

**1986-87
Parliament of New South Wales**

**Public Accounts Committee
of the
Forty-eighth Parliament**

Twenty-ninth Report

Inquiry pursuant to Section 57 (1) of the Public Finance and Audit Act, 1983, concerning the New South Wales Builders Licensing Board.

(Transcripts of Evidence are printed in a separate volume to this report.)

December, 1986

61126-08054-1

MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE

The members of the Public Accounts Committee are:

Mr John Murray, M.P., Chairman

John Murray, formerly a teacher, was elected Member for Drummoyne in April, 1982. An Alderman on Drummoyne Council for three terms, John Murray was Mayor of the Council for five years and served four years as Councillor on Sydney County Council. He is currently a member of the Prostitution Committee and the House Committee.

Dr Andrew Refshauge, M.P., Vice-Chairman

Andrew Refshauge was elected as Member for Marrickville in October, 1983. He previously practised as a Medical Practitioner with the Aboriginal Medical Service and was a past President of the Doctors' Reform Society. He is currently a fellow of the Senate of the University of Sydney.

Mr Colin Fisher, M.P.

Colin Fisher was elected Member for Upper Hunter in February, 1970. Former Minister for Local Government (1975) and Minister for Lands and Forests (1976), in opposition Colin Fisher has served as National Party Spokesman on Local Government, on Planning and Environment, and on Energy.

Mr Phillip Smiles, M.P.

Phillip Smiles was elected Member for Mosman in March, 1984. A management and marketing consultant since 1974, Phillip Smiles has been involved with entrepreneurial business activities since his teens. Since entering Parliament he has been actively interested in the areas of small business, emergency services, welfare and financial analysis.

Mr Allan Walsh, M.P.

Allan Walsh was elected Member for Maitland in September, 1981. Following eight years as a Mirage Fighter pilot with the R.A.A.F., he was involved in business management. Allan Walsh has also taught industrial relations, management and history at technical colleges.



Committee Members. From left: Andrew Refshauge (Vice-Chairman), Phillip Smiles, Colin Fisher, John Murray (Chairman), Allan Walsh

Secretariat

John Horder, LL.B., AASA, CPA, Clerk to the Committee

Sue Chapple, B.A.(Hons.), Senior Project Officer

John Lynas, FASA, CPA AUDITING, Advisor on secondment from
the Auditor-General's Office

Christina Assargiotis, Secretary/Word Processor Operator

Heidi-Marie Zywko, Secretary/Word Processor Operator

Consultants for the Inquiry

Touche Ross Services Pty
MIRA Consultants Ltd

N.S.W. Public Accounts Committee

Parliament House
Macquarie Street
Sydney, N.S.W. 2000

Inquiries: 230 2631
230 2111

CHAIRMAN'S FOREWORD

The Committee received a reference on 28 April, 1986 from the then Minister for Consumer Affairs, Mr Bob Carr, to inquire into the New South Wales Builders Licensing Board. References from Ministers have previously been the source of Committee inquiries into over-expenditure and public accountability in hospitals (1982) and the Grain Sorghum Marketing Board (1983).

The Committee welcomed the opportunity presented by the Minister's reference to undertake a wide-ranging inquiry into multiple aspects of a single organisation. In contrast to this inquiry, past inquiries by the Committee have tended to focus on a specific aspect of an organisation or on an aspect of public administration common to all government bodies, such as superannuation, or year-end spending.

The New South Wales Builders Licensing Board was established in 1971 to provide protection for consumers from unscrupulous builders and shoddy building work. The legislation was the first of its kind in Australia and New South Wales played a pioneering role in offering this type of consumer protection.

I believe that expectations within the community have undergone considerable change in the years since the Board was established. The general public today are much more aware of their rights as consumers, are better educated on consumer issues, and are demanding that government instrumentalities be responsive to their needs and provide effective services.

While community expectations have altered, the New South Wales Builders Licensing Board has not changed with the times. This inquiry has shown that the Board is not providing the service required by the public and has been slow to recognise changing community attitudes and needs.

The Committee's report recommends a major restructuring of the Builders Licensing Board. A revised role for members of the Board,

emphasising policy and planning; changes in the organisation's management structure; speedier delivery of service to consumers; and a less legislative approach to dispute resolution and licensing procedures are major thrusts of the report. The Committee believes this revamp of the organisation is long overdue and will bring the Builders Licensing Board into line with modern management practices, result in the Board being more in tune with public needs, and place it in a position to respond positively to future demands.

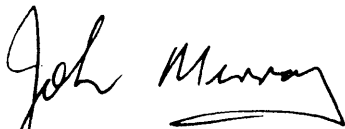
The Committee recognises the difficult task facing staff, particularly the inspectorial staff, in dealing with consumer complaints. The Committee believes that implementation of the recommendations in this report will greatly assist staff to carry out their jobs and provide heightened job satisfaction.

My congratulations go to Minister Bob Carr for his initiative in referring this inquiry to the Public Accounts Committee. I would also like to express appreciation to the current Minister for Consumer Affairs, Mrs Deidre Grusovin, for the assistance provided by her staff and for her interest in this inquiry.

The Committee's task was greatly aided by members of the public, local councils, building and consumer organisations and Members of Parliament.

On behalf of the Committee I would like to extend thanks to all those people who wrote to the Committee or contacted us to discuss issues of concern. The services of consultancy firms Touche Ross Services Pty and MIRA Consultants Ltd provided an additional perspective to the Committee's inquiry.

Finally, I would like to thank the Committee's staff for their work during this inquiry. In particular, I would like to extend thanks to the Committee's Senior Project Officer, Ms Sue Chapple for her excellent contribution to the inquiry and for drafting the report.


John Murray, M.P.,
Chairman.

CONTENTS

<u>Section No.</u>	<u>Page</u>
1. Summary and Recommendations	1
2. Introduction	17
3. Background to Builders' Licensing in N.S.W.	21
4. Meeting Clients' Needs	27
5. Management Information Systems	41
6. Insurance Scheme	47
7. Further Important Issues	57
. Owner-builders	
. Local Government	
. Pre-Purchase Inspection Scheme	
. Consumer Claims Tribunal	
. Disciplinary and Appeal Mechanisms	
. Structure of the Board	
 <u>Appendices</u>	
1. Terms of Reference	73
2. Witnesses at Hearings	75
3. Submissions Received	77
4. Builders' Licensing in Other States	81
5. Organisational Structure of Builders Licensing Board	85
6. Survey Questionnaires and Responses	87
7. Survey Methodology and Summary of Results	141
8. Case Studies	145
9. Report on Insurance Funds	153
10. Building Industry Training and Education Schemes	175

1. SUMMARY AND RECOMMENDATIONS

- 1.1. The purchase of a home is usually the most significant purchase a consumer makes, involving the outlay of a large proportion of an individual's funds or the incurring of the largest financial obligation during a person's lifetime. The effect on the consumer of shoddy workmanship or other building problems is therefore far greater than the impact of other purchases. The need to protect consumers from unscrupulous or inefficient builders was recognised in the 1971 Builders Licensing Act, which established the New South Wales Builders Licensing Board. (Refer Section 3.1)
- 1.2. In April 1986, the then Minister for Consumer Affairs, Mr Bob Carr requested the Public Accounts Committee to undertake an inquiry into the operations of the Board. (Refer Section 2.1)

Meeting Clients' Needs

- 1.3. The Committee viewed its assessment of whether the Builders Licensing Board was meeting clients' needs in a satisfactory manner as the most important aspect of its inquiry. The Board was initially set up to meet the need of homeowners to be protected from shoddy building work or unscrupulous builders. Whether the Board is adequately meeting these needs is therefore crucial to making a judgement about the effectiveness of the organisation. For the purposes of this assessment the Committee restricted its definition of clients to consumers of building services. (Refer Section 4.1)
- 1.4. In summary, the Committee has formed the view that the Builders Licensing Board is not meeting its clients' needs in a satisfactory manner. Reasons for this conclusion are discussed below. (Refer Section 4.7)

- 1.5. The Builders Licensing Board's inspectors form the Board's interface with the public and their ability to respond effectively to building complaints is vital to the successful operation of the Board. (Refer Section 4.8)
- 1.6. Concern about delays, both in obtaining an inspection and in the time taken to resolve problems was the major complaint received by the Committee. Evidence was given to the Committee that at times during 1985-86, metropolitan consumers faced average delays of around 12 weeks in obtaining an initial on-site inspection of their complaint. (Refer Section 4.10)
- 1.7. The Committee is highly critical of the lack of action taken by the Board in improving response time to consumer complaints. To simply acknowledge the problem and describe it as unacceptable is to the Committee's mind totally "unacceptable". The Committee considers that the chronic delay in providing an on-site inspection is indicative of a management out of touch with the objectives and purpose of the organisation. (Refer Section 4.13)
- 1.8. The Committee is of the view that a two week response time to complaints is achievable and strongly recommends that urgent efforts be made by the Builders Licensing Board to reduce the response time to two weeks. (Refer Section 4.17)
- 1.9. The Committee recommends that the Builders Licensing Board give greater attention to developing the communication and problem resolution skills of its existing inspectors and place greater emphasis on these skills in the recruitment and selection process. (Refer Section 4.22)
- 1.10. According to statistics provided by the Board, inspectors process an average of approximately 120 complaints files each per year, or, on average, about 2.5 per week. The productivity of inspectors varies considerably, with one inspector processing

254 complaints per year and others less than 100 per year.
(Refer Section 4.23)

- 1.11. The Committee considers that the current productivity of inspectors is very low. A number of operational issues and work practices which adversely affect the productivity and performance of the Inspection Branch are discussed in Sections 4.23 - 4.30.
- 1.12. The Committee believes that there is a need to reduce the requirements for report writing and time spent in other office duties by inspectors, to enable inspectors to focus on their primary responsibility of assessing complaints. (Refer Section 4.27)
- 1.13. The Committee also recommends that the New South Wales Builders Licensing Board adopt the Victorian and Queensland practice of inspectors operating from home. It is noted that the 1970 Report of the Select Committee into the Building Industry recommended "That inspectors be permitted to work from their homes or in decentralised offices out of the city." (Refer Section 4.28)
- 1.14. The Committee considers that the number of inspections necessary to finalise each complaint should be reduced. A Show Cause hearing could be initiated, in many cases, without a further site inspection, on the basis of non-compliance with the rectification order. (Refer Section 4.29)
- 1.15. Since early 1985 the Builders Licensing Board has operated a car pool system for inspectors. This allows the use of a car for three out of five working days per week. The Committee believes that the productivity of inspectors would be improved if each inspector was provided with his/her own car. The provision of a car would also allow greater flexibility to inspectors in carrying out their duties. (Refer Section 4.30)

- 1.16. The Committee commissioned a number of surveys of clients of the Builders Licensing Board to ascertain:
- . awareness of the Board and the services it provides; and
 - . satisfaction with the services received from the Board
- (Refer Section 4.31)
- 1.17. In summary, there appears to be an acceptable level of awareness of the existence of the Builders Licensing Board but a lower level of awareness of the specific services which the Board provides. (Refer Section 4.31)
- 1.18. The survey of 2050 complainants revealed that 51% of respondents (total respondents, 760) felt that the Board did not resolve their problem satisfactorily; 42.6% of respondents considered that the customer service provided by the Board was inadequate. (Refer Section 4.31)
- 1.19. At a more specific level, in assessing the effectiveness of the Board inspectors, 25.6% of respondents considered the assessment of defective work was less than adequate, whilst 38.3% of respondents considered the Board inspectors ineffective in attempting to resolve the dispute between themselves and the builder. (Refer Section 4.31)
- 1.20. A significant number of respondents, 33.5%, assessed the time taken by the Builders Licensing Board in attending to their complaint as being less than adequate. (Refer Section 4.31)
- 1.21. The Committee considers that the large number of complaints about the Builders Licensing Board forwarded to the Ombudsman and Minister indicates that consumers are dissatisfied with the assistance given them by the Builders Licensing Board. While the Committee considers that any organisation will have some disgruntled clients, the number of Builders Licensing Board clients who feel their only recourse is to either their local

Member of Parliament, the Minister or the Ombudsman is unacceptably high. (Refer Section 4.39)

- 1.22. The Committee concludes that the Builders Licensing Board is not currently meeting client needs in a satisfactory manner. The Committee considers that urgent action is required to ensure that the Board carries out its objectives of providing protection for homeowners in a more responsive and effective manner. In particular, the Board must ensure that consumer complaints are dealt with promptly, that the productivity of inspectors is improved and responsiveness to clients' needs is enhanced. (Refer Section 4.40)

Management Information System

- 1.23. The Committee has examined the Builders Licensing Board's existing management information system and found it to be deficient in a number of fundamental aspects. (Refer Section 5.1)
- 1.24. Clear and quantifiable objectives have not been established for either the Builders Licensing Board as a whole, or for the individual branches within the Board. Branches within the Board have activities or functions rather than specific objectives which relate to overall Board objectives. The objectives established for the Board as a whole also need to be reframed in quantifiable terms. (Refer Section 5.3)
- 1.25. The Committee recommends that as a priority the Board establish clear and quantifiable objectives for the organisation as a whole and for individual branches within the Board. (Refer Section 5.4)
- 1.26. The Committee recommends that performance indicators be developed for the Board as a whole, and for each Branch of the Board and that such indicators be reported in the Builders Licensing Board Annual Report. (Refer Section 5.9)

- 1.27. During this inquiry, the Committee has become aware of the lack of planning and implementation mechanisms in the Builders Licensing Board. In a number of areas crucial to the Board's performance, problems are recognised but not acted upon in a positive manner by Board management. Examples of this lack of action include: the chronic delays in responding to complaints, owner-builders, the Special Insurance Fund and delays in computerisation. (Refer Section 5.10)
- 1.28. The Committee recommends that, as part of the process of setting objectives and performance measures noted above, the Board develop an integrated Corporate Plan, including long term projections and annual planning. (Refer Section 5.12)
- 1.29. Computerisation of the Board's systems is crucial to an effective management information system. The current manual systems, particularly the licensing system, are outmoded and cumbersome and severely hamper the Board's efficiency and effectiveness. (Refer Section 5.15)
- 1.30. The Committee is critical of the lengthy delays which have occurred in computerising the Builders Licensing Board's records. It appears that it will have taken from 1982 to 1987 to computerise the Board's licensing system. The delay in computerising the insurance, inspection, accounts and other areas of the Board will be even longer. (Refer Section 5.21)
- 1.31. In the Committee's view the slow progress towards computerising the Board's systems reflects a lack of strategic direction, planning and management of the computerisation process. The Committee is not convinced that the Builders Licensing Board management has a good grasp of the organisation needs with regard to E.D.P. nor of the alternative hardware and software options. (Refer Section 5.22)

Insurance Funds

- 1.32. A major objective of the Builders Licensing Board is to provide insurance cover for building work. The Board has two insurance funds, the General Insurance Fund, which covers work carried out by licensed builders and the Special Insurance Fund, which is intended to cover the work of licensed trade contractors. (refer Section 6.1)
- 1.33. The Committee concludes that current premium levels for the General Insurance Fund are appropriate, although they may have been slightly too high in 1984-85 and that the Board has adequately provided for future claims liability. (Refer Section 6.7)
- 1.34. It is recommended that no change be made to the level of premiums in the context of the current insurance scheme. The Committee recognises that future inflation or changes in experience will be reflected in changes in premium levels in future years. (Refer Section 6.8)
- 1.35. The Committee considers that it is unreasonable for builders to have an indefinite liability in terms of building work. The Committee is therefore of the view that a definite limit must be placed on the time available in which to lodge claims. The Committee recommends that the legislation be amended to withdraw the current discretionary power to extend the period in which insurance claims may be made. Implementation of this recommendation should result in the Board being in a better position to estimate its future liability for claim payments at the end of the 7 year period. (Refer Section 6.11)
- 1.36. The Committee considers that the periods of three years for minor defects and seven years for major structural defects are appropriate. The Committee recommends however that the periods be calculated from the time that building work is completed to the time a written complaint is lodged with the Board, rather

than to the time of lodging an insurance claim. The Committee believes that this would prevent consumers being disadvantaged by delays in processing of complaints. (Refer Section 6.12)

- 1.37. The Builders Licensing Board currently holds 40% of its insurance risk, with 60% being reinsured with insurance offices, such as the G.I.O. The Committee considers that the current level of reinsurance is too high. It is, therefore, recommended that the level of reinsurance be dropped to a maximum of 25%, with the balance of the risk held by the Board. (Refer Section 6.13)
- 1.38. The Committee recommends that the administrative costs deducted by the Board from premiums be increased to 30% to cover the future cost of administering insurance claims. (Refer Section 6.15)
- 1.39. A review of the Board's insurance scheme was recently conducted by the Public Service Board. The report recommends a number of fundamental changes to the current insurance system. The Committee has considered the proposals and has made a preliminary assessment. (Refer Section 6.16)
- 1.40. The Public Service Board's report recommended that premiums be paid annually by each licensed builder, rather than paid in relation to each piece of building work. Under the proposal, each builder would be asked at the time of licence renewal to nominate an anticipated level of building activity to be performed during the year and would be required to pay an insurance premium related to the anticipated activity. Thus a builder licensed to build 20 homes per year would pay a higher premium than a builder licensed to build two homes per year. The scheme also includes monitoring by the Board of the builder's actual activity level compared to the proposed level, through information provided by councils at the time building approval is sought. (Refer Section 6.17)

- 1.41. The Committee considers that the Public Service Board's proposal of an annual premium, based on anticipated level of building activity, should be extended to enable the Builders Licensing Board to control the level of building activity of individual builders. For new builders entering the industry, the Committee considers that an initial limit should be placed on these builders of 1-2 building contracts at any one time. Only when this work has been satisfactorily completed should the limit be increased. For existing licensed builders the Board should have the capacity to limit the amount of building work undertaken where there is doubt as to the financial or technical ability of the builder to undertake the level of work proposed. (Refer Section 6.20)
- 1.42. The Committee considers that a system where annual licence renewal is linked to a set level of building activity has considerable merit. The Committee also agrees in principle with the concept of an annual premium in conjunction with a bond guarantee system. It considers, however, that further review is required to properly assess the viability of the proposed scheme. (Refer Section 6.21)
- 1.43. The Special Insurance Fund was established by legislative amendment in 1977. The Fund was to provide insurance cover for trade work carried out by licensed trade contractors. From 1979, 50% of licence fees from trade contractors were paid into the Fund. Since 1984-85 only 25% of licence fees have been paid into the Fund. A proposal is currently being considered which would reduce the contribution to 1% of fees. (Refer Section 6.22)
- 1.44. As at 30 June, 1986 the balance of the Fund was \$8.7 million. The Fund will accrue over \$1 million from interest alone during the current year. To date only a handful of claims have been made against the Fund and after 15 months of operation 3 claims totalling \$2,700 have been paid out. (Refer Section 6.24)

- 1.45. The Committee considers that the decision to establish and continue the Fund was an ill-conceived and badly executed. The Committee is highly critical of the Builders Licensing Board's introduction and continuation of a scheme for which there was no apparent need. (Refer Section 6.26)
- 1.46. The Committee recommends that the Special Insurance Scheme in its present form be discontinued. The Committee does not consider that there is a need to provide an insurance scheme for trade work valued at less than \$1,000. Where a consumer has a complaint about work coming into this category, the Committee considers redress at the Consumer Claims Tribunal to be the most appropriate course of action. (Refer Section 6.28)
- 1.47. In conjunction with this recommendation the Committee recommends that the current level of trade contractors licence fees be reassessed with a view to ensuring that fees are set at an appropriate level and that trade contractors are receiving value for money. (Refer Section 6.29)
- 1.48. Evidence was given to the Committee that a considerable amount of building and trade work does not come under the protection of either the Housing Indemnity Scheme or the Trade Indemnity Scheme. Examples of this are work in one registered trade in excess of \$1,000 and building work which does not require Council approval, such as kitchen renovations. The Committee recommends that the Builders Licensing Board undertake a review of these and similar areas with a view to eliminating gaps in the legislation which may discriminate against some groups of consumers. (Refer Section 6.30)
- 1.49. The Committee urges that constructive use be made of the funds in the Special Insurance Fund, currently standing at around \$9 million. (Refer Section 6.31)

Owner Builders

- 1.50. The Committee is concerned at the level of building work being carried out by owner-builders as opposed to licensed builders. The proportion of owner-built to licensed builder work has been steadily increasing and owner built work now stands at approximately 30% of all domestic building work in New South Wales. (Refer Section 7.2)
- 1.51. An obvious corollary to this increase is that an increasing proportion of home-owners are not protected by insurance cover. The Committee is particularly concerned that people who subsequently purchase an owner-built home are not protected if defects or structural faults are found. (Refer Section 7.3)
- 1.52. The Committee recommends that legislation, similar to that in force in Queensland, be enacted to provide protection for consumers purchasing owner built homes. It is also recommended that these safeguards be incorporated into the vendor disclosure and warranty requirements of the Conveyancing Act, to gain control of owner-builders through the conveyancing process. (Refer Section 7.13)
- 1.53. In the Committee's view, the increase in owner-built work, and the tardy action by Builders Licensing Board management indicates that the Board has failed in meeting one of its major objectives, that is, to provide protection for homeowners. (Refer Section 7.14)

Local Government

- 1.54. The Committee considers that formal communication mechanisms between the Board and councils should be strengthened. At a minimum, councils should be advised on a quarterly basis of the number and types of building complaints and of any major problems which the Board has encountered in their areas. The Committee also recommends that an annual listing of licensed

builders and trade contractors be published by the Builders Licensing Board. This will be facilitated by the forthcoming computerisation of licensing records. (Refer Section 7.17)

Pre-Purchase Inspection Scheme

- 1.55. The Committee is appreciative of the positive role played by the Builders Licensing Board in establishing the pre-purchase inspection scheme. The Committee believes the scheme has been of benefit to prospective home purchasers and has led to an increased awareness amongst the public of the need to check the structure and condition of a home before purchase. The proliferation of similar private sector schemes is one indication of this increased level of awareness amongst consumers. (Refer section 7.23)
- 1.56. In light of the Committee's findings with regard to the inadequate service being provided by the Board in responding to consumers' building complaints, the Committee considers, however, that the Board's pre-purchase inspection scheme should be temporarily discontinued, until such time as the Board is able to adequately fulfil its major role of investigating complaints. (Refer Section 7.24)
- 1.57. The Committee recommends that the pre-purchase inspection scheme be temporarily discontinued. Following implementation of the recommendations of this report, aimed at improving the performance of the Board, the Committee recommends that the pre-purchase inspection scheme be reviewed with a view to resuming operations if adequate resources are available. (Refer Section 7.25)

Consumer Claims Tribunal

- 1.58. The Consumer Claims Tribunal heard 1,171 claims relating to building problems during 1985-86. In 1984-85, 1,203 building matters came before the Tribunal. According to figures provided

by the Tribunal, approximately 80% of these related to alleged defective workmanship and 20% to contractual matters. (Refer Section 7.26)

1.59. The Committee expresses concern at the large number of building complaints which are dealt with through the Tribunal, rather than through the Builders Licensing Board's complaint and insurance system. While the Consumer Claims Tribunal may well be the most appropriate place for these claims, the Committee believes that further assessment of Consumer Claims matters is required to establish whether or not this is so. (Refer Section 7.30)

1.60. The Committee is critical of the seeming lack of liaison between the Board and the Consumer Claims Tribunal. Two areas of particular concern are:

(i) Unlicensed Builders and Trade-Contractors

At present the Board has no mechanism for obtaining details of unlicensed builders and trade contractors subject to Consumer Claims Tribunal claims. The Committee considers that this would be a prime source of information on those operating without a licence, for investigation and prosecution by the Board's Compliance Unit. A cursory examination of Tribunal records shows that the same builders and contractors come before the Tribunal time after time. In the Committee's view the consumer is not being provided with adequate protection if no action is taken against these people.

