



# Building a better New Zealand

2020





# Supporting our members to build a better New Zealand

**Master Builders have been building the foundations of this country, its homes, communities, and workplaces for over 100 years. The building and construction sector is interwoven into New Zealand's social fabric – we build our homes, communities, schools, hospitals and workplaces.**

Master Builders are part of every conversation about the built environment. As the leading sector advocates, we bring the key players together to find practical solutions for our members, the sector, and the country. Our sector is a key contributor to the New Zealand economy, with every \$1 million spent on house building supporting \$2.6 million across the wider economy. We are committed to playing a leading role as we work to rebuild the economy following COVID-19.

Our industry must adapt and evolve to meet not only the COVID-19 challenge, but also societal changes and expectations that continue to accelerate in this new environment.

We are working hard to lead the change our sector needs. Ensuring we have the regulatory systems and processes which will enable us to build faster and better. We are supporting our members to grow their capability and business acumen to ensure a strong and healthy sector; to innovate and make the most of new technologies so we can tackle emerging issues such as climate change; and to attract, train and retain skilled talent. We are proud to be New Zealand's best builders. Master Builders must comply with stringent criteria, focused on business capability, and build quality. This is a robust process where we only accept around half of the applicants we receive each year.

This gives customers confidence in choosing a Master Builder, backed by New Zealand's leading building association and the most comprehensive and successful building guarantee scheme.

At Master Builders we are committed to transforming the sector and rebuilding our economy. We are focused on building better homes, communities and workplaces, and ultimately better lives for all New Zealanders. We are building a better New Zealand.





# Building a better New Zealand

**As the Chief Executive of the Registered Master Builders Association, I am proud to represent New Zealand's most prominent residential builders, group home builders and major contractors in the building and construction sector.**

RMBA's purpose is to help our members build better businesses through improved productivity and profitability, as well as advocating for a healthy and vibrant building and construction sector that supports New Zealand.

**David Kelly**  
Chief Executive

Our sector drives much of New Zealand's economic and social prosperity as it delivers our residential, commercial, industrial, and retail construction projects. As we navigate the economic effects of COVID-19 and the uncertainty of the pandemic, it has never been more crucial for the sector to be functioning at full capacity. There's no doubt that getting the sector moving at capacity will stimulate our regional economies, provide jobs, and deliver the quality projects needed. A strong sector also has substantial economic benefits across other sectors, like manufacturing and services.

We are calling for a step change in the building and construction regulatory system. We need to be looking at opportunities to drive regulatory best practice in the delivery of houses and commercial projects. The focus needs to be on improving the quality of construction, enabling innovation, efficiency, and timeliness across the system as whole. Resolving these issues isn't simply about focusing on the sector; its about delivering the quality homes, workplaces, amenities, and communities New Zealanders require. What we build, where we build it and how we build it is evolving and needs to meet 21st century expectations.

For the construction sector to emerge stronger after COVID-19, we need the right government actions and policy levers to work in partnership with private sector investment in residential and commercial construction.

We recommend resetting the building consent system so it focuses on delivering quality projects in a timely manner. We also believe there is an opportunity to strengthen our licensing standards by raising the

requirements and reputation of the Licensed Builders Practitioners Scheme .Finally, we need to be ready to help stimulate demand if needed. We recognise that the current recession is not like any other. Our sector is defying expectations and continues to experience strong residential demand. However, we know from past recessions that we are vulnerable shocks and when they come, they can be swift and severe. The Global Financial Crisis (GFC) hit the residential sector hard. It took 7 years for sector employee levels to recover to pre-GFC levels. This reduced capacity and capability had a detrimental effect on the ability of sector to deliver the necessary houses needed in the last decade. We recommend the Government be ready to intervene if needed by utilising its balance sheet to stimulate confidence and demand in the residential construction sector.

Master Builders is ready to work with decision-makers to deliver this step change and help design a long-lasting system that delivers positive outcomes for all New Zealanders.



DID YOU KNOW...

The building and construction sector contributes approx

**\$20bn**

per annum to GDP



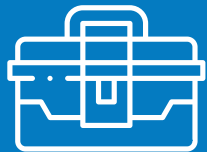
**540,000+**

people employed in the building and construction sector in 2020

The building and construction sector is the

**3rd**

largest contributor to New Zealand Inc.



