

Department of Public Works – Building Policy Unit Contractor Survey – March 2009

In June 2004, the Building Policy Unit commissioned the market research fieldwork company, I-View, to undertake a benchmark survey to identify subcontractor shortages in the building and construction industry. The study was repeated in October 2004, and then quarterly since February 2005. This report presents the key findings, including those from the most recent survey conducted in March 2009.

Methodology

I-View conducted a telephone survey with contractors listed with the Department of Public Works (DPW) Prequalification (PQC) System for building industry contractors and consultants. As in previous quarters, the department provided a listing of PQC contractors by PQC level and region. Interviewing was conducted in March 2009 with 82 contractors. The survey questionnaire used can be found at Appendix A. A demographic profile of respondents can be found at Appendix B.

Highlights

Reflecting the deepening economic downturn, very few contractors are currently experiencing difficulty employing subcontractors. A record low of 7% of contractors say they are experiencing overall difficulties while 12% are having difficulty finding suitably skilled subcontractors.

For those experiencing shortages, this is both across trades (noted by 54%) and within specific trades (noted by 46%). The most mentioned trades in the latest quarter are tiling and plastering (vs. electrical, carpentry and tiling in the previous quarter).

As found in the past, those experiencing shortages are more likely to observe higher project costs (due to an increase in subcontract rates) or project delays.

- Increased project costs are seen among all those experiencing shortages in the residential unit, office, and hospital/health care sectors.
- Project delays are noted by all those experiencing shortages in residential housing, residential units, offices, industrial and health care.

On average, contractors estimate they are operating at 63% of total capacity (down from 72% in December 2008). Heightened levels of spare capacity have appeared most notably from the December quarter 2008. Operating capacities appear to be similar regardless of sector in the latest quarter.

Over half (54%) of contractors perceive workloads have declined over the past three months; this compares to less than half as many (18%) who experienced an increase. Looking ahead, contractors are slightly more optimistic: 30% think workloads will decrease in the next three months, however 37% think workloads will increase.

- A higher workload in the past quarter was noted primarily by those in the education sector, while a more positive outlook for future workloads is evident for those in the residential housing, residential unit low density and hospital/health care sectors.
- As background, details of the Federal Government's Nation Building and Jobs Plan were announced in February 2009 with a key focus being on delivering public housing and schools.

Expectations of cost increases over the next three months have also continued to ease. While historically the majority of contractors anticipated increases in building material costs, this is now noted by the minority (28%). In addition, few consider it likely that labour costs will increase in the short term (17%).

Results

Difficulties experienced employing subcontractors

Reflecting the economic downturn, very few contractors are currently experiencing difficulty employing subcontractors – a record low in the latest quarter. In contrast, around six times as many contractors were experiencing shortages when the survey commenced in June 2004.

- Less than one in ten (7%) contractors are experiencing overall difficulties in the latest quarter
- Slightly more (12%) are having difficulty finding suitably experienced or qualified subcontractors.

However, subcontractor shortages are continuing to occur in some regions and sectors:

- Shortages in qualified subcontractors are noted more so in the regions of Central West, Mackay and Fitzroy
- Shortages in qualified subcontractors also appear to be slightly higher in the construction sectors of education and hospital/health care.

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Chart 1
Trend in subcontractor shortages

