

Senate Rural and Regional Affairs and Transport References Committee

Questions on Notice – Wednesday, 30 March 2011
MT GAMBIER, SA

Inquiry into the sale of timber assets by the SA Government

Question Number	Page No's.	Witness	Question asked by	Answered
1	35-36	HASA/TABMA	Senator Xenophon	Y, 12/4/11
1	44-45	Dr J Leech	Senator Colbeck	Submission 16
1	61	HIASA/MBASA	Senator Xenophon	Y, 6/4/11

**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE**

Inquiry into the sale of timber assets by the SA Government

Public Hearing Wednesday, 30 March 2011

Questions Taken on Notice – Hardware Assoc. of SA & TABMA

HANSARD, RA&T 35-36

Mr Evins—I have been in the hardware business since September 1979—31 years. We believe there will be a great impact on it. I will just run through some quick statistics: 80 per cent of plantation timber comes from ForestrySA. Our company buys some 90 per cent of that framing timber from Carter Holt and the people who buy it from ForestrySA. Our best estimate is that other people may be bringing some over the border and stuff like that, but about 70 per cent of timber that goes into housing in South Australia comes from ForestrySA. It is certainly more than 50 per cent. You have a situation where half of the housing in South Australia, we believe, is being supplied by ForestrySA plantations.

Senator XENOPHON—If not more.

Mr Evins—We believe that is very conservative. If that was not available in a number of years, the alternative is steel housing using steel frames. It is more expensive and it has other downsides as well. It would put the price of housing up by maybe 30 per cent—

Senator XENOPHON—Sorry, is that 30 per cent for the house or just 30 per cent for the framing?

Mr Evins—Well, 20 to 30 per cent of the house price could be affected by it. I do not have those figures and I could try to work that out. I think it is going to be substantial.

Mr Howse—It will be substantial.

Mr Evins—It is also the supply.

Senator XENOPHON—Could you take that on notice?

Mr Howse—Yes, absolutely. At the moment, steel framing in South Australia is higher than anywhere else.

Mr Evins—As in the supply?

Mr Howse—Yes, it accounts for about 30 per cent of buildings in South Australia. It is less efficient to produce—and carbon is the hot word at the moment. It is also more expensive. Basically, there are two aspects there. If we have a shortage of supply, people will naturally go where they can—that is, the steel industry—and it is going to be more expensive to build homes. It is already expensive to build, let alone going in that direction as well. Also, if there is a

shortage of supply and we are getting it from wherever else, it is about supply and demand: we are going to be held to ransom by overseas or wherever we get it from.

Senator XENOPHON—Okay. If you can provide on notice the details of what it costs, and show it to us—

Mr Howse—Yes, we will get you some more accurate figures.

Senator XENOPHON—Yes, some accurate figures about the differential, thank you.

93 Morphett Road, Camden Park SA 5038
Telephone: (08) 8423 4541 or 0407 102244

Fax: (08) 8376 8918
PO Box 505
Flagstaff Hill SA 5159

17th April 2011

Committee Secretary
Senate Standing Committee on Rural Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

RE: Sale of timber assets by the South Australian Government – Hansard Committee

Dear Sir/Madam,

Recently TABMA was asked to be a witness at the Senate Rural Affairs & Transport committee hearing into the ‘Sale of Timber Assets by the S.A Government.’ The Hansard hearing was held on the 30th March at the Commodore Hotel and was represented by the author, Jason Howse State Manager of the Timber and Building Materials Association (SA).

Some questions were taken on notice during the hearing to which we will attempt to clarify with the following information.

Comments on notice:-

- a.) Mr Rod Evins: “20-30% of housing prices could be affected if the forward sale were to take place. I do not have those figures & I could try to work that out. I think it’s going to be substantial.”
Mr Jason Howse: “It will be substantial”
- b.) Mr Jason Howse: “Steel framing accounts for approximately 30% of residential buildings in SA..... it is less efficient to produce.....It is going to be more expensive to build homes.

