

10 February 2016

Review of the Building Industry Regulatory Framework
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RE: Review of Building Industry Regulatory Framework in the Northern Territory

The Northern Territory Division of the Property Council of Australia collectively represents billions of dollars of commercial investment in the Northern Territory. The property sector has a larger footprint on the Northern Territory economy than any other industry.

As an industry, we not only have a keen interest, but also a financial interest in the future development of the Northern Territory, and we appreciate and take seriously the opportunity to provide comment on the Cureton Report.

We welcome the review and appreciate the Government's effort to consider reform for the industry.

The Property Council of Australia is unable to support any of the key recommendations outlined in the report but is willing to discuss options and considerations for review.

Cureton Report Recommendations

A. Residential Warranty Scheme

The Property Council NT does not support the establishment of a new Residential Warranty Scheme as described in the Cureton Report. There is strong sentiment in the Building Industry that the existing Master Builders Association Fidelity Fund Scheme is not working and has simply increased the cost of construction of residential dwellings.

A thorough review of the Master Builders Association Fidelity Fund Scheme should be carried out prior to any new scheme being considered.

Furthermore, a detailed cost benefit analysis should be carried for any new schemes that are under consideration.

B. Contractor Registration

The Property Council NT does not support the establishment of a Reformed Registration System as described in the Cureton Report.

No evidence has been shown that a contractor's registration system will provide additional protection to consumers from construction failure or improve the standards of contractor workmanship. Furthermore, the costs associated with administering a contractor's registration system have not been quantified. It would be inappropriate to consider any such system without having a properly understanding of the costs associated with such a scheme.

C. Payment Protection and Contract Reform

The Property Council NT does not support the establishment a legislated, cascading, and subcontractors' construction trust scheme, as described in the Cureton Report.

The costs associated with administering and managing the proposed scheme will be significant. It would be inappropriate to consider any such system without having a properly understanding of the costs associated with such a scheme.

No evidence has been provided that details how the establishment a legislated, cascading, subcontractors' construction trust scheme would substantially improve the ability of subcontractors retrieving retention money from recalcitrant contractors.

With regard to the three primary construction industry failures identified in the report (Payment Default, Contractor Failure, and Construction Failure), the Property Council NT believes that it would be appropriate to review the standard the contracts being widely used with the Building Industry.

In particular, the sections of these contacts that define when progress payments are made, how retentions are managed, and the process to resolve disputes between parties.

It may be possible to fix the wide majority of the issues raised in the report by simply fixing the contractual agreements between the parties involved to better protect the subcontractors and property owners.

The Property Council is the peak body representing the property industry in the Northern Territory. We appreciate the opportunity to comment on the Cureton Report and look forward to working with you into the future.

Should you have any queries or require elaboration, please do not hesitate to contact rpalmer@propertycouncil.com.au

Yours sincerely



Ruth Palmer
NT Director