



TRANSPORT AND PUBLIC WORKS COMMITTEE

Members present:

Mr SR King MP (Chair)
Mr TJ Sorensen MP
Mr CE Boyce MP
Mr RI Katter MP
Mr BJ Mellish MP
Mr DJ Brown MP

Staff present:

Ms D Jeffrey (Committee Secretary)
Ms M Telford (Assistant Committee Secretary)

PUBLIC BRIEFING—CONSIDERATION OF AUDITOR-GENERAL'S REPORT NO. 16: 2019-20— *LICENSING BUILDERS AND BUILDING TRADES*

TRANSCRIPT OF PROCEEDINGS

MONDAY, 7 SEPTEMBER 2020

Brisbane

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The committee met at 9.30 am.

CHAIR: Good morning. I declare open the public briefing on the Auditor-General's report No. 16 for 2019-20, *Licensing builders and building trades*. I want to acknowledge the traditional owners of the land on which our parliament stands. My name is Shane King, the member for Kurwongbah and chair of the committee. Other committee members with me here today are Mr Ted Sorensen, the member for Hervey Bay and deputy chair; Mr Colin Boyce, the member for Callide; Mr Don Brown, the member for Capalaba; Mr Robbie Katter, the member for Traeger, who will be joining us shortly; and Mr Bart Mellish, the member for Aspley.

The committee's proceedings are proceedings of the Queensland parliament and are subject to the standing rules and orders of the parliament. The committee will not require evidence to be given under oath, but I remind witnesses that intentionally misleading the committee is a serious offence. You have previously been provided with a copy of instructions to witnesses, so we will take those as read. The proceedings are being recorded by Hansard and you will be provided with a copy of the transcript.

The purpose of today's briefing is to provide the committee with an opportunity to ask questions of the Queensland Audit Office, the Department of Housing and Public Works and the Queensland Building and Construction Commission about the Auditor-General's report No. 16 for 2019-20. Media may be present and will be subject to my direction at all times. The media rules endorsed by the committee are available from committee staff if required. All those present today should note that it is possible you might be filmed or photographed during the proceedings. If witnesses take a question on notice today, I ask that they provide the information to the committee by 4 pm on Monday, 25 September 2020.

FLEMMING, Mr Patrick, Assistant Auditor-General, Queensland Audit Office

JOHNSON, Ms Karen, Acting Auditor-General, Queensland Audit Office

TOMA, Mr David, Director, Queensland Audit Office

CHAIR: I welcome representatives from the Queensland Audit Office. Thanks for your assistance and your attendance here today. I invite you to make a brief opening statement.

Ms Johnson: Thank you for the opportunity to brief the committee on our report, *Licensing builders and building trades*. We tabled this report in June of this year—June 2020. This audit assessed whether the Queensland Building and Construction Commission, which I will refer to after this as the QBCC, effectively regulates the building industry by issuing and managing licences in a fair and balanced way. The audit focused on QBCC's licensing and education services. We did not examine the effectiveness of the Home Warranty Scheme or the nonconforming building products program.

Since 2016 the QBCC has been on a journey to move from a complaints driven licensing authority to a risk focused, insights driven regulator. This means focusing on areas that pose the greatest risk or threaten community safety and economic confidence in the sector. QBCC has the building blocks to do this, but implementing and embedding it into the organisation is taking time. Its progress has been hindered by a lack of resources, skill and capability. QBCC has had to prioritise its resources to develop special-purpose projects for the implementation of major new laws. It is critical that QBCC now allocates enough resources and develops its capability to finalise its strategies and plan to guide progress to become a more effective risk focused regulator.

QBCC has good processes and probity checks in place to assess whether an individual or company who applies for a licence does meet the eligibility requirements, but how it manages licences is too operational. It needs a more targeted compliance program to be fully effective and ensure that the scarce resources are allocated towards the greatest risk of harm. Lack of financial data on licensees since 2014 has contributed to this operational approach. While new laws introduced on 1 January 2019 mean that licensees must now provide financial information each year, it is too soon to know how well this will help QBCC to manage financial distress in the industry, and with COVID-19 that distress is likely to increase.

