



PRIVATE SECTOR CONSTRUCTION INDUSTRY AUSTRALIA

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- For further information about these and related statistics, contact Sharon Wibrow on Adelaide 08 8237 7634 or any ABS office shown on the back cover of this publication.

NOTES

ABOUT THIS PUBLICATION

This publication contains final estimates for the 1996–97 Private Sector Construction Industry Survey (CIS), based on information from 80% of businesses in the survey. For those businesses which did not respond, data have been estimated on the basis of responses from similar businesses.

Preliminary estimates for the survey were published on 7 September 1998 in *Private Sector Construction Industry, Australia, Preliminary* (Cat. no. 8771.0). These estimates were based on details provided by employing businesses only, as data for the non-employing businesses sector were not available at that time. Moreover, estimates in the preliminary publication were based on information from only 65% of businesses in the survey.

In addition, the data provided here have been adjusted for deficiencies in the number of employing businesses recorded on the Australian Bureau of Statistics Business Register and the number of non-employing businesses recorded with the Australian Taxation Office. The nature of these adjustments and the reasons for making them are described in the Explanatory Notes, paragraphs 14–16.

For all of these reasons, the estimates provided here will differ from those provided in the preliminary publication.

This final publication also includes more detailed information than that contained in the preliminary publication.

CHANGES IN THIS ISSUE

Previous CIS collections were held in respect of 1978–79, 1984–85 and 1988–89, with data being collected at the establishment level. Users of these statistics making comparisons with the data from previous surveys should note that the information collected in the 1996–97 survey was at the management unit level. In addition, significant changes to questionnaire design have also been made for the 1996–97 collection. For these reasons, data from the 1996–97 survey are not strictly comparable with data from previous collections.

PREVIOUS SURVEY

Results from the last CIS in respect of 1988–89 were published in *Construction Industry Australia, Summary of Private Sector Operations, 1988–89* (Cat. no. 8771.0), which was released in September 1991.

W. McLennan
Australian Statistician

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SECTION 1

INTRODUCTION TO THE CONSTRUCTION INDUSTRY AND CONSTRUCTION ACTIVITY

INTRODUCTION

The construction industry has a major influence on every Australian. It provides the homes in which we live, the places in which most of us work and spend our leisure time, our schools and hospitals, and the infrastructure for our day-to-day living such as roads, water, electricity supply, and telecommunications.

The construction industry is engaged in three broad areas of activity:

- residential building (houses, flats etc.);
- non-residential building (offices, shops, hotels etc.); and
- engineering construction (roads, bridges, water and sewerage etc.).

This section presents a broad perspective of the industry and its activity and sets the context for a more detailed examination of the structure of the industry in sections 2 and 3.

It should be noted that information on the output of the construction industry cannot be directly linked to the structure of the industry. The industry comprises four main sectors: the construction trades, residential, and non-residential building, and non-building construction. The industry data presented in sections 2 and 3 of this publication exclude units which are not primarily involved in construction. Businesses which are classified to one part of the industry (for example, house construction in the Australian and New Zealand Standard Industrial Classification) may also construct buildings which are non-residential (for example, shops or offices, as defined in the Explanatory Notes of *Building Activity, Australia* (Cat. no. 8752.0)—issued quarterly). In addition the public sector, which contributes in particular to engineering construction activity, is not included in the results presented in sections 2 and 3 of this publication. As a result the graphs and tables which follow in this section merely provide a background against which many of the businesses in the construction industry operate, and to which they contribute, but cannot be considered as equally representative of all industry sectors.

In 1996–97, the year in which the detailed survey of the industry was conducted, the construction industry contributed about 6% to the gross product of all industries, as measured by production-based Gross Domestic Product (GDP). Table 1.1 shows that only the manufacturing industry, wholesale trade, retail trade and the property and business services industry contributed higher proportions of GDP than the construction industry.

1.1 GROSS DOMESTIC PRODUCT

<i>ANZSIC Division</i>	<i>Industry</i>	<i>Average 1989–90 prices</i>
		<i>\$m</i>
A	Agriculture, forestry and fishing	17 506
B	Mining	19 385
C	Manufacturing	61 138
D	Electricity, gas and water supply	14 271
E	Construction	29 071
F	Wholesale trade	46 251
G	Retail trade	31 635
H	Accommodation, cafes and restaurants	8 281
I	Transport and storage	25 498
J	Communication services	17 625
K	Finance and insurance	26 052
L	Property and business services	37 049
M	Government administration and defence	15 467
N	Education	19 181
O	Health and community services	23 465
P	Cultural and recreation services	9 262
Q	Personal and other services	8 181
	<i>GDP (Production-based)(a)</i>	<i>449 544</i>

(a) GDP includes ownership of dwellings, import duties and an adjustment for imputed bank service charges.

Source: Australian National Accounts: National Income, Expenditure and Product (Cat. no. 5206.0).

Table 1.2 shows employed persons in all industries of the economy, as estimated by the Australian Bureau of Statistics Labour Force Survey. This is a survey of households in Australia, and estimates employment on the basis of information supplied by householders. It includes in its estimates people working for businesses as employees for wages and salaries, as well as people who are self-employed as contractors and consultants. The Labour Force Survey therefore has a similar scope to the Construction Industry Survey in terms of its estimates of the size of the industry, although there are some differences in methodologies and definitions between the two collections.

In 1996–97, employed persons in the construction industry accounted for 7% of all employed persons in the Australian economy. Only the manufacturing industry, retail trade, property and business services, and health and community services employed more people than the construction industry.

1.2 EMPLOYED PERSONS

<i>ANZSIC Division</i>	<i>Industry</i>	<i>Annual average</i>
		<i>'000</i>
A	Agriculture, forestry and fishing	427.0
B	Mining	86.7
C	Manufacturing	1 129.8
D	Electricity, gas and water supply	66.7
E	Construction	586.8
F	Wholesale trade	492.5
G	Retail trade	1 237.7
H	Accommodation, cafes and restaurants	399.1
I	Transport and storage	396.2
J	Communication services	163.6
K	Finance and insurance	316.8
L	Property and business services	827.5
M	Government administration and defence	369.1
N	Education	581.9
O	Health and community services	771.6
P	Cultural and recreation services	192.5
Q	Personal and other services	317.4
	<i>Total employed persons</i>	<i>8 389.1</i>

Source: Labour Force, Australia (Cat. no. 6203.0).

Table 1.3 shows some other key economic information about the major industries in the Australian economy in 1996–97. It should be noted that the measures are based on preliminary estimates from the Economic Activity Survey, and do not include non-employing businesses, hence the scope of these estimates is different from the results presented in sections 2 and 3 of this publication. The exclusion of non-employers from this dataset results in much of the difference between the estimates of employment in table 1.2 and table 1.3.

1.3 AUSTRALIAN BUSINESS INDICATORS

Industry	Operating businesses	Employment	Industry gross product	Profit margin
	'000	'000	\$m	%
Agriculture, forestry and fishing	117	370	10 437	10.3
Mining	2	79	20 559	16.3
Manufacturing	55	1 019	63 056	6.9
Electricity, gas and water supply	—	54	12 528	11.0
Construction	95	340	12 958	4.3
Wholesale trade	47	412	23 479	3.1
Retail trade	115	1 042	27 345	2.8
Accommodation, cafes and restaurants	35	429	10 971	6.8
Transport and storage	31	320	18 885	2.8
Communication services	3	126	9 713	7.9
Finance and insurance	23	309	..	32.0
Property and business services	134	812	36 194	12.4
Private community services(a)	58	663	18 801	11.1
Cultural and recreational services	19	167	4 793	4.3
Personal and other services	39	189	4 571	12.2
<i>All industries</i>	<i>773</i>	<i>6 331</i>	<i>(b)274 290</i>	<i>9.0</i>

(a) Private community services is a combination of Education, and Health and community services.

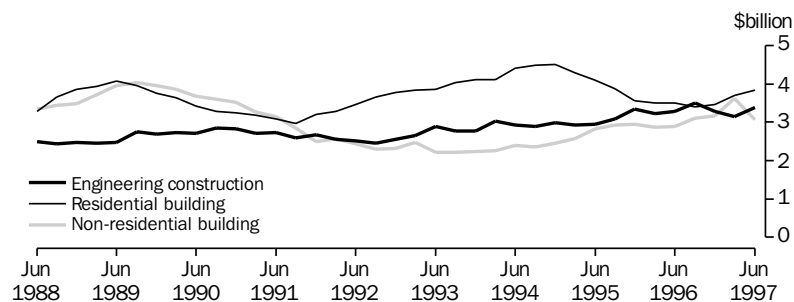
(b) Excludes finance and insurance businesses.

Note: The Economic Activity Survey does not produce estimates for Government administration and defence, Education or Health and community services, because a significant proportion of organisations classified to these industries belong to the General Government sector.

Source: *Business Operations and Industry Performance, Australia, Preliminary, 1996-97 (Cat. no. 8142.0)*.

The following graphs show the longer term view of construction activity and employed persons in the industry. Graph 1.4 shows the value of quarterly construction activity in the three major areas of activity of engineering construction, residential building and non-residential building. Graph 1.5 shows the number of new houses commenced and completed over the same period. The cyclical nature of activity in the building industry is evident from these graphs.

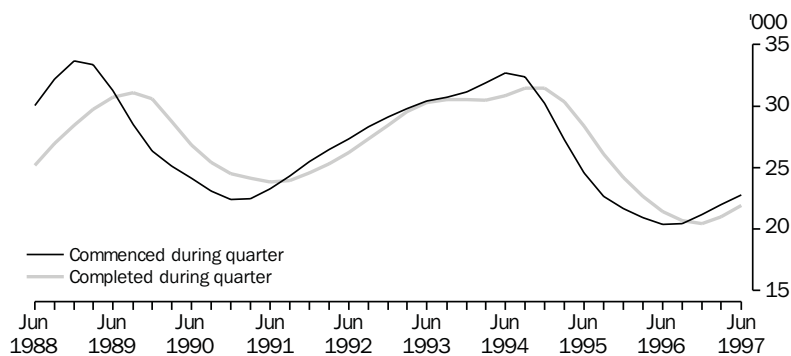
1.4 QUARTERLY CONSTRUCTION ACTIVITY, Type of Activity:
Seasonally adjusted(a)



(a) Average 1989-90 prices.

Source: *Building Activity, Australia (Cat. no. 8752.0); Engineering Construction Activity, Australia (Cat. no. 8762.0)*.

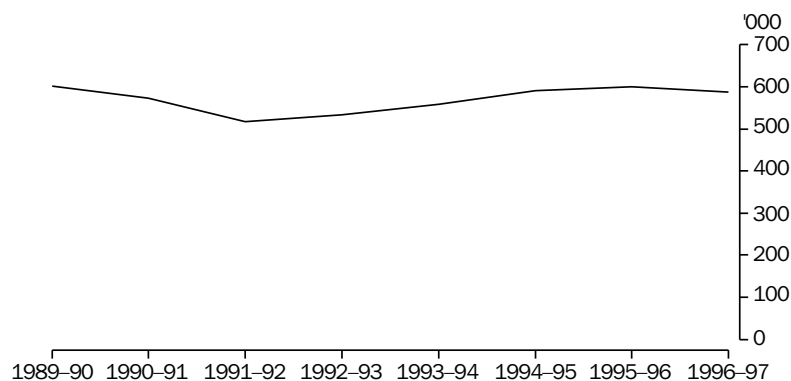
1.5 NUMBER OF NEW HOUSES CONSTRUCTED: Trend estimates



Source: *Building Activity, Australia* (Cat. no. 8752.0).

Graphs 1.6 and 1.7 show the trends during the 1990s for people working in the construction industry, and profit margins for employing businesses in the construction industry.

1.6 PERSONS EMPLOYED IN THE CONSTRUCTION INDUSTRY, Annual Average



Source: *Labour Force Australia*, (Cat. no. 6203.0).

1.7 PROFIT MARGINS IN THE CONSTRUCTION INDUSTRY, Employing Businesses



Source: *Business Operations and Industry Performance, Australia*, (Cat. no. 8140.0).

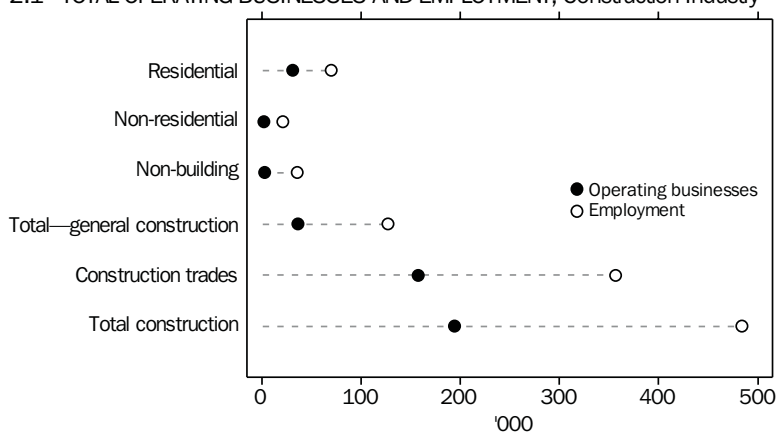
SECTION 2

A PROFILE OF THE CONSTRUCTION SECTOR

AN INDUSTRY PERSPECTIVE

In 1996–97, the survey of the construction industry estimated 194,300 operating businesses in the construction industry, with total employment of 484,100. The construction trade services part of the construction industry accounted for a substantial majority of businesses and employment in the construction industry—over 80% of the number of businesses and almost three-quarters of people working in the construction industry (graph 2.1 and table 2.2).

2.1 TOTAL OPERATING BUSINESSES AND EMPLOYMENT, Construction Industry



Graph 2.3 provides some dissection of the general construction part of the industry, and compares that with the construction trade services. This illustrates that despite the numerical dominance of the construction trades in terms of number of businesses and employment, the general construction part of the industry accounted for over half the total income (56%) and operating expenses (60%). Over half the assets and liabilities of the construction industry were also held in the general construction part of the industry (table 2.2).

The 'small business' orientation of the construction trades and residential construction part of the industry is evident in graph 2.4, which shows the much lower average employment per business in these parts of the industry, compared with the non-residential and non-building businesses. The much lower average income and average expenses for these businesses are also evident in graph 2.5.

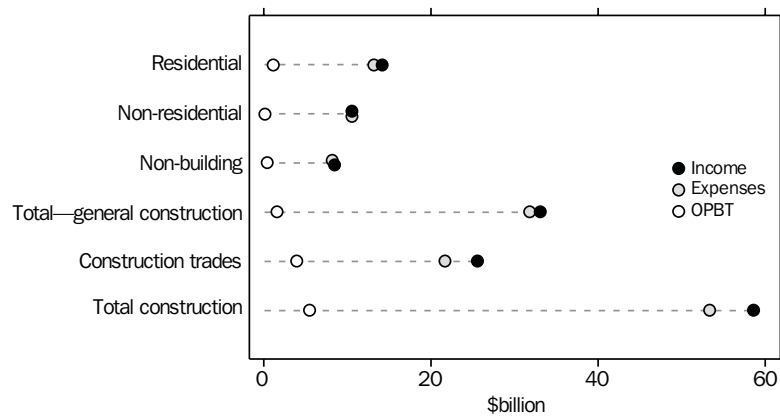
Operating profit before tax (OPBT) was higher in the construction trades and residential construction parts of the industry (graph 2.3 and table 2.2). The higher profit margins for these sectors are shown in graph 2.6.

A more detailed presentation of the financial operations of businesses involved in residential construction and construction trade services is presented in section 3.

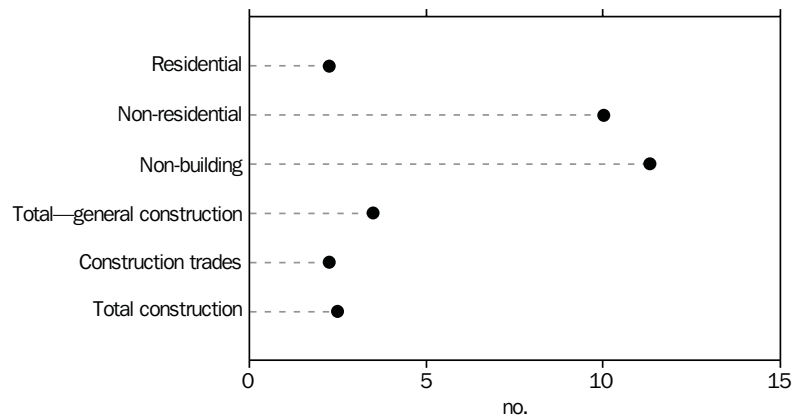
2.2 SUMMARY OF PERFORMANCE

Selected indicators	Units	General construction						
		Building construction			Non-building construction			
		Residential construction	Non-residential building construction	Total	Non-building construction	Total	Construction trade services	Total construction
Operating businesses	'000	31.0	2.1	33.1	3.1	36.3	158.0	194.3
Employment	'000	70.3	21.3	91.6	35.6	127.2	356.9	484.1
Wages and salaries	\$m	891.2	773.2	1 664.4	1 645.1	3 309.5	4 870.4	8 179.8
Turnover	\$m	13 829.0	10 416.6	24 245.5	8 383.1	32 628.6	25 270.2	57 898.8
Total income	\$m	14 108.5	10 491.4	24 599.9	8 461.9	33 061.8	25 532.9	58 594.7
Total operating expenses	\$m	13 113.8	10 552.5	23 666.3	8 127.0	31 793.3	21 604.8	53 398.1
Operating profit before tax	\$m	1 117.7	70.3	1 188.0	362.3	1 550.3	3 914.3	5 464.6
Total assets	\$m	8 202.1	3 785.5	11 987.7	5 404.9	17 392.6	8 172.4	25 565.0
Total liabilities	\$m	5 795.5	2 685.3	8 480.8	3 580.5	12 061.3	4 557.8	16 619.1
Net worth	\$m	*2 406.7	**1 100.2	*3 506.9	*1 824.4	*5 331.3	3 614.6	8 945.9
Capital expenditure	\$m	**2 012.0	*71.2	**2 083.2	*1 050.2	*3 133.5	**8 198.6	*11 332.1
Industry gross product	\$m	2 642.6	**1 004.1	**3 646.8	**2 402.3	**6 049.1	**10 132.1	**16 181.2

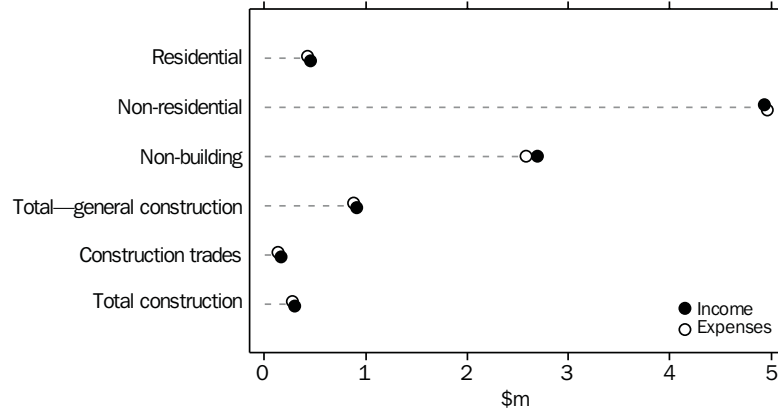
2.3 TOTAL INCOME, EXPENSES AND OPBT, Construction Industry



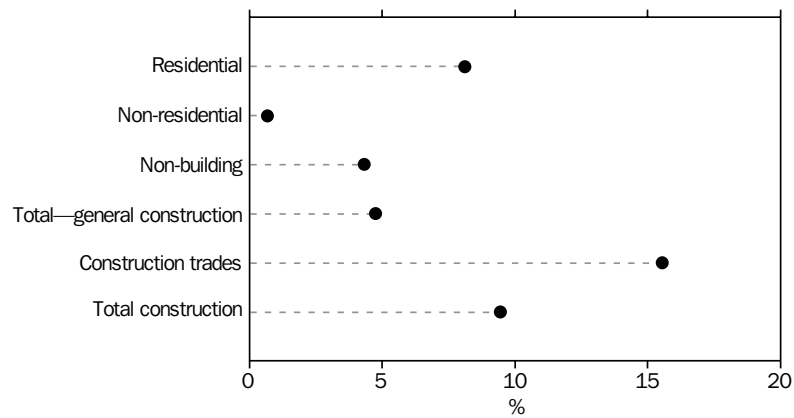
2.4 AVERAGE EMPLOYMENT PER BUSINESS, Construction Industry



2.5 AVERAGE INCOME AND EXPENSES PER BUSINESS, Construction Industry



2.6 PROFIT MARGINS, Construction Industry



2.7 BUSINESS AVERAGES

	Units	General construction						Total construction
		Building construction			Non-building construction		Construction trade services	
		Residential construction	Non-residential building construction	Total	Non-building construction	Total		
Average employment	no.	2.3	10.0	2.8	11.3	3.5	2.3	2.5
Average wages & salaries	\$'000	28.8	363.4	50.3	523.2	91.3	30.8	42.1
Average turnover	\$'000	446.1	4 895.4	731.9	2 666.3	899.6	159.9	298.0
Average income	\$'000	455.2	4 930.6	742.6	2 691.3	911.6	161.6	301.6
Average operating expenses	\$'000	423.1	4 959.3	714.4	2 584.8	876.6	136.7	274.9
Average profit	\$'000	36.1	33.0	35.9	115.2	42.7	24.8	28.1
Average net worth	\$'000	*77.6	**517.0	*105.9	*580.3	*147.0	22.9	46.1
Average gross product	\$'000	85.3	**471.9	**110.1	**764.1	**166.8	**64.1	**83.3

2.8 SUMMARY OF RATIOS

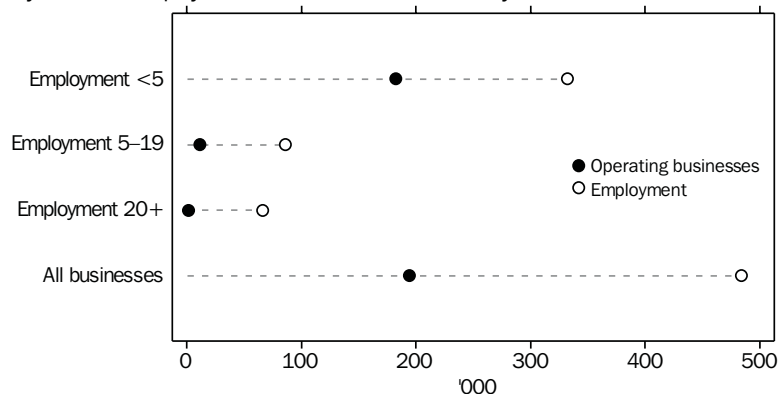
	Units	General construction						
		Building construction			Non-building construction			
		Residential construction	Non-residential building construction	Total	Non-building construction	Total	Construction trade services	Total construction
Profit margin	%	8.1	0.7	4.9	4.3	4.8	15.5	9.5
Return on assets	%	13.6	1.9	9.9	6.7	8.9	47.9	21.4
Return on net worth	%	46.4	6.4	33.9	19.9	29.1	108.3	61.1
Long-term debt to equity	times	*1.4	0.3	*1.0	*1.0	*1.0	0.4	0.8
Current ratio	times	1.4	1.4	1.4	1.5	1.4	1.8	1.5
Interest coverage	times	4.7	3.5	4.6	7.4	4.9	16.9	9.1
Investment rate	%	76.1	**7.1	**57.1	**43.7	**51.8	**80.9	**70.0

A BUSINESS SIZE PERSPECTIVE

Graph 2.9 and table 2.10 illustrate in some detail the predominance of small businesses in the construction industry. Businesses with employment of less than five accounted for 94% of all businesses in the industry, and just over two-thirds of all people working in the industry. In contrast, less than 1% of businesses had employment of 20 or more. Only 14% of people in the industry worked for businesses of this size.

