

9 March 04

Gary Banks
Presiding Commissioner
PC Inquiry into First Home Ownership
LB2 Collins St
Melbourne VIC 3000

Dear Gary

Re: Submissions by UDIA and HIA concerning construction costs and unionisation

At page 281 of the transcript in this Inquiry [public hearing Melbourne, 9 February] Commissioner Ed Shann invited the ACTU to respond to submissions from the Urban Development Institute of Australia. The Housing Industry Association has put similar submissions to this Inquiry.

Those submissions allege that union membership by construction industry workers is responsible for raising production costs and delaying completion times on commercial projects in Melbourne. The implication of those submissions is that union membership by construction workers, and legislation bringing contractors within the purview of industrial law, has (and portends) reduced affordability and accessibility for first home buyers. [see eg section 8, UDIA submission DR276; section 6.1, HIA submission DR260].

Those submissions are based on hearsay. They do not withstand scrutiny and we reject them. The Construction, Forestry, Mining and Energy Union [CFMEU] has responded in detail to those claims [Submission DR326]. We endorse and adopt those submissions put to this Inquiry by the CFMEU.

Furthermore, we believe the following observations are germane to this Inquiry.

Most owner-occupied homes in Australia are detached and semi-detached. Construction activity in this 'cottage' housing sector is dominated by real and/or sham sub-contractors. In this sector union membership is patchy. Tax avoidance strategies and sharp practices drive 'status in employment' in this sector, with sham contractors avoiding the PAYG system (expensing income, accepting cash in hand, etc); underpaying superannuation obligations and other entitlements; and flouting health and safety regulations.

Sham contractors win tenders against unionised firms through implicit subsidies from the Australian Tax Office and from the workers' future incomes.

The UDIA and HIA submissions seek to vilify unions over construction costs, but are silent on these issues. The cottage sector of the industry is where the great majority of first home-owners are seeking and have traditionally sought to locate, where this Inquiry's central focus must accordingly be. Blaming unions for low levels of housing affordability and accessibility in the cottage sector is baseless and cannot be sustained on the facts.

Union membership is high in the commercial sector, which accounts for most multi-unit construction activity. Over the past couple of years the Reserve Bank has expressed deep concerns about runaway activity levels in this sector, driven by developers' quests for speculative gains. Certainly there is no evidence before this Inquiry or anywhere else that union membership has constrained the level of activity in this sector, nor adversely affected project completion dates.

To the extent that first home ownership for contemporary and future aspirants focuses increasingly on apartment-style options, activity levels in this sector provide clear evidence that the issue is about *distribution* rather than about the level of construction activity. The multi-unit activity boom has been concentrated in premium locations and the upper end of the market, and has not delivered significantly greater stock to that segment of the market relevant to ordinary working people trying to own their own home for the first time.

The Cole Royal Commission did not look at the cottage sector. Cole has all the hallmarks of being from its inception a political Inquiry. Nonetheless, Cole did make a number of findings about construction industry productivity, phoenix companies, bogus contractors, and occupational health and safety that greatly condition the simplistic uses to which HIA (and indirectly UDIA) seek to put it in their submissions to this Inquiry. These are detailed in the ACTU Submission to the subsequent Senate Inquiry [D No: 42/2003, December 2003], available at <http://www.actu.asn.au/public/papers/bldgconstruction.html>

The ACTU believes the PC Inquiry on which you presently preside must focus on the main game as specified in its Terms of Reference. These are the key factors that shape affordability and accessibility for first home-owners, which we submit clearly and patently includes the diminishing role of public housing in adding to stock at the bottom half of the market. The Inquiry should not be diverted by extraneous submissions, such as those from HIA and UDIA.

Yours sincerely

Sharan Burrow
President