(ii) Licensed Builders and Trade-Contractors

Tribunal records show that a substantial proportion of building claims coming before it are against licensed builders and contractors. At present, no information on these matters is provided to, or sought by, the Builders Licensing Board. The Committee recommends that details on these matters be provided

to the Board, so that the Board may issue a warning to the licensee concerned and/or take disciplinary action against the builder. (Refer Section 7.32)

- 1.61. The Committee understands that in recent months communication channels between the Department of Consumer Affairs and the Consumer Claims Tribunal, and the Builders Licensing Board have been opened. The Committee believes that there is considerable scope for improving liaison between these bodies and recommends that mechanisms be set in place to ensure regular communication and feedback over areas and matters of common concern. (Refer Section 7.33)
- 1.62. The Committee recommends that the roles of the Builders Licensing Board and the Consumer Claims Tribunal be clarified and that their respective jurisdictions be assessed to eliminate unnecessary duplication or overlapping of functions. (Refer Section 7.35)

Disciplinary and Appeal Mechanisms

- 1.63. At present disciplinary action is taken against builders and trade contractors through the mechanism of a Show Cause hearing. The licensee is formally summonsed to appear before a member of the Board if he/she has failed to carry out rectification work as directed. At the hearing, to quote the Board's 1985-86 Annual Report, "evidence tending to establish the grounds on which the licensee has been called upon to show cause is presented by the Legal Officer assigned to the case." The licensee will normally also have legal representation. (Refer Section 7.36)
- 1.64. In the Committee's view the current system of Show Cause Hearings and appeals to the District Court is legalistic, costly and time-consuming. The Committee believes that changes must be made to make the process quicker, cheaper and less formal. (Refer Section 7.42)

- 1.65. The Committee recommends that current Show Cause hearings be replaced by an administrative process and that appeals against licence or disciplinary decisions be transferred to the jurisdiction of the New South Wales Commercial Tribunal. (Refer Section 7.44)

Structure of the Board

- 1.66. The Committee reviewed the structure and operation of the Victorian Housing Guarantee Fund Ltd, a non-profit company which controls builders' licensing in that State. The Committee also examined the system soon to come into effect in South Australia, where builders licensing and complaint investigation is under the auspices of the Department of Consumer Affairs. The Committee concludes, however, that the current structure of the New South Wales Builders Licensing Board, a statutory authority, reporting to the Minister and to the Parliament is the most appropriate form for builders licensing in this State. (Refer Section 7.50)
- 1.67. The Committee recommends that the New South Wales Builders Licensing Board continue in its present form as a statutory authority responsible to the Minister and to the Parliament. Within this basic structure, however, the Committee recommends a number of changes to enhance the effectiveness and responsiveness of the Board. (Refer Section 7.51)
- 1.68. The Committee considers that the Board of the Builders Licensing Board should be relieved of its current role of reviewing disciplinary hearings and strengthen its role in policy development, planning and reviewing the performance of the Board. (Refer Section 7.52)
- 1.69. The Committee considers that there is a potential conflict of interest situation where the manager ultimately responsible for day-to-day operations is also Chairman of the Board. The Committee therefore recommends that a Chief Executive Officer be

appointed to run the organisation. The Chief Executive Officer should be ex officio to the Board, but not a voting member of the Board. (Refer Section 7.53)

- 1.70. The Committee recommends that the position of Chairman of the Board be a non-executive and part-time position. It is also recommended that the positions of Deputy Chairman and Secretary be eliminated and the functions of the positions delegated to branch managers. (Refer Section 7.54)
- 1.71. The existing structure of the Builders Licensing Board is functionally based rather than designed to facilitate delivery of service. The Committee recommends that the Board be restructured to reflect its objectives and key service areas. (Refer Section 7.55)
- 1.72. The Committee recommends that appropriate senior executives be appointed to spearhead the Consumer Protection, Licensing, Public Relations and Management Services Branches. The Committee considers that these positions should be at a suitable level to attract high calibre managers with appropriate experience and skills. (Refer Section 7.58)
- 1.73. The Committee believes that a restructuring of the Board along the lines outlined above would contribute significantly to the more efficient and effective operation of the organisation. The Committee considers, however, that the restructuring must be carried out in conjunction with other recommendations aimed at better management practices and enhancing operational efficiency. (Refer Section 7.59)

2. INTRODUCTION

Reference from Minister

2.1. The Public Accounts Committee received a reference on 28 April, 1986, from the then Minister for Consumer Affairs, Mr Bob Carr, to examine and report on the operations of the New South Wales Builders Licensing Board. In particular, the Minister requested the Committee to examine the following aspects:

- . the operations of the Board's insurance funds including the appropriateness of current premium levels;
- . whether client needs are being met in a satisfactory manner;
- . the adequacy of the Board's information and control systems and performance monitoring practices;
- . any other aspect which impinges on the efficiency or effectiveness of the Board's operations.

A copy of the Minister's letter is included as Appendix 1.

Approach to Inquiry

2.2. The Committee publicly announced its inquiry on 7 May, 1986 and notices were placed in all major newspapers between 8-10 May, 1986. The Committee invited submissions from interested organisations and members of the public and also wrote to all Members of the New South Wales Parliament and to all New South Wales local councils, informing them of the inquiry and seeking submissions.

2.3. A preliminary public hearing was held on 8 May, 1986 at which the Chairman and Secretary of the Builders Licensing Board gave evidence. Further public hearings were held on 4 June,

11 September, 12 September and 3 November, 1986. Organisations appearing before the Committee were:

- . Master Builders Association of New South Wales
- . Housing Industry Association of New South Wales
- . Department of Consumer Affairs
- . Master Painters, Decorators and Signwriters Association of New South Wales
- . Australian Institute of Building Surveyors
- . Australian Consumers Association
- . Institute of Engineers, Australia
- . Alliance Strata Management Pty Ltd
- . Housing Industry Association (A.C.T. and Southern N.S.W. Division)

A list of witnesses who gave evidence before the Committee is provided in Appendix 2.

- 2.4. The Committee was overwhelmed by the public response to its inquiry . In addition to the hundreds of phone calls received, the Committee received written submissions from 80 individuals, 27 organisations, 60 councils and 15 Members of Parliament. The Committee is appreciative of the interest taken in its inquiry and extends its thanks to all those who contributed to the inquiry.
- 2.5. The Committee has reviewed all submissions sent to it and has taken these into account in preparing this report. The submissions have greatly assisted the Committee in formulating a view about the efficiency and effectiveness of the Builders Licensing Board.

A list of the submissions received is shown in Appendix 3.

- 2.6. As part of its inquiry the Committee visited local council offices in Orange and Bathurst, and Builders Licensing Board offices in Orange, Hornsby and St Leonards. Secretariat staff

spent a day in the field with building inspectors in Victoria and in New South Wales. The Committee believes that on-site inspections play a vital role in its inquiries and assist the Committee to comprehend more fully the actual problems being faced in the field.

- 2.7. The Committee visited Victoria, Tasmania and South Australia during the inquiry and discussed consumer protection and building regulation with senior government, industry and consumer representatives in these States. Contact was also made with the Queensland Builders Registration Board which has a similar structure and system to the NSW Builders Licensing Board. The Committee noted that the South Australian Builders Licensing Board is to be disbanded under legislation coming into effect early in 1987, with its former licensing function becoming the responsibility of the Commercial Tribunal. Tasmania has abolished its builders' licensing requirements and the Committee examined the reasons for and impact of this decision. The Committee found its examination of the Victorian builders' licensing system particularly relevant and useful to this inquiry and believes that New South Wales could benefit from following some aspects of the Victorian system. A summary of builders licensing in other Australian States is provided in Appendix 4.
- 2.8. The Committee was assisted in this inquiry by MIRA Consultants Ltd and Touche Ross Services Pty. MIRA Consultants were commissioned by the Committee to review the Builders Licensing Board insurance funds, and Touche Ross to review the Board's management information systems and conduct a survey of clients' needs.

3. BACKGROUND TO BUILDERS' LICENSING IN NEW SOUTH WALES

- 3.1. The purchase of a home is usually the most significant purchase a consumer makes, involving the outlay of a large proportion of an individual's funds or the incurring of the largest financial obligation during a person's lifetime. The effect on the consumer of shoddy workmanship or other building problems is therefore far greater than the impact of other purchases. The need to protect consumers from unscrupulous or inefficient builders was recognised in the 1971 Builders Licensing Act, which established the New South Wales Builders Licensing Board.
- 3.2. The 1971 legislation arose from the recommendations of a joint party Select Committee of the Parliament, which was established in 1969 to inquire into the need for registration or licensing in the building industry.
- 3.3. The Select Committee recommended that all builders operating in New South Wales be licensed annually, and that a Builders Licensing Board be established to issue licences. The Committee concluded:

"Your Committee is certain that licensing of builders will raise construction and educational standards within the industry, protect the public against undesirable practices, control builders through application of disciplinary powers and provide a satisfactory measure of protection for suppliers, sub-contractors and employees of the industry, against default."
- 3.4. In 1980 the Builders Licensing Board was the subject of a Management Strategy Review, conducted by McKinsey and Company. Although the review documents are not available publicly, the Committee understands that the 1980 Management Strategy Review made a number of recommendations aimed at improving the efficiency and effectiveness of the Board's operations. In particular, the review recommended that responsibility for the Long Service Payments Scheme be moved from the Builders

Licensing Board, productivity of Board inspectors be improved, complaints handling and claims procedures be streamlined, the pre-purchase inspection service concentrate on referring clients to private organisations and an independent tribunal be established to hear disciplinary cases against builders.

- 3.5. In November, 1980, senior representatives of the Builders Licensing Board appeared before the Joint Committee upon Public Accounts and Financial Accounts of Statutory Authorities, chaired by Mr Laurie Brereton. The Committee's Report of 1981 notes a number of concerns about the Builders Licensing Board.

"In the view of the Joint Committee there is no escaping the fact that in the case of the Builders Licensing Board there has been a serious failure in their public accountability."

The report also noted, in relation to the Board's Home Purchasers Insurance Scheme and Trade Indemnity Scheme:

"The Board's entry into the housing insurance field through the General Insurance Fund (for the protection of home purchasers) and a special insurance company with income and investments to cover areas of trade work which are not covered by the main statutory scheme, raises questions about the advisability of it entering a field in which its experience is limited. This is particularly so in the case of the second scheme referred to since it has yet to become operational and the Board is unclear about the reasons for its creation."

- 3.6. In 1984, the Public Service Board's Efficiency Audit Unit conducted an efficiency audit of the implementation of the recommendations made by the 1980 Management Strategy Review.
- 3.7. In spite of the previous reviews of the Builders Licensing Board, complaints about the Board from consumers continued to run at a high level. Perceived dissatisfaction with the Board prompted the then Minister for Consumer Affairs, Mr Bob Carr to request the Public Accounts Committee to undertake a further inquiry into the operations of the Board.

The Builders Licensing Board

- 3.8. A brief outline of the Builders Licensing Board's objectives and operations is provided below. The information is taken from the Board's 1985-86 Annual Report.
- 3.9. The Builders Licensing Board has three main objectives. These are:
- . to protect home owners and purchasers through the licensing of builders and the provision of insurance cover for building work;
 - . to raise the standard of workmanship in the industry by prescribing minimum qualifications for builders and trade contractors; and
 - . to assist education and research in the industry by means of grants.
- 3.10. The Board comprises a full-time Chairman, a full-time Deputy Chairman and seven part-time Members. Part-time Members represent the building industry (5), consumers (1) and the legal profession (1).
- 3.11. The major functions of the Board are:
- . licensing of builders and building trade contractors;
 - . provision of insurance cover for all work carried out by licensed builders and trade contractors;
 - . investigation of complaints;
 - . provision of education and research in the housing industry.
- 3.12. The Board operates from a Head Office in St Leonards and branch offices at Armidale, Coffs Harbour, Liverpool, Newcastle, Wagga Wagga, Blacktown, Hornsby, Orange and Wollongong. At 30 June, 1986 the Board had an actual staff of 196. Staff were distributed as follows:

Administration Branch	38
Inspection Branch	93
Insurance Branch	26
Legal Branch	14
Licensing Branch	<u>25</u>
	196

- 3.13. A chart showing the organisational structure of the Board is attached as Appendix 5. The table below provides some workload statistics on the Board's operations for 1984-85 and 1985-86.

TABLE 3.1 WORKLOAD STATISTICS

	1984-85	1985-86
Full licences current at 30 June	18,495	18,531
Restricted licences current at 30 June	18,761	19,363
Owner-Builder Permits issued	28,949	28,087
Complaints received	5,930	6,276
Pre-Purchase Inspections completed	2,853	1,850
Value of insurance claims paid	\$2,747,091	\$2,985,201
Disciplinary Inquiries held	301	382
Prosecutions for breaches of the Builders Licensing Act, 1971	395	475

- 3.14. The Builders Licensing Board operates on a commercial basis in that income from fees, premiums and investments is used to meet operating costs.
- 3.15. The following list shows the assets of the Board at 30 June, 1986:

<u>Assets</u>	\$ <u>000's</u>	%
Land and Buildings	6,943	18.9
State mortgage loans scheme	4,000	10.8
Debtors, accrued interest, etc	1,834	5.0
Cash	170	.5
Treasury Special Deposits	23,229	63.1
Motor vehicles, office equipment etc	597	1.7
	<u>36,773</u>	<u>100.0</u>

These assets are held to meet the following commitments.

<u>Commitments</u>	\$ <u>000's</u>	%
General Insurance Reserve	10,140	27.6
Special Insurance Reserve	8,690	23.6
Education and Research Fund	298	.8
Unearned insurance premiums	6,622	18.0
Employee accrued entitlements	1,190	3.2
Insurance claims adjustments	1,724	4.7
Creditors, accruals, etc.	1,475	4.1
	30,139	82.0
<u>Operating Surplus</u>	<u>6,634</u>	<u>18.0</u>
	<u>36,773</u>	<u>100.0</u>

The difference between assets and commitments (\$6,634,000) represents the operating surplus accumulated by the Board.

4. MEETING CLIENTS' NEEDS

Introduction

- 4.1. The Committee viewed its assessment of whether the Builders Licensing Board was meeting clients' needs in a satisfactory manner as the most important aspect of its inquiry. The Board was initially set up to meet the perceived need of homeowners to be protected from shoddy building work or unscrupulous builders. Whether the Board is adequately meeting these needs is therefore crucial to making a judgement about the effectiveness of the organisation. In this section the Committee has restricted its definition of clients to consumers of building services.
- 4.2. The Committee commissioned a number of surveys of clients of the Builders Licensing Board. The major survey involved sending a written questionnaire to 2050 randomly selected people who had lodged a complaint with the Board during the last three years. Telephone surveys were conducted of randomly selected samples of 160 owner-builders, 200 general public and 150 individuals who had lodged claims on building matters with the Consumer Claims Tribunal. Copies of the surveys are included as Appendix 6, with details of survey methodology and results as Appendix 7.
- 4.3. The Committee invited submissions from the public and from Members of Parliament and local councils. In all, 182 submissions were received. A complete list of submissions received is included, Appendix 3.
- 4.4. The Committee also wrote to the New South Wales Ombudsman, Mr George Masterman, concerning complaints made to him about the Builders Licensing Board. The Ombudsman was unable to expand on the information provided in his annual report. In a letter to the Committee the Deputy Ombudsman commented:

"Unfortunately, the secrecy provision of Section 34 of the Ombudsman Act appear to preclude this office from providing more detailed information even to a Committee of the Parliament of New South Wales itself. The many problems that

arise for this office, for Members of Parliament, and for members of the public, from the sweeping secrecy provisions of the Ombudsman Act have been set out in successive Annual Reports and in two special reports to Parliament by the Ombudsman... In these circumstances, I wish to advise you that I am unable to be of greater assistance to the Committee, and express my regret at this situation."

- 4.5. Prior to this inquiry, all Committee members had experienced consumers' problems with the Builders Licensing Board through representations from their constituents. Throughout the inquiry, informal discussions were held with clients of the Board, both in metropolitan and country areas. The Committee also took evidence in formal hearings from representatives of the Australian Consumers Association, building industry groups, and other organisations which have dealings with the Board. (See Appendix 2 for complete list of witnesses.)
- 4.6. As a result of these activities the Committee believes it is in a strong position to accurately assess and comment on whether the Builders Licensing Board is meeting the needs of its clients.
- 4.7. **In summary, the Committee has formed the view that the Builders Licensing Board is not meeting its clients' needs in a satisfactory manner. Reasons for this conclusion are discussed below.**

Inspection Service

- 4.8. The Builders Licensing Board's inspectors form the Board's interface with the public and their ability to respond effectively to building complaints is vital to the successful operation of the Board.
- 4.9. The Committee considers that an effective complaint inspection service should have the following major attributes:
 - . timeliness
 - . independence

- . high technical standards
- . ability to resolve consumer/builder disputes.

Timeliness

- 4.10. Concern about delays, both in obtaining an inspection and in the time taken to resolve problems was the major complaint received by the Committee. Evidence was given to the Committee that at times during 1985-86, metropolitan consumers faced average **delays of around 12 weeks in obtaining an initial on-site inspection** of their complaint. This evidence is supported by the Board's 1985-86 Annual Report which states:

"Although the number of Building Inspectors engaged in complaint investigation work increased by five to 51, the delays encountered in attending an initial site inspection were as high as 12 weeks in some metropolitan and country areas of the State...

On average, the period between the lodging of a complaint and its initial investigation stands at 10 weeks for metropolitan offices and five weeks for country offices...

The Board is still concerned about, and regards as unacceptable, the prevailing delay in responding to complaints and has taken, or is taking, action which it believes will reduce this time to a more reasonable level."

- 4.11. The Committee concurs with the Board that the level of delay in obtaining an inspection is quite unacceptable. The Committee notes, however, that these delays are not a recent phenomenon, as the following quotes show:

Annual Report, Builders Licensing Board, 1984-85

"The response time for the initial investigation of complaints has at times during the year reached an unacceptable level of 10 weeks."

Annual Report, Builders Licensing Board, 1983-84

"During the year delays of up to 10 weeks occurred between the time the complaint was received and the time the

Inspector was able to visit the site. These delays are viewed by the Board as unacceptable."

- 4.12. As annual reports for earlier years give no details of response time to inspection complaints, the Committee is unable to ascertain for how long a delay of 10 weeks has been the norm.
- 4.13. **The Committee is highly critical of the lack of action taken by the Board in improving response time to consumer complaints. To simply acknowledge the problem and describe it as unacceptable is to the Committee's mind totally "unacceptable". The Committee considers that the chronic delay in providing an on-site inspection is indicative of a management out of touch with the objectives and purpose of the organisation.**
- 4.14. The Committee's survey of home owners who had complained to the Board indicated that many clients of the Board also found the delays in obtaining an on-site inspection unsatisfactory. In general terms, 42.6% of respondents considered that the customer service provided by the Board was inadequate. At a more specific level, 33.5% of respondents assessed the time taken by the Builders Licensing Board in attending to their complaint as either poor or unsatisfactory.
- 4.15. The Committee believes that the Builders Licensing Board's inspection service must respond promptly to consumers with building problems. The Committee considers that the maximum acceptable waiting time for an inspection is two weeks. The Committee notes that in Victoria, **the Housing Guarantee Fund Ltd**, (the counterpart of the N.S.W. Builders Licensing Board), **responds to complaints within two weeks. The same response time is achieved by the Queensland Builders Registration Board.**
- 4.16. In answer to Committee questions about improving response time, the New South Wales Board felt that it would be possible to bring the response time down to four weeks. While the Committee considers that this would be an improvement on the current

situation, it considers that a four week delay would still be unsatisfactory.

- 4.17. The Committee is of the view that a two week response time is achievable and strongly recommends that urgent efforts be made by the Builders Licensing Board to reduce the response time to complaints to two weeks.

Independence

- 4.18. The Builders Licensing Board inspection service should provide an unbiased, independent assessment of complaints. While the Committee received submissions from complainants alleging that inspectors tended to side with builders, a number of builders or their representatives alleged that the inspectors favoured the consumer. The Committee concludes therefore that the Board's inspectors appear to be fulfilling their role of independent assessment.

High Technical Standard

- 4.19. The Committee's survey asked complainants to rate the effectiveness of the Board's inspectors in assessing defective work. A large number of respondents, 48%, felt that the inspectors were excellent or good in this regard, with 15% saying average and 25% poor or unsatisfactory.
- 4.20. The Committee concludes that the technical expertise of Board inspections is of an acceptable level.

Ability to Resolve Complaints

- 4.21. The Committee's survey also asked complainants to rate the inspectors' effectiveness in attempting to resolve disputes between complainants and builders. Inspectors were not seen to carry out this function as well as the more technical side of their job. 38% of respondents said the inspectors were poor or

unsatisfactory in attempting to resolve problems; 13% stated adequate and 34% said either excellent or good. The Committee considers this part of the inspectors job to be extremely important, although it is acknowledged that finding inspectors with high technical skills and communication and mediation skills may be difficult.

- 4.22. The Committee recommends that the Builders Licensing Board give greater attention to developing the communication and problem resolution skills of its existing inspectors and place greater emphasis on these skills in the recruitment and selection process.

Productivity of Inspectors

- 4.23. According to statistics provided by the Board, inspectors process an average of approximately 120 complaints files each per year, or, on average, about 2.5 per week. The productivity of inspectors varies considerably, with one inspector processing 254 complaints per year and others less than 100 per year. The Board has 51 inspectors engaged in complaint inspection work and in 1985-86 received 6,276 complaints.
- 4.24. While the Committee realises that the system operating in Victoria is in some ways dissimilar to the New South Wales system, it notes that in Victoria inspectors complete between 45-50 inspections each per month and finalise approximately 400 complaints each per year. The Victorian Housing Guarantee Fund Ltd employs 4 field inspectors and receives approximately 1,200 complaints annually.
- 4.25. The Committee considers that the current productivity of New South Wales inspectors is very low. A number of operational issues and work practices which adversely affect the productivity and performance of the Inspection Branch are discussed below.

Time Spent in Office

4.26. Each inspector is required to spend a minimum of two days in the office each week, mainly occupied in writing reports. It appears that many inspectors in fact use more than the allocated two days to complete their reports. The Committee notes that in both Victoria and Queensland, inspectors spend a maximum of two half-days a week in the office. In both States, the inspectors operate from their homes, with a considerable amount of report writing and organisation of appointments being done from home. In addition, all Queensland inspectors dictate their reports into portable tape recorders, at the end of the day's inspections.

4.27. The Committee believes that there is a need to reduce the requirements for report writing and time spent in other office duties by inspectors, to enable inspectors to focus on their primary responsibility of assessing complaints. Some of the duties which could be reallocated include:

- . Telephone inquiries of a technical nature. These could be centralised and answered by a suitably qualified person.
- . Interviews for some applicants for restricted licenses are currently carried out by inspectors. The Committee considers that where interviews are necessary, these could be carried out by administrative staff.
- . Reports required for Show Cause inquiries should be simplified and the present practice of basing inquiries on specific points of law abandoned. Rather than requiring a detailed written report from the inspector, the Board should consider as sufficient evidence for the hearing:

- (a) the rectification order;
- (b) the inspector's field book; and
- (c) evidence provided by the inspector.

This issue is discussed in more detail in Section 7.

Follow up of an inspection could be carried out by clerical staff, e.g. correspondence and phone calls, to check progress of rectification.

- 4.28. The Committee also recommends that the New South Wales Builders Licensing Board adopt the Victorian and Queensland practice of inspectors operating from home. It is noted that the 1970 Report of the Select Committee into the Building Industry recommended "That inspectors be permitted to work from their homes or in decentralised offices out of the city."

Number of Inspections per Complaint

- 4.29. The Committee considers that the number of inspections necessary to finalise each complaint should be reduced. A Show Cause hearing could be initiated, in many cases, without a further site inspection, on the basis of non-compliance with the rectification order.

Motor Vehicles

- 4.30. Since early 1985 the Builders Licensing Board has operated a car pool system for inspectors. This allows the use of a car for three out of five working days per week. The Committee believes that the productivity of inspectors would be improved if each inspector was provided with his/her own car. The provision of a car would also allow greater flexibility to inspectors in carrying out their duties.

Survey Results

4.31. Details of the surveys commissioned by the Committee are provided in Appendices 6 and 7. Surveys were made of the following groups:

- . homeowners who had lodged building complaints with the Builders Licensing Board ("Complainants");
- . owner-builders;
- . the general public;
- . homeowners directing building complaints to the Consumer Claims Tribunal.

The research was designed to gain an understanding of the views and perceptions of each of these groups about the Builders Licensing Board - in particular to ascertain:

- . awareness of the Board and the services it provides; and
- . satisfaction with the services received from the Board.

A summary of significant survey results is given below.

(i) Awareness of the Builders Licensing Board

In the telephone survey of the public, awareness of the Board without prompting was particularly low, with only one person out of 200 naming the Builders Licensing Board as an organisation within the building industry of which they were aware. However, after prompting, 78.5% of respondents indicated that they were aware of the Board.

In the survey of complainants, 21.4% of respondents said that they had not been aware of builder licensing requirements at the

time they engaged a builder. 42.4% said that they were not aware of the automatic insurance cover provided to them if the builder engaged was licensed.

In summary, there appears to be an acceptable level of awareness of the existence of the Builders Licensing Board but a lower level of awareness of the specific services which the Board provides.

(ii) Level of Satisfaction with Services Received from the Board

The survey of 2050 complainants revealed that 51% of respondents (total respondents, 760) felt that the Board did not resolve their problem satisfactorily; 42.6% of respondents considered that the customer service provided by the Board was inadequate.

At a more specific level, in assessing the effectiveness of the Board inspectors, 25.6% of respondents considered the assessment of defective work was less than adequate, whilst 38.3% of respondents considered the Board inspectors ineffective in attempting to resolve the dispute between themselves and the builder.

A significant number of respondents, 33.5% assessed the time taken by the Builders Licensing Board in attending to their complaint as being less than adequate.

Submissions Received from the Public

- 4.32. The Committee received 80 submissions concerning this inquiry from individual members of the public and 27 from organisations. The overwhelming majority of submissions from individuals expressed dissatisfaction with the service provided by the Builders Licensing Board. Four submissions from consumers praised the Builders Licensing Board inspectors. A number of

case studies prepared from submissions forwarded to the Committee are attached, Appendix 8.

- 4.33. The major causes of consumer dissatisfaction were delays in the complaint process and delays in the processing of insurance claims.
- 4.34. The following quotations are indicative of the types of problems consumers complained to the Committee about:

"I have had a matter with the Board for in excess of four years and which, despite numerous correspondence, phone calls, visits has not yet been resolved and appears not likely to be resolved in the near future, hence this is leaving me, not only disappointed, but with a sense of disgust."

"I believe that if the Board did not exist, I would be substantially better off than at present."