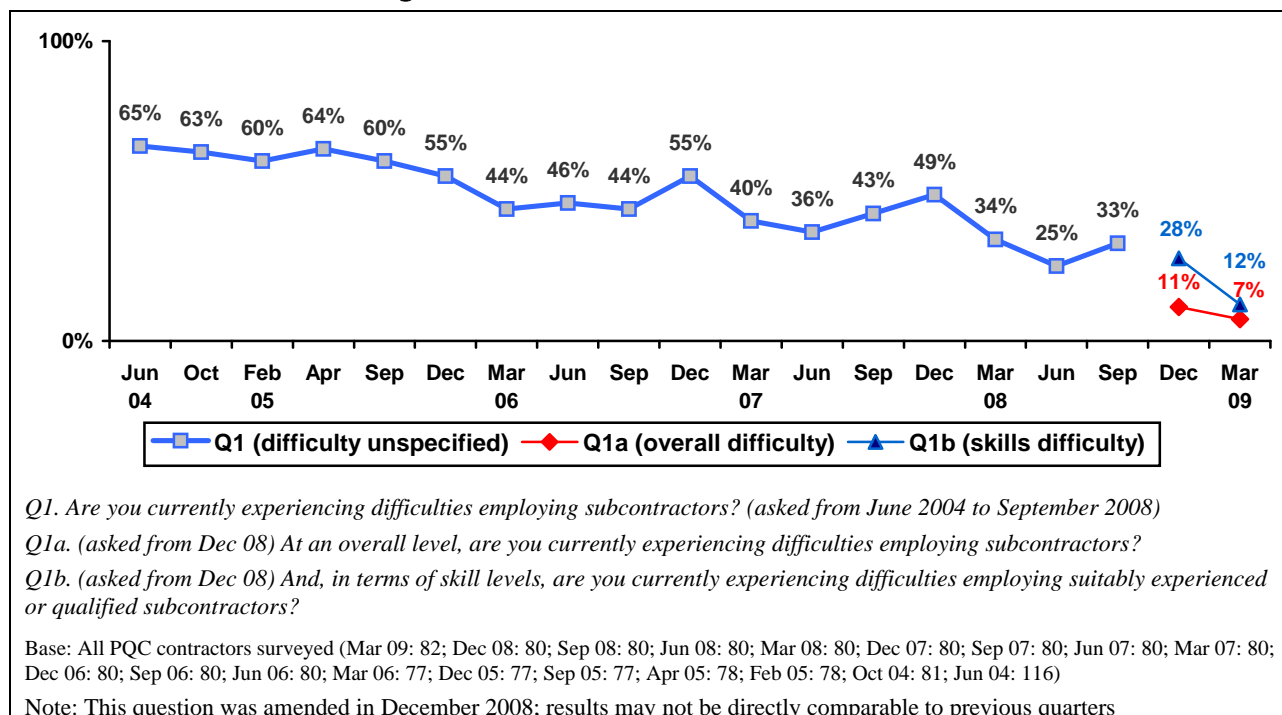


Table 1

Sub-contractor shortages	Mar 09 %	Dec 08 %	Sep 08 %	Jun 08 %	Mar 08 %	Dec 07 %
Wall and floor tiling	46	30	27	0	30	54
Plastering	46	9	8	15	26	67
Electrical	39	30	35	45	41	41
Carpentry	39	30	42	35	44	62
Plumbing	39	22	35	35	41	56
Bricklaying	39	9	23	15	26	56
Mechanical services	39	9	12	0	11	28
Concreting	31	26	35	35	33	54
Formwork	31	22	27	15	22	39
Steel fixing	31	17	15	5	30	33
Labouring	31	13	4	5	30	33
Scaffolding	23	9	0	10	15	8
Painting	15	17	19	10	33	28
Joinery	8	9	12	5	33	23

Q2a. In which trades are you having difficulty employing subcontractors?

Base: Those contractors experiencing shortages (Mar 09: 13; Dec 08: 23; Sep 08: 26; Jun 08: 20; Mar 08: 27; Dec 07: 39)

Notes: Caution should be used in interpretation due to small sample sizes. Percentages add to more than 100 as multiple responses were allowed. Includes mentions by 3% or more.

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Those experiencing shortages are divided on whether this is an overall shortage or concentrated in a small number of specific trades: 54% say shortages are at an overall level while 46% say they are concentrated in a small number of trades. This is similar to the previous December quarter (48% overall, 52% specific trades), but suggests a change from six months ago where noticeably more

cited overall shortages (65% vs. 35% specific trades in September quarter 2008).

The most mentioned trades among those experiencing difficulty employing subcontractors are tiling and plastering (as shown in Table 1). In comparison, in the December quarter 2008, the most mentioned

trades were electrical, carpentry and tiling.

Table 2 outlines the areas of more severe trade shortages in different construction sectors among contractors experiencing difficulty.

