

Initial briefing for Minister for Building and Construction

31 October 2007



Department of
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Te Tari Kaupapa Whare



About the sector

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A significant contributor to economic growth:

- around \$6 billion of total GDP (5%)
- a workforce of 180,000 (8% of total employment in New Zealand)
- highly fragmented, many small operators, subcontractors
- Productivity could be improved (skills a contributing factor)

A major impact on social wellbeing:

- the quality of buildings affects all New Zealanders
- for most New Zealanders, their home is their single most significant asset
- the way that housing markets (both home ownership and rental housing) operate affects all New Zealanders
- Stable, quality homes and well designed, well built buildings contribute to attractive, well functioning communities



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A significant contributor to environmental outcomes:

- the energy efficiency of buildings is critical to total energy use and a major contributor to energy efficiency initiatives
- how buildings are designed and built, and how they perform will be key to achieving sustainability goals going forward
- urban sprawl, in-fill housing impacts on infrastructure requirements (transport, sewage and stormwater, etc), amenity values and wellbeing

Auckland

- Auckland is a critical part of the housing and building market (1/3 NZ population)
- Currently considerable pressures in Auckland market



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The sector is currently experiencing:

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- Recovery from a significant historical problem (leaky buildings) and resultant loss of confidence by consumers and increased risk aversion by territorial authorities
- Strong ongoing demand for housing (fuelled by population growth and access to capital although some heat coming off)
- Time-lags and constraints to new supply (data suggests some easing)
- A shortage of skills across the sector
- Increased costs (labour, materials, land costs, and planning/reg requirements)
- Decreasing affordability of home ownership, particularly in Auckland
- Growing importance of private rental sector
- Ongoing change, such as:
 - new products and building systems;
 - increasing complexity of design;
 - increased demand for central city living (townhouses, apartments);
 - growing preference for larger, more complex houses; and
 - emerging demand for “green buildings”
- A broad range of building reforms underway to address performance problems, improve building quality and lift skills and professionalism of the sector (including TAs)



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The sector is currently experiencing: cont'd

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- Auckland
 - Experiencing considerable pressure
 - availability
 - affordability
 - quality issues (some apartment blocks)
 - skills/labour
 - Majority of leaky home claims
 - Auckland (1492), North Shore (390), Waitakere (333), Rodney (108), Manakau (77)



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About the Department

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- Established November 2004 – to strengthen Government’s role in the sector and provide a coherent approach to housing and building
- Brought together Ministry of Housing, Building Industry Authority, building policy functions and Electrical Workers Registration Board from MED, Weathertight Homes Resolution Service from DIA, housing standards work from HNZC, retirement villages functions from MSD
- Responsibility for plumber and gasfitters due to transfer from Ministry of Health in January 2008 (likely to be deferred to enable completion of review by Health)
- 340 staff and budget of \$72 million
- Locations throughout the country (Wellington national office, Porirua Contact Centre, 85 service locations from Kaitaia to Invercargill)



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About the Department

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Our role:

- Policy advice on housing and building issues and issues affecting the sector
- Delivery of information and dispute resolution services (to landlords, tenants, home and building owners, weathertight claims)
- Setting building standards
- Provision of technical guidance and information (to building sector, TAs, others)
- Registration/licensing of electrical workers, building practitioners
- Information to consumers (SmarterHomes ConsumerBuild)
- Purchase and monitoring advice – Housing New Zealand Corporation and professional statutory boards (engineers/architects)
- Working with territorial authorities and sector groups to lift capability and improve performance
- Monitoring Building Consent Authorities in carrying out their functions under the Building Act



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About the Department

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Our Vision:

The people of New Zealand have access to quality homes and buildings that meet their needs, reflect our environment and contribute to a sustainable New Zealand

Our Goals:

- Buildings and homes that perform well in the New Zealand environment and contribute to sustainability
- A strong, well-performing sector with skilled building and housing sector professionals
- Homes and buildings that meet the changing needs of New Zealanders and contribute to strong, effective communities
- Confident building and home owners, tenants and users that value well-designed, well-built, warm, safe and healthy homes and buildings



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About the Department

Our Strategies:

Ensure the regulatory framework supports the supply of quality, affordable, adaptive, sustainable homes and buildings and enables innovation