"From the time a complaint lodgement is made against a builder for faulty and incorrect workmanship or any other complaint against a builder the B.L.B. takes 10 weeks to even arrange a time to meet the client on site. In the meantime, while waiting for the B.L.B. to investigate the problem, no work can be done on construction and materials like timber flooring etc are exposed to weather, damage occurs etc, not to mention the cost entailed by the owner because it puts construction back 10 weeks."

"We were advised to lodge a Builders Licensing Board complaint. This was lodged and an acknowledgement sent to us on 3 February, 1986. No site inspection was arranged nor any correspondence entered into with the Builders Licensing Board until 17 April, 1986."

"I have been dealing with the Builders Licensing Board for about two years and I feel it has been all just a run around."

"I would like to direct your attention to the lack of attention given to complaints by the public regarding defects in their new homes."

"My main complaint is that it is almost ten months already since the first complaint was made and it is obviously going to be at least one year before my complaint is finalised."

"The Builder's Licensing Board has been ineffective in achieving satisfactory action; has been forced into proceeding with any reasonable action; has not conveyed a sense of being in control or able to finalise the matter; reluctant to take action where

fault was apparent; and apparently unconcerned about the length of time this matter has been outstanding."

"The Board does not volunteer information, progress details have to be sought by continual requests. Correspondence is not answered."

"I got in touch with the B.L.B. and the gentleman told me that at present there was a three month delay with on site inspections. This is ridiculous."

"We can't possibly wait 12 weeks for an inspection on our site."

"We feel that under the terms of reference of the inquiry, that clients needs are not being met in a satisfactory manner."

"We were always under the impression that the Builders Licensing Board existed for the protection of the public against shoddy builders, but after our experience with them found the situation to be quite the opposite."

"On May 22, 1985 we submitted a letter of complaint to the B.L.B. and paid our \$10 complaint fee. After five weeks of almost daily phone calls, an inspector from the _____ branch of the B.L.B. came out."

"As my complaint was processed some seven weeks had passed until the site meeting was arranged."

"Therefore my dissatisfaction would tend to confirm with others that points (a) and (b) in your article are very serious questions to be answered by the Government."

"While I do like my new home, I believe that the Board has completely failed to perform its functions in relation to it."

"I would most vehemently wish to criticise the Builders' Licensing Board's policies and practices in that:- upon lodgement of my complaint I was advised that it would take between six and eight weeks for the Board's Inspector to examine my dwelling. After much harassment on my part of Board's officers this period was shortened to five weeks."

"Our house has been built with structural problems which I have referred to the Builders Licensing Board. I have been informed that they are currently operating on a ten week delay. Such delays as this are incredible in view of the high priority people place on housing."

Complaints to Members of Parliament and Ombudsman

- 4.35. The high level of complaints about the Builders Licensing Board forwarded to Members of Parliament and the Ombudsman provides a

further indication that the Board is not satisfactorily meeting clients' needs.

- 4.36. Figures provided by the Ombudsman show that he received the following complaints concerning the Builders Licensing Board.

Complaints to Ombudsman
Concerning the Builders Licensing Board

Year	Number of Complaints
1980-81	70
1981-82	65
1982-83	56
1983-84	72
1984-85	64
1985-86	65

Data published in the Ombudsman's 1984-85 Annual Report shows that out of 153 departments and authorities, the Builders Licensing Board had the tenth highest number of complaints made against it. The Board was only exceeded by such large organisations as the Health Department, Housing Commission, Corrective Services, Police, State Rail Authority, G.I.O., Water Board and the Department of Youth and Community Services.

- 4.37. The Ombudsman commented in his 1984-85 Report:

"The Builders Licensing Board is not a big agency, but a relatively large number of complaints against it are received in the office of the Ombudsman."

- 4.38. A large number of clients also complain to the Minister for Consumer Affairs through their local Member of Parliament. For the twelve months to 30 April, 1985, 239 ministerial complaints were forwarded to the Board and for the corresponding period to 30 April, 1986, 273 complaints were made.

- 4.39. The Committee considers that the large number of Ombudsman and ministerial complaints indicates that consumers are dissatisfied

with the assistance given them by the Builders Licensing Board. While the Committee considers that any organisation will have some disgruntled clients, the number of Builders Licensing Board clients who feel their only recourse is to either their local Member of Parliament or the Minister is unacceptably high.

Conclusion

- 4.40. The Committee concludes that the Builders Licensing Board is not currently meeting client needs in a satisfactory manner. The Committee considers that urgent action is required to ensure that the Board carries out its objectives of providing protection for homeowners in a more responsive and effective manner. In particular, the Board must ensure that consumer complaints are dealt with promptly, that the productivity of inspectors is improved and responsiveness to clients' needs is enhanced.

5. MANAGEMENT INFORMATION SYSTEM

- 5.1. The Committee has examined the Builders Licensing Board's existing management information system and found it to be deficient in a number of fundamental aspects.
- 5.2. The major shortcomings of the existing management reporting system and hence areas where improvements can be made relate to objectives, performance measures, planning, timeliness and computerisation.

Objectives

- 5.3. Clear and quantifiable objectives have not been established for either the Builders Licensing Board as a whole, or for the individual branches within the Board. Branches within the Board have activities or functions rather than specific objectives which relate to overall Board objectives. The objectives established for the Board as a whole also need to be reframed in quantifiable terms.
- 5.4. **The Committee recommends that as a priority the Board establish clear and quantifiable objectives for the organisation as a whole and for individual branches within the Board.**

Performance Measures

- 5.5. Existing management reporting is of a commentary nature with some workload statistics. It does not present information which would allow for an evaluation of the performance of the organisation.
- 5.6. Critical to an effective Management Information System is the establishment of standards by which to measure performance. Performance standards may be derived from both a managerial perspective, giving consideration to the effectiveness and

efficiency of operations and a client service perspective, giving consideration to the needs and expectations of the various client groups served by the Board.

- 5.7. In particular, information concerning productivity of inspectors and timely processing of complaints is vital to assessing the performance of the Inspection Branch. As a first step, the Builders Licensing Board must set performance standards against which actual performance can be monitored.
- 5.8. The setting of performance standards is also crucial for other sections of the Board. Present management reports, without clearly defined standards against which to measure performance, do not enable either Branch managers or Board members to properly assess how well the organisation is functioning.
- 5.9. **The Committee recommends that performance indicators be developed for the Board as a whole and for each Branch of the Board and that such indicators be reported in the Builders Licensing Board Annual Report.**

Planning

- 5.10. During this inquiry, the Committee has become aware of the lack of planning and implementation mechanisms in the Builders Licensing Board. In a number of areas crucial to the Board's performance, problems are recognised but not acted upon in a positive manner by Board management. Examples of this lack of action include: the chronic delays in responding to complaints, owner-builders, the Special Insurance Fund and delays in computerisation.
- 5.11. The Committee believes that part of the problem stems from lack of both short-term and long-term planning. The Board needs a framework within which to plan its short-term and long-term policy and operations and standards against which it can monitor and evaluate its performance.

- 5.12. The Committee recommends that, as part of the process of setting objectives and performance measures noted above, the Board develop an integrated Corporate Plan, including long term projections and annual planning.
- 5.13. The difficulties associated with planning which arise from the current structure of the Board are discussed in Section 7.

Timeliness

- 5.14. The Board should receive management information on a more timely basis. The quarterly report for the three months ended 30 June, 1986, for example, was signed off on 23 July, 1986 and presented to the Board subsequent to that date. The Committee considers that timely monthly reporting is critical to effective management and recommends that reports be forwarded to the Board on a monthly basis, within two weeks of the end of the reporting period.

Computerisation

- 5.15. Computerisation of the Board's systems is crucial to an effective management information system. The current manual systems, particularly the licensing system, are outmoded and cumbersome and severely hamper the Board's efficiency and effectiveness.
- 5.16. The Committee is critical of the time taken by the Board in computerising its systems. The Board's 1981-82 Annual Report noted that the Board had "approved in principle, the total computerisation of its operations", following a review by the Public Service Board.
- 5.17. In 1982 a further study was conducted by the Public Service Board into the impact of computerisation of the Board's records. According to the Board's 1983-4 Annual Report, yet another review was carried out that year to determine the best strategy

for computerising the Board's accounting system. The Report states:

"Following the appointment of a Systems Manager in May 1984 it is anticipated that all the Board's records will be stored on computer within two years, thus greatly improving efficiency."

5.18. Further progress towards computerisation was recorded in the 1984-5 Annual Report:

"With the appointment of a Systems Manager in May, 1984 the Board confirmed its commitment to a computerisation strategy recommended some time earlier by consultants from the Public Service Board's Consultancy Branch. The Board's licensing records have been identified as being in the most urgent need of computerisation and a project commenced this year with this end in view is now well underway."

5.19. The 1985-86 Annual Report states:

"The development of a computer system to replace the existing manual licence records continued throughout the year. The Board's licence records have been identified as being in most urgent need of computerisation. ... A specification and tender document for hardware and development software has been completed and tenders will be called through the Contracts Control Board. It is expected that the central processing unit will be installed in September, 1986 and that the major portion of the licensing system will be computerised by June, 1987."

5.20. At a public hearing in November, 1986, Board officers informed the Committee that hardware had been installed the previous week.

5.21. The Committee notes that some four years after taking the decision to computerise, the Board's records remain on a manual system. The Committee is critical of the lengthy delays which have occurred in computerising the Builders Licensing Board's records. It appears that it will have taken from 1982 to 1987 to computerise the Board's licensing system. The delay in

computerising the insurance, inspection, accounts and other areas of the Board will be even longer.

- 5.22. In the Committee's view the slow progress towards computerising the Board's systems reflects a lack of strategic direction, planning and management of the computerisation process. The Committee is not convinced that the Builders Licensing Board management has a good grasp of the organisation's needs with regard to E.D.P. nor of the alternative hardware and software options.

6. INSURANCE SCHEME

- 6.1. A major objective of the Builders Licensing Board is to provide insurance cover for building work. The Board has two insurance funds, the General Insurance Fund, which covers work carried out by licensed builders and the Special Insurance Fund which is intended to cover the work of licensed trade contractors.

General Insurance Fund

- 6.2. The General Insurance Fund has been operating since 1973. All licensed builders must insure their building work with the Board by paying a prescribed premium, calculated according to the cost of the building work. In 1984-85 the average premium was \$114 and 66,302 units of building work were insured.
- 6.3. Owner-builders may also opt to participate in the insurance scheme to provide cover for subsequent purchasers. This is not compulsory and in 1985-86 only 154 out of a possible 28,087 owner builders took up this option.
- 6.4. Premiums collected in 1984-85 totalled \$7,449,295. The Board takes 20% of this amount for management expenses. Of the balance, the Board reinsures 60% with outside insurance offices and keeps 40% of the risk itself.
- 6.5. The Committee commissioned M.I.R.A. Consultants Pty Ltd to carry out a review of the Board's insurance funds, with particular reference to whether the level of premiums was appropriate. A copy of M.I.R.A.'s report is included as Appendix 9. A review of the operation of the insurance scheme by the Public Service Board, Consultancy Branch, completed in May 1986, was also made available to the Committee.
- 6.6. The Committee's conclusions and recommendations concerning the General Insurance Fund are provided below.

Current Premium Levels

- 6.7. The Committee concludes that current premium levels are appropriate, although they may have been slightly too high in 1984-85 and that the Board has adequately provided for future claims liability. The Committee believes that premium levels under the current arrangements should not be lowered, due to features of the scheme which set it apart from other types of insurance. These features are:
- (i) The long tail of the scheme, which makes it difficult to adequately assess the amount of outstanding claims.
 - (ii) The majority of claims appear to be multiple claims against builders in financial difficulties, who are more likely to cut corners and produce poor quality work. The extent of builders facing financial problems can be effected by economic conditions, with difficult economic conditions leading to a rise in the number of builders going bankrupt or leaving the industry.
 - (iii) Weather conditions may also effect the level of claims made against the insurance funds, eg. drought may effect the settlement of foundations.
 - (iv) The administrative policies of the Builders Licensing Board also effect the level of claim payments. If less resources are put into conciliation of building disputes, claims are likely to be higher.
- 6.8. It is recommended that no change be made to the level of premiums in the context of the current insurance scheme. The Committee recognises that future inflation or changes in experience will be reflected in changes in premium levels in future years.

- 6.9. The Committee considers that the current situation, where claims continue to be accepted over a seemingly indefinite period, must be altered. To give an example, for building work insured during the first 3 years of the scheme's operations (1973-74, 1974-75, 1975-76) only one half of total estimated claims against those years was paid in the first 7 years. While the various House Purchasers Agreements specify a maximum period of three years for minor claims and seven years for claims for major structural defects, it would appear that the Board has made extensive use of the discretionary powers given to it under the legislation to extend these time periods. According to figures provided by the Board, during 1985-86, 44 extensions of time for lodging claims were granted by the Board.
- 6.10. The Committee notes that building insurance schemes in other States have a definite cut-off point after which claims are disallowed. In Victoria, claims can be made up to six years after completion of building work; in South Australia, up to five years after completion of building work and in Queensland, up to six years. The scheme under consideration in Tasmania incorporates a six year limit.
- 6.11. The Committee considers that it is unreasonable for builders to have an indefinite liability in terms of building work. The Committee is therefore of the view that a definite limit must be placed on the time available in which to lodge claims. The Committee recommends that the legislation be amended to withdraw the current discretionary power to extend the period in which insurance claims may be made. Implementation of this recommendation should result in the Board being in a better position to estimate its future liability for claim payments at the end of the 7 year period.
- 6.12. The Committee considers that the periods of three years for minor defects and seven years for major structural defects are appropriate. The Committee recommends however that the periods be calculated from the time that building work is completed to

the time a written complaint is lodged with the Board, rather than to the time of lodging an insurance claim. The Committee believes that this would prevent consumers being disadvantaged by delays in processing of complaints.

Reinsurance Provisions

- 6.13. The Builders Licensing Board currently holds 40% of its insurance risk, with 60% being reinsured with insurance offices, such as the G.I.O. The Committee considers that the current level of reinsurance is too high. It is, therefore, recommended that the level of reinsurance be dropped to a maximum of 25%, with the balance of the risk held by the Board.
- 6.14. Under current reinsurance arrangements, the Board pays a commission to the reinsuring firms and deducts administrative costs from the gross premiums paid. These administrative costs cover the cost of collecting premiums, but do not cover the costs associated with processing claims against the insurance fund.
- 6.15. The Committee recommends that the administrative costs deducted by the Board from premiums be increased to 30% to cover the future cost of administering insurance claims.

Proposed changes to Insurance Scheme

- 6.16. The review of the Board's insurance scheme conducted by the Public Service Board recommends a number of fundamental changes to the current insurance system. The Committee has considered the proposals and has made a preliminary assessment.
- 6.17. The Public Service Board's report recommended that premiums be paid annually by each licensed builder, rather than paid in relation to each piece of building work. Under the proposal, each builder would be asked at the time of licence renewal to nominate an anticipated level of building activity to be

performed during the year and would be required to pay an insurance premium related to the anticipated activity. Thus a builder licensed to build 20 homes per year would pay a higher premium than a builder licensed to build two homes per year. The scheme also includes monitoring by the Board of the builder's actual activity level compared to the proposed level, through information provided by councils at the time building approval is sought. The advantages of the proposals would be:

- . Fees could be collected in advance by the Board and the commission currently paid to councils for collecting premiums would be saved.
- . A number of councils expressed an unwillingness to continue to act as agent for the Builders Licensing Board in the collection of premiums. The proposed system would eliminate this problem.
- . The Board could monitor more readily the growth of a particular builder and assist in preventing financial failure of builders as a result of too rapid growth.
- . Administration costs should be significantly reduced.
- . The problem of incomplete building work due to a builder commencing building work at too many sites simultaneously should be greatly reduced.

6.18. The report also favours a bond guarantee system where the amounts paid are related to the level of building work to be performed by the builder. The guarantee by a bank or insurance company would allow the Builders Licensing Board to have first call on funds to provide for rectification of building problems.

6.19. The Committee notes that a similar scheme appears to operate satisfactorily in Victoria. The success of such a scheme in New South Wales will largely depend on the willingness of lending

institutions and insurance firms to provide the guarantee. The move may adversely affect builders' working capital and the effect of this on the building industry will need to be assessed.

6.20. The Committee considers that the Public Service Board's proposal of an annual premium, based on anticipated level of building activity, should be extended to enable the Builders Licensing Board to control the level of building activity of individual builders. For new builders entering the industry, the Committee considers that an initial limit should be placed on these builders of 1-2 building contracts at any one time. Only when this work has been satisfactorily completed should the limit be increased. For existing licensed builders the Board should have the capacity to limit the amount of building work undertaken where there is doubt as to the financial or technical ability of the builder to undertake the level of work proposed.

6.21. The Committee considers that a system where annual licence renewal is linked to a set level of building activity has considerable merit. The Committee also agrees in principle with the concept of an annual premium in conjunction with a bond guarantee system. It considers, however, that further review is required to properly assess the viability of the proposed scheme.

Special Insurance Fund

6.22. The Special Insurance Fund was established by legislative amendment in 1977. The Fund was to provide insurance cover for trade work carried out by licensed trade contractors. From 1979, 50% of licence fees from trade contractors were paid into the Fund. Since 1984-85 only 25% of licence fees have been paid into the Fund. A proposal is currently being considered which would reduce the contribution to 1% of fees.

- 6.23. As at 30 June, 1986 the balance of the Fund was \$8.7 million. The Fund will accrue over \$1 million from interest alone during the current year.
- 6.24. To date only a handful of claims have been made against the Fund and after 15 months of operation, 3 claims totalling \$2,700 have been paid out.
- 6.25. The Committee considers that the decision to establish and continue the Fund was ill-conceived and badly executed. The Committee notes that in the years 1977-1983, only 822 complaints were made to the Builders Licensing Board against trade contractors. In 1985-86, while the numbers of complaints had increased, the total complaints for the year were still only 690.
- 6.26. The Committee is highly critical of the Builders Licensing Board's introduction and continuation of a scheme for which there was no apparent need. In this context, the Committee notes comments made as early as 1980 by the Joint Committee on Public Accounts and Financial Accounts (Chaired by Mr L. Brereton). The Joint Committee stated in its report:
- "The Board's entry into the housing insurance field through the General Insurance Fund (for the protection of home purchasers) and a special insurance company with income and investments to cover areas of trade work which are not covered by the main statutory scheme, raises questions about the advisability of it entering a field in which its experience is limited. This is particularly so in the case of the second scheme referred to since it has yet to become operational and the Board was unclear about the reasons for its creation."
- 6.27. If the Builders Licensing Board was unclear in 1980 as to why it had created the Special Insurance Fund, it had gained no clearer

idea by 1986, when the Chairman of the Board made the following comment in evidence before the Committee.

"The need perceived for this special fund when first envisaged, which was probably eight or nine years ago, probably does not exist today".

The Chairman went on to state:

"It is probably a little early yet, when the scheme has been in operation for only eight or nine months, to say that it is not needed. But it certainly seems obvious that the money there will be more than sufficient to cover any claims likely to be made in the foreseeable future".

Given that the maximum level of claim is \$1,000, and the Fund balance is around \$9 million, the Committee can only agree with the latter statement.

- 6.28. The Committee recommends that the Special Insurance Scheme in its present form be discontinued. The Committee does not consider that there is a need to provide an insurance scheme for trade work valued at less than \$1,000. Where a consumer has a complaint about work coming into this category, the Committee considers redress at the Consumer Claims Tribunal to be the most appropriate course of action.
- 6.29. In conjunction with this recommendation the Committee recommends that the current level of trade contractors licence fees be reassessed with a view to ensuring that fees are set at an appropriate level and that trade contractors are receiving value for money.
- 6.30. Evidence was given to the Committee that a considerable amount of building and trade work does not come under the protection of either the Housing Indemnity Scheme or the Trade Indemnity Scheme. Examples of this are work in one registered trade in

excess of \$1,000 and building work which does not require Council approval, such as kitchen renovations. The Committee recommends that the Builders Licensing Board undertake a review of these and similar areas with a view to eliminating gaps in the legislation which may discriminate against some groups of consumers.

- 6.31. The Committee urges that constructive use be made of the funds in the Special Insurance Fund, currently standing at around \$9 million.
- 6.32. The Committee has assessed a number of options regarding the future use of these funds. It considers that there are two main areas where could be beneficially used:

(i) Housing

The Builders Licensing Board currently has \$4 million invested in the State Mortgage Loans Scheme. The Committee recommends that consideration be given to making additional Builders Licensing Board funds available for housing.

(ii) Education and Training

In 1985-86 the Board allocated \$305,695 for education and research projects in the building industry. The Committee believes there is scope to increase the amount of funds going into these areas. In particular, the Committee considers that the following areas would benefit from the injection of additional funds:

- . training of apprentices in building trades;
- . programs to develop the business and management skills of small builders;

programs to promote the use of computer technology by builders in areas such as job estimating, wages and materials prices.

Details of schemes currently operating in these areas are provided in Appendix 10.

7. FURTHER IMPORTANT ISSUES

7.1. During the course of this inquiry the Committee examined a number of further issues which impinge upon the efficiency and effectiveness of the Builders Licensing Board. The Committee's findings and recommendations are presented below.

Owner-Builders

7.2. The Committee is concerned at the level of building work being carried out by owner-builders as opposed to licensed builders. The proportion of owner-built to licensed builder work has been steadily increasing and owner built work now stands at approximately 30% of all domestic building work in New South Wales. The table below shows the steady increase in work carried out by owner-builders.

TABLE 7.1. BUILDING WORK - LICENSED BUILDERS:OWNER-BUILDERS

	(a) Insured Building Work No of Units*	(b) Owner Builder Permits Issued	(b) as % of (a)+(b)
1973-74	37,597	6,179	14.1
1974-75	37,950	7,716	16.9
1975-76	43,420	9,620	18.1
1976-77	43,201	13,026	23.1
1977-78	63,102	20,762	24.8
1978-79	72,631	22,336	23.5
1979-80	85,757	27,361	24.2
1980-81	90,655	29,479	24.5
1981-82	73,721	28,194	27.7
1982-83	57,695	25,072	30.3
1983-84	62,850	27,287	30.3
1984-85	66,302	28,949	30.4
1985-86	61,735	28,087	31.3

* All licensed builders must insure building work through the Builders Licensing Board.

7.3. An obvious corollary to this increase is that an increasing proportion of home-owners are not protected by insurance cover.

The Committee is particularly concerned that people who subsequently purchase an owner-built home are not protected if defects or structural faults are found.

7.4. As with other issues discussed earlier in this report, the management of the Board have been aware of the growing problem with owner-builders, but to date have taken little effective action to resolve the problem.

7.5. The Board's 1978-79 Annual Report states:

"The Board is concerned at the continuing increase in applications for Owner-Builders' Permit. This concern extends particularly to the lack of protection available from the Board for any subsequent purchaser of an owner-built property...

The Board was examining policy alternatives in an endeavour to improve the situation for subsequent purchasers at the close of the financial year."

7.6. Annual reports of subsequent years also express concern at the growth in owner-builders. In 1979 a small survey of owner-builders was apparently undertaken to ascertain the extent of abuse of the system and in early 1980 the Board stated its intention to conduct a wider survey. The Annual Report for 1980-81 again states:

"Another matter of concern is the increasing number of applications for Owner-Builder Permits.... To ascertain the situation and the problems that may exist due to the misuse of the permit system, it is proposed to conduct a survey in the coming year."

7.7. According to the 1981-82 Annual Report, a pilot survey and a major survey were carried out during the year. The Report commented:

"The Board will no doubt consider the need to amend the legislation to provide greater control over the issue of owner-builder permits if the result of the survey so warrants."

- 7.8. This matter was still being considered by the Board the following year (1982-83) and by 1983-84 appears to have been dropped as no mention is made of it in the 1983-84 Annual Report.
- 7.9. The 1984-85 Annual Report again makes mention of the Board's concern about the growth in owner-builders but gives no indication that anything is being done to resolve the problem.
- 7.10. In evidence before the Committee in November, 1986, the Chairman of the Builders Licensing Board stated that the Board had recommended to the Minister that the legislation be changed to restrict owner-builders from selling their homes within five years.
- 7.11. While the Committee considers that the proposed legislative change will go some way towards restricting owner-built homes to the genuine owner-builder, the Committee is critical of the procrastination which appears to have gone on over this issue. A problem which was publicly recognised in 1979 has been the subject of wavering and inaction by management in the past seven years. In the meantime, as Table 7.1 shows, the proportion of owner-built work has increased from 23% to 31% of all domestic building work.
- 7.12. The Committee notes that in Queensland, owner-builders who wish to sell their home within six years of construction must obtain approval from the Builders Registration Board. The Board must be satisfied that the reason for selling is genuine and must be supplied with an inspection certificate from a suitably qualified person that the house is structurally sound and free from major defects. Approval by the Board is given on the condition that any prospective purchaser is advised in writing that the house was not built by a qualified builder, that it is not covered by insurance and that the Board cannot order rectification of defects if these are found.