Table 2 Most severe sub-contractor shortages, by sector

Table 2	Most difficulty Mar 09	Most difficulty Dec 08	Most difficulty Sept 08	Most difficulty Jun 08	Most difficulty Mar 08	Most difficulty Dec 07
Residential houses	Plastering Bricklaying Electrical Tiling Carpentry	-	Painting Plumbing	Electrical Plumbing	Plumbing	Plastering Plumbing Carpentry
Residential multi unit low density	Electrical Plastering	Bricklaying Electrical	Plumbing	Carpentry Bricklaying Electrical	Plumbing Concreting Plastering Carpentry	Plastering Concreting Carpentry
Residential multi unit high density	Bricklaying Electrical Plastering Plumbing	Electrical	Carpentry	Formwork Concreting Painting	Plumbing Carpentry	Tiling Concreting Bricklaying
Offices	Tiling Plastering	Tiling	Tiling Carpentry	Electrical	Electrical Plumbing Carpentry	Concreting Tiling Formwork
Educational	Electrical Plastering Tiling	Electrical	Tiling Carpentry	-	Carpentry Plumbing Concreting Electrical	Tiling Plastering Carpentry Bricklaying
Industrial	Tiling Steel fixing Mech Services Carpentry	Tiling	Carpentry Concreting	Electrical Plumbing	Carpentry Plumbing Concreting Electrical Painting	Plastering Carpentry
Hospital/health care	Formwork Tiling	-	Carpentry Concreting Electrical	-	Carpentry Plumbing Painting	Bricklaying Plastering Tiling

Q2a. In which trades are you having difficulty employing subcontractors?

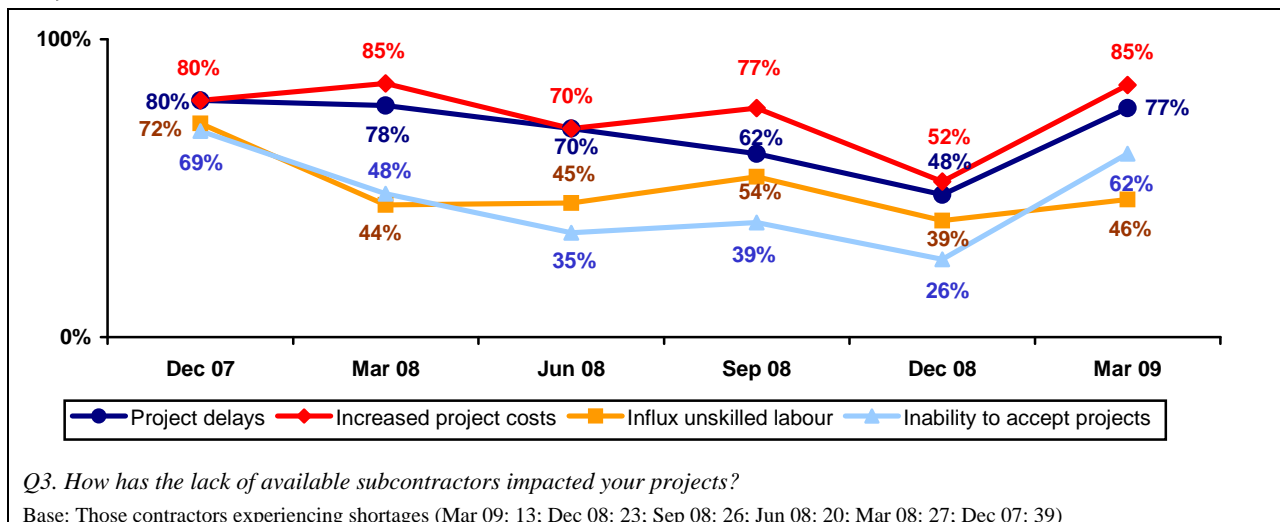
Base: Those contractors experiencing shortages (Mar 09: 13; Dec 08: 23; Sep 08: 26; Jun 08: 20; Mar 08: 27; Dec 07: 39)

Notes: Mentions refer to the highest proportion experiencing difficulty. '-' denotes no mentions by 33% or more. Caution should be used in interpretation due to small sample sizes.

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Chart 2

Impacts arising from subcontractor shortages in the last 12 months



Impact of subcontractor shortages

As found in the past, those experiencing shortages are more likely to observe higher project costs (due to an increase in subcontract rates) or project delays as a consequence. However, while fewer are experiencing shortages in the latest quarter, their experience of impacts appears more pronounced.

- **Increased project costs** are noted by all those experiencing shortages in the construction sectors of residential units, offices, and hospital/health care.
- **Project delays** are noted by all those experiencing shortages in residential housing, residential units, offices, industrial and healthcare sectors.

