



MASTER BUILDERS T A S M A N I A

2019/2020 State Budget Overview

(03) 6210 2000
headoffice@mbatas.org.au
www.mbatas.org.au

What did MBT propose for the 2019/20 State Budget?

This year's budgetary proposals from Master Builders are consistent with the strategic direction embarked upon by the government last year. We propose a range of measures which we believe will enhance the objective of strengthening Tasmania's economy of which the construction industry is a key pillar. Our proposals focus on achieving better housing outcomes for ordinary Australians – one of the most essential services of all, creating jobs to support growth in the industry, and to make it easier for businesses to operate, particularly small businesses. As construction is comprised of a very large number of small firms and sole traders, measures to strengthen small business and reduce the impost of regulation will have particularly positive effects in our industry.

Taxation relief for Building Industry

- ✓ • Maintaining the payroll tax exemption for apprentices – **The Government announced an extension of the payroll tax exemption for apprentices to June 2021.**
- ✓ • Given the strong Budget position, considering the option of reducing taxes and charges related to new construction activity. This could be done through a reform of costly infrastructure, taxes and charges, as well as bringing the growth in conveyance duties and land taxes, back in line with broader growth in total State taxation – **conveyancing duty revenue are down but largely due to fewer transactions in the previous year. 50 per cent stamp duty concession for FHBs has been extended**
 - Removing 'double taxation' in all forms and at all stages of property development projects.

Backing Business and Creating More Jobs

- ✓ • A timeframe of measures and initiatives for making a substantial reduction in the regulatory burden on small businesses in the building and construction sector. – **The red tape reduction taskforce is underway and expected to hand down its findings in the coming few months. MBT has been consulted as part of this process**
 - The implementation of Single State-wide Planning Reforms as soon as possible. Master Builders recommended the government establish the Planning Taskforce to help drive the speedy delivery of these reforms.
 - Local government reform which seriously considers the long-term viability of maintaining 29 councils serving just over half a million people.
 - Funding for our sector to offset any additional costs to small businesses resulting from tighter standards and regulations around accessible housing and energy efficiency.
 - No increase to the NatHERS Star Rating for residential buildings without full rebate from the government for additional costs incurred by firms.
 - All documents and literature relating to regulations, codes and standards, to be made fully accessible online and free of charge for all. Making Australian Standards freely available would be a significant step to improving compliance given that there are over 100 "Primary Referenced Australian Standards" and hundreds more "Secondary Referenced Australian Standards" contained within the National Construction Code.
 - A greater effort to ensure regulation is fit for purpose and simplified – including plain English.
 - Place a greater emphasis on tackling administered prices that impact the cost of doing business especially with respect to project approval documentation, holding costs, and environmental impact reporting and documentation.

- Practical support and training for small businesses to set up and operate online financial management systems, e-commerce platforms including access to free or low-cost mentors on how to set up digital systems properly.
- ✓ • Incentives for small and medium businesses to employ apprentices. This could include but would not be limited to additional support for group training organisations who provide these services to small businesses. – **extension of the payroll tax rebate for apprentices and the \$1 million business growth strategy to support jobs growth in small businesses**
- ✓ • Funding for pre-apprenticeship training to improve the job readiness of students. – **MBT received funding for pre-apprenticeship training from TBCITB**
 - Consider the introduction of a quality framework for VET providers – see MBA Apprenticeship Pilot Program.
- ✓ • Funding to expand VET placements to support growth in skills demands and government targets to boost trades skills in the workforce. – **additional funding for TasTAFE teachers – 2.9 million in funding to support 5.5 FTE trainers in the B&C industry and 230 new student placements.**

Guaranteeing Essential Services

- ✓ • Increased emphasis on the provision of adequate stock of public housing and action to provide suitable accommodation to those families assessed as being in greatest need. - **\$125 million in funding for the AHAP phase 2, \$68 million allocated in the Budget forward estimates and \$10 million of pending brought forward from the original plan.**
 - An immediate review of competitive issues related to land release policies at state and local government levels.
 - Governments in coordination with industry, to encourage superannuation funds and other institutional investors to invest in both existing and new public infrastructure.
- ✓ • Support for large-scale infrastructure projects in regional areas. – **\$6 million targeted at strategic growth in regional communities**
 - Greater funding to upgrade utilities infrastructure, particularly in major growth corridors and areas slated for new residential development. Doing so could significantly cut the cost of land development and the price paid by consumers for new housing.
 - State government incentive payments tied to local government performance with respect to delivering housing affordability policy outcomes against key performance metrics.
 - Funding to investigate the performance of local government and agencies with respect to planning and adequate land release.

