Submission to
Senate Economics Committee Inquiry
into the
Australian Business Investment Partnership Bill 2009

April 2009

Master Builders Australia Inc ABN 701 134 221 001

building australia

Master Builders Australia
PO Box 7170
YARRALUMLA ACT 2600
Ph: (02) 6202 8888

1. Introduction

1.1 This submission is made by Master Builders Australia Inc (Master Builders).

1.2 Master Builders Australia is the nation's peak building and construction industry association which was federated on a national basis in 1890. Master Builders Australia's members are the nine Master Builder state and territory Associations.

1.3 Over the past 118 years the association has grown to over 31,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry body that represents all three building and construction sectors: residential, commercial, and engineering.

2. Purpose of Submission

2.1 Master Builders has publicly supported the Government's proposal announced on 24 January 2009 to establish the Australian Business Investment Partnership Bill (ABIP). Master Builders' support was given prior to the release of the draft Bill. This submission makes comment on certain aspects of the Bill, where it can be enhanced to strengthen transparency and accountability, and to ensure the better targeting of assistance.

2.2 Master Builders' support of the Bill is encapsulated in the sentiments of its two press releases dated 27 January 2009 and 13 March 2009 of which the key elements of the text are replicated below.

> *Master Builders Australia strongly welcomed the Government's $4 billion Australian Business Investment Partnership as a contingency measure designed to provide liquidity to major commercial property projects.*
>
> *Finance is the lifeblood of the construction industry and this measure can insulate against the risk that foreign banks could withdraw funding as a result of the global financial crisis."*
>
> *As foreign finance begins to dry up, a number of commercial projects could be particularly vulnerable and the Government's announcement*

should help to avoid a vicious cycle of fire sales, write-downs and a crisis of confidence.

The Government's measure will provide certainty to investors and contractors and ensure that credit flows for commercial projects vulnerable to overseas finance can continue, thereby boosting confidence and mitigating job losses."

The Government's initiative tackles two critical issues fundamental to recovery from the global financial crisis - shoring up confidence and maintaining credit flows.

Construction finance has been heavily choked even for AAA rated contractors/developers and has created a high level of uncertainty and the proposed ABIP Bill should provide the necessary guarantees in place to ensure that finance for major construction projects currently in progress are not an impediment.

What is at risk is more than just commercial building projects remaining uncompleted. There are serious downstream consequences.

The potential collapse of financially sound large commercial projects under construction would pose a number of risks. The risk is that commercial building asset values might fall precipitately if current major projects under construction were to fail.

This would impact on the capacity of contractors/developers in securing finance for new construction projects in due course and can only delay the economic recovery.

It also has the potential to compound the negative returns to superannuation members. Major commercial building projects are now an important asset class held by many of Australia's superannuation funds and self-managed superannuation funds".

Master Builders agrees that ABIP should not be used to provide finance for those commercial building projects under construction that are not financially sound but should only be used to provide last resort finance where other sources of finance cannot be obtained.

Availability of finance and business confidence are the two critical factors that need to be addressed in responding to the challenging economic period facing Australia".

The proposed ABIP Bill therefore is an important circuit breaker in meeting those challenges.

3. Outline of the ABIP Bill

3.1 Master Builders agrees with the Government that the global financial crisis raises the possibility that some financiers, particularly foreign banks, may reduce their level of financing of viable Australian businesses that require funding to invest in growth and jobs.

3.2 Master Builders also agrees with the proposition that the highly leveraged nature of the commercial property sector makes this sector particularly vulnerable to liquidity constraints.

3.3 **ABIP Objectives**

3.3.1. Master Builders understands the objectives of ABIP to include:-

3.3.1.1. Provide refinancing for loans relating to commercial property assets in Australia in situations where: finance relating to the assets is not available from commercial providers other than ABIP Limited; and the assets would otherwise be financially viable.

3.3.1.2. A further objective of ABIP Limited is to provide financing in other areas of commercial lending through financing arrangements of a kind agreed to by the members of ABIP Limited in accordance with paragraph 8(3)(b).

3.3.2. The Bill provides for the establishment of the Australian Business Investment Partnership Limited (ABIP) and facilitates certain appropriations. The establishment of the ABIP seeks to address the risk of a funding gap emerging by refinancing loans relating to commercial property assets in Australia in situations where financing relating to those assets is not available from other commercial providers, and the assets would otherwise be financially viable.

3.3.3. ABIP is intended to be established as a temporary contingency measure to provide liquidity support for viable commercial property assets where financiers have withdrawn from debt financing arrangements as a result of the global financial crisis.

3.3.4. The primary objective of the company is to refinance loans relating to commercial property assets in Australia where finance cannot be obtained elsewhere, and the assets would otherwise be financially viable.