Work with the sector to foster learning, enhance and support professional behaviour, skills and knowledge and facilitate greater ownership of this by the sector

Raise consumer knowledge and appreciation of housing, building and construction issues through access to quality information and advice

Improve the sustainability of the built environment so that it contributes to a strong economy, positive living environments and effective communities

Foster investment in research into building science and building design

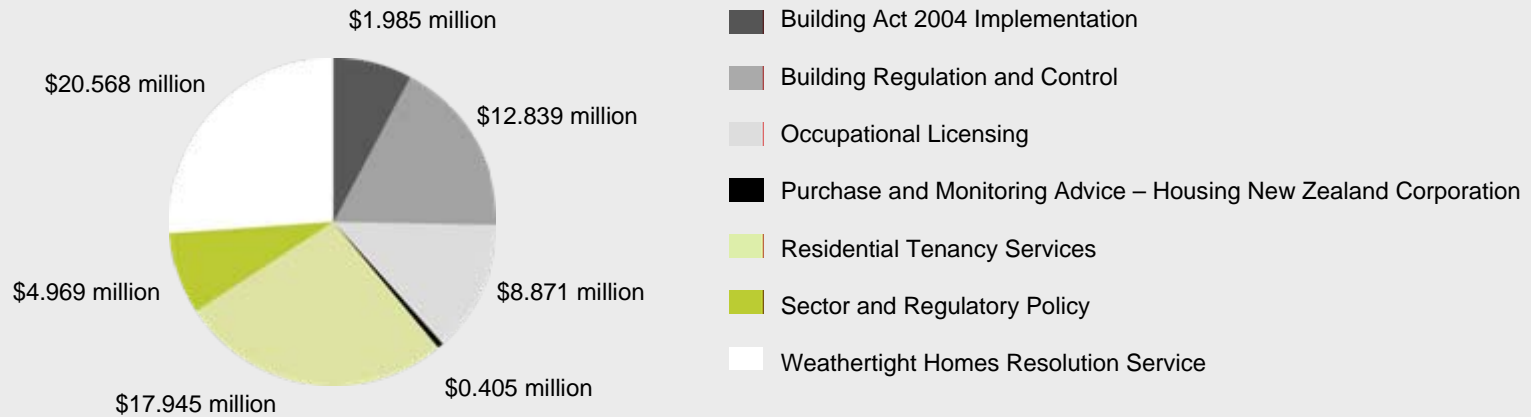
Deliver integrated, connected and accessible services that are valued by New Zealanders

Continue to build the capability and performance of the Department to deliver value for New Zealanders



About the Department

Our Budget: \$67.542 million



How we will work with you

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- No surprises
- Early “heads up” of emerging issues
- Senior leaders are accessible
- Support of your office – close links, good processes and communication between DBH and office
- Know what your priorities and goals are
- Seek your views and welcome feedback
- Provision of advice that is:
 - aligned to Ministerial and government priorities
 - pragmatic
 - informed by the sector
 - cognisant of views and likely concerns of different groups
 - tested with other agencies
 - confidential, when appropriate.



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How we work with others – key relationships

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- **Territorial authorities** – regulatory partners as Building Consent Authorities – programme of support to assist accreditation
- **Local Government New Zealand** – regular communications and information-sharing
- **Industry and sector representatives** – closely involved in development and implementation of all major initiatives (Registered Master Builders, Certified Builders, Architects Institute, Institute of Professional Engineers, Property Investors and others)
- **Consumer representatives** – partnership with Consumers' Institute (ConsumerBuild website), Leaky Home Action Group, close relationships with key individuals, tenant advocates
- **Other agencies:**
 - joint work with HNZC in a range of areas
 - DPMC – part of housing project
 - close policy and operational links with other agencies: Ministry of Justice, Ministry of Economic Development, Ministry for the Environment, Department of Internal Affairs, Ministry of Social Development, EECA, Standards NZ, IANZ
 - part of Social Services Cluster Group (MSD, HNZC, DBH)