- 7.13. The Committee recommends that these additional consumer protection elements be incorporated in any proposed legislative change. It is also recommended that these requirements be incorporated into the vendor disclosure and warranty requirements of the Conveyancing Act, to gain control of owner-builders through the conveyancing process.
- 7.14. **In the Committee's view, the increase in owner-built work and the tardy action by Builders Licensing Board management indicates that the Board has failed in meeting one of its major objectives, that is, to provide protection for homeowners.**

Local Government

- 7.15. The Committee wrote to all New South Wales local councils seeking submissions for this inquiry. Responses were received from 60 councils as well as from local government professional bodies such as the Australian Institute of Building Surveyors. In addition, the Committee met with members and staff from Bathurst, Orange and Lithgow Councils.
- 7.16. Almost all the councils making submissions to the Committee expressed concern about communication between themselves and the Builders Licensing Board. In particular, councils felt that more feedback should be provided to them about complaints and building problems in their area. The other main request from councils was that they be provided with a list of licensed builders and trade-contractors in their area, together with a list of those who have lost their licences.
- 7.17. **The Committee considers that formal communication mechanisms between the Board and Councils should be strengthened. At a minimum, Councils should be advised on a quarterly basis of the number and types of building complaints and of any major problems which the Board has encountered in their areas. The Committee also recommends that an annual listing of licensed builders and trade contractors be published by the Builders**

Licensing Board. This will be facilitated by the forthcoming computerisation of licensing records.

- 7.18. A number of further matters were raised by councils in their submissions to the Committee. In particular, many Councils raised concerns about delays in the Board's investigation of complaints and abuses of the owner-builder system.
- 7.19. A large number of councils also put forward the suggestion that local government inspectors could carry out inspection services as agents of the Board. The Committee does not consider it appropriate for local government inspectors to carry out the inspection role. The Builders Licensing Board was in fact established to investigate complaints of defective building work, which in most cases would have been approved by council inspectors. In the Committee's view this raises the question of conflict of interest.

Pre-Purchase Inspection Scheme

- 7.20. The Builders Licensing Board has operated a pre-purchase inspection scheme since 1977. The scheme is designed to provide a detailed report on any visible building defects for intending home purchasers.
- 7.21. The Committee considers that the Board has acted as a pacesetter in the field of pre-purchase inspections. At the time the scheme was set up no similar private schemes were in existence. Today, however, the service is offered by the Royal Australian Institute of Architects, the Sydney Building Information Centre and numerous building consultants.
- 7.22. The number of pre-purchase inspections provided by the Builders Licensing Board has declined over the last few years, due to a management decision to concentrate inspectorate resources on the investigation of complaints. In 1985-86, 1,850 pre-purchase inspections were carried out, compared with 2,853 the previous year.

- 7.23. The Committee is appreciative of the positive role played by the Builders Licensing Board in establishing the pre-purchase inspection scheme. The Committee believes the scheme has been of benefit to prospective home purchasers and has led to an increased awareness amongst the public of the need to check the structure and condition of a home before purchase. The proliferation of similar private sector schemes is one indication of this increased level of awareness amongst consumers.
- 7.24. In light of the Committee's findings with regard to the inadequate service being provided by the Board in responding to consumers' building complaints, the Committee considers, however, that the Board's pre-purchase inspection scheme should be temporarily discontinued, until such time as the Board is able to adequately fulfil its major role of investigating complaints.
- 7.25. **The Committee recommends that the pre-purchase inspection scheme be temporarily discontinued. Following implementation of the recommendations of this report, aimed at improving the performance of the Board, the Committee recommends that the Pre-purchase Inspection Scheme be reviewed with a view to resuming operations if adequate resources are available.**

Consumer Claims Tribunal

- 7.26. The Consumer Claims Tribunal heard 1,171 claims relating to building problems during 1985-86. In 1984-85, 1,203 building matters came before the Tribunal. According to figures provided by the Tribunal, approximately 80% of these related to alleged defective workmanship and 20% to contractual matters.
- 7.27. The Committee commissioned a telephone survey of 200 people who had lodged building complaints with the Consumer Claims Tribunal, aimed at gaining an understanding of the nature of these claims.

- 7.28. When questioned as to why the complaint was not referred to the Builders Licensing Board, 26.8% said that they were referred by the Board to the Consumer Claims Tribunal (presumably because the builder was unlicensed); 33.1% said that the builder was in fact unlicensed; 11.8% felt that the matter would be dealt with quicker by the Consumer Claims Tribunal; 16.5% thought that the type of work was not applicable for referral to the Builders Licensing Board and 11.8% referred their complaint to the Consumer Claims Tribunal for some other reason.
- 7.29. It is interesting to note that 15.3% of the Consumer Claims Tribunal complainants surveyed were not aware of the Builders Licensing Board.
- 7.30. The Committee expresses concern at the large number of building complaints which are dealt with through the Tribunal, rather than through the Builders Licensing Board's complaint and insurance system. While the Consumer Claims Tribunal may well be the most appropriate place for these claims, the Committee believes that further assessment of Consumer Claims matters is required to establish whether or not this is so.
- 7.31. When questioned by the Committee on the reason for the high number of Consumer Claims Tribunal building complaints, senior Board officers responded that they would be for unlicensed builders or trade contractors or where the Board could not order rectification work. These assumptions must be questioned in light of the Committee's survey. As noted above, 15.3% of those surveyed were not aware of the Builders Licensing Board, 16.5% thought the type of work was not applicable to the Board and 11.8% felt that the matter would be dealt with more quickly at the Tribunal. The Committee considers that the nature of building complaints going to the Tribunal requires further examination and is surprised that such examination has not previously been considered necessary by the Builders Licensing Board.

7.32. The Committee is critical of the seeming lack of liaison between the Board and the Consumer Claims Tribunal. Two areas of particular concern are:

(i) Unlicensed Builders and Trade-Contractors

At present the Board has no mechanism for obtaining details of unlicensed builders and trade contractors subject to Consumer Claims Tribunal claims. The Committee considers that this would be a prime source of information on those operating without a licence, for investigation and prosecution by the Board's Compliance Unit. A cursory examination of Tribunal records shows that the same builders and contractors come before the Tribunal time after time. In the Committee's view the consumer is not being provided with adequate protection if no action is taken against these people.

(ii) Licensed Builders and Trade-Contractors

Tribunal records show that a substantial proportion of building claims coming before it are against licensed builders and contractors. At present, no information on these matters is provided to, or sought by, the Builders Licensing Board. The Committee recommends that details on these matters be provided to the Board, so that the Board may issue a warning to the licensee concerned and/or take disciplinary action against the builder.

7.33. The Committee understands that in recent months communication channels between the Department of Consumer Affairs and the Consumer Claims Tribunal, and the Builders Licensing Board have been opened. The Committee believes that there is considerable scope for improving liaison between these bodies and recommends that mechanisms be set in place to ensure regular communication and feedback over areas and matters of common concern.

7.34. The Committee has conducted a preliminary assessment of the respective jurisdictional limits of the Consumer Claims Tribunal

(CCT) and the Builders Licensing Board (BLB). A summary is provided below:

JURISDICTIONAL LIMITS

	*BLB	CCT
Damages	No	Yes (\$3,000 limit)
Rectification orders	Yes	Yes (\$3,000 limit)
Completion orders	Yes	Yes (\$3,000 limit)
Disqualification of Licensee	Yes	No
Orders Against Unlicensed Person	No	Yes (\$3,000 limit)
Order relief from payment	No	Yes (\$3,000 limit)

*Licensed builders upper limit on insurance fund claim \$40,000
Licensed trade contractors claims limited to \$1,000.

- 7.35. **The Committee recommends that the roles of the Builders Licensing Board and the Consumer Claims Tribunal be clarified and that their respective jurisdictions be assessed to eliminate unnecessary duplication or overlapping of functions.**

Disciplinary and Appeal Mechanisms

- 7.36. At present disciplinary action is taken against builders and trade contractors through the mechanism of a Show Cause hearing. The licensee is formally summonsed to appear before a member of the Board if he/she has failed to carry out rectification work as directed. At the hearing, to quote the Board's 1985-86 Annual Report, "evidence tending to establish the grounds on which the licensee has been called upon to show cause is presented by the Legal Officer assigned to the case." The licensee will normally also have legal representation.
- 7.37. A transcript of each hearing is taken and the matter is referred to a subsequent meeting of the Board where a final decision is

made. A licensee may appeal against the Board's decision to the District Court.

- 7.38. According to the Board's data, Show Cause hearings take an average of eight months for a hearing to be concluded, with a further two months for the handing down of the Board's determination. Hearings take on average two hours, although according to evidence given by the Board, one hearing lasted 15 sitting days.
- 7.39. Appeals to the District Court against the Board's disciplinary or licensing decisions are also subject to extensive delays. The Board's 1985-86 Annual Report notes that appeals usually take approximately 15 months to finalise. The Board also notes there is a large backlog of cases in the District Court.
- 7.40. The Board has estimated that the average appeal against licence decisions cost the Board between \$1,960 and \$2,340. Disciplinary appeals average from \$2,527 to \$2,877 (the variations are due to differences in costs between city and country appeals). The estimated cost to appellants is between \$2,500 and \$3,000. Based on the Board's estimate, the Committee has calculated the approximate annual cost to the Board of conducting appeals at \$235,236. The amount is calculated from the number of appeals received during 1985-86. As few of these would have been concluded the actual cost could be expected to exceed the estimate given below due to inflationary factors.

87 licence appeals at \$2,150 each	= \$187,050
18 disciplinary appeals at \$2,677 each	= <u>48,180</u>
	\$235,236

- 7.41. With each appeal costing the appellant \$2,500 to \$3,000, the cost to appellants is estimated at \$288,750. Without taking into account the Court's costs, the cost of disciplinary and licence appeals is estimated at over \$½million annually. The Committee considers this to be a conservative estimate and believes that the true costs would be much higher.

- 7.42. In the Committee's view the current system of Show Cause Hearings and appeals to the District Court is legalistic, costly and time-consuming. The Committee believes that changes must be made to make the process quicker, cheaper and less formal.
- 7.43. The Committee believes that such reforms would be in line with contemporary consumer philosophy which aims to improve access to adjudication systems, to minimise costs of such actions, to minimise legal representation and to provide a quick, effective and final resolution of disputes.
- 7.44. The Committee endorses this approach and recommends that current Show Cause hearings be replaced by an administrative process and that appeals against licence or disciplinary decisions be transferred to the jurisdiction of the New South Wales Commercial Tribunal.
- 7.45. The Committee considers that disciplinary hearings against licensees should be conducted by a sub-committee of the Board, composed of one Board member and two ex-officio members. Decisions should not require approval of the full Board. The Committee believes that legal representation should not be allowed at such hearings and that licensees would be better served if represented by an officer of their industry organisation, such as the Master Builders Association or the Housing Industry Association.
- 7.46. The Committee further recommends that the current practice where the case against a licensee is presented by a legal officer of the Board, based on specific points of law, be discontinued. The Committee considers that the disciplinary hearing could be conducted in an informal manner, based on the rectification order and evidence from the inspector involved.
- 7.47. The Committee also considers that a typed transcript of all hearings is unnecessary. Storage of tape recordings of hearings should in most cases suffice, with a written transcript made where considered necessary.

7.48. The New South Wales Commercial Tribunal was established in 1984, initially to oversee the licensing of credit providers and finance brokers. The Tribunal's jurisdiction has recently been extended to hearing appeals in relation to motor dealers. The Committee considers that it is an appropriate body to hear appeals on disciplinary and licensing decisions of the Builders Licensing Board.

Structure of the Board

7.49. Consultants commissioned by the Committee examined the organisational structure of the Builders Licensing Board as part of their review of operational efficiency. The following comments and recommendations are based on the consultants' report and the Committee's own observations and inquiries both interstate and within New South Wales.

7.50. The Committee reviewed the structure and operation of the Victorian Housing Guarantee Fund Ltd, a non-profit company which controls builders' licensing in that State. The Committee also examined the system soon to come into effect in South Australia, where builders licensing and complaint investigation is under the auspices of the Department of Consumer Affairs. The Committee concludes, however, that the current structure of the New South Wales Builders Licensing Board, a statutory authority, reporting to the Minister and to the Parliament is the most appropriate form for builders licensing in this State.

7.51. **The Committee recommends that the New South Wales Builders Licensing Board continue as a statutory authority responsible to the Minister and to the Parliament. Within this basic structure, however, the Committee recommends a number of changes to enhance the effectiveness and responsiveness of the Board.**

7.52. **The Committee considers that the Board of the Builders Licensing Board should be relieved of its current role of reviewing disciplinary hearings and strengthen its role in policy**

development, planning and reviewing the performance of the Board.

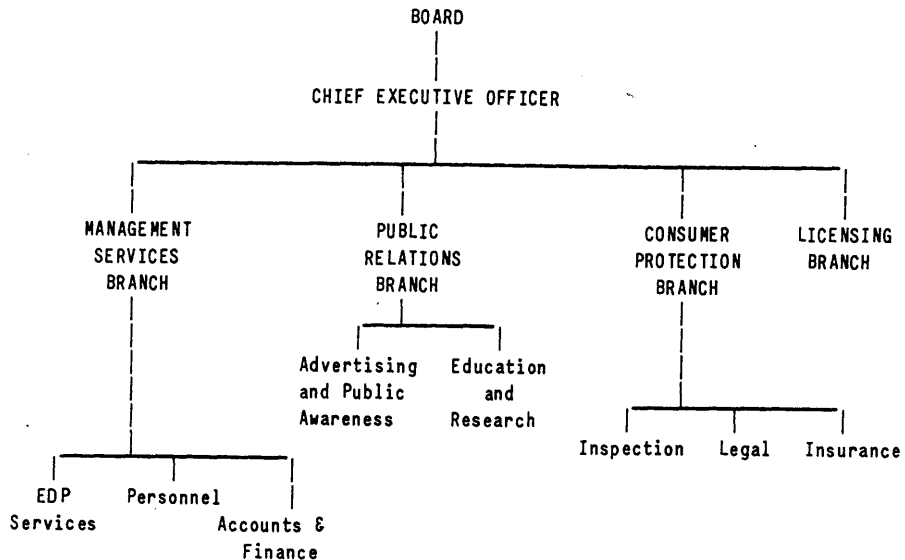
- 7.53. The Committee considers that there is a potential conflict of interest situation where the manager ultimately responsible for day-to-day operations is also Chairman of the Board. The Committee therefore recommends that a Chief Executive Officer be appointed to run the organisation. The Chief Executive Officer should be ex officio to the Board, but not a voting member of the Board.
- 7.54. The Committee recommends that the position of Chairman of the Board be a non-executive and part-time position. It is also recommended that the positions of Deputy Chairman and Secretary be eliminated and the functions of the positions delegated to branch managers.
- 7.55. The existing structure of the Builders Licensing Board is functionally based rather than designed to facilitate delivery of service. The Committee recommends that the Board be restructured to reflect its objectives and key service areas. As a guide, the Committee has identified the following key services:
- . protecting consumers by the investigation of complaints, the disciplining of builders and by providing insurance protection;
 - . controlling the issue of licences in order to maintain a high standard of building work;
 - . promoting the Board's activities to the general public.
 - . management support services
- 7.56. A chart showing a model organisational structure of the Board is shown in Figure 7.1. As the existing Inspection, Insurance and Legal Branches are each involved in consumer protection and

represent the key service area within the Board, the Committee suggests their amalgamation into a Consumer Protection Branch.

- 7.57. The public relations function is presently carried out within the Administration Branch. The Committee considers that this function is so important that it should be established as a branch in its own right.

BUILDERS LICENSING BOARD - PROPOSED STRUCTURE

FIGURE 7.1



- 7.58. The Committee recommends that appropriate senior executives be appointed to spearhead the Consumer Protection, Licensing, Public Relations and Management Services Branches. The Committee considers that these positions should be at a suitable level to attract high calibre managers with appropriate experience and skills.

- 7.59. The Committee believes that a restructuring of the Board along the lines outlined above would contribute significantly to the more efficient and effective operation of the organisation. The Committee considers however that the restructuring must be carried out in conjunction with other recommendations aimed at better management practices and enhancing operational efficiency.

APPENDICES



NEW SOUTH WALES
MINISTER FOR PLANNING AND ENVIRONMENT
AND MINISTER FOR CONSUMER AFFAIRS

APPENDIX 1

The Chairman,
Public Accounts Committee,
Parliament House,
Macquarie Street,
SYDNEY 2000

28 APR 1986

Dear Mr. Murray,

Could you please arrange for your Committee to examine and report on the operations of the Builders Licensing Board having regard to the following aspects:

- (a) the operations of the Board's insurance funds including the appropriateness of current premium levels;
- (b) whether client needs are being met in a satisfactory manner;
- (c) the adequacy of the Board's information and control systems and performance monitoring practices; and
- (d) any other aspect which impinges on the efficiency or effectiveness of the Board's operations.

Should you require any assistance in your deliberations please do not hesitate to contact my office and I will arrange for officers of the Board to be made available.

Kind regards.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Bob Carr'.

BOB CARR.

WITNESSES BEFORE PUBLIC HEARINGS

<u>Date of Meeting</u>	<u>Organisation Represented and Witnesses</u>
8 May, 1986	Builders Licensing Board of N.S.W. * Mr Brian Cahill, Chairman * Mr Barry Wheeler, Secretary
4 June, 1986	Master Builders Association * Mr Ray Rocher, Executive Director * Mr John Twyford, Executive Officer, Legal and Contracts Housing Industry Association * Mr Ian Frew, Third Vice President
11 September, 1986	Department of Consumer Affairs * Mr Philip Holt, Commissioner and Director * Mrs Frances Buckeridge, Branch Manager, Corporate Services Master Painters, Decorators & Signwriters' Association of N.S.W. * Mr Wilfred Tracey, Executive Director * Mr Henk Dukino, Managing Director, Henk J. Dukino & Co., Councillor of Associations * Mr Brian Tompson, State Manager & Director, Sayers Pty Ltd Newcastle, Master Builders' Association * Mr Norman Steep, Executive Director * Mr Robert Fuller, Executive Assistant * Mr David Stibbard, Director, David Stibbard Constructions Pty Ltd * Mr John Tabrett, Managing Director, Abliew Pty Ltd Australian Institute of Building Surveyors * Mr Geoffrey Nye, Federal President * Mr William Burns, Chief Health & Building Surveyor * Mr Brian Banning, Senior Health & Building Surveyor * Mr Jan Waples, Chief Health & Principal Building Surveyor
12 September, 1986	Australian Consumers Association * Mr Maynard Rye, Deputy Manager, Public Affairs Department * Ms Judith Fleming, Legal Projects Officer Institution of Engineers, Australia * Dr Geoffrey O'Loughlin, Chairman, Civil Engineering Branch * Mr Peter Maloney, Consulting Engineer Alliance Strata Management Pty Ltd * Mr John Scott, Managing Director * Mr John Edwards, Licensed Strata Manager, Crows Nest Branch * Mr Richard Tooker, Licensed Strata Manager, Parramatta Branch Housing Industry Association (ACT & Southern NSW Division) * Mr Ronald Bell, Chief Executive
3 November, 1986	Builders Licensing Board of N.S.W. * Mr Brian Cahill, Chairman * Mr Colin Cahill, Deputy Chairman * Mr Barry Wheeler, Secretary

SUBMISSIONS RECEIVED

MEMBERS OF PARLIAMENT

Mr Bruce Baird, Member for Northcott
Mr Bill Beckroge, Member for Broken Hill
Mr Ken Booth, Member for Wallsend
Mr Wes Davoren, Member for Lakemba
Mr John Fahey, Member for Camden
Mr Jack R. Hallam, M.L.C.
Mr John Hatton, Member for South Coast
Mr Garry McIlwaine, Member for Ryde
Mr Harry Moore, Member for Tuggerah
Mr Tim Moore, Member for Gordon
Mr Wal Murray, Member for Barwon
Mr John C. Price, Member for Waratah
Mr Matt Singleton, Member for Coffs Harbour
Mr Phillip Smiles, Member for Mosman
Mr Guy Yeomans, Member for Hurstville

LOCAL COUNCILS

Municipality of Ashfield
Bathurst City Council
Bega Valley Shire Council
Bingara Shire Council
Blacktown City Council
Blue Mountains City Council
Cabonne Shire Council
Municipality of Camden
Casino Council
Shire of Central Darling
Cessnock Shire Council
Cooma-Monaro Shire Council
Shire of Culcairn
Municipality of Deniliquin
Dungog Shire Council
Fairfield City Council
Forbes Shire Council
Gilgandra Shire
Glen Innes Municipal Council
City of Goulburn
Goulburn Council
Griffith Shire Council
Gunnedah Shire Council
Hawkesbury Shire Council
Holbrook Shire Council
Hume Shire Council
Hurstville Municipal Council
Municipality of Kogarah
Ku-ring-gai Municipal Council
Kyogle Shire Council
Lismore City Council
Maclean Shire Council
Moree Plains Shire Council
Murray Shire Council
Murrumbidgee Shire Council

Muswellbrook Shire Council
Newcastle City Council
Oberon Shire Council
Orange City Council
Penrith Council
Port Stephens Shire Council
Municipality of Rockdale
Ryde Municipal Council
Scone Shire Council
Severn Shire Council
Singleton Shire Council
Tamworth City Council
Temora Shire Council
Tumut Shire Council
Tweed Shire Council
Warren Shire Council
Weddin Shire Council
Shire of Wellington
Wingecarribee Shire Council
Wollongong City Council
Municipality of Woollahra
Wyong Shire Council
Yarrowlumla Shire Council
Yass Shire Council
Shire of Young

INDIVIDUALS

R. Adam-Tring
T.M. & L.M. Ahearn
Charles Alford
F.T. & B.A. Astill
D.J. Atkins
C. & S. Bender
E.R. Bennett
J. Bevan
Body Corporate, 70 Ceda Crescent, East Ballina
R. Caldwell
K & A Carroll
C.M. Catt
J.D. Clarke
M. Cleasby
P. Coleman, Chairman Strata Title 17621
M. Conroy
J.R.R. Cook
M. Coorey
C. Dent
Dallas Dureen
B. Earl
A.C. Edsall
E.J. Eyre
S. D. Feirson
K.G. Fell
B. Garnett
R.G. Gibson
J & S Gooley
B. Halstead
D. Harding

Z. Holland
D.M. Hoy
L. James
Body Corporate, 146 Culloden Road, Eastwood
C. Jenkin
Z.J. Karalus
D.E. Kelahar
J. & A. Kelly
A. Kennerson
R.A. King
D. C. & R.L. Knights
N.L. Langston
E. Lankamerer
J. M. Law
M. May
D. Mezinec
H.C. Mitchell
P.W. Montgomery
E.J. & J. Murphy
B. Neal, Secretary Strata Plan 19734
S. Noad
J. O'Hara
J. D. Papadimitrios
J.W. Parker
S. Peberdy
L. Petrie
J. Platt
G. Poole
Stephen Rudall
P. Ryba
D. Saul
M. Seagrave
P.H. Smith
M.G. & L.E. Smith
W.A. & M.L. Snow
E. Steele
J.P. Stewart
Strata Management Plan 19462
Secretary Strata Plan 6776
Mr & Mrs Szokolai
Peter Taylor
J. & A. Turner
B. Vlassis
D. Wall
P & H Walsh
M. Walter
N.J. Watts
F.L. Wood
J. Wood
R. Yerbury

ORGANISATIONS

Addbuild Constructions Pty Ltd
Alliance Strata Management Pty Ltd - Guildford
Alliance Strata Management Pty Ltd - Wollstonecraft
Australian Consumers Association
Australian Institute of Building Surveyors
Australian Institute of Quantity Surveyors
Building and Construction Council New South Wales
Building Reform Action Group - Orange
Building Reform Action Group - Bowral Branch
Carbone Paving Pty Ltd
Cullen Business Services
J. G. Davis Enterprises Pty Ltd
J. W. & E. M. Gill Pty Ltd
Grandview Aluminum Pty Ltd
Haskard & Co., Solicitors
J. D. Hodgson Consultants Pty Ltd
W. Holland Constructions Pty Ltd
L. J. Hooker, Kingsgrove
Housing Industry Association of NSW
Institution of Engineers, Sydney Division
Marrickville Legal Centre
Master Builders Association of NSW
Master Builders Association of NSW, Newcastle,
Master Painters, Decoration & Signwriters Association
Royal Australian Institute of Architects, NSW
Smyth, Turner & Wall, Solicitors & Attorneys
Swimming Pool & Spa Association NSW

BUILDERS LICENSING IN OTHER STATES

As part of this inquiry the Committee examined builders' licensing systems in Victoria, South Australia, Tasmania and Queensland. A brief description of the systems operating in these states is provided below.

1. Victoria

Regulation of builders in Victoria is administered by the Housing Guarantee Fund Ltd (HGFL). Under the scheme builders of new homes are required to be licensed. Renovation of existing homes and trade contract work is not covered.

The scheme offers a six year guarantee on new homes built by builders licensed under the scheme.

The HGFL is a registered non-profit company, limited by guarantee. It is controlled by a Board of Directors made up of six industry representatives, one member appointed by the Minister for Consumer Affairs and one member appointed by the Director of Consumer Affairs. Any changes to HGFL rules are subject to the approval of the Minister for Consumer Affairs.

A builder recognised by the HGFL scheme must be a member of either the Master Builders Association or the Housing Industry Association and demonstrate technical competence and financial capacity. All applicants, once recognised, are allocated a limit to the number of houses which they can have under construction at any one time. The extent of the limit is based on the combined assessment of technical and financial information provided. The HGFL requires a bank guarantee from about 2,000 of the 8,000 recognised builders. This is usually required from new builders and the scheme has first call on the funds if a problem is not fixed by the builder.

