

SELECT COMMITTEE ON SOCIAL, PUBLIC AND AFFORDABLE HOUSING
INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE HOUSING
Supplementary questions: Housing Industry Association

Answers are to be returned to the Committee secretariat by Tuesday 17 June 2014.

- 1. Can you provide clear information regarding the concerns expressed in the hearing regarding engineering codes and the variables across local government that cause delays or confusion?**

When asked about what further improvements could be made to streamline the approval process for housing, HIA responded that changes could be made to introduce a state based engineering code.

Building on the improvements gained by the introduction of the state policy for exempt and complying development, it should be possible to develop a state wide code for engineering requirements for low impact residential developments, i.e. single dwellings.

Currently each council prepares its own engineering code which applies to subdivision design and layout (including roads, etc) and stormwater and drainage from a building site (separate to plumbing requirements).

In some cases, these codes have been prepared as development control plans under the Environmental Planning & Assessment Act, but in many cases they are purely internal council codes or policies.

Whilst there will be necessary and practical variation between these codes in relation to council areas which are unique, such as flood affected areas, the technical solutions that are used to address each matter are still effectively the same suite of requirements. However, each council prepares a code, uses different language, uses different format and legal approach.

For example:

- Campbelltown City Council has these requirements as Volume 3 of their city wide Development Control Plan.
- Blacktown City Council has these requirements in an Engineering Guide for Development;
- Hastings Council references an external document Auspec Engineering Development Specifications (which includes over 50 separately downloadable sections of document)

Whilst a search of many other council webpages, including Wagga City Council and Orange City Council found no policy was available online. Presumably this can be obtained by contacting the council directly.

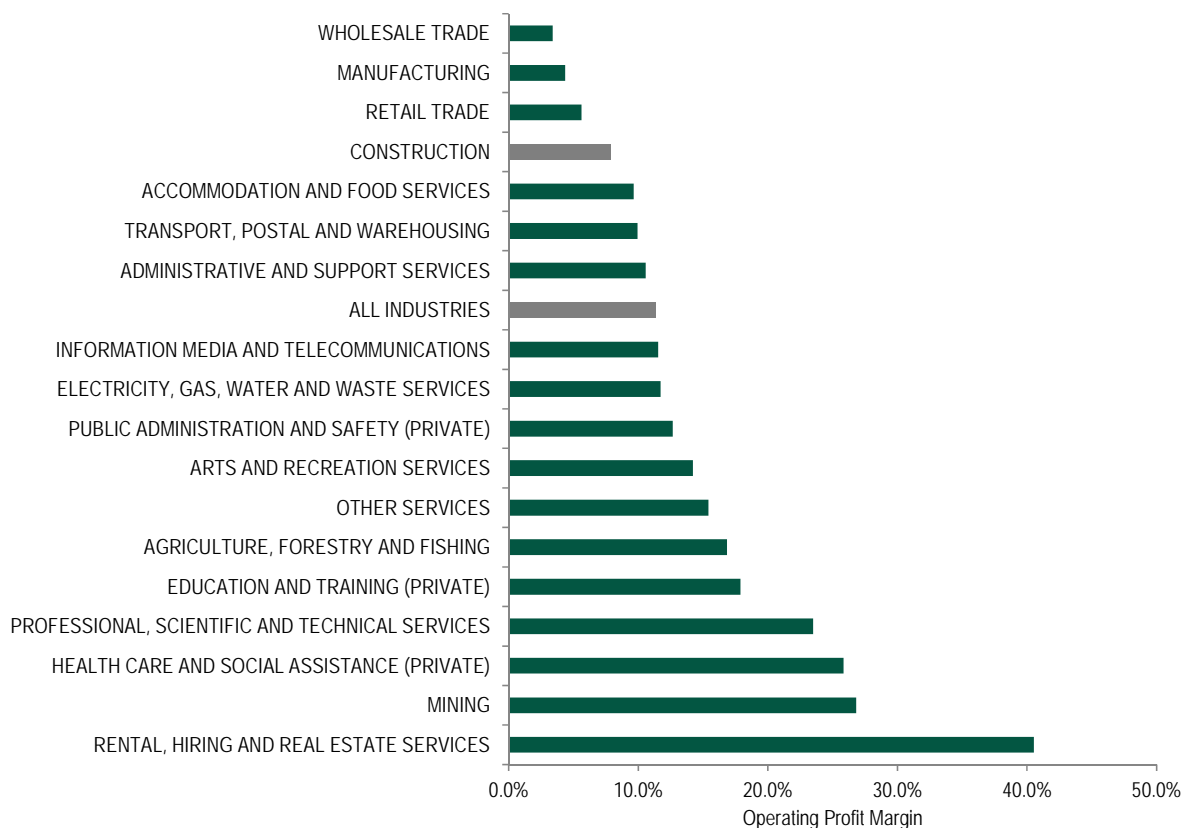
These variations primarily affect subdivisions of new land. However they can also greatly affected multiple dwelling redevelopment sites in existing areas. Single dwellings will most commonly be affected by the impact on land development costs, and then in areas where a specific risk exists, such as flood prone areas, additional drainage features can be required, which apply a direct additional cost at the dwelling approval stage.

