

Michael Nash Constructions

ABN 72 154 976 168 BSA Lic. 21506.

Michael Nash. B.App.Sc.(Construction Management)

P.O. Box 1315 Sunnybank Hills Qld 4109

Ph. 07 32733306 Mobile.0418 198531 Fax. 07 32736676

Email: nashbuildingco@gmail.com

RECEIVED

11 SEP 2012

THLGC

Ms Kate McGuckin
Research Director
Transport, Housing and Local Government Committee
George St
Brisbane QLD 4000.

07/09/2012

**Re : Inquiry On the Operation and Performance of the Queensland
Building Services Authority (QBSA)**

WITHOUT PREDJUDICE.

Ms McGuckin

Following the recent public briefing (the transcripts of which I have perused), I feel I have to make some comments. I am not sure if my comments will offer any help to your investigation and /or whether my points in fact address the substance of the review.

I will give you a précis of what my concerns and/or beliefs are, from a perspective of someone who has spent some 40 years in and around the construction industry in Queensland. I hold formal qualification in Construction Management, current open builders licence number [REDACTED] and have constructed in excess of 200 plus homes in that period. I can go into much greater detail should you advise my points are relevant.

Items for Consideration:

- **Are the bodies currently advising the Committee truly representative of the registered builders in Queensland?**
- **Is the Board that advises the BSA actually balanced to give impartial advice to the BSA?**
- **The duplication of financial requirements.**
- **The unclosed loop in the licensing of all those connected to home construction in Queensland.**
- **The need for Builders to be included in the BCIPA scheme.**
- **The PQC system that is Government policy not used by the BSA.**
- **The bidding for rectification work to be public tender.**

Are the bodies currently advising the Committee truly representative of the registered builders in Queensland?

During my studies I researched why small construction organisations often had failures in terms of financial management. It was clear at the time and is still relevant that the majority of homes were and are built by small enterprises. That is to say, at the time 67.5% of builders built 1-3 homes per year, another 23.5 % 4-10 per year. Add this together and you can deduce 91% of active home builders build less than 10 homes per year, more importantly just under 70% build less than 3 homes per year. Why is this relevant?

It relates to the relevance that these organisations that were represented at the opening of the hearings in fact have. That is, do they represent a significant enough sample to even have the right to say they represent any majority of builders in the industry. Note: I will keep my comments related to builders (main contractors) as we are the ones that are, at the end of all the debate, "carrying the can". We are the ones the BSA goes after in case of defective work, sometimes the subcontractor by way of third party involvement, but rarely.

My current information is that the BSA has 34,830 registered builders. The HIA has NOT NOTED its membership, however by default it is a much smaller organisation than the QMBA, it has also been a fact over many years that builders may well be a member of both HIA and QMBA. The QMBA notes it has 3,500 builders in its membership. One should be aware that the majority of the QMBA members are **'commercial builders'** and therefore are not included in this inquiry. If the HIA had furnished their membership numbers then I could give accurate figures however, by deduction both organisations together at best represent 20% of the registered builders, **(more likely they represent closer to 10% of home builders.)**

I have no quarrel that they, as an interest group do their best for their members but membership is not compulsory and given that the majority of builders have voted with their NON participation, the question needs to be put. *"What do the vast majority of registered builders, up to 80%, really think and have they been asked?"* I find it disturbing that a major stakeholder and the real drivers of the industry, very small contractors, 1-3 homes per year are NOT adequately represented at this inquiry into an organisation that can effect them in their enterprises.

As for the Building Advisory Group, it is stated that they represent some 100 persons or there about, clearly when we have some 230,000 building contracts over the last three years, 100 is by my calculation 0.0004 %. This is an insignificant sample in terms of representation. The tales of poor workmanship etc discussed while tragic, represent a miniscule proportion of the overwhelming satisfactory results of Queensland builders. This is further corroborated by Mr. Cuthbert's comments that **less than 0.5 % ever have a complaint.**

I also believe the question needs to be raised "*What other industry in Queensland or Australia for that matter, with a demonstrated complaint rate of less than 5% has a full department looking after it and into it constantly*"? Nil I would suggest.

This low complaint rate or percentage of complaints divided into the number of contracts entered into **has not changed since the records have been kept**, to my knowledge.

The intent of the original Builders Registration Board was to give consumers protection if a builder went broke and to direct errant builders to correct certain defects. Have we lost sight of this?

Is the Board that advises the BSA actually balanced to give impartial advice to the BSA.?

Directly from the BSA website:

"The Board consists of seven members. The composition of the Board ensures appropriate representation of stakeholder interests and provides a balance of skills and experience. Three members represent licensees, two members represent consumers, one member represents the building and construction unions and there is one public service officer (who does not have voting powers)."

Given the mathematics from the previous note we have 3 members on a seven person board that may only represent **10 - 20% of the registered builders in Queensland**.

Two members that represent consumers, I do not know how they are selected but we should assume they come from a sample of a true representation of "construction consumers", rather than consumer advocates per say. If not, this needs review.

