

Submission

13 April 2017

**Submission to the Treasurer,
Hon. Tom Koutsantonis MP**

State Budget 2017



MASTER BUILDERS
SOUTH AUSTRALIA

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1. Introduction

This submission is made on behalf of Master Builders Association of South Australia Inc (“Master Builders SA”), established in 1884 as the peak body representing South Australia’s building and construction industry.

Master Builders SA is committed to building a productive industry and a prosperous South Australian community and economy.

The South Australian building and construction industry directly employs more than 56,000 South Australians across all sectors, including residential, commercial, civil engineering, land development and building completion services. Indirectly, the industry supports tens of thousands more South Australian jobs.

The industry undertakes about \$15 billion of work every year, contributing more than \$1 for every \$7 of economic activity within the State. Indirectly, more than one-quarter of South Australia’s wealth is produced by the building and construction industry.

South Australia’s building and construction industry is focused on the development and transfer of skills into a life-long career. It is consistently among the leading sectors when it comes to training and apprentices and last year provided new apprentice places for more young workers than the Northern Territory, ACT and Tasmania combined.

Master Builders SA is proud of the industry it represents, the jobs it creates, the 11,000 homes it built and extended for families last year and the offices it has built for South Australian businesses.

2. Purpose of submission

South Australia needs to invest in the nexus between new and growing industries and population retention and growth if it is to create economic success.

The State has long-traded on its lifestyle as an attractor, reinforced by claims of low cost of living¹, housing affordability² and a growing city vibrancy³. Yet these factors are quickly being eroded, with the result that South Australia can no longer rely upon being “a great place to bring up a family” as a way of retaining a strong population base.

Instead, the State’s reputation is dominated by high costs of living⁴, power blackouts⁵, closing industries⁶ and the country’s highest unemployment rate⁷.

Master Builders SA proposes that this Budget – a pre-election Budget – be used to trigger new investment in new industries to create much-needed long-term jobs and revenue streams from outside the State, while also targeting housing affordability to improve the attractiveness of the State for our youth and for newcomers.

New, smart, industries will provide new higher-order jobs to replace those being lost in manufacturing. They will provide channels for young South Australians to employ design and other STEM abilities to generate export income, in time rivalling the defence industry as a competitor for smart South Australians. These industries will keep our next generation of entrepreneurs in South Australia, and attract young people from interstate to take advantage of new opportunities.

It is essential the State regains its reputation for housing affordability. The topic is now of national importance, driven by rapidly-escalating home prices in the eastern states. However, South Australia needs to have its own strategy for protecting this competitive advantage.

This submission delivers a plan to achieve these pathways to a stronger South Australia.

It comprises policy proposals across three elements:

- Building South Australia’s capacity to invest in business and jobs – supporting existing industries and businesses;
- Building our ability to create new businesses and jobs – creating new industries and new businesses; and
- Creating a place for future South Australians – creating reasons to stay and live.

The building and construction industry directly employs more than 56,000 people with five times that number estimated to indirectly rely on the sector. Changes within the sector are creating an environment that will likely result in a 20 per cent fall in South Australian jobs within the next decade. Sluggish population growth is not risking cutting our level of political representation on the national stage⁸ but is also contributing to falls in consumer confidence and spending. The creation of a new industry employing construction and manufacturing skills – Advanced Construction – offers an opportunity to create wealth and employment opportunities.

“South Australia needs three things to grow: a commitment to supporting today’s businesses, a commitment to creating the businesses of tomorrow, and a commitment to future South Australians that this is the cheapest and best place to live and bring up a family. This Budget – and the next State election – will be judged on their ability to deliver on those measures.”

Ian Markos
Chief Executive Officer

South Australia does not have the advantage of critical mass afforded to many eastern coast cities, and is generally considered to be at least five years behind Victoria, widely considered to be the leader in this space. This Budget and this election provide an opportunity to catch up and create a stronger and healthier economy with growing export opportunities for a new generation of young entrepreneurs proud to call South Australia home.

