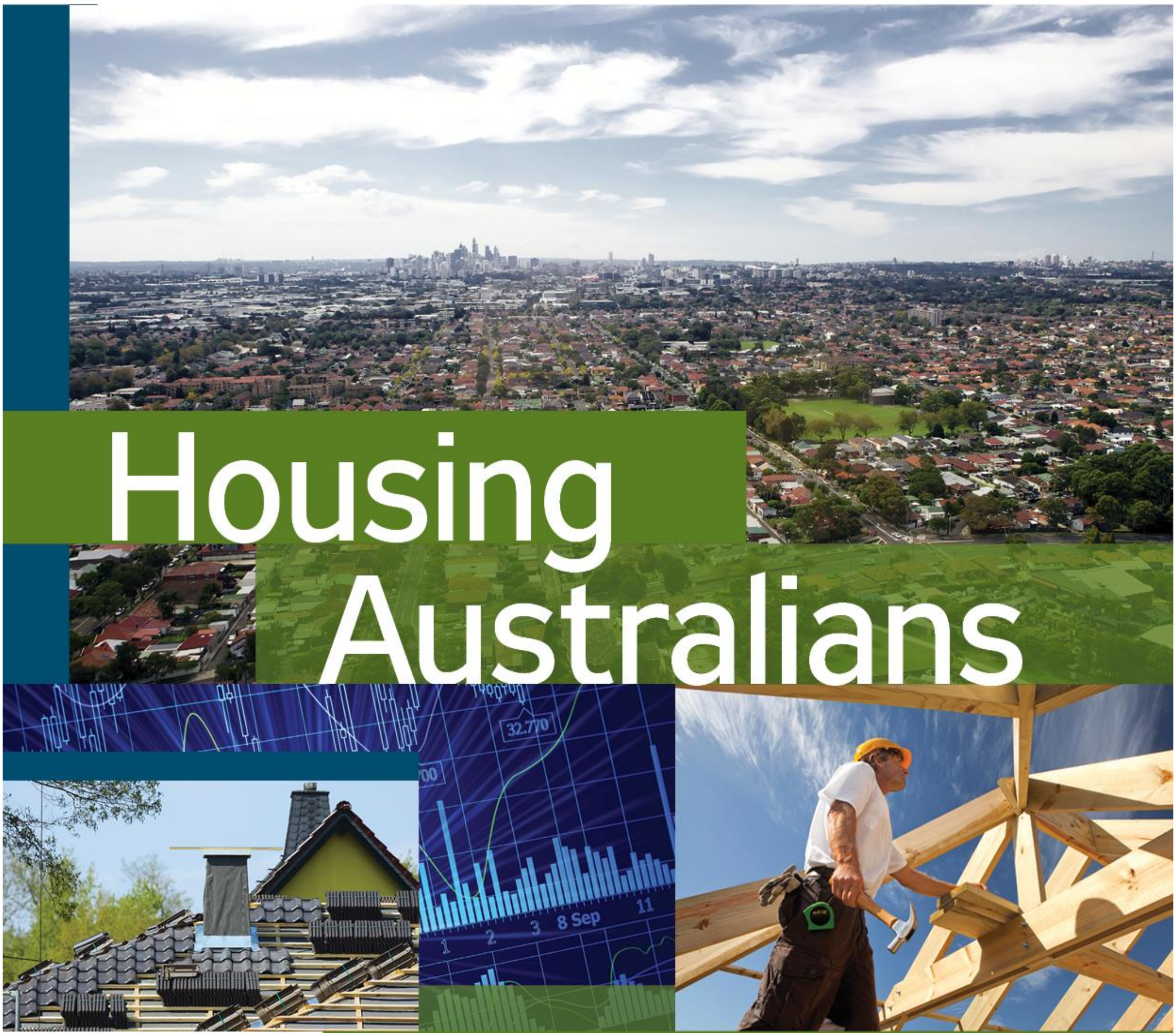
HOUSING INDUSTRY ASSOCIATION




**Home Ownership Matters**

Submission to the
Federal Treasury

## 2020-2021 Federal Pre-Budget Submission

13 January 2020

HOUSING INDUSTRY ASSOCIATION

# contents




**Kristin Brookfield**
**Chief Executive - Industry Policy**
Housing Industry Association
79 Constitution Avenue,
CAMPBELL ACT 2600
Phone: 02 6245 1300
Email: k.brookfield@hia.com.au

