SUBMISSION

Draft Economic Diversification and Investment Strategy

Master Builders Tasmania

August 2026

ABOUT THIS SUBMISSION

Master Builders Tasmania (MBT) is the peak industry body for the building and construction sector in Tasmania. We welcome the release of the draft Economic Diversification and Investment Strategy and the opportunity to contribute to a framework intended to guide the state's economic development over the coming decade.

MBT supports the draft Strategy's central premise: that lasting prosperity depends on improving the conditions for private investment, lifting productivity, growing participation, and focusing government effort where it can have the greatest impact. These are the right foundations.

MBT is also a member of the **Macquarie Point Precinct Industry Group**, which is lodging a separate joint submission with Business Events Tasmania, Civil Contractors Federation Tasmania, Hospitality Tasmania and the Tourism Industry Council of Tasmania. We support that submission and its recommendation that the Precinct be treated as an early demonstration of the Strategy in action. This submission addresses matters specific to building and construction as a sector.

It makes one central proposition, together with supporting evidence and practical recommendations.

> **Building and construction should be recognised in the final Strategy as a priority sector in its own right, not treated as background enabling infrastructure.** The sector is at once the precondition for economic diversification and, in its advanced segments, a diversification opportunity on its own merits. A strategy that does not name it directly will underperform against its own goals.

WHY THIS MATTERS: THE EVIDENCE

Building and construction contributes approximately $3.04 billion to the Tasmanian economy and accounts for 7.6 per cent of total industry gross value added (ABS State Accounts and Business Tasmania, 2024-25). It employs around one in ten Tasmanian workers and touches every region, from housing and commercial building to the civil infrastructure that underpins all other economic activity.

Despite this scale, the sector contracted by 3.5 per cent in 2024-25 in gross value added terms, with the decline driven by weakness in residential construction (ABS State Accounts, 2024-25). Over the past decade its compound annual growth rate has been just 1.7 per cent. In other words, the sector is contracting precisely where the state's most acute policy challenge, housing supply, is most severe, and its longer-term growth is structurally sluggish.

At the same time, the state's forward pipeline has grown substantially. Tasmania's ten year infrastructure pipeline now stands at approximately $39.5 billion across 402 projects, up from around $30 billion, including more than $17 billion in private investment and $20.3 billion in energy projects across 75 separate developments. Eighty one per cent of MBT members report confidence in that pipeline.

This is the strategic tension the final Strategy must resolve. The pipeline that will deliver Tasmania's diversification ambitions is larger than it has ever been, while the sector expected to build it is contracting, structurally low growth and already reporting capacity constraints.

What members are telling us

MBT's **2026 Member Survey**, conducted between May and July 2026, identifies where the constraints sit. Members nominated their highest business pressures as rising costs and cashflow (57 per cent), government regulation and compliance (56 per cent), planning and approval delays (50 per cent), workforce shortages (28 per cent) and client budget pressures (26 per cent).

Asked to rank advocacy priorities, members nominated reducing red tape and compliance burden (75 per cent), planning and approval timeframes (56 per cent), National Construction Code and building regulation change (47 per cent), cost escalation and fixed price contract risk (42 per cent) and insurance and business costs (40 per cent).

On investment intentions, 29 per cent of members are planning to grow and 45 per cent to maintain their current scale. Only 20 per cent are more confident than they were twelve months ago. These are not the settings of a sector positioned to absorb a step change in demand, and they point directly at the levers the Strategy proposes to pull.

Notably, 55 per cent of members see significant or some opportunity in artificial intelligence and digital tools, with strong appetite for practical training and estimating applications. This is a ready audience for the technology adoption measures contemplated in the draft Strategy, provided they are designed for small businesses rather than large ones.

THE STRATEGIC GAP AND HOW TO CLOSE IT

Economic development frameworks instinctively divide sectors into two groups: tradable sectors that bring external income into the state, and enabling sectors that build the things everyone else uses. Construction, being large, domestic and non-tradable, is routinely filed in the second group. This is reflected in the way the sector is currently positioned within government, where it sits alongside planning and infrastructure functions rather than the divisions charged with industry growth, and where its stated priorities reduce largely to planning reform and support for individual projects.

The consequence is that the productivity of a sector underwriting the entire Strategy is treated as a secondary, regulatory concern rather than an economic priority. We ask the final Strategy to correct this through a two part reframing.

1. Construction as the precondition for diversification

Every diversification ambition in the draft Strategy depends on the building and construction sector delivering. New industries need serviced industrial land. A growing workforce needs

housing. Regional growth needs infrastructure that is actually built, on time and at reasonable cost. If construction productivity remains flat, it acts as a handbrake on every other goal in the Strategy, regardless of how successfully government unlocks investment elsewhere. Recognising this makes construction central to the Strategy rather than adjacent to it.

