

RICK WARTERS



Wednesday, 3 October 2012

Submission to:

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

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To Whom It May Concern

RE: INQUIRY INTO THE OPERATION AND PERFORMANCE OF THE QUEENSLAND BUILDING SERVICES AUTHORITY

The purpose of this submission is to provide my thoughts and concerns regarding certain aspects of the operation and performance of the QBSA. It must be noted that these comments made are from my perspective as the Director of a QBSA licensed building company that is primarily concerned with repair, maintenance and renovation work for Bodies Corporate.

The cost of being licensed

The work completed by my company in the last financial year can be divided as follows:

- ~75% of the work was under \$3,300.00 (per job) and **did not** require a BSA license
- ~25% of the work was \$3,300.00 (per job) and **did** require a BSA license

Each year the BSA calculates the Allowable Annual Turnover for my company, but does not make any distinction between work that does and does not require a license.

The cost of maintaining our license is excessive relative to the amount of work we do that does actually require a license.

This cost makes it very difficult for a licensed company such as mine to compete with unlicensed companies on work valued at less than \$3,300.00.

It must be noted that, since the 2009 decision to raise the contract threshold from \$1,100.00 to \$3,300.00, a company such as mine has effectively been disadvantaged by being licensed.

The standards of not being licensed

On an industry level, it must be noted that, since the 2009 decision to raise the contract threshold for licensed work from \$1,100.00 to \$3,300.00, we have noticed an increase in the amount of sub-standard work being completed by people who lack the necessary skills; and numerous instances where this has created potential safety issues.

With this in mind, it can be argued that the contract threshold of \$3,300.00 is actually too high as it leads to situations where unskilled "Handymen" are doing work on buildings without being aware of the consequences of their actions.

Unfortunately, the occupation of "Handyman" is one of those jobs where many people who find themselves out of work think that if they can assemble kit-set furniture, paint a shed, or build a fence at home, then they have the skills necessary to attempt work for the public at large.

It should also be noted that the growth in franchise companies is encouraging more unskilled persons to become a "Handyman". However, such franchise companies can be more focused on selling franchises than maintaining trade standards, and may have little concern with a person's practical building skills or construction industry background.

In terms of the current contract threshold of \$3,300.00, should this contract threshold be raised even higher it would most certainly result in an increase in the level of sub-standard work, and the risks that accompany such sub-standard work. Of course, when serious accidents happen, the press, lobby groups and opposition parties would most likely turn on the government that allowed this to occur and accuse them of negligence.

If the \$3,300.00 contract threshold is raised, it is also highly likely that small building companies such as mine (operating in the repair, maintenance and renovation sector) could quite easily decide to cancel their licence as it would effectively be unnecessary. This could clearly result in a significant drop in government revenue generated by licence fees. However, such a situation may simply result in a decision to increase licence fees for the remaining licence holders. Unfortunately, this could only serve to artificially inflate the cost of building work over a certain level.

It is this combination of an increase in sub-standard work resulting from unskilled and effectively unaccountable "Handymen" into the industry, and a drop in revenue from licensing fees, that could create a situation where more litigation occurs in forums such as QCAT; even though the revenue generated to fund QCAT is reduced (thereby leading to delays in resolving disputes).

The balance of cost and accountability

From our perspective, there needs to be a balance between cost and accountability.

Three possible solutions for achieving this are as follows:

1. There should be a fundamental distinction between the **construction of new buildings**, and the **maintenance and renovation of existing buildings**.

The creation of a "**Maintenance Builder**" license would recognize the very different natures and requirements of these two sectors in the market.

2. There should be no Nominee requirement for "Maintenance Builder", but it be made very clear that the Directors of these companies will be held responsible and accountable for the work completed by their employees and/or independent contractors.

The current need for a licensed building company to have a Nominee does not practically take into account the nature and value of work that a company may be involved with. Furthermore, apart from the significant costs associated with having a Nominee, a company can effectively be held to ransom by both the Nominee and the QBSA. That is, if the Nominee resigns, the QBSA has the power to cancel a license unless a replacement Nominee is found within a relatively short time frame – thereby jeopardizing the jobs and livelihood of all the other employees and subcontractors of the company.

3. Introduce a higher fixed fee for obtaining and maintaining a license, or a fee linked to the turnover of the business.

The above moves should help achieve the following:

- Act as a barrier to unskilled tradespersons entering the industry and operating without any real accountability.
- Act as a real incentive for licensed companies to use people who have the appropriate skill level for the work involved.
- Remove the costs and uncertainties associated with having a Nominee.
- Provide a source of revenue for administering a license and dispute resolution system.

The practicalities of contracting

Under the current system, in any instance where work is valued at over \$3,330 it is necessary to sign a BSA approved contract. However, this contract can appear so convoluted to some Customers that we have actually lost work when we insist they sign it. Therefore, anyone who is prepared to work without a contract will actually get the work.

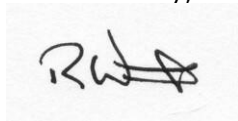
Certainly for repair, maintenance and renovation work, companies and customers should be free to enter into contractual relationships that are fair and reasonable for the nature and circumstances of the work involved.

In instances where contractual disputes occur, there needs to be a framework that would allow these to be resolved without the delays, costs and potential inequalities that exist under the current framework. The fact that the QBSA will allow consumers to lodge complaints about builders, and at no cost to the consumer, can result in consumers threatening to "go to the BSA" on the basis of alleged defects. The thinking being that a builder would rather reduce an invoice than get caught up in a long and costly dispute process.

The cost of insurance for Bodies Corporate work

The calculation of the insurance premium on Bodies Corporate work takes into account the number of units in a title scheme rather than the dollar value of the work being undertaken; even when this makes no sense in relation to the work involved. This can result in an excessive premium when included in a quotation, and can make that quotation seem excessive; particularly if another company is prepared to risk not paying the premium.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rick Warters', on a light-colored rectangular background.

Rick Warters