**80%**

of all building and construction apprentices are employed in the residential sector

The residential building market accounts for

**60%**

of New Zealand's building and construction sector revenue

**95%**

of all building firms have 10 staff or less





# What we're proposing

1

## Improving building regulation systems

- Amend the pre-screening process
- Monitoring Request for Information trends and implement a dispute process
- Introduce a quality assurance matrix
- Use the stepped consenting provisions that exist within the Building Act
- Use Artisan's framework as a standardised consenting process
- Consolidating BCAs
- Improving education outcomes

2

## Improving capability and capacity within the LBP scheme

- A simplified, tiered approach to licensing
- Review the scope of Restricted Building Work and the Guide to Tolerances, Materials and Workmanship in New Residential Construction
- Raise licence entry level standards and extend the time between renewing a supervisor's licence to 3 years
- Improve the skills maintenance scheme and licence renewal process
- Improving the Building Practitioners Board complaint powers

3

## Stimulating residential construction demand

- Incentivise new home construction
- Incentivise renovation projects
- Accelerate Kāinga Ora's renewal and brownfield projects
- Guaranteeing the supply of development feasible greenfield land
- Broaden the eligibility for Kāinga Ora First Home Grants



1

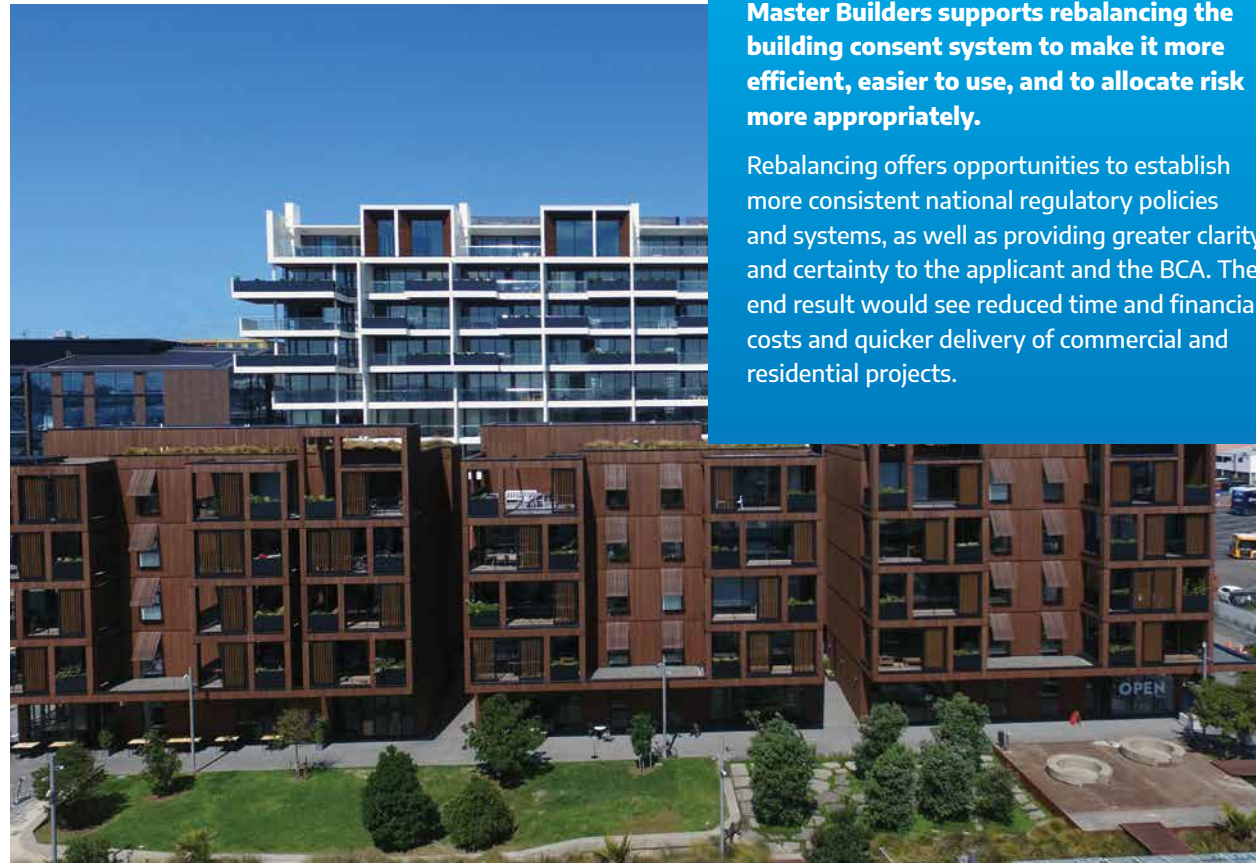
Improving building regulation systems





## The challenge

Building Code compliance is the primary driver behind the issues within the wider building consenting system. Whether a project is Code compliant at pre-construction, during construction or post-construction often drives applicant and BCA consenting process behaviours. These behaviours lead to inconsistent and risk averse BCAs consent decision-making, a culture of applicants relying on the BCA to act as a quality assurance mechanism, and applicants focussing on bare minimum standards to get through the system as easily as possible. The behaviours stifle incentivising or promoting quality sustainable construction.