3.4 Funding

3.4.1. The Government and the four major domestic banks will provide initial loan funding to ABIP and an amount for working capital. The Government will provide $2 billion and the major banks will provide $500 million each. On its establishment, ABIP will have access to $4 billion in undrawn loan facilities (less the amount for working capital). The financing provided by the major banks will not be Government guaranteed.

3.4.2. Additional funding may be required beyond the initial $4 billion and accordingly, there will be scope for the initial $4 billion loan funding to be supplemented by the issue of Government-guaranteed debt of up to $26 billion, to permit up to $30 billion to be available for refinancing. The issuing of any debt by ABIP will be subject to the unanimous agreement of shareholders.

3.4.3. Government guaranteed debt will only be issued once the initial loan funding is exhausted. As debt issued by ABIP will be Government guaranteed, it will attract an appropriate fee (on a sliding scale, increasing to 150 basis points) to be reflected in the pricing of the issue. The level and timing of the fee will be agreed by shareholders, having regard to risk and liquidity factors and general market conditions at the time any such debt is issued.

3.5 Governance

3.5.1. The Bill includes provisions which seek to ensure that appropriate accountability, governance and reporting arrangements are applied to ABIP's operations. Consequential amendments (contained in this and a related bill) facilitate the interaction of ABIP's operations with the Trade Practices Act and the Corporations Act.

3.5.2. The powers of ABIP are strictly limited to entering into financing arrangements in accordance with clause 8 of the proposed Bill and borrowing money in accordance with clause 9 of the proposed Bill for the purposes of entering into such arrangements, and doing such other things as are incidental to the exercise of these powers.

3.5.3. A further object of ABIP is to provide financing in other areas of commercial lending through financing arrangements of a kind agreed to by the shareholders of ABIP in accordance with Clause 8 (3) (b).

3.5.4. Commercial property assets are assets that typically require high levels of investment and are institutionally owned, managed or maintained by listed or unlisted managed investment schemes, stapled securities groups, superannuation funds, investment trusts or property syndicates. They include, but are not limited to, retail shopping centres, commercial office buildings and industrial property.

3.5.5. Property located outside Australia, land banks, speculative development assets and rural property would fall outside the scope of ABIP’s lending criteria.

4. The Building and Construction Industry

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

4.2 Building and construction industry gross value added was $79.3 billion in 2008, or 7.3 per cent of GDP. Employment in the building and construction industry totalled 990,400 in the February quarter 2009, or 9.2 per cent of total employment.

4.3 According to the ABS, the value of work done by the building and construction industry was $148.9 billion in 2008, with residential building work done at $45.2 billion in 2008, non-residential building $33.3 billion and engineering construction $70.3 billion. The total work done figure would be $20 billion higher, that is, close to $170 billion, if the value of smaller renovations work not included in the ABS figure was accounted for.

4.4 Master Builders estimates that the cumulative construction task for the building and construction industry over the next decade requires at least $1.7 trillion of work done in chain volume (or constant price) terms. For the residential building sector this should involve over $800 billion of work done over the same period, and for the non-residential building and engineering construction sectors, close to $900 billion.

4.5 As a key driver in Australia's economy, the building and construction industry creates wealth and adds to the well being of its citizens. Master Builders and its members have been, and continue to be, at the forefront of building Australia's economic and social infrastructure, something we are extremely proud of.

4.6 Supporting the building and construction industry is a proven success formula for stimulating economic growth. Effective and timely measures can help provide critical stimulus needed to insulate the economy from the worst effects of the global financial crisis, particularly unemployment.

4.7 Given the strong flow-on or multiplier effects, stimulus designed to boost the domestically-orientated residential and commercial building sector is a proven formula to successfully lead the economy out of an economic downturn.

4.8 A critical part of the solution will be implementation of appropriate measures to normalise credit flows and alleviate severe restrictions on finance brought about by the global financial crisis. A lack of credit is particularly affecting the construction industry and will act as a major impediment against the ability of clients and contractors to kick start new projects.

5. The impact of the global financial crisis

5.1 Conditions in the building and construction Industry have changed dramatically for the worse.

5.2 After a strong phase of growth over the past seven years, initially due to residential building but latterly on the back of strong commercial building and engineering construction, indications of a severe slowdown - particularly in commercial building - were compounded exponentially as the global financial crisis and credit crunch hit the industry in late 2008.

5.3 Master Builders Australia's latest National Survey of Building and Construction reveals that builders are pessimistic, with expectations for own business activity, profits and investment remaining deeply entrenched in negative territory in the March quarter 2009 after sentiment plummeted during the final quarter of 2008.

5.4 Builders are looking to downsize their work forces by more than 10 per cent over the next 12 months due to fallout from the global financial crisis as a domestic recession looms.

