

**MINUTES OF THE CONSTRUCTION INDUSTRY COUNCIL MEETING
At The Westin, 21 Viaduct Harbour Avenue, Lighter Quay, Auckland City 1010,
Friday 26 February 2010 at 10.00am**

PRESENT:	Pieter Burghout (Chair)	BRANZ	Bruce Kohn	BIFNZ
	Cara Hunt	WPANZ	Dave Hardman	NZBTU
	Carl Davies	NASH	Jeremy Sole	NZCF
	Dave Kelly	DBH	John Granville	NZIQS
	Ruma Karaitiana	BCITO	Rob Gaimster	CCANZ
	Victoria Troake	STCF	Charles Willmot	IPENZ
	Connal Townsend	PCNZ	Peter Bodeker	WPA
	Bob Taylor	FPANZ	Neville Scott	NZIBS
	David O'Connell	NZBTU	Len Clapham	BOINZ
	Jane Henley	GBC	Debbie Chin	SNZ
	Derek Baxter	NZCBA	Warwick Quinn	RMBF
	Leanne Beard	DINZ	John Wills	InfraTrain
	David Clark	PINZ	Wolfgang Scholz	HERA

APOLOGIES:

Garry Menhennet	SSNZ	Kieran Shaw	ACENZ
Beverley McRae	NZIA	Chris Bentley	NZILA
Russell Cooney	NZIBS	David Medricky	NZIBS
George Hooper	CAE (part)	Martin Fahey	NZIOB
Rick Mason	NZIOB		

1. OPENING AND APOLOGIES

The Chairman welcomed members to the meeting and noted that the received apologies would be listed in the minutes of the meeting. He provided an overview of the agenda and advised that the stakeholder lunch would take place at 12.00pm with Hon Williamson's announcement on the Building Act Review taking place at 1.00pm. He requested additional agenda items, and Ms Henley requested that the use of the CIC Guidelines be added to items under general business.

2. MINUTES OF NZCIC MEETING ON 19 November 2009

Members discussed the minutes and agreed that Russell Cooney was to be removed from the apologies list and STIC was to be replaced with STCF.

2.1. Confirmation of Minutes

RESOLVED (7)

That the minutes of the 19 November 2009 meeting of the Construction Industry Council be adopted as a true and correct record of that meeting with the above changes.

Moved: Carl Davies
Seconded: Jeremy Sole

Motion Carried

2.2. Matters Arising

There were no matters arising.

3. CONSTITUTION

3.1. Accounts

The Chairman advised that the finalisation of the CIC budget was still to be undertaken by Mr Baxter and himself, however, they had reviewed the accounts and CIC was operating with financial strength. He noted that the current expenses included consultants (Bill Smith and Alan Bickers) project costs and the secretary costs.

Mr Baxter noted that the budget allowed for CIC to contract consultants to undertake project type work and asked that members provide project ideas noting that today's session would start to determine the projects that CIC members considered as being key focus areas. He noted, for example, that Ms Troake had a project idea on proposing a CCA (Constructions Contracts Act) review.

4. **TABLING OF MEMBERS' ISSUES LIST**

The Chairman thanked members for contributing to a list of key external issues which they saw their organisations facing over this coming year, and tabled the consolidated CIC members' issues list. He requested that those members that had not responded to consider the list of issues and place dots against the issues relevant to them. Mr Willmot requested clarification on 'water resolutions' and the Chairman noted that water supplies was an increasing issue with Canterbury being an example and asked that members consider whether or not CIC had a role in the water resolutions space.

The Chairman noted more issues may need to be condensed and Mr Bodeker asked for acronyms to be extended where needed – for example CCA, which was a reference to the Construction Contracts Act (not a type of timber treatment).

It was agreed that members were to place dots against the relevant issues and that the list would be recirculated and used to prioritise the next steps for the CIC.

Action: *Members to email Miss Hunt a list of key external issues facing their organisations.*

Mr Bodeker noted that some of the issues were sector specific e.g. timber treatment, and asked for clarification on whether or not they should be organisational or CIC specific. The Chairman asked that members thinking be around:

- are there collective issues that all of the CIC members should engage in;
- are there issues that are useful for the CIC to know about;
- are there issues that are generic across members and then specific for industry.

It was discussed that part of the Building Act Review (BAR) thinking around the Building Code, standards and industry best practice was on how does it work, when do you need a compliance document, is it a New Zealand standard etc, and with the timber treatment what are we trying to achieve and the best way to do it.

The Chairman advised that there were streams of work currently underway and CIC needed to get an understanding of the work streams and where the gaps were and prioritisation of those gaps.