# 1. HOME OWNERSHIP MATTERS

Australia's home ownership rate has declined from 71 per cent to 66 per cent[1] over the past 25 years. This decline appears to have accelerated with a fall of almost 3 per cent in the last decade[2].

Access to decent and affordable housing provides the social and economic foundations for Australia's enviable quality of life. Home ownership provides a raft of social benefits, both as a foundation for people's financial security and as the building blocks of thriving communities. Stable home tenure strengthens Australia's social fabric.

A decline in home ownership can have ramifications across a range of indicators:

- *Financially* – home ownership has long been the basis for asset accumulation, wealth generation and a foundation for independent financial security in retirement;
- *Economically* –the residential building industry is a vital part engine of national economic growth, and secure housing supports individuals personal economic growth, education and enterprise;
- *Socially* – home ownership engenders stable and secure neighbourhoods;
- *Environmentally* – new homes are better designed and smarter, built using more resilient materials and meeting higher environmental standards, reducing claims on natural resources relative to existing homes.

For these reasons, 81 per cent of people think that 'every day Australians' should be able to own their own home while 80 per cent of Australians believe that owning your own home provides financially security in retirement.

Unfortunately, 92 per cent of renters aspire to own their own home, yet only 49 per cent feel that they will achieve this.[3]

Improving the rate of home ownership in Australia should be an underlying goal of the Government's economic and social policies.

## 1.1 ACTIONS TAKEN

In recent federal Budgets, several actions called for by HIA to assist in improving home ownership and housing supply have been addressed. HIA believes these actions can have a material impact on home ownership if they are maintained over the long term.

The appointment of an Australian Housing Minister following the May 2019 Federal election signals the Government's recognition that home ownership is central to the Australian economy and way of life.

---

1 *4130.0 Table 1, Housing Occupancy and Costs, Australia, 2017–18*, Table 1.3 Household Estimates, Selected household characteristics, All households, 1994–95 to 2017–18, Australian Bureau of Statistics

2 *T18 tenure and landlord type by dwelling structure*, 2016 Census of Population and Housing, Australian Bureau of Statistics

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

The Government's commitment to introduce the First Home Loan Deposit Scheme was also a significant move and one which it is hoped will assist up to 30,000 first home buyers over the next 3 years.

The creation of the National Housing Finance and Investment Corporation (NHFIC) in 2017 has now facilitated the commencement of a number of affordable community housing projects and is providing assistance for local infrastructure that can bring on new housing supply sooner. HIA is keen to see these two roles of NHFIC continue.

The allocation of funding for the NHFIC to undertake research and increase their capacity in land and housing data is an essential step in gaining an accurate understanding of land and housing supply in all jurisdictions. This work will also assist in measuring the progress of states and territories in implementing the commitments under the National Housing and Homelessness Agreement.

The retention and extension of the instant asset write-off continues to assist businesses invest both in themselves and in other Australian businesses through their purchases.

The July 2019 commitment to increase funding to the Australian Building Codes Board by $4 million from the Commonwealth, states and territories, to implement the recommendations of the Shergold-Weir Building Confidence report is also a welcome post-Budget commitment.

HIA is disappointed to see the conclusion of funding for the Industry Specialist Mentoring for Australian Apprentices scheme in December this year and we again commend this program to the Government to consider renewed funding. HIA has mentored over 3,800 young students starting their careers in building and across a range of other trades providing immeasurable support in relation to mental health, career pathways and their personal growth.