2. Construction as a diversification sector on its merits

Parts of the sector are genuinely tradable, innovative and capable of creating new value, and belong squarely in the Strategy's growth narrative. These include advanced and modular or prefabricated construction, which overlaps directly with advanced manufacturing, building products manufacturing with export potential, and the decarbonisation of the built environment, which aligns with Tasmania's renewable energy advantage and future industries agenda. These activities meet the Strategy's own test for diversification and should be named as opportunities.

MBT is currently consulting members on the State Government's modular home loan guarantee and on what further policy support the modular and prefabricated sector requires, drawing on comparable approaches interstate. We will share the outcomes of that consultation with Government and would welcome the chance to feed it into the final Strategy.

WHAT INDUSTRY IS ALREADY DELIVERING

The draft Strategy rightly emphasises partnership between government and industry. MBT would note that in the building and construction sector this partnership is not aspirational. It is already producing results, at speed and at modest cost, and it offers a working model for how the Strategy could be implemented more broadly.

FORGE AHEAD

Following the closure of Liberty Bell Bay, MBT identified the opportunity to move displaced workers directly into construction trades where demand is strong, and put a proposal to Government. The Tasmanian Government committed $120,000 to a first round training up to 40 workers, and the program was launched jointly with the Acting Premier and the Minister for Skills and Jobs on 17 July 2026. Member businesses are actively hiring from the program, with one large commercial member reporting that workers recruited from Liberty have proved capable of promotion within weeks.

FORGE AHEAD demonstrates the model the Strategy should be pursuing: an industry identified opportunity, a rapid government response, modest public investment, and workers moving from a closing industry into a growing one within months rather than years. It is a template for economic transition that can be applied wherever Tasmanian industries restructure.

The High Vis Hub

MBT, together with Civil Contractors Federation Tasmania, the Housing Industry Association, Master Plumbers Tasmania and the National Electrical and Communications Association, and with the support of Keystone Tasmania, has developed a proposal for an on site learning hub at the Macquarie Point Precinct. The proposal, announced with the Minister for Skills and Jobs on 7 August 2026, would allow every Tasmanian student in Years 9 to 12 to visit a major construction site during delivery, earn micro credentials recorded on a statewide Construction

Skills Passport, and see the trades as a genuine career pathway. The hub is designed to relocate to the next major project once the Precinct is complete.

The total ask is $1.75 million excluding GST. Set against a $39.5 billion pipeline, this is a very small investment in the workforce that pipeline depends on, and it is the kind of measure the Strategy's capability priority should be funding.

Broader industry led activity

MBT has also led the establishment of Built Environment Industry Tasmania, bringing the separate parts of the sector together for the first time, and is delivering a $150,000 RISE funded mentoring program for member businesses. Government support for a one year pause on National Construction Code 2025 changes has given the sector breathing room on compliance cost at a difficult time. Each of these is an example of the coordinated, industry embedded approach the Strategy describes.

> The point is straightforward. **Where government has partnered with our sector, the results have come quickly and cheaply.** The final Strategy should build on that record rather than start from first principles.

RESPONSE TO THE STRATEGIC PRIORITIES

The following comments map to the six strategic priorities in the draft Strategy and identify where building and construction is central to delivery.

Unlocking private investment

The draft Strategy commits to making Tasmania a clearer, faster and more competitive place to invest. That commitment is directly undermined by processing delays at the Land Titles Office, which hold up transactions, settlements and the commencement of projects. Resolving these delays is a concrete, measurable test of the Strategy's investment facilitation intent, and an efficient, well resourced planning system is the other half of that test.

We would add a further point. With national attention on Tasmania through the Macquarie Point Precinct, the Spirit of Tasmania program and a pipeline approaching $40 billion, **how the state runs its major procurements is itself an investment signal.** Contractors and investors read process discipline as a proxy for delivery risk. Protecting the integrity and predictability of live tender processes, and giving the market confidence that commercial information will be handled properly, does more to attract capital than most investment attraction activity.

Lifting productivity

The sector's 1.7 per cent decade long growth rate points to a real productivity challenge, driven in part by regulatory complexity and process friction. Three quarters of MBT members nominate red tape reduction as their highest advocacy priority, which is as clear an industry mandate as government is likely to receive. The Strategy's focus on smarter regulation should include a specific, industry led program to lift construction productivity, with measurable targets rather than general commitments.

