

Escalation in Conversation: The Budget Edition

Webinar FAQs



Can you advise why escalation looks to be increasing though cash flow spend going forward is constant?

Underinvestment related to the long-term recovery from COVID has affected the pipeline of key trades and building materials, causing recurring cost volatility as the sector hits capability and resourcing constraints. MBM is seeing some materials prices fall (for example, structural steel) however, labour is still tight and difficulty persists for staffing in management-level construction positions, as well as acquiring skilled labour.



Have you considered superannuation increases in the base labour rates for upcoming EBA agreements? There are talks about increasing super to 14% which is 2.5% more than the compulsory limit. Also, have you factored in the additional travel allowances, meal allowances, site allowances?

The proposed EBA changes in NSW will affect mainly projects over \$30m or contractors that have EBA's that effect all of their sites. MBM is factoring the change into projects, and we see this as a 5% one-off uplift for projects over \$30m. MBM is also examining cost rises due to the proposed Sham Contracting clauses and Construction Worker clauses. It is likely we are moving forward with three scales of pricing: Residential Homes, Non-EBA Construction, and EBA Construction. For projects up to \$30m, MBM will recommend clients to seek pricing from contractors that are non-EBA for cost efficiency. Clients may be better served with an EBA Contractor, but the price difference could be higher by 10%. The escalation quoted is for all sectors. Our experts do not expect any significant increase in the workplace sector, but do foresee significant further rises for our \$50m+ regional schools and hospital projects.



Which state do you think will see the greatest construction activity in the health sector?

Queensland will likely see larger construction activity in the health sector in the next few years compared to other states. Queensland's Capital Expansion Program includes goals and delivery timeframes for 13 major health projects which need to be completed ahead of the Olympics. Additionally, there are also many other minor to medium-value projects running concurrent with the CEP, which makes the State's construction health project pipeline likely the largest when compared to other states in terms of new projects.



Is there an opportunity for the private sector to greater invest in the affordable housing sector/partner with Community Housing Providers (CHPs)?

Through the HAFF and HIF, we have seen an increase in alliances between private sector and CHPs with respect to submissions, and this is only likely to increase given the the current focus on the housing shortage.



Regarding commercial tax changes, how have the depreciation schedule allowances changed for the 2024-25 financial year?

In the 2024-25 Budget, the Federal Government advised it will continue to improve cash flow and reduce compliance costs for small businesses by extending the \$20,000 instant asset write-off for one year to 30 June 2025.