



MASTER BUILDERS
A U S T R A L I A

7 May 2021
Ms Yvette Goss
Vulnerable Supply Chains Inquiry
Productivity Commission
GPO Box 1428
CANBERRA ACT 2601
supplychains@pc.gov.au

Dear Ms Goss,

RE: Vulnerable Supply Chains – Productivity Commission Interim Report

Master Builders Australia welcomes the opportunity to provide its views on the Productivity Commission's Interim Report with respect to Vulnerable Supply Chains which was released in March 2021. We note the focus of the interim report is on imports.

Whilst construction industry supply chain dependence on imports is modest, there is some dependence on China for key products, including fabricated metal, polymer, rubber and wood products. During 2018-19, \$33.75 billion worth of imported products and service inputs were used by the industry, which is about 17 per cent of the total inputs used.

Parts of the construction industry supply chain have shown themselves to be 'vulnerable' in recent times, with shortages, delays and price rises affecting some key building materials. These issues have had knock-on effects for industry performance and productivity. Although the vulnerability is not immediate, it is clearly more pronounced during economic rebuilding from crisis/shock.

Master Builders response to the interim report outlines vulnerabilities in the construction supply chain that might be considered in government risk modelling of supply chains.

The points below represent a summary of our response to the Interim Report.

- Australia's building and construction industry is made up of about 400,000 businesses and it employs 1.15 million people.
- Some areas of construction activity can be viewed as 'essential' given their role in meeting the fundamental human need for shelter, including the delivery of social and affordable housing and the maintenance and repair of the national housing stock.



+61 2 6202 8888



enquiries@masterbuilders.com.au
www.masterbuilders.com.au



Level 3, 44 Sydney Avenue
Forrest ACT 2603



PO Box 7170
Yarralumla ACT 2600

- Construction activity, especially maintenance and repairs work, is a vital input for a wide range of essential services including national security, government, food production, health, sanitation, utilities, transport and essential manufacturing. In this way it provides a 'critical' function.
- During 2018-19, the construction industry used \$194.39 billion worth of product and service inputs. The largest shares were accounted for by professional services (12.4 per cent), wood products (6.6 per cent), structural metal (6.2 per cent), polymer products (5.0 per cent), cement/concrete (4.9 per cent) and electrical equipment (4.5 per cent).
- Overall, the construction industry's dependence on imports is quite modest. During 2018-19, it is estimated that \$33.75 billion worth of imported products and service inputs were used by the industry, about 17 per cent of the total inputs used.
- Of the major categories of input to the construction industry, import dependence was highest for high-tech equipment (77.6 per cent), basic chemicals (55.2 per cent), electrical equipment (54.5 per cent) and petroleum/coal products (42.7 per cent).
- Import dependence on China is quite high across a few categories of products of importance to the construction industry including fabricated metal (50.6 per cent), machinery and equipment (41.3 per cent), polymer and rubber products (38.1 per cent) and wood products (36.0 per cent). This represents a particular vulnerability.
- Given the essential and critical nature of some areas of construction activity, consideration needs to be given to reducing the industry's vulnerability both to imports and domestic supply chain issues.
- A concentrated focus on building for economic recovery cannot be sustained by a 'just in time' manufacturing system. For example, current domestic capabilities in timber and steel are not nimble enough and when global supply is also constrained, the system is unable to fully meet demand.
- Domestic capability needs to be enhanced so that it can accommodate demand surges. This could be achieved by expanding sustainable timber plantations and manufacturing and bringing online more steel manufacturing capability. Both require longer lead times to bring about. Investment now would benefit a future crisis recovery.

Our accompanying report provides more detail and evidence behind the points made above. We are happy to provide the data contained in the report in Excel format should this be required.

Thank you for the opportunity to make a submission. Should you have any questions or seek further information please contact Shane Garrett.

Yours sincerely

Shane Garrett

Chief Economist

Master Builders Australia