



ABCBC



The Next Instalment in Building Regulatory Reform



OPPORTUNITIES FOR REGULATORY REFORM

The construction sector is a significant industry for Australia and represents the second largest sector of small business in the economy. As a result, constraining cost growth and improving productivity has the potential to deliver significant economic benefits nationally. The next instalment of building regulation reform has a number of options to reduce the costs of compliance whilst maintaining health and safety standards; further consolidate consistency in regulatory arrangements across and within jurisdictions; and enhance access to and the utility of key tools needed by users of the building and plumbing control systems to improve outcomes.

A 2012 report by the Centre for International Economics (CIE) found that current building regulatory reforms implemented progressively over the last 20 years are delivering \$1.1 billion per annum in benefits, **with an additional \$1.1 billion per annum in potential benefits yet to be realised.**

To capture these additional benefits, the next instalment of building regulatory reforms include:

- quantifying the NCC's performance measures to facilitate greater uptake in their use and therefore the application of new, innovative and cost effective solutions to building design and construction;
- enhancing access through a free NCC and improving the document's useability to broaden understanding and consistency in interpretation;
- reduction in State and Territory departures from the NCC and consolidation of regulation, again to improve national consistency;
- limiting the imposition of higher prescriptive standards for building design and construction than those agreed to nationally through the NCC by other authorities, such as local governments; and
- continued expansion of the NCC to cover all on-site building regulations into a single source document for national consistency and remove unnecessary overlaps in regulation.

The goal is to increase awareness and adherence to the NCC, improve building outcomes through higher levels of compliance and deliver the national economic benefits. This will be achieved through:

- the development and application of new technologies to deliver the NCC to a wider audience (currently 12,000; estimated 200,000);
- improving the structure, format, language and presentation of the NCC content to make it more readily useable to the expanded audience;
- working with industry and training providers in developing education and awareness material to help improve practitioner understanding of the NCC;
- reviewing the future role of accepted construction practices for Volume 2;
- increased harmonisation of the building and plumbing codes;
- in conjunction with the State and Territory administrations, develop national practice notes to enhance consistency in interpretation of certain features of the NCC; and
- reviewing the NCC to remove unnecessary, superseded or duplicative regulation.

Noting the crucial role of the States and Territories in controlling some of the areas where significant benefits can be achieved, the suite of reforms leverage off the platform created by the NCC, twenty years of inter-jurisdictional co-operation and the support of industry stakeholders.

The benefits identified by the CIE report rely on a range of concurrent initiatives that focus on enhancing access to the NCC; improved awareness and understanding of its contents; increasing the useability of the document; and both implementing and enforcing national consistency. Making the NCC free online is a critical first step in this process.

The reforms will not only provide a further productivity dividend, but a reduction in the overall burden of regulation, which is an IGA objective for the ABCB; as well as improved outcomes by practitioners, reduced dispute, reduced costs, assist housing affordability and help support small business.

FREE ONLINE NATIONAL CONSTRUCTION CODE

The Productivity Commission (2004), supported by the Allen Consulting Group (2009), found that charging for the NCC impedes its wider use and compliance.

A business case on the proposal to provide free online access to the NCC prepared by ACIL Allen Consulting in 2013 recommended that *"funding, to replace funding from the current sales of the NCC, should be provided from the combined Commonwealth, State and Territory Governments that are parties to the Intergovernmental Agreement"*, as it was the most practical and efficient source of revenue.

The Building Ministers' Forum has previously agreed to *"improving the availability of the National Construction Code through electronic means"* and has now decided to make the NCC free online in 2015, with a three year amendment cycle to commence in 2016.

The NCC currently provides a 2400-page, \$399 publication on regulation for buildings that is delivered through State and Territory legislation, and is updated every year.

The ACIL Allen Consulting business case identifies benefits in the order of \$17 million to \$55 million per annum from the provision of free online access to the NCC, resulting in a reduction in red tape, improvements to the stability, useability and penetration of the NCC, a reduction in disputes and the delivery of better, more affordable buildings.

The operating costs for the ABCB will reduce by \$0.5 million in FY2014-15, with savings in publication costs and administrative efficiencies and ongoing savings of \$1.0 million per annum from FY2015-16.

Providing free online access to the NCC will extend the reach of the NCC from 12,000 registered users to approximately 200,000 practitioners in the building and plumbing industry, as well as to consumers that have an interest in building and plumbing regulations.