5.5 The survey can be found at the attachment.

5.6 The global financial crisis has seen a significant tightening of the credit market that finances the building and construction industry. There are three main sources of funding where there has been a winding back of lending:-

5.6.1. International banks that have signalled their intention to withdraw or wind down their lending operations in Australia (and other markets) as a result of their financial difficulties.

5.6.2. Domestic banks that have tightened lending standards and scaled back lending.

5.6.3. The mortgage fund industry, which was a significant source of credit for the building industry, has ceased lending entirely due to the altered incentives flowing from the bank guarantee.

5.7 The credit crisis is causing considerable disruption to the capacity of building contractors in proceeding with building projects. Of particular concern in the building industry is high rise apartments and commercial building.

6. The Case for Appropriate Government Intervention

6.1 The unusual nature of this financial crisis has given rise to considerations of policy that in normal times would be seen as inappropriate. Specifically, the current debate is about whether there is a role for government intervention to prevent sudden market movements or project collapses that might have larger deleterious consequences for the economy.

6.2 Master Builders as a general rule supports market-based solutions as the most efficient method of promoting sustainable economic growth. But in the same way that the Reserve Bank will intervene in financial markets to prevent precipitous falls in the value of the currency to avert potentially damaging outcomes, a case can be made for intervention in the commercial property industry to prevent precipitous falls that might harm other economic imperatives.

6.3 Master Builders recognises that asset revaluations are occurring throughout every economy, that no sector can be immune from the price signals flowing from the global financial crisis, and that ultimately a soundly-based recovery will depend on price adjustments reflecting adjusted market values.

6.4 Master Builders is also cognisant that builders and developers in sound positions can look at downturns as opportunities to utilise market opportunities and to expand their enterprises, and that interventions should not inhibit the structural process of improving efficiency.

6.5 However, the case being presented here is for a temporary facility to be made available to avoid a precipitous market collapse resulting from the sudden cessation of credit provision from particular existing sources. It is certainly the case that the abrupt withdrawal of credit from the building development industry would significantly impact on building activity and confidence levels. If, for example, large building projects were to fail due to the sudden withdrawal of foreign banks then confidence in the industry would be damaged and asset prices would be unduly revalued downwards. Such a crisis-driven downward revaluation may then affect the asset valuation of the banks which are likely to respond by further tightening lending availability, potentially creating a dangerous downward spiral.

6.6 The extent of withdrawal of credit is difficult to ascertain with any degree of precision, suffice to say that feedback from within the building industry suggests that the overall contraction of available credit is severe, and this is supported by the Master Builders' March 2009 survey. The shortage of available credit is impacting not only existing projects but new projects where banks and financial institutions have become more risk-averse.

7. Master Builders Policy Response

7.1 Master Builders, on balance, supports the creation of the Australian Business Investment Partnership Bill (ABIP) on the basis that it will support the building industry through the expansion of available credit during an extraordinarily negative economic phase, that it will diminish the risk of a precipitous drop in the value of commercial assets in Australia and that it will support employment and underpin business and consumer confidence.

7.2 Master Builders, in supporting the establishment of ABIP, would stress the importance of a number of other considerations that should inform the introduction and design of ABIP.

7.3 It is critical that proper prudential safeguards apply to the ABIP, and that it only exist as a temporary facility. The current bill states that the facility is temporary but no end date is provided. Master Builders recommends that a sunset clause of three years be introduced.

7.4 It is also critical that the government have the utmost regard to responsible fiscal policy to ensure that debt burdens not rise to counterproductive levels. The Government must ensure that fiscal outlays and contingent liabilities resulting from the ABIP, combined with considerable existing commitments, and taking into account the probable future expansion of commitments, does not threaten Australia's AAA credit rating. It would be entirely counterproductive if the cumulative effect of fiscal policy and contingent liabilities were to result in a credit rating downgrade, thus harming every sector of the economy.

7.5 Master Builders is concerned that the distortionary impacts of the Government's bank guarantee have eliminated non-bank lenders as a source of finance for the building industry. Master Builders recommends that the Government consider unwinding the guarantee at the earliest feasible time to restore the naturally calibrated risk profiles. This would allow non-banks to compete on a reasonable basis, prevent the build-up of unsustainable and unstable positions amongst banks and other financial services providers, and allow the flow of credit from a broader range of institutions.

7.6 It is also imperative that ABIP not develop into a failed enterprise like former State banks and development banks, all of which at the time declared that their investments were soundly-based and properly scrutinised.

7.7 In order to build trust in the establishment of ABIP Master Builders believes that measures to reduce the risk of improper or unaccountable practices be adopted:-

7.7.1. Set more transparent criteria for lending. At present there are no criteria in the Bill, and this lack of transparency has the potential to breed mistrust of decisions taken to grant credit to particular applicants, as well as decisions taken to reject particular applicants. The risk that the Government was seen to be "picking winners" would diminish with more transparent criteria.

