

Submission

March 18, 2015

**Submission on the Tentative Findings of the
Nuclear Fuel Cycle Royal Commission**



MASTER BUILDERS
SOUTH AUSTRALIA

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1. Introduction

This submission is made on behalf of Master Builders Association of South Australia Inc (“Master Builders SA”), established in 1884 as the peak body representing South Australia’s building and construction industry.

Master Builders SA is committed to building a productive industry and a prosperous South Australian community and economy.

The South Australian building and construction industry directly employs more than 55,000 South Australians across all sectors, including residential, commercial, civil engineering, land development and building completion services. Indirectly, the industry supports tens of thousands more South Australian jobs.

The industry undertakes about \$15 billion of work every year, contributing more than \$1 for every \$7 of economic activity within the State. Indirectly, more than one-quarter of South Australia’s wealth is produced by the building and construction industry.

South Australia’s building and construction industry is focused on the development and transfer of skills into a life-long career. It is consistently among the leading sectors when it comes to training and apprentices and last year provided new apprentice places for more young workers than the Northern Territory, ACT and Tasmania combined.

Master Builders SA is proud of the industry it represents, the jobs it creates, the 11,000 homes it built and extended for families last year and the offices, warehouses and shops it has built for South Australian businesses.

2. Purpose of submission

Master Builders SA welcomes the opportunity to provide a submission to the Royal Commission on its tentative findings. In summary, we are broadly supportive of the opportunities presented in the Commission’s findings but also seek to relay reservations expressed by some members.

Given our members are likely to be beneficiaries of the opportunities contained in the Commission’s findings – both through the direct creation of construction jobs and the indirect benefits resulting from a stronger economy with an independent revenue stream – Master Builders SA believes the industry’s perspective adds significant weight to the community debate.

3. Building and construction as an integral member of the community

South Australia’s building and construction sector is connected to every aspect of the State’s economy. Our members provide the homes for growing families, the offices, warehouses and shops for growing businesses and the roads and schools that connect South Australians.

We are also dependent upon the confidence of the broader community. A lapse in business confidence translates to a collapse in construction investment, and a fall in consumer confidence means families look to consolidating the present rather than investing in their future. In short, we celebrate and bleed with the health of South Australia.

The Royal Commission’s Tentative Findings have outlined a proposal to manage, store and dispose of nuclear waste with an emphasis on the benefits to be derived from direct revenue, profits and

construction jobs¹. If these estimates are delivered, they are likely to produce a more sustainable Budget over the next 100 years, leading to more confident businesses and consumers willing to invest in their futures. Further, interstate immigration is likely to benefit as migrants look to a long-term future in South Australia, thus boosting private demand.

The building and construction industry is likely to benefit both from this growth and the thousands of jobs likely to flow from this path. Additionally, the creation of an estimated \$5 billion annual revenue flow for the first 30 years will potentially expand the State Government's revenue base and thus provide much-needed relief for businesses and households currently bearing the State's tax burden.

However, a lack of community consensus or poor execution may damage the State's reputation in the short- to medium-term, thus impacting that same confidence.

Master Builders SA speaks on behalf of an industry whose future is intimately tied to the success or failure of the issues being considered by the Royal Commission.

4. Benefits to supporting a waste management and disposal site

Our members are broadly supportive of a project likely to deliver significant construction jobs and a more sustainable Budget. In the words of one member:

"When do we start?"²

The Royal Commission outlines the potential economic impact of investing in this option as including 1500 full-time jobs during construction with a peak of 4500 jobs³. Master Builders SA notes there is skepticism about the measurement of jobs attached to any project:

"They say there's going to be 'X' number of jobs, but they count the same job two or three times, like you're going to fire someone every year."⁴

Master Builders SA suggests any economic measurement of employment benefits to flow from any project should make clear the implicit assumptions underlying those measurements. The number of jobs might be better expressed as "job years" as a means of capturing the turnover implied in the calculation. Our concern is that any failure to clearly and accurately communicate such information risks over-spruiking benefits in a way that might later compromise a logical case for change.

By way of example, the case for changing South Australia's time zone was based partly on a cost-benefit analysis showing a \$2.5 billion benefit from the change, yet subsequent analysis suggested an economic loss was likely to occur, thus removing a key argument for change⁵. Further, the cost-benefit analysis was found to omit key impacts including injuries resulting from the proposal, thus effectively ignoring substantial risks likely to flow from the decision⁶.