Businesses with employment of less than five were less dominant in terms of total income, operating expenses and OPBT than in terms of the number of businesses and employment (graphs 2.9 and 2.11)—they accounted for slightly less than half the total income and expenses, whereas businesses with employment of 20 or more accounted for almost one-third of these items. Almost three-quarters of construction industry OPBT came from businesses with employment of less than five.

2.9 OPERATING BUSINESSES AND EMPLOYMENT, By Business Employment Size—Construction Industry



Higher profit margins were reported by the smaller businesses. Graph 2.14 illustrates how the numerical dominance of businesses with employment less than five drives the overall industry average well above the profit margins reported by businesses with employment of five or more.

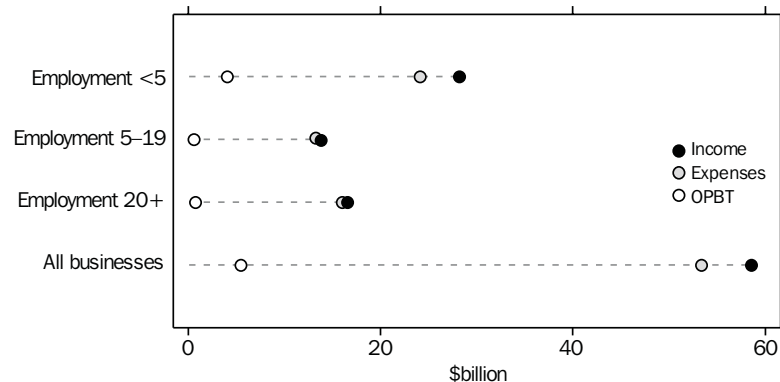
2.10 SUMMARY OF PERFORMANCE, By Business Employment Size

Selected indicators	Units	Employment less than 5	Employment 5 to 19	Employment 20 or more	All businesses
Operating businesses	'000	182.0	11.1	1.2	194.3
Employment	'000	332.2	85.9	66.0	484.1
Wages and salaries	\$m	3 221.7	2 309.8	2 648.3	8 179.8
Turnover	\$m	27 951.2	13 713.7	16 234.0	57 898.8
Total income	\$m	28 202.5	13 801.0	16 591.2	58 594.7
Total operating expenses	\$m	24 123.0	13 288.0	15 987.1	53 398.1
Operating profit before tax	\$m	4 066.5	616.4	781.7	5 464.6
Total assets	\$m	11 330.0	3 487.8	10 747.2	25 565.0
Total liabilities	\$m	6 731.7	2 344.8	7 542.6	16 619.1
Net worth	\$m	*4 598.3	*1 143.0	*3 204.6	8 945.9
Capital expenditure	\$m	*9 984.9	226.3	*1 120.9	*11 332.1
Industry gross product	\$m	**8 657.2	**3 582.2	*3 941.9	**16 181.2

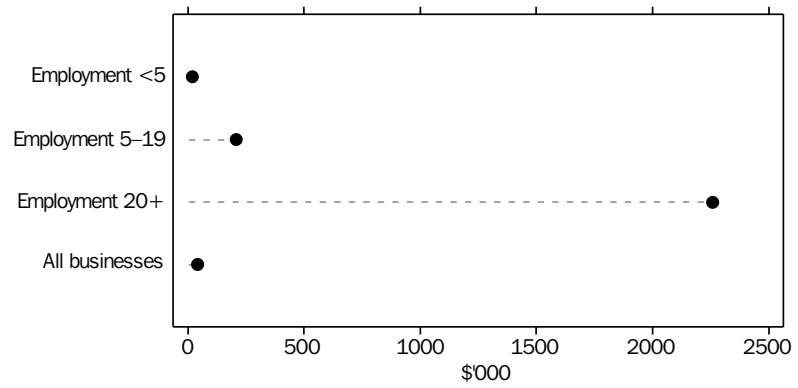
Measures of employment in the construction industry do not take into account the phenomenon of contracting and subcontracting in this industry. Reported employment includes working partners and directors of businesses, as well as all employees of the business. However, it specifically excludes staff engaged on a contract or subcontract basis. Measuring numbers of contract and subcontract staff engaged by the industry is difficult given the shorter term nature of such contracts and the fact that contractors and subcontractors may work for more than one business at any one point in time. Section 3 presents information on total wages and salaries and total contract and subcontract payments in 1996–97 as a means of exploring the extent of contracting work done in the construction industry.

Average wages and salaries per business and average income and expenses for businesses with employment of 20 or more are much higher than the industry average, as shown in graphs 2.12 and 2.13. Average wages and salaries presented in this publication are the average wages and salaries for a business, not the average earnings of employees.

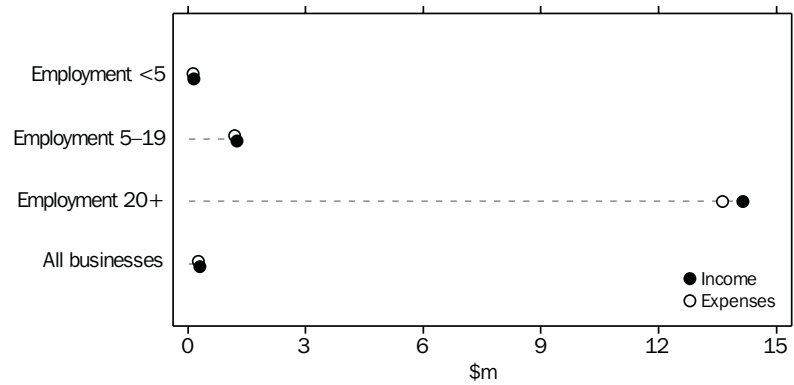
2.11 INCOME, EXPENSES AND OPBT, By Business Employment Size—
Construction Industry



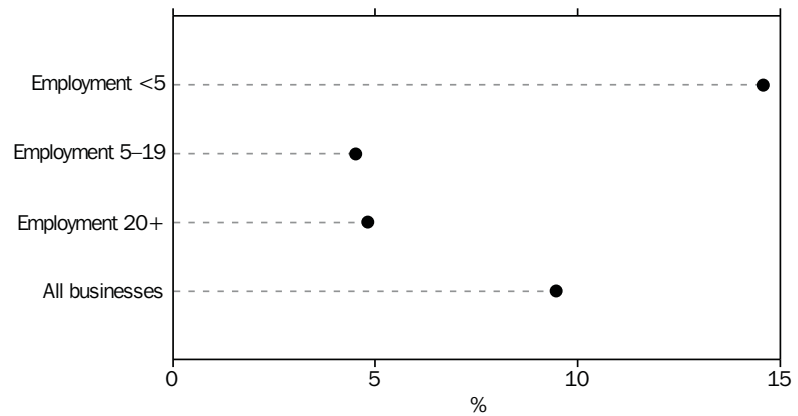
2.12 AVERAGE WAGES AND SALARIES PER BUSINESS,
By Business Employment Size—Construction Industry



2.13 AVERAGE INCOME AND EXPENSES PER BUSINESS,
By Business Employment Size—Construction Industry



2.14 PROFIT MARGIN, By Business Employment Size—Construction Industry



2.15 BUSINESS AVERAGES, By Business Employment Size

	Units	Employment less than 5	Employment 5 to 19	Employment 20 or more	All businesses
Average employment	no.	1.8	7.8	56.3	2.5
Average wages and salaries	\$'000	17.7	208.6	2 258.4	42.1
Average turnover	\$'000	153.6	1 238.5	13 843.8	298.0
Average income	\$'000	154.9	1 246.3	14 148.4	301.6
Average operating expenses	\$'000	132.5	1 200.0	13 633.3	274.9
Average profit	\$'000	22.3	55.7	666.6	28.1
Average net worth	\$'000	*25.3	*103.2	*2 732.8	46.1
Average gross product	\$'000	**47.6	**323.5	*3 361.5	**83.3

2.16 SUMMARY OF RATIOS, By Business Employment Size

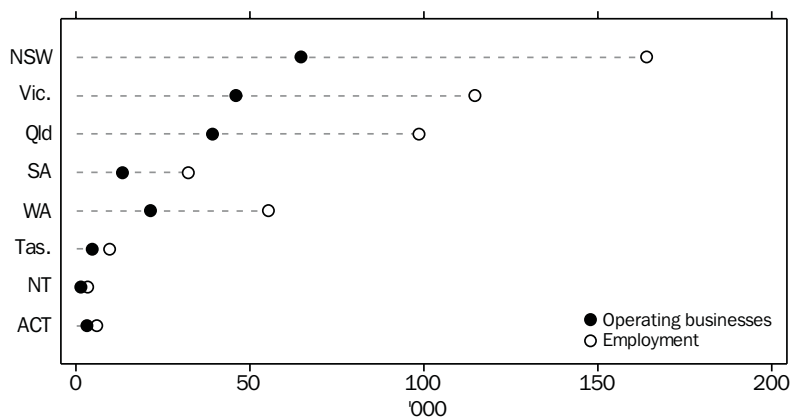
	Units	Employment less than 5	Employment 5 to 19	Employment 20 or more	All businesses
Profit margin	%	14.6	4.5	4.8	9.5
Return on assets	%	35.9	17.7	7.3	21.4
Return on net worth	%	88.4	53.9	24.4	61.1
Long-term debt to equity	times	*0.6	*0.5	*1.2	0.8
Current ratio	times	1.7	1.5	1.4	1.5
Interest coverage	times	12.1	7.2	4.9	9.1
Investment rate	%	**115.3	**6.3	*28.4	**70.0

A STATE AND TERRITORY PERSPECTIVE

Graph 2.17 and table 2.18 present, for all businesses in the construction industry, financial and employment indicators on a State and Territory basis.

New South Wales, Victoria and Queensland dominate the industry in terms of total number of businesses and employment (graph 2.17), and also in terms of the proportion of total income, expenses and OPBT of the industry (graph 2.19).

2.17 TOTAL BUSINESSES AND EMPLOYMENT, Construction Industry



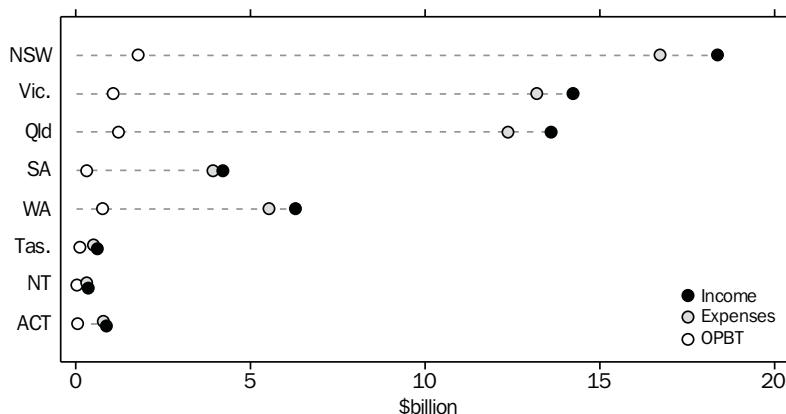
The business averages and ratios provide more helpful comparative information of this State and Territory data. Average employment in businesses across the industry Australia-wide falls within a narrow range between 2.0 and 2.6 persons. The lower average employment per business was reported in the Australian Capital Territory and Tasmania and the higher average employment reported in Western Australia (graph 2.20 and table 2.23).

Average income and operating expenses also varied between the larger and smaller States (graph 2.21). The lowest average income and operating expenses were reported in Tasmania with the higher levels reported in Queensland, South Australia and Victoria. Despite Tasmania's lower levels of income and expenses, it reported the highest profit margin of all States and Territories at 19.9%, followed by the Northern Territory (13.5%) and Western Australia (12.5%).

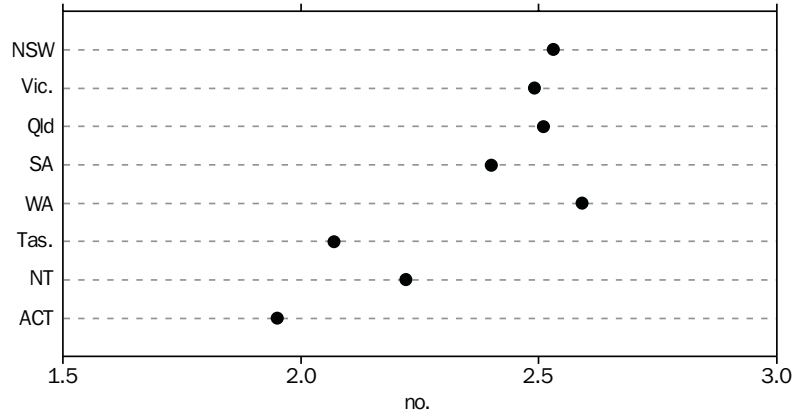
2.18 SUMMARY OF PERFORMANCE

<i>Selected indicators</i>	<i>Units</i>	<i>NSW</i>	<i>Vic.</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas.</i>	<i>NT</i>	<i>ACT</i>	<i>Aust.</i>
Operating businesses	'000	64.7	46.0	39.3	13.4	21.4	4.7	1.6	3.2	194.3
Employment	'000	163.8	114.5	98.6	32.2	55.4	9.8	3.5	6.2	484.1
Wages and salaries	\$m	2 804.2	2 054.9	1 684.6	428.4	998.9	90.4	50.9	67.6	8 179.8
Turnover	\$m	18 002.8	14 147.6	13 490.9	4 180.4	6 215.3	620.2	370.2	*871.3	57 898.8
Total income	\$m	18 363.4	14 247.9	13 600.8	4 221.8	6 287.0	629.6	367.1	*877.0	58 594.7
Total operating expenses	\$m	16 720.5	13 211.0	12 377.0	3 930.9	5 538.7	508.3	321.4	*790.3	53 398.1
Operating profit before tax	\$m	1 796.7	1 085.9	1 234.6	331.2	772.7	123.4	49.8	*70.4	5 464.6
Total assets	\$m	9 419.6	6 127.2	6 065.1	1 487.7	2 130.8	105.1	*117.7	111.7	25 565.0
Total liabilities	\$m	6 314.8	3 695.7	3 916.4	863.3	1 608.6	*63.1	*73.7	*83.6	16 619.1
Net worth	\$m	*3 104.8	*2 431.5	**2 148.7	*624.4	**522.2	**42.0	**44.0	**28.2	8 945.9
Capital expenditure	\$m	**1 979.0	*1 664.6	**4 246.9	60.9	**3 339.6	15.5	*14.3	*11.5	*11 332.1
Industry gross product	\$m	5 430.3	**3 778.1	**3 536.4	**777.6	2 062.6	284.7	**120.8	**190.7	**16 181.2

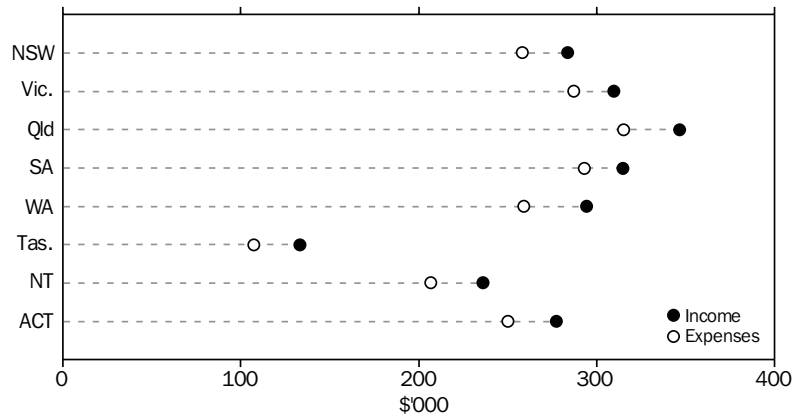
2.19 TOTAL INCOME, EXPENSES AND OPBT, Construction Industry



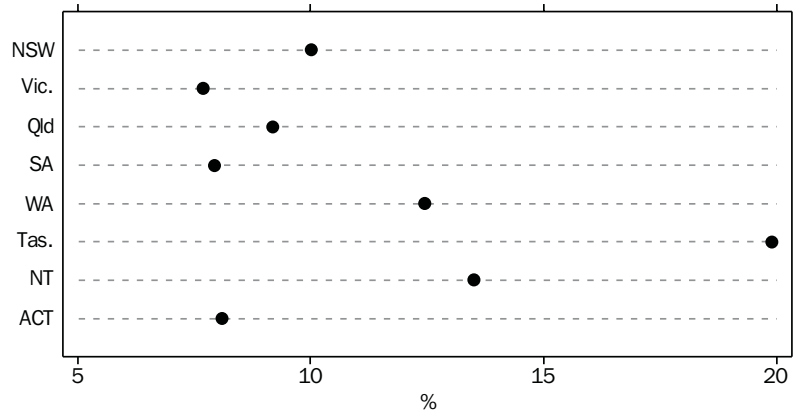
2.20 AVERAGE EMPLOYMENT PER BUSINESS, Construction Industry



2.21 AVERAGE INCOME AND EXPENSE PER BUSINESS, Construction Industry



2.22 PROFIT MARGIN, Construction Industry



2.23 BUSINESS AVERAGES

	<i>Units</i>	<i>NSW</i>	<i>Vic.</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas.</i>	<i>NT</i>	<i>ACT</i>	<i>Aust.</i>
Average employment	no.	2.5	2.5	2.5	2.4	2.6	2.1	2.2	2.0	2.5
Average wages and salaries	\$'000	43.3	44.7	42.9	31.9	46.7	19.1	32.7	21.4	42.1
Average turnover	\$'000	278.1	307.4	343.6	311.5	290.8	131.2	238.0	*275.6	298.0
Average income	\$'000	283.7	309.6	346.4	314.6	294.2	133.2	236.0	*277.4	301.6
Average operating expenses	\$'000	258.3	287.1	315.2	292.9	259.2	107.5	206.6	*250.0	274.9
Average profit	\$'000	27.8	23.6	31.4	24.7	36.2	26.1	32.0	*22.3	28.1
Average net worth	\$'000	*48.0	*52.8	**54.7	*46.5	**24.4	**8.9	**28.3	**8.9	46.1
Average gross product	\$'000	83.9	**82.1	**90.1	**58.0	96.5	60.2	**77.6	**60.3	**83.3

2.24 SUMMARY OF RATIOS

	<i>Units</i>	<i>NSW</i>	<i>Vic.</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas.</i>	<i>NT</i>	<i>ACT</i>	<i>Aust.</i>
Profit margin	%	10.0	7.7	9.2	7.9	12.5	19.9	13.5	*8.1	9.5
Return on assets	%	19.1	17.7	20.4	22.3	36.3	117.4	42.3	*63.0	21.4
Return on net worth	%	57.9	44.7	57.5	53.0	148.0	293.5	113.0	*249.6	61.1
Long-term debt to equity	times	*0.9	*0.7	**0.8	*0.3	**0.9	**1.0	**0.8	**0.4	0.8
Current ratio	times	1.5	1.7	1.6	1.7	1.3	1.7	1.6	1.3	1.5
Interest coverage	times	6.9	10.8	9.1	7.5	14.1	38.7	7.9	40.4	9.1
Investment rate	%	36.4	**44.1	**120.1	**7.8	161.9	5.4	**11.8	**6.0	**70.0

SECTION 3

THE RESIDENTIAL CONSTRUCTION AND CONSTRUCTION TRADES INDUSTRIES

INTRODUCTION

This section of the publication provides information collected from the Residential construction industry (House construction and Residential building construction n.e.c.) and the Construction trade services industry. These parts of the construction industry were asked more detailed questions in relation to their financial and other business operations, for example, waste management and disposal, computer use, and strategies used in coping with downturns in the industry.

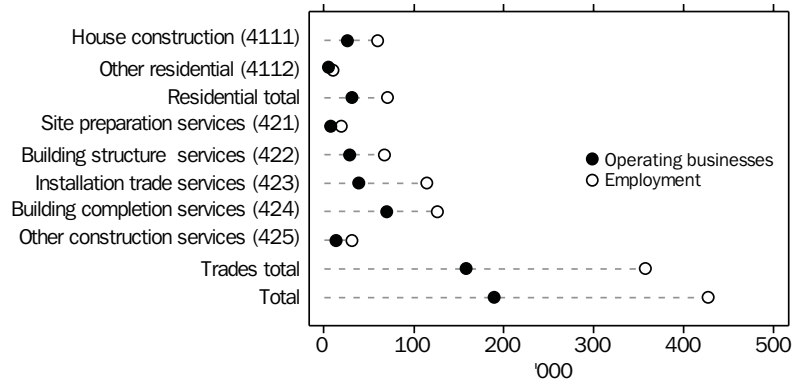
This section does not include data from businesses involved in Non-residential building construction (Australian and New Zealand Standard Industrial Classification (ANZSIC Class 4113)), or Non-building construction (ANZSIC Classes 4121 and 4122). ANZSIC classes and groups which are included in this section, and their key activities are:

- House construction (ANZSIC Class 4111): construction of houses (except semi-detached houses), alterations, additions, renovations or general repair to houses;
- Residential building construction n.e.c. (ANZSIC Class 4112): construction of residential buildings except houses, alterations, additions, renovations or general repair to these buildings. Includes such buildings as apartments, duplexes, flats, high rise units;
- Site preparation services (ANZSIC Group 421): earthmoving work such as levelling of construction sites, excavation of foundations, trench digging, removal of overburden;
- Building structure services (ANZSIC Group 422): concreting, bricklaying, roofing, structural steel erection;
- Installation trade services (ANZSIC Group 423): plumbing, electrical, air conditioning, fire and security systems;
- Building completion services (ANZSIC Group 424): plastering and ceiling services, carpentry, tiling and carpeting, painting and decorating, glazing; and
- Other construction services (ANZSIC Group 425): landscaping services, other construction services not covered in ANZSIC Groups 421–424.