The HGFL is a fully computerised operation. Staff total 43 and are not public servants. Four inspectors and a supervising inspector cover the state. Consultants are used for legal work and complex building problems. There are approximately 8,000 builders registered with the HGFL. In 1984-85 the scheme received 1,590 complaints. An on-site inspection is guaranteed within 14 days.

2. South Australia

Under new legislation to come into effect in early 1987, the existing Builders Licensing Board will be disbanded and the Commercial Tribunal will have jurisdiction of all matters concerning the licensing of builders, will hear disciplinary charges against builders and will have the power to order a builder to carry out rectification work and to award damages if he/she defaults.

The new system places the responsibility for the regulation of builders under the Commissioner for Consumer Affairs and inspectors and staff attached to the Department of Consumer Affairs will investigate and conciliate building disputes.

An insurance scheme, the Builders Indemnity Scheme, has recently been introduced in South Australia. Builders are required to take out an insurance policy on all domestic building and extension work valued at \$5,000 or more and for which building approval from local council is required. The insurance protects against non-completion of work and failure to rectify faulty work due to the death, disappearance or bankruptcy of a builder. Premiums are around \$110, the scheme is administered by a private insurance company and coverage is for five years after completion of building work.

South Australia currently has approximately 5,000 licensed builders and 11,000 licensed trade contractors. Under the new system, annual fees will be lodged by licensees together with an annual financial and operational return. It is estimated that annual fees of around \$250 for companies and \$100 for individuals will be required, in place of former annual licence fees of \$80 and \$30 respectively. The new system is also estimated to require approximately ten extra staff to administer.

3. Tasmania

Tasmania allowed its builders licensing legislation to lapse in December, 1982. A Builders Licensing Board was established in 1977 under legislation containing a sunset clause. In 1983 a decision was made not to reinstate the legislation and some of the functions of the defunct Builders Licensing Board were transferred to the Council of Consumer Affairs. Inspectors of the Council investigate building complaints and claims up to \$2000 can be lodged with the Small Claims Tribunal. In 1984-5, 275 claims on building matters were made to the Tribunal. The Committee has been informed that the Tasmanian Government is considering introducing an insurance scheme, similar to that run by the Housing Corporation of New Zealand. The proposed scheme would be administered by the Tasmanian G.I.O., premiums would be paid by homeowners and coverage would be for six years from completion of building work.

4. Queensland

The Builders' Registration Board of Queensland was established in 1979. The Board operates in a very similar manner to the New South Wales Builders Licensing Board, with complaint inspectors, an insurance scheme and licensing of builders. Trade contractors, however, are not required to be licensed. Approximately 12,000 builders are licensed with annual licence fees from \$90-\$110 for individuals and \$180-\$220 for companies.

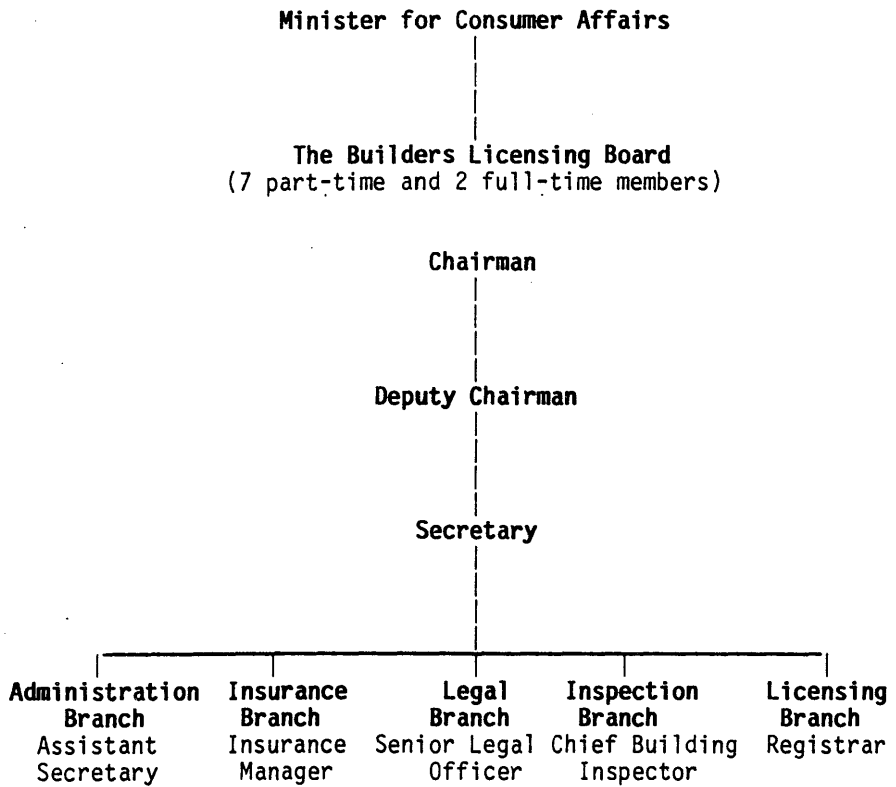
The Builders Registration Board has a staff of 52, with 16 building inspectors (12 in the field and four supervisors). In 1985-86, the Board received 1,403 formal building complaints. Coverage under the Board's insurance scheme is for a period of six years from completion of building work. Premiums are payable on each piece of building work. For building work to the value of \$3,000-\$7,500 the premium is \$70; over \$7,500 is \$170 and for less than \$3,000 no premium is charge.

APPENDIX 4

Queensland owner-builders are restricted from selling their home within six years of construction and under the legislation must advise a prospective purchaser of the fact that the house was owner built and must provide a certificate from a qualified person stating that the house is of sound construction.

The Builders Registration Board's guarantees an on-site inspection of complaints within 14 days. Inspections spend a maximum of two half-days in the office and operate from their homes to arrange appointments, dictate reports, etc. The Committee has been advised that finalisation of complaints averages 2.3 months.

BUILDERS LICENSING BOARD ORGANISATIONAL STRUCTURE



MARKET SURVEYS

- 6.1 Complainants
- 6.2 Owner-Builders
- 6.3 Public Awareness
- 6.4 Consumer Claims Tribunal

PREPARED BY TOUCHE ROSS SERVICES PTY.

COMPLAINANTS SURVEY

6.1.1. Questionnaire

6.1.2. Frequency Distributions

6.1.3. Cross-tabulations

REVIEW OF THE BUILDERS LICENCING BOARD

Touche Ross, an independent firm of accountants and management consultants, has been asked to review certain operations of the Builders Licencing Board.

This review is critical to the future direction of the Builders Licencing Board.

You have been selected to participate in this review as part of a random sample selected from the records of the Builders Licencing Board.

We would appreciate your answer to the questions on the following pages. This will only take a few minutes of your time.

All you need to do to answer the questions is to follow the instructions given throughout this questionnaire. For most questions this is simply a matter of placing a tick in the box that best indicates your response. For some questions however, we ask that you respond by writing a few words in the space provided.

The answers we receive will be dealt with in the strictest confidence.

Once your answers have been noted, this questionnaire will be destroyed by Touche Ross and nothing that would identify you will be retained.

Please return the completed questionnaire to Touche Ross in their reply paid envelope enclosed, by 19th September, 1986.

9. What was the nature of the problem regarding your building work? (Please tick as many boxes as are appropriate).

. CONTRACTUAL

- time delay ()
- financial variations ()
- other (please state)..... ()

. FULL LICENSEE (BUILDER)

- faulty materials ()
- bad workmanship ()
- other (please state)..... ()

. RESTRICTED LICENSEE (TRADE CONTRACTOR)

- faulty materials ()
- bad workmanship ()
- other (please state)..... ()

10. How was the problem resolved? (In this and the following questions please tick only one box).

- attended to by the builder who did the original work ()
- another builder engaged to complete the job ()
- attended to personally ()
- problem not yet resolved ()
- other (please state)..... ()

11. Did the Builders Licencing Board assist in resolving the problem to your satisfaction?

- Yes ()
- No ()

(Question 11 continued next page)

11. (Cont'd)

If you answered "No", and you consider it appropriate, please write in the space provided, a few words outlining the reason for any dissatisfaction.

.....
.....
.....

12. How long did it take from the time you first lodged your complaint with the BLB until the complaint was finally resolved?

- less than 3 months ()
- 3 - 4 months ()
- 5 - 6 months ()
- 7 - 8 months ()
- over 8 months (please state period)..... ()
- complaint not yet resolved. Please state approximate date the complaint was lodged ()

.....

13. How long did it take from the time you first lodged your complaint with the Builders Licencing Board until a first inspection by a Board inspector?

- less than a week ()
- 1-4 weeks ()
- 4-8 weeks ()
- 8-12 weeks ()
- three to six months ()
- over six months (please state period)..... ()
- not applicable; please state reason and then go to question 15 ()

.....

For the next two questions please circle one number against each statement which best indicates your view.

	<u>Excellent</u>	<u>Good</u>	<u>Adequate</u>	<u>Poor</u>	<u>Unsatisfactory</u>
14. How do you rate the effectiveness of the Board Inspector in;					
i) assessing defective work?	1	2	3	4	5
ii) attempting to resolve any dispute between yourself and the builder?	1	2	3	4	5
15. How do you rate the efficiency (time-wise) of the BLB in attending to your complaint?	1	2	3	4	5
16. At the time of engaging a builder, were you aware of the automatic insurance cover provided to you if the builder engaged was licenced?					
- Yes					()
- No					()
17. Do you consider the insurance cover provided by the BLB's insurance scheme as adequate?					
- Yes					()
- No					()
- Don't know					()
18. Have you ever submitted an insurance claim to the Builders Licencing Board?					
- Yes					()
- No					()

If your answer is "No", go directly to question 20.

19. How do you rate the insurance pay-out?

- more than adequate ()
- adequate ()
- too low, up to \$5,000 out-of-pocket ()
- too low, \$5,000 to \$10,000 out-of-pocket ()
- too low, greater than \$10,000 out-of-pocket ()
- claim not yet finalised ()
- claim rejected by the board ()

20. How were you referred to the Builders Licensing Board?

- own knowledge of the existence of the Board ()
- referred by a friend ()
- referred by the Master Builders Association ()
- referred by the Housing Industry Association ()
- referred by your principal builder ()
- referred by a sub-contractor (tradesman) ()
- referred by some other builder ()
- other (please specify)..... ()

21. Please rank the following services provided by the Builders Licencing Board in order of perceived importance.

Use each of the numbers 1-10 once only (ie. 1 = most important, 10 = least important) and mark each of the boxes accordingly.

- licencing principal builders _____
- licencing tradesmen _____
- issuing permits to owner-builders _____
- providing a pre-purchase inspection service _____
- servicing and educating the public with respect to home building matters _____
- servicing complainants by settling disputes and disciplining builders performing defective work _____
- searching for and prosecuting unlicensed builders _____
- regulating licenced builders and tradesmen _____
- providing insurance to home-owners _____
- assisting and servicing licencees (builders) and keeping them informed of current problems and trends in the building industry. _____

22. In your dealings with the Builders Licencing Board, do you find the service provided to be generally satisfactory?

- Yes ()
- No ()

If "No" and you consider it appropriate, please write a few words outlining the reason for your dissatisfaction, including any specific concerns, in the space provided.

.....

.....

.....

.....

SECTION B

The questions in this Section ask for your opinion about the regulation of the building industry and your attitude towards the Builders Licencing Board and the services which it provides.

Please answer each question and circle the appropriate number against each statement which best indicates your view.

	<u>Strongly</u> <u>Agree</u>	<u>Agree</u>	<u>Uncertain</u>	<u>Disagree</u>	<u>Strongly</u> <u>Disagree</u>
23. I generally support the concept of industry self-regulation, as opposed to regulation of industry by Government.	1	2	3	4	5
24. The building industry in Australia is not capable of self-regulation.	1	2	3	4	5
25. The Builders Licencing Board is effective in controlling:					
i) the licencing of builders.	1	2	3	4	5
ii) illegal and unsatisfactory building work.	1	2	3	4	5
26. There is an adequate public awareness of:					
i) the licencing requirements for builders.	1	2	3	4	5
ii) the services provided by the Builders Licencing Board.	1	2	3	4	5
27. Where complaints are found justified, a simple hearing process with powers similar to the Consumer Claims Tribunal is necessary.	1	2	3	4	5

61126-08054-8

	<u>Strongly</u> <u>Agree</u>	<u>Agree</u>	<u>Uncertain</u>	<u>Disagree</u>	<u>Strongly</u> <u>Disagree</u>
28. The BLB's first line of duty should be to service and satisfy consumers (owners). Assisting builders should be a secondary function.	1	2	3	4	5
29. The Builders Licensing Board should take a stronger public profile.	1	2	3	4	5
30. Building licences, generally, appear to be too easy to obtain.	1	2	3	4	5
31. It would appear that existing penalties imposed by the Board are generally not a deterrent to builders.	1	2	3	4	5
32. Applicants for owner-builder permits should be required to possess a certain level of building work knowledge.	1	2	3	4	5
33. There should be no registration requirements for owner-builders.	1	2	3	4	5
34. Compulsory insurance premiums are presently paid by builders. The level of insurance premiums should take into account the history of claims made against the builder's work.	1	2	3	4	5

SECTION C

This section requires some personal data for the compilation of demographic statistics. It is emphasised that the questionnaire is confidential and anonymous and will be destroyed by Touche Ross after the aggregation of statistics.

35. Sex?

- Male ()
- Female ()

36. Country of Birth?

- Australia ()
- Other (please state) ()

37. Number of persons living within your household?

- Self only ()
- Two ()
- Three ()
- Four ()
- Five or more ()

38. Family income?

- Less than \$10,000 ()
- \$10,000 to \$20,000 ()
- \$20,000 to \$30,000 ()
- \$30,000 to \$40,000 ()
- \$50,000 ()
- Greater than \$50,000 ()

39. Approximate current market value of your residence?

- Less than \$50,000 ()
- \$50,000 to \$100,000 ()
- \$100,000 to \$150,000 ()
- \$150,000 to \$200,000 ()
- Greater than \$200,000 ()

40. Postal code

PLEASE PROVIDE ANY COMMENTS, YOU MAY WISH TO ADD, ON THIS PAGE.

THANK YOU FOR YOUR ASSISTANCE. PLEASE MAIL THE QUESTIONNAIRE AT YOUR EARLIEST CONVENIENCE.

SECTION A

The following questions relate to any building problems you might have reported to the Builders Licensing Board. Please place a tick in the one box that most closely indicates your answer.

1. Have you ever referred a complaint about building work to the Builders Licensing Board?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
14	14	1.8	1.8	No answer
719	733	94.6	96.4	Yes
27	760	3.5	100.0	No

2. At the time of engaging a builder were you personally aware of builder licensing requirements?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
77	77	10.1	10.1	No answer
410	487	53.9	64.1	Yes, a basic knowledge
110	597	14.5	78.6	Yes, including knowledge of builder qualification to obtain a license
163	760	21.4	100.0	No

3. Upon engaging a builder, did you seek evidence that the builder was licensed?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
92	92	12.1	12.1	No answer
347	439	45.7	57.8	Yes, by requesting proof from the builder
92	531	12.1	69.9	Yes, by making enquiries with the BLB
229	760	30.1	100.0	No

4. Was the complaint you referred to the BLB in relation to:

COUNT	CUM		CUM	
	COUNT	PCT	PCT	
42	42	5.5	5.5	No answer
318	360	41.8	47.4	the building of a house?
38	398	5.0	52.4	the building of a unit?
159	557	20.9	73.3	the alteration or addition to a house?
7	564	.9	74.2	the alteration or addition to a unit?
78	642	10.3	84.5	the building of an in-ground pool?
118	760	15.5	100.0	other?

5. When, approximately was your building work first started?
(Please write in the month and/or year to your best recall.)

COUNT	CUM		CUM	
	COUNT	PCT	PCT	
88	88	11.6	11.6	No answer
24	112	3.2	14.8	Prior to 1978
23	135	3.0	17.8	1978
49	184	6.4	24.2	1979
54	238	7.1	31.3	1980
64	302	8.4	39.7	1981
76	378	10.0	49.7	1982
117	495	15.4	65.1	1983
159	654	20.9	86.0	1984
103	757	13.6	99.6	1985
3	760	0.4	100.0	1986

6. What was the approximate contract value of the original building work?

COUNT	CUM		CUM	
	COUNT	PCT	PCT	
74	74	9.7	9.7	No answer
95	169	12.5	22.2	Less than \$5,000
132	301	17.4	39.6	\$5,000 to \$14,999
80	381	10.5	50.1	\$15,000 to \$29,999
315	696	41.4	91.6	\$30,000 to \$99,999
64	760	8.5	100.0	Over \$100,000

7. What was the approximate rectification cost of any defective or incomplete building work?

COUNT	CUM COUNT	PCT	CUM PCT	
89	89	11.7	11.7	No answer
214	303	28.2	39.9	Less than \$1,000
159	462	20.9	60.8	\$1,000 to \$2,999
86	548	11.3	72.1	\$3,000 to \$5,999
34	582	4.5	76.6	\$6,000 to \$9,999
42	624	5.5	82.1	Over \$10,000
117	741	15.4	97.5	Not applicable (e.g. contractual complaint)
19	760	2.5	100.0	Unknown

8. When, approximately, did you first become aware of a problem with the building work? (Please tick the appropriate box).

COUNT	CUM COUNT	PCT	CUM PCT	
45	45	5.9	5.9	No answer
214	259	28.2	34.1	During the progress of the building work. (i.e. prior to completion)
212	471	27.9	62.0	Less than six months after the completion of the building work
72	543	9.5	71.4	Six to twelve months after completion of building work.
78	621	10.3	81.7	Twelve to twenty-four months after the completion of building work.
114	735	15.0	96.7	Greater than twenty-four months subsequent to completion of building work.
25	760	3.3	100.0	Not applicable. (e.g. contractual complaint)

9. What was the nature of the problem regarding your building work?
(Please tick as many boxes as are appropriate).

COUNT	CUM COUNT	PCT*	CUM* PCT	
58	58	7.6	N/A	No answer
CONTRACTUAL				
155	213	20.4	N/A	- Time delay
74	287	9.7	N/A	- Financial variations
136	423	17.9	N/A	- Other
FULL LICENSEE (BUILDER)				
152	575	20.0	N/A	- Faulty materials
537	1112	70.7	N/A	- Bad workmanship
79	1191	10.4	N/A	- Other
RESTRICTED LICENSEE (TRADE CONTRACTOR)				
61	1252	8.0	N/A	- faulty materials
156	1408	20.5	N/A	- bad workmanship
10	1418	1.3	N/A	- other

* Note, due to the multiple response nature of this question, percentages are based upon the total population of 760 respondents.

10. How was the problem resolved?

COUNT	CUM COUNT	PCT	CUM PCT	
48	48	6.3	6.3	- No answer
237	285	31.2	37.5	- Attended to by the builder who did the original work
116	401	15.3	52.8	- Another builder engaged to complete the job
64	465	8.4	61.2	- Attended to personally
236	701	31.1	92.2	- Problem not yet resolved
59	760	7.8	100.0	- Other

11. Did the Builders Licensing Board assist in resolving the problem to your satisfaction?

COUNT	CUM COUNT	PCT	CUM PCT	
57	57	7.5	7.5	- No answer
315	372	41.4	48.9	- Yes
388	760	51.0	100.0	- No

12. How long did it take from the time you first lodged your complaint with the BLB until the complaint was finally resolved?

COUNT	CUM COUNT	PCT	CUM PCT	
50	50	6.6	6.6	- No answer
206	256	27.1	33.7	- Less than 3 months
96	352	12.6	46.3	- 3 - 4 months
71	423	9.3	55.7	- 5 - 6 months
35	458	4.6	60.3	- 7 - 8 months
20	478	2.6	62.9	- 8 - 12 months
26	504	3.4	66.3	- 12 - 18 months
12	516	1.6	67.9	- 18 - 24 months
13	529	1.7	69.6	- Over 24 months
231	760	30.4	100.0	- Complaint not yet resolved (refer next table)

12. (Cont.) For those complaints not yet resolved, please state the approximate date that the complaint was lodged.

COUNT	CUM COUNT	PCT	CUM PCT	
46	46	19.9		- No answer
1	47	0.4		- 1978
2	49	0.9		- 1980
2	51	0.9		- 1981
4	55	1.7		- 1982
12	67	5.2		- 1983
37	104	16.0		- 1984
7	111	3.0		- 1985, no month stated
27	138	11.7		- Jan - June 1985
2	140	0.9		- July 1985
4	144	1.7		- Aug 1985
5	149	2.2		- Sept 1985
3	152	1.3		- Oct 1985
8	160	3.5		- Nov 1985
10	170	4.3		- Dec 1985
3	173	1.3		- 1986, no month stated
9	182	3.9		- Jan 1986
9	191	3.9		- Feb 1986
11	202	4.8		- Mar 1986
10	212	4.3		- Apr 1986
5	217	2.2		- May 1986
8	225	3.5		- June 1986
4	229	1.7		- July 1986
2	231*	0.9	100	- Aug 1986

* population determined by previous table

13. How long did it take from the time you first lodged your complaint with the Builders Licensing Board until a first inspection by a Board inspector?

COUNT	CUM COUNT	PCT	CUM PCT	
46	46	6.1	6.1	- No answer
36	82	4.7	10.8	- less than a week
296	378	38.9	49.7	- 1 - 4 weeks
189	567	24.9	74.6	- 4 - 8 weeks
103	670	13.6	88.2	- 8 - 12 weeks
50	720	6.6	94.7	- Three to six months
10	730	1.3	96.0	- Over six months
30	760	3.9	100.0	- Not applicable.

14. How do you rate the effectiveness of the Board Inspector in:

i) assessing defective work?

COUNT	CUM COUNT	PCT	CUM PCT	
85	85	11.2	11.2	- No answer
151	236	19.9	31.1	- Excellent
215	451	28.3	59.3	- Good
115	566	15.1	74.5	- Adequate
62	628	8.2	82.6	- Poor
132	760	17.4	100.0	- Unsatisfactory

ii) attempting to resolve any dispute between yourself and the builder?

COUNT	CUM COUNT	PCT	CUM PCT	
110	110	14.5	14.5	- No answer
114	224	15.0	29.5	- Excellent
149	373	19.6	49.1	- Good
96	469	12.6	61.7	- Adequate
102	571	13.4	75.1	- Poor
189	760	24.9	100.0	- Unsatisfactory

15. How do you rate the efficiency (time-wise) of the BLB in attending to your complaint?

COUNT	CUM COUNT	PCT	CUM PCT	
59	59	7.8	7.8	- No answer
90	149	11.8	19.6	- Excellent
176	325	23.2	42.8	- Good
180	505	23.7	66.4	- Adequate
115	620	15.1	81.6	- Poor
140	760	18.4	100.0	- Unsatisfactory

16. At the time of engaging a builder, were you aware of the automatic insurance cover provided to you if the builder engaged was licensed?

COUNT	CUM COUNT	PCT	CUM PCT	
80	80	10.5	10.5	- No answer
358	438	47.1	57.6	- Yes
322	760	42.4	100.0	- No

17. Do you consider the insurance cover provided by the BLB's insurance scheme as adequate?

COUNT	CUM COUNT	PCT	CUM PCT	
53	53	7.0	7.0	- No answer
132	185	17.4	24.3	- Yes
139	324	18.3	42.6	- No
436	760	57.4	100.0	- Don't know

18. Have you ever submitted an insurance claim to the Builders Licensing Board?

COUNT	CUM COUNT	PCT	CUM PCT	
44	44	5.8	5.8	- No answer
108	152	14.2	20.0	- Yes
608	760	80.0	100.0	- No

19. How do you rate the insurance pay-out?

COUNT	CUM COUNT	PCT	CUM PCT	
2	2	1.9		- More than adequate
36	38	33.3		- Adequate
10	48	9.3		- Too low, up to \$5,000 out-of-pocket
6	54	5.6		- Too low, \$5,000 to \$10,000 out-of-pocket
3	57	2.8		- Too low, greater than \$10,000 out-of-pocket
31	88	28.7		- Claim not yet finalized
29	117	26.9		- Claim rejected by the board
(9)	108*	(8.3)	100.0	- Respondents answering "no" to question 18.

* population determined by previous question.

20. How were you referred to the Builders Licensing Board?

COUNT	CUM COUNT	PCT	CUM PCT	
17	17	2.2	2.2	- No answer
463	480	60.9	63.2	- Own knowledge of the existence of the board
87	567	11.4	74.6	- Referred by a friend
15	582	2.0	76.6	- Referred by the Master Builders Association
7	589	.9	77.5	- Referred by the Housing Industry Association
19	608	2.5	80.0	- Referred by your principal builder
17	625	2.2	82.2	- Referred by a sub-contractor (tradesman)
34	659	4.5	86.7	- Referred by some other builder
101	760	13.3	100.0	- Other

21. Please rank the following services provided by the Builders Licensing Board in order of perceived importance.

Use each of the numbers 1-10 once only (i.e. 1 = most important, 10 = least important) and mark each of the boxes accordingly.