7.7.2. Set explicit definitions on categories available for lending. The categories appear to have expanded from its original inception to a completely open-ended scheme which leaves the scheme vulnerable to abuse. ("Its further object is to provide financing arrangements in other areas of commercial lending if circumstances necessitate and provided those arrangements are agreed unanimously by the members of ABIP" – Explanatory Memorandum). An open-ended scheme leaves the Government vulnerable to charges of inconsistency in treatment – for instance, on what basis do certain commercial enterprises become considered by ABIP for credit? The decision to extend ABIP's remit into entire new domains should properly be subject to Parliamentary approval, rather than simply the confidential deliberations of the ABIP board.

7.7.3. To enhance accountability and reduce the possibility of possible conflicts of interest, the Government should consider the appointment of an independent director to the ABIP board.

7.7.4. ABIP should be required to publish on its website the list of entities that are successful in receiving government credit through ABIP. Taxpayers (and competitor businesses) have a right to know which entities are receiving government subsidies, and this transparency measure would build trust in the system.

8. Conclusion

8.1 Master Builders, on balance, supports the ABIP Bill in the context of the likely worsening in credit availability for the property sector and its consequential impact on the building and construction industry.

8.2 Master Builders sees the Bill as providing confidence to the industry by the provision of last resort lending.

8.3 Master Builders in supporting the Bill reinforces the urgency for Government to focus its primary efforts in recapitalising the financial systems as the long term solution in restoring normal market based capital flows.

national survey of building and construction

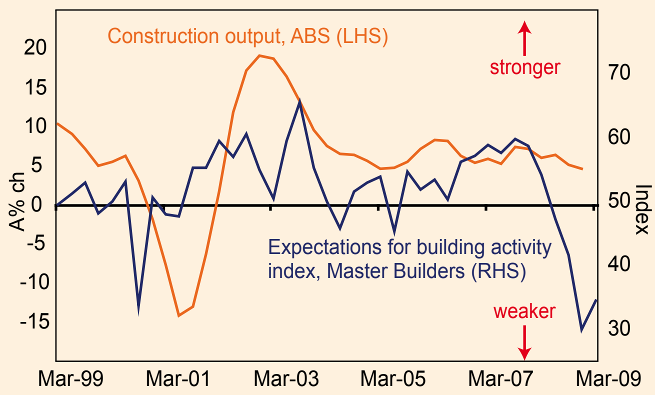
March Quarter 2009

Each quarter Master Builders in all states and territories are asked to complete an online survey canvassing their views on the national economy and conditions within their own enterprises

BUILDERS BRACING FOR DOWNTURN

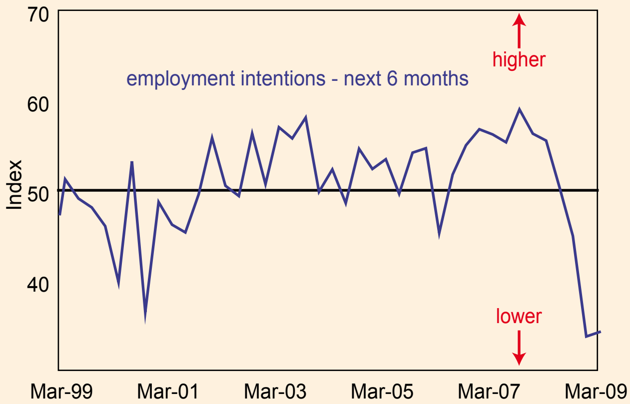
Builders still pessimistic...

Expectations for building industry activity remained poor in the March quarter, although sentiment recovered slightly after the major fall experienced during calendar 2008. The index, at 34.4, remains well below the neutral 50 mark, indicating that builders believe industry activity will deteriorate over the next six months (see chart). Master Builders latest quarterly survey also revealed a similar pattern in relation to own business conditions; profits; investment; and number of full-time employees. Builders intend to cut back employee and subcontractor numbers.



...impact of global financial crisis hitting hard...

Builders now expect a greater negative impact on activity and employment as a result of the global financial crisis than they did three months ago. More than half (56 per cent, previously 54) expect their own business activity to fall by more than 20 per cent as a result of the global financial crisis, with the remainder (44 per cent, previously 46) believing activity will fall by between 0 and 20 per cent.

