



BUILDING INDUSTRY
COMPARATIVE INDEX

April 2007 Snapshot

01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23



01 // The Index

The Building Industry Comparative Index (BICI) is an initiative of the Building Industry Consultative Committee (BICC). BICI was developed to strategically demonstrate the competitive position of the Victorian industry compared to other States.

The Index is a major project of the BICC, an advisory group comprising employers, peak bodies, trade unions and the State Government representatives that is working to improve the performance and perception of Victoria's construction sector.

BICI provides a basis for understanding that Victoria's construction industry is nationally competitive, innovative and united. It is an informative source for everyone from investors to young people considering a career in construction.

Specifically, BICI provides:

- > A credible benchmark of building industry performance across four States,
- > Informs commercial industry, investors and Government,
- > Uses real data to challenge anecdotes and hearsay about Victoria's building industry,
- > An opportunity for government, unions and industry to consider strategic responses and action.

A number of areas have been identified for action and the BICC is working on issues such as flexibility in managing productivity, perceptions of risk and the appeal of construction as a career.

BICI is a standard weighted average index based on 16 variables covering cost (known input costs) and risk (unpredictability in cost and time) factors. There is no one item which controls the BICI.

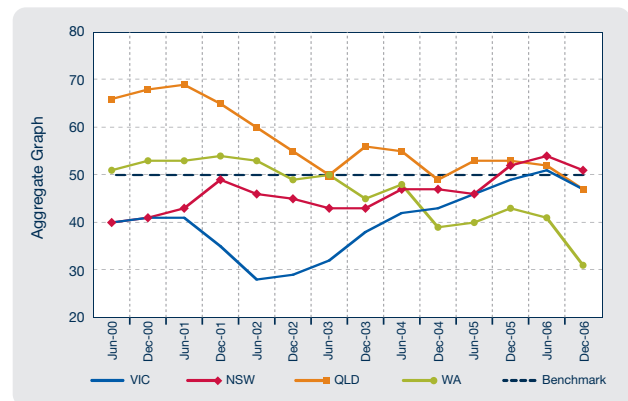
BICI data is updated every six months and is drawn from third party sources including the ABS, quantity surveyors and other published data. Some data is provided on a confidential basis.

The four states (Victoria, New South Wales, Queensland and Western Australia) covered by the index represent 90% of commercial, industrial and retail building activity in Australia. The BICI does not capture information on the cottage or engineering construction sectors. It focuses on the building phase, not the planning or occupation stages.

BICI has been independently verified to ensure that data and methodology are sound.

The online presence of BICI is attached to the Victorian Building Commission. It can be reached directly through the web address <www.bici.com.au>.

02 // Current Snapshot



The latest version of BICI (reflecting the half year to December 2006) was prepared in April 2007 and shows that Victoria's competitiveness continues to be strong, and vastly improved on 2002. However, in line with other states, competitiveness has trended down slightly. This is attributable to rising building materials costs, a result of strong demand across the entire sector.

The new figures are based on seven years of data from sources including the Australian Bureau of Statistics, State and Federal governments and private sector organisations such as leading quantity surveyors Rider Hunt and Davis Langdon, and Westpac.

Key economic features of the current Victorian building industry are:

- > Competitiveness in Victoria's commercial building sector has steadily improved in recent years and is now on par with Queensland,
- > The sector's performance has improved 19 index points since 2002 and is presently within five index points of New South Wales,
- > A more cooperative and unified sector, stable building costs and a dramatic drop in industrial disputes are behind the impressive turnaround,
- > Victoria's construction sites are the nation's safest, with only 21.3 injury claims per thousand employees, significantly less than other states, resulting in lower workers' compensation premiums,
- > Industrial disputes are at historically low levels and have dropped by 90 per cent since 2000,
- > Businesses continue to benefit from payroll tax and land tax reductions.

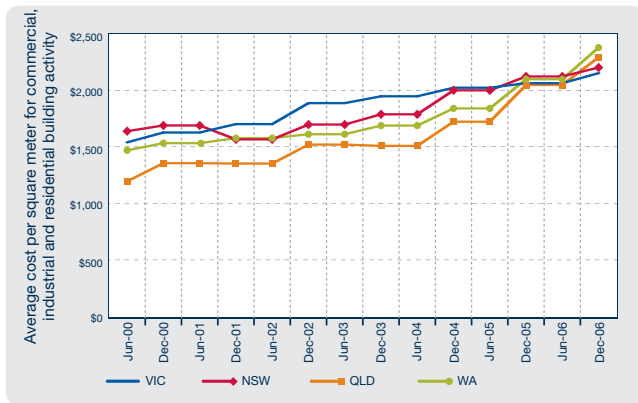
C Cost per square metre BICI Weight: 10 per cent

Description

Cost per square metre is an average estimated building cost per square metre, based on a mix of commercial, industrial and residential building types. Data is based on Rider Hunt's estimated total building costs per gross floor area in each State for selected building works and services, as published in the annual Riders Digest. The lower the average cost per square metre the more competitive the State.

