

THE LEGISLATIVE SELECT COMMITTEE ON ACCREDITATION OF BUILDING PRACTITIONERS MET IN THE BSA OFFICES, SECOND FLOOR, 11 EDMONDSTONE STREET, SOUTH BRISBANE, ON 11 OCTOBER 2006.

Mr COLIN WRIGHT, DEPUTY GENERAL MANAGER, AND **Mr IAN JENNINGS**, GENERAL MANAGER, BUILDING SERVICES AUTHORITY, WERE CALLED AND EXAMINED.

CHAIR (Mr Harriss) - Just as a really quick overview from us, you are both aware of why we are here. You would be well aware of the accreditation system which we have had in place in Tasmania for a couple of years and that the Government has reined that back in, or will do as of 1 November. There has been this controversy floating around as to whether the Premier is going to release to us the report by KPMG. We have been going through a constitutional challenge of some kind.

Mr WRIGHT - This is our KPMG report in Queensland?

CHAIR - No, it is a report which our Attorney-General requested of KPMG into the operations of the Tasmanian Compliance Corporation and they have kept it secret. They said at the outset they would make it public. We demanded if of the Premier at noon in Friday. We are also having KPMG appear before us on Friday and everyone has been a bit nervous about that because what is in this report which has been concealed? With all of that, we find ourselves here because many people in Tasmania who have given evidence to us so far have promoted the Queensland system as being probably the best in Australia and we thought we should come here. The Premier, in a conversation with me just a week ago, said, 'That's terrific, continue on with your inquiry, please, and if you could chart a path forward for us, as a result of your deliberations and recommendations in your report, I'd appreciate it.' We have had a couple days here, as you know, and we appreciate your time. Would you like to give us the overview that you mentioned earlier and then we will ask you questions.

Mr JENNINGS - We might give you an overview and I am sure you are all going to have questions for us. I think it is wise to have an overview of the system.

Mr WRIGHT - What we thought we would do - and it is up to yourselves - we have put together the folder of information that you have before you. We have three main operational areas that I think you need to be involved in today: one is our licensing area, the next is the dispute resolution area and the other one is the home warranty insurance area. My plan was for us to talk to you for as long as you like, initially, and then get each of those executive managers in from those operational areas to come and talk you through their part of the operations. They have seen the folders you have so they know their content and hopefully they will refer to what is in the folders. They ended up a lot thicker than I had planned but I wanted to give you enough information so that if you needed to look back and research there was something in there. The paper that is in the very front is a updated version of a previous submission and overview we have done on our model for another purpose. I think it is a very good overall explanation of our

system and it also addresses some of the questions that people raise about conflict of interest between home warranty insurance and the licensing body in the one organisation. There are a few stats in there. Further on, when Mandy McCosker, our executive manager, insurance, comes up and talks to you about the home warranty insurance scheme, I put in a copy of the submission that we did in 2002 to the Federal review into home warranty insurance that was conducted by Professor Percy Allan. That goes into a bit more depth about first resort versus last resort and so forth, which I thought you would be interested in. Hopefully we will be able to refer to the folder as we go through. I think there is enough information there that when you go you will be able to refresh yourselves on what we have given you.

Mr JENNINGS - I apologise that I cannot stay all day; I have policy committee meetings and insurance meetings. I will give you an overview and then Col can be with you all day and direct or answer any of your inquiries.

I have been here for five years as the general manager of the BSA. We are a different regulator, as I said before, to other States in the fact that we regulate the industry and run home warranty insurance, which is totally different to any other model in Australia, which I suppose I am an advocate of and fully supportive of the system and how it works from an integrated perspective. We have a number of powers which are totally different to any other regulators, such as I can ban a builder for life. They are fairly strong powers that are brought up through the minister and myself in developing it. The way it was introduced was through limited consultation; it was developed by the minister and me because we knew the industry would scream. The industry is a unique industry in the fact that you have associations that like to protect their members and sometimes forget the consumer protection mechanisms that I suppose some of the politicians are interested in as well. While they see that the building industry is good for the economy, there are two players in it: the consumer and the contractors who participate.

The first element of the system is integrity, which is licensing. This has an issue of making sure that people are licensed. One is that they have the technical understanding and the business nous to run a business and not to cause havoc to other players in the industry and to consumers. Licensing is an integrity element, to make sure that ultimately they are professional enough to be in the industry. Our licensing system has that technical element. When I started five years ago we had 111 licences - it was very fragmented. We licensed everything that walked. It was so fragmented that you had cornice fixers putting up cornices - who was licensed. Rather than license that person as a plasterer, you used to license the different elements. So we had 111 different types of licence which, to an extent, became an administrative nightmare for my staff in understanding what categories they fall under. You are trying to get a simple administration system as well.

In about 2000 we did a huge review of that licensing frame involving the industry. The way we create policy here is with the support of industry and also through a board. We have a board of directors, which consists of practitioners in the industry, consumer reps and also a financial or insurance expert, which you are probably aware of - there is some literature on that. So we developed this framework and ultimately we brought it down to 56 licences, which is your core trades. Now that licensing framework, or elements of it, is being picked up by COAG at the moment with regards to builders.

There are three builders' licences - low rise, medium rise and open rise. Five years ago we used to have a commercial and residential builder. We now have a low, medium and high. Your 'high' could actually build a residential house, whereas your residential house builder could not build a commercial tower, so it was irrelevant to say, 'You can only do commercial building', because they have the skills to do a residential house. Not many of them do both, but they do have the capability from a training perspective. So you have the technical criteria.

We are a business licensing regime. Every element in Australia is a business licensing regime so there are the business elements. If you are builder you do that through your technical training, but if you are trade contractor, you have to do a business management course which are delivered by RTOs. You also then have a financial criteria. Very few other States have this financial element that you put into a certain category of a builder for a financial capacity. That is based upon your assets and allows you to do a certain amount of turnover, which is monitored from a compliance perspective.

All the data about our licensees - there are 64 000 of them - are on a web site, so you have public access into our system from consumers. A search is free and on our web site they can check on any licensee, what their licence did, whether they are an open builder, whether they are concreter, whether they are block layer, or what licence they hold. It also holds their history on, to an extent, performance; how many directions they have had issued against them; how many demerit points - we have demerit point system which is very similar to your driver's licence - for a number of offences we can issue demerit points. If you get up to a certain number you lose that licence, so it is very similar to your driver's licence. That is on the history. As you will see on the Percy Allan report, if you have read that report, we do not have this merit system about good builders and bad builders. We do not say whether they are good or a bad builder, we give the consumer the history of them and they make the choice. So we don't portray one builder as better than another. Builders make mistakes - and I have been involved in many disputes in my time - and trade contractors make mistakes. The better builders are the ones that fix it. The system is trying to show if you are really bad it gets recorded; if you are not and you have fixed the problem it is not recorded on the system.

We have this licensing system which I think is critical. We license everyone that comes in. We only license builders and trade contractors - a trade contractor is someone working to a builder or working to a consumer. You will then have, from a trade contractor, a sub-contractor who may work to a builder. So, for example, a labourer or a cornice fixer may be working to a plasterer. We will not license the cornice fixer but we will license the plaster. So you are licensing the people you hold accountable. You do not license the ones you cannot hold accountable who are down the tree. The ones you are really trying to license are those that provide services to the consumer. Most trade contractors in some way or in some form will not just work for builders, they will go out and do work for a consumer. As a cabinet maker or a block layer you might one day be working for a builder and the next day a consumer will ring a block layer and say, 'I want to lay a retaining wall' or 'I want to do a letterbox in my house'. Instead of going to a builder to do that he will go to a trade contractor. So that is the licensing system that Jason will come and explain more thoroughly.

Those licensees have to build in accordance with codes and standards. I do not know whether you have spoken to local government and planning about their building codes?

CHAIR - No.

Mr JENNINGS - You are all probably aware of Building Codes Australia and the standards and those issues. The only element that the BSA does not have accountability for is the Building Act and building codes which is with local government. We also do not have engineers and architects. We license everyone else - designers, hydraulic designers, builders and trade contractors.

Ms FORREST - Building surveyors?

Mr JENNINGS - Yes, building surveyors and certifiers. We do not have the policy legislation accountability which comes under the Building Act and the integrated act but we do have the accreditation, the auditing and the investigation of private certified building surveyors. They have to meet these guidelines which is the building code and the standard. Some States have tolerances - Victoria and New South Wales have a guide that builders have to comply with. This organisation - and I speak for myself - is not in favour of those systems. In theory, what they are is just taking the standards or the guidelines, plus we have mechanisms in place through our regulation system so that you do not need guidelines in relation to that, plus you say, 'Well, you have to build in accordance with the code'. You cannot then take it to a guideline to say, 'Well, here's a different guideline on it'. Within the standards of the building code, those guidelines are what builders have to build to.

You then have this element where we educate and advise contractors. If you license them, what do you give them? This is one of the elements from the Tasmanian system - you have to add value. So they pay a licence fee to me and we are self-funded. You may hear all sorts of rumours that the BSA - and I wonder about some of the bureaucrats in the other States - is unfunded, that the Government subsidises us and all sorts of things, but we are fully self-funded. We make surpluses. I have made a surplus in both of my funds - I run two funds, an insurance fund and a general fund - for the last five years. Our accounts are accountable; our insurance scheme and our actuarial stuff is in the annual report which is held accountable to the Parliament so we are fully self-funded. Those fees that the licensees pay, which runs my general fund which is my general business, funds such things to the contractors such as super. We run education throughout the State on recurring defects - for example, I do not know what some of the defects are in Tasmania but rising damp is a big one in New Zealand, subsidence and movement problems.

For the next 12 months - and we do it regularly - we are going throughout the whole State, writing to contractors, bringing them in for two days or a day-and-a-half in some areas - it depends on how many contractors you have in that area - and we run these educational seminars to the contractor to try to explain. Any time I have any amendments in my legislation we will travel throughout the State and, to an extent, I normally go myself, inviting the contractors. We seem to get more contractors in when I attend these things. We try to show them some of these defects. So for their licence they get that show stuff and education.

We also provide a dispute resolution service. Ultimately that dispute resolution service is there to resolve the dispute that is occurring between the consumer and the contractor.

I can tell you all the time that BSA will be told we are a consumer protection organisation and from consumers that we are favouring the contractor. So we mediate the dispute with a view of trying to get resolution. A consumer, for example, may see some cracks occurring in their home. They're covered from a statutory perspective under our act for six years and three months after construction for major defects. There is category 1 and category 2. A major defect, for example, would be water penetration, water coming into the home, movement in the home, or the home is not fit for purpose. Don't think that Queensland doesn't have them. I have to demolish homes and rebuild homes. It happens in every State; it can happen in Tasmania. Builders make mistakes and some are rogues. There are rogues in the Queensland building industry and there will be rogues in every State. They're covered for those defects.

The home warranty scheme then picks up the same category. Major defects are covered for six years and three months after construction. You are covered as from 29 September for \$400 000, and then you're covered for six months for minor defects. Minor defects are for such things as paint - there might be a mark on the paint or something like that. They are quality issues, they are not contractual issues. So if that wall is meant to be white and they painted it black, is it a defect? The answer would be no. If it has running paint, yes, it is a defect. So we are covered for quality issues, not contractual issues.

The contractual issues have to go to a court of law. For example, it may be that you wanted a particular tap; is that tap working? Well, I paid for this tap. The only way for that to be resolved is to go off to a tribunal or a court because you paid for that and it didn't get delivered. So it's a contractual issue. The defects are covered for that period.

If you have a house that is moving, that has subsidence in it, then you've got a licensee who's licensed and who built that home. The owner will lodge a dispute with us. If they find two years after construction that they have movement in the home, little cracks, some hairline - might have some major ones too - they lodge a dispute with us. That comes in as a dispute notification. My building inspectors are all qualified builders throughout the State. That building inspector will then organise an on-site inspection. First of all you ask, 'Have you tried to resolve the matter?'. That's the first point. You have to prove to us that you've gone back to the contractor and you've notified them. Some contractors will ultimately go and fix their problems. Have they been notified? Yes, they haven't fixed it. We arrange an on-site inspection. On that on-site inspection we advise the builder to be there and the home owner to be there. The inspector then goes through and tries to work out if it is a defect, and makes a determination. Has it been built in accordance with the building code or the standards or the guidelines. If it has, he will then tell the home owner there is nothing we can do. For example, with subsidence it might be within certain tolerances under the code, or it's only hairline cracks. You still have a cover for six and a half years. Two years after construction there is nothing we can do at the moment but you are welcomed to lodge a complaint in another year's time when there might be further movement but at the moment it is within tolerance.

If it is out of tolerance and it has moved, if he has complied with absolutely everything that we have detailed in our no-fault subsidence policy - that is, he has used a qualified engineer and has taken some soil tests on the footprint of the home - we say, 'We will not direct the builder; we will fix it ourselves under our home warranty insurance scheme.

We will use one of our rectifying contractors to fix it. You have no liability,' so the home owner gets fixed.

If he has not complied with our no-fault subsidence policy then we will direct the builder. First of all you ask him to fix it. Some of them will say, 'Yes, I will fix it.' If he says no, we then formally direct the builder, which is a notice under our act. We give him 28 days to fix that building. Subject to how severe it is, you may extend that time. Most of them are 28 days. I have used a major example here, subsidence, but it is usually 28 days to fix the problem. That formal direction is recorded on our public register, that he has been issued with a formal direction and what the matter was. It does not detail the personal issues of this case but says he has been issued a direction with regards to subsidence movement.

He then has the 28 days to fix it up. If he does not fix it up it is failure to rectify. He then gets prosecuted for failure to rectify. There are a lot of scenarios but simply what that means is it goes under home warranty. Home warranty will then come in, fix that home - with subsidence we will monitor it for a while - and then we will recover against the builder. If the builder is in existence we recover.

So you licence them, you then have your dispute resolution services which try to mediate disputes between contractors and consumers. All of those are after construction.

Mr WILKINSON - When you say you give them formal notice if they don't rectify within a 28-day period, do those prosecutions go through court or do you have your own prosecuting?

Mr JENNINGS - There are two elements. There is a number of ways we can do it. Under our legislation, which I am sure is very similar to New South Wales, we can fine them for a failure to rectify, which is a tickable offence, for \$600. I could give them a fine like that or I could prosecute them through the Commercial and Consumer Tribunal, which is our tribunal, or through the magistrates court.

I can make that determination. Most of the time we go through the Commercial and Consumer Tribunal. I have six solicitors on staff who do all our actions through the court. They do all the prosecutions and they defend every decision we make. Every decision is reviewable, so you are giving natural justice. The builder could review that decision and my solicitors then represent us in the courts on whether the direction should have been issued. The home owner can review why we didn't issue a direction - the decision to not issue the direction. We are the regulator. We have the power to make decisions and enforce those decisions, and then you have an independent umpire sitting up the top, the Commercial and Consumer Tribunal, that can review why we didn't make a decision or why we made a decision a particular way, so you are getting natural justice.

Mr WILKINSON - You have got home warranty then stepping in if they don't rectify, and then you recover against the builder. Sometimes builders go broke and start a company the next day.

Mr JENNINGS - Phoenix companies. With some of the compliance stuff, if a builder goes broke they are banned for five years. They are banned from being a director of a company or a person of influence, so they cannot open another company. If we know,

we just ban it. They are banned for five years, if they come back after that five-year period and they have a second failure, they are banned for life. What if they have two events that happen at once, which does happen? You may have a builder that is running a building company and they may be running a scaffolding company. If that goes broke, he'll go for life.

You would say the people who do this are rogues. We do have the occasion that a builder will go broke, but he will then ask his partner, his wife, to go in as a director. The issue, if we get data on that, is trying to ascertain whether that director is any person of influence in that company, and trying to prove that. If she is, then automatically the company is shut down.

The legislation has a lot of power. Yesterday, I immediately suspended a licensee in Innisfail. We have been heavily involved with cyclone Larry that went through Innisfail. This particular company went broke and they were using a nominee. Every building company has to have a nominee; the nominee is the technical expert of the company. You have to realise it's a business licensing regime. You could open a building company tomorrow in Queensland, I will say to you, 'Do you meet our financial criteria?' You have to have a technical expert who is known as a nominee and who has some responsibility as well for the building company from a technical perspective. In this particular situation the business didn't go broke, but I think it was very close to it. They ended up handing in their licence. We found out when the cyclone hit that they had opened up another company. What they did was they forge the nominee's signature as the nominee. The nominee told us that, no, he didn't sign that; he's not the nominee of the company. So I immediately suspended that licensee. As soon as we found out we immediately suspended. We had that power to do that, which is different to other regulators.

We have a system which is different. I believe you committed the crime, so here is your penalty; now you prove whether you should have your licence back. It is the reverse which had a lot of debate, I suppose, with the associations.

It is totally different to our justice system, I suppose, in Australia. I believe I have the evidence that you are a bad egg, so you're gone. Now you go off to court and I have given you natural justice to prove me wrong. There are all sorts of mechanisms by which he may continue trading if he hits me with notices. I have to wait for certain periods before I can actually take it off. I could cancel you tomorrow, but you could lodge an appeal and you could continue working for 28 days. Once that occurs, if you lose that you're gone. So you have those natural justice systems in place, but that's what could happen.

Mr SMITH - So where's your consumer in this? If I am building for someone and you come in and suspend me and that stops me working, what happens to the consumer?

Mr JENNINGS - If you are insured in a house, it's a non-completion. What needs to occur is they need to seek legal advice. You need to terminate your contract. The one we cancelled yesterday was a builder doing homes. There were seven owners, there were seven homes on the go. The owners were written to by the home warranty scheme to say, 'The BSA has immediately suspended your licensee, so you need to seek legal advice. You are entitled to now, subject to termination of contracts, a non-completion claim

under our home warranty scheme'. Then the home warranty scheme, because you paid a premium on that home, will come in and complete your home. That is how it works.

Ms FORREST - Which would be difficult in Innisfail, currently, with the lack of builders. The system would still work, but it obviously has its own challenges.

Mr JENNINGS - It does have its own challenges. In that particular situation, we wrote to them. In Innisfail in that particular case they were insured by an insurance company. They got on the phone to that insurance company because repairs were occurring, and the insurance company is fixing the problem for the consumer or continuing the job with another builder. The Innisfail issue is a bit different, it has its challenges. I agree with that, but if the insurance company told me, 'No, we're not continuing the job', what would have occurred is that the home warranty would have picked up the tab and continued that job.

Mr WRIGHT - As part of that home warranty insurance scheme we would find another builder to do that job for them. Even though you might have a shortage of contractors, our insurance process actually assists the owners to find contractors, assess who is the most affordable out of the contractors that we find and then that contractor recontracts with the home owner to finish that job.

Mr JENNINGS - We have a panel of rectifying contractors. They are BSA-licensed builders and trade contractors. That panel goes out every two years. You have to make a submission to be on our panel. In the Cairns region we have a number of contractors who are on our panel. We would then say to the owner, 'The system picks up'. Because I am a government entity, a statutory body, I get these issues of, 'You're favouring one builder over another'. The system picks the builder. 'These are the next three in the system and next in line for jobs in the Innisfail area'. We will send letters out to them and say, 'Here's something you have to quote on'. They may come back and say they are too busy. They have a criterion that if they keep telling us they are too busy they are taken off the list and they don't get work. We also say to the home owner, 'Do you know a builder? You are entitled to get your own builder'. They give us a price and we then look at that price and determine the approval. The owner then contracts a new contract with the builder and pays another premium on the remaining work - the remaining work is insured as well - and the work continues.

Ms FORREST - The work is paid for out of the insurance?

Mr WRIGHT - Yes, and that is the difference between first and last resort.

Mr JENNINGS - The owner may have some retention from the insurance company. Let us use an example of, say, your home has a slab down - you have played all the way up to your footings and the slab. Under the Domestic Building Contracts Act we have another piece of legislation we are responsible for which has such issues as having contracts in writing, you can only take a certain amount of the policy in the four stages of payment. You say, 'Okay, they have paid the deposit, that was correct, and they are up to the slab stage'. If it is, say, a \$200 000 home that owner will have another \$150 000 remaining in the kitty. We then get a builder to go out - you may have issues of underpricing and all sorts of things, so we look at those as well - and scope out the remaining work. You may have defects in the slab as well. That is why the inspector goes out. He will be doing a

scope of work when he is out there - it is pretty similar to a loss adjustor in the insurance companies - detailing what work needs to be done from a non-completion perspective and a defect. He comes back in and we will then assess that on their entitlement. That particular owner will have another \$150 000 left in the kitty so on that particular home we may only pay \$10 000, which may be the defects and a little bit of extra to finish. We would not be paying the whole contract because the owner has that.

Ms FORREST - Are all homes built under a contracted price? You get your plans done and the builder or whoever is managing the show estimates that the cost is going to be, say, \$300 000. In Tasmania there are a number of builders who work on an hourly rate. So there is none of that?

Mr JENNINGS - No, you can't. Under the Domestic Building Contracts Act, in Part 4A under the regulation there are some requirements that you need to specify the total cost of construction. You are not allowed to use hourly rates. It is consumer protection really, and it protects the contractor as well to that extent.

Ms FORREST - Yes, it works both ways.

Mr JENNINGS - So you have to set a price. If costs deviate, you then have to use variations. They can adjust the price but that has to be agreed to with the consumer. The consumer may change the construction; they may decide they want another room or to move a cupboard. That is going to cost an extra \$500. You may, for example, have a contractor who, in doing construction, determines that there might be an easement going through and says, 'On the plans and all the searches we did not find that easement. We are going to have to move your house this much or divert that easement to somewhere else so we are going to have to charge you an extra \$1 000', so it's agreed through cost variations. So you can't have hourly rates.

Ms FORREST - But again, each variation is costed, it's not done on an hourly basis?

Mr JENNINGS - No.

Ms FORREST - There's no capacity at all for that?

Mr JENNINGS - Yes, there is a capacity for hourly rates for emergencies. For example, take Innisfail. A cyclone hits. I have water coming in my house and the problem with the water is I've lost all my windows. A glazier may go out and say, 'I will do all your windows for \$100 an hour'. So for certain situations yes, there is an hourly rate and you can use it but it's specified under the legislation when that can occur.