**Master Builders supports rebalancing the building consent system to make it more efficient, easier to use, and to allocate risk more appropriately.**

Rebalancing offers opportunities to establish more consistent national regulatory policies and systems, as well as providing greater clarity and certainty to the applicant and the BCA. The end result would see reduced time and financial costs and quicker delivery of commercial and residential projects.



# System “quick wins”

There are opportunities for system improvement measures that are “quick wins,” which would go towards reducing unnecessary delays (and the resultant costs) for applicants and BCAs.

These measures focus on changing behavioural patterns within the existing system structures.

## Recommendation

### Amend the pre-screening process

Too many residential consents are held up in the BCA approval process, with delays leading to increased costs and frustrations for both builders and homeowners, and a waste of BCA resources.

A more robust pre-screening process for residential consenting processes ensures the provision of quality information, develops trust at the beginning of the process, and reduces the risk of application misinterpretation. This would require an initial meeting (physical or virtual) between the applicant and consenting officer. A more collaborative pre-screening process that focusses on shared goals can improve the consenting process for all users.

## Recommendation

### Monitoring Request for Information trends and implement a dispute process

Data from our members show a pattern of Requests for Further Information (RFIs) for information already listed in the original application. There needs to be greater oversight from Government on how BCAs undertake RFIs.

One way to achieve greater Government oversight is through a monitoring and oversight system, which MBIE would manage. This system would enable MBIE to monitor localised, regional, and national trends and allow analysis into common problems. We support having publicly accessible reports that highlight the trends in RFIs and can also be used as education tools for applicants and BCAs.

# \$2.60

is generated for New Zealand’s wider economic benefits from every \$1 spent in residential construction.





## Substantial system reform

A more substantial approach to system change will lead to a more effective system that can better deliver the projects our urban environments need.

Underlying this change is a need to better apportion risk and to change existing compliance behaviours.



# \$118m+

per annum could be saved by introducing a stepped consenting process.

## Recommendation

Use the stepped consenting provisions that exist within the Building Act

## Recommendation

Introduce a quality assurance matrix

Our consenting system needs to prioritise more complex projects and those contractors who cannot prove, through past consenting application experience, a good consenting track record.

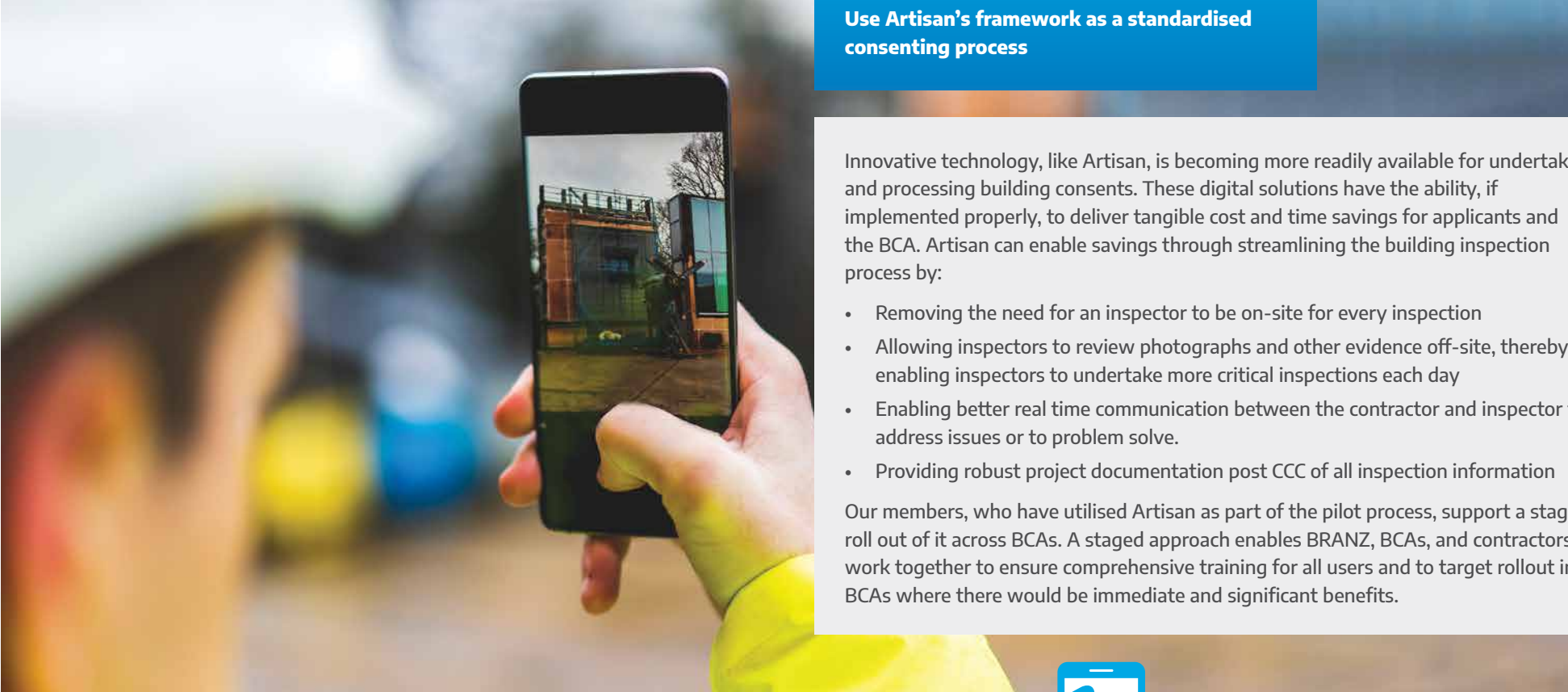
A quality assurance matrix will evaluate risk based on the project and the contractor. This would involve designing a points-based system, similar in style to the risk matrix for external moisture in Acceptable Solution E2/AS1. The higher the points, the less robust the inspection process.

