

27 August 2019

Hon Mick de Brenni
Minister for Housing and Public Works
PO BOX 2457
BRISBANE QLD 4001

Dear Minister,

Raising the Bar for Residential Builders

In recent years Master Builders and the Housing Industry Association (HIA) have shared a growing concern about the calibre of new licensees entering our industry with a Builder Low Rise Licence.

We have anecdotal evidence that new residential builders often do not have the necessary skills and support network to succeed in setting up a successful business. We believe that there is a need to support new builders as they put in place business systems to profitability price work; ensure on time payment; track finances; meet the range of ever-changing compliance obligations; and resolve the disputes that will inevitably arise.

On that basis, Master Builders and the HIA have agreed in-principle to advocate that all newly licenced house builders be required to successfully complete a “New Builder Program” early on in their careers.

We propose that new ‘Builder Low Rise’ licensees in the Self Certification 2 financial category must complete the New Builder Program within the first two years and prior to advancing to financial Category 1. (Preliminary discussions with the Queensland Building and Construction Commission indicate that the largest number of business failures in the industry fall within the Self Certification 2 financial category – maximum up to \$800,000 annual turnover.)

Our intention is that the New Builder Program would focus on the practical business systems, processes and skills needed for:

1. Estimating, tendering and quoting (assessing project risk, margins, overheads and programming)
2. Business operations (accounting basics, payments, tax and MFR requirements, cashflow)
3. Compliance (systems to ensure ongoing compliance with payments, safety, NCC and employment rules)
4. Negotiation and conflict resolution (clients and subcontractors).

The Program would be restricted to new builders in the Builder Low Rise Licence Class who are intending to undertake building work on Class 1 & 10 dwellings only. New ‘low rise’ builders who do not intend to undertake Class 1 & 10 building work would not be required to undertake the program.

The Program would be designed to be completed over a two-year period which we believe is long enough for systems and good practice to be embedded into the business. We expect the Program would be delivered through a series of short courses, and via both face to face and online learning. Assessment would be practical and based on the licensees' own business and systems.

The curriculum would be developed jointly by the HIA and Master Builders. The QBCC would licence organisations with industry experience to deliver the course, which is how the current Building Inspector courses are delivered.

We expect that the cost for participants would be in the order of \$1,500 to \$2,000 for the two year Program. We have held preliminary discussions with Construction Skills Queensland about providing funding to offset some of this cost.

We are convinced that the costs can be justified as the Program will improve the control a new builder will gain over their business, increasing the likelihood of them establishing a successful business and delivering quality built products with fewer damaging disputes. There are wider benefits of the program including improved consumer confidence and outcomes and improved security of payment across the delivery chain.

We acknowledge that there are at least two pathways this Program could be implemented; as part of a mandatory Continuing Professional Development program or a standalone program. Either way it can be targeted at new residential builders.

We are asking the Queensland Government to introduce the New Builder Program and request this be included as an item for discussion for the upcoming meeting of the Ministerial Construction Council.

We look forward to working with you on this important initiative.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Grant Galvin', with a long horizontal flourish underneath.

Grant Galvin
CEO
Queensland Master Builders

RAISING THE BAR for new low – rise residential builders

BY MASTER BUILDERS

BACKGROUND

There are growing concerns for the standard of new low-rise residential builders in our industry. Increasingly there are examples of builders receiving their license and establishing a residential building company without the requisite skills, knowledge and practical know-how to succeed. Preliminary data from the Queensland Building & Construction Commission (QBCC) indicate the largest number of business failures in the industry fall within the Self Certification 2 financial category – Maximum up to \$800,000 annual turn over.

Ensuring that new residential builders receive the necessary training across the core competencies is the essential first step. Beyond the formal training there is more that can be done to ensure that new builders are ready to build a successful business. The more that can be done to support them as they put in place their businesses systems and processes and as they face their first real tests, the better the outcome for the industry.

NEW BUILDER PROGRAM

Purpose

Ensure that new builders have the necessary skills and early support to succeed in setting up a successful business. Specifically, help new builders through the early stages as they put in place their business systems to profitably price work, ensure on time payment, track finances, meet the range of ever-changing compliance obligations and to resolve the disputes that will inevitably arise.

Scope

New licencees intending to build or renovate Class 1 buildings (detached houses and duplexes) would be subject to a probationary period during which time they would need to complete the Program.

The Program would be restricted to new builders in the Builder Low Rise Licence Class who are intending to undertake building work on Class 1 and 10 dwellings only. New 'low rise' builders who do not intend to undertake Class 1 & 10 building work would not be required to undertake the program.

Approximately 900 new builders receive a "Builder-Low Rise" licence each year.

Time Frame

Where "Builder – Low Rise" Licence holders enter the industry at the Self Certification 2 financial category they must complete the Program within two years and the program must be completed prior to advancing to financial Category 1.

Where "Builder – Low Rise" licence holders enter the industry above the Self Certification 2 financial category, licence holders must enrol into the program within 12 months and complete the Program within 3 years.

Content

The program would focus on the practical business systems, processes and skills needed for:

1. Estimating, tendering and quoting (assessing project risk, margins, overheads and programming)
2. Business operations (accounting basics, payments, tax and MFR requirements, cashflow, marketing)
3. Compliance (systems to ensure ongoing compliance with payments, safety, NCC and employment rules)
4. Negotiation and conflict resolution (clients, employees and subcontractors).

Over time the program could evolve as other areas are identified as being a concern.

Delivery

The program would be designed to be completed over a two year period which is long enough for good practice routines to be embedded into the business.

It would be delivered by way of a series of short courses; both face to face and online learning.

The program would be practical in nature and focused wherever possible on the licensee's own examples and scenarios. It would be a forum where new builders can bring their own questions and discuss their own systems and processes.

Assessment would be focused on demonstrating how the licensees' own business systems and processes are incorporating the program material.

Successful completion of the program would be reported to the QBCC who would update the licence conditions.

The curriculum would be prepared by Master Builders and the HIA; and approved by the QBCC. The QBCC would then licence organisations with industry experience to deliver the course. This is how the QBCC Building Inspector courses is delivered. This approach also works within CSQ's funding arrangements.

Costs & Benefits

The costs are expected to be in the order of \$1.5k - \$2k per licensee over the two year program.

CSQ may be able to provide funding for training delivery under a range of its programs in its Annual Training Plan. Funding would be subject to CSQ's usual procurement and contractual arrangements.

The costs can be justified as the program will improve the control the new builder has over their business, increasing the likelihood of them establishing a successful business and delivering quality built products with fewer damaging disputes. The value in the program is that licence holders are working on their business as opposed to a theory-based training setting.

The wider benefits of the program including improved consumer confidence, outcomes and improve security of payment across the delivery chain.

Regulatory Impact

In order for the Queensland Government to implement the Program, a change to the Queensland Building & Construction Commission Act and Regulation is required.