We look forward to discussing this turnaround and these propositions with the State Government.

3. A place to invest in business and jobs

Business investment is driven by business confidence and an environment that welcomes investment.

Business confidence is widely regarded as steady although warnings remain about its potential softening⁹. However, these conclusions look at an aggregated national level of business confidence. State-based trends record South Australia as possessing the second-lowest level of business confidence of all States and Territories – behind only Western Australia, which is experiencing a rapid cooling after the end of the mining boom. South Australia's fall is led by the closure of auto-manufacturing, a fall in mining exploration and investment, and softer population figures when compared with national trends.

State-based surveys show declining levels of business confidence with the construction industry among the most pessimistic about improvements to business performance over the next 12 months¹⁰.

Master Builders SA acknowledges the State Government's efforts at taxation reforms aimed at creating investment opportunities and triggering new economic activity. A commitment to lowering stamp duty for non-residential property transactions and the opening of stamp-duty concessions for off-the-plan projects beyond inner-city limits¹¹ has arguably contributed to a sustained high level of inner-city development applications¹². However, there is a need for development beyond the Square Mile and Bowden if the sector is to be rejuvenated and jobs created.

Falling confidence levels and concerns about future investment therefore extend beyond taxation measures. Business needs the lowest costs in the country, sustainable productive infrastructure and sensible systems that back investment.

An ongoing commitment to a competitive and attractive tax system

The State Government has previously reduced stamp duty from commercial property transactions with a commitment to remove it entirely in coming Budgets¹³. Stamp duty concessions for off-the-plan developments, originally targeting Bowden and other inner-city areas, were last year extended across the entirety of the State¹⁴. From a policy perspective, these changes are welcome for their theoretical ability to trigger new investment.

However, these benefits are often captured at the developer level and are not shared amongst the bulk of businesses operating in the building and property sector. The State Government can point to high building approvals in the City of Adelaide, but the businesses that are ultimately expected to benefit from that activity are left with minimal profits, rising red tape, and little incentive to create new jobs. As one business owner recently stated:

Every time I sign a new contract, I get paid less, I have more paperwork to do and I'm left struggling to pay my bills. I'm thinking about leaving the industry – better to own a restaurant than try to cope with this stress.¹⁵

In short: tax reforms that don't benefit the bulk of South Australian businesses will not create more jobs; they will create more reasons for businesses to leave.

South Australia has the second-lowest threshold for payroll tax, offset by the third-lowest rate, a structure that subjects more businesses to payroll tax during their formative years with smaller employee groups. However, this is offset by the Small Business Payroll Tax Rebate, which provides for a tapering rebate for businesses that effectively raised the threshold to \$1.2 million with lessening benefit. Master Builders SA last year called for an extension of this rebate¹⁶ and was pleased its

“There are so many business owners committed to South Australia – let’s remove any objections so they can invest further. Give them the lowest costs in the country, sustainable productive infrastructure and sensible systems that back that investment. If we get that right, businesses will welcome the opportunity to grow beyond their current limits.”

Ian Markos
Chief Executive Officer

extension to 2019-20. **We recommend this commitment to the Small Business Payroll Tax Rebate be maintained in support of South Australian businesses and employment.**

However, while this program supports general business incentives for employment – in addition to the welcome \$109 million Job Accelerator Grant¹⁷ – it overlooks the need for incentives for youth employment and apprentices.

South Australia consistently records amongst the highest – if not the highest – unemployment rate across the country. While this is generally a function of economic activity and so best addressed by improving business conditions, the impact of youth unemployment and the need for immediate redress cannot be understated.

The Australian Bureau of Statistics reported 14 per cent unemployment among 15-24 year olds across the country in February 2017¹⁸. South Australia recorded the highest level of youth unemployment across the country at 16.1 per cent, amounting to 24,000 South Australians aged 15-24¹⁹ who cannot find work and risk forming a generation of unemployed.

Master Builders SA has long undertaken a successful apprenticeship program that aims not only at providing participants with life-long skills, but also at connecting them with a network of passionate industry advocates looking to develop the next generation of builders.

