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QON 1: The Hon. MICK VEITCH:. Your submission was received by the Committee in May 2021. A fair bit has happened since May 2021. I wonder if you could take this on notice. When questioning other witnesses, we have drawn upon the "current state of the market" section of your submission. The information contained in there probably needs updating. Is it possible for you to take on notice that section of your submission—the current state of the market—where you look at supply constraints and the like, and global demand, and provide a number of updated statistics for the Committee?

QON 1 Answer: Current state of the market

Supply constraints

Access to imported timber products is under pressure from global competition, increases in shipping container costs. and port and shipping constraints. According to Freightos Data, the *Freightos Baltic Index (FBX): Global container freight index,* the cost of containers increased from between $1,000 – $2,000 in 2019, reaching prices of around $11,000 in the second half of 2021. The price has since declined but remains elevated.[1] Freight restrictions, costs and levies applied to log haulage are inhibiting the transfer of locally available logs between states.

Global demand

The boom in material prices is a combination of high demand and constrained supply. A similar trend is occurring globally which has compounded the problem.

From timber, to paint and concrete, the cost of almost every single item that goes into building a house in Australia is soaring.

There are any number of factors at play. Unprecedented levels of demand for new homes has led to a record number of new homes under construction. There were 75.7 per cent more detached homes under construction in Australia at the end of 2021 than at the end of 2019. At the same time, supply chain constraints have hampered the ability to import some key components of manufacturing building products as well as individual products.

In New South Wales, the number of detached homes under construction at the end of 2021 was 50.8 per cent higher than at the end of 2019.

This has seen demand for labour, land and materials escalate rapidly.

This situation is not unique to Australia. The boom in demand for new homes can be observed across many developed economies as households seek additional space as they spend more time at home. Consequently, global demand for key building materials has seen prices for some key building materials rise by more than 400 per cent.

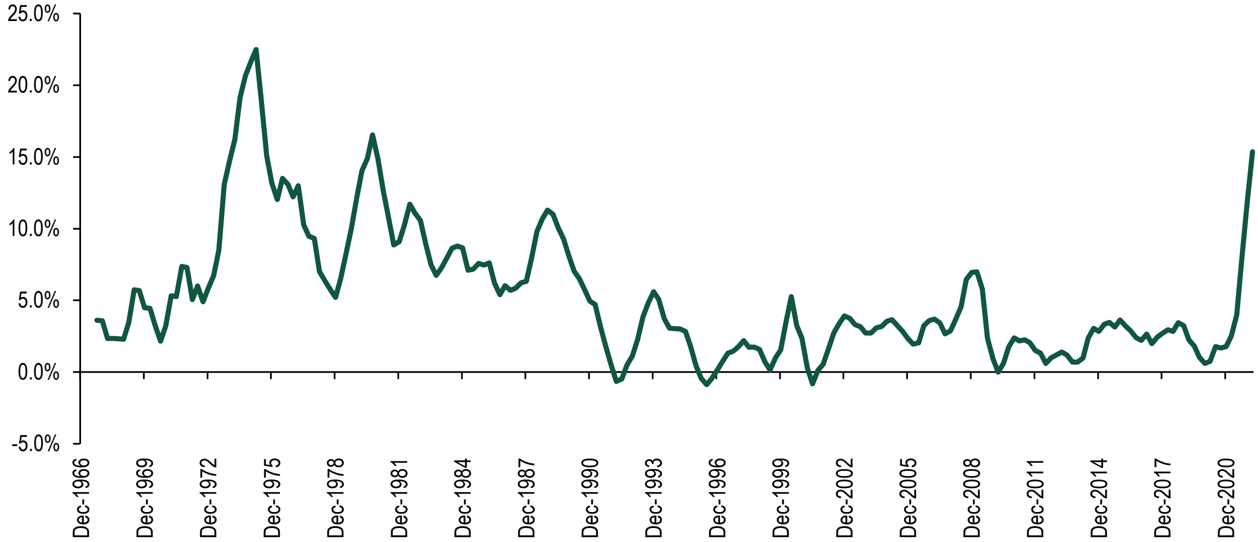
The ABS estimates that the cost of building materials, not including the cost of labour, has increased by 15.4 per cent in the year to March 2022. This is the fastest annual increase in the official estimate of building materials since 1980 and they are still rising. The United States has seen an almost identical cost increase with the Bureau of Labor Statistics (Producer Price Indices) reporting that material costs for residential construction rose by 21.2 per cent over the year to April 2022 compared to the previous year.

[1] See: https://fbx.freightos.com/ (accessed June 2022)

A survey of Australian builders in March 2022 identified this shortage of materials as the key challenge for builders in Australia in 2022.