We made 11 recommendations to help QBCC become a stronger and more effective regulator. They included strengthening controls and improving planning and reporting. They also highlight the critical need for QBCC to commit resources and build capability as it moves to become a risk focused, insights driven regulator. Thank you for the opportunity to present that opening statement and I now welcome any questions.

CHAIR: Thank you very much.

Mr SORENSEN: Are there any key areas that you think the committee should consider investigating further?

Ms Johnson: There are a lot. I am going to pass you over to David now. David was the lead on this report. He will go through those in more detail.

Mr Toma: I think the key thing from this point forward for QBCC is having a look at what it needs to do to move towards being the risk insights regulator that it is aiming to be. In terms of the next step for QBCC, there are a few things that we have observed. The first is making sure that it allocates and commits enough resources and with the capability and skill required to implement its strategic projects. The second is to make sure it establishes clear milestones and firm time frames for implementing its planned activities and to develop and implement further elements of its performance management framework to improve accountability and adequately measure and report on its efficiency and effectiveness.

Broadly speaking, we have made comments in the report about the fact that it is trying to move from this complaints driven model to an insight driven model and what has hindered that progress is not having all of the resources available to do that, and that has slowed its progress in moving in that strategic direction. We have made a number of recommendations that specifically touch on the resourcing challenges that QBCC is facing, and in its response to our recommendations it is certainly addressing those.

Mr SORENSEN: Can you elaborate on home guarantees and those types of things? Karen said before that you did not investigate that. Would you recommend us investigating that?

Mr Toma: If the committee saw that as a risk area, certainly. We only focused on the licensing function and the education function. We decided to exclude the home warranty insurance scheme and the nonconforming building products program simply because that would have significantly increased the complexity of the audit. We made the decision to focus on the licensing function being QBCC's core activity.

CHAIR: You said it has gone from complaints driven to insights driven, so it is attempting to go from reactive to proactive, and you have highlighted that you believe that the resources and skilling are what it needs to reallocate. Are you satisfied that QBCC has sufficient resources and skills?

Mr Toma: We have certainly observed that over the last 18 months they have increased their level of resources, but the issue is not so much only the sufficiency of the resources; it is also the adequacy of the resources, making sure they have the resources with the right skills. In their response to our recommendations QBCC did commit to doing a workforce plan that will help them identify what those core capabilities are.

Mr MELLISH: What is the time frame for the next review or looking at QBCC? Is it seeing how they implement this and then coming back in a few years? What is the broad intention around that?

Ms Johnson: We certainly plan to do a follow-up to determine how well and what response they have made to our recommendations; however, in our strategic audit plan, which is our pipeline of work for the next three to five years, at the moment there are no further topics on the QBCC.

Mr BOYCE: In terms of education and reporting, through our deliberations in this committee it has been identified that the legal profession struggles to understand the requirements as far as legality and the requirement to be compliant. This identified an anomaly with the mum-and-dad builder, as an example, who struggles to understand what is required and the need for an education process and a process that reports on how effective that education process is. Do you feel that the QBCC need to do more work in that space?

Ms Johnson: They certainly do very extensive communication and education activities. We have made some recommendations in our report as to further things they could do.

Mr Toma: What we did observe is that licensees' and consumers' feedback was generally positive, but what is compromising the process is being able to monitor the effectiveness of those education activities. They are getting pretty low response rates and using qualitative measures, so we recommended in our report that QBCC consider better ways to assess and report on the quality of the education services they are providing.

Mr SORENSEN: The biggest complaint that I get—one that really annoys people—is when somebody goes broke and then they start up another company and away they go again. How do you believe that the QBCC would follow that right through? That is the one complaint that I get and that really stirs people up, I can tell you.

Ms Johnson: Yes, definitely. Phoenixing is something that ASIC, the Australian tax office and every regulator is really grappling with. No-one has good data sets. Everyone has good individual data sets on what is happening, but it is not particularly well linked. I think there are some things going on within the QBCC that will address that.

Mr Toma: I think their risk focused regulatory strategy will be really important in addressing this, because that will help them to get access to the data and the intelligence that they need to be able to see those things coming rather than reacting to it after it occurs.

Mr SORENSEN: Yes, that would be good.

CHAIR: Proactive rather than reactive. In terms of the department's and QBCC's response, is the Audit Office satisfied with the progress on the recommendations?