Technology adoption is a live opportunity here. With 55 per cent of members already seeing value in AI and digital tools, demonstration programs and shared digital tools of the kind proposed in the draft Strategy would find a receptive sector, provided they are pitched at the sole traders and small firms that make up half our membership.

Growing our capability

A reliable skills pipeline is fundamental to the sector and to the Strategy. The expiry of the apprentice payroll tax rebate on 30 June 2026 removes an incentive at exactly the moment the state needs to grow its construction workforce, and members have raised the cost of taking on and insuring first year apprentices as a direct barrier. The final Strategy should support a replacement measure.

It should also back what already works. FORGE AHEAD is a proven retraining pathway that should be extended and applied to future industrial closures. The High Vis Hub is a costed, industry led school to trade proposal awaiting a funding decision. Both are exactly the sort of initiative the capability priority contemplates, and both are ready now.

Finally, workforce planning must be done against the whole pipeline rather than project by project. Members already report losing labour to major projects, and the concurrency of the Precinct, the Launceston General Hospital redevelopment, major energy projects and the Firmus data centre is a capacity risk to all of them. We ask that the Strategy commit to a consolidated, published forward view of construction workforce demand across the pipeline.

Activating our regions

Regional growth depends on the supply of serviced, development ready land and on regional construction capacity to deliver it. Land supply should be treated as economic infrastructure, planned and released in a coordinated way, with delivery targets that regions can hold government to.

MBT presented on industry and the economy at the Northern Tasmania Economic Summit in July 2026, and the northern pipeline illustrates the point well. Projects including the Firmus data centre at St Leonards, the Launceston General Hospital redevelopment, UTAS Stadium and the Birchalls redevelopment are on the ground now. Whether the North captures the benefit depends on whether regional businesses have the capacity and the workforce to win that work, which is a capability question as much as a land use one.

Strengthening infrastructure

We support the Strategy's recognition that infrastructure, energy, digital connectivity and land supply must be aligned with economic priorities. We ask that land supply in particular be given the same weight as energy and digital connectivity, because without it the housing and industrial capacity the Strategy assumes will not materialise.

Enabling infrastructure also needs to be sequenced with the projects it serves. The Northern Access Road connecting the Tasman Highway to the Macquarie Point Precinct is a current example of the coordination the Strategy should institutionalise, and members developing sites elsewhere consistently identify stormwater, water and first mover infrastructure costs as the single largest risk to project feasibility.

Accelerating innovation

This is where the sector's diversification potential belongs. Modular and prefabricated construction, building products manufacturing, and low carbon building methods are areas where Tasmania can build new, tradable value. Tasmania already has modular builders reporting more enquiries than they can service and constrained only by access to qualified trades. The final Strategy should identify advanced construction manufacturing as a diversification opportunity and support its development.

RECOMMENDATIONS

MBT recommends that the final Economic Diversification and Investment Strategy:

1. **Names building and construction as a priority sector** in its own right, supported by a dedicated sector plan developed jointly with industry.

2. **Establishes a construction productivity partnership** between government and industry, with measurable targets, regular reporting, and technology adoption support designed for small businesses.

3. **Treats serviced, development ready land supply as economic infrastructure,** coordinated across government and released against published delivery targets, with enabling infrastructure sequenced to match.

4. **Resolves Land Titles Office processing delays** as a named investment facilitation priority, as a concrete demonstration of the Strategy's commitment to a faster, more competitive place to invest.

5. **Secures the skills pipeline** by supporting a replacement for the lapsed apprentice payroll tax rebate, extending FORGE AHEAD as the standing model for industrial transition, and funding the High Vis Hub.

6. **Publishes a consolidated construction workforce demand forecast** across the whole state pipeline, so that capacity constraints are identified and addressed ahead of demand rather than after projects collide.

7. **Backs advanced construction manufacturing** including modular and prefabricated building and building products, as a diversification opportunity under the Accelerating Innovation priority.

8. **Embeds industry in implementation** by including MBT and the building and construction sector in the governance arrangements that take the Strategy from consultation to delivery.

CLOSING

MBT welcomes the ambition of the draft Strategy and the shift it represents towards clearer priorities and better coordination. We ask only that a sector of this scale, and this central to every other goal in the document, be recognised as the priority it is.

Our recent work with Government shows what that recognition produces. FORGE AHEAD moved displaced workers into construction within months of a smelter closing. The High Vis Hub would give every Tasmanian secondary student a path into the trades for less than the

cost of a roundabout. These are not favours to our sector. They are the cheapest available insurance on a $39.5 billion pipeline.

We would welcome the opportunity to work with the Economic Development team as the Strategy moves to its final form and implementation.