It is well documented that the level of 1st year apprentices dropping out of their apprenticeship and not completing the apprenticeship is just under 50 per cent and is a significant issue for all industries that rely on more trades coming through the system and for employment more broadly. In the two years that the scheme has operated, HIA believes a significant improvement in the retention rates has been achieved, which is fundamental to achieving genuine training outcomes in the future.

HIA's federal election imperatives set out a number of other actions we believe the federal government should consider over this term of Government.

## 2. HOUSING'S CONTRIBUTION TO THE ECONOMY

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.

The industry and home buyers have been affected by several factors in recent years including the Federal election, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, changes by the Australian Prudential Regulatory Authority to lending criteria, further decreases in interest rates by the Reserve Bank and a reduction in immigration rates. In response, home building in 2019 has declined.

The most recent economic data suggests that the detached home market is approaching the bottom of this cycle after a very steep downturn over the past year. The September housing finance approvals figures showed a strong rise in owner occupier loans, offsetting a pull-back in the value of investor loan approvals.

Total lending is up from a low point in April 2019. This result is mirrored in new home sales data which also shows April as the bottom of this cycle. The upturn since then is very modest and best described as a stabilisation in conditions. This stabilisation is well below levels experienced in recent years and well below demographic demand.

A decline in investor loans by 13.6 per cent over the year has been offset by the improvement driven by first home buyers and owner occupiers. This is important for the medium term market outlook as it suggests the upturn will be more sensitive to affordability than the previous investor-led cycle. It is also encouraging that as lending restrictions ease, there is additional demand to be unlocked as confidence returns to the market.

The first signs that this improvement in leading indicators will flow through to work in the pipeline arose in September with a sharp increase of 7.6 per cent in building approvals. This leaves the market 22.7 per cent lower than at the same time in 2018.

With population growth remaining solid, macro-economic indicators stabilising and the addition of stimulus measures our expectation remains that this downturn, though sharp, will be shallow in comparison to previous cycles. The levels of building activity in recent years were unsustainable as they exceeded demographic demand. The market is now adjusting to levels more consistent with wider economic conditions.

The 2020/2021 Federal Budget presents an important opportunity to support the residential building industry and to lock in reforms that can support continued supply of new homes in all forms across Australia. Housing supply that meets the Australia's population growth is fundamental to achieving appropriate levels of housing affordability, which in turn supports access to home ownership and long term rental housing.

## 3. THE CASE FOR 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 federal 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 homebuyers via a commensurate increase in the transfer price.

Again the new homebuyer 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 federal government has indicated that achieving productivity reforms remains a priority and that such reforms can deliver much needed increased economic activity. HIA believes there is a role for the federal government to address inefficiencies in the administrative processes that support regulation across a number of Commonwealth agencies to assist the residential building industry. Funding in this budget that is directly focused on achieving this outcome would be a welcome move. Oversight of these outcomes would be best placed with the Minister for Housing and Assistant Treasurer.

## 4. HIA HOUSING OUTLOOK 2020 - 2023

The 2020/2021 budget needs to recognise that the national housing market has experienced a very sharp and significant contraction over the past year. The speed of the downturn was accelerated due to the unanticipated tightening of lending in the second half of 2018, at which time the market had already started to cool of its own accord.

The question now is, how deep is this downturn?

HIA has maintained that while population growth remains stable and the economy robust that this downturn will see commencements contract to levels at or near levels that are typical of the peak of previous cycles. This was typically around 180,000 starts per year.

Most economic indicators suggest that the national economy will maintain slow but positive growth. Wage growth has increased, unemployment remains low, exports are booming and the mining sector is no longer slowing economic growth. The return of house price growth will also assist with encouraging retail expenditure. The most recent data suggests that the detached home market is also approaching the bottom of this cycle.

