



# **The Macro and the Micro Economic Impacts of Australian Building Regulation**

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- 1991 BRRT Microeconomic reform of building regulation:  
*“Differences across the nation needlessly inhibit building and construction and prevent national consistency. Significant cost penalties are imposed on construction and ultimately other industries and the home owner.”*
- Amongst other things recommended:
  - National framework involving an agreed set of legislative principles to facilitate uniformity, including Building Code of Australia (BCA).
  - Establishment of what became the ABCBC to be responsible for national management of building regulation.
  - Code to be performance based and minimum necessary.
  - Separate system for housing regulation (Vol Two BCA)

## THE EVOLUTION AND FUTURE DIRECTION OF NATIONAL BUILDING REGULATION REFORM

### Significant Reform to date

Building Code of Australia (BCA) created

National Performance-based Building Code introduced

National Construction Code (NCC) Implemented (consolidation of building and plumbing)

The next instalment of Building Regulation Reform agreed

### Implement Next Round of Reforms

NCC Free Online and commencement of NCC review

Move to a 3 year amendment cycle and last annual NCC edition

Move to digital NCC and new technology applications

Next NCC amendment due with Quantification of Performance Measures & Improved Useability

### Benefits

Development and adoption of a single nationally consistent building Code reduced differences across Jurisdictions.

Introduction of Performance-based Requirements into the BCA: Performance requirements specify mandatory levels of building performance and provide optional means of compliance for the designer or builder to decide how this is achieved. Allows for flexibility and innovation.

Consolidation of building and plumbing into a single National Construction Code aimed to reduce inconsistency and overlap between the BCA and the PCA, streamline regulatory approaches across jurisdictions.

To realise the full benefits of a national performance-based construction code the next instalment of reforms involve free online access to the NCC, quantification of the NCC's performance requirements, enhanced useability of the NCC, inclusion of other onsite building regulation, continued reduction of State and Territory variations and limiting local government interventions.

Provides immediate benefits to small business, building and plumbing practitioners through increasing access to the NCC, removing a cost of regulation estimated to deliver a productivity benefit of up to \$55m per annum and removes an inequity in who pays for the development of the NCC. Making the NCC free also unlocks other reform opportunities.

Introduces a higher level of stability into the content of the NCC by reducing the frequency of change. This will reduce costs and improve productivity through consistency over time. It will reduce the volume of changes to the NCC, allow resources to focus on the operability of the NCC and not just its content; and provide more time for changes to the NCC to be evaluated and consulted on.

Will further enhance practitioner access to the NCC through a range of technologies. This will also increase awareness of the NCC and with new features, understanding of its contents. In turn this is anticipated to result in improved building outcomes, increased compliance and enhanced productivity.

Significantly increases practitioner understanding of the NCC and its requirements, resulting in increased consistency of interpretation, compliance and improved building outcomes. It will improve access to the expanded NCC audience through simpler and easier to measure documentation.

1994

1996

2011

2014

2015

2016

2018

2019



# Building Regulation Reform Benefits, First – Third Tranches

- 2004 Productivity Commission Inquiry into Reform of Building Regulation noted:
  - sound progress with uniform regulations and a performance based code
  - need to strengthen the commitment to national consistency
  - affirm the importance of a whole-of-government approach to building regulation initiatives
  - strengthen the use of regulatory impact analysis
  - Further reduce variations across jurisdictions
  - better articulating the performance-based requirements
  - agree to shared and increased funding and removal of some charges for the BCA



# Building Regulation Reform Benefits, Fourth Tranche

- 2012 report by the Centre for International economics (CIE) confirmed the \$1.1 billion pa in benefits, with an additional \$1.1 billion per annum in potential benefits yet to be realised, through:
  - Quantification
  - Free on-line access to the NCC
  - Reduce State and Territory variations
  - Remove local government interventions
  - Continued expansion of the NCC as single source document for all regulation effecting onsite building construction



# THE NEXT INSTALMENT OF BUILDING REGULATORY REFORM

## What you need to know...



The **VISION** is increased productivity and improved building outcomes.