Response:-

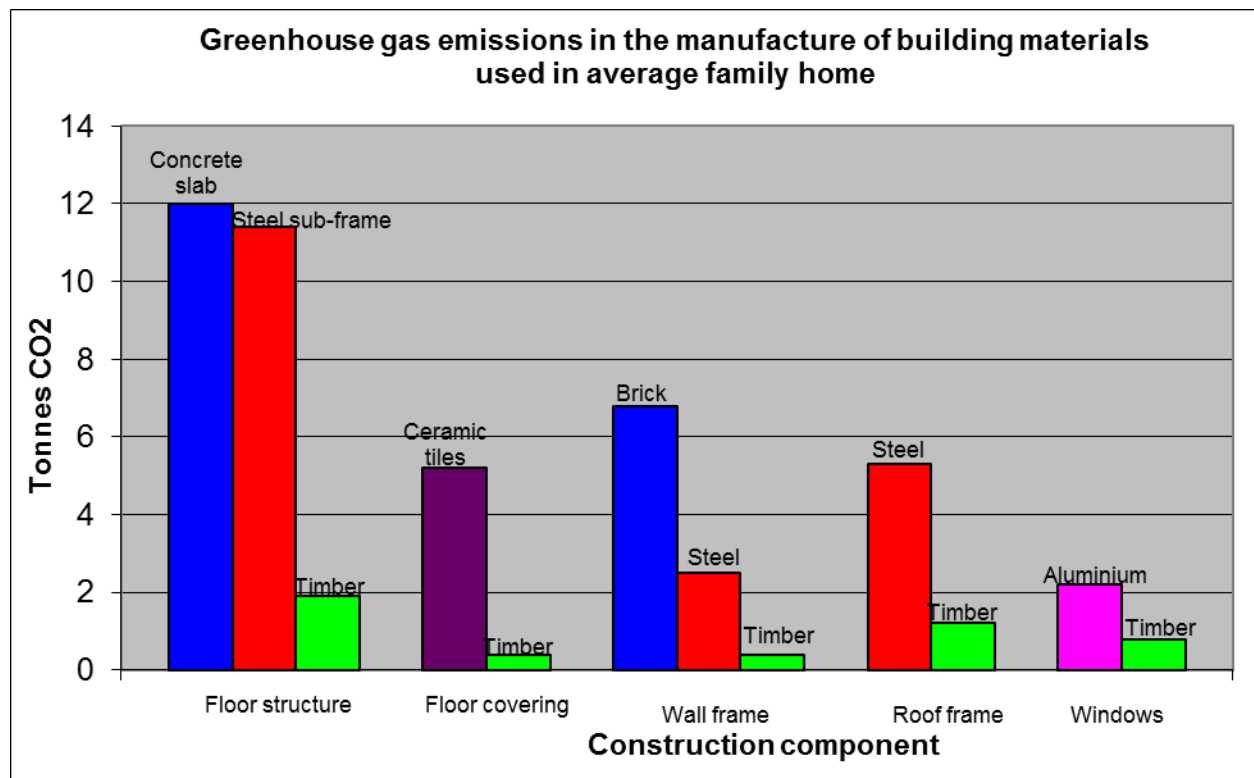
a.) Currently the average difference in price between timber construction and steel construction is between 10-15% depending on world pricing and the type of dwelling that is being constructed. The framing component of most residential building projects accounts for approximately 20% of the total build so if you calculate that currently the cost difference between Timber and Steel framing is approximately 3% over the entire build.

If there is a shortage of timber for construction the alternative for consumers would be to use the more expensive and less environmentally friendly option of Steel framing and/or push suppliers to purchase from other regions, either interstate or overseas. It is pure speculation as to what cost this could potentially have on housing other than to say that if we have no other option we would succumb to a ‘supply and demand’ situation which historically has shown that price increases and definitely doesn’t decrease.

Comments of housing increases being 20-30% could be seen as extreme and exaggerated as this would possibly not be the case. My comments of ‘it would be substantial’ simply means that due to years of experience and in my professional opinion cost would increase substantially more than today, although this is impossible to gauge without dedicated market research. This would also be an unrealistic and costly exercise given the timeframe of this response that must be submitted.

