COVID-19
Impacts on the Building and Construction Industry

Matthew Pollock
Executive Director, Master Builders Tasmania

Background

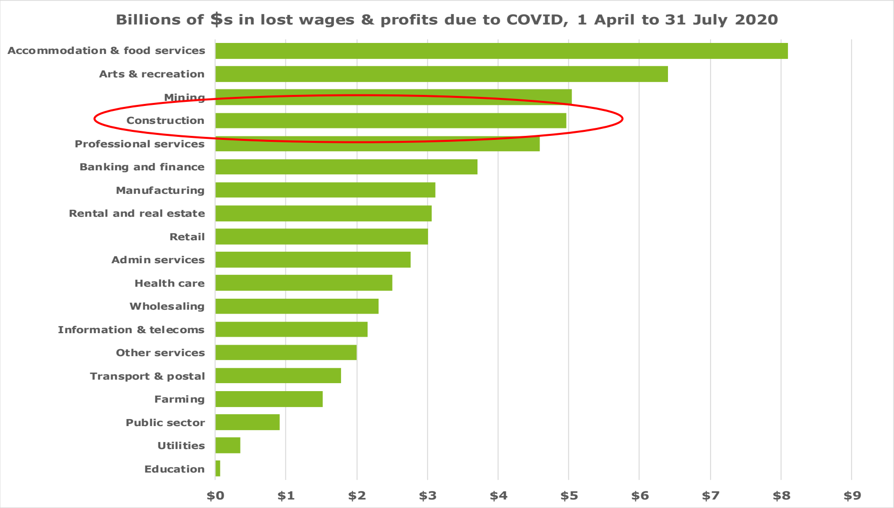
Construction has been lucky in the sense that the industry has remained operation during the COVID-19 lock down.

By implementing procedures to ensure work on construction sites follows government health guidelines, the industry has so far stopped the spread on construction sites. We continue to work with government to ensure sites, worker and the community is safe while site remain operational.

But the industry has not been immune to COVID-19. The B&C industry is highly exposed to the economic cycle. Experience has shown construction activity takes considerably longer to recover than the rest of the economy following recessions and periods of economic down turn.

We firmly support the governments construction led economic recovery strategy, but would urge that as much as possible, jobs, infrastructure investment which raises productivity and living standards, households and homeownership are put at the centre of this strategy.

Impacts on Jobs and the Industry



- Industry modelling by Deloitte shows Construction is to be one of the hardest hit industries in terms of lost wages and profits through the lock down phase. $5 billion is expected to be lost over the 4 months to 31 July 2020.

- Bureau of statistics data shows that the construction workforce in Tasmania has shrunk by -6.5% due to COVID-19, equal to approximately 1,200 jobs.

- Most concerning is that construction job losses in Tasmania have been higher than the national average, and predictions for major project delays in the coming months could see job losses become significantly worse.

% change		Aus	NSW	Vic	Qld	SA	WA	Tas	NT	ACT
Jobs	Construction	-6.4%	-7.3%	-7.0%	-5.3%	-5.5%	-5.5%	-6.5%	-4.7%	-5.8%
	All industries	-7.5%	-7.4%	-8.6%	-6.5%	-7.8%	-6.6%	-8.0%	-5.7%	-6.9%
Wage	Construction	-7.4%	-9.8%	-6.0%	-7.6%	-4.9%	-4.2%	-10.5%	-10.6%	-6.9%
	All industries	-8.2%	-7.5%	-9.2%	-8.3%	-4.5%	-9.0%	-9.3%	-9.2%	-7.5%

Master Builders Survey results

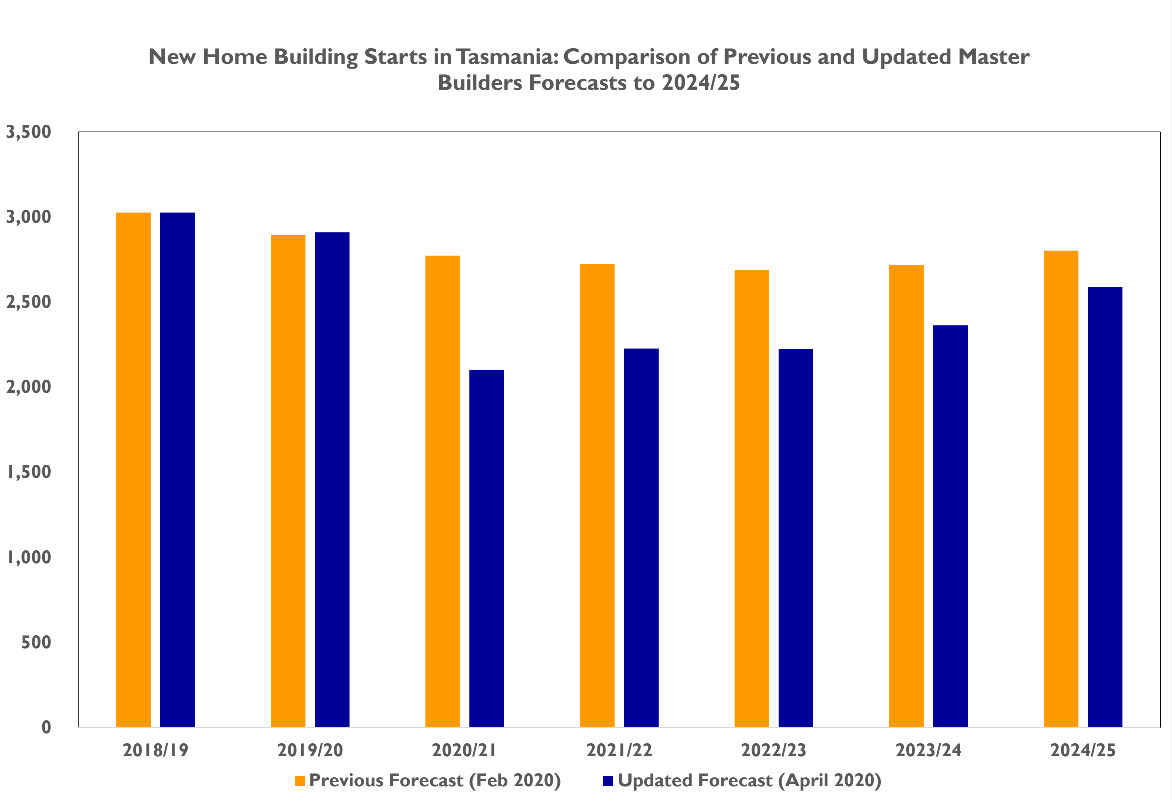
- In the absence of contemporary data MBT undertook a detailed survey of approximately 300 members across the residential and commercial construction sectors. The survey found:
- In excess of $500 million in commercial projects postponed
- More than 500 projects across both sectors postponed
- A significant deterioration in the pipeline with 3 in 4 responses noted at least one project postponed or cancelled
- Only 10% of responses recorded work on the books beyond 12 months with the average being 2-3 months. in January this average was around 6-12 months.
- All major contractors recorded an expectation of job losses if projects were not brought back to market
- There is an expectation of insolvencies in the supply chain with subcontractor already asking for cashflow assistance

Master Builders Tasmania, COVID-19 Member Survey

Future Work on the Books – Residential Builders			
4-6 weeks	2-3 months	4-6 months	12 months and beyond
10%	50%	30%	10%

Note: percentage share of 250 survey responses

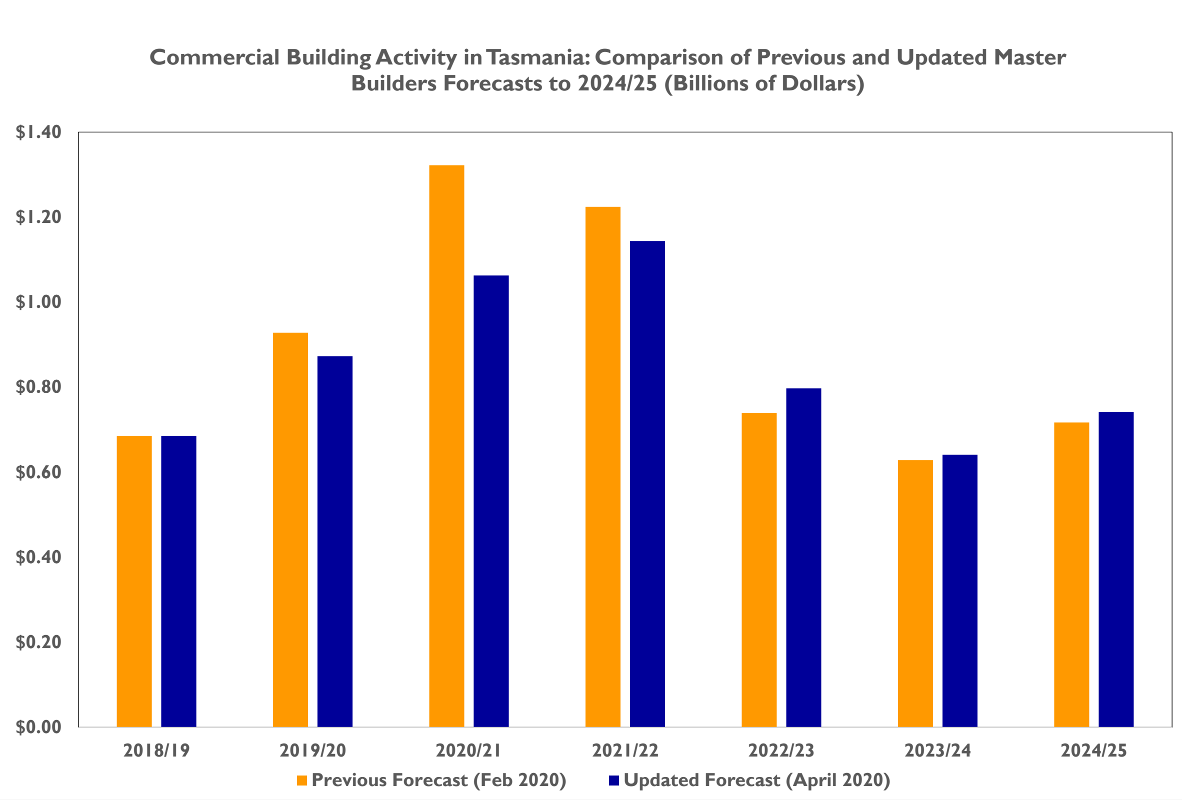
Master Builders Forecasts – Dwelling starts



The chart shows the revised MBA forecasts pre-COVID-19 and post COVID-19:

- Dwelling starts could fall by close to 700 in the next 12 months without government support
- Dwelling starts could fall by 2,200 in the next 5 years without government support
- Construction supply chains would be hit hard
- MBA's proposed home boost scheme would generate $149 million in activity in the next 12 months, largely offsetting the COVID-19 impacts and save 1,200 jobs

Master Builders Forecasts – Commercial Construction



The chart shows the revised MBA forecasts pre-COVID-19 and post COVID-19:

- Value of work done on commercial projects will drop by $260 million over the next 12 months without government support

- The revised forecasts for the following years assume a larger commitment by the government into public infrastructure, particularly into health and education

Lessons learned – 1990-91 recession

- At a national level during the 1990-91 recession, consumption and GDP declined by approximately 1 per cent. However, dwelling investment and business investment declined by 21 per cent and 31 per cent respectively below their pre-recession peaks.

- While consumption remained below its pre-recession peak for four quarters and GDP for seven quarters, business investment and dwelling investment remained below pre-recession peaks for 23 quarters and 16 quarters, respectively.

- In Tasmania, employment in the construction sector fell by 30 per cent between the November quarter of 1990 and the August quarter of 1991 and it took two years for employment to recover to pre-November 1990 levels. Total employment in Tasmania dropped by 7.5 per cent over three years and took 13 years to recover to the levels seen in May 1990.

Lessons learned – GFC

- Following the Global Financial Crisis, the value of dwelling investment in Tasmania fell for five consecutive years and has still not recovered to levels seen pre-GFC. The social and economic impacts are still with us, causing housing shortages, living costs to rise and affordability issues in more recent years.

- Private investment cratered, falling by close to 50 per cent from 2008-09 to 2013-14, with the total value of private investment recorded in 2018-19 financial year still below the pre-GFC peak in 2008-09.

- Prior to 2010, dwelling investment averaged approximately 5.4 per cent of Gross State Product. But in 2011 housing investment fell to 4.4 per cent and stayed there for the best part of the following decade.

- Over a decade that 1 per cent difference added up to a shortfall in housing investment of close to $1.2 billion, enough to build an extra 3,000 new homes.

The need to focus on job creating construction projects

- Master Builders welcomes the governments commitment to the $3.7 billion infrastructure pipeline. But we urge that equal attention is paid to residential and commercial construction projects.

- These sectors are the big job creators and have a higher multiplier through the economy

- For every $1 spent on the residential or commercial construction projects, approximately $3 is generated in the economy.

- There may be an opportunity to repurpose money budgeted to engineering projects which are unlikely to commence soon to be put into residential and commercial constructions stimulus. 2% of the infrastructure budget repurposed to a $40,000 home owners boost would pay the program for 12 months, save 1,200 jobs, create $149 million in construction activity.

MASTER BUILDERS AUSTRALIA

UPDATED INDUSTRY FORECASTS TO 2024/25 – APRIL 2020

OVERVIEW

These forecasts represent and update to the set of projections to 2024/25 which were published in February 2020. The update is necessitated by the huge change in economic conditions which has unfolded since the beginning of March amid the global spread of coronavirus. It must be stressed that the outset that the economic environment is highly uncertain and that there is a strong possibility that the ultimate performance of construction could differ significantly from these forecasts.

The set of forecasts released in February envisaged that new home building activity would bottom out during the 2020/21 financial year before embarking on a strong recovery with new dwelling starts exceeding 200,000 per year by the 2024/25 year.

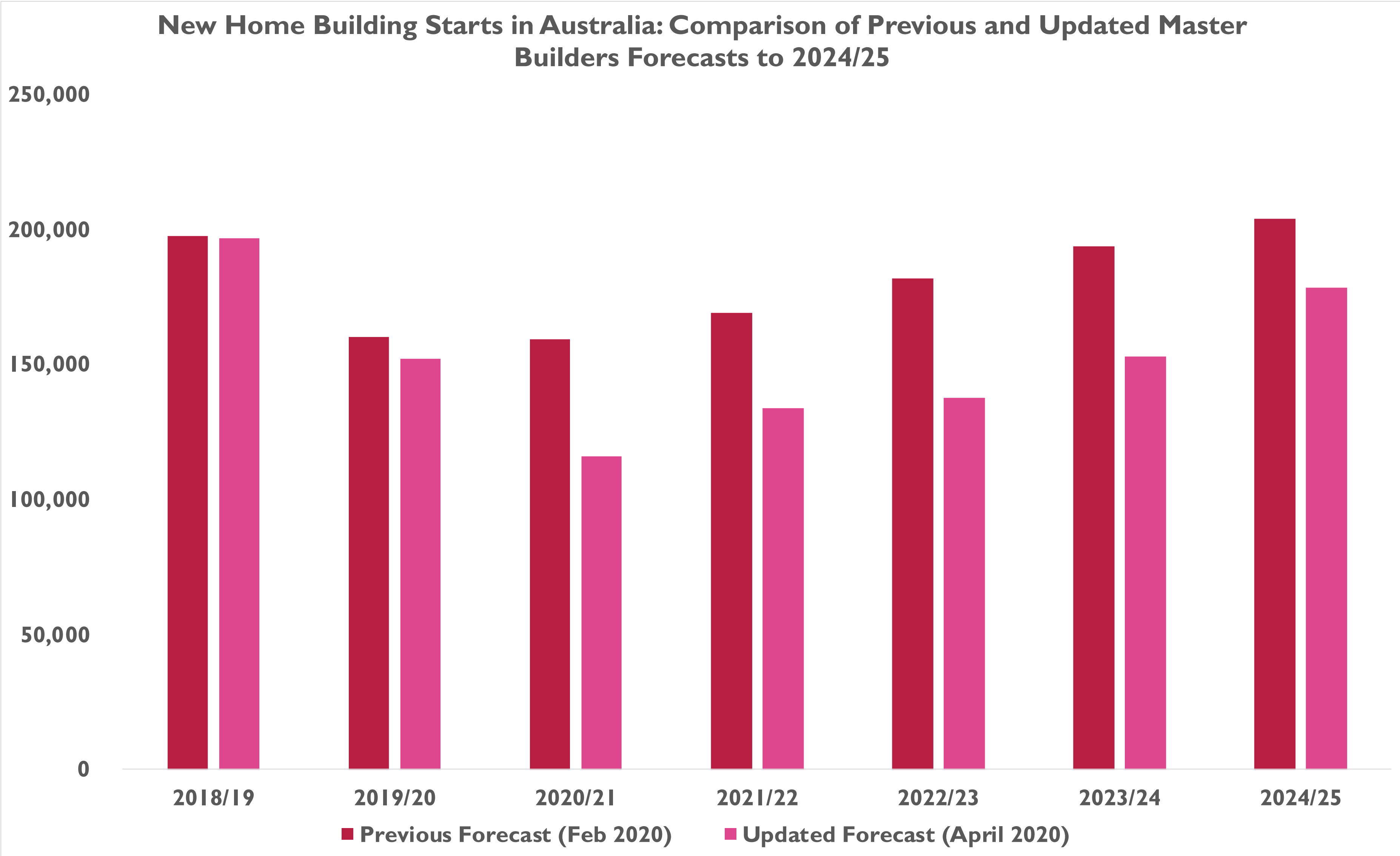
With the Covid-19 crisis breaking towards the end of the 2019/20 financial year, we anticipate that the sudden and sharp nature of its impacts mean that new home building starts will hit a low of just under 116,000 in 2020/21 (compared with about 159,000 in our original set of forecasts). As stimulus unfolds and restrictions are lifted, activity is expected to recover during 2021/22. The tapering off of stimulus means that the recovery is likely to lose momentum during 2022/23 but thereafter the return to robust population growth and gains in employment will help propel new home building considerably higher and by 2024/25 activity will be close to reverting to the long-term home building trajectory set out in the February 2020 set of forecasts.

