

9 June 2017

Mrs Nicola Kosseck  
Committee Secretary  
Select Committee on Estimates 2017-18  
Office Legislative Assembly for the Australian Capital Territory  
Via Email: committees@parliament.act.gov.au

Dear Nicola

**Submission from the Master Builders Association of the ACT - Select Committee on Estimates - 2017-18 ACT Budget**

Thank you for this opportunity to make a submission to the Select Committee on Estimates in relation to the 2017-18 ACT budget. We have addressed the survey questions in order below:

**Full name of group/organisation:** Master Builders Association of the ACT

**Contact Details:** Michael Hopkins  
Deputy Executive Director

[REDACTED]  
[REDACTED]

**Overview of Master Builders ACT**

Master Builders ACT (MBA) was formed in 1925 and represents the interests of around 1,200 commercial builders, residential builders, civil contractors, suppliers, subcontractors and professionals.

Master Builders ACT is the largest membership association in the ACT and also operates Canberra's leading Registered Training Organisation and a Group Training Organisation.

The building and construction industry is a significant contributor to the ACT economy, employing around 14,000 people (*ABS, August 2016*) and made a \$1.7 Billion contribution towards Gross State Product (by Industry Value Added) in 2015-16 (*ACT Government, Economic Indicators for the ACT*).

**Has your organisation/group developed a written analysis of the ACT Budget that it would like to submit to the Committee?**

No

**Key Issues:**

- a. Infrastructure Investment Program
- b. Four Year Land Release Program
- c. Unexpected Taxes, Charges and Levies on new development

**Please provide details of your views on the ACT Budget in relation to your three priority areas?**

- a. Infrastructure Investment Program

Government's announcement in the 2017-18 budget to invest \$2.8 billion in infrastructure over the next four years, is welcomed by Master Builders ACT. Table 5.2.1 in Budget Paper 3 shows the level of infrastructure investment has increased over a number of years. In fact in the 2016-17 and 2017-18 years infrastructure investment will exceed \$1 billion (including PPP scheduled expenditure) each year.

As well as providing valuable community infrastructure, this level of expenditure presents significant work opportunities for the Territory's builders, civil contractors, subcontractors, apprentices, engineers, designers and other property and construction workers. It will also require skilled workers and experienced local contractors to undertake this work.

Master Builders has long advocated that a long term (30 year) infrastructure plan be developed for the Territory. We would like to suggest that Government take the opportunity with the appointment of a Chief Engineer that this role be tasked with the responsibility of developing a 30 year infrastructure plan for the Territory, including working with utility providers such as ActewAGL, Icon Water, Telstra, and regional Councils that surround the ACT to plan for cross-border infrastructure.

A long term infrastructure plan will:

- Benefit the community, investors, business and the construction industry by setting out a clear and transparent vision for city infrastructure, and
- Give business and the construction industry confidence to make long term plans to deliver the planned infrastructure. Such investment will include greater investment in skilling their workforce, acquiring plant and equipment to service future work, and providing security of work for existing and expanded work forces.

Coupled with the Local Industry Participation Policy that commenced on 1 January 2017, the budget announcements will ensure significant flow on benefits to our economy - potentially for many years to come.

b. Four Year Land Release Program

The following table compares the residential land release program announced this week with the program announced in the 2016-17 budget:

	Announced in 2017-18	Announced in 2016-17
2016-17	-	4,550
2017-18	4,120	4,430
2018-19	4,000	4,700
2019-2020	4,200	4,100
2020-21	3,930	-
4 Years	16,250	17,780

This comparison shows that the 4 year land release total, and annual releases, is decreasing. Between 2017-18 and 2019-20 land for 910 less dwellings will be released. This represents a 7% reduction in land release.

The reduction is occurring at a time when (as acknowledged in Budget Paper 3) ... *“The ACT economy is now on a strong growth footing ... 3,000 jobs are expected to be created on average each year ... with around 6,000 more people living in Canberra each year.”*

We acknowledge that a large englobo parcel of land at Molonglo has been sold to a private sector developer. We also acknowledge that other private sector projects or Joint Ventures are being planned on land owned by the CSIRO at Ginnindera and surrounding the ACT in NSW.

If less land is to be released by the ACT Government over the 4 year land release program, we urge Government to continue to make targeted sales of englobo land to the private sector to make up the shortfall between supply and demand.