There is also an associated cost to using a more inefficient product as seen by the diagram below. With government insisting on 6 star rated homes moving forward and international pressure on Carbon usage, it becomes increasingly difficult to attain this this level of ‘green’ construction unless the consumer uses ‘green’ products like timber. If these products aren’t used then expensive options are required to attain the ratings that are required, which can range from additional insulation, thicker glazing, solar power etc, all of which adds to the cost of construction, and is not a viable option to the fledgling first home buyer market.

b.) Due to the lack of forthcoming statistics that I have requested regarding the percentage of steel frame house starts versus timber frame houses, I can only state what information that I have seen and heard over the past years from sources like the HIA which have stated that Steel framed housing accounts for approximately 27% of all houses built in South Australia. I have requested formal confirmation of this data from the HIA; however the information hasn’t been forthcoming in this time frame. As stated though it is a general opinion of the industry that if there isn’t a good supply of timber which is also of appropriate quality, Steel framing will capture a larger share of the market.



In conclusion the information that has been stated is based on knowledge gained over time and industry experience. If definite and finite figures are required then it would be suggested that a study be performed to see what real impact this issue will cost the consumer. If a 'regional' or 'economic' impact statement is to be implemented, it should focus on factors like the ones mentioned.

Unfortunately with the lack of time and funding to obtain these industry statistics, we cannot state that the figures mentioned in the report to be 100% accurate. The figures stated are an estimate based on experience and similar historical situations of privatisation.

The Timber And Building Materials Association would welcome the opportunity to discuss these issues openly within the Committee forum if required. If you require any additional information please contact me directly on 0417 809 172.

Yours faithfully,



Jason Howse
State Manager SA/Vic/Tas
TABMA (Aust) Ltd

Ph: (08) 8423 4541

Fax: (08) 8423 4541

Mobile: 0407 102 244

Email: jason@tabma.com.au

**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE**

Inquiry into the sale of timber assets by the SA Government

Public Hearing Wednesday, 30 March 2011

Questions Taken on Notice - HIA SA & MBA SA

HANSARD, RA&T 61

Senator XENOPHON—Mr Harding, I want to get a proper comparison. The evidence given by the councils is that there was quite a significant drop in approvals. I have found the relevant item. This is just for the district council of Grant, one of three district councils affected by this: for 2008-09, 334 building applications, value of development just under \$97 million; for 2009-10, 345 building applications, value of development just over \$199 million; for 2010-12, as at, presumably, the beginning of March this year, 184 building applications, value of development just under \$13 million. If you could take this on notice: are you able to do a comparison between, say, the rest of the state and the three district councils? It might give us a reasonable benchmark when trying to work out what impact it may have had on confidence in the area. As to what extent this proposal may have is another issue, but if you could provide that it would be useful.

Mr Harding—I am certainly happy to do that and provide that to the committee. I just want to say about approvals that one of the things that has concerned HIA over the past nine months is that government bodies tend to look at approvals as an indicator of the health of the industry. In the past five or six years we have probably seen a disconnect between approvals and actual starts of somewhere in the order of around 12 or 13 per cent, but over the past six months we have seen a disconnect between approvals and starts of getting up towards 32 per cent. So approvals on their own in the present economic situation are not providing as accurate a guide of the health of the industry as perhaps they have in the past.

Residential building approvals data

Source: ABS unpublished building approvals data

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Naracoorte and Lucindale (DC)	10	4	3	1	2	5
2010	52					
3 mths to Feb '10	7					
3 mths to Feb '11	3					
Robe (DC)	2	7	3	5	2	1
2010	39					
3 mths to Feb '10	5					
3 mths to Feb '11	4					
Grant (DC)	1	2	5	2	8	7
2010	44					
3 mths to Feb '10	10					
3 mths to Feb '11	4					
Wattle Range	8	6	17	8	2	2
2010	36					
3 mths to Feb '10	10					
3 mths to Feb '11	8					

Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
0	2	2	9	2	6	4	19	4
2	2	5	2	3	6	5	3	5
1	2	8	1	0	5	9	4	4
4	4	3	2	3	3	2	1	5

Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
3	0	1	0	2

1	3	2	1	1
---	---	---	---	---

5	3	2	0	2
---	---	---	---	---

1	3	5	1	2
---	---	---	---	---