A listing of the construction chapter of ANZSIC is contained in the Explanatory Notes, paragraph 4.

As in the overall construction industry view in section 2, the construction trades dominate this view of the industry in terms of number of businesses and employment (graph 3.1). Within the construction trades, the building completion services were the most numerous in terms of businesses and employment within those businesses. Installation trade services (ANZSIC Group 423) was the next most dominant group of businesses. The installation trade services group also dominated in terms of income and operating expenses (graph 3.3), although the income and expenses for house construction (ANZSIC Class 4111) were greater.

3.1 TOTAL OPERATING BUSINESSES AND EMPLOYMENT, Residential Construction and Construction Trades



Average employment per business in residential construction and construction trades businesses ranged from 1.8 for the building completion services (ANZSIC Group 424) to 2.9 in businesses involved in installation trade services (ANZSIC Group 423) (graph 3.4 and table 3.7). Businesses in house construction and other residential construction (ANZSIC Classes 4111 and 4112) reported the highest average income and operating expenses per business (graph 3.5 and table 3.7).

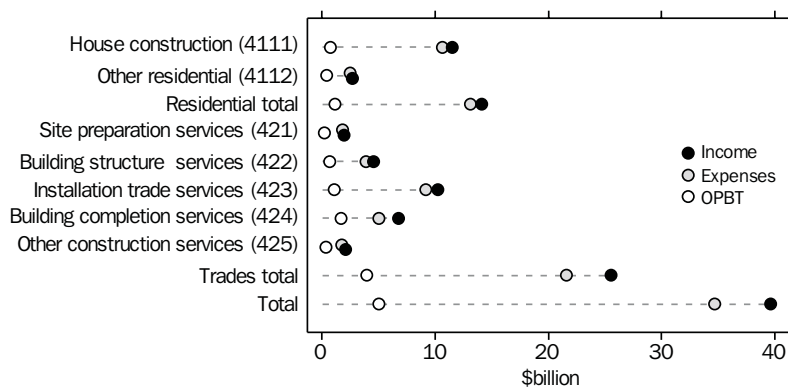
The highest profit margin was reported in the building completion trades (ANZSIC Group 424) (graph 3.6).

3.2 SELECTED INDICATORS, By Residential Construction and Construction Trades

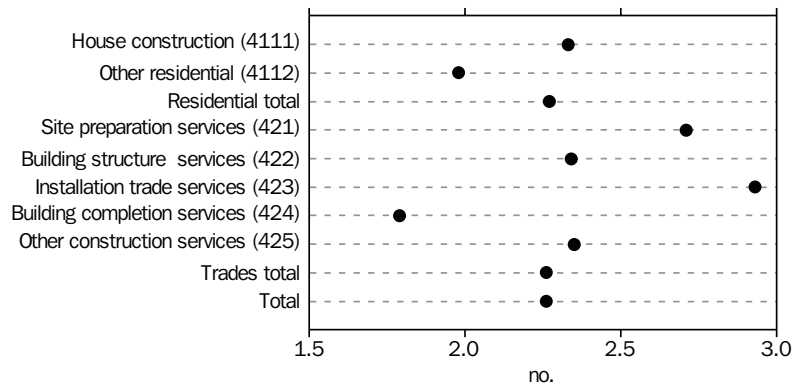
<i>Residential construction</i>				
	<i>Units</i>	<i>House construction</i>	<i>Residential building construction n.e.c.</i>	<i>Total</i>
Operating businesses	'000	25.8	5.2	31.0
Employment	'000	60.0	10.3	70.3
Wages and salaries	\$m	769.2	122.0	891.2
Turnover	\$m	11 358.3	2 470.7	13 829.0
Total income	\$m	11 469.6	2 639.0	14 108.5
Total operating expenses	\$m	10 647.9	2 465.9	13 113.8
Operating profit before tax	\$m	731.1	386.7	1 117.7
Total assets	\$m	3 328.8	4 873.3	8 202.1
Total liabilities	\$m	2 185.8	3 609.6	5 795.5
Net worth	\$m	*1 143.0	**1 263.7	*2 406.7
Capital expenditure	\$m	**1 870.2	*141.8	**2 012.0
Industry gross product	\$m	*2 064.0	**578.6	2 642.6

<i>Construction trade services</i>								
	<i>Units</i>	<i>Site preparation services</i>	<i>Building structure services</i>	<i>Installation trade services</i>	<i>Building completion services</i>	<i>Other construction services</i>	<i>Total</i>	<i>Total</i>
Operating businesses	'000	7.1	28.7	38.9	70.1	13.2	158.0	189.0
Employment	'000	19.2	67.1	114.0	125.7	30.9	356.9	427.2
Wages and salaries	\$m	345.9	870.4	2 263.0	1 027.4	363.6	4 870.4	5 761.6
Turnover	\$m	1 911.3	4 516.2	10 145.3	6 635.4	2 062.0	25 270.2	39 099.2
Total income	\$m	1 939.9	4 557.4	10 255.6	6 733.3	2 046.6	25 532.9	39 641.4
Total operating expenses	\$m	1 780.2	3 865.9	9 180.2	5 041.8	1 736.6	21 604.8	34 718.6
Operating profit before tax	\$m	166.4	688.4	1 087.4	1 659.6	312.5	3 914.3	5 032.0
Total assets	\$m	901.4	1 270.8	3 158.6	2 274.3	567.3	8 172.4	16 374.5
Total liabilities	\$m	571.7	876.0	1 853.8	892.6	363.7	4 557.8	10 353.2
Net worth	\$m	**329.7	*394.8	1 304.8	*1 381.8	*203.6	3 614.6	6 021.3
Capital expenditure	\$m	**3 470.2	**832.6	*262.7	**3 294.2	**339.0	**8 198.6	*10 210.6
Industry gross product	\$m	788.1	1 837.0	**3 840.3	2 890.3	776.4	**10 132.1	**12 774.8

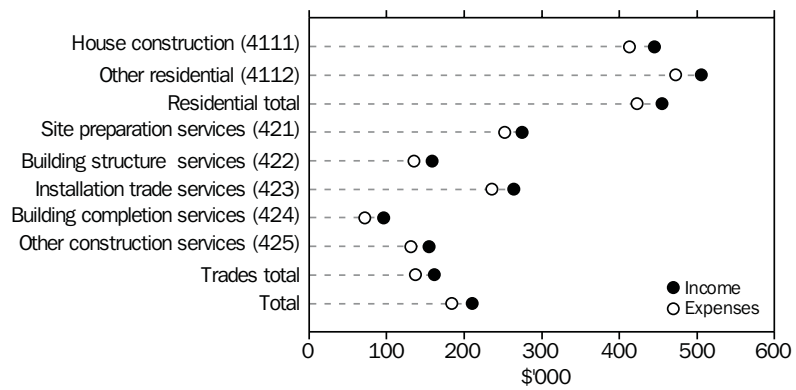
3.3 TOTAL INCOME, EXPENSES AND OPBT, Residential Construction and Construction Trades



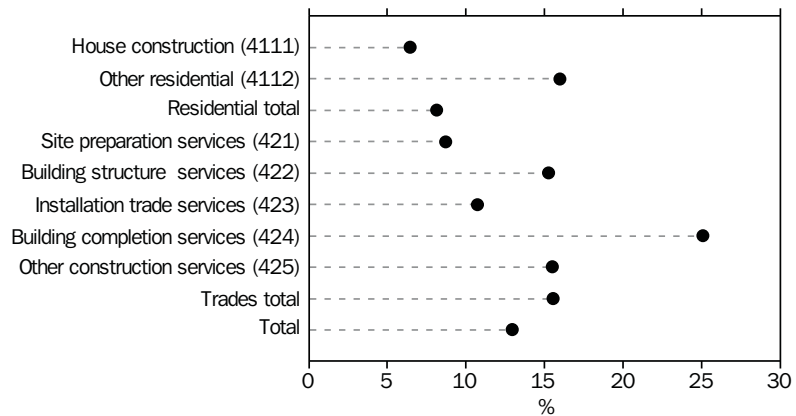
3.4 AVERAGE EMPLOYMENT PER BUSINESS,
Residential Construction and Construction Trades



3.5 AVERAGE INCOME AND EXPENSES PER BUSINESS,
Residential Construction and Construction Trades



3.6 PROFIT MARGIN, Residential Construction and Construction Trades



3.7 BUSINESS AVERAGES, By Residential Construction and Construction Trades

		<i>Residential construction</i>		
	<i>Units</i>	<i>House construction</i>	<i>Residential building construction n.e.c.</i>	<i>Total</i>
Average employment	no.	2.3	2.0	2.3
Average wages and salaries	\$'000	29.8	23.4	28.8
Average turnover	\$'000	440.6	473.3	446.1
Average income	\$'000	445.0	505.5	455.2
Average operating expenses	\$'000	413.1	472.4	423.1
Average profit	\$'000	28.4	74.1	36.1
Average net worth	\$'000	*44.3	**242.1	*77.6
Average gross product	\$'000	*80.1	**110.8	85.3

		<i>Construction trade services</i>						
	<i>Units</i>	<i>Site preparation services</i>	<i>Building structure services</i>	<i>Installation trade services</i>	<i>Building completion services</i>	<i>Other construction services</i>	<i>Totals</i>	<i>Total</i>
Average employment	no.	2.7	2.3	2.9	1.8	2.4	2.3	2.3
Average wages and salaries	'000	48.9	30.4	58.2	14.7	27.6	30.8	30.5
Average turnover	'000	270.2	157.5	260.7	94.6	156.4	159.9	206.9
Average income	'000	274.3	158.9	263.5	96.0	155.2	161.6	209.8
Average operating expenses	'000	251.7	134.8	235.9	71.9	131.7	136.7	183.7
Average profit	'000	23.5	24.0	27.9	23.7	23.7	24.8	26.6
Average net worth	'000	**46.6	*13.8	33.5	*19.7	*15.4	22.9	31.9
Average gross product	'000	111.4	64.1	**98.7	41.2	58.9	**64.1	**67.6

3.8 BUSINESS RATIOS, By Residential Construction And Construction Trades

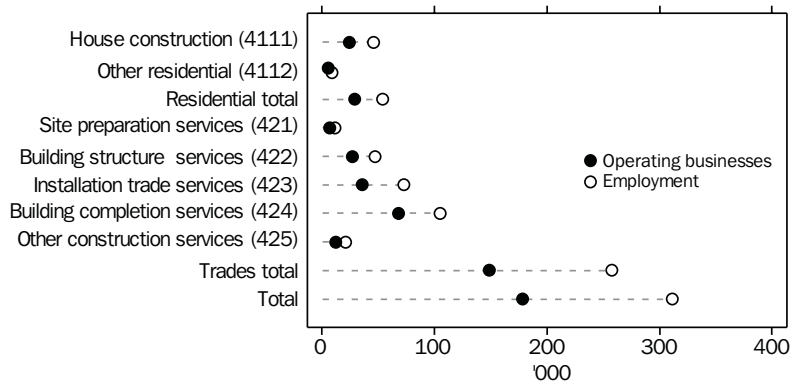
		<i>Residential construction</i>		
	<i>Units</i>	<i>House construction</i>	<i>Residential building construction n.e.c.</i>	<i>Total</i>
Profit margin	%	6.4	16.0	8.1
Return on assets	%	22.0	7.9	13.6
Return on net worth	%	64.0	30.6	46.4
Long-term debt to equity	times	*0.7	**2.0	*1.4
Current ratio	times	1.5	1.4	1.4
Interest coverage	times	7.5	2.7	4.7
Investment rate	%	*90.6	**24.5	76.1

		<i>Construction trade services</i>						
	<i>Units</i>	<i>Site preparation services</i>	<i>Building structure services</i>	<i>Installation trade services</i>	<i>Building completion services</i>	<i>Other construction services</i>	<i>Total</i>	<i>Total</i>
Profit margin	%	8.7	15.3	10.7	25.1	15.5	15.5	12.9
Return on assets	%	18.5	54.2	34.4	73.0	55.1	47.9	30.7
Return on net worth	%	50.5	174.4	83.3	120.1	153.5	108.3	83.6
Long-term debt to equity	times	**0.9	*0.7	0.4	*0.3	*0.7	0.4	0.8
Current ratio	times	1.6	1.5	1.7	2.6	1.6	1.8	1.6
Interest coverage	times	6.6	17.9	16.1	22.9	16.1	16.9	9.5
Investment rate	%	440.3	45.3	**6.8	114.0	43.7	**80.9	**79.9

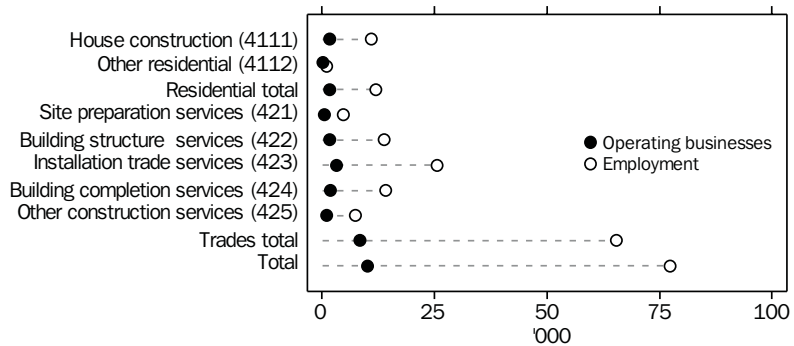
A BUSINESS SIZE PERSPECTIVE

This section of the publication reviews the structure of residential construction and construction trade businesses in terms of the employment size of the business. Graphs 3.9–3.11 and table 3.24 illustrate the number of businesses of different sizes operating in various parts of the residential construction and construction trades industries. For businesses with employment less than five, the installation trade services (ANZSIC Group 423) and building completion services (ANZSIC Group 424) dominate both in terms of number of businesses and employment. Installation trade businesses (ANZSIC Group 423) were the most numerous and employed the most people in businesses with employment of 5–19 (graph 3.10) and 20 or more (graph 3.11), although the overall numbers were substantially lower than for businesses with employment of less than five.

3.9 EMPLOYMENT LESS THAN 5, Total Operating Businesses And Employment—Residential Construction and Construction Trades

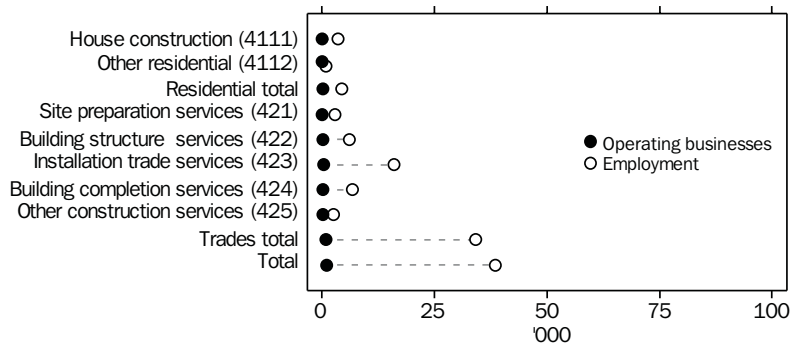


3.10 EMPLOYMENT 5–19, Total Operating Businesses and Employment—Residential Construction and Construction Trades



Note: the changed axis on this chart, to a maximum of 100,000.

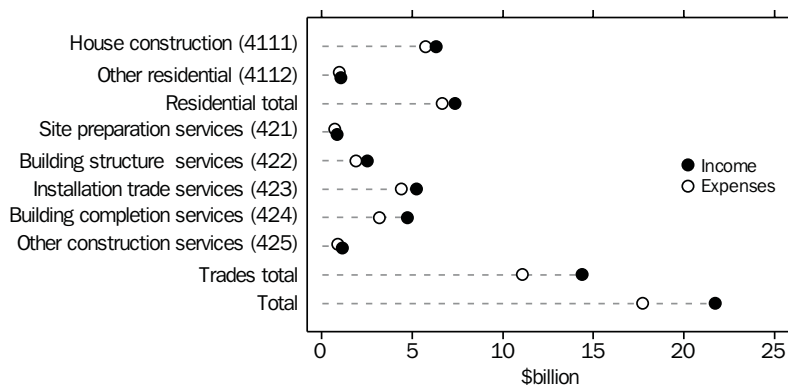
3.11 EMPLOYMENT 20 OR MORE, Total Operating Businesses And Employment—Residential Construction and Construction Trades



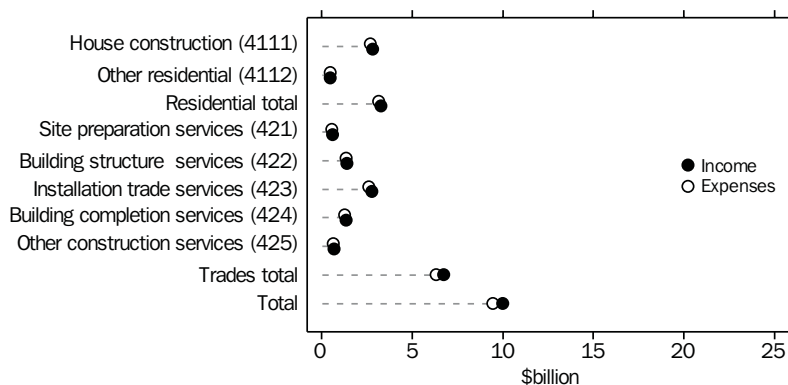
Note: the changed axis on this chart, to a maximum of 100,000.

Over half of the total income (55%) and total operating expenses (51%) in the residential construction and construction trades industry came from businesses with less than five employment (table 3.24 and graphs 3.12–3.14). Businesses with employment of 5–19 accounted for about one-quarter of the total income and expenses (25% of income and 27% of expenses) and businesses with employment of 20 or more accounted for the remaining 20% of income and 22% of expenses.

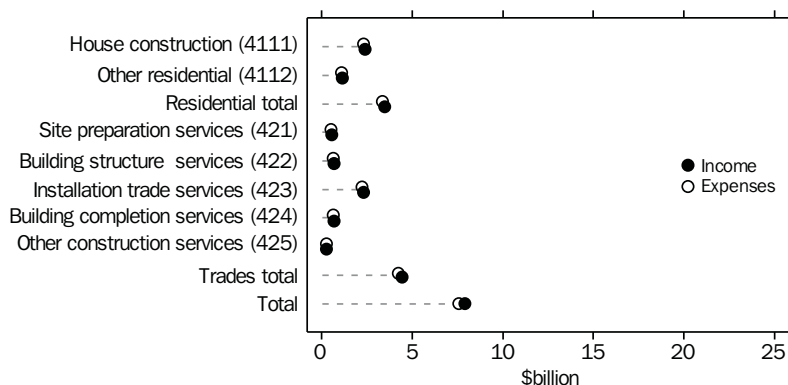
3.12 EMPLOYMENT LESS THAN 5, Total Income And Expenses—
Residential Construction and Construction Trades



3.13 EMPLOYMENT 5–19, Total Income And Expenses—
Residential Construction and Construction Trades



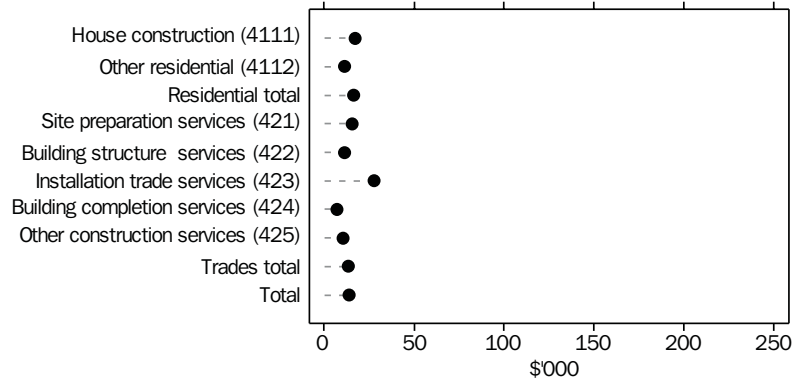
3.14 EMPLOYMENT 20 OR MORE, Total Income And Expenses—
Residential Construction and Construction Trades



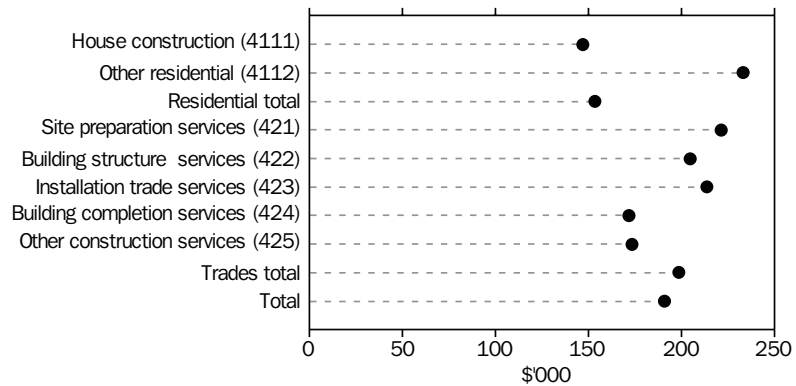
Graphs 3.15–3.17 and table 3.25 illustrate the differences in average wages and salaries per business across different size categories. Across industries, businesses with employment of 20 or more paid an average \$1.5m in wages and salaries in 1996–97. For businesses of this size, the highest average salaries were paid by businesses in site preparation (ANZSIC Group 421) and house construction (ANZSIC Class 4111). Note that graph 3.17 is plotted on a different axis from graphs 3.15 and 3.16, because of the much higher average salaries paid by businesses with employment of 20 or more.

Average wages and salaries paid by businesses with less than five staff in 1996–97 was \$13,900 and the average for businesses with employment of 5–19 was \$190,600.