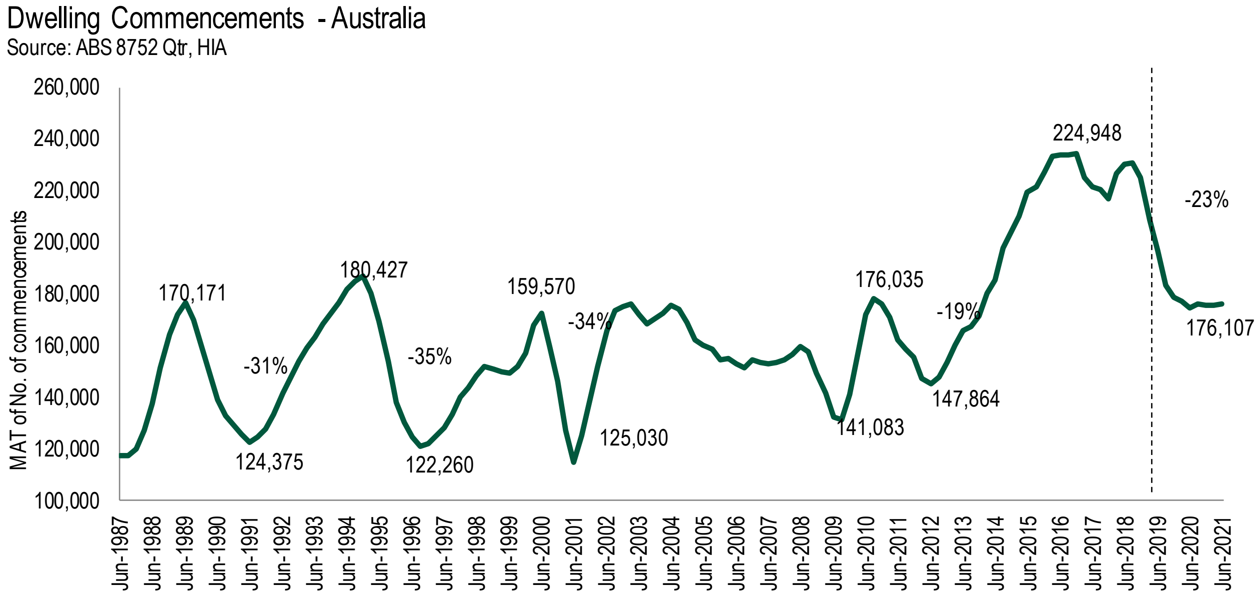
New home sales, approvals and housing financing data is suggesting that the demand for detached homes has stabilised well below levels of the past five years. It appears that the new detached home market will fall from a financial year peak of 121,678 in 2017/18 to just 102,126 in 2019/2020, before a smaller contraction in 2020/21 to 101,087. The last time the industry built fewer than 100,000 detached homes was in the 2013 calendar year.

Multi-units approvals have also shown some signs of resilience, with approvals starting to level-off. This will see multi-unit commencements fall from 85,108 in 2018/19 to 72,549 in 2019/20.

Apartment commencements are likely to pause as those apartments that are currently under construction are completed and sold. Punitive rates of stamp duty applied to foreign investors will also limit their involvement in the market and see some projects not proceed to construction. As a consequence the next wave of apartment commencements remains some way off in Sydney and Melbourne.

At the same time apartment construction in Brisbane is approaching the bottom of its cycle. Solid employment growth has seen population growth from interstate slowing and overseas strengthen. This should result in modest growth in both detached and multi-unit commencements in coming years.

Western Australia has frequently been the third strongest home building market in the country, but the recent downturn has seen the number of new homes built reduced by more than 20,000 starts per year. If the WA market starts to recover some of the losses of recent years then it will also offset the contraction in Sydney and Melbourne's apartment markets.