Currently there is a lack of balance in apportioning risk and too much emphasis on the BCA. We need to reapportion risk so that, for projects with lower risk, there is a greater emphasis on the contract between the client and the contractor as the means for client protection, instead of the BCA.

The stepped consenting provisions introduced by the Building Act amendment legislation in 2012 envisage four types of building consent pathways: low risk, simple residential, standard, and commercial. This approach changes the apportioning of risk, giving BCAs a reduced risk profile and the ability to focus on higher risk building work, where they add oversight value. The result would be a more streamlined process for applicants with fewer potential delays and corresponding cost increases.

Modelling undertaken by NZIER in 2010 estimated that stepped consenting would result in \$118 million in savings per annum. Considering the number of building consents have more than tripled per year since 2010, we believe the savings could be substantially more today.

To make this approach work we also need to improve the confidence BCAs have in the LBP Scheme, with a tiered system and more robust skills and knowledge assessment processes.



## Recommendation

Use Artisan's framework as a standardised consenting process

Innovative technology, like Artisan, is becoming more readily available for undertaking and processing building consents. These digital solutions have the ability, if implemented properly, to deliver tangible cost and time savings for applicants and the BCA. Artisan can enable savings through streamlining the building inspection process by:

- Removing the need for an inspector to be on-site for every inspection
- Allowing inspectors to review photographs and other evidence off-site, thereby enabling inspectors to undertake more critical inspections each day
- Enabling better real time communication between the contractor and inspector to address issues or to problem solve.
- Providing robust project documentation post CCC of all inspection information

Our members, who have utilised Artisan as part of the pilot process, support a staged roll out of it across BCAs. A staged approach enables BRANZ, BCAs, and contractors to work together to ensure comprehensive training for all users and to target rollout in BCAs where there would be immediate and significant benefits.



**Artisan is currently being trialled by Auckland Council and several other BCAs.**



## Recommendation

### Consolidating BCAs

## Recommendation

### Improving education outcomes



**70+**

**Building Consent Authorities (BCAs) in New Zealand**

The number of BCAs we have poses several challenges around each using their own systems and processes, inconsistent internal skills and inconsistencies arising in application and delivery of building consents.

As our urban environments develop and grow, consolidating the number of BCAs is the obvious answer to ensuring greater consistency and achieving efficiencies. This isn't about amalgamating councils – which needs to be community led. Consolidation is about centralised systems, and consistent application requirements and processing.

Further work by the Government and the wider building construction sector is crucial in improving the image and desirability of a career as a building consent officer. Unless the role is made more attractive with improved training opportunities on offer, BCAs will continue to struggle to attract and retain staff and reduce existing capacity and consistency issues.

We support implementing cross sector training in several areas including MDH design, compliance, technical documentation, keeping up to date with innovation, and specific technical areas such as fire or moisture. Everyone who uses the system must ensure they are doing so to a high standard.