Ms Johnson: It is quite hard to tell at the moment. The report was tabled in June 2020, so we have really only had three months. One thing we will be looking at is the minimum financial reporting requirements for effectiveness. Certainly it is now an annual requirement to submit financial information. The QBCC has a portal where that information can be input, so there are a lot easier flows of information, but it is very early to tell.

CHAIR: All right. Thank you. As there are no further questions, thank you very much for your time. We really appreciate it.

Ms Johnson: Thank you.

Proceedings suspended from 9.43 am to 10.10 am.

003 **BASSETT, Mr Brett, Commissioner, Queensland Building and Construction Commission**

CASSIDY, Mr Richard, Assistant Director-General, Building Legislation and Policy, Queensland Building and Construction Commission

CHAIR: Thank you for your assistance and your attendance here today. Would you like to make a short opening statement?

Mr Bassett: Yes, I would like to make an opening statement. Thank you for the opportunity to appear before the committee to respond to questions in relation to the Queensland Audit Office report *Licensing builders and building trades*. Before I make a short statement I would like to respectfully acknowledge the traditional owners of the land upon which we meet and pay my respects to elders past, present and future.

My name is Brett Bassett, and I am the commissioner of the Queensland Building and Construction Commission, also known as the QBCC. The QBCC welcomes the QAO's report into whether the QBCC effectively regulates the building industry by issuing and managing licences in a fair and balanced way. The QBCC accepts all of the findings and 11 recommendations from the QAO audit. The recommendations help maintain the momentum the QBCC has gained over the past few years towards becoming a risk based, risk focused and insights driven regulator. The QBCC agrees that implementing the recommendations will also strengthen controls and improve planning and reporting. Of the 11 recommendations made, I am pleased to confirm that five have already been delivered by the QBCC. Planning for the remaining six is well underway, and they are scheduled to be in place in accordance with the time frames outlined in the QAO report.

I would like to provide the committee with an update on those QAO recommendations that have already been delivered by the QBCC. The QBCC has updated its licence application forms to require licence applicants to provide certified photographic proof of identity to further reduce any potential risk of fraud. Those updated forms are available on the QBCC website. The QBCC has implemented its quality assurance framework across all relevant business units, with all senior leadership team members required to regularly provide updates to me as commissioner on the ongoing effectiveness of that framework. It is intended that the framework will be reviewed in the next six months to ensure it continues to be relevant and effective in delivering the desired quality assurance outcomes across the organisation.

The QBCC has finalised a number of planning and reporting frameworks, including the customer and communications operational plan, for the current financial year. Those initiatives from the previous year's operational plan that were unable to be delivered have now been transferred into the current plan. Operational plans have also been completed across QBCC business areas, with work underway to deliver on these plans within existing resource and budget constraints. To ensure robust project delivery, the QBCC has created a new executive director portfolio delivery role that has been tasked with ensuring project outcomes are delivered to scope, within agreed time frames and, importantly, to budget.

The QBCC continues to implement new customer insight initiatives to improve customer service and the effectiveness of its regulatory obligations to provide industry with education and engagement. The QBCC has for a number of years had an established education and engagement team. That team is providing education and engagement through a variety of mediums to home owners, licensees and other industry participants including through tradie tours, roadshows, webinars, information sessions and expos. The QBCC will continue to build on its education and advice functions based on industry feedback and compliance outcomes. We have also finalised the planning activities that were well underway before the QAO finalised its audit.

004 Our integrated business planning framework has been reviewed and updated for the financial year 2020-21 and includes the strategic plan, corporate plan, specific-purpose plans and operational plans. Strategies are in place to help the QBCC deliver on all of these plans and the milestones and metrics contained therein to support us in measuring and managing our performance and driving further accountability for delivery.

I would also like to provide the committee with a short update on those QAO recommendations where planning and implementation activities are currently underway. The QAO recommended that sufficient resources be allocated to finalise and implement the QBCC's insights driven regulator program. We have been on that dedicated journey for several years to become an insights driven regulator so that our resources are better directed towards those areas of greatest risk and potential harm. As an insights driven regulator, we will be better equipped to use data and intelligence to tell

us where we should focus our regulatory activities. To support the QBCC, the Queensland government has funded the insights driven regulator project to this point. Ongoing funding is, of course, key in the continued delivery of the insights driven regulator program of work and for the QBCC to deliver on the intent of this important initiative.