Mr WRIGHT - But it's extremely rare. The majority of houses built in Queensland are now built under fixed price contracts.

Ms FORREST - Houses aren't built in emergency situations usually, are they?

Mr WRIGHT - No. We used to have cost plus in Queensland before 1992 and it was a nightmare for the consumers and it was a nightmare for the home warranty insurance scheme as well because you can't assess a claim on a cost plus contract so you get no

insurance benefits out of it either unless you had defects in the work because nobody knows what the final price of that home is going to be.

Ms FORREST - That's right.

Mr DEAN - Just on the contracts, in Tasmania a builder quoted to build a house, and I can't remember what it was, \$300 000 or \$400 000 to build this home. When the home was built or almost near completion the builder came back to the owners and said, 'I'm sorry, I was mistakenly quoted' - for the rendering of the house, I think; it was polystyrene and they were wrongly quoted. They had a rogue quoter in their business and so the contract was increased by another \$20 000. Do you have a position to cover that?

Mr WRIGHT - You just can't claim that.

Mr JENNINGS - You can't claim it. A fixed price is a fixed price. What would have probably happened in Tasmania is that he was on an hourly rate or something but it would have been a fixed price and under the contract you pay what is there, unless he came to the owner and said there is a reason for why it varied. You have to have certain reasons such as the owners changed their minds. For example, from a contract perspective there might have been variations, you had to vary the plan in some way because of some, I don't know, easement or something that wasn't seen at the time the contract occurred. But the issue of going in and saying, 'Here's an extra \$20 000 because I was misquoted' doesn't happen in Queensland.

Mr WRIGHT - And that's because of fixed-price contracting.

The other thing that we hear a lot of in the southern States that we don't have here is walkaways where contractors just say, 'Oops, I mispriced this job. I can't do it for the price' and they walk off and then consumers and contractors end up in court fighting over the completion of that home. If that occurs here owners then terminate the contract and get a home warranty insurance claim. So once contractors contract they're accountable for their work and what they have contracted to do.

Ms FORREST - If builders quote a price for a house of \$200 000, knowing that it possibly is going to cost them \$250 000 or \$300 000, and then they get to that point where they think, 'I have spent \$200 000 or that is how much time I've put into this place' and walk away, knowing that the consumer can make a claim on the home warranty insurance, what incentive is there for them?

Mr JENNINGS - We recover. From that builder I'll recover the \$50 000 and to an extent I can hold him accountable by removing his licence.

You've got a two-edged sword. One is I'm going to recover how much I pay out. If you're still working as a builder, you'll pay me the extra \$50 000 and if not I'll take recovery action through the courts and I'll wind you up. So I'll bankrupt you.

The other issue is that you have a licence that I licensed you with. I can pull that licence off you for all sorts of reasons and you can get all sorts of demerit points. I can use some of those penalties. It doesn't happen.

Ms FORREST - It looked like a bit of a cop-out.

Mr WRIGHT - You create a regime where contractors know their responsibilities. We don't get walkaways. We hear about them time and time again. I had a phone call the other day from a fellow in Victoria who is in court at the moment. He was wanting to know for his own information if he had built in Queensland whether he would have been insured rather than going to court and the answer was yes. You don't get walkaways. Contractors know that they are on a fixed-price contract, they have to deliver what they have contracted to perform, they either deliver it or we take action against them so, at the end of the day, they ultimately go broke or they finish the job.

Mr JENNINGS - There was one about 12 months ago that I was heavily involved in. It was a home at Springfield which is a new development out on the Ipswich way in Queensland. The fixed price was misquoted by the builder and it was pretty obvious that it was under-priced. We do get under-pricing here. To an extent he went slow with the contract so, in theory, the home owner had no reason to terminate the contract. It was just this house was taking six months, 12 months. You have to have a reason to terminate contracts, you can't just say, 'Well, I'm sick of you, builder, you're terminated'. He was terminated which then involved me. I got heavily involved in it where I pulled that contractor in, went through the work and said, 'Look, mate, there are defects here. I don't know how you've got a builder's licence'.

Ms FORREST - Doesn't the contract include a time frame too?

Mr JENNINGS - Yes, it does but under the contract there is liquidated damages. It does have a time that it needs to be finished in - say, six months. If he blows over that six months it is a contractual relationship. You being the owner need to go to court to get your liquidated damages. The builder is not going to come out and say, 'I was late by a month, here's my \$10 a day', it is a contractual provision and you then have to go to court to say, 'You were late in delivering my home. You owe me this sort of money'. It is a contractual document. So it does have a provision but you have to go to court to do it. The builder is not going to come over here and say, 'Look, I was late, here you go, here's \$100 000'; you have to go to court. It is a contractual document.

Mr WRIGHT - Building contracts don't expire through the effluxion of time so even though they might say it is three months to build a house, if at the end of the three months the product isn't delivered the contract does not expire until the product is delivered. But the owner can take action under common law and give the builder notice of require performance. If you don't get performance after a period of time then you can terminate. So there are termination mechanisms.

Ms FORREST - So you have to go to the magistrates court, you can't go through the consumer body?

Mr WRIGHT - No, you don't have to go to court to terminate, you can give a contractor notice of require performance. So the notice says, 'I require you to make substantial progress within the next 28 days' and if the builder then doesn't return to site and make substantial progress then you can just terminate by issue of a notice.

Mr JENNINGS - You give a notice and it is just terminated.

Mr WRIGHT - You can take steps to press the work on; it just doesn't sit and go year after year. But there is a misconception with consumers that I have a three-month period in my contract and at the end of three months the contract is expired. It does not expire.

Ms FORREST - We wouldn't want it to in some cases because if your contract expires then potentially you have no ability to get your house finished unless you contract somebody else.

Mr WRIGHT - Can I just add that the home warranty insurance is not a fix-up to a bad licensing system. You have to have the right licensing and regulatory system at the front end and the home warranty insurance system is the consumer protection net at the end. But you don't use warranty insurance to prop up the shortcomings in your licensing regime. You have to have the right licensing regime.

Mr JENNINGS - So you take that example I was giving you before, nothing got paid out of home warranty on that example. What occurred was I got the owner and the builder to agree to mutual termination. There was a payment that was due from the owner for the framing stage - they had finished the frame and it had huge defects in it - so I got my inspector and we quantified that. I got one of our rectifying contractors to go out there and quantify from a cost perspective. I then got a payment going to the builder on less than what he was due which allowed the consumer to have the remaining proportion. I then put that owner in contact with a builder that I knew. She changed a little bit of the design because it was under-priced. She then finished the home and was in the home, which did not involve home warranty. She could have come to us and said, 'Now I'm mutually terminated, I'm going to get home warranty to fix it'. I said, 'But you are underpriced.' We have a provision where we look at underpricing because you cannot profit from the scheme by such. So I told her, 'You are only going to get \$5 000 from my scheme, you are not going to have enough to finish your home.'

Ms FORREST - As she wanted to finish it?

Mr JENNINGS - As she wanted to finish it. I said, 'The best way is for me to get you and the builder and try to get a mediated settlement here where your home gets finished and you get a product that you really wanted. Whereas, coming to me, don't think I am going to fix your problem through my warranty insurance because of these issues; you are only going to get \$5 000.' It is a product that does assist from a first-resort perspective but the warranty scheme is running a business, so you are not going to say, 'You terminate, come to me and I will finish your home. On that scenario it involved the riggers. So that is what is integrated. It has to work together. It is me sitting down and telling that owner, 'This is your entitlement under the warranty scheme and I am prepared to pay that. I will give you the cheque'. In New South Wales or the southern States you would get nothing, but that is what you get under the warranty scheme. It is not going to finish your home. I personally went out to this one. I saw all the defects and I said, 'It is full of defects. You do owe the builder some money because the frame has been finished. The frame is full of defects, so you don't have to pay him everything. The way through this is to try to get a mediated settlement, where that offer is down so low that you are going to have a proportion of more money. I will then put you in contact with this other contractor who can come in, finish you home and deliver a good product for you.'

Mr WILKINSON - Then, can the owner or consumer turn around and sue the builder for damages?

Mr JENNINGS - They could, but that didn't occur. She agreed not to do that. That was part of the mediation. I agreed not to take his licence away. I told him I would watch him like a hawk, but I agreed not to take his licence away from him. We have a provision under our legislation for grossly defective work. So if work is grossly defective I could ban a builder for three years or even life.

Mrs SMITH - Does he have any review process if you ban a person for life? They have the capacity to go somewhere to address this?

Mr JENNINGS - They can go to the Commercial and Consumer Tribunal and what they have to prove is that it was not grossly defective. The tribunal cannot change the penalty. The tribunal cannot say, 'We are going to give you a fine of \$1 000 instead of losing your licence'. If it was proved grossly defective, you are gone for three years. If it is not, you still have your licence. So he has to try to prove that it was not grossly defective and grossly defective means that it could damage the health or safety of an individual.

Mrs SMITH - So you have restrictions under which you can ban? Quite clear and transparent?

Mr JENNINGS - Yes. I cannot just say, 'I don't like Fred' If I go and audit Fred the builder, and he gets 30 demerit point he loses his licence for three years. I can't go into Fred the builder and say, 'Here are 30 points, you are gone for three years.' In any audit I can only give six audit points. So he could have huge offences. I can only give him six at one stage. I could go back in 12 months and there could be another or all these offences and say, 'Here are six.' If he does not pay a judgment debt, for example, he can get 10 demerit point. He could have a judgment debt against him, for example, from a supplier, Boral concrete company. He hasn't paid the concrete company, they go to court and they get a judgment debt against him and immediately he gets 10 points against him. In two years' time he pays that judgment debt and I will wipe the 10 demerit points. Once he gets up to 30 he goes for three years. So there are offences for contractual provisions. There are two demerit points for contractual provisions. If he does not have a contract in writing with the consumer he can get two points. If he does not have contracts with his subcontractors he can get points. If he has a judgment debt, 10 points. There is a points system.

Mrs SMITH - I could be a slow payer, lose 10 points and then, I can pay in two years and get them back? So I can just be a slow payer? I don't worry about losing 10 points?

Mr JENNINGS - If you are a bad payer and you have three judgment debts, you go straight away. He has to pay at least one of them. Most rogues have absolutely everything. I have the media talk to me all the time and they ring up and ask, 'Ian, who have you got under watch this week?'. I will normally say to the media, 'Well, I have 64 000 licensees and every one of them is under watch'. I could probably say at the moment in Queensland there are about 20 contractors who are under serious watch by us, who are watched every week by me. I see a report every week on what my compliance area has done with them. They will be under audit; there will be requests for information coming

in. We banned one yesterday. My compliance area had given them a show-cause notice and I said, 'No, they're gone. Get rid of them straightaway'. I said, 'Have you got the evidence to prove that this fraud occurred? Have we got a statement?'. 'Yes.' 'Well, they're gone.' We have a compliance list and we monitor them. We probably have about 20 of them and most of them will have defects, payment problems - and it would be the same in Tasmania. Because of your population you could probably say there are 10 or five at a time that are probably serious breaches. It is a regulator who monitors them.

Ms FORREST - With the demerit points, we were told over the last couple of days that you can get a demerit for something as simple as failing to put in a certificate when you lodge your invoice for the frame stage or whatever. Could that occur if someone forgot to send it?

Mr JENNINGS - No. You can't get a demerit point for that; you can get a SPERS notice for that. You can get a fine for that, which is a change which only occurred recently under the building legislation. If a contractor doesn't give a certificate to a certifier to say that there has been an inspection of the frame, they can get a fine. They can't get a demerit point for it; demerit points are for fairly serious offences or payment issues.

Ms FORREST - So when you record a demerit point on the web site against a builder, does it say what the demerit point is for?

Mr JENNINGS - Yes.

Ms FORREST - So if you go and look at builder Jack, or whoever he was, you will find that his demerit points have all been for slow payment, defective workmanship or something like that? So you would know what you were looking at?

Mr JENNINGS - Yes, plus you would know if there was any home warranty paid out on it, any directions, any tribunal actions. It has a full history. The web site will tell you what type of builder you are - say, a low-rise builder - it will also have how many insurance premiums you have paid, it will have the value. It might to say to me that over the last 12 months you have done five homes, each of them valued at \$200 000. I have gone to you and asked you to build me a \$1 million home. As a consumer I am being stupid in going to you, who over the last 12 months has only done value up to \$200 000. It portrays that sort of data, which is ultimately insurance values you paid, the premium on those. It also has what category and the financial stuff as well.

Ms FORREST - So there are no privacy issues here?

Mr JENNINGS - A lot of the industry talks about privacy but it is legislatively based and it is there for a purpose. It is there to protect contractors and consumers. If you are a builder and I am a contractor, I can look at your history to see whether I should work for you.

Ms FORREST - From a consumer point of view, in a small rural community in Tasmania there are not a lot of builders. Everyone knows everyone and I do not want anyone else visiting the web site to find out how much I spent on my home.

Mr JENNINGS - That is not identified.

Ms FORREST - No, but if the builder is doing a few small jobs around the place, they know. If the builder comes and puts his sign out the front of my house and says, 'I'm building this property', people know that is my house.

Mr JENNINGS - I suppose you have an issue there with a population of that size. From your perspective it is disclosing that from a privacy perspective or protection to the consumer that is going to do the job. You can do it certain ways. That data is about knowing that you can build that type of home. Also there is the financial data about the contractors working for that individual on payment issues.

Mr WRIGHT - But the web site won't show that one job and a value for that one job. What the web site will show is the turnover of that builder. It will show that that builder insured five jobs this financial year with an accumulated value of X.

Ms FORREST - So it's very hard to track it back then to individual properties.

Mr JENNINGS - It shows that there are four at \$200 000.

Mr WRIGHT - A cumulative total, but it doesn't show individual values. If you want to find out the value of one job, you can't get that through the web site search.

Mr JENNINGS - No, you won't know the address but you can know there was 200 -

Mr WRIGHT - No, no. The web site just shows a cumulative value. Fifteen jobs, total of \$259 000 for the year. It does not list out the 15 jobs.

Mr JENNINGS - Okay. I thought it listed the 15 jobs.

Mr WRIGHT - No. The web site doesn't have the addresses of the properties where the contractors worked, or the owner identification on disputes.

Mr JENNINGS - You could manipulate it, you could be smart.

Ms FORREST - If someone was desperate to find out they probably -

Mr WRIGHT - If you look at it every night and you know he is just about to sign a job, you'll see his turnover jump overnight and think, 'Oh, well, the difference is the value of that job'.

Mr JENNINGS - I am sure if you were interested in it, you could put it so as you are delivering a benefit or adding value in some way where you're not disclosing some of those privacy issues. I suppose among the other issues we have, compliance is a critical element. I have sort of explained the demerit point system. We are in the process of implementing other reforms and expanding that system.

Mr WILKINSON - It was in relation to that underpricing that you were talking about. I would imagine that inexperience leads to underpricing. You were saying, as I understood the conversation, that because I am the consumer I am getting a good deal by about, let's say, \$40 000. That's how much they have underpriced the job. You come

back and say, 'We'll give you a home warranty, \$5 000'. I say, 'I accept that', I accept the insurance company will only pay what's reasonable in the circumstances but I am still at a loss of \$35 000. The other area is that the home owner's warranty only covers the \$5 000 as the reasonable costs, but the consumer can still go to court and recover that \$35 000.

Mr JENNINGS - What happens with underpricing is this: I will say to you, being the home owner, 'How many prices did you get?' I have had people tell me before, 'Well, I only got one', and I say, 'You're meant to shop around'. I will others who will say, 'I got 10'. I say, 'Okay, show them all to me, give me the quotes you got'. If all the prices are very similar in nature - there might be a variation of \$10 000 or \$30 000, or something, but when I get underpricing I usually get a discrepancy of \$100 000 or \$150 000. If the prices are very similar, I say, 'Okay, it's a "may" provision'. I say, 'I won't bring the underpricing into play, I'll pay your full entitlement'.

Recently, I had a particular consumer who walked in here and went to every job that that builder built for me, and came in and showed me that that's his pricing. I ended up paying the claim on that. With underpricing, sometimes you have to bring it back to the value of construction at that time because you have a home that may be sitting there for two years - it has taken so much time. So what we do is say, 'Give us your contract, what's the contract sum?' We send out one of our rectifying contractors who will quote non-completion in defects at current rates, will then give me the price of construction at today's rate, how much was that contract worth at today's rate. We have a margin of 20 per cent, so we are giving some leeway to the consumer to say there is a 20 per cent margin here. We then calculate to say, 'Is there any underpricing that's occurred?', and then normally what occurs is that my insurance staff will ask the consumer, 'What method did you go through to get to the prices? What did you use? Have you any evidence?' It's a 'may' provision, and we will normally go, 'We are going to have to provide underpricing because you knew' - and with most of them you do know - 'you were getting a bargain here so why should I top you up to deliver that product when ultimately it is an extra \$100 000 and you are going to benefit from it'.? There is a lot of discussion that occurs.

The other home warranty insurance schemes pay 20 per cent of the contract sum for non-completion and we say we will finish the home for non-completion, subject to under-pricing, so they do not get any underpricing questions because they pay you less. We have done a lot of analysis over the last few years in looking at the benefit to the consumer and our system has more benefit to the consumer plus they have the capacity of underpricing, of going off to the tribunal and saying, 'Well, it is not underpriced and I am going to review that decision'. If I mandatorily went - and it is only 20 per cent of the contract price - there would be no natural justice or dispute. That is all they get.

With underpricing, yes go off to court and pursue the contractor. With most non-completion claims there is nothing there so there is no point going off to court. The only benefit you are going to get is coming to me and that is all the money you are going to get, and most of them are like that. You do have the occasion where there is a communication breakdown and the contractor wants to get out and we try to step through those processes but most of them are the builder has gone - that is what a non-completion is - and we are fixing up the tab; he is broke.

Mr WRIGHT - The reduction in insurance benefits because of underpricing is a minority issue and not a majority issue so do not get it out of perspective. We do not scrutinise claims to the point that every person gets some sort of adjustment but when you get a blatantly obvious case where there is no way in the world you could build this house for that amount of money then we can apply that provision.

Mrs SMITH - Is the underpricing usually a result of so much competition in the market for the job?

Mr WRIGHT - No. If the owner can demonstrate that because of competition in the market their price was fairly consistent with other pricing, there is no underpricing.

Mrs SMITH - No. I do not think the issue of underpricing would be a Tasmanian issue at the moment because the climate is buoyant. The issue in Tasmania at the moment probably is that he has only one quote because he is the only one who can build the house in the next two years, as against three quotes that stretch out to five.

Mr WRIGHT - I do not think you should dwell on underpricing at all. When you run an insurance scheme it is just one of the mechanisms you need to have there so that people cannot exploit the scheme.

Mr JENNINGS - You do not want them to exploit it. It is not a big issue. We do not get too many. When you do get them they are messy.

Mr WRIGHT - The majority of our non-completion claims are competed by the insurance scheme, full stop. We quote as a statistic that 98 per cent of our consumers have their loss fully compensated, so that gives you a perspective of numbers.

Mr JENNINGS - Just quickly from a compliance perspective, we are a regulator of the building industry and one of the critical elements is integrity from a licensing, mediation or a resolution service to consumers. Then you have the other issue of compliance, making sure that you are monitoring contractors, that they are performing. I think the industry is a good industry but it does have its rogues and you will have them in Tasmania. They are in every part of Australia.

Mrs SMITH - And every business.

Mr JENNINGS - I am not going to sit here and say that we do not have them in Queensland and I am not going to get rid of them all. They are going to be here in 10 years' time and they are going to be here tomorrow. They all know how to use the system and manipulate the system. I might say that I can life-ban a builder tomorrow but he will then throw notices on me and I will end up in the tribunal and through the legal process in disputing that. They know how to manipulate the system.

We do have a number of compliance mechanisms that we utilise. We have a lot of unlicensed contracting blitzes where we go out twice a year looking at whether they are licensed, checking on licences and asking people to show them. They are meant to keep them on site with them in their wallets or on them so we ask to see them. It is a blue card. We go out on all sites and we ask a number of questions. We then pursue people if they are unlicensed. We do investigations.

Mr DEAN - What onus or responsibility is there on the local government councils in these areas where a development application has gone through the council? Is there any onus on the council to ensure that the builder who has been identified in the development application is a licensed builder?

Mr WRIGHT - No.

Mr JENNINGS - I have pushed for an amendment under our act to make sure they put the licence number of the builder on the plans.

Mr DEAN - I raise it because it is an issue in Tasmania with local government.

Mr JENNINGS - They have always said to me they are going to do it but they haven't yet. It is an easy mechanism for us to check. There is no provision there at the moment. It would come under our local government and planning - it would be under the building legislation.

Mr WRIGHT - But your building certifier does have to make sure there is either home warranty insurance in place or there is an owner-builder permit.

Mr DEAN - It's pretty much the same back home at the present time, but I raise the licensing one because -

Mr WRIGHT - Yes, it is something we would have liked but we have never ever got there.

Mr DEAN - But it is something you are looking at?

Mr WRIGHT - Yes, but it is outside our legislation.

Mr JENNINGS - It is also to make sure the number of the designer who designed the plan is on it, and also the architect because they need to be licensed with the Board of Architects. It is a mechanism, I think, that is worthwhile.

Ms FORREST - You said that it is a business licensing regime, so does every category - low-rise, medium and open - require that business management training, even for the small home?

Mr WRIGHT - Yes.

Mr JENNINGS - Through the low rise, all the builders get it through their technical training. For example, the certificate 4 building has the management elements in it. The trade contractor course, the certificate 3s, doesn't. They have to go off to a management course, which we prescribe under our legislation. My board then has a board policy which prescribes - and they have to be delivered by RTOs. For example, in Queensland the Master Builders Association is an RTO; HIA are an RTO. TAFE colleges are RTOs.

Ms FORREST - What sort of average cost are we looking at for them to operate at that level?