The member representing the unions would be a hangover from the previous labor government. While there is a place for unions the facts are that those working in the domestic market, and that is what we are dealing with here, would NOT be union members. By the nature of the majority of enterprises as noted earlier, the relationship between contractor and subcontractor is personal and NOT in need of unionisation. I would suggest that less than 5% of those working in the domestic market are union members.

I have no comment on the role of a public service officer other than that he/she represents the Government of the day's interests and that should be encouraged.

Given the above I would suggest that the current board **do not** in fact ensure appropriate representation of stakeholders due to the fact they do not represent anything nearing the majority.

The duplication of financial requirements

The committee should be made aware of the following inexplicable arrangements that builders face when working for the Queensland Government. I will not go into details of the accounting involved, however you would all be aware that to be audited is a costly matter. Currently to be a registered builder we must on a yearly basis (as a minimum, some classes more often in a year), submit financial records to the BSA to gauge whether we meet the financial criteria for licensing. This involves accountants etc and the accompanying fees.

Currently, if we undertake work of a relatively small value for the Qld government via public works, to for example, build a house for occupation by disadvantaged Queenslanders, we must produce another set of figures, **again** audited by an accountant, but this time **in a different format**. I have queried this duplication on numerous occasions as both audits are managed by the BSA. The response has been simply "*comply or do not get the work.*" It is onerous enough to have to supply financial data to a government body for a licence, but then to have to go through a similar process again and again if you want to work for the Qld government, in the same year, to me is duplication and frustration of the highest order.

As an aside, these audits are contracted out of the BSA, (done by outside contractors) at a cost unknown to me but I would assume substantial.

The unclosed loop in the licensing of all those connected to home construction in Queensland.

I will not attempt to digress into how we build houses, suffice to say it is the coming together of planning, supervision and actual construction that produces an end product, a house for example. Integral to the house are the plans and specifications, these are often produced and overseen by architects and engineers. Neither architects nor engineers are required to be licensed under the BSA act as it stands now.

If the house plans are drawn by a draughtsperson they need to be licensed, if the work is overseen by a certifier they need a licence.

Quite simply if you are going to have any watertight process to determine fault of any house building matter **ALL** participants need to be answerable to the umpire (BSA in this case). Today that is not the case and certain professions have sought to be outside the system and this can/does lead to unfair delivery of adjudication in many matters.

What makes an engineer, or an architect any more professional than a builder or a subcontractor? They will contend they have a self- regulating body of their own. If it is good enough for them, then perhaps we could dispense with the whole BSA model and let us regulate ourselves?

Having integral parts of the process outside the system is akin to the warranty for my car becoming invalid because the producer of the wheels is not accountable to the manufacturer. Rather I will need to take up the fault with the Car Wheel Self Regulating Organisation!

The need for Builders to be included in the BCIPA scheme.

It is a ludicrous situation that builders are specifically excluded from the BCIPA scheme. Commentary between Mr Cuthbert and the previous Minister Mr Schwarten leaves little doubt about how misguided this folly was and still is.

I base this on the need for quick resolution to payment disputes that involve builders because generally these builders are very small and vulnerable business units, that cash flow disruption can cripple them.

It would deter vexatious owners with other agenda from not paying progress payment if a swift resolution was afforded the builders. Clearly if the builder is in the wrong then let an independent person determine this quickly.

The PQC system that is Government policy not used by the BSA

My understanding of Qld government purchasing policy is that goods and services over a certain value are required to be delivered by Pre-Qualified Contractors or PQC registrants. I will not go into the PQC system but it is handled by a significant section of the Qld government and people who wish to deal with the Qld government need to comply with a myriad of terms and conditions. Only PQC registered organizations can build houses for the Queensland government bodies such as Project Services. Why does the BSA choose not to use this system ?

I am PQC qualified, yet when I have brought this policy to the BSA's attention it is as if I am from another planet, they simply have chosen NOT to comply with the government's own policy. I request that the policy be utilized especially in relation to rectification works. There is a pool of underutilised PQC qualified contractors who are being overlooked because the BSA has it's own separate criteria for selection. Consistency, and removal of duplication is all we look for.

The bidding for rectification work to be public tender

Currently the pricing of rectification work is by a panel of *selected* contractors decided on by the BSA, in a closed, limited tender.

To allow full transparency these bids should be done on an open public tender basis by PQC registered contractors only. This would bring consistency to the way building work is handled by the government and increase competition and value for money for the taxpayers.

Utilising the web based tender system would also make sense. Dollar values would need to be determined to justify what was tendered and what was not, however, smaller value jobs could be bundled together to get better value for the government as well as better continuity for the contractor.

Thank you for the opportunity to submit some issues that I feel are relative to our industry and it's governing body the BSA. They (BSA) are constrained by the legislation and it may well need adjustment. There are also duplication and consistency issues which need resolution, that would reduce waste and frustration from a day to day contractor perspective.

It is critical that the role of looking after consumer and contractor interests be kept independent and not self regulated, the swimming pool industry being a prime example.

Yours Faithfully

Michael Nash