A five-year plan around IDR was developed to move the QBCC to being an appropriately risk based, proactive, forward-looking regulator with a corresponding uplift of staff capability. One part of this project is the delivery of an early warning system to detect construction companies under financial distress earlier than what might otherwise have been possible using traditional methods, including old complaints. We now have the ability and the capacity to forecast the type of defective work that a licensee may perform over the course of their working life. Ongoing implementation of the insights driven regulator program is considered critical to supporting the QBCC to become a more efficient and effective risk based regulator. The QBCC welcomes the QAO findings and recommendations that support this momentum around insights driven regulator continuing. Of course, we are committed to continually improving the way we regulate.

The QBCC board recently approved the QBCC's new regulatory strategy for 2020-2024 which outlines how the QBCC will regulate the building and construction industry while transitioning into an outcomes focused, insights driven, risk based regulator. The QAO also recommended allocating sufficient resources to deliver on QBCC's agenda to improve information technology systems and to build on the QBCC's training programs for licensing staff. With the resources available to us within our current budget, we are putting the necessary controls in place to mitigate risks while longer term solutions are being developed, funded and implemented.

The QAO's final recommendation refers to developing an evaluation capability within our organisation. We are in the process of developing this function, which will be imbedded in our strategy and transformation division, which is led by the chief strategy and transformation officer.

In conclusion, we welcome the QAO audit and remain committed to delivering on all of its recommendations. It is clearly articulated in the QAO's report that the QBCC requires funding to deliver on these recommendations. The QBCC will continue to work within our budget and will continue to make decisions and allocate our resources based on the issues that pose the greatest risk to home and property owners and the building and construction sector. To support the organisation in focusing on the right areas and making the right decision for allocation of its resources, we have procured a sophisticated system that takes an integrated and holistic approach to strategy, risks, projects, workforce and performance planning, management and reporting. We will continue to work with our colleagues such as Richard Cassidy from the Department of Housing and Public Works to ensure the financial sustainability of the QBCC into the future. Thank you, Chair. I look forward to any questions from the committee.

Mr SORENSEN: Does the QBCC consider that it has sufficient resources and expertise to address all of the recommendations?

Mr Bassett: We certainly have sufficient resources in respect of being a regulator by its very nature. We have lifted our capability in respect of the technical part of the organisation. As the QAO audit specifically calls out, the insights driven piece, or the ability to actually crunch the data and make it information that we can then use to become a more risk focused regulator, is where we need to lift our capability and capacity.

Mr SORENSEN: What is the QBCC doing to reduce the risk of fraudulent behaviour in terms of the licensee providing false and misleading statements or documents?

Mr Bassett: We are certainly making sure that we have regular reviews of access to the build system. That is part of the recommendation from the QAO audit. That is one of the clear recommendations that we have already delivered on. As part of checking the probity of information that licensees give us in the application and renewal process, we regularly sit down with licensees or their brokers, for lack of a better word, against whom we think there might be a need to challenge. We certainly do sit down and regularly ask questions. We pick up the phone, we interview people and we check the veracity of the information they give us.

CHAIR: We understand from previously, with the Audit Office and yourselves, that you have gone from a reactive to a more proactive model. That is to be commended. Under your current budget you are doing the best you can, as highlighted, with the resources and skills you have with boots on the ground to go out and do these inspections. Currently you are managing, but, as highlighted, you could do with some more resources as you move to that model?

Mr Bassett: The clearest way for me to explain it is: we want to move to a position where we know the risk is coming before the risk actually manifests itself. That includes a number of steps. The first thing is that we need to be able to get the data, and we certainly are getting the data in. We need to, as the QAO audit recommends, lift the capability of our staff to analyse that data, to crunch that data and, in effect, to tell us where we should be going and hunting before we need to get out there. We certainly have the right technical people on the ground. We have very strong investigatory and regulatory staff. The gap for us at the moment is moving from transactional to forward thinking and forward planning. That is where we continue to work closely with the Department of Housing and Public Works in respect of the funding that we need to be able to get to that point.