Master Builders SA recognizes that the Tentative Findings represent a preliminary analysis only. We recommend the benefits be tested and verified in a specific manner to remove doubts that might be cast upon the final decision.

5. Benefits of a stable waste facility as an enabler industry

Master Builders SA notes the Royal Commission's Tentative Finding that a stable waste facility might serve as a means of exploring related activities including fuel leasing⁷ and related processing⁸. We support this approach for the likely benefits to flow to the broader commercial sector over the long-term with the advantage of potential tax revenue as income for the State Budget.

Social and community consent is vital to this process, from its potential beginning as a waste management facility to the extension of that facility in coming decades to new ventures. Master Builders SA suggests a staged approach is more likely to be successful and recommends the Royal Commission expressly considers a staged expansion, with each subject to further consultation. This need for social consent appears to be clearly contemplated by the Royal Commission⁹.

6. Environmental and safety risks

Members have expressed concerns about the likely environmental and safety risks flowing from the proposal recommended by the Royal Commission.

Commentators have also raised concerns that the Royal Commission's proposed storage facility measures its benefits over 100 or more years, whereas the potential dangers are measured over hundreds of thousands of years¹⁰.

Master Builders SA does not necessarily support this position as a matter of policy. We note that this approach fails to account for potential savings to the broader community by removing current holdings of low level nuclear waste in urban facilities as well as the low level of risk in a specialist facility in a remote location. We also note there is no provision for the benefits to flow from additional opportunities as discussed above.

Master Builders SA supports a robust scientific assessment of the underlying risks¹¹ and the need for a risk assessment pertaining to the selection of a specific site¹².

7. Conclusion

Master Builders SA supports the process being undertaken by the Royal Commission and its appreciation of the need to build a broader community consensus around its findings.

Master Builders SA is a member of the broader South Australian community and dependent upon its long-term health and confidence. For these reasons, we are generally supportive of the potential for a new revenue stream to

underpin the State Budget over the long-term. However, we also urge a conservative approach to estimating the likely benefits accruing to the community from job creation to ensure the assessment undertaken is realistic with a view to the on-ground impact of this commitment.

We are willing to provide further information, evidence or testimony in support of this submission if so requested by the Royal Commission.

Master Builders SA is the peak body representing the State's building and construction sector and the 55,000 jobs it creates. We would appreciate every opportunity to contribute the benefit of that knowledge and experience in any ongoing industry consultation.

Recommendations

1. The economic benefits of any proposal waste facility should be specifically verified in a clear manner to avoid overstatement that might be used as a political means of detracting from such a proposal.

2. The Royal Commission should considering recommending a staged approach to expanding a waste facility to create additional business opportunities but also to appropriately develop community consent at each discrete stage.

3. This approach should involve discrete scientific and risk analyses.

¹ Nuclear Fuel Cycle Royal Commission, Tentative Findings, February 2016, paragraph 91.

² Consultation with Commercial Building Members, February 24, 2016.

³ Nuclear Fuel Cycle Royal Commission, paragraph 91.

⁴ Consultation with Commercial Building Members.

⁵ Blandy, Richard, "SA's time for economic action is now", InDaily, August 13, 2015. Available at <http://indaily.com.au/business/analysis/2015/08/13/sas-time-for-economic-action-is-now/> (accessed March 17, 2016).

⁶ Master Builders SA, Shifting South Australia's Time Zone, March 26, 2015. Available at http://www.mbase.com.au/_files/d/3144/Submission_-_Proposal_to_Change_Time_Zone_for_South_Australia.pdf (accessed March 17, 2016).

⁷ Nuclear Fuel Cycle Royal Commission, paragraph 96.

⁸ Ibid, paragraphs 100-102.

⁹ Ibid, paragraph 63.

¹⁰ Blandy, Richard, "Nuclear waste dump confounds cost-benefit analysis", InDaily, February 23, 2016. Available at <http://indaily.com.au/business/analysis/2016/02/23/nuclear-waste-dump-fails-the-cost-benefit-test/> (accessed February 23, 2016); referring to Nuclear Fuel Cycle Royal Commission, paragraph 73.

¹¹ Nuclear Fuel Cycle Royal Commission, paragraph 78.

¹² Ibid, paragraph 79.