



Building and construction

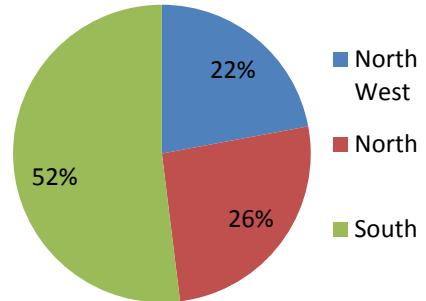
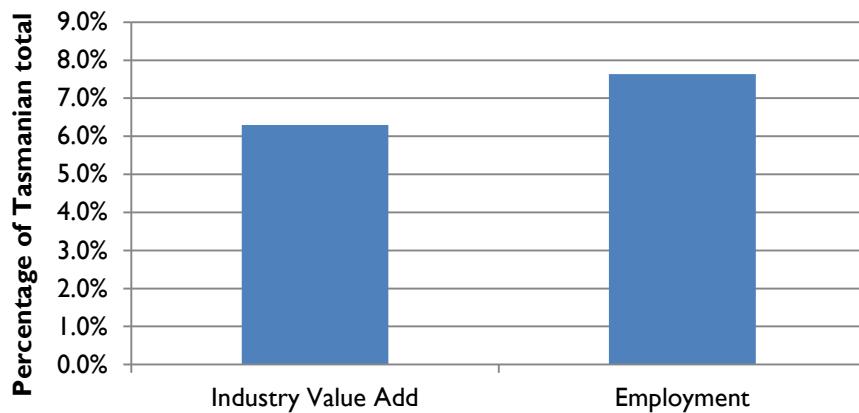
The trade and investment sectors contained in the sector summary series have been compiled from Australian and New Zealand Standard Industry Classification (ANZSIC) classes using a value-chain approach. This means that industry classes from ANZSIC have been grouped together to provide estimates of the size of the particular trade and investment sectors.

Coverage: all building and construction activity including residential building, non-residential building and engineering construction.

Key indicators

Regional employment

Building and construction



Key statistics at a glance

Indicator	Units	Period	Data	Change from five years ago	Per cent of Tasmania	Per cent of Australia
Industry value add ^(a)	\$M	2012-13	\$1 524	NA	6.3%	8.1%
Employment ^(b)	No.	2011	16 144	25.7%	7.6%	8.2%
International exports ^(c)	\$M	2012-13	NA	NA	NA	NA
Incomes (average weekly) ^(d)	\$	2011	\$933	21.6%	105.8%	123.3%
Education ^(e)	No.	2011	4 077	NA	25.3%	42.5%
Employment (proportion full/part) ^(f)	Type	2011	Full-time	NA	78.6%	81.1%

Sources: Australian Bureau of Statistics (ABS) (2012, 2013), Department of Economic Development, Tourism and the Arts (2013), Department of State Growth (2014), AEC Group

(a) Source AEC Group. Industry value add (IVA) is a component of the ABS estimate of Gross State Product and measures the total value of goods and services produced by the sector less the value of inputs. Estimated change in IVA from five years ago for a sector is heavily influenced by change at the highest 'ANZSIC Division 1' level of industry aggregation and is not reported.

(b) 2011 ABS Census. AEC Group considers this the most accurate estimate of employment at the detailed four digit ANZSIC level.

(c) Estimates of international exports using ABS data.

(d) 2011 ABS Census. This includes employment and non-employment related income (e.g. rents, dividends, interest, child support and government pensions and allowances). A percentage above 100 per cent of average weekly income suggests workers in this industry earn higher than the average wage.

(e) 2011 ABS Census. Education measured by the number of employees who have completed Year 12 (or equivalent studies). Per cent of Tasmania/Australia shows the proportion of workers in this sector who have attained this level of education.

(f) 2011 ABS Census. Per cent of Tasmania/Australia shows the proportion of workers employed in this manner.

Summary of sector

The building and construction industry comprises residential building, non-residential building, and engineering construction. The value of work done by these in 2011-12 was:

Residential:	\$740 million
Non-residential:	\$486 million
Engineering:	\$1 016 million
Total:	\$2.24 billion

The sector's economic activity is estimated to contribute approximately \$1.249 billion (5.8 per cent) towards Gross State Product¹.

The Tasmanian building and construction sector has demonstrated a capacity to match the high levels of demand placed on it in recent years, particularly as a result of economic stimulus funding following the global financial crisis.

Figures from the ABS Census 2011 indicate that employment in the sector rose in Tasmania by 25.7% between 2006 and 2011. However, since the conclusion of stimulus initiatives in 2010-11, the building and construction workforce in Tasmania has fallen to around 17 000 workers, with an associated fall in apprenticeship commencements and training. Low economic growth, and rising levels of unemployment have not yet been offset by low interest rates, the First Home Builder Boost, or First Home Owner Grant, which ended on 30 June 2014.

According to the latest *Property Council/ANZ Property Industry Confidence Survey*, on the back of the March 2014 State election results, Tasmania's property industry had a seven point jump in confidence. The eleventh survey, the largest of its kind in the country, shows Tasmania's property industry sentiment has jumped 32 points over the last 12 months to sit for the first time in the survey's history at 128 points for the June 2014 quarter. This reflects an improving economic outlook following two years of very weak conditions.

The Tasmanian Property Council report states that the new Liberal majority state government appears to be winning the industry's confidence in measures such as the \$10 million water and sewerage headwork holiday and establishment of the planning reform taskforce.

