

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON THE COSTS OF HOUSING, BUILDING AND CONSTRUCTION IN TASMANIA MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON MONDAY 24 JANUARY 2011.

Mr STUART CLUES, REGIONAL EXECUTIVE DIRECTOR, **Ms KRISTIN BROOKFIELD**, SENIOR EXECUTIVE DIRECTOR BUILDING POLICY AND **Mr BRUCE WILLIAMS**, REGIONAL MANAGER OF THE HOUSING INDUSTRY ASSOCIATION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Hidding) - Thank you for coming in today. Just before you begin your evidence, have you received and read the guide sent to you by the committee secretary?

Mr CLUES - Yes, we have.

CHAIR - In spite of that, I am required to reiterate some important aspects of that document. A committee hearing is a proceeding of Parliament and this means that it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to speak with complete freedom without the fear of being sued or questioned in any court or place outside of Parliament. It applies to ensure that Parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to you if statements that may be defamatory are repeated or referred to by you outside the confines of the parliamentary proceedings. This is a public hearing, members of the public and journalists may be present and this means that your evidence may be reported. It is important that should you wish all or part of your evidence to be heard in private, you must make this request and give an explanation prior to giving the relevant evidence.

Thank you for a very comprehensive submission to this committee. We look forward to exploring it with you. Our task here is to attempt to understand the layers of cost in the building industry. The fact that the committee has been set up would suggest that the Parliament agrees that on the face of it there are some cost issues that are of concern in the building industry and a recognition that the cost of building impacts on Tasmanian families at so many different levels. Stuart, would you like to speak to your submission and then we will move through it in the time we have available?

Mr CLUES - With your permission, Mr Chairman, we have prepared an introductory comment and I will read from it, which is sometimes a little tiresome so if you could just bear with me, then we are open to have a candid discussion about your views of the world and we will try to assist where we can.

Basically what we're saying is that home ownership remains a central feature of the Australian identity and has for generations underpinned prosperity and individual wealth. A strong and viable housing industry is also critical for Tasmania's continued economic growth and prosperity. Our industry contributes about \$2 billion a year to the local economy. We build more than 3 000 new homes per annum and do more than \$850 million in renovations alone on a per annum basis. However, the new home market

is heavily taxed and regulated and, as a result, the cost of housing and building are influenced by a number of external factors other than the cost of land, materials and labour. The cost of compliance and regulation across building, planning, environment and occupational health and safety, together with local council regulation, fees, levies and development charges are contributing significantly to the cost of new housing. On top of this, there are additional holding costs on that land that a builder or developer must carry. There are also new policy directions from both national and State governments, such as climate change, building in a bushfire-prone zones, sea level rise and disability access. These will add further cost to housing over the next decade.

When aggregated, the regulation and red tape associated with housing and land development, core cost elements and constrained productivity inhibit innovation and damage housing affordability. Whilst the industry recognises there should be a level of regulation to deal with the technical requirements and the safety aspects associated in the building of new homes, in general terms HIA believes that any new regulations should occur only as the last resort and that regulatory bodies must provide proper justification for any new requirements.

In order to restore housing affordability, additional costs associated with residential development must be minimised. Of concern to the housing industry is the debilitating effect that up-front charges can have on new home building supply. Where the developer is required to pay up-front for the delivery of community infrastructure, such as water and sewerage headworks charges, this places an additional cost on the final price of a new home whereas there is no additional cost being placed on the price of established housing and they are provided with equal access to the community infrastructure that is ultimately delivered.

New homes can readily become less affordable than existing homes and this is clearly what has occurred in both Sydney and south-east Queensland to the detriment of residential construction, employment and overall economic activity, let alone the impact on housing affordability more generally.

The mess that Tasmania's planning system is in has become a significant cost issue. Council delays as a result of cumbersome planning scheme arrangements and the many overlays that restrict development are significant issues across Tasmania. There are currently 34 planning schemes plus an additional planning scheme for areas such as Sullivans Cove and Battery Point, Mount Wellington and the like that are administered by 29 council areas.

Make no mistake that the clock stops. The days quoted by councils to obtain planning approvals do not reflect the number of days from the date that the planning application is lodged to the date that approval is granted with the real numbers reflecting now 100 days in some councils.

Since 2005 there has been limited progress to standardise the leading practice processes and implement a range of State Government initiatives aimed at improving the planning processes. In fact, it is now worse than ever and getting worse each day. Processes are further complicated by the three new water authorities. There is the lack of uniformity, consistency between the authorities and there is already a significant increase in the cost of headworks charges. But having said that, we are broadly supportive of the three

regional bodies. We believe it is a major infrastructure investment and we would not want to see that returned to being administered by local councils. So we are supportive of it, we just believe there is certainly scope for improvement in that area.

We are now about to complicate this matter further with a layer of bureaucracy which is being created by the statutory regional planning processes. HIA has calculated this will add up to an extra 300 policies, an extra 477 action items to overlay the existing 34 planning schemes. The ongoing model for administration and governance in view of this process is yet to be developed but it is clear that none of this bolts together in a clear, cohesive and efficient way and the industry is sceptical about whether it will simply be inefficient and more costly in the long run.

In addition to planning costs, from 2000 to 2009 all Australian States have had major increases in Federal, State and local government taxes. However, Tasmania has suffered significantly higher rates of tax increases than Victoria, Western Australia and New South Wales and our submission highlights these issues and in particular that Tasmania has the highest rate of land tax.

Tasmania, in conjunction with the States and Territories, references the Building Code of Australia through the Building Act and builders must purchase this amended BCA each year, the 2010 cost being \$285 for both volumes. Adding to this, the BCA also calls up over 150 standards and an annual subscription for these standards through the SAI Global costs about \$1 739 per annum. HIA is unaware of any other industry which is limited to purchasing access to mandatory national legislation. Support from the Tasmanian Government to establish a new funding model for the Australian Building Codes Board, which is responsible for publishing the BCA and access to all the standards referenced under it, along with the electrical plumbing regulations, would provide an important step in removing this cost from Tasmanian home builders.

There are many other issues that are impacting on the cost of housing in Tasmania. We have highlighted these in our written submission. HIA is pleased to be invited to support our submission to this select committee and to answer questions that you have. In this regard I would just like conclude by saying that we have brought along Kristin Brookfield, who is our national policy director in this area. Kristin has the capacity to bring to your attention what is happening in other States and the lessons that we can learn from them. I also bring Bruce Williams who is our regional manager and is by and large the author of the paper that you have before you.

CHAIR - Thank you for that excellent introduction. I now invite members of the committee to question our witnesses.

Mr BOOTH - Stuart, thanks for that preliminary. You spoke about the cost of the regulatory fees for the industry, can you go through them? You have accreditation fees, insurance and various other things. Can you give us a breakdown of those fees that concern you?

Mr CLUES - Basically our industry is subjected to a range of fees. Under the Building Act we have the building levy which was introduced when the Building Act was introduced in 2004 and that fee I think sits in the order of about 0.25 per cent. It is a fee that was introduced when the Building Act came to pass with a view that it would continue to fund the administration of the act and anything that arose out of the act.

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CHAIR - That is 0.1.

Mr CLUES - Thank you for that.

Mr BOOTH - It is 0.1 per cent, is it?

Mr CLUES - Yes. For our part we have never seen any explanation as to what that fee is ultimately used for. The industry is of a cynical view that it is used to fund internal operations and consolidated revenue of Workplace Standards. We have yet to see any accounting or auditing that suggests the fee is being applied in some meaningful way to better the industry. We were opposed to the fee being introduced. We were assured that when it was introduced there would be a review after a couple of years to see whether or not it was still required because we were entering into a brave new world of licensing and the like and they were not sure what they were getting into. So there is a fee that is just sitting there getting paid, day in and day out, and I would suggest is probably forming part of the revenue that underpins the department as opposed to doing anything to take the Building Act or the industry forward. So that is one theme.

Mr BOOTH - So at this point in time you see no value at all out of that as far as you are concerned ?

Mr CLUES - I am yet to see a case that suggests there is. It may well be that it is being used and applied in a very meaningful and useful way but nobody has accounted for it. It just seems to be lost in the ether of consolidated revenue and that is what we suspected would happen in the first place and that has come to fruition. If the Government or the department were to come forward and say, 'You are wrong, Mr Clues; it is getting used for x, y and you should be very grateful' then I am open to that but I have not seen any evidence to that end.

Ms WHITE - Kristin, have you noticed a similar levy being levied against builders in other States?

Ms BROOKFIELD - There are levies applied in Victoria which go towards the Victorian Building Commission. New South Wales introduced a levy for the first time a couple of years ago for a similar purpose - to fund the Building Professionals Board, but that was an unusual step for New South Wales to do that. But they are the only two States that I am aware that have an up-front levy on building permits that go toward that.

CHAIR - Thank you. On the building levy, you are right, we had to ask where that money is going but it in fact almost pays to the cent for the cost of the Department of Building Control and its director - it all goes to that. Do you recall that as being the original reason?

Mr CLUES - I think the model has changed significantly since it was introduced, I do not think that was its original intent because originally we had the TCC model being operated which did not require any of that. It was really an overseeing role on behalf of the department whereas now they have a very active role in builders' accreditation. So I do not know that the fee was introduced with a view that it was to be used for that purpose. If that is what it is subsequently being used for then that is probably

appropriate, but that is not why it was introduced, in my view. It is not what was envisaged and that is just manifestation of what has happened as a consequence of the demise of the TCC.

Mr BOOTH - Are there other fees, like Tasbuild for example?

Mr CLUES - Yes Tasbuild it a really interesting one. When I first joined the HIA we were very much opposed to the existence of the TBCITB levy, the value that we were receiving from that entity, and we were very vocal about that. The two organisations quite often locked horns.

We felt so strongly about it that we went and saw the minister of the day, who I think at that point in time was Paula Wriedt and she listened to our concerns about the lack of transparency relating to the board - the lack of value being returned to the industry. Our concern was that they were squirreling the money away for a rainy day that may never come and we never saw them having that role. We have always seen the TBCITB as being a bit like an ATM. Their role is to take the money in and then distribute it out to the industry as quickly as possible to make sure that the training within the industry is effective. We saw the money getting invested into bonds and the coffers building, and always being told that it was for this industry downturn and they needed to be cautious and careful. We didn't see a lot of accountability or transparency in the way the moneys were being distributed amongst the people who were applying for funding for their training.

So we have a lot to say about that, and all of that is public knowledge. The minister accepted those concerns and spilt the board, then they re-elected a new board and a new chairman. I would have to say that since that occurred the level of transparency has increased enormously. The distribution of funds is being done in a very transparent and equitable way, and our members seem, by and large, happy with the operation of the TBCITB.

Our understanding was that there was a time when the Government was thinking about amalgamating TBCITB into Skills Tasmania and TBCITB would not continue. We have reservations about that. We are going to be paying a training levy, and we don't want to see it get paid into something like Skills Tasmania and get lost in consolidated revenue again and have our members ending up cross-subsidising other industry areas. At least under the current model, every cent that goes in gets reallocated back to the industry. So, to that end, we are reasonably comfortable.

Mr BOOTH - Are you satisfied with the standard of the courses that are provided and so forth - the training that comes back out of that?

Mr CLUES - It's a mixed bag. HIA is a registered training organisation where you offer a certificate for a course which is now needed to underpin people's accreditation, so we believe that we are delivering our end of the bargain in terms of offering good quality courses. All of our programs are independently audited by external RTO auditors. We have just been through one here locally in Tasmania and we have come out of that with flying colours. So we believe that we are delivering on our end but there are other institutions, which I don't wish to go into, that I think probably could lift their game a little bit in terms of the calibre they are offering.

Some of that though is servicing a market demand. When you have something like a mandatory CPD model and you have people who don't necessarily want to undertake that training, they will take the easiest option and, hence, they are taking online courses and distance programs and stuff which sometimes you question whether or not they are getting true learning experiences from.

CHAIR - On this mandatory CPD, I agree with you because I was a trainer back in the days of Keating's mandatory training stuff and it is fair to say that across most industries there was a degree of nonsense involved because it was mandatory - you had to comply - and so all sorts of things were built around that. It is interesting that you raise that in this context. Only New South Wales and Tasmania have the mandatory CPD and your submission suggests that that adds a cost of about \$1 600 a year on top of levies to a building company, which is a lot of money.

It could be argued that they should spending that anyway, but for those who may not want spend it this year, they have to spend it anyway, which means they have to send people off to do things that, frankly, don't have a lot of value, whether they want to or not. So how do you feel about the whole notion of compulsory professional development?

Mr CLUES - It's funny because it's not a black and white issue, in my view. From purely a policy point of view, I would like to see less mandatory and more voluntary and when you mandate anything, I think it creates a certain degree of problems. One of the problems we see associated with the CBD is that you get people doing courses they're not really interested in purely to comply. You get people sending people along to programs that are done as a refresher program and they're not getting the true value. I think one of the challenges for the industry, including the HIA, is to continue to provide people with a variety of new courses and expanding people's knowledge. One of the things that HIA has done is to venture into a Green Smart program, which is encouraging people to build more environmentally-sensitive houses. That has been important. OH&S is a growing issue in terms of preservation.

CHAIR - So you run your own programs?

Mr CLUES - Yes, we run our own programs.

CHAIR - Do you get contracted by the training board at all?

Mr CLUES - We run our own programs and then use the TB side to subsidise the cost to our members so that they're not paying the full cost for the program. We're drawing upon those funds of the TBCITB. That is how we offer that training out to our members. The challenge for us is to continue to make sure that we focus on the real issues, which are environmental homes, OH&S - which is a huge issue in terms of keeping people safe on the work site - and helping people through their professional development in terms of getting their licences. They are the core areas.

We also offer a range of technical courses, which are basic building courses in accordance with the BCA: waterproofing, flooring, management of timber products and that sort of thing. The problem with seasoned builders is that they know all that; they

don't need to be lectured on how to do timber framing, flooring and the like. There is only so much technical stuff you can offer them and in the past that is what we traditionally focused on. Now we are expanding and looking at environmentally responsible building, OH&S management and those types of issues.

CHAIR - That presumably is exactly what the market wants, otherwise you wouldn't be providing it. People wouldn't be fronting for it. On the training board, on the face of it you would imagine that's what it does. It collects a levy based on building projects which as a separate issue also sweeps in people who have nothing to do with the building industry through owner/builders. Owner/builders are supporting your industry involuntarily; they have been forced to do that. But that same training board spends a huge amount of its money on something not to do with training and that is the acquisition of new people into your industry - apprentices. I thought in the past that was always the realm of governments. That was good public policy to get people swung into the right industries. So if it was IT, the IT industry would try to attract its own people in its own way. What is happening here, though, is every building project is being levied and a percentage of that is going to \$6 000 a year to take on a new apprentice. That is hardly training money. Sure, once they're on they need to be trained, but that is once they're through the gate. To do a straight human resource issue, which is bring people into the industry, do you see that as being the role of the BITC? Historically it has been.

Mr CLUES - What I can say is that a skills shortage within our industry is a significant issue. Our people have rated that as the second-most important policy issue, sitting behind planning. It is a constant point of discussion at every committee meeting I go to as to how you attract young people into the industry and how you retain them in the industry. We have one of the worst retention rates of any industry.

In terms of apprentices, we have close to a 55 per cent drop off within the first two years of the apprenticeship. So trying to retain people in the industry is a problem - it's not all Holden utes and good times on a Friday afternoon. You have cold wind on your back and you're working in all sorts of environments, you often don't get paid on a final progress payment and things don't pan out as people would hope. Apprentices soon become awake to that in the first couple of years and realise that it is a hard slog. Our challenge is to try to make them recognise that there are a lot of joys in running a small business. It can be extremely profitable, a great lifestyle and an important part of underpinning this economy, but trying to explain that to a 17- or 18-year-old is not easy when they are being paid apprenticeship rates. I'm not going to be critical of any organisation that goes about attracting apprentices into the industry and trying to retain them. If it's outside of their brief and they're successful, they have my blessing.

Mr BOOTH - Stuart, some of these things you have spoken about, like CPD, OH&S stuff and white cards, effectively become barriers to entry into the trade and therefore drive the cost of building through the roof. There have been a lot of good builders excluded from the system. How much of a problem do you see that as in terms of basically restricting the pool of people who are available to be employed in the industry?

Mr CLUES - It's funny because I came in right on the cusp of all that. I joined the HIA in 2003 when all we were talking about was accreditation and the principles underpinning that. Our view is very different to a number of our counterparts in the industry on the basis that a lot in the industry wanted to see more restrictions. A lot of the guys were of

the view that you shouldn't be in the industry unless you've done your four-year apprenticeship and that you shouldn't be able to hang a shingle out unless you've got quite a few years of experience under your belt. That was being driven a lot by our membership and a lot by other organisations, so if we were going to introduce a model of accreditation it would probably need to be very rigorous and in doing so it created that sort of closed-shop environment that you have identified.

I was of a different view, as was HIA, that what we really needed to do was try to bring everyone with us and then sort out the rabbits after the event, so not to restrict entry but welcome everybody who met the basic requirements under accreditation back in 2004, draw a line in the sand and say, 'Moving forward you need to not only have done your apprenticeship but also your Certificate IV qualification and you need to have at least a couple of years under your belt', which are the standards now being applied. I do not have a problem with that as being the standard for the industry; I think that is a reasonable standard, and whilst it may limit people's capacity to enter the industry, they are not unreasonable hurdles when you consider the magnitude of the product they are providing. The family home is probably the most significant investment that anyone will make; it is going to be at least a \$300 000 investment, and I have heard horror stories of people who thought they were builders and have got the project, only to find that they can't manage it, they haven't quoted it properly and they can't do the contract administration, and the end product is one that is not up to speed and families and people get hurt.

I think it is an industry that needs to conduct itself in a responsible way, given the fact that you are talking about the family home and a significant investment, and I don't think the standards that have been applied by the Building Act are unreasonable.

Mr BOOTH - We could go down that path too because we have had quite a few complaints from people who have had places built by HIA members, for example, that don't meet the standards either, and that is not restricted to just HIA members, it is the MBA as well. I am not sure that in fact it has delivered a higher quality of work by simply having CPD or having accreditation.

Mr CLUES - That is a really fair argument and one that we debate at a national level every single year: does licensing equal quality of build? The conclusion we have come to is no, it doesn't, and that is true of any profession. You can look at doctors, nurses, lawyers and the like; the fact that you hold a degree or a qualification does not guarantee an outcome.

Mr BOOTH - Getting to the point that I have laboured for many years, the most effective way of auditing work should be at the inspection stages and therefore the quality of the building surveyors or the regulatory body is actually the key to this, because if you can't get an approval and that is linked to the contract price, payment stages and so forth, that in fact would gate out very quickly any builders who don't have the capacity, provided that the building inspectors knew what they were doing and knew how the BCA worked and so forth.

Mr CLUES -That is a really fair argument.

Ms BROOKFIELD - If I can just come in there, there has been a focus across Australia on that area - the building surveyor and the inspection of buildings -

CHAIR - We joined it.

Ms BROOKFIELD - and if you look back in time it wasn't actually a building surveyor or the council who did the quality checks. There was another beast in the process, which is the quality surveyor and the Clerk of Works, and they were traditionally the people who were on sites and looking at quality. I think every State has found that that has been a dying breed and the building surveyor is picking up more and more, rightly or wrongly, but if you look at building surveyors' qualifications and the legislation we have across Australia that directs them on what to do, they are still not there for quality, they are still only there to look at compliance with the Building Code. I will completely agree if you say there are buildings that do not comply with the Building Code; I am not saying that that would not be happening, but quality - the finish of a paint job, the finish of a plaster or the grout in tiles - those little issues, which is where we really get sticky points when we are looking for final payments and that sort of thing, is not a BCA issue. There is a void there right now which is not unique to Tasmania and if there was a way to address that we would be open to look at it.

Mr BOOTH - But isn't that one of the areas that a trade association would be helpful? My view for a long time has been that trade associations essentially are often conflicted with the requirements of getting an income stream through CPD, provision of courses, provision of OH&S courses and so forth as part of the income stream, whereas I would have thought you people would be better off being a guild that certifies that if you come to the HIA you would know you are going to get a good house because your organisation itself weeds out builders who do not comply with the quality that you would require. The MBA, for example, advertises that you can trust them to get a good house, but that is arrant nonsense going by some of the places I have seen that have been built. Not in all cases but definitely I have seen houses that have been built that do not represent the sort of standard that they advertise. How do you think that should be addressed? Is it a fair comment that the trade associations themselves are representing to consumers that they represent a quality and a standard that you are not going to get through a 'Joe's Building Service' or someone who can build but maybe cannot do the quality?

Ms BROOKFIELD - In 2008 the HIA published a guide to residential construction, materials and workmanship and what we were seeking to do there was make it clear to both the builder and the consumer what the quality of work would be for each piece of construction. So if the grout in your tiles is not what you visually think it should be then we have some standards, because they are not in our Building Code right now. The Building Code stepped away several years ago from actually getting into the fine detail, like grout should be 5 millimetres wide and this deep and that sort of thing; it does not do that any more for us. As a side issue, there could arguably be a role for the Building Codes Board to go back into that space or a State government could choose to do that. So we have published this guide, we promote the guide and certainly if members use the HIA contract, the guide is part of that contract, so we are trying to say, 'This is the level of work between you and the customer', but it is not compulsory to use our contracts or our guide. We have taken that step at least to try to educate both sides of the equation.

Mr BOOTH - With adjudication now provided under the security of payments legislation, are you finding that effective in delivering outcomes - first of all, adjudication and, secondly, the security of payments?

Mr WILLIAMS - I have handled about six cases in the last six months of last year from members and the outcome from that has been that there is only one that has actually moved to the adjudication process, so the security of payments legislation has been useful in bringing matters to people focusing on paying the bill and, of the six cases, by and large those things have been reasonably adequately resolved before getting into an adjudication process.

Mr BOOTH - Have they been ones where the builder has taken action under the security of payments, or the client?

Mr WILLIAMS - Only builders would come to us. We would be working only with our members. I am not sure how it's working from the other side of the fence.

Mr BOOTH - Stuart, just going back, I was talking about TasBuild and one of the things I was wanting to -

Mr CLUES - TasBuild or the TPCITB?

Mr BOOTH - TasBuild is what I mentioned.

CHAIR - We went off on a tangent so let us talk now about TasBuild.

Mr BOOTH - In regard to the long service leave transportability and so forth and the broad range of people who are dragged into the net and forced to pay into TasBuild, what is your opinion of the whole TasBuild scenario?

Mr CLUES - Our members don't like it, to put it in a nutshell. One of the calls I get on a regular basis is that they have received a letter from TasBuild. I understand why it was introduced given the portable nature of our industry and the mobility of our people and hence the fact that they do not really fit under the Long Service Leave Act 1976 where you are with one employer and you hope to do 10 years.

Mr BOOTH - Stuart, just getting back then to the TasBuild matter, do your members report or do you have issues with the aggressive nature of the demands that are made on your business?

Mr CLUES - Absolutely, it's a constant bugbear. The letters read like that from a debt collector - you know, 'You owe us money and you haven't paid, so we're going to do x, y and z to you' - it's not a pleasant experience. Our level of interaction with TasBuild is very light on. It really is just those calls and letters that we have to deal with, but their rights are enshrined in legislation and they pursue them.

CHAIR - But here is your opportunity to propose change to the legislation. We are a parliamentary body.

Mr CLUES - I there needs to be a better system in terms of pursuing long service leave obligations. I think there can be a better system and I think it can certainly be delivered in a more user-friendly manner than what is currently under operation.