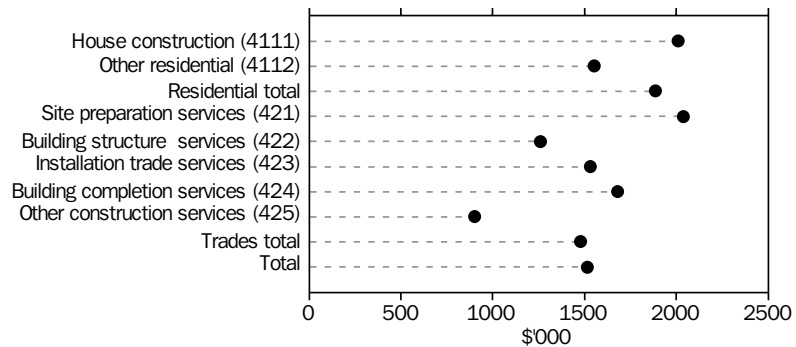
3.15 EMPLOYMENT LESS THAN 5, Average Wages and Salaries Per Business—
Residential Construction and Construction Trades



3.16 EMPLOYMENT 5–19, Average Wages And Salaries Per Business—
Residential Construction and Construction Trades



3.17 EMPLOYMENT 20 OR MORE, Average Wages And Salaries Per Business—
Residential Construction and Construction Trades



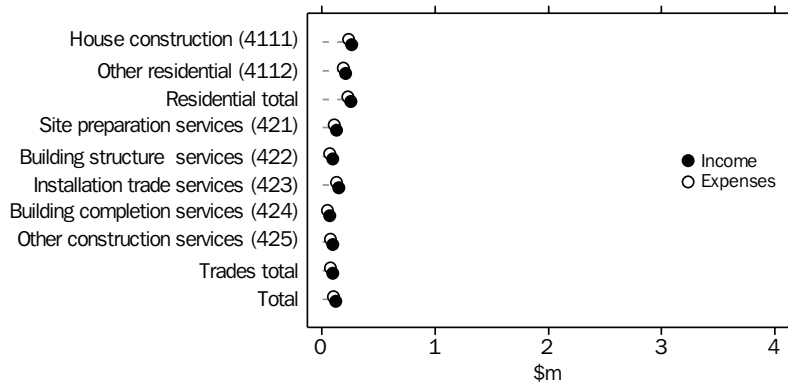
Note: the different axis on this chart, extending to \$2.5m.

A BUSINESS SIZE
PERSPECTIVE *continued*

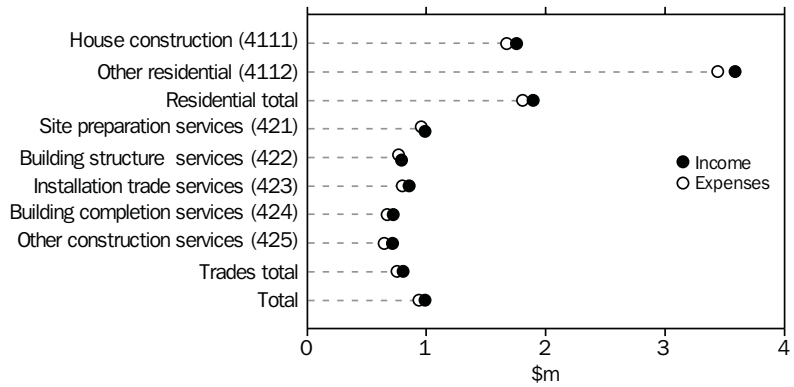
As for average wages and salaries in the preceding graphs, businesses with employment of 20 or more reported higher average income and operating expenses (graphs 3.18–3.20). For businesses of this size, average income per business was reported at \$8.7m (table 3.25) and average expenses were \$8.3m.

Average income for businesses with 5–19 employment was \$0.99m and expenses were \$0.93m. Businesses with employment less than five reported average incomes of \$122,100 and average expenses of \$99,500. Businesses involved in house construction (ANZSIC Class 4111) and other residential construction (ANZSIC Class 4112), regardless of employment size, generally reported higher average income and expenses than businesses of equivalent size in the construction trades parts of the industry (graphs 3.18–3.20).

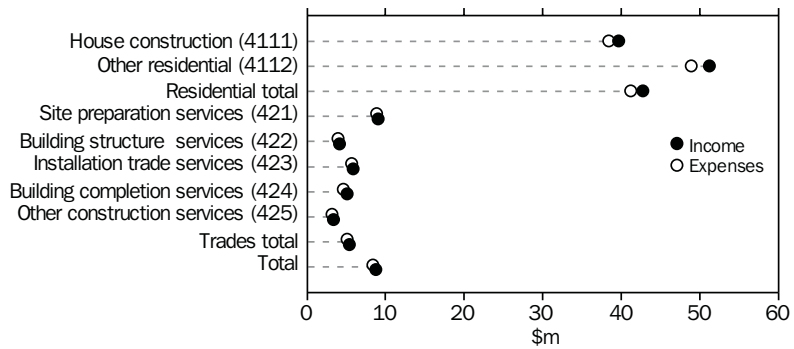
3.18 EMPLOYMENT LESS THAN 5, Average Income And Expenses Per Business—
Residential Construction and Construction Trades



3.19 EMPLOYMENT 5–19, Average Income And Expenses Per Business—
Residential Construction and Construction Trades



3.20 EMPLOYMENT 20 OR MORE, Average Income And Expenses Per Business—
Residential Construction and Construction Trades

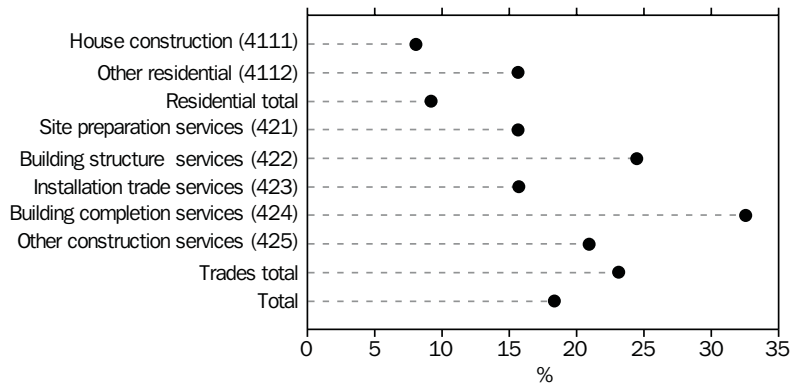


Note: the changed axis on this chart, extending to \$60m.

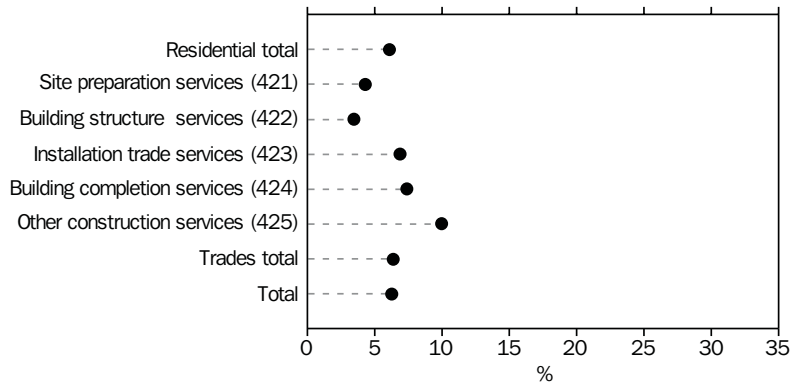
A BUSINESS SIZE
PERSPECTIVE *continued*

Across these three employment size groupings, the higher profit margins were reported in the smaller businesses where employment was less than five (graph 3.21). For these smaller businesses, the only part of the industry which reported profit margins of less than 10% was the house construction sector (ANZSIC Class 4111). The most profitable businesses of this size were building completion services (ANZSIC Group 424) and building structure services (ANZSIC Group 422). Profit margins were generally lower in businesses with employment of 5–19 (graph 3.22). For these businesses, other construction services (ANZSIC Group 425) reported the highest profit margin at 10.0%. The profit margin across all businesses of this size was 6.3%. For businesses with employment of 20 or more, the profit margins were highest in building completion services (ANZSIC Group 424). All other parts of the industry for businesses of this size reported profit margins between 2.4% and 7.7%.

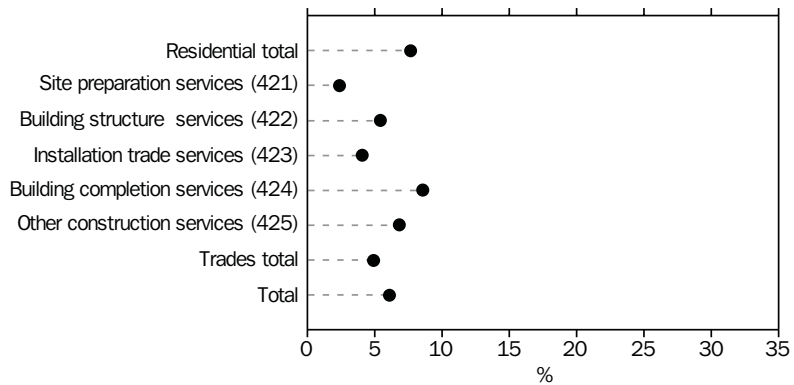
3.21 EMPLOYMENT LESS THAN 5, Profit Margin—
Residential Construction and Construction Trades



3.22 EMPLOYMENT 5–19, Profit Margin—
Residential Construction and Construction Trades



3.23 EMPLOYMENT 20 OR MORE, Profit Margin—
Residential Construction and Construction Trades



3.24 SELECTED INDICATORS, By Residential Construction and Construction Trades—By Business Employment Size

	<i>Residential construction</i>			<i>Total</i>
	<i>Units</i>	<i>House construction</i>	<i>Residential building construction n.e.c.</i>	
Businesses with employment less than 5				
Operating businesses	'000	24.1	5.1	29.2
Employment	'000	45.6	8.5	54.1
Wages and salaries	\$m	416.7	57.3	474.0
Turnover	\$m	6 250.0	1 111.3	7 361.3
Total income	\$m	6 321.3	1 046.7	7 368.0
Total operating expenses	\$m	5 710.8	942.8	6 653.6
Operating profit before tax	\$m	504.2	166.9	671.1
Total assets	\$m	2 024.1	*1 295.4	3 319.4
Total liabilities	\$m	*1 340.3	**959.8	*2 300.1
Net worth	\$m	**683.8	**335.5	**1 019.3
Capital expenditure	\$m	**1 721.7	*123.5	**1 845.2
Industry gross product	\$m	1 267.4	**346.6	1 614.0
Businesses with employment 5 to 19				
Operating businesses	'000	1.6	0.1	1.7
Employment	'000	10.9	1.0	11.9
Wages and salaries	\$m	232.9	30.8	263.7
Turnover	\$m	2 768.2	467.7	3 235.9
Total income	\$m	2 789.1	474.4	3 263.5
Total operating expenses	\$m	2 653.8	454.7	3 108.5
Operating profit before tax	\$m	n.p.	n.p.	198.1
Total assets	\$m	n.p.	n.p.	770.9
Total liabilities	\$m	n.p.	n.p.	457.2
Net worth	\$m	n.p.	n.p.	*313.7
Capital expenditure	\$m	*62.4	15.3	77.8
Industry gross product	\$m	**543.4	**73.9	**617.3
Businesses with employment 20 or more				
Operating businesses	'000	0.1	—	0.1
Employment	'000	3.5	0.9	4.3
Wages and salaries	\$m	119.6	33.9	153.5
Turnover	\$m	2 340.1	891.7	3 231.8
Total income	\$m	2 359.2	1 117.8	3 477.0
Total operating expenses	\$m	2 283.3	1 068.3	3 351.6
Operating profit before tax	\$m	n.p.	n.p.	248.5
Total assets	\$m	n.p.	n.p.	4 111.8
Total liabilities	\$m	n.p.	n.p.	3 038.1
Net worth	\$m	n.p.	n.p.	**1 073.7
Capital expenditure	\$m	*86.1	*2.9	*89.0
Industry gross product	\$m	**253.2	**158.2	**411.3
All businesses				
Operating businesses	'000	25.8	5.2	31.0
Employment	'000	60.0	10.3	70.3
Wages and salaries	\$m	769.2	122.0	891.2
Turnover	\$m	11 358.3	2 470.7	13 829.0
Total income	\$m	11 469.6	2 639.0	14 108.5
Total operating expenses	\$m	10 647.9	2 465.9	13 113.8
Operating profit before tax (OPBT)	\$m	731.1	386.7	1 117.7
Total assets	\$m	3 328.8	4 873.3	8 202.1
Total liabilities	\$m	2 185.8	3 609.6	5 795.5
Net worth	\$m	*1 143.0	**1 263.7	*2 406.7
Capital expenditure	\$m	**1 870.2	*141.8	**2 012.0
Industry gross product	\$m	*2 064.0	**578.6	2 642.6

3.24 SELECTED INDICATORS, By Residential Construction and Construction Trades—By Business Employment Size
—continued

	Units	Construction trade services						Total	Total
		Site preparation services	Building structure services	Installation trade services	Building completion services	Other construction services			
Businesses with employment less than 5									
Operating businesses	'000	6.4	26.8	35.3	68.2	12.2	148.8	178.0	
Employment	'000	11.6	47.2	72.5	104.9	21.1	257.3	311.3	
Wages and salaries	\$m	99.8	307.6	975.0	482.3	129.2	1 993.8	2 467.8	
Turnover	\$m	830.0	2 473.9	5 158.1	4 633.7	1 095.2	14 190.9	21 552.2	
Total income	\$m	841.5	2 500.2	5 204.5	4 708.8	1 107.8	14 362.7	21 730.7	
Total operating expenses	\$m	711.5	1 891.8	4 401.4	3 173.8	881.5	11 059.9	17 713.6	
Operating profit before tax	\$m	130.0	604.7	808.2	1 503.4	227.6	3 274.0	3 945.1	
Total assets	\$m	*304.4	760.5	1 698.4	*1721.7	293.0	4 778.0	8 097.5	
Total liabilities	\$m	**213.1	520.3	924.7	485.5	*212.6	2 356.3	4 656.5	
Net worth	\$m	**91.2	**240.1	773.8	*1 236.2	**80.4	2 421.7	*3 441.0	
Capital expenditure	\$m	**3 425.9	**800.8	*212.3	**3 278.0	**325.9	**8 043.1	*9 888.3	
Industry gross product	\$m	432.5	1 081.0	**2 023.0	2 073.0	*364.2	**5 973.6	**7 587.6	
Businesses with employment 5 to 19									
Operating businesses	'000	0.6	1.7	3.2	1.9	1.0	8.4	10.1	
Employment	'000	4.7	13.8	25.5	14.1	7.4	65.4	77.3	
Wages and salaries	\$m	126.9	357.2	690.8	318.6	165.1	1 658.6	1 922.3	
Turnover	\$m	558.1	1 374.5	2 735.8	1 321.4	710.2	6 700.1	9 936.0	
Total income	\$m	569.2	1 384.5	2 763.0	1 340.7	680.9	6 738.2	10 001.7	
Total operating expenses	\$m	550.2	1 337.7	2 579.5	1 239.2	615.3	6 321.9	9 430.4	
Operating profit before tax	\$m	*23.8	*47.5	187.5	98.0	67.3	424.2	622.3	
Total assets	\$m	289.3	329.5	706.1	313.0	201.9	1 839.8	2 610.7	
Total liabilities	\$m	*196.8	224.8	449.6	223.0	97.2	1 191.5	1 648.7	
Net worth	\$m	**92.5	*104.7	*256.5	*90.0	*104.7	648.3	962.1	
Capital expenditure	\$m	*32.6	22.9	35.7	*9.9	*9.3	110.5	188.2	
Industry gross product	\$m	*179.5	*486.4	**1 037.3	479.9	*312.5	**2 495.6	**3112.9	
Businesses with employment 20 or more									
Operating businesses	'000	0.1	0.2	0.4	0.1	0.1	0.8	0.9	
Employment	'000	2.9	6.0	16.0	6.8	2.5	34.2	38.5	
Wages and salaries	\$m	119.2	205.6	597.3	226.5	69.3	1 218.0	1 371.5	
Turnover	\$m	523.1	667.7	2 251.4	680.3	256.7	4 379.2	7 611.0	
Total income	\$m	529.2	672.8	2 288.2	683.9	257.9	4 432.0	7 909.0	
Total operating expenses	\$m	518.6	636.4	2 199.4	628.8	239.8	4 223.0	7 574.6	
Operating profit before tax	\$m	12.5	36.2	91.7	*58.2	17.6	216.1	464.6	
Total assets	\$m	307.7	180.8	754.1	239.6	72.3	1 554.6	5 666.3	
Total liabilities	\$m	161.7	130.9	479.5	184.0	53.9	1 010.0	4 048.1	
Net worth	\$m	146.0	*50.0	274.5	55.6	*18.5	544.6	*1 618.2	
Capital expenditure	\$m	11.7	8.8	14.6	*6.3	3.7	45.1	134.1	
Industry gross product	\$m	176.2	269.6	780.0	337.4	*99.7	1 662.9	2 074.3	
All businesses									
Operating businesses	'000	7.1	28.7	38.9	70.1	13.2	158.0	189.0	
Employment	'000	19.2	67.1	114.0	125.7	30.9	356.9	427.2	
Wages and salaries	\$m	345.9	870.4	2 263.0	1 027.4	363.6	4 870.4	5 761.6	
Turnover	\$m	1 911.3	4 516.2	10 145.3	6 635.4	2 062.0	25 270.2	39 099.2	
Total income	\$m	1 939.9	4 557.4	10 255.6	6 733.3	2 046.6	25 532.9	39 641.4	
Total operating expenses	\$m	1 780.2	3 865.9	9 180.2	5 041.8	1 736.6	21 604.8	34 718.6	
Operating profit before tax	\$m	166.4	688.4	1 087.4	1 659.6	312.5	3 914.3	5 032.0	
Total assets	\$m	901.4	1 270.8	3 158.6	2 274.3	567.3	8 172.4	16 374.5	
Total liabilities	\$m	571.7	876.0	1 853.8	892.6	363.7	4 557.8	10 353.2	
Net worth	\$m	**329.7	*394.8	1 304.8	*1 381.8	*203.6	3 614.6	6 021.3	
Capital expenditure	\$m	**3 470.2	**832.6	*262.7	**3 294.2	**339.0	**8 198.6	*10 210.6	
Industry gross product	\$m	788.1	1 837.0	** 3 840.3	2 890.3	776.4	**10 132.1	**12 774.8	

3.25 BUSINESS AVERAGES, By Residential Construction and Construction Trades—By Business Employment Size

	<i>Residential construction</i>			
	<i>Units</i>	<i>House construction</i>	<i>Residential building construction n.e.c.</i>	<i>Total</i>
Businesses with employment less than 5				
Average employment	no.	1.9	1.7	1.9
Average wages and salaries	\$'000	17.3	11.3	16.2
Average turnover	\$'000	259.0	219.4	252.1
Average income	\$'000	262.0	206.6	252.4
Average operating expenses	\$'000	236.7	186.1	227.9
Average profit	\$'000	20.9	33.0	23.0
Average net worth	\$'000	**28.3	**66.2	**34.9
Average gross product	\$'000	52.5	**68.4	55.3
Businesses with employment 5 to 19				
Average employment	no.	6.9	7.7	6.9
Average wages and salaries	\$'000	146.7	233.0	153.3
Average turnover	\$'000	1 743.8	3 536.4	1 881.7
Average income	\$'000	1 757.0	3 587.1	1 897.7
Average operating expenses	\$'000	1 671.7	3 438.6	1 807.6
Average profit	\$'000	n.p.	n.p.	115.2
Average net worth	\$'000	n.p.	n.p.	*182.4
Average gross product	\$'000	**342.3	**558.6	**359.0
Businesses with employment 20 or more				
Average employment	no.	58.5	39.1	53.3
Average wages and salaries	\$'000	2 010.1	1 550.3	1 886.7
Average turnover	\$'000	39 314.7	40 824.0	39 719.9
Average income	\$'000	39 635.2	51 176.5	42 733.5
Average operating expenses	\$'000	38 360.5	48 909.7	41 192.5
Average profit	\$'000	n.p.	n.p.	3 053.6
Average net worth	\$'000	n.p.	n.p.	**13 195.7
Average gross product	\$'000	**4 253.4	**7 241.6	**5 055.6
All businesses				
Average employment	no.	2.3	2.0	2.3
Average wages and salaries	\$'000	29.8	23.4	28.8
Average turnover	\$'000	440.6	473.3	446.1
Average income	\$'000	445.0	505.5	455.2
Average operating expenses	\$'000	413.1	472.4	423.1
Average profit	\$'000	28.4	74.1	36.1
Average net worth	\$'000	*44.3	**242.1	*77.6
Average gross product	\$'000	*80.1	**110.8	85.3