Current and future workloads

On average, contractors estimate they are operating at **63% of total capacity**. This highlights the increasing levels of spare capacity available within the industry; a trend most clearly evidenced from the December quarter 2008.

A number of regions note higher operating capacities including Darling Downs (72%), Fitzroy (80%), Mackay (77%), North West (73%), Central West (73%) and the sole contractor surveyed in Northern (100%). Interestingly, however, operating capacities are similar across construction sectors.

Over half (54%) of contractors perceive their workload has declined over the past three months, a higher proportion than in December 2008. In comparison, two in ten (18%) say they experienced an increase in workload during this time.

- Evidence of increasing workloads in the past quarter is seen primarily among those in the education sector (30%), however, more also note this in hospital/health care (24%), residential housing (24%) and residential unit low density (22%).

Looking ahead to the coming quarter, contractors are slightly more optimistic. While 29% think their workload will decrease, two in three think it will either stay the same or

increase (29% stay the same; 37% increase).

- Those more positive about future workloads are in the construction sectors of residential housing (46%), residential unit low density (41%) and hospital/health care (38%).

As background, details of the Federal Government's \$42 billion Nation Building and Jobs Plan were announced in February 2009. Of this, \$4 billion is being provided to the Queensland Government to deliver public housing, schools and roads, providing opportunities and jobs in the Queensland construction industry.

On average, contractors estimate that just under half (43%) of their workload over the past three months has been on behalf of government (local, state or federal). This is an increase from December 2008 where workload relating to government projects was estimated at 35% on average.

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Chart 3
Current workload capacity

