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Date: 28 April 2020

Dear John,

On behalf of the Tasmanian Chapter of the Australian Institute of Architects (the Institute), thank you and your office for contacting us to ascertain the effects that the COVID-19 pandemic is having on our industry.

The pandemic is having a worldwide impact on business and individuals and in Tasmania we are not isolated from the affects. The pandemic is having a significant impact on our profession, and architects are the 'canary in the coal mine' of the building and construction industry and are going to feel the implications well before the building and construction companies, trades and suppliers.

In Tasmania the building and construction industry employs over 20,000 people and we are beginning to see job losses already just weeks into the COVID-19 crisis, and we note that nationally, nearly one in ten Australians work in the construction industry, with many more employed locally in the production of building products. Off the back of the strongest growth on record, we are now experiencing the affects with a severe downturn being seen in the industry. Industry is currently experiencing a wave of contract and tender postponements and withdrawals and stimulus measures are critical to bring back consumer and business confidence.

We have surveyed our Tasmanian members, and the information below is the impact felt by our membership as of COVID-19 as of April 9 when the survey closed. From this survey, 59 members responded across a variety of practice types, from sole practitioners and small to medium-sized firms, including city-based and regionally-based firms. Respondents also included a cross-section of position descriptions including directors, architects and graduates.

Q: Is COVID-19 affecting your practice?

- 33.90% of respondents indicated their practice has been significantly affected by COVID-19
- 59.32% of respondents indicated their practice has been somewhat affected, but not significantly.
- 5.01% of respondents indicated that haven't been affected at all.

In total, 94.92% of respondents indicated their practice had been affected in some way by COVID-19.

Q: If you have lost work, what is the approximate value of lost earnings?

- 57.62% of respondents indicated their loss of work is less than $1 million.
- 8.47% indicated their loss of work is between $1 million and $5 million.
- 3.39% indicated their loss of work is between $5 million and $10 million.
- 1.69% indicated their loss of work is over $10 million.

In total, 71.19% of the Tasmanian Chapter membership who completed this survey reported that they had had monetary loss in work. Please note, some respondents (graduates and other employees who don't know the monetary value of the lost works) didn't complete this question.

Q: Have you been forced to lay off or stand down staff? If so, how many staff (FTE) have been affected? Have you required staff to take leave (paid or unpaid)?

- 15.25% of respondents indicated their workforce has had forced layoffs or stand downs, which affected on average 3.33 staff (FTE) per office.
- In addition, 6.78% of respondents reported that staff have been required to take leave (paid or unpaid).

Note that this survey was undertaken prior to the details being released regarding the JobKeeper scheme.

Q: If you have had to reduce hours, approximately how many hours per week?

- 23.73% of respondents reported no forced layoffs but a reduction in working hours with their average reduction in work hours being 22.4 hours per week per person.

In total 42.37% of respondents reported either staff layoffs, a reduction in hours or forced leave (paid or unpaid) which has affected them, their colleagues/employees.

Q: Have you been able to negotiate reduced costs for your practice? If so, please state what these are (e.g. rent)?

- Other than the reduction in wages, 13.56% of respondents reported they have been able to negotiate a reduction in overhead costs for their practice.

Q: If you are experiencing supply chain issues, what are these?

- 28.81% of respondents listed procurement issues as their main supply chain issue.
- 32.20% reported their supply chain issues was due to consultant/sub-consultant hold-ups.
- 30.51% reported lack of communication from clients being their main issue with the supply chain.

Q: How helpful has the government relief initiatives been to date?

- 66.1% of respondents haven't accessed any government relief.
- 16.95% of respondents reported the government relief is not at all helpful.
- 13.60% of respondents reported that the government help was moderately helpful.
- 3.39% of respondents reported that the government relief initiatives have been extremely helpful.

Note that this survey was undertaken prior to the details being released regarding the JobKeeper scheme.

Q: At this point in time, realistically, how long do you feel you can continue to 'hold on'?

- 32.20% of respondents indicated they could continue to 'hold on' for another 2-4 months.
- 35.59% of respondents indicated they could continue to 'hold on' for another 4-6 months.
- 6.78% of respondents indicated they could continue to 'hold on' for another 12 months.
- 20.34% of respondents indicated they are able to continue as they have been.