3.25 BUSINESS AVERAGES, By Residential Construction and Construction Trades—By Business Employment Size
—continued

	Units	Construction trade services						Total	Total
		Site preparation services	Building structure services	Installation trade services	Building completion services	Other construction services	Total		
Businesses with employment less than 5									
Average employment	no.	1.8	1.8	2.1	1.5	1.7	1.7	1.8	
Average wages and salaries	\$'000	15.5	11.5	27.6	7.1	10.6	13.4	13.9	
Average turnover	\$'000	128.9	92.4	146.2	68.0	90.1	95.4	121.1	
Average income	\$'000	130.7	93.4	147.5	69.1	91.2	96.5	122.1	
Average operating expenses	\$'000	110.5	70.7	124.7	46.6	72.5	74.3	99.5	
Average profit	\$'000	20.2	22.6	22.9	22.1	18.7	22.0	22.2	
Average net worth	\$'000	**14.2	**9.0	21.9	*18.1	**6.6	16.3	*19.3	
Average gross product	\$'000	67.2	40.4	**57.3	30.4	*30.0	**40.1	**42.6	
Businesses with employment 5 to 19									
Average employment	no.	8.1	7.9	7.9	7.6	7.7	7.8	7.7	
Average wages and salaries	\$'000	221.1	204.6	213.4	171.8	173.1	198.3	190.6	
Average turnover	\$'000	972.3	787.3	845.1	712.7	744.5	801.0	985.3	
Average income	\$'000	991.5	793.0	853.5	723.1	713.8	805.5	991.8	
Average operating expenses	\$'000	958.4	766.2	796.8	668.4	645.1	755.8	935.1	
Average profit	\$'000	*41.5	*27.2	57.9	52.8	70.6	50.7	61.7	
Average net worth	\$'000	**161.1	*60.0	*79.2	*48.5	*109.8	77.5	95.4	
Average gross product	\$'000	*312.6	*278.6	**320.4	258.9	*327.6	**298.3	**308.7	
Businesses with employment 20 or more									
Average employment	no.	49.1	36.9	41.1	50.1	32.7	41.5	42.6	
Average wages and salaries	\$'000	2 035.7	1 258.0	1 533.2	1 678.1	902.9	1 479.2	1 515.9	
Average turnover	\$'000	8 934.5	4 084.6	5 779.4	5 039.4	3 341.8	5 318.6	8 412.3	
Average income	\$'000	9 038.8	4 115.5	5 873.9	5 066.2	3 358.0	5 382.7	8 741.7	
Average operating expenses	\$'000	8 856.8	3 893.2	5 645.8	4 658.0	3 122.4	5 128.9	8 372.1	
Average profit	\$'000	213.3	221.4	235.4	*431.0	229.0	262.5	513.5	
Average net worth	\$'000	2 493.3	*305.8	704.7	411.9	*240.6	661.4	*1 788.6	
Average gross product	\$'000	3 009.5	1 649.0	2 002.3	2 499.2	*1 298.8	2 019.6	2 292.6	
All businesses									
Average employment	no.	2.7	2.3	2.9	1.8	2.4	2.3	2.3	
Average wages and salaries	\$'000	48.9	30.4	58.2	14.7	27.6	30.8	30.5	
Average turnover	\$'000	270.2	157.5	260.7	94.6	156.4	159.9	206.9	
Average income	\$'000	274.3	158.9	263.5	96.0	155.2	161.6	209.8	
Average operating expenses	\$'000	251.7	134.8	235.9	71.9	131.7	136.7	183.7	
Average profit	\$'000	23.5	24.0	27.9	23.7	23.7	24.8	26.6	
Average net worth	\$'000	**46.6	*13.8	33.5	*19.7	*15.4	22.9	31.9	
Average gross product	\$'000	111.4	64.1	**98.7	41.2	58.9	**64.1	**67.6	

3.26 BUSINESS RATIOS, By Residential Construction and Construction Trades—By Business Employment Size

	Units	Residential construction		
		House construction	Residential building construction n.e.c.	Total
Businesses with employment less than 5				
Profit margin	%	8.1	15.7	9.2
Return on assets	%	24.9	12.9	20.2
Return on net worth	%	73.7	49.8	65.8
Long-term debt to equity	times	**0.7	**2.0	**1.2
Current ratio	times	1.5	1.4	1.4
Interest coverage	times	7.5	3.0	5.6
Investment rate	%	135.8	**35.7	114.3
Businesses with employment 5 to 19				
Profit margin	%	n.p.	n.p.	6.1
Return on assets	%	n.p.	n.p.	25.7
Return on net worth	%	n.p.	n.p.	63.2
Long-term debt to equity	times	n.p.	n.p.	*0.4
Current ratio	times	1.9	1.3	1.7
Interest coverage	times	11.5	5.4	10.2
Investment rate	%	**11.5	**20.7	**12.6
Businesses with employment 20 or more				
Profit margin	%	n.p.	n.p.	7.7
Return on assets	%	n.p.	n.p.	6.0
Return on net worth	%	n.p.	n.p.	23.1
Long-term debt to equity	times	n.p.	n.p.	**1.9
Current ratio	times	1.4	1.4	1.4
Interest coverage	times	4.5	2.4	2.8
Investment rate	%	**34.0	**1.9	**21.6
All businesses				
Profit margin	%	6.4	16.0	8.1
Return on assets	%	22.0	7.9	13.6
Return on net worth	%	64.0	30.6	46.4
Long-term debt to equity	times	*0.7	**2.0	*1.4
Current ratio	times	1.5	1.4	1.4
Interest coverage	times	7.5	2.7	4.7
Investment rate	%	*90.6	**24.5	76.1

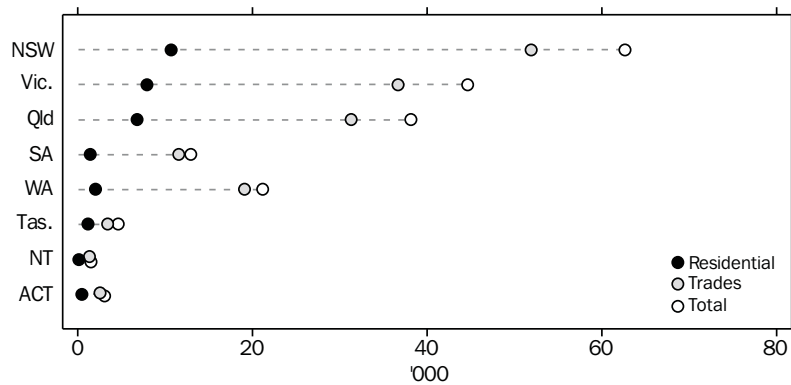
3.26 BUSINESS RATIOS, By Residential Construction and Construction Trades—By Business Employment Size
—continued

	Units	Construction trade services						Total	Total
		Site preparation services	Building structure services	Installation trade services	Building completion services	Other construction services	Total		
Businesses with employment less than 5									
Profit margin	%	15.7	24.5	15.7	32.6	20.9	23.1	18.4	
Return on assets	%	42.7	79.5	47.6	87.3	77.7	68.5	48.7	
Return on net worth	%	142.5	251.8	104.4	121.6	283.1	135.2	114.7	
Long-term debt to equity	times	**1.9	**0.7	0.3	*0.2	**1.3	0.4	*0.6	
Current ratio	times	1.4	1.5	1.8	3.6	1.4	2.0	1.7	
Interest coverage	times	19.9	22.9	18.2	30.4	19.5	23.4	13.7	
Investment rate	%	792.2	74.1	**10.5	158.1	*89.5	**134.6	**130.3	
Businesses with employment 5 to 19									
Profit margin	%	*4.3	*3.5	6.9	7.4	10.0	6.4	6.3	
Return on assets	%	*8.2	*14.4	26.6	31.3	33.3	23.1	23.8	
Return on net worth	%	*25.8	*45.4	73.1	108.9	64.3	65.4	64.7	
Long-term debt to equity	times	**0.6	*0.7	*0.4	*0.9	*0.4	0.6	0.5	
Current ratio	times	1.5	1.5	1.6	1.4	2.1	1.5	1.6	
Interest coverage	times	-1.8	5.9	12.0	5.8	12.0	6.6	7.8	
Investment rate	%	*18.2	*4.7	**3.5	2.1	*3.0	**4.4	**6.1	
Businesses with employment 20 or more									
Profit margin	%	2.4	5.4	4.1	*8.6	6.9	4.9	6.1	
Return on assets	%	4.1	20.0	12.2	*24.3	24.3	13.9	8.2	
Return on net worth	%	8.6	72.4	33.4	*104.6	95.2	39.7	28.7	
Long-term debt to equity	times	0.5	*0.5	0.4	1.7	*0.4	0.5	*1.4	
Current ratio	times	1.9	1.4	1.6	1.3	1.3	1.5	1.4	
Interest coverage	times	2.3	7.6	14.1	10.1	12.1	8.6	3.7	
Investment rate	%	6.6	3.3	1.9	1.9	*3.7	2.7	6.5	
All businesses									
Profit margin	%	8.7	15.3	10.7	25.1	15.5	15.5	12.9	
Return on assets	%	18.5	54.2	34.4	73.0	55.1	47.9	30.7	
Return on net worth	%	50.5	174.4	83.3	120.1	153.5	108.3	83.6	
Long-term debt to equity	times	**0.9	*0.7	0.4	*0.3	*0.7	0.4	0.8	
Current ratio	times	1.6	1.5	1.7	2.6	1.6	1.8	1.6	
Interest coverage	times	6.6	17.9	16.1	22.9	16.1	16.9	9.5	
Investment rate	%	440.3	45.3	**6.8	114.0	43.7	**80.9	**79.9	

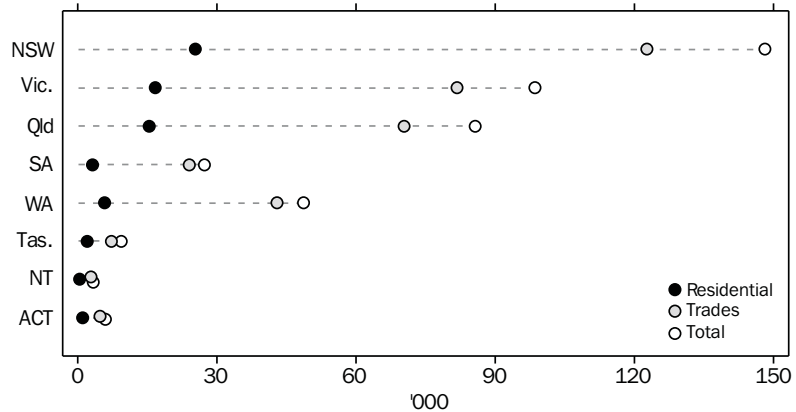
This section of the publication provides a view of the residential construction and construction trades industry on a State and Territory basis. Table 3.35 presents an overview of the results for various parts of the industry in each State and Territory, although the graphs present totals for residential construction and construction trades only.

Graphs 3.27 and 3.28 show the numerical dominance of New South Wales, Victoria and Queensland in terms of the number of operating businesses and employment in those businesses. These three States also dominate the total income and expenses reported in these industries (graphs 3.29 and 3.30).

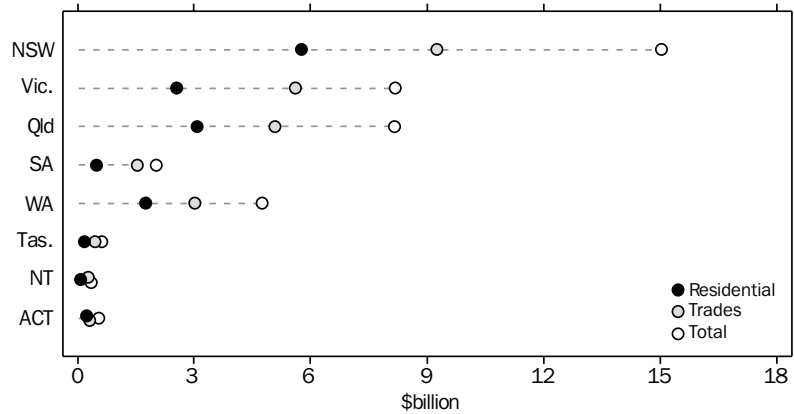
3.27 OPERATING BUSINESSES,
Residential Construction and Construction Trades



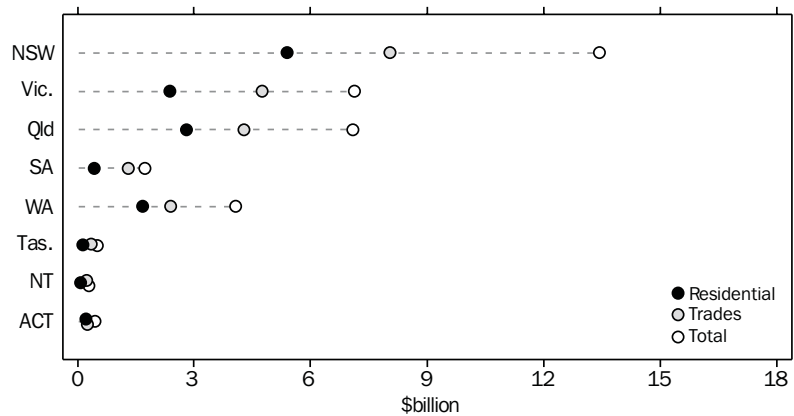
3.28 EMPLOYMENT, Residential Construction and Construction Trades



3.29 TOTAL INCOME, Residential Construction and Construction Trades



3.30 TOTAL EXPENSES, Residential Construction and Construction Trades

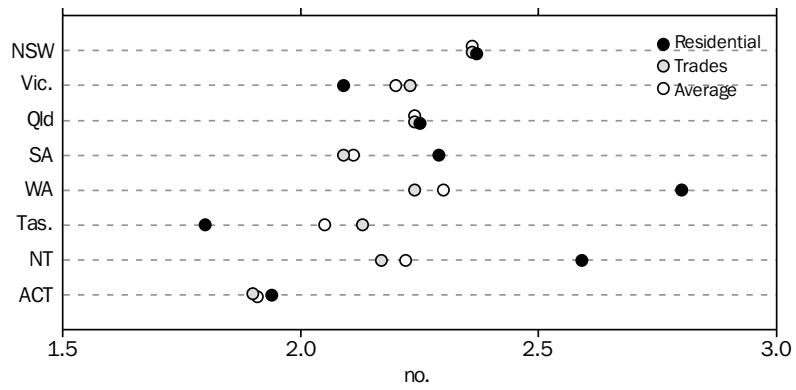


Graphs 3.31–3.34 present business averages which do not appear in table 3.35. More detailed information at the industry group level for each State and Territory, as presented in the previous two sections, may also be available from the Australian Bureau of Statistics as a standard data product.

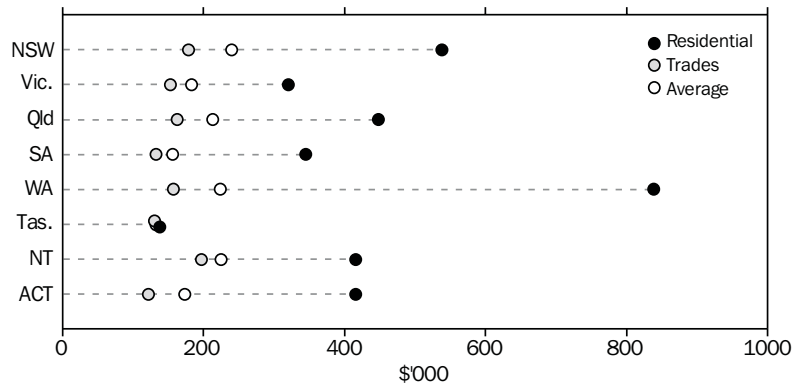
Average employment per business by State and Territory (graph 3.31) differed between the residential construction and construction trades businesses, with Western Australia and the Northern Territory reporting highest average employment in residential construction businesses and New South Wales reporting the highest average employment in the construction trades part of the industry.

Average income and expenses per business were highest in Western Australia, New South Wales and Queensland. Tasmania reported amongst the lowest levels of income and expenses per business but also showed the highest profit margins at 20.1%. The profit margin was lowest for New South Wales, at 11.6%.

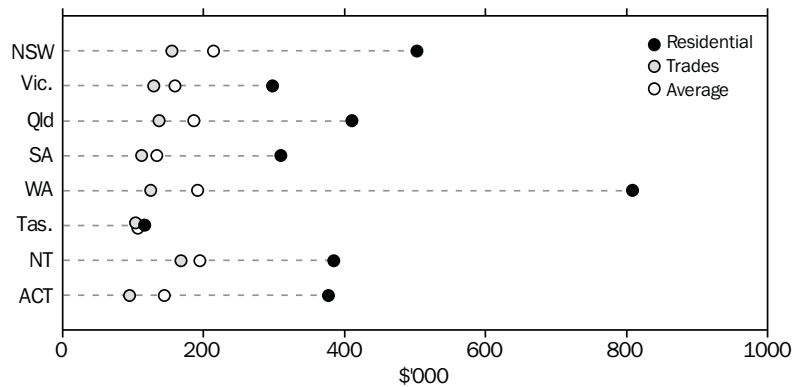
3.31 AVERAGE EMPLOYMENT PER BUSINESS,
Residential Construction and Construction Trades



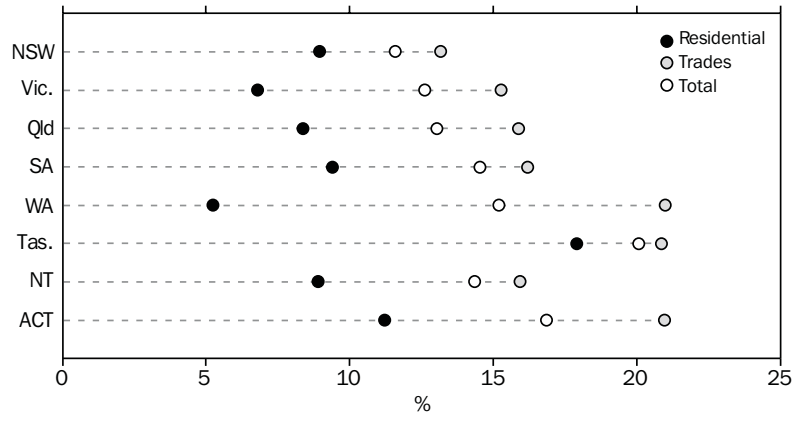
3.32 AVERAGE INCOME PER BUSINESS,
Residential Construction and Construction Trades



3.33 AVERAGE EXPENSES PER BUSINESS,
Residential Construction and Construction Trades



3.34 PROFIT MARGIN, Residential Construction and Construction Trades



3.35 SELECTED INDICATORS, By Residential Construction and Construction Trades—By State

	Units	Residential construction		
		House construction	Residential building construction n.e.c.	Total
New South Wales				
Operating businesses	'000	8.8	1.9	10.7
Employment	'000	21.2	4.2	25.4
Wages and salaries	\$m	294.4	67.8	362.2
Turnover	\$m	4 165.7	1 363.7	5 529.4
Total income	\$m	4 196.7	1 572.2	5 768.9
Total operating expenses	\$m	3 879.2	1 509.6	5 388.8
Operating profit before tax	\$m	217.1	277.0	494.1
Industry gross product	\$m	**752.4	**335.9	*1 088.3
Victoria				
Operating businesses	'000	6.9	1.1	8.0
Employment	'000	14.6	2.1	16.7
Wages and salaries	\$m	165.4	25.4	190.8
Turnover	\$m	2 174.5	369.2	2 543.7
Total income	\$m	2 191.9	366.0	2 557.8
Total operating expenses	\$m	2 043.8	329.3	2 373.1
Operating profit before tax	\$m	136.8	35.6	172.3
Industry gross product	\$m	*431.0	**66.7	*497.8
Queensland				
Operating businesses	'000	5.7	1.2	6.9
Employment	'000	13.3	2.1	15.4
Wages and salaries	\$m	166.4	15.3	181.7
Turnover	\$m	2 706.0	376.1	3 082.1
Total income	\$m	2 736.6	339.6	3 076.1
Total operating expenses	\$m	2 515.1	297.1	2 812.2
Operating profit before tax	\$m	221.0	33.7	254.7
Industry gross product	\$m	**467.4	**99.4	**566.8
South Australia				
Operating businesses	'000	1.2	0.2	1.4
Employment	'000	2.9	0.3	3.2
Wages and salaries	\$m	40.4	*2.0	42.4
Turnover	\$m	438.0	43.7	481.7
Total income	\$m	442.6	44.3	486.9
Total operating expenses	\$m	399.5	*38.7	438.2
Operating profit before tax	\$m	*42.9	**2.3	45.3
Industry gross product	\$m	**101.4	**9.3	**110.7
Western Australia				
Operating businesses	'000	1.5	0.5	2.1
Employment	'000	4.7	1.1	5.8
Wages and salaries	\$m	77.0	9.6	86.6
Turnover	\$m	1 460.2	263.5	1 723.7
Total income	\$m	1 483.5	261.7	1 745.2
Total operating expenses	\$m	1 438.2	243.0	1 681.2
Operating profit before tax	\$m	63.4	26.5	89.9
Industry gross product	\$m	**199.3	**47.9	**247.2

3.35 SELECTED INDICATORS, By Residential Construction and Construction Trades—By State—continued

	Units	Residential construction		Total
		House construction	Residential building construction n.e.c.	
Tasmania				
Operating businesses	'000	1.1	*0.1	1.2
Employment	'000	2.0	*0.2	2.2
Wages and salaries	\$m	8.8	*0.4	9.3
Turnover	\$m	150.0	*12.2	162.2
Total income	\$m	152.8	*12.9	165.7
Total operating expenses	\$m	128.6	*10.7	139.4
Operating profit before tax	\$m	23.7	**5.3	29.0
Industry gross product	\$m	*50.4	**6.4	*56.8
Northern Territory				
Operating businesses	'000	*0.1	*0.1	0.2
Employment	'000	0.4	*0.1	0.5
Wages and salaries	\$m	7.9	*0.7	8.6
Turnover	\$m	63.5	*14.8	78.3
Total income	\$m	64.7	*15.0	79.6
Total operating expenses	\$m	60.0	*13.6	73.6
Operating profit before tax	\$m	*4.4	**2.6	*7.0
Industry gross product	\$m	**13.9	**5.4	**19.3
Australian Capital Territory				
Operating businesses	'000	0.4	0.1	0.5
Employment	'000	0.8	0.2	1.1
Wages and salaries	\$m	8.8	0.8	9.7
Turnover	\$m	*200.4	27.3	227.7
Total income	\$m	*200.8	27.5	228.2
Total operating expenses	\$m	*183.4	23.8	207.2
Operating profit before tax	\$m	*21.8	*3.7	*25.5
Industry gross product	\$m	**48.3	**7.5	**55.8
Australia				
Operating businesses	'000	25.8	5.2	31.0
Employment	'000	60.0	10.3	70.3
Wages and salaries	\$m	769.2	122.0	891.2
Turnover	\$m	11 358.3	2 470.7	13 829.0
Total income	\$m	11 469.6	2 639.0	14 108.5
Total operating expenses	\$m	10 647.9	2 465.9	13 113.8
Operating profit before tax	\$m	731.1	386.7	1 117.7
Industry gross product	\$m	*2 064.0	**578.6	2 642.6

