

Thoughts to inform public debate on building & construction issues in election year

With continued high levels of demand for building and construction, addressing the associated issues is a key area of public interest. With the General Election nearing, NZ Certified Builders (NZCB) invites all political contenders to consider our views from the inside, as one of the country's two major building trade associations, as they debate the issues. These perspectives are shaped by our commitment to a more sustainable and productive sector, as well as to doing the right thing by New Zealanders for many of whom their property interests are their biggest investment.

1. Give the licensing framework more teeth and drive improvements in capability across the sector

The current Licensed Building Practitioner (LBP) Scheme is designed to give consumers confidence that the licensed tradespeople they employ meet standards and perform building work competently. But we believe the LBP Scheme has major shortcomings that need to be addressed both in the interests of consumers and builders.

We have been advocating for some time for the Government to develop more robust minimum standards for training and skills, create a formal standardised training pathway linked to the licensing regime to ensure builders grow their business acumen and skills beyond that provided by apprentice training, and to introduce tougher penalties for those who do not comply with the requirements.

More than a third of all builders in New Zealand are not members of either trade association so they do not have access to the ongoing skills development and support we provide to our members. With a strong focus on delivering that ongoing training for our members already, we could play a broader role in delivering ongoing skills training linked to the licensing regime. Our interest in this is that ongoing skills development is critical for maintaining build quality and ensuring that builders who are not meeting standards don't bring the rest of the sector into disrepute.

While NZCB requires builders to hold a formal trade qualification to be eligible for membership, this is not required to become a licensed building practitioner under the current LBP scheme, which may be a surprise to many consumers who might expect this to be the case.

2. Improve sector productivity by advancing other regulatory changes that have been proposed

The [Rules Reduction Taskforce report](#) released in September 2015 made a number of recommendations to reduce the compliance burden and commensurate cost to consumers, including a proposal to allow self-certification by builders via a system of site licences, and to speed up the development of risk-based consenting (where the amount of local authority plan-checking and inspection reflects the work's risk and complexity, and workers' skills and capability).

Work on implementing these recommendations appears to have come to a grinding halt, which is costing the country in terms of sector productivity and is frustrating for builders at the proverbial coalface, particularly given the inconsistent interpretation of the existing regulations across different local authorities.

Part of the answer in finding the political will to advance these initiatives is in strengthening the LBP regime – with a more rigorous licensing framework in place, there can be greater confidence in reducing the need for local authority oversight of certain types of work.

Alongside these initiatives, progress on developing and implementing a framework for Building Consent Authority (BCA) liability capping would ensure consenting authorities are less risk averse and therefore also help to improve productivity.

3. Smooth the boom/bust cycle that undermines long term sector sustainability and has implications for quality

A key challenge for the industry currently is sufficient supply of qualified and experienced builders to keep up with demand; and a shortfall brings inherent build-quality risks as well as other implications for New Zealanders who simply cannot get a builder. The current situation arises because of the cyclical nature of the industry – when there is low demand (as was the case in 2009 and 2011), the apprentice pipeline reduces and skilled participants exit the industry for greener pastures. This means there is a lot of catch-up to do when the industry is on an upswing, which creates a mismatch between supply and demand for some years when the sector is booming.

As a major spender on construction, the Government can play an active role in smoothing the boom/bust cycle by staggering its programme of public infrastructure development and/or actively planning for counter-cyclical spend on major construction projects. Now is the time to be having that conversation, while we remain at the top of the cycle, not when the bubble bursts.

4. Create incentives to maintain the pipeline of apprenticeships and attractiveness of building as a career

Related to the point above, maintaining the pipeline of apprentices through good times and bad is important for ensuring the sector's long term sustainability and meeting the New Zealand public's expectations around supply and quality of builders who are critical to the economy.

Understandably, builders are typically reluctant to take on apprentices when the sector is in a downturn because of the uncertainties and challenges they are already facing in their businesses when times are tough. This inevitably contributes to the shortfall of supply of qualified builders when demand increases.

The Government could play a role in addressing this by creating financial incentives for builders to take on apprentices during a downturn, and/or by creating financial incentives for people who began apprenticeship training but never completed it (perhaps because at the time there were limited job prospects) to complete their training. Even an awareness campaign to stimulate interest in a career in the trades would help. New Zealand will need over 65,000 construction workers over the next five years, yet people leaving school are often unaware of the career opportunities in this sector.

5. Promote the consumer protection measures introduced under the Building Act amendment (2015)

The Building Act reforms that came into effect in January 2015 included a requirement for there to be a written contract for residential building work over \$30,000, as well as requirements around disclosure of guarantee products and warranties for defective work.

An independent survey NZCB commissioned in September 2016 revealed that that 51% of homeowners who had used a builder in the last ten years didn't have a written contract for work done by their last builder. Of the work done without a written contract, 22% was for work over \$30,000, 18% was for work between \$10,000 and \$30,000 and 48% was for work under \$10,000.

While the effect of the 2015 Building Act amendment to make contracts for work over \$30,000 mandatory is not captured in this result (given the timeframe), we believe there is still work to do to raise awareness within the industry and among consumers about the new mandatory requirement for contracts and the importance more broadly of written contracts for lower-cost building work.

The Building Act amendments stopped short of introducing mandatory building guarantees. However, in early 2016 NZCB introduced our own mandatory building guarantee ('Halo') for all work over \$30,000 that is undertaken by our member builders. Exclusive to NZCB, this scheme is the widest home guarantee insurance cover currently available in New Zealand and is run by an independent insurer, which ensures there is no potential conflict of interest in the management of guarantee claims as is the case with in-house schemes. It is underwritten by Lloyd's of London and carries an "A+" rating from Standard and Poor's. It provides greater protection than other guarantee schemes, for example, cover extends to not only fixing any defects but also the damage caused by the defect.

Introducing our own mandatory building guarantee demonstrates how the industry is prepared to self-regulate to improve consumer confidence because we recognise that this is in our best interest too.

Regards

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