Sadly, we have seen a rapid fall in apprenticeships and increasing difficulty at identifying willing host businesses.

South Australian apprentice numbers have dropped from 34,800 to 16,900 over the past five years²⁰ and new apprentice numbers have fallen from 5800 to 2100 over that same period²¹. This rate of decline within South Australia easily outpaces the national decline.

Reintroducing payroll tax exemptions for apprentices and trainees would encourage the reversal of this decline, making it more attractive for businesses to invest in young employees. More importantly, it would provide South Australia’s 24,000 unemployed youth with a pathway to a career that would allow them to escape generational unemployment. Master Builders SA recommends the urgent reintroduction of this exemption.

Master Builders SA also recommends the urgent review of taxation reform.

The State Government has staked much of its reputation for reform on the removal of stamp duty on commercial transactions²², a measure our members have identified as having little benefit “on the

ground” given a lack of broader benefits for small business.

Master Builders SA recommends a return and ongoing commitment to the issues raised as part of the State Government’s State Tax Review²³. Many areas remain untouched yet provide real potential for a healthier economy moving forward, much in the same way that national economic reform of the 1980s presaged significant economic benefits for all Australians. Reform and an ongoing commitment to reform would provide a clear signal to South Australian and external businesses: invest in the State that is investing in a contemporary business environment.

Significant investment in base-load power

Concerns about South Australia’s power security have been cited as the cause of a 30-year low in consumer confidence²⁴, a drop of major concern for South Australia’s building and construction industry. Further, the link between power security and business viability²⁵ and the State’s reputation²⁶ has also been well-aired.

Master Builders SA acknowledges the State Government’s recent \$550 million package aimed at improving energy security through a combination of combined purchasing power, investment in gas-fired power and battery technology for renewable energy²⁷. There remain concerns as to whether the cost of this mix will increase energy prices for businesses and consumers, and Master Builders SA urges the State Government to actively review the impact to ensure that the price of energy security is not borne by those same consumers who are already suffering from high energy prices.

Master Builders SA recommends further work be done on addressing concerns about base-load generation to offset the variability of renewable energy sources and to provide additional reassurance for the business community.

Towards a more efficient and productive South Australia

Master Builders SA recommends the Economic Development Board be repurposed and refocused to create a new statutory body, Productivity and Infrastructure South Australia.

This body should have a similarly wide ambit to investigate economic blockages that might be holding back the State, and to provide the State Government with an independent review of the State’s infrastructure needs.

This body would provide valuable information for reviews to be undertaken by the newly-established Planning Commission. In addition, it could undertake long-term investigations of significance to the productivity of South Australian industry, including the identification of costs of South Australian housing and the long-term cost of focusing on tender price at the expense of ignoring the impact of variations and contract disputes on long-term taxpayer value.

It would ideally be apolitical and have close connections with industry and Infrastructure Australia to allow a true focus on productivity and future business growth, which would therefore lead to growth in state taxation revenues. Its independent nature would also provide the State Government with political distance from issues it might not otherwise raise – but might be needed for the betterment of the State.

Master Builders SA continues to recommended the Economic Development Board be repurposed and refocused to create a new statutory body, Productivity and Infrastructure

South Australia²⁸ to provide the State with much-needed support for the transition we are currently undertaking.

Sensible investment in productive infrastructure backed by consultation and partnerships with the private sector

The State Government's proposed policy regarding energy security is an excellent example of a commitment to sustained investment in productive infrastructure. There also needs to be a commensurate commitment to consultation and effective investment in the creation and maintenance of existing productive infrastructure.

Concerns over the effective maintenance of the State's roads and bridge infrastructure are an obvious case requiring immediate attention.