3.35 SELECTED INDICATORS, By Residential Construction and Construction Trades—By State—continued

	Units	Construction trade services					Total	Total
		Site preparation services	Building structure services	Installation trade services	Building completion services	Other construction services		
New South Wales								
Operating businesses	'000	2.4	9.5	13.0	22.9	4.2	51.9	62.6
Employment	'000	6.1	24.0	40.7	41.7	10.1	122.6	148.0
Wages and salaries	\$m	108.2	322.9	929.2	382.1	122.4	1 864.9	2 227.1
Turnover	\$m	624.4	1 678.0	3 884.9	2 304.6	692.4	9 184.2	14 713.7
Total income	\$m	631.7	1 692.5	3 934.4	2 343.6	657.1	9 259.3	15 028.2
Total operating expenses	\$m	593.1	1 456.5	3 583.6	1 847.2	570.5	8 050.9	13 439.7
Operating profit before tax	\$m	40.4	235.6	355.9	486.4	85.9	1 204.1	1 698.2
Industry gross product	\$m	*254.2	713.1	1 458.6	905.3	*237.6	3 568.8	4 657.0
Victoria								
Operating businesses	'000	1.6	5.4	10.7	15.9	3.1	36.7	44.7
Employment	'000	3.5	12.8	28.4	30.0	7.1	81.8	98.5
Wages and salaries	\$m	59.8	188.0	528.0	287.4	81.7	1 144.9	1 335.8
Turnover	\$m	335.8	889.1	2 353.4	1 522.7	457.5	5 558.5	8 102.2
Total income	\$m	341.4	894.0	2 372.9	1 542.0	462.6	5 612.9	8 170.7
Total operating expenses	\$m	314.3	765.0	2 121.1	1 176.6	379.3	4 756.2	7 129.3
Operating profit before tax	\$m	*26.8	128.6	248.7	359.5	83.9	847.4	1 019.8
Industry gross product	\$m	*130.0	*345.0	957.8	689.5	*207.5	2 329.7	2 827.5
Queensland								
Operating businesses	'000	1.6	5.0	7.1	15.4	2.2	31.3	38.2
Employment	'000	5.3	11.3	21.7	26.0	6.1	70.3	85.7
Wages and salaries	\$m	105.2	155.0	383.8	163.7	86.0	893.7	1 075.4
Turnover	\$m	554.2	759.1	1 807.6	1 431.3	469.6	5 021.8	8 103.9
Total income	\$m	563.1	764.6	1 827.8	1 449.4	474.6	5 079.6	8 155.8
Total operating expenses	\$m	525.4	665.5	1 628.0	1 039.7	425.1	4 283.6	7 095.8
Operating profit before tax	\$m	41.2	98.7	206.8	396.1	52.8	795.5	1 050.2
Industry gross product	\$m	*192.4	*297.1	704.2	622.0	**170.2	1 985.9	2 552.7
South Australia								
Operating businesses	'000	0.4	2.3	2.8	4.8	1.3	11.6	13.0
Employment	'000	1.2	5.1	7.4	7.9	2.4	24.1	27.4
Wages and salaries	\$m	24.4	53.0	127.8	57.3	21.3	283.8	326.3
Turnover	\$m	105.7	306.1	644.1	342.4	113.5	1 511.7	1 993.5
Total income	\$m	108.2	314.9	648.4	346.2	118.4	1 536.1	2 023.0
Total operating expenses	\$m	101.1	262.1	577.5	258.2	95.5	1 294.4	1 732.6
Operating profit before tax	\$m	*7.2	52.7	73.6	87.8	23.1	244.3	289.6
Industry gross product	\$m	*51.8	*94.7	**167.0	140.7	**31.1	**485.3	**596.0
Western Australia								
Operating businesses	'000	0.9	5.1	3.7	7.6	1.9	19.1	21.2
Employment	'000	2.3	11.3	11.0	14.3	4.0	42.9	48.7
Wages and salaries	\$m	35.5	*132.8	208.1	106.6	38.5	521.4	608.0
Turnover	\$m	221.0	724.4	1 073.1	702.9	244.8	2 966.2	4 689.9
Total income	\$m	228.7	729.7	1 088.5	715.7	249.3	3 011.9	4 757.1
Total operating expenses	\$m	184.4	592.5	940.6	474.2	197.3	2 389.0	4 070.2
Operating profit before tax	\$m	45.7	135.0	148.6	240.7	51.9	621.9	711.7
Industry gross product	\$m	126.6	*311.8	378.6	390.0	*99.9	1 306.9	1 554.1

3.35 SELECTED INDICATORS, By Residential Construction and Construction Trades—By State—continued

	Units	Construction trade services					Total	Total
		Site preparation services	Building structure services	Installation trade services	Building completion services	Other construction services		
Tasmania								
Operating businesses	'000	0.2	0.6	0.8	1.6	0.2	3.5	4.7
Employment	'000	0.4	1.1	2.4	2.9	0.5	7.4	9.5
Wages and salaries	\$m	6.1	5.8	39.7	17.4	6.6	75.6	84.9
Turnover	\$m	34.2	50.8	165.1	162.7	33.5	446.2	608.4
Total income	\$m	35.4	51.8	165.9	164.7	34.4	452.2	617.9
Total operating expenses	\$m	32.0	37.6	141.4	119.1	28.5	358.5	497.9
Operating profit before tax	\$m	*3.5	13.9	24.8	45.7	5.1	93.0	122.0
Industry gross product	\$m	**18.8	27.8	81.7	*76.0	*15.3	219.7	276.4
Northern Territory								
Operating businesses	'000	—	0.2	0.3	0.7	—	1.3	1.5
Employment	'000	*0.2	0.5	1.0	1.0	0.2	2.9	3.4
Wages and salaries	\$m	*5.3	5.8	21.0	5.1	4.4	41.5	50.1
Turnover	\$m	*22.2	58.9	96.0	67.4	25.0	269.5	347.8
Total income	\$m	*17.3	59.2	95.2	69.8	23.6	265.2	344.8
Total operating expenses	\$m	*19.1	47.3	85.5	53.1	20.6	225.6	299.2
Operating profit before tax	\$m	**1.5	11.8	9.5	*16.8	3.1	42.7	49.6
Industry gross product	\$m	**9.6	*23.7	**39.7	**14.0	**8.4	**95.4	**114.7
Australian Capital Territory								
Operating businesses	'000	0.1	0.4	0.6	1.2	0.3	2.6	3.1
Employment	'000	0.1	1.0	1.5	1.8	0.5	4.9	6.0
Wages and salaries	\$m	1.3	7.0	25.4	7.9	2.8	44.4	54.1
Turnover	\$m	13.9	49.8	121.1	101.5	25.8	312.0	539.7
Total income	\$m	14.1	50.8	122.5	101.9	26.5	315.8	544.0
Total operating expenses	\$m	10.9	39.4	102.6	73.9	19.7	246.5	453.7
Operating profit before tax	\$m	**0.1	12.1	19.6	26.7	6.8	65.3	90.8
Industry gross product	\$m	*4.7	23.8	52.8	52.7	**6.4	140.4	*196.3
Australia								
Operating businesses	'000	7.1	28.7	38.9	70.1	13.2	158.0	189.0
Employment	'000	19.2	67.1	114.0	125.7	30.9	356.9	427.2
Wages and salaries	\$m	345.9	870.4	2 263.0	1 027.4	363.6	4 870.4	5 761.6
Turnover	\$m	1 911.3	4 516.2	10 145.3	6 635.4	2 062.0	25 270.2	39 099.2
Total income	\$m	1 939.9	4 557.4	10 255.6	6 733.3	2 046.6	25 532.9	39 641.4
Total operating expenses	\$m	1 780.2	3 865.9	9 180.2	5 041.8	1 736.6	21 604.8	34 718.6
Operating profit before tax	\$m	166.4	688.4	1 087.4	1 659.6	312.5	3 914.3	5 032.0
Industry gross product	\$m	788.1	1 837.0	**3 840.3	2 890.3	776.4	**10 132.1	**12 774.8

 BUSINESS COMPARISONS
 BY INCOME LEVEL IN THE
 RESIDENTIAL
 CONSTRUCTION AND
 CONSTRUCTION TRADES
 INDUSTRIES

Table 3.36 enables individual businesses to compare their performance on financial indicators with the averages reported in the 1996–97 CIS. For example, for businesses with income of less than \$50,000, operating in the house construction industry, the average characteristics for all businesses of this type were as reported in column 3 of table 3.36, i.e:

- average employment of 1.5; and
- average turnover of \$28,400.

More detailed industry profiles (i.e. on a State and Territory basis or at the ANZSIC class level for businesses operating in the construction trades industry) may also be available; these can be ordered through the Australian Bureau of Statistics—refer to the contact details on the front cover of this publication.

3.36 BUSINESS AVERAGES, By Residential Construction and Construction Trades—By Income Size

	Residential construction			
	Units	House construction	Residential building construction n.e.c.	Total
Businesses with income less than \$50 000				
Average employment	no.	1.5	1.3	1.5
Average wages and salaries	\$'000	2.5	*1.0	2.2
Average turnover	\$'000	28.4	23.5	27.2
Average income from				
Contract work	\$'000	14.7	10.5	13.7
Subcontract work	\$'000	13.1	12.5	13.0
Other income(a)	\$'000	**1.8	**2.5	**2.0
Total	\$'000	29.7	25.5	28.7
Average operating expenses	\$'000	21.1	11.1	18.7
Average profit	\$'000	9.9	14.3	10.9
Businesses with income \$50 000 to less than \$100 000				
Average employment	no.	1.7	*1.9	1.7
Average wages and salaries	\$'000	9.3	**14.7	10.1
Average turnover	\$'000	68.3	68.4	68.3
Average income from				
Contract work	\$'000	40.9	*33.9	39.9
Subcontract work	\$'000	26.3	17.3	25.0
Other income(a)	\$'000	**2.0	**19.6	**4.6
Total	\$'000	69.2	70.8	69.4
Average operating expenses	\$'000	53.6	**96.3	59.9
Average profit	\$'000	13.9	**39.7	17.6
Businesses with income \$100 000 to less than \$250 000				
Average employment	no.	2.3	1.7	2.2
Average wages and salaries	\$'000	22.0	*12.6	20.9
Average turnover	\$'000	159.6	*159.7	159.6
Average income from				
Contract work	\$'000	121.4	108.6	119.9
Subcontract work	\$'000	23.7	**36.6	25.2
Other income(a)	\$'000	**16.6	**16.5	**16.6
Total	\$'000	161.6	*161.7	161.6
Average operating expenses	\$'000	142.1	126.6	140.2
Average profit	\$'000	17.4	**34.7	19.5
Businesses with income \$250 000 or more				
Average employment	no.	3.7	3.5	3.6
Average wages and salaries	\$'000	79.3	82.5	79.7
Average turnover	\$'000	1 357.0	1 908.9	1 433.2
Average income from				
Contract work	\$'000	1 368.7	2 045.8	1 462.3
Subcontract work	\$'000	1 082.1	1 091.1	1 083.3
Other income(a)	\$'000	**121.9	*51.4	*112.1
Total	\$'000	164.8	903.3	266.8
Average operating expenses	\$'000	1 291.2	1 930.2	1 379.5
Average profit	\$'000	66.6	248.2	91.7

(a) Includes speculative income work.

3.36 BUSINESS AVERAGES, By Residential Construction and Construction Trades—By Income Size—continued

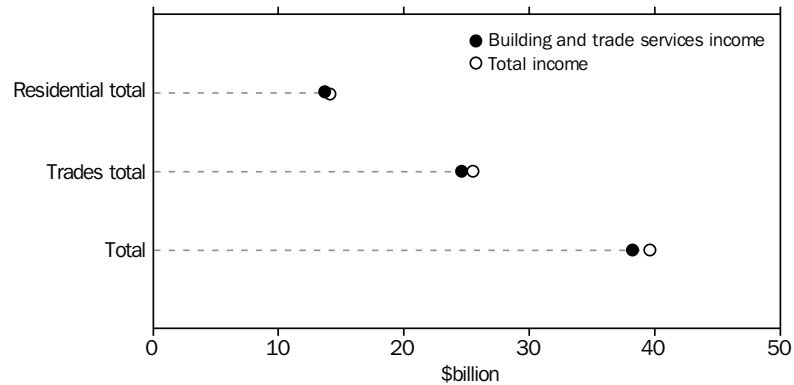
		Construction trade services						
		Site preparation services	Building structure services	Installation trade services	Building completion services	Other construction services	Total	Total
Units								
Businesses with income less than \$50 000								
Average employment	no.	1.4	1.4	1.4	1.3	1.4	1.3	1.3
Average wages and salaries	\$'000	*1.3	1.0	1.8	1.7	*1.4	1.5	1.6
Average turnover	\$'000	32.7	28.2	28.6	27.7	24.0	27.8	27.7
Average income from								
Contract work	\$'000	16.8	7.6	17.6	12.6	17.4	13.0	13.1
Subcontract work	\$'000	12.7	20.3	10.2	15.0	6.2	14.5	14.3
Other income(a)	\$'000	**1.0	**0.8	**1.4	**1.0	**1.8	**1.1	**1.2
Total	\$'000	30.5	28.7	29.3	28.5	25.4	28.5	28.5
Average operating expenses	\$'000	22.4	11.4	17.4	13.2	15.6	14.0	14.6
Average profit	\$'000	*8.1	17.4	11.8	15.3	9.7	14.5	14.0
Businesses with income \$50 000 to less than \$100 000								
Average employment	no.	1.6	1.9	1.7	1.7	1.9	1.7	1.7
Average wages and salaries	\$'000	*6.2	10.4	8.4	7.4	9.3	8.1	8.4
Average turnover	\$'000	74.0	68.0	67.9	64.8	70.8	67.0	67.2
Average income from								
Contract work	\$'000	51.8	22.7	47.1	30.4	51.7	36.2	36.7
Subcontract work	\$'000	21.8	45.1	19.2	33.8	15.8	29.8	29.2
Other income(a)	\$'000	**1.4	**1.0	**2.8	**1.9	**1.9	**1.9	**2.3
Total	\$'000	75.0	68.7	69.1	66.0	69.5	67.9	68.1
Average operating expenses	\$'000	49.7	43.1	47.1	37.7	51.8	42.5	44.9
Average profit	\$'000	26.0	25.5	21.9	27.9	17.7	25.2	24.2
Businesses with income \$100 000 to less than \$250 000								
Average employment	no.	2.3	2.9	2.3	2.4	2.4	2.4	2.4
Average wages and salaries	\$'000	27.4	34.4	28.6	22.3	24.9	27.1	25.8
Average turnover	\$'000	148.0	152.7	153.5	152.9	148.7	152.3	153.8
Average income from								
Contract work	\$'000	86.2	49.6	96.0	74.7	108.1	81.9	89.5
Subcontract work	\$'000	59.7	97.8	51.9	75.0	36.3	66.0	57.9
Other income(a)	\$'000	**4.9	**6.5	**6.4	**4.1	**5.0	**5.4	**7.7
Total	\$'000	150.8	153.9	154.3	153.7	149.4	153.4	155.0
Average operating expenses	\$'000	128.0	125.7	126.3	118.2	120.9	123.1	126.5
Average profit	\$'000	22.3	28.4	28.1	34.7	28.3	30.0	27.9
Businesses with income \$250 000 or more								
Average employment	no.	7.5	6.9	8.8	6.5	7.2	7.7	6.3
Average wages and salaries	\$'000	236.5	204.9	286.3	173.5	176.0	231.0	179.0
Average turnover	\$'000	1 193.4	960.4	1 162.3	832.0	883.5	1 024.7	1 164.9
Average income from								
Contract work	\$'000	1 215.3	967.5	1 174.7	841.9	868.6	1 033.7	1 180.8
Subcontract work	\$'000	819.2	402.5	619.2	410.6	517.3	535.4	723.5
Other income(a)	\$'000	**319.8	**532.2	*485.3	**399.2	**283.0	*443.8	*329.9
Total	\$'000	76.2	32.8	70.2	32.0	68.3	54.5	127.4
Average operating expenses	\$'000	1 173.9	918.8	1 107.3	772.1	785.3	969.8	1 110.5
Average profit	\$'000	46.2	47.4	69.5	65.6	85.5	64.1	73.5

(a) Includes speculative income work.

DETAILS OF INCOME ITEMS
IN THE RESIDENTIAL
CONSTRUCTION AND
CONSTRUCTION TRADES
INDUSTRIES

Table 3.39 provides detail on the structure of income for businesses in residential construction and construction trades. As graph 3.37 shows, the income from building activities comprises almost all of the income of businesses in all parts of the industry.

3.37 INCOME FROM BUILDING AND TRADE SERVICES AND TOTAL INCOME, Residential Construction and Construction Trades

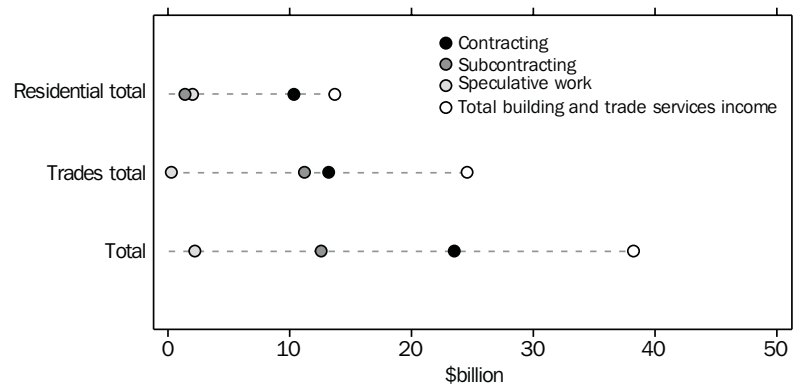


Graph 3.38 breaks the building income from graph 3.37 into its source as either contracting or subcontracting income or income from speculative work. Businesses in the building industry can earn building income in three different ways:

- on a 'contract' basis, earned directly from the end client of the project, as when a householder engages a tradesperson directly to undertake work, which may be either repairs or maintenance or installation of new equipment or services. In this case, the income is classified in table 3.39 as 'contract' income.
- on a 'subcontract' basis, via an intermediary business responsible for the work or project. For example, tradespeople can earn income from building companies involved in residential, non-residential or non-building work. In this case, the income is classified in table 3.39 as 'subcontract' income.
- from 'speculative work'.

Overall, both the residential construction and the construction trades parts of the industry reported higher levels of income from contracting than subcontracting activities.

3.38 INCOME FROM BUILDING AND TRADE SERVICES,
Residential Construction and Construction Trades



3.39 SOURCE OF INCOME, By Residential Construction and Construction Trades

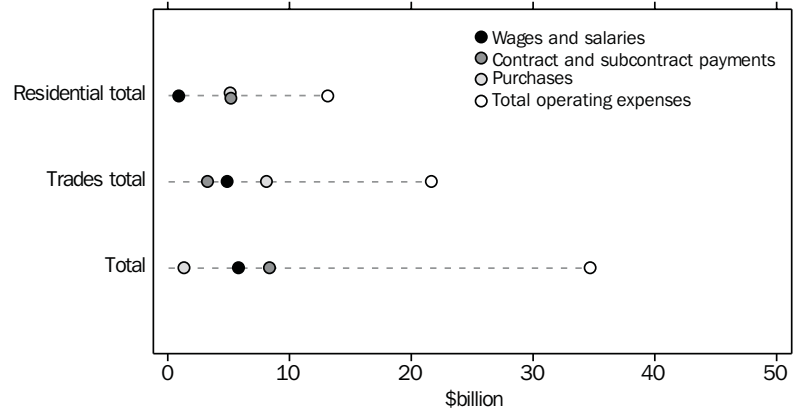
	<i>Residential construction</i>	<i>Construction trade services</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Income from contracting	10 306.1	13 189.9	23 496.0
Income from subcontracting	1 393.2	11 162.0	12 555.1
Income from speculative work	1 967.3	226.4	2 193.7
<i>Total income from trade services, building and construction</i>	<i>13 666.6</i>	<i>24 578.3</i>	<i>38 244.8</i>
Income from goods sold and non-construction services	44.3	541.9	586.2
Other income	397.6	*412.8	*810.4
Total income	14 108.5	25 532.9	39 641.4

DETAILS OF EXPENSE ITEMS
IN THE RESIDENTIAL
CONSTRUCTION AND
CONSTRUCTION TRADES
INDUSTRIES

Graph 3.40 and table 3.42 show that the three main expense items incurred in these industries are:

- purchases—mainly of construction, trade and building materials. Purchases were 38% of operating expenditure in the industry (construction, trade and building materials accounted for 36% of total expenditure);
- payments to subcontractors and contractors accounted for a further 24% of expenses; and
- wages and salaries was the third highest expense item, accounting for 17% of total operating expenses.

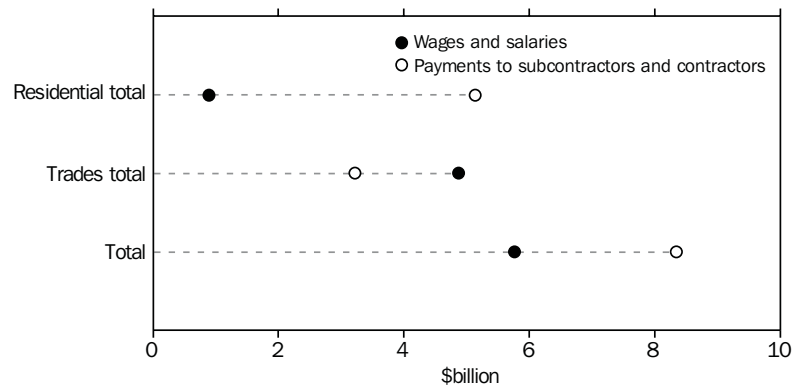
3.40 MAJOR EXPENSE ITEMS, Residential Construction and Construction Trades



The construction industry experiences a higher degree of contracting and subcontracting arrangements than most other industries, due in part to the short-term and one-off nature of much of the work it undertakes. As graph 3.40 illustrates, contract and subcontract payments are higher in the industry than payments for wages and salaries, indicating that this is a significant means of procuring labour to produce the output of this part of the construction industry.

Graph 3.41 re-presents only the wages and salaries, and contract and subcontract expense payments from graph 3.40.

3.41 CONTRACT AND WAGE AND SALARY PAYMENTS, Residential Construction and Construction Trades



From graph 3.41 it can be seen that overall, the industry pays significantly more for contract and subcontract staff than it pays in the form of wages and salaries. However, the picture differs significantly between the residential construction and construction trades sectors. For businesses in residential construction, contract and subcontract payments were almost six times higher than payments for employed staff. However, for the construction trades part of the industry, wage and salary expenses were 1.5 times higher than contract and subcontract expenses.

DETAILS OF EXPENSE ITEMS
IN THE RESIDENTIAL
CONSTRUCTION AND
CONSTRUCTION TRADES
INDUSTRIES *continued*

This set of relationships is consistent with businesses involved in house and other residential construction (ANZSIC Classes 4111 and 4112) engaging businesses or individuals in the construction trades to provide trade services on residential building projects. Businesses involved in such construction trades work are then more likely to pay employed staff to undertake work acquired from any source, although a significant proportion of their labour costs are also paid to contractors and subcontractors.