- licensing principal builders

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
65	65	8.6	8.6	- No answer
246	311	32.4	40.9	- Most important
90	401	11.8	52.8	
79	480	10.4	63.2	
53	533	7.0	70.1	
54	587	7.1	77.2	- Uncertain
52	639	6.8	84.1	
40	679	5.3	89.3	
24	703	3.2	92.5	
31	734	4.1	96.6	
26	760	3.4	100.0	- Least important

- licensing tradesmen

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
67	67	8.8	8.8	- No answer
67	134	8.8	17.6	- Most important
166	300	21.8	39.5	
81	381	10.7	50.1	
93	474	12.2	62.4	
71	545	9.3	71.7	- Uncertain
57	602	7.5	79.2	
51	653	6.7	85.9	
52	705	6.8	92.8	
32	737	4.2	97.0	
23	760	3.0	100.0	- Least important

- issuing permits to owner-builders

COUNT	CUM COUNT	PCT	CUM PCT	
75	75	9.9	9.9	- No answer
30	105	3.9	13.8	- Most important
6	111	.8	14.6	
45	156	5.9	20.5	
29	185	3.8	24.3	
50	235	6.6	30.9	- Uncertain
56	291	7.4	38.3	
77	368	10.1	48.4	
97	465	12.8	61.2	
118	583	15.5	76.7	
177	760	23.3	100.0	- Least important

- providing a pre-purchase inspection service

COUNT	CUM COUNT	PCT	CUM PCT	
68	68	8.9	8.9	- No answer
59	127	7.8	16.7	- Most important
47	174	6.2	22.9	
62	236	8.2	31.1	
51	287	6.7	37.8	
71	358	9.3	47.1	- Uncertain
80	438	10.5	57.6	
98	536	12.9	70.5	
83	619	10.9	81.4	
76	695	10.0	91.4	
65	760	8.6	100.0	- Least important

- servicing and educating the public with respect to home building matters

COUNT	CUM COUNT	PCT	CUM PCT	
69	69	9.1	9.1	- No answer
82	151	10.8	19.9	- Most important
58	209	7.6	27.5	
44	253	5.8	33.3	
63	316	8.3	41.6	
82	398	10.8	52.4	- Uncertain
64	462	8.4	60.8	
77	539	10.1	70.9	
93	632	12.2	83.2	
71	703	9.3	92.5	
57	760	7.5	100.0	- Least important

- servicing complainants by settling disputes and disciplining builders performing detective work

COUNT	CUM COUNT	PCT	CUM PCT	
64	64	8.4	8.4	- No answer
242	306	31.8	40.3	- Most important
88	394	11.6	51.8	
103	497	13.6	65.4	
78	575	10.3	75.7	
55	630	7.2	82.9	- Uncertain
45	675	5.9	88.8	
27	702	3.6	92.4	
25	727	3.3	95.7	
12	739	1.6	97.2	
21	760	2.8	100.0	- Least important

- searching for and prosecuting unlicensed builders

COUNT	CUM COUNT	PCT	CUM PCT	
64	64	8.4	8.4	- No answer
79	143	10.4	18.8	- Most important
71	214	9.3	28.2	
67	281	8.8	37.0	
95	376	12.5	49.5	
66	442	8.7	58.2	- Uncertain
85	527	11.2	69.3	
57	584	7.5	76.8	
57	641	7.5	84.3	
65	706	8.6	92.9	
54	760	7.1	100.0	- Least important

- regulating licensed builders and tradesmen

COUNT	CUM COUNT	PCT	CUM PCT	
68	68	8.9	8.9	- No answer
75	143	9.9	18.8	- Most important
52	195	6.8	25.7	
69	264	9.1	34.7	
83	347	10.9	45.7	
94	441	12.4	58.0	- Uncertain
81	522	10.7	68.7	
75	597	9.9	78.6	
68	665	8.9	87.5	
51	716	6.7	94.2	
44	760	5.8	100.0	- Least important

- providing insurance to home-owners

COUNT	CUM COUNT	PCT	CUM PCT	
69	69	9.1	9.1	- No answer
63	132	8.3	17.4	- Most important
60	192	7.9	25.3	
64	256	8.4	33.7	
67	323	8.8	42.5	
77	400	10.1	52.6	- Uncertain
67	467	8.8	61.4	
60	527	7.9	69.3	
72	599	9.5	78.8	
73	672	9.6	88.4	
88	760	11.6	100.0	- Least important

- assisting and servicing licenses (builders) and keeping them informed of current problems and trends in the building industry.

COUNT	CUM COUNT	PCT	CUM PCT	
70	70	9.2	9.2	- No answer
33	103	4.3	13.6	- Most important
23	126	3.0	16.6	
44	170	5.8	22.4	
27	197	3.6	25.9	
63	260	8.3	34.2	- Uncertain
52	312	6.8	41.1	
69	381	9.1	50.1	
78	459	10.3	60.4	
111	570	14.6	75.0	
190	760	25.0	100.0	- Least important

22. In your dealings with the Builders Licensing Board, do you find the service provided to be generally satisfactory?

COUNT	CUM COUNT	PCT	CUM PCT	
29	29	3.8	3.8	- No answer
407	436	53.6	57.4	- Yes
324	760	42.6	100.0	- No

SECTION B

The questions in this Section ask for your opinion about the regulation of the building industry and your attitude towards the Builders Licensing Board and the services which it provides.

23. I generally support the concept of industry self-regulation, as opposed to regulation of industry by Government.

COUNT	CUM COUNT	PCT	CUM PCT	
32	32	4.2	4.2	- No answer
130	162	17.1	21.3	- Strongly agree
197	359	25.9	47.2	- Agree
116	475	15.3	62.4	- Uncertain
126	601	16.6	79.1	- Disagree
159	760	20.9	100.0	- Strongly disagree

24. The building industry in Australia is not capable of self-regulation.

COUNT	CUM COUNT	PCT	CUM PCT	
31	31	4.1	4.1	- No answer
181	212	23.8	27.9	- Strongly agree
167	379	22.0	49.9	- Agree
194	573	25.5	75.4	- Uncertain
126	699	16.6	92.0	- Disagree
61	760	8.0	100.0	- Strongly disagree

25. The Builders Licensing Board is effective in controlling:

- i) the licensing of builders.

COUNT	CUM COUNT	PCT	CUM PCT	
31	31	4.1	4.1	- No answer
112	143	14.7	18.8	- Strongly agree
301	444	39.6	58.4	- Agree
157	601	20.7	79.1	- Uncertain
107	708	14.1	93.2	- Disagree
52	760	6.8	100.0	- Strongly disagree

ii) illegal and unsatisfactory building work.

COUNT	CUM COUNT	PCT	CUM PCT	
44	44	5.8	5.8	- No answer
101	145	13.3	19.1	- Strongly agree
165	310	21.7	40.8	- Agree
157	467	20.7	61.4	- Uncertain
168	635	22.1	83.6	- Disagree
125	760	16.4	100.0	- Strongly disagree

26. There is an adequate public awareness of:

i) the licensing requirements for builders.

COUNT	CUM COUNT	PCT	CUM PCT	
34	34	4.5	4.5	- No answer
41	75	5.4	9.9	- Strongly agree
169	244	22.2	32.1	- Agree
100	344	13.2	45.3	- Uncertain
301	645	39.6	84.9	- Disagree
115	760	15.1	100.0	- Strongly disagree

ii) the services provided by the Builders Licensing Board.

COUNT	CUM COUNT	PCT	CUM PCT	
34	34	4.5	4.5	- No answer
33	67	4.3	8.8	- Strongly agree
129	196	17.0	25.8	- Agree
129	325	17.0	42.8	- Uncertain
316	641	41.6	84.3	- Disagree
119	760	15.7	100.0	- Strongly disagree

27. Where complaints are found justified, a simple hearing process with powers similar to the Consumer Claims Tribunal is necessary.

COUNT	CUM COUNT	PCT	CUM PCT	
27	27	3.6	3.6	- No answer
329	356	43.3	46.8	- Strongly agree
266	622	35.0	81.8	- Agree
89	711	11.7	93.6	- Uncertain
37	748	4.9	98.4	- Disagree
12	760	1.5	100.0	- Strongly disagree

28. The BLB's first line of duty should be to service and satisfy consumers (owners). Assisting builders should be a secondary function.

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
31	31	4.1	4.1	- No answer
364	395	47.9	52.0	- Strongly agree
251	646	33.0	85.0	- Agree
44	690	5.8	90.8	- Uncertain
65	755	8.6	99.3	- Disagree
5	760	.7	100.0	- Strongly disagree

29. The Builders Licensing Board should take a stronger public profile.

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
27	27	3.6	3.6	- No answer
319	346	42.0	45.5	- Strongly agree
342	688	45.0	90.5	- Agree
41	729	5.4	95.9	- Uncertain
26	755	3.4	99.3	- Disagree
5	760	.7	100.0	- Strongly disagree

30. Building licenses, generally, appear to be too easy to obtain.

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
28	28	3.7	3.7	- No answer
202	230	26.6	30.3	- Strongly agree
211	441	27.8	58.0	- Agree
259	700	34.1	92.1	- Uncertain
56	756	7.4	99.5	- Disagree
4	760	.5	100.0	- Strongly disagree

31. It would appear that existing penalties imposed by the Board are generally not a deterrent to builders.

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
30	30	3.9	3.9	- No answer
302	332	39.7	43.7	- Strongly agree
251	583	33.0	76.7	- Agree
143	726	18.8	95.5	- Uncertain
28	754	3.7	99.2	- Disagree
6	760	.8	100.0	- Strongly disagree

32. Applicants for owner-builder permits should be required to possess a certain level of building work knowledge.

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
29	29	3.8	3.8	- No answer
225	254	29.6	33.4	- Strongly agree
310	564	40.8	74.2	- Agree
79	643	10.4	84.6	- Uncertain
90	733	11.8	96.4	- Disagree
27	760	3.6	100.0	- Strongly disagree

33. There should be no registration requirements for owner-builders.

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
28	28	3.7	3.7	- No answer
40	68	5.3	8.9	- Strongly agree
69	137	9.1	18.0	- Agree
90	227	11.8	29.9	- Uncertain
321	548	42.2	72.1	- Disagree
212	760	27.9	100.0	- Strongly disagree

34. Compulsory insurance premiums are presently paid by builders. The level of insurance premiums should take into account the history of claims made against the builder's work.

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
29	29	3.8	3.8	- No answer
390	419	51.3	55.1	- Strongly agree
277	696	36.4	91.6	- Agree
45	741	5.9	97.5	- Uncertain
15	756	2.0	99.5	- Disagree
4	760	5	100.0	- Strongly disagree

SECTION C

This section requires some personal data for the compilation of demographic statistics. It is emphasized that the questionnaire is confidential and anonymous and will be destroyed by Touche Ross after the aggregation of statistics.

35. Sex?

COUNT	CUM COUNT	PCT	CUM PCT	
25	25	3.3	3.3	- No answer
561	586	73.8	77.1	- Male
174	760	22.9	100.0	- Female

36. Country of Birth?

COUNT	CUM COUNT	PCT	CUM PCT	
22	22	2.9	2.9	- No answer
556	578	73.2	76.1	- Australia
120	698	15.8	91.8	- European country
12	710	1.6	93.4	- Asian country
10	720	1.3	94.7	- North Africa & Middle East
5	725	.7	95.4	- North America
35	760	4.6	100.0	- Other

37. Number of persons living within your household?

COUNT	CUM COUNT	PCT	CUM PCT	
26	26	3.4	3.4	- No answer
38	64	5.0	8.4	- Self only
200	264	26.3	34.7	- Two
129	393	17.0	51.7	- Three
213	606	28.0	79.7	- Four
154	760	20.3	100.0	- Five or more

38. Family income?

COUNT	CUM COUNT	PCT	CUM PCT	
54	54	7.1	7.1	- No answer
67	121	8.8	15.9	- Less than \$10,000
113	234	14.9	30.8	- \$10,000 to \$20,000
185	419	24.3	55.1	- \$20,000 to \$30,000
182	601	23.9	79.1	- \$30,000 to \$40,000
55	656	7.2	86.3	- \$50,000
104	760	13.7	100.0	- Greater than \$50,000

39. Approximate current market value of your residence?

COUNT	CUM COUNT	PCT	CUM PCT	
31	31	4.1	4.1	- No answer
18	49	2.4	6.4	- Less than \$50,000
334	383	43.9	50.4	- \$50,000 to \$100,000
183	566	24.1	74.5	- \$100,000 to \$150,000
102	668	13.4	87.9	- \$150,000 to \$200,000
92	760	12.1	100.0	- Greater than \$200,000

40. Postal code.

COUNT	CUM COUNT	PCT	CUM PCT	
60	60	7.9	7.9	- No answer)
19	79	2.5	10.4	- Eastern suburbs)
108	187	14.2	24.6	- Northern suburbs) Sydney
142	329	18.7	43.3	- North Western suburbs) Metropolitan
83	412	10.9	54.2	- South Western suburbs) Areas
77	489	10.1	64.3	- Southern suburbs)
80	569	10.5	74.9	- Newcastle
35	604	4.6	79.5	- Gosford
15	619	2.0	81.4	- Bathurst
15	634	2.0	83.4	- Goulburn
3	637	.4	83.8	- Canberra
37	674	4.9	88.7	- Wollongong
25	699	3.3	92.0	- Casino
21	720	2.8	94.7	- Kempsey
18	738	2.4	97.1	- Tamworth
7	745	.9	98.0	- Dubbo
14	759	1.8	99.9	- Albury
1	760	.1	100.0	- Distant country

COMPLAINANTS SURVEY - ANALYSIS OF POSTCODE BREAKS

Sydney Metropolitan Areas

East	2010 - 2011 2021 - 2030	North	2060 - 2114 2252 - 2254
North West	2115 - 2126 2145 - 2159 2255 2746 - 2786	South West	2127 - 2144 2160 - 2202 2555 - 2574 2691
South	2006 - 2009 2012 - 2020 2031 - 2059 2203 - 2249		

Country Areas

Newcastle	2264 - 2338 2415 2420 - 2430 2438 2491	Gosford	2250 - 2251 2256 - 2263
Bathurst	2718 - 2719 2740 - 2741 2820 2845 - 2852 2864 - 2877 2883	Goulburn	2575 - 2592 2594 - 2599 2625 - 2649 2653 2665 - 2673 2692 2697 - 2699
Canberra	2552 - 2554 2600 - 2624 2626 - 2639 2694 2900 - 2920	Wollongong	2500 - 2551
Tamworth	2339 - 2391 2393 - 2412 2414 2416 - 2419 2855 - 2863	Casino	2460 - 2465 2470 - 2483
Albury	2593 2640 - 2647 2650 - 2652 2654 - 2664 2674 - 26909 2693 2695 - 2696 2700 - 2714 2716 2737 - 2738	Kempsey	2431 - 2437 2439 - 2459 2466 - 2469 2492 - 2499
		Dubbo	2392 2742 - 2744 2814 - 2819 2821 - 2835 2837 - 2844 2853 - 2854
		Distant Country	2745 2836 2878 - 2882

CROSS-TABULATION OF "SEX" BY "SATISFACTION FOUND
WITH THE SERVICE PROVIDED BY THE BLB."

		SATISFACTION WITH SERVICE			
		No answer	Yes	No	Total
SEX	No answer	12	9	4	25
	Male	12	308	241	561
	Female	5	90	79	174
TOTAL		29	407	324	760

CROSS-TABULATION OF "COUNTRY OF BIRTH" BY "SATISFACTION FOUND WITH
THE SERVICE PROVIDED BY THE BLB."

		SATISFACTION WITH SERVICE				
		No answer	Yes	No	Total	
COUNTRY OF BIRTH	No answer	12	7	3	22	
	Australian	14	294	248	556	
	European Country	2	68	50	120	
	Asian Country	0	8	4	12	
	North African & Middle East	0	5	5	10	
	North America	0	4	1	5	
	Other	1	21	13	35	
	TOTAL		29	407	324	760

CROSS-TABULATION OF "FAMILY INCOME" BY "SATISFACTION
FOUND WITH THE SERVICE PROVIDED BY THE BLB."

		SATISFACTION WITH SERVICE			
		No answer	Yes	No	Total
No answer		13	24	17	54
Less than \$10,000		0	46	21	67
FAMILY INCOME	\$10,000 to \$20,000	3	63	47	113
	\$20,000 to \$30,000	3	94	88	185
	\$30,000 to \$40,000	6	94	82	182
	\$50,000	2	31	22	55
	Greater than \$50,000	2	55	47	104
TOTAL		29	407	324	760

CROSS-TABULATION OF "MARKET VALUE OF RESIDENCE" (I.E. WEALTH)
BY "SATISFACTION WITH THE SERVICE PROVIDED BY THE BLB."

		SATISFACTION WITH SERVICE			
		No answer	Yes	No	Total
No answer		12	11	8	31
Less than \$50,000		1	11	6	18
VALUE OF RESIDENCE	\$50,000 to \$100,000	5	191	138	334
	\$100,000 to \$150,000	8	91	84	183
	\$150,000 to \$200,000	3	53	46	102
	Greater than \$200,000	0	50	42	92
TOTAL		29	407	324	760

CROSS-TABULATION OF "GEOGRAPHIC AREAS" BY "SATISFACTION FOUND
WITH THE SERVICE PROVIDED BY THE BUILDERS LICENSING BOARD."

		SATISFACTION WITH SERVICE			
		No answer	Yes	No	Total
	No answer	14	30	16	60
	Eastern suburbs	0	7	12	19
	Northern suburbs	3	61	44	108
	North Western suburbs	3	71	68	142
	South Western suburbs	0	50	33	83
	Southern suburbs	5	32	40	77
GEOGRAPHIC AREAS	Newcastle	0	47	33	80
	Gosford	1	18	16	35
	Bathurst	0	10	5	15
	Goulburn	0	12	3	15
	Canberra	0	0	3	3
	Wollongong	1	20	16	37
	Casino	1	15	9	25
	Kempsey	0	14	7	21
	Tamworth	0	8	10	18
	Dubbo	0	6	1	7
	Albury	1	5	8	14
	Distant country	0	1	0	1
	TOTAL		29	407	324

CROSS-TABLUTION OF "GEOGRAPHIC AREA" BY "TIME TAKEN
BY THE BLB TO RESOLVE THE COMPLAINT"

TIME TAKEN TO RESOLVE COMPLAINT

GEOGRAPHIC

AREAS

No answer	12	20	9	3	0	5	1	0	1	9	60
Eastern suburbs	1	3	1	2	1	1	1	1	0	8	19
Northern suburbs	6	26	13	9	6	4	5	4	3	32	108
Nth West suburbs	10	38	17	16	5	4	5	1	2	44	142
Sth West suburbs	4	27	13	6	4	1	2	1	1	24	83
Southern suburbs	8	19	9	9	4	1	2	0	3	22	77
Newcastle	3	26	12	18	4	1	2	2	0	22	80
Gosford	0	9	5	5	3	1	1	0	1	10	35
Bathurst	1	2	2	1	0	0	0	0	1	8	15
Goulburn	0	4	2	1	1	0	0	0	0	7	15
Canberra	0	0	0	0	0	0	0	0	0	3	3
Wollongong	1	7	2	4	2	1	2	0	0	18	37
Casino	0	9	3	2	1	0	1	0	1	8	25
Kempsey	0	7	3	3	3	0	1	0	0	4	21
Tamworth	0	3	2	2	0	1	2	2	0	6	18
Dubbo	1	1	2	0	0	0	0	1	0	2	7
Albury	3	4	1	0	1	0	1	0	0	4	14
Distant country	0	1	0	0	0	0	0	0	0	0	1
TOTAL	50	206	96	71	35	20	26	12	13	231	760

OWNER - BUILDER SURVEY RESULTS

6.2.1 Questionnaire

6.2.2 Frequency distributions

BUILDERS LICENSING BOARD

Owner - Builders Telephone Survey

NAME: _____ PHONE: (H) _____
 (W) _____

1. What were the main reasons for you building your own home?
 - Cost Savings
 - Other (Please specify).....

2. In retrospect, do you think that you saved money by building your own home?
 - Yes (Est. percentage costs saved?)
 - No (Est. percentage extra costs?)
 - N/A, not complete etc.

3. Did you have any problems with sub-contracted builders?
 - Yes - Did you report these? - No
 - to the BLB?
 - to Consumer Affairs
 - to another body
 - Were you satisfied with the action taken? - Yes
 - No
 - No.
 - N/A, all done by self etc.

4. Did you take out the insurance policy provided by the BLB to owner-builders to cover subsequent purchasers of your home?
 - Yes
 - No - Why not? - Didn't know about it.
 - Not cost justified.
 - Not selling home in foreseeable future.
 - Other
 -

5. How do you feel about the current level of regulation of, and protection offered to, owner-builders?

- Unnecessary ()
- Adequate ()
- Too lax ()
- Too stringent ()

1. What were the main reasons for you building your own home?

COUNT	CUM COUNT	PCT*	CUM* PCT	
108	108	67.5	N/A	- Cost Savings
20	128	12.5	N/A	- Applicant in building trade
11	139	6.9	N/A	- Friends in building trade
18	157	11.3	N/A	- Challenge
24	181	15.0	N/A	- Other

* Note, due to the multiple response nature of this question, percentages are based upon the total population of 160 respondents.

2. In retrospect, do you think that you saved money by building your own home?

COUNT	CUM COUNT	PCT	CUM PCT	
120	120	75.0	75.0	- Yes
14	134	8.8	83.8	- No
9	143	5.6	89.4	- N/A - not complete yet
17	160	10.6	100.0	- N/A - not started yet

3. Did you have any problems with sub-contracted builders?

COUNT	CUM COUNT	PCT	CUM PCT	
15	15	9.4	9.4	- Yes (refer to next table)
87	102	54.4	63.8	- No
32	134	20.0	83.8	- N/A all done by self
22	156	13.8	97.6	- Not started yet
3	159	1.8	99.4	- Not finished yet
1	160	0.6	100.0	- N/A

Did you report those problems?

COUNT	CUM COUNT	PCT	CUM PCT	
11	11	73.3	73.3	- No
2	13	13.3	86.6	- Yes - to the BLB) refer
1	14	13.3	86.6	- Yes - to Consumer Affairs) next
1	15	6.7	100.0	- Yes - to another body) Table

Were you satisfied with the action taken?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
3	3	75.0	75.0	Yes
0	3	0.0	75.0	No
1	4	25.0	100.0	No answer

4. Did you take out the insurance policy provided by the BLB to owner-builders to cover subsequent purchasers of your home?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
29	29	18.1	18.1	- Yes
131	160	81.9	100.0	- No (refer next table)

If no, why not?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
84	84	64.1	64.1	- Didn't know about it
11	95	8.4	72.5	- Not cost justified
3	98	2.3	74.8	- Not selling home in foreseeable future
33	131	25.2	100.0	- Other

5. How do you feel about the current level of regulation of, and protection offered to, owner-builders?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
1	1	0.6	0.6	- Unnecessary
99	100	61.9	62.5	- Adequate
12	112	7.5	70.0	- Too lax
4	116	2.5	72.5	- Too stringent
25	141	15.6	88.1	- Not sure of
15	156	9.4	97.5	- Between adequate and too lax
4	160	2.5	100.0	- Between adequate and too stringent

PUBLIC AWARENESS SURVEY RESULTS

6.3.1 Questionnaire

6.3.2 Frequency distributions

BUILDERS LICENSING BOARD

Public Awareness Survey

For the following two questions please tick as many boxes as are appropriate:

1. Which organizations in the building industry are you aware of?
2. Have you heard of:
 - Master Buildings Association ()
 - Housing Industry Association ()
 - Builders Licensing Board ()
3. Have you built, or had built, within the last 10 years:
 - a home? ()
 - alterations or additions to a home? ()
 - a swimming pool? ()

For the following two questions please tick one box only.

4. Are you aware that protection is provided to the public by contracting with a licensed builder or tradesman with respect to any domestic building work?
 - Yes ()
 - No ()
5. How did you gain this awareness?
 - advertising materials issued by the Builders Licensing Board ()
 - informed by a builder to tradesman ()
 - informed by a friend or associate ()
6. Sex:
 - Male ()
 - Female ()

1. Which organization in the building industry are you aware of?

COUNT	CUM COUNT	PCT*	CUM* PCT	
171	171	85.5	N/A	- None
20	191	10.0	N/A	- B.L.F.
1	192	0.5	N/A	- B.L.B.
10	202	5.0	N/A	- Other

* Note, due to the multiple response nature of this question, percentages are based upon the total population of the respondents and cumulative percentages are therefore not applicable.

2. Have you heard of the Master Builders Association?

COUNT	CUM COUNT	PCT	CUM PCT	
173	173	86.5	86.5	- Yes
27	200	13.5	100.0	- No

Have you heard of the Housing Industry Association?

COUNT	CUM COUNT	PCT	CUM PCT	
68	68	34.0	34.0	- Yes
132	200	66.0	100.0	- No

Have you heard of the Builders Licensing Board?

COUNT	CUM COUNT	PCT	CUM PCT	
157	157	78.5	78.5	- Yes
43	200	21.5	100.0	- No

3. Have you built, or had built, within the last 10 years:

COUNT	CUM COUNT	PCT*	CUM* PCT	
20	20	10.0	N/A	- A home
56	76	28.0	N/A	- Alterations to a home
15	91	7.5	N/A	- Swimming Pool
123	214	61.5	N/A	- None of the above

* Note, due to the multiple response nature of this question, percentages are based upon the total population of the respondents and cumulative percentages are therefore not applicable.

