

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the Victorian Government's Response to the COVID-19 Pandemic

Melbourne—Wednesday, 20 May 2020

Members

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Ingrid Stitt

Ms Bridget Vallenge

WITNESS

Ms Rebecca Casson, Chief Executive Officer, Master Builders Association of Victoria (*via videoconference*).

The CHAIR: We welcome you to the public hearings of the Public Accounts and Estimates Committee Inquiry into the Victorian Government's Response to the COVID-19 Pandemic. The Committee will be reviewing and reporting to the Parliament on the responses taken by the Victorian Government, including as part of the national cabinet, to manage the COVID-19 pandemic and any other matter related to the COVID-19 pandemic.

All mobile telephones should now be turned to silent. All evidence taken by this Committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you repeat the same things outside this forum, including on social media, those comments may not be protected by this privilege. You will be provided with a proof version of the transcript for you to check. Verified transcripts, presentations and handouts will be placed on the Committee's website as soon as possible. The hearings may be rebroadcast in compliance with standing order 234. I would ask photographers and camera persons to follow the established media guidelines and the instructions of the secretariat.

We welcome the Master Builders Association of Victoria. We invite you to make a brief opening statement of no more than 5 minutes. We ask that you state your name, position and the organisation you represent for broadcasting purposes, and then this will be followed by questions from the Committee members relative to their representation at the table. So, welcome.

Ms CASSON: Thank you very much, Chair, and good morning to you all. My name is Rebecca Casson. I am the CEO of Master Builders Victoria. Thank you very much, Chair, and Committee members for the opportunity to appear at the Inquiry this morning. We very much appreciate the opportunity.

Firstly, I take the time to acknowledge our wonderful members, especially those in bushfire-affected areas who have been dealt such hardship in recent months and have done so much to respond to this pandemic already. For many of you that might not know, our membership of over 6000 businesses ranges from mum and dad builders to tradies, to tier 1 companies in residential, commercial and infrastructure, as well as associated supply chains. We are very proud of the part that our industry has played in seeing Victoria and indeed Australia as a whole respond to the COVID-19 pandemic in a way that so far is rightly envied across the world.

We certainly congratulate all stakeholders of our industry as well as both the State and Federal Governments for their contribution to this response. However, whilst world leading our response may be, the impact of COVID-19 on our community and economy remains severe. Of course it is far too early to look back on our response to COVID-19. In fact, if history is to judge our response a success, we must realise that we are barely at the end of the beginning in our response to this pandemic.

With regard to keeping the building and construction industry open, we have certainly done this and averted the worst-case scenario of a \$25 billion hit to our state's economy, and we are very proud of that. Our forecast, though, still predicts activity across our industry will reduce to the tune of about \$6 billion. Added to this will be more than \$2 billion in lost revenue for our state. However, there is a tendency for numbers so huge to mask the reality for individuals concerned. New projects are falling across our industry, and the struggle for businesses to survive will get tougher as existing projects complete and with that their ability to maintain the employment, which is currently sitting at nearly one in 10 workers in Victoria.

So you might ask: what has Master Builders' response been? Our members and our organisation were very quick to recognise the significance of the impending pandemic and the legitimacy of action taken by all levels of government to prevent its spread, but it must be noted that at one stage it did look likely that building and construction in our state would also have to shut down—and the devastating effects of that I have just mentioned. However, in response to that Master Builders Victoria galvanised a group of employer and union groups to coordinate changes that our industry needed to make in order to continue operating safely. That collaboration within our industry has been unprecedented and certainly led to others following on a national scale, and we are very proud of that. Our team continues, though, to engage in tireless efforts to inform and support our members while collaborating with government and regulators wherever possible. Many of you might not realise, but we are a federated organisation, and this collaboration extends to our state counterparts

and national office, who have each shared in this. Master Builders will certainly continue to be there to support our members every step of the way.