Mr JENNINGS - I could probably find out for you. Jason, the licensing manager, may know off the top of his head. It is a three-day course; the board prescribes how many hours it has to be, what they have to teach, what modules they have to do. I would guess roughly about \$500, but I can check with Jason.

Ms FORREST - So if you had a youngish guy who had done an apprenticeship and wanted to become a licensed builder -

Mr JENNINGS - He would have his management course. For example, he is a carpenter and he did an apprenticeship as a carpenter. Through our licensing regime there has to be some experience as well, so he has that experience. Has he got experience as a builder? There is a TTU requirement as a builder. To become a builder he would go to a registered training organisation - RTO - and get an assessment. Does he have the competencies to get a certificate 4 in building?

Ms FORREST - He doesn't necessarily have to do it, but he can demonstrate recognised prior learning.

Mr JENNINGS - No, he doesn't have to do it. There will be an assessment done by an RTO and that RTO will then give him the certificate 4.

Ms FORREST - But obviously if he hasn't been able to demonstrate it he will have to go and do the three-day course?

Mr JENNINGS - No, that is the management course. That is different; that is the technical course. He will have to do the management course under his carpenter's licence. Once he has that management he would then have it under his builder's licence, so his builder's licence will be technical understanding. So he may be a carpenter but he might not know how to build. For most carpenters it is easy to get a builder's licence because most of the competencies are very similar. He would then go to an RTO and get an assessment; they would give him the piece of paper. He would come in to us and we would license him. There are private RTOs: Construction Training Queensland is the ITAB that is involved and we have a close relationship with them. Our builders licensing and contractor licensing pick up all certificate 3s and 4s, the national training agenda. It picks them all up and says this is what the competencies are, so what you have is alignment. The business licensing and the builders licensing are totally different to the training packages out there. We have them aligned. Some other States are not aligned. For example, in South Australia you walk into a board - my board is a policy board, I am responsible for the operations of the BSR. I have two people; I am accountable to the minister and accountable to a board of directors. I could advise the minister on policy issues, different to what the board advises, which I have done before. I see the minister or his office every week. The minister will say to me, 'What are your views on this? This is what the board wants to do. From an administrative perspective, what are your views?', and I give him my views. There was one issue where I said, 'Look, I would extend it to the whole industry'. The board only has carriage of building; it doesn't get involved in the civil sector and some other sectors. We do not license earth movers and that sort of stuff so it is a policy board which arrives at those decisions, where the operation is us so to license someone you will have a transparent criteria whereas in some other States you will go into a board and the board will sit down and say, 'Are you competent?' and do a tick and a flick and a few things and there is your licence, which is similar to, I think, what they

do in Victoria. I suppose I am being a bit flippant - they do have a lot of controls, I am not putting it down. Ours is transparent where the board doesn't do that or the registrar.

This criteria follows the regime, you meet that, you get it - you are technically sound - it is a minimum requirement. You meet that, you've got your licence, you then have to meet this business criteria. 'Have you met that?' 'Yes'. 'Show us the piece of paper'. 'You get it'. 'Do you have experience?', 'Yes'. 'Here you go, now you have to meet the financial requirements in our licence'. Then we monitor that individual. Some of them, 64 000, probably never come across my desk or across the desk of any of my staff with complaints or anything like that. They keep on working. The others come down, we monitor closer to bring them into line and then you have this safety net at the end. We provide education to them, we provide education to consumers, we have consumer nights where I will go out and show consumers a journey through the building industry which explains to them getting finances - all these sort of issues - so we get heavily involved in home shows. After the cyclone we ran a home show in Innisfail explaining some of those issues. So you are doing both.

Ms FORREST - Just going back to a comment you made earlier about the education side of it, which you are talking about now, and this is part of the business fund, it funds the educational programs, you bring contractors in. Do you bring contractors from Cairns down to Brisbane?

Mr JENNINGS - No. For example, we have a problem with regard to waterproofing. My top 10 defects would be the top 10 defects in Queensland for the last 20 years, which should be similar to Tasmania. You will have the common issues that are happening in the industry. One is waterproofing - leaky showers - which we were really strong in pushing and we get involved in changing standards and codes. We have changed the waterproofing standard throughout Australia because of our defects and the data we have recorded and what is the problem. So I do a lot of research on building problems. Yours will be unique probably to mine in Queensland. Tasmania will be different to Queensland - what the common ones are. We research those and we try to change policy to fix those problems.

On waterproofing we may have a super show. I might write to every licensee, which I did with fire separation which will be a problem in Tasmania. It is a big problem in Australia - fire-separating walls through three storey wall cups, town houses. I have a huge problem in Queensland with it and it is a big issue for me because it is a safety issue. Deaths have occurred because fire has spread throughout the whole building when it should be just in that one unit.

I wrote to every licensee who had built a three-storey walk-up over the last two years to tell them that they had to attend a training course on fire separation. That course will be delivered over the next two years by BSA staff throughout the State. Here's the program. You need to attend. They'll walk in; they'll show their licence, we will record that they attended. For every licensee who doesn't attend I'll put a condition on their license saying that within the next six months you need to attend a course or else I will cancel your licence.

New South Wales has CPD points, I throw conditions on licences, forcing them to go to training. The other way is to run super shows. There is a super show which we are

doing at the moment throughout the whole State. I will go to Cairns with probably about 10 of my staff. We will fly to Cairns to do a two-day training program. We might give you some of the CDs we have. We do it by DVD and staff talking.

Ms FORREST - If you are out west somewhere you can access it over the Internet as well?

Mr JENNINGS - We plan to; we haven't done that yet. We've just put it on the DVD.

Ms FORREST - But you could post the DVD to these people?

Mr JENNINGS - Yes, though I try to promote with my staff that you need to have face-to-face contact with contractors.

I have offices in every major town in Queensland, so my Cairns regional manager and a couple of his staff may go up to, say, the tablelands or may go further out. We will write to contractors and we invite them. I have a database of 64 000 licensees. We will write to every one of them when we are in their region. For example, in North Brisbane we wrote to 10 000 and said the course is on these particular days. We run for two days. It's a mirror program so you can pick the day you wanted to come. It's really a one-day program and you pick which day you go to. They come and listen to talks on subsidence, waterproofing.

Builders and contractors love the technical issues. If I sit there and explain to them Jason's financial requirements for licensing, they'll fall asleep; they won't have any interest. Most of those we run towards the accountants, which Jason will touch upon. There are certain criteria. Some of them can self-certify that they meet those assets. You have to go to an accountant and to an auditor, so we try to target those or target wives on those sorts of issues. With most builders, your one-man sort of shows who are normally building one to two houses a year out of the back of a ute, the paperwork not too crash hot - which you'll have in Tasmania - so you have to target some of the audiences with what we are doing. So we do more on education. Some times we'll put drinks on afterwards, or lunch, morning tea and afternoon tea.

Every year I hold a planning conference in different pockets - Gold Coast, Sunshine Coast, Brisbane - the next one is in Brisbane in November. I will write to licensees and invite them where they will hear issues about policy reforms, some of that non-sexy stuff for some of them. Some of them are interested, some aren't, but you normally target the ones who are interested. We tell them what the BSA is doing, what's it achieved, which we do annually.

The board goes into regions twice a year. For example, the board flies into Cairns, so I'll write not to everyone but to 200 licensees in Cairns to say the board's in town and do you want to come to drinks with the board, followed by question and answer. So they will come and throw policy issues up to the board. Normally I'll talk about some of the technical issues. They'll throw up technical issues or pictures of houses falling down, which they like looking at. So we do those sorts of things for education as well.

We do quite a lot of it, more these days than we used to five years ago. I was a firm believer, probably five years ago, that education probably wasn't part of our charter. Associations should be doing it and also training organisations. However, I don't think

they do it very well. Over the last three years we have done a lot more of it and we target our messages.

Ms FORREST - If someone had an issue with leaky showers, and you have sent a directive out to all your licensees that within the next two years they have to attend this leaky showers seminar, if they could demonstrate that they came down to Tasmania and undertook a leaky showers seminar with MBA or someone down there, would that be acceptable?

Mr JENNINGS - We would probably talk to them and ask, 'What was the course, what were the modules and what did you learn from them?' I would probably go to the provider and ask about the modules. Our leaky shower problem might be different to yours. The leaky showers are all the same, they don't waterproof them correctly, so I may say, 'Okay I will give you an exemption'. On fire separation I have a lot of people coming in saying, 'I don't need to go to the course. I don't have a problem with fire separation. Come out and have a look at my buildings and you will not see a problem.' I have said to them, 'No, you need to go, I don't care.' They may say, 'I am a fire engineer and I went to university'. I said, 'No, you need to go.'

It depends upon the circumstance. You may ask me, how far do you go? If someone thumbs their nose at you and they are not going, and you are two years down the track, what do you do with them. I could cancel their licence for not attending.

Mrs SMITH - Hasn't that been tested yet?

Mr JENNINGS - It has not been tested with the fire stuff at the moment because we have been doing it for two years.

Mrs SMITH - We get these builders that say, 'I have been in the trade for 20 years and I have learned that'.

Mr WRIGHT - I think it depends on severity. The first time that we looked at this has been about fire separation; it is a safety issue, life is at risk. If people do not attend these courses then I think it is serious enough that you take sanctions. But you will not suspend somebody's licence for not attending a course on leaky showers.

Mr JENNINGS - We have a major fire separation issue on a particular island in Queensland, which ultimately is going to cost the builder a fortune to repair it, an absolute fortune, because it is very hard to repair it. We have not budged. We have said, 'Builder, you need to get out there and fix it.' We have told the certifier that was involved in it, that approved it, 'You are in the gun here, mate, you approved it as well.' On that one, I may end up using our warranty scheme to fix it but I will not budge and I will recover absolutely everything from that builder. When you get to safety issues you are more serious than minor issues. You would be surprised but termites are not in the top 10. You have all this issue in Queensland about termites but it is not in our top 10. That is because of the policy reforms resulting from research - physical barriers versus chemical barriers. We had chemical suppliers watering down chemicals in Queensland. I had some of them wanting to chain themselves to my office, some of these chemical suppliers. I was taking them through the courts, but you had watering down of chemicals. We moved to physical barriers, using the slab, mesh steel-frame homes,

some of those issues which have really improved the issue of termites. It is now low. You have waterproofing issues - leaky showers, bathroom problems. You have concreting issues. You have paint and plasterboard, which is a huge issue. You have tiling problems. They are not structural issues; the top 10 are cosmetic issues.

Ms FORREST - Builders in Tasmania have said to us about CPD that particularly at the moment they are all so busy, so they do not have time to take a day off and attend a waterproofing seminar when they have not had a problem with it.

Mr JENNINGS - CPD is a big issue for my board. I suppose that for the last three years they have told me to move it. I can tell you we were the first State to create a CPD model. New South Wales took our model and implemented it. Victoria, to an extent, took elements of our model and changed it a little bit - a voluntarily system was implemented. We were the first to develop a model, which happened back in 2002. Part of our licence reform was CPD. My board is strong on it. I am strong on education as well, and CPD. My minister is strong on it but my minister and myself hold the view that we have to add value.

Our original system was that if you were a member of an association you get five points or three points, which was mickey mouse. I was so cautious. I did not want to put the industry offside. I see education as a critical issue. We have revised our CPD model, so we have a model. I am still hesitant about implementation, but it is about adding value. You are targeting a particular contractor. Rather than say that every licensee, 64 000 licensees, needs to go and do education, you are asking which are the contractors who really need it? You have builders who probably need it; you have building designers that probably need CPD, and hydraulic designers and pest controllers. So you have certain occupations or certain licensees that need a model. You are trying to create a training program over a period of time that ultimately gets a certain number of points. You target for recurring defects but you are giving them a period of time to go and get them, rather than say that in 12 months you have to get 20 points and then come in and I will give you a tick and I will renew your licence.

Someone might come in, and this is this issue, and say to me, 'I didn't get my 20 points but I've never come across your desk with a defect. I have never had a complaint. I am a good builder, so why did I have to go off to education and learn how to be a better builder? I don't need to be a better builder'. The problem I have with the industry is that often things change, so CPD really needs to focus on the training or the changing techniques that are occurring in the industry. That good builder might be building the same way he did 40 years ago. He probably built his roof, the truss and everything, on site. These days they come out of the factory. It is different. It is trying to give them some of those understandings that we need to focus on.

We have created a model, which I admit is still sitting on my desk. It needs to go across to our minister. I have had a number of discussions with him and his view is that it has to add value. I am not implementing something where I am going to have contractors standing at my front office yelling at me because I have introduced this bureaucratic system which I think I can deliver. We are doing CPD in a roundabout way, and our licensing regime allows me to do that. Some of the other States do not have the regime that we have. I can put conditions on licences. It does not matter whether you have, say, 20 000 builders out there. I could say to that 20 000, 'I have one bad egg. I am going to

renew your licence only if' - and I can put a condition on them - 'you go to this type of training because I have noted all these defects. If you don't go to that you are going to lose your licence'. So you have the ability to use our licensing framework to educate.

Ms FORREST - A specific focus is what you are looking at there.

Mr JENNINGS - Yes, and I think you have to do that in Tasmania. It is targeting the problems, targeting the particular trades and trying to target those issues. CPD adds a lot of value in education and training for contractors. It is how you prevent some of the problems coming through. It is targeting those issues rather than saying, 'Here it is; go to your mickey mouse course and we will give you 10 points'.

CHAIR - Just on that matter, you mentioned a while ago some of the seminars you run. You have your super shows coming up; they provide CPD points for attendance at?

Mr JENNINGS - In theory in time they would; we don't have a point system at the moment, but it would be something.

CHAIR - Yes, it is pretty sensitive stuff.

Mr JENNINGS - Yes. It would give you points. The aim of the model would be that that would have some points attached to it. Every time we make legislative reform, we will travel the State. I will write to contractors telling about them, that would have points. For example, we changed our financial requirements recently from 1 July. We look at them every two years and we raise the bar on certain requirements. So Jason and his staff recently travelled the State really talking to accountants, but at the same time we had a seminar for contractors, inviting them in. You would get points for something like that.

CHAIR - Because you do have a point system - I am right in saying that, aren't I - you have a points accumulation system?

Mr JENNINGS - We don't for CPD, we do not have anything at the moment for CPD. We haven't implemented a CPD model, and we will probably over time, I suppose, once our minister agrees upon what the model is. It has to have flexibility. What I am saying is that we are doing it now, but it is not points, I am doing it through conditions on licences. For example, with fire separation: every licensee who has done a three-storey walk-up in the last two years, you write to them and say, 'You have to attend a course over the next two years, and if you don't I will put a condition on your licence forcing you to go. If you then don't go because of that condition, I will remove your licence'.

Ms FORREST - So why do we need points if they are really meaningless in themselves? What I am hearing you say is that you require people to do their fire separation training, and they have a time frame to do it in. People who have perhaps had a number of defects, and particularly we have to undertake that particular course, so it is targeted.

Mr JENNINGS - Of course.

Ms FORSTER - So what I am hearing is that if you make up a system where you need to accumulate 20 points in a year, or whatever that figure is, it's meaningless if people do

the compulsory stuff which is the fire separation, but not everyone needs to go and do the other defects one because they're not guilty of it.

Mr JENNINGS - I understand what you are saying. What you are trying to do through the points is give them a period of time to accumulate it for different issues. So if we started a CPD program, what I would do is remove the issue of conditions, so you wouldn't do the condition issue. Say you were a medium-rise builder. With a builder you have certain elements of which you are in control on the site. That person really should know about the waterproofing issue. While they are not doing it, on their jobs we are getting all these waterproofing problems in their bathrooms.

Also, if a builder is doing three-storey walk-ups, he probably needs to know about fire separation. Also he needs to have an understanding of GST. Over the next two years you have to accumulate, say, 10 points. For each one of those elements, you need to get two points. This builder may say, 'Well, in theory I'm not doing houses, I'm only doing three storey walk-ups, so I really should go to the fire separation. I need to get those points. I need the GST issues, I'm going to get those points'. You are allowing them to pick, I suppose, on their expertise rather than targeting.

Ms FORREST - I go back to the point, why do you have points? Why don't you just have a certificate that says, 'I've done the fire separation course, I've done the GST understanding course and I've done the waterproofing thing. I've got a certificate for each of those'. Then all I do when I put in my application for renewal, I give you copies of those things and it is done. Why have points if they don't mean anything?

Mr JENNINGS - What you are doing is trying to give them variety with the points. Rather than dictate what they need to go to and offering all the certificates, the point system is giving them some variety and some way of then determining what they should go to. You are coming down to the question that it's irrelevant what you go to, it is your choice, so there is a points system in going that way. In having points you're providing them with other elements and they have a choice to professionally develop themselves.

Ms FORREST - For example, the fire separation is obviously a major safety one and very important -

Mr JENNINGS - I would force them to do that. I'd say that as part of your CPD model you need two points for the fire separation. But I may say, for example, on waterproofing or on cracked driveways you could pick between those two - that is your choice to go to one or the other.

Ms FORREST - The important one or the more significant one is the fire separation. If you're going to use points and make them meaningful, wouldn't it be better to allocate, say, five points to doing that course and only two for doing the cracked driveway.

Mr JENNINGS - That is what will occur under the system.

Ms FORREST - It is a bit meaningful then.

Mr JENNINGS - It is an encouragement. Under the system we have developed, certain courses will have more points than other which will lead them towards those points.

You have to realise too the courses will be delivered by other people as well. You asked a question earlier about someone going down to Tasmania and doing a course. You could say, 'Well, that will equate to the points', rather than just saying, 'You have come to my course to satisfy the condition'. Through the points system you could then have something that is Australia-wide. We have licensees in Queensland who work in Tasmania. They could have their business in Tasmania but they are licensed here and they are doing work here and if you had a points system down there and they are getting the points there, they are still meeting their Queensland licence conditions. So it allows that as well to go to different training providers, I suppose.

Mr WRIGHT - With our time line we should probably try to go through -

Mr JENNINGS - I'm sorry, I do like to talk - and my staff will tell you that!

I suppose I have fronted many of these committees in all States and I have been summonsed and all sorts of things. We've tried to give you some information to take away, but you are welcome to come back with any questions for me or any one of my staff. What Col will try to do is get all the staff to give you some detail about those programs. I do have a diagram here of what I was talking to which I thought I had better give you. I developed this this morning to try to show it in some dynamic way -

CHAIR - Jim will be really happy because he's been producing his own flow charts for days.

Laughter.

Mr JENNINGS - It's not a flow chart it's just bubble diagrams that I've put dot points under.

CHAIR - You'll have one supporter over there.

Mr JENNINGS - I hope you do enjoy your visit and you do get some worthy issues out of it. I will probably say that one element, from my perspective, is that I find it amusing I suppose that in Tasmania there's no government regulator.

CHAIR - Yet.

Mr JENNINGS - I don't think regulation of the building industry is a private industry requirement.

Mrs SMITH - Neither does the Government now.

Mr WILKINSON - Neither do I.

Mr JENNINGS - I'm not putting down the people who have operated the private system down there. When it happened I did find it amusing that a government would let it go because I am a firm believer that the industry does need to be regulated and it does in Queensland as well. It restricts the private company if they don't have power of the legislation to do the compliance issues, which is difficult -

Ms FORREST - They're a toothless tiger then.

Mr JENNINGS - Yes, they are. They're a toothless tiger and people call us a toothless tiger but the Government can give us the laws to do it. It is very hard to give the laws to a private entity to pursue and that's what I find amusing. You can privatise elements of it. I could have an outsourcer who controls my database and that's what could happen in Tasmania. You can control the database but you need someone over the top of it. Then that person over the top can outsource but you need a regulator. I think the only entity that can do that is the Government or a government body. We are self-funded so we are different to other regulators that come under fair trading. I am a firm believer that it is best to be self-funded and to be separate to the Government. My minister at times can say, 'Ian, you're the regulator. It's your call'. Every time he directs me to do something he has to inform the Parliament, so I am independent through the legislation, but a regulator.

Mr DEAN - Ian, in this document have you articulated some of those areas that you are currently looking at where you believe some change might be necessary in your system? One was the need for local government to identify with a registered builder or a licensed builder.

Mr JENNINGS - A little bit, but probably not in that document. I have a document at the moment which went to Cabinet two weeks ago with a number of reforms to our system. I am changing our system all the time. It is going to Cabinet as an authority to introduce, probably in about two weeks' time. I will probably be able to articulate on some of those issues for you once I get cabinet approval.

Mr DEAN - It would be good to get that.

Mr JENNINGS - I can give you some of those. We are expanding our demerit point system, more accountability for owner-builders. There are a number of forms. Our system does need that tinkering - I am not saying it is the best - it needs to be quality improved all the time. There are other issues that I am proposing that I will probably be able to give to you in a couple of weeks. Some of them are in there, some of them are not. I probably shouldn't tell you my philosophy of how the Queensland system should work. I am a firm believer of one regulator on everything. Queensland doesn't have that. I don't have any engineers or architects, I don't have occupational licensing of plumbers, I don't have building codes.

There is this issue of policy versus regulation and implementation of the regulation and accountability. This conflict issue: should a regulator have control of a policy? - which is a question that is thrown up by governments and ministers all the time. Do you give the building commission all control as in Victoria or do you give some control so it is implementation/regulation versus policy control? That is a big question, which I am sure you will look at in reforming the issue. The question that gets thrown up all the time is: how far do you go on creating one entity with control? That is why you have different governments throughout Australia having them in different areas; some are with fair trading and some are with the planning aspects throughout Australia because there is this issue of policy control versus enforcer and implementor, which is a question I am sure you will discuss in the model you come up with.

Mr WILKINSON - Why try to reinvent the wheel? We could ask ourselves that in Tasmania. Could we tap into, say, Victoria because they are closer or your own in relation to a lot of the things you have been talking about. We could have the person within government in Tasmania liaising with Queensland, Victoria or whoever it might be, because you have already set it up.

Mr JENNINGS - I don't think you need to reinvent the wheel. What you have to do is pluck elements out of every model and try to achieve the best model. I believe ours is the best model. There are elements about ours which are better than any other model. One of the critical issues is the home warranty and I have the safety net. Our system does have more legislative power than any other system from directions, from mediating disputes, from light bans, so our system is stronger.