Before the Covid-19 crisis broke, commercial building activity was at a record high and the set of forecasts released in February envisaged that activity would fall back over the next few years.
The commercial building landscape is changed hugely by the crisis: private sector-led projects are likely to suffer due to the very uncertain economic backdrop. In particular, activities like tourism, recreation and entertainment have particularly poor prospects given the combination of enforced closures, restrictions on travel as well as the reduced willingness of large numbers of consumers to engage in non-essential expenditure.
On the other hand, the public sector dominates important areas of commercial building like health and education and the short term prospects for these are much improved given that government stimulus is likely to be heavy here.
The updated forecasts for commercial building are shown below. Overall, the huge reverses in private sector investment will outweigh the possible expansions in government driven projects and the commercial building volumes are likely to be quite depressed over the three-year period between 2020/21 and 2022/23. Thereafter, a reasonably emphatic recovery is likely to resume as the economy returns to its long-run trajectory.

Comparison of Master Builders Forecasts for New Home Building: Before and After Covid 19				
	Pre-Covid19 Forecast (February 2020)	Updated Master Builders Forecasts (April 2020)	Forecast Downgrade	Forecast Downgrade (%)
2019/20	160,132	151,772	-8,360	-5.2%
2020/21	159,268	115,822	-43,446	-27.3%
2021/22	169,026	133,719	-35,307	-20.9%
2022/23	181,838	137,425	-44,413	-24.4%
2023/24	193,632	152,922	-40,709	-21.0%
2024/25	203,909	178,220	-25,689	-12.6%
Source: Master Builders Australia analysis				

Revised Forecasts for New Home Building Commencements to 2024/25 (April 2020)							
	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
New South Wales	62,588	44,844	33,253	38,130	38,925	43,187	50,068
Victoria	62,148	49,425	39,944	44,417	45,305	49,520	56,319
Queensland	36,421	26,824	18,585	24,414	26,222	30,870	38,627
South Australia	10,105	10,396	6,534	6,976	6,967	7,401	8,115
Western Australia	15,490	12,474	10,898	12,654	12,909	14,367	16,717
Tasmania	3,026	2,909	2,102	2,227	2,225	2,363	2,588
Northern Territory	646	511	423	608	645	773	991
ACT	6,007	4,388	4,084	4,292	4,228	4,440	4,795
AUSTRALIA	**196,431**	**151,772**	**115,822**	**133,719**	**137,425**	**152,922**	**178,220**
Source: Master Builders Australia							

Change Compared with Previous Year (%): Revised Master Builders Forecasts for New Home Building Starts to 2024/25						
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
New South Wales	-28.3%	-25.8%	14.7%	2.1%	11.0%	15.9%
Victoria	-20.5%	-19.2%	11.2%	2.0%	9.3%	13.7%
Queensland	-26.4%	-30.7%	31.4%	7.4%	17.7%	25.1%
South Australia	2.9%	-37.2%	6.8%	-0.1%	6.2%	9.6%
Western Australia	-19.5%	-12.6%	16.1%	2.0%	11.3%	16.4%
Tasmania	-3.9%	-27.8%	5.9%	-0.1%	6.2%	9.5%
Northern Territory	-20.9%	-17.3%	43.8%	6.0%	20.0%	28.2%
ACT	-27.0%	-6.9%	5.1%	-1.5%	5.0%	8.0%
AUSTRALIA	**-22.7%**	**-23.7%**	**15.5%**	**2.8%**	**11.3%**	**16.5%**
Source: Master Builders Australia						


New Home Building Starts in Australia: Comparison of Previous and Updated Master Builders Forecasts to 2024/25
250,000
200,000
150,000
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2018/19
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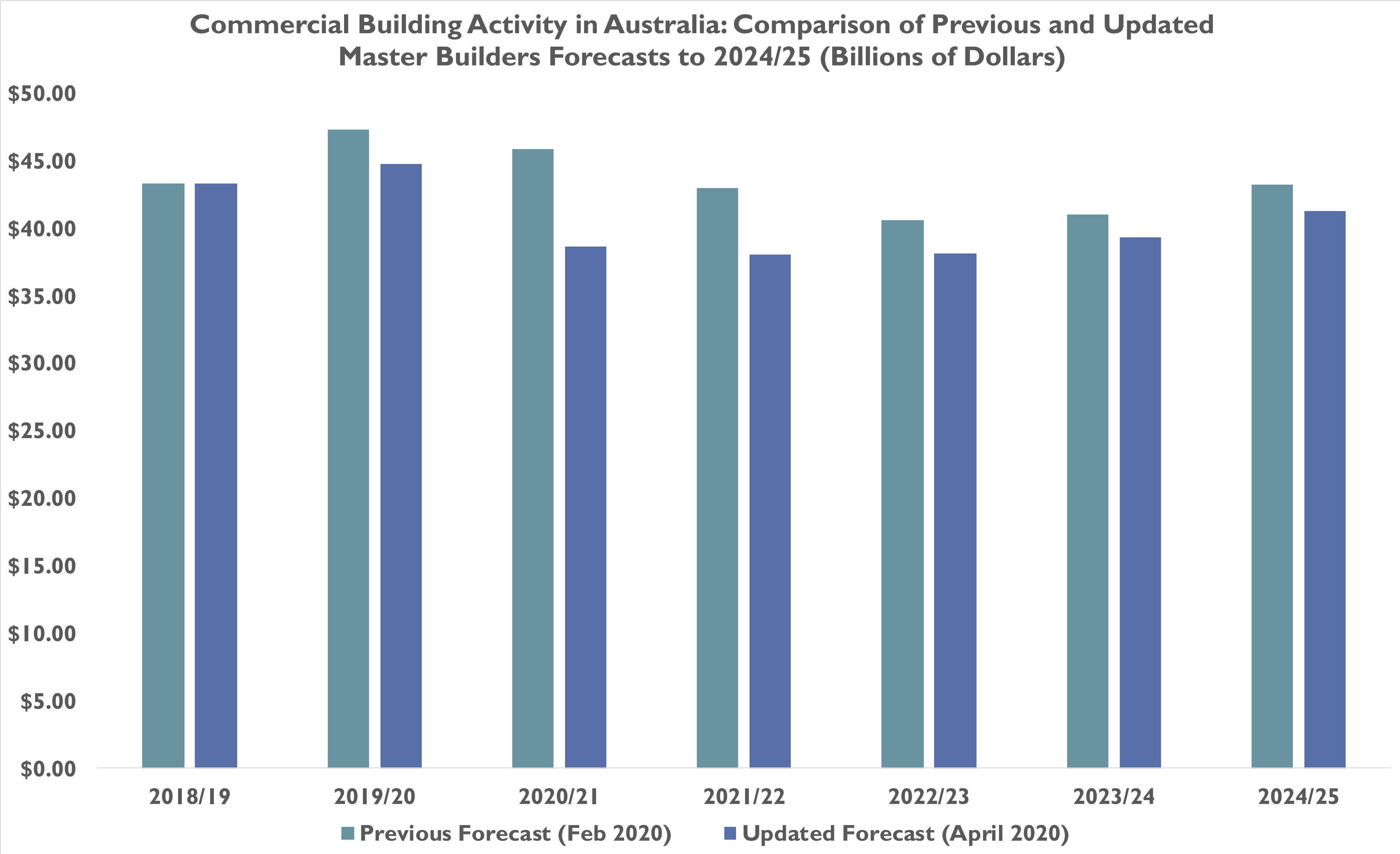
2022/23
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

Commercial Building: Comparison of Master Builders Forecasts Before and After Covid 19				
	Pre-Covid19 Forecast (February 2020)	Updated Master Builders Forecasts (April 2020)	Forecast Downgrade	Forecast Downgrade (%)
2019/20	$47.3 billion	$44.7 billion	-$2.58 billion	-5.5%
2020/21	$45.8 billion	$38.6 billion	-$7.18 billion	-15.7%
2021/22	$43 billion	$38 billion	-$4.94 billion	-11.5%
2022/23	$40.6 billion	$38.2 billion	-$2.47 billion	-6.1%
2023/24	$41 billion	$39.3 billion	-$1.7 billion	-4.1%
2024/25	$43.2 billion	$41.3 billion	-$1.95 billion	-4.5%
Source: Master Builders Australia analysis				

Updated Master Builders Australia Forecasts for Commercial Building Activity, April 2020 - Australia Total (Millions of dollars)						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Commercial Building - Total	**$44,720.1**	**$38,649.2**	**$38,026.2**	**$38,154.2**	**$39,338.7**	**$41,253.0**
Retail & wholesale trade	$5,829.5	$5,523.9	$5,559.5	$5,685.6	$5,867.7	$6,191.2
Transport buildings	$1,068.0	$605.9	$586.8	$649.5	$679.8	$711.8
Offices	$7,698.7	$4,873.8	$4,644.0	$4,193.2	$4,149.5	$4,440.1
Other commercial	$590.4	$348.2	$348.0	$395.1	$436.1	$424.5
Factories	$1,215.3	$909.6	$891.9	$877.4	$855.9	$834.7
Warehouses	$4,619.1	$3,844.6	$3,283.8	$3,467.8	$3,659.7	$3,730.6
Agriculture and aquaculture	$304.4	$308.2	$244.5	$242.4	$261.4	$291.3
Other industrial	$944.3	$855.2	$823.3	$841.1	$928.3	$1,080.3
Education	$7,676.5	$8,846.8	$9,200.7	$9,568.7	$9,951.4	$10,349.5
Religion	$158.8	$107.5	$102.6	$107.6	$138.2	$130.7
Aged care facilities	$2,089.7	$2,401.1	$2,521.2	$2,528.7	$2,691.2	$2,813.7
Health facilities (non-aged care)	$3,663.5	$5,589.1	$5,779.9	$5,779.9	$5,779.9	$6,042.7
Entertainment & Recreation	$2,719.5	$1,111.4	$1,134.3	$998.3	$921.4	$977.1
Accommodation	$3,583.1	$1,142.1	$806.6	$674.9	$749.9	$772.5
Other non-residential	$2,559.2	$2,181.7	$2,099.2	$2,143.9	$2,268.4	$2,462.4

Source: Master Builders Australia


Commercial Building Activity in Australia: Comparison of Previous and Updated Master Builders Forecasts to 2024/25 (Billions of Dollars)
$50.00
$45.00
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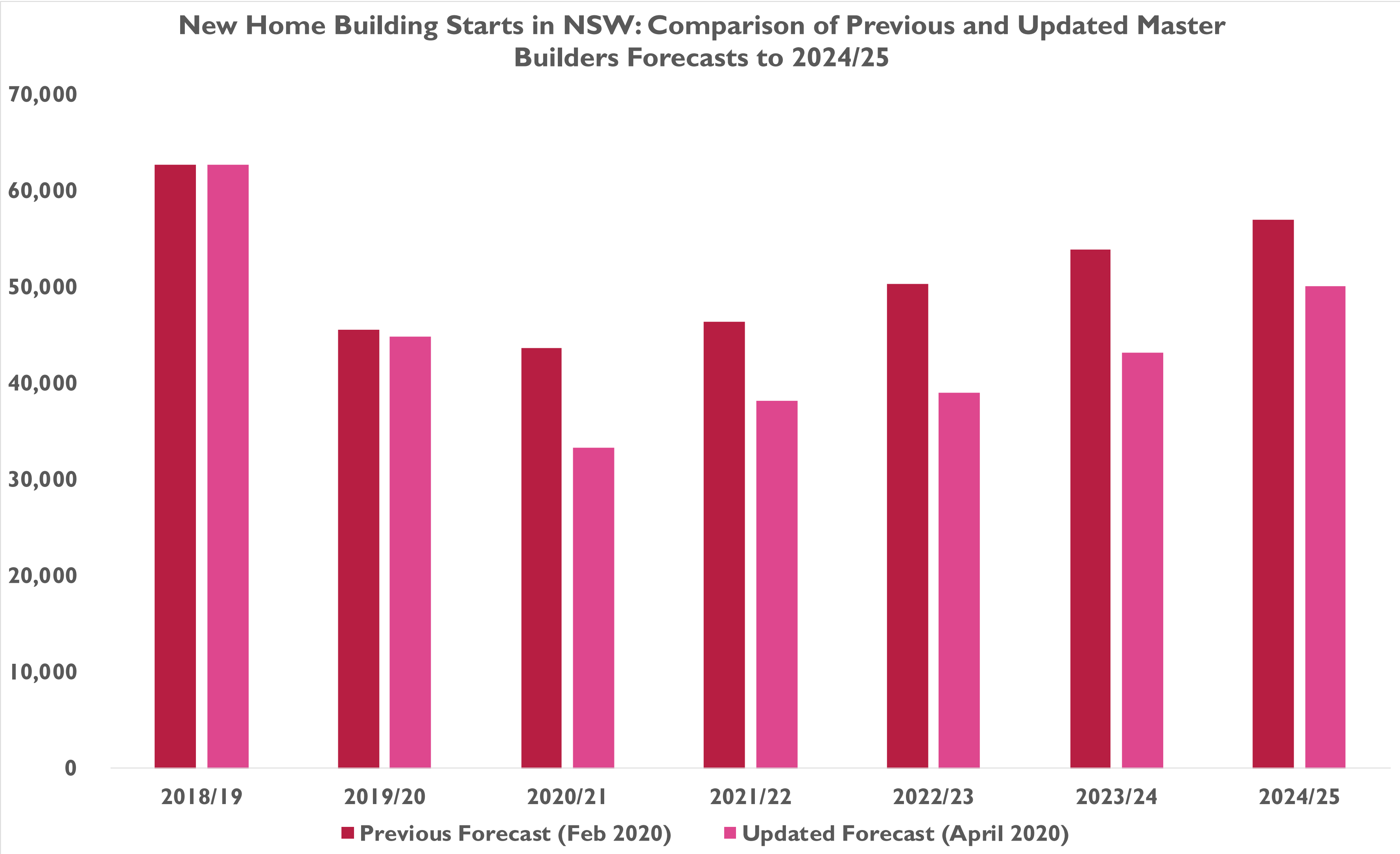
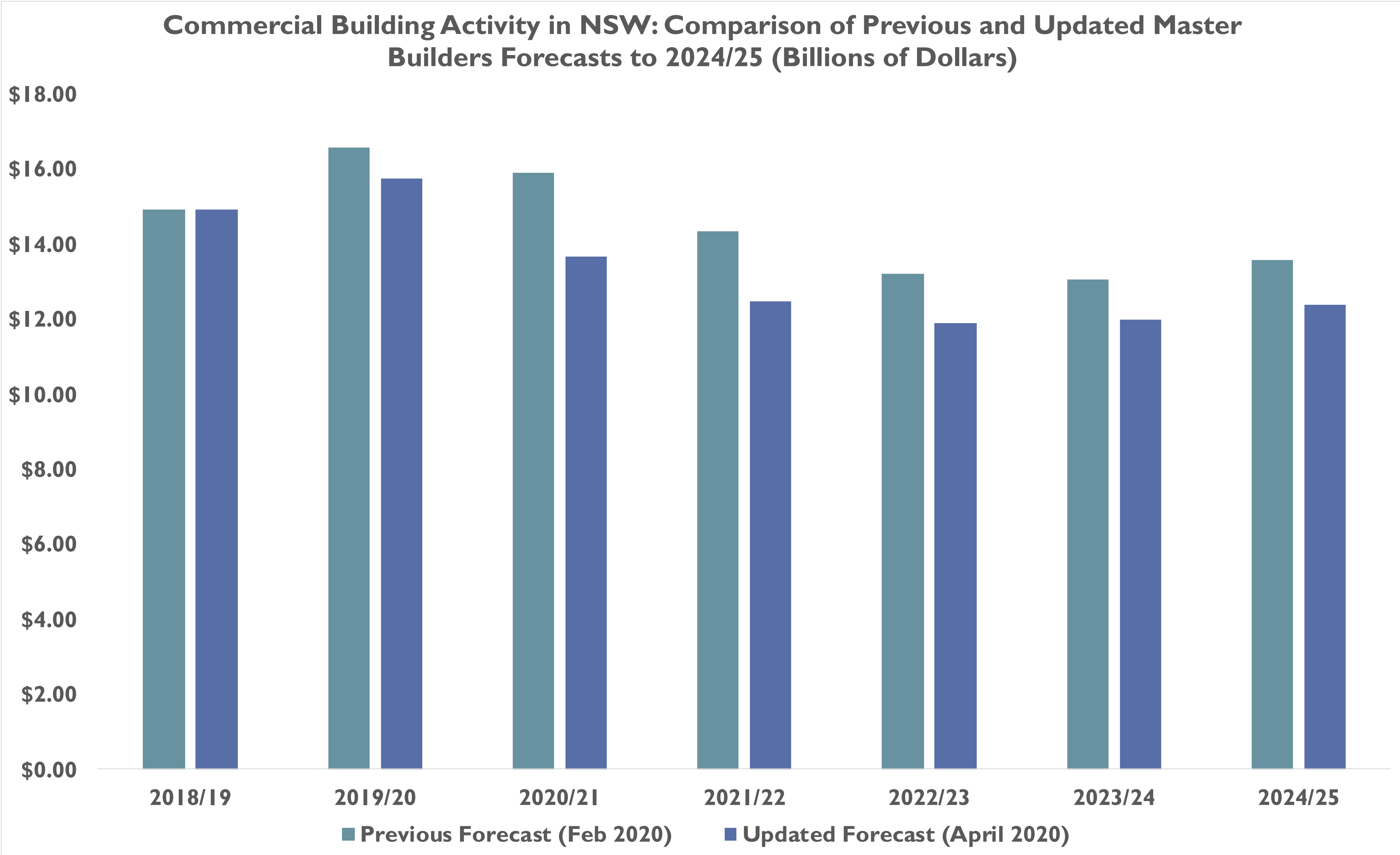
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