Where to from here? A variety of measures have already been introduced by respective State and Federal Governments, and we congratulate them on that. That has allowed many businesses to continue that might otherwise have failed. Master Builders Victoria welcomes the establishment of the Building Victoria's Recovery Taskforce, which has already identified projects for fast-track planning approvals, and we are very honoured to participate in that group as part of the steering committee. The State Government's recent announcements of the \$2.7 billion Building Works package was also very welcome news to the building and construction industry. However, let me be very clear here to the Committee: further stimulus is essential if we are to see the consumer-led recovery that is so desperately needed. There is a worrying consistency about the worst-case economic scenarios that are regularly published. Our industry stands absolutely ready to help bring about much more palatable alternatives; however, the crossroads for these outcomes is already upon us.

Finally, too often in the past we have heard pejorative language about the quality and integrity of building and construction practitioners, but I am very proud to be here this morning to tell you that the sheer spread and scale of response to COVID-19 should leave no-one in any doubt that our industry cares deeply for our community and everyone that works within it. It is very clear to see what we can achieve when we all focus on our shared goals. Thank you very much.

Mr MAAS: Thank you, Ms Casson, for your appearance today before the Committee, and thank you very much for your presentation, which I note ran exactly to the second—so thank you for keeping to time. The Government has done a lot of work in ensuring that the building, development and construction industry has been able to continue functioning during the coronavirus pandemic. The Master Builders Association has been very engaged with Government, as you have indicated, and there have been many positive outcomes from this. Could you take the Committee through how the MBA has worked with Government to ensure that building, development and construction can keep operating during COVID-19?

Ms CASSON: Yes, it would be my pleasure, and it would be remiss of me not to acknowledge my team, who certainly helped me to stick to the absolute 5-minute maximum. It is an absolute team effort here at Master Builders. A lot of work has gone into the presentation this morning but also in relation to our response to the pandemic.

To answer your question specifically: we recognised very early on that there needed to be a different approach for building and construction, so we brought together, as I mentioned, a group of employers and unions, we met with the Government very early on and we gave the Government an assurance that we would develop some very specific industry bespoke guidelines. Many of you know that our builders and members are the ones that are out there working in some very dynamic circumstances with some very stringent OHS regulations already, so we were able to respond quickly to the coronavirus threat and implement a range of guidelines in collaboration with the State Government, with WorkSafe and with DHHS. We met very early on with the Deputy Chief Health Officer and sought guidance from her, and we managed to be able to implement guidelines that have actually seen us able to keep sites safe and open. Without the collaboration with those agencies and with the State Government, we would never have been able to have kept our industry going for so long.

Mr MAAS: That is excellent news. In your presentation as well I think you said congratulations had to go to all stakeholders. One of those stakeholders is trade unions of course. In times gone by Master Builders and trade unions have not always seen eye to eye, but I was just wondering how the MBA has worked constructively with unions during this period.

Ms CASSON: Yes, absolutely. It must be said that throughout this whole process, whilst Master Builders has worked collaboratively with all unions, we have not shied away at all or pulled back from any of our industrial relations policies or approaches. But let me be really clear here for you to understand: when such a crisis hits a country, a community, we all have to stand together. We must set politics aside, we must set personal agendas aside and we must all work together, and it is a real credit to many of you in the room today and others that you have set politics aside to make sure that we can all work together. We did just that with all of the unions, and it was not something that we did lightly. However, these are extreme circumstances, and again let me be clear: if we had not collaborated with all of the unions involved in the building and construction

industry and worked together, we would not have been able to have kept the industry going. Again, I am sure that many of you know our sector provides 45 per cent of our state's tax revenue, so Victorians would have been headed for extremely tough times if things had closed down. Again, the figure, I remind you, that I quoted earlier on: \$25 billion as a worst-case scenario if our industry had closed. So I am delighted that we have been able to play a part in that collaboration.

Mr MAAS: It is great news. Thank you very much. In terms of market conditions, what has your feedback been from your 6000-odd members on the current market conditions and the impact of COVID-19?