Master Builders SA again recommends the electrification of the Gawler train line. This has been recommended by Infrastructure Australia as a high priority to ease congestion and will form an essential transport route for former Holden workers seeking work elsewhere. The project would provide much-needed impetus to the northern suburbs, supplementing the State Government's Northern Economic Plan with a long-term investment in growth-enabling infrastructure. It would act as a key-hole investment and thus drive demand for building and construction in the Playford, Salisbury and Port Adelaide Enfield regions.

Master Builders SA also recommends the State Government renew its focus on upgrading much-needed social infrastructure including the redevelopment of the Courts Precinct and the mooted relocation of the Women's and Children's Hospital. It is believed companies tendering for the former project invested tens of millions of dollars prior to the State Government's cancellation of the project, while the near-completion of the New Royal Adelaide Hospital risks losing essential skilled labour to other sectors while the opportunity exists to build upon that productivity. The lack of a definitive pipeline of significant building activity risks the loss of essential building and construction skills to other sector.

A focus on an industrial relations system that rejects red tape and ideology

Master Builders SA has been a strong supporter of industrial relations reforms proposed and championed by Deputy Premier John Rau. These reforms have positioned SafeWork SA as an industry-focused educator with the powers to enforce the law.

Yet the strength of the state-based safety regulator is being diluted and frustrated by other initiatives.

The Department of Planning, Transport and Infrastructure (DPTI) has recently introduced another layer of safety requirements that risk introducing confusion on building sites, and another costly layer of red tape that will be pushed down to subcontractors, who are already facing the challenge of negligible margins. These changes were introduced as "a trial" after a round of empty consultation, and fly in the face of the State Government's commitment to the cutting of red tape. Businesses will now face four sets of safety regulations: those enforced by SafeWork SA, those of the Federal Safety Commission, those of DPTI and those required by third-party certifiers (also required by DPTI).

At a recent CFMEU rally, Premier Jay Weatherill also announced a new review of safety laws and a review of industrial manslaughter laws²⁹. This will be the third review in recent years – one which

resulted in no actions, and another upon which industry is awaiting the delivery of a SafeWork SA report. It is worth noting that the CFMEU elected not to make a submission to this review, although has subsequently held rallies calling for changes. In contrast, the AWU thought the matter sufficiently important to make a submission.

Industry has also recently contributed to a Parliamentary Committee review of proposed industrial manslaughter laws. Industry does not need yet another review.

Master Builders SA recommends the State Government focus on consolidating safety requirements into a consistent standard to be enforced by SafeWork SA rather than undertaking more reviews. Failure to take this approach makes an open mockery of the Government's commitment to red tape reduction.

A Government that focuses on outcomes including a commitment to not competing with private sector enterprises

Master Builders SA has previously noted the State Government's withdrawal of funding for vocational training for private sector providers and the fact that this is a clear breach of the doctrine of competitive neutrality³⁰. The State Government's decision to reject this policy has resulted in the collapse of industry providers and the loss of industry jobs³¹, which offered training courses for a lower cost for both trainees and taxpayers^{32, 33}. Essentially, the Government's policy has created a greater impost of taxpayers while axeing private jobs.

Master Builders SA recommends the State Government again commit to the doctrine of competitive neutrality.

A commitment to extending investment incentives like the small bar licensing regime beyond city limits so entrepreneurs can be encouraged to invest

The small bar licensing regime has reportedly created 46 new ventures employing 433 people (197 full-time equivalent jobs) in its earliest stages³⁴. These new businesses are also expanding, creating new opportunities outside the geographic restrictions of the licensing regime³⁵.

Master Builders SA believes the limited expansion of the licensing regime is restricting the potential for new ventures and employment throughout Adelaide. If ventures succeed, they will be transformative for their regions. If they do not, then at least there has been an opportunity to grow a business with a lower barrier to entry.

Master Builders SA sees no valid reason for the proposed restriction, and only potential for greater economic activity by opening the gates for new ventures. We therefore recommend the expansion of small bar licensing throughout South Australia.

