

THE MASTER BUILDERS' ASSOCIATION OF TASMANIA INC.



SUBMISSION

to the

Senate Community Affairs Committee

into

**National Rental Affordability Scheme Bill and
National Rental Affordability Scheme (Consequential
Amendments) Bill 2008**

OCTOBER 2008

INTRODUCTION

- 1.1. This short submission is made by Master Builders Association of Tasmania Inc (Master Builders Tasmania).
- 1.2. The Association was established in 1891 and is a registered Union of Employers with the Australian Industrial Relations Commission.
- 1.3. The Association has eleven (11) employees and operates from offices in Hobart, Launceston and Devonport. Members include commercial builders, housing builders, sub-contractors, suppliers and professionals. Approximately 90% of all commercial builders are members of the Association. Master Builders Tasmania (MBT) members undertake around fifty percent of all residential construction undertaken by accredited builders in the State.
- 1.4. The Association also has a close liaison with special interest groups such as the Master Bricklayers' Association, Wall & Ceiling Fixers Association, Building Consultants and Building Designers and the Tasmanian Glass & Aluminium Association.
- 1.5. The Association provides a wide range of services for members covering industrial relations, contractual, legal, legislative, educational and technical matters. In addition, the Association is widely represented on many industry and Government bodies and provides on going assistance to both industry participants and members of the public on all matters related to the building and construction industry.
- 1.6. As part of our mission, the Association seeks to develop and maintain standards acceptable to the industry, government and clients, to further the interests of its members and the Tasmanian community.

SUBMISSION

- 2.1. Master Builders' Tasmania welcomes the opportunity to support this major piece of legislation. It believes that the National Rental Affordability Scheme will greatly assist in addressing the shortage of affordable housing across the country. The Association believes that the fundamental framework of the NRAS is sound and this type of targeted tax relief should provide much needed housing capacity to low and medium income households, which need it most.
- 2.2. Whilst the Association supports the general thrust of the legislation, there appear to be some areas that relate to the administration of the Bill that are uncertain.
- 2.3. It is still unclear to MBT exactly who the target market will be and how their eligibility criteria will be established. For instance, families on State and Territory public housing lists which receive NRAS properties will effectively be using Federal Government money to alleviate the States' and Territories' public housing waiting lists. Additionally, the FaHCSIA documentation appears to suggest that property managers / owners will be able to undertake their own assessments to establish eligible tenants (based on government guidelines). This type of flexibility may result in the property managers / owners targetting those eligible tenants with the highest incomes to ensure that they minimise their chances of default. There is potential for households with the lowest incomes to be locked out of the NRAS process if this occurs, as they will be considered a higher default risk than higher income tenants who use less of their disposable income to meet their rental costs.
- 2.4. The Association would also query the ability of some of the property managers to establish the eligibility, or otherwise, of potential tenants who may receive welfare benefits from a number of sources or have otherwise complex incomes for a variety of reasons. Perhaps the establishment of a list of tenants that are eligible to receive NRAS in each state or territory could be undertaken by the state / territory or federal governments, rather than leaving the process up to each individual proponent.
- 2.5. One of the concerns that the Association has about the Scheme is the type of contributions that the State and Territory Governments will make. Establishing the Federal Government's contribution is reasonably straightforward as the documentation provided by FaHCSIA demonstrates. The contribution that State Governments will make is less clear and there are concerns that some of the incentives may, in fact, prove to be of little use to

a developer or investor interested in taking advantage of the Scheme. Some types of in-kind support are preferable to others and it is important that cash flow issues also be considered when determining incentives. Due to the lack of detail in regard to local and state government incentives, the Association has some concerns about the different forms that they may take and their effectiveness.

- 2.6. As an example of the above point, stamp duty is payable on the purchase of land. However it is highly unlikely that stamp duty concessions will extend throughout the entire 10 year life of the NRAS, necessitating another form of assistance from state and / or local government to provide the stated \$2,000 per annum benefit. This additional assistance would have to be appropriate for the property manager / owner and they would need to be advised of the additional incentives and payment periods before entering into the NRAS. Even the relatively straightforward issue of stamp duty relief would need to be managed effectively. Ordinarily, stamp duty is payable upon settlement of the land. Would the stamp duty be exempted for an NRAS property purchase up-front and then allocated towards that project at \$2,000 per annum per dwelling until it was fully expended? Or would the State and Territory governments charge stamp duty and then reimburse the property manager / owner at a rate of \$2,000 per year per property, again, until it is exhausted?
- 2.7. The small and fractured nature of the domestic construction industry in Tasmania may not be able to support the preferred types of development outlined by FaHCSIA. The technical paper discusses developments as small as 20 units but the general preference appears to be for 100+ unit developments. These numbers are not realistically achievable in Tasmania unless they are spread out over an extended period. MBT is only aware of two builders in the state who have the capacity to build more than 100 homes a year. The state's total dwelling construction numbers are slightly below 3,000 per annum with over 90% of builders constructing less than 5 homes per annum. The Association believes that capacity constraints for developments over 20 units would exist in all areas except for Hobart and Launceston.
- 2.8. Labour movement into and out of the state is far more restricted than it is between mainland states, due to Tasmania being an island. These geographic constraints make it more difficult and costly for mainland based construction companies to bring in their own labour, which is why they often rely on local labour to construct projects.

2.9. By way of example, there is currently a mainland based builder attempting to construct a number of units in Burnie as part of a state government sponsored affordable housing initiative. The builder has not provided any of their own workforce into the state, instead relying upon local labour to undertake the work. The project has been substantially delayed and is well behind schedule due to the lack of available local tradespeople to undertake the work. MBT is concerned that if the implementation of the NRAS does not take into account Tasmania's very small market size, there will be major problems with the construction of unit and house developments, much like the above scenario.

2.10. The Association advocates the following strategies for the roll-out of NRAS both generally and also specifically in regard to Tasmania:

- Applications by developers to construct parcels of units or houses greater than 20 outside the greater Launceston and Hobart areas (and, say, 40 within those areas) should be accompanied by some sort of evidence of their capacity to deliver on their promises, as access to adequate local labour may not be readily available.
- The Federal Government should accept smaller NRAS applications for Tasmania in recognition of the lack of scale of the industry in the state relative to the mainland states. As a consequence of the above two points, the Association would recommend that some flexibility be adopted when assessing Tasmanian NRAS applications. It may be that provision of housing under this initiative is smaller in scale and is undertaken by parties other than those currently being contemplated by FaHCSIA.
- The establishment of a list of tenants that are eligible to receive NRAS in each state or territory should be undertaken by the state / territory or federal governments rather than the property managers / owners of the properties involved.
- Due to the lack of detail in regard to local and state government incentives, the Association has some concerns about the different forms that they may take and their overall effectiveness.