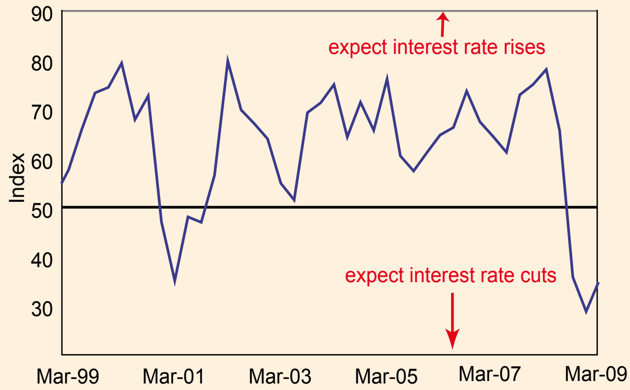


...jobs will go...

More than half (52 per cent, previously 46) expect their staffing/sub-contract numbers to fall by more than 10 per cent, with slightly less than half (48 per cent, previously 54) anticipating staffing/sub-contract numbers to fall by between 0 and 10 per cent.

...despite positives from $42B stimulus package...

In the March quarter survey, builders were also asked to what extent they thought the Government's $42B economic stimulus package would impact on their business. More than half (57 per cent) believe the initiative will be positive for their business, a sizeable proportion (35 per cent) predict no impact, and 8 per cent believe the stimulus package will have a negative impact. Of those expecting a positive impact, most suggested it would only be 'slight' or 'moderate'.



...further interest rate relief expected

Key forward indicators in the residential sector are also providing some encouragement although activity will take considerable time to turn around. The backlog of work on builders' books is still holding up reasonably well, although the pipeline beyond six months is beginning to dry up. In the face of the looming downturn in building and construction output and employment, builders are looking for further interest rate relief.

Master Builders Australia
Level 1, 16 Bentham Street (PO Box 7170)
YARRALUMLA ACT 2600

Tel: 61 2 6202 8888 Fax: 61 2 6202 8877
enquiries@masterbuilders.com.au
www.masterbuilders.com.au

Building industry outlook poor despite recent stabilization…

After five consecutive falls, expectations for building industry activity rose in the March quarter. At 34.4, the index was up on the 29.9 recorded in the previous quarter but remains well below the neutral 50 mark, indicating that builders believe industry activity will deteriorate over the next six months.

…own business conditions weaker…

Builders' own business activity was slightly weaker in the March quarter. At 51.0, the index is at its lowest level since 2001. Despite this, the index is very close to 50 indicating that builders still perceive their current, own business activity to be satisfactory.

There were falls in own business conditions in all states and territories during the March quarter except the Northern Territory. Builders were most positive about own business conditions in Tasmania and South Australia in the March quarter.

…pessimistic outlook for own business conditions, despite stabilization…

Expectations for own business activity over the next six months rose marginally in the March quarter after six consecutive falls. At 41.9, the index remains below the neutral 50 mark, indicating that builders expect own business activity to deteriorate over the next six months.

…pressure on profits…

The reading for current own business profits fell below the 'satisfactory' 50 mark in the March quarter. After a sustained period of healthy profitability, the index began to decline from the June quarter of 2008.

In the March quarter builders became slightly less pessimistic about where their own profits are headed. The index rose to 41.2 (from 37.8) after six consecutive quarters of decline. Nonetheless, the index remains well below the 50 mark, indicating that builders expect business profits to deteriorate over the next six months.

…builders plan to cut investment…

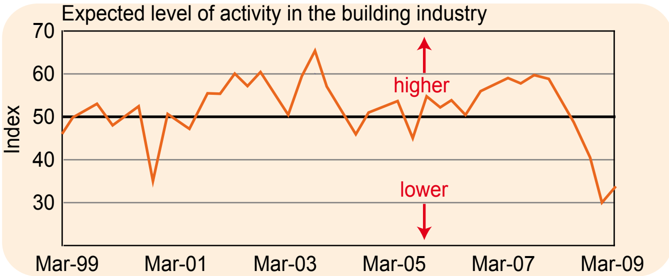
Intentions regarding own business investment in plant and equipment fell once again in the March quarter. The index is now at its weakest level since the 2000/01 downturn.

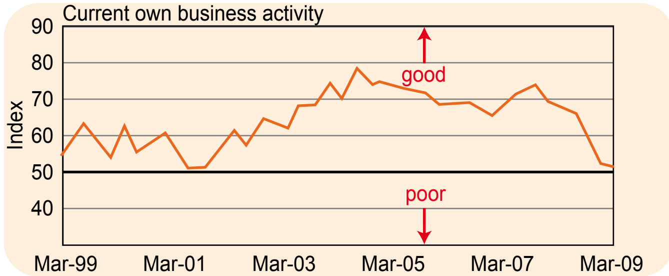
…and employment…

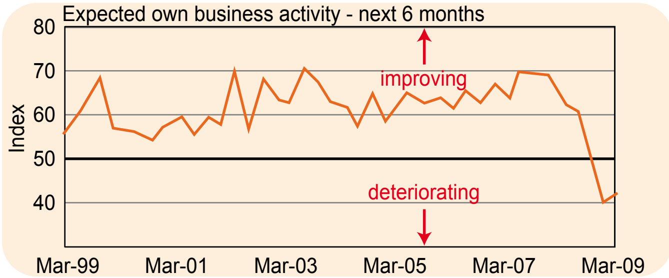
Builders are asked about their intentions regarding the likely level of employees and subcontractors for the next six months. In the March quarter, the index rose slightly (34.3) from the previous quarter (33.8) but remains well below the neutral 50 mark, indicating that builders intend to reduce their workforce in the period ahead.