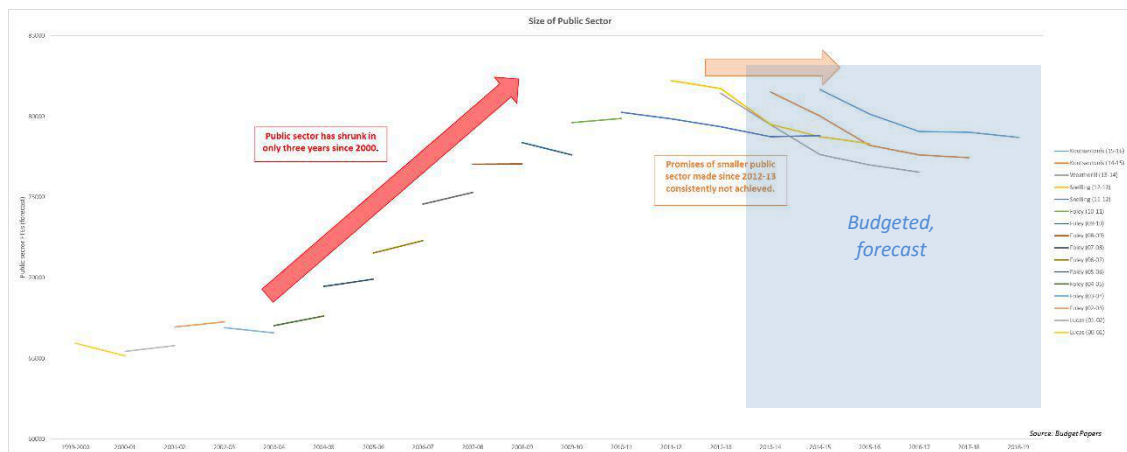
Moving from a growing employer to an enabling government

The State Government urgently needs to review expenditure and programs to create a sustainable budget, with a focus on the underlying drain on taxpayers by ongoing high public sector levels.

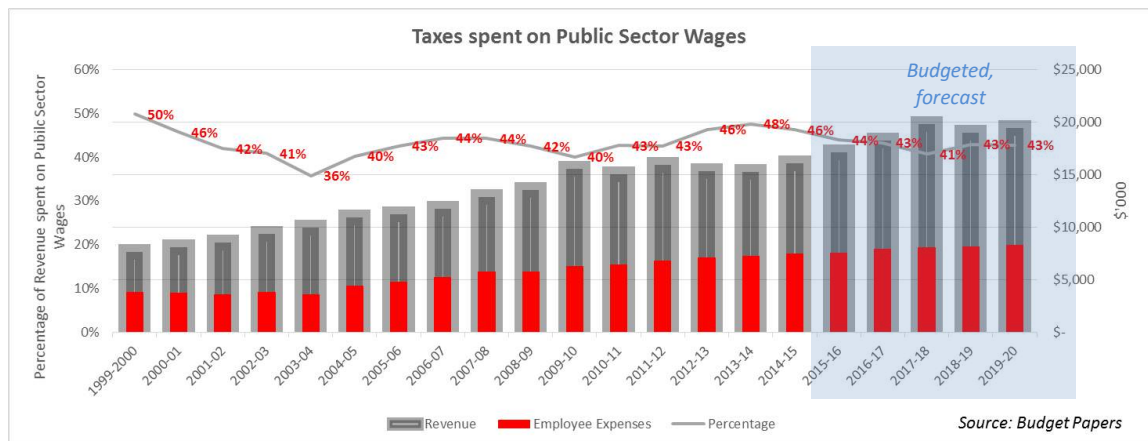
The State Government directly employs about 116,300 people in the State³⁶, and is therefore South

Australia’s largest single employer. The size of the public sector has swelled significantly since 1999 and, despite Budget forecasts of falling public sector numbers, has only shrunk three times over that period.

Recent Budgets have slowed that growth but forecasts of falling numbers have consistently remained unachieved, leaving the State with the second-highest level of public servants per head of population of all Australian States³⁷.