NEW SOUTH WALES




Commercial Building Activity in NSW: Comparison of Previous and Updated Master Builders Forecasts to 2024/25 (Billions of Dollars)
$18.00
$16.00
$14.00
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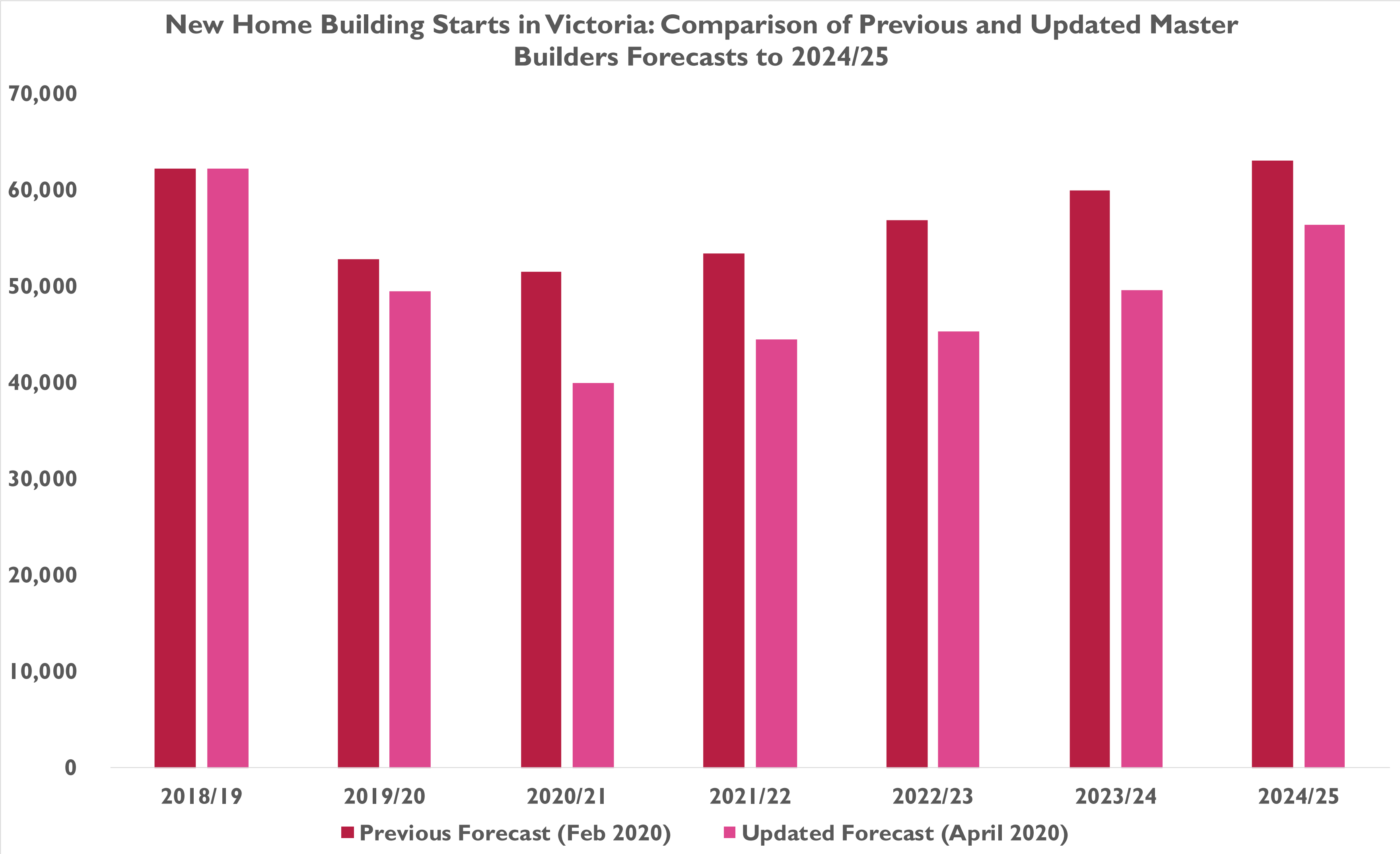
2021/22
2022/23
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

Updated Master Builders Australia Forecasts for Commercial Building Activity, April 2020 - New South Wales (Millions of dollars)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Commercial Building - Total	**$15,743.1**	**$13,651.4**	**$12,472.8**	**$11,905.4**	**$11,983.0**	**$12,388.3**
Retail & wholesale trade	$1,849.0	$1,671.5	$1,670.6	$1,616.2	$1,698.1	$1,863.3
Transport buildings	$310.4	$152.2	$219.7	$316.2	$329.9	$323.5
Offices	$2,996.2	$1,899.4	$1,797.7	$1,500.8	$1,339.0	$1,408.6
Other commercial	$258.2	$132.8	$139.3	$171.0	$190.9	$171.6
Factories	$208.6	$241.2	$264.7	$248.9	$204.0	$168.5
Warehouses	$1,819.7	$1,427.4	$1,120.1	$1,218.9	$1,219.0	$1,146.7
Agriculture and aquaculture	$55.8	$50.1	$34.5	$46.8	$42.2	$39.9
Other industrial	$375.9	$322.9	$301.8	$334.1	$384.5	$463.8
Education	$2,511.5	$2,913.5	$2,582.0	$2,325.2	$2,193.2	$2,193.2
Religion	$67.0	$46.4	$39.7	$41.8	$62.2	$52.1
Aged care facilities	$701.8	$825.2	$873.1	$876.1	$939.2	$941.4
Health facilities (non-aged care)	$1,788.9	$2,565.7	$2,134.9	$2,012.4	$2,154.4	$2,304.1
Entertainment & Recreation	$1,005.8	$434.3	$422.8	$341.8	$334.0	$383.9
Accommodation	$898.5	$283.2	$222.3	$239.5	$251.6	$241.2
Other non-residential	$895.7	$685.6	$649.6	$615.7	$640.8	$686.5

Source: Master Builders Australia

VICTORIA


New Home Building Starts in Victoria: Comparison of Previous and Updated Master Builders Forecasts to 2024/25
70,000
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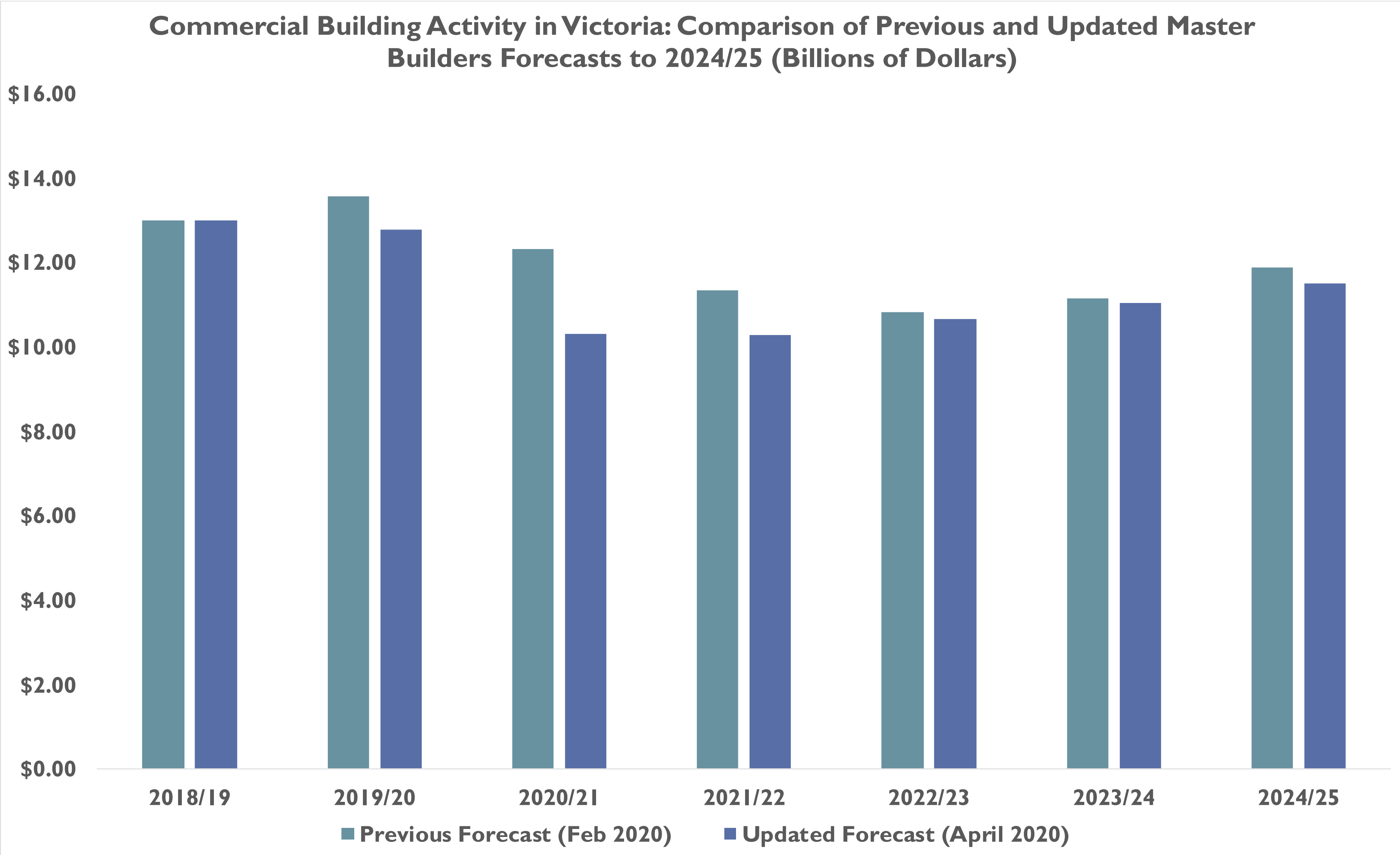
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)



Commercial Building Activity in Victoria: Comparison of Previous and Updated Master Builders Forecasts to 2024/25 (Billions of Dollars)
$16.00
$14.00
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2018/19
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2020/21
2021/22
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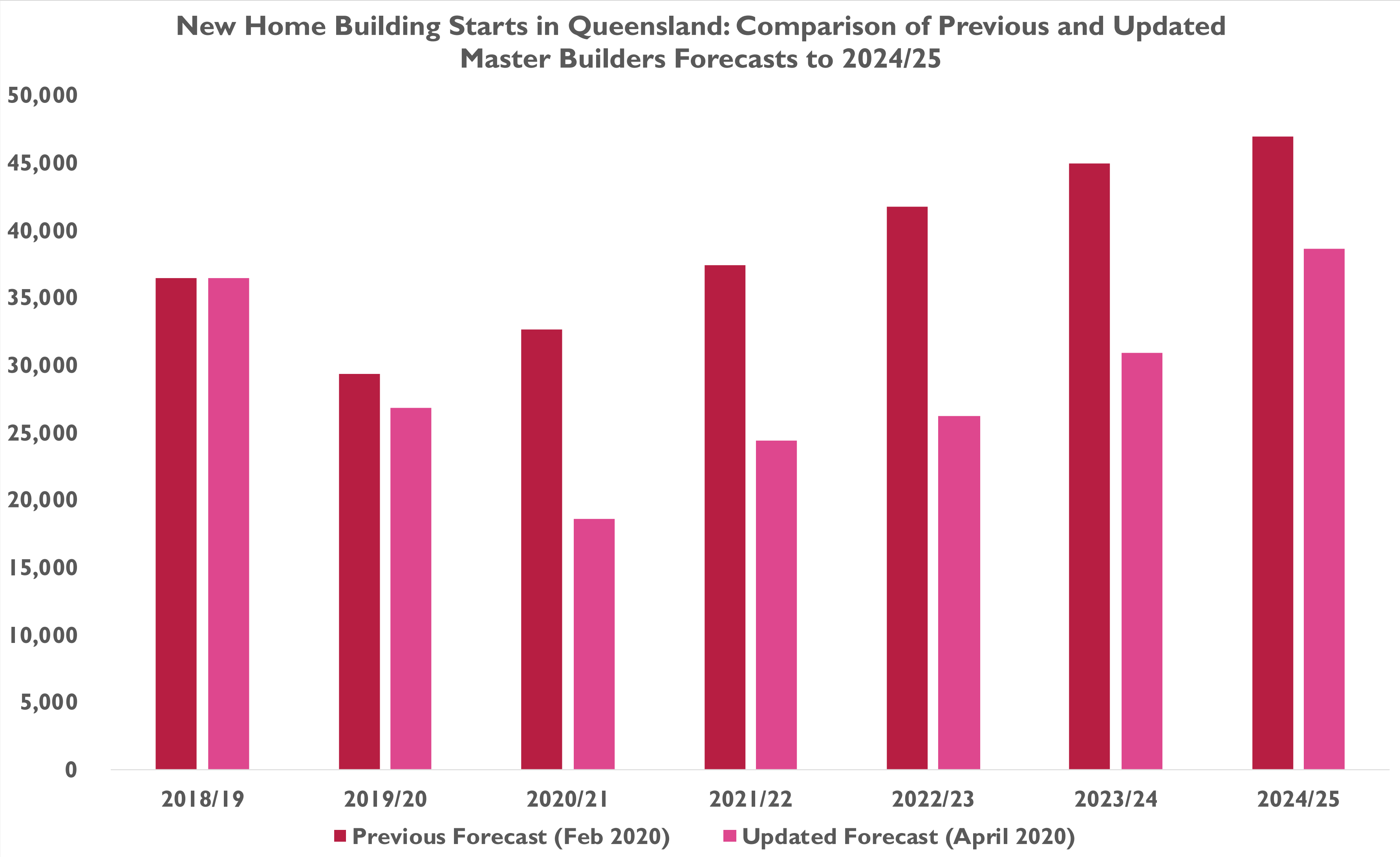
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

Updated Master Builders Australia Forecasts for Commercial Building Activity, April 2020 - Victoria (Millions of dollars)						
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Commercial Building - Total	**$12,780.8**	**$10,310.9**	**$10,274.0**	**$10,663.4**	**$11,028.0**	**$11,515.6**
Retail & wholesale trade	$1,384.7	$1,400.7	$1,510.6	$1,541.4	$1,551.9	$1,607.5
Transport buildings	$238.8	$142.2	$135.6	$123.0	$138.7	$153.2
Offices	$2,444.8	$1,507.1	$1,305.9	$1,250.2	$1,366.5	$1,550.9
Other commercial	$93.5	$78.4	$62.1	$69.7	$89.1	$98.0
Factories	$367.9	$220.4	$224.5	$217.2	$226.7	$215.9
Warehouses	$1,454.7	$1,211.2	$978.0	$1,045.8	$1,180.2	$1,291.1
Agriculture and aquaculture	$137.5	$138.2	$101.0	$81.4	$87.6	$101.4
Other industrial	$146.6	$77.5	$72.0	$74.5	$82.4	$100.8
Education	$2,454.3	$2,453.1	$2,652.8	$2,998.3	$3,116.7	$3,151.7
Religion	$18.0	$22.0	$26.4	$28.6	$34.8	$36.5
Aged care facilities	$508.9	$670.1	$737.0	$730.2	$790.2	$835.1
Health facilities (non-aged care)	$730.9	$1,300.2	$1,579.7	$1,692.6	$1,461.2	$1,400.2
Entertainment & Recreation	$708.8	$276.2	$236.5	$209.7	$208.4	$222.8
Accommodation	$1,428.4	$337.2	$209.1	$129.0	$150.5	$172.0
Other non-residential	$663.0	$476.5	$442.8	$471.9	$543.1	$578.5
Source: Master Builders Australia						