Source: Rider Hunt

Quantity surveyors Rider Hunt publish data on building costs per square metre annually in Riders Digest, based on analysis of cost data from their national quantity surveying offices. Data is published in US\$ and adjusted by using the exchange rate at the time of publication. www.riderhunt.com.au.



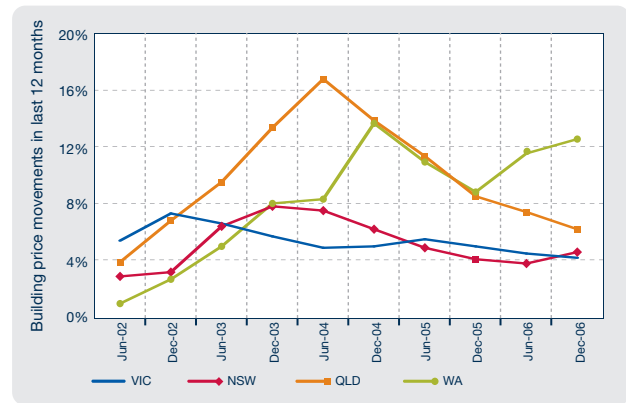
E Building price movements BICI Weight: 10 per cent

Description

Building price movements are the estimated annual percentage change in building prices as listed in the Westpac - Australian Institute of Quantity Surveyors Building Research Index (Westpac-AIQS BRIX). The smaller the upward percentage change in building prices the more competitive the State.

Source: Westpac-AIQS BRIX

BRIX is a quarterly survey of the outlook for building and construction based on the sentiments expressed by member firms of the Australian Institute of Quantity Surveyors. The series commenced in 2002. www.brixsurvey.org



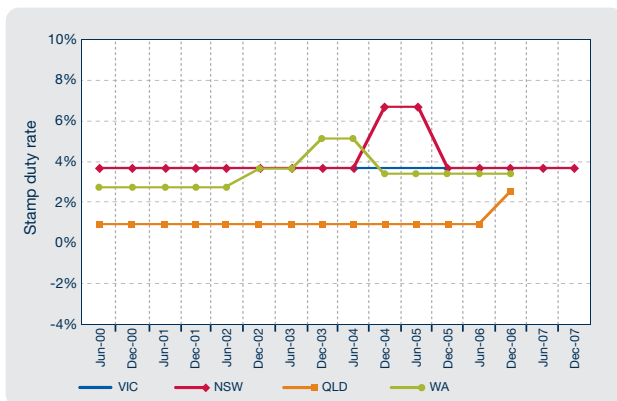
D Stamp duty BICI Weight: 2 per cent

Description

Stamp duty is charged by State Governments on transfer of property. BICI takes the maximum stamp duty rate in each of the four States, and draws information from the relevant Office of State Revenue. A lower stamp duty rate means lower total cost of purchasing property or land.

Source:

State Revenue Office – Victoria
Office of State Revenue – NSW Treasury
Office of State Revenue – Queensland
Office of State Revenue – Western Australia



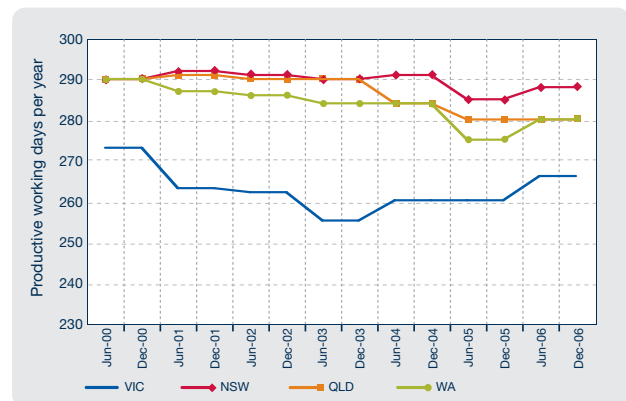
F Productive working days BICI Weight: 5 per cent

Description

Productive working days are an estimate of the potential number of days worked on site per year. Data on the building calendar is published annually by the Construction, Forestry, Mining and Energy Union. The potential number of productive working days has been adjusted where the industry takes a flexible approach to rostered days off. The more productive working days per year the more competitive the State.