Despite this, more than 40 per cent of every tax dollar received by the State Government is spent on public sector wages – and although far from the 50 per cent recorded in the 1999-2000 Budget and the 48 per cent in the 2014-15 Budget, the trend from 2017-18 shows a steady increase, and thus a larger drain on taxpayer funds:



Perhaps more importantly, the ordinary hourly rate for public sector employees in South Australia continues to outstrip that of the private sector³⁸. While this can be seen as a means of attracting the best staff, it is a practice that pits a taxpayer-funded State Government against businesses struggling to cope with margin pressures.

This is of greatest concern when it is considered that taxpaying businesses and households are then funding investment attraction packages for the private sector to create new jobs.

Taking an aggressive approach to reviewing government services would deliver savings that would allow the Government to reduce taxation levels for all taxpayers, delivering a sustainable Budget based on fiscal responsibility rather than creating a constant search for new tax revenues.

Master Builders SA recommends the State Government urgently review expenditure and programs to create a sustainable budget and to reduce the steady demand on taxpayers for additional revenue.

4. A place to create new businesses and jobs

Industry needs a supportive environment to take risks to support future growth.

Master Builders SA welcomes the recent announcement of new jobs associated with the relocation of Boeing³⁹ but believe new businesses can be created by South Australian business owners if given the right impetus and environment. These businesses are likely to be more loyal to the State and so remain beyond a negotiated 10-year deal. They are also more likely to look for reasons to stay, rather than reasons to leave.

Advanced Construction: 5 x 5 x 5

The rise of new technology is fast affecting the building and construction industry. Modularisation has moved beyond its “portable shed” days and prefabricated technologies are taking manufacturing skills to building. Other materials technologies are still in their infancy but are likely to have a great impact in coming decades.

This shift will have a marked impact on South Australia’s building and construction sector – and it won’t be for the positive.

Victoria’s industry and Government have developed a pathway that embraces this change, describing it as “an important enabler in the Victorian economy and a significant sector in its own right”⁴⁰ that is expected to take a 10 per cent share of a \$150 billion national market by 2025 and create 20,000 new jobs⁴¹.

South Australia risks losing an estimated 10,000 of its 56,000 building jobs over that period if the State Government does nothing. Businesses will look to Victorian products, which have the advantage of Eastern Coast critical mass to present cost-savings, despite repeated warnings from Master Builders SA.

Meanwhile, the creation of integrated electronic models of buildings that allow the design, programming and maintenance of building structures among specialist teams (“Building Information Modelling” or BIM) is still nascent in South Australia while it attracts research funding and practical applications in other states⁴².

Yet South Australia can help local businesses create new opportunities.

Master Builders SA proposes a “5 x 5 x 5” plan, where five proposals are identified over the next five years, with each to be eligible to receive \$5 million in State Government seed funding. This will lower the cost of entry and show a commitment to the jobs to be created.

“Long-term growth demands an outward-looking focus and a wave of innovation. Our members employ more than 56,000 people directly and five times that indirectly – we want the next Government to commit to a road-map that will show a path to export earnings and a smart and complex intellectual industry rather than risk losing 10,000 jobs over the next 10 years. 5x5x5 will do that.”

Ian Markos
Chief Executive Officer

The jobs themselves will be high-end manufacturing jobs – a key attractor for those searching for employment after the closure of Holden.

Over the long term, Master Builders SA envisages that the high-end design work undertaken by these ventures will rival the defence industry, creating a natural competitive tension for STEM-focused students. Additionally, those students that move into the sector will likely look for new opportunities in time. Many will look to other industries, or will create their own ventures – a new wave of industry.

Master Builders SA is confident this will provide a positive environment for transforming today’s building and construction sector into tomorrow’s advanced construction sector. It will provide a way of creating new businesses that look to the State’s brightest students – and a way of creating new wealth through reliance on interstate income.

It is recommended the State Government create a Ministry of Advanced Construction to champion this initiative – and to consolidate the industry’s connection to Government.

Cutting red tape – not creating it

Members of Master Builders SA consistently raise red tape as a business concern and so have welcomed the State Government’s commitment to Simplify Day.