If it is Government’s intention to supply more residential land to the ACT market through release englobo land parcels to the private sector for development, that is a policy shift that Master Builders supports. Without alternative sources of land supply, decreasing land supply when the ACT continues to grow, will increase housing prices and decrease housing affordability.

c. Unexpected Taxes, Charges and Levies on new development

The 2017-18 budget includes two levy increases which were not expected by industry - an increase in the Building Levy from 0.9% to 1.08%; and an increase in the codified Lease Variation Charge required to enable unit titling on certain residential leases from \$7,500 to \$30,000.

The building levy increase will increase the charge on a \$400,000 house by \$720 or 0.18% of the total building cost. Importantly the increase in the levy will fund key building quality measures, including a building audit program, building certification reform, and building regulation reforms, and is cost neutral to the Government.

Master Builders is highly supportive of Government's proposed building quality reforms, and even though this budget measure will add a small cost to the overall building cost, we believe the building quality measures funded by this levy increase are in the community's interest, the building industry's interest, and will save the Territory resources currently dedicated to resolving building quality issues, over time.

The Lease Variation Charge (LVC) increase, however, is not supported. This charge proposes a \$22,500 increase per dwelling, which amounts to a 400% increase in the current charge. The charge has been introduced without industry consultation and without any proposed transition arrangements.

Unlike the building levy, which seeks to implement an agreed policy objective of Government, the LVC increase has no such policy support, and in fact will run counter to Government urban renewal and housing affordability objectives.

We request that Government postpone the implementation of the LVC increase until industry consultation can be undertaken and a transition arrangement be agreed.

**Are there any other particular issues with the ACT Budget that you would like to bring to the Committee's attention?**

No

**Did you provide a pre-budget submission to the ACT Government for 2017-18?**

Yes - attached

**Do you think that the ACT Budget has addressed the issues raised in your submission?**

Partially

a. If no/partially, please comment

The MBA's pre-budget submission made the following recommendations to government for the 2017-18 ACT budget. Our comment on the delivery of each of our requests is made below:

MBA Submission Request	Comment																					
<p>1. Increase the supply of residential land, in particular land for housing types to meet the ACT's changing demographic needs. This will require an acceleration of land supply for single housing and semi-detached housing.</p>	<p>The following table compares the residential land release program announced this week with the program announced in the 2016-17 budget:</p> <table data-bbox="798 403 1356 672"> <thead> <tr> <th></th> <th>Announced in 2017-18</th> <th>Announced in 2016-17</th> </tr> </thead> <tbody> <tr> <td>2016-17</td> <td></td> <td>4,550</td> </tr> <tr> <td>2017-18</td> <td>4,120</td> <td>4,430</td> </tr> <tr> <td>2018-19</td> <td>4,000</td> <td>4,700</td> </tr> <tr> <td>2019-2020</td> <td>4,200</td> <td>4,100</td> </tr> <tr> <td>2020-21</td> <td>3,930</td> <td></td> </tr> <tr> <td><b>4 Years</b></td> <td><b>16,250</b></td> <td><b>17,780</b></td> </tr> </tbody> </table> <p>This comparison shows that land release over the 4 year land release, and in each of the years, land release is decreasing. This is occurring while Budget Paper 3 acknowledges <i>"The ACT economy is now on a strong growth footing ... 3,000 jobs are expected to be created on average each year ... with around 6,000 more people living in Canberra each year."</i></p> <p>Without alternative sources of land supply, decreasing land supply when the ACT continues to grow, will increase housing prices and decrease housing affordability.</p> <p>In relation to the dwelling mix there is insufficient information in the budget papers to make an assessment of whether the types of dwellings that can be built on land to be released will meet the ACT's demographic needs.</p>		Announced in 2017-18	Announced in 2016-17	2016-17		4,550	2017-18	4,120	4,430	2018-19	4,000	4,700	2019-2020	4,200	4,100	2020-21	3,930		<b>4 Years</b>	<b>16,250</b>	<b>17,780</b>
	Announced in 2017-18	Announced in 2016-17																				
2016-17		4,550																				
2017-18	4,120	4,430																				
2018-19	4,000	4,700																				
2019-2020	4,200	4,100																				
2020-21	3,930																					
<b>4 Years</b>	<b>16,250</b>	<b>17,780</b>																				
<p>2. Make targeted sales of englobo land for residential development to the private sector. Over time, government should move towards a policy of the majority of residential land being delivered by the private sector, so that government can focus on strategic planning and long term land release policy.</p>	<p>We acknowledge that a large englobo parcel of land at Molonglo has been sold to a private sector developer. We also acknowledge that other private sector projects or Joint Venues are being planned on land owned by the CSIRO and surrounding the ACT in NSW.</p> <p>Given less land will be released by the ACT Government over the 4 year land release program, we urge Government to continue to make targeted sales of englobo land to the private sector to make up the land shortfall between supply and demand.</p>																					