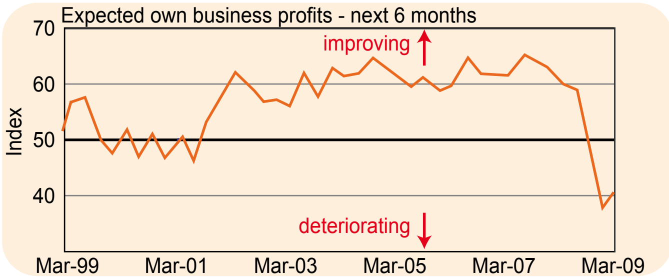
…puts apprentices at risk

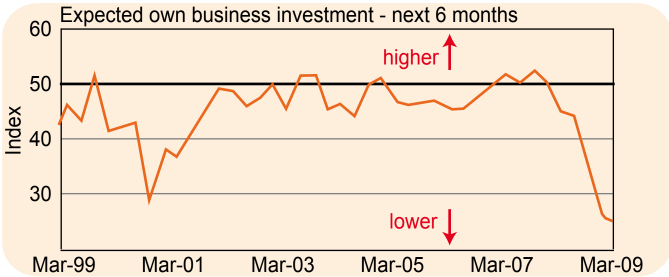
Although three quarters of respondents are not looking to change their apprentice levels, 11.7 per cent of builders now say they will release apprentices over the next six months, up sharply from the 1-4 per cent recorded in surveys during the 2007 calendar year.

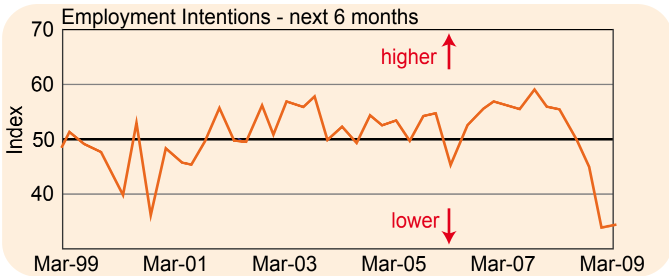


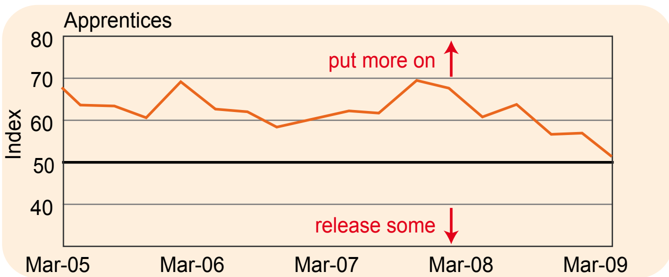












Backlog of work begins to thin...

Builders continue to have a reasonably solid backlog of work, although the index is down on a year ago. The percentage of respondents reporting more than six months of work on the books slipped back again in the March quarter (26.1 from 30.8 in December quarter 2008) and is way down on the 52.4 per cent recorded in the middle of 2008.

Display centre traffic/enquiries stop falling...

An important leading indicator of activity is display centre traffic/enquiries. Builders are asked to report on display centre traffic/enquiries in the past three months compared with the previous three months. After falling below the neutral 50 mark during 2008, the index ticked higher in the March quarter following on from some signs of improvement in the previous quarter.

Cost pressures ease...

The other 'silver lining' in what is otherwise a pretty grim picture, is that cost pressures have eased over the past two quarters (see chart). Respondents are asked whether they expect input cost increases to be higher or lower over the next six months, compared to the past six months. For a number of years until the end of 2008, cost increases had been a serious concern. Builders now expect input cost escalation to be essentially unchanged over the next six months compared to the past six months.

Non-residential—deteriorating...

Builders with significant operations in both residential and non-residential sectors are asked a series of questions relating to the respective sectors. In the non-residential sector in the December quarter, builders reported current conditions as falling back sharply again and the index has almost halved over the past four quarters. The index measuring expectations about future activity also fell, with non-residential builders becoming particularly pessimistic.