In the context of this housing outlook for the forward estimates, HIA is proposing a range of initiatives aimed at supporting housing supply over the long term and supporting the residential building industry to deliver the homes needed to meet Australia's population demands.

## 5. SUPPORTING HOUSING SUPPLY & HOME OWNERSHIP

### 5.1 A Renewed Commitment to Housing

The affordability and timely provision of Australia's new housing stock: apartments, multi-dwelings and detached homes, continues to be impacted by overly complexed factors, such as taxes & development charges and protracted planning approval processes. These factors directly influence housing supply and the industry's capacity to deliver a product the market is seeking and can reasonably afford to purchase.

In recent times many states and territories have considered what are the barriers and constraints to efficient housing supply and attempted to address these through initiatives like planning reform, red tape reduction program and caps on taxes new home buyers are asked to pay. HIA welcome these initiatives and positively engages with governments to try and influence mutually beneficial outcomes. However, the down fall of such initiatives can be their lack of a national perspective and the inability to compare before and after performance and data between states / territories and capital and regional cities.

An ongoing and increased national perspective on housing supply with a focus on monitoring of medium and long term residential land supply would greatly assist state and local government in the proper and orderly supply of housing.

HIA consider the federal government has an important leadership role to play, particularly in terms of policy development regarding the collection, monitoring and accessibility of housing supply data. Such data would be exceptionally valuable to government and industry as it would provide a much needed body of knowledge to consider and respond to the causes of the high cost of providing new housing.

The Government's recent commitment of $25 million over four years to the NHFIC to establish the First Home Loan Deposit Scheme and to develop the expertise to conduct comprehensive research into housing demand, supply and affordability in Australia is considered to be positive. HIA very much welcome this move and it is hoped this will redress the current absence of public, timely and consistent land and housing supply data.

The question now is how can this funding be put to work to improve land supply information and to stimulate long term reporting of land supply by all jurisdictions?

The National Housing and Homelessness Agreement (NHHA) recommitted by COAG Housing Ministers in 2018 offers a way forward, but it is unclear what funding commitments sit behind the agreed outputs in relation to planning reforms, land supply and the private housing market. HIA is aware that some states have commenced development of the new housing strategies but it is not clear that all states have started this process. More importantly, the actions put forward in these strategies to address the national housing priority policy areas must be subject to national oversight.

Home ownership and planning and zoning reform are identified as national priorities in the NHHA. It is critical that the housing industry is engaged in the process to develop strategies and actions to deliver on these priorities.

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
- make land and housing supply be included as a permanent item on the COAG Select Council on Housing and Homelessness Agenda.

## 5.2 Access to Finance

Around 92 per cent of renters aspire to own their own home, yet half the population of existing renters think they will never achieve home ownership.

Home ownership gives people a sense of security and provides a platform for stability in work, schooling and the community.

Supporting first home buyers to move from either public or private rental accommodation is a challenge all governments need to share. The federal government has provided assistance in various forms over many decades using measures that both support first home ownership and generate new housing supply.

Despite slight increases in first home buyer activity over the last two years, the restrictions now being applied on first home buyer finance are likely to see another decline in activity. The federal government, through the NHFIC, could play an important role in supporting first home buyers to access appropriate housing finance using models such as the Western Australian Keystart scheme.

The commencement of the First Home Loan Deposit Scheme on 1 January 2020 is an important step in this approach. This scheme addresses the deposit gap and potential charges for first home buyers. It is essential that the federal government offer a range of long term incentives, support mechanisms and programs that can assist first home buyers achieve their dream of home ownership.

HIA recommends that:

- the National Housing Finance and Investment Corporation investigate the potential implementation of a national first home buyer mortgage assistance scheme.

## 5.3 Coordinating National Housing Data

Good decision making relies on good information. Having an accurate read of the operating environment for housing improves the chances of solid business decisions being made and the chances of all levels of government meeting expectations in relation to housing supply.