Mr WILKINSON - But if you were under your system in Tasmania, let us say having one or two people in Tasmania as the worker bees and always coming back to, let us say, you are the overarching body.

Mr JENNINGS - That is an issue I suppose for the Tasmanian Government and the Queensland Government. I would not have a problem doing it. However States are very parochial.

Mr WILKINSON - That is the only problem with it, it seems to me.

Mr JENNINGS - That is the big problem. I am a firm believer of one regulator across the whole of Australia but it will never happen in my lifetime because we have a State government system of government. They will not lose the issue of the building industry. I am a firm believer yes, we could run your system in Tasmania but we would need people on the ground and I would not do it without people on the ground.

Ms FORREST - It would not be much different to having an office in Cairns as that is nearly as far away as Hobart really.

Mr JENNINGS - It would be exactly the same. I could do it here but we would have people on the ground. I would have a team there and you would set up an office. You would have a manager of the Tasmanian scheme. I would have a licensing person there who could talk to the contractor, I would have a consumer-customer officer, I would have inspectors. You would have a team there to deliver the services.

Mr WILKINSON - Because then you would also be able to tap into your home owners warranty scheme and it seems, to me, to be a good one here and with only 2 000 builders, say, down there who would need to be registered you have not the critical mass -

Mr WRIGHT - But you need to go through a system of accreditation and finetuning of those people before you let them into the home warranty system. The danger would be for us that if you introduce another State that does not have the quality systems that we have here into our system that could destabilise our home warranty system but the principles are right.

Mr JENNINGS - The principles are right, it would just be really checking them to make sure they are credible for our reinsurers, which Col and Mandy will talk about. We are free

lever insurers with Munich Re, Employers Re and Suncorp Netway. They are vital to me and they own 75 per cent of my business. I am a reinsurer too. I own 25 per cent of that business. They are vital. We have a close relationship with them. Our insurance scheme is a scheme that is trying to run on a profit. I try to run it on an equilibrium to make sure that they are not profiteering so much but they have loss ratios. I have performance with them to meet loss ratios so you bring that into it. I have to try to make sure that that is comfortable. I think you could achieve it. It is just having the system and the checks in place, and we have pretty good checks.

Cairns has 7 000 licensees and 3 000 is what Tasmania would probably have. It would be a small region for us really in the size of things. My Cairns office has an area manager, an inspector, a licensing officer, a claims officer and a customer service officer so it has a team of about five or six that runs that office for me. We have a staff of 247 throughout the State. I am sure there is a diagram in there that says where our offices are throughout the whole State and where they are located, and they have regions that they are responsible for. Col is responsible for all the regions.

It is possible but you have to have people on the ground. It is not like saying that I run it from here and someone flies in, one person; you have to have the whole system which is your dispute management, your consumer information, your education and you would take our database and put it down there and create a new web site and the Tasmanian consumers can come in and know they are in Tasmania and look it up. All our literature just goes on a Tasmanian web site - BSA Tasmania or something.

Ms FORREST - It is not inconceivable then; it could be done?

Mr JENNINGS - Yes.

Mr WRIGHT - Regarding the material that you have in those folders, one of the points I was going to make is that none of the material we produce is commercial-in-confidence so there is a lot of material that could be picked up by any other licensing body and plagiarised, for want of another word, and just re-badged. We are not about trying to keep our little patch, we are all for supporting the industry.

Mr DEAN - A few years ago a lot of Tasmanian builders were coming over here. What would they need to go through?

Mr JENNINGS -What occurs is this mutual recognition which Jason will be able to touch upon but there are some differences in the fact that we have a financial criterion and if you are working in Victoria they don't have a financial criterion. Our licensing regime is stronger than Victoria's, there are more tests you need to meet, you have to get the ticks in the boxes so you might have the technical understanding and they will walk in here and we will say, 'You haven't got the financial capacity to work here in Queensland, see you later. We are not going to give you a licence'. So there is the capacity but we do have stronger tests and I say it is trying to work with the industry to achieve those tests to make sure the industry is happy with the tests you put in place but you need to be stern with the industry to say, 'Well, there's protection for you plus for consumers here', and you need a strong testing regime that requires that experience, that technical understanding. You have to create a system where you can probably grandfather your current licensees in, so you say, 'From now on we're going to put some stringent controls

on the system of future people coming in. These ones we'll give a little bit of a tick and a flick, really look at them, they might have to meet one other criteria'. These automatically come through and you say, 'From now on this is the date of the system with the new entrances and they are going to meet this'. So it is gradually over time.

Mr DEAN - The next question I was going to ask I will save for these people then because it concerns how you bring new people into the industry, young people who have just obtained their credentials.

Mr JENNINGS - I like a proud old builder that is hands on but there are a lot of younger people that you do need to bring into the system and some of them are very profitable. You have to realise in Queensland some builders make a lot of money and are very profitable but some of the trade contractors make even more. You have airconditioning companies out there, you have some very switched-on companies that deliver a good product and give the industry a good name. You have about 5 per cent that are rogues and that is probably the same in your areas; you probably have 5 per cent of your population that are rogues. That 5 per cent brings down the industry. It is always in the media, always coming across your desk as politicians because you get letters from your constituents. You would be surprised. Politicians ring me all the time. 'Ian, can you help me with this one?' The one I was dealing with yesterday came from a politician. I am a believer that if a politician rings me I do what I can for them, with the legislation, and you are trying to help them through their problem.

Mr DEAN - That's nice to hear because we have been told to go through the minister.

Laughter.

Mr JENNINGS - No, my minister likes them to come through here but most of them will pick up the phone and ring me. I know most of the politicians reasonably well and most of them will pick up the phone and ring me, and I will then say, 'Listen here, I'll talk to them, I'll try and help them', and most of the time you can help them. Most of them just want their hand held through the process. Some it does involve a bit of screaming at yelling with some of the contractors to get the resolution. I have had builders buy back houses before and some of the consumers did not even know I was involved, they were having so many problems.

Mr DEAN - It would seem that you have a lot of credibility within this State.

Mr JENNINGS - Yes, it has been built up over the last few years. We were on the nose, I am not denying that - not well respected by the industry associations. You have spoken to them but I perceive that we are respected by the associations and respected by the industry. We do have people that hate us, a regulator - it will happen - but we are respected. I make mistakes, my decision sometimes can be wrong and all my officers make mistakes - we are people. If they make mistakes we will have a look at it, we will look at some of our decisions and we do compromise.

My aim is to try to get the problem solved. It is using the power of the legislation to achieve that, for both parties, and that is what we try to achieve.

CHAIR - Okay, can I suggest a three-minute break. The staff have been good enough to provide some morning tea so grab a cuppa. Thanks for your time and I hope we can catch you later.

Mr JENNINGS - No problems, I will try to get back.

CHAIR - I have half a dozen questions which came out of Ian's presentation. Did the Tasmanian Government consult Queensland before it set up the Tasmanian Compliance Corporation, or indeed our legislation on the minister's guidelines?

Mr WRIGHT - Not that I am aware of, no. Most of the consultation that we have had in the past with other jurisdictions has been done with a very negative viewpoint. It has really been to come and have a look at our system and find out where the loopholes are and how it does not work, rather than say, 'This is a great system; we want to look at it.' Jason has also been chair of a body that we call Builders Licensing Australia, which is for the regulators, the seniors in the regulatory bodies, in other States. Tasmania is also part of BLA, and New Zealand has also come aboard.

Mr JASON SMITH, EXECUTIVE DIRECTOR OF LICENSING, WAS CALLED AND WAS EXAMINED.

Mr SMITH - Definitely when Tasmania was setting up the Tasmanian Compliance Corporation at a number of BLA meetings - we meet every six months - we received presentations. I call it informal consultation. So there was no government-to-government formal consultation. It was informal discussion at the senior bureaucrat level on the model and we provided feedback at some of those situations.

Mr WILKINSON - Did Glen Milliner come and speak?

Mr SMITH - Yes. Glen Milliner and Graeme Hunt have been to these meetings.

Mr WILKINSON - Did they come to speak with you at all prior to setting up the system down in Tasmania?

Mr SMITH - Informal, I think it was.

Mr WRIGHT - Glen has been in to talk to us but it was fairly informal. If I remember rightly, the system was already under way when we did start talking.

Mr SMITH - It was not, 'We are starting something, what do you think?' It was like, 'This is what we are doing'.

CHAIR - Thank you. Has the Tasmanian Government spoken with the BSA since the inquiry into the TCC?

Mr WRIGHT - Only through the BLA, I think would be the answer.

Mr SMITH - I have had contact with KPMG in relation to that review. They asked me a couple of questions.

CHAIR - In relation to the review which they have done into the TCC?

Mr SMITH - Yes. Apart from that, no. I don't believe there was any formal contact.

Mr WRIGHT - No formal contact such as this.

CHAIR - Is there anything in relation to that contact which KPMG made with you which you might consider is relevant to where we are at today?

Mr SMITH - It was more general questions of how we run licensing in Queensland and the fees we charge, those sorts of questions. So it was more about information than consultation.

Mrs SMITH - Help with comparisons of value for money, I would presume? Not that it said such in the report.

Mr WRIGHT - It would be an interesting report because KPMG did some analysis of us as well. We had an NCP review, National Competition Policy review, of our operations and there were some outstanding issues from that initial NCP review. KPMG came in and revisited it for us and for the Government. They produced a report and that report is available. So it would be interesting to see whether any of the content of that report flowed across.

Mr WILKINSON - Can we get a copy of that report?

Mr SMITH - Yes, I will see if I can get you one.

CHAIR - The notion of that first-resort insurance versus last-resort. We had first-resort insurance in Tasmania until a few years ago when we changed the legislation. That was as a result of industry lobbying probably as much as anything else. I guess it is fair to say that we deferred to that industry view and now we have a policy of last resort.

Mr WRIGHT - The industry lobbying, though, was the insurance industry, wasn't it? It was not the building industry. It was a case that the insurance industry held the regulators to ransom.

CHAIR - Yes, probably a combination, Col, because, in Tasmania, the only two warranty companies providing the required insurance were the MBA and the HIA. In essence, it was the industry as well because they had that vested interest, as you could argue.

Mr WRIGHT - But it arose out of the failure of HIH insurance, which was the major warranty provider, and the contraction of the market to the point that the market then dictated its terms to the Government. So your question, sorry, was?

CHAIR - I am struggling with -

Mr WRIGHT - The two different insurance models?

CHAIR - No. I understand home owner's warranty pretty intimately because I was instrumental in setting the system up in Tasmania. But if you have a robust dispute resolution system and a robust disciplinary system which flows from that for recalcitrant builders, isn't a policy of last resort a reasonable and only safety net which you need rather than a policy of first resort.

Mr WRIGHT - No, definitely not. I am really passionate about this. I set-up the first-home owner insurance scheme in Queensland. I was brought on board as the first manager of home warranty. We have had home warranty here since 1978, so I have been with the organisation just on 26 years -

CHAIR - As a government run entity?

Mr WRIGHT - As a government run entity. I think we have the world's longest running home warranty insurance scheme. You really have to look at it from the consumer protection aspect. The problems that we continually see in the media fall out from the lack of that consumer protection. The last resort is that your builder has to die, disappear or become insolvent.

CHAIR - Sorry, if I can just stop you?

If you have that robust disciplinary system -

Mr WRIGHT - Mandy will cover that because Mandy McCosker is now the exec manager, insurance. I've invited her in. Can I just say the answer is simply no, because you need to know that when your robust system fails you can then straightaway move to insurance to resolve the outstanding issues. You don't then have this secondary filter that asks, 'Have they died, disappeared or become insolvent?'. No, no, no, sorry there's no insurance. We get a lot of contractors who are insolvent but they never actually go into bankruptcy or liquidation; they just stop trading. Now in your last-resort systems you have to sue those people and take them to the point of bankruptcy before you can get at your home warranty insurance. In Queensland you don't worry about that. So it's just giving you that -

Mr SMITH - Or failing to comply with a direction.

Mr WRIGHT - Yes.

Ms FORREST - The aim is not to use the insurance -

Mr WRIGHT - No.

Ms FORREST - If your system is robust enough there would be very limited or infrequent occasions that you would need to access it. Is that right?

Mr WRIGHT - That's right.

Mrs SMITH - It's a safety net, isn't it?

Mr WRIGHT - It's a safety net.

Mrs SMITH - If the contractors said, 'Blow this, I'm just going to walk and I won't do any more work so you can stick your licence where you like', you still can fix the consumer's issues?

Mr WRIGHT - Yes.

Mrs SMITH - Even though they haven't gone broke.

Mr WRIGHT - On page 14 in that preamble right at the front of the folder there is a diagrammatic in those white pages which shows a particular year 2001-02, so this is an older report that I didn't fully update. We have 5 347 disputes notified now. That is in a market where we have nearly 100 000 construction jobs on residential work in a year, so you have to look at that as a percentage -

CHAIR - Residential construction jobs?

Mr WRIGHT - Residential constructions jobs were about 92 000, I think.

Then out of the that 5 347 we resolved all bar 1 003 through just one-on-one contact with the contractor and encouraged them and the owner to solve their problem. Then the 1 003 get directions to rectify. This is about the number of reviews that we get of our decisions. Then out of that 1 003 there is about 74 per cent of those directions to rectify are complied with and then there is the residual 26 per cent that will ultimately get some sort of consideration out of the home warranty insurance scheme.

So you are taking it down to fairly small numbers that need the home warranty insurance scheme but you need to be sure that the home warranty insurance scheme is robust and complete enough to finalise and satisfy the consumer complaint. Is it just because your licensee then says, 'Bugger you; I'm not going to comply with your direction', that you then say to that consumer, 'Sorry, we can't help you any more because your contractor hasn't gone broke'? Maybe if he died you would be able to get a claim so you could get a hit man to go and knock him off, so you have to have that complete system.

CHAIR - Does the documentation you have provided us give a staff breakdown?

Mr WRIGHT - It's in the annual report. So the annual report is in the very back of the document.

CHAIR - I saw that earlier.

Mr WRIGHT - There's a staff profile in there.

CHAIR - With the notion of banning a builder for five years if going broke, how do you deal with a situation where the builder, through no fault of his own, might have been working under the best intentions for a shonky developer and the developer rips him off?

Mr SMITH - Yes. There's a fail-safe mechanism in there, so it's not automatic. They have the right to apply for what we call a permitted individual. Under the legislation there is a very tough test. They must demonstrate to us that they took all reasonable steps to avoid the bankruptcy or the liquidation. Therefore, in your scenario they could argue that they were ripped off by a developer and they took all the legal advice and they attempted to sue them and they took all the reasonable steps that you would expect of someone to try to save that position. If they do then we will permit them, and therefore they are not banned for five years. That is a very tough test because obviously everybody tries to avoid the five-year ban.

CHAIR - Okay. No hourly rate contracts, or no cost-plus contracts?

Mr WRIGHT - You can have cost-plus contracts under certain circumstances. It has to be agreed between the parties, but they are really in the minority. They have gone from being a fairly major element of housing construction in the early 1990s to being absolutely almost non-existent in housing.

CHAIR - I was going to ask about the agreement between parties because even though it is a danger working for family, nonetheless there are many times when the son is a builder, so mum and dad want a house built and they say to son, 'Just come and do it; we're happy to pay your wages for however long it takes'.

Mr SMITH - They always end up in disasters, normally.

Mr WRIGHT - They always do.

CHAIR - But as long as there is some path to achieve that, I don't think that's an unreasonable position to take.

Mr WRIGHT - There is. We have also given you domestic building contract information in that folder, so you have a tab with 'contracts' on it. So you have some information on that legislation there without giving you the act itself, but it gives you a good overview of that.

CHAIR - Contracts?

Mr SMITH - It's under DBCA.

Ms FORREST - Can I just ask one further question on that. Essentially, if I was going to get my son to build my house, I would need to have a contract with him, a legally binding contract?

Mr WRIGHT - Yes, but you can, by agreement, agree not to follow certain of the requirements of the DBCA. You are basically saying, 'I understand this requirement, but we accept that it doesn't apply in our circumstance'. That is rarely used because the MBA and the HIA and the BSA all produce contracts. All the contracts in the main are produced the standard of the DBCA, so you get compliance automatically through that contract documentation rather than people trying to work their way around the contract documentation. We are about to move to free access for contractors to our contracts without charge. We are trying to go to another level where we even more promote our contracts and their use by just giving web access to the contract documentation.

CHAIR - We talked about the demerit point system and Ruth raised the matter of the framing notice not being attached to the progress claim certificate. Ian indicated that would come not with demerit but with a SPERS notice.

Mr WRIGHT - That is a different piece of legislation. The framing notice is under the legislation that covers the certifiers, not our legislation. We accredit certifiers, so that is under the Building Act itself. A PER notice is a State Penalties Enforcement Register notice, which is like the police tickets that they give you, so your fines have so many points and a penalty unit has a dollar value to it. Think of it as the police giving you a speeding fine, it's the same.

Mrs SMITH - It's on blue paper?

Ms FORSTER - How big are the fines that are imposed, then?

Mr SMITH - They are normally 10 per cent of the maximum fine you can get from a court. For instance, unlicensed contracting will be \$600. If we went to court for an individual, the maximum penalty could be up to \$6 000. So it is a great tool to be able to fine

somebody in a quick and efficient manner, rather than having to drag them through a court process to do it, so the fines are smaller.

Ms FORSTER - If the infringement were for failure to lodge the frame-up or whatever notice it is, what sort of penalty would that attract?

Mr WRIGHT - I am not sure because it's not under the legislation that we administer.

Mr SMITH - It would be around that \$600 or \$750 mark.

Mr WRIGHT - Yes, around about that.

CHAIR - The only other one I was going to discuss at some stage - and I think James will take us through it - is your asset backing rules.

Mr SMITH - My position looks after the licensing program and the compliance program of BSA so I will just touch upon those issues. I can talk in as much or as little detail as you like, so I will just go through the general topics and then you can fire questions at me and we can work out some details.

CHAIR - Just before you do, does the annual report give a breakdown of the various licensees?

Mr SMITH - Some of the previous ones do, but if you need that information I can get it to you very easily. I think some of the older reports give those breakdowns, but I can get access to that for you.

Let us start with the fundamentals. Firstly, the licence in Queensland is a business licence. We need to address that. There is a business licence concept and an occupational licence. A business licence is a licence for the employer not the employee, so we do not licence employees at the BSA. It is about contractual responsibility or supervision. There are other departments in certain jurisdictions that look after occupational licensing and that is normally about health and safety - so plumbers and electricians have to have occupational licences. Every single person who is doing plumbing work needs to have an occupational licence. For instance, in Queensland if that plumber wants to then run a business they have to come to us and get a contractors licence or a business licence. That is first and foremost. We licence only legal entities - individuals and companies. If you are a separate legal entity we can license you; we don't license partnerships, for instance, because a partnership is not a separate legal entity. Other jurisdictions do.

Just some general stats - I heard Ian talk about them - we have 65 000 licensees. That has grown from about 47 000 five years ago, so there has been a large amount of growth in the last five years. It is broken up into about 22 000 builders. We also have designers and trade contractors. I think designers make up about 2 000 and trade contractors about 33 000. We have 57 licence classes that are available to the public at the moment, but we maintain about 110 all up. We have a number of licences that are in the system. People got them years ago and, as long as they renew their licence, they get to hang onto it. That is more of our older restricted licence classes. The 57 that we look at now is broken up into builders, designers and trade contractors. Those 57 licence classes and

the 65 000 licensees hold over 100 000 licences because some people hold more than one licence. For each licence class of the 57 - I have given you an example of a couple of them - we have scopes of work. A scope of work details exactly what the licensee can do under that licence class. So a builder low-rise can do any building work on class 1, so he can do any size house or small commercial work - say, a doctor's surgery.

Mr WRIGHT - A scope of work is immediately after the fact book - you have a blue booklet and the scope of work is the next thing in there.

Mr SMITH - You need that for every single licence class; you need to put boundaries around that licence class. What we often get is, 'What can I do under this licence?' or 'Can I go into this field under this licence?', so you have to set up a scope of work. Under that same scope of work we list the requirements to obtain every licence. Fundamentally there are four main tests, and an overarching test which is being a fit and proper person. The four main tests are: firstly, technical criteria. Every single applicant must have a technical qualification behind them. We did a major review in 2001, which was implemented in 2003, which eliminated a lot of restricted licence classes where they were not linked to national qualifications. So there is the Australian qualifications framework, under ANTA, which has levels for each of the qualifications. For instance, certificate 3 is an apprenticeship, certificate 5 is a diploma and certificate 6 is an advanced diploma. Most of our licence classes, but not everyone, are linked to that system. So if you want to be a builder low-rise, as you can see here, you must complete these minimum 14 subjects out of the certificate 4 in building. I make a point of this because some systems in Australia continue to do what Queensland used to do about 10 years ago - you go off to either TAFE or a private training organisation and they would do an assessment on you which would have no purpose other than to prove that you could get a licence. I think that is old hat these days, you need to get a qualification behind you. That qualification is transferable, you can use it for other reasons and then you link your licensing system to that.

When I say you have to get a qualification there still is the ability for recognition of private learning. Australia-wide now every single registered training organisation or TAFE must adhere to these principles that if you have the skills or experience in what you are doing you can get those skills assessed to equate to the qualification. So rather than sitting in a classroom for 18 months or two years, as school leavers might do - which is still a perfectly acceptable way to get that qualification - people in the industry can get their skills assessed.

You will see again in your folder, after the scopes of work and the application forms, there is a document called 'Registered training organisations and technical assessment organisations'. It has a picture of a hammer on it. That is a document that we have prepared that lists all our 57 licence classes and every single registered training organisation that can perform an assessment to give you that qualification. We did that because obviously we get a lot of inquiries, 'I want to get a carpenter's licence, how do I get one?' and we tell them, 'You need the certificate 3 in carpentry'. 'I don't have that, how do I get it?' and this then directs them to TAFE or registered training organisations who can deliver that assessment.