Yet at the same time as the Government is calling for cutting red tape, government departments are creating new swathes that duplicate and confuse existing measures. The Department of Planning, Transport and Infrastructure’s proposal of a new set of safety documentation completely ignores the work of SafeWork SA and the need for business to comply with three other existing safety systems.

The building and construction industry is committed to safety; we have to be. So when additional and conflicting measures are introduced, it creates a risk that the confusion will lead to differing expectations and understandings, in turn creating dangers for those on site.

Further, while larger companies have invested in qualified safety experts to meet their demands, smaller subcontractors do not have the resources to do the same; yet they will also have to meet new administrative demands created by DPTI at a time when their margins are being squeezed by ultra-competitive bidding and the rise of sham contracting.

It has already lead to at least one subcontractor to make plans to leave the industry.

The State Government states it has a commitment to cutting red tape. At present, our industry is only seeing an increase.

Master Builders SA recommends the State Government instruct departments to create new processes only where a cost-benefit review has been undertaken with regard to its impact on the private sector.

Continuing investment in planning reform

The State Government's suite of planning reforms is supported by Master Builders SA for its commitment to sparking economic investment. There is already a financial commitment to the first stage of an e-Planning system, which will create a new wave of productivity that will speed up development and directly benefit clients⁴³.

This must be supported by further investment – of a sufficient level – in the design and implementation of the new system in the coming Budget. Additionally, the new Planning Commission must not be hampered by a lack of funds if it is to deliver the best outcome for industry, its clients and the State.

5. A place for future South Australians

Sustaining demand is imperative for the South Australian economy. More importantly, it is vital that the State can offer its youth the jobs they need to develop their careers and the environment to encourage them to create the businesses of the future.

Master Builders SA's proposed "5 x 5 x 5" plan offers one reason for South Australian young professionals to stay, and for others to feel they can't stay away.

Yet a rising threat to the State's reputation for housing affordability risks sending those very same people away. This Budget can set the stage to recover that reputation.

A commitment to the State's affordability

Mark Duffy – formerly South Australian Chief Economist and now Chief Executive of the Department for State Development – told a Small Business Round Table that South Australia's main competitive advantage was its housing affordability. This was the factor that attracted people to South Australia and kept them here, he said.

Yet recent studies show South Australia is fast losing that advantage. We are almost equal third-highest in terms of the level of income needed to pay for median housing.

Comments by the Reserve Bank emphasize that "the ratio of housing prices to incomes is at the top of its historical range"⁴⁴, reinforcing the need for South Australia to reclaim its reputation for affordability.

Stamp duty remains a key area for reform. First homebuyers must borrow to pay for stamp duty – meaning their \$18,000 tax on a median home becomes a \$60,000 noose with interest over the course of the mortgage.

New South Wales already provides first homebuyers with targeted relief, and Victoria has introduced similar relief.

South Australia must match this relief to encourage first homebuyers to remain and invest in the State.

Master Builders SA rejects the argument that housing prices will rise given the lack of East Coast heat in the property market and the likely distinct markets attracting first homebuyers and investors.

This position is supported by other bodies⁴⁵. It is an essential policy for the future of our State.

"Housing affordability used to be a competitive advantage, yet now South Australians spend more of their income on housing than many other States, let alone the amount spent on high utility costs. We need to give people exciting reasons to stay – new job opportunities that use the very best talent across the country – as well as reasons not to leave – and that means focusing on affordable basics."

Ian Markos
Chief Executive Officer

Increase population share to drive demand and creativity

Master Builders SA recommends South Australia seek regional status to obtain the advantages relating to boosting population growth. This will boost demand but, more importantly, allow the State to attract professionals willing to invest in their careers and businesses.

6. Summary of Recommendations

This submission highlights three areas to drive the growth of the South Australian economy. A summary of the main recommendations is provided below.