QUEENSLAND


New Home Building Starts in Queensland: Comparison of Previous and Updated Master Builders Forecasts to 2024/25
50,000
45,000
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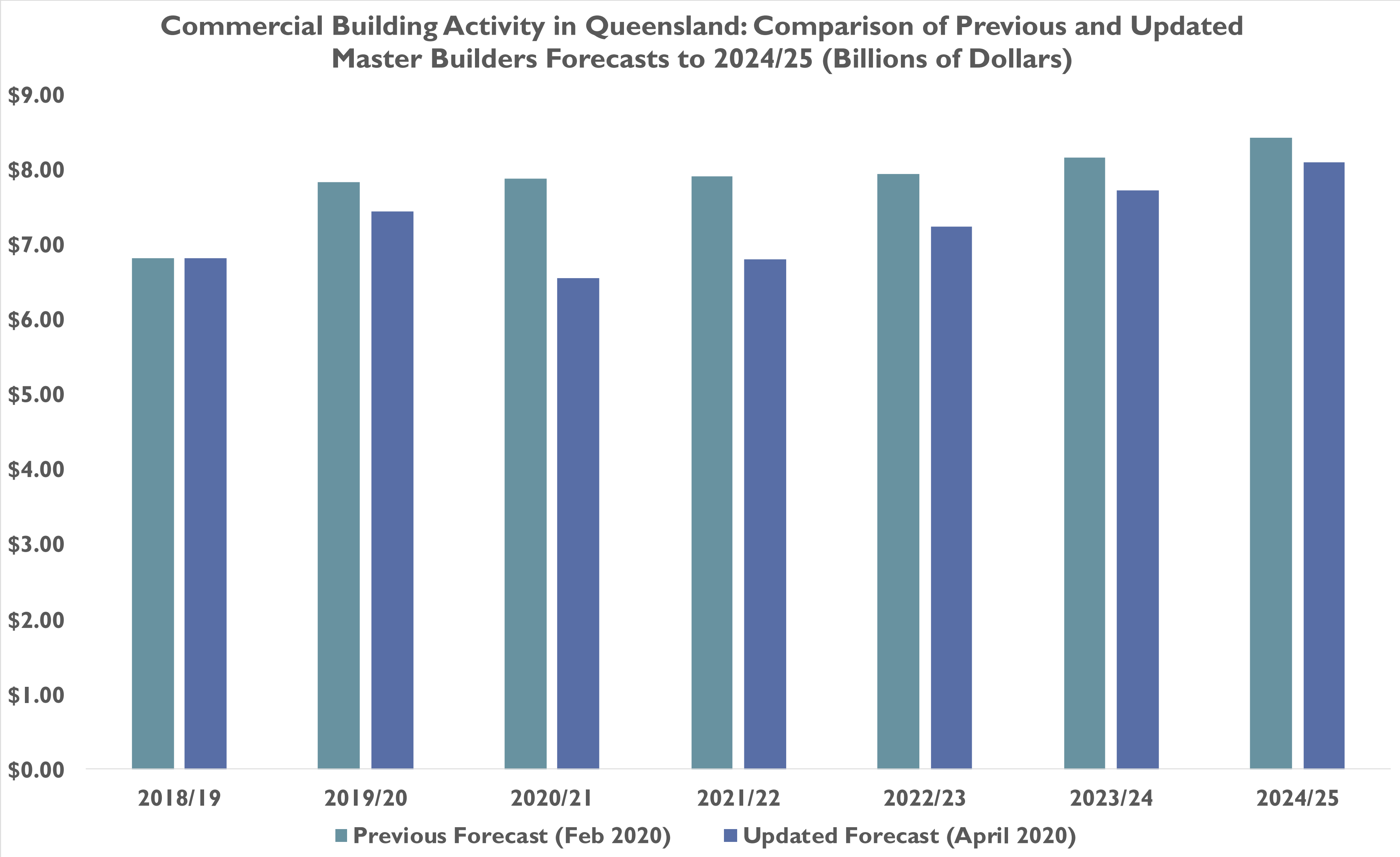
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)



Commercial Building Activity in Queensland: Comparison of Previous and Updated Master Builders Forecasts to 2024/25 (Billions of Dollars)
$9.00
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2018/19
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2020/21
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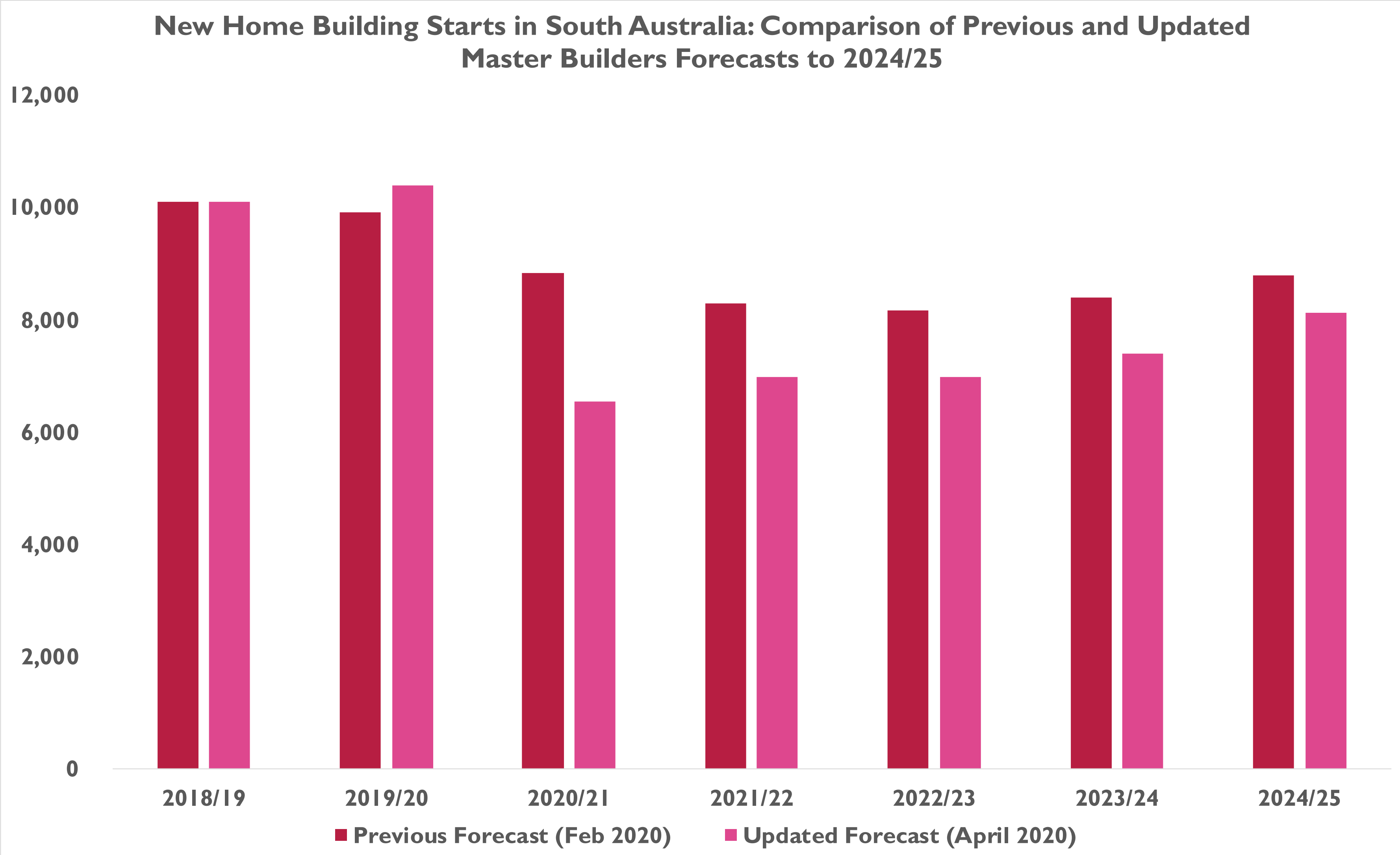
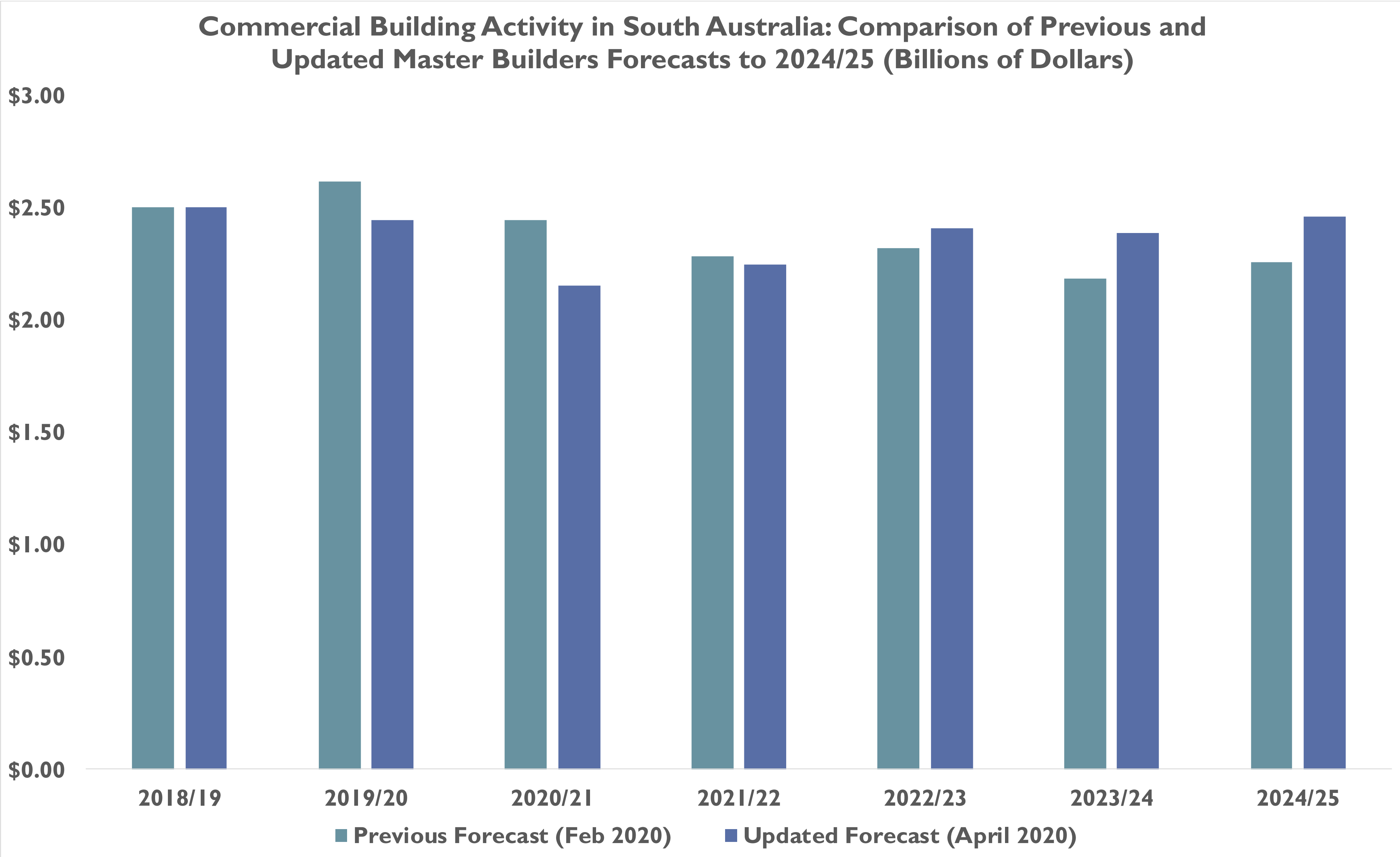
2022/23
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

Updated Master Builders Australia Forecasts for Commercial Building Activity, April 2020 - Queensland (Millions of dollars)						
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Commercial Building - Total	**$7,448.0**	**$6,552.9**	**$6,807.9**	**$7,233.1**	**$7,720.7**	**$8,105.8**
Retail & wholesale trade	$1,048.0	$1,127.9	$1,278.8	$1,333.2	$1,332.8	$1,414.4
Transport buildings	$262.9	$181.3	$121.0	$115.2	$112.1	$111.6
Offices	$968.8	$642.6	$692.4	$600.9	$643.7	$657.0
Other commercial	$76.0	$63.9	$67.4	$72.1	$71.6	$69.2
Factories	$308.7	$199.3	$206.2	$219.5	$225.1	$233.4
Warehouses	$663.8	$621.6	$647.6	$663.5	$658.2	$640.4
Agriculture and aquaculture	$38.4	$46.6	$44.2	$44.7	$46.9	$47.0
Other industrial	$193.4	$197.1	$213.7	$214.3	$202.8	$205.1
Education	$1,414.2	$1,461.2	$1,489.5	$1,707.9	$1,964.8	$2,098.9
Religion	$35.1	$18.7	$18.8	$19.0	$19.2	$19.3
Aged care facilities	$368.1	$413.4	$423.3	$437.6	$459.3	$495.4
Health facilities (non-aged care)	$699.0	$741.6	$784.1	$944.1	$1,048.6	$1,136.2
Entertainment & Recreation	$412.8	$201.1	$220.6	$210.3	$167.3	$146.3
Accommodation	$496.8	$189.0	$158.7	$178.9	$211.6	$202.2
Other non-residential	$461.9	$447.6	$441.6	$471.9	$556.7	$629.3
Source: Master Builders Australia						