4. Are you aware that protection is provided to the public by contracting with a licensed builder or tradesman with respect to any domestic building work?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
160	160	80.0	80.0	- Yes
40	200	20.0	100.0	- No

5. How did you gain this awareness?

	CUM		CUM*	
COUNT	COUNT	PCT*	PCT	
13	13	6.5	N/A	- BLB Advertising
30	43	15.0	N/A	- Informed by builder or tradesperson
17	60	8.5	N/A	- Informed by friend or associate
73	133	36.5	N/A	- Press or other media
11	144	5.5	N/A	- Work in the industry
16	160	8.0	N/A	- Other
6	166	3.0	N/A	- Not sure
40	206	20.0	N/A	- Not applicable

* Note, due to the multiple response nature of this question, percentages are based upon the total population of the respondents and cumulative percentages are therefore not applicable.

6. Sex:

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
95	95	47.5	47.5	- Male
105	200	52.5	100.0	- Female

CONSUMER CLAIMS TRIBUNAL
SURVEY RESULTS

- 6.4.1 Questionnaire
- 6.4.2 Frequency distributions
- 6.4.3 Cross-Tabulations

DEPARTMENT OF CONSUMER AFFAIRS
 CONSUMER CLAIMS TRIBUNAL - TELEPHONE SURVEY

1. Was the nature of the problem:-----
- contractual (e.g. timing and financial variation)? or, ()
 - defective building work? ()
2. Are you aware of the BLB? - Yes ()
- No (go to Question 4) ()
3. Why did you not refer your complaint to the BLB?
- was referred by the BLB to the CCT ()
 - felt it would be dealt with quicker ()
 - the builder was unlicensed ()
 - other ()
4. What was the approximate dollar amount of your Claim?
- less than \$1,000 ()
 - \$1,000 or more but less than \$2,000 ()
 - \$2,000 or more but less than \$3,000 ()
 - \$3,000 ()
5. Was the Claim resolved in your favour?
- Yes ()
 - No ()
 - N/A (problem resolved before tribunal hearing) ()
- Were you left out of pocket for any costs?
- Yes ()
 - No ()
- How much were you left out of pocket? - \$.....
6. Were you satisfied with the manner in which the CCT handled your claim?
- Yes
 - No any particular reasons?
 - length of time to get hearing ()
 - expertise of Tribunal ()
 - independence of Tribunal ()
 - other ()

7. Geographical area

- Sydney	()
- Newcastle	()
- Dubbo	()
- Parramatta	()
- Hurstville	()
- Penrith	()
- Wollongong	()

1. Was the nature of the problem contractual (e.g. timing and financial variation) or, defective building work?

COUNT	CUM COUNT	PCT	CUM PCT	
29	29	19.3	19.3	- Contractual
117	146	78.0	97.3	- Defective Building Work
4	150	2.7	100.0	- Both

2. Are you aware of the BLB?

COUNT	CUM COUNT	PCT	CUM PCT	
127	127	84.7	84.7	- Yes
23	150	15.3	100.0	- No

3. Why did you not refer your complaint to the BLB?

COUNT	CUM COUNT	PCT	CUM PCT	
34	34	26.8	26.8	- Was referred by the BLB to the CCT
15	49	11.8	38.6	- Felt it would be dealt with quicker
42	91	33.1	71.7	- The builder was unlicensed
21	112	16.5	88.2	- Thought type of work not applicable
15	127*	11.8	100.0	- Other

* population determined by question 2, above.

4. What was the approximate dollar amount of your Claim?

COUNT	CUM COUNT	PCT	CUM PCT	
1	1	.7	.7	- No answer
86	87	57.3	58.0	- Less than \$1,000
35	122	23.3	81.3	- \$1,000 or more but less than \$2,000
11	133	7.3	88.6	- \$2,000 or more but less than \$3,000
17	150	11.3	100.0	- \$3,000

5. Was the Claim resolved in your favour?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
1	1	.7	.7	- No answer
115	116	76.7	77.3	- Yes
11	127	7.3	84.7	- No
23	150	15.3	100.0	- N/A - problem resolved before tribunal hearing

Were you left out of pocket for any costs?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
31	31	20.7	20.7	- No answer
49	80	32.7	53.4	- Yes
70	150	46.6	100.0	- No

How much were you left out of pocket?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
6	6	12.2	12.2	- \$200
17	23	34.7	46.9	- \$200 - \$500
9	32	18.4	65.3	- \$500 - \$1,000
10	42	20.4	85.7	- \$1,000 - \$2,000
7	49*	14.3	100.0	- \$2,000 and over

* population determined by previous question.

6. Were you satisfied with the manner in which the CCT handled your claim?

	CUM		CUM	
COUNT	COUNT	PCT	PCT	
1	1	.7	.7	- No answer
116	117	77.3	78.0	- Yes
30	147	20.0	98.0	- No
3	150	2.0	100.0	- N/A - did not go to tribunal

If "no", any particular reason?

COUNT	CUM COUNT	PCT	CUM PCT	
9	9	30.0	30.0	- Length of time to get hearing
4	13	13.3	43.3	- Expertise of Tribunal
3	16	10.0	53.3	- Independence of Tribunal
2	18	6.7	60.0	- Lack of enforcement of decision
4	22	13.3	73.3	- Lack of personal service
8	30	26.7	100.0	- Other

7. Geographical area

COUNT	CUM COUNT	PCT	CUM PCT	
51	51	34.0	34.0	- Sydney
33	84	22.0	56.0	- Newcastle
3	87	2.0	58.0	- Dubbo
16	103	10.7	68.7	- Parramatta
20	123	13.3	82.0	- Hurstville
17	140	11.3	93.3	- Penrith
10	150	6.7	100.0	- Wollongong

CROSS-TABULATION OF "SATISFACTION WITH THE WAY
THE CCT HANDLED THE CLAIM" BY "GEOGRAPHICAL AREA"

GEOGRAPHICAL AREA

SATISFACTION

WITH CLAIM

HANDLING

	<u>Syd</u>	<u>N'castle</u>	<u>Dubbo</u>	<u>P'matta</u>	<u>H'ville</u>	<u>P'rith</u>	<u>W'gong</u>	<u>Total</u>
No Answer	1	0	0	0	0	0	0	1
Yes	36	26	3	13	14	16	8	116
No	14	7	0	3	3	1	2	30
N/A - did not go to Tribunal	0	0	0	0	3	0	0	3
TOTAL	51	33	3	16	20	17	10	150

CROSS-TABULATION OF "AMOUNT OUT-OF-POCKET" BY "SATISFACTION
WITH THE WAY THE CCT HANDLED THE CLAIM"

SATISFACTION WITH C.C.T.

		No Answer	Yes	No	N/A	TOTAL
	- \$200	0	5	1	0	6
<u>AMOUNT OUT-</u>	\$200 - \$500	0	12	4	1	17
<u>OF-POCKET</u>	\$500 - \$1,000	0	6	3	0	9
	\$1,000 - \$2,000	0	5	5	0	10
	\$2,000 and over	1	4	2	0	7
TOTAL		1	32	15	1	49

* SURVEY METHODOLOGY & SUMMARY OF RESULTS

Market research, by way of mail and telephone surveys, was undertaken for four interest groups namely:

- . complainants
- . owner builders
- . the Public and
- . persons directing building complaints to the Consumer Claims Tribunal.

The research was designed to gain an understanding of the views and perceptions of each of these groups about the Builders Licensing Board. In particular, the research for each of the interest groups was designed to ascertain the degree of:

- awareness of the Board and the services which it provides; and
- satisfaction with the services received from the Board.

For each of the interest groups other appropriate information was also sought where this was considered desirable in order to gain an appropriate understanding of their differing expectations from the Board.

The complainants' survey was distributed by mail. The sample size was 2050, comprising complainants selected at random from the records of the Builders Licensing Board going back three years, but giving weight to complaint files finalised in 1985. The sample distribution covered the state of New South Wales. There were 760 respondents in this survey; a response rate of 37%. This is considered high for a mail survey.

The number of respondents provides a confidence level of 95% that the margin of error is less than 3.8%. It should be noted that any conclusions drawn from the results of the complainants' survey are biased to the extent that the sample population comprises complainants only.

The owner-builder, public awareness and Consumer Claims Tribunal surveys were conducted by telephone and sample sizes were 160, 200 and 150 respectively. The selection method of each of these surveys approximated a simple random sample. The sample selection for the owner-builder survey was made from the records of the Builders Licensing Board; for the public awareness survey the selection was made from the Sydney metropolitan telephone directory, and for the Consumer Claims Tribunal survey the selection was made from records made available by the Consumer Claims Tribunal. For the public awareness survey a confidence level of 95% that the margin of error is less than 7.1% is provided. For the owner-builder and Consumer Claims Tribunal surveys, a confidence level of 95% that the margin of error does not exceed 8.2% is provided.

The key issues and highlights of the results of each of the surveys are summarised below.

*-----
Prepared by Touche Ross Services Pty.

Awareness of the Builders Licensing Board

In the telephone survey of the public, the "top of mind" awareness (i.e. recall by the respondent without being prompted), was particularly low with only one person out of 200 naming the Builders Licensing Board as an organization of which they were aware within the Building Industry. However, after prompting, 78.5% of respondents indicated that they were aware of the Board. Further, whilst some respondents were not aware of the Builders Licensing Board as an organization, they were aware that protection was offered by contracting with a licensed builder.

In the survey of complainants, 54.7% of respondents considered that there was an inadequate public awareness of the licensing requirements for builders and 57.3% of respondents considered that there was an inadequate public awareness of the various services provided by the Builders Licensing Board. In this survey 21.4% of respondents said that they personally were not aware of builder licensing requirements at the time that they engaged a builder.

Further 42.4% of respondents said that they were not aware of the automatic insurance cover provided to them if the builder engaged was licensed.

A strong majority of complainants surveyed, 87.0%, felt that the Builders Licensing Board should take a stronger public profile.

52.5% of owner builder respondents said that they did not know that the insurance scheme provided by the Builders Licensing Board to owner-builders was designed to cover subsequent purchases.

A minority of respondents to the Consumer Claims Tribunal survey said that they were not aware of the Builders Licensing Board.

In summary, there appears to be an acceptable level of awareness of the existence of the Builders Licensing Board, but a lower level of awareness of the specific services which the Board provides.

Level of Satisfaction derived from dealings with the Builders Licensing Board

The interest group which provided the support and source of information was complainants. The issue of "satisfaction derived from the Builders Licensing Board" was addressed in the complainants survey firstly in a general manner by requesting the respondent to state their general satisfaction or otherwise in their dealing with the Board and, secondly, at a more detailed level, requesting respondents to assess the performance of the Board in carrying out certain specific tasks.

At the organizational level, 51.0% of respondents said that the Board did not resolve their problem satisfactorily, and 42.6% of respondents considered the customer service provided by the Board as inadequate.

At a more specific level, in assessing the effectiveness of the Board Inspector, 25.6% of respondents considered the assessment of defective work as being less than adequate, whilst 38.3% of respondents

considered the Board Inspector ineffective in attempting to resolve the dispute between themselves and the builder.

A significant number of respondents (33.5%) assessed the time taken by the Builders Licensing Board in attending to their complaint as being less than adequate.

Attitudinal Survey of Complainants

Whilst the sample population is a constraint in drawing general conclusions from the complainant survey, we have summarised those attitudes which have been expressed strongly. The following summary highlights the issues where there is overwhelming support for a particular viewpoint.

- . Insurance premiums paid by builders should take into account the history of claims made against the builder's work.
- . The Builders Licensing Board should take a stronger public profile.
- . The Builders Licensing Board's first line of duty should be to service and satisfy consumers (owners). Assisting builders should be a secondary function.
- . Where complaints are found justified, a simple hearing process with powers similar to the Consumer Claims Tribunal is necessary.
- . It would appear that existing penalties imposed by the Board are generally not a deterrent to builders.
- . Applicants for owner-builder permits should be required to possess a certain level of building work knowledge.
- . There should be no registration requirements for owner-builders (strong disagreement).

Owner-Builder Survey

Given the very high level of owner-builder permits issued by the Board each year, and the expectation that most persons seeking owner-builder permits would do so in order to save costs, the primary purpose of this survey was to gain an understanding as to whether cost savings were actually achieved.

In fact 75.0% of respondents said that they had saved money by building their own home.

It is interesting to note how the opinion of this interest group tends to support that of complainants with respect to the level of owner-builder regulation. The majority of respondents (61.9%) considered the level of regulation as adequate, only 5.0% of respondents considered the level of regulation as being too stringent, and 16.9% of respondents considered the current level of regulation as being too lax. Only one respondent considered the level of regulation as being unnecessary.

Consumer Claims Tribunal Survey

This survey was undertaken to gain an understanding of the nature of complaints and claims relating to building matters which have been handled by the Consumer Claims Tribunal. For the year ended 30 June 1985, 15.1% of the Consumer Claim Tribunal's claims (i.e. over 1200 claims) related to the building matters.

In response to the question as to why the complaint was not referred to the Builders Licensing Board, 26.8% of respondents said that they had been referred by the Builders Licensing Board to the Consumer Claims Tribunal (presumably because the builder was unlicensed), 33.1% said that the builder was in fact unlicensed, 11.8% felt that the matter would be dealt with quicker by the Consumer Claims Tribunal, 16.5% of respondents thought that the type of work was not applicable for referral to the Builders Licensing Board and 11.8% of respondents referred their matter to the Consumer Claims Tribunal for some other reason.

The above stated percentages relate to the population of respondents who were aware of the Builders Licensing Board. In fact 15.3% of the total survey population were not aware of the Builders Licensing Board.

Based upon this analysis, there appears to be a need for communication between the Consumer Claims Tribunal and the Builders Licensing Board. We have considered this issue in Section 3.1 of this report.

Conclusions

Some of the general conclusions which may be drawn from the surveys include:

- . There is a reasonable level of awareness of the existence of the Builders Licensing Board, yet a very low level of awareness of the various services provided by the Board.
- . There is an unacceptably high proportion of complainants who are dissatisfied with the level of service provided by the Board.
- . Registration requirements for owner-builders should be strengthened.
- . The Board should communicate regularly with the Consumer Claims Tribunal on matters of mutual concern.
- . A Tribunal should be established for dealing with matters expeditiously where a Show Cause Inquiry may not be necessary.

BUILDERS LICENSING BOARD: CASE STUDIES

The Committee received numerous submissions from members of the public who felt they had not been provided with a satisfactory service by the Builders Licensing Board in investigating their building complaints. A number of case studies are detailed below.

Case A - Guildford

This case involves a strata-titled block of units. The complaint related to extensive building defects in the common property of a Strata Plan block of units in Guildford.

- 16 May, 1984 - Complaint lodged with Builders Licensing Board.
- June, 1984 - Inspection by Builders Licensing Board and structural engineer engaged by owners.
- 27 June, 1984 - Notice of Defective/Incomplete work issued to builder.
- 23 September, 1984 - Builders Licensing Board issues rectification order to builder expiring in 28 days.
- 17 July, 1985 - Builders Licensing Board writes to owner saying that builder not going to rectify work and an insurance claim should be made.
- 19 November, 1985 - 3 quotes sent by owner to Builders Licensing Board.
- 30 January, 1986 - Owner writes to Builders Licensing Board seeking acknowledgement of receipt of claim.
- 27 February, 1986 - Owner writes to Builders Licensing Board seeking acknowledgement of receipt of claim.
- 25 March, 1986 - Builders Licensing Board replies, acknowledging claim and states that there are awaiting a further engineer's report.
- 2 April, 1986 - Owner writes to Builders Licensing Board.
- 9 April, 1986 - Owner sends engineer's report to Builders Licensing Board.
- 15 May, 1986 - A Board inspector phones owner and arranges a meeting at the owner's office.
- 4 June, 1986 - Meeting held, 4 Board staff and owner.
- 18 June, 1986 - Board writes to owner that claim acceptable and builder to proceed with work.

* Some of the details above are recorded differently by the Board and the owner.

61126-08054-11

Comment: The above matter has now been resolved and rectification work carried out. The owner commented to the Board:

"The obvious analogy of all the above is that it took some two years from the beginning to the end for the Builders Licensing Board to even acknowledge there was a claimable item."

Case B - Earlwood

- 9 August, 1983 - Complaint made to the Builders Licensing Board concerning severe water penetration of three units of a strata plan.
- 7 October, 1983 - Inspection by Builders Licensing Board inspector found complaint not justified.
- 28 November, 1984 - Further complaint re water penetration in units.
- 4 December, 1984 - Builders Licensing Board writes to owner saying it will arrange an inspection.
- 8 February, 1984 - Owner writes to Builders Licensing Board requesting what progress?
- 12 March, 1985 - On site inspection by Builders Licensing Board. Inspector found work had been defective.
- 2 May, 1985 - Further on-site inspection.
- 8 May, 1985 - Defective/Incomplete work order issued to builder. Builder did not comply.
- 23 August, 1985 - Rectification Order issued expiring 27 September, 1986, not complied with by builder.
- 30 June, 1986 - Board wrote to owner and advised them to lodge insurance claim.

Comments: To date the above matter has not been resolved, and has taken so far over three years to get to the current stage. The owners complained to the Committee "at the length of time taken to achieve so little". The Committee requested comments from the Builders Licensing Board on the handling of this case. The Board stated "A perusal of the two complaint files has revealed a delay between September 1985 (the date of expiry of the Order) and June, 1986. No reason can be given for the delay, however it is noted that to date an insurance claim has not been received from the proprietors".

Case C - Wollstonecraft

- 3 April, 1984 - Complaint lodged with Builders Licensing Board.
- 29 June, 1984 - On-site inspection by Builders Licensing Board inspector.
- 12 July, 1984 - Defective/Incomplete Work Sheet issued to builder requiring rectification by 31 August, 1984.
- 26 September, 1984 - Owner informed by Board that problems were not the fault of the builder and the Board proposed to take no further action.
- 22 October, 1984 - Additional on-site inspection.
- 30 October, 1984 - Owner writes to Board seeking a review of decision that the builder was not responsible for the problems.
- 28 December, 1984 - Board writes to owner stating that a full report would be submitted for the Board's consideration.
- 4 April, 1985 - Board writes to owner saying that builder did not seem to be going to rectify problems and advising that a claim be made on the Board's insurance scheme.
- 12 July, 1985 - Board writes to owner again, stating that builder not negligent but that matter would be decided by full Board.
- 6 February, 1986 - At its meeting the Board resolved to take no further action on the complaint action.
- Feb - June, 1986 - Assessment of insurance claim by Board continues.
- 10 July, 1986 - Board meeting decides to defer decision on insurance claims pending further investigation.
- 22 July, 1986 - Board requests further information from owner.
- 30 July, 1986 - Further on-site inspection.
- 24 October, 1986 - The Board informs the Committee that they are "unable to process the claim further until such time as a reply to the Board's letter (22 July, 1986) is received."

Comment: This case study is an example of a protracted complaint investigation. To date it has taken 2½ years and remains unresolved. There also appears to have been considerable confusion over whether the Board had approved rectification to be carried out. The Board stated in a letter to the Committee:

"As resolution of the matter by means of complaint process appeared forlorn, the agents were advised of the redress available under the Board's insurance scheme should a valid claim be established. This was confirmed by letter dated 4 April, 1985. The letter did not imply that the Board would authorise and pay for immediate rectification of the Proprietors' problems. Rather, the letter stated that:-

'The Body Corporate to engage a builder of your choice and rectify problems of water penetration too Units 1 and 3 balconies and to advise the Board's Inspector of any defects when the abovementioned areas are opened up.'

and further,

'A claim under the House Purchasers Agreement may be lodged, however, this is not to be interpreted that such a claim will be approved.'"

Case D - Bexley

- May 1984 - Owner buys unit
- 5 July 1984 - Owner lodges complaint with Builders Licensing Board re faulty window frames. Complaint made against builder Mr A, trading as Xyz Pty Ltd.
- 24 August 1984 - On site inspection by Builders Licensing Board inspector. Owner advised to forward an insurance claim form and 3 quotes for rectification work.
- 24 October 1984 - Insurance claim and quotes sent to Board.
- 2 January 1985 - Owner advised by Builders Licensing Board that company Xyz Pty Ltd was not licenced at the time building work carried out, although Mr A was licenced.
- 3 January 1985 - Owner checks with Council and discovers that Mr A had lodged building application and paid insurance premium. Owner advises BLB, told matter would be investigated but as more than 3 years had now elapsed since the building work was done the claim might not be successful.
- 4 March 1985 - After receiving no satisfactory response by phone to inquiries as to progress of claim, owner writes to Secretary of BLB.
- 20 March 1985 - BLB replies that matter will be investigated further.
- 23 June 1985 - Owner writes to Board inquiring as to outcome of investigation.
- 12 July 1985 - Letter from Board saying that as Xyz Pty Ltd not licenced at time of building, claim not approved.

- August-Dec 1985 - Owner writes to Ombudsman, Local Member of Parliament seeking assistance.
- March-Sept 1986 - Correspondence between owner, Ombudsman and Builder Licensing Board continues. Board decided to review decision re eligibility of owner to make an insurance claim. At its meeting of 24 July, 1986, the Board was unable to resolve the matter and sought further information.
- November 1986 - Matter remains unresolved.

Comments: The owner raises a number of important issues concerning the handling of this complaint by the Builders Licensing Board. The following is an extract from the owners letter to his Local Member of Parliament in September, 1985.

"I am concerned about the following aspects of the handling of my complaint by the Builders Licensing Board":

- 1) the refusal of the Board to accept the evidence concerning the Builder's name and licence number shown on the approved Building Application;
- 2) the fourteen month period spent by the Board in an attempt to find out the name of the builder, whilst my insurance claim was unresolved; and
- 3) the fact that the inspector of the BLB conducting the investigation of 24th August, 1984 failed to advise me about:
 - a) the uncertainty concerning the builder's name, and
 - b) the possible ineligibility of my claim for benefits under Clause 3(b) of House Purchase Agreement (refer Appendix 11), as the claim was not lodged with the BLB within 3 years after the date of commencement of the building work.

In fact the inspector invited me to submit quotations for the necessary work and indicated that my claim would be settled upon a submission of the completed insurance claim.
- 4) Finally, the fact that the Board had accepted the Builder's Licensing Insurance fee of \$1440 paid by Mr A on 1st April, 1980 for the building work and yet refuses to accept that Mr A was the builder responsible for the work.

If the builder was indeed unlicensed as the Board claims, why was the payment of the Builder's Licensing Insurance fee accepted when it had to be clear to the Board at the time of the payment that a valid insurance cover could not be provided by the Board to an unlicensed builder? Even more importantly, the board would be aware that a receipt issued for such payment would enable the builder to obtain an approval for the pending building application. The Council of the Municipality of does not approve any Building Application before sighting a receipt for the Builder's Licensing Insurance fee paid to the Builders Licensing Board. In accordance with the title of the insurance the Council considers the receipt as the proof of the builder's licensing by the Board."

Case E: Port Macquarie

- July 1985 - Mr C. writes to branch of Builders Licensing Board re: defective building work.
- August 1985 - Mr C sent a complaint form. Completes the form and forwards to Builders Licensing Board with \$10 fee. Rings Builders Licensing Board when no reply. Told that relevant inspector on leave for 5 weeks
- September 1985 - Mr C rings Builders Licensing Board. Told that file missing. BLB would get back to him. BLB subsequently advises that file is at another branch. Mr C to ring this branch. Mr C calls office.
- 1 October 1985 - On site inspection
- 22 November 1985 - Notice of Defective work sent to builder, giving 1 month to rectify work.
- February 1986 - Order to rectify issued to builder
- 6 May 1986 - BLB send owner an insurance claim form as work not rectified.

Comments: Mr C comments in his submission to the Committee:

"My main complaint is that it is almost ten months already since the first complaint was made and it is obviously going to be at least one year before my complaint is finalised."

Case F: Swimming Pool

- 12 February 1986 - Mr & Mrs P write to Builders Licensing Board outlining problems they had with getting a swimming pool installed at their home.
- 5 March 1986 - Builders Licensing Board replies acknowledging complaint and stating Mr & Mrs P would be contacted within 5 weeks.
- 14 April 1986 - As no contact made, Mr & Mrs P ring BLB.
- 16 April 1986 - BLB arrange meeting with inspector on site.
- 21 April 1986 - On site inspection. Inspector informs owners that builder in liquidation and that inspector would contact them again in a couple of weeks.
- 13 May 1986 - No contact made. Owner rings BLB. Informed that BLB will write and let them know how to apply for insurance.

Comments: The owners commented in their submission to the Committee:

"The finding of this information would have only taken a few telephone calls, so why did it take 13 weeks? Our dealings with the Board have been virtually a waste of time."

Case G: - Sylvania Heights

- 12 August 1985 - Owner Mr F. lodges complaint with the BLB concerning overflow from a defective septic tank.
- 4 October 1985 - On site inspection by BLB inspector. Notice of Defective Incomplete work issued to builder. Work to be rectified by 5 November 1985.
- 5 February 1986 - Rectification order issued to builder, giving 28 days to rectify work.
- 21 May 1986 - Board sends insurance claim form to owner.

Comment: The owner comments in his submission to the Committee about the extensive delays in processing his complaint and the problems he experienced with the septic tank overflowing during this time, including complaints from the Council.

