Australian Institute of Building

Submission to the

Senate Inquiry into Non-Conforming Building Products

Introduction

The Australian Institute of Building (AIB) welcomes the opportunity to lodge a submission to the *Senate Inquiry into Non-Conforming Building Products.*

Building materials quality and testing is an important issue of risk management that needs to be addressed in a focused and coordinated manner by Governments, industry, research institutes and professionals bodies in the built environment. AIB advocates for research into this issue, product conformity of building products and a thorough and cost-effective testing regime.

Founded in 1951 and granted a Royal Charter in 1969, the Australian Institute of Building (AIB) concerns itself with increasing the professionalism amongst builders. The AIB is the voice of professionally trained and experienced construction managers who number more than 80,000, according to the 2011 census. AIB members hold degree qualifications in building and construction management and work as project managers and in senior levels within construction companies. With a focus on supporting the next generation of building professionals, AIB cooperates with universities to ensure the relevance of undergraduate programs in building disciplines, and assists in improving course curriculums. AIB accredits only the courses of the highest standards.

AIB Objectives

The objectives of the AIB are:

- To promote excellence in the construction of buildings and just and honourable practices in the conduct of business.
- To advance the study of Building and all kindred matters, arts and sciences.
- To encourage the friendly exchange between members of knowledge in practical, technical and ethical subjects.
- To uphold the dignity of the profession of Building and status of the Institute.

Terms of Reference

On 23 June 2015, the Senate referred an inquiry into non-confirming building products to the Senate Economics References Committee for inquiry, with particular reference to:

a. the economic impact of non-conforming building products on the Australian building and construction industry;
b. the impact of non-conforming building products on:
    i. industry supply chains, including importers, manufacturers and fabricators,
    ii. workplace safety and any associated risks,
    iii. costs passed on to customers, including any insurance and compliance costs; and
    iv. the overall quality of Australian buildings;
c. possible improvements to the current regulatory frameworks for ensuring that building products conform to Australian standards, with particular reference to the effectiveness of:
    i. policing and enforcement of existing regulations,
    ii. independent verification and assessment systems,
    iii. surveillance and screening of imported building products, and
    iv. restrictions and penalties imposed on non-conforming building products; and
d. any other related matters.

These Terms of Reference will be answered in turn.

a. The economic impact of non-conforming building products on the Australian building and construction industry;

As stated in *Procurement of Construction Products - A guide to achieving compliance:*

At the end of June 2012, the building and construction industry generated $305 billion in total income, incurred $275.4 billion in total expenditure, and employed 950,000 persons. Construction products are estimated to comprise 30% of project costs; therefore, approximately $82.62 billion dollars was spent on their procurement in 2011–12. One major builder estimated the average cost of rework due to non-conforming products was between 0.25% and 2.5% of the overall contract value.

This works out at up to $2.06 billion immediate cost to builders of reworking due to faulty building products, and this does not include the costs of rework 5, 10 or 20 years later, or the costs to the economy of the effects on human health and safety due to non-conforming building products.

b. The impact of non-conforming building products on:
i. industry supply chains, including importers, manufacturers and fabricators,
ii. workplace safety and any associated risks,
iii. costs passed on to customers, including any insurance and compliance costs; and
iv. the overall quality of Australian buildings;

The post-incident analysis that Metropolitan Fire and Emergency Services Board published in relation to the 2015 Lacrosse Apartments fire highlights the importance of this issue in particular the risks to occupants, the risks to responding emergency services, the community and the pitfalls of poor building practitioner performance.

Further, in 2003, a hangar at the RAAF Fairburn base in Canberra collapsed due to faulty building materials, which led to twelve people being seriously injured. In 2012, up to 24 imported glass panels fell from the entrance of the new ASIO building being constructed in Canberra, although in this instance no one was injured. It is well known in the industry that compliance and workmanship were lacking on 'Building Education Revolution' (BER) projects. These incidents highlight the need for greater emphasis on building materials quality, as well as a testing regime.

There are a number of reasons why construction production quality is an issue, and product conformity[1] and conformity assessment[2] for building products do not currently exist in Australia. These include:

- Time and cost are key drivers in the construction process, and quality often comes third behind these two drivers;
- There is a perception that the cost paid for higher-priced products will not bring value for money;
- There is resistance from many manufacturers;
- The Federal Government has not been proactive on this issue, and the market has as a result moved toward reducing 'red tape';
- There has been a loss of technical resources, as well as delegated responsibility;
- Buyers in a global marketplace are often not well-informed of whether the products they are purchasing have been subject to product conformity and conformity assessment;
- The procurement market has been and is changing – there is a trend towards integrated project delivery; and there are new stakeholders such as banks, superannuation funds and insurance funds; and
- There is the pressure of international trade obligations, and the desire not to be seen to be putting up trade barriers to the Australian market.

AIB believes that quality research is needed addressing:

a. Identification of high risk construction products.
b. Non-conformance – what is the level & what the problems are.
c. Identification of the likelihood of construction product failure.

c. Possible improvements to the current regulatory frameworks for ensuring that building products conform to Australian standards, with particular reference to the effectiveness of:

[1] Product Conformity is the testing of performance to prove that the material, component, joint or assembly is capable of conforming to the requirements of the relevant Standard. In Australia very few construction Standards include Product Conformity requirements, and unless these are made 'Normative' (compulsory), manufacturers can claim compliance to the Standard without actually doing any testing.