Ms CASSON: Well, the market conditions—of course there are lots of projections out there. The thing that is affecting our members the most at the moment is looking at liquidated damages. For those of you that might have heard me speaking on the radio this morning or have seen the front page of the *Age* in relation to us calling for worksite extension hours, it is really important that everyone understands that whilst we have been able to keep our industry open, it has come at a cost. I will give you a figure. There is one member that is paying \$380 000 a week just on cleaning, and that is in addition to the physical distancing requirements—so limiting the amount of workers into lifts, Alimaks and hoists in vertical construction sites. And the question of who pays for those extensions of time and who actually makes claims in terms of liquidated damages has not been answered yet. So it is a lot of concern for our members, many of them mum and dad builders who have had to take longer to complete projects that have gone over time but also commercial contracts as well. We have urgently requested that both the Federal and the State Governments publicly announce that they will not pursue liquidated damages in any supply contracts, and we also ask that private clients take a similar approach—because we do not want the domino effect of the building industry falling over. That is what is vexing a lot of our members right now.

Mr MAAS: Okay, noted. Thank you for that. How has the engagement with Government been? I understand and I note from your presentation as well that the MBA is a member of the Building Victoria's Recovery Taskforce. How have you found that process overall as well?

Ms CASSON: The process has been very positive and very consultative. Master Builders is a part of the steering committee and also a part of the industry working group that covers builders and contractors. The Government did listen to us very early on. We had some calls with the Government, and I personally had calls with many ministers and also with the opposition as well, I should say. Everyone has been very interested in what the building and construction industry requirements are to get through this particular period of time. The Building Victoria's Recovery Taskforce has been very successful so far in identifying and fast-tracking projects, and we have also been looking at potential stimulus measures as well to put forward from the Government. But again let me be really clear: there is no time to waste in this stimulus, so we must have some action coming out of that task force soon, and I am sure that we will see that very soon.

Mr MAAS: You mentioned your membership earlier. You have large building groups—large developers. You have mum and dad-type builders, I think, is the phrase you used. Are they being impacted differently or are they being impacted similarly throughout this period?

Ms CASSON: Well, different circumstances, of course. A vertical construction site is very different to a residential mum and dad builder. So let me just give you a couple of examples. The quote that I mentioned earlier as \$380 000 a year on cleaning, that is on a large vertical construction site, but in addition the small mum and dad builders who cannot have all trades at once on one site because of physical distancing, that is affecting them. In addition, there are supply chain issues as well. But there are also aspects around consumer confidence. So we asked the State Government to ensure that display homes and sale suites and land sales offices were open last week, and they did listen to us and they opened them. One of our members quoted or reported that they saw an increase of 400 per cent foot traffic through their display home at the weekend, which is huge. But the question is whether or not consumer confidence is there to enable the mum and dad builders and the residential market to actually bounce back, because otherwise the pipeline of work is absolutely challenging for many. And again, commercial construction to residential construction: one of our residential members had a pipeline of 18 months and that has gone down to three weeks. So it affects people in different ways.

Mr MAAS: Okay. Thank you. You mentioned consumer confidence. What other areas of the sector have you observed are particularly vulnerable to the current market conditions?

Ms CASSON: Well, the whole sector is vulnerable because there is a whole domino effect. If you have got a head contractor that does not get relief in relation to liquidated damages, that passes on to the subcontractor. We are talking about from a commercial construction project that could employ 1200 workers on one site, and then you have got the major subcontractors and everything down through to that supply chain, even as far down as timber and bricks. So it actually affects everybody and it is all interconnected. So whilst one size does not fit all and we are a broad church, it definitely is all connected.

Mr MAAS: Thank you. You also in a previous response mentioned physical distancing measures which are taking place on site. I was just wondering what sort of engagement Master Builders have had with the Chief Health Officer or the DHHS?

Ms CASSON: Yes. So very early on from the learnings that we had there were two positive cases on one site, and we learnt from that and developed further guidelines on how to deal with it. It was a little bit like building an aeroplane in the sky—that is the analogy that I have used in the past. On the second case, when we realised that we needed to have other measures in place, we called for and we got, which was really good, a bespoke, dedicated 1800 phone line for the building and construction industry. And we have also established something called the rapid industry group, which is made up of the Department of Health and Human Services, WorkSafe and the Victorian Building Authority. There was a false positive actually on a building site on Friday last week and all of our policies and procedures were absolutely adhered to. If we had not have gotten that in place and DHHS had not have worked with us proactively on that, that could have been a very different scenario. So we are really pleased about those policies and procedures that we have got in place.