Mr Davies advised that in regards to legitimising steel framing with the NASH standards and codes of practice NASH was currently considering whether or not to go to Standards NZ, the Department of Building and Housing (DBH), Australia or undertake it themselves. He noted that he was currently working with Mr Clapham and BCAs, and that if NASH had an industry best practice standard that would be acceptable to the BCAs, then it could be undertaken directly by NASH, and – if not – it should be a standard. He advised that the DBH's preference was that the Code was clear and clean and that their preference was to not need to cite the document. Mr Kelly advised BCAs have been fine with the process, they just want to see DBH's name associated with it, and DBH wants to make sure it works.

The Chairman requested other issues from members. Ms Henley noted there was a difference in short term and long term issues and that she would not want to see CIC lose sight around some of the long term issues. The Chairman noted that the CIC was a network of people that can liaise and work on issues germane to them. It was agreed that CIC members were to look at high priorities both immediate and long term to provide the mission, vision and strategy for CIC.

10.30am Mr Kane joined the meeting.

5. **BRANZ "BUILDING THE FUTURE SCENARIO WORK" – Chris Kane**

The Chairman introduced Chris Kane noting that he heads up and manages the BRANZ research and innovation strategy and translates that into the day to day agenda for BRANZ's research and information programme. He noted Mr Kane goes through an extensive industry designing project with independent panels to choose where the BRANZ Levy money is best spent.

Mr Kane spoke to his presentation "Building The Future – four visions of the New Zealand Built Environment in 2025 – and where they could lead us" to members and gave an overview of the process undertaken to develop the research strategy which included social trends, technology trends, economic trends, environmental trends, political trends and critical uncertainties.

Mr Kane provided clarification on the social trends noting the following:

- Demographics
- Social uses of new technology – social users, knowing who the users are in terms of the social groups, the vision cannot be undertaken without including the scenario of culture, social groups etc.
- Hourglass society – hourglass of skills and people
- Work-life balance
- Social sustainability – balancing economic, social and environmental outcomes.

Mr Kane noted the following from the 4 scenarios used to determine the research priorities:

- The Final Inspection – this was focused on quality with one of the outcomes being customers can lift the quality of the industry by having the knowledge and the need to educate customers;
- The Grand Opening – this was focused on planning, alignment and communication and the relationships between government and the industry and defining who the industry was.

It was agreed that the priority for CIC was having a one voice approach on every issue or where issues could not be agreed to put the issues on the table to ensure only one story was being given to the relevant Ministers and decision makers.

The challenge of educating customers was discussed which included:

- low conversion rate or low cycle rate;
- hooking the customer, this could require visiting them 3 times before you have them;
- keeping regular contact with customers as in some cases you may only see the customer once every 5 or 7 years;
- who is the customer, the person that holds the cheque book? The customer is not always the occupier and owner's expectations differ from occupier i.e. different streams of information is required for both the occupier and landlord;
- expectation that show homes be available;
- asymmetry of information – this is broken down through the use of the internet which provides information and there are ways of improving the knowledge of people out there;
- hour glass of builder – the builder cannot do everything i.e. builder/project co-ordinator and communicator with client there is a requirement for a project manager/coordinator.

Avoiding rapid change in demand was discussed i.e. rapid change in supplies, impact on restructuring city councils and the gap of 2 years until it gets sorted etc. Mr Kane noted that the rate of change causes issues whatever the driver. It was noted that change will always happen, and perhaps rather than trying to manipulate demand, we should train people to react/communicate properly.

11.05am Bruce Kohn joined the meeting.

It was noted that the prospective industry vision statement '*A productive, profitable and safe building and construction sector that delivers good quality homes and buildings to New Zealanders, and provides a foundation for strong communities and a prosperous economy*' was missing affordability and horizontal construction.

Mr Kane advised that a 6 monthly review/summary of things that change was undertaken to ensure BRANZ's thinking was still current and that the next steps for the research agenda was on his desk to get moving. A key element was pulling together an 'industry value case' – i.e. why the industry is important to New Zealand and what the value of a \$ investment meant in terms of outcomes/benefits – but that sort of project needed to have PricewaterhouseCoopers or KPMG involved to have maximum credibility i.e. just having BRANZ as the author would not stack up.

Action: Miss Hunt to email the 'A potential roadmap?' slide to members.

The Chairman noted that BRANZ is accomplished at technical research but BRANZ is exploring the merits of moving more into 'managerial research' (i.e. how does the industry manage itself) and did not want BRANZ to be the only provider in this space. He noted that BRANZ was looking for partners and providers to provide the required inputs and strategies, however to date there had been issues with other providers IP restrictions. He noted that BRANZ could undertake the grouping of all operators in this space and offer up what they are doing to have a combined research platform. Mr Granville noted that universities would respond to research opportunities with students undertaking research as part of their thesis.

Mr Karaitiana advised that BCITO had undertaken a study in 2009 regarding the major factors that catalyse future change in building and construction futures and he would forward this report to members.

Action: Miss Hunt to email members the BCITO Futures report once received from the BCITO.

11.30am Mr Kane departed.

