

6 May 2022

Hon Mick de Brenni
Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement
1 William Street
Brisbane, QLD, 4000

Home Warranty Scheme Review

Thank you for the opportunity to provide input into the Government's review of the Queensland Home Warranty scheme. The Property Council believes that the highest standard of consumer protection is crucial for maintaining confidence in Queensland's residential construction sector, however, it is important to ensure that these protections do not unreasonably impact the costs associated with building a new home during a period of increasing concern around housing affordability and rapidly escalating construction costs.

The Property Council largely agrees with the reasoning behind the majority of the proposals. However, we have significant concerns with Proposal 6.1 – *Provide increased consumer protection for residential buildings over three storeys*.

In particular, the industry is concerned with the statement that "to mitigate the risk of large claims, the QBCC would likely need investigation and oversight powers to regulate the developer sector." With an ongoing independent review currently being undertaken into developers within the building and construction industry, it is difficult to see how any proposal to extend the scheme to buildings above three storeys can be made without knowing the outcomes of the review and subsequent Government response.

In addition to this, we are concerned that extending the scheme to provide coverage for buildings over three storeys may be too costly – especially when many of the issues it aims to respond to have been addressed by the 2018 Building Confidence Report.

As the discussion paper acknowledges expanding coverage to buildings above three storeys would be a very significant reform that has been implemented and then repealed in both Victoria and NSW because costs were well in excess of what was expected. While acknowledging that if Queensland did implement additional protection, it would account for the learnings in other states, it will still likely come with significant liability for the developer, builder and consumer alike.

It is unclear why the Government would consider such a drastic change when only 28.5% of consumers believe that there is not enough coverage for high rise residential buildings

and only just over half (52%) of consumers would be willing to pay the higher insurance premium that would be necessary to provide coverage.

It is also worth noting that many of the “other potential options” that have been tentatively canvassed such as a building levy, a bond scheme and decennial insurance could have significant impact on the cash flow of developers during a time when the industry is battling dwindling margins due to rising construction and labour costs. Not only will any costs borne by the developer inevitably be passed on directly or indirectly to the consumer, but they may also undermine the long-term viability of Queensland’s apartment sector.

During a period of record population growth for Queensland and growing affordability concerns it is unclear why such significant changes are being considered when there is no clear problem to address.

Thank you once again for the opportunity to provide feedback. If you require any additional information or would like to discuss this matter further, please don’t hesitate to contact me on 0448 432 936 or jwilliams@propertycouncil.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jen W', written in a cursive style.

Jen Williams
Queensland Executive Director