Mr BOOTH - Do you think it would be more appropriate that the award simply reflects the fact that builders or people who operate in the industry transport themselves all over the place and might come in or out of the industry and whilst you're working in that area of trade where you don't end up staying with an employer for 10 years, you simply get a percentage increase on your pay to reflect the fact that you're not going to get long service and you do what you like with it - would that be a better system?

Ms BROOKFIELD - That is certainly one option but an example from New South Wales is that the long service levy payment is made at the time of lodging a building application and, again, it's a percentage concept.

Mr BOOTH - It's a levy?

Ms BROOKFIELD - It's a levy. It's actually called the long service levy.

CHAIR - Where does it go?

Ms BROOKFIELD - It goes to the Long Service Levy Board in New South Wales.

CHAIR - There's a board as well?

Ms BROOKFIELD - There is a board.

CHAIR - Did it lose \$20 million like ours did in the GFC?

Ms BROOKFIELD - I couldn't quote you whether they did or didn't. I am not aware that they are in any financial difficulty at this point in time, but I could be out of the loop.

Mr BOOTH - Wouldn't it be better for the money to go to the person employed in the industry themselves, so that they then -

Ms BROOKFIELD - What happens is that it goes into the board and, in this case, the board does have to look after that money and therefore invests it to grow it and then any member of the industry can claim when they hit that 10-year time period. If they can show continual service in the industry through their own management then they can go and claim that levy from the board, so it's there and available but it's not managed through the awards.

Mr BOOTH - But the proposition I'm making is what would you feel about the fact of the payment being made to the actual practitioner at the point of works? So, in other words, they accept that their industry doesn't end up delivering long service leave, you just simply pay each person employed in the industry at the time and when they do their hours they get whatever it is to make up for that additional payment.

Ms BROOKFIELD - Yes, similar to people who work part-time and therefore aren't getting annual leave.

Mr BOOTH - Yes.

CHAIR - Provide for their own leave, yes.

Mr CLUES - It is a really fair question. We were just discussing this and we don't think we have a firm national position on that. I think you've raised a really good point in terms of the level of angst it causes within the industry in that people don't see that they're necessarily going to get that money back. It kind of gets lost in the ether. It is funny that the chairman should raise the tone of the way the moneys are pursued because that is the main bugbear, the manner in which they conduct themselves.

Ms ARCHER - There was an issue I was going to raise with you about that. A complaint I've had about the board is perhaps the lack of financial expertise of people appointed to the board. They do get a say but, like with all boards, it is a bit restrictive and so they don't determine where their money goes, the board does. Is that a common complaint - about the make-up of the board?

Mr CLUES - No. I'd have to say that we haven't had a lot of interaction with TasBuild. We don't sit on the board, we don't get communications from them - our interaction has really been limited to members who receive letters and telephone calls and, as the chairman said, it's not always done in a way that makes them feel that this organisation is working for their interests.

CHAIR - So, as we understand it, if somebody accumulates seven or eight years' worth of money towards their superannuation but then leaves the industry for four years -

Mr BOOTH - It's actually long service leave, not super, just to clarify.

CHAIR - I am sorry, I keep saying that. For the record, we talking about long service leave. If that person leaves for four years, that money is subsumed by the board; it becomes their operating profit. That is bizarre. I don't get how that could possibly work.

Ms BROOKFIELD - Having said that, an employer can do the same thing with their long service leave being set aside for an employee. If they don't make it to the payout stage they never have to pay it to them.

CHAIR - We will argue it later but the normal business practice is that when you have an employee of six, seven, eight years you start making provision because he or she is heading towards the magic date.

On the issue of owner-builder rules, we understand there are many settings, particularly after the Building Act, whereby the industry argued very strongly for certain outcomes and built in that were straight industry protection models. Why wouldn't you argue for that? You were saying earlier that many building principals believe that they should put really high walls up to stop others coming in. That is completely natural, that's what everybody does in every industry. Once we are in we don't want too much competition, we want it just nice. One of the moderators of building prices is competition and one of the areas of competition for registered builders is owner-builders. If there were very

strong management and control on owner-builders, and there should be, do you believe the current settings protections for your industry are about right?

Mr CLUES - No.

CHAIR - You want them out altogether?

Mr CLUES - No, not at all. You've hit one of my pet topics. I am sure there is a divergence of views around this room and I'm happy to debate them. My view on owner-builders - and it's the view of HIA - is that we have absolutely no problems with people who are genuine owner-builders. If they want to genuinely strap on a nail belt and build their own home, shack or investment property, go for it. I do not have a problem at all, but that term 'owner-builder' tends to get very confused with unlicensed builders. There is a whole market out there of people who are constructing homes on behalf of owner-builders who are unaccredited or unlicensed and we are saying that that is where the problem lies.

CHAIR - Is that currently still the case?

Mr CLUES - It's huge. You have 30 per cent of all building work done in this State being done under the guise of owner-builders.

Mr BOOTH - But doesn't that come back then to what I spoke about before, the inspection? If you have proper upfront, front-line inspection to ensure compliance with the code, then it doesn't matter in that sense.

Mr CLUES - It does matter to the extent that you have an uneven playing field. What we say is if you want to have a regime where it is completely open and whoever wants to build can build, that is fine. Get rid of accreditation and mandatory CPD and go back to where it was pre-2004, where every man and his dog could hang up a shingle and be a builder. Let's do that. What I'm saying is that government can't have a foot in each camp and say, 'If you want to be operating in the housing industry on a legitimate basis then you need to be accredited and have CPD' and then have loopholes that enable people to sidestep that and go and service an owner-builder market.

CHAIR - Can we just talk about that because that is what this Building Bill 2000 attempted to stamp out. It said you were allowed to build what, two in 10 years?

Mr CLUES - It has failed miserably.

CHAIR - I would have thought it would have stamped out the obvious owner-builder who built one a year and flogged it.

Mr CLUES - No, the difficulty you have is not the owner-builders. I would love for each of you to experiment and build your own home; I have no problem with that at all but I would find it completely objectionable if you continued to rock up here in Parliament each day and find two blokes out there who reckon they can knock up a house for you and then you pay them to build your house. That is what is happening at the moment.

CHAIR - And then they move to next one.

Mr CLUES - They're not getting that house registered against their name, they are not in any way being restricted to two homes in 10 years. They are knocking up two to four homes each year every year, servicing the owner-builder market, which is why in Tasmania 30 per cent of all construction is being done under the guise of owner-builders. In other States where you have appropriate regulation it is down to 7 and 8 per cent.

CHAIR - So what is that appropriate legislation, where you don't limit the genuine person? In our family I have someone who's an engineer who through change of family circumstances now wants to build a new home but he has been told, 'You did that back then and that 10 years ago. Sorry, you can't'. When he went to a builder they said, 'So much a square metre and no-one will do it any cheaper, mate'. He has been told.

Mr CLUES - What I would say is that I have no problems with owner-builders who want to strap on a nail belt and genuinely build their own home for their own purposes. So I am happy to have a situation where people can genuinely go out and build their own home, their own shack or their own -

CHAIR - Your industry should be able to compete with that. You can provide services which are -

Mr CLUES - It should be an Australian right. If you want to go and knock up your own home, it should just be an Australian right to do so and I do not in any way have any problem with that. What I have a problem with is all of the people who go out there and cannot be bothered being licensed and cannot be bothered being insured, operating building businesses and servicing other people.

CHAIR - Okay, how do we get to them?

Mr CLUES - My view is that what needs to happen is whenever a home is built you need to have a thorough investigation as to who is going build it and if it is not the owner-builder, they are contracting it out to an unlicensed person, then the house needs to be attributed to that person and that counts as one of their two homes in 10 years.

Mr BOOTH - But then isn't that the situation now that you can be an accredited builder and you never swing a hammer or put on a nail belt and you do not have to have any skills to be an accredited builder either?

Mr CLUES - Yes.

Mr BOOTH - So it is no different in that sense, those people -

CHAIR - But that person surely is avoiding registration, isn't he?

Mr CLUES - Yes, that person is not being accredited, I am saying -

Mr BOOTH - No, but what I am saying is that -

CHAIR - If he builds five a year, if he builds one for each one of us around the table?

Mr BOOTH – No, but with that same person who Stuart is talking about who is not accredited, does not have CPD and so forth, the only difference is that he is contracted in this case to a person who is an owner-builder because under the definition you are allowed to build two in 10 years. Therefore they contract a person to build a house in exactly the same way as an accredited builder could contract that identical so-called builder to build one house every six months. So the same house is going to be built, it is just through a different structure.

Mr CLUES - I do not have a problem with that but what I am saying is that if you want to follow that model and allow unlicensed people to build homes on behalf of other people then you need to get rid of accreditation, get rid of CPD and create a level playing field because at the moment we have two standards, two markets operating and it is not fair and it is not equitable.

Mr BOOTH - I understand that but I am just making the point that the person who carries out the building work in either case can be either working for an owner-builder or contracting to an accredited registered builder. So it is the same -

CHAIR - But under a set of rules.

Mr BOOTH - Both under the same set of rules.

CHAIR - If he is contracted to the builder, if he is building for the builder, the builder has a set of standards and things to live up to, hasn't he?

Mr BOOTH - Yes, but they all have to comply with the BCA; it is identical standards.

Mr CLUES - You could end up with a situation, and I am sure it happens on a regular basis, where an owner-builder builds a more beautifully crafted home than an accredited builder.

Mr BOOTH - Sometimes, yes.

Mr CLUES - So I do not have a problem with the standard of building. What I have a problem with is the fact that we have two very different building models operating; one that requires people to be accredited and do CPD and have insurance and a range of other things and another set of rules that says if you do not want to do any of that, just go and service the owner-builder market.

Ms WHITE - In your alternative model, who would investigate and how would you investigate?

Mr CLUES - There are a couple of things I would like to see. Firstly, I would like to see a situation where owner-builders genuinely understand the risks associated with building a home so they can make a decision as to whether they want to do it themselves or whether they want to get somebody else to do it, whether they want to get somebody licensed to do it and the risk of getting somebody who is unlicensed to do it. So I think we have an education role. Just as I do not want to see my guys getting held up with regulations, I am not necessarily asking to impose it on everyone else. I think education is really important because at the end of the day building a home is not an easy task, it is an

enormous investment and it causes a lot of heartache if you get it wrong. So I think education is really important. Sometimes people get confused when they are looking at contracts and one says, 'I can build a home for \$350 000' and another says, 'I will do it for you for \$300 000' and they decide to go with the cheaper option, and things do not go well and things do not happen on time and it ends up being a disaster. As Mr Booth has quite rightly pointed out, that can happen whether you engage an accredited builder or whether you do it as an owner-builder or get your mate who has some building skills to do it. But what I am saying is that we have a regulatory environment at the moment that means you have a whole lot of people running building companies who are operating outside the system and I am just saying we need an even playing field where we either have an accredited system or we have no accreditation system, but we cannot have a foot in both camps.

Ms ARCHER - You mentioned that at the start of a process there needs to be a proper investigation.

Mr CLUES - At the start of the process there needs to be very clear investigation about who is going to build this home. Is it going to be an owner-builder who is going to go and strap on a nail belt and manage all the sub trades, is it going to be an accredited building practitioner or is it going to be an unlicensed builder?

Ms ARCHER - Who would be charged for that process?

Mr CLUES - I would see that as being something that should be undertaken by the councils and enforced by Workplace Standards and if people decide that they are going to use an unlicensed building practitioner then what I would say is that that person then needs to be deemed to be an owner-builder and have that project attributed to their works if we are going to operate under the current law. If we are just going to open it up and let every man go for it then that is a completely different environment; it is back to where we were pre-2004.

CHAIR - I think there is a case to be made about where have we got to and if you are suggesting that the current system is allowing 30 per cent of the construction that takes place, home building I guess we are talking about, 30 per cent of homes are built by owner-builders which really do not comply with the spirit of the legislation.

Mr CLUES - Correct.

CHAIR - Then it could be argued that the builders registration system is not working.

Mr CLUES - Correct.

CHAIR - What do you call the model that you have, is it co-regulatory where you set the industry rules and the Government maintains them?

Ms BROOKFIELD - It could be co-regulatory but it is possibly more leaning to regulatory. If there is some parameter around owner-builders that is stronger than we have today I think you would find that is a regulation of some sort.

Mr BOOTH - Given that 30 per cent of building work is done by so-called owner-builders, and I accept what you are saying there that in fact they are often built by a builder in the normal sense who is using the provisions of owner-builder to build a house, aren't we seeing an inevitable result to some degree of over-regulation and barriers to entry through various contrivances that affect all the builders? It seems to me that the people who are most grossly affected are both the builders who are legitimately registered as builders and the consumers who ultimately end up having to pay those costs which have to be passed on; you cannot do all this make-work stuff that seems to feed a whole lot of bureaucrats that does not necessarily deliver an outcome on the ground. Doesn't that go back then again to the whole concept of accreditation? For example, it is getting to the point now where you cannot even drive on a building site to deliver a stick of wood without having a white card. To my understanding it has driven builders mad with having to comply with bureaucratic claptrap in many cases. It does not achieve a result to spend half their time worrying about regulations and bureaucracy and paying fees rather than getting out there and doing the job. Often a site becomes unattended because of the poor person who has to deal with it being stuck in an office worrying about it. Isn't over-regulation of the building trade as much a problem as anything?

Mr CLUES - We ran a big campaign called Safe Work Not Paper Work. You have a situation where - and I could not agree with you more - the industry is over-regulated and it is probably the most over-regulated industry in Australia. Every stage of it is complex, every stage of it is bureaucratic and it all adds layers across so I completely agree with you.

Ms BROOKFIELD - There are many things within our industry which have straddled the two extremes. We started with nothing and that was not good - we do not want unsafe sites, we do not want dirt on the street during construction and we do not want lots of these things - and then governments and local governments have said that they will try to manage this situation and how do we do that? We establish some sort of regulation but that regulation has involved slowing down the planning approval, slowing down the building approval and then managing it on site. We need to focus on just the site and just say, 'Do your business on site the best way you can do your business and here are the rules', so we simply need planning and building rules that say keep your site clean, keep your site safe but we do not need to draw a picture, we do not need to have many conditions on approvals that say make sure you do this and if an inspector then drives down the street and sees an unsafe site or sees a dirty site, the legislation gives them the power to fine or do what is necessary in that circumstance to remedy it. But having done all the drawings and all the education and all the learning beforehand does not mean you're guaranteed a safe site or a clean site.

Mr BOOTH - Once upon a time the Department of Labour and Industry would come onto your workplace, into your factory, walk around, look at the factory and at areas of need and they'd identify some of those things, and if there were problems they'd give you notice to fix it and if you didn't fix it then you could be fined et cetera. Now it seems that they come into the office and want to have a look at a whole lot of bits of paper and charge you a whole lot of money and not look at anything, because they don't actually want to be exposed to potential litigation because they didn't fix something up or whatever. It just seems to be all about paperwork compliance and sort of make-work schemes for bureaucrats rather than actually delivering outcomes and it concerns me

greatly that a lot of the money spent running a small building business operating on-site is worthless.

Mr CLUES - To highlight your point, one of our biggest members, who I won't name - a very successful builder - employs 1.5 FTE staff alone just to process the paperwork associated with building a home, and they're just budget homes; they're not architecturally-designed homes that are going to cause any offence. They're just standard homes on standard blocks of land - that is their bread and butter. But they need 1.5 people purely to deal with the paperwork - they despair.

Mr BOOTH - Do you think politicians who go out onto a greenfield site carrying a spade to do a sod-turning ceremony should wear more than a hard hat, earmuffs, safety glasses, high-visibility jackets and steel-capped boots - do you think that's adequate? Do you think they should have to do a training course before they carry that spade?

CHAIR - They should, and pay a levy.

Mr CLUES - Get them to fill out the planning application before they work on site. They can come on site once they've been through the planning process.

Laughter.

Ms BROOKFIELD - And spoken to a council officer.

CHAIR - One of the reasons that this committee exists is to identify areas of - if you remember the old tax term - 'bracket creep'. You come up with a good idea for a tax but then it just creeps in without anyone knowing, and suddenly, 'How the hell did we get here in policy terms?'. Now, I understand - I'm not sure whether you've heard it at all - that in the regulatory community, they are now looking at planning permits - I guess for home units and things like that - and they are going to start asking about colour schemes. They certainly are already asking for landscape plans, they have done that for some time, and they are getting more and more onerous.

Mr CLUES - And parking plans for visitors.

CHAIR - Yes, but now apparently I am aware of certain designers who have been asked already to think about doing some training and stuff on colour schemes. Can you see the bracket creep in here? Like, what is next?

Mr CLUES - I found it amusing when they did Tolmans Hill. There was that silly thing around colours and one guy objected so much that he painted his house pink on the end of the cliff there, just to see whether or not they would actually enforce it.

Ms ARCHER - No, that was actually approved, apparently. I was horrified at the time. It used to be white and apparently pink was less offensive than white.

Mr CLUES - Is that right?

Ms ARCHER - Yes.

CHAIR - But you can see in certain circumstances, particularly skylines and things like that, that colours make sense, but apparently they are going to be talking about internal colour schemes - all that sort of stuff.

Mr CLUES - I think the point Kristin was making is that we start with nothing, and there's a real void whether it be in terms of safety or environmental concerns or quality of build, but then we end up with a polarised result which is that we are over-regulated, which is the point that Mr Booth is making.

Mr BOOTH - Yes.

CHAIR - The original idea was good but it has moved to absurdity and anybody in one of these positions has it in their own best interests to have more and more regulation, more and more payment, more and more money in the system so that their own job is secure. The thinking, therefore, is all wrong.

Mr BOOTH - I would actually go further in regard to the operation of a safe work site to say that some of these make-work schemes actually created unsafe workplaces because the money that should be spent on making them safe is actually spent on bureaucracy. A lot of time is invested in simply complying with regulations that have been drawn up by people who don't work in the industry and don't understand it. Cord-tagging is a perfect example of that where people are spending \$5 or \$10 a cord, even for things like a PC, an electric toothbrush charger, a phone charger. They are getting them tagged every 12 months and instead of spending the money on double-insulated tools for people to work with and lifting aids and things like that, you're wasting all your money on stuff that only assures compliance or safety for one nanosecond until someone runs over the extension cord, which are the ones that you really should be looking at - with modern appliances. I'm not saying that there shouldn't be checks on electrical safety, particularly old equipment, but once having done that, the regulation imposes a burden on a business and doesn't ensure that things are safe; it simply ensures it has a tag on it. People might think it is safe but they don't look at the fact that it has just been run over by a 10-tonne truck.

Mr WILLIAMS - I was going to comment on how things get out of kilter. I've had a lot to do with planning recently and we're getting plans knocked back because they're submitting a plan with five olive trees on it and the council decide they want six, so those plans are sent back to the draftsmen to be redrawn and resubmitted on these sorts of technicalities. It is quite unbelievable.

Mr CLUES - And Mr Williams isn't being facetious when he says that; that is a genuine case from the north.

CHAIR - In the Sorell municipality, where my office was changed from a bottleshop to a new use for offices, they got planning approval on that and one of the conditions was that there be separate planning approval for the signage. Nobody picked that up so of course the new tenant moved in wanted some signage but needed separate planning approval for it. On that planning approval they may well have had separate planning approval for the colour, so it's a never-ending thing - another \$499. Somebody has decided to keep taking this money, just for one job. The question therefore was for the people of Sorell and anyone else in Tasmania to object a commercial building having signage on it - not what the signage was, but having the signage.

Ms ARCHER - It's usually the same application with a different heading, so you provide exactly the same information and pay another fee.

CHAIR - When we talk about the cost of building - and this is outside of your remit - the package price for a home, the land price is obviously a key matter. I read the report of a previous inquiry of Parliament into affordable building that the upper House did and they didn't seem to be too perturbed about land prices; they thought they were about right, which I thought was peculiar. They certainly did not spend a lot of time too concerned about it. You make some very good points on the headworks charge issue and I would like to explore that with you. This headworks issue is live right now, it is reasonably new for Tasmania, and while we have the services of Ms Brookfield we would like to kick that around.

Mr CLUES - I will cover off on land prices and then Mr Williams will deal with the headworks charges. Land never used to be a significant issue in terms of a house/land package here in Tasmania. It used to comprise about 40 per cent and is now getting close to 50 per cent. In places such as Melbourne and Sydney I think it comprises around 60 per cent. In 2007-08 the median land price was sitting around the \$85 000 to \$95 000 mark, but there was an enormous spike in 2008 when it jumped almost 60 per cent in one year to around the \$140 000 mark, and it is now sitting around that \$145 000-\$150 000 mark, and that is for a really average block of land. I have done an enormous amount of media on this issue trying to highlight the fact that there has been this spike in land prices.

CHAIR - Why was there a spike?

Mr CLUES - My argument is that we're not having the infrastructure built to support new land development.

CHAIR - So there's not enough land?

Mr CLUES - No. What has ended up happening is that everybody is now looking for land that is well serviced where you already have water, sewerage and power connected right out the front, and they're prepared to pay a premium for that now that they weren't prepared to pay before. As a consequence, we now have a situation where vacant land that is well serviced commands a premium price and that's why we have seen that spike. Land where you have to have all those services connected is still quite cheap. There is any amount of land in Tasmania that is available for development but it's not well serviced by water and sewerage.

CHAIR - Unserviced broadacre.

Mr CLUES - Correct. That is where I think the problem lies. If you want cheap land you can buy it in Tassie but you then need to pay to get the power connected, put in the envirocycle system to manage your waste, and that is where you pick up the extra cost. If you want to buy a block of land that is already well serviced by infrastructure you will be paying a premium, and that is going to escalate enormously as we move forward, given the underinvestment in infrastructure. One of the tenets that we argue in terms of housing affordability and State government obligations is to try to create an environment

where investment is encouraged in this State. One of the ways you can do that is to have a settlement plan as to where you want people to live, where you want your industry and your pristine environmental areas and have a map for the State that says, 'This is where we want to do business, this is where we want to live, this is where we want to play', and then have infrastructure that matches those needs.

What we have at the moment is every man and his dog coming to the State, putting their hands up and deciding if they want x , y and z here on a random basis. We court them and tell them all things are possible but they get two years down the track through the planning system and realise it is not that easy and that there are a lot of objections in and around that area and everything is a lot harder than they thought it was going to be, so you just have this ad hoc development. That is true in our residential sector. Mums and dads carve up farms and double blocks but there is no grand vision. You do not see in this State really well done, beautiful subdivisions on a regular basis. Most of it is just ad hoc development on a piecemeal basis with no real vision and, as a consequence, you end up with this ad hoc approach to infrastructure which ends up being enormously expensive.

CHAIR - That was a very good summary of that huge spike in 2008. In the perennial argument about the price of land, the one answer I tend to trust more than ever is land release, which is a market intervention by government, which is not a bad thing. Every day of the week somewhere, someone is manipulating, moderating and urging through public policy, certain things to take place. So what you are saying is that land release has to be serviced land release, it has to be genuinely competitive with the actual cost of somebody developing a subdivision, because you are dead right, at \$140 000 for a basic block of land we are talking big bucks.

Ms BROOKFIELD - Supply is the critical issue for us and it always has been. We do not have a demand problem, we have a supply problem. You are right about artificial constraints and it is the role of government to regulate land release but, as part of that obligation, it should be strategic, it should be mapped and it should be clear where we are going for the next five, 10 and 15 years. What we lack right now in Tasmania is that clarity around your major cities of where we are going next and the acceptance by the local governments that are responsible in those areas that that will come along. So there is also the interplay between the councils saying, 'No more development here, please' or, 'We're not going to let you knock down and rebuild here', and that is going on at the local level. The residents themselves drive that and have their concerns about buildings being knocked down next-door to them. I understand that, but the State Government needs to be strong enough to direct the strategic plan for the growth of Tasmania's major cities.

