

## John Critall:

### Queensland Master Builders Association

- 2003 Building industry in Brisbane had its worse period of industrial disruption on 6 CBD projects. 32 sites when out for 10 days. Fight was over 6 shutdown RDO's. Unions maintain need that whole site needs to be shutdown. Led to another dispute in 2005 and another in 2008 and now currently in the throes of an EDA.
- The story is for this industry and for this market you need to know about productivity reforms and value for the dollar. Best methodology put by Woolworths – same building built at the same time in Sydney and Melbourne. In Sydney industrial relations already settled building was built in 58 weeks pretty much on time for \$12-\$13 million. Melbourne heartland of industrial relations – took another 6 or 7 months cost \$18-\$19 million.
- Real laws hit the industry for industrial reform meant that there were fines if you went on strike. If a builder suffered industrial loss could put up his hand and say I am the victim of unlawful conduct, the ABCC would interview the builder – subcontractor and launch a prosecution. It had the most profound impact on the building industry. The KPMG report at the end of 07 said the commercial industry at 16% improvement in productivity.
- GDP is 1.5% higher than it otherwise would be
- CPI 1.2% lower than it otherwise would be
- Improved consumer living standards are reflected in an annual economic welfare gain of \$5.5 billion.
- Lowest levels of strikes in living memory.
- Went from 4 strikes a week in 03 to 4 strikes in the entire industry in 4 strikes in a year.
- 2 speed economy – non government sector, private developers on their boats left the industry cannot get finance, schools program great stimulus, contractors registered with state government if they want to work with them (went from 450 to 900). Turnover – industry is about 45% down in all of Qld. The only statistic in the housing sector is the actual number of BSA insurance policies that are written by the builder and the owner – 32,000 in 07 down to 20,000 in 08. In the renovation sector 34,000 in 07 and 34,000 in 08/09.
- 1,000 schools involved. Offers sent out to middle tier builders. Second stage going to level 4 contractors, packages of \$80-\$100 million packages. Those builders will coordinate design work and then put design work up for tender and pick level 1 and 2 contractors to complete. Major contractors use small builders “spread it around”. 4 levels of contracting system gets work. \$350mil first stage \$800mil second stage then 3<sup>rd</sup> stage.
- Non government sector is dead. Construction sector 240,000 in industry. Mining industry 60,000.
- Construction Finance: \$20 billion finance available for all commercial. How much construction finance available - \$1.4 billion available in the last quarter of 07. First quarter of 09 construction finance crashed to \$400 million.
- Stimulus package is an effective tool to generate jobs. Margins will be tight for the next 12-18 months. Housing sector is sowing genuine signs of recovery. Population growth creates underlying demand. We are a resilient industry. We are used to business cycles. Recovery in financial markets is paramount.