3.42 EXPENDITURE, By Residential Construction and Construction Trades

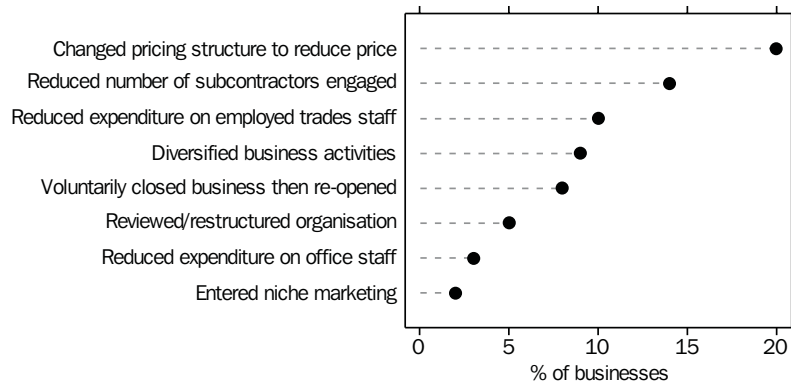
	<i>Residential construction</i>	<i>Construction trade services</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
<i>Operating expenses</i>			
Wages and salaries			
Working directors of incorporated companies and trusts	362.8	1 254.4	1 617.3
Other employees	528.4	3 615.9	4 144.3
<i>Total</i>	891.2	4 870.4	5 761.6
Payments to subcontractors and contractors	5 134.7	3 214.5	8 349.2
Purchases			
Construction, trade and building materials	4 931.9	7 716.1	12 648.0
Other	*183.0	390.8	573.7
<i>Total</i>	5 114.9	8 106.9	13 221.8
Rent, leasing and hiring expenses	99.3	**540.6	**639.9
Motor vehicle running expenses	164.1	**1 077.1	**1 241.2
Other operating expenses	1 709.6	**3 795.3	**5 504.9
Total operating expenses	13 113.8	21 604.8	34 718.6

COPING WITH DOWNTURNS

Strategies used

The cyclical nature of construction activity, as illustrated in the graphs and tables in section 1 of this publication, present major challenges to businesses in the industry, as they attempt to 'ride' out the periods of reduced work availability and remain in business. However, not all businesses experience this cyclical activity. Even after allowing for the number of businesses operating for less than five years, many businesses seem to be insulated to some extent, as 45% of businesses reported that they were yet to experience a downturn. For the others, graph 3.43 and table 3.45 indicate that the most commonly used strategies for coping with downturns in the industry are to reduce pricing and reduce the number of subcontractors and employed staff engaged by the business. (Note that businesses could report more than one strategy.)

3.43 STRATEGIES FOR COPING WITH DOWNTURNS,
Residential Construction and Construction Trades



There are some differences between the incidence of these commonly used strategies for businesses involved in residential construction and the construction trades (graph 3.44). In residential construction, the most commonly used strategy was to reduce the number of subcontractors engaged (most of these subcontractors are engaged from the construction trades part of the industry). For the construction trades businesses, the most commonly used strategy was to reduce pricing.

3.44 MAIN STRATEGIES FOR COPING WITH DOWNTURNS,
Residential Construction and Construction Trades



3.45 STRATEGIES IN COPING WITH THE LAST MAJOR DOWNTURN(a)

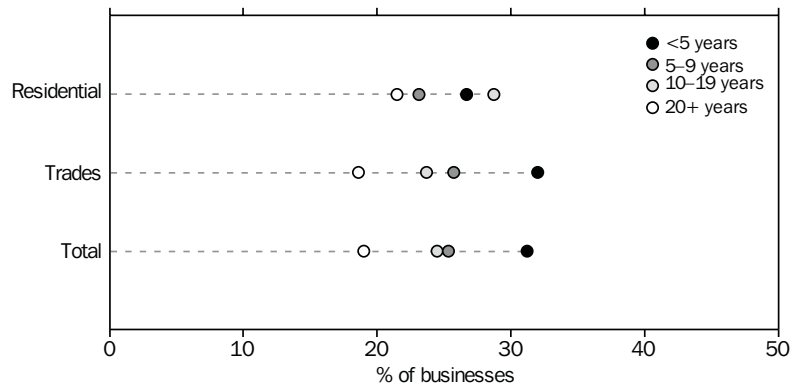
	Residential construction		Construction trade services		All businesses	
	no.	% of busi- nesses	no.	% of busi- nesses	no.	% of busi- nesses
Businesses reporting	30 800	100	155 900	100	186 700	100
Types of strategies						
Yet to experience downturn	10 900	35	72 700	47	83 600	45
Reduced expenditure on office staff	1 300	4	3 300	2	4 700	3
Reduced expenditure on employed trades staff	4 000	13	14 200	9	18 200	10
Reduced number of subcontractors engaged	7 600	25	18 200	12	25 800	14
Reviewed/restructured organisation	2 300	7	6 600	4	8 900	5
Changed pricing structure to reduce price	6 400	21	31 600	20	38 100	20
Entered niche marketing	1 500	5	2 500	2	4 100	2
Voluntarily closed business and then re-opened	3 100	10	11 800	8	14 900	8
Diversified business activities	3 200	10	12 700	8	15 900	9
Other strategies	2 000	6	11 600	7	13 500	7

(a) Businesses could indicate more than one strategy.

The information on strategies used in downturns can also be analysed in terms of the length of time that the business has been operating in the industry. As graph 3.46 and table 3.51 show, there are some differences in the 'age' structure between the residential construction industry and the construction trades industry. Businesses which had been in operation for less than five years were the largest group in the construction trades part of the industry with the next largest grouping those businesses which had been in operation for five years to less than 10 years. Businesses which had been in operation for 20 years or more were the smallest grouping.

However in the residential construction part of the industry, the dominant grouping of businesses was those that had been in operation for 10 to less than 20 years, followed by those businesses which had been in operation for less than five years.

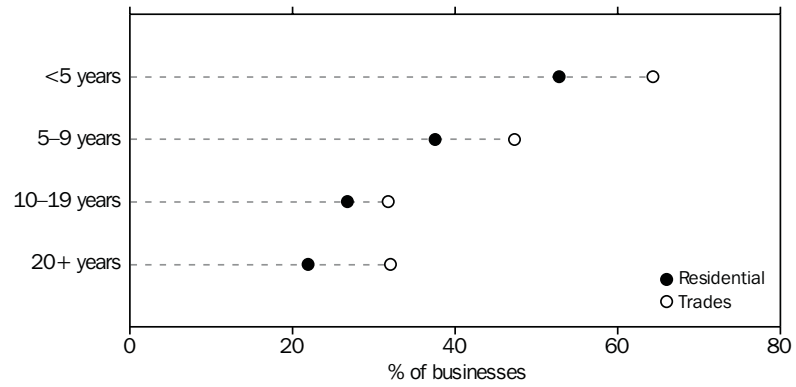
3.46 LENGTH OF TIME IN INDUSTRY,
Residential Construction and Construction Trades



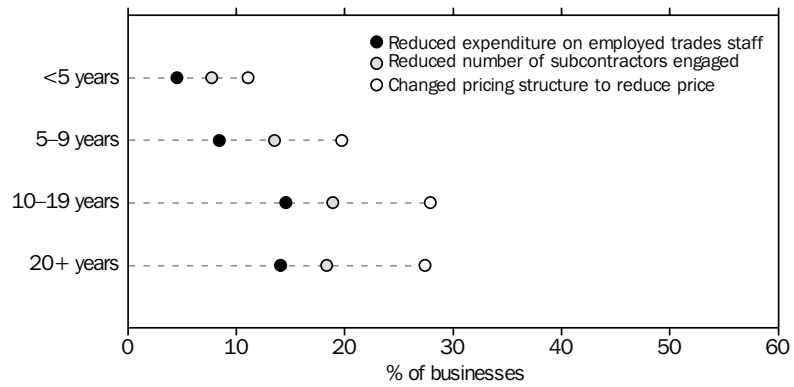
Graph 3.47 illustrates that the majority of the younger businesses had yet to experience a downturn. About 30% of all businesses in operation for 20 years or more reported that they had not experienced a major downturn.

Graph 3.48 illustrates the most frequently used strategies across the industry, allowing for different age groupings. Within the residential construction industry, price reduction was the most commonly used strategy for businesses which had been in operation for less than five years, while the most commonly used strategy for businesses which had been in operation for longer than five years was to reduce the number of subcontractors engaged (graph 3.49). In the construction trades part of the industry, the most commonly used strategy for businesses of all ages was to reduce the pricing structure (graph 3.50).

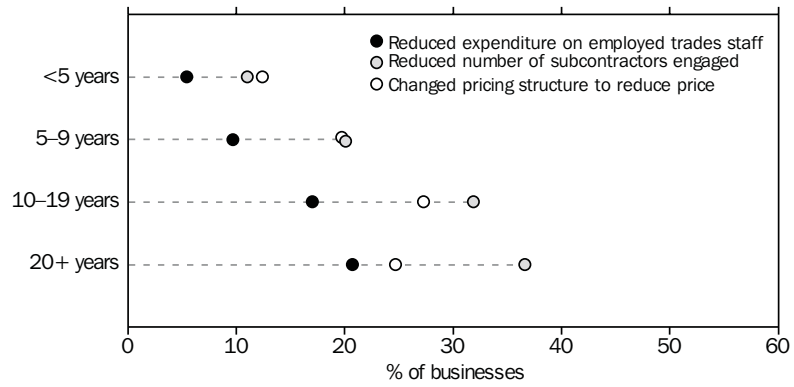
3.47 BUSINESSES WHICH HAVE NOT EXPERIENCED A MAJOR DOWNTURN, Residential Construction and Construction Trades



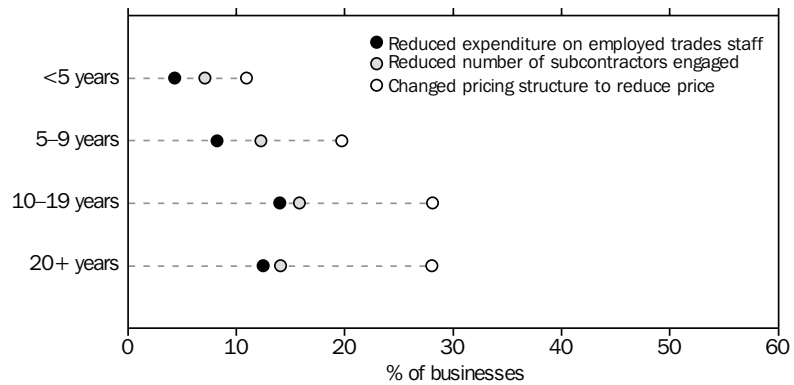
3.48 STRATEGIES IN COPING WITH THE LAST MAJOR DOWNTURN,
Residential Construction and Construction Trades



3.49 STRATEGIES IN COPING WITH THE LAST MAJOR DOWNTURN,
Residential Construction



3.50 STRATEGIES IN COPING WITH THE LAST MAJOR DOWNTURN,
Construction Trades



3.51 STRATEGIES IN COPING WITH THE LAST MAJOR DOWNTURN(a), By Length of Time in Industry

	Units	LENGTH OF TIME IN INDUSTRY					
		Less than 5 years			5 years to less than 10 years		
		Residential construction	Construction trades	Total	Residential construction	Construction trades	Total
Businesses reporting	no.	8 100	49 500	57 600	7 100	39 700	46 800
Types of strategies							
Yet to experience downturn	%	52.8	64.4	62.7	37.6	47.3	45.8
Reduced expenditure on staff	%	1.8	1.1	1.2	4.1	2.2	2.5
Reduced expenditure on employed trades staff	%	5.4	4.3	4.5	9.7	8.2	8.4
Reduced number of subcontractors engaged	%	11.0	7.1	7.7	20.1	12.3	13.5
Reviewed/restructured organisation	%	*5.2	2.3	2.7	5.9	4.6	4.8
Changed pricing structure to reduce price	%	12.4	10.9	11.1	19.7	19.7	19.7
Entered niche marketing	%	*3.2	0.6	1.0	*7.8	*1.8	2.7
Voluntarily closed business and then re-opened	%	*9.0	6.4	6.8	*6.3	5.4	5.5
Diversified business activities	%	*7.5	4.5	4.9	10.4	8.7	8.9
Other strategies	%	4.9	4.9	4.9	7.2	6.9	7.0

	Units	LENGTH OF TIME IN INDUSTRY					
		10 years to less than 20 years			20 years or more		
		Residential construction	Construction trades	Total	Residential construction	Construction trades	Total
Businesses reporting	no.	8 800	36 600	45 400	6 600	28 600	35 200
Types of strategies							
Yet to experience downturn	%	26.8	31.8	30.9	21.9	32.0	30.1
Reduced expenditure on staff	%	5.8	2.8	3.4	6.0	3.1	3.7
Reduced expenditure on employed trades staff	%	17.0	14.0	14.6	20.7	12.5	14.1
Reduced number of subcontractors engaged	%	31.9	15.8	18.9	36.6	14.1	18.3
Reviewed/restructured organisation	%	9.0	5.8	6.5	10.0	5.0	5.9
Changed pricing structure to reduce price	%	27.3	28.1	27.9	24.7	28.0	27.4
Entered niche marketing	%	*4.7	1.9	2.5	4.6	*2.8	3.1
Voluntarily closed business and then re-opened	%	12.0	9.7	10.2	12.7	10.3	10.8
Diversified business activities	%	12.6	12.1	12.2	10.7	9.1	9.4
Other strategies	%	5.5	8.9	8.2	8.2	10.4	9.9

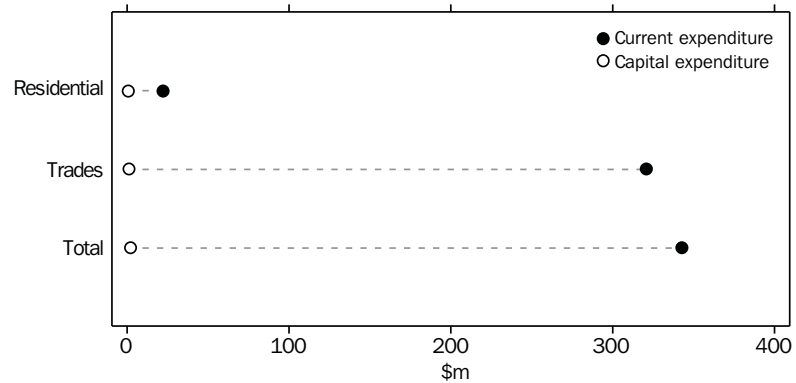
	Units	LENGTH OF TIME IN INDUSTRY		
		All businesses		
		Residential construction	Construction trades	Total
Businesses reporting	no.	30 600	154 400	185 000
Types of strategies				
Yet to experience downturn	%	35.2	46.3	44.4
Reduced expenditure on staff	%	4.4	2.2	2.5
Reduced expenditure on employed trades staff	%	13.0	9.1	9.8
Reduced number of subcontractors engaged	%	24.6	11.8	13.9
Reviewed/restructured organisation	%	7.5	4.3	4.8
Changed pricing structure to reduce price	%	21.0	20.4	20.5
Entered niche marketing	%	5.0	1.6	2.2
Voluntarily closed business and then re-opened	%	10.0	7.7	8.1
Diversified business activities	%	10.4	8.2	8.6
Other strategies	%	6.3	7.4	7.2

(a) Businesses could indicate more than one strategy.

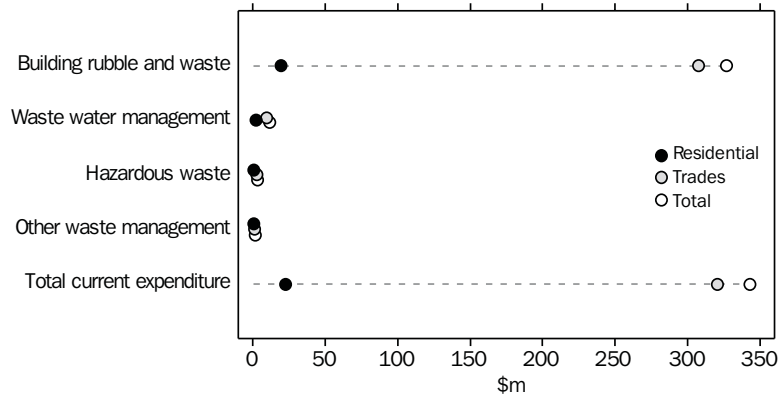
WASTE MANAGEMENT IN
THE RESIDENTIAL
CONSTRUCTION AND
CONSTRUCTION TRADES
INDUSTRIES

Graph 3.52 shows that almost all of the waste management costs in the industry are current expenditures, most of which are incurred in the construction trades part of the industry. Costs associated with building rubble and waste are the major contributor to these total costs (graph 3.53).

3.52 ENVIRONMENT AND WASTE MANAGEMENT COSTS,
Residential Construction and Construction Trades



3.53 ENVIRONMENT AND WASTE MANAGEMENT COSTS,
Residential Construction and Construction Trades—Current Expenditure



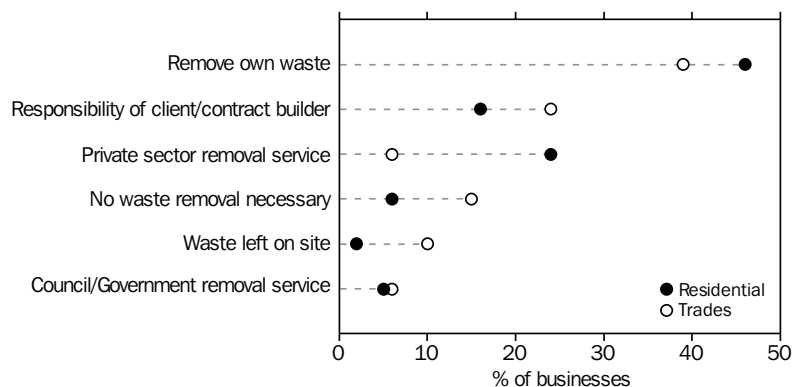
3.54 WASTE MANAGEMENT AND ENVIRONMENTAL PROTECTION EXPENDITURE

	Construction trade services						Total	Total
	Residential construction	Site preparation services	Building structure services	Installation trade services	Building completion services	Other construction services		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current expenditure								
Disposal, storage and treatment of building rubble and wastes	19 551	*11 654	*7 169	**43 593	**239 849	**5 230	**307 496	**327 047
Disposal, storage and treatment of hazardous waste requiring special treatment	484	*1 071	*546	*366	291	324	2 598	3 082
Waste water management and water pollution abatement	*1 849	**349	224	*1 355	*1 424	**6 198	**9 550	**11 399
Other expenditure on environmental protection activities	407	*362	*215	*498	7	96	1 178	1 584
Total	22 290	*13 436	*8 154	*45 813	**241 570	**11 848	**320 822	**343 112
Capital expenditure								
Primarily spent on waste management and environmental protection	*964	**326	*264	*550	*79	**186	*1 405	2 369

Businesses were asked to report what methods they used to dispose of most of their waste (graph 3.55 and table 3.56). Over 40% of all businesses reported they removed their own waste from the building sites. Another 22% of all businesses reported that it was the responsibility of the client or the contract builder to dispose of the waste material from the building site.

While businesses in both parts of the industry were most likely to report that they were responsible for their own waste removal, the second most frequently reported waste disposal methods differed. Whereas private sector waste removal services were used by almost 25% of businesses in residential construction, a similar proportion of businesses in the construction trades reported that waste removal was the responsibility of the client or contract builder (graph 3.55 and table 3.56).

3.55 METHODS USED BY BUSINESSES TO DISPOSE OF WASTE, Residential Construction and Construction Trades



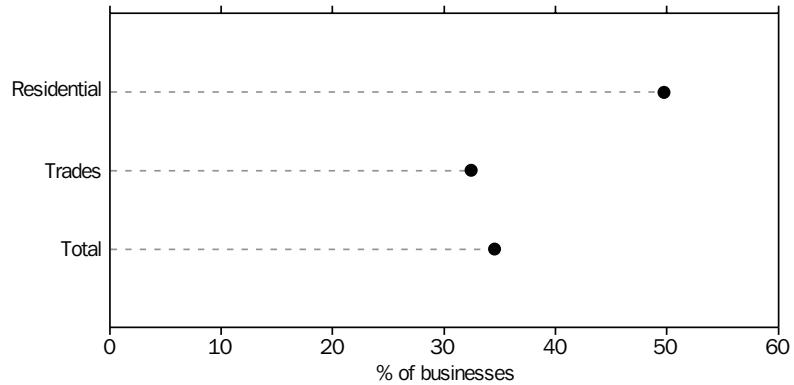
3.56 METHODS USED BY BUSINESSES TO DISPOSE OF THEIR WASTE

	Residential construction		Construction trade services		All businesses	
	no.	% of busi- nesses	no.	% of busi- nesses	no.	% of busi- nesses
Businesses reporting	30 000	100	151 400	100	181 400	100
Method of disposing of waste material						
Remove own waste	13 900	46	59 700	39	73 600	41
Use council/Government waste removal service	1 500	5	8 500	6	10 000	6
Use private sector waste removal service	7 300	24	9 600	6	16 900	9
Waste is left on-site	600	2	14 800	10	15 400	8
Waste is responsibility of client/contract builder	4 800	16	35 900	24	40 700	22
No waste removal necessary	1 800	6	22 000	15	23 800	13
Other methods	*100	—	*900	1	*1 000	1

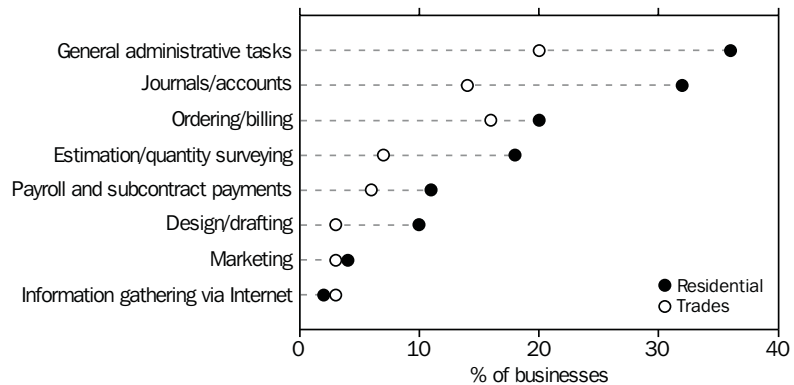
COMPUTER USE IN THE RESIDENTIAL CONSTRUCTION AND CONSTRUCTION TRADES INDUSTRIES

Overall, 35% of businesses in these industries reported using computers in their business operations (table 3.59), although higher rates of use were reported in the residential construction part of the industry (graph 3.57). Businesses in both parts of the industry used computers most frequently for general administrative tasks, journals/accounts and ordering and billing (graph 3.58).