This will be **ACHIEVED** through increased practitioner access, awareness and understanding of the NCC, improved national consistency and reduced regulatory costs.

### INITIATIVES/KEY ACTIONS:

NCC free online from February 2015	Undertake harmonisation and consolidation of the NCC and reduce State and Territory variations	Improved digital platforms for NCC access and related materials
Better explanatory material for Performance Requirements	A continuing shift towards an improved NCC product, and improved support material	Remove redundant, unnecessary and duplicative NCC content
Enhanced training tools, delivering what industry, educators and regulators want	Shift from annual to 3-year amendment cycle	Evaluate further NCC expansion for all on-site building regulation
Review the application and content of Acceptable Construction Practices	Quantified NCC Performance Requirements	Limit the application of higher prescriptive standards being set outside of the NCC
Improved NCC explanatory material and how it works	Improved useability of the NCC and suite of supporting materials informed by industry preferences	

The **BENEFITS** are increased access to the NCC, reduced economic burden on NCC users and industry as a whole, increased stability through reduced frequency of NCC changes, reduced cost of construction, maximised potential productivity, increased practitioner understanding of and compliance with the NCC...

**all of which lead to increased productivity and improved building outcomes.**

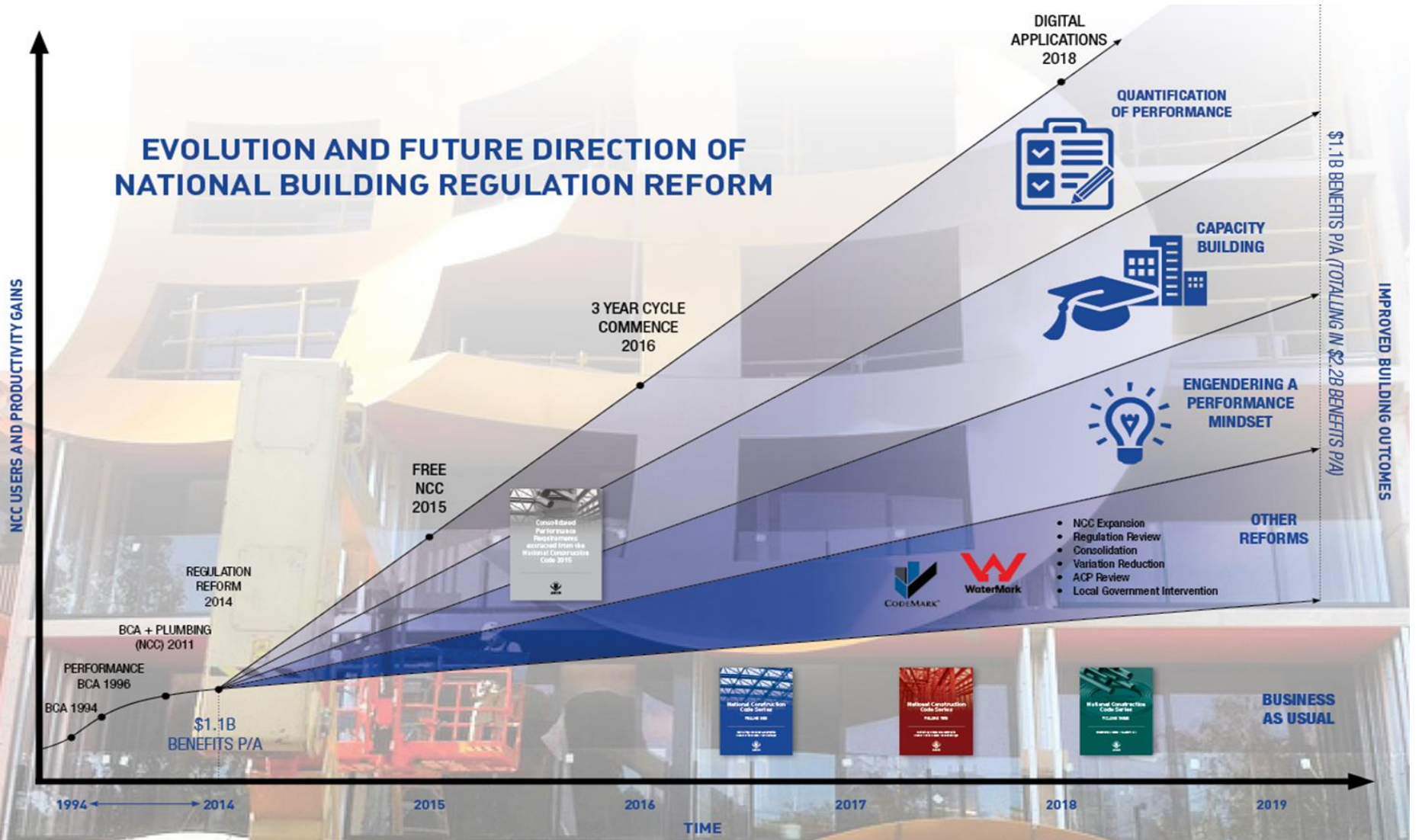
**LINKING – ENGAGING – COLLABORATING – INNOVATING**