While residential demand appears to be stabilising, non-residential or commercial demand, both private and public, has seen successive declines over a number of quarters accompanied by a steady increase in office vacancy.

Engineering construction has also declined, with the completion of nationally-funded projects coinciding with a lack of new activity, due to ongoing weak macroeconomic conditions. Activity in this area in the foreseeable future is likely to be supported mainly by road projects and infrastructure maintenance, as well as works associated with the development of new mining activities on the West Coast and irrigation projects statewide.

Australian Government funding for the Hobart Airport runway, rail infrastructure and the Midland Highway upgrade will also provide opportunities for the engineering construction sector.

¹ The Property Council (AEC Group, *Economic Significance of the Property Industry to the Tasmanian Economy*, 22 August 2011) considered a broader scope, which included developers, real estate agents and rentals, for the 'property sector' and estimated it to contribute \$2.5 billion towards Gross State Product (or 10.9 per cent) and directly employ 21 000 persons.

Constraints and opportunities

Consultation with industry stakeholders in 2013 identified the following key constraints and opportunities:

Constraints

- Maintaining access to skilled workforce in workflow peaks and troughs.
- High reliance on government-funded projects.
- Interest rate volatility and impact of global finance markets.
- Low levels of population growth.
- Lack of resources to accelerate planning reform.
- Low level of investor confidence.
- Low level of government funding.

Opportunities

- Increased activity in the mining sector.
- Low land cost relative to other states.
- National Broadband Network rollout.
- Potential for the renewable energy sector to expand.
- Bringing forward projects in times of low interest rates.
- Improved planning instruments.
- Reduction of 'red and green tape'.
- Promotion and encouragement of innovation including the Innovation Award.

Issues facing the sector

The Tasmanian building and construction sector operates within a relatively small market, and is therefore particularly concerned with the 'pipeline' of projects over the foreseeable future, including approved building projects, works programs and major projects.

Industry leaders believe a certain critical mass of activity in Tasmania is necessary to maintain industry capability and productivity. Falling below this critical mass is likely to exacerbate the decline in employment and the outward migration of skilled industry personnel. Industry feels government is best placed to take a lead in the staging of projects to manage a minimum level of activity in the industry.

Further issues relevant to each component of the Tasmanian building and construction sector are outlined below:

Residential building

While market conditions for the residential sector in Tasmania improved over the December 2013 and March 2014 quarters they remain soft in historical terms. In mid-2014, housing starts are around 2 000 dwellings per annum. Industry stakeholders state that in the past, housing starts have been around 2 500-3 000 dwellings per annum. The residential building industry is however, being supported by high levels of renovation activity.

Non-residential

Several large commercial projects are now underway including the \$100 million Parliament Square development in the Hobart CBD. The Myer redevelopment, the new hotel development at Macquarie No. 1 Wharf have been confirmed to start in the first quarter of 2014/15, with the \$75 million UTAS student residential complex in Melville Street has been approved for development due to start in the second half of 2014/15.

Investment in retirement living is another positive note for the sector, as is activity in the bulky goods retail sector including the recent completion of Bunnings stores in Launceston and Burnie, and additional stores to be developed in Glenorchy and Devonport.

Engineering

In mid-2014, market conditions in the engineering sector are subdued, following the completion of major civil projects including Brighton, Dilston and Kingston bypasses and the Brighton Transport Hub. Looking forward, there are several government-based capital works programs for roads and bridges underway, as well as anticipated mining and irrigation-related projects.

The engineering sector is highly capital-intensive, due to the requirement for specialised construction machinery and associated equipment. This results in it being less flexible and less able to sustain periods of low activity.

Strategy summary

Industry strategy

The following priorities have been identified by industry:

Residential building

- develop a state population growth strategy, including the marketing of Tasmania to boost economic growth and building demand
- ensure a competitive business operating environment, including tax, infrastructure and regulation, to support affordable housing
- support regional land use strategies to provide direction for development
- monitor land supply with greater regional strategic planning
- monitor and improve planning and building approval processes (consistency and simplicity) minimising red and green tape
- Investigate ways to reduce utilities headwork costs.

Non-residential building

- continue planning reform and restructuring to include planning assessments, tax reform and reduction of administrative burden of compliance with regulation
- smooth out the delivery of public investment over time
- monitor land supply and release
- consider interim planning and design to create development-ready sites
- investigate ways to reduce utilities headwork costs

Engineering construction (does not include maintenance)

- address the state procurement policy (projects to be released in smaller packages capable of being supplied from Tasmanian firms)
- retain Government funding for training with an emphasis on non-traditional (civil) trades
- develop an infrastructure plan
- reduce layers of government administration (approvals)
- pursue a sound fiscal strategy that ensures a long-term, sustainable State Budget
- investigate ways to reduce utilities headwork costs.

Tasmanian Government strategy

Primary focusses in supporting the building and construction industry include:

- implementing a Headworks holiday for developers, including water and sewerage connections
- appointing a Planning Reform Taskforce to deliver one, statewide planning scheme
- establishing the Office of the Coordinator General tasked with reducing the administrative burden on business and investment
- regulating the training environment and encouraging industry skill development
- introducing a revised Tasmanian Government procurement policy to benefit Tasmanian businesses
- managing and regulating the land-use planning environment in conjunction with local government
- implementing online planning applications and review of appeal charges
- supporting the continuation of a representative industry body to provide input to government.