CHAIR: It sounded really exciting that you may have the ability to predict problems with certain builders by the nature of their operation, both on financial and quality aspects. Could you expand on that a bit?

Mr Bassett: We did a significant amount of planning. We received a significant amount of money—\$1.5 million—from the Queensland government to scope what the project plan would look like to move towards what is called an insights driven regulator. As part of that we did two proofs of concept. Those proofs of concept are now being rolled out. The first proof of concept is about identifying those companies or those licensees that are tracking towards financial distress. An example of that would be that prior to us having this capability we literally waited for a complaint to come in the front door, through a moneys owed complaint, or for the licensee to go down and then we would get a referral through the liquidator. Using data from a range of external providers, we now have the ability to identify, using a red flag system, that somebody is tracking towards financial distress. A clear example would be if their terms of trade are starting to blow out from 30 to 60 to 90 days or if they are starting to be declined credit from using credit scoring. What that means is that we now have the ability to intervene earlier.

We did a review of a number of very large corporate collapses when we were doing this proof of concept. That data and review showed that if we had that proof of concept available at the time of these eight corporate collapses—I think it was eight—we would have identified the risk of tracking towards financial distress up to 12 months earlier. That is very important. It means that we can step in and use the regulatory tools, such as conditioning licences and undertaking financial audits, to actually stop the licensee from going into financial distress or into insolvency. We see that the early warning system, which is what we are calling it, is not about getting licensees and taking them out of the system but about keeping them in the system, with a ring fence around them to protect those people who are owed money. That is the first one.

The second proof of concept was where we used a whole lot of our home warranty insurance data, the defects data and all of the complaints data to identify, for example, if you have been in this trade for this long and you work in this region—we now have an idea or the ability to potentially predict the types of defects that we expect you may actually go through in your life cycle as a builder. The reason we think that is important is that if we can identify those licensees that are at greatest risk of doing defective work, we can get out there and proactively engage with them, we can educate them and we can work with them so that those defects do not occur.

CHAIR: Also, when things get tight financially people might try to cut corners, and that would be an indicator that maybe the quality may be compromised. I am not saying that everyone does that, but that is an indicator.

Mr Bassett: Yes, absolutely.

Mr BOYCE: Through our deliberations the legal profession has said that they struggle at times to understand the legal requirements, the frameworks, what is required in the building industry as far as licensing and all those sorts of things are concerned. This also affects the small mum-and-dad businesses. This raises the issue of education in that space and how you report on the adequacy and effect of that education. Would you care to comment on that and whether QBCC is doing enough work in that space?

Mr Bassett: The first thing I would say is that the QBCC has a statutory role under the QBCC Act to make sure that we educate. I am just looking for some statistics in respect of the number of education activities we have undertaken over the last financial year. To say that they are numerous is an understatement.

In the 2019-20 financial year we did a statewide tradie tour, which included 11 face-to-face events and one webinar. We did a statewide financial requirements roadshow that incorporated 10 general information sessions and 10 information sessions for accountants. We have done a whole lot

of minimum financial requirements and annual reporting webinars. We have attended mechanical services licensing amendment webinars and home show events. We have also worked with some of the stakeholder groups such as Master Builders Queensland, Master Plumbers' Association of Queensland and the HIA at some of their stakeholder events. The reason I talk about that is: we know that we need to be out there telling people what the law is and how they need to meet that law so that they can increase. The QAO audit suggested that we needed to make sure we understood how effective our education work was. That is something that we are going to work on to make sure that we deliver on the recommendation of the QAO audit.

Mr KATTER: Whenever anything comes up with QBCC, my antenna goes up. My view is that policy is always made to best encapsulate the masses, but there are different dynamics when you go to the outlying areas. Everyone always thinks that you should have a similar standard and you should accept the same standard in Bedourie as you do in Townsville in the building industry; however, where the rubber meets the road, I have literally had builders saying to me, 'With some of the new stuff that is coming through, I'm out. There is too much compliance. It is too busy. I am a good concreter and a builder; I am not good in the office.' Forget the webinars and things like that; people are out on the station for two or three weeks doing their building work and their wife or partner is trying to run things in the office at home. You do not have an accountant in town that is across all this. Sure, you can ring them up, but it is not the same and you are not interfacing with that same level of expertise.