[2] Conformity Assessment is the periodic assessment of manufactures to check that the products they produce meet the requirements of the product Standard. The requirements for this process are specified in a number of ISO/IEC Standards.

i. **policing and enforcement of existing regulations,**
ii. **independent verification and assessment systems,**
iii. **surveillance and screening of imported building products, and**
iv. **restrictions and penalties imposed on non-conforming building products; and**

AIB holds the following positions in relation to building materials quality and testing:

- Product Conformity should be implemented, with a shift from an 'informative' to a 'normative' approach, meaning that some form of testing would become compulsory;
- A National Register of Certified Construction Products (NRCCP) would be valuable to inform the industry and building professionals;
- AIB will not undertake building materials testing in the foreseeable future, either on behalf of its members, or for third parties;
- Standards and regulations should not be overly harsh, but at the same time should be rigorous enough to adequately protect construction workers and the users of the building or other construction throughout its lifespan;
- Responsibility for adherence to the various applicable Australian standards and regulations should rest with the manufacturers and retailers, not with builders;
- Consumer protection, safety and sustainability are the way to advocate the issue, as the Federal Government does not want to be seen to be introducing protectionist trade measures;
- There should be drafting, submission and acceptance of project proposals for individual standards to revise from 'informative' to 'normative';
- The testing of products should ideally be at the point of manufacture, with overseas standards thorough enough to have faith in their processes; and
- There should be some level of identification of the source of product inputs (i.e. traceability).

AIB is also of the view that Australia needs a national building compliance office, similar to CASA for aircraft. The governing body overseeing the new office should have representatives from industry, the professions, and regulators. A program should be established that establishes an office for construction compliance, perhaps called the 'Australian Building & Construction Compliance Office' (ABCCO), which would aim to ensure compliance of, and improve standards of, both workmanship and products, and possibly manage the NRCCP. The ABCCO would be representative of the industry, profession and regulators and funded to develop and manage a compliance testing process to ensure building materials of consequence, assessed by an agreed risk assessment, are compliant with Australian Standards. AIB advocates that significant funding in the order of $10 million of federal funding over three years would be required to commence a program that establishes an office for construction compliance, to be known as the Australian Building and Construction Compliance Office.

d. Any other related matters.

AIB's position is that greater professionalism is critical in reducing the use of non-conforming building products in the building and construction industry. In terms of the education levels of construction managers, federal and state governments need to legislate higher educational standards to ensure that they have the necessary skills to manage large scale projects, and the

associated quality control aspects. Higher educational standards and quality control skills are also important for tradespersons working in the building and construction industry.

The AIB administers the National Building Professionals Register (NBPR), which allows those registered to use the title 'Chartered Builder' after their name. AIB full members can use the title 'Chartered Building Professional'. AIB requires its members to undertake Continuing Professional Development (CPD) in order to retain AIB membership, and the ability to use these titles, with those on the NBPR also required demonstrate the requisite insurances and financial position.

AIB emphasises that federal and state governments should legislate that only suitably qualified and experienced construction managers, as assessed by the professional association, should be allowed to manage large scale commercial, infrastructure and residential projects, and that only those that are tertiary-qualified in a construction management degree should be allowed by law to refer to themselves as a 'construction manager', just as 'engineer' and 'architect' are protected professional titles in most states. This would curtail the situation of many construction companies growing exponentially with directors lacking quality control skills or simply the education, and allowed, unchecked to manage large scale projects to their own, the profession's and the public's detriment.

End of Submission

Submission lodged on 3 August 2015.

Appendix 1

Further information about the AIB

Founded in 1951, the Australian Institute of Building (AIB) is the peak body for building and construction professionals in Australia and the Asia-Pacific region, acknowledged for its ability to bring individuals together who share a common interest in improving the standing of the building profession and their career within Australia and overseas.

The AIB was incorporated by Royal Charter in 1969, and as such members who meet the requirements are entitled to be referred to as 'Chartered Builder'.

Recognised as the accrediting body for building and construction degrees at educational institutions, the AIB has a long and proud history of supporting and servicing the building profession. For more than sixty years, the Institute has worked with the building and construction industry, government, universities and allied stakeholders to promote the building profession, support the development of university courses in building and construction whilst promoting the use of innovative building techniques and a best-practice regulatory environment.

The AIB's membership comprises some 2500 professional qualified and experience construction managers employed at senior levels by all major construction companies in Australia. The AIB represents the interest of some 85,000 qualified construction managers in Australian (2011 Census).

AIB is proud of its role in promoting the exchange of information amongst individuals and accomplishes this through publications including the *Construct* magazine and the Australasian Journal of Construction Economics & Building (AJCEB).

The AIB also has an extensive continuing professional development program in Australia and overseas and facilitates the annual AIB Professional Excellence in Building Awards Program.

For further information please go to www.aib.org.au