Ms FORREST - We were informed by someone - I cannot think who - that recognising TAFE Tasmania's training is at the base level? Scanning through this I cannot see TAFE Tasmania.

CHAIR - That was for building surveyors.

Mr SMITH - This document itself is Queensland-specific so you will not see any TAFEs outside of Queensland but obviously there are RTOs outside of Queensland that deliver the same courses. My understanding is that the regulation system in Tasmania actually does link to qualifications at the moment. The builder levels, architects and engineers are all linked to at least a certificate 4 in building or higher so you already have that at the moment which is a good system.

That is probably the most important element to the licence - that they must be technically qualified. Even though we are giving a licence to run a business in the industry, they still need to have technical competence.

The second test is a managerial element. If they are running a business we need to make sure that they have base level business skills and have done some sort of business course. We find most applicants do not have some kind of business training behind them. We have set up through our board a minimum set of competencies. There is a list of about 16 competencies that must be met through a course. That course is delivered through RTOs and we have 16 of them at the moment. For instance, the Master Builders HA are on that list, Open Learning Institute and TAFEs and they actually deliver a course which they set up themselves. We put parameters around that course so it must be three days at least and it must cover these 16 competencies and it must have an exam at the end. Some TAFEs choose to have a course that lasts for two weeks or more than that. So we send any applicant who does not have a fundamental business skill off to one of these training courses. Most of them are three-day courses over the weekend and that teaches them things like GST, basic tax accounting and the fundamentals of BSA licensing, just to make sure that they know about costing materials, profit margins and all the basics that you need to run a business. That is the second test.

The third test is experience. Even though we rely heavily on a technical qualification we still insist upon minimum experience. We do not want a situation where someone graduates from school, they go into a university system, get a degree and then we let them loose on the industry and they can build a 30-storey high-rise. We ask for a minimum of two years' experience and for builders it is a minimum of four years. How will they get their experience? Remember that the licence is only an employer's licence, not an employee's licence, so they would be employed by building companies to gain the experience. The experience we look for is supervisory experience - running a building site, coordinating trades, handling customers, and that goes across all the licence classes.

Finally, and probably the one I will spend the most time on, is the financial requirements. It came in on 1 October 1999 there is definitely a copy in your folder. It is quite an extensive document.

Mr WRIGHT - Separately tabbed I think.

Mr SMITH - We were the first State to bring in this level of extensive inquiry in fact no other State goes to this much detail in checking the financial requirements of contractors.

It was done for two reasons. First and foremost, security of payment. We wanted to make sure that the industry has confidence that when they are dealing with one of our licensees they that know that they have minimum financial backing behind them and that they have a steady cash flow.

The other aspect of it is obviously internally for us wanting to make sure that licensees who get access to our insurance scheme obviously have the same sort of financial wherewithal.

That came in on 1 October 1999. I won't profess that it was an easy transition. It was an absolute nightmare when it first came in. We had a very loose system of financial checking before that where they could literally just self declare their asset level. Suddenly we moved to this very heightened control system where they had to go to their accountant and their accountant had to independently verify their financial position. I will talk about the basics of the financial requirement now.

It is based on turnover. If you have the document in front of you you will see the table at the back of that document. We issue every contractor an annual turnover that they can trade within in a 12-month period. You will see the first row there from 1 July 2006. For instance, the category 1 licensee - they have a net tangible asset position; it is all based on your asset position, the higher your assets the higher the turnover that will give you. If they have an \$18 000 net tangible asset position, it will give them an allowable annual turnover of \$300 000 a year.

Mr WILKINSON - Is it \$300 000 to \$600 000?

Mr SMITH - The \$18 000 level relates to the \$300 000. It's a sliding scale so \$19 000 might be \$325 000 - it's all based on the formula which you see below. Again, the greater the asset the greater the turnover. So to trade at a \$12 million turnover they need \$480 000 in net tangible assets. So we are talking about assets minus liabilities and minus any intangibles such as goodwill. That is the fundamental basis of it.

You will see that the first two columns are what we call SC1 and SC2. They are our low-risk contractors, normally trade contractors. Their turnovers are less than \$300 000 and we have two levels. One is \$100 000 level and the second is a \$300 000 level. They simply self declare. So at \$100 000 you need \$6 000 in net tangible asset and at \$300 000 you need \$18 000. Every year or upon application they must self declare to us, 'Yes, I have \$18 000 in net tangible assets' and we will accept that. That part of the industry makes up about 80 per cent of our contractors and it is traditionally the trade subcontractor, this is the guy with the ute and the dog who goes out on site. So, if a contractor with a \$100 000 turnover was to fail, it has a very minimal impact on the industry. If a company with a \$12 million or \$20 million was to fail, obviously it has a substantial impact on the industry in relation to payment of creditors for instance. So we have taken a risk approach there in saying we will let you self-assess your financial position based on because you are a low turnover contractor.

Let us move to the test. There are two significant tests in relation to the financial requirements. I have mentioned one which is net tangible assets. The accountant, through the financial report and I will show you that in a moment, must tell us the level of net tangible assets of that contractor and we will then issue them a turnover. It is up to the contractor to then trade within that turnover in a 12-month period.

Let's say we give a contractor \$5 million of turnover based upon their asset position. They can only trade to 110 per cent of that so they are allowed to trade up to \$5.5 million so we give them a 10 per cent leeway. If they are, for instance, going to trade above that within that 12-month period, it is their responsibility to advise us of that and to give us an updated financial report which advises us they have increased their asset position to give them an increased level of turnover to trade within.

If they don't, every 12 months they must give us their financial information and every 12 months they tell us what their actual turnover was in the previous 12 months. So we will compare that to what we gave them 12 months ago. So, if we gave them a \$5 million allowable turnover and they traded to \$8 million then that is a breach of the requirements and that gives us the ability to prosecute them and to also suspend their licence.

With our system at the moment, if it is a first breach we will warn them and ask them to give us a submission as to what they are going to do to correct it. If we see a second breach of turnover we will instantly prosecute through the tribunal or the courts and we get significant fines for that. If we see a third breach, and we have seen this, then we will take action to suspend and cancel the licence. It is a fundamental pillar of this policy that they must trade within their turnover limits and therefore keep within their asset requirements.

Mr WRIGHT - The other element that backs that up for us is the fact that we have a compulsory home warranty insurance scheme. We actually insure the work that house builders are building. They have to insure based on contract values, so we are able to review, through those insurance notifications the value of their turnover. We can monitor whether or not they are going close to or exceeding turnover.

Mr SMITH - For residential builders, we can compare the value of their contracts over a 12-month period compared to their turnover.

Mr WRIGHT - It is one of the advantages of having an integrated model rather than a separate model.

Mr SMITH - You wouldn't get that information from the private insurance industry.

The second test is the liquidity-ratio test, so this is more about cash flow. You might have assets behind you but you also must have the ability to pay your bills when they come in. We are moving to a current ratio, which is simply current assets over current liabilities. Put simply, for every dollar that I owe somebody I must have one dollar in the bank to cover it. So they must meet both the NTA test and the liquidity-ratio test. If they don't meet one or both of those tests, they cannot get their licence renewed and they will eventually be suspended, so a company cannot trade in Queensland unless they meet these requirements. They must submit the financial information once a year. If I can

quickly draw your attention to the document, page 41 is the independent review report. This is the document that the accountant - who must be an independent accountant, not an employee of the business - must submit to us every 12 months. You will see over the page that as part of that document they must tell us the allowable annual turnover of the business, the liquidity ratio, the current ratio and it must be signed and dated by the accountant. Under our act, if anybody, either an accountant or a director, gives us false or misleading information, they can be jailed for up to two years, so it is quite significant. We have not jailed anybody at this stage - that is obviously fraud - but we have prosecuted a number of accountants and directors who have been negligent in preparing this financial information for us. Again, you need that level of compliance because unfortunately some accountants are very flippant in signing these reports and we rely upon them heavily to make sure that they are doing their analysis. So every year, every contractor who is in categories 1 to 8 or has turnover greater than \$300 000 must submit to this financial test.

For contractors with a turnover greater than \$12 million, so we are getting into the much higher risk levels now, we actually force them to do an audit. An audit is a much more significant check. It must be done by registered auditors, so we actually force certain businesses to do an audit, which their Corporations Law doesn't even ask them to do. Again, that audit gives us that extra level of comfort because we are now talking about some businesses who have turnovers in the billions. When we talk about turnover, we mean all turnover. We are not just talking about Queensland-related construction. It is all construction and it is all turnover, construction-related or non-related. Again, if you have a business that is 20 per cent construction-related and 80 per cent in the fast food industry, if the 80 per cent of the business falls then the 20 per cent of business will fall as well, so the turnover is everything and therefore they must meet the asset position on everything. It is actually for some companies to create specialised contracting businesses. We would prefer that because then we know that the entity that someone is dealing with, either a consumer or a contractor or a supplier, is one specific construction entity that has been adequately capitalised to meet its turnover levels. Many construction businesses will have their hand in a number of pots. They may not be adequately capitalised; they face many risks and, again, can fall over from any other angle.

We have recently introduced changes to the financial requirements. I won't go through all of those, but generally those changes were to tighten them significantly, so it is all about reporting requirements. So, for instance, where there is a related entity loan between a licensee and a related party, we ask the accountant to verify in the report that the related entity loan is collectable. It is an extra level of checking because we have found, over the last six to seven years, that accountants were not doing that check and they were supposed to, so we are forcing them to do it. Where there is a third party which is providing, in essence, a guarantee to support the asset level of the company, we now ask the accountant to do a balance sheet on the third party to verify that they have the assets behind them to satisfy that guarantee, for instance. I could talk about things in detail but I will not.

There are other elements in here which relate to PI insurance. Through this document we force certain contractors, normally those that deal in design or who do not construct anything - all our designers, our pest controllers, our fire contractors who produce reports. They must have minimal levels of professional indemnity insurance and that is in here as well. Otherwise, that is a brief summary of the financial requirements.

Ms FORREST - Do all these contractors have trouble getting professional indemnity insurance, or is there a market?

Mr SMITH - Yes, a few years ago, especially with the HIH issues. We had significant problems, especially with fire operators. There was no-one out there that was giving professional indemnity insurance to fire operators. What we did at the time was to allow for an exemption period. It is still in the policy at the moment but it is not as used. If a contractor came to us and was able to verify that they could not obtain PI insurance, then they could sign an exemption form which basically said they are volunteering for a condition to go on their licence which says that they do not have PI insurance. That is the consumer protection element, and they must notify a consumer of this in advance. So we are not going to take your licence off you because you cannot get PI insurance, but we are going to warn any consumer or warn any contractor that is going to deal with you that you do not have PI insurance. That was used heavily years ago.

Mrs SMITH - That would show up on your web site?

Mr SMITH - Yes. That was used heavily years ago, not so much now because PI insurance has become more available.

Ms FORREST - It would be difficult now to prove that you could not get it if it is available.

Mr SMITH - Some classes still struggle, some of the fire classes, but generally most can get it.

Ms FORREST - At what cost? Is it quite expensive still?

Mr SMITH - Compared to years ago it still is a lot more expensive than it used to be. But they have definitely come down over the last few years. We were seeing examples of \$10 000, \$15 000, \$20 000, policies which are now back to \$4 000 or \$5 000. But these same policies six or seven years ago may have only been \$500. So they are significantly more but still, we believe, more affordable.

Mr WRIGHT - You would be a fool to operate a business without PI insurance if you have any chance of getting it. There is huge risk involved in that.

Mrs SMITH - There is concern that we may lose our entrepreneurs because some will not be able to meet the tests. In some of the more rural areas, very similar to Tasmania, a builder will have a lot of multiskilling. Some young fellow comes to Brisbane, does an apprenticeship, gets all the skills and qualifications and fulfils everything but the financials. The family rings up from Barcoola to say you are 24 now, come on home, there is opportunity to grow a business for yourself here. Suddenly he only has the dog and the ute. He is a builder. He can meet everything except those financials.

Mr WRIGHT - If they are in the house building industry, our financial requirements are not as strict as the private home warranty insurer's financial requirements. The first thing you have to realise is that if you already have a market that requires home warranty insurance as a prerequisite to being able to build for consumers, contractors are already going through that financial assessment by insurance companies at a far more stringent

level and providing bank guarantees that we do not seek in our financial requirements. So it already exists in the house building market but, Jason, you might answer that otherwise.

Mr SMITH - Firstly, when these came in 1999, that was a very big question that we were answering. All the doomsdayers were saying that we were going to lose half the industry. We normally have a drop-out rate, or we did back at the time, of around 6 per cent or 7 per cent. So 6 per cent or 7 per cent of the licensees would just naturally drop out each year. When the financial requirements came in 1999 that increased to about 9.5 per cent, so we only saw a very slight increase in the number of drop-outs. My argument is to remember that these financial requirements, at the lower end, are all based on turnover. So the minimum requirement for \$100 000 a year subcontractor is only \$6 000 in assets.

Mrs SMITH - I am talking about a builder as against a contractor

Mr SMITH - Even the minimum level for a builder is only \$18 000 at \$300 000. Again, it gives them the opportunity, and they can include their car. They can include that so that it is easy maintain.

Mrs SMITH - What if families say we will guarantee you?

Mr SMITH - Yes, definitely. I used the word guarantee. It is not a guarantee. It is called deed of covenant and assurance which is a promise to pay the difference only if the contractor is to fail. When Col talks about guarantees for the private home warranty market, they are talking about guarantees where they have to sign their house away to the company but we do not have that here. That is very often a misconception of our system.

Mrs SMITH - I understand insurance is tougher but as a government statutory body it won't expect you to be looking at entrepreneurship and the future of the industry. Insurers are looking at the bottom line.

Mr SMITH - As they grow their business, their asset position increases so their turnover level increases. I would say to you that you don't want someone who has just started in the business, who has just started as a builder, being able to turnover \$5 million a year because they just won't be able to handle it.

Mr WRIGHT - That is one of the greatest causes of failure in the building industry - too big too quick. Our predecessor, the Builders' Registration Board, did an analysis in the 1980s of failed building contractors that we had been involved with and it was all too big, too quick. They went from being a back-of-the-ute-type builder to all of a sudden taking on 50 or 100 jobs. They were all of a particular age group between about 30 and 45, so there was a real sort of package that you can put around them for the most prevalent form of failure. These financial requirements stop that scenario occurring and make it a more gradual growth rather than a rapid growth. Normally developers, entrepreneurs and real estate salesmen want to sell them some get-rich-quick scheme and they'll jump into a building situation that they can't manage and control.

Mrs SMITH - I was thinking more - and it would relate to us and to your back country - that it is not easy to get the big companies to go out back. They don't want to go out back,

but people who are moving there need a home built. You have answered my question with the guaranteeing concept, so if they have family or whatever they can involve them.

Mr SMITH - Our licensee base has grown every year since we increased these financial requirements, so it is not as if it is hard to get in. It's just making people more accountable for what they are doing in their business. We have 65 000 licenses currently. Every year is our best year. We haven't gone backwards in six or seven years.

Mrs SMITH - Does that equate to your builders or is it your contractors?

Mr WRIGHT - Both are.

Mr SMITH - Both categories are increasing at the same rate - builders and trade contractors.

I was going to mention briefly the concept of owner-builders as part of our licensing system and you see some information there. We have a fundamental right in our legislation for an owner to build on their own land. It is a very common concept across Australia and across the world in relation to building regulations but we have some very strict controls over that. An owner, if they wish, is not required to engage a builder to build on their own land. They can actually perform the building work themselves. More commonly, they will engage the contractors themselves to get their house built. If they do that, as soon as the value of work is over \$6 600 then they must obtain a permit from us. If the value of work is over \$11 000 then they must do a course. The course is a 15-hour course. It doesn't teach them how to build; it teaches them about the building process so they know the pitfalls to look out for when they are building a home.

Mr WILKINSON - Pretty well any job would be over that \$11 000.

Mr SMITH - That's right.

Mr DEAN - That's over and above the permits and all the fees and so on for local government as well?

Mr SMITH - That's correct. This is a specific permit that we issue which entitles them. The certifiers look for them and the councils look for them to make sure that they've either paid the insurance to a builder or you have become an owner-builder yourself. There are definitely more catches in here. Firstly, you are only entitled to one permit every six years. You cannot basically start a building business. It was all the rage a few years ago to buy one house, do it up and sell it, buy another house do it up and sell it. You can't do that in Queensland if you are doing it yourself.

Mr WILKINSON - How long do you have to keep the house for?

Mr SMITH - The permit can last basically the term of that six years.

Mr WRIGHT - For the term of the job that you've got the permit for.

Mrs SMITH - So what if I come in, though, and I want to put the back deck. It is under \$11 000 so it cost me \$135.30 through you to be the owner-builder who does the back deck. Next year, for a few more dollars, we will do the front deck.

Mr WRIGHT - Another permit, that's fine.

Mr SMITH - It can be done under the same permit as long as it is the same property. It is within the same permit. You would come to us to ask for an extension basically to that permit.

Mr WRIGHT - On the same property.

Mrs SMITH - So you don't end up, just because you do one renovation, over your six-year limit -

Mr WRIGHT - No.

Mr SMITH - What we do stop, however, and this often happens, is someone who might try to subdivide their block and then build another house on a separate block. That is different; it is a separate property. We do not encourage owner-builders, we actually discourage them. We find that a lot of people think they can do it cheaper and they normally get into trouble. Owner-builders do not get access to the insurance scheme so they are doing it at their own risk.

Mrs SMITH - I am only thinking about the handyman or woman who out there.

Mr WRIGHT - They are the people we do not want to discourage but what has happened in the other States is that we have seen a growth in owner-builder numbers because builders cannot get home warranty insurance, because they cannot meet the insurer's financial requirements so therefore they encourage owners then to become owner-builders. We have seen owner-builder percentages down south of up to 40 per cent. Our owner-builder percentages are around about the 5 per cent or 6 per cent mark. Genuine owner-builders - this is, genuine people who do want to build on their own property - sit at around 5 per cent or 6 per cent. Anything over that are people getting owner-builder permits to help somebody who cannot buy home warranty insurance. So you are just circumventing the system with another form of de facto licence for owner-builder permits.

Ms FORREST - If I am an registered builder and I wanted to build my own place I would not have to go through the home owner -

Mr WRIGHT - No, you have the choice. You can either pay the home warranty insurance or you can take out an owner-builder permit. If you take out an owner-builder permit you are under the same requirements - you have to advertise that it is owner-built, it is not covered by warranty insurance and so forth if you sell it. If you take out the home warranty cover, any subsequent purchaser is then covered for defects in that home which is an attraction for a buyer. Our home warranty insurance actually has a no-fault subsidence cover that Ian briefly mentioned this morning whereby even a builder would be covered for subsidence to his own home if he took out home warranty insurance.

Ms FORREST - So that builder obviously would not be expected to undertake that three-day or 15-hour course or whatever it is?

Mr WRIGHT - No, he already has the qualification.

Mr SMITH - If they wanted to get the permit because they did not want to pay insurance then they are automatically exempt from doing that course because they are a licensee.

Ms FORREST - Right.

Mr SMITH - Before I move on, the final catch in relation to owner-builders, which the other States do not have, is that we actually notify the title. We actually put a notation on the certificate of title which warns any subsequent purchaser that work has been done on the property under an owner-builder permit. Secondly, under the legislation, if they sell the property to have to give contractual warranties to any subsequent purchaser that they have advised them that the work is also under an owner-builder permit. Again that is necessary to make sure that the subsequent purchaser is aware of the risk that they are buying a property that was not built by a licensed builder, that it was done under an owner-builder permit. So we actually have all these catches to ensure that, yes, you can be an owner-builder but only in certain circumstances - only once every six years and we will notify any subsequent purchasers.

Mr WRIGHT - The owner-builder course that people do is not a course on how to build, it is a course teaching you how to manage a project basically - to make you aware of the legislative requirements, the permits, workplace health and safety, how to cost a job. It is the process rather than the actual building and it is designed to make sure that people understand what they are undertaking before they do it. It was almost a badge 10 or 15 years ago - 'Oh, I have an owner-builder permit', it is like 'I am a licensed contractor'. We have changed that around so that people now understand their responsibilities as an owner-builder, not getting a permit and thinking that this is a bit of a badge that they have.

Mrs SMITH - Is there a cost when they go to do these courses?

Mr SMITH - Yes. Normally are a few hundred dollars, so it is not significant.

Mr WRIGHT - We get very little complaint about the fees or the process or anything else. It fits very nicely with the other part of our system.

CHAIR - You would be aware that in some of the other States, certainly in Tasmania, that if an owner-builder does construct their home and they live in it for four years there is two years of warranty which would have been available had it been built by a builder. They cannot sell their house without a warranty attaching so therefore they have to go and get an independent inspector to have a look and identify defects. Those defects either get fixed first or are excluded from the coverage left on that two years. Why wouldn't you go down a track like that so that the subsequent purchaser is no less disadvantaged than had the place been built by a builder so that there is some insurance protection for the subsequent purchaser?

Mr WRIGHT - You could. We have just elected not to. We believe that the two are quite distinct. One is a licensed contractor's job that is done under home warranty provisions, fairly strict licensing regimes. Those are the properties that we guarantee. We do not have a private insurance regime for owner-builders and we do not see that is a

complementary role to the home warranty scheme that we run. We have elected to make the distinction. That is another reason why you might rethink being an owner-builder and use a licensed building contractor. We are trying to get people away from building homes to a poor standard, putting them on the market and having somebody else pick up the problem.

Mrs SMITH - You are making a presumption though, that because someone goes the owner-builder route that it will be at a poor standard and that is not necessarily so.

Mr WRIGHT - Not at all, quite the contrary. A lot of them are very high standard, but the genuine ones stay in them. So they are not a risk. It is the ones that come on the market, you will find -

Mrs SMITH - Your spec builder -

Mr WRIGHT - You are trying avoid the spec builder. You do not want people who are unqualified jumping from one job to the other through coordinating trades, bringing their mates in and whatever else.

Mrs SMITH - Okay.