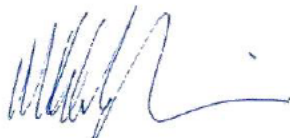
MBA Submission Request	Comment
<p>3. Implement the ACT Local Industry Participation Policy as a priority action. This will ensure that as the ACT grows, the flow-on economic value created through additional building and construction activity will be captured within the ACT economy. Government procurement can play a vital role to help to grow and develop local industry for the overall benefit of the ACT economy.</p>	<p>A Local Industry Participation Policy has been implemented from 1 January 2017. This policy will apply to all government procurement, including the capital works program.</p>
<p>4. Increase investment in infrastructure in key growth corridors and activity centres. As scarce government funds are spent delivering light rail stage 1, it is important that infrastructure investment in other parts of the city is at least maintained. A long term infrastructure plan setting out government's commercial and civil infrastructure project priorities is important.</p>	<p>We note the following announcements to address this request:</p> <ul style="list-style-type: none"> <li>• A 4 year infrastructure investment program of \$2.8 billion is planned.</li> <li>• Budget Paper 3 (pp211-212) has outlined specific infrastructure to support the land release program.</li> <li>• That a Chief Engineer will be appointed to oversee infrastructure planning and delivery.</li> </ul> <p>With the appointment of a Chief Engineer we believe this is an opportunity to undertake a long term and integrated infrastructure plan for the ACT, including cross-border infrastructure.</p>
<p>5. Continued taxation reform, including a continuation of the government's program of removing inefficient taxes such as conveyance duty and insurance duty, and adopting a broad based land tax, is supported. In the implementation of this reform, additional measures to help transition low income earners, retirees and small businesses should be considered.</p>	<p>We note that previously announced taxation reform is continuing.</p>

MBA Submission Request	Comment
<p>6. Deliver key urban renewal projects. Around Australia, the successful delivery of urban renewal has proved to increase economic activity and benefit local economies. The MBA is supportive of the government's plans to increase urban renewal, in particular to establish a new urban renewal authority to deliver this government priority.</p>	<p>We note and support the discontinuation of the Land Development Agency and the creation of 2 new agencies, one to specifically oversee urban renewal along the light rail stage 1 corridor.</p> <p>However, we are becoming increasingly concerned about increases in various ACT government (and utility) taxes, charges and levies which will make urban renewal through the ACT less viable.</p> <p>One unexpected charge is the 400% increase in the codified Lease Variation Charge (from \$7,500 to \$30,000 per dwelling) required to enable unit titling on certain residential leases. This increase has been introduced without consultation with industry, with very little detail to determine which blocks will be affected by the new charge, and with no transition arrangements.</p> <p>This budget measure will decrease urban renewal opportunities, impact investors that have already purchased affected blocks but not yet received development approval, and will negatively impact housing choice and housing affordability.</p>
<p>7. Invest in skills. Government should maintain its investment in vocational education and training (VET) for both full qualifications and skill sets commensurate with the future skills needs of the industry. The ACT government should also work with Federal governments to ensure the VET system delivers quality training outcomes.</p>	<p>We note that existing funding for apprenticeships and traineeships is continuing.</p> <p>We also note and support the \$1 million in funding to boost the number of female tradies and upskill mature-aged workers to encourage them back into the workforce.</p>

**Does your organisation/group wish to be considered to provide its views in a Committee public hearing on Friday 16 June 2017, at the Legislative Assembly, London Circuit, Canberra.**

Yes

Yours sincerely



**Michael Hopkins**  
**Deputy Executive Director**  
 Enc.