# 2

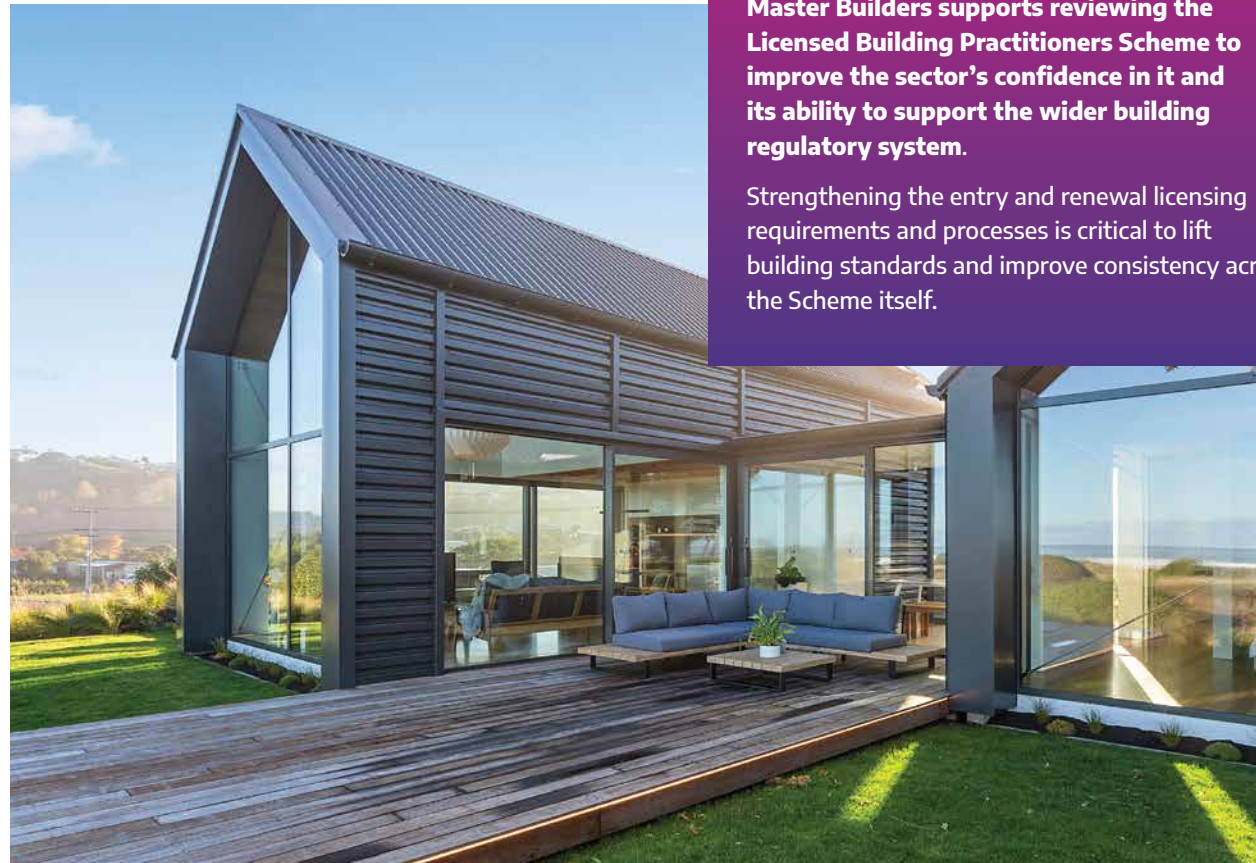
## Improving capability and capacity within the Licensed Building Practitioner scheme





## The challenge

Since its launch, the Licensed Building Practitioners Scheme has had limited success in achieving its aims of improving accountability, traceability, and a standardised approach to building competence. Operationally, there has been no noticeable raising of the original minimum standards for licensing nor has there been a robust renewal process review. In its current structure, the Scheme is struggling to incentivise the necessary change in contractor and BCA accountability and compliance behaviour as well as standard of workmanship.



**Master Builders supports reviewing the Licensed Building Practitioners Scheme to improve the sector's confidence in it and its ability to support the wider building regulatory system.**

Strengthening the entry and renewal licensing requirements and processes is critical to lift building standards and improve consistency across the Scheme itself.



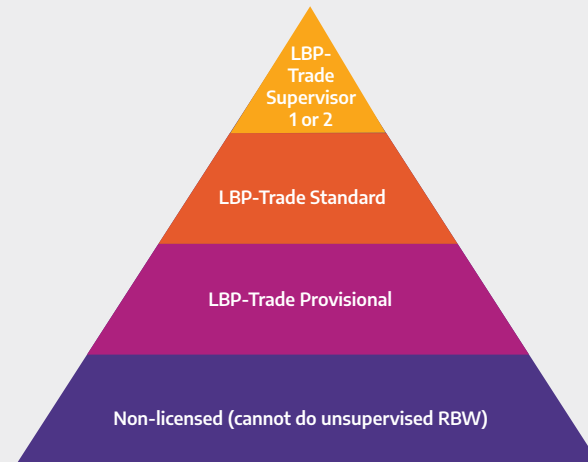
# Recommendation

A simplified, tiered approach to licensing

The existing 6 trade-based licensing classes are too complex, with practitioners needing to hold multiple licences to cover what is essentially their core job. They also don't distinguish between licensee skills levels, which is important for maintaining confidence in the Scheme and the sector as a whole.