Mr SMITH - I was going to move into compliance for at least 10 minutes or so. Again, the success, I believe, of our model is that we would probably have the most stringent compliance powers of any regulator. I think Ian has touched upon some of them. We have the ability to ban contractors for three years, five years or life in relation to various breaches of the legislation and I will talk about those. You have to have the ability in a regulatory system to hit the builders over the head with a big stick. If you don't, then it will hurt you in some other way. We will often get criticised for being too harsh. But I come from a legal background, I have worked through compliance and I believe very passionately that you need to have a very strong compliance system.

Our compliance system looks at two main avenues. There is a financial level of compliance and a non-financial level of compliance. Firstly, in relation to financial. I have mentioned all about the financial requirements for licensing, where a licensee must submit their financial information to us annually. Under our financial compliance, we can do an audit of a licensee at any point in time during the year. So if we are getting complaints about non-payment of contractors or complaints from consumers that they are not getting service out of a contractor or work has stopped or sites have been abandoned, we can immediately do a financial audit on that contractor. But they have to demonstrate to us that they meet the financial requirements now. So we do not have to wait until their annual health check. Our legislation says that they must meet our financial requirements every day throughout the year, so we can do a financial check there.

We also have the ability, if we believe a contractor is not paying their bills on time, to put conditions on licences to get financial information out of them as well, apart from the financial requirements. We often get cases where contractors are struggling to pay their suppliers or contractors. They might be blowing out to 60, 90 or 120 days. We can put conditions on a licence that will force them to give us creditors and debtors lists and force them to prove to us that they are financially viable. If they do not meet the

financial requirements or we do not believe they are financially viable we will again suspend their licence and stop them from trading.

We will regularly - and I know Col and Mandy, our insurance people, hate me for doing this - bring a company down early. My view is that I would rather pull a licence of a company and that company fails today than let them trade a further year or two and get to a significantly worse position. I have often pulled a company's licence now which has then led to insurance claims. We pride ourselves on the fact that we are independent. So, the executive manager of insurance, Mandy, and I are completely independent officers. I do not report to Mandy and Mandy does not report to me. I use my role to make sure that the contractors are meeting their financial requirements.

Mr WRIGHT - We never try to make a commercial decision about a licence based on the liabilities of the insurance scheme. Our experience over the 20-odd years has been that the longer you delay taking action against somebody who is showing financial stress the greater the cost is going to be to the scheme. So the quicker you move, whilst it might hurt, it is better to take on that pain now than try to manage a situation which ultimately deteriorates. You quite often hear the argument that be cannot be both and insurer and a regulator effectively because we have a commercial interest. It is in fact quite the reverse. You make sure that your licensing system is the most robust system possible and the people who run that system are the most suited to that role and they do that role properly to avoid your insurance liabilities. You do not just wait for an insurance system to pick up the mess. But you move when you have to move. You take the hard decision and you know that you have a consumer protection net that then protects your consumers.

Ms FORREST - If you identify that perhaps someone is slow paying their accounts and you have a concern and that may be some warning signs or alarm bells ringing, do you have some processes in place that can assist those people to get their financial situation under control?

Mr WRIGHT - I was talking very tough and I take that very seriously but we will regularly meet with contractors who come in and say that exact same thing. I am having a bit of trouble, that is fine, we will regularly meet with them as most of our senior officers are trained financially to review their accounts. We also refer financial information to our financial assessors for advice. We will bring them in and talk to them about their situation. Normally I will always given them time if I think they are legitimately trying to recover. They might openly admit that they do not meet our financial requirements at this point in time, so I will then ask them to give me a plan of attack about how they are going to meet their financial requirements and when they are going to meet them. Our main concern is that they are paying their subcontractors, they are paying their suppliers and that work is continuing. If one of those three things stop occurring then I do really have no choice but to take their licence off them.

Ms FORREST - So do you provide an in-house financial service?

Mr WRIGHT - No, it does not go that far; that is beyond our role. We have a list of people who we can refer people to for advice but we do not give that advice ourselves. I think that that is a conflict of interest. I cannot be advising someone on the one hand and then take their licence off them on the other. So that is in relation to the financial

requirements. The other aspect of it is the anti-phoenix legislation which we have talked about. From 1 October 1999 if an individual goes bankrupt or a company goes into some sort of winding up proceeding or voluntary administration we can ban that company for five years. I have mentioned through your question the issue of the chameleon individual. You can apply to not be banned for that five years. If you fail a second time we actually ban you for life. You are not entitled if you are an individual to a license yourself or a company. A company cannot have a banned person as a director, secretary or influential person of that company for the rest of their life.

Mr WILKINSON - That would be pretty hard to prove. Let us say that I go bust tomorrow. My wife starts up a company the next day, I am just an employee of that company and she might say that I am not an influential person, but -

Laughter.

Mr WRIGHT - That is actually a very good question. It is something that we struggle with trying to deem someone to be an influential person. If we see cases of a company failing and the husband being banned and the next day we see an application with the wife's name on it we normally pull them in for a chat. We will normally ask them to give us a list of their main contractors or suppliers and we will ring them and ask them who are you dealing with. 'Are you dealing with the wife or the husband?' Remember, even though you are banned for five years you can still work in the industry as an employee, so it does not mean that you cannot work in the construction industry. We do not want you having a licence or controlling a company. But yes, we have to admit trying to prove that someone is an influential person is very difficult. We have done investigations on it.

Mr WRIGHT - If you had the licence and you have been banned and if your wife wants to start up she has got find somebody else with a licence to act as the nominee for that company. She just cannot start up on her own, she has to actually bring a nominee into that fold.

Mrs SMITH - That is a technical person, so she could have someone working in her husband's company who was as good a builder or better than that person - they just put in another name.

Mr WRIGHT - That is a good thing not a bad thing. It is just making sure that this person who has been banned is not the direct controller in that company.

Mr CHRIS BOYLE, EXECUTIVE MANAGER, DISPUTE MANAGEMENT, WAS CALLED AND WAS EXAMINED.

Mr BOYLE - The nominee of that company also has the same level of responsibility as the company for ensuring that that work is done properly.

Mr WRIGHT - I failed to mention earlier that for a company to get a licence, as Col has pointed out, they need to have what we call a nominee - an employee or director of the company who has a licence in their own right. As Chris points out, they have the same level of responsibility in relation to supervision and technical defects as the directors would. That is the financial elements of compliance.

With the non-financial elements we focus significantly on issues of contractual compliance. The Domestic Building Contracts Act, or the DBCA - we have a flyer in here about it; many jurisdictions have this sort of legislation - ensures, especially for the residential sector, that a minimum level of contract is used, that the contract must be in writing, it must describe the work, it must have a value to it and must have a commencement date and end date, you can only charge a minimum deposit, you can only charge certain stages of work, so it is all about protecting both the consumer and the contractor. A lot of contractors believe it is nothing for them but I can think many examples of unscrupulous home owners who try to screw contractors and because they have had a contract it has actually saved them. Predominantly, it is about protecting our consumer to make sure consumers' rights are protected but it also equally, I believe, protects contractors' rights. There is nothing new in that, it is very similar legislation across most of the country. They call it different things.

Apart from the domestic sector, as part of our act, we also have similar requirements although not as extensive in the commercial sector so the commercial sector also must have contracts. They must be in writing, they must have certain provisions in them but they are nowhere near as extensive as the domestic sector because our view is that the commercial sector is big enough and ugly enough to look after itself.

Mrs SMITH - They usually have a corporate lawyer breathing down the necks of -

Mr SMITH - You would be surprised. Again, I come from a legal background and I have seen examples of \$50 million construction jobs that have no contract. You still need to have some level of forcing them, especially in contracts between principal contractors and subcontractors. You need to make sure there are contracts there because there are many principal contractors who do not want to sign contracts with their subcontractors, but that is part of it.

As part of the compliance there, we have the demerit points that Ian has mentioned briefly. Your licence is like a driver's licence: if you fail to comply with the Domestic Building Contracts Act or the commercial equivalent, we can actually put demerit points on your licence so again it is the big stick. It is a case of 'We have a piece of legislation here and you must comply with it and if you do not we are going to put points on you. If you accumulate 30 points in a three-year period we will ban you for three years and if

you do it twice we will ban you for life'. The other aspects of it, and I will not go into too much detail -

Ms FORREST - Just going back to those demerit points, I want to clarify a matter: I think one other witness told us that the demerit points were a bit like those on your driver's licence - they are only current on your licence for 10 years and then they fall off.

Mr SMITH - Yes.

Ms FORREST - What time frame does it take for them to drop off?

Mr SMITH - Ten years is actually correct and you must accumulate 30 points in a three-year period. If you accumulate the 30 points over a 10-year period then there is no ban. If you accumulate 30 points in a three-year period we will ban you for three years. We also have another element: if you have an unsatisfied judgment debt, say someone has actually sued you in court and has a proven debt, if you do not comply with that debt we can issue you 10 demerit points. It is the only way at the moment we have to issue demerit points outside of contractual issues and what that does those 10 points will drop off if you pay that debt.

Ms FORREST - Straightaway, as soon as the debt is cleared?

Mr SMITH - Yes. As soon as we get evidence that they have actually paid the debt we will drop those 10 points off. Again, it is just another mechanism to say that payment issues are important to us so you must have payment.

Other elements of compliance: we have the ability to ban - and this is leading into Chris' area - contractors who do tier 1 defective work or significantly defective work - you want to think about that one - so we have had to use that power where we have seen absolutely shoddy construction work. So it is more than just the norm - where buildings have to be demolished or have huge and health and safety risks we can actually ban contractors for three years. Again, if it is done twice we can ban them for life.

Mr DEAN - You can do that instantaneously?

Mr SMITH - There is a process to be followed. We will issue a notice, they have the right to come back to us with a submission on that notice -

Mr DEAN - In the meantime they have the right to continue building.

Mr SMITH - Yes, that is the natural justice provision at the moment. We do have the ability to issue immediate suspensions on contractors but only when we believe that there is imminent harm to consumers or subcontractors or employees. That imminent harm might be financial harm. Even then when we do that we have to do follow-up notices within the next 10 days, but we do have the ability to immediately suspend. We actually did it only the other day on a group of companies where we had credible evidence that the director had flown overseas, taken all the money, the office had closed down. We immediately suspended the licence.

Other issues of non-financial compliance supervision: we ensure that all licensees must have a minimum level of supervision on their sites and things like building signs, displaying your licence number on your cards and your contracts and things like that - more the minor offences that come through on compliance. They are important in their own right but they are not significant, the main issues being financial and then contractual compliance.

Mr WRIGHT - Any licensing questions before we move to dispute resolution?

Mr SMITH - It is all in the annual report, otherwise we can provide information.

Mr WRIGHT - I suppose, for yourselves, we are a far bigger model than you are, but I think there are elements that you could extract and they could be very effective without having all the whistles and the bells. One of the things that I was going to draw your attention to is that in this overview there is a page with a big arrow on it. This was done for another purpose, but it is just to demonstrate that the organisation does not stand still and any regulator should not stand still. So when you create a piece of legislation to change a regulatory model, that is only the start of a whole change process and the change process is continual. That is our change process since 1992, the big ticket changes, and it continues. We have legislation under development all the time as we are moving to tighten and fine-tune the model.

Mrs SMITH - Except that the progressive company or authority should be doing that. But, Col, as you came out a past life to this in the same area, what do you think is a fair and reasonable time when you set up a new system to get it up and operational so that you are covering the consumer and ensuring that the builder is ticked-off, going to work and getting some training, et cetera? Is it a two-year or three-year process?

Mr WRIGHT - With any new system the first two years is a honeymoon period for the system because it is change process. From what I have seen, any major change that has occurred anywhere else, whether it is a successful change or an unsuccessful change, does not seem to gain any negative momentum for a two-year period. So that two-year period really needs to be the time that you lock in and do your fine-tuning and get your system really operating. Once you get to that two-year point, you then have building projects that were built in that period of time and they have sat and performed or not performed and you are starting to get all the cracks that appear in the system - not in the building, but in your system. So you need to be at a point, after that two year-period, where your regulatory model is starting to become strong enough to respond to the issues. The two years after a major change, such as the private insurance models or the different regulatory models that I have seen come in, seems to be what I call a honeymoon period. That is when you have to get your head down and do all the hard work to get it really locked in.

Mr WILKINSON - Col, you say that. But when you say there are not many negatives in that first two-year period, it would seem from the evidence that we have received to date that negatives started pretty well on day one and continued.

Mr WRIGHT - Yes, but they do not gather momentum and combine force in that two years. So yes, they do arise. You have to react to them and fine-tune and learn from them, not ignore them.

Mr SMITH - Can I add though, Col's perspective is more about the insurance and dispute time. From day one, on a licensing perspective, if you are imposing a regulatory regime on licensees where they have to get and comply with a licence and get trained, then from day one you are going suffer some pain. From a dispute or insurance point of view, yes, you have the honeymoon period -

Mrs SMITH - So you have to be ready on day one?

Mr SMITH - When you say to a builder, 'You did not need a licence yesterday but today you do', that is when you get your pain. Everyone is kicking in - 'Why, I have been a builder for 20 years, why do I have to?' That is your pain, when you start.

Mrs SMITH - I understand the difference.

Mr WRIGHT - Shall we move onto Chris now to tell us about dispute resolution models.

Mr BOYLE - Chris Boyle is my name and I am the executive manager of the dispute area. I guess, so far you have probably been painted a fairly clear picture about the integration of what I call the triangle model - licensing, insurance and dispute management. Dispute management is integral to both those major insurance and licensing businesses. A building dispute out there between two parties does not necessarily relate only to the residential construction sector; we deal with commercial disputes as well. About 13 per cent or 14 per cent of our dispute business is commercial, that does not relate to the insurance business. Predominantly, though, it is the residential insurance stuff that we deal with.

The way the system operates is that parties in dispute will advise BSA they have an issue. We usually do that by way of a fairly standard form because we need to capture some pretty clear information. We need to link the two parties together. How do you link the parties together?

Mr BOYLE - It is usually some form of contract; some agreement. So we ask for a copy of the contract. We then need to link the consumer, or the consumer party, to the project. So we look for something like a rates notice or something similar to that. We can then clearly identify the parties that we are dealing with. Our standard complaint form is also used for an insurance claim so in some consumers' eyes they will simply be making an insurance claim. We run it through a technical analysis, almost like a loss adjustor would for an insurance company. We run it through that process just so we can get an understanding of the technical aspects to see whether there is an opportunity to then hold the contractor responsible for something. The premise on which we start is that every time a complaint is lodged with BSA it is because something has gone wrong. We do not like to point the finger at anybody. Something has gone wrong for some particular reason. To deal with that all our technical staff, our disputes staff and our insurance staff are trained mediators. We run them through a Queensland University of Technology mediation course that happens over a three-day period and we run annual refreshers so our staff are always very highly trained in mediation. Quite often, in fact in 84 per cent of cases of complaints being lodged, issues are resolved without the BSA resorting to our formal issuing of directions and those sorts of things. There is a high success rate in mediation which is also fairly quick. It is quick for the parties, they can get it sorted out.

In the back of the disputes section of your folders I have put a table. There is a lot of information on that table but I just ask you to perhaps have a look down the left-hand side where you will see the different stages that we go through. Essentially the legislation gives us power to do all sorts of things. If we have gone past the stage of a complaint being lodged, one of our dispute coordinators has attempted mediation without success or there is no opportunity to mediate, we will have a site inspection. At the site inspection both parties are invited to attend so that they can put forward their own representation.

Ms FORREST - You are saying that either party can reject the mediation offer.

Mr BOYLE - The mediation offer is informal. We try to achieve mediated outcomes because they are usually quick. We use a range of skills there such as reality checking, talking to the parties about the best alternatives to some sort of negotiated agreement or the worst alternatives.

Ms FORREST - But if you have someone say, 'I don't want to talk to them, I don't want to mediate', then you just move to the next process.

Mr BOYLE - That is right, straight to the next process which would entail a site inspection with one of our technical inspectors. We have 30-odd across the State. In fact I have just come from a conference which we run twice a year. We bring them all into Brisbane or somewhere and make sure their skills are current. A technical inspection takes place with both parties present and representations can be made. Where possible a decision is made on the spot then - 'Contractor, you are responsible for XYZ' or 'Contractor, you are not responsible for XYZ'. If we find him responsible for some defective work, for instance, the contractor will then be given an opportunity to either voluntarily agree to rectify the work or reject that he is required to rectify it. If the contractor agrees, we simply formalise that by letter saying that you have agreed to do XYZ over the next 28 days or whatever the period is. We identify the work that has been agreed and we lock in a time frame that it is to be complied with. If the contractor fails to comply with that fairly soft request then we go to the formal issuing of a direction which is a legislative instrument that we have. Once a direction is issued it is included on our public register so anybody who logged onto our web site and investigated a building contractor would see there that a direction has been issued and whatever happens with that direction - for instance, if the contractor has complied with it or not complied with it. The washing is out there for the public to see. That in itself is a very strong deterrent for contractors. It has been in force for about three years now and initially contractors did not realise the implications of having that washing out there for the public to see and they now realise what it means and it is in their interests to rectify work that they are responsible for.

Ms FORREST - That directive only appears on the web site until the job is completed?

Mr BOYLE - No.

Ms FORREST - It is there forever?

Mr BOYLE - No, for three years and then it drops off. It is a very strong deterrent for issuing a direction and because of that we go through this process of consultation before that happens so that we are providing plenty of opportunity for an errant contractor to rectify some issue they have. Just remember where I started from and that is each time we get one of these complaints it is because there has been some problem. We start from the premise that no reasonable contractor would deliberately do something wrong. That is where we start from so there is a strong emphasis on that mediation. Our inspectors are also highly trained in walking down that middle road, not favouring contractor or consumer, to the extent that when they arrive for a site inspection if the builder is waiting on the footpath our inspector will get out of his car, acknowledge the contractor and then walk straight to the front door, not have any conversation. The consumer's perception might be that the BSA and the builder are in cahoots so we are very, very careful about that sort of thing.

Ms FORREST - So the contractors are well aware now that you would inform them of the implications of not rectifying that without an order?

Mr BOYLE - That is right. They are very well aware of that. The scenario now is that if we are talking about residential work where the insurance is applicable, if a contractor has been through the process of rejecting mediation or not agreeing to any sort of mediation, there has been a site inspection conducted, the inspector has decided that the contractor is responsible for certain works, has asked him to rectify those because he said he would, the time frame is up and the work is not rectified, the inspector will go back and find out what is going on. Sometimes it may be appropriate to extend that original period of time for some particular reason. If there is no genuine reason it would then move to the formal direction.

The direction is a legislative decision of the BSA and therefore natural justice is afforded to the contractor and the consumer by providing for a formal review through the commercial and consumer tribunal if the parties feel aggrieved so that formal review is there which affords the natural justice. If we have been to the stage of issuing a direction, there has been no review through the tribunal process, the direction has once again a clear time frame on it. If the contractor has not complied with the direction and it is residential construction work, we refer the matter through for assessment as an insurance claim and assuming all goes well there and a claim is approved, the work is rectified by another contractor and the loop is closed by the insurance fund recovering that insurance loss from the original builder who was directed.

Mr WRIGHT - If a building contractor has a debt to the BSA and they do not satisfy that debt we can cancel their licence, so the responsibility is on the contractor to pay that money and they realise that if we pay an insurance claim it is going to be far dearer to fix than it is if you fix it yourself.

Mr BOYLE - That is the triangle between the three business areas that is very important to understand. That is a strong link. Control the licensee by ensuring technical competence and financial competence, have this disputes process that intervenes when things go wrong for whatever reason and then have insurance that rectifies work for consumers, and the loop is closed then by the debt being recovered from the insurance.

Mr WRIGHT - We find in the majority of the cases that go to insurance if they are not rectified by the contractor more often than not there is financial failure behind that contractor, they are suffering financially and even though at the time it goes to an insurance claim they might not be in a poor financial position, ultimately when we go to recover the debt you then find out that their financial position is not good.

Mr BOYLE - The other issue with a contractor who fails to comply with a formal direction is we take some disciplinary action as well. If it is a fairly simple, straightforward matter we will issue an on-the-spot fine. An on-the-spot fine is 10 per cent of the maximum penalty that is regulated. In most cases it is a \$600 fine and that is some deterrent. In bad cases where we have a significant issue we may choose to seek some higher penalty by taking the matter through the Commercial and Consumer Tribunal or through the Magistrates Court. The other issue we have there, as Jason mentioned before, is this tier one work where work is grossly defective, and we exercise this power very carefully. Where work is grossly defective we can fine tier one which is very significant. The case I think of there where we have applied tier one is where a contractor had actually lost his mental capacity. He was doing work that was extremely unsafe and we moved. It is not a nice part of our business, I have to tell you, it is very sad, but we had to move in a hurry to stop this contractor working because he was potentially causing danger to himself, to his subcontractors and to consumers. I am defending that at the tribunal next week.

Mr DEAN - We have received information that the number of disputes you are handling has in fact increased.

Mr WRIGHT - No. If you go page 12 at the front. This is a good opportunity to have a look.

Mr BOYLE - You will see there that over a five-year period from 2001 we have mapped the number of disputes received against building activity in the residential sector. You will see there has been a doubling of activity in the residential sector and disputes have remained fairly static. That indicates that contractors are either getting much better at what they are doing or they understand that the sanctions for not doing the right thing are so great the incentive is there for them to resolve their disputes with whoever they are working for.

Ms FORREST - So this 'complaints received' is purely complaints received, it is not ones that are not settled?

Mr BOYLE - No.

Ms FORREST - Or ones that have to go to -

Mr BOYLE - To insurance?

Ms FORREST - Yes.

Mr WRIGHT - No, it is every one that comes forward.

Mr BOYLE - Over the last couple of years the number has actually been dropping. It is around the 5 000 a year and of those 5 000 last year we issued 850 directions to rectify so you have about 16 per cent of complaints lodged having directions.

Mr DEAN - I guess I can make the comment, and it has obviously happened here, from your figures here, that your licensing system is such that you expect this to continue to fall into the future.

Mr BOYLE - That is what I am coming to now. That is absolutely right. Our plan is to see number of the complaints lodged taper off.