It is unfair to just say that these people need to lift their game to the same standard. There are a number of adverse factors with those remote areas. I want to be assured that nothing you are doing will exacerbate that issue, because it is a very real issue now. The comment is often made that soon you will have to ring Hutchinson to get your house painted in Julia Creek or Hughenden because it is getting too hard for those small operators. I understand the virtue of what you are doing—most of what you are saying is really good—but I do not think enough attention is paid to the inadvertent consequences on some of these remote areas in a lot of these instances. You may be able to prove me wrong, but you would have to go a long way to do it. That is what people are saying to me right now out there.

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Mr Bassett: I am not sure if there was a question there.

Mr KATTER: The question is: can you reassure me that this is not going to adversely affect them? I do not think you can, because it is a pretty wide question, but I guess it is giving you a platform to say how you are addressing those things.

Mr Bassett: Thank you, member. I will not talk about policy matters. I will hand over to Mr Cassidy, but let me talk about the way that the QBCC considers its approach from a regulatory perspective. One of the things that we consider in respect of whether or not we should take regulatory action, of which there is a range and a hierarchy, is what is the consumer detriment. If the consumer detriment is smaller because of the location, for example, then that is absolutely something that we do consider in respect of whether or not we should take regulatory action. If we see a range of themes arising as a result of the operational work that we are doing then we will work very closely with the Department of Housing and Public Works. From an operational perspective that is how we deal with any unintended consequences, but I will hand over to Mr Cassidy.

Mr Cassidy: Thank you, Commissioner, and I thank the member for the question. In relation to quality in the building industry, I think the committee will be aware of the Shergold-Weir *Building confidence* report, which talks at length to some of the systemic issues faced in the industry. The chair mentioned earlier the fact that when margins get tight people might start to cut corners. In relation to the quality of the built environment, both here in Queensland and at the national level, there is a significant amount of work being done by the ABCB and through the enhancements to the National Construction Code. Those enhancements are really about making sure that the built environment is safe and fit for purpose.

In terms of ensuring that builders and those working in the industry are aware of those updated requirements or standards, nationally, through the Building Confidence Report Implementation Team, they are in the process of developing some training to ensure that all builders, regardless of where they are, are aware of those changed requirements. Here in Queensland we work very closely with our colleagues at the commission to ensure that any education type activities that are planned are planned and delivered in a way that does not disadvantage Queensland builders, regardless of the location they are in. Both the ABCB, through the NCC, and here in Queensland, through our regulatory framework, we are trying to continue to refine and improve the readability and usability of the framework within which those professionals need to operate.

CHAIR: I gathered, member, that you were asking whether this new framework is supportive of rural and remote areas. There is no detriment intended. I refer to the roadshows you are doing. Are there any of those in the areas the member was talking about?

Mr Bassett: I do not have the specifics of exactly where they have been held, but I do know that the majority of them are along the east coast. I think it is fair to say that there have not been any in the member's electorate that I can specifically recall. If it is okay, I might take that question on notice and see if I can get some specifics for the member in respect of that.

CHAIR: Sure. Thank you for that. The recommendations from the Audit Office I note were on compliance. They did not cover the home builder or the defective building products. Are there any that are relatable that you could use to address anything you found in those areas? If it is not part of the report I am comfortable with you not answering, but I did not know if that would flow through.

Mr Bassett: I think the way we are looking at this audit report is that there are benefits in respect of the quality assurance framework internally. That should flow throughout the entire organisation. The insights driven regulator piece will have flow-on impacts across, for example, the home warranty insurance scheme, because if we can stop the defects happening earlier then that means that the number of people who are getting defects in their homes will hopefully decrease over a period of time which means that hopefully there will be less call on the home warranty insurance scheme over the long tail of the scheme.

Similarly, if licensees are not tracking towards insolvency then that means that hopefully they will not fall over and therefore the home warranty insurance scheme may not need to come in and rectify when a builder goes bust. It is too early to see that as yet, but we do expect that some of these recommendations will go across the entire organisation.

CHAIR: You are not losing any resources in those areas for the change to the proactive style?