Keeping Tasmanians Safe

- The 2019/2020 State Budget to provide dedicated resources for strengthening compliance and enforcement in relation to non-conforming building products in order to ensure the physical integrity of Australia's homes and buildings and preserve the health and safety of the construction workforce
- A WHS system which serves to protect workers, and which is simplified to improve understanding and compliance. The current WHS system is complex, onerous and from an industry perspective, difficult to apply and administer.

- The application of certain documentation (e.g. SWMS) does not necessarily help, actively assist or enhance safety on building and construction sites.
- Compliance costs are much higher than ever envisaged in the Regulation Impact Statement (RIS), casting doubt on the validity of the reforms.
- Compliance with 20+ Codes of Practice in addition to hundreds of pages of Regulations is arduous and not conducive to meeting the objectives of the WHS Act 2012.
- Master Builders recommends funding be included in the Budget for a performance review of the current WHS system and safety on Tasmanian construction sites, with a view to ensuring that the safety of all of those engaged in building and construction work is properly safeguarded in a manner that is consistent with avoiding over regulation and the imposition of excessive costs on firms in the construction industry.

Building Infrastructure for the 21st Century

- ✓ • Government procurement rules be modified to facilitate better access for small and medium firms to government contracts. This could involve ring fencing a specific portion of the value of government contracts exclusively for small and medium firms each year. – **Tasmanian government pre-qualification scheme to provide a list of pre-qualified contractors and consultants to undertake government work**
- Government procurement rules to be modified to reduce bottlenecks in the scheduling of public projects.
- A clearer and where possible, standardise criteria by which successful tenders are measured to assist businesses in preparations/bidding processes.
- Improve transparency in the procurement supply chain to give subcontractors
- Abandoning the current de-centralised process and establishing a new system which incorporates the benefits of having a Public Works Board equivalent with oversight and input into all procurement. Under the proposed model agencies could still procure their own tenders, however they would need to have the process approved and overseen by a central procurement agency.
- The publication of accurate and timely information to the public on the government’s pipeline of construction work.
- ✓ • Consult more closely with industry, perhaps through an industry led infrastructure working group to consider the capacity of local providers to deliver major infrastructure projects. – **MBT participation in the government infrastructure reference group**
- Consider the impact of major project activity on other sectors in terms of access to inputs and labour.
- Government assistance for smaller contractors to meet government pre-qualification requirements.

Developing the Skills to Deliver on the Pipeline of Work Ahead of Us

- Government to undertake a coordinated campaign with the support of industry to promote apprenticeship opportunities in the building and construction industry and highlight the long-term career opportunities which the industry offers.
- ✓ • Funding for a campaign to attract women into the construction workforce. Master Builders has actively promoted this off its own bat for several years. The program has been a

resounding success but to continue it will need support. – **Federal government funding is committed to this program for the next 3 years**

- Employment growth targets and future skills funding to account for the need to replace a growing number of retirees over the medium to long term.
- Funding for programs which support/encourage great participation from women and other demographic groups into the construction workforce. For example, to support veterans and new migrants to undertake training and apprenticeships in the construction trades.
- Government to undertake a campaign with the support of industry to encourage qualified tradespersons to the state. This should be a coordinated campaign with industry to showcase the job opportunities for tradespeople in Tasmania given the large pipeline of work ahead of us.
- ✓ • Greater transparency around the release of future training funding to allow industry to better plan training programs and initiatives - **\$2.9 million to go into extra employee benefits to support more TAFE trainers**

What did the Budget deliver for Building & Construction Industry

Overview

Over the 2019/20 Budget forward estimates period, the government is estimating a net operating surplus in each year including the current 2018/19 financial year. Net debt is expected to be negative in 2018/19. Net debt is forecast to be positive in 2019/20 by \$284.5 million and in each year thereafter. Other highlights are \$3.6 billion in infrastructure expenditure, support for first home buyers, and extension of the small business grant and support for the training system and small business to provide greater training places and to take on more apprentices.

Table I.1: Key Budget and Forward Estimate Aggregates, 2018-19 to 2022-23

	2018-19 Budget	2018-19 Estimated Outcome	2019-20 Budget	2020-21 Forward Estimate	2021-22 Forward Estimate	2022-23 Forward Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
General Government Sector						
Revenue	6 217.3	6 381.0	6 406.7	6 397.6	6 570.0	6 799.7
Expenses	6 055.4	6 339.7	6 349.3	6 312.5	6 395.5	6 549.2
Net Operating Surplus/(Deficit)	161.9	41.3	57.4	85.1	174.5	250.6
Fiscal Surplus/(Deficit)	(284.6)	(356.9)	(248.4)	(225.7)	(19.8)	3.0
Net Debt at 30 June¹	(329.6)	(535.2)	284.5	643.1	820.0	1 114.1
GFS Net Debt at 30 June²	(329.6)	(535.2)	(50.4)	321.0	520.2	839.8
Infrastructure Investment	752.4	719.6	723.3	715.9	630.1	695.0