Mr WILKINSON - That is a fair whack of work though, isn't it? With this 5 021 complaints you had to order, as a result of that, 600. That is two a day, in very rough figures. It is a lot of work to get to that stage where you have to issue those rectification notices.

Mr WRIGHT - No, they are not under direction. They are just consumers coming to us and saying, 'We have a problem with our contractor, can you help us?' Out of that 5 000 it is only about 750 that we actually went to a formal direction on this year.

Mr WILKINSON - It would take a lot of man-hours to get to that situation, though, wouldn't it?

Mr BOYLE - There is a fair bit of work in it, yes.

Mr WRIGHT - The average cost of processing a dispute is a little bit over \$1 000. So we have costed a dispute. But you do not have 85 000 construction jobs in Tasmania. But I would hazard a guess that your ratio of consumer dissatisfaction to your construction number would be higher, not lower. I think it would be a lot higher.

Mr BOYLE - The other thing to remember here is that 5 000 compared to 85 000 means that the bulk of the work is done properly.

Mr WRIGHT - It is about 7 per cent or 8 per cent.

Mr WILKINSON - You would get a lot of phoney complaints as well, I would imagine?

Mr WRIGHT - Consumers can be at fault as well as contractors and quite often it is a mix.

Mr DEAN - I was going to raise the contractual situation where the contractor is really complaining against the consumer, I suppose.

Mr WRIGHT - We only take complaints from consumers. We do not take them from contractors.

Mr DEAN - That was my question. You don't?

Mr WRIGHT - Only from consumers. But that is part of the mediation process. When they go out to a site they might find that the contractor is not fixing a couple of minor items because the owner has not paid him. So we will try to get the owner to release that

money into a trust account. The contractor does the work and we then pay the money over. It is that sort of process.

Ms FORREST - If a contractor had a complaint about a consumer because they were not paying or because they were rude or whatever it was, or unprofessional, they would go to one of the industry bodies?

Mr WRIGHT - They would have to go the Commercial and Consumer Tribunal. Can I introduce, before we go on, Michael Chesterman who is the registrar of our building and construction industry payment agency and Mandy McCosker who our executive manager of the insurance area.

Mr BOYLE - The last thing I will cover is that with all the data that we collect through our 5 000 complaints received each years, we try to analyse where the defective work is happening. So we put together what we call our top 10 defects list and we use that in the proactive side of our business so that the dealing with complaints received is reactive, we are reacting to some issue that is going on, and we use the information to put into proactive programs, such as improving standards in the industry. We identified, several years ago, there were issues with waterproofing of wet areas. We seemed to be seeing a lot of leaky showers and those sorts of things. So we got involved and had some significant changes made to the Australian standard on waterproofing of wet areas, for instance, because we have the data where we could channel research and rectification of processes. We also influenced changes to the Building Code of Australia in relation to termite management back in 2001 because there was an escalating problem there that we identified. The short principle of what we aiming to do in our five to 10-year planning is to reduce the number of staff that we have in the reactive side of the business and transfer them over to the proactive side, the contractor education, improving standards aspect of the business. We are at a very interesting part of that process at this very moment. We have an extensive program of contractor education road shows running throughout Queensland. It started about one month ago and will conclude probably in June next year. We have assembled DVD presentations on several of our top technical issues to take out there and educate contractors. These shows that we put on usually over a Friday and Saturday attract up to 300 people.

Ms FORREST - Consumers as well as contractors?

Mr BOYLE - We only look after contractors. We are aiming at technical improvement in the building and construction industry. So that is the other very important thing to remember about our disputes activities, that we have two programs. There is the reactive, using the data from that to then go on the front foot and try to improve standards.

Mr WRIGHT - We are the only regulator that does investigation, research and influences changes in the industry. So we have influenced - you know, Chris, better than I do - standards for termite protection in homes in Queensland, where we moved from chemical barriers to physical barriers, we influenced legislative change there, and waterproofing standards for bathrooms and wet areas.

Mr BOYLE - We have a number of industry working parties going at this very moment on concrete, painting - all the fine finishes, the painting and plasterboard-type finishes. We have working parties looking at ways of improving standards there too.

Ms FORREST - What percentage of complaints that come to the office would be solved by mediation alone without even needing a site inspection?

Mr BOYLE - Eighty-four per cent are resolved without the need for a direction.

Ms FORREST - A site inspection has to be for a direction so are you saying that there is not just mediation, there is always a site inspection as well? Sometimes you can get the two people in the room together and they say, 'Yes, you haven't paid me'.

Mr BOYLE - Mediation can occur prior to a site inspection. It can be telephone mediation on a fairly simple issue. It can occur on site at that initial site inspection. It can occur at any time through the process, even to the extent where, for instance, we have been through the process of formal direction, referral to insurance. Even if we have had a claim approved and we are ready to have a rectifying contractor go out there, if the original contractor who caused the problem comes back and says, 'I'd like another chop at this' we will do everything we can to facilitate that and the reason we do that is because it is in everybody's interest. It is in the contractor's interests because nobody can do the work cheaper than he can, it is the insurance businesses interest because there is no necessity to go through the claims approval process, tendering and those sort of things and it is in the consumer's interest because it can happen fastest if the original contractor gets involved, so we try to facilitate that. We never enforce that, it is by agreement between the parties, as all mediation is, and I would have to say that we have a very strong focus on those mediated outcomes at any stage in the process.

Mr WRIGHT - Chris, what percentage might be resolved without the need to go out on site, would you say?

Mr BOYLE - Probably much less than the 84 per cent.

Mr WRIGHT - Twenty or 25?

Ms FORREST - Looking at the cost of these components.

Mr BOYLE - We do not have that number but it would be somewhere less than 20 per cent because usually when complaints are lodged at the BSA they have escalated to a fairly untenable state.

Mr WRIGHT - For yourselves think it as a ratio to building activities so do not think of it as 5 000 disputes you would have to handle in Tasmania; it might only be 500 or it might be 200.

Mr BOYLE - I think that number was way different five years ago when there was a much higher ratio of complaints lodged.

Mr DEAN - Just on the complaints, as a matter of interest, will complaints only be taken from the first party, from the consumer or somebody on behalf of the consumer? Can they make a complaint?

Mr BOYLE - We need to link the consumer to the property so that could be a subsequent purchaser provided it is within the time constraints of the legislation.

Mr WRIGHT - So you could be second or third owner.

Mr BOYLE - It could be an agent on behalf of an owner.

Mr DEAN - Must the complaint be written, verbal or either?

Mr BOYLE - There is a complaint form there and that is our preferred method of a complaint being lodged. We are not bound by that. In circumstances such as an elderly or infirm person who cannot write or has difficulty obtaining the form or whatever, we will do whatever we have to do to get the complaint lodged, so each one is dealt with on its merits. In fact a few years ago a complaint had to be lodged on a regulated form but we have moved away from that for that very reason.

Mr DEAN - Lastly, Ian mentioned I think earlier that you were looking at some changes. Are there any changes being looked at in your disputes resolution area or not?

Mr BOYLE - The issue you raised there about getting involved in work during construction is something that we are looking at and we would love to have a solution to but the difficulty is that if we were to get involved between builder and subcontractor during construction and issue a formal direction to rectify and that contractor, for argument's sake, a subcontractor, chose to review the direction before the Commercial and Consumer Tribunal it would bring the head contract to a halt potentially and that would not afford reasonable consumer protection so we have to be very careful how we deal with that issue. It is one of the things that is on the table and it crosses over with some things Michael might talk to you about with the adjudication process but it is on the table, we are considering it and yes, there is definitely some room for further talk.

Mr WRIGHT - If we move into that area, what we would like to do is a fee-for-service. With our disputes process at the moment there is no charge. If we get involved in a dispute during construction our view is that the only way that we could sustain that system is if we were paid a fee for that service. It would also reduce the frivolous complaints because you get owners complaining about paint colours and all those sorts of things during construction and you would have to try to restrict it to what are serious disputes rather than just minor disputes or we think it would absolutely bog our business down.

Mr BOYLE - Particularly within the residential sector consumers have the choice of resolving their disputes through the courts and tribunal system. They can still do that without coming near the BSA. The issue there is that the tribunal system seems to get a little bogged down, even though it is simpler than the courts, and if they get bogged down it can take a long time to resolve. The BSA's preference is always to get hold of disputes early and try to put in whatever resources we need to to get it sorted out.

Mr DEAN - Do you get many frivolous complaints?

Mr BOYLE - No, we do not get that many.

Mr WRIGHT - You get a mix of what are real complaints and what are other issues. If I give you a 20-item list you might have only four or five that are serious and the others are whatever else we can put on the list just in case.

Mr BOYLE - That is a very quick story about dispute management.

Mr WILKINSON - Col, I am always looking for the easy quick fix, if you can have an easy quick fix. If I was the minister in Tasmania, I would probably be ringing you up and saying, 'Can you come down and set my system up?'

Mr WRIGHT - I suppose it needs cooperation between governments. If the governments agree to cooperate I do not see any reason our system cannot be transported to another jurisdiction and I think we would be very happy to support - we would have to do a cost recovery system of some sort - another jurisdiction adopting our model because we are passionate about it and we have evolved it over a long period of time. You might have realised or you might not have realised that there are not a lot of people in BSA who are public servants, as such. Most of us have come from the private sector and most people in BSA are innovative, we do not just come to work and sit here and slug along and go home, and we find that the organisation has that momentum. Ian is a very energetic GM so he is always pushing for change, growth, use of initiative, and it has really worked well for us.

Mr WILKINSON - Yes, and it's not worth reinventing the wheel, is it?

Mr WRIGHT - No. We spend huge chunks of our time doing exactly what we are doing today and then seeing no result for it so there would be nothing more rewarding for us than to see another jurisdiction say, 'Hey guys, shows us how you do it. Come and give us a bit of a hand here'. That has to occur at the political level but provided the masters say, 'Do it', I do not think that would be an issue at all.

Mr WILKINSON - Do you think that would be the best way?

Mr BOYLE - I do. Size and probably other elements of what we do you would put down as secondary but we have all the experience. We have been through the pain of bringing in financial requirements. If you started again you might do it a little bit differently. We have held back on CPD because we could see some real problems with the points system. New South Wales bolted ahead and pinched our idea and just fell in a heap because at the other end of a CPD system, if you have not done your points, you are out. No government is going to do that. So we are trying the other practice and we are getting a lot of success with that. A lot of stuff that we produce, a lot of our print material, could apply to any State in Australia. There are the initiatives we have had with plasterboard and waterproofing; the waterproofing standard would have influenced Tasmania as well.

Mr CHESTERMAN - I will just try to hit you with some high points in relation to the way concept of adjudication works in Queensland and in other jurisdictions also. It was a concept which was born in the UK, back in 1996. It was particularly designed and set up

in recognition that the courts were not resolving disputes, particularly payments disputes, quickly enough. Cash was not flowing down the construction chain. So this consequent adjudication was born. After that, other jurisdictions came on board. New Zealand has what we call security payment legislation. Now every State in Australia has almost some form of security payment legislation, largely harmonised but with some differences. On that point, I noticed just the other day a report that came through to the minister administering the Building Act down in Tasmania, recommending that Tasmania adopt security payment legislation akin to what we have here in Queensland.

One of those recommendation, I noticed, which is very interesting as far as you are concerned, is recommendation 6: 'It is recommended that when developing security payment legislation, discussions will be held with Consumer Affairs and Fair Trading regarding the potential for security payment legislation to provide the basis for a general alternative dispute resolution process for residential building contracts'.

CHAIR - What is that paper, Michael? Our own government, is it?

Mr CHESTERMAN - Yes, that is a report from those consultants to the minister administering the Building Act. It was handed up a couple of weeks ago, as I understand it. It was a report particularly aimed at security payment issues. Security payment issues largely sit within the commercial civil and engineering sector, also the tier in the residential sector from builder down to subcontractor. Our legislation up here captures work on residential sites where the subcontractor is contracted to the builder, and the supplier is contracted to somebody else. But it does not, at this point in time, capture the tier between builder and consumer. In other jurisdictions in Australia, like Western Australia, it does capture that tier between builder and consumer. The reason for it being a little bit different throughout Australia is that everybody is politically mindful of consumer issues. You are talking about mums and dads who are building a house once in their life. This process is very quick. It gets very quick outcomes but it is pretty brutal. If you miss time frames you cannot delay the process. So that is why it is very effective in getting money flowing down the construction chain. I do not have the time to technically explain to you. I will leave you some documents about it. It is very effective in getting money flowing down the construction chain. At this stage it has been tailored more to the commercial sector, where people are used to dealing with the commercial realities of contracts all the time, not just your mums and dads who might just step into this avenue once in their lives.

Western Australia has similar legislation where, for instance, they set up requirements where the mum and dad can be captured, so the builder can bring a consumer before this process and very quickly get a decision. There have to be notices handed out to the consumer. If the notices are not handed out and signed the builder cannot activate the provisions. It is another safety guard. New Zealand has a similar type of thing.

Adjudication is just an alternative dispute resolution process. That is all it is. It is an alternative to the courts, where outcomes are handed down very rapidly. Typically, you can get a matter resolved in a matter of weeks where moneys must flow. If the adjudicator decides a matter then it must happen. It has the statutory power for these things to happen under the legislation. Unless you can tiptoe through this process, you must make sure you can adequately inform consumers - and that is not saying that it cannot be done. Most of the jurisdictions throughout the world have just taken it up and

dumped it in the commercial civil engineering sector for starters. I have to acknowledge that jurisdictions now, because they are so successful in terms of speed, have a user pays system that Col was talking about. Issues of a frivolous nature are pretty well sorted out by when you put user pays on it; people think twice about matters.

Jurisdictions now are increasingly looking at whether or not we can adopt and modify this largely commercial system to the residential sector. I am looking at trying to develop something along these lines in here but it would not replace the service which Chris has just spoken about because it basically kicks in after practical completion. It would complement and be an alternative for people to access during the construction phase. It would have to work both ways, a builder can take on a consumer for non-payment but if the consumer wanted to take on a builder for defective work then they can also do it. I would suggest that that is why these particular consultants saw some benefit in tweaking some sort of adjudication process around there. I presume it would be the third arm of integrated model if you were looking to get an integrated model there similar to us. Where you have licensing and statutory insurance, you need some sort of alternative dispute resolution squeezed in the middle. Now you could go the way in which we have done up here in terms of a free service or you could possibly explore adjudication on a user-pays basis to be that third arm of the overall package, if I can call it that.

Clearly, like I said, these consultants have seen the potential for an adjudication scheme of some sort to be modified and possibly dropped into the mix as far as you people are concerned. The strength of the adjudication is the speed of the decisions. The legislation sets up that certain things have to happen within certain time frames and if people miss out in responses, then bad luck because the process goes ahead. Decisions have to be complied with and there are enforcement provisions there if they are not complied with. It is user pays so frivolous issues are pretty well dealt with. That is the best reality check you can probably give a lot of people so you very quickly zero in on the true disputes.

In New South Wales, where it has been in for several years now, it has absolutely revolutionised every sector of the industry, bar this tier, the same as us, between residential builder and domestic owner. It has taken matters out of the courts, out of the tribunals and it has put them into this mix. They are going to receive about 1 000 adjudication applications this year and there is going to be over \$1 billion in disputes resolved. They are the types of disputes where you are talking about big civil commercial construction. It is taking them out of that bucket and putting them over in this bucket. The courts have been relieved of a lot of work and tribunals have been relieved of a lot of work. The challenge for other jurisdictions now is to whether or not you could tailor a similar alternative dispute resolution process for the residential sector, tweak it around so that it is fair to consumers as well as contractors, come up with the right legislative mix and then put that in different jurisdictions. Like I said, up here I would never be proposing that anything replace our service. That kicks in after practical completion. We are under constant challenge because builders and consumers are saying, 'We'd love you to become involved or we'd love some quicker process to kick in during the construction phase'. It would be good to get a lot of those matters resolved earlier. Unfortunately what happens at the moment is that some of those matters end up in our bucket and people have very entrenched positions because they have been killing each other for a number of months. By the time we get them it is ugly. If you can put in place a process where some sort of alternative to the courts or a tribunal can kick and

resolves things there would be flow-on benefits to our scheme, not to replace our scheme but to complement our scheme. Obviously this set of consultants are looking at maybe the dispute resolution mechanism in terms of your integrated model. I will leave you some brochures on adjudication which basically explain how it works in terms of the timeframes and everything like that. We have a different web site address to the BSA, so there is a whole lot of information on the website. There is a whole lot of information in terms of statistics and everything like that on the website. If you wanted to find any more in relation to how adjudication works, then go for it.

CHAIR - Shall we jump to the home warranty insurance?

Mr WRIGHT - As a very quick response to your question this morning about the insurance operation - first resort and last resort - that is Choice Magazine's analysis, which I do not know whether you have seen or not. It is simply saying in the very last paragraph that there is no insurance anywhere except in Queensland. I will not discuss that any more with you.

SUE SMITH - Is it still relevant two years on do you think?

Mr WRIGHT - My word it is, even more so. The Allan review, a federal review in 2002, again supported our model. The submission we gave to the Percy Allan review is in the insurance section of your folder, so I have given it to you in 2002 form. I think all of the things we raise in that submission are still relevant and there are a lot of real benefits we have not even touched on this morning. I will hand over to Mandy, who will talk you through the system and we will do it as we go.

Ms McCOSKER - The insurance scheme commenced in Queensland in 1977 under the old Builders Registration Board, and it moved into its current form in 1992 when the BSA came into being. We have had a number of policy additions, for want of a better word, that have been part of the scheme since 1992. The principal changes, apart from some technical shifts, have been in the sum insured. We started as a percentage of contract value and then we realised that was not providing sufficient consumer protection, so we moved it to \$45 000 in the early 1990s, up to \$100 000 in the mid 1990s, \$200 000 in 1999, and last Friday up to \$400 000.

During that period we have also expanded the breadth of cover. When we initially commenced the scheme we were principally looking at buildings that needed planning approval, building approval, to be constructed. We now actually cover a far broader range of building work in Queensland than just whole buildings. The scheme is a first-resort scheme. It is the only first-resort scheme that is working in Australia at the moment. Just to give you a very brief insight as to the difference between first resort and last resort - first resort is a true warranty product. It works in almost the same way as the warranty on your motor vehicle or your refrigerator or your television. A claim under the scheme is triggered by the notification of a defect - or non-completion in our instance. It does not require anything else for a claim to be activated. A last-resort scheme is a policy of insurance. The difference between the two is that for a policy of insurance to be activated there has to be a defined event that has occurred. Under the last-resort schemes those defined events are death, disappearance or insolvency. Unless one of those defined events actually occurred there is no chance of a claim being made under the policy, so there is a very great difference between the two. We often get called in to do a

product comparison, and it is almost impossible because one is an apple and one is an orange. You really cannot compare the two. The insurance scheme is part of the BSA's integrated model, a very important part from the consumer perspective as well as the contractor perspective. From a contractor perspective it is extremely good for marketing. Consumers are very aware that the scheme exists and the benefits of having it and contractors use that to their advantage.

How the integrated model works - you have heard about licensing; obviously Jason has been in and spoken to you about that - licensing is for us, for insurance, the front end, it is our underwriting. With the licensing system, as you would be aware, they have to have knowledge, qualifications and there are strict financial requirements. If they qualify under those three criteria and they get a licence they get automatic acceptance into the insurance scheme. So any contracts that the builder enters into during the period of that licence are covered by the scheme.

We then have dispute management which acts as our front-end filter. Complaints come in and if they cannot be resolved by disputes they move to insurance. At the moment the referral rate is under 25 per cent so the vast majority of disputes, which are residential work, are actually resolved long before they get to insurance. If it were not for disputes filtering at the front end, the administration costs that we would have in trying to filter them out through insurance would be phenomenal. Obviously insurance sits behind disputes and then the other arm of the organisation, which is very important for us, is consumer education and advice. Consumers need to be aware of their rights and responsibilities to make sure that they are fully protected.

Our scheme is not for profit, another great variance between us and the other States, and I also need to point out that it is not only not for profit but also we do not pay commissions to anybody because we are the sole underwriter. The business is directly written with us, and we pay no royalties to anybody.

CHAIR - To bear that out in the annual report that component of the whole business lost \$2.5 million last year. Is that what I am seeing right out of the annual report of the BSA?

Mr WRIGHT - No. It is a loss on underwriting only so that is not an overall insurance loss. That is in terms of the claims that we pay and provide for exceeding the allocation of premium to underwriting by \$2.5 million, but we also have investment earnings and we split our premium into underwriting premium and administration premium. It is not an easy one to answer. One of the things that we do that reflects there is that we analyse actuarially every six months how the scheme is running and what the future liabilities will be for the scheme for all the policies that we have written. The policies are written for six and a half years so we take the premium today -

CHAIR - Six-and-a-half years tail?

Mr WRIGHT - Yes, we have six-and-a-half years tail. The average cost of claims is inflated quite substantially because of the building boom in Queensland - we have had no slow-down in building activity at all. Because of the average cost of claim going up, when you then extrapolate that into your future claims occurrences, you then have to increase your reserve. The increase in the reserve for this financial year was such that it reflected in our books as an underwriting loss. We are not talking about the claims that

we had in that year, we are talking about readjusting our provision for our future claims liabilities up to a current standard. We get a premium in the door, we split the premium into underwriting and administration - underwriting is about 80 per cent,

Ms McCOSKER - It is about an 80-20 split.

Mr WRIGHT - 20 per cent goes to administration for the actual running, then the underwriting is split with our re-insurers. For this particular year, with the adjustments that we had to make without taking into account the investment earnings on our investments, yes we made a book loss of in the door future provision, but we then made about \$10 million on investment income.

Ms McCOSKER - We had a very healthy surplus.

Mr WRIGHT - The thing that we are quite often criticised for is that HIA in particular runs the line that we do not actually provide for our liabilities. Page 41 of the report shows our claims provision and our future claims provision is \$82 million. In this annual report - and I cannot give you the latest annual report because it has not been tabled in the House yet - in 2005 our provision for future claims is \$82.7 million. This is why we went to this \$2.5 million loss because our provisions increased from \$63 million to \$82 million. So we fully provide for the running of the scheme as if we were to close the door tomorrow. We make sure that we have enough money to pay for the claims and the administration of those claims until the last one comes and goes and we close the doors.