2. Can you provide any information or evidence regarding the level of return on investment in the building/construction industry for residential development or mixed residential/commercial?

The Australian Bureau of Statistics (ABS) publish two reports which contain detailed information about the profitability of Australian construction businesses using the industry definitions within the Australian and New Zealand Standard Industrial Classifications system. Firstly, the annual Australian Industry publication (catalogue 8155.0) provides information about the construction industry in aggregate, and secondly the Private Sector Construction Industry publication (catalogue 8772.0, published at irregular intervals) provides more information about the sub-sectors of the construction industry. The analysis below draws upon these two publications.

Operating Profit Margin of Australian Businesses by Sector - 2012/13

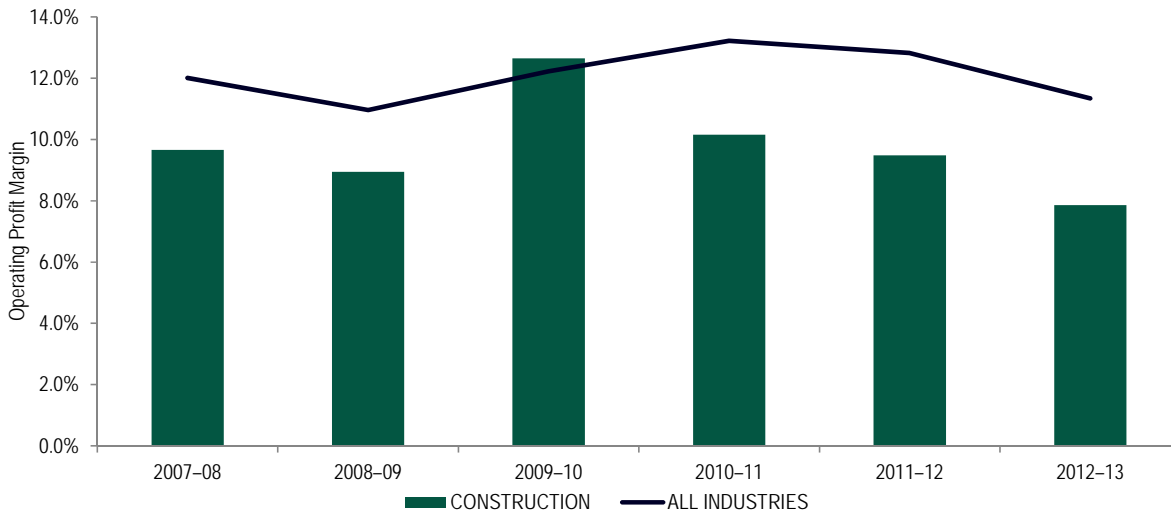
Source: HIA Economics, ABS 8155.0



- In 2012/13 businesses operating in the construction industry as a whole had an operating profit margin of 7.9 per cent, 3.5 percentage points below the aggregate operating profit margins of all businesses.
- The operating profit margin was the fourth lowest among all the major industry sectors within the Australian economy during the 2012/13 year.
- The operating profit margin of all three subdivisions of the construction industry declined during 2012/13. The operating profit margin of the Building Construction subdivision (includes residential and non-residential building) declined from 7.3 per cent to 7.3 per cent, the margin for businesses within the Heavy and Civil Engineering Construction subdivision declined from profit of 2.9 per cent to aggregate operating losses of 1.0 per cent, and Construction Services (includes many of the trades which provide input into residential, non-residential and heavy and civil engineering construction) recorded a decline in operating profit margin from 14.2 per cent to 13.1 per cent.