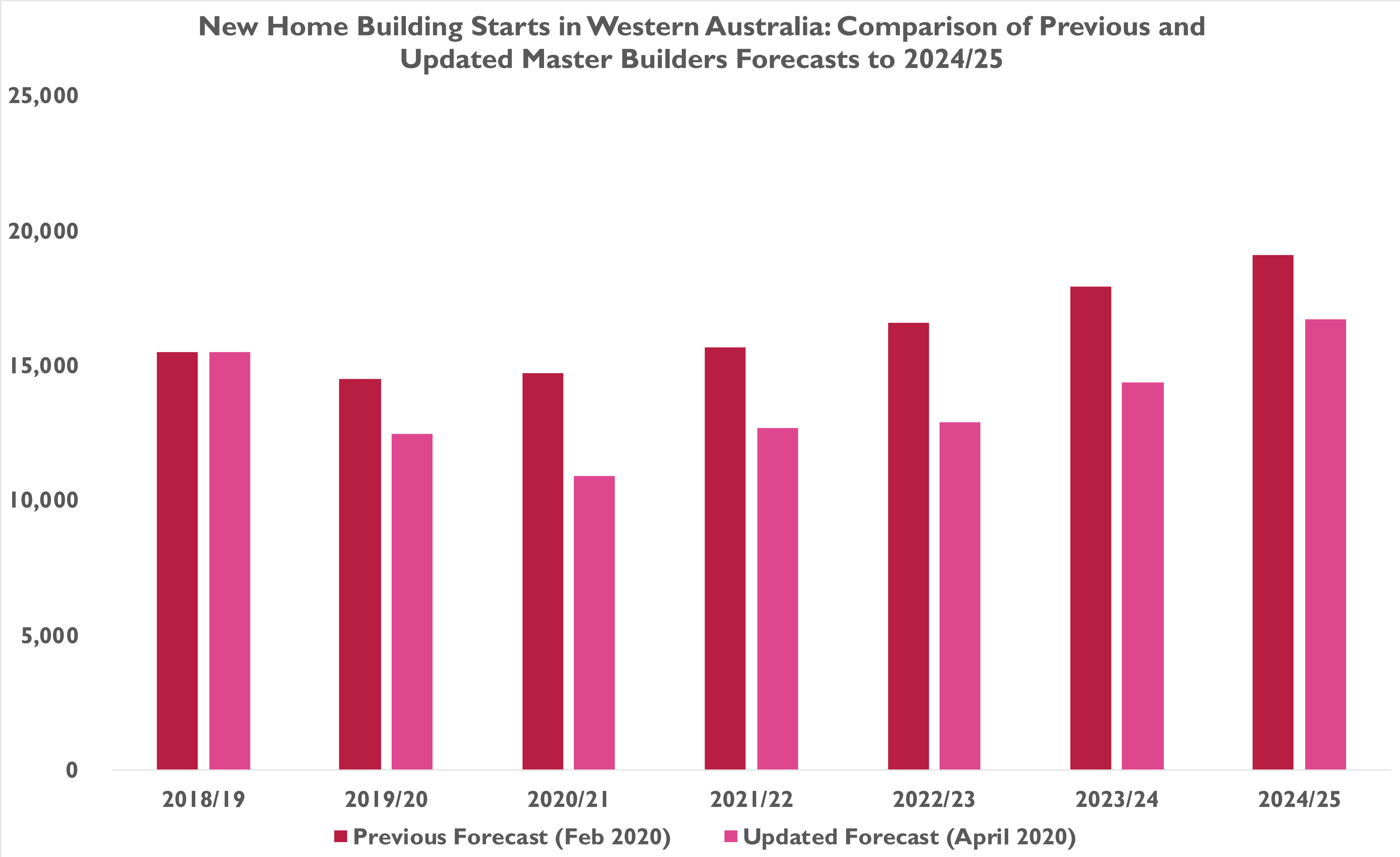
SOUTH AUSTRALIA

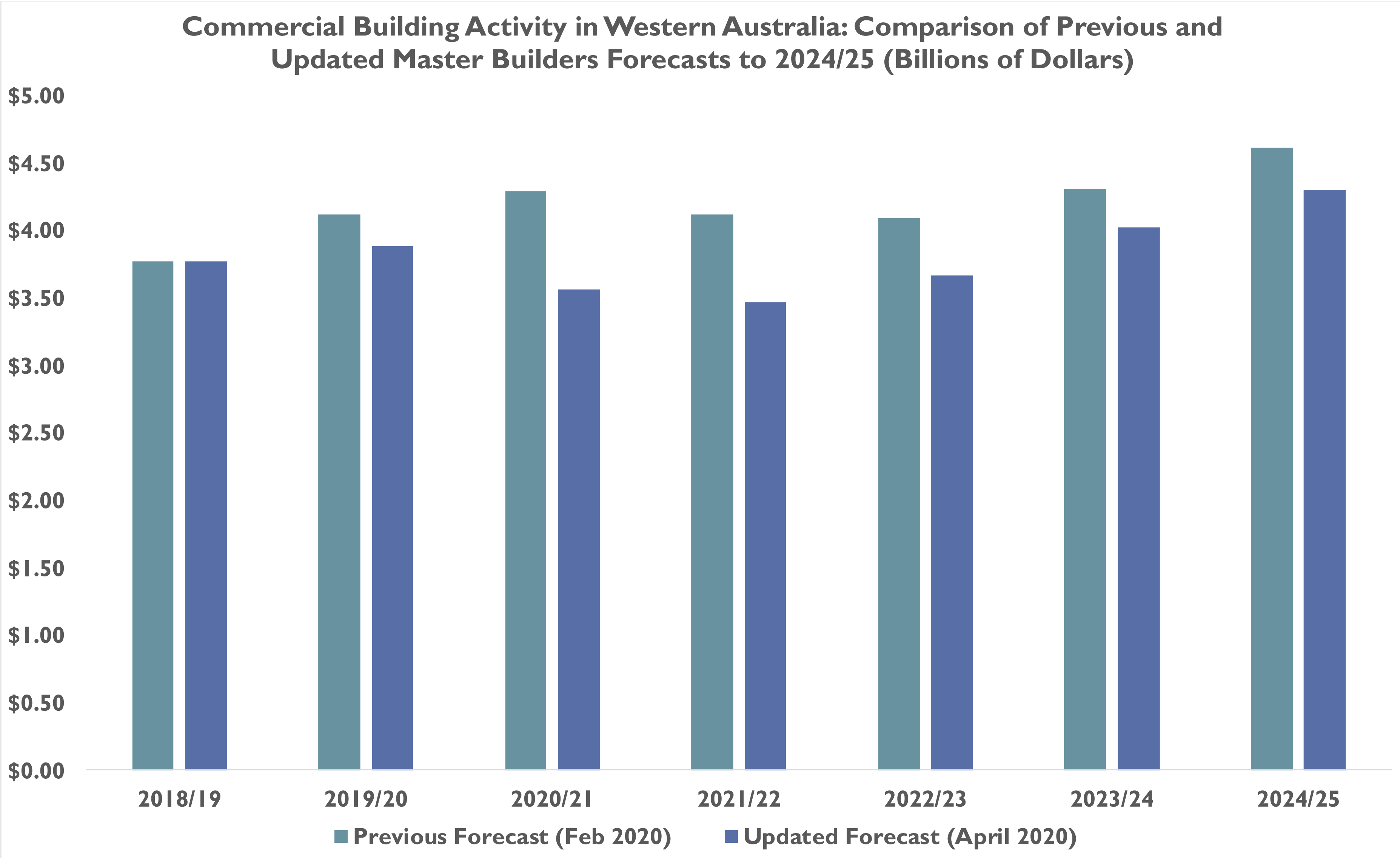



Commercial Building Activity in South Australia: Comparison of Previous and Updated Master Builders Forecasts to 2024/25 (Billions of Dollars)
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

Updated Master Builders Australia Forecasts for Commercial Building Activity, April 2020 - South Australia (Millions of dollars)						
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Commercial Building - Total	**$2,443.3**	**$2,154.5**	**$2,246.7**	**$2,410.7**	**$2,385.4**	**$2,460.7**
Retail & wholesale trade	$333.3	$300.1	$264.4	$248.1	$258.5	$280.5
Transport buildings	$91.4	$30.3	$16.2	$15.6	$18.2	$23.1
Offices	$297.5	$144.1	$200.8	$275.2	$185.8	$150.3
Other commercial	$31.1	$28.5	$35.8	$38.2	$29.4	$29.0
Factories	$120.0	$65.4	$53.7	$48.8	$51.8	$57.3
Warehouses	$220.9	$126.7	$114.0	$114.0	$126.2	$139.1
Agriculture and aquaculture	$33.3	$36.5	$31.9	$32.7	$40.9	$53.6
Other industrial	$19.1	$23.4	$22.5	$23.2	$25.5	$27.4
Education	$350.3	$545.5	$664.3	$803.2	$906.9	$970.7
Religion	$16.2	$7.1	$6.0	$5.8	$6.6	$7.3
Aged care facilities	$102.9	$172.9	$199.0	$194.8	$194.7	$207.1
Health facilities (non-aged care)	$183.2	$425.6	$447.1	$408.4	$346.0	$309.3
Entertainment & Recreation	$218.8	$37.2	$41.3	$45.1	$45.3	$49.0
Accommodation	$276.6	$87.6	$25.2	$20.0	$25.3	$27.6
Other non-residential	$148.8	$123.5	$124.5	$137.6	$124.6	$129.2
Source: Master Builders Australia						

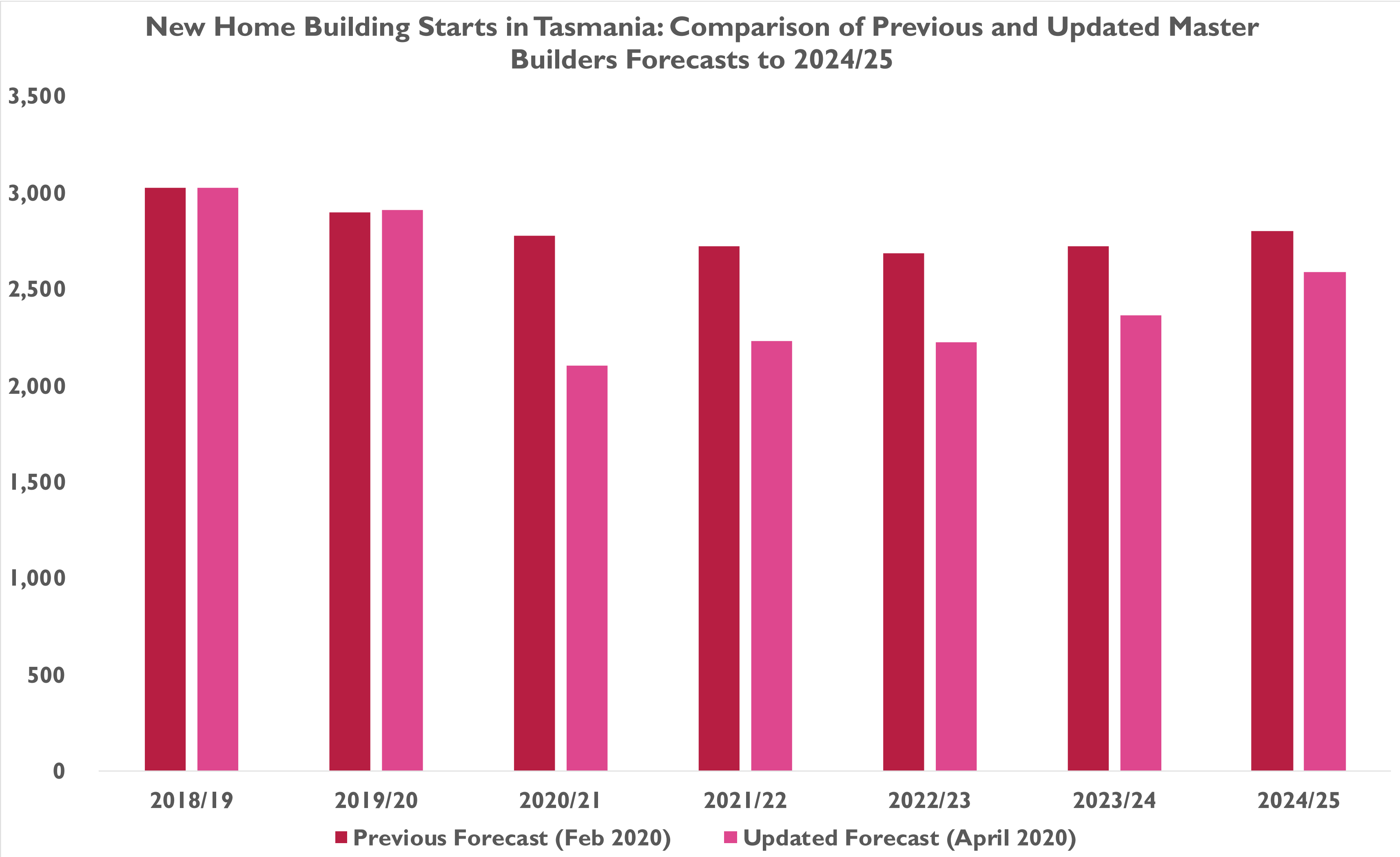
WESTERN AUSTRALIA

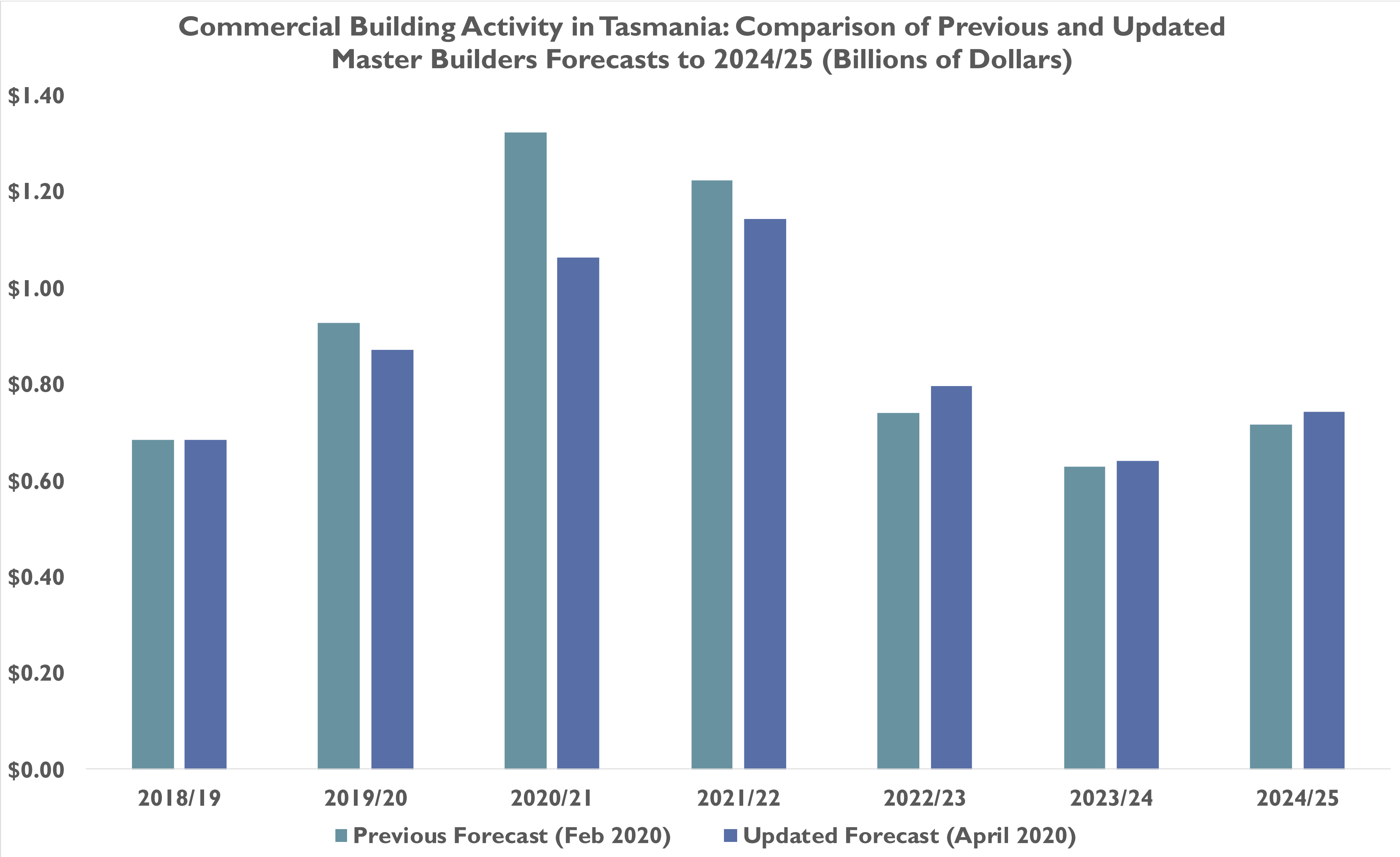



Commercial Building Activity in Western Australia: Comparison of Previous and Updated Master Builders Forecasts to 2024/25 (Billions of Dollars)
$5.00
$4.50
$4.00
$3.50
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

Updated Master Builders Australia Forecasts for Commercial Building Activity, April 2020 - Western Australia (Millions of dollars)						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Commercial Building - Total	**$3,883.2**	**$3,566.4**	**$3,472.0**	**$3,664.9**	**$4,021.9**	**$4,298.0**
Retail & wholesale trade	$1,003.3	$830.5	$643.3	$744.4	$793.4	$773.2
Transport buildings	$72.1	$62.2	$73.1	$64.0	$61.9	$75.0
Offices	$534.7	$416.6	$422.4	$333.4	$347.3	$387.9
Other commercial	$115.4	$36.3	$37.2	$37.9	$47.7	$48.4
Factories	$90.0	$98.5	$103.5	$101.9	$104.5	$110.4
Warehouses	$322.1	$337.5	$303.2	$301.6	$324.7	$357.9
Agriculture and aquaculture	$26.0	$24.6	$20.2	$22.5	$27.5	$32.0
Other industrial	$194.9	$215.1	$196.1	$178.7	$212.7	$257.8
Education	$488.8	$604.0	$714.1	$882.1	$1,012.7	$1,058.5
Religion	$14.7	$9.6	$8.0	$8.7	$11.4	$11.1
Aged care facilities	$321.8	$250.6	$225.6	$223.9	$233.5	$253.4
Health facilities (non-aged care)	$162.6	$277.1	$304.5	$352.9	$437.4	$500.7
Entertainment & Recreation	$212.4	$88.9	$115.9	$131.0	$125.4	$123.7
Accommodation	$134.1	$74.4	$81.4	$68.9	$66.9	$81.4
Other non-residential	$190.3	$240.5	$223.4	$213.1	$214.8	$226.5
Source: Master Builders Australia						

TASMANIA

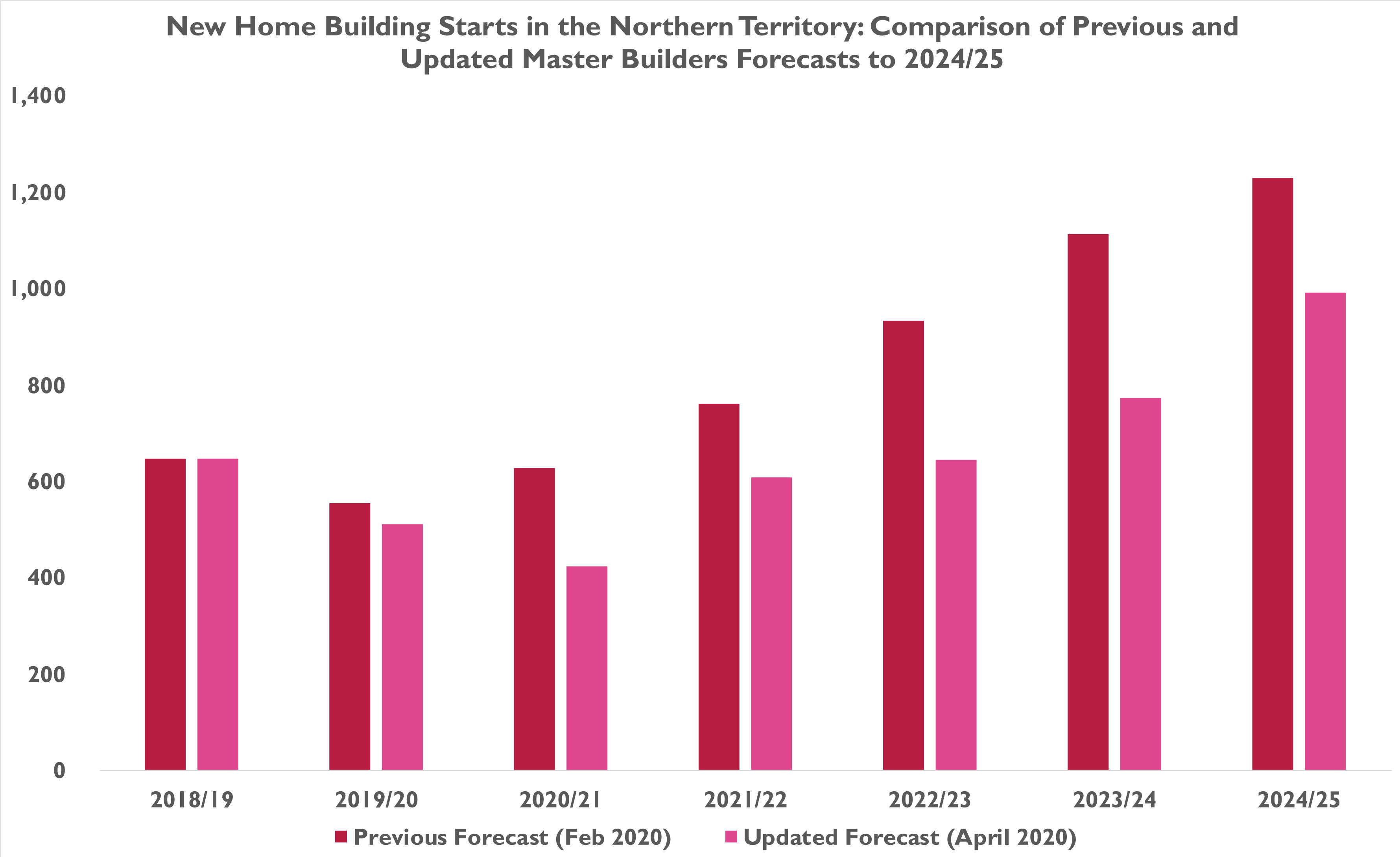

New Home Building Starts in Tasmania: Comparison of Previous and Updated Master Builders Forecasts to 2024/25
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