Conversely, inaccurate data misleads individuals and businesses, resulting in poor decisions and uncertainty around operating conditions. In short, effective strategic decision making is built on reliable quantitative and qualitative inputs. This applies to government agencies as well as industry.

Resourcing issues have resulted in a marked deterioration around the breadth and quality of Australian Bureau of Statistics (ABS) data over recent years. These resourcing issues have had serious consequences. First, the number of data series published by the ABS has been scaled back at a steady pace. Second, serious data quality issues continue to affect the ABS in terms of figures on loans to residential property investors and the role of foreign investors in real estate, for example. These errors hurt the performance of businesses around Australia because they lead to decisions being made on erroneous grounds. The costs resulting from bad data place smaller businesses in a particularly vulnerable position.

Examples of data that is not currently available include: the number of knock-down rebuild homes; the average number of bedrooms in a home; the average number of bathrooms; sufficient detail regarding the typology of the current housing mix (e.g. breakdown of multi-unit housing types); and the average block size.

These data gaps also prevent the federal government from obtaining an accurate understanding of the housing market, the housing mix and basic housing statistics that can support accurate policy settings.

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 range of housing data. It is unclear what funding from the $25 million allocated to the NHFIC will be directed towards housing and land research and 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 NHHA reflect a willingness to gather housing data but it remains unclear how the objectives will be achieved without coordination by an agency such as NHFIC.

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.

## 6. IMPROVING BUILDING OUTCOMES

### 6.1 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 recently endorsed an Existing Buildings Trajectory 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.

### 6.2 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 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 2 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.

## 6.3 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 federal 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 Australian Building Codes Board 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 2 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.

## 6.4 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 2000 practitioners over 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, basic 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 to read and use the code, as opposed to how to accurately 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 3 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.

## 6.5 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 to investigate the potential for an industry hub to focus on prefabrication and modular construction.

HIA has supported this program as a member 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 current funding and we support any extension of that work to establish a prefab hub.

Further, HIA recommends that:

- $2 million be allocated over 3 years to the Australian Building Codes Board to undertake research and development of amendments to the NCC which appropriately address the needs of prefabricated design and construction in Class 1 and Class 2 residential buildings and remove one of the main regulatory barriers to the uptake of modular and prefabricated construction methods in housing.

# 7. IMPROVING PRODUCTIVITY IN HOUSING

## 7.1 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 and yet, the rigour that is applied to the assessment of new regulations, technical standards and administrative processes is insufficient to ensure that productivity is not hampered in both the short and the long term. 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 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.

## 7.2 Reduce 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 long 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 COAG Select Council on Housing and Homelessness in partnership with the Council on Federal Financial Relations be requested to identify ways to eliminate the cascading application of stamp duty on Goods and Services Tax, development and infrastructure taxes and levies.

## 7.3 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.

## 7.4 Maintaining a Strong Immigration Policy

HIA believes that Australia should 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 need not be placed in categories such as skilled and business migration.

HIA also believes Australia's population growth policies should target working aged skilled migration and business migration so as to mitigate 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. The decision by the Government to maintain the permanent migration intake at 160,000 per annum from 2019/20 was regrettable. In HIA's view 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.

HIA recommends that:

- The federal government remove the artificial cap of 160,000 permanent migrants per annum. The government should 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.

In HIA's view the minimum annual intake should once again be 190,000 per annum with a focus on skilled labour.

## 8. SKILLS FOR THE FUTURE

### 8.1 SUPPORTING CAREER PATHWAYS

More than half of the people working in the residential building industry do not have formal trade qualifications. While this is sometimes a personal choice it is also a reflection that the system of indenturing an apprentice to an employer does not meet everyone's needs or circumstances to obtain training in their chosen field.

For example, a carpenter operating their own small business as an independent contractor may seek to become a builder. He or she can access a range of accredited training courses through either the vocational education system or the university system and complete this at a time of their choosing. However, the time required to obtain the necessary experience to support that training and seek licensing or registration in each jurisdiction is often difficult, if not impractical, and requires them to become an apprentice or employee of another builder.