The recent release of the Southern Regional Land Use Strategy draft document did not give that kind of clarity. It was a very light document in terms of saying where people will go; there were no diagrams per se - correct me if I am wrong, Bruce - that showed the pockets. Diagrammatically showing us where Hobart and Launceston will grow is something that can and should be done and estimating whether that is 500 or 1 000 blocks or 2 000 blocks over a period of time. That then needs to go hand-in-hand with the strategic planning for the infrastructure, so there needs to be an agency or if there are two agencies they need to be working hand-in-glove to both map out where the growth will be or the infill growth will be, because they both need to occur. Certainly HIA does not have a position that this should all be a new block and a new outstretch. There is a

critical role for infill development and we have larger blocks of land underutilised. So the infrastructure needs to go with that and then comes the big-ticket item of who is going to pay for that infrastructure.

CHAIR - We are getting to the headworks issue which we need to get to.

Ms ARCHER - Are the three regional planning initiatives supposed to address the exact issues that we have just been talking about?

Mr CLUES - My understanding of the three regional plans is that they are designed to harmonise, simplify and create some consistency across the State and create a vision for those areas about where we live, where we work and what we do. I should start from a fair position, it is a damned sight better than where we are at at the moment with 34-odd planning schemes administered by smaller regimes but, in my view, it is still pandering to local regional parochialism that is holding this State back and always has.

Ms ARCHER - It is not going to address the planning issue.

Mr CLUES - It is not. What we need is a seminal plan for the whole State. If we decide that we are going to have heavy industry in a particular spot then let us deem that appropriate, let us get agreement from the Greens, the Libs and Labor that this is where we want heavy industry. If we decide that this is where we need the residential to support that industry and growth then let us decide that and create growth corridors and land release sitting in and around that. If we have beautiful World Heritage areas that need to be preserved then let us cordon that off and not have debates about what should or should not happen in that area. That is not really what is happening under those regional models. My view is that what we need is for somebody to come in and have a look at the architecture of the State, where our potential lies, where the investment should be, where we are going to live, work and play. We do not have that overall guidance at the moment and, as a consequence, we just have layer and layer of planning bureaucracy that is holding back investment. A number of investors have come into this State with the belief that they could do something and then have walked away as a consequence of the planning scheme, just completely disillusioned, and talking to not only their own people but other people about how difficult it is to do business in this State, and that is not what we want.

Take the Walker Corporation as an example. I have no doubt that they came into this State with a belief that they were going to be able to do Ralphs Bay.

Mr BOOTH - Do you reckon they had a nod and a wink?

Mr CLUES - Yes. I have no doubt that they believed that that was possible and they have spent millions of dollars in the false belief that that was going to get up. I would have thought a more logical thing to do would be to say to them, 'Maybe one day you can do something as adventurous as that but in the interim why don't you come down and do a master plan for the Hobart wharf area as you did with Woolloomooloo in Sydney?' and then the next stage is we can do a development on the Eastern Shore on waterfront property and once you have built credentials sitting in and around a project then you have the opportunity to expand and develop based on trust and the like. We have a lot of investors that are coming into this State and being courted and made to believe that all

things are possible and then once they start going through our rigorous planning system, they walk away completely disillusioned as to what is possible and what is not possible, what the ground rules are and whether they are going to be able to comply or not. It is the same with pulp mill, it is the same deal, they are not 100 per cent sure on what it is that they are going to be able to build or what the rules are and whether they are going to be able to comply.

Mr BOOTH - Could I just make a comment there, Stuart. In my view this is confusing major projects with the general cottage-building construction industry for business and for housing and so forth. I will go back to the issue of available land for orderly development for housing and so forth but in both those cases you mentioned the pulp mill did not go through the planning scheme. It did not go through any process, if you recall, it was actually fast-tracked through Parliament because Gunns failed to provide adequate information even for assessment. It could not be assessed because they could not comply with even the basic requirements of air quality and emission levels out into Bass Strait and so forth and were given special largesse by Parliament, which has appalled just about everybody in the State in regard to the process that was gone through rather than allowing it to just go through the RPDC, and similarly with Ralphs Bay. Walker Corporation knew when they came in that that was actually a conservation area and if you are talking about certainty, there was certainty; people in Lauderdale knew that that was a conservation area and in fact part of it was a Ramsar site that had to be revoked to allow for this, if you like, kind of dream when a tycoon flies down here in a Lear jet, looks out across Ralphs Bay and says, 'I can build a lot of houses there and make a lot of money'. I think that is an appalling concept and I would be horrified if you are proposing that those sorts of projects should be simply prescribed as being available and that anywhere in Tasmania that is not listed as World Heritage should be available for some developer to come in and simply -

CHAIR - I think Mr Clues is actually saying the opposite - have the argument upfront I think is what he is saying.

Mr BOOTH - Yes, that's what I'm saying. I am just saying that Ralphs Bay and the pulp mill are two things -

Mr CLUES - I completely appreciate your position, and that is not what I am advocating. As the Chair said, what I am saying is that we have no certainty sitting around our planning system. Under the perfect model, people would have known that those two projects are off the cards. They would have been able to come in, have a look at our planning system, knowing who they would need to talk to, and understand that that was never going to get up. What I am saying in relation to residential development is that on a smaller scale, our people have no certainty. If you buy a residential block of land - not even a subdivision - you have no certainty about what you are able to build.

CHAIR - You used to be able to.

Mr CLUES - You have to go through a full planning process, all the rights of appeal from anywhere in the State - it is not even restricted to people who live in the vicinity of you. I can have a neighbour in Launceston tell me that she doesn't like the colour of my front door in Hobart. It is ludicrous.

Mr BOOTH - But Stuart, with respect, and I don't disagree that there are a lot of impediments that are make-work schemes rather than delivering good planning outcomes, my experience has been that if it is a P or a P1 use, then you do have certainty, you know exactly what the planning scheme says, you know what the setbacks are. Even though the setbacks might vary from council to council, if you are going to build in the Meander Valley, you know what the setbacks are.

Mr CLUES - But there is not enough P1. More and more of it is becoming discretionary decisions. There used to be a lot of P1.

CHAIR - Can we explore that because we have LGAT tomorrow and I want to take advantage of you guys being here before we speak to them. For instance, in the West Tamar Council - I am not sure whether it is P1 or P2 - if you buy a residential block to build a house, you have to go through a planning process.

Mr CLUES - Yes, that's right.

CHAIR - You pay \$499.

Mr CLUES - Yes.

CHAIR - With the Launceston City Council you don't, and that's a neighbouring council.

Mr CLUES - That's exactly right.

CHAIR - How can that be?

Mr CLUES - What we have been advocating through our single residential planning scheme, and it has support of the Greens, Liberal and Labor, is that if you want to build a standard home on a block of land that has deemed appropriate for a standard building -

CHAIR - Within an envelope.

Mr CLUES - within the envelope, height restrictions, respect to neighbour's noise, acoustics, visuals, front fences, heights, if you fit within this box it shouldn't need planning approval because all the hard decisions should have been made upfront when they carved that land up.

Mr BOOTH - So it is a performance-based thing. Provided you conform to the criteria -

CHAIR - Which is a building approval.

Mr CLUES - Yes. That is what we are saying, so we are all on the same page. I extrapolate that, and that is the point that I was making about those larger investments, that if we had some clarity about what we actually want to do, then people would understand whether or not that investment was possible. But what I am saying, and I will keep it within the confines of this select committee, is that the problems that major investors have are the same problems that the poor mums and dads are having. These people don't have much money behind them, don't have lawyers, investments and planning experts, they just want to build a home on a piece of residential land and it becomes so complex.

Mr BOOTH - I must say that I am surprised that the building of a simple cottage, a family home, could get to the point where you are comparing it with Ralphs Bay or a pulp mill.

CHAIR - That's where it's got.

Mr BOOTH - You are saying that there are not enough P1 users?

Mr CLUES - No.

Mr BOOTH - That is the point then. But even where there is a planning application, is there anybody who has bought a residential block of land in a new subdivision that has actually been prevented from building that house?

Mr CLUES - They are not prevented from building it but what the house looks like, how big it is, what its footprint is, how tall it is, what colour the front door is and where the front door is, where the letterbox is -

Mr BOOTH - The olive tree, for example?

Mr CLUES - The olive tree, for example. The worst part about all this and the comical part about it is that I do not even believe the councils think that half that stuff is necessary; it's all about being under-resourced. So what they do is, rather than deal with the work on their desk, they simply stop the clock and have a list of -

CHAIR - This is the 42-day clock?

Mr BOOTH - Yes.

Mr CLUES - They stop the clock and say, 'We'll drag excuse 508 out and say you need a parking plan'. 'Great, that buys us another month before we have to actually make a decision'. What we are saying is that if you come up with this residential code, they can then focus on the 20 per cent of things that actually matter in their region. Once they have made the hard decision that we want eight houses in this subdivision and six of them should be houses and two of them should be units, they shouldn't be overly concerned about what colour brick it is or anything else provided people want to fit within that envelope that has been agreed. Then they can worry about whether they want a medical centre or the dog kennels or whatever else in the neighbourhood - the more complex decisions that impact on people's lives. The housing sector is building, in my view, a fairly innocuous product. Provided that you operate within these accepted frameworks, you shouldn't need planning approval. What you should need is building approval and plumbing approval and then get on with it.

Mr BOOTH - So are these applying to new subdivisions or old land, old blocks?

Mr CLUES - We're saying it applies to both, but you still need to respect cultural heritage areas. You can't go into Battery Point and decide to build some modern architectural edifice and not expect to create a fuss, but if you're going to build in a traditional residential area and there is a block of land vacant and you are happy to work within that residential code, get on with it and build it.

Ms ARCHER - So if it was heritage that would be taken into the planning system?

Mr CLUES - Absolutely. Heritage overlays, cultural overlays, environmental overlays - they have to recognise all of that, but that is the 20 per cent. We are trying to resolve 80 per cent, the mum and dads who want to build out at Chigwell, Sorell, Kingston, Blackmans Bay et cetera, who just bought a block of land and there are seven other houses in the street and they want to build the eighth one.

Mr BOOTH - So for those people who want to build the eighth one is it just the planning application fee or the time delay?

Mr CLUES - No, it's the process. The fee is probably not the thing -

CHAIR - But \$499 is a lot of money. That's what they are charging on the West Tamar.

Mr CLUES - It's the delay, the uncertainty. I describe going into our planning system like going into the casino. You put your money down and you are never quite sure what you're going to come out with. You have no certainty. This is about a stock-standard residential home. It is like going to the casino, you lay your money down and let the cards fall as they may.

Mr BOOTH - Can you provide the committee with a couple of specific examples of where a standard, ordinary residential dwelling has been applied for and the sorts of impediments they have encountered?

Mr CLUES - Yes. We can provide you with a plethora of case studies and it will make you laugh and cry at the same time.

CHAIR - Try to concentrate on what the ordinary person on the street would expect with a block of land. How on earth did we creep out to the situation where suddenly it becomes a massive planning issue?

Ms BROOKFIELD - Your example earlier is right. We will have members who have built pretty much the same house in two different locations, where they are in the same council or adjoining, and have gone through different processes.

Mr CLUES - Wilson Homes is a classic example. They build 150-odd homes per annum, they are stock standard family homes and every time they cross a municipal boundary they have to work out what on earth is going to happen.

CHAIR - Is it setback or something? I have heard over the last 12 months from local government people, 'But it's setback. They all want different setbacks'. Why don't they adjust their envelope then so that everybody knows what the setback is?

Mr BOOTH - My experience was always that if you applied to a council to build you looked at the planning scheme and the planning schemes were prescribed in terms of what was a permitted use and beyond that it becomes discretionary. It seems to me there is an argument that if you abide by the prescription that you can build the same house in adjoining municipalities, albeit that they may all have different setbacks, but you know

that before you buy the block, you know if you look at the planning scheme that this has a boundary setback and that property doesn't. If you want to bypass that then you apply for discretionary approval. It makes a permitted use become discretionary because you go outside the prescription. Is that the case?

CHAIR - That's where it's changed over the last two or three years. Is there more and more of this now since the sewerage and water corporations have gone, that councils seem to be able to concentrate more on this and get harder?

Mr WILLIAMS - I'm not sure, but it is interesting. I can snapshot some examples quite quickly. Regarding the experience in West Tamar compared to Launceston, your planning processes are out over 100 days in Launceston. The common comment from our members is that they can have a house built in West Tamar before you turn the first sod in Launceston. Crazy things are happening. Someone will bring in a plan, let us say for an elderly lady, and there is a slope and the builder says, 'That's a bit dangerous walking down. We'll put two blocks' - and they set back two blocks as a retaining wall and that requires a new plan to be submitted, advertised for objections and appeals and it is just nuts; it's just really unreasonable and it holds everything up until they can get on with it. Then you get examples of guys who do developments who make changes and contact the shire and then when they finally get the final inspection they have made adjustments based on discussion. I mitigated one just last week where they were sending it to the lawyers without even giving him a list of the things he needed to fix. I don't know, it's gone -

Mr BOOTH - Gone crazy?

Mr WILLIAMS - Yes, it's got out of hand, really.

Mr CLUES - When you are talking to LGAT tomorrow, what you are going to get presented with is that the HIA, MBA and PCA are rabbiting on about nothing and that they do all of their approvals inside of 34 days, which is well inside the 42 days, and they will roll out the statistics and show you that. The question that you need to ask them is, 'Yes, but what percentage of those involved your stopping the clock and asking for additional conditions?' If you took all of those applications and looked at the actual number of days associated from when that first planning application went in to when it was approved without stopping the clock, how many days are we really looking at?

Mr BOOTH - We might ask you to provide that information pretty quickly so that next week we can -

CHAIR - Yes, next week we have some councils before us and we are probably going to interact with other councils going forward. We would like to be able to say, 'Well, we understand that this occurred', so we are not hypothesising and can actually pin them down.

Mr CLUES - Sure.

Mr BOOTH - We can call you back for further information if necessary.

Mr CLUES - Draw a white line and we'll just have it out in this room - that'd be good.

Mr BOOTH - Stuart, I'd like to go back to the issue of headworks charges you were talking about before. I think one of the planning authorities has identified that in the southern region there is something like 20 years' supply of available land at the moment that is either for infill or for land that is already zoned for housing that may or may not be subdivided; I am not sure about the detail of that. Is part of the impediment to a subdivider dividing land that is already listed for subdivision - it is part of the planning, it is identified for residential - the problem with the ATO with regard to writing off the development costs in the first year? In other words, if you go to trouble of putting in the roads and the services and so forth, I understand you're not allowed to write that off until you have sold your last block.

Mr CLUES - We will have to take that on notice; I am not an expert.

CHAIR - We can talk about that with the Property Council; they're the right people for that.

Mr BOOTH - Okay. I was just wondering because there is an argument that headworks charges ought to be borne by the developer because they buy a vacant block of land and it becomes part of the costs of development, the same as a builder building a house does not get the studs provided free, even though 20 years ago you might have been able to go to the old mate and get some cheap studs. Therefore it seems to me not an unreasonable argument that headworks charges would be borne by the developer. I am wondering why it is such a problem to the HIA, given that there is plenty of land available for subdivision anyway?

CHAIR - Before you answer, it is very well put here but I would like to hear your view as to the competing public policy questions on user pays and who should pay where? I guess that is what it comes down to.

Ms BROOKFIELD - That was the style of answer I was going to go to because I am not aware of the local costs and Bruce is more across those. I have to take the time to be really clear on our position and it is put in the paper in black and white. HIA members have absolutely no issue with paying for the infrastructure in a development that helps to make that block of land ready for sale. So I refer to the water pipes and the electricity supply to that development and the road infrastructure in that development. Where we take issue - and this is why we have come up with these two definitions of development-specific infrastructure and community and social infrastructure -

CHAIR - Which is the second one?

Ms BROOKFIELD - Community and social infrastructure.

CHAIR - What kind of infrastructure is that?

Ms BROOKFIELD - It is the broader infrastructure. Where we take issue is when we see what we consider to be broader community infrastructure being solely paid for by that one development.

Mr BOOTH - Like what?

Ms BROOKFIELD - So the headworks -

Mr BOOTH - What are the broader ones?

Ms BROOKFIELD - Regional road connections, large roundabouts at the beginning of developments -

Mr BOOTH - Sewer extensions and those sorts of things, water and sewerage?

Ms BROOKFIELD - Yes, things that go on to also be available to other developments and homeowners in the community, or things which might retrofit existing areas where there are connection pipes that need to go in and the benefit goes backwards. This may not be an issue so much in Tasmania, but in other States we are seeing this creep into building a library, for example, to actually paying for library books, paying for community halls, paying for playing fields. These are things that people not only in the broader suburb would go to and have benefit of, but people will travel to. I mean, you drive your kids around on the weekend to play soccer in the next local government area, and you didn't pay for that soccer field. So that is where we say if it is really community infrastructure then there needs to be a model which shares the cost across the community.

CHAIR - So where does it actually occur? Is it Sydney or Brisbane where they are stinging people for that development contribution?

Ms BROOKFIELD - Yes, Sydney and Brisbane have the local government sting for this style of infrastructure and it has, unfortunately, come in at a State level as well in Victoria, New South Wales and Queensland. We have been through a very long journey, but the original intention in New South Wales was a contribution which went towards the ambulances, the fire brigade and the schools on the cost of a new block of land.

When you have heard HIA talk about \$120 000 in New South Wales, that will be a five-year-old conversation where the Government was looking at \$60 000 as a State contribution on top of \$60 000 as a council contribution for this infrastructure and it was only on a new block of land. So the other three million people in Sydney were not going to have to pay that for the new schools and ambulances. You are not in that camp and I sincerely hope we never have that situation here.

CHAIR - No, but that's where it goes. That kind of thinking leads to that.

Ms BROOKFIELD - It does. We're also not saying that the Government should just supply all this stuff and magically have a pot of money. We are saying there are sensible long-term infrastructure needs for every community and therefore there should be sensible long-term funding mechanisms for that infrastructure. We have moved far away from this concept that it is right for a government to borrow a proportion of money to fund something that may be there for 30 years and help that community to live the life they live.

Mr BOOTH - Intergenerational assets.

Ms BROOKFIELD - Security bonds, infrastructure bonds - there are a range of different models and we are in the process of working those up and I know other groups like the Property Council have information on those.

We need to look more sensibly at that and encourage local government to use those sorts of mechanisms. Local government is not flush with money and we understand that, but to just simply say, 'Okay, there's 100 blocks there, we need this many streets and we need this playing field and we need these water pipes. It's a million dollars divided by 100 blocks and we're right', is not the right mechanism. Even if that conversation is, 'It's a million dollars and there's 100 blocks, and they will pay 20 per cent per cent and for the other 80 per cent we will find a funding model that is shared across the whole community', it would be preferable to this 100 per cent concept. That then leads you to look at your rates, and I apologise for not being as across your rate system as I could be, but you don't have the impediment that New South Wales has where they have a thing called 'rate capping', so the rates should then go on.

This infrastructure, as well as being long-lived, has a user charge. We do pay our water rates, we do pay our power bills, we do pay general taxes to the Government, so they should be set in a way which then goes on to pay for this long-lived infrastructure.

Mr BOOTH - So would you be in favour then of that being available if somebody wanted to do what they used to call the kangaroo development, I think, where somebody wanted to subdivide and create a new subdivision that could be miles away from the -

Ms BROOKFIELD - Leap-frogging.

Mr BOOTH - Leap-frogging, yes, okay - would that apply to that or only to areas that are already under the current planning scheme?

Ms BROOKFIELD - No, the reality of that situation is that the developer is trying to go beyond the plan, and this comes back to the concept of needing the settlement plans to know that we're leap-frogging and without that, right now you have a situation where you perhaps could argue, 'Well, I'm not leap-frogging because there is no plan' - and that's not necessarily where we want to be.

But in leap-frogging, the developer who is interested in that generally tends to recognise that they will share a greater burden to put that development in upfront. There are certainly examples I know of in New South Wales where they have put in the sewage treatment works, not just the pipes but done the whole dig, because it was far in advance of where the water authority was planning to be, and if the developers can make the numbers stack up, good luck to them.

Mr BOOTH - It seems to come back to what Stuart was saying in terms of settlement planning. That seems to be the same sort of thing that a planning scheme should be delivering but at the moment is not perhaps because the planning schemes are too old. They are supposed to be redeveloped every 10 years basically.

Ms BROOKFIELD - I could supply to you not necessarily a State plan but a metropolitan plan for every capital city in Australia apart from Hobart. That planning work is done strategically by the States for all of our cities apart from Tasmania.

CHAIR - A good point. We need to start drawing our thoughts together because we have our next people coming in at 11 o'clock so if we can look at finishing at about 10 to 11 we can have a leg stretch.

Just finishing off on headworks, if you accept that there ought to be a logical process for the developer to pay for the infrastructure required for that development you are saying that between \$3 000 and \$6 000 per development block is where it's currently at? Is that your experience?

Mr WILLIAMS - That is correct.

CHAIR - When did these headworks charges start to apply? They're not all around the State, are they?

Mr WILLIAMS - Historically, it has varied enormously. There have been councils that were just happy to have people move into their area and they picked up the cost. There are others who apply headworks charges at varying degrees.

Mr BOOTH - Sorry to interrupt, could I just clarify that you are talking about headworks charges being imposed on blocks that are already subdivided or only when you are building a new subdivision?

Ms BROOKFIELD - It should be new. We are talking about new.

CHAIR - When the excavator moves in you pay for -

Mr WILLIAMS - It is on submission of plans - at that stage.

CHAIR - And only to the water and sewerage authorities? There are no councils currently talking about headworks charged outside of that? So it has to travel to the utility. That is at least healthy.

Mr WILLIAMS - You can see all of them for the north-west of the State on their web pages so you can go through and see what their charges are and they vary because they split them up between sewerage and water, but when you add them together the minimum charge is about \$3 000 and the maximum is up to \$6 000.

Mr BOOTH - Per block?

Mr WILLIAMS - Per block. In places like Launceston some of their developments have traditionally had charges allocated to them and some have not and the same in Hobart but there are various stages in the development of how they will apply the charges and what those charges should be. We have just made a submission on water and sewerage charges and have explored that in more detail. One of the things that is not in this submission that is pertinent to it is that in addition to that the water authorities do not allow any of the developers to do the connections or upgrades to existing facilities. So where you have a pipe running past the front of a development and you need the upgrade to hook in, they will not let the developer undertake that work and the typical figure is another \$4 000 on top that the water authorities are charging to undertake that task.

CHAIR - \$4 000 per block?

Mr WILLIAMS - Per upgrade, and the comment that we have from members and when you explore it is that this has at least doubled to maybe 60 per cent to 70 per cent more than it should be at commercial rates. There is a monopoly there for that particular thing that the builders used to be able to manage. You used to talk to the local council and say that you need to hook that up and they would arrange for the work to be done to the council's specifications. There is another level of charge in there that has snuck in.

Mr BOOTH - Gouging, basically.

CHAIR - So that committee will look at that. I am on that committee so we will have a look at it.

Mr BOOTH - Are you finding that the new structure of water and sewerage boards has become an impediment in terms of time? Can you detail how that is obstructing?

Mr CLUES - If I can use the example of Wilson Homes - and they won't mind because they have come out publicly and said all this in the press - what they are finding with the new structure is that it is adding at least another two weeks to the process because before they can do anything they need the blessing of the water board before the council will give them approvals. Because they are new entities, they have had enormous difficulty with communication - and this is isn't restricted to Wilson Homes but applies across the board. They don't have a specific person who is assigned to manage your case or your area. Every time you ring up you get the switchboard, 'What is your problem? Who do you want to talk to?' You talk to that person and explain your problem, get your assurances and then you ring up and say, 'Nothing's happened', so who do you talk to? You are put through to somebody else, so you have all these faceless people with no names, no case management and no sense of ownership. At least in the old days you used to go into the council, bang on the desk and say, 'What the hell's going on?' Now it is faceless bureaucracy and you have no idea where in the ether you are. It is not just dollars, it is also time.

