



**MASTER BUILDERS**  
A U S T R A L I A

26 March 2013

Major Project Development Assessment Processes  
Productivity Commission  
LB2 Collins Street East  
Melbourne VIC 8003

Dear Sir/Madam,

### **Submission Letter on Major Project Development Assessment Processes**

Master Builders Australia is the nation's peak building and construction industry association and we are the only industry body which represents all three building and construction sectors: residential, commercial and engineering. The building and construction sector accounts for close to 8 per cent of gross domestic product and around 9 per cent of employment in Australia.

The building and construction industry is a major driver of the Australian economy. It makes an essential contribution to the generation of wealth and the welfare of the community. At the same time, the wellbeing of the building and construction industry is closely linked to the prosperity of the domestic economy.

The cumulative construction task over the next decade will require work done to the value of \$2.2 trillion. The residential building sector will require nearly \$1 trillion worth of work and the non-residential building and engineering construction sectors combined more than \$1.1 trillion worth.

Master Builders welcomes this Productivity Commission Inquiry as very timely and relevant to what will be a major economic and social problem if there is no change to current government policy settings.

Meeting infrastructure needs in Australian cities and regions is of paramount importance. Australia's comparative advantage in low cost and well serviced urban land to underpin the productive capacity of the economy should be a central policy objective. If this comparative advantage is allowed to be eroded, then overall economic performance will suffer. Any proposed measures for change should take account of this policy objective.

In general terms, Master Builders supports light-touch regulation and is generally opposed to mandatory measures such as regulation. However we accept the need for Development Approval Assessment (DAA) processes to ensure that environmental, social and other policy objectives of the community are achieved.

Master Builders, however, views the *effectiveness* of the current arrangements in delivering good regulatory outcomes for the community are highly questionable. Excessive, overlapping and poorly administered regulations impose a significant and unnecessary burden on Australian businesses and consumers.

Master Builders, in addition, has for a long time been extremely concerned at ongoing and increasing instances of local government planning schemes and provisions covering building and construction requirements that would normally be dealt with under the Building Code of Australia (BCA).

Planning, Zoning and Development Assessments have a major impact on our industry and the community. When the systems are not efficient, it increases business costs and risks facing developers/builders and leads to frustration and ultimately reduced investment and poor outcomes for the community.

The problem of inconsistency between states and territory jurisdictions and also between local government jurisdictions has long been a major issue for the building and construction industry and has been extensively documented. This is exacerbated by the trend over more recent years to use the planning system to regulate building regulatory issues. Political interference in the processes can also increase the risk and reduce the level of investment.

Compliance costs associated with ensuring a project meets the requirements of each state and territory and each local government is of serious concern to the industry. Compliance costs increase risk and act as a disincentive for organisations to work across jurisdictional boundaries.

There have been calls in the past for greater consistency in planning regulation through an inter-governmental agreement, perhaps leading to a national planning act, a model code or set of guidelines. Master Builders supports this idea and calls for the Commonwealth Government to provide strong leadership in this area and, if necessary, provide supporting funding through linked incentive payments for reforms.

The introduction of greater consistency will lead to greater certainty and confidence in the industry and reduce costs. This will lead to reduced costs and greater investment which will have a positive impact on the community and economy. Greater consistency and reduced regulation across all areas of the planning system, accompanied by less variation in rulings and decision-making would deliver more appropriate and efficient allocation of resources.

Regional-based planning used in some parts of the country reduces the level of variation in planning systems and appears to be effective in relation to large project approvals. It may also provide a better link between development, infrastructure and needs of the community and should be an issue examined by the Commission.

Any performance benchmarking related to planning, zoning and development assessments must provide a basis for on-going comparison across all jurisdictions and encourage improvement in their systems. The Commonwealth Government should lead this process.

In addition to meeting policy objectives it is important that major project DAA processes are open and transparent, provide appropriate and meaningful opportunities for public participation and are subject to regular review and evaluation.

In August 2010 Master Builders made a submission to the Productivity Commission (PC) on its Issues Paper "Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments" (May 2010). In this we highlighted our concerns with the current system and commend this document to you.

The PC's Research Report found that the different local, state and Commonwealth planning, zoning and development assessment systems constitute one of the most complex regulatory regimes in Australia. It highlighted a set of leading practices, including simplifying development instruments, improving development assessment criteria and processes, and public participation and transparency standards. Master Builders is concerned that there has been little evidence that these practices are being instituted.

Master Builders believes that a system of benchmarking is required to provide the basis for improved systems designed to ensure more transparent and efficient, long-term development of the nation's housing and associated infrastructure requirements to meet Australia's economic and demographic imperatives. A system of benchmarking would also encourage continuous improvement given that rigorous monitoring of public sector performance, with regular reporting, would be transparent and in the public domain.

Overall, Australia's development assessment systems and procedures are not currently working efficiently and effectively. This leads to unnecessary waste of time, money and resources to the industry and the community. It is also a source of great frustration within the industry.

The lack of consistency between states and territories and between local government area planning schemes, even when supposedly developed under the same state or territory jurisdiction, is a strong source of inefficiency and frustration.

The Development Assessment Forum (DAF) was established in 1998 with the intent of improving and harmonising planning and development assessment systems. DAF comprises representatives of all levels of government, the building and construction industry, the built environment sector and industry professional groups. Master Builders is a member of DAF.

In 2005 DAF produced a Leading Practice Model for Development Assessment. This model set out 10 leading practice principles for how systems should be developed and operated. Recently the Property Council of Australia commissioned a study to evaluate the progress in each state and territory in implementing planning reforms. This shows that the adoption of these principles has been slow and haphazard across the country.

The two major areas in the DAA process that create issues and delays are Referrals and the Environmental Assessment Process. One of the major concerns of business about the operation of the EPBC Act lies in the duplication of state and Commonwealth environmental assessment processes and uncertainty about the expectations of different regulators. As noted by the COAG communique in August 2011, "reforms are needed to better integrate state, territory and commonwealth regulatory arrangements for environmental protection."

Duplication between state and Commonwealth processes can be reduced if business is given the option to have state governments administer the environmental assessment process on behalf of the Commonwealth. Under this arrangement, state government agencies would become the 'one-stop-shop' single entry point for business.

Under this one-stop-shop model, a developer would have the option to submit a project referral to the relevant state government agency, which would then automatically refer it on to the Commonwealth, rather than a developer having to submit referrals separately to the two levels of government.

This will require strong federal government leadership to avoid excessive, uncoordinated planning and building requirements through individual state and territory or local government provisions. Regulatory creep pushing codes and standards higher than required is a major public policy concern and must be addressed.

A set of common administrative provisions will be needed across the states, territories and local governments to deliver further certainty, drive productivity and contain costs to the benefit of the building industry, its clients and the broader community. Standardising nationally consistent administrative regulations has been on governments' work programs for years, without work progressing in any apparent meaningful way. We note that this failure will have a greater cost impact in relation to DAA response measures.

Master Builders, as the peak industry body, recognises its leadership responsibilities in working with all governments and the broader community to improve outcomes in response to DAA processes. Master Builders looks forward to working with all levels of government to examine cost-effective policy options that can lead to improvement in Australia's built environment. We would welcome the opportunity to meet to expand on the issues raised in this submission.

Yours faithfully

**Wilhelm Harnisch**  
**Chief Executive Officer**