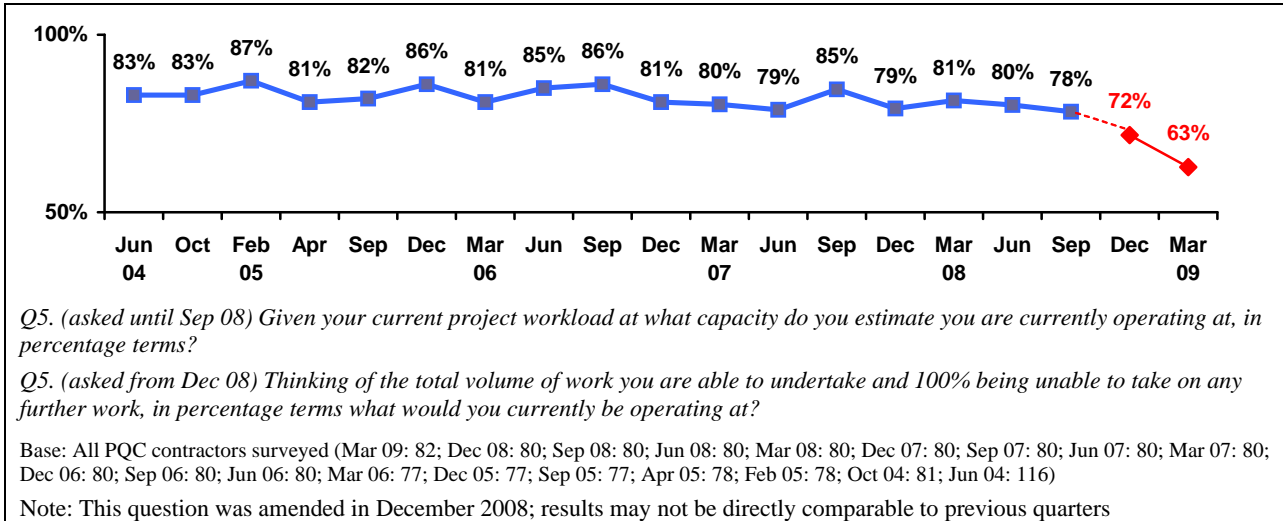


Chart 4
Change in workload in past three months, vs. previous quarter

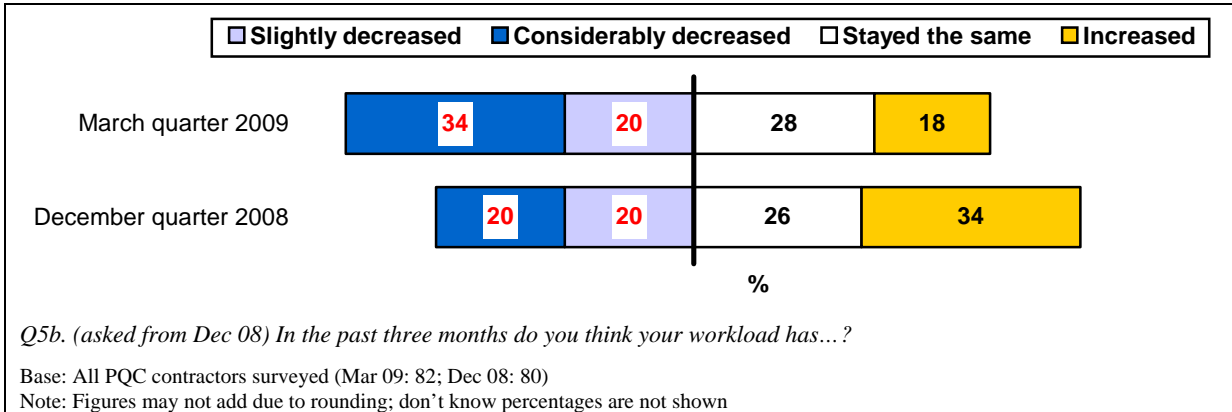
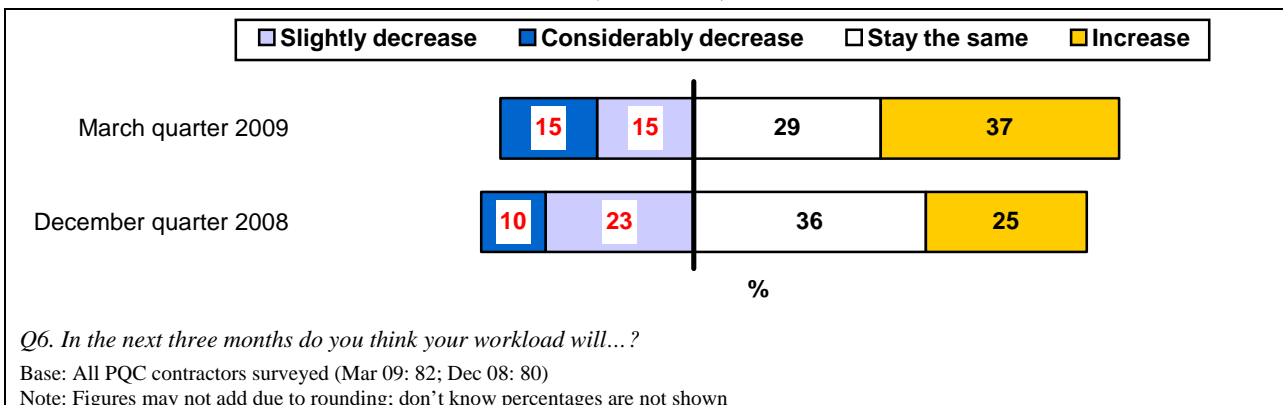


Chart 5
Change in workload in next three months, vs. previous quarter



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Labour and material costs over the next three months

Expectations of cost increases over the next three months continue to ease:

- While historically the majority of contractors have anticipated

increases in building material costs, this is currently noted by the minority (28%). This compares to 49% in December 2008, 79% in September, 88% in June and 85% in March.

- Few also consider it likely that labour costs will increase in

the short term: 17% feel costs will increase in the next three months. While this shows little change from December 2008, it is notably lower than earlier 2008 levels (41% in September, 55% in June, 60% in March).