LEVEL 9
50 CLARENCE STREET
SYDNEY N.S.W. 2000
TELEPHONE (02) 29 6223
TELEX AA 177094 MIRA

Report to the Chairman
Public Accounts Committee
Parliament House,
Sydney

Builders Licensing Board

Review Of Insurance Funds

CONTENTS

	Page
1. TERMS OF REFERENCE	1
2. NATURE OF THE SCHEME	3
3. EXPERIENCE	7
4. PROVISIONS AND PREMIUM RATES	9
5. REINSURANCE	13
6. SPECIAL INSURANCE FUND	15

- 1.1 The Parliamentary Accounts Committee has been asked to inquire into the operations of the Builders Licensing Board. The Committee has sought a report from us on item (a) of its terms of reference, namely:

~~"(a) The operations of the Board's insurance funds including the appropriateness of current premium levels."~~

The request was confirmed in a letter dated 5 May, 1986.

- 1.2 We have had discussions with Mr. Sartor, (the then) Director, Public Accounts Committee and at the Board with:

Mr. B. Cahill	Chairman
Mr. C. Cahill	Board member
Mr. B. Wheeler	Secretary

We have had every assistance from the Board and its staff and all of our questions have been answered.

- 1.3 Discussions have also been held with Mr. P. Gillott of Minets, brokers who arrange the reinsurance of the cover with various insurance offices; and with Mr. D. Morelli of the Public Service board who has completed a report, May 1986, on the operations of the Board's insurance schemes.

- 1.4 The delay in production of this report was entirely due to pressure on our resources and not to any other party. Our delay is regretted.

- 1.5 With respect to the General Insurance Fund we conclude

- (1) current premium levels are appropriate (in 84-85 they were slightly higher than was necessary) and no change is recommended; and
- (2) the provisions for claim payments for past construction years are adequate.

- 1.6. We recommend

- (1) the insurance principle be maintained, i.e. premiums should meet the expected cost of claims, and that the level of insurance kept by the Board be increased to 75%

- (2) the Board renegotiate insurance terms to provide, either
 - claims expenses are recovered with claim payments from reinsurers,
 - or
 - the initial expense charge be increased to 30% of the premium.
- (3) the Board give consideration to reducing the period within which valid claims can be made. A period of say five years does not seem unreasonable and would increase the level of confidence in the emerging cost of insurance.

1.7. The special insurance fund is now \$7 million and growing, with no material claims to meet. The structure of this fund must be redesigned and the existing fund applied to some new purpose.

NATURE OF THE SCHEME

- 2.1 There are two insurance funds, the general insurance fund and the special insurance fund. It is the general insurance fund with which we are principally concerned.
- 2.2 The general insurance fund began in 1973 and has operated since that time with several reviews of underwriting level and of insurance premiums. There are five features which set this scheme apart from any conventional view of "insurance".
- (1) The very long tail of claims, persisting beyond ten years.
 - (2) The dependence on economic conditions.
 - (3) The dependence on long term weather trends.
 - (4) The dependence on the board's administration.
 - (5) Legislative framework.

The long tail

- 2.3 As at December 1985 the assessed (insurance) amount of claims so far paid and remaining yet to be paid for the first three years of operation was \$4,472,000. (These were the three years 73-74, 74-75, 75-76.) The part of that actually paid in the first seven claim years was \$2,237,000 - or almost exactly one-half. Even beyond 30.6.84 the amounts paid and outstanding were \$1,435,000 or almost one-third of the total assessed claims.
- 2.4 A significant part of this very long delay in claim settlement for these three construction years is the particular circumstances of claims in respect of common areas in home units. Arguably there will be no corresponding delayed claims in respect of later years.
- 2.5 The assessment of future claims yet to be paid for years after 75/76 is clearly dependant on the extent to which these long delayed claims for the first three years of operation should be judged as being typical of the level of claims incurred and also as being typical of the time-scale over which they will be paid out.

Economic conditions

- 2.6 Claims tend to be multiple claims for a particular builder - rather than being randomly distributed over all builders. The rationale for this seems to be that a

continuing builder has every incentive to meet all reasonable demands of a dissatisfied customer since he wishes to remain in business. A builder in financial difficulties however, is both more likely to cut corners and produce poor quality work and be less able to afford to fix it after the event: in the extreme he will go into liquidation, generating more potential claims in his last few months.

- 2.7 The problems builders face are exacerbated by a downturn in economic activity so that one might expect that a difficult economic period will see a number of builders go into liquidation or leave the industry with a consequent legacy of claims against the scheme.
- 2.8 The expected claims on this basis would have a component related to economic activity.

Weather

- 2.9 Similar to the economic variability mentioned above is a perception that drought has an effect on claims in two ways. Firstly as a drought deepens, land dries out as well as building materials and faults may emerge e.g. in settlement of foundations. Secondly, when a drought breaks there is a sudden change in moisture levels with another period of stress in which faults appear.
- 2.10 The claims made have particularly "high" values in respect of construction years 76-77 and 79-80, and to a lesser extent for 75-76. Interestingly there is evidence also of high payments made in calendar years 1978 and 1982, these payments being generally high for all construction years. These bands of high payments are evidence for a non-random element at work - or at least an element which is irregularly cyclic.
- 2.11 The Board has had a paper prepared on the specifications for footings and slab design. This work triggered by the Board's experience should lead to a reduction in future claims.

Administration

- 2.12 The Board can choose to put an emphasis on conciliation and arbitration or on claims settlement. Approximately 85% of complaints made to the Board are resolved without a claim being made. The claims relate to the remaining 15% of complaints which become claims.
- 2.13 If the Board's administration were to put a lower emphasis on reconciliation then one would expect that a higher proportion of complaints would become claims. It

would also probably be the case that the average claim would increase.

- 2.14 There is no absolute standard for judgement as to the ~~"correct" level of effort to be put into arbitration and conciliation~~ but its importance should not be underestimated. If the Board reduced its efforts in this area then not only would more complaints become claims but there might even be an increase in the number of complaints.
- 2.15 To sum up, the level of claims payments made is directly variable as a result of changes in effort put into conciliation. Without that effort the claims paid (and hence the premiums) would have to be higher.

Legislative framework

- 2.16 When a scheme is compulsory and is handled by a single organisation it is very vulnerable to legislative change. Public accounting is oriented heavily towards current cash flows so that reserves for future expenditure are sometimes seen as unnecessary.
- 2.17 Around Australia, legislative intervention in third party motor vehicle insurance and worker's compensation insurance typically has followed a path of
 compulsory insurance, then
 regulation of premiums, then
 control of premiums, then
 running down of reserves, then
 adoption of pay-as-you-go rather than
 insurance.
- 2.18 This scheme is not as visible to the public as the two examples given but it is easy to imagine a control on premiums being imposed on the Board. Once that happens, the reserves will gradually be run down and eventually a position might be reached where there are no reserves.
- 2.19 This scheme could operate on a modified pay-as-you-go basis. The premiums could be fixed each year to meet expected claims, costs of administration and a contribution towards a "buffer" fund sufficient to meet unexpectedly high claims in one year.
- 2.20 We firmly recommend that the insurance principle be retained. It is much more satisfactory to attempt to charge each year for the best estimate of all future claims which will arise out of that year than to operate on a pay-as-you-go basis.

- 2.21 The most compelling reason is that each year construction work is undertaken in respect of which consumers believe they are insured. If there is a full insurance provision for claims then there is tangible support for that belief. In a pay-as-you-go scheme the continuing cover is dependent on there being continuing builders willing and able to meet the cost of all past claims. To take an extreme case, suppose that in one year there should be only one new house built; does that builder meet the cost of all claims paid that year? Variability in new housing starts would add a difficult dimension to premium estimation.

EXPERIENCE

3.1 From discussions with the Board and assessment of current staff numbers in claims handling compared with general administration we have assumed that 30% of the administration expenses relate to claims processing and 70% to general administration. This percentage was applied to each of the last three years and also to the results for the three years ended 30 June 1985 all combined.

3.2 For the three years combined:

	\$m
Gross claims paid	8.16
Gross premiums	19.75
Commissions paid	1.16
Administration	2.57
Claims administration	1.10

The commission and administration together represent 18.9% of gross premiums; the claims expenses represent 13.5% of claims paid.

3.3 The deduction currently made from premiums of 20% of gross premiums covers the administration and commission but it does not allow for the cost of claims administration. This is referred to again below in section 5.

3.4 The principle investment of the fund is a deposit with Treasury. The return on assets less current liabilities was 13.3% for 1983-84 and is estimated at 13.8% for 1984-85. (The general insurance and special insurance fund balance sheets have been combined for 1984-85.) The investment return will vary from year to year. For the complete expression of the insurance principle the fund investments should be at arms length and not merely be placed on deposit with the Treasury. However, practical considerations suggest that the Board should not undertake direct investment.

3.5 Some comments have been made above about the variability of the claims payments. An assessment of the variability from year to year and the period over which payments might be made is difficult. The difficulty is illustrated by taking the 75-76 year as an example, the

actual payments made in successive calendar years are as follows:

77, 155, 216, 118, 83, 118, 228, 108, 92, 449

with a claims provision at 31.12.85 of 231 remaining yet to be paid. (All numbers are in thousands of dollars actually paid in each calendar year.)

- 3.6 A claim payment pattern for one particular construction year in which the two largest payments are in years seven and ten, with the two lowest in years nine and five reduces the level of confidence onemight have in anticipating future levels of claim payment.
- 3.7 The procedure followed is described in Appendix A. The past pattern of claim payments are increased to allow for inflation in costs and an average pattern derived from the adjusted figures. That pattern is then assumed to continue into the future with future inflation at 11% p.a. Future payments are then discounted back to the date of valuation assuming interest at 10% p.a.
- 3.8 The choice of future inflation and interest rates is not so important as the difference between these rates. The liabilities of the board are represented by short term deposits with the Treasury yielding current short term rates of interest. These rates will not match the rate of inflation from year to year but over a period one would expect that there would be some correspondence between levels of interest and inflation.
- 3.9 The most difficult assumption made is that to do with the level of claims assumed for years ten and over in respect of the first three construction years. The actual payments and remaining provision for these three construction years for claim years ten and over are \$1.5 million. It is possible that to some extent this amount represents payments which will not be repeated.
- 3.10 We have assumed that \$1.2 million should be taken into account and that assumption is reflected in one third of the provision for future claims. A reduction in that amount by 30% say would reduce the required provision for future claims by 10% of its amount.

- 3.11 The unusually long run-off pattern of claim payments suggest that for greater control of and confidence in the level of insurance claims a limit should be applied to the period within which claims would be admitted. A period of five years, say, from completion of construction for lodgement of claims with perhaps another two years for finalisation claim would give a more satisfactory claims pattern.
- 3.12 Any change in claims lodgement or handling procedures will have an impact on the level of claims. I would expect that adoption of this suggestion would, for a period of years at least, lead to an increase in the number as well as the average amount of claims. It may also lead to an earlier recognition of poor building practice and then ultimately to lower claims but this is conjectural. The real advantage in the suggested claims is in increasing the level of confidence one might have in the premium structure.

PROVISIONS AND PREMIUM RATES

- 4.1 Expressed in 1985 dollars the average cost of claims per unit insured has an average of \$64 with a range over the twelve years from \$45 to \$93. The two high claim years mentioned previously were 76-77, with a unit cost of \$93 and 79-80 with a unit cost of \$80.
- 4.2 Given the variability in the experience from year to year it is not appropriate to relate the premium just to the basic average claims cost. The board should have a solvency margin, i.e. reserves in the insurance fund in excess of the provisions for future claims of 50% of one year's premium. The premium charged should therefore include a component to build up this solvency margin.
- 4.3 A solvency margin is consistent with the Insurance Act requirements, the higher margin recommended here being appropriate because of the variability evident in the experience. A margin of 50% of one year's premium would be sufficient to meet the excess claims of the highest year so far experienced. It is not appropriate to assign a precise probability that this claim level might be exceeded in any one year but it is of the order of 5% to 10%.
- 4.4 Assuming for the moment -
- (1) that there is no solvency margin,
 - (2) it is appropriate to aim to build up that margin over three years, and
 - (3) ignoring the expense allocation effects of insurance,

the appropriate average premium level for 1984-85 (in 1985 dollars) should have been

Average claim cost	\$ 64
Claims expenses (-13½%)	8.6
Contribution to solvency reserve (1/3 of 50% of 64 + 8.6)	12.1
Administration expenses (18.9% of \$114.8)	21.7
	<hr/> 106.4 <hr/>

- 4.5 The actual average premium was \$114.8 which is not inconsistent with the calculated \$106.4. However, because the Board meets all claims expenses, it is not recovering enough from the reinsurers. The Board

recovers 20% of the gross premium, and its expenses are 18.9% of the premium plus 13.5% of claims. The Board's margin for expenses should be 30% of the premium and not 20%. It is appropriate for reinsurers to maintain a solvency margin on the same basis as that proposed for the Board.

- 4.6 We recommend no change in the average premium rate, and consider that it should be reviewed again to take effect from say 1 April, 1988. With increasing house values the average premium will increase with inflation, so no special allowance needs to be made on that account.
- 4.7 The Morelli report suggested, inter alia, a premium basis related to the builder and not to each construction. We have not investigated this option but in principle support a restructuring for the following reasons:
- (1) Fees per builder could be collected in advance, direct by the Board, without collecting commission paid to the Council.
 - (2) The Board could monitor more readily the growth of a particular builder, where it thought that rapid growth of a small builder is often a prelude to failure and insurance claims.
 - (3) Administration by builder should be significantly cheaper than administration by individual building application.
 - (4) The probability of failure is thought to be more a function of the builder than to be a function of the size of a particular project.
- 4.8 The Morelli report also suggested the introduction of bonds for each builder. Such a change will shift some of the present insurance cost to emerge in a different place. It may also influence the course of events. Assuming that fees for the bonds in the long run reflect claims met by the bonds then to that extent the premium cost is reduced; but really has merely shifted that amount to be a fee for the bond. For bank bonds there is likely to be a requirement for security which will reduce the ability for a builder to raise working capital - this result will bear more heavily on small or new building operations.
- 4.9. The provision for outstanding claims, including a provision for expected future claims from past construction years is set out in Appendix A. The Board's provision is shown in two parts, a provision for known claims, and a provision for unearned premiums. The provision for unearned premiums is a means of deferring the taking up of the Board's premium income to the years in which advice of claim is expected to emerge. The

approach adopted by the Board is a proper and practical means of approaching a reasonable estimate for outstanding claims. The method we have adopted moves directly to an estimate of future claim payments.

4.10 Our estimate of the Board's needed provision for outstanding claims is \$7.4 million, including an allowance of \$2.6 million for future claims expenses. This allowance is so high because the Board will meet all claims administration expenses in respect of 100% of the claims. This result compares with the total provisions held of

Unearned premiums	\$5.8 million
Outstanding claims	\$1.2
	—
	\$7.0
	—

We regard our estimate as being of the same order as the provision actually held - albeit the actual provision is marginally low.

REINSURANCE

- 5.1 The technical reason for reinsurance is a protection against claims fluctuations. This objective is achieved with insurance against an unexpectedly high level of claims in a particular year. One form of such insurance is a stop-loss cover, say where all claims in excess of a pre-determined level are met by the reinsurer; all claims up to that level being met by the Board. All variations of such cover are referred to as non-proportional, since the proportion of claims met by the Board is 100% at low levels, and falls to a lower level or zero at high levels of claim.
- 5.2 The existing insurance is proportional so no protection is afforded to the Board for high levels of claim in respect of its share of retained risk. Furthermore, because of the degree to which the Board's administration can influence the level of claims, an insurer would have to set a conservative premium rate for stop-loss cover.
- 5.3 Technically, there is no reason for the Board to have the present form of reinsurance at all. There is some point, however, in the Board having protection in respect of claim payments in excess of, say, 125% of expected claims for a given construction year. In view of the protracted settlements for the scheme it may be difficult to find an insurer willing to accept any form of non-proportional reinsurance.
- 5.4 Practically, there is one argument in favour of retaining reinsurance at least to some degree. Whenever there is a sole insurer in a market the normal forces of supply and demand, driven by the profits and losses in the market, are lost. It is very easy for the insurer to drift into a situation of excessive profit, or even of excessive loss.
- 5.5 Whenever the sole insurer is operating in a field of compulsory insurance then there is a legislative responsibility to monitor the level of premium. In such a situation it often happens that premiums are restricted by legislation or regulation so that the sole insurer firstly makes a loss and then dissipates the outstanding claims provision; By this point such a scheme has ceased to be insurance and it operates either with state subsidy or on a pay-as-you-go basis. This argument was raised in paras. 2.16 to 2.21.

- 5.6 Therefore, if this scheme were operated without reinsurers, then there is a likelihood that in the long run it would operate with inadequate premiums, become unfunded and then operate on a pay-as-you-go basis. In such an event there is a risk that the scheme might be revised and its scope reduced. Since the present legislative intent is to provide consumer protection for current construction without risk of loss from future legislative change then we consider it important that the insurance principle, with full funding, be preserved.
- 5.7 One means of maintaining that insurance standard is to retain a level of reinsurance. We therefore recommend that a level of reinsurance, no more than 25%, be retained in the scheme. the expense charge made by the Board should be increased to 30% (from 20%) to cover future claims administration costs, or the Board should renegotiate the reinsurance arrangement so as to add to the cost of claims the cost of claims administration. The latter is a better path since it will catch up with outstanding claims for past construction years.

SPECIAL INSURANCE FUND

- 6.1 The special insurance fund has received a proportion of licence fees for many years. It was envisaged that it provide for a trade indemnity scheme but the level of claims so far attracted is trifling. Legislation provides that this fund may be used for no other purpose.
- 6.2 The fund now exceeds \$7 million and will accrue \$1 million from interest alone in the current year. Clearly some legislative change is needed to enable the fund to be put to a different use.
- 6.3 One suggestion we have is that \$4 million of the fund be used to establish the solvency margin for the General Insurance Fund, assuming that the Board then took over liability for all claims for future construction years. If this were done, the contribution to the solvency margin in the calculated premium could be eliminated - a reduction of \$12 in the average premium or say a 10% reduction in premium scale. The interest earned on the solvency margin would be of the order required to maintain the margin in real terms.
- 6.4 This suggestion does however, cut across our recommendation that at least some reinsurance be continued.
- 6.5 There is no other suggestion appropriate for us to make with respect to this fund. Some new use for these assets must be found.

O.F. ROACH M.A., F.I.A.
Managing Director
MIRA CONSULTANTS LTD.
SYDNEY.

7th NOVEMBER, 1986.

APPENDIX A

SUMMARY OF METHOD

To estimate the value of outstanding claims an inflation-adjusted separation method was used. This mechanical method was chosen because the volatile nature of the data prevented the reliable use of other techniques.

The inflation-adjusted separation method involves the following steps:

- (a) Dividing the individual figures in the payments triangle by an appropriate measure of exposure. The exposure used in this case was the number of units insured in the year, as advised by the year end.
- (b) Inflating payments made in earlier payment years to a common date. The inflation factors used were a weighted average of Average Weekly Earnings (Males Ordinary Time, N.S.W.) see Table A1.
- (c) Parameters were then derived to fit the development of construction years over increasing delay and the changes that occur between payment years. The changes between payment years represent changes above or below AWE and other exogenous influences.
- (d) Using these parameters future payments were then projected.
- (e) The projected payments were adjusted to allow for future inflation at 11% and future interest at 10%. The future inflation represents future wage inflation plus any superimposed inflation.

The major problem with such a method is that it is inflexible in allowing for changes in the nature of the claim. The method assumes that there is no change in the pattern of the claim run-off from year to year. The data is of a size that any such changes in the run-off pattern were difficult to detect. The actual run-off pattern is shown in Table A2. We have adopted the claim payments as advised to reinsurers which runs in calendar years rather than financial years.

The irregularity of the run-off pattern is highlighted by the amounts printed in bold print. These amounts appear to be "high" relative to other payments and illustrate the difficulty there is in establishing a precise estimate for outstanding claims. The average cost of claim per insured unit (in 1985 values) has the following distribution:

	\$	
36 - 43		-
44 - 51		3
52 - 59		2
60 - 67		2
68 - 75		3
76 - 83		1
84 - 91		-
92 - 99		1
		—
		12
		—

Of the total provision of \$19.4 million, \$8.0 million relates directly to the assumption of \$400,000 for claim years ten and over. If that number were reduced by one-half, say, then the total provision would be reduced by \$4.0 million to \$15.4 million. The Board's provision would be reduced by \$1.5 million. While the particular cause of these long delayed payments may not now exist, we must assume that claims will still persist. No year from inception has yet been finalised.

TABLE A1

<u>YEAR</u>	<u>A.W.E.</u>
1973/4	120.3
1974/5	151.3
1975/6	171.8
1976/7	192.5
1977/8	212.2
1978/9	228.9
1979/80	253.0
1980/1	286.2
1981/2	322.9
1982/3	354.1
1983/4	383.4
1984/5	407.5
1985/6	429.9

CONSTRUCTION YEAR	NO. OF UNITS (ADVISED BY YEAR END)	ESTIMATED CLAIM COST PER UNIT ('85 VALUES)	CLAIM YEAR PAYMENTS MADE (\$000) UP TO 31ST DECEMBER IN EACH YEAR											
			1	2	3	4	5	6	7	8	9	10		
		\$												
73-74	37332	72	19	118	90	53	112	102	118	162	196	400		
74-75	37492	52	32	62	73	52	79	114	118	136	35	400		
75-76	36116	75	77	155	216	118	83	118	228	108	92	400		
76-77	43219	93	162	365	255	163	128	250	375	274	79			
77-78	63102	70	153	363	294	196	375	292	318	232				
78-79	72631	66	81	360	470	452	401	254	326					
79-80	78449	80	333	593	730	639	412	448						
80-81	90675	62	218	858	440	437	367							
81-82	73721	49	220	198	289	317								
82-83	54659	45	37	159	247									
83-84	65422	48	105	295										
84-85	67041	53	308											
	ARITHMETIC AVGE	64												

TABLE A2

APPENDIX 9

TABLE A3

At 30 June 1985

Year of Insurance	MIRA Estimate of Outstanding Claims \$000	Board's Share %	MIRA Estimate Board's Outstanding \$000
73-4			
74-5	184	-	-
75-6			
76-7	506	-	-
77-8	907	-	-
78-9	1350	10	135
79-80	1873	25	468
80-1	2567	25	642
81-2	2398	25	600
82-3	2025	30	608
83-4	2837	35	993
84-5	3374	40	1350
	<hr/>		<hr/>
Add 6 months claims	18021		4396
	1400		341
	<hr/>		<hr/>
SUB-TOTAL	19421		4738
Claims administration expenses (13½% of claims)	2621		2621
	<hr/>		<hr/>
TOTAL	22042 =====		7400 say =====

Building Industry Training & Education Scheme

During the inquiry, the Committee reviewed a number of schemes aimed at providing training and education in the building industry. An outline of the schemes is provided below.

1. Apprenticeship Training

Information on these schemes was provided by the Apprenticeship Directorate, NSW Department of Industrial Relations and from the organisations concerned.

i) Master Builders Association Group Scheme

- scheme commenced 1977
- 488 apprentices presently employed
- employment for approximately 1,800 apprentices since 1977
- funded exclusively by Builders Licensing Board
- regarded as an employment rather than a training scheme

ii) Housing Industry Association Group Scheme (HIA)

- 79 apprentices
- 1986/87 projected cost \$64,000
- jointly funded by Commonwealth/State

iii) Hunter Group Apprentices Ltd

- 77 apprentices
- 1986/87 projected costs \$77,000 (average \$1,000 per apprentice)
- jointly funded by Commonwealth/State

The Apprenticeship Directorate indicated that historically New South Wales has always had a shortage of skilled tradespersons. Scope exists for the expansion of schemes to promote apprenticeships in all trades, particularly in the building industry.

The MBA in relation to their group scheme have indicated future growth to be as follows:

Date	No. of Apprentices	Funding Required \$
1986	400	220,000
1987	500-550	240,000
1988	600-650	260,000
1989	700-750	280,000

2. Continuing Training for Builders

The Housing Industry Association (HIA) and the Housing and Construction Industry Training Committee Ltd have supplied details of the courses discussed below.

i) HIA - Training Department

The HIA conducts courses on topics such as Small Business Management, Building Estimating, Basic Accounting etc, aimed at the small builder. Each year between 14 and 18 programs are conducted for between 350-400 builders. The program is

currently limited by lack of staff to conduct training sessions, which particularly restricts the availability of courses in non-metropolitan areas. The Housing Industry Association considers that additional funding is required in order to expand packaging of existing courses, promote and organise programs in regional areas and generally expand the training program.

ii) NSW Building and Construction Industry Training Committee Ltd

This Committee was established in 1979 under the aegis of the National Training Council. The Committee has equal representation from employer groups, unions and government. The Committee's aims are to promote, develop and improve systematic training in the building and construction industry, at all levels of employment.

The Committee currently provides courses on building contracts, safety and accident prevention, and for non-trade, skills such as concrete workers, steel fixer and mobile crane operator. The Committee sees its role however, as primarily a policy and co-ordinating body rather than a direct provider of training. The Committee has also conducted seminars and surveys into industry needs.

3. Programs to Promote the Use of Computer Technology by Builders

i) Housing and Industry Association Videotex System

This computer system is currently used by some 100 NSW Builders It is a videotex communications system aimed at introducing HIA members to computer technology. The System can be used by builders for a number of varying tasks e.g. award wage information, material prices, job estimating, work available. Also available is a CSIRO developed estimating package for renovations, extensions and full house construction.

The HIA estimates a subsidy of between \$30,000 to \$35,000 PA is required over the next five years to make HIATEX more readily available in country areas, and to further develop training packages for HIATEX, and conduct training sessions.