3.57 BUSINESSES USING COMPUTERS, Residential Construction and Construction Trades



3.58 PURPOSES FOR WHICH COMPUTERS ARE USED, Residential Construction and Construction Trades

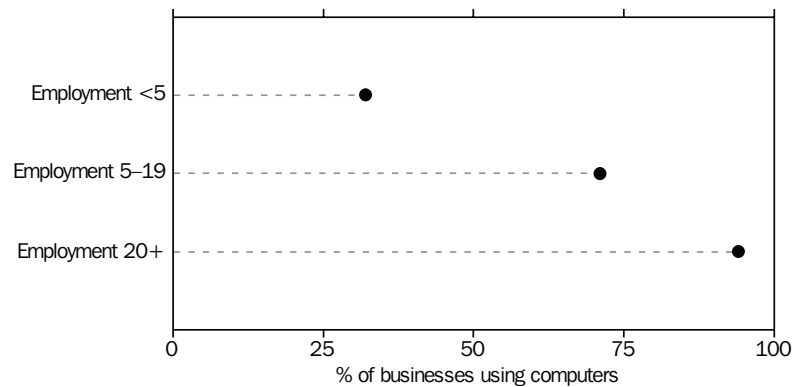


3.59 COMPUTER USAGE AND PURPOSE(a)

	<i>Residential construction</i>		<i>Construction trade services</i>		<i>All businesses</i>	
	<i>no.</i>	<i>% of busi- nesses</i>	<i>no.</i>	<i>% of busi- nesses</i>	<i>no.</i>	<i>% of busi- nesses</i>
Businesses reporting	23 300	100	166 100	100	189 400	100
Businesses that did not use computers in their business operations	11 700	50	112 300	68	124 000	65
Businesses that used computers in their business operations	11 600	50	53 800	32	65 400	35
Purpose computers used for						
Design/drafting	2 300	10	4 800	3	7 100	4
Estimation/quantity surveying	*4 100	18	12 000	7	16 100	9
Ordering/billing	4 700	20	26 000	16	30 700	16
Journals/accounts	7 400	32	24 000	14	31 400	17
Payroll and sub-contract payments	2 500	11	9 800	6	12 300	6
General administrative tasks	8 300	36	33 000	20	41 300	22
Marketing	*900	4	*4 800	3	5 700	3
Information gathering via Internet	*400	2	4 600	3	5 000	3
Other	*1 000	4	*2 800	2	*3 800	2

(a) Businesses could indicate multiple computer purposes.

3.60 INCIDENCE OF COMPUTER USE, BY BUSINESS EMPLOYMENT SIZE, Residential Construction and Construction Trades



There were differences in the level of computer use between businesses of different sizes. As graph 3.60 illustrates, the larger the business, the more likely it was to be using computers.

3.61 COMPUTER USAGE AND PURPOSE(a)

	<i>Businesses with employment size</i>							
	<i>Less than 5</i>		<i>5 to 19</i>		<i>20 or more</i>		<i>All businesses</i>	
	no.	% of busi- nesses	no.	% of busi- nesses	no.	% of busi- nesses	no.	% of busi- nesses
Businesses reporting	179 200	100	9 400	100	800	100	189 400	100
Businesses that did not use computers in their business operations	121 250	68	2 700	29	50	6	124 000	65
Businesses that did use computers in their business operations	57 950	32	6 700	71	750	94	65 400	35
Purpose computers used for								
Design/drafting	6 100	3	800	9	200	25	7 100	4
Estimation/quantity surveying	13 500	8	2 200	23	400	50	16 100	9
Ordering/billing	27 600	15	2 700	29	400	50	30 700	16
Journals/accounts	25 700	14	5 000	53	700	88	31 400	17
Payroll and subcontract payments	8 800	5	2 900	31	600	75	12 300	6
General administrative tasks	35 700	20	5 000	53	600	75	41 300	22
Marketing	*5 000	3	500	5	200	25	5 700	3
Information gathering via Internet	4 100	2	*700	7	200	25	5 000	3
Other	*3 500	2	*250	3	50	6	*3 800	2

(a) Businesses could indicate multiple computer purposes.

EXPLANATORY NOTES

INTRODUCTION

1 The construction industry estimates in this publication have been derived from the Construction Industry Survey (CIS) and the Economic Activity Survey (EAS) for the financial year 1996–97. In particular, the residential construction and construction trades industries estimates are derived from the CIS, while non-residential and non-building construction information was obtained from the EAS.

2 The estimates from the CIS component are based on a sample survey of 20,000 employing and non-employing businesses in the private sector construction industry. The sample was selected from two sources: the Australian Bureau of Statistics (ABS) Business Register of employing businesses; and a supplementary frame taken from Australian Taxation Office (ATO) files. Responses were received from about 80% of businesses. For those businesses that did not respond, their data were estimated from similar businesses responses on the basis of activity, location and size.

3 In this survey construction activity is defined as:

- new work, alterations, additions, improvements and renovations (i.e. activity which adds to the capital value of assets and/or prolongs the effective life of these assets);
- repair and maintenance (i.e. activity which, due to normal wear and tear, is carried out on an on-going basis, continuously and repetitively, over the life of the structure); or
- demolition (i.e. activity primarily involving the demolition of existing structures).

SCOPE, COVERAGE AND SURVEY METHODOLOGY

4 The scope of the survey includes all private sector businesses classified to Division E (Construction) of the *Australian and New Zealand Standard Industrial Classification (ANZSIC), 1993* (Cat. no. 1292.0), consisting of all businesses in ANZSIC Subdivision 41 General Construction and Subdivision 42 Construction Trade Services.

PRIVATE SECTOR CONSTRUCTION INDUSTRY SURVEY—SOURCE OF INFORMATION

<i>ANZSIC Division, Subdivision, Group and Class</i>		<i>Data source</i>
E	Construction	
41	General construction	
411	Building construction	
4111	House construction	CIS—collected financial, structural and selected business operations data from employing (ABS Business Register) and non-employed (ATO file) businesses.
4112	Residential building construction n.e.c.	
4113	Non-residential building construction	EAS—collected financial and structural data from employing (ABS Business Register) businesses.
412	Non-building construction	
4121	Road and bridge construction	
4122	Non-building construction n.e.c.	
42	Construction trade services	CIS—collected financial, structural and selected business operations data from employing (ABS Business Register) and non-employed (ATO file) businesses.
421	Site preparation services	
4210	Site preparation services	
422	Building structure services	
4221	Concreting services	
4222	Bricklaying services	
4223	Roofing services	
4224	Structural steel erection services	
423	Installation trade services	
4231	Plumbing services	
4232	Electrical services	
4233	Air conditioning and heating services	
4234	Fire and security system services	
424	Building completion services	
4241	Plastering and ceiling services	
4242	Carpentry services	
4243	Tiling and carpeting services	
4244	Painting and decorating services	
4245	Glazing services	
425	Other construction services	
4251	Landscaping services	
4259	Construction services n.e.c.	

5 Businesses in all sectors of the industry were asked to report financial and structural data, presented in section 2 of this publication. Only businesses classified to residential construction and construction trade services were asked additional questions on other aspects of their operations. These data are presented in section 3.

6 The survey was conducted in two despatches, the first to businesses primarily with employment of five or more, in September 1997, and the second to businesses with employment of less than five staff, in February 1998. Research had established that smaller businesses do not have their end of year accounts finalised until early in the year following the end of a financial year. Hence the split despatch was employed to enable ABS processing of returns from larger businesses to commence while smaller businesses finalised their financial statements.

SCOPE, COVERAGE AND
SURVEY METHODOLOGY

continued

7 A business is categorised to the construction industry based on its predominant activity, but data collected for it relates to all its activities (including non-construction activities). For example, a business which predominantly carries out house building but also rents out property is classified to the house construction industry and its total business activity, including the property renting is counted in the house construction industry. Businesses classified to other industries were excluded from the frame, even if they carried out some construction activity.

8 Owner-builders (i.e. private individuals erecting or extending buildings for their own (private) use) are considered to be predominantly engaged in activities outside the construction industry and therefore are not included in the survey. However, construction activity undertaken by owner-builders is included in *Building Activity, Australia* (Cat. no. 8752.0)—issued quarterly.

STATISTICAL UNIT,
SAMPLING AND ESTIMATION

9 The CIS sample was selected from the ABS Business Register list of employing businesses and non-employing businesses identified through the ATO, as indicated above.

10 The business unit about which data have been collected and published is termed the management unit (MU). The MU is the highest level accounting unit within a business, having regard for industry homogeneity, for which detailed accounts are maintained; in nearly all cases it coincides with the legal entity owning the business (i.e. a company, partnership, trust, sole operator etc.).

11 The survey results are based on data provided by units which were selected using stratified random sampling techniques. All MUs with employment of 20 or more persons were automatically included in the sample.

12 Where a MU operated in more than one State or Territory, the MU was included in the State or Territory where the head office was located.

RELIABILITY OF ESTIMATES

13 See the Technical Notes section for information on this subject.

DATA ADJUSTED

14 Data have been adjusted to allow for lags in processing new businesses to the ABS Business Register, and the omission of some businesses from the Business Register. First, adjustments have been made to allow for new businesses which had commenced operations but for which details had not been processed to the ABS Business Register in time for inclusion in the CIS. Second, some adjustments have been made for businesses which had been in existence for several years, but, for various reasons, were not previously added to the ABS Business Register. Data from the supplementary frame of ATO businesses have been adjusted to account for new businesses which began operating in the 1996–97 financial year, or which did not operate during the 1995–96 financial year, the reference year the supplementary ATO frame was based on.

15 The effect of the adjustments applied on 1996–97 total income is an increase of 7.1% while the effect on employment is an increase of 12.0%. Similar factors applied to adjustments for all States and Territories.

16 For further information on the adjustments for new businesses to the ABS Business Register and the omissions from the ABS Business Register, please refer to *Information Paper—Improvements to ABS Economic Statistics, 1997* (Cat. no. 1357.0).

ROUNDING

17 Where figures have been rounded, discrepancies may occur between totals and the sums of the component items.

COMPARISONS WITH OTHER ABS DATA

18 Previous CIS collections were held in respect of 1978–79, 1984–85 and 1988–89 with data being collected at the establishment level. Users of these statistics making comparisons with the data from previous surveys should note that the information collected in the 1996–97 survey was at the MU level. In addition, significant changes to questionnaire design have also been made for the 1996–97 collection. For these reasons, data from the 1996–97 survey is not strictly comparable with data from previous collections.

19 Users making comparisons with data published in other ABS publications should note that such comparisons may be misleading. Over and above the sampling error associated with these estimates, they are also affected by such factors as the inclusion of non-employed businesses, differences in the scope, internal restructuring of businesses (e.g. changes in divisional structure, mergers and take-overs), economic conditions and changes in the ABS Business Register. For more information about scope and coverage issues, refer to paragraph 4–8.

ACKNOWLEDGMENT

20 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated; without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the *Census and Statistics Act 1905*.

UNPUBLISHED STATISTICS

21 As well as the statistics included in this and related publications, the CIS has other detailed and relevant unpublished data available. Inquiries should be made to Sharon Wibrow by telephone on Adelaide 08 8237 7634.

RELATED PUBLICATIONS

22 In addition to the publications already mentioned, others relevant to building and construction include:

Building Activity, Australia (Cat. no. 8752.0)—issued quarterly

Building Activity, Dwelling Unit Commencements, Australia, Preliminary (Cat. no. 8750.0)—issued quarterly

Building Activity, Building Work Done, Australia, Preliminary (Cat. no. 8755.0)—issued quarterly

Building Approvals, Australia (Cat. no. 8731.0)—issued monthly

Business Operations and Industry Performance, Australia, Preliminary, 1996–97 (Cat. no. 8142.0)—issued annually

Engineering Construction Activity, Australia (Cat. no. 8762.0)—issued quarterly

House Price Indexes: Eight Capital Cities (Cat. no. 6416.0)—issued quarterly

Housing Finance for Owner Occupation, Australia (Cat. no. 5609.0)—issued monthly

Price Index of Materials Used in Building Other Than House Building, Six State Capital Cities (Cat. no. 6407.0)—issued quarterly

Price Index of Materials Used in House Building, Six State Capital Cities (Cat. no. 6408.0)—issued quarterly

Small and Medium Enterprises, Business Growth and Performance Survey, Australia, 1996–97 (Cat. no. 8141.0)—issued annually

23 Current publications produced by the ABS are listed in the *Catalogue of Publications and Products* (Cat. no. 1101.0). The ABS also issues, on Tuesdays and Fridays, a *Release Advice* (Cat. no. 1105.0) which lists publications to be released in the next few days. The Catalogue and Release Advice are available from any ABS office.

SYMBOLS AND OTHER
USAGES

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
ATO	Australian Taxation Office
CIS	Construction Industry Survey
EAS	Economic Activity Survey
GDP	Gross Domestic Product
MU	Management unit
NBP	New Business Provisions
OPBT	Operating profit before tax
n.e.c.	not elsewhere classified
n.p.	not available for publication but included in totals where applicable
*	data subject to sampling variability of between 25% to 50%
**	data subject to sampling variability greater than 50%
. .	not applicable
—	nil or rounded to zero

TECHNICAL NOTES

RELIABILITY OF ESTIMATES

The estimates provided in this publication are subject to two types of error, sampling error and non-sampling error.

SAMPLING ERROR

Since the estimates in this publication are based on information obtained from a sample drawn from units in the surveyed population, the estimates are subject to sampling variability; that is, they may differ from the figures that would have been produced if all units in the population had been included in the survey.

One measure of the likely difference is given by the standard error, which indicates the extent to which an estimate might have varied by chance because only a sample of units was included. The standard error can also be expressed as a percentage of the estimate and this is known as the relative standard error. The relative standard error is a useful measure in that it provides an immediate indication of the percentage errors likely to have occurred due to sampling, and thus avoids the need to also refer to the size of the estimate.

There are about two chances in three that a sample estimate will differ by less than one standard error from the figure that would have been obtained if all units had been included in the survey, and about 19 chances in 20 that the difference will be less than two standard errors. Thus, for example, if the estimated value of a variable is 36% and its standard error is two percentage points, its reliability in terms of sampling error can be interpreted as follows. There are about two chances in three that the true value of the variable lies within the range 34% to 38%, and 19 chances in 20 that the true value lies within the range 32% to 40%.

Space does not allow for separate indication of the standard errors of all estimates in this publication. As a guide, table T1 provides the relative standard errors for selected performance items of the construction industry.

In the tables in this publication estimates with relative standard errors between 25% and 50% are indicated by an asterisk (e.g. *246.5), while those with relative standard errors of more than 50% are indicated by a double asterisk (e.g. **246.5). These estimates should be used with caution.

Non-sampling error

Other errors can occur whether the estimates are derived from a sample or from a complete enumeration and are generally referred to as non-sampling errors. Three major sources of non-sampling errors are:

- inability to obtain comprehensive data from all businesses included in the sample. These errors arise because of differences which exist between the characteristics of respondents and non-respondents;
- errors in reporting which may arise through inappropriate wording of questions, misunderstanding of what data are required, inability or unwillingness to provide accurate information and mistakes to answers in questions; and
- errors arising during the processing of the survey data. These processing errors may arise through mistakes in coding and data recording.

While it is not possible to quantify non-sampling error, every effort is made to reduce it to a minimum. Collection forms are designed to be easy to complete and assist businesses to report accurately. Efficient and effective operating procedures and systems are used to compile the statistics.

T1 RELATIVE STANDARD ERRORS

Selected indicators	<i>General construction</i>						
	<i>Building construction</i>						
	Residential construction	Non-residential building construction	Total	Non-building construction	Total	Construction trade services	Total construction
	%	%	%	%	%	%	%
Operating businesses	2.4	16.7	2.5	10.9	2.5	1.5	1.3
Employment	2.3	13.1	3.5	9.1	3.6	1.2	1.3
Wages and salaries	3.0	17.7	8.4	10.9	6.9	1.6	2.9
Turnover	3.7	20.5	9.1	13.0	7.5	2.0	4.3
Total operating income	3.7	18.4	8.1	12.3	6.8	1.3	3.9
Total operating expenses	3.7	18.7	8.6	12.3	7.1	1.4	4.3
Operating profit before tax	6.5	107.7	8.9	15.6	7.7	2.4	2.8
Total assets	10.2	15.1	8.4	12.8	7.0	6.9	5.3
Total liabilities	13.4	16.8	10.6	13.9	8.5	4.7	6.3
Net worth	47.3	66.2	38.5	46.7	30.0	16.7	19.1
Capital expenditure	64.2	27.9	62.0	39.5	43.3	53.0	40.2
Industry gross product	23.0	291.0	81.9	54.9	53.9	103.6	69.2

GLOSSARY

Business averages	Variables expressed as a simple average per operating business.
Capital expenditure	Includes acquisition of fixed tangible assets (e.g. plant and machinery), property and intangible assets (e.g. computer software, patents and licenses). Also includes work done by own employees or proprietors of the business for its own use or for rental or lease purposes.
Construction—ANZSIC Division E	This Division includes all units mainly engaged in constructing buildings (including the on-site assembly and erection of prefabricated buildings), roads, railroads, aerodromes, irrigation projects, harbour or river works, water, gas, sewerage or stormwater drains or mains, electricity or other transmission lines or towers, pipelines, oil refineries or other specified civil engineering projects. In general, units mainly engaged in the repair of buildings or of other structures are also included in this Division, as are those engaged in the alteration or renovation of buildings, preparation of mine sites, demolition or excavation. (A listing of the construction chapter of ANZSIC is contained in the Explanatory Notes, paragraph 4.)
Construction Trade Services—ANZSIC Subdivision 42	Examples of Construction trade services include: bricklaying, roofing, structural steel erection, plumbing and electrical services, plastering and ceiling services, air conditioning and heating services, carpentry, tiling and carpeting, painting and decorating, glazing and landscaping. (A listing of the construction chapter of ANZSIC is contained in the Explanatory Notes, paragraph 4.)
Current ratio	The number of times current assets cover current liabilities, i.e. the value of current assets divided by the value of current liabilities. This liquidity measure indicates ability to meet immediate financial obligations from current assets.
Division E—Construction	See Construction—ANZSIC Division E.
Employment	The number of working proprietors, working partners, permanent, part-time, temporary and casual employees, and managerial and executive employees working for a business during the last pay period ending in June. Employees absent on paid or prepaid leave are included.
General Construction—ANZSIC Subdivision 41	Comprises Building construction (House construction, Residential building construction n.e.c., Non-residential building construction) and Non-building construction (Road and bridge construction, and Non-building construction n.e.c.). (A listing of the construction chapter of ANZSIC is contained in the Explanatory Notes, paragraph 4.)
IGP—Industry gross product	Is the value of an industry's gross output minus the value of intermediate consumption.
Interest coverage	The number of times over that businesses can meet their interest expenses from their earnings before interest, i.e. the value of earnings before interest and tax divided by the value of interest expenses.

Investment rate	The proportion of IGP used to acquire capital, i.e. capital expenditure \times 100/IGP.
Long-term debt to equity	The value of non-current liabilities divided by the value of net worth.
Management unit	The management unit is the highest level unit within a business, having regard to industry homogeneity, for which accounts are maintained; in nearly all cases, it coincides with the legal entity owning the business (that is, company, partnership, trust, sole operator, etc.). In the case of large diversified businesses, however, there may be more than one management unit, each coinciding with a 'division' or 'line of business'. A division or line of business is recognised where separate and comprehensive accounts are compiled for it.
Net worth	Total assets minus total liabilities and is equal to the interests of shareholders or other owners in the assets of the business.
Non-sampling error	See the Technical Notes section for information on this subject.
Operating businesses	The business unit about which information is collected and published for the Economic Activity Survey of the construction industry is the management unit and comprises all businesses that operated during the financial year.
OPBT—Operating profit before tax	A measure of profit before extraordinary items are taken into account and prior to the deduction of income tax and payments to owners such as dividends.
Profit margin	The percentage of total operating income available as OPBT, i.e. $OPBT \times 100 / \text{Total operating income}$.
Reference period	Businesses were asked to report data for the financial year ended 30 June 1997. However, if a business had a different financial year, it was requested to report for the 12-month period which ended between 1 October 1996 and 30 September 1997. For example, if a business reported data for the year ended 31 December 1996, the Australian Bureau of Statistics would have substituted this period for the financial year ended 30 June 1997.
Residential construction	Businesses classified to ANZSIC Class 4111—House construction and ANZSIC Class 4112—Residential building construction n.e.c.
Residential construction and construction trades	This is the scope of the 1996–97 Construction Industry Survey. Consists of ANZSIC Classes 4111, 4112 and all classes in ANZSIC Subdivision 42. (A listing of the construction chapter of ANZSIC is contained in the Explanatory Notes, paragraph 4).
Return on assets	OPBT as a percentage of the total book value of assets, i.e. $OPBT \times 100 / \text{Total assets}$.
Return on net worth	OPBT as a percentage of the shareholders' funds, i.e. $OPBT \times 100 / \text{Net worth}$.

Sampling error	See the Technical Notes section for information on this subject.
Total assets	The book value of both current and non-current assets as at the end of the financial year. This includes cash on hand, stocks, trade debtors and other accounts receivable, plant and machinery, property and goodwill.
Total income	The total income of a business, excluding extraordinary items.
Total liabilities	The book value of both current and non-current liabilities as at the end of the financial year. This includes provisions for taxation, leave, claims, trade creditors and other accounts payable, bank overdrafts, bank loans, debentures and unsecured notes.
Total operating expenses	The total expenses of a business, excluding extraordinary items.
Turnover	Turnover is the total market value of all output produced, i.e. includes all income from building construction and construction trade services, plus goods sold and income from non-construction services (including rent, leasing and hiring) and funding from the Commonwealth Government, State, Territory and local governments.
Wages and salaries	The gross earnings, severance, termination and redundancy payments before taxation and other deductions of all employees and working directors of a business. Excluded are payments to subcontractors and contractors, and drawings of working proprietors.

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