We recommend merging the 6 classes into one called "Trade" and replacing them with a 'tiered' system. This would:

- provide a career pathway for graduates and experienced builders who are not LBPs
- incentivise career development
- enable BCAs to better address builder risk profiles in the building consent application process.



## Proposed licensing categories

<b>LBP-Trade Supervisor 1</b>	Co-ordinating, overseeing, and signing off standardised house construction.
<b>LBP-Trade Supervisor 2</b>	Co-ordinating, overseeing, and signing off bespoke architectural houses and multi-unit developments.
<b>The LBP-Trade Standard</b>	Undertaking and signing off their own work through the Record of Work (RoW) process but cannot supervise work that's not their own.
<b>LBP-Trade Provisional</b>	For graduates and those without a licence but with construction experience. A LBP-Supervisor must supervise and sign off all work. Licensing is for a minimum of 2 years before they can apply for another licence.



## Recommendation

Review the scope of Restricted Building Work

## Recommendation

Review the Guide to Tolerances, Materials and Workmanship in New Residential Construction



For the year ending in March 2020, the number building consents issued by BCAs was

# 78,000

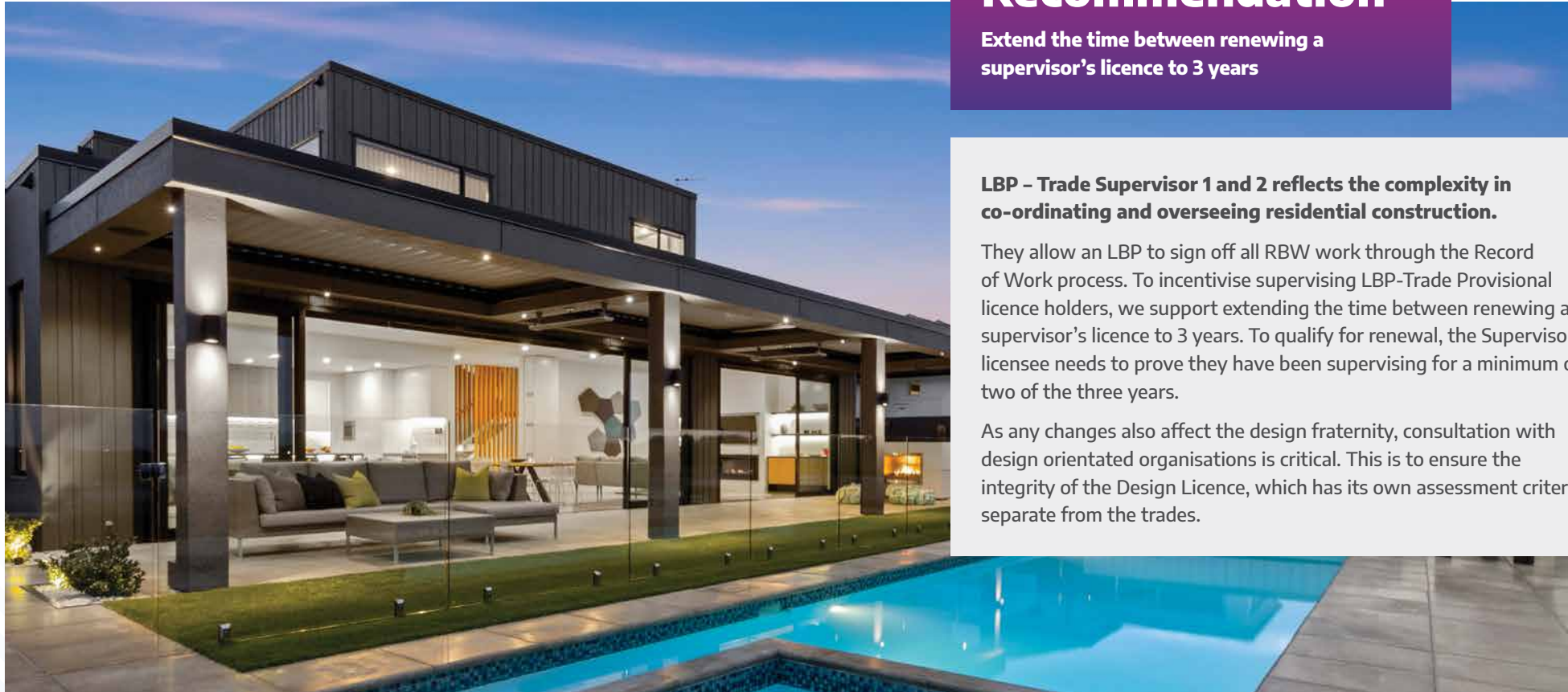
The scope of Restricted Building Work (RBW) is too narrow. Residential building projects are becoming increasingly complex, with a range of housing typologies now available.