Mr MAAS: Thank you. How is the Master Builders Association ensuring that all health and safety requirements are being upheld and maintained on sites?

Ms CASSON: Well, that is for each individual organisation to manage, and every organisation has either a construction management plan or a safe work method system. These organisations—our builders—are very, very used to operating in a highly regulated environment, so working with WorkSafe to make sure that we adhere to those guidelines, the guidelines that have been issued from DHHS and other guidelines as well. That is how the people in the building and construction industry are complying with physical distancing and hygiene requirements.

Mr MAAS: There has been much talk throughout these hearings about how particular businesses or organisations have had to adapt to change or how they have had to pivot. Would you be able to inform the Committee what have been the primary changes to building sites in response to COVID-19 and how businesses have adapted?

Ms CASSON: Yes, well, very early on—if I had some pictures, I would show you—when companies do their toolbox talks they have marks on the floor where every single worker should stand, and that is 1.5 metres from the next person. Our members have taken out chairs and tables from lunch rooms so that the workers do not sit next to each other. There is constant cleaning. There are markers in the elevators, the Alimaks and the hoists where people should stand. So our members have actually responded very well and very quickly to the stringent requirements as laid out by the guidelines that were developed.

In addition to that, our team have responded very quickly. We have been issuing daily bulletins to our members to update them on a regular basis. We have regular comms from Master Builders, and many of our members have reported that Master Builders Victoria has actually, with lots of information coming out, remained the single point of truth. And we have been able to provide them with some really good advice.

Mr MAAS: Excellent. Thank you very much for your answers.

Ms CASSON: My pleasure.

Mr LIMBRICK: Thank you, Ms Casson, for appearing today. It is good to hear the way that you have been able to communicate with your members and the way that they have been able to adapt so quickly in this emergency. I was wondering if you could maybe detail a bit more one of the actions that you said that you had hoped the Government would deal with—the issue around liquidations. Could you outline a bit more what you would hope the Government would do and how that might look?

Ms CASSON: Well, specifically we would like the State Government to come out and absolutely say—publicly announce—that they will not pursue liquidated damages in any supply contracts. Let me be really clear here: where there is a contract established and where there have been delays due to COVID-19 we do not believe that the builder or the head contractor should be liable for those, because if you start to push that, then there is a whole domino effect and people will actually go out of business as a result of that. There are lots of State Government contracts where they are building netball courts or prisons or those types of buildings. We would very much like to see the State Government take a leadership approach and publicly announce that they will not pursue liquidated damages in any of those contracts, and that would encourage the private sector to do something similar. Again, Master Builders Australia actually wrote to the Federal Government and asked the same. I believe it was Mathias Cormann that released some advice recently particularly related to defence that has confirmed that they will not be pursuing liquidated damages in relation to their works, and we hope to see that have a flow-on effect in other areas.

Mr LIMBRICK: It seems like a reasonable request. With regard to the actions taken so far by the Government, is there something that in hindsight—everything is easier in hindsight—you wish the Government had done differently in its response so far and maybe could have improved?

Ms CASSON: Look, somebody asked me the other day what I would do if I was the Premier or Prime Minister for a day, and I said I simply would not want to do it, because leading in these times is actually quite difficult. I commend both the State and Federal Governments for the role that they have played in leading our communities through this crisis. There are some examples that I could give where perhaps communication came slightly before consultation and resulted in a bit of confusion, but the reality was that nobody saw this unfolding in the way that it did. I mentioned earlier on about the potential for the building and construction industry to close down. There was a moment there on around about 22 March where there had been an announcement that the state was going to go to stage 4. This was just prior to national cabinet. That was over the weekend, and I got an enormous amount of calls from members, saying: ‘Are we allowed to open?’, ‘What’s happening?’ and ‘If we’re going to have to shut sites, we’re going to have to put security on full-time and we have got a lot of things that we need to do’. So people were really worried about that. So with hindsight if we could have had greater clarity about that, that would have been good, but the reality is that these things were changing so quickly. The benefit, as I said earlier on, is that we have been able to communicate with our members really speedily, and once the information came through that we were going to stay open, that was really good.