Operating Profit Margin of Businesses in the Construction Industry

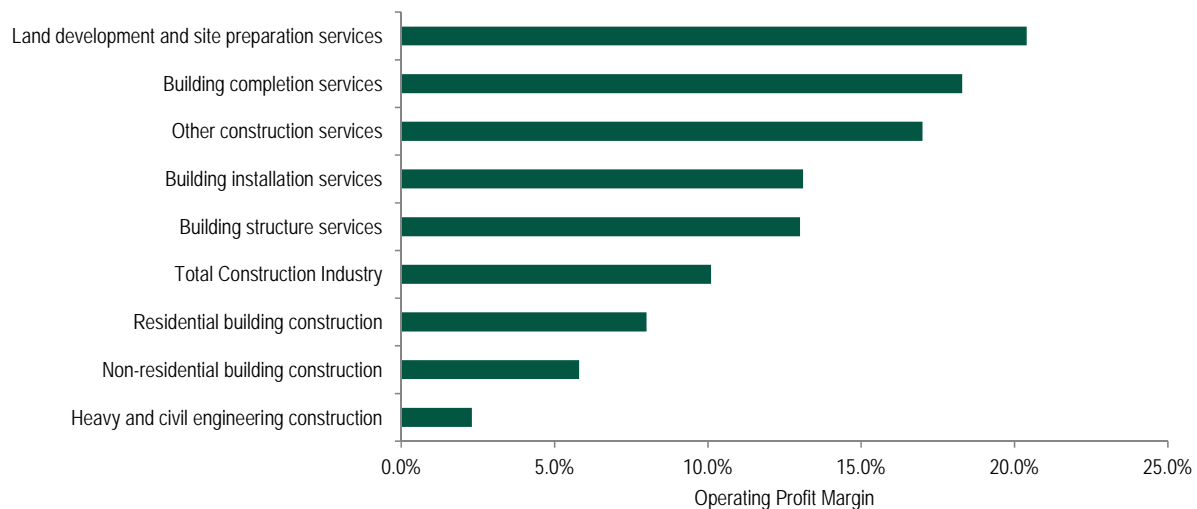
Source: HIA Economics, ABS 8155.0



- The 2012/13 year provided the third consecutive annual decline in the operating profit margin of the construction industry which resulted in the lowest operating profit in more than six years.
- Over the last six years, the operating profit margin of the construction industry has consistently been below the aggregate operating profit margin of all businesses within the economy.

Operating Profit Margin of Businesses in Construction - 2011/12

Source: HIA Economics, ABS 8722.0



- The chart above provides, provides more detailed information about the operating profit margins of the various subsectors of the construction industry.
- Businesses operating in residential building construction recorded an operating profit margin of 7.9 per cent, this was the third lowest of the eight construction industry groups.
- Businesses operating within the 'land development and site preparation services' group recorded the highest operating profit margin of 20.4 per cent. There are two subdivisions within this group, 'land development and sub-division' and 'site preparation services'.
- The 'building structure services', 'building installation services', 'building completion services', and 'other construction services' had operating profit margins of 13.1 per cent, 13.1 per cent, 18.3 per cent, and 17.0 per cent, respectively. The businesses within these groups predominantly represent the trade contractors which provide specialised skilled inputs into the construction process (eg, concreting, bricklaying, carpentry, plumbing, plastering and tiling) and may operate across residential, non-residential and civil engineering construction projects. The majority of the

businesses within these groups are small businesses. In 2012/13, around 65 per cent had turnover less than \$200,000 per annum and around 96 per cent had turnover below \$2 million per annum (ABS,8165.0 Counts of Australian Businesses).