Mr Bassett: No. The insights driven regulator program is about making sure that we know where we should be having the greatest focus of our staff—at the greatest risk.

CHAIR: From where I have come from in the past, you have a certain skill base and you start a new strain and that skill base gets watered down and you have to build it back up again. I was hoping that that was not the case here.

Mr Bassett: It is fair to say that we are limited by the number of staff that we have. There is no doubt about that. Just like any other regulator across Australia, we need to go where the greatest risk is. If we finalise the insights driven regulator program—it is a five-year journey and we are only in year 2, the beginning of year 3—then the greatest risk will hopefully result in fewer matters being investigated because—

CHAIR: Because you are more targeted.

Mr Bassett: We are more targeted; that is exactly right.

Mr MELLISH: In terms of the insights driven regulator program, you say that you are in year 2 of a five-year program. At what point does it transition over? I imagine a lot of your workload is still from complaints four years ago, three years ago or the real long running ones that you sometimes see. At what point are you able to say, 'From this point we are now doing more work of the insights driven regulator and not of the backlog,' for want of a better term?

Mr Bassett: I do not have a specific answer to that question. What I can tell you is that where the insights driven regulator allows us to be proactive it means that we are not waiting for something to come in the front door. That means that we can hopefully cut the risk off before the risk arises and therefore there would be impacts in respect of the backlog, for lack of a better word. Where I have done this before in different regulatory environments there is definitely an increase in compliance in respect of education activities based on targeted insights and a decrease in regulatory action that needs to occur because people are doing the right thing. We expect that in the long tail of the Home Warranty Scheme, which is 6½ to seven years, we would expect to see it significantly change over that period.

Mr MELLISH: I suppose it is easier to do compliance than it is to do regulatory work in terms of sending them a notice and making sure they comply with it and that sort of thing. It is easier to get them at the first stage rather than waiting six months down the track when we start getting the complaints in.

Mr Bassett: Yes, we certainly want to make sure that we know where the greatest risk is so that we can go and knock on the doors, for lack of a better phraseology, to stop the risk arising.

Mr BOYCE: The whole framework and compliance strategy seems to be aimed at those who are not doing the right thing. Is there a methodology that identifies the people who are doing the right thing and are they somehow being catered for in terms of the gold star, if you like, or some sort of identification that they are doing the right thing?

Mr Cassidy: I might just comment from a departmental point of view. Through the prequalification system that the department administers, when we go out and procure building works, there are regular supplier performance reviews and mechanisms built in. Builders who do well are flagged in the system, as are those who may have been subject to defective work or have other issues. In terms of what we do, that system certainly does take that into account.

Mr BOYCE: There is a mechanism there to identify the people doing the right thing?

Mr Cassidy: Through regular performance and contract management of PQC suppliers that is flagged—both suppliers who have performed well and those who may have had a workplace health and safety incident or a contractual matter recorded against them. I am happy to take that question on notice and get some further information for the member. I would need to talk to my colleagues who are responsible for administering that scheme, but that is in terms of the PQC register that we use to engage builders and other trades to deliver government projects.

CHAIR: To clarify the question on notice, you are going to highlight what you have to identify builders who are doing the right thing.

Mr Cassidy: Yes, in our prequalification system.

Mr Bassett: The QBCC operates a free register, where home owners or anybody else that is looking to engage a licensed trade contractor or occupational licensee can actually go and check the disciplinary history, for lack of better phraseology, and we encourage everybody to do that. If you do a search of a number of contractors that you are potentially looking to engage, you will clearly see their disciplinary history and you will be able to quickly tell whether they have a history of noncompliance or regulatory action against them and you will see those who do not.

Mr BOYCE: Thank you. That is exactly what I was asking—whether there is that mechanism for people to identify who a builder is and what they are capable of.

CHAIR: Member, you are satisfied with that response?

Mr BOYCE: Thank you.

CHAIR: We will not need the question on notice then.