Economic Outlook

- **Employment** levels and participation rates peaked in June 2018. Unemployment increased slightly over the last half of 2019FY. Employment growth was low at 0.25 per cent in 2018-19 but is forecast to pick up to 0.75 per cent in 2019-20 and average 1 per cent over the forward estimates.
- **The unemployment rate** is expected to average 6.25 per cent over the next four years
- **Population growth** had doubled the long-term trend in the past year (1.1 per cent). Population growth is forecast to fall to 0.7 per cent in the forwards estimates.
- Economic growth is estimated at 2.25 per cent in 2018/19, which is a relatively large fall from the previous year where the economy grew by 3.5 per cent. Economic growth is expected to average 2 per cent over the forward estimates.

Table 2.1: Estimates, Forecasts and Projections¹

	Budget 2019-20					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	Actual	Estimate	Forecast	Projections ²		
Gross State Product (real, % change)	3.3	2¼	2¼	2	2	2
State Final Demand (real, % change)	4.5	4	2½	2¼	2¼	2¼
Employment (year-average, % change)	3.0	¼	¾	1	1	1
Labour Force Participation Rate (year-average, %)	61.1	60¾	60½	60½	60½	60½
Unemployment Rate (year-average, %)	6.0	6¼	6¼	6¼	6¼	6¼
Consumer Price Index (year-average, % change)	2.1	2½	2¼	2¼	2¼	2¼
Population (year-average, % change)	1.1	1.1	0.9	0.7	0.7	0.7

Source: Actual - Australia Bureau of Statistics; Estimates, forecasts and projections - Treasury.

Fiscal Strategy

The Government’s Fiscal Strategy includes several important strategic actions that are aimed at achieving the long-term fiscal principles. These strategic actions are detailed below and remain in line with the Fiscal strategy as it was presented in last year’s Budget.

1. Annual growth in General Government operating expenses will be lower than the long-term average growth in revenue – **this will be a challenge for the government given compound average growth in expenditure is 2.9 per cent since 2014-15, while revenue growth is estimated to be 1.6 per cent over the forward estimates.**

2. General Government debt and defined benefit superannuation liabilities will be managed to ensure the combined annual servicing cost is less than six per cent of General Government cash receipts.

3. A competitive tax environment will be maintained with an objective for state taxes to be efficient, fair, simple, stable and sustainable – **extension of tax concessions for land purchases and payroll tax for small businesses taking on apprentices.**

4. Government businesses will be required to deliver services to Tasmanians at the lowest sustainable cost, while also providing an appropriate financial return to the Government – **energy strategy to deliver lowest costs electricity, electricity tariffs not to increase more than CPI over the forward estimates.**

5. Tasmanian Government infrastructure investment will maintain existing assets, respond to economic and population growth and reflect the changing needs of the community - **\$3.6 billion in investment in the forward estimates and \$2.8 billion for agency infrastructure.**

6. Public sector efficiency, productivity and financial transparency will be improved.

Key Initiatives and Funding

Housing

- Extending the \$20,000 first home guilders grant for a further 12 months to 30 June 2020
- Extending the land tax exemption for short-stay accommodation properties that are made available for long-term rental
- Extending the land tax exemption for all newly built housing that is made available for long-term rental, to June 30 2023
- Extending the duty concession for first home buyers of established homes, to 30 June 2020.
- Extending the eligible period for the duty concession for eligible pensioners that downsize their home
- Increasing the foreign investor duty surcharge for residential land from 3 per cent to seven percent
- Land tax surcharge to apply to foreign ownership of residential land and primary production land from 1 July 2020
- 50 per cent stamp duty concession for fist home buyers, up to \$7000
- \$40.5 million for social and affordable

Infrastructure

The government is investing \$2.8 billion through government agencies and a total of \$3.6 billion over the forward estimates. Government agency spending is broken down:

- Roads and bridges (\$1.6 billion)
- Hospitals and health (\$352.6 million)
- Human services and housing (\$212.5 million)
- Schools, education and skills (\$194 million)
- Law and order (\$170.6 million)
- Tourism and rec (\$151.7 million)
- ICT (\$53.3 million)
- Other infrastructure (\$13 million)

Skills

- \$194.2 million for new schools, early learning centres and TAFE facilities

- \$2.9 million for TAFE wages – 5.5 new FTE trainers in the B&C industry and an additional 230 student placements
- Payroll tax rebates to June 2021 for businesses who take on apprentices
- \$7.1 billion overall for education and training over four years