House Construction Materials Price Index, Annual Growth Rate

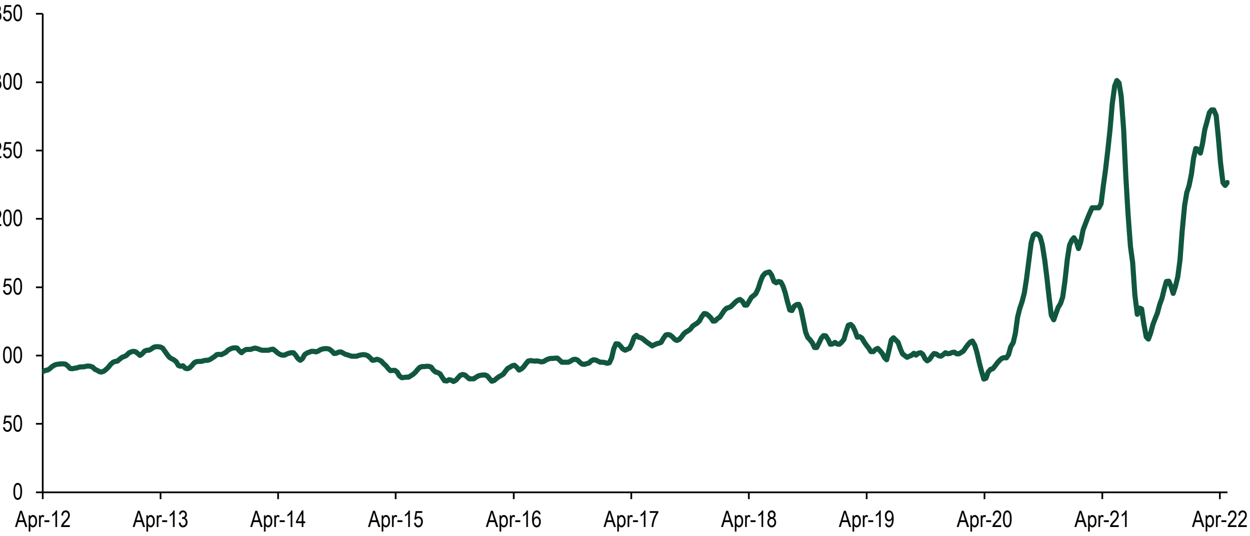
Source: ABS



The price and availability of timber has been a key constraint. As demand for framing timbers increased, constraints due to bush fires, floods and shortage of imported timber have emerged. This has seen timber prices escalate. The Bank of Canada reports that the price of timber has fallen by 22.2 per cent since reaching a peak in May last year however, the price of timber remains more than double (+131.3 per cent) what it was prior to the pandemic at the end of 2019.

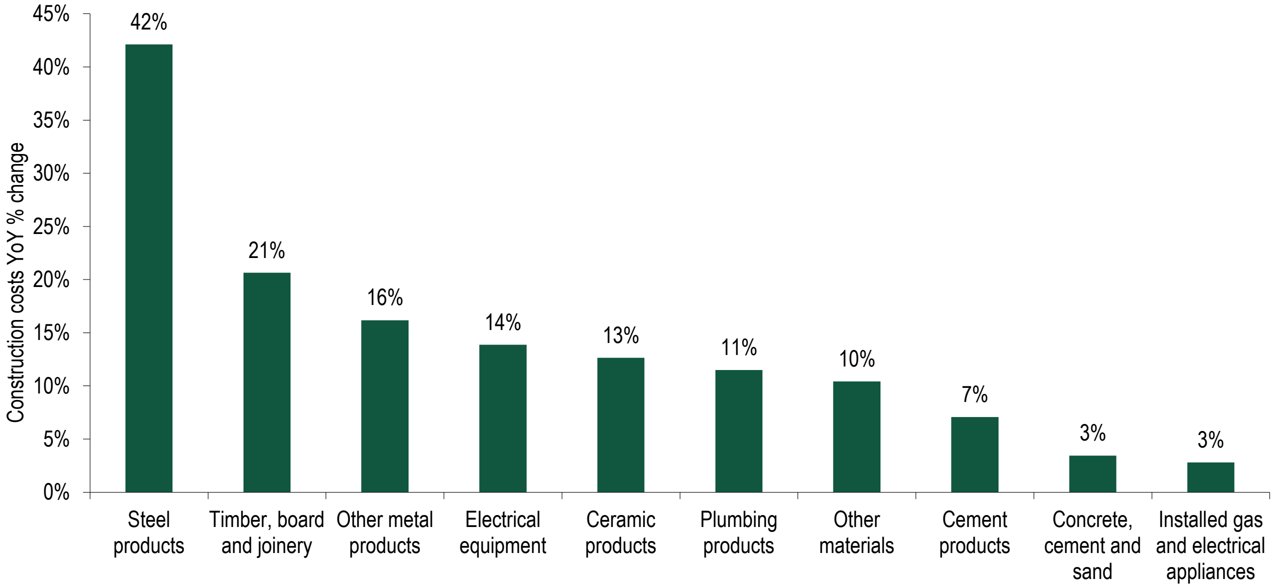
Weekly Bank of Canada Commodity Price Index - Forestry

Source: Bank of Canada



This materials shortage is not just a timber problem. The price of other key building materials also increased for a variety of reasons.

Annual Change in cost of building inputs - Australia, March 2022



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QON 2: The Hon. PETER PRIMROSE: I would like to follow up on a point that was raised by Mr Veitch, and that is the issue of the possibility of substandard and nonconforming timber going into the building supply system. Could you please take on notice what, if any, recommendations you believe this Committee should make to the New South Wales Government if we wish to have a more rigorous system in place to ensure that that does not happen? You spoke to it in response to Mr Veitch's question. You said that there may be more that can be done. If you could just take on notice, please, what else you believe may be something that could be done to ensure that this does not get more into the building supply chain.

QON 2 Answer: Building Product Assurance Frameworks

HIA refers the members of the inquiry to:

- The HIA submission to the 2015 federal senate inquiry into non-conforming building products,
- The final report of that 2015 senate inquiry, and
- The ABCB Draft National Building Product Assurance Framework published in December 2021 as a response to the Building Confidence Report Recommendation 21.

These documents are all attached to this response and highlight potential improvements to strengthen the building product conformity framework in Australia. It is noted that the NSW Government is contributing to this work through the ABCB and through the work of the Building Commissioners office.

It is important that any framework for building products is implemented in a broadly consistent manner nationally, to ensure certainty for industry and to eliminate potential gaps and inconsistencies within the supply chain. It needs to place the requisite responsibility for compliance on the appropriate players at each stage in the supply chain, rather than relying on solely the builders and certifiers as the check point at the end of the chain.