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Current priorities

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- Building Act reforms (over 3 – 5 years):
 - licensing of building practitioners
 - Building Consent Authority regime
 - product certification
 - review of the Building Code – setting building performance requirements for next decade and beyond
- Energy efficiency and consumer awareness initiatives
- Building Act Amendment bill – before the House
- Residential Tenancies Act Amendment Bill – due for introduction
- Bedding in changes to Weathertight Homes Resolution Service
- Review of Unit Titles Act - update of legislation covering apartment buildings and dwellers
- Implement the new law to improve protections for people in retirement villages

Increasing our focus on:

- Housing affordability problems (working with other agencies as part of DPMC project)
- Sustainability
 - building design, performance and the built environment generally
 - energy efficiency and resource use
- Consumers information and protection



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Key Events/Pressure points

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November/December 2007:

- Licensed Building Practitioners scheme begins on 1 November – formal launch planned
- Building Act Amendment Bill through legislative process in the House
- Report on the Building Code review due 30 November
- Accreditation of Building Consent Authorities continues
- Introduction of Residential Tenancies Act Amendment Bill

February/March 2008:

- Government Budget round
- Licensed Building Practitioners
 - decisions on first tranche of licences announced
 - online register
- Product certification framework
- Pressure on BCAs to complete accreditation

Substantial legislative programme from now through to August/September 2008



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- Ongoing concerns voiced by different groups about:
 - the costs of construction, and the effect of regulation on costs
 - the impacts of the leaky building problem
- Specific concerns by RMBF and CBANZ about the “DIY” issue
(ie, the proposal that simple, low risk building work be exempted from the requirements to use Licensed Building Practitioners for restricted building work)
- Internally the Department is facing:
 - significant funding pressures – some adjustments required this year and Budget 2008 is expected to be tight
 - challenges in obtaining skilled staff and building/maintaining capability, given tight labour market.



Matters for your attention in November/December 2007

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November

- Stage one of new energy efficiency requirements (double glazing for new homes) come into effect 31 October for South Island and central plateau
- First week November – Announcement and release of approved method of installation of solar hot water systems (joint initiative with Greens for you to announce)
- Draft Cabinet paper on Stage Two of energy efficiency initiatives (domestic hot water heating and commercial heating, ventilation and air conditioning system standards) to you for consideration on 6 November for POL on 14 November if you agree
- Building Act Amendment Bill – 2nd reading and passage likely in November
 - Technical amendments to clarify intent of Act in relation licensing of building practitioners, BCAs and product certification
- Residential Tenancies Amendment Bill – ready for introduction, discussions with coalition partners will be needed
 - clarifies and rebalances rights and responsibilities of landlords and tenants
 - makes it easier for all parties to enforce their rights
 - extends coverage of Act to include boarding houses



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Matters for your attention in November/December 2007

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November cont'd

- Cabinet paper for POL likely to be submitted in November, seeking changes to regulations governing retirement villages to allow for some exemptions to statutory requirements to reduce compliance costs
- Cabinet paper for EXG on 21 November seeking additional funding for Department for 2007/08. This can be funded from third party revenue (ie fiscally neutral)
- 22 November – publication of Remediation guide to assist with restoration of homes with weathertightness damage (possible announcement)
- 30 November. Report on outcome of Review of Building Code due to you with recommendations for way forward. This is a very substantial piece of work with implications for how houses and buildings are designed

December

- Announcement and release of new technical compliance documents under the Building Act for structural design, fire design and ventilation systems
- Cabinet paper for LEG 6 December – approval for regulations on the operation of the Licensed Building Practitioners register



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Matters for your attention in November/December 2007

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Speeches

- 6 November : Registered Master Builders Apprentice of the Year morning tea at Parliament and Awards Dinner at Te Papa
- 15 November: Sustainable Building NZ 2007 Conference (Dunedin)
- 22 November: Construction Industry Council Social Function (Wellington)
- 22 November: Energy Trusts Conference (Wellington)



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What next

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- Fuller briefings (oral and written) will be provided to you, over the next few weeks on specific areas/issues
- We will work with your Office to arrange meetings with key sector groups and representatives
- A stakeholder engagement programme is being developed for your consideration, to identify opportunities to convey key messages
- A strategy for Budget 2008 is being developed for your consideration, including:
 - possible initiatives
 - identification of opportunities to reprioritise within baseline

We look forward to working with you.



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