The following is the breakdown of the practitioners that data was received from, noting that 23 respondents were sole practitioners, 27 respondents were from small practices, and 9 were from medium practices:

- 95% of sole practitioners listed that the government relief initiatives have not been accessed or aren't helpful, and of those, 26% reported they could 'hold on' for another 2-4 months, and 39.1% reported they could 'hold on' for another 4-6 months.
- 70% of small practices reported that the government relief initiatives have not been accessed or aren't helpful and of those 47.8% reported they could 'hold on' for another 2-4 months, and 33.3% reported they could 'hold on' for another 4-6 months.
- 77% of medium sized practices listed that the government relief initiatives have not been accessed and of those, 22% reported they could 'hold on' for another 2-4 months and 66% reported they could 'hold on' for another 4-6 months.

Note that this survey was undertaken prior to the details being released regarding the JobKeeper scheme.

We intend to conduct a similar survey over the next few weeks to understand if there has been any change over the month.

We have also been in contact with some of the larger councils around the state regarding the numbers of development applications they have received this month compared to the same time last year, which is particularly telling of the impact on the building and construction industry, and we are waiting on this data.

The City of Hobart's statistics show that 45 development applications have been lodged to date in April 2020 as compared to 71 in 2019, with a decrease of 37%. We will receive further data at the end of the month, and we hope to receive data on building applications as well.

We have also spoken to many of our members who have communicated the impacts that the pandemic is having on their practices.

A larger practice with approximately 18 employees, which has offices in both Hobart and Launceston, has let us know that they have lost five large projects in the north of the state. While these projects have been 'placed on hold', rather than 'cancelled', the impacts of this are immense, and the construction value of the projects add up to $58.7M. Two of these projects were public assets – one of which was a refurbishment, and the other a master planning project, one was a sporting facility, one hotel accommodation and the other an apartment building. These projects were all in the early stages of design, some in design development and some in the development application stage.

Another smaller firm in Launceston has also reported that they have lost several large education, agri-tourism and private health insurer projects, along with a number of residential projects with a combined construction value of more than $5M. There are two private health insurer projects with a combined construction value of $3.5M; four private education projects for the same client with a combined construction value of almost $8M, of which all have had a substantial amount of design work undertaken to date and two of these are ready for development application; and four projects in the agriculture and tourism areas with a combined construction value of $17M, all of which also are ready for a development application to be submitted, with one pending a development application approval. These projects are located in the north and north-west of the state. This practice director suggests that research shows that agri-tourism offers a minimum increase of 30% to these primary industries and in some instances improves viability by more than 300%.

A small practice of four staff, also based across Hobart and Launceston, have let us know that they are having supply issues with delays on tiles from Italy and China, have reduced productivity due to management of remote staff and navigating the ongoing industry communication regarding COVID-19, along with projects being put on hold. These include a residential project on the east coast of Tasmania with a construction value of $1.5M, a CDB apartment project with a construction value of $7M, along with a smaller alteration and addition project with a construction value of $400K.

Another small practice in Hobart has also reported supply chain issues, along with the delay of two new residential projects with a total value of $3M, and an indefinite delay of a major commercial project, worth over $30M.

While some practices are experiencing issues in transitioning to working remotely, some have found this transmission relatively smooth due to already working between multiple offices and as such, already have these systems in place. A small firm in Hobart, also with an office in Melbourne, have reported that while the transition has been smooth, they have lost around one third of their residential work which equates to six jobs that are mostly at the start of contract documentation with five of the clients for these over 60 years old. As a result of this, they have had to stand down one of their graduate staff and reduce the remaining workforce to four days a week.

A member who was employed at one of the larger firms in Hobart has let us know that he has been made redundant, along with another employee of the same firm. We have also heard from a small practitioner who works in Hobart and Sydney that has lost all her work.

The Tasmanian Government has done an outstanding job to keep the community safe and taken appropriate steps to manage this health crisis, however the medium to long-term implications to such a downturn while have huge flow on implications both economically and socially.

As a professional association, we hope this disaster leads to a greater trust in experts of all types. The value of expertise and knowledge has become increasingly important despite recent contrary trends.

We agree with the sentiments of MBT Executive Director, Matthew Pollock, that the building and construction industry can do the heavy lifting to avoid an economic crisis, but we will need support and will need to work collaboratively to achieve excellent quality-built outcomes from any stimulus measures. We would encourage the Tasmania and Federal Governments to take decisive action now.

Yours sincerely,

Shamus Mulcahy
Tasmanian President
Australian Institute of Architects

Jennifer Nichols
Tasmanian Executive Director
Australian Institute of Architects

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