

LEV MIZIKOVSKY

The Research Director
Transport, Housing and Local Government Committee
Parliament House
George Street
BRISBANE QLD 4000

**SUBMISSION TO THE ENQUIRY INTO THE OPERATION AND PERFORMANCE OF THE QUEENSLAND
BUILDING SERVICES AUTHORITY**

INTRODUCTION

1. This is a submission by me, Lev Mizikovsky, to the Inquiry into the Operation and Performance of the Queensland Building Services Authority. The Inquiry was established by a motion of the Queensland Legislative Assembly on 2 August 2012. The Transport, Housing and Local Government Committee invited written submissions on the Inquiry.

BACKGROUND

2. Until recently, I was the Managing Director and Chief Executive Officer of [REDACTED]. [REDACTED] is a listed Australian public company limited by shares. It has been registered since July 1989. It went public in May 2000.
3. I, or companies controlled by me, remain the largest shareholders in [REDACTED].
4. [REDACTED] has held a QBSA builder's licence no. [REDACTED] for many years. It does not, itself, build houses. It operates through a group of subsidiary companies, the principal one of which, today, is [REDACTED].
5. The group of companies trades under various names, including [REDACTED], [REDACTED], [REDACTED], and [REDACTED].
6. The [REDACTED] group has been, for many years, the largest builder of lower end quality affordable homes in Queensland. I have been associated with its operations since 1989. I estimate that since 1989, the group has built more than ten thousand (10,000) homes, through itself and its franchisees, in Queensland.
7. Over the years, I have had extensive dealings with the QBSA. This is not because of any history for poor building work by [REDACTED] group companies – it is simply a consequence of the volume of building work which those companies have performed in Queensland since 1989. In fact, as a search of the QBSA public record will reveal, the [REDACTED] companies have a very 'clean' record as far as consumer complaints or defective building work is concerned.

8. As someone who has been frequently involved with the QBSA, I wish to make the general personal observation that the organisation is overly bureaucratic and often seems to be more concerned with protecting its own position than protecting the interests of building contractors and consumers.
9. That said, I wish to raise two particular matters for the consideration of the Committee.

ALLOCATION TO BUILDERS OF CONTRACTS FOR RECTIFICATION OF DEFECTIVE BUILDING WORK

10. Under the statutory scheme, from time to time the QBSA engages building contractors to rectify defective or complete building work. This happens, for example, where a consumer's house has construction defects but the contract builder has failed or refused to rectify them (perhaps because of bankruptcy).
11. The cost of such rectification works is borne, in the first instance, by the insurance scheme. The QBSA is empowered to recover that cost, if it can, from the contract builder.
12. My complaint is that the process by which the QBSA engages the rectification builders is not transparent. I understand that the QBSA, in each particular case, seeks quotations from several potential rectification builders. Obviously, that is appropriate. I also understand that, from time to time, the QBSA advertises for expressions of interest from builders for consideration of participation on its Tender Panel.
13. However, the decision as to which rectification builders are placed on the Panel, or asked to quote on particular jobs, does not seem to be subject to public scrutiny.
14. More importantly, for the purpose of my submission, it does not seem that the QBSA ever seeks rectification quotations from the large building companies, such as [REDACTED]. To my knowledge, none of those lower cost companies has ever been approached by the QBSA in that regard.
15. In fact, this year (2012) [REDACTED] applied to the QBSA to be registered on the Authority's Homes Warranty Insurance Scheme Tender Panel. The application was unsuccessful. [REDACTED]. On its face it gives no reason for the rejection, other than to refer to some general, meaningless and obviously "boilerplate" reasons as to why submissions "generally" were not successful.
16. This is despite the fact that the [REDACTED] group of companies (and others in its sector of the market) probably are the lowest cost and most economic builders in the sector. There is no suggestion that the standard of building work of such companies is other than first class.
17. Public money is involved here. Although, in the first instance, the insurance scheme (probably) bears the cost, ultimately the public pays, because the compulsory insurance premiums must be set by reference to the historical cost of the scheme, and those costs inevitably are passed on to consumers in their building contract prices.

18. My question is – why has the QBSA historically and consistently not used the highly efficient and low cost builders in the market to perform insurance rectification work? It seems to me that the considerations of efficiency, cost-effectiveness, and discharge of public duty should have required the Authority to do so.
19. At a level of detail, I suggest that the Committee might enquire into the processes by which the QBSA selects building contractors to perform insurable defective works. Is there a list of such builders? Who is on the list? How did they, or do they, get onto the list? What are the objective criteria by which access or non access to this list are applied? I do not know, but I do know that the companies in the [REDACTED] group, very capable and low cost builders, have never been offered any such work, or asked to quote on it, by the QBSA. I ask – why?

CHARGED STORMWATER PIPES

20. My second concern relates to the QBSA's insistence, for several years, to insist that builders install charged stormwater drainage pipes with flexible connections, allegedly to meet the requirements of AS3500. The Standard does not require that.
21. In fact, there was no relevant Australian Standard approved system requiring the performance specified by the QBSA. None the less, for some years the QBSA forced the industry to use an unapproved system.
22. In my opinion, this probably has resulted in water leaks, causing structural damage to house structures, including slabs and walls.
23. I would be pleased to elaborate on these submissions if required.



LEV MZIKOVSKY
20 SEPTEMBER 2012