...residential—down but not out

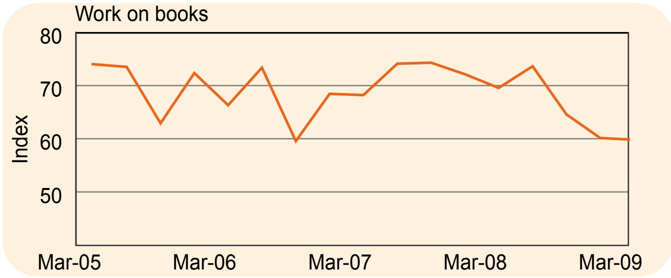
For the residential sector, the index for current conditions remained weak (35.4), but some comfort can be taken from the fact that after some improvement last year, the index has been around the same level for three quarters.

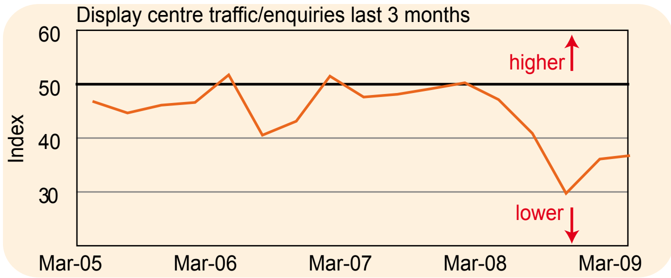
In terms of expected activity, although the overall index (42.5) indicates that builders believe residential activity will deteriorate over the next six months, there was a further pick up in the proportion of respondents expecting improved conditions, a sign that fiscal and monetary policy stimulus may be starting to impact.

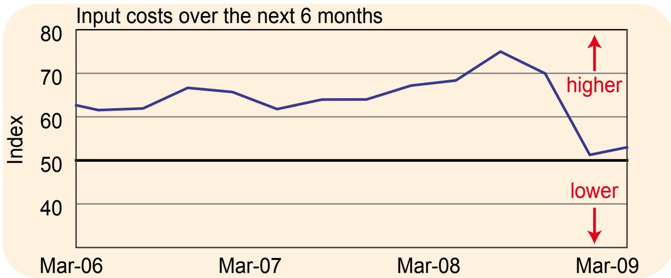
...financial constraints...

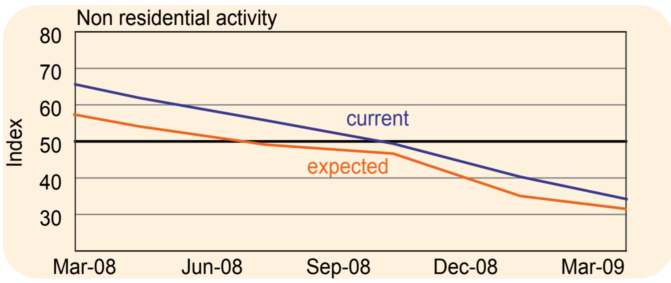
Builders expect interest rates to fall (see chart), although concerns about the credit squeeze and borrowing costs mean builders have become increasingly concerned about the availability of finance as a constraint on their business.

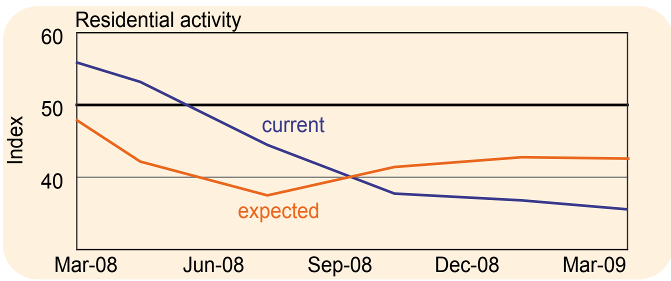
The latest survey reveals 32 per cent of respondents are concerned that availability of finance is having a large/major constraining effect on their businesses, up significantly on the corresponding figure a year ago (less than 10 per cent).