Source: Construction, Forestry, Mining and Energy Union

The CFMEU's website in each state provides a calendar that lists the rostered days off, paid days off, picnic days and public holidays each year.



K Land tax

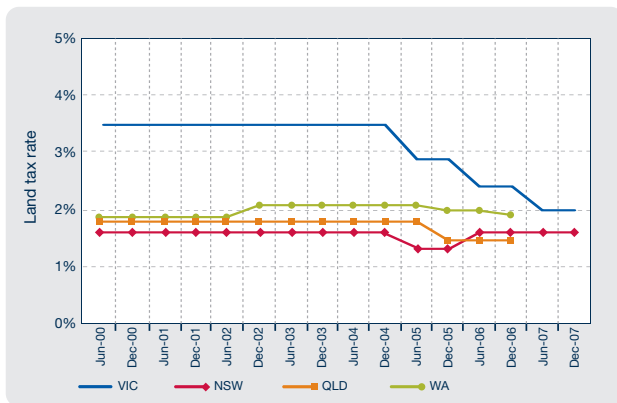
BICI Weight: 1 per cent

Description

Land tax is charged by State Governments on the unimproved value of land, using tax scales that apply various percentage rates to various threshold levels. In each State, BICI determines the land tax payable by companies on land valued at \$5,000,000, and calculates this tax as a percentage of the \$5,000,000 unimproved value of the land. Information on land tax rates is drawn from the relevant Offices of State Revenue. The lower the rate the lower the annual cost of holding land during the building period and the more competitive the State.

Source:

State Revenue Office – Victoria, Office of State Revenue – NSW Treasury, Office of State Revenue – Queensland, Office of State Revenue – Western Australia



L Contingencies – B&CI

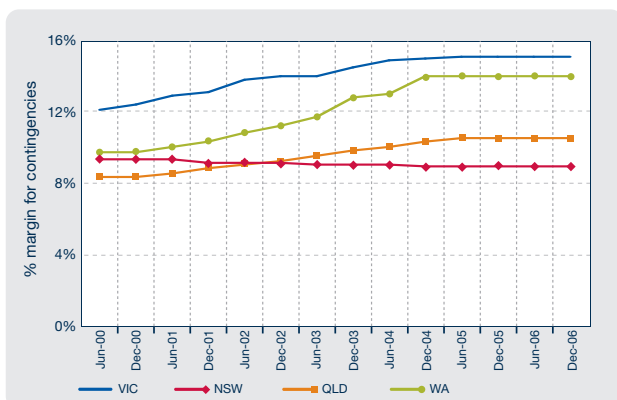
BICI Weight: 10 per cent

Description

Contingencies are the percentage margin that contractors include in tender prices to allow for cost, timing and risk factors that cannot be accurately costed in advance. This includes the impact of inclement weather conditions, industrial disputes and constraints on labour supply. Data is based on information provided confidentially by national building contractors. A lower rate means less risk in planning and costing and a more competitive State.

Source: National building contractors

Five national building contractors provide confidential access to costing information to allow an estimate of the level of contingencies and the factors differentiating risk assessment in each State.



M Workers compensation premiums – B&CI

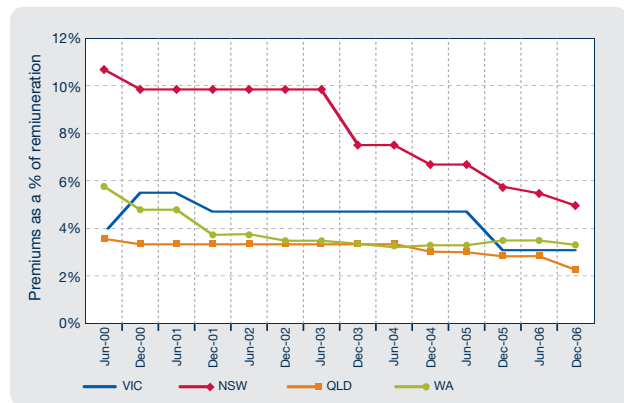
Description

Workers compensation premiums are charged as a percentage of an employer's annual total remuneration, and cover compensation costs associated with workplace injury and disease. BICI draws information published in each of the four States by workers compensation agencies, based on the standard premium rate for the non-residential building construction industry. The lower the workers compensation premiums, the lower the total cost of labour and the more competitive the State.