HIA recommends that a:

- $12 million pilot program be established to provide support for independent contractors to undertake training outside of the apprenticeship system that will lead to a trade qualification; a self-paced pathway.

### 8.2 SUPPORTING APPRENTICE COMPLETIONS

The highly successful Industry Specialist Mentoring Australian Apprentices (ISMAA) program ceased at the end of 2019, with thousands of young apprentices still needing industry specialist mentoring and mental health counselling. Through HIA's involvement in the program it became obvious that this type of assistance for young apprentices is not only useful, but in many cases critical, to supporting them to complete their training and enter their industry of choice.

With the use of digital solutions, HIA believes that a partnership between industry and Government could successfully deliver a program for apprentices to pick up where the ISMAA program ends.

The intent should be for a program that connects the current 30,000 plus building industry apprentices, but also provides a contact point for apprentices seeking help, information, advice and an avenue to assist with mental health issues which commonly arise.

Industry associations with proven experience in the delivery of apprentice mentoring on a national scale have capacity to deliver a replacement program for ISMAA with the support of the federal government.

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.

## 8.3 Building Foundations – HIA and UNE Quicksmart

Acting on a recommendation from the *Strengthening Skills: Expert Review of Australia's Vocational Education and Training System*, the Australian Government announced $52.5 million worth of funding in the 2019/2020 budget to address language, literacy and numeracy and digital literacy commencing a program in 2020 to run until 2023.

This program is welcomed by HIA as our experience from mentoring 3,800 apprentices in the ISMAA program identified a significant deficiency in numeracy skills. Consequently HIA partnered with the University of New England (UNE) to trial a *Quicksmart* numeracy program currently used in 1,200 Australian schools for the HIA ISMAA program.

The encouraging results suggest that Government funding to convert the on-line program to a Building Industry specific use, has merit. Such a program could be co-delivered by nationally recognised training organisations and TAFEs to ensure apprentices in need of higher numeracy skills Australia wide can access cost effective and tailored training.

HIA recommends that:

- $3.5 million be committed to establish a Building Foundations numeracy program in partnership with nationally recognised industry training organisations.

## 8.4 A Consistent Approach to the Funding of Vocational Education and Training (VET)

HIA has consistently welcomed the federal government's policy focus on Australia's VET sector, including the Skills Package announced in the 2019/2020 Federal Budget.

There are two interrelated constraints on the future development of the VET sector which are of concern to HIA: the lack of growth in real funding; and the volatility in funding which leads to uncertainty and confusion.

In recent years the VET sector has been the only component of Australia's education sector to experience a decline in real funding.

The last decade of VET funding has been marred by an inconsistency in federal funding from one year to the next and a lack of longer term, strategic focus on the expenditure commitments the sector required from the federal government.

The establishment of the National Skills Council and the COAG Skills Council provides an opportunity to address these funding shortcomings.

HIA recommends that:

- the Government commit to a consistent yearly increase in real funding of the VET sector over the period of the forward estimates.

Given that the shortfall and inconsistency of funding extends to the states and territories, HIA also encourages the Government to work with the states and territories, initially through the COAG Skills Council, to address these same shortcomings at that government level.

## 8.5 Support for Vocational Education and Training in Schools (VETes)

The delivery of VET to school students was one key focus of the Joyce Review. This is a key area of secondary school education that requires further policy scrutiny and development.

HIA recognises that investment in secondary school education, including VETes is predominately a state and territory responsibility, however the federal government should take an overarching role in ensuring the successful development of this key area.

HIA recommends that:

- $2 million be committed to a pilot program involving Australia's construction industry to assess, in consultation with the industry, the most effective programs to deliver pre-apprenticeship and vocational education career opportunities to secondary school students.

## 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 more than 150,000 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.