A place to invest in business and jobs

In the interests of supporting existing South Australian businesses as they seek to grow and build jobs, Master Builders SA recommends the State Government:

1. **Retain the Small Business Payroll Tax Rebate to offer the State's small businesses some relief from the additional cost of boosting employment.**
2. **Reintroduce payroll tax exemptions for apprentices and trainees to assist with the halving of apprentice numbers that has contributed to South Australia's record of having the highest level of youth unemployment across the country.**
3. **Return to solutions provided in previous tax reviews to offer the State a contemporary and competitive tax environment.**
4. **Repurpose the Economic Development Board as a new statutory body, Productivity and Infrastructure South Australia, to provide support to Government and other bodies – including the Planning Commission – in shaping the South Australian economy during this significant transition.**
5. **Invest immediately in the electrification of the Gawler train line. This will form an essential transport link for the northern suburbs and trigger further development and investment in the Playford, Salisbury and Port Adelaide Enfield regions.**
6. **Commit to the redevelopment of the Courts Precinct and the mooted relocation of the Women's and Children's Hospital.**
7. **Lead the consolidation of rapidly-multiplying safety requirements into a consistent standard to be enforced by SafeWork SA rather than introducing more reviews. Failure to take this approach makes an open mockery of the Government's commitment to red tape reduction.**
8. **Return to the doctrine of competitive neutrality.**
9. **Commit to the expansion of small bar licensing throughout South Australia to trigger new investment rather than limiting to North Adelaide.**
10. **Urgently review expenditure and programs to create a sustainable budget and to reduce the steady demand on taxpayers for additional revenue.**

A place to create new businesses and jobs

Master Builders SA believes there is a significant opportunity to create new industries to underpin future demand for STEM skills. We therefore recommend the State Government:

11. **Provide for a \$25 million investment fund over the next five years to support a "5 x 5 x 5" plan that will provide seed funding for five new advanced construction projects**

including prefabrication plant, building information modelling projects, a cross-laminated timber industry and other new building and construction ventures showing export potential.

12. **Create a Ministry of Advanced Construction to champion this initiative – and to consolidate the industry’s connection to Government, presently split across four Minister.**
13. **Require departments undertake a cost-benefit review of private sector impact when creating new processes to avoid creating wasteful red tape.**
14. **Commit to sufficient further investment to properly resource the Planning Commission and the e-Planning system to allow for the full benefit of reforms to be accessible to industry and its clients.**

A place for future South Australians

South Australia is rapidly losing its competitive advantage of affordable housing, and is now ranked almost equal-third in terms of the cost of housing compared to average incomes. We must regain our reputation – or at the very least commit to avoiding slipping further down the ranks.

Master Builders SA therefore recommends the State Government use this Budget to:

15. **Introduce a stamp duty exemption for first homebuyers extending to the median Adelaide house price. Alternatively, this exemption should match the \$600,000 threshold offered in other States. This can be met with targeted cuts to other outdated programs.**
16. **Master Builders SA recommends South Australia seek regional immigration status to obtain the advantages relating to boosting population growth. This will boost demand but, more importantly, allow the State to attract professionals willing to invest in their careers and businesses.**

7. Conclusion

The recommendations within this document are intended to improve the health of South Australia's building and construction industry with minimal impact on the State Budget.

There are three clear legs to improving the prospects for the South Australian economy: supporting current businesses in their desire to grow, offering support for new industries that will offset expected job losses and create new jobs and export opportunities, and reversing the steady decline of South Australia's attractiveness for housing affordability.

Master Builders SA has based this submission on input from its members, leading industry figures and specialist staff, and thanks those parties for their valuable contributions.

Master Builders SA is the peak body representing the State's building and construction sector and the 55,000 jobs it creates. We would appreciate every opportunity to contribute the benefit of that knowledge and experience in any ongoing industry consultation.

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 - ² Department of Premier and Cabinet, Housing Strategy for South Australia – Green Paper, November 2011, 7.
 - ³ Department of Premier and Cabinet, Seven Strategic Priorities. Available at <http://www.priorities.sa.gov.au/content/creating-a-vibrant-city> (accessed 13 April 2017).
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