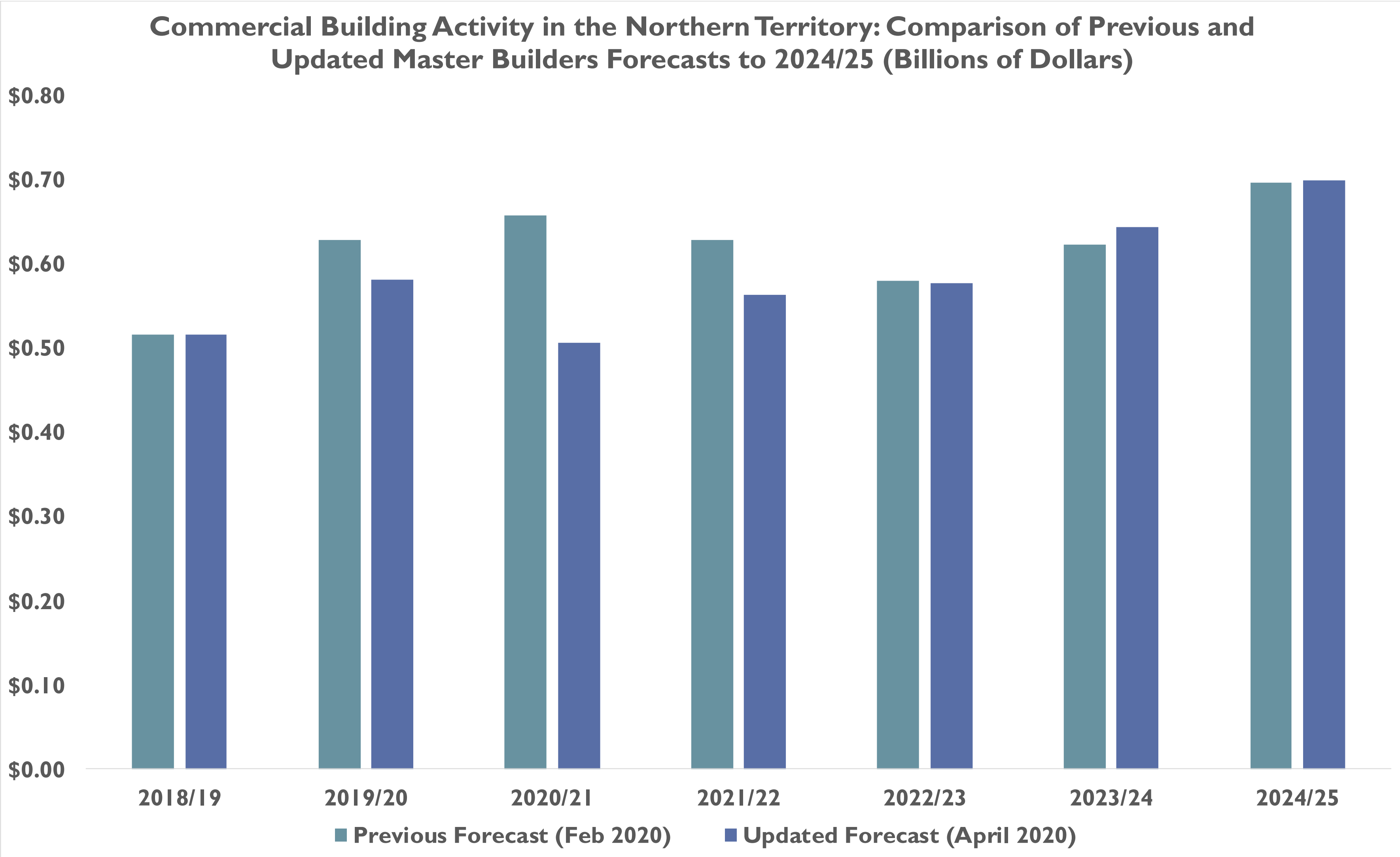

Commercial Building Activity in Tasmania: Comparison of Previous and Updated Master Builders Forecasts to 2024/25 (Billions of Dollars)
$1.40
$1.20
$1.00
$0.80
$0.60
$0.40
$0.20
$0.00
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

Updated Master Builders Australia Forecasts for Commercial Building Activity, April 2020 - Tasmania (Millions of dollars)						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Commercial Building - Total	**$872.5**	**$1,062.6**	**$1,143.9**	**$797.2**	**$641.4**	**$741.5**
Retail & wholesale trade	$72.0	$75.1	$62.7	$73.6	$92.4	$90.3
Transport buildings	$48.4	$20.7	$2.6	$2.0	$2.9	$4.6
Offices	$51.6	$33.5	$32.2	$34.3	$40.9	$45.3
Other commercial	$5.7	$4.3	$3.5	$3.4	$4.2	$4.9
Factories	$109.6	$74.3	$28.7	$33.4	$35.6	$38.5
Warehouses	$40.7	$36.2	$43.3	$39.6	$45.6	$55.4
Agriculture and aquaculture	$9.9	$8.9	$9.2	$10.0	$11.2	$12.8
Other industrial	$2.8	$2.1	$2.1	$2.6	$3.2	$2.8
Education	$240.0	$510.5	$646.9	$344.1	$180.3	$218.4
Religion	$2.6	$1.3	$1.2	$1.4	$1.8	$2.0
Aged care facilities	$35.5	$32.2	$33.3	$35.3	$39.7	$42.5
Health facilities (non-aged care)	$18.4	$87.9	$141.0	$114.0	$111.2	$128.7
Entertainment & Recreation	$52.7	$25.4	$37.9	$19.1	$10.1	$13.3
Accommodation	$123.9	$107.3	$80.4	$12.1	$13.9	$12.0
Other non-residential	$58.6	$42.8	$19.0	$72.2	$48.4	$69.9

Source: Master Builders Australia

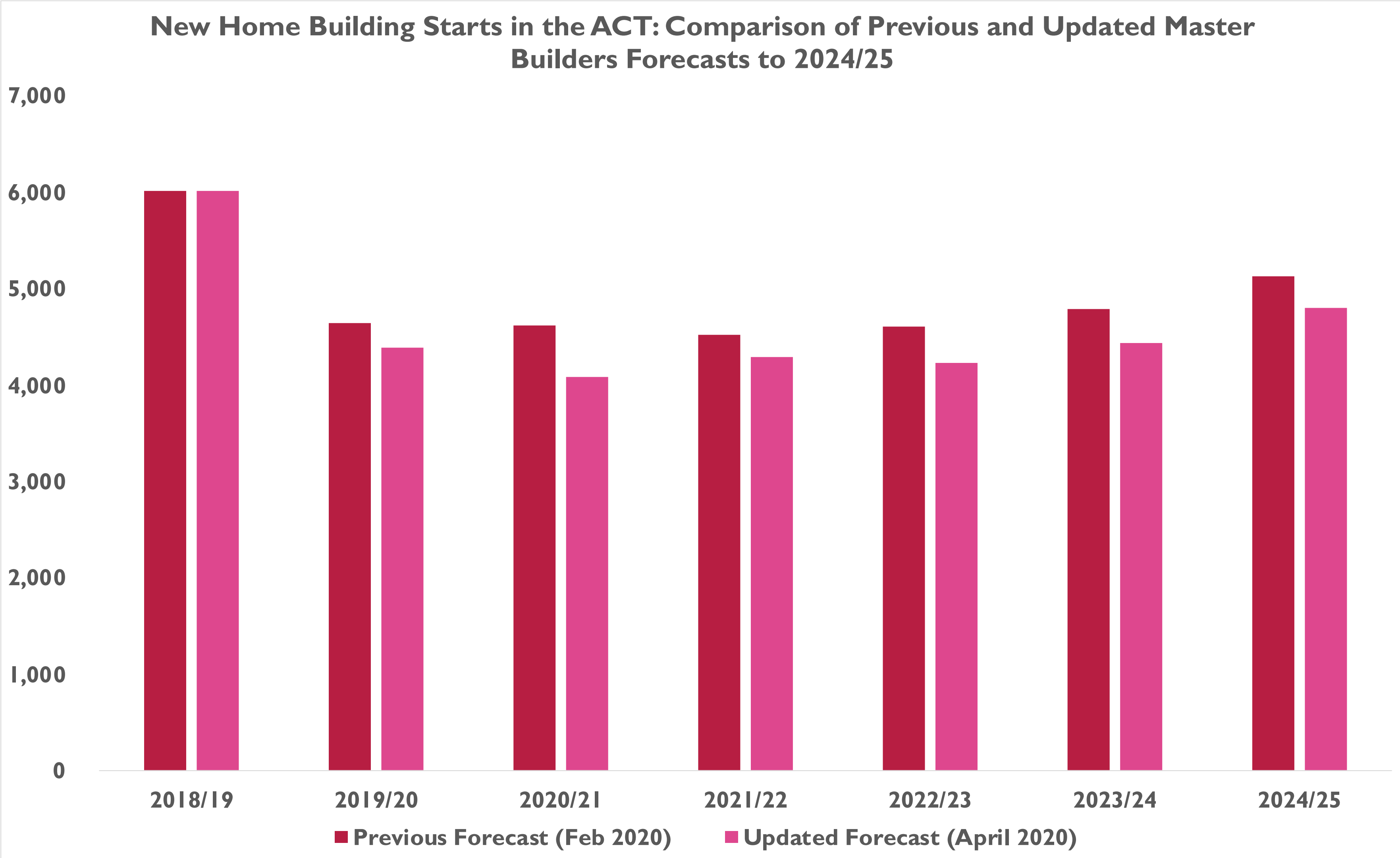
NORTHERN TERRITORY

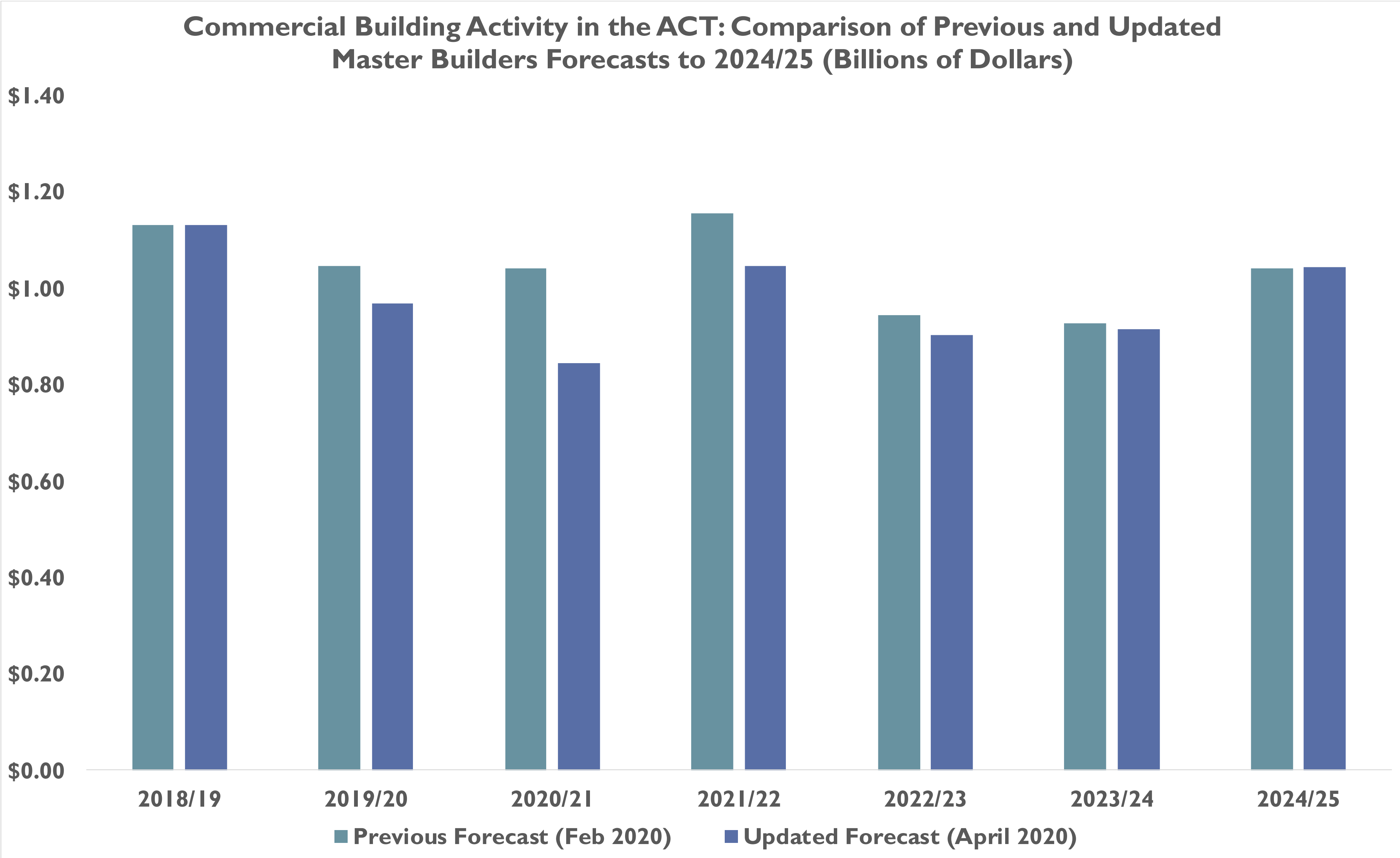



Commercial Building Activity in the Northern Territory: Comparison of Previous and Updated Master Builders Forecasts to 2024/25 (Billions of Dollars)
$0.80
$0.70
$0.60
$0.50
$0.40
$0.30
$0.20
$0.10
$0.00
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

Updated Master Builders Australia Forecasts for Commercial Building Activity, April 2020 - Northern Territory (Millions of dollars)						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Commercial Building - Total	**$581.6**	**$506.7**	**$563.6**	**$576.8**	**$643.5**	**$699.4**
Retail & wholesale trade	$41.4	$31.4	$37.9	$39.0	$42.4	$49.7
Transport buildings	$6.9	$5.4	$6.8	$1.2	$2.5	$6.2
Offices	$81.8	$32.4	$35.6	$36.2	$39.9	$43.0
Other commercial	$2.8	$1.8	$2.2	$2.2	$2.2	$2.2
Factories	$5.9	$7.5	$9.5	$6.7	$6.9	$9.3
Warehouses	$45.6	$51.4	$52.7	$56.9	$66.4	$63.6
Agriculture and aquaculture	$3.2	$3.2	$3.5	$4.2	$5.0	$4.6
Other industrial	$11.0	$16.5	$14.6	$12.9	$16.7	$22.0
Education	$87.1	$129.0	$161.7	$195.5	$233.0	$255.8
Religion	$1.1	$0.6	$0.6	$0.6	$0.6	$0.6
Aged care facilities	$1.5	$3.2	$2.4	$2.8	$4.8	$5.3
Health facilities (non-aged care)	$42.3	$49.1	$67.0	$83.8	$99.7	$109.6
Entertainment & Recreation	$52.2	$18.9	$13.2	$10.3	$12.7	$16.6
Accommodation	$88.4	$38.6	$15.5	$14.9	$17.3	$22.7
Other non-residential	$110.5	$117.7	$140.4	$109.7	$93.4	$88.2
Source: Master Builders Australia						

AUSTRALIAN CAPITAL TERRITORY





Commercial Building Activity in the ACT: Comparison of Previous and Updated Master Builders Forecasts to 2024/25 (Billions of Dollars)
$1.40
$1.20
$1.00
$0.80
$0.60
$0.40
$0.20
$0.00
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Previous Forecast (Feb 2020)
Updated Forecast (April 2020)

Updated Master Builders Australia Forecasts for Commercial Building Activity, April 2020 - ACT (Millions of dollars)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Commercial Building - Total	**$967.5**	**$843.9**	**$1,045.3**	**$902.7**	**$914.9**	**$1,043.6**
Retail & wholesale trade	$97.9	$86.7	$91.1	$89.7	$98.2	$112.3
Transport buildings	$37.1	$11.6	$11.7	$12.2	$13.7	$14.4
Offices	$323.3	$198.0	$157.0	$162.3	$186.4	$196.9
Other commercial	$7.6	$2.3	$0.4	$0.6	$0.9	$1.1
Factories	$4.6	$3.0	$1.1	$1.1	$1.2	$1.3
Warehouses	$51.5	$32.5	$25.0	$27.5	$39.4	$36.4
Agriculture and aquaculture	$0.3	$0.1	$0.1	$0.1	$0.1	$0.1
Other industrial	$0.6	$0.5	$0.6	$0.6	$0.6	$0.6
Education	$130.3	$230.1	$289.3	$312.4	$343.7	$402.2
Religion	$4.1	$1.7	$1.7	$1.7	$1.7	$1.7
Aged care facilities	$49.2	$33.7	$27.5	$28.1	$29.9	$33.6
Health facilities (non-aged care)	$38.2	$141.9	$321.6	$171.8	$121.5	$153.9
Entertainment & Recreation	$55.9	$29.4	$46.2	$31.0	$18.3	$21.4
Accommodation	$136.3	$24.9	$14.0	$11.7	$12.7	$13.4
Other non-residential	$30.4	$47.4	$57.9	$51.8	$46.7	$54.4

Source: Master Builders Australia

MASTER BUILDERS
TASMANIA

CIVIL CONTRACTORS FEDERATION
Tasmania

REBUILDING TASMANIA

How the building and civil construction sector can drive Tasmania's economic recovery

ccftas.com.au | mbatas.org.au

Master Builders Tasmania and Civil Contractors Federation would like to thank the following businesses for their support producing this document

Introduction

Master Builders Tasmania was established in 1891 to safe guard and promote the interests of our members, to encourage and promote a high standard of workmanship and integrity in the building industry and to actively seek improvement of conditions under which the building industry operates.

Master Builders Tasmania represents builders, trade contractors, service providers and trade suppliers in the building and construction industry.

In our nearly 130 years, we have endured everything from world wars, to depressions and natural disasters. The COVID-19 pandemic is the latest challenge. The economic impacts on Tasmania will be profound. However, we must rebuild and Master Builders will work with our members, the Government and the community to ensure we tackle the challenges ahead of us together.

David Gates
President, Master Builders Tasmania

Civil Contractors Federation Tasmania is the peak body representing Tasmania's civil construction industry, supporting members' businesses and providing a unified voice to all levels of government.

Our members are responsible for the construction and maintenance of Tasmania's infrastructure, including roads, bridges, pipelines, drainage, ports and utilities. We work with government at all levels to connect our communities and construct the infrastructure needed for delivering the essential services required in a modern economy. When a government announces a major infrastructure project, it's our members that build it.

Our members also play a vital role in the residential and commercial construction industry by providing earthmoving and land development services including the provision of power, water, communications and gas.

Any plan to get the economy moving again following the COVID-19 outbreak must have civil contractors at its centre, because we are integral to rebuilding Tasmania.

Hugh Maslin
President, Civil Contractors Federation Tasmania

Policy priorities to rebuild Tasmania

The impact of COVID-19 has been significant and felt right through the community. Sectors of our economy have been devastated. This is the biggest public health and economic challenge in generations.

While the building and construction sector hasn't been immune to the economic shockwaves, it is in a position to shoulder a significant responsibility to help rebuild Tasmania's economy if the Tasmanian Government is prepared to put in place the right policy settings.

As this document sets out, the building and construction sector can drive Tasmania's economic recovery.

We know that every $1 spent on building and construction projects creates $2.90 in activity in the economy. This multiplier means stimulus in the building and construction industry is one of the most effective options for the government to boost activity and support the recovery effort post COVID-19.

We have an opportunity to not only lead the economic recovery but improve it by building infrastructure which boosts the long-term productivity of the economy, boost home ownership, and expands the capacity and scope of the training system to ensure Tasmanians are well placed to build the infrastructure of the future.

Construction has been used in the past to drive economic recoveries, but this time we can do better, take a smarter approach and avoid the pitfalls of stimulus measures of the past.

To do this we need to be strategic about where to direct stimulus and ensure it serves a greater purpose than simply boosting activity in the construction industry.

Stimulus must

1. **Address the immediate gap in the construction pipeline from the collapse in private sector investment;**
2. **Provide confidence and support in the long term to avoid overdependence on public sector investment; and**
3. **Serve the economy, our community and industry.**

To this end, Civil Contractors Federation Tasmania and Master Builders Tasmania urge the Tasmanian Government to immediately begin implementing the following policy priorities.

Immediate economic stimulus

- Increase and expand the Home Builder Boost;
- Assist home owners to improve the resilience of their homes to natural disaster or to improve accessibility through a resilience renovations program;
- Fund an asbestos removal program for public and private buildings;
- Compile a postponed projects register and work with developers to bring forward postponed projects; and
- Provide headworks support to councils and developers.

Government infrastructure programs

- Bring forward infrastructure spending including increased funding for state and local government road maintenance programs;
- Encourage head contractors to engage local SMEs to complete contracts;
- Provide incentives to local government to bring forward infrastructure projects;
- Fast track land development for new housing supply;
- Work with local council to release land for new housing supply; and
- Bring forward Government Business Enterprise/ State-Owned Company infrastructure and maintenance programs (including TasWater).

Regulatory reform

- Fast track the Implementation of major projects legislation;
- Reduce red tape through Ministerial Planning Directives; and
- Leverage private sector expertise to assist with government processes.

Tax incentives

- Provide tax incentives for private sector activities; and
- Continue to provide payroll tax incentives to businesses of all sizes.

Enhancing workforce capabilities and opportunities for employees to transition between industries

- Partner with Master Builders Tasmania and the Civil Contractors Federation to develop a skills training hub.

COVID-19 Impact

Master Builders Tasmania and the Civil Contractors Federation Tasmania collectively represent more than 800 businesses in Tasmania who employ the majority of the building and construction workforce. The industry delivers civil and building construction that is a crucial driver of the Tasmanian economy and supports well over 6,000 business and more than 20,000 workers. It is home to more trainees, apprentices, full-time workers and small businesses than any other industry.

The COVID-19 outbreak has had a significant impact on our members and our industry. To understand the challenges, we have separately conducted detailed surveys of our members. The results provide a significant insight into the effect of COVID-19.

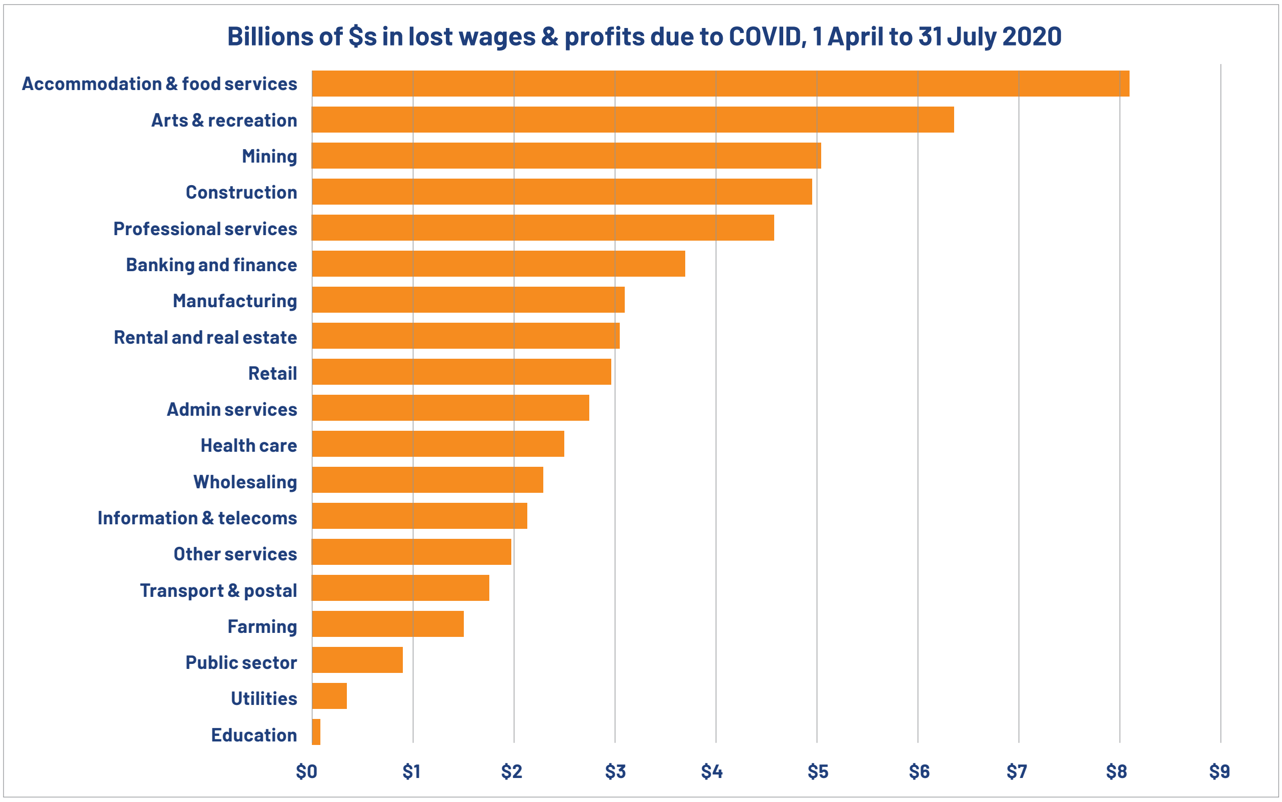
Overall, the survey results show that businesses are already being impacted and are forecasting the impacts to amplify in coming months. Our members believe that there will be discrete immediate, medium-term and long-term impacts.

Immediate impacts

While our industry is fortunate to be designated as an essential service there is already an emerging and growing trend of projects being postponed and tenders delayed or withdrawn.

Work programs are falling apart with little to no notice, which will, over time impact on workforce retention and productive capacity. As at the end of April, nearly 500 projects have either been postponed or cancelled. This is expected to cause significant layoffs if postponements are protracted and cancelled projects are not replaced.

Modelling released by Deloitte Access Economics on 29 April 2020, estimates revenue in the construction industry nationally will fall by more than $5 billion in the four months from 1 April, making our industry one of the hardest hit sectors of the economy.



The report notes:

"governments – federal, state and local – are trying hard to speed up or add to the construction projects that they're financing. But a bunch of private sector projects are slowing, and some projects are being put on hold, as businesses reassess the need to build"

This has been our key message to Government since lock down restriction were put in place.

Employment data from the Australian Bureau of Statistics shows employment in construction had fallen by 6.5 per cent, or approximately 1,300 jobs state-wide between 14 March 2020 and 4 April 2020.

Most concerning is that construction job losses in Tasmania have been higher than the national average, and predictions for major project delays in the coming months could see job losses become significantly worse.

Change in number of jobs and employee wages by state 14 March - 4 April 2020

% change		Aus	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jobs	Construction	-6.4%	-7.3%	-7.0%	-5.3%	-5.5%	-5.5%	-6.5%	-4.7%	-5.8%
	All industries	-7.5%	-7.4%	-8.6%	-6.5%	-7.8%	-6.6%	-8.0%	-5.7%	-6.9%
Wage	Construction	-7.4%	-9.8%	-6.0%	-7.6%	-4.9%	-4.2%	-10.5%	-10.6%	-6.9%
	All industries	-8.2%	-7.5%	-9.2%	-8.3%	-4.5%	-9.0%	-9.3%	-9.2%	-7.5%

Source: ABS, cat no. 6202.0

COVID-19 Impact

Medium Term

Across the broader construction sector, it is estimated that up to $1 billion of projects have already been postponed or cancelled in Tasmania as a consequence of COVID-19. Master Builders and the Civil Constructors Federation have undertaken detailed surveys of their members to understand the impact of COVID-19 on the industry.

These surveys show, enquiries are at a standstill and the highly uncertain outlook for the economy is expected to significantly reduce new residential commencements and the value of commercial and civil construction work in the next six to 12 months.

Civil contractors are reporting that planned subdivisions and other similar projects are being postponed. There is uncertainty regarding the pipeline of civil construction projects related to all levels of government and government business enterprises, particularly TasWater and Tas Irrigation.

80 per cent of civil businesses have been impacted by COVID-19 and nearly half of all civil businesses cited a lack of work opportunities as the major impact.

Three in every four residential construction businesses had reported a deterioration of work on their books since lock down restriction have been in place. While most would have had six to 12 months' worth of work on the books only a few months ago, this has now declined to an average of two to three months' worth of work.

Only 10 per cent of respondents to the Master Builders' survey recorded work on the books beyond 12 months. The table below shows the percentage share of businesses future work:

Over the next five years new housing commencements are predicted to fall by 2,200, from 13,700 to 11,500. Next year the number of new houses to be built is expected to fall by 670, from 2,772 to 2,102, putting more than 1,000 jobs at risk in the residential construction sector.[1]

For commercial construction businesses, all surveyed businesses reported an expectation for contracts to be postponed or cancelled. The value of projects recorded as postponed by April 2020 is estimated to be in the order of $500 million in the commercial construction sector alone.

Compounding these issues in the civil and commercial sectors is the Government's capacity to deliver on its proposed infrastructure budget. Between 2013-14 and 2018-19, the Government has spent $630 million less than budgeted on the purchase of non-financial assets, which includes roads and other engineering infrastructure.

This issue has been compounded by other entities, such as TasWater failing to deliver on its budgeted capital works programs.

The impact on the workforce is expected to be significant, with job losses already beginning to rise and most businesses surveyed indicating more redundancies are highly likely in the medium term. There is an expectation that insolvencies may increase substantially in the subcontractor market, with reports of several already requesting cashflow assistance from contractors.

A protracted downturn in the industry is expected if stimulus is not provided to offset the economic shock of government enforced lock downs.

Purchases of non financial assets

	Budget	Actual	Difference
	$m	$m	$m
2018-19	732	612	-120
2017-18	603	436	-167
2016-17	525	416	-109
2015-16	410	352	-58
2014-15	400	277	-123
2013-14	345	292	-53
TOTAL	3015	2385	-630

Source: Treasurer's Annual Financial Report

[1] Master Builders Australia Forecasts, April 2020

Long Term

It is unclear what the long-term impacts of the COVID-19 economic downturn will be, mainly because we are optimistic that governments will put in place the necessary mitigation measures to ensure the economy returns to a growth trajectory as soon as possible.

However, it is worth noting that before the COVID-19 crisis, the building and construction industry was one of, if not the strongest sector of the Tasmanian economy. Construction activity was a key driver of the State's economic outperformance in recent years and was slated to account for a growing share of economic activity in the years ahead.

Unfortunately, experience has shown that business investment and dwelling investment are the two most volatile components of Gross State Product, falling at a rate well in excess of the wider economy in periods of recession.

The cumulative effects of a pandemic are derived using the Treasury macro-econometric (TRYM) model, which estimates a fall in GDP of 5 per cent in the Australian economy and an associated fall in dwelling investment and businesses investment of 12.6 per cent and 7.4 per cent.

Understanding the magnitude of these impacts

The building and construction sector is the sixth largest employer in the State.[2] The industry is the largest employer of apprentices and of full-time workers. It also supports a significantly greater share of jobs in regional areas.

The impact of a prolonged economic downturn would not only cost jobs, it may also lead to skilled workers leaving the State, making it more difficult for future stimulus measures to be delivered, more expensive and impact on timeframes. A short-term contraction in activity, as it has in the past, can easily turn into a long term structural decline in capacity.

Lessons from the past three significant economic downturns

Past economic downturns in Tasmania provide insights into the potential impacts of the COVID-19 economic downturn.

Past economic downturns in Tasmania have had similar impacts on industry and follow a consistent trend whereby a short term collapse in demand, as a result of the economic shock and fall in investment, is followed by a much longer and deeper collapse in supply. This collapse in supply can lead to long term social and economic consequences, and are a cause behind Tasmania's current housing shortages and infrastructure shortfalls.

Three of the most instructive recent examples are:

- the 1990-91 'Recession we had to have';
- the 2008-09 Global Financial Crisis; and
- the 2012-14 downturn.

The 1990-91 'Recession we had to have'

At a national level during the 1990-91 recession, consumption and GDP declined by approximately 1 per cent. However, dwelling investment and business investment declined by 21 per cent and 31 per cent respectively below their pre-recession peaks.[3]

While consumption remained below its pre-recession peak for four quarters and GDP for seven quarters, business investment and dwelling investment remained below pre-recession peaks for 23 quarters and 16 quarters, respectively.

In Tasmania, employment in the construction sector fell by 30 per cent between the November quarter of 1990 and the August quarter of 1991 and it took two years for employment to recover to pre-November 1990 levels. Total employment in Tasmania dropped by 7.5 per cent over three years and took 13 years to recover to the levels seen in May 1990.

[2] https://profile.id.com.au/australia/industries?WebID=150. https://www.utas.edu.au/__data/assets/pdf_file/0016/1055005/Insight-Two.pdf
[3] https://treasury.gov.au/publication/2006-01-a-primer-on-the-macroeconomic-effects-of-an-influenza-pandemic/2006-01-a-primer-on-the-macroeconomic-effects-of-an-influenza-pandemic

COVID-19 Impact

The 2008-09 Global Financial Crisis

Following the Global Financial Crisis, the value of dwelling investment in Tasmania fell for five consecutive years and has still not recovered to levels seen pre-GFC. The social and economic impacts are still with us, causing housing shortages, living costs to rise and affordability issues in more recent years.

Over the same period, private investment in commercial and engineering construction cratered, falling by close to 50 per cent from 2008-09 to 2013-14, with the total value of private investment recorded in 2018-19 financial year still below the pre-GFC peak in 2008-09.

In the decade after the Global Financial Crisis we have seen a significant shift in the trends for the supply of housing and investment in Tasmania. Prior to 2010, dwelling investment averaged approximately 5.4 per cent of Gross State Product. But in 2011 housing investment fell to 4.4 per cent and stayed there for the best part of the following decade.

That may not seem like much, but over a decade that 1 per cent difference added up to a shortfall in housing investment of close to $1.2 billion, enough to build an extra 3,000 new homes.

The 2012-2014 downturn

During the last sustained economic slowdown in Tasmania between the August quarter of 2011 and the February quarter of 2014, the construction workforce declined by 28.5 per cent, taking nearly six years to recover to 2011 levels.[4]

Importantly, public gross fixed capital jumped by approximately 42 per cent between 2008-09 and 2010-11, helping to soften the blow of the GFC. However, it declined significantly between 2011-12 and 2013-14, which amplified the impacts of the 2012-14 downturn.

It's clear that sustained, elevated levels of public gross fixed capital and support for private investment is the best option available to the Tasmanian Government to stimulate the economy in light of the COVID-19 economic downturn.

[4] 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly

Policy priorities in detail

The Civil Contractors Federation and Master Builders Tasmania believe that investing in the building and construction sector will provide a significant return on investment in the short-term through supporting jobs and economic stimulus and in the long-term, through productivity growth in the economy from the legacy of the buildings and infrastructure delivered.

Master Builders Tasmania and the Civil Contractors Federation believe that there are a number of actions government should take now to protect the sector. These priorities are grouped into five main sections.

In considering any economic stimulus measures, the Government should look to ensure that as many Tasmanian businesses as possible benefit from those measures. We would encourage Government to ensure that the Buy Local Policy, as set out in the Procurement Framework under the Treasurer's Instructions is applied rigorously.

Immediate economic stimulus

Home Builder Boost

The Tasmanian Government currently provides up to $20,000 for eligible applicants to buy or build a new home, where the transaction meets certain criteria. It is recommended that the eligibility criteria for this grant is extended to cover the construction of any new home in the owner-occupier market in Tasmania and doubled to $40,000 for a period of 12 months.

Importantly, support for this policy is likely to provide significant stimulus to outer urban and regional parts of Tasmania, given the increased availability of land.

It is proposed that this policy be implemented for 12 months to encourage private homeowners back into the market.

Modelling suggests that this policy would create 1,124 jobs and create $149.3 million of construction activity.[5]

Resilience renovations program

The Government should consider developing a resilience renovations program to provide funding to eligible home owners to improve the accessibility of their homes and/or the resilience of their homes to natural disaster.

Modelling suggests that this policy would create 463 jobs and create $61.5 million of construction activity.[6]

Asbestos removal

The Government should consider immediately funding asbestos removal projects on the National Asbestos Exposure Register for both publicly and privately owned buildings. Given that many buildings are currently empty and likely to be empty for the foreseeable future, this presents an opportunity to remove asbestos in a way that provides an enduring benefit to the community at a time when it is safe to undertake such work.

Modelling suggests that this policy would create 277 jobs and create $36.8 million of construction activity.[7]

Postponed projects register

A significant number of projects were close to commencing when the COVID-19 outbreak occurred. Some of these projects have been cancelled, others have simply been postponed. The Government should urgently compile a register of postponed projects and work with developers to understand what can be done to ensure these projects proceed as soon as possible.

Headworks support

Headworks charges are often cited by developers as one of the biggest inhibitors to developments such as sub-divisions. Developers are often expected to pay headworks charges up-front and recoup costs at a later stage.

It is recommended that the Government consider offering no interest loans to councils to undertake headworks to encourage developers to pursue planned developments, including sub-divisions. Developers would enter into an agreement to pay councils an amount equivalent to the loan repayments over a five to ten year timeframe.

[5] Ernst and Young modelling, May 2020
[6] Ernst and Young modelling, May 2020
[7] Ernst and Young modelling, May 2020

Policy priorities in detail

Government infrastructure programs

Bring forward infrastructure spending

The Government should immediately bring forward as much of its planned infrastructure and road maintenance budget as possible.

With the anticipated decline in private investment, the Tasmanian Government needs to fill the investment gap as much as possible by bringing forward projects from the $3.6 billion investment in infrastructure announced as part of the 2019-20 Budget.

We would encourage the Government to work with our members to overcome obstacles to achieving a higher than anticipated spend on infrastructure.

Encourage head contractors to engage local SMEs to complete contracts

Government should consider ways to ensure local subcontractors are engaged as part of each contract.

Any stimulus package should offer a range of projects for small, medium and large Tasmanian businesses. A mix of projects in terms of size and geographical location would ensure a range of businesses can participate.

Local government incentives

Many local councils have already announced they are delaying or at least reviewing their infrastructure programs. This will have significant consequences for our members and their employees.

The Government needs to incentivise local councils to adhere to, or preferably bring forward, infrastructure and road maintenance programs.

We understand that the Government has already made available interest-free loans to encourage councils to adhere to their infrastructure programs. However, given the significant cashflow issues that councils are experiencing it's likely this incentive will not result in sufficient uptake to provide the needed stimulus to the sector, especially in regional areas.

It is strongly recommended that the Government consider a grants program to enable councils to undertake significant infrastructure investment, especially for regional councils where smaller contractors and builders will be particularly vulnerable and would benefit from such a policy.

Fast track land development for new housing supply

We know that a shortage of shovel ready land and embedded charges and planning costs can add 30 per cent to the cost of a new home. These costs are attributed to inadequate land supply, embedded land costs, rising developer and infrastructure charges and poor planning and zoning. As a result, land prices have grown at rates up to four times faster than construction costs in recent years.[8]

The housing shortage is not so much a shortage of homes, but a shortage of land to build homes. Past research by Master Builders has shown infrastructure development that unlocks land supply is the most effective way of boosting new housing supply.

The Government should act immediately to fast track land development for new housing supply. Headworks support will also be integral to implementing this priority.

Work with local councils to release land for new housing supply

Government should work with local councils to identify land that could potentially be released for housing supply and also issues that are hindering the release of land by local councils for housing supply. This would include the Government immediately amending the current urban growth boundaries.

Government Business Enterprise/State-Owned Companies (including TasWater)

The Government, as shareholders of Tasmania's Government Business Enterprises and State-owned Companies, should write to each organisation instructing them to immediately prepare a plan to bring forward maintenance and infrastructure investment to present to Government. The Government should also look to jointly finance significant new infrastructure projects with these entities.

The Government should consider offering to bring forward its equity contribution to TasWater in return for a commensurate increase in infrastructure and maintenance investment.

[18] Unlocking Supply, Volume 2, (MBA 2017)

Regulatory reform

Major projects legislation

Master Builders and the Civil Contractors Federation both support the proposed major projects legislation. It is our view this legislation should be made an absolute priority and implemented as soon as possible.

Red tape

Any proposed acceleration in infrastructure expenditure may be impacted by the regulatory planning and approvals process. While it may not be possible to fundamentally change these processes quickly enough to deliver the required stimulus, Government should look at what actions can be taken now to provide at least some relief.

The Government should consider using mechanisms such as Ministerial Planning Directives to reduce the regulatory burden on smaller, lower-risk developments, which would in turn take pressure off councils.

The Government should immediately engage with Master Builders Tasmania and Civil Contractor Federation members to understand the red tape impacts and work with members to reduce the red tape burden.

Leveraging private sector expertise to assist with government processes

It may be possible to break through red tape by further leveraging private sector expertise to assist with local and state government planning and approvals processes. There is capacity within the private sector that could be engaged by local or state government to help ensure that regulatory planning and approval processes are completed in a timely manner so that projects can begin as quickly as possible.

Policy priorities in detail

Tax incentives

State Government incentives for private sector activities

One of our biggest concerns is that private sector investors and developers will take an overly cautious approach and either postpone or cancel projects.

To provide an incentive to the private sector, we ask that the Government consider offering a rebate on taxes and charges for projects where a development application has been lodged in either of the 2018-19 financial year or the 2019-20 financial year and completed in the 2021-22 financial year. Any rebate would only be paid on the project's completion. This rebate scheme should also apply to projects with development applications lodged in 2020-21 and finished in 2022-23.

The intent of this would be to encourage the private sector to persevere with its current projects and to bring forward any potential projects. In effect, this policy wouldn't cost the Government as it would apply to projects that are unlikely to proceed in the current climate.

Payroll tax incentives

We note the Government's announcement that for businesses with a payroll of under $5 million payroll tax will be waived for 2019-20. Payroll tax is a tax on jobs.

The Government should consider extending this waiver for the 2020-21 financial year and reducing the payroll tax rate to three percent for all businesses with a payroll above the current threshold in 2021-22.

Enhancing workforce capabilities and opportunities for employees to transition between industries

Skills training hub

There are issues with the scale and scope of the construction industry training system, with gaps in training services becoming a constraint on industry and local jobs creation in recent years.

The future capacity of Tasmanians to work on projects outlined in Tasmania's infrastructure pipeline may be significantly hindered as a result. This has further been highlighted in the recent workforce plan undertaken by the Civil Contractors Federation.

By our estimates, accounting for replacements and retirements, and to meet the Government's targets to boost employment by 5,000 in the next five years to deliver future projects, the training system will be required to up-skill more than 8,000 new workers. Not meeting these targets will limit local jobs and may be a barrier to delivering the Government's major projects pipeline.

Every worker in the construction industry requires some form of training, whether formally accredited training to become eligible for trades licenses, or site safety or white card accreditation as a requirement for project and work site induction.

Master Builders and the Civil Contractors Federation currently deliver more than 800 individual training places per year, but capacity constraints in existing facilities will limit our ability to expand these services.

With unemployment levels increasing, now is the time to provide industry with a dedicated facility to help reskill the workforce and ensure the industry has the capacity to lead the economic recovery.

We are proposing that the Government urgently provide support for the development of an Industry Training Hub to expand the scope of training courses offered to business in the construction industry.

Industry is willing to partner with Government to facilitate a training hub, either through matching dollar-for-dollar any financial contribution from Government, or by funding the construction of a facility if the Government provided a suitable parcel of land at a nominal rent.

CONTACT

CIVIL CONTRACTORS FEDERATION TASMANIA
Construction House
Level 4, 116 Bathurst Street, Hobart Tas 7000
P **6240 4854** W **ccftas.com.au**

MASTER BUILDERS TASMANIA
Construction House
Level 5, 116 Bathurst Street, Hobart TAS 7000
P **6210 2000** W **mbatas.org.au**

Civil Contractors Federation Tasmania and Master Builders Tasmania would like to thank the following businesses for their support:

AWC
Batchelor Construction Group
Downer
Fairbrother
Fulton Hogan
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Hutchinson Builders
Ian Harrington Group
Kelly Civil
MeadCon Building and Construction
Shaw
Stubbs Constructions
Vos Construction and Joinery

MASTER BUILDERS
TASMANIA

14 April 2020

The Hon. Elise Archer

Attorney-General
Minister for Building and Construction
Minister for Justice
Minister for Corrections
Minister for the Arts
Minister for Heritage

GPO Box 123
Hobart TAS 7001

By email: elise.archer@dpac.tas.gov.au

RE: COVID-19 Short, Medium and Long-Run Impacts on the Construction Industry

Dear Minister Archer,

This letter is written in preparation for the combined Building and Civil Construction Industry Roundtable Forum to be held on 15 April 2020, to provide you with background to the current state of the indusry and expectations for future challenges ahead.

Master Builders Tasmanian (MBT) commends you on your work to date managing the COVID-19 crisis and for the Tasmanian government's acknowledgment that the building and construction industry is an essential industry to remain open for business. To keep the industry going and to provide the much-needed stimulus to the economy while other industries are in hibernation, we understand we must keep sites safe.

The construction industry is a crucial driver of the Tasmanian economy and supports more than 6,000 business and their 20,000 workers. It is home to more apprentices, full-time workers and small businesses than any other industry.

While the construction industry has not seen the immediate impacts of other industries, it is not immune to the crisis. To understand the challenges facing building and construction businesses, MBT has undertaken a detailed survey, receiving approximately 300 responses from employers in the construction industry.

The survey responses are drawn from businesses of all sizes and across the three sectors of the construction industry: residential building, commercial building and engineering construction.

Overall the survey results make it clear that no business will be immune to the impacts of COVID-19 and that the industry is likely to pass through three stages - generally defined in the following sections of this letter as immediate, medium term and long term - as these impacts pass through the economy.

Immediate

While the industry is fortunate to remain designated as an essential service, and in some areas, there are anecdotes of activity increasing (e.g., business renovations), there is already an emerging and growing trend of projects being postponed and tenders withdrawn.

Work programs are falling apart with little to no notice, which will, over time challenge the industry to maintain its workforce and productive capacity.

As at 9 April, 350 projects had been identified as postponed and 30 jobs cancelled reported by 300 businesses who took part in the survey. This is expected to cause significant layoffs if postponements are protracted and cancelled projects are not replaced.

Disruptions to supply chains are causing delays in project delivery, although for now these delays are ad hoc and generally limited to the supply of glass and made to measure products. Several businesses have reported an increase in the costs of materials and suppliers are requesting immediate payment, putting pressure on cashflows.

Productivity has fallen due to social distancing rules and is expected to cause delays in project delivery.

Uncertainty around future lock down restrictions are impacting business confidence but there is a strong commitment by businesses and workers to follow government health guidelines and implement proper social distancing and hygiene rules on sites.

Medium Term

Enquiries are at a standstill and the highly uncertain outlook for the economy is expected to significantly reduce new residential commencements and the value of commercial construction work in the next 6-12 months.

The majority of residential construction businesses noted a marked decline in work on the books. While most would have had 6-12 months' worth of work on the books only a few months ago, this has now declined to an average of 2-3 months' worth of work.

Only 10 per cent of respondents recorded work on the books beyond 12 months. The table below shows the percentage share of businesses future work:

Master Builders Tasmania, COVID-19 Member Survey

Future Work on the Books – Residential Builders			
4-6 weeks	2-3 months	4-6 months	12 months and beyond
10%	50%	30%	10%

Note: percentage share of 250 survey responses

For commercial construction businesses, all respondents recorded an expectation for contracts to be postponed or cancelled. The value of projects recorded as postponed as at 9 April 2020 is estimated to be in the order of $400 million.

The impact on the workforce is expected to be significant, with most businesses surveyed indicating redundancies are highly likely in the medium term.

Revenue for commercial construction businesses is expected to fall by an average of between 15-20 per cent between now and June 2020, and by 30-50 per cent in the 2020/21 financial year.

There is an expectation that insolvencies may increase substantially in the subcontractor market, with reports of several already requesting cashflow assistance.

Overall, the expected downturn in work could be as high as 40-50 per cent over the next 6-12 months if the aggregated outcomes of the survey were to extend across the industry and the value of work done falls in line with that seen in past economic recessions.

Our latest set of forecasts which were released before the outbreak of the COVID-19 crisis indicated that work on 2,770 new homes would begin during 2020-21. It is now likely that new home starts could end up in the range between 1,390 and 1,665 during 2020-21.

Compared with our original $1.32 billion forecast for commercial building work in 2020-21, we now estimate that the outcome is likely to lie between $660 million and $790 million.

The latter assumes no government intervention and that the list of projects identified as postponed or cancelled in the survey data persist.

Long Term

Before the COVID-19 crisis, the building and construction industry was one of, if not the strongest sector of the Tasmanian economy. Construction activity was a key driver the State's economic outperformance in recent years and was slated to account for a growing share of economic activity in the years ahead.

The impacts of the COVID-19 crisis have not been as immediate in construction as in other sectors. However, the longer terms impacts are likely to be greater.

Experience has shown that business investment and dwelling investment are the two most volatile components of Gross State Product, falling at a rate well in excess of the wider economy in periods of recession.

Activity in the construction industry is very closely correlated with the level of capital investment in the economy, so the historical decline in investment does provide a reasonable guide to likely decline in construction activity in a recession.

During the 1990-91 recession, while consumption and GDP declined by approximately 1 per cent, dwelling investment and business investment declined by 21 per cent and 31 per cent respectively below their pre-recession peaks.

Investment has also shown to take considerably longer to recover. Taking the 1990-91 recession again as the most recent example, while consumption remained below its pre-recession peak for four quarters and GDP for seven quarters, business investment and dwelling investment remained below pre-recession peaks for 23 quarters and 16 quarters respectively.

A prediction of the long run impact of a pandemic event on the economy, and subsequently on the construction industry can be taken from a Treasury Technical Paper, S. Kennedy, et, al. (2006), *A Primer on the Macroeconomic Effects of an Influenza Pandemic*.

The cumulative effects of a pandemic are derived using the Treasury macro-econometric (TRYM) model, which estimates a fall in GDP of 5 per cent in the Australian economy and an associated fall in dwelling investment and businesses investment of 12.6 per cent and 7.4 per cent.

While these estimates are not a representation of the impact of the COVID-19 pandemic on the economy, they do, combined with historical examples and the survey data presented in this letter, provide a reasonable basis to estimate the likely range and scope of long run impacts on the economy, investment and construction activity.

MBT, in collaboration with the CCF and TCCI presented a list of recommendations to demonstrate that we, collectively and individually stand ready to assist government to withstand this crisis by fulfilling the immediate needs of the community, and long term rebuilding efforts of the economy.

We urge you to consider these recommendations as part of future stimulus measures and firmly believe that their implementation would make a significant and positive contribution in mitigating the projected negative impacts of the COVID-19 crisis presented in this letter.

Thank you for the opportunity to provide this insight into the current state of the building and construction industry and to share our expectations for the medium and long run challenges we are likely to face.

Yours sincerely,

Matthew Pollock

EXECUTIVE DIRECTOR

Copy to:

The Hon. Peter Gutwein
Premier of Tasmania
Treasurer
Minister for the Prevention of Family Violence
Minister for Climate Change
Minister for Tourism
By email: peter.gutwein@parliament.tas.gov.au

The Hon. Michael Ferguson MP
Minister for Finance
Minister for Infrastructure and Transport
Minister for State Growth
Minister for Science and Technology
By email: michael.ferguson@dpac.tas.gov.au

The Hon Sarah Courtney MP
Minister for Health,
Minister for Strategic Growth
Minster for Small Business
By email: sarah.courtney@parliament.tas.gov.au

The Hon Roger Jaensch MP
Minister for Housing
Minister for State Growth
Minister for Human Services
Minister for Planning
Minister for Aboriginal Affairs
By email: roger.jaensch@dpac.tas.gov.au