Mr KATTER: I guess it is just my view, but I think there would be some regional level evidence that where there is increased compliance there is going to be prejudice against the smaller operators. There is always a better capacity for bigger operators—you have the extra staff members or the economies of scale. I am basing that on the fact that on the ground it is usually those single operators that buck up against these new levels of compliance. My question to you is: do you have metrics around what has been the composition of the industry in terms of smaller operators versus medium or larger operators and is there an intention to measure that as it goes through? I say that at a policy level, because I think it is a huge problem in terms of small enterprise. It is one of the last homes for small private enterprises—builders, painters and that sort of thing—and as you keep increasing compliance, and it is done with the best intention, it seems to squeeze out the small operators. Are you monitoring that? Do you have clear visibility on that now and where you expect that to be as you introduce more compliance?

Mr Cassidy: I might just start from a policy perspective and then hand over to the commissioner. When we are working with industry to develop policy or changes to the regulatory framework we are acutely aware and consult very broadly with industry to make sure that the needs, capability and capacity of all licence holders, regardless of their size, are taken into consideration. As the committee will be aware, we have a tiered or a staged licensing system, ranging from SC1s and 2s right through categories 1 to 7, with 7 being the largest and, therefore, if I can pick up the essence of the member's question, having more resources available to meet some of the compliance requirements.

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We have, through some of our recent policy changes, implemented tiered regulatory requirements. The minimum financial requirements, which I think the committee will all be aware of, for those SC1s or SC2s, the smaller mum-and-dad builders, are significantly less. This is an acknowledgment of the fact that they probably do not have a full-time accountant on their books working for them. We have taken a graduated approach through that, and that is certainly very much

front of mind in considering any changes to the regulatory framework. We do keep those different, and they are significantly different because an SC1 is a relatively small organisation with a small turnover versus a category 7, which will be a very large organisation.

Mr Bassett: The way that we operationalise the law is that we very much focus on the top end of town, for lack of a better word. The reason is that risk flows downhill from a regulatory perspective. If we look at categories 4 to 7, the law was changed to get categories 4 to 7 to meet annual reporting requirements for the first time in a number of years. We focused very hard on getting those people into the tent. As a result of our work, rather than take them out of the system because they did not comply, we saw approximately \$1.2 billion over that period of time go back onto the balance sheets of those larger entities. The reason I talk about that is: if the top end of town is strong and secure then generally it does flow through the rest of the vertical supply chain.

If I look at it from another legislative perspective, nonconforming building products, quite often it is the SC1s and SC2s, the licensees on the ground, who are being asked to put nonconforming building products on homes or wherever. The way that we implement the law is: we go up the supply chain to those who retail the product, those who distribute the product and those who actually design and manufacture the product, who are going to be the bigger players. We very much focus on those at the top end of the vertical supply chain to once again shift home responsibility so that those at the bottom end, those smaller players, are not having to wear that regulatory burden and risk.

Mr SORENSEN: In relation to building products, how do you regulate the items coming in from overseas?

Mr Bassett: In the simplest form, if a product comes into Queensland then we have jurisdiction over it if it is associated with a building, if it is a building product. Basically what that means is that we can stop the product from being put onto a building. We can, through a range of different regulatory actions, including ministerial public warnings, ministerial warnings and ministerial recalls, have those products removed. Importantly, as I said in an earlier response, we can go as high up the supply chain as we can. One example which was publicly known was the supply of a pool safety barrier that was manufactured outside of Queensland and distributed by a national retailer. As a result of our investigations and a ministerial recall and a ministerial public warning, we were able to take action throughout the whole of Australia. We served notices for the first time ever across the border down in Victoria. That is how we deal with that at a very baseline level.

CHAIR: I know it is not my question, but it reminds me of the story of the Bunnings tie-down cyclone rods versus the proper ones. You can go and buy them for \$3 at Bunnings or you can pay \$30 for a proper one, and a WaterMark tap fitting may be a tap fitting used out on a property but you cannot use it in a bathroom. Compliance was very difficult. I remember that one well. Bringing them into the country was out of our jurisdiction. I think there may have been a recommendation to the minister to try to work with our national counterparts. It was a timely question, member.

There being no more questions, we will close the briefing. There is one question on notice relating to roadshows. If you could provide the answer to the committee by 4 pm on Monday, 25 September, that would be much appreciated. Thank you very much for your attendance at the briefing today. A transcript of these proceedings will be available on the committee's parliamentary webpage in due course. I declare the briefing closed.

The committee adjourned at 10.50 am.