There needs to be a review of what work is RBW to better align with the level of risk associated with building work. Any review must have sector involvement.

We don't support RBW in commercial construction. Commercial projects involve numerous parties and processes; because of this compliance must sit with the head contractor, not the individual builder.

Raising the LBP licensing entry and renewal standards requires a corresponding review of the Guide to Tolerances, Materials and Workmanship in New Residential Construction (the Guide).

We recommend that Guide refreshes should follow a similar process to the Biannual Building Code Updates and focus on specific provisions. This will ensure the Guide and the licensing standards remain relevant, up to date, and better meet changing building trends.



## Recommendation

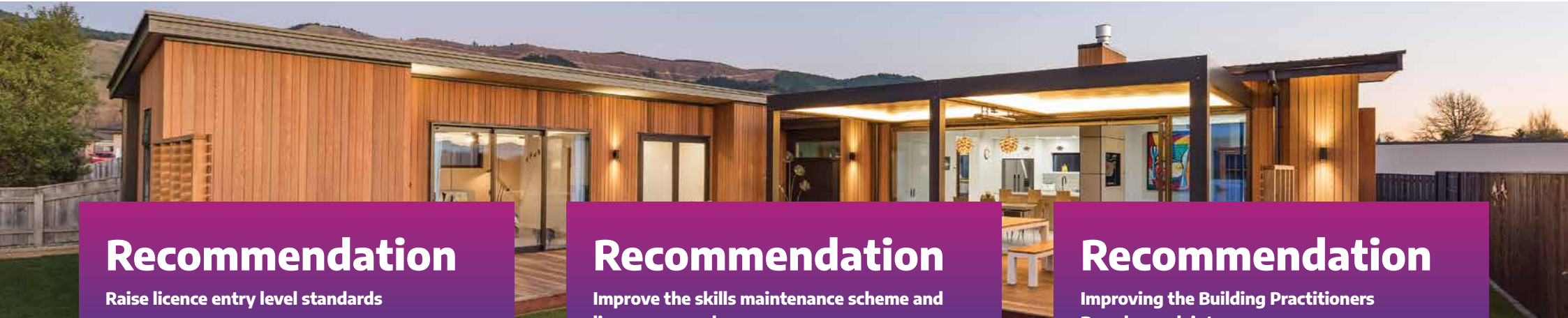
Extend the time between renewing a supervisor's licence to 3 years

**LBP - Trade Supervisor 1 and 2 reflects the complexity in co-ordinating and overseeing residential construction.**

They allow an LBP to sign off all RBW work through the Record of Work process. To incentivise supervising LBP-Trade Provisional licence holders, we support extending the time between renewing a supervisor's licence to 3 years. To qualify for renewal, the Supervisor licensee needs to prove they have been supervising for a minimum of two of the three years.

As any changes also affect the design fraternity, consultation with design orientated organisations is critical. This is to ensure the integrity of the Design Licence, which has its own assessment criteria separate from the trades.





## Recommendation

**Raise licence entry level standards**

## Recommendation

**Improve the skills maintenance scheme and licence renewal process**

## Recommendation

**Improving the Building Practitioners Board complaint powers**



The current entry assessment standards are too low. We need more confidence that all licensed practitioners have the skills and experience to deliver quality building work.

To improve skill levels, more emphasis must be on assessing an applicant's technical capability. To achieve this, we support reviewing the current assessment standards to ensure they are fit for purpose and result in a quality-built environment.

While the existing skills maintenance scheme promotes LBPs to upskill and undertake activities that are relevant to their licence and areas of practice, the quality of activities is often inconsistent and the process for renewing licences needs to be more robust.

We support a greater focus on ensuring activities further develop skills and knowledge along with a more stringent licence renewal process that fully audits the LBP's skills maintenance.

Alongside assessing competency, a code of conduct is crucial to assess an LBP's character as well as their roles and responsibilities to the client, their sector, and other relevant parties. The LBP would need to provide examples of how they met the code of conduct when renewing their licence.

It is crucial the Board penalises actions which bring the licensing system into disrepute with the appropriate measures and sanctions. We need to enhance the powers of the Building Practitioners Board powers to strengthen its ability to enforce building regulatory and business compliance and disincentivise poor behaviours.

We support giving the Board the powers to proactively monitor licensees and to issue further penalties and reparations. This includes the Board having powers to:

- issue reparations of up to \$30,000 if a licensee fails to go back to fix work within the implied warranty period
- compel investigations or inspections of licensees' administrative and workmanship practices.