Chart 6

Change in building material costs in next three months

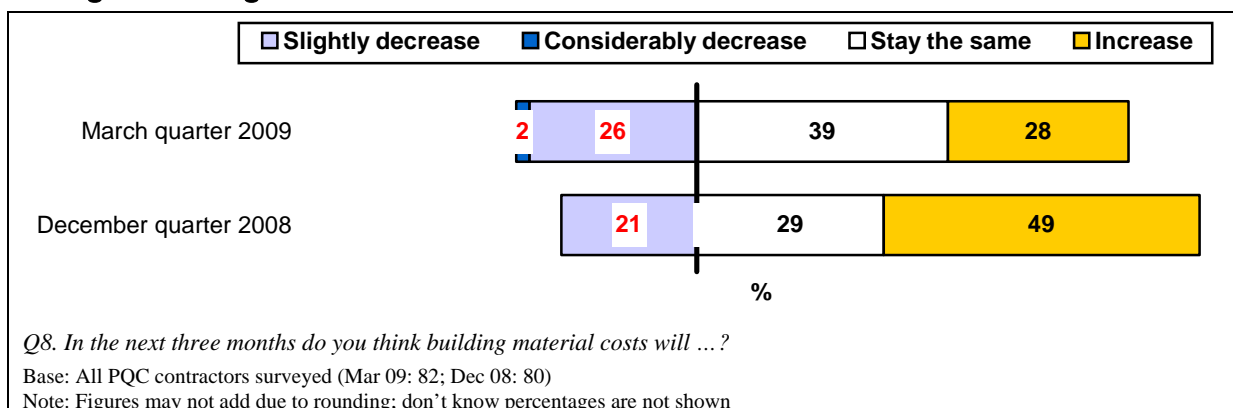
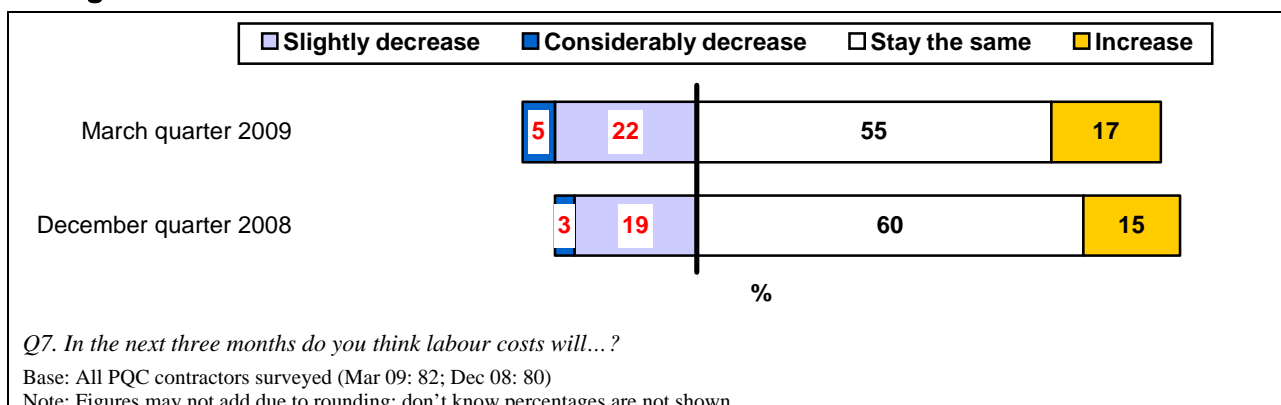


Chart 7

Change in labour costs in next three months



Appendix A

Department of Public Works – Building Policy Unit

Contractor Survey – March 2009

Good morning/afternoon.

My name is _____

From _____

we are conducting a survey on behalf of the Department of Public Works to find out more about the current state of the building industry. The survey will take approximately five minutes.

Note: Text shown in blue font was updated from December quarter 2008.

1a. At an overall level, are you currently experiencing difficulties employing subcontractors?

Yes	1
No	2

1b. And, in terms of skill levels, are you currently experiencing difficulties employing suitably experienced or qualified subcontractors?

Yes	1
No	2

ASK IF YES AT Q1a or Q1b. OTHERS GO TO Q4

1c. Is this an overall difficulty across trades or is it concentrated in a small number of specific trades?

Overall across trades	1
Small number/ one or two specific trades	2

1d. RECORD COMMENTS IF MADE

Comment	1
No comment	2

2 2a. In which trades are you having difficulty employing subcontractors?

2b. and which is the most difficult?

2c. and the next most difficult?

2d. and the next?