BICI Weight: 1 per cent

Source:

Victorian WorkCover Authority, NSW WorkCover Authority Queensland WorkCover Authority, WorkCover Western Australia



N Industrial disputes – B&CI

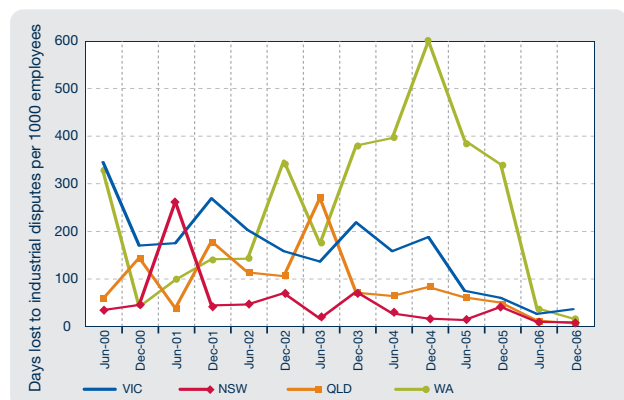
BICI Weight: 10 per cent

Description

Industrial disputes are measured by the number of days lost due to industrial disputes across the entire building and construction industry per 1,000 employees. It is calculated six-monthly as the sum of quarterly Australian Bureau of Statistics data. A lower rate means less risk in planning and costing and a more competitive State.

Source: Australian Bureau of Statistics

The data is tailored by the ABS to combine data on the number of employees in the building and construction industry collected from the ABS monthly labour force survey, and data on the number and nature of industrial disputes collected by the ABS and published in Industrial Disputes, Australia (Cat. No. 6321.0 and 6321.0.55.001).



o Labour supply – B&CI

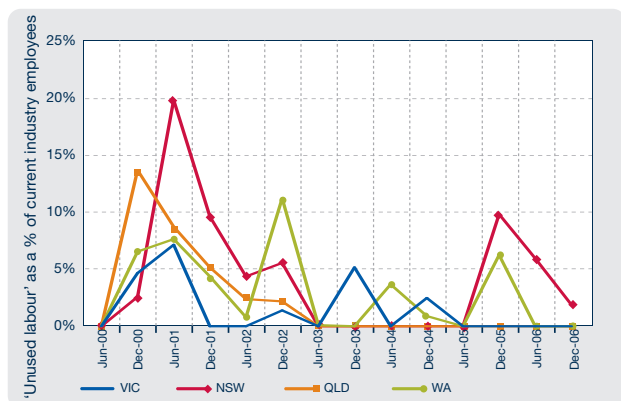
BICI Weight: 5 per cent

Description

Labour supply is measured as the estimated level of labour available to be drawn into the industry if required. The number of employees in the industry in each State is compared with the maximum level of employment in that State over the last two years to determine what percentage, if any, of the current employment level may be potential 'spare' capacity. A higher level of available labour means less risk and more flexibility in project delivery and a more competitive State.

Source: Australian Bureau of Statistics

Data on the number of employees in the building and construction industry is requested from the ABS from its monthly labour force survey (Cat. No. 6202.0).



P Injury incidence rate – B&CI

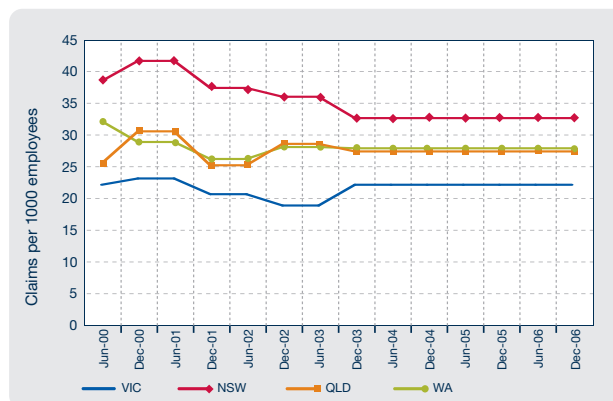
BICI Weight: 5 per cent

Description

Injury rates are the number of standard workers compensation claims, with one week or more time lost, in the building industry per 1,000 employees. A lower injury rate means lower impact of workplace injury and disease on labour availability and a more competitive State.

Source: Australian Safety and Compensation Council

ASCC obtains data on the number of standard workers compensation claims from the relevant workers compensation authority in each State. ASCC obtains data on the number of employees covered by each State's workers compensation scheme from the ABS. * 2004-2005 data is not yet available. Previous data has been carried forward for 2004-2005.



04 // Next Snapshot

The next BICI update will be available in late October 2007 and cover the period January 2007 to end June 2007. It will be available at <www.bici.com.au>.

Disclaimer

The Building Industry Consultative Council believes that all information, both written and oral, given in regards to the Building Industry Comparative Index is accurate and reliable. However, no warranty of accuracy or reliability as to such information is given, and no responsibility for loss arising in any way from or in connection with errors or omissions in any information provided is accepted by the Council.

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