# Potential Benefits

- BRRT estimated that 1991 reforms would generate \$250 million pa in national benefits.
- Productivity Commission estimated benefits in 2004 as \$1.1 billion pa.
- In 2012, the CIE estimated benefits of \$1.1 billion pa and the potential to add a further \$1.1 billion pa through a range of additional reforms.
- Acil Allen estimate of \$17 million - \$55 million pa for free NCC and 3-year amendment cycle.
- Some industry groups put the estimate of potential benefits if all new regulatory reforms implemented, in the order of \$5 billion pa.

# EVOLUTION AND FUTURE DIRECTION OF NATIONAL BUILDING REGULATION REFORM



This chart and the representations depicted above are indicative only and should be used in a conceptual manner rather than for an actual reflection of data.





# Performance or Prescription

- Much of the economic analysis of the benefits of building regulation reform over 20+ years focuses on having a performance based code;
  - The mandatory features of the NCC
  - Promotes innovation (that often become mainstream)
  - Leads to cost savings and productivity benefits
  - Is responsive to contemporary trends
  - Reduced focus on regulating through prescription
- But it does require:
  - Quantification
  - Capacity building
  - Cultural change
  - Perspectives on role of Standards



# Regulation as a Last Resort

- ABCB's Inter-governmental Agreement requires that it:
  - Establish codes that are the minimum necessary to efficiently achieve its *Mission*
  - Ensure that NCC requirements are Performance-based and verifiable
  - Encourage reduced reliance on regulation
  - Ensure that there is a rigorously tested rationale for regulation, that they are effective and proportional, and that there is no non-regulatory alternative
  - Ensure that as far as practicable requirements are consistent across the States and Territories



# Economic Impact Analysis of Building Regulations

- ABCB IGA requires new regulation demonstrate net societal benefit.
- RIS that satisfies Council of Australian Governments' *Best Practice Regulation Guide*. Key principles:
  - Establishing a case (the problem)
  - Consider range of feasible regulatory and non-regulatory options
  - Adopting option that generates greatest net benefit
  - Not to restrict competition
  - Review to retain relevance
  - Consulting effectively
  - Must be proportional to the issue
- RIS has to be cleared by the National Office of Best Practice Regulation Review



# Fifth Tranche of Reforms

- Better Practice Building Administration
- Largely outside the ABCB's jurisdiction
- Key measures:
  - Clarify roles and responsibilities of key players
  - Practitioner competencies
  - Identification of critical practitioners and accreditation
  - Quality assurance
  - Improve information capture
  - Lift auditing and compliance activities
  - Standardise some documentation
  - Produce National Practice Notes
  - Education and training



# And?

- 2017 McKinsey Global Institute report on reinventing construction productivity.
- Compared to other sectors lags a long way behind in growth.
- Sees regulation as an enabler and one of seven ways to tackle the key problems, including by:
  - Streamlining approvals processes
  - Encouraging transparency on cost and performance
  - Regulation being outcome-based
  - Building codes being more standardised
- Perspective - regulation itself not seen as the culprit, but more the processes.