Further, the 2013 ACIL Allen Consulting business case concluded that in addition to a potential \$55 million of economic benefit per annum, making the NCC free and moving to the three year amendment cycle would unlock significant potential to deliver other key features of the broader reform package and in doing so the estimated \$1.1 billion per annum in economic benefits.

BENEFITS OF THE REFORM PACKAGE

Consistent with COAG's December 2013 deregulation agenda, the next instalment of building regulatory reform will remove regulatory burdens on businesses. The broader reform package will:

- Add \$1.1 billion per annum in productivity benefits to the national economy.
- Reduce red tape through the extended amendment cycle and limit the ability of other authorities to impose additional and less rigorously tested requirements.
- Improve the stability, useability and penetration of the NCC, resulting in improved compliance, reduced disputes and the delivery of better, more affordable buildings.
- Transform the ABCB's business model and change its underlying culture, allowing it to concentrate on its 'gatekeeper' role as a developer and custodian of uniform building regulation.
- Remove the incentive for routine amendments to the NCC enabling a more orderly consideration and approach to regulatory change, allowing resources to be better deployed to deliver on the core Mission and Objectives of the ABCB.

The Housing Industry Association, Master Builders Australia and other stakeholders have long expressed concerns that the regulatory requirements of the NCC must be paid for by a relatively small number of users, which leads to non-compliance and an inequitable distribution of costs, particularly for existing users from small businesses.



- Extend the reach of the NCC from 12,000 registered users to approximately 200,000 practitioners in the building and plumbing industry, as well as to consumers that have an interest in building and plumbing regulations, improving access, awareness and understanding of the NCC.
- Provide greater flexibility in meeting the NCC requirements by increasing the useability and certainty of performance-based approaches.

The benefits of these building regulation reforms will accrue directly to builders, building professionals, plumbers, and small business. There will be flow-on benefits to new home buyers and others through lower construction costs.

The combination of reforms within the package have the potential to deliver a number of linked benefits that can be summed up with the phrase 'less is more' and captured in the concept illustration below.

Less:	More:
Red tape	Productivity
Regulation	Improved compliance and building outcomes
Local government interventions	Housing affordability
State and Territory variations to the NCC	National consistency
Amendments to the NCC	Certainty for industry
Cost to access	Access to the NCC
Cost to administer	Code Useability
Disputation	Informed practitioners
Conflict of interest for the ABCB	Ability to focus on ABCB's mission
Fragmentation of onsite building regulation	National harmonisation / consolidation

THE EVOLUTION AND FUTURE DIRECTION OF NATIONAL BUILDING REGULATION REFORM

Significant Reform to date

<p>Building Code of Australia (BCA) created</p>	<p>National Performance-based Building Code introduced</p>	<p>National Construction Code (NCC) Implemented (consolidation of building and plumbing)</p>
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<p>The next instalment of Building Regulation Reform agreed</p>

Implement Next Round of Reforms

<p>NCC Free Online and commencement of NCC review</p>

<p>Move to a 3 year amendment cycle and last annual NCC edition</p>

<p>Move to digital NCC and new technology applications</p>
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<p>Next NCC amendment due with Quantification of Performance Measures & Improved Useability</p>

Benefits

<p>Development and adoption of a single nationally consistent building Code reduced differences across Jurisdictions.</p>

<p>Introduction of Performance-based requirements into the BCA: Performance requirements specify mandatory levels of building performance and provide optional means of compliance for the designer or builder to decide how this is achieved. Allows for flexibility and innovation.</p>

<p>Consolidation of building and plumbing into a single National Construction Code aimed to reduce inconsistency and overlap between the BCA and the PCA, streamline regulatory approaches across jurisdictions.</p>
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<p>To realise the full benefits of a national performance-based construction code the next instalment of reforms involve free online access to the NCC, quantification of the NCC's performance requirements, enhanced useability of the NCC, inclusion of other onsite building regulation, continued reduction of State and Territory variations and limiting local government interventions.</p>

<p>Provides immediate benefits to small business, building and plumbing practitioners through increasing access to the NCC, removing a cost of regulation estimated to deliver a productivity benefit of up to \$55m per annum and removes an inequity in who pays for the development of the NCC. Making the NCC free also unlocks other reform opportunities.</p>

<p>Introduces a higher level of stability into the content of the NCC by reducing the frequency of change. This will reduce costs and improve productivity through consistency over time. It will reduce the volume of changes to the NCC, allow resources to focus on the operability of the NCC and not just its content; and provide more time for changes to the NCC to be evaluated and consulted on.</p>
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<p>Will further enhance practitioner access to the NCC through a range of technologies. This will also increase awareness of the NCC and