I want to temper all of those comments by saying we still think it is better than having all of those important infrastructures managed by the councils. We just think there is a better way that those new entities can operate. I do not want to sit here and sound as though I don't think the new model can work; I think it can. I think it is better than the old model but I think there is room for improvement.

Mr BOOTH - Currently it is delaying projects that weren't being delayed before.

Mr CLUES - Correct. I think they have gone into some sort of defence mode. They have copped so much abuse that they are not open to discussion about how to improve processes. They have just put the walls up and are trying to withstand the abuse and every now and then they pop their head up over the top. It is not a great environment. I have seen where they have held public forums and had their senior people stand up, give a 10- or 15-minute address and sit down before there are questions from the floor. They just don't want to engage. I have made that criticism to them directly when they have come to talk to our boards. They have gone into this protectionist silo mentality where

they are so concerned about the heat that they have borne that they're not prepared to engage and work through some pretty basic operational issues.

Mr BOOTH - Are you finding refusals to develop? Say within a planning scheme there is an area available for subdivision that may in fact be not directly adjacent to where this sewer currently ends, that they are preventing those areas that are already zoned for subdivision being subdivided because they won't give approval or because of the time constraint?

Mr WILLIAMS - I think it is holding it up. It holds it up in a number of ways. Because you have two processes running, the council and the water commission process, the time delay to get it through both of them is a problem. The other thing that happens in the practical delivery of the services is that you now have a situation where you have to open the road to get council stormwater and whatever and then you have to open it again for the water authorities later down the track to get the sewerage and water supply in, whereas once that would have been done in one operation. So you have those sorts of challenges of the water authorities working with council in a practical sense to deliver infrastructure development.

Mr BOOTH - Is that also a problem with gas, underground electricity, optic-fibre cables and so forth, that it is not coordinated - that you have one road opening and they're all done together?

Mr CLUES - Correct. I am not aware that there is a one road-opening process where it's all done in an efficient way. These add extra costs because you have to put your signs up and you have to get people out two or three times.

Mr BOOTH - I noticed at Kingston Beach, I am pretty sure it was Aurora putting in underground power and then the gas comes through and it rips it all up again.

Mr CLUES - It is funny you should point that out. Most of the committee members here, because you have lived in Tasmania long enough, know the problems. You have experienced them, your neighbours have experienced them. Everything you have cited today gives me great comfort that you are across the issues. It is so true, before the water and sewerage issue really kicked up, a lot of the calls were about Telstra just getting phones connected. They had contracted Tasmania out to some service provider and they had subcontracted it out to five other different contractors - the whole thing was just a joke. Just getting a phone connected, the builder was going insane. So there is no continuity in terms of the application of services to a residential block of land, it is every man looks after his own patch and you just have to work your way through the individual malaise that they come up with.

CHAIR - In that environment, that just adds costs - dollars. Delays and so on all ends up costing money.

Mr CLUES - Mr Chairman, as a concluding sentence, I think the beauty of the committee that you have established is that you have recognised that in our industry it is not just one problem, it is a literally a death by a thousand nicks. With each problem in its own right, the people who authored it were justified in putting up their proposition in the model, but what ends up happening is that it is just one layer after another. So what we have

discussed today is everything from OH&S to water and sewerage, to planning and it is just death by a thousand nicks and every one of them is \$400 here and \$1 000 there and a delay of a day here and seven days there, and building a house is really complex in this State as a consequence.

CHAIR - I am appalled to see that the next move to six-star energy and efficiency is \$1 500 to \$2 896. Five star goes out but \$2 896 is level 6. When is that coming in?

Mr CLUES - For fear of copping a belting from Mr Booth -

CHAIR - No, he is very pragmatic about these things.

Mr CLUES - When four star came in, we went from a situation in the industry where people didn't have insulation in their roofs and houses were sweating. We had a problem. So we introduced four star and suddenly we have homes that are well insulated, people aren't dying from hypothermia or heat exhaustion, we have cosy houses that are working efficiently. We then kick it up a gear and you go to five star and suddenly the return on your investment isn't as great. You don't have homes that need that much improvement anymore. Then you jump to six star and the regulatory impact statement is actually saying it is a net cost to the State, both from an economic and social point of view, there is no net benefit from jumping to six star, and that is the same in at least two other States.

What we say is there needs to reach a point where people who want to build really environmentally sensitive homes should be able to do so at their own discretion, not have it mandated. There reaches a point with the environmental regulations whereby you say it is a law of diminishing returns and you get to a point where you end up with a net cost, and that is where we are at with six star.

Mr BOOTH - Are you saying net cost in terms of the extra cost of building and to achieve six star over the life cycle of buildings is a net cost?

Ms BROOKFIELD - Yes, over the payback period for the savings in power and heating - in your power bills for the heating and cooling of the house.

Mr BOOTH - Can you table that information?

Ms BROOKFIELD - Yes, we could.

Mr CLUES - It is not our study, that's the regulatory impact statement that was done by the Government when they introduced six star.

CHAIR - We would appreciate that, that would be good, because that is that bracket creep; you take a great idea and you belt the tripe out of it until it's not such a good idea anymore.

Mr BOOTH - Was the figure you quoted fees that they are charging for a five- and six-star service?

Ms BROOKFIELD - No, that's HIA's -

CHAIR - The estimated additional cost for a single-storey home will be from \$1 500 to \$2 896..

Ms BROOKFIELD - We went through a process in 2009 and we can readily redo it, but not necessarily for this committee, of looking at a standard house - we have two standard house models at HIA - and we have assessed that home and got a best-case, north-facing, home and a worst-case, west-facing home. So the range is between the north and the west. We did single-storey, two-storey, and worked out what the additional cost of construction would be. Mostly it is glazing, moving to better glazing, and partially an insulation increase and then there are some other little add-ons.

Mr BOOTH - Of course the size of the houses is a big part of the problem - a six-star 50-square mansion is going to cost a lot more to heat than a four-star modest home.

CHAIR - Thank you all very much for your attendance and your high-quality presentation. We would also very much appreciate that extra information if you can make it available in due course.

THE WITNESSES WITHDREW.

Mr MATTHEW PAGE, PRESIDENT, **Mr ROBERT ROCKEFELLER**, IMMEDIATE PAST PRESIDENT, **Ms GLENDA SORRELL**, DIVISION COUNCILLOR AND **Ms MARY MASSINA**, EXECUTIVE DIRECTOR, PROPERTY COUNCIL OF AUSTRALIA (TASMANIA DIVISION), WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Welcome. Thank you very much for your time and your very good submission to this committee. This committee has a reasonably broad remit. It is trying to understand why things cost what they do in Tasmania. By extrapolation you could understand that Parliament believes that some of the costs of building in Tasmania might be too high. Therefore if those high costs that affect every family Tasmania one way or another, whether it is their family home or the cost of doing business with people in Tasmania, are elevated by the cost of development then it is something we want to know about, and the Parliament is clearly interested in all elements, not just the government charges and the bureaucracies that are elevating costs but also any other market conditions which may be affecting the cost of development and building in Tasmania.

Could I ask if you would like to speak to your submission before we get underway?

Ms MASSINA - I certainly appreciate that, Mr Chairman. It will take some time, with the committee's indulgence, to just give some opening remarks about our industry and our sector and I will then hand over to Robert who will talk about bringing a development from concept to finalisation. Glenda Sorrell, who is a quantity surveyor by profession, can give you some really up-close details about costs of construction and Matthew Page, who is a valuer also by profession, can give you an understanding of the valuation differentials and its need for efficiencies and streamlining.

In many respects the Property Council is well placed to have a conversation about the costs of construction, both from a residential and commercial perspective. Our membership covers both areas and is based at a national and local level. We have always argued that our industry is one of the most important industries in the State on the basis that we employ about 13 per cent of the workforce, or 30 000 Tasmanians, and really when you think about it, whether it be government or private sector, ultimately you will deal with land. Whether you are going to rent it, build on it or manage it, you will inevitably be sitting on a piece of land, so in many respects property and land underpin the economy of Tasmania.

I wish to record the fact that it is with great satisfaction that we sit here because, as I understand it, before my time about five years ago the Property Council raised this issue and the need for an inquiry into building costs. So, as I said, it is with great satisfaction that we have this committee in place because it is vitally important that we look at the cost of construction.

The property sector is one of the most highly-regulated in Tasmania and for the last 10 years we have seen costs increase exponentially with absolutely no monitoring and no assessment as to whether those costs are effective in terms of what they are deemed to produce and whether the regulations are hampering business. If we are serious about driving further private investment in this State and about providing affordable housing for Tasmanians then we simply cannot sit back and accept the costs that sit on

construction because they impact on affordability and are showing direct impact in terms of private investment.

The other crucial part of this is that obviously the Property Council and your good selves are aware that there is a State taxation review currently underway. Obviously your property taxes such as stamp duty and land tax make up our submission to you, but you cannot have a conversation only on those taxes. You need to have a more holistic approach to property taxes so it needs to include such things as council rates, fire service levy, insurance and developer charges in the list. It is simply inconceivable that we're having a discussion about taxation and are not including charges and levies.

I suppose what the Property Council wants is to see this committee push forward some really strong recommendations that charges and levies are completely overhauled and that every single one of those charges and levies are assessed with a clear view for reform and that that is part of the conversation that occurs at the State taxation review level; that we actually see a strategic approach to land supply and infrastructure provision - because it's a bottleneck currently - and we simply do not have the strategic vision that takes in the 20-30 year gaze. It does impact upon the cost of construction. It is impacting upon the ability of the private sector to get on and do its business.

A classic example is that the infrastructure strategy for the State is for only 10 years - actually, technically speaking, nine years now because we've spent one year looking at it - and we simply do not have a consistent approach to land supply data across the State. We have some land supply data that sits in the Southern Regional Land Use Strategy which has an informal status, currently, the North-west Regional Land Use Strategy simply doesn't have any appropriate land supply data, and I can only keep my fingers crossed for the north.

There is also a need to streamline the planning system because it is creating, as we have pointed out in our submission, bottlenecks yet again. It is costing incredible amounts of money, both in terms of definable risk but also simply trying to get through the process so you get your planning application ticked off. Added to that, there is inconsistency obviously because of the plethora of planning schemes across the State. So with those overarching comments, I am now going to hand over to Robert.

Mr ROCKEFELLER - What gets forgotten about in terms of costs - and someone might say it costs so much to do a plan or it costs so much to do an assessment or your architectural drawings or whatever - is that time has a real cost and, in the end, for someone who is putting their capital at risk, time is actually the thing which gets forgotten about but it actually has a real cost.

I thought I would take you through how we would look at something from a development perspective. The first thing is an idea, and it might take a number of years of passing something or looking at something to actually formulate the idea. So once you have the idea you might look at acquiring a property. The idea may have been formulated because a property was for sale or, alternatively, you may think it's such a good idea you will want to try to purchase the property or have an option over that property. That could take you a year or two years, it could take five years; it might never happen but you invest an enormous amount of time in trying to acquire that piece of land.

As soon as you acquire it in whatever form, obviously your cost to capital starts ticking; whether you have borrowed money or, alternatively, have put equity into it, it is a real cost and it starts ticking. Once that is there, you have an imperative to get on with things. Probably the thing you try to do from a commercial perspective is see tenants and get from a variety of people an understanding of whether they share your confidence in your idea. Assuming that they don't, you are going to be sitting there with that property for some time while you come up with another idea. Assuming that they do, you push onto the next step. That might be doing some plans, so you go to the architect - and it might be that you go to the architect first and then the tenants but in the end you do some level of base plans to see what can fit and whether your idea works. Over that period of time you obviously have interest but you also have holding costs outside of that, which may be council rates, land tax et cetera, so this meter is ticking at a pretty ferocious pace.

All of sudden you get into this process and, while everyone talks about 42 days, it is far from that. You might have heritage considerations and there are really no constraints in relation to how long that might take. You might have Aboriginal considerations and there are no constraints in that process. These might be things which are totally unforeseeable when you start the process. You might have environmental assessments. In one instance we are under a Federal government review but we still have to meet local and State government requirements, so you have an overarching Federal government review but local government will have their dibs, State government will have their dibs and then you might have the Federal Government - and in fact, all three of those could be quite incompatible so then you have to get through that. We're not talking about massive master-planned communities of thousands of acres, we're talking about pretty small sites. You might have EPA considerations where there are decontamination issues or whatever. That is not to say any of these things aren't important. It is the time frames associated with agencies and departments responding to them in a timely manner. We are not saying that they're not important, it is the constraints within which these organisations have to deal with your problems.

You might then have planning issues in relation to council and the costs of planning and reports. There are water and sewerage issues in terms of submitting plans. I will give you an example you might come across nowadays. They want you to do your plans upfront for water and sewerage, even though there is supply on site. Effectively what is happening is that everyone is bringing things forward so you are incurring more costs before you know whether you are even going to get a planning approval for your development. That's not to say that it's not important for a major subdivision to know whether there is going to be water and sewerage to that subdivision but there are two levels. There is one at a house level where the water and sewerage goes along your front boundary, so it is a matter of how much you're willing to pay, but why bring things forward in terms of costs?

You might have utility charges for Aurora et cetera. Within all that, those time frames could be significant. I will give you an example. In Kingston we put in for a development and the council put us through the hoops. It is probably the best proposal they have seen in their lives; probably the most comprehensive in terms of scale. It cost \$500 000 for the different assessments they put us through. We were the first ones ever to do a locational planning report. I went to the council meeting - it was approved by the

staff - and that is not to say that councils can't say no, I respect that decision-making, but to be in a process whereby council members don't ask their staff questions when they are commenting, don't allow a proponent such as ourselves to comment when things are very incorrect. But to have put us through an expense of \$500 000 to tick all the boxes, yet the councillors do not have the decency to either read the staff report or read your actual submissions to answer their questions, I have great trouble with, because they are adding costs to the thing. If they want to put you through these requirements then they should have the decency to read and answer many of their questions instead of making an uninformed decision to push us to the tribunal. In my opinion, yes, we are at the tribunal and they could say yes or no and that is life, but just get me to the tribunal in the first place if that is how they are going to treat someone who has gone to all this cost to meet their requirements and they do not have the decency to read it.

So that puts it into context. It is far from 42 days. A lot of this stuff relates to State governments putting things in place but not putting time frames in relation to how all these different bodies have to respond in a timely manner. That is not to say that the things they are considering are not important, but they should have statutory requirements in terms of their response times.

I then go to the final component, and people forget this. Matthew can go into the valuation side of things but we are not a developer, we are an investor, so it is about what the income of the project will generate at the end of the day. In the submission at the rear - and it is on this chart here - it goes through the total statutory charges on a per square metre basis of shopping centres we own. In Maitland it costs us about \$12 a square metre for outgoings, which is water and sewerage and council rates and in Waratah, which is in Newcastle, it is about \$20 a square metre.

Just to get you scared, it is \$42 a square metre in Glenorchy at Claremont Village and it is \$47 a square metre at Shoreline. It is effectively an extra \$20 to \$30 a square metre. Those are the inefficiencies we have. When your net income role is maybe \$300, it is actually a 10 per cent tax on development because it means you will get 10 per cent less return. The impacts on that you see in Tasmania more than anywhere else, with much less development but it is also the quality of the development because, in the end, developers and investors have to get a return to meet the requirements of their banks and all those types of things. It is like a house. We all have gone over budget and what do we skimp on, if we have done fantastic foundations and everything else? We skimp on the final finishes because we are over budget.

We have an extremely inefficient local government which saps it out of you from a planning process and saps it out of you from an income process. It is significantly overcharging, overtaxing and overburdening and has a negative impact on investment in this State. It needs to be overhauled big time.

CHAIR - Thank you, that was very good. Do you mind if we question Robert now on the material he has provided?

Mr BOOTH - Robert, thank you for that; that was an interesting submission. In regard to the different charges per square metre you were talking about between different areas, do you have an explanation as to why that would be? Do you think it is just arbitrary or is it

because there are critical mass issues on the mainland that we don't have here, for example, in economies of scale?

Mr ROCKEFELLER - I think it is about economies of scale. I always use an example and Newcastle is very similar to greater Hobart. Here we have 9, 10, 11, 12 planning schemes in an area of the size of this. You do not have the breadth of competence within the local government councils, unlike if you had them all together as one in terms of just the efficiency dividends. You have nine council chambers and unfortunately you have 12 or 10 councillors times x . You have the allocation of capital. Unfortunately, if it was a business you would merge them altogether and get an efficiency dividend, or alternatively, if there was competition you would go to different service providers. But people perceive that with local government, because it is a monopoly, there is no cost but there is a real cost to a person developing a house, there is a real cost to the home owner, there is a real cost to an investor and we don't realise it because they are supposedly doing good. But unfortunately they are overcharging significantly for their doing good. When you start overcharging by 100 per cent, 150 per cent, 400 per cent, it is outrageous.

Mr BOOTH - Is the overcharging issue based on simply gouging the developer or is it based on the real but inefficient cost of the number of different councils involved?

Mr ROCKEFELLER - Even in Hobart, between councils there is an overcharging - between some there is 30 or 40 per cent.

Mr BOOTH - Difference in charging?

Mr ROCKEFELLER - Yes, correct. Some people's garbage collection fee is \$100 and in other places it is \$150. It is going on but most people aren't aware of what is going on because they don't have properties in both areas and can't benchmark, so councils take advantage of it.

The water and sewerage thing is going to be amazing as to what you find out in terms of how local government has mismanaged that business and how they have 14 sewage treatment plants along the Derwent River when in fact, if you were building it today, you would have one, maybe two, and the inefficiencies of that means that you have legacy assets for the next 30 or 40 years where you have inefficient assets. Then they have been overvalued because if you were buying them as an independent person you would pay one value because they are so inefficient, but they say they have some economic value, so accordingly the ratepayer or the investor would be paying for this incompetence to pay dividends to a third party. Unfortunately that means that within a market like Australia where capital is mobile you have less investment down here and the investment is of a poor quality.

We all want Tasmania to grow and thrive, we want higher standards of living for people. That is what you are here about and what we are here about, but there are inefficiencies within the system and they need to be dealt with. We have put our heads in the sand for way too long and, whether it is a developer, an investor or just a ratepayer, people cannot support the overcharging when you are getting margin squeeze and your cost of living is getting squeezed.

Ms MASSINA - To support Robert's comments, a couple of things. Firstly, I am acutely aware that LGAT argues quite vehemently that it is only 42 days and that we have great -

Ms ARCHER - We've heard that.

Ms MASSINA - I would hazard a guess that until such time as they can provide data that says which projects have stopped the clock and the reasons why and which projects go through within 42 days, I would strongly question that stat. I am sure they have the data, it is just bringing it together.

Mr BOOTH - We will be able to get that.

Ms MASSINA - That would be very interesting to see.

That is the reason the Property Council, both at a national level and at a jurisdictional level, has always said that there is a need to streamline the planning process and the assessment processes. I am with Robert, there is no question about the validity and importance of those assessment processes but there does need to be some rigour and time lines attached to it. If you streamlined the planning process and took the decisions for DAs out of the hands of councillors and put them into expert panels, in many respects that overcomes some of the issues regarding skills deficit across council areas, but it also means that it forces a streamlining of assessment processes as well.

We have gone part of that way with projects of regional significance but there is a need to get that across projects worth \$1 million and above, and really this is not rocket science; every jurisdiction in the country at the moment is going down this path of having expert panels. Councils still have the right to representation on those expert panels but there is an understanding that we need to improve our system in order to improve the level of investment.

The other issue that Robert highlighted was the need for some transparency and accountability around council rates and councils have probably been saying this for quite a considerable time now, but you cannot have the differentials that are highlighted in that chart and expect either local or mainland investors to accept it. In our submission to the review of valuation and rating we have strongly argued for the need for transparency and accountability with council rates. We would certainly hope that the Government hears that loud and clear, particularly also in the issue of State taxation. For example, the Property Council went into heavy negotiations with the Glenorchy City Council because they decided that they would put a 25 per cent increase and have a differential rate on commercial property. You have to ask the question: do you want people having jobs in that council area and do you want to drive further investment in that council area so that you continue to provide the level of services for your community, or do you not and, realistically speaking, having an increase of 25 per cent and having a differential rate would imply that you do not. That obviously will come up for yet another level of discussion at the start of the new financial year when they are doing their budgets again. From my perspective, where was the justification, where was the transparency, where was the consultation and, ultimately, where was the requirement that councils consider that commercial activities are not a cash cow?

Mr BOOTH - Robert, that was a Kingston development you were talking about.

Mr ROCKEFELLER - Yes.

Mr BOOTH - Is part of your contention then that if you are a developer and you go to a planning authority that it should be more prescriptive so you know effectively what you are going to be able to do on that land, or where you have a discretionary application that you should be able to go to council and ask what things you are going to have to provide rather than having to have every single 't' crossed and 'i' dotted before you put it up and then get it knocked back? Is that part of what you are saying there?

Mr ROCKEFELLER - No. The point I am really trying to make on it is that every 'i' was dotted and every 't' was crossed, the council staff supported it, but I respect the councillors - that is why they are voted in - and they have the right to say no. I respect that.

Mr BOOTH - The planners could have said no, too.

Mr ROCKEFELLER - The planners could have said no and you could have still taken it to council and they may have said yes, but this relates to obviously a large development - it is not a house or anything else - and a large amount of documentation that needs to be reviewed. To actually listen to that conversation for an hour or an hour-and-a-half, after you have piles and piles of documents and you were required under their planning scheme to spend all this money and provide all the answers but no-one wants to read them -

CHAIR - No-one read them?

Mr ROCKEFELLER - No-one read them, no-one asked any questions, et cetera. I think it is disrespectful to someone to ask someone to do things and then not actually even give them any consideration. Obviously we have the right to go to the tribunal and they can decide but the things is, did they actually have an informed position, did they provide us with due process and due consideration? To my mind, I was mortally offended by what they said and it is not because they said no, because I can tell you I can actually understand how you can say no, as long as that is what they said and didn't come up with all this other nonsense. That is what mortally offended me and I do not think it warrants spending - the idea is seven years. The amount of time and effort spent - acquisitions of land, interest costs, holding costs - you know, spending half a million dollars just in hard costs was actually not fair.

Mr BOOTH - Therefore, setting aside being offended, which I can understand, but is there a way that that process, in your view, could have worked for you so that you were able to test your proposition before you spent all the money and were then knocked back at the last hurdle? What's your suggestion of how that should have been dealt with then?

Mr ROCKEFELLER - I probably would say that Mary should have gone to an expert panel, upfront, and be done with it. That is where we were going to end up - that is where that was always going to end up. It was never going to end up anywhere but with the tribunal.

Ms ARCHER - Western Australia have expert panels, don't they?

Ms MASSINA - Yes. Just after the new Liberal Government came in, Western Australia took on board, holus-bolus, the development assessment forum - a leading practice model - so they have expert panels and they have implemented that.

CHAIR - You have that in here?

Ms MASSINA - Correct, that is an attachment. It is working very well in South Australia. They have expert panels across every council area and that is for projects \$1 million and above.

It is about having expert panels but it's also about having a very clear understanding about what is allowable in terms of land and it is a question about having a really clear understanding, both from the investment sector's perspective but also the community, about how long these processes go for. For example, with the environmental assessments, which level of government actually holds precedence? I think it is completely extraordinary that we have a situation where a development can go through three tiers of environmental assessment and you can get a tick-off at a Federal level but you might not get it at a local government level, or you might not get it at a State level, or, worse still, you will have to go through all three and there is still a question mark.