6. General Business

6.1. CIC Procurement Guidelines

Ms Henley advised that GBC were currently undertaking a survey of members and government of the Green Star Rating and looking at issues that arise from that. She noted the project is \$30,000 to \$100,000 with the purpose to ensure competitive pricing guidelines. The Green Building Council wanted to use the CIC Procurement Guidelines as a base to start from, if that was okay with the CIC – which members supported/agreed with.

Meeting concluded at 12.00pm

7. DISCUSSIONS WITH DBH ON DETAILED BUILDING ACT REVIEW PROGRAMME AND PROCESS

Meeting reconvened at 2.30pm

Additional attendees: Craig Hill (DBH), Michael Mills (DBH), Ewan Higham (BOINZ), Brent Meekan (ACENZ)

The Chairman opened the meeting noting the focus was on the following:

1. Where to next after the Hon Williamson BAR announcement;
2. How do CIC want to handle the process e.g. joint submissions and the process behind the details.

Mr Mills noted that Hon Williamson had announced the vision, the 'cost-effective quality: next generation building control' document and the issue of misalignment in terms of allocation and relying too much on TAs, he noted the focus was to rely more on industry and sector and believed that consumers had a role and needed to be better informed and equipped and that there needed to be a relationship between the consumers and sellers.

It was discussed that BCAs and TAs were not sensitive to risk; however, there was concern about the overall efficiency of the regulatory systems, with 73 local authorities administering national sets of buildings and some having different interpretations around Codes and Standards and associated cost. It was discussed that more of a risk based system i.e. where the risk was low and the skills of designers, builders etc was high there could be less need for as many BCAs.

It was discussed that where the likelihood of risk was low that skilled licensed practitioners should be able to build right meaning licensed practitioners could be relied on to do that. It was agreed that the management systems for quality and risk needed to have good systems and relying on those systems need to be tested. It was noted that the risk based system where the building practitioner took responsibility the requirements needed to be clear and readily available. It was agreed that there was a requirement of identifying areas where the builders, architects etc may have problems and making sure the building regulatory and interface with standards worked well.

It was discussed that the BAR needed to look at relationships with consumers and how people contract for building work e.g. should there be a requirement for written contracts and should it include: disclosure of information including the qualifications of the people undertaking the building work; and/or a warranty from the principle contractor to the person buying the building work with some warranties having short or long durations where it was both practical and workable. It was noted that this process needed to have certification from DBH so that the consumer could have confidence.

The process between industry and market solutions was discussed and a question was raised if you were contracted to build a house and leased this to a trade should someone else step in for guarantees and warranties or should there be a disclosure. Mr Mills stated he was open for options for either.

The process of dispute resolution was discussed i.e. should the contract agree between 2 parties on how a dispute would be resolved. The regulatory control system was discussed: are current arrangements the best way, would industry like to see more consolidation along local authorities, then ideally would industry like to see delivery of the building controlled system and how do we get there? Mr Baxter noted that the review was missing the Construction Contracting Act (CCA) and that it did need some tweaking. Mr Mills noted that CCA could be an option, and that the DBH oversees the CCA.

Mr Mills was asked to confirm the BAR working groups to ensure CIC does not work on areas already covered.

Members discussed the compliance documents noting that there needed to be guidance documents and rather than calling them compliance documents an option could be producer statements.

The following concerns were raised in regards to the shift of responsibility from BCAs to licensed building practitioners:

- the risk management process for builders (building contractor) and concern was raised that the process may be moving risk from one to the other;
- is this the right balance between reduced responsibility and better equipped consumers and BCAs;
- with more responsibility being placed on the builder, would the builder have the right to tell the design and architect 'no';
- how would the licensed building practitioner/building contractor take responsibility if they fall over;
- concern about evolving compliance and relationships, is this manageable;
- whoever signed off on the job would be liable, whereas the contractual liability lay with the contracting party (ie the building company).

Product specification was discussed and whether or not there could be a standardised contract through standards. It was noted that apportioning liability still needed to be looked at and the Law Commission would take approximately 4 years if it was to be involved in that process.

It was noted that product assurance and certification was not addressed as it was to be undertaken separately from the BAR.

The Chairman thanked both Mr Mills and Mr Hill for attending the CIC meeting and asked that they attend the next CIC meeting in March.

8. General Business

8.1. CEO of the International GBC - Jane Henley

The Chairman advised that unfortunately Ms Henley was not available for the afternoon session, however, she had been invited to be the CEO of the International GBC and he wished Ms Henley to be congratulated on behalf of the CIC as this was good kudos for both Ms Henley and for New Zealand.

9. NEXT MEETING

- **25 March 2010 from 9.00am-1.00pm at Rendezvous Hotel Auckland, Mayoral Dr and Vincent Street, Auckland.**

There being no further business, the meeting concluded at 3.05pm.

Signed as a true and correct record:

Pieter Burghout
Chair

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