Ms FORREST - When you said the cost of the claims has increased and you cannot necessarily relate that to the increased activity, are you are talking about the cost per cost claim or the overall cost?

Mr WRIGHT - It is just inflation. Inflation is such that it is reflecting in the costs that we are paying for our claims.

Ms McCOSKER - The building boom in Queensland has caused market pressure. We have shortage of materials and we have a shortage of, in particular, labour, which has caused building costs generally to increase and that reflects in our rectification.

Ms FORREST - So it is the increased cost of undertaking the repairs, the materials and the labour, that has caused that increase?

Ms McCOSKER - Yes.

Ms FORREST - Not that the defects are getting worse?

Ms McCOSKER - No, we are getting a lower referral rate. When I started here six and a bit years ago, our referral rate was just over 31 per cent from disputes to insurance. We are now down to consistently under 25 per cent. We have it as low as 18 per cent. We are getting fewer claims in for the building activity that is out there on a percentage basis and in a relationship basis.

Ms FORREST - What I am trying to clarify is that the increase in cost is not because the defects are worse or there are bigger disasters occurring?

Ms McCOSKER - No, it is purely inflationary pressure.

Mr WRIGHT - No, it is just being driven by the heightened activity in the building industry which is making it harder and harder for us to get contractors in to perform the rectification work.

Ms FORREST - At reasonable cost?

Mr WRIGHT - Yes. While we are talking about that, do you want to just jump to the actuarial analysis, very quickly?

CHAIR - Just before you do, Col, can I come back to your comment about your future claims provision which you have made? Did I hear you right, in that the HIA would contend that you are understating your liabilities because you do not make provision for that, when indeed, clearly you do? How can they make that contention? They would have access to your annual report, it is tabled in the Parliament.

Mr WRIGHT - They don't want to look at it. They don't want to believe it. We deal daily with people requesting us for confirmation that we are not going broke, that we do not provide for our future claims, that we are government-funded, that it is a bad model that we support through paying insurance claims. They are all just red herrings that have been created within a particular industry association that has a vested interest in staying in the insurance market.

CHAIR - As your submission to the Owen inquiry shows.

Mr WRIGHT - Just think this one through: we are backed by the world's largest reinsurance, Munich Reinsurance Company. This is the biggest reinsurance company in the world by far.

CHAIR - What is their percentage of your -

Mr WRIGHT - Forty per cent. They underwrite all major insurance companies. So they are the insurance company of insurance companies. They review our performance, they look at our actuaries' reports, they do their own actuarial analysis. They have backed us now for probably 15 years. The other backer that we have is now Swiss Re which is the reinsurance company which has just taken over Employers Reinsurance Company, who were our backer. Employers Reinsurance Company are owned by the General Electric Company. So when you fly in an aeroplane and you look out the window and you see GE on that engine, the company that underwrites the other major portion of our business was owned, until recently, by General Electric. So we are backed by two of the largest reinsurance companies in the world. They are not going to buy into our business if it is not good business. They would just bale and bale quickly.

Ms McCOSKER - They get full disclosure. They have access to our operations and they do audit those operations, periodically. They also get access biannually to our full set of transactional data. We provide them with the actuaries' report but they get the data that backs up that report so they can do their own analysis. There is no way in the world that

we could ever withhold anything from them or deceive them in any way and they are more than happy to back us.

Mr WRIGHT - Reinsurance is not easy to get, it is a long-term business relationship; you cannot buy into it and drop out of it; you have to go in for the long haul - you have to buy in and then retain the confidence of your reinsurer. This long tail business, as it is called, is a very tight market now. We used to have this reinsurance divided up into very nice small parcels of about 10 and 15 per cent that we reinsured across seven different reinsurance companies. The market is constrained to the point now that we are dealing with the two majors, but that says a lot for our business.

CHAIR - Yes, and do you think that those reinsurers are more relaxed about doing business because you are a government instrumentality?

Mr WRIGHT - It is more about our model.

Mr McCOSKER - It is about the integrated model - that is what attracts them to it.

Mr WRIGHT - They have been approached by Master Builders and other parties with the idea of buying into other schemes in other States and they have said, 'Not interested because you don't have that integrated model'. But it is the integrated model within government, it is the fact that you have that whole process in the one organisation so you do not get an ineffective licensing body chucking all of its problems to an insurance company and you do not get an insurance company that is not performing and communicating with its licensing body; you have the whole lot working as one. We have a vested interest in making sure that our insurance business remains viable. We are really proud of our business and to keep that business viable we have to be sure that our regulatory and our dispute resolution models are performing properly because if they do not -

CHAIR - You have to have the regulatory process that Mandy spoke about at the outset.

Mr WRIGHT - Exactly. If they do not then the whole lot just falls in a heap.

Ms FORREST - Rather than being a conflict of interest, it is actually an enhancement of your interest.

Mr WRIGHT - My word it is, and KPMG has actually confirmed that recently. We have always had this argument of conflict of interest and it really -

Ms FORREST - That has been stated in other circles.

Mr WRIGHT - It is the consumer protection regime. Mandy mentioned the policy developments that we have had over time. They have all been developed to enhance the protection that we give consumers. With the claims that Mandy's people receive and which they analyse and process, we do not just look at what we have to pay and then forget about the rest, but we also look at what we aren't paying, whether we have an area that we need to be looking at covering and whether we should be modifying our policy. This is policy edition six and we now have policy edition seven and it is just coming from the printers now. We are revising our policy to keep pace with the current trends in

housing and consumer requirements, so it is a proper consumer protection regime. We are not-for-profit so we are not trying to return more moneys to shareholders and we are not paying commissions to anybody. Mandy will tell you in a minute about how they pay so we do not have to pay commissions and fees to people to transact our business for us; it is all direct with BSA.

Ms McCOSKER - In your folders I have given you a booklet which actually explains to you the breadth of work that we insure and you will see in there that it is not just the construction of the whole residence, it is also kitchens and bathrooms, decks, pergolas, garages, car ports - anything to do with building associated with the residence we will insure. We do not insure swimming pools. We have done feasibility studies on those but the level of defects and the level of issues with swimming pools do not warrant charging a premium to a consumer for them. We do not insure things like fencing and soft landscaping and that type of thing. Rather than go through the entire book with you, I will leave you to read through that because I am conscious that we are going to run short of time otherwise.

Who pays the insurance? Insurance is paid by the contractor, our licensee, at the time they enter into a contract with a consumer. If you are an owner-builder there is no insurance available. Owner-builders do not get access to the scheme and obviously unlicensed contractors do not have access to our scheme either. To get access to it you have to have a current BSA licence and the list of licences that have access to the scheme are also contained in that booklet on 'How do you pay insurance'.

How they pay it is one of the things that we are immensely proud of and our industry is immensely protective of - 85 per cent of our payments come in through our contact centre on the ground floor, it is on a phone call. The contractors ring a 1300 number so it is a local call charge, they provide minimal details, there is no paperwork, we register the contract in our system, we issue a certificate of insurance and the policy booklet, one of these, to the consumer the day we get the policy. They go out in the mail that evening and the confirmation of insurance goes either to the contractor or to their agent, which is usually the certifier. The confirmation of insurance is a critical document when it comes to getting building approval in Queensland. Building approval cannot be released until they have evidence that BSA insurance has been paid and that is what the confirmation is. When a contractor uses our phone pay system we have got it down to about a 15-minute turnaround. The certifier will usually have that piece of paper within 15 minutes and the building approval can then proceed.

Mr DEAN - So the local government authority must have that policy document before they can -

Ms McCOSKER - They must have confirmation. They get a letter which confirms that for this job for this owner for this site premium has been paid and BSA insurance is in force.

Mr WRIGHT - So there is no application by the contractor, there is no delay in insurance companies assessing and underwriting the policy, they are already prequalified through our financial tests in the licensing system, so our system already knows whether they are within their turnover limit or they are not to take that insurance. The other big advantage of our system is we do not have different scales of premiums for different contractors so the scales are basically controlled by the turnover levels rather than we will rate each job.

A contractor knows before he pays the insurance what he is going to be paying us but more importantly, when he quotes to the consumer because remember he has to have a contract in place before he comes to pay the insurance. In other models you do not know what your insurance company is going to charge you. You have to make a guesstimate of it, build it into your contract price, your consumer either overpays for the insurance because they put the worst possible insurance amount in the contract or it is underpaid and then the contractor is funding the shortfall. In our system they know exactly to the dollar what the insurance is going to cost, the contract is not inflated to cover the worst insurance scenario and the consumer only gets charged the amount of the real premium.

Mr DEAN - If I just follow Mandy's point up, the insurance has to be entered into at the time the contract is completed?

Mr McCOSKER - That's right.

Mr DEAN - Some contracts are completed that the builder will not commence the job until, say, six months hence or eight months hence, but it still must be paid for at the time that it is entered into?

Ms McCOSKER - That is right because the cover commences the minute that contract becomes effective. We have non-completion cover which includes a refund of deposit if works have not commenced so if something happens in the contractual link from the date the contract is signed before commencement of work, which may be six months or 12 months later, and the contract is terminated the consumer can actually approach us for a refund of the deposit moneys that they have lost. We need to make sure that the policy is in place when the contract comes into force. The trigger is not the commencement of building work, it is actually the legally binding aspect of that contract.

Mr DEAN - Thank you.

Ms McCOSKER - Payment is made either by credit card or direct debit. For us the advantage is that the money is in the door when the cover commences. We have no credit facilities for builders, we have a very small debt over 30 days and that is usually on contract variations where partway through the process the builder and the consumer will generally add something into the contract and a variation will occur. Often the consumer will ring us up and say, 'I have just varied the contract, can you increase my insurance?' We do that and then we send a bill out to the contractor. We have no bad debt issue here because we get the payment upfront.

Mr WRIGHT - Payment is direct to BSA, no commission, no royalties or anything go out of the money, and the insurance dollars are isolated from the rest of the business, so insurance only pays for insurance. Mandy's unit is fully funded out of the insurance fund, a percentage of finance is paid for by insurance, a percentage of our corporate area and so forth but we have actually costed how much of our operation is a direct insurance cost. We do not cross-subsidise from one fund to the other.

Ms McCOSKER - Phone pay actually cut our administration costs on issuing a policy by about two-thirds because we were not chasing local authorities. It was quite amazing the difference it made.

Mr WRIGHT - We used to have an agency network with local governments and it was an absolute nightmare. We were paying them money for collecting our fees but they used to invest our money short term on the money market and we would wait a couple of months before they gave it to us - all those sorts of issues. We won a premier's award for this phone pay system back in 2001, I think it was.

Ms McCOSKER - The other 15 per cent still comes in traditional methods - either in the mail or over the counter - but it is still prepaid. They can send a cheque or they pay by credit card. They do have a small form that they fill in to activate the policy. It is a single sheet and asks exactly the same questions that the operators do in the phone pay centre when they ring in. You will always have a percentage of people who do not trust technology and particularly in the regions they like to go and talk to people so they will make an effort to go into our office and talk to our staff. We do not discourage that but we do tell them that it takes a little bit longer for us to process those - it is about a 24-hour turnaround - but you would very rarely find anybody waiting more than 24 hours for that confirmation of insurance here. I do not know about Tasmania but I know from experience in New South Wales of being a consumer that I waited 12 weeks before I got my document. So it is a vast difference.

Mr WRIGHT - We are really keen on letting the consumer know that we are here, here is the insurance, this is what you are insured for. Our feeling is that the other insurers are not that keen to tell consumers about the product because that creates more liability.

Ms McCOSKER - One of the things that is also very handy about the integrated model is that licensing issue the licence to the front end with the financial requirements, having confirmed that the licensee is a viable financial entity, and they set a allowable turnover at that point. That is actually sitting in our database. As the contractor registers contracts with us and we issue insurance policies, our systems monitor the value of contracts that they have raised against the allowable turnover. If the contractor exceeds this allowable turnover it flags a report to our compliance division who will then commence an audit on the contractor to ensure that they are not exceeding their financial capacity to do the business.

The result of that for me, as the insurer, is extremely good because it means that we get early intervention on companies that may actually be pushing their finances too far; they may be running into cash flow issues. We get early intervention on those and we can often assist them and guide them in ways to turn that business around if necessary. If a business is getting into financial difficulty, obviously licensing will, if they need to, suspend the licence. That protects the scheme from builders running out and grabbing deposits where they can to try to float businesses.

There is a very great myth out there - and part of that is this conflict of interest issue - that insurance would be very loath to have Licensing suspend or cancel the licence of a builder. It is normally me going to Licensing saying, 'If he is in trouble take it off him now' because it is going to cost me more. The longer he has it the more it costs me, so we have a very proactive early intervention strategy to either turn them around or intervene and if we need to suspend their licence that, for us, is absolutely critical.

Mr WRIGHT - We are almost running out of time. Uninsured consumers.

Ms McCOSKER - We are the only scheme that I have seen anywhere in the world that insures a consumer when no premium has been paid to us.

Mr WRIGHT - It is one of the advantages of being a monopoly. Because we have no competitors we are looking at our total premium pool and saying this premium pool is adequate to cover what we want to cover and we insure people who have not had a premium paid. So if you have a contract with a licensed contractor and your contractor fails, you have insurance just the same as the person next to you who had insurance paid.

Ms FORREST - How that would happen? How would you not have a premium paid?

Ms McCOSKER - They work that we cover is not just work that requires building approval. Where work such as a kitchen or bathroom renovation does not require building approval it is basically an honesty system on behalf of the contractor. If they delay putting the contract in or if they elect not to, they do not tell us, the consumer is still protected. In instances where you have fraudulent misrepresentation by an unlicensed contractor if fraudulent misrepresentation is established we will protect the consumer and then prosecute the contractor and seek our recovery.

Mr WRIGHT - So if somebody has somehow convinced a consumer that they are licensed and they can do the work but they are not and the consumer can prove to us that they used some fraudulent means to convince them of that, we will pay the insurance claim. The other area where we pay claims without insurance in place is when a contractor might sign a number of contracts and take deposits but do nothing further and then go broke or do a runner. Therefore there has been no building process, no need to check that there was insurance in place. Those consumers have all paid deposits so those consumers can come to us and get their deposit back. You also get the occasional case where there is no building approval, where a shonky contractor, somebody who is really under some sort of financial pressure, just goes ahead and builds the job without getting a building approval. It is not a huge part of our business but it is a real plus in consumer protection. It cost us about \$600 000 last year.

Ms McCOSKER - I had a look at this and the actual real loss is only the premium, because had the premium been paid we would have been responsible for the claim anyway, because we have the risk. The biggest loss we have had in terms of real loss in premium is about \$35 000, which was our kitchen company.

Mr WRIGHT - The other thing which you do not hear about, but is a real benefit to the industry, is that we actually insure contractors as well. We have a no-fault subsidence cover - and there is a subsidence brochure in here. If a contractor complies with this - this is not mandatory, this is voluntary but nearly every contractor complies with it - and a house that you built fails, instead of you being sued by the owner and having to fund the rectification work, our insurance company picks it up and pays for it. I think one of the major financial strains on contractors, and one of the things that could really bring about a business failure, could be a subsidence that was through no fault of the contractor. In Queensland we actually pay to fix that and do not recover the money from the contractor. The building industry gets a benefit as well as the consumers getting a benefit. HIA do not sell that either because they have their vested interest. It is the only

State that does that and I think it is a real big-ticket item for the building contractors in this State. They take it for granted, unfortunately.

Mr WILKINSON - We had a problem with that down in Tasmania a few years ago now.

Mr WRIGHT - Is that right.

Mr WILKINSON - It was in the northern suburbs.

Mr WRIGHT - We paid out \$8.5 million last year in subsidence. This drought is contributing to it. It is a substantial part of the business. This policy was introduced to improve the standards, so this policy really goes from the minimal standard up to a slightly higher standard for investigation and design of footings. The industry has embraced it.

Ms FORREST - At the end of the day, if they comply with that it is unlikely it is going to happen.

Mr WRIGHT - Exactly, that is what we are trying to do.

Ms FORREST - It is a win-win, isn't really.

Mr WRIGHT - Yes, it is a win-win.

Ms FORREST - There is always going to be the odd case where, whatever you had done, it would have happened. You should have a lot less instances of subsidence because people comply because it is in their interests.

Mr WRIGHT - Exactly.

Ms McCOSKER - Col mentioned to you that we get biannual actuarial assessments. The last report was 30 June and based on 30 June data. Our actuary is actually a Hobart-based actuary -

Ms FORREST - A very good choice.

Ms McCOSKER - It is actually. He is probably the best actuary for builders warranty insurance.

Mr WILKINSON - Who do you go to?

Ms McCOSKER - Bendzulla Actuarial.

Mr WRIGHT - This is the actuarial analysis of our scheme at the end of the six-month period. I cannot give you the document because it is commercial-in-confidence.

Ms McCOSKER - The scheme fully complies with APRA. We are not required to, being a statutory entity, but APRA requires an insurer to have 75 per cent adequacy for provisions, which is our \$80 million in provisions. We are required to provision up to 75 per cent of potential future losses and we are also required to hold a minimum of

\$5 million in net tangible assets. We have met APRA since 2001, from the time that we said we would voluntarily comply.

Mr WRIGHT - The standards that were imposed on the industry after the HIH failure, or they were upgraded after the HIH failure. Being a State insurer we do not have to comply with them but we voluntarily complied to try to override this storytelling that you hear down south saying, 'Look, we are as good as every insurer. We comply to the same standards that they do'.

Ms McCOSKER - That is everything. We have our reinsurance management strategy in place; we have our fit and proper policies in place to check for people like Col and I who make the principal decisions on the scheme. Anything that APRA puts up, we comply with. We have three reinsurers - Munich, Swiss Reinsurance and Suncorp as our third reinsurer. Suncorp carry 15 per cent and would like to carry more. They keep hassling me to have more. We have explained how the administration of the scheme works. For each dollar, about 80 per cent of that dollar goes into paying or reserving for claims and 20 per cent goes to administration, which BSA holds.

I have included in your folder the consumer charts, the brief flow charts that we give to consumers when a claim is lodged so that they understand the process. That gives you a broad-brush structure of how a claim goes through. There are three types of claims; non-completion, defects and subsidence. They are all handled slightly differently because there are different technical issues with them.

The Institute of Actuaries, in October last year, presented a paper on the differences between first resort, builders warranty insurance and last resort. It is the most unbiased paper on this stuff and probably the most technically correct paper I have ever read. For understanding the variances between the two and the issues on consumer protection, I think it is a good thing for you to have a read of. I have no idea who Daniel Smith works for, I have never met the man, but I know that this paper was widely accepted by the actuaries and they are a very conservative crew.

Laughter.

Mr WILKINSON - They are the only people more boring than accountants.

Laughter.

Ms McCOSKER - One of the advantages of having this integrated model is that, as an insurer, I have a very strong risk-management focus. My risk management comes out through the dispute resolution area. Chris's area has a research and review team which researches recurrent building defects. Col mentioned earlier that we had a couple of very big wins when it comes to termite prevention and termite protection. The other one was waterproofing. We were able to affect the national codes for both of those. Waterproofing issues with showers were my largest recurrent loss. They were the most frequent claims that we had, only about \$4 000 or \$5 000 each, but we received hundreds of them every year. Since the code changed, as a direct result of that, and we have done research and review, they are down to about number eight on the recurrent loss list. By being able to work with the guys in research and review, we have a big impact on how the scheme performs financially over the longer term and that is really important. How

research and review identifies those issues is by using the database. We have the most complete database of any insurer in the world on warranty insurance. It is the only one that goes back a full 25 years, so the actuaries tell me.

Mr WRIGHT - The actuaries absolutely love it.

Ms McCOSKER - We have one guy who flies out from Singapore twice a year to get stuff from our data, to go through it because he absolutely loves it. Long-tail insurance business relies on having history. If you do not have that history, you will make a profit for two or three years and then I guarantee you will crash and burn at year four and five.

Mr WRIGHT - I think if we did not have an insurance interest we might not have been able to get into some of the proactive things that we have done. That vested financial interest forces you to look more strategically at what is causing your claims, so you can then influence better standards rather than just accepting that standards are not real good and fixing them up at the tail end.

Ms McCOSKER - It is very proactive. The policy itself is proactive, our response to consumers. If a builder goes under or if there are issues with the builder, we will source who the consumers are and write to them, 'You have a policy, this is how you access it.'

Mr WRIGHT - I do not think any other insurance company writes to people and invites a claim.

CHAIR - As you said earlier, it is not really in their interests to do that.

Mr WRIGHT - No, it is not.

Mrs SMITH - Your other benefit is that as a statutory organisation of government you have the direct line to change whatever needs changing.

Mr WRIGHT - Exactly. You go back into your model and you review your model.

Ms McCOSKER - It is a holistic management of the building industry.

CHAIR - Thank you. Col, that has been so comprehensive. If there are any questions flowing I know the invitation has already been offered by all of you today to continue to keep in touch.

Mr WRIGHT - I actually have an invitation to come and meet with the minister in about a month's time.

CHAIR - We understood that the minister's office had been in touch.

Mr WRIGHT - I am waiting for my minister to say, 'Okay, you can go', because you have to follow the protocol and then I will be down your way in a month's time.

CHAIR - It is a pity that information came after the disastrous experience which seems to have afflicted Tasmania over the last two years rather than -

Mr WRIGHT - Before.

CHAIR - Amazing stuff.

Mr WRIGHT - It is, isn't it, when you think we are all part of Australia. It is amazing.

CHAIR - We sought to reinvent the wheel. We sought to do that with the production of our Building Act, which took about 15 years. Everybody else had a building act in place which we could have just picked up and ran.

Mr WRIGHT - There is this absolute jealousy between States. They do not know what they are doing. Victoria and New South Wales in particular say very much, 'How can Queensland do anything better than we can do it. We have been here longer. We are the colony that was first established so we have to be superior'.

THE WITNESSES WITHDREW.