revenue to provide necessary government services 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 and such a significant reform has the potential to influence the distribution of GST revenue amongst states. Progress on this reform will require the collective willingness of the Australian Government and all states and territories.

HIA recommends that:

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

## 4.3 ADDRESSING THE CASCADING OF TAXES ON TAXES

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

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



HIA recommends that:

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



## 5 PROMOTING INNOVATION IN RESIDENTIAL CONSTRUCTION

### 5.1 MANAGING THE ROLLOUT OF REGULATORY CHANGES

COVID-19 has presented the most challenging regulatory settings for policy makers in several decades. The call to 'hold steady' on regulatory reform has allowed the industry to focus on the here-and-now throughout the crisis. This pause in regulatory reform has provided an important opportunity to rethink the pace at which regulatory change is occurring.

As schedules for regulatory reform recommence, it is important that each industry has the time needed to re-establish and return to a functional level of activity before significant reforms are implemented.

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 slowing the rate of change. Allowing businesses time to rebuild and return to efficient operations within the existing regulatory environment can be as effective in increasing productivity as any other type of reform.

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 'clear air' to focus on recovery. This should include planning reforms, building regulations, workers compensation, licensing, training requirements and insurance reforms.

### 5.2 STREAMLINING HOUSING APPROVAL PROCESSES

Building a single detached house on a block of land zoned for housing and created for a new home should only require one statutory approval for that house, however this is not the case in some jurisdictions. Improving the efficiency of this process should be a priority for Planning and Building Ministers nationally.

Removing unnecessary red tape in the single dwelling approval process by facilitating a 'one house, one approval' approach will benefit home owners with faster construction, lower application cost and fees and reduced waiting time to move into their new home.

HIA recommends that:

- the Australian Government lead a 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.



### 5.3 IMPROVING NATIONAL HOUSING DATA COLLECTION

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

With the NHFIC now directly engaged with housing and land research and data, it is critical that the ABS is well placed to collect and publicly report a wider range of housing data. It is critical that this role be recognised as a long term function for the Australian government. The commitments by all governments under the National Housing and Homelessness Agreement reflect a willingness to gather housing data but it remains unclear how the objectives in the Agreement will be achieved without coordination by an agency such as NHFIC.

HIA recommends that:

- resourcing of the Australian Bureau of Statistics be improved, 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 government commit to the ongoing funding of a housing and land data and research function within the National Housing Finance and Investment Corporation.



## 6 DEVELOPING THE WORKFORCE OF THE FUTURE

### 6.1 SUPPORTING APPRENTICES AND EMPLOYERS

As COVID-19 emerged, the impact on business activity was immediate with the risk to those undertaking vocational education and training and completing apprenticeships in residential building a genuine concern. The Government's recognition of this risk and rapid response was an extremely important early economic support measure.

The extension of the Support Apprentices and Trainees (SAT) wage subsidy until September 2021 and the introduction of the Boosting Apprentice Commencements in the October 2020 Budget will give thousands of businesses and apprentices ongoing security as the impact of COVID-19 continues to affect many businesses. However the economic impacts of COVID-19 have a long tail and the pressure on businesses to manage costs will extend well beyond the return to pre-COVID levels of activity. Retaining apprentices is always a key focus area for industry training schemes given the financial, social and emotional challenges faced by many young people and by adult apprentices looking to 'change' careers.

The SAT wage subsidy has proven highly successful in supporting existing apprentices remain in the residential building industry during 2020 and it is expected to continue to assist both employers and apprentices until March 2021, however the COVID impacts on business will not be resolved within that timeframe. It is essential that the SAT be extended to allow apprentices to complete their current year of study and provide a more streamlined approach to the conclusion of the scheme.

The success of HomeBuilder in generating residential building activity into 2021 against a backdrop of border restrictions limiting skilled migration and uncertainty around interstate movement is already putting pressure on the supply of skilled labour. This makes it critical that new apprentice commencements in residential building trades remain strong in 2021 and 2022. The Boosting Apprentice Commencement scheme has been extremely well received with current figures showing that the 100,000 places may well be exhausted in the first quarter of 2021.

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 experiences of 2020 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 Supporting Apprentices and Trainees wage subsidy be extended until 31 December 2021.
- the Boosting Apprentice Commencement program be extended with a further 100,000 places in 2021/22.
- a first year apprentice financial incentive scheme for employers be introduced from 1 January 2022 that provides support over the course of an 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 move to a new host.





## 6.2 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.

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 recommends that

- the National Skills Reform agenda continue to be prioritised with the creation of a new national skills agreement and that the Productivity Commission's recommendations be progressed in consultation with industry.

## 6.3 SUPPORTING THE MENTAL HEALTH OF APPRENTICES

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

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

The effects of COVID-19 mean that both apprentices and employers will come under extra strain in their careers, be that mental, financial or personal. The first recession in nearly 30 years has meant that employers and apprentices in the construction industry are under much greater pressure. Workers in the construction industry need access to resources to assist navigate these challenges.

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

Through the successful Industry Specialist Mentoring for Australian Apprentices HIA provided 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.

The coming 3-5 years will be a vital period for apprentice mentoring given the additional external pressures facing businesses and young people.



HIA recommends that:

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

#### **6.4 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:

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



## 7 REFORM OF BUILDING REGULATION

### 7.1 ENERGY EFFICIENCY - EXISTING RESIDENTIAL BUILDINGS

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

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

HIA recommends that:

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

### 7.2 ENERGY EFFICIENCY - NEW HOMES

The former COAG Energy Council, now the Energy National Cabinet Reform Committee, also 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 September 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:



- funding be allocated over two years to deliver training specifically tailored for residential builders and trade contractors on the National Construction Code energy efficiency requirements.
- government undertake an extensive consumer education campaign promoting 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 a range of access needs and guide home renovations funded through the NDIS.

Building Ministers are currently considering the adoption of aspects of these guidelines as mandatory requirements for all new houses in Australia, potentially from September 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 voluntary design options and to support the implementation of the NDIS and any potential future regulatory measures, it is vital that the residential building industry has access to a comprehensive education program. Industry associations such as HIA are well placed to partner with Government to deliver such training to ensure it is targeted for builders and trade contractors.

HIA recommends that:

- funding be allocated over two years to deliver tailored industry training for residential builders and trade contractors on universal housing design features,
- funding be committed to a national consumer education campaign promoting universal design features that can improve accessibility in both new homes and renovations.

### **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 Australian 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 Two.

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 One 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:

- government commit funding 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 PRODUCTIVITY ASSESSMENT OF REGULATORY IMPACTS**

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

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

Furthermore, the existing approach to regulatory assessment fails to address the cumulative impacts from multiple regulatory changes at one time, and regulatory changes by different bodies at the same time.

HIA recommends that:

- the Productivity Commission be requested to undertake a review into the adequacy of current Regulatory Impact Assessment work on assessing new reforms and assessing the cumulative impacts of concurrent regulatory reforms.



## **7.6 REDUCING DUPLICATION AND VARIATIONS IN REGULATION ACROSS JURISDICTIONS**

There are many outdated, duplicative and state based variations to national technical and administrative requirements relating to building control, despite ongoing intergovernmental agreements to redress this.

HIA recommends that:

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



## 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.