The only other thing that I would mention is about the extension of hours. We would definitely have liked to have seen a State Government approach in relation to asking councils or really requesting strongly or legislating for councils to extend hours. We still hope for that, rather than us having to go around each council piecemeal asking for them to look at their extension of worksite hours, because this is not over yet. An earlier approach on the extension of hours for councils would have certainly been very much appreciated.

Mr LIMBRICK: That is interesting. You mentioned the change in work practices on site that have happened. Do you feel that any of these changes in the work practices will be longer term? And will there be issues for building sites with these changes? Let us say that we have to maintain some of these things for the next year, for example—will that affect the efficiency of construction operations?

Ms CASSON: It will absolutely affect it, and we have already started to address that. So we are working with WorkSafe and the VBA and DHHS to identify where we can actually make some productivity gains, because I mentioned not just the cleaning bills—\$380 000 a week for one job—but also because of the physical distancing some sites are actually losing one day a week. If you total all of that up, that is a lot of productivity and financial strain. If the building and construction industry have proven over the last few months that we can manage the situation and we have got all of the mitigating circumstances in place, then we can continue to take a risk-based approach—a little bit like, for example, the AFL has taken in relation to how they came about ensuring that players can tackle each other. I am not suggesting that anybody should tackle each other on a building construction site; I am just saying they have taken a risk-based approach. What we are now working towards working with DHHS and WorkSafe is how can we take a further risk-based approach to get greater productivity, because if we do not we will actually see the building and construction industry start to experience a lot more pain going forward.

Mr LIMBRICK: I believe we are out of time, so thank you very much, Ms Casson.

Mr RIORDAN: Thanks, Ms Casson. Just to clarify a point from Mr Limbrick's earlier question, your organisation sent a letter to the Premier seeking clarification on the liquidated damages. You have obviously heard from the Federal Government, but as yet you have had no feedback from the State Government on their approach to liquidated damages?

Ms CASSON: We have had feedback from the State Government, and it is something that actually is being discussed at the Building Victoria's Recovery Taskforce. There has been a lot of conversation there. I just want to make it clear that there has been consultation and dialogue, but it is still very unclear as to basically who is going to pay and what the situation is. So there is a lot of clarity that still needs to come from that.

Mr RIORDAN: You would appreciate a fairly quick response from the Government, I imagine, then?

Ms CASSON: It is imperative that we do get a response as quickly as possible, certainly because there are many builders out there that are on the precipice of legal action or being taken for legal action in relation to those clients who are not being particularly helpful in relation to liquidated damages and the time delays as a result of COVID-19.

Mr RIORDAN: Okay. There has been a lot of modelling done in the last couple of months from all sorts of organisations, yourselves included, and a lot of it is pretty scary reading when it comes to what the construction industry is looking at in terms of its pipeline. I understand that your organisation has commissioned economic modelling from Acil Allen which found that a complete shutdown of Victoria's construction would cost the economy as much as \$25.5 billion, with 166 000 jobs lost. Are there any additional recommendations from that modelling that would assist our Committee?

Ms CASSON: Yes. So just to be clear, it is actually Incolink, which is the building construction industry redundancy fund, that commissioned that work, and we were able to use that work in relation to some of the modelling that we have done. We have also done some forecasting—and there will be more to come as well—but a forecast writedown in residential activity, \$4 billion; a writedown in commercial activity, \$2 billion; and a forecast writedown in state revenue for construction, \$2 billion. So the economic impact—you are right—is \$25 billion.

The recommendation from that is—to be really clear—that every one dollar spent on housing construction, as an example, is worth three dollars of activity produced for our economy. We must keep in mind that our industry is a massive part of the economy, and so whilst there are other sectors that are really important, it is the building and construction industry that will continue to keep our economy afloat. So anything we can do to help to manage that is essential.

Mr RIORDAN: Could you provide that modelling to our Committee?

Ms CASSON: I would be very happy to do that. I believe that my chief of staff is watching this, and I am sure that he can organise that—absolutely.