There needs to be some level of streamlining. With the projects of regional significance the streamlining of the environmental assessments has not picked up the issue of the Federal environmental assessment process, so that is a weakness.

Also with information provided by members around Aboriginal heritage assessment, and nobody disagrees with that by any stretch of the imagination, but there are no time lines attached to it.

CHAIR - Do you think we could reasonably negotiate, with the interested stakeholders, a genuinely appropriate time line for an Aboriginal assessment of a thing? Is that realistic?

Mr ROCKEFELLER - I think it's critical. I think you have to put some boundaries on it.

CHAIR - But the principle has been accepted by the local government, they accept a 42-day thing. We are going to look into that, there is no problem about that, but at least the principle is established.

Ms MASSINA - Yes.

CHAIR - You have a job to do, do it.

Ms MASSINA - Yes, do it.

CHAIR - Is it realistic, however, to apply that same thing to Aboriginal things and heritage things?

Ms MASSINA - Yes, absolutely. I suppose, realistically, to not apply the same kind of expectations, the same kind of benchmarks, for one set of processes, is not equitable.

Mr BOOTH - With respect, Mary, an environmental assessment that might require a whole lot of decontaminating of a site - all sorts of stuff - might take longer than a simple bureaucratic process of shuffling papers for 42 days. You can't be supporting a position where you think that.

Mr ROCKEFELLER - No, the position though once you have lodged is that you have certain time frames in which you expect the government department to respond. They might respond that it's not sufficient, they might respond that it's adequate but there needs to be time frames in place in terms of lodging and responding, and that is what's not going on.

I'm a firm believer in protecting your own patch and people forget that property people can destroy a lot of economic value of someone else who has made commitments. I respect that because I know what I am like in certain situations. That is probably the point I am going to make: the councillors looked at it from a political perspective so they were choosing sides in this situation. They were not looking at the project on its merits, on a planning application. Before an expert panel is where it effectively ended up. It was always going to end up there, so why go through the charade? That is the point I make; an expert panel was always where it was going to go. It should have just gone there in the first place.

Mr BOOTH - Can I just drill down to what I was trying to get out of you before with regard to some sort of prescription? Do you think something like KPIs might be an idea, so you would go to the council and they'd say, 'In that area you are going to have some major issues with Aboriginal heritage, contaminated site and landscape' - or something like that - 'but in a general sense it fits the planning scheme, fits our performance criteria.'? So you can then go off and get that part done, rather than having to do 100 per cent of everything and put your submission in before they assess it. I have seen some developments, for example, where people have assessed the whole project, they have had the design done, the architects, landscape plans - they have had every single 'i' dotted and 't' crossed and they get knocked out because of one thing that should have been blindingly obvious before they filed.

Mr ROCKEFELLER - You are exactly right. We have pushed forward all these requirements when in fact there should have been conditions of approval. A condition of approval should be getting an EPA approval or whatever, but here you are getting all these other approvals yet you don't know if your development is going to be approved in the first place. You are exactly on the money there. How do you reduce the costs? It doesn't mean the quality of the development, it doesn't mean that you don't have to get Aboriginal tick-off or heritage or a whole range of things - where it is outside your position - and reduce the cost so that people can have a crack. What is also happening is that as the cost is ratcheted up it means people putting up developments become fewer and fewer because if you don't have capital you don't take the risk. You get less development; people say, 'It's all too hard'. That is where Tasmania needs to be more efficient because it is harder here. It is harder to get capital in Tasmania than it is in downtown Sydney.

CHAIR - There is a developer in Tasmania who has a piece of land and is in the process of pulling out old fuel tanks. Now with Federal law there is an appalling set of things you have to go through, you can't just yank them out. He submitted to the Environment

department in Tasmania, after a six-month process, a big fat document. He put it on 1 October and the staff in the department have admitted to him that they haven't opened the front cover yet because they just haven't got to it. He thought he would be building about now, but they haven't even opened the front cover. This is what I am exploring with you. If we had time lines it would be a signal to the Government that you need to put resources in there because you can't comply with the time lines that Parliament has put in place. It's a service issue, isn't it? Would the time lines add significantly to the cost, do you think? Treasury always says, 'You want more people, so user pays'.

Mr ROCKEFELLER - I think it is where legislators don't think through processes; they legislate but they don't think through the practicalities of what is going to happen. I will give you example - form 56s. Every commercial building in Tasmania is supposed to have it every year. It costs you \$1 200, \$2 000, whatever dollars, but no-one looks around to see whether the buildings have it. Local government doesn't, the State Government doesn't. If you have no regulation, what was the point of putting it in place in the first place, was it all that important? I will go so far as to say that 90 per cent of the commercial buildings in Tasmania do not have a form 56.

Mr BOOTH - Not only that, I would argue myself that in fact they do not need it because often they are somewhere where you might park a truck in a garage or in a hay shed on a farm or some nonsense such as that.

Mr ROCKEFELLER - That is exactly right. You might say that effectively any building over \$1 million requires them or something but, unfortunately, we have put these things in place, great idea; it might have been a mistake. But you look at what the costs are and I have all these ticky clippers here but we do not create any productivity and we do not create any wealth.

Mr BOOTH - It was put in place because of that Childers backpackers' fire. That backpacker place burnt down and the fire escapes had been screwed up or something.

Mr ROCKEFELLER - So shouldn't that have been on accommodation?

Mr BOOTH - You will not have any argument with me.

CHAIR - That is still the case, isn't it, because when the Building Act went through in 2000, I argued against it but also against the regulation for commercial buildings that had to have mandatory insurance and they did not in fact proclaim that section for mandatory insurance because we have a very good record in Tasmania and they dropped that. So I thought they might have dropped that section 56.

Mr BOOTH - No.

CHAIR - That is still going?

Mr ROCKEFELLER - The reason we do it is we did it anyway because you have buildings that have to meet certain codes and all those things. But I am saying they are required to do it anyway in terms of reviewing fire and all those sorts of things but we have another person clicking the ticket and yet a significant number are not doing it but it does not mean that they are not maintaining their buildings properly.

Mr BOOTH - So it is just a make-work game for bureaucrats rather than delivering a proper result?

Mr ROCKEFELLER - Correct, and I respect why you needed an accommodation and the backpackers and the fire and all those things but to put every building in that category is, I think, a bit over the top.

CHAIR - Thank you.

Mr BOOTH - Do you think that there would be other ways of reducing costs for development? For example, I think the cost of doing development, roadworks infrastructure cannot be written off until the end of the project. Do you think that the ATO should look at changing the regulations so that when you develop a subdivision you can write those costs off at the start rather than at the finish or progressively?

Mr ROCKEFELLER - I cannot comment; we do not do residential subdivisions. So I cannot comment in relation to how that is treated from a tax perspective. You would have to get advice from someone else.

Mr BOOTH - Mary?

Ms MASSINA - I cannot comment either but I can say that, for example, for traffic studies et cetera - and this goes back to the whole issue of decontamination - if we had some land use infrastructure strategies, for example, if we had a capital seed plan, we would have an understanding about where the groundfilled sites are. We would have an understanding about which ones could be used for residential development or those that are simply too contaminated to be used for anything else but an industrial site. So we do not have that understanding. We do not have an understanding about how we are going to increase the level of density and intensity, say, across the six council areas, which has an impact because a developer and investor go to do a residential block and they will have to do the work around the traffic studies.

So what I am saying is that if we get our strategies right and if we get an understanding about where we are going to support either commercial or residential development and we have all that information that is required for that, then that cuts down the costs. From a State and local government perspective, that is where we can influence some of that debate.

In terms of the ATO, I would have to seek advice from my national office on that but I suppose the frustrating thing is that if we do not have up-to-date land supply data and if we do not have an understanding about where we are going to support commercial and residential growth, then basically what we are asking the investment sector to do is put their finger into the wind and go, 'Well, I might see if I can do it here'.

Mr BOOTH - Like pinning the tail on the donkey sort of thing.

Ms MASSINA - Correct.

Mr ROCKEFELLER - To take Mary's comment - and I hope Glenda's going to touch on this - it is like what's happening at Kingston, where the State and Federal governments are putting in a \$50 million bypass, yet there is actually no land zoned residential.

Mr BOOTH - So you can get closer to the traffic jam at Macquarie Street quicker.

Mr ROCKEFELLER - Correct, so it's absolutely ludicrous. There's all this infrastructure, you could say there is a new gymnasium, there's a new school being built, yet you haven't rezoned any land. So what you are doing is you're increasing, theoretically, the value of that land because you're waiting until there's a huge bottleneck, so it actually decreases affordability. You are not utilising proper planning processes in terms of getting in front of the kerb, it lowers the cost for people.

Mr BOOTH - You'd actually try to stop people moving out of there and create its own economy within Kingston, wouldn't you?

Mr ROCKEFELLER - That could be true, too - that's exactly right. So you are trying to create more density and all those types of things. The point, I guess, is that you need quicker planning, quicker zoning - all those things - because that is where the real costs are, in my opinion, whether you're a subdivider of land or whatever, it is actually the upfront costs. Whether it's costing you money to put in your road, I would argue, if it's sped up and you have a regional planner, regional land use and all that, that is where you make real savings, and that's a control aboard the State Government and local government.

CHAIR - Good. Just before we move to Glenda, can I say that I neglected to pass on the apologies of two Labor members who had an unavoidable caucus meeting for some obscure reason, but they'll be picking up on *Hansard* in any event.

Laughter.

CHAIR - I would like to hear why it is that somebody tells me that it's \$1 000 a square metre to build a warehouse in Tasmania.

Ms SORRELL - Firstly, to go to the land issue with Robert, what is happening at the moment is you have no release of residential land et cetera, so the parcels that are available are being artificially inflated because everybody is bidding on those so you're finding that people are paying for a piece of land what people were paying a couple of years ago for their house plus land, or you end up with a property the size of which you didn't really want because it is zoned rural.

Mr BOOTH - Yes.

Ms SORRELL - So you could put a single house on it and still have an enormous piece of land, which is very expensive.

Ms ARCHER - Which you can't subdivide.

Ms SORRELL - And you can't subdivide, yes - so that is one of the issues that pushes up the cost of your residential. As to your building costs, something that is quite interesting is

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that building costs here over the last decade have increased by more than 50 per cent and that is purely because you have a lack of skills in this State. You have lost all your bricklayers - you can't get anybody to do bricklaying anymore - and you've lost all your skilled people because they have all moved interstate where there are higher salaries. It is very hard to encourage people to come back here because you simply cannot pay the sorts of salaries that people can get interstate, and once they've gone, they just never come back.

Then in trying to train more people, the moment you train them they can go anywhere. I don't know how you stop that sort of thing unless you put incentives in place for builders to actually keep their people here, but we simply don't have the competition. We had a situation just prior to the stimulus package coming in where we were already in a heated market and then the builders went absolutely berserk and there was no value for money - nobody is checking value for money. Government departments are not using quantity surveyors to come back and say, 'Look at it'. On the stimulus packages we went through some of them and said, 'This is outrageous, the builder should not be given the job', and they were given it anyway.

Mr BOOTH - Can you provide us some evidence of that for the committee?

Ms SORRELL - I would have to speak to the Education department.

Mr BOOTH - The committee could request it anyway but it would be very useful for our deliberations.

CHAIR - To explore that, was it quantity surveying services that you were requested for?

Ms SORRELL - Yes, we were requested for quantity surveying services. When the stimulus package came through it was impossible to look at all the schools but you still needed to keep some kind of track. There was a particular school where there was only one builder who put a price in, and he put in a ridiculous price. We sat in negotiations with him and said, 'This is a ridiculous price'. Nonetheless, the Education department awarded it to him because he was the only person and they had to spend the money.

Mr ROCKEFELLER - I would like to interrupt. Glenda is here as a Property Council person and she does a lot of work with government and those types of organisations.

CHAIR - I understand.

Ms SORRELL - These are the sorts of things that you start to see, that prices were being inflated and now they're inflated again. I wonder now whether we are not going to be back in the same position where we lose everybody to Queensland because of the floods. We might be back in the situation where we can't control costs again.

CHAIR - That is very interesting. You are saying that the lack of competition was brought about because of the lack of skills, so therefore it is difficult to find bricklayers - that is a perfectly good example because there are so few bricklayers around. I know a bricklayer who cannot get apprentices; he can't get a young worker to mix some mud on site.

Ms SORRELL - That is why most of your housing is timber frame.

Mr ROCKEFELLER - This is where the whole demographic change is going to severely impact Tasmania when you see the gap in our population and the cohorts and the ageing population on the other side. It is something which is scary and is already an issue. You see it from what Glenda is saying, but it is going to get even worse because you have a significant component of your labour force in that 50-65 age bracket.

Mr BOOTH - If you look at the availability of plumbers in the age band there, I can't remember the figure but it's frightening the number of accredited plumbers who will be available in the next few years because I think the average age is 55.

Ms MASSINA - It is certainly an issue that other industry organisations such as Master Builders Tasmania, HIA, Master Plumbers and civil contractors and ourselves have had discussions about. It is not only skilling up the work force to address changes, for example greening existing buildings and having a skilled work force to do that, but it is also ensuring that we have people to fill apprenticeships and keep a base level of skills here.

Mr BOOTH - So artificial barriers to entry are a problem there as well? Unnecessary accreditation requirements and so forth.

Ms SORRELL - Yes, your plumbers are a case in point. That is one of the trades that has gone up the highest and the fastest.

CHAIR - Could I just explore the building cost issue where there isn't necessarily, I wouldn't have thought, a skills issue? We don't have it in the form of a submission but because certain people are aware I am chairing this committee into building costs they say to me, 'Do you understand what it costs to build there?' There is a developer up north who backs it up with a quote he had last month - the best possible quotes he can get now, post-BER - and it is about \$1 000 a square metre for a warehouse and about \$2 000 a square metre for offices outside that warehouse. So \$1 000 a square metre is a lot of money. What I would like to understand is whether the Property Council can get through its national body some sort of State comparison on what it is costing per square metre.

Ms SORRELL - You can simply look at the Rawlinson's handbook, which will give you exactly that.

CHAIR - Per State?

Ms SORRELL - Yes, it is cut up into every single State. You can see from that what it costs per square metre for each of those.

CHAIR - For instance, the cost of tilt-up panels in Tasmania apparently is appalling expensive compared to -

Ms SORRELL - Because you've only got the three yards.

CHAIR - Is that why?

Ms SORRELL - Yes. At the moment one yard is very busy. You only have the three contractors, so you literally do not have much competition.

Mr ROCKEFELLER - Let me say this. It is not necessarily because those contractors are ripping off the system or whatever, it has to do with economies of scale in Tasmania in comparison to interstate. So to lower the costs, if you are not efficient in every process your cost structures are going to be higher and you have to ship things in and all those types of things. So that is why in Tasmania, whatever we do we have to be the most efficient in Australia. We cannot rest and say, 'Oh well, we're going to be subsidised by the Federal Government' et cetera.

Ms SORRELL - You also have locality issues here where all your casting yards are in the south, so then you have an issue of transportation.

CHAIR - All right, so there are local issues there and I can look at Rawlinson's to get State comparisons.

Mr BOOTH - I am looking at how you resolve that essential conflict that you have where you are talking about bottlenecking in development which obviously drives up the price of property if you have a short supply of it. But on the other hand, you are talking about the holding costs of development - the land tax, the local government rates and charges, water and sewerage, garbage and so forth that you have to pay once you have developed a block - as being an impediment then to doing business. Aren't they almost counterposing arguments in a sense that if you bottleneck then the land becomes more valuable but if you don't make rates and charges on those blocks once they're developed, people are just going to sit on that land forever and not sell it?

Mr ROCKEFELLER - I'll give you a bit of scenario and this is probably my analysis.

Mr BOOTH - I'm sorry, just to reference that back, in about 2000 because there was such an oversupply of developed land you could buy blocks for about \$5 000 for a suburban block in some cases, in St Helens, Burnie and places like that.

Mr ROCKEFELLER - I would imagine that in the 1970s there was a large amount of growth in the State and you had a lot of infrastructure which was put in place for the next 30 years. In the 1990s we ended up having effectively no economic growth. We had subdivision blocks and a whole range of things, water and sewerage and all those types of things, just sitting there, and they ended up getting sold for far below the actual economic value or the replacement cost, because people just wanted to get out et cetera. So effectively over the last 10 years since 2000 we have used up the cheap water and sewerage, we have used up the cheap roads. So what we are now left with is that everything has been used up and now we have to pay the actual real economic cost of putting in the infrastructure, but then we have an affordability problem on the other side in terms of what people can really afford.

The challenge for the State Government, local government, the water and sewerage authorities and so on, is whether they should become an economic development authority and try to achieve affordable housing at an economic price for people and development in that, make sure it is in the right locations to lower your costs and attract people to the State to try to improve the demographic profile and all those types of things. As Bernard

Salt said at the population summit, the affordability factor is just so important. If what we do is have everyone pricing at the economic cost, we are no different to Melbourne or Sydney or Queensland and people need to be thinking about getting a return over 30, 40 or 50 years because our problems with our population and the mismatching and all that are so severe that there has to be a certain amount of risk being taken to create a rebalancing, to create affordability, because we do have lower incomes and more people on social services here.

Ms MASSINA - I completely agree with Robert. The issue is we have a lack of strategies or policy drivers. For example, I use the statewide infrastructure strategy, it goes for 10 years and yet we have regional land use strategies that should go for 20 to 30 years. There is a mismatch. Water and sewerage corporations are supposed to develop an infrastructure strategy for the next 20 years which have not, obviously, occurred quite yet. Part and parcel of getting investment is for the investor to see that either they are going to make the decision as to whether they provide new infrastructure or are they going to value-add on existing infrastructure. At the moment we do not have that ability to make that decision because there are some key strategies that simply do not exist.

In terms of council rates let us get some equity in the process. Let us get some economies of scale. At the moment we do not have that and until such time as the Property Council produced those charts nobody had an understanding about what the council rates, fire service levy, and water and sewerage cost per square metre for commercial.

CHAIR - When did you first produce these?

Ms MASSINA - We produced that in October.

Mr BOOTH - Does the Property Council have a view how many councils there should be in Tasmania?

Ms MASSINA - No.

CHAIR - Go on, get in there!

Mr ROCKEFELLER - I have a personal opinion. There should be three because it dovetails into regional planning and it dovetails into capital city planning, say, for Hobart and I think you have to understand what the problem of Tasmania is, whether it is a government, whether it is local government, whether it is an individual, whether it is an investor, whether it is a company, it is actually capital. It is having the capital to invest and you have to be efficient, and if local government wants to do a major project if you had one council you could do that major project in one year. You might sacrifice a lot of smaller ones but if you wanted to have a walkway around the entire waterfront you could do it in one year or two years and you could set aside, but we do it over 20 years because each council will do their little bits and pieces and that is the advantages of economies of scale and then you will go out to tender and you will do it in one go and it will cost half the price, as Glenda would say.

CHAIR - The previous people, the HIA, tell us - the lady from the mainland told us - that the only capital city in Australia that does not have a metropolitan settlement plan is Hobart. Every other State has one and Tasmania just does not.

Ms MASSINA - No, it is something that the Property Council has been saying ad nauseum. If nothing else, what a capital city plan does is ensure that there are clear KPIs for the six councils to meet and in theory it says that this is how much employment we are going to drive in a metropolitan area so this is the KPI for five years, 10 years, 15 years and 20 years. This is the population increase that we may be expecting in five years, 10 years, 15 years. This is the infrastructure regarding which we need all councils to band together to ensure occurs. This is the kind of public transport system we will look at, for example, the light rail so what is the commercial and residential development that is required to support light rail. I suppose the frustrating thing is that in some respects because we do not have those strategic approaches to the way that we plan our land use and our infrastructure provision, what happens is the cost is borne by the investor and the cost is borne ultimately by the consumer, and realistically speaking in the twenty-first century every other jurisdiction manages to do it at various levels and yet in Tasmania we do not and I see it borne out in costs. Five per cent of total construction costs for commercial property is borne in local and State government charges, 7 per cent in housing.

Ms ARCHER - And the lack of a plan would of course have a flow-on effect for the infrastructure funding that might be available.

Ms MASSINA - Correct.

Mr ROCKEFELLER - If you ask the question of Southern Water, ask them about the misplacement of water and sewerage assets whereby local government was making their biggest investments yet they didn't talk to each other, they didn't make co-investing. They have pumping stations in the wrong locations, not the same scale. The costs of that will be borne for another 30 or 40 years. Just think about that from a planning perspective of what is going on with roads and transportation. You have councils competing against 'Shall we have this commercial development', or this retail or residential, instead of as a region having it in the best possible place, the most economic and affordable place. That is what we have to move on to.

Ms MASSINA - I suppose that picks up on what Glenda was saying. If the investment sector had an understanding about where investment would be supported through land use and infrastructure provision, at least that sends a clear message out to the market that there are sustainable employment options into the future. At the moment it is a wing and a prayer and I don't think that is particularly appropriate. If you take greater Hobart, the Property Council released its Aus poll, which is the first time that anyone has polled citizens in capital cities about what they want. One of the biggest things where we got a big cross was the fact that there was a lack of economic opportunities and employment options. If we get our strategic planning right and the private sector can see a future where they can spend the five or seven years it takes to go from concept to opening the front door of a development, that has an actual translation in terms of employment. We don't really have a choice here.

Mr PAGE - Overriding a lot of these issues is the curse of the real estate market which is probably the judge over all of this. I would like to talk in the context of commercial markets which is industrial, retail and office, and hospitality, tourism, leisure and accommodation to a certain extent also. There are two factors that generally drive the market: the rent, the amount of income coming from the property and the return. It is those two factors that determine price. In a boom time you might have a constant rent or rents might be increasing slightly. If people are confident, there is less risk and they are prepared to accept the lower return so that means that price is going to go up. On the flip side, where an economy is about to enter or has entered a downturn, investors suddenly need a higher return to manage the risk, so they have a cushion, a layer above that, which has the exact reverse impact on the pricing; it forces the price down. Then enter the development sector of the industry that is dealing with either one or the other depending on the cycle of the economy.

I am just going to speak about where we are in the economy because we are on a bit of a downward trajectory at the moment. For the sake of this discussion let us assume that costs have been moving upwards. You can talk about the bottlenecks and all these other issues in the bureaucratic sense about what influence they can have and this impact on whether or not you are going to get a development to proceed in the first place. That is called the 'residual' situation. Consider a profit and loss statement where you have the total value, all the costs that go into that - and Robert has been speaking at length about holding costs; they are a measurable item. If you have debt finance, for example - and let us just say it is a 50 per cent equation - the longer it takes to proceed with a project the more that finance costs. The other holding costs are rates and land tax on that underlying land value before it is built. That's what it is measured against.

So in circumstances where you have these situations playing out, and you have your building costs continuing to increase, it only gets worse. Then if you put it into a national context, and I will start talking about yields on office investment properties, say above \$15 million, where in Hobart you could expect the yield to be somewhere between 9 and 9.5 per cent for the average standard investment, interstate - I am trying to think of a more comparable location - perhaps St Kilda Road or CBD West in Melbourne, Sydney to a lesser extent but still yields are going to be anywhere between 7.5 and 8 per cent and Sydney it is sort of 6 and 7 per cent. Those yield differentiations around the place, and the higher ones in Hobart, are really just a justification and I guess an explanation of what I said about risk. They are applying risk to a market where there are downward forces on the economy.