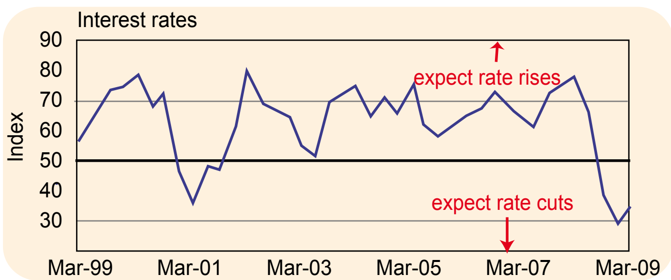






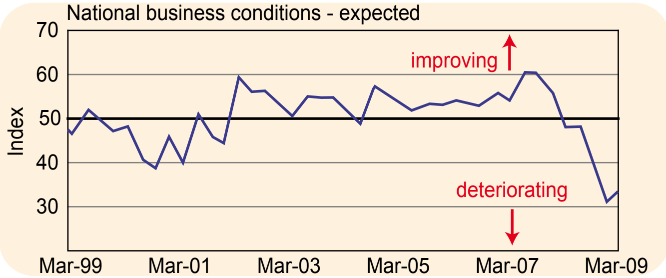






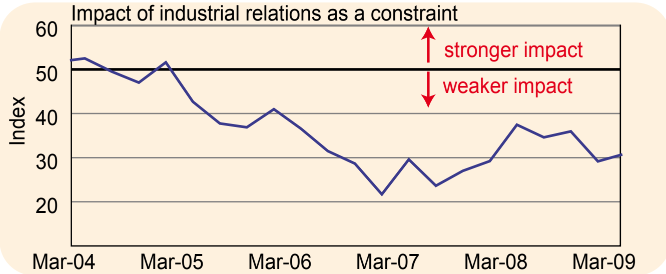
Pessimism on the overall economy

In addition to providing information on conditions in their own business, respondents are asked to comment on the economy in general. The index stabilised at 42 in the March quarter after perceptions of national business conditions fell away dramatically over the course of 2008. There was a slight pickup in expectations about where national business conditions are heading in the next 6 months, but the index (33.7) is very close to the previous quarter which was the weakest since the series began in 1997.



IR constraint...

Respondents are also asked to indicate the degree to which they perceive industrial relations is acting as a constraint on their business. A dramatic fall in the index occurred in 2005 and 2006 associated with the introduction of the BCII Act and establishment of the ABCC. The index began to rise in the first three quarters of 2008 as industrial relations became more of an issue for builders once again. After easing back in the December quarter, there was a slight uptick in the index in the March quarter (see chart).



Easing of skill shortages...

Respondents are asked about the degree of difficulty in finding a range of subcontractors/employees. A high index reading indicates large to critical difficulty in finding employees or sub-contractors. A low index reading indicates builders are experiencing slight or no difficulty in finding subcontractors/employees.

At the national level, pressures related to finding skilled labour continued to fall away in the March quarter, in line with the deteriorating outlook. Difficulties finding labour have eased significantly for all categories surveyed. Only 9 months ago builders were experiencing extreme difficulty finding project managers, site managers and foreman/supervisors. The situation has eased considerably even though some difficulties exist in South Australia and Tasmania.

National availability of labour

	Mar 2008	Dec 2008	Mar 2009
Project Managers	66.6	40.3	28.6
Site Managers	66.3	40.2	26.8
Foremen/Supervisors	62.4	36.1	26.4
Carpenters	51.2	26.8	17.3
Bricklayers	47.6	25.4	19.6
Tilers - floor and wall	46.8	28.2	19.7
Plaster Fixers	41.9	23.0	14.5
Office Staff	46.9	22.8	15.3
Tilers - roof	38.3	19.5	14.0
Electricians	36.3	18.8	12.7
Steel Fixers	41.6	23.3	16.0
Concreters	42.2	19.6	16.8
Building Consultants	40.5	18.2	12.1
Painters	33.2	17.7	12.0
Labourers	33.0	15.9	10.0
Scaffolders	33.6	16.4	14.6

Note: Respondents are asked about the degree of difficulty in finding a range of subcontractors/employees. The higher the index, the more builders are experiencing large difficulty in finding employees or sub-contractors. A low index reading indicates slight or no difficulty in finding subcontractors/employees.

About the survey

The survey of building and construction is a national survey of Master Builders' members published on a quarterly basis. In the March quarter 2009, 935 responses were received from builders involved in all sectors of the building and construction industry: residential, renovations, commercial building, engineering construction, sub-contracting and materials supply.

The survey allows members of Master Builders to present their views on the national economy and the condition of their own enterprises. The survey also provides information regarding on-going constraints on activity and availability of resources as well as selected supplementary questions. Various state/territory offices of Master Builders also release individual survey results.

In calculating the index the responses are weighted according to firm size. An index reading of 50 indicates a neutral or satisfactory outcome, readings above 50 usually suggest a more positive result and those below 50 a more negative outcome. The index is calculated by taking a weighted sum of the proportion of responses to every answer from an index between 100 and 0. The strongest response is given the greatest weighting of one with the weakest given the lowest weighting of zero, and proportional weighting in between. As a result, if all respondents answered the strongest response, the index would be 100. If they all answered the weakest response, the index would be zero. If n is the number of response categories, prop is the proportion of responses in a given category and i is the response category, then the formula for the index is:

$$\text{Index} = \sum_{i=1}^{n} prop_i \left(\frac{n-i}{n-1}\right).$$