Mr RIORDAN: I wonder if you could comment on another modelling that came out today, and that is from the housing industry, the HIA. They are forecasting a reduction of new house starts of 50 per cent, and they are talking 500 000 jobs at risk in the very immediate future with that sort of close-down. Do you have any comment on that? Does that support, essentially, what the Master Builders think as well?

Ms CASSON: It is probably not wise for me to comment on figures from the HIA. Certainly we can give some advice on that. For example, with projects that builders are tendering for, the pipeline is drying up. That is very clear to see. The average number of builders tendering for projects has certainly increased from last year, but the project pipeline is decreasing. So the market is beginning to be flooded somewhat. And the reports on increasing price pressures—which is alarming given the very low profit margins experienced in the building construction industry—are probably reducing prices by around 20 per cent. So if you put all of those figures together, you can see that if we do not take action in terms of further stimulus now, there will be pressures, as the HIA and others have identified, leading up towards August, September and October.

Mr RIORDAN: I am from a rural electorate, and the timber industry in particular is a very important industry in our western Victoria region. A very significant percentage of all construction timber comes from that region. They are looking at staff lay-offs and production costs. What sort of feedback are you getting from

the industry about the supply of Australian-made materials and how that production line is being affected and, I guess also when we are talking about liquidated damages, perhaps the difficulty of getting imported goods as well—things that we may rely on? What sort of feedback are you hearing about the whole supply chain for construction?

Ms CASSON: I was in sunny Geelong yesterday, which I know is a bit up from where you are, Richard, and certainly the local feeling yesterday was that local supply is okay at the moment. There are a couple of aspects in relation, as you have mentioned, to timber et cetera. Some of our members are experiencing supply issues obviously from Asia but also more recently European supply chains—so, for example, getting products into kitchens and those sorts of areas as well. We have always encouraged our members to buy local where they can. There was a situation quite recently where one of our members had developed a door for a certain structure, and that now is being looked at at a more local level. I think that going forward the diversity of the supply chain will be something that the building construction industry will take a serious look at.

Mr RIORDAN: Would you like to comment, are there any changes to business taxes or charges that you would like the Victorian Government to consider changing, altering, readjusting in order to help keep this vital construction industry going over these very uncertain times?

Ms CASSON: Look, I probably could talk to you all day about some of the things that we think might be worthwhile. But a few things just of note, and we have been on public record saying this as well: we do think that the removal of stamp duty, at least for six months, if not longer, would be useful. We would very much like to see the Victorian Building Authority waive builders and trade licensing fees, which has not happened yet. So we would very much like to see that. We would actually like to see the cladding rectification levy refunded and postponed for the moment because that has actually had an effect on some projects. We would also like to see the increase of the first home buyers grant. And also small things—these things are low-hanging fruit: there was a recently introduced road closure charge and maybe postponing that would be useful as well for builders, who are paying out an enormous amount of money at the moment for their work.

Mr RIORDAN: I guess unnecessary extra costs and charges are something that could be looked at. In terms of ideas for recovery, are there any other specific actions that the Government could do to help facilitate that recovery in terms of supporting local council expenditure or other areas?

Ms CASSON: Well, aside from what I have already mentioned in terms of encouraging local governments to be supportive of the building construction industry, in addition to the stimulus ideas, the low-hanging fruit that I have mentioned, we have also been talking to the Building Victoria's Recovery Taskforce about a whole range of other ideas that we have put forward as well. We really did welcome the announcement for the building works that came through. This is particularly important because it was identified by us that there needed to be smaller projects so that mum and dad builders could also tender for those projects. The other thing that we would probably like to see is a review of the construction supply register, which for many builders is actually unobtainable, to get onto that register, because of the restrictions that are on it. You only regularly see just a few builders that are on that register. So we would like to see a review of that as well. So there are a few ideas there.

The CHAIR: Thank you very much. We are out of time, but we thank you for appearing before our Committee today. The Committee will follow up on any questions which were agreed to be taken on notice in writing, and responses will be required within five working days of the Committee's request. We will move to the consideration of the next witness, so thank you for your time.

Ms CASSON: My pleasure. Thank you for inviting us to speak. We really appreciate it.

The CHAIR: Thank you.

Witness withdrew.