	2a.	2b.	2c.	2d.
Bricklaying	01	01	01	01
Formwork	02	02	02	02
Joinery incl Cabinet Making	03	03	03	03
Concreting	04	04	04	04
Electrical	05	05	05	05
Painting	06	06	06	06
Plastering	07	07	07	07

Appendix A

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Contractor Survey – March 2009

Plumbing	08	08	08	08
Wall and Floor Tiling	09	09	09	09
Scaffolding	10	10	10	10
Steel Fixing	11	11	11	11
Labourers	12	12	12	12
Mechanical Services	13	13	13	13
Other (<i>please specify</i>)	14	14	14	14
No other			97	97

3. How has the lack of available subcontractors impacted your projects?

Project delays	1
Increased project costs due to an increase in sub-contract rates	2
Influx of unskilled personnel	3
Inability to accept projects	4
No/minimal impact	5
Other (<i>please specify</i>)	6

4. In what area of the construction sector are the majority of your current projects? (*read out*)

Residential Houses	1
Residential Multi-unit – low density	2
Residential Multi-unit – high density	3
Offices Multi-level	4
Offices Single story	5
Educational	6
Industrial	7
Hospital/Healthcare	8
Other (<i>please specify</i>)	9

5a. Thinking of the total volume of work you are able to undertake and 100% being unable to take on any further work, in percentage terms what would you currently be operating at?

_____ %

Note: Q5 wording up to the September 2008 quarter was: “Given your current project workload, at what capacity do you estimate you are currently operating at, in percentage terms?”

5b. In the past three months do you think your workload has...? (*read out, SR*)

- 1 Increased
- 2 Slightly decreased
- 3 Considerably decreased
- 4 Stayed the same
- 5 Not sure (*do not read*)

Appendix A

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6. In the next three months do you think your workload will: (read out)

Increase	1
Slightly decrease	2
Considerably decrease	3
Stay the same	4
Not sure (do not read)	5

7. In the next three months do you think labour costs will: (read out)

Increase	1
Slightly decrease	2
Considerably decrease	3
Stay the same	4
Not sure (do not read)	5

8. In the next three months do you think building material costs will: (read out)

Increase	1
Slightly decrease	2
Considerably decrease	3
Stay the same	4
Not sure (do not read)	5

9. In the last three months approximately what percentage of your workload has been for the government (Local, State or Federal level)?

_____ %

Thank you for participating in this survey

Appendix A

Department of Public Works – Building Policy Unit

Contractor Survey – March 2009

Demographics *(interviewer only, record automatically)*

D1. Gender

Male	1
Female	2

D2. Region

Brisbane	01
Darling Downs	02
Far North	03
Fitzroy	04
Mackay	05
Moreton North/Sunshine Coast	06
Moreton South/Gold Coast	07
South West	08
North West	09
Northern	10
Wide Bay	11
Outside Qld	12

D3. PQC Level

Level 1	1
Level 2	2
Level 3	3
Level 4	4

D4. Postcode

D5a. License type 1

D5b. License type 2

D5c. License type 3

Asbestos Removalist	01
Builder – Low Rise	02
Builder – Medium Rise	03
Builder – Open	04
Builder – Open Bulk Earthworks Only	05
Building restricted to wet area renovations, plumbing and drainage, gas fitting	06

Carpentry	07
Demolisher of building or structure	08
Electrical Contractor	09
Fire Detection Systems	10
General Building	11
General Building restricted to one storey house building	12
General Premises Cabling	13
Glass/Glazing and Aluminium	14
House Building	15
Kitchen/Bathroom/Laundry Installation	16
Painting and Decorating	17
Plumbing and Drainage	18
Refrigeration/air conditioning and mechanical services	19
Roof and wall cladding, waterproofing, concreting restricted to concrete repairs, painting restricted to roof painting	20
Sheds/carports and garages	21
Shop fitting	22
Structural landscaping	23
Builder restricted to swimming pool construction	24
Structural metal fabrication	25

Appendix B

Department of Public Works – Building Policy Unit

Contractor Survey – March 2009

Demographic Profile

Gender

Male	71%
Female	29%

Base:80

Region Number

Brisbane	33
Darling Downs	5
Far North	12
Fitzroy	4
Mackay	3
Moreton North/Sunshine Coast	5
Moreton South/Gold Coast	6
North West	2
Northern	1
South West	2
Wide Bay Burnett	-
Central West	3
Outside Queensland	6

PQC Level Number

Level 1	12
Level 2	51
Level 3	15
Level 4	4

License type

Number

Builder low rise/medium rise	24
Builder open	51
Demolition and removal	6
Electrical and cabling	12
Painting/roof painting	1
External structures	5
Other	11

Note:

In some cases respondents had more than one license type.

Percentage of workload for government (local, state, federal) in past three months

Average	43%
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