# 3

## Stimulating residential construction demand





## The challenge

The building and construction sector will play a vital role in our recovery from COVID-19. Yet, we know from past recessions that it is also vulnerable to swift and severe shocks. While currently the sector is defying expectations with continued high residential demand, we need to be ready to act quickly if things change. There is often a lag before residential construction is impacted in a recession, but when it hits it can have disastrous consequences. This was seen in the GFC, where between 2008 and 2011 housebuilding declined by 50 percent and the residential construction sector lost 25 percent of its workforce. It took seven years to recover, contributing the current housing deficit we have today. While this recession is not like those we have seen before, we believe the Government needs to be ready to intervene directly to support the sector to keep businesses afloat and people in jobs if the downturn arrives.



### Residential construction is a huge jobs engine for New Zealand.

Residential construction is a huge jobs engine for New Zealand. If the predicted downturn does eventuate, early government intervention through financial incentives would support stimulating residential construction demand over the short to medium term. This approach would also help keep businesses afloat and experienced skilled workers in jobs.



# Recommendation

Incentivise new home construction

In the last 10 years



the cost of construction has increased by

**30%**



the cost of land has increased by

**50%**

If the predicted downturn in residential construction eventuates, we recommend the Government provide an immediate cash grant of \$50,000 to home buyers who are building or buying a newly built home. Data from Australia shows that similar Government interventions during the GFC were instrumental in reversing their housing slump throughout 2008-09. Kāinga Ora could manage this grant in a similar way it manages the First Home Grants.

We recommend limiting applications for the grants to a year. Time limits would incentivise home buyers to enter a contract for a new build or a newly built house. Once the new home buyer has drawn down the grant, they have a further year for building to commence. This gives time for the building contract, consenting and other processes to occur. In extraordinary circumstances (like consenting delays or inclement weather), we support extending this timeframe. This approach would provide immediate economic stimulus and assist builders with a pipeline of guaranteed work for the year to 18 months ahead.



## Recommendation

### Incentivise renovation projects

If the predicted downturn in residential construction eventuates, we recommend establishing stepped cash grants to homeowners to incentivise home renovation projects would support residential building activity as well as boost local businesses and support jobs.



## Recommendation

### Accelerate Kāinga Ora's renewal and brownfield projects

Kāinga Ora is forecasting a pipeline of 8000 new State housing and transitional housing over the next 4 years through the 2020 Wellbeing Budget announcement. With over 16,000 on the Ministry of Social Development Housing Register there's clearly a demand for further accelerating State housing construction.

Accelerating Kāinga Ora's renewal programme will benefit communities that have social deprivation and poor-quality housing stock; especially with the forecasted housing shortage in Wellington region and the existing one in Auckland. Acceleration of these projects will also facilitate the positive principles of Kāinga Ora; apprenticeships, sustainability, community consideration and Māori representation.

## Recommendation

### Guaranteeing the supply of development feasible greenfield land

We support a planned approach to development, which helps guarantee the consistent and timely availability of development feasible land. This approach allows for housing and its integration with the provision of physical and social infrastructure alongside other necessary services. To achieve this, the Government and councils must use dynamic planning system levers coupled with the use of appropriate financial tools to incentivise the development of land identified for housing, and disincentivise land banking. Without the Government and councils utilising these levers and tools, constrained land supply will continue to add unnecessary additional costs for builders, developers, and homeowners.





# Recommendation

Broaden the eligibility for Kāinga Ora First Home Grants

Broadening eligibility for a minimum of 2 years will stimulate further demand for new house construction.

- Raise the maximum grant from \$10,000 to \$30,000. This would mean tripling the grant amount per year (for the 3-5 years of regular KiwiSaver contributions) from \$2000 to \$6000.
- Raise the First Home Loan income thresholds. The existing before tax limits (\$85,000 for a single buyer and \$130,000 for 2 or more buyers) are too restrictive in the current economic climate. We recommend increasing the limits to \$100,000 before tax for a single buyer and \$200,000 for 2 or more buyers. This will enable more people to access the funding and open up opportunities in situations where there are more than 2 people looking to invest in a new home.

- Raise the house price caps to better reflect the cost of new house construction in high growth urban environments. We recommend the following caps:
  - Auckland and Queenstown: \$850,000
  - Other urban environments identified as high and medium growth in the National Policy Statement on Urban Development Capacity: \$750,000
  - the rest of New Zealand: \$600,000.

The Government will need to assess the long-term viability of the existing caps and whether to permanently increase them.

The March

# 2020

average house value in :

Auckland - \$1.07m

Tauranga - \$770k

Wellington - \$780k

Christchurch - \$515k



The background of the page is a dark blue gradient with faint, light blue silhouettes of various house shapes and rooflines. A small blue house icon is in the top left corner, and a white left-pointing arrow is on the left side.

## For more information about **Building a better New Zealand**

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