In the context of that, you have all the costs where I talked about the profit and loss scenario, you can very easily get down to a negative figure, which is your underlying land value in a development context. So if the project doesn't stack up it can't proceed and the banks will not finance it anyway. Part of the reason we are here today obviously is about the issue of construction costs but to emphasise the importance, I guess, through the economy and the industry to try to create that greater level of efficiency wherever we can as a State to give us a competitive advantage where we can because a lot of what happens in that sector of property is in a national context. Let us take one, for argument's sake, like the Reject Shop that recently entered the Tasmanian market. If they see their rent costs here and their overall turnover for the same amount of shop space at a certain level and in another market it is more attractive, or it might be more attractive here, they are just going to go to the one that is more attractive. If they are rolling out five stores

and they have seven opportunities in seven different locations, they will pick the best five.

That is where we have to maintain or create that level of competitiveness to try to attract that sort of business, not to mention the investor. They are going to go where they can get not just the highest return but where they know they have liquidity in their asset; they are not going to be concerned about underlying issues to deal with getting approvals, or whatever the situation might be. My message today is: we need to get to that sort of space or that position where you can have the likes of the Property Council going out to say, 'We've got a suite of a dozen initiatives that have been developed by government' and that is the attractive aspect for that sector of the industry.

Rob has just asked me to quickly explain something; it is something I just take for granted. If you take a \$1 million investment and look at your return, if it is an 8 per cent return it is going to be \$80 000, if it is a 9.5 per cent return it is \$95 000. That is the income measure on the risk. Then if you seek to capitalise that amount - just putting that example aside for one moment - say you have \$100 000 in income that comes from a property investment in downtown Hobart and you have the same amount of income being derived from something, to use the similar example, say St Kilda Road, that return in Hobart doesn't equate to the same level of capital as it does on that investment in St Kilda Road where the return is 8 per cent.

Mr ROCKEFELLER - So instead of being \$1.25 million in St Kilda Road, it is actually only worth \$1.1 million in Hobart. So that differential is, say, 15 per cent and that 15 per cent is effectively what we call a tax on development, so it makes it 15 per cent harder, theoretically, all things being equal, to get the same margin and the same development up in Tasmania, or in Hobart, compared to St Kilda Road.

CHAIR - Coming back to building costs, because I very much take your point on the business models of it all and what drives investment decisions and considerations, the cost of actual construction in Tasmania, let's say in Hobart, I don't live here but my guess is that if you want to build a bulky goods warehouse you would have six companies that would possibly consider quoting for that for, say, 1 000 square metres and that kind of thing. Would you say half a dozen or so here in Hobart?

Ms SORRELL - There were six big firms, there are now five.

CHAIR - Okay. This may sound a leading question, but I'll give it a try anyway.

Mr BOOTH - It's never stopped you before.

Laughter.

CHAIR - No, it hasn't. But given that we are in such a small market - and we are post-BER, so we should be in a reasonable market situation now, getting a little hungrier - is there any evidence of deliberate or non-deliberate collusion between the commercial building sector?

Ms SORRELL - It has nothing to do with your big builders, it is the subcontractors that drive their prices. A lot of your big builders do not carry their own trades, so there is no collusion.

CHAIR - Okay, so at the subcontracting level, then, is there any element of collusion like, 'We won't price that one' or, 'We'll overprice that one'?

Ms SORRELL - No, but don't forget that your subcontractors for many years were stuck where they could not increase their prices because the market was so bad there was no work all through the 1990s. In 2000, work started again so they then said, 'We can increase our prices now because the market will stand it.' Whether it goes back now is going to be very interesting to see. I don't think so. I don't think you will get back to what you had.

Mr BOOTH - The floods are going to mop up a lot of capacity, aren't they, enormous capacity?

Ms SORRELL - Yes, so you're going to lose a lot of people again.

Ms ARCHER - It is still going to be market-driven though, isn't it?

Ms SORRELL - Yes - well, you have fewer numbers so it is competition.

Mr BOOTH - Glenda, from a quantity surveyor's point of view, do you have a crystal ball in terms of where you think that pricing is going to go in the construction sector as a result of the floods just mopping up all the surplus capacity?

Ms SORRELL - It is very difficult to say at the moment. I know a lot of people are heading back up north. If work down here starts to dry up then you will lose them all, so you really need to keep up a constant flow of work.

Mr BOOTH - But it is almost going to be a kind of self-fulfilling prophecy in a way because if the price of trades increases to the point where it has over the last 10 years and the other incomes around Tasmania do not increase, people simply will not be able to afford to build houses and the costs associated with today's labour and material prices if you are dictated to by another economy, effectively, just mopping up your capacity.

Ms SORRELL - No, it is not just that either. You have BCA requirements now which are driving your prices higher as well, like six green star and things like that which are -

Mr BOOTH - But they are Australia-wide.

Ms SORRELL - Yes, but they do not really look at Tasmania. We sit in a different climate, so when you look at your six green star requirements often some of the stuff is not relevant here.

Mr BOOTH - Because it is trying to keep places cool rather than keep them warm, do you mean?

Ms SORRELL - Yes, but we are still being driven by the same BCA requirements. Government has an ability to keep a constant work flow, just don't put everything out at the same time and work in conjunction with the private sector and say, 'What is going out?'

CHAIR - Stage it a bit.

Ms SORRELL - Yes.

CHAIR - On the issue of statutory levies in contributions, we note your comments on the building industry training and construction board where you were saying that you have identified that there has been some discussion by them sliding up another 0.05 per cent. You were saying it is the position of the Property Council that any increase in the training levy must be justified in terms of greater accountability and transparency and that there should be increased training opportunities that must be open to all professions in the property sector including developers and their staff. Are you confident that they could provide that kind of training that developers would send their staff along to?

Ms MASSINA - I think that is part and parcel of having a discussion with the training board. If they are going to increase the levy then it means sitting down and working with industry in terms of providing appropriate training courses, or allowing industry organisations that oversee those members in the industry to provide the training.

CHAIR - Themselves?

Ms MASSINA - Themselves.

Mr BOOTH - And drop the levy.

CHAIR - One of the things we are interested in is policy creep. It is a great idea to have this but things just creep forward and we understand now that the training board is looking at sweeping into their responsibility designers.

Ms MASSINA - Such as architects and building designers?

CHAIR - Yes.

Ms MASSINA - For the current levy or with an increase in the levy?

CHAIR - No, to sweep new people in.

Ms MASSINA - Ah.

CHAIR - Yes, so there is an increase of money there as well plus an increase in the levy. These are the sorts of things that organisations seem to want to increase their importance. I was just interested in that comment you have made there. It appears you have the confidence in that organisation that they would be able to provide the kind of training that members of the Property Council would use.

Ms MASSINA - From the Property Council's perspective we did have a discussion with the new CEO of the board and one of the parts of that conversation was that if you are going to increase the levy then you need to sit and work with industry to ensure that all parts of the industry are able to access the training funds. We did not agree that you would increase the levy and only certain parts of the industry would be eligible, particularly if it meant that there were certain members of the Property Council - and we are a broad church - that would actually carry the bulk of that increase. From the Property Council's perspective more training for the industry is a good thing but I want to make sure that that training is available to all in the industry and, indeed, that other industry organisations who do direct training for their membership can apply for some of that funding.

Mr BOOTH - Or should they just do it themselves anyway?

Ms MASSINA - The Property Council already provides professional development courses. Obviously it would be great to be able to provide more and it would be great to basically provide more information and training to our sector.

Mr ROCKEFELLER - But what is happening is that another sector is being taxed to pay for training for a different sector, so the liability should fall to who is actually getting the training and not tax, say, a developer who is going to go and build something to go and train someone else's work force.

CHAIR - A lot of that money is being used to attract apprentices for builders.

Mr ROCKEFELLER - That is exactly right. It is sort of thinking through where all these costs lie and who is actually responsible, but what happens is that everyone says, 'We will go and tax someone else and then we will use their kitty to fund our training'. That might be fine but you then have to take it further to say that if the person is actually paying the money, which is Mary's point, once they actually do some training, shouldn't they be allowed to do some training with that money? People fail to appreciate how difficult it is to really get developments up in this State. We need to have a strong property sector and there are too many people clipping the ticket. I will give you a really good example and it is about heritage.

I have an organisation that has to do an archaeological dig because there are some buildings under what used to be their foundations. It takes a year or a year-and-a-half and everyone knows what is there. They do the dig, have a look and then put a bulldozer through it. I am of the opinion that if it is really important it should not have been dug in the first place. Then the organisation comes to me, after they have spent probably \$1 million at least in time and effort and delay, and asks me for a donation for their research. I look at them and say, 'Go to the people who've clipped the ticket, done the reports, done the actual dig and ask them for a donation', because the question is what's more important? What we have done is hold up a development for a year-and-a-half, but what did we really achieve out of it? A range of people might have different opinions as to whether it is important or not, but it is important to have that debate. Are we a wealthy enough society to do a dig and then put a bulldozer through it? If it is so important, a bulldozer should never have gone through it. To waste the time, energy and money is illogical. If it is so important to do the dig then keep it, but don't put a bulldozer through it, because all you are doing is clipping the ticket. It has a real impact

on the economic wealth of the State, getting new developments up et cetera, because if you know there are all these impediments -

Mr BOOTH - But they'd be standard across Australia, wouldn't they, or is it unique to us?

Mr ROCKEFELLER - I think it is extremely unique.

Mr BOOTH - What about TasBuild? Do you have any concerns about the levy?

Ms MASSINA - The building levy - no. I asked my members what their thoughts were about that and as far as I am aware our members don't necessarily deal with that levy.

Mr BOOTH - Are there any other drones' castles that have been created that are impediments to your work?

Ms MASSINA - From our perspective, as we have said constantly through this hearing, the key ones are streamlining the planning system, getting some clarity around the strategic direction of planning and infrastructure, charges and levies, and land supply. They are the key issues for us. In terms of a lack of appropriate resourcing or over-resourcing in particular government agencies, I can't make comment on that.

CHAIR - Thank you for a very good submission and session. We may want to come back to you further down the track on some matters as they may or may not develop in our minds but we thank you very much for your time today.

THE WITNESSES WITHDREW.

Mr MICHAEL KERSCHBAUM, EXECUTIVE DIRECTOR, MASTER BUILDERS ASSOCIATION OF TASMANIA WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Hidding) - Welcome, Michael. Thanks for your time and your submission. We have booked in about 90 minutes with you but we do not necessarily have to take the whole 90 minutes. Parliament agreed to set up this inquiry, which would suggest that the Parliament is concerned about the cost of building in Tasmania, at its very many levels of course. I think it is accepted by everybody that any unnecessary costs or inflated costs in the building industry absolutely affect every family in Tasmania one way or another, whether it is commercial or domestic.

It is probably fair to say that we are probably a little more interested in the domestic side of things because it has a direct effect on families, but it certainly is not limited to that at all. We have already spent some time on property development and industrial developments as well.

I give you an opportunity to speak to your submission, if you would like to, and then we will work through it.

Mr KERSCHBAUM - Certainly. As an opening statement we attempted, as an association, to keep within the terms of reference but if I have some ability to talk more freely -

CHAIR - You do.

Mr KERSCHBAUM - For some time we have considered the primary issue associated with housing affordability to be land affordability. That is the critical issue and when I prepared a paper some years ago to another committee we discussed and plotted the increasing land prices, and they have certainly exceeded both CPI and the cost of constructing by a fairly large margin.

I know, certainly from speaking with my Queensland counterparts, they have experienced this in a much more profound fashion and 30 years ago in, say, Queensland, the typical break-up may have been 30 per cent land, 70 per cent construction cost. That wasn't too dissimilar from my own recollection of being a builder 15 years ago. That has moved now considerably, and I dare say that to put someone into a fairly basic home, the land cost would now be pushing 50 per cent of the total cost of construction in many ways. That, I guess, is the concern that we have.

There has been an increase in land prices and that has pushed affordability out of the question and I guess when you think about especially first home owners entering the market, they have to own that block of land before they can build and that is becoming a larger hurdle, as previously you could buy affordable land.

CHAIR - Are you happy to leave it informal, and we'll just interrupt as we go?

Mr KERSCHBAUM - Certainly, please do.

CHAIR - Then we can go back over and cover it.

Mr BOOTH - It saves going back to the start of your presentation after you've spoken freely. Please, if you want to make a point, don't let me interrupt you either. With regard to the land price component, what median land price in Tasmania do you reckon at the moment would meet that affordability criterion, given that you said it's a crucial issue? Do you have a figure on a land price median?

Mr KERSCHBAUM - I think the REIT did give us some land prices which I have at the back of my submission, on the last page there. If you look at 2010, it's nudging \$120 000. I have seen figures that indicate that it is higher than that as well, but I guess when you look at the figures in 2002, say, at around \$40 000, it has jumped up threefold.

Mr BOOTH - Yes. I am wondering what you think it should be.

Mr KERSCHBAUM - I still think you should be able to buy land within 20 kilometres of the CBD radius for under \$100 000 and I think the median land price should be sitting still at under \$100 000 somewhere. I think that that would create a situation where you have some genuine affordability.

Mr BOOTH - Do you think that the land price increase is a issue of availability or is it being pushed up by the development costs or the development standards that are now required for a subdivision, for example, which obviously are much stricter than they were 10 or 20 years ago?

Mr KERSCHBAUM - It is a bit of everything, I think. To be perfectly honest, I think there is a bit of speculation going on. If you look at the larger land leases going on around Hobart, for example - I will talk just about Hobart as that's the area I know best - it is probably in the hands of half a dozen people or organisations, and that is probably a problem that is national as well as State-based.

The ability to open up land has certainly become more difficult. We previously had a lot of farmers who were opening up land that they may have had, carving off parcels here and there. It's become so technical and so difficult, and the holding costs are so high, utilities have to be paid for in advance. You are paying hundreds of thousands of dollars on a relatively small subdivision up-front before you get any return and just getting access to that sort of money, that equity, is becoming harder, the regulatory creeps, you say, the standards, the amount of consultants reports and things like that.

In the good old days, if I can refer to them in that way - so 20 years ago - you would put your application in for a title and then they dealt with things like land stability, flora and fauna issues and things like that as part of the process subsequent to that. The planning process was just an in-principle approval and then you did your consultants work afterwards, whereas now a lot of consultants are being asked to come in at the front end of the process. So all of a sudden you are spending a lot more money just investigating the viability of being able to do that and I guess if you look at something as controversial as the Ralphs Bay development, perhaps if they'd been told up-front, 'Look, we really don't want a canal development here, don't bother wasting your millions of dollars up-front', that would have been a better way to go with that particular development. I don't have any particular opinion one way or the other about whether that should have gone ahead or not, in fact I was happy to leave to the independent umpire, but for them to have

spent countless millions of dollars on what they did just to be told, 'Look, really in principle we don't want these' was probably a little bit of a retrograde step, and again, that comes back to State planning policies. If you had a State policy on this sort of thing, the developer would have said, 'Well, this is a no-go zone', and perhaps a little bit more direction would help developers as well.

Mr BOOTH - But Ralphs Bay is quite an isolated example. That was a Ramsar site; it was a conservation site that required revocation and so forth, and it was pretty unusual for someone to say, 'I'll think build a housing estate in the middle of a bay'.

But getting back to a normal, orderly process of subdivision as discretionary use, perhaps under a planning scheme, what are the major impediments you see there?

Mr KERSCHBAUM - Again, the fact that it is a discretionary use means that the developer has no certainty. Just like in any part of the process, there is no certainty there for a developer to say, 'This is how we believe land should be released' or 'It should be released in these areas'. Very few councils have that in their planning scheme. It is throwing the dice and hoping that the numbers come up and you are able to build in that area. Because of the very reactive way that we set up our planning schemes you are spending lots of these dollars on consultants' reports and such things up-front, where I think you should be providing some certainty and saying, 'We really don't want you to go there' or 'We really want you to go there'.

Mr BOOTH - All the sorts of prescriptions you'd have to have if you were going to develop there, say a performance-based thing, 'We would likely approve this provided that you are able to achieve Aboriginal heritage assessment, decontaminated site', all those sorts of things.

Mr KERSCHBAUM - Even making the application subject to those things. I think the developer would rather -

CHAIR - Condition precedent.

Mr KERSCHBAUM - That's right. The feedback we are getting now is that planners can't give you conditional approval because they have to have certainty in their decision-making processes. I think that is wrong. I think what you can say is, 'We think that development is appropriate here, however you must have consideration for flora and fauna, heritage issues'.

CHAIR - If you can get these ticks.

Mr KERSCHBAUM - Yes. Planning should be about saying, 'We think you're on the right track. We support your notion here' or 'We think it is inappropriate'. Some certainty around that process would be better, but to spend thousands and thousands of dollars on reports that may or may not be required at a later date - it is great for the consultants.

Coming back to the land affordability issue, as I see it the land affordability is being eroded by a number of different factors. I think there is some speculation in the market, some speculative activity and some land banking. I think the process itself is unnecessarily unwieldy and difficult, cumbersome, and that puts a lot of people off. Not

so long ago you had farmers carving off portions of their land but now they have to employ full-time people to manage that whole process for them. Gone are the days when they could just rock in to a local council, talk to a planner and say, 'I've got 150 acres and I'd like to subdivide 10 of those acres and create 20 lots'. It is impossible now to get away with that. I am not saying that is a good or bad thing but it is adding to the cost. A farmer has to say, 'Will I spend \$20 000 or \$30 000 getting this proposal into council on the basis that it is a discretion application? I don't know what sort of chance I have'. I think creating some certainty is a good thing. I think looking at the amount of regulation that we put up-front is another thing. I discussed in the paper the idea of having some market signals and initiatives. We seem to deal with development in one way, which is to say, 'No, you can't do that. We don't want you to do that there', rather than being proactive and saying, 'We do want you to develop in this area. We want higher densities close to the CBD' and then making it available. At the moment - again, we will take the situation which just makes good planning sense and everyone agrees - we should have higher density surrounding the CBD and those inner city areas - Bellerive and those sorts of areas, in the north of the State around Launceston and Devonport. If you want that, tell the market you can put in multistorey apartments in these areas and we will accept them. Don't make it discretionary because a developer has to buy the block of land, the house or whatever it might be, then put in his application, only to find it has been rejected and he's stuck with a parcel of land he really doesn't need or want or can't justify development on. To say, 'This transport corridor between here and Glenorchy is where we want to develop. If you build a block of flats in this area we will encourage that by having certain criteria you can meet and if you meet those criteria you are away. We will also only charge you as an incentive a standard connection fee. We will not charge you a whole range of developer fees that we currently impose on people who are developing out at Sorell, New Norfolk or at Snug, a long way from the CBD'. By putting those market signals in place you will pretty quickly get the developers taking up those options and you will pretty quickly increase that density. I was looking to develop a block of land only 400 or 500 metres from Northgate with 12 units on it and I was well under the ratios - I was one unit per 200 square metres and I had 160 to work with - and I was told by the planner maybe I should consider less. If they do not want you to develop it within 400 metres of Northgate where do they want you to develop? Out at Austins Ferry? It seemed to me that a flat site close to Northgate should be encouraged not discouraged and this is by a professional planner. I thought there is something not right there and I just wonder where we are going with all of this.

Mr BOOTH - The scheme minimum was 160, was it?

Mr KERSCHBAUM - Yes, and I was at 200 so I was above that and I had spoken to a senior planner prior to that and he said that I could fit up to 16 or 18 units on this site and I was only looking to put 12 on it. I was told when I came along to the planner to lodge the plans, 'You are putting 12 on there, that's a lot' and I thought, 'Well, it's way under what I can put under the scheme'.

Ms ARCHER - This is the land use strategy again having certainty around what you can do in certain places in particular CBD areas.

Mr KERSCHBAUM - That is right. They were treating that zoned block of land where it was in the same way they would a block of land at Austins Ferry or Claremont and I think they are quite different areas and they should be treated differently. I guess at the

end of the day I think we should be putting carrots in front of developers and builders not sticks and if you are really serious about developing things like a transport corridor between here and Glenorchy as light rail, put everyone between the main road and the existing rail system and say it is a fair go for everybody here, have a crack at it - without being ridiculous about it, but saying here you go. We have a house on 1 000 square metres why not put a second house on it or why not bulldoze the old house, it is past its use-by date, it has not been well maintained, and put six, eight or 10 units on there. The implications for use of public utilities, for urban consolidation -

Mr BOOTH - Critical mass for transport and all that sort of stuff.

Mr KERSCHBAUM - That is right, and, as I have said, you have to put those initiatives in and make those uses permitted and if you go over the height or go to close to a neighbours or you create over shadowing it then becomes discretionary but encourage those types of developments and say that this is where we want to actively do it, not at the roll of a dice.

The other thing as well is then that pushes away from our primary issue which is land affordability because we are not talking about land affordability. I am not talking about land for six or eight units, I am talking about a single lot of land that still meets street frontage and 15 metres of everything going past it to get to the next door neighbour; it is a totally different ballpark and if Aurora and Telstra and the other utilities came on board and said that they would give a standard connection fee for 12 units it would be considerably cheaper than it is to put in 12 new lots in a subdivision. Then the developers are saying, 'Hang on, there's a real market signal there to increase densification and not increase urban sprawl' and that is what we all want, I think.

We cannot keep developing the way we are and that is why we supported the regional land use strategy for southern Tasmania - I am yet to see the other ones - but that makes sense and you are not going to achieve it just by having the system that we have now.

CHAIR - Somebody tells us that they have identified 20 years' worth of supply of land currently on the market in the southern region.

Mr KERSCHBAUM - Yes, I read that with some interest.

Mr BOOTH - That may be that there is sufficient area without rezoning but it does not mean that it is subdivided and ready for building, presumably.

Ms ARCHER - It is availability, I think, is it?

Mr KERSCHBAUM - We are building around 3 000 homes a year at the moment of which 2 500, in ballpark figures, are actually stand-alone detached dwellings - average 45 per cent or so in the south - so if you get 1 200 new homes in the south, 1 200 homes at 800 metres a square lot, it is a terrible lot of land. I have to admit I agree with just about everything in that Land Use Strategy Report but I did query where they thought they had 15 or 20 years worth of land supply because I personally cannot see it, but maybe there is.

Mr BOOTH - Are the main impediments that you see to do with multi-unit development on the one block as being an impediment or is it availability of single house size lots like the typical 800 or 1 000 square metre blocks?

Mr KERSCHBAUM - We can keep building the 800 square metre blocks ad infinitum but all you are going to do is create urban sprawl and transport issues and services issues and all those other problems that go with it. So I would think, if I could wave a magic wand, the first thing I would do is put in place a system that allows robust intensification and densification of living and I think that from what I can gather, the Gen Ys are probably less concerned about having detached homes and things. I think they would probably welcome affordable apartment-style accommodation if it was made available and I still firmly believe you can build two-bedroom, architectural style, well thought out, well laid out, reasonable quality finish apartments between here and Glenorchy in the \$300 000s. There is no doubt at all that you could create those units in the \$300s for two bedroom units and the \$200s for one-bedroom units, there is no doubt at all. There is an ability in the market to do that. But, again, there are no market signals and to try to put something out there like that, you just know you are going to be prone to a whole range of representations and just the holding costs. You buy a block of land and a house for \$500 000, you sit on it for a couple of years to go through the planning approval process and you have chewed up \$600 000 or \$700 000 with stamp duties and everything else, but you do not have an outcome. At the end of the day you are selling a \$500 000 house at the end of two years that you could not get a unit development on and it owes you \$700 000 or more. So it is just not a good return, it is too much of a risk.

Mr BOOTH - Do you get much kickback from people with regard to land size in the industry? Are you aware that people are looking for smaller blocks? Kingston Green I think has pretty small block sizes and that seems to be going gangbusters as far as development goes.

Mr KERSCHBAUM - People lead such busy lives these days that I think they have less time to maintain a quarter acre block, to be honest. I know with my own job -

CHAIR - I certainly do have less time.

Mr KERSCHBAUM - I think a lot of people do and I can only refer back to Berriedale. I worked at the Glenorchy Council for four years and the development they did out there was way ahead of its time in many regards. They developed that during the 1990s and the one just opposite MONA and if you look in there, all the lots are 400 and 500 square metres and they were selling in the 1990s. I think people have moved on from there again, so I think there is the opportunity to do that. I think people equate the size of the blocks with the value of them as well and if they have a 1 000 square metre block they think they have good value for money. They do not necessarily look at how they are going to maintain it or use it but, again, it comes down to design and just educating people. I think, unfortunately, this bigger is better mentality pervades in construction size as well. I do not think we need to build homes that are huge anymore. I think we should scale down on size but I think there is always going to be a demand for detached dwellings. But if you look at New South Wales you will see that for every detached dwelling they build, they build a unit. Here, 85 per cent of our dwellings are detached dwellings and only 15 per cent are apartments, units, or duplex-style residences.

Ms ARCHER - Again that comes back to your original comment I suppose, whereas, if it is encouraged and it is made easy for people to get these approvals, then we would probably encouraging that smaller block mentality - flats and higher density in the city areas.

Mr KERSCHBAUM - I think we are also equating inner city living with expensive living - that is, Silos-type of developments, your IXL type of developments and those sorts of things. But if you look at Europe or anywhere, you will see that the majority of people live in that style but we see it as only upper end. It has to be down around the waterfront or in Launceston around the Seaport and those developments. You take one step back and say, look, if we were to build very much of that at that cheaper end, how would they go? I am only aware really of one development in the last 15 or 20 years that occurred out at Glenorchy which was some flats which were built by a developer in the mid-1990s and they were taken up really quickly by mainly elderly clients who did not want the yard and everything else but wanted something reasonable. So I do not think we have explored those options yet, but there again, by the time you go through all the guff and process, it is costing a lot of money to put them in.

Ms ARCHER - There is one being built up beside the Mercure at the moment which I think is a bit more of the affordable housing type of design.

Mr KERSCHBAUM - Okay. I was aware there was one but I was not sure what price they were fetching, but I think there is a real market there for something to happen because currently, if you are talking about unit development, you are talking about generally upper end.

CHAIR - Not everything can be around the waterfront but if they are up there at the Mercure they are within a five-minute walk of the CBD. That is sensational inner city development.

Mr KERSCHBAUM - People are placing a lot more emphasis now on location. I think most people would compromise having a detached home to having something that is close to everything and I don't think that that part of the market has been explored. You are only going to achieve that sort of development if you start putting the right market signals in place for developers initially and then you start putting in the right environment. Instead of having standard connection fees for those things and you realise there is a common good if people are only up the road and are able to walk, catch a bus or a taxi.

Mr BOOTH - What are the other drivers you could suggest causing the increase in building costs?

Mr KERSCHBAUM - The other one is a regulatory creep, and I think we spoke about that very briefly. It comes from all angles. Our industry is highly regulated, as you can appreciate. I will start the big picture: if you look at things like energy efficiency provisions they have demonstrated that six star for Tasmania creates a negative return. The regulatory impact study came back and many of the jurisdictions came back positive. That is, for the money you spend going from five star to six star on housing, you get a return - in Tasmania it is a negative return.

CHAIR - Who did the RAS into that?

Mr KERSCHBAUM - I think it was the CIE - the Centre for International Economics.

CHAIR - Okay, so not a Tasmanian RAS.

Mr KERSCHBAUM - No, this was a mainlander. The market has always had its own modelling survey done. That is not to say you cannot achieve it, and I will go back to Glenorchy which is well known to me - I have seven star on all those units and they will be marketed shortly - something I started before I had my current job. It was easy to achieve seven star because they were small. They were a small footprint on a flat block of land. But when you look around, the topography of Hobart and Launceston typically is fairly hilly and once you are looking at suspended floors, the cost increases dramatically. If you can keep construction onground and have insulated slabs, you will get six, seven or eight star really easily, or quite easily, as long as you keep the footprint small as well. But once you move to a 150-square metre home on the side of a hill - detached floors from the ground - it becomes heaps more expensive to build to those efficiencies, or stringencies. So you have to look at that.

Then you look at why they introduced it. My point is that just about every existing home in Tasmania that was built more than 20 years ago rates of less than one star, so I would be concentrating on the old homes and getting them up to scratch and building new homes at a reasonable level.

Because we don't have a carbon pollution reduction scheme or a national perspective, the Government just said, 'Let's pick on new homes, they're already regulated. We'll just whack them and make their energy efficiency requirements much more stringent'. But they didn't take into account that this is Tasmania and 70 per cent of our energy is hydro. We now have natural gas which contributes. There is a whole lot of things that haven't been taken into account yet the Federal Government is pushing on with higher stringencies. We are not opposed to it, we support six star for commercial buildings because it is a no-brainer, why would you not go six star for commercial buildings that are really poorly utilised? You only have to walk past a number of buildings at night that still have lights on because they don't have automatic sensors, and those sorts of things. It is commonsense stuff and it really makes sense. But Tasmania at six star doesn't make sense unless you have the right parameters in place. So acknowledging those differences -

Mr BOOTH - But doesn't that beg the point, you are saying you can easily get six, seven or eight star on a certain size building, and you were talking about the trend towards smaller buildings, smaller block sizes, and so forth, so isn't that quite a good way of moving people towards efficient size and energy efficiency? Should we be discouraging in a sense those big freeze boxes and energy gobblers?

Mr KERSCHBAUM - We should, you are exactly right, but nobody is selling that message. The ones that are seem to be fringe, less and less fringe - the green architects and the green builders - but it is not mainstream anymore and I think we have to sell that message to the people and we have to get them to start thinking small. The apartments will all rate six, seven and eight star, I guarantee that, even if they are poorly faced

because they are heating each other. The heat rising from the unit below heats the one above so it is really efficient form of building.

Mr BOOTH - So in that sense, even though it may be difficult to achieve in a bigger house, it is driving the infrastructure to where it ought to be anyway. Ideally you should be able to heat a house with a candle, if you can.

Mr KERSCHBAUM - If you can, but again it comes down to the siting of the blocks. A lot of subdivisions have already been developed so you only have a certain amount you can do with the orientation of a house. We have to work within those confines as well and accept that.

Mr BOOTH - Drilling down to impediments to building costs, obviously one of the things in the long term is the life-cycle analysis of the energy costs in a house over its useful life. If we are making it easier, in a sense, and more affordable for people to choose a cheaper life-cycle cost in their house by buying something that is six, seven or eight stars, then that is a good thing, isn't it, and if you want to be foolish and build something that some people would call inappropriate in size, then you have to wear the cost of bringing it up to a six-star minimum.

Mr KERSCHBAUM - That works to a point, but once you get over about 150 square metres, even a reasonably well-designed and sited house starts to fall away if it has a suspended floor. That is where we are finding that a person with three children who needs a four- or five-bedroom home and needs that space around them is really paying a penalty. They may be doing the right things but because they have a metre and a half of elevation over the length of their house they're paying a price for that and it becomes really uneconomic and non-competitive. As I said, it's quite easy with the right orientation, design and size to get those high star ratings, but it falls away extremely quickly. If you can't meet those basic parameters - and it is hard to house five people in a 120 square metre home - then it starts to fall away, and it's not necessarily the occupants' fault. I agree, I don't quite know the answer to how we do that.

CHAIR - What is the head of power that will bring in the six-star rating - is it the BCA?

Mr KERSCHBAUM - Yes, the BCA, and that's part of the problem, because when I was doing building surveying I was told that the Building Code of Australia was a minimum standards document. It is all about putting university students, homeless people, first home owners and the like, who don't the big money to spend on double-glazed units and that sort of thing. That is the conflict within the BCA. It has moved away from minimum regulatory practice to now pushing towards best practice; it's not best practice but it's obviously pushing towards it. That is a conflict in the Building Code itself because I think it's now starting to reflect social policy issues, not just a minimum standards document that allows people to put a roof over their heads.

I had an issue with a development that was a really high star rating, one here near St Mary's College. They built these really great apartments, but they cost \$2 000-\$2 500 per square metre. My argument is that you could build social housing for about half that cost per square metre and increase the number of people you are housing. If you don't have the money to house the 3 000 people that are on the list now, why are you building 50 or so upmarket social housing units when you could be fitting in 60 on the same site

and for the same cost? You would have an extra 10 families or 10 sets of people housed. That is the conflict. You want to do the right thing but you have to make your resources go round because at the end of the day that is what first home owners get - they get a \$1 200 per square metre Wilson Homes special.

Mr BOOTH - Isn't that the problem with bureaucracy trying to become a developer in that sense? If you let other people build them you probably would build them for 30 per cent less.

Mr KERSCHBAUM - I think you're right. I guess that was where government was trying to show leadership but, as I said, I would rather have an extra 10 sets of people housed and off the waiting list than have these upmarket units.

Mr BOOTH - I'm saying that it may in fact be the case that they could have got more in there, but the extravagant cost of those buildings might be more to do with the department rather than the cost of building something to that standard.

Mr KERSCHBAUM - I have no idea as to how that really ran. I think that the private sector would have done them a lot cheaper. I guess we are an advocate of saying, 'Get out of our way and let us do what we know best', because if it is good enough for a first home owner who gets their house built by maverick builders or Hotondo Homes, then surely it should be good enough for someone on the social housing list.

Mr BOOTH - Therefore if you've set that standard of six stars and they build the houses appropriately to that standard, you're not creating the slums of tomorrow in that sense.

Mr KERSCHBAUM - No, I agree with you that they have to be well designed. The other good thing that you have in your favour is that typically most social housing is predominantly one or two bedrooms and therefore by its very nature is small so you can get those high stringencies. I don't really have a problem with the Government mandating for a residence of up to 100 square metres to be six stars because I think you can achieve that reasonably easily. The problem is that once you get to 150 square metres, the ability to be able to get a star rating falls away dramatically and you can certainly look at that part -

CHAIR - Back on that head of power, is it possible for a government to contract out or legislate out parts of the BCA? It seems messy.

Mr KERSCHBAUM - Yes, they can; there are State-based provisions, and this is where I guess I've got a bee in my bonnet. COAG said two years ago or thereabouts that they would push for a six-star rating provided it was cost-effective and met all the RAS modelling. It of course didn't, so then they changed the wording subtly so that they could push for what they wanted. We pushed on the basis that if it stacks up we will support it, and that is still very much our position. I am a firm believer in product innovation. We will get products in the market out there that will start insulating suspended floors very much better than we currently do and once we get to that, six stars won't be a hurdle any more, we will be talking seven stars and then eight stars, because as we go we are just refining and becoming smarter about the ways we do things. I have no doubt we will move to 10 stars eventually but the time frames being imposed upon industry are too short. There was a suggestion at one stage that it would go from five to six stars within

12 months. Well, the builders were only just learning what five stars was and they were wanting to push to six stars, so our Government very rightly put that off. I think we have to take it in stages and push on. I was a big supporter of the insulation rebate scheme that the Federal Government introduced because that was all about getting the majority of the stock to a reasonable level -

CHAIR - Yes, going over the existing stock, which seemed to be a much more urgent task than 3 000 new homes.

Mr KERSCHBAUM - We are now building at a reasonable level, because of course you've got the law of diminishing market returns cutting things off. With five stars, you are getting a pretty good return for your dollar; at six stars, in some cases, you are getting a really bad return and in others you are still getting a return; and at seven stars the majority of housing doesn't stack up in Tasmania unless you have the right parameters.

Mr BOOTH - One of the problems with that whole insulation program is that when you interfere in the market like that by creating a government program you create a massive skills shortage and every other trade goes through the roof as well.

Mr KERSCHBAUM - Yes, you are exactly right. The thought process behind it was perfect and Master Builders has been saying for some time now nationally that this is what we need to do, but unfortunately the execution probably left a little to be desired. But in theory that is exactly the way we should have gone because if you want to cut down your use, you pick on the weatherboard homes in West Hobart and other inner-city areas that lose heat at a huge rate of knots.

That is just one part of the regulatory creep, but it is also happening in OH&S. We have a situation now where they're pushing for high protection at a much lower stringency. We haven't had a death on a domestic site, as far as I can tell, for at least 15 years -

Mr BOOTH - There is a real risk to scaffolders dying putting this stuff up - all the additional stuff you have to do is probably more dangerous.

CHAIR - There never was a person who fell off a tiled roof and yet all that tiled roof scaffolding has to go up. You're dead right, somebody is going to get injured putting up the scaffolding - it's ridiculous.

Ms ARCHER - So it is not evidence-based or reactive to any particular incident, as far as you can see?

Mr KERSCHBAUM - Unfortunately I wear too many hats at Master Builders and I haven't had a chance to get through the 120-page regulatory impact statement that they wrote at a national level on this, but I am sure it has lots of holes in it. It seemed to me to be a self-serving document but we don't support it.

CHAIR - What document is this?

Mr KERSCHBAUM - They want to introduce height protection for anything two metres or more. I stand not much less than two metres myself, so that is standing on top of my head. That's not to say it's not a risk but I think it can be managed and I think that to

introduce it on a mandatory basis is just not an efficient way of doing it. I did some thumbnail sketches and it's going to add \$1 000-\$1 500 per home for about 1 000 homes, which is about \$2 million a year. Over the last 10 years it would have cost us \$20 million and we wouldn't have saved a life. That is just not good payback. There are much better areas we should be concentrating on. It's come in in a couple of States now and if it comes in in Tasmania there's an extra couple of million dollars that industry will be paying collectively. It is hard to argue against OH&S or energy efficiency. They are all good measures in their own right; the problem is there is no overall control or understanding of the global impact of these things. It is a regulatory creep.

The move to the water utilities has to be supported because I don't think the majority of councils were doing the job well enough, but it has introduced this additional regulatory process now in the building construction sector, and I believe an extra set of fees that weren't there before. It has also meant that councils still have to look at the plans, still have to start a file, and still have to create some sort of a process there to log and record something. All we have done is increased the approval process now with the water authorities, even though I am an advocate of them generally.

You have regulatory creep in all aspects; it's just happening everywhere. The electrical codes are always being tightened up; the plumbing codes are being tightened up. We now have situations with stormwater detention where a lot of councils are moving towards best practice, which again is to be applauded, but a standard stormwater sump pit which used to be put in for a cost of \$250 is now \$800 because they've got to have special stainless steel baskets inserted in each one. Fine, well and good, you can't argue against that because we don't want everything flowing into the Derwent, but at the end of the day there's a cost and nobody is measuring that cost. I guess this is what this select committee is all about - looking at where does it all stop.

Mr BOOTH - Would you agree that a lot of these things are effectively just make-work schemes for bureaucrats - like white cards, for example, where a delivery driver won't be able to carry something onto a site without a white card? You talked about the height issues and so forth, and they seem to be something they are regulating for the sake of regulation and the sake of a drone's castle because they can, because they've captured that industry. Yet they don't mind you getting up to 0.05 alcohol in your blood and driving at 100 kph into town to pick up a scaffold and passing someone coming the other way with a load of scaffold with 0.05 in their blood as well, which is far more dangerous than climbing up a reasonable stepladder and painting something 2 metres high.

Mr KERSCHBAUM - You're right. I really wonder where it is all going. As you know, Tasmanians are about the most poorly paid in the nation. I only have to measure myself against my counterparts there, and no doubt you are the same. We have the lowest wages in Australia and if we keep adding things on and on, I wonder where the entry point for housing will be in 10, 20 or 30 years if we keep going the way we are.

CHAIR - It's probably going to be earlier than that, Mike; I reckon that's going to be the problem.

Mr KERSCHBAUM - The problem becomes a social one, which is the Government's problem, isn't it? If you can maintain a vibrant private sector I think everybody is in

front because the more people you get off housing waiting lists and into the private sector the better off we all are.

CHAIR - You are dead right. This committee is terribly concerned with not the fact that certain people will only be able to afford smaller houses, it is the fact that for so many people who can't currently get in it is getting further and further away from them. Rather than coming closer to the possibility it is miles away; they can kiss the whole idea goodbye - social housing forever or -

Ms ARCHER - We all use the term 'affordable housing' but it's not actually coming out in reality.

CHAIR - No, it's going the other way.

Mr BOOTH - It's relative to the ridiculously expensive stuff of the over-regulated system; that's the point. What we're interested in here is the effect of unnecessary or over-regulation in terms of building costs.

CHAIR - I'd like to go there now. You have a co-regulatory model now; it could be argued that the Government co-manages - there is a director of building control and there is a levy there of 0.01 per cent that pays for that - but out of that came a degree of industry protection for yourselves from predators, I suppose, and one of them was the owner-builder. There was no question there was a problem before that owner-builders quite openly would build one home a year and sell it, and that was basically their income - or three in two years and that sort of thing. They were clearly unregistered builders, and whether that was good, bad or indifferent, we addressed it.

We have heard evidence that some 30 per cent of cottage construction in Tasmania is now carried out by owner-builders but using unregistered contract labour who go from owner-builder to owner-builder to owner-builder, and that is an issue too. But what can't be denied is that the downward pressure on building prices from a genuine owner-builder market isn't there because they are currently regulated to two in 10 years. I was saying this morning that I have somebody in our family who is in a completely genuine situation who, as an engineer, can build a house with his eyes closed. His family circumstances changed, he needs to build a house and can't. He is forced to go, cap in hand, to a builder and enter into a contract.

Mr KERSCHBAUM - He has exceeded his two in 10 years, has he?

CHAIR - Yes, because he did one as a home renovation - it was reasonably expensive - then built a pair of units for himself. He has since remarried and now they are a family. They have a new child and he wants to build a family home. The other two were pretty close to 10 years ago but he is forced to go, cap in hand, to the current building industry and say, 'How much a square metre?', and they say, 'Well, we know you can't build it, so we've got you'. It is as simple as that - and I'm not concerned about that particular issue, what I am saying is that there is no downward pressure. That is a whole set of competition out of the marketplace.

Mr KERSCHBAUM - The very fact you are saying that 30 per cent are still building in that capacity -

CHAIR - That was a submission to this committee from somebody else from another organisation, and if that is true, that is a concern. There is no question that is a concern.

Mr KERSCHBAUM - I would have thought that that would put a fair bit of downward pressure on the market as it is anyway.

CHAIR - Yes.

Mr KERSCHBAUM - If 30 per cent of your housing is being built by unregistered builders working for other builders -

CHAIR - That's not tested, obviously, and we will test that.

Ms ARCHER - It means the legislation hasn't captured the problem, doesn't it?

Mr KERSCHBAUM - No, it hasn't.

CHAIR - No, it hasn't fixed the problem and there are genuine people out there completely capable of building their own home, complying with the BCA every day of the week, and yet they are currently labouring under an industry protection. So we are interested in what the MBA's position is on owner-builders.

Mr KERSCHBAUM - When I was a builder of the Master Builders - and I am going back to 1992-3 now - the number 1 item for them was to create a registration system for builders and, quite obviously - let's make no bones about it - we're an industry association and we're there to represent the broad base interest of our membership.

But, having said that, I think that with the amount of regulation involved people are kidding themselves. They obviously believe that they understand everything that is in the Building Code. They're kidding themselves that they understand the way that things work out there in the real world.

But, at the end of the day, I am a supporter of having the two in 10-year rule because if a person is a genuine owner-builder, I don't have a problem with it. If you start mucking around with that ratio too much, people will still be tempted to go in there as part-time builders and, to be perfectly honest, we weren't happy as an association with the methodology that was used to accredit builders or register builders because too many got through the system.

CHAIR - The current system?

Mr KERSCHBAUM - The current system.

CHAIR - You're not happy with the current system?

Mr KERSCHBAUM - We always fought to have a stricter regime for more genuine builders. They are like so-called part-time builders who got through the system but I don't know -

CHAIR - Who were grandfathered in.

Mr KERSCHBAUM - Yes.

Mr BOOTH - Actually they had to pay ransom to the insurance industry for so many last-resort home owner warranty policies and you're a builder automatically.

Mr KERSCHBAUM - Yes.

Mr BOOTH - But with the owner-builder thing, I think one of the problems there, Rene, might be that the regulations say you can only build two in 10 years but if you happen to live on a property for 10 years and you build a front porch one year, eight years later you want to build a back porch -

CHAIR - A porch isn't a category.

Mr BOOTH - A room then or something.

Mr KERSCHBAUM - I don't know if the existing extensions count under the owner-builder provisions.

Mr BOOTH - Yes, they do.

Mr KERSCHBAUM - More than once. So if you do a renovation on a house then another renovation on the house, it still only counts the once. That was my understanding.

Mr BOOTH - So you are saying you can do unlimited amounts of renovations on your own property over a 10-year period?

Mr KERSCHBAUM - I think it can be construed that way. I would have to check that because it's not something that I particularly take a lot of notice of, but I think it was more about building new structures.

Mr BOOTH - On new titles - separate titles?

Mr KERSCHBAUM - Yes.

Mr BOOTH - The question is then obviously you would regard development done by an owner-builder on the same title as just one building?

Mr KERSCHBAUM - I thought that was the way it was intended to work because there was some discussion about it in the early days but at the end of the day that would have been resolved between the old TCC and the Government and I do not know that I actually became privy to the outcome of those discussions so I may be wrong. My understanding is when you are doing it on your own home they may count the first one but if you do a subsequent renovation, that may not count. I would have to check on that.

CHAIR - Obviously we have to look at every regulatory environment and that is one that we want to discuss with you.

Mr KERSCHBAUM - I do not think that the industry per se would have a problem with someone doing multiple renovations on their own home, for instance doing a bathroom renovation and then doing an extension out the back. I think it is more about curtailing the new development and that is certainly our impetus. If you are looking for some direction from me, I would not have a problem with someone who already owned a home doing two or three different staged building applications on that same development. I do not think that is really what the regulations are there to capture. I do not think that was ever the intent, certainly from our point of view, of capturing those people.

Mr BOOTH - With regard then to the building standards and accreditation of builders you have said that you obviously had a self-interest, a pecuniary interest, in regard to the MBA in terms of guild protection or whatever, and that is fine. My own view is that an association should require their builders to provide a better standard of work and then that becomes part of your brand and your name and people know that if they go to the MBA, then if they have a problem with a builder you are going to fix it and sort it and if the builder is a rogue, you will turf him out of your association. Therefore you build a brand just like a fruit shop or any other business that has the same sort of issues there.

I wonder, and I will put the proposition to you, whether really accreditation ought to be about not so much gating or restricting the number of builders in the industry or plumbers or electricians - they do have their own requirements obviously that they have to meet - but about the quality of the work that they do and its compliance with the codes and therefore the inspection point is the most important part of the building because if a building surveyor or a building inspector passes a building then it should and it must comply with the code. Isn't that the area then when we are seeing houses being built that are deficient that is the real source of the problem, that we are not inspecting properly or we have not in the past?

Mr KERSCHBAUM - Again, having come from a building and surveying background and a local government background, we were told - and it is dead true - we were only there for inspections during the course of the project. I cannot, as a building inspector, confirm whether the damp course that goes down was not perforated because a bricklayer was lazy, whether the brick ties went into the wall to secure the stud works to the brickwork, whether the sealants were put in the right place, whether the wet area waterproofing was done. There are a whole lot of things that you just are not privy to during the whole construction process that fall back onto the builder and I know there is an argument at the moment in the building surveying fraternity that they should stay away from it. If you have accredited builders, let them look after themselves. That is a risk mitigation, being my own opinion, but at the end of the day four inspections does not make a quality control system and this is the problem because you have to be there to make sure. We provided bricklayers with a damp-proof course and would still be sitting there mid-morning and saying, 'Well, get that into the bloody course because it has to be there'. It is the builder's job to make sure of that.

We view the builder as having to have about five areas of expertise. Technical expertise is only a very small part of what a builder does. It is the contract management, actually being able to know how to estimate a job and turn a dollar on that job so that you do not go broke halfway during the building process, making sure the client understands their rights and obligations under the contract, what has to happen if there is a dispute, how you resolve issues relating to a variation. All those sorts of things that a builder should

know about is what we think makes a builder. It is not that hard to put together a pretty basic home with a little bit of training. The hard bit is knowing how to manage the subcontractors to make sure that they are doing the right thing because it is no good to say that they used a trade-qualified bricklayer, at the end of the day it is their job as a builder to make sure that he does put the DPC in under the window sills and in that first row of bricks and all those places where it has to go. It is your job to make sure that the plastic does not get perforated when you are pouring the concrete. It is your job to make sure that all those things get done and I do not think we can put that back onto local government or the building fraternity as it is now or the engineers.

Mr BOOTH - The point I was making is that if the inspections were done properly at all of the stages then the accreditation would not be necessary to end up with a compliant house. You are relying on, to that degree, somebody getting accreditation and then they have to do all this other stuff, some of which we have heard in evidence is effectively make-work schemes for the CPD and does not necessarily deliver a house that does comply with the standards. The surveyors are now saying, 'We don't want to go and inspect because then we are going to wear some liability'. So it makes a mockery of the regulatory regime in a sense. Why bother to have a building surveyor if you are going to fall back on the accredited builder to do it at whatever risk.

Mr KERSCHBAUM - I do not disagree with you on that point because I think that there are certain really important stages of construction we have already identified, and they have been around for a long time, and probably an auditor needs to cast their eye over the job to make sure that they are on song. It really does not matter at the end of the day if a bit of plaster is put up poorly because you can just rip it out and repatch it but it does matter if the footings are not right or the slab is not right or the frame is not right. They are the critical construction things and I think that it is laughable really that anyone would take the responsibility out of it because at the end of the day, if you are just confirming that something on a piece of paper conforms with the Building Code, what are you there for?

Mr BOOTH - Yes, that is the point. My thoughts are that you should have intervention at those critical control points in a building to make sure that the reo is in the trenches and the plastic has not been damaged, the damp course in the tiled floors has its proper water sealant and so forth.

Mr KERSCHBAUM - I agree with you. I guess if you look at the construction costs per se that some of the larger project builders are building at, they really are quite affordable. Part of the problem is that we are not building at that minimal level as much. The houses are bigger, as you know. So people say, 'It cost me \$160 000 to build a home'. It had four bedrooms in it and it was not what you would call a basic home that existed in the 1970s. So if you look at the cost of construction, our members can build at \$1 200 to \$1 300 a square metre. In my previous job I used to get calls from people saying, 'I'm here from WA, why does it cost so much?' At the end of the day you go around WA with a shovel, you prepare the site in half an hour, the concrete comes in and drops in a thick slab, and away you go. One of our members joined us from WA and said, 'How come it is so expensive?' I said, 'You will find out building at Howrah or Tranmere'. He had spent \$30 000 per set of footings to get the slabs done. He said, 'In WA that would have cost \$3 000'. So he had blown his budget tenfold compared to WA. People don't understand that and they have to understand that we do have different soil types, we have different topography, cranes, cartage. All those sorts of things that exist here are not

necessarily known in places like Queensland where they just reserve a truck up and drop it straight in. We have to have concrete pumps on every job, multiple times.

So there are a whole bunch of costs if you add them all up and you take into account our lack of economies of scale because we have no project builders build any more than 200 homes in Tasmania and that is a starting point for the majority of homes that are being built on the mainland. In WA five or six builders cover 70 or 80 per cent of the market. So they are building hundreds of homes and they are buying timber and bricks. In fact the largest builder in WA owns his own brick company and he just buys them straight of the brick company. You cannot compete with those sorts of economies of scale.

When you look at it, if you compare us directly with an architectural home builder in Melbourne or Sydney - and a number of our members have compared their rates with what they are building in Sydney and Melbourne - it comes up pretty equivalent because at the end of the day you are building a one-off project every time you build. You have to compare that with the builders who build over there to the same level or in an equivalent way and you will find the constructions costs are not that dissimilar.

Ms ARCHER - What things could make us more competitive? If we decrease levies and charges and taxes and things like that, is that going to have any direct impact or would it be minimal?

Mr KERSCHBAUM - Even if you add the three levies we currently pay - the ITB, the building levy and -

Mr BOOTH - TasBuild.

Mr KERSCHBAUM - TasBuild is the other one, so if we add those sorts of levies in, the statutory levies, you are talking really about a fairly minor cost of maybe \$1 000 on a \$300 000 home and that is a substantial home. I think it is tweaking at the edges. If you take \$50 000 as the price of the land all of a sudden it makes a big difference, or you start looking at some of the other areas. There is no doubt it costs a lot more upfront, and a number of our builders are saying it is costing up to \$10 000 to get a house through the approvals process and to a point where it's ready to go, and that's a substantial cost compared to what it used to be. You used to be able to get it for half that 10 years ago, so it has probably doubled in 10 years.

Mr BOOTH - What do you think about building levies going to providers of IT things that go into houses or those sorts of things - industries that are completely peripheral to the construction of the building itself?

Mr KERSCHBAUM - I know what you're saying. It is adding to the cost, there's no doubt about that, but you can quantify it yourself at 0.1 per cent or 0.2 per cent of the construction cost.

Mr BOOTH - Do you see there is any value, though, in that sense?

Mr KERSCHBAUM - Again, this is where I might as well be upfront about it. We are a beneficiary of the industry training board levy; we get a reasonable amount of funding from the industry training board that underpins a lot of the training we provide -

CHAIR - So you have your own training programs?

Mr KERSCHBAUM - We have a number of them.

CHAIR - So you can access their funds to pay towards that?

Mr KERSCHBAUM - Up to a point. They tend to limit us per annum as to how much we can receive.

Ms ARCHER - So it's a subsidising sort of thing, is it?

Mr KERSCHBAUM - The industry training board allocates at the start of each year an amount of money for the major training providers in the industry - the HIA, the MBA -

CHAIR - So who accredits your courses?

Mr KERSCHBAUM - We are not an RTO in our own right, although we are changing that as we speak, but if we are running, say, the certificate IV qualification for builders we auspice that through existing RTOs. Currently we use Australian Employment Services - AES - a local training provider, and they provide some of the training. The course content is provided by MBA Victoria and it is based on the Victorian builders course. We are soon to start our own diploma course for builders who want to build at a medium-rise level. We will be the only course in town, so to speak, that will provide accreditation on a face-to-face basis and that will be done through hopefully our own auspices, or it may not be the first instance so we will team up with MBA New South Wales and Victoria and run it through them. So whilst we are not an RTO we do run that.

The other thing to bear in mind is that we run a lot of shorter courses. I used to run some but don't as much any more, but for instance courses on putting in slabs, timber framing and those sorts of things, just refresher courses so our members coming through did that because a lot of these guys are just trade-trained. When you do an apprenticeship in carpentry and joinery it doesn't tell you what is in the Australian Standard 2870, footings and slabs, and none of our members take it home and read it at night, as far as I can tell. So it's sort of developed through industry discussion - 'This is how you lay the steel and this is why you do it this way' - and I guess you need those sorts of short courses to keep them on track.

CHAIR - Surely that is precisely what the training levy would be paying for.

Mr KERSCHBAUM - It is.

CHAIR - I would have thought 100 per cent of the training levy money could almost go to that.

Mr KERSCHBAUM - No, we tend to overuse. We are trying to reduce our reliance on membership subscriptions. We are a member-based industry association so we are looking at all forms of additional revenue and income and training is one of those areas that there is a real demand for now.

Mr BOOTH - Isn't the demand there generally because it has to be? For example, you have to do CPD so therefore it drives the -

Mr KERSCHBAUM - No. Again, the Master Builders is probably slightly different because we do try to set ourselves apart from the rest and I believe we have created a situation where Master Builders have a bit of respect in the industry. If you say you are a member of the Master Builders Association you have generally done something to earn that. You aspire to be a master builder, I believe, anyway - that's just a personal biased opinion of mine, of course, but we do set out to separate ourselves. We find that the vast majority of our members actually exceed CPD considerably. I would hazard a guess to say the majority of our members would tally up anything up to 20 hours a year quite comfortably. I guess a lot of our members see it as professional training in the same way an accountant, a doctor or a lawyer might, and they see it as value-adding, but the challenge then is up to us to provide courses that they want to attend.

But the standards change every year. We are going to have bushfire standards introduced shortly. I am sure the majority of our members do not know what is in 3959, the Bushfire Standards Code. They would not know how to identify it, so there is a course in the making there. When the residential code planning reforms come through, if they do, then we will have a training course just on that for a couple of hours to educate our members as to how it works, so that they know if they build a house with a front fence it does not go past 1.5 metres and that the setback doesn't exceed a certain length et cetera.

Mr BOOTH - Have you disciplined any members? Have you booted members out who haven't met a standard?

Mr KERSCHBAUM - Yes, but very few, and I am looking to rewrite our constitution, I want to make it much easier. Constitutionally, it is difficult for us to take real action against our members. It is a real process, with disciplinary panels and the whole lot and what I want to do is streamline that because I am firmly of the opinion that if you have one rotten egg, it tarnishes the whole association.

CHAIR - They are all rotten eggs.

Mr KERSCHBAUM - You are right, we are, and so what I want to do is streamline our constitution so that it is much easier. I would have to say we have persuaded those members to resign rather than go through the full process. We have formally disciplined very few members in the 10 years I have been with the association but I would suggest that a few have left when the writing has been on the wall.

CHAIR - You were saying that you feel that someone who calls themselves a master builder should do easily 20 hours a year of CPD. What if somebody doesn't? How can he call himself a master builder, especially when there are so many changes and he does five years in a row with no training? His mandatory CPD is how many hours?

Mr KERSCHBAUM - Twelve. It was over a three-year period but I think they are looking to change it with the latest changes to the Building Act to basically one-year cycles or count them as one-year cycles because it is effectively 36 points over a three-year period as it stands, so they are looking to push that a bit better. But we do have members who

haven't done enough CPD and they have rung us and we have said, 'Well, get on your bike and start doing it.' They have been forced into a situation where they have probably undertaken a course that hasn't benefited them greatly but they have been available and they have taken them up, and that's the wrong approach to CPD because it is about continuing professional development.

Mr BOOTH - But that is the point, isn't it? If you're not achieving the actual reason for CPD to improve the standard of your building, then it just becomes a make-work scheme to retain your accreditation and that is a major problem.

Mr KERSCHBAUM - That is why I said it is probably less of a concern for our members because we have entry criteria for our membership, let me put it that way, whereas, other industry associations don't necessarily have that, they just have an application form to fill out. We deliberately have a membership application vetting process so I would like think that, on average, the quality of our membership is probably higher than other similar industry associations, and we go out of our way to do that. So I think that the members that we attract - to our detriment, because we do not get a lot of new members - is generally of higher standard. When I say a higher standard, I mean people who are professional builders who believe in the industry and in training, which is really important as well in our sector because we train our own, we do not rely on the university to churn them out and pick them up. We train our own and so I guess we rely on that industry training board funding a lot to make sure that those CPD points are achieved at very little cost and that is important. But you are right, if the CPD is not sold and promoted the right way and is not dealt with the right way, then it is just a points-gathering exercise so that they can keep doing what they do.

CHAIR - And therefore just another cost on building which provides no real benefit?

Mr KERSCHBAUM - Yes, there's no doubt it could be seen that way but I think if you spoke to a doctor or a lawyer or an accountant they wouldn't perceive it in the same way.

CHAIR - But they are mandated by their industry boards that have real teeth, whereas here we have legislation that says that you must do certain training. I would have thought that the industry board could in fact - I think it is a failure to have to legislate to make people go to training. I would have thought the MBA could say, 'If you want to be a member of this organisation, you have to do this. If you fall into a deficit, we'll give you a year to pick it up but after that point you cease to be a member - train or get out.'

Mr KERSCHBAUM - That is basically how we work it, but we had 20 hours per annum for our minimum standard seven or eight years ago and then we realised that the Government had legislated for 12 so we dropped it down to 12, so we have met the industry standard. Effectively, our default position is that if you do not maintain your 12 points per annum you are no longer a member of the Master Builders Association.

Mr BOOTH - But if it was not a mandatory thing - in other words, if government got out of the way with that regulation but still required a standard which is based through a building surveyor appropriately ticking off at points during the building process to make sure there was compliance, and that linked to a payment schedule so that the home owner could never be duded in that sense, so that they don't have to pay for works until they have actually proven you're compliant - then it would actually add value to your guild if

you were able to represent to the public that your builders actually do CPD, you discipline your builders and you have an association that actually means something.

Mr KERSCHBAUM - And that is exactly the approach we would adopt; under my stewardship we would maintain the 12 hours even if the Government dropped its requirements. The issue there is that I don't know how you can call yourself a professional builder and keep up to scratch with the changes, because the Building Code changes every year. The changes are sometimes minor and sometimes major. One of the first things I did when I joined the association was ask the question of the members, what is the minimum clearance to the underside of a bearing timber floor? The common response was 230 mm because that's what it had been for a number of years. In 1995 when the Building Code was introduced they changed it from 230 mm to 150 mm, so it dropped down a full brick. Almost to a man everyone said 230 mm so five years on after this change had been made everyone was still sticking an extra course of brickwork all the way around their house at the sub-base level because they thought the minimum clearance was 9 inches instead of the new 6-inch requirement. That is a simple example of what happens if you just keep going because it is custom practice and don't introduce this CPD.

Mr BOOTH - But the thing about that of course is had it actually been 9 inches instead of 6 inches, which it is, then whoever built the thing at 6 inches would not have complied with the BCA and therefore their building would not have been approved at that stage. The point I am making is that nobody is going to care if you over-build, that is great; if it is too strong nobody is going to complain, but it is the minimum standard that they are supposed to comply with or deemed to comply.

Mr KERSCHBAUM - I guess I am just worried about those 5 000 homes that were built in that intervening period that all had an extra row of brickwork in them that was all quoted into the job. Your point is well made, but -

Mr BOOTH - I hear what you're saying but whether that is the role of the Regulator to make sure things are not over-built, I'm not sure.

Mr KERSCHBAUM - At the end of the day there are a lot of things that have been introduced in my time - for example, the slabs with the reo, where you now have to run a bit of reo into the slab and connect it up so that you don't get electrocuted. With those sorts of changes there is no way they would really be introduced into the industry if you did not have some sort of industry association behind you or some sort of CPD process to pick up on those changes that occur as you go through these technical changes. So I guess that is probably why I am an advocate - and I am taking my training income revenue hat off here and speaking from my technical background - I think it is important that builders keep up to date with contractual changes. We now have Australian consumer legislation which has impacted upon the way we build and we do not understand ourselves yet the impact of that legislation on building contracts. It is still being sorted by our national office but I want you to understand that we will run courses for our members.

I think without that CPD, without that backup, they are flying blind, and the builder is really critical in this whole process because the builder is the one that ties together all the trades and that is where we are at. My personal thinking is there is still a role for CPD

for builders. There is an argument about licensing of trades but I am not so convinced that that is necessary. If you are licensing a builder and everyone works under the builder and comes under that builder's control then the builder takes the greater responsibility, but that probably reinforces the position that we should have some sort of legislation.

Mr BOOTH - But that could potentially be rorted like the TCC model where every single person who picked up a paintbrush or a broom on a building site was going to have to pay an accreditation fee which did not deliver anything in terms of -

Mr KERSCHBAUM - I quite agree.

CHAIR - Tasbuild - superannuation and long service leave. Are your members saying anything about TasBuild? How are they feeling about that?

Mr KERSCHBAUM - Firstly, I declare that I am a director of TasBuild but putting that hat to one side, there was certainly some concern from our membership about the increased rate, and I can see why. I think the rate was artificially low at 0.3 per cent. I would like to see it in a band. I have said this to the other directors of TasBuild and I think there is a general consensus that it should be maintained within a band if it is going to be retained. I think there is the ability to look at other models including having, say, five weeks' annual leave a year in the legislation and then removing long service leave completely and allowing people to bank that and use it as long service leave. There are other options and models I think that should be looked at.

Mr BOOTH - What would you think about that percentage just going into their pay so that they bank it themselves and do what they want with it in terms of their long service?

Mr KERSCHBAUM - It won't happen.

CHAIR - They won't take the leave.

Mr KERSCHBAUM - No.

Mr BOOTH - They are paid to not take it and that effectively becomes like an overtime pay, whereas at the moment one of the problems with that transportable long service is that a lot of people never end up getting it anyway.

CHAIR - I did read in the annual report that annually there are quite a number of people who access it.

Mr KERSCHBAUM - There are. The number escapes me now but you get the list at the end of each month and there are a considerable number who have taken it just as a payout and upgraded their car or their boat or whatever it might be.

CHAIR - Go back to work so no leave.

Mr BOOTH - No leave so it is the same thing, isn't it?

Mr KERSCHBAUM - That's right and that's the other point.

CHAIR - It rather supports your argument, doesn't it?

Mr BOOTH - It does.

Mr KERSCHBAUM - I think it is fair to say there is some robust discussion amongst the board even about whether it should be a long service leave scheme, it should be taken only for long service leave or whether it can be paid out. So there is discussion at board level on that.

I guess TasBuild is another one of those so-called imposts but so is payroll tax, stamp duty on those sorts of things. It would be lovely for me to say you should remove stamp duty because if you spend \$600 000 on a home, you are paying \$20 000 in stamp duty and that is a lot of stamp duty.

CHAIR - But there is an interesting example by another contributor to this of the cascading level of stamp duty through a simple block of land. Somebody buys a block of land with the idea of developing it and pays stamp duty, so it goes up in value because it has been approved. Then a developer buys it and pays stamp duty, then sells it on, who then sells it on to 20 separate people who all pay stamp duty so they have had three dubs at the same piece of land over a two- to three-year period.

Mr BOOTH - They might sell it to a builder who re-sells it again.

CHAIR - That's it. Sorry, that is the third one, the builder.

Mr KERSCHBAUM - It is a real issue, I think, but I guess I am pragmatic enough to say we can't just take \$100 million out of the State Government's budget and say you should not be doing that, that is naughty of you. It is part of the whole taxation reform, I guess, but stamp duty is certainly a disincentive.

Mr BOOTH - It could be an argument that it be only imposed not within a year or something like that or a couple of years potentially so that it does not ratchet up the cost of the block to a person who wants to get a house.

Mr KERSCHBAUM - Yes, and there is no doubt at all that that can happen. A person buys a block of land, they pay the stamp duty on that, they engage a builder and away they go but there are certain situations where it does get value-added and, as you say, the Government gets a few dubs at it.

CHAIR - She all adds up.

Mr KERSCHBAUM - It does and it is a cost.

I guess my real concern for our sector is that it has now grown to be the third- or fourth-largest industry sector in Tasmania. We have taken up a lot of the volume and if we do have a big downturn it will affect the State economy, not just our sector anymore. We have gone past the point where we had 10 000; we have almost 20 000 people. We believe this inquiry is really important. I think just from our discussions we can see that there is a whole range of areas where it impacts and I think it is too big a sector now to

start playing around with too much. I think that the recognition of the building construction sector probably has crept up there, and this is national as well. It is the third-largest employer now nationally and the fourth largest in Tasmania. It is a sector now that really needs some acknowledgement and we have been pushing for some years for a housing and construction minister. I think that would partly go some way towards - and I use that really clumsy terminology - addressing some of these issues because to date we haven't had a housing and construction minister that has taken overall portfolio responsibility.

I think that the people on this select committee understand and have an idea of where I'm coming from, whereas it's a hard sell to go to the planning minister and say we need planning reform and go to the Treasurer and say we need something else.

CHAIR - You need a champion in the cabinet room.

Mr KERSCHBAUM - You do.

Mr BOOTH - You need accreditation for the cabinet ministers too because that's one of the problems, isn't it.

CHAIR - Don't answer that.

Laughter.

Mr BOOTH - With regard to regulation, you spoke about the looming cost of this 2 metre scaffold requirement. Are there other regulatory imposts that are simply in your view not cost effective and don't achieve what they are trying to make? For example, I've noticed that it appears that security fencing -

Mr KERSCHBAUM - That is another one that is coming potentially. In a lot of mainland States they've got that now. It's a requirement for you to fence off the site. That is fine if you have existing boundary fences around you on three sides and you just need to put one along the front, but still there's a cost.

CHAIR - Greenfields.

Mr KERSCHBAUM - That is right, that is the thing. You can't get the permission of the owners to fence and you have to fence at your own cost. We look at the regulatory stuff but when you look at it, the introduction of an OH&S requirement like site fencing for the whole site, or the guardrail protection above 2 metres, wipes out all of those incidental costs in just one item.

Ms ARCHER - Then the ramifications of not complying. The fines are like to be hefty as well.

Mr KERSCHBAUM - They won't be light. There's a whole bunch of areas where we are seeing that regulatory creep. It's happening everywhere.

Mr BOOTH - What would you like to do about that then? Where do we draw the line with bureaucrats just dreaming up regulations for regulations sake? The classic example is a

politician carrying a spade on an open paddock wearing a hard hat, safety glasses, ear muffs, steel-capped boots and safety jacket to turn a sod.

Mr KERSCHBAUM - I know. It is crazy. I don't know because it comes from everywhere. The Building Code is a national document but it has State variations. Our Building Act is a State-based piece of legislation. The OH&S is State-based. You have to deal with local government and the local water authorities in regard to their requirements, so it cuts across all tiers of government. It is not as though we can just say this or say that. In the commercial area especially OH&S has become such a big issue, but I think sometimes we've almost lost sight of what we're trying to construct and the cost because someone has to pay the cost. This is something that perhaps isn't registering because it's easy for builders to say, 'I'll pass the cost on because I can', but at the end of the day there has to be someone there to pay that cost. If you talk to any developer around town a lot of commercial development is becoming really marginal because you have to get the return back but no-one is willing to pay the square metre rates you get in Melbourne, Sydney or Brisbane for floor space, whether it be office or whatever it might be.

Unless you get that return, they will just fold up and that is exactly what is happening. I am really concerned that in this 12 months we're going to have a real shortage of development and we are going to see an actual loss of employment in our sector because the environment is just not right, it's not conducive.

Mr BOOTH - I went to an auction recently and when the site had been purchased the position was put, 'You couldn't get somebody to come and pick it up unless they had a white card to get in the door'. To simply take that item and put it on the back of a truck and go 20 foot off the site you would have to do an induction and have a white card or employ somebody who already had it. It just seems to me there are so many impediments and blockers to being able to carry out the normal functions of everyday life and to employ people. You know, 'Sorry mate, I can't employ you because you haven't got a white card, you haven't got this, this, this and this'.

Mr KERSCHBAUM - As you say, it's coming from everywhere. The OH&S people also dreamed the idea of the 2-metre protection. They also want to have a maximum number of people on site. So if you go to six people you have to have a full safety management plan. Anyone doing a concrete pour is going to have at least six or eight people on the site. You have your two concreters and a labourer, you've got your builder who is there who always checks on the form work to make sure it's all okay, your truck driver, your pump.

CHAIR - Crane operator.

Mr KERSCHBAUM - And you have another truck driver waiting.

Mr BOOTH - Thank God the *Titanic* was designed by a qualified engineer, that is all I can say, and the Westgate Bridge as well.

Laughter.

CHAIR - Mr Kerschbaum, thank you very much for your free and frank input today, it's been great. You've got an unique perspective because of your background in the industry as

well. It's been useful to us. There is a chance that we might ask you to come back in to run some other stuff by you if necessary. We will see.

Mr KERSCHBAUM - Feel free.

CHAIR - We will see how we go with that, but certainly your submission and your session here with us today has been invaluable and I thank you very much for that.

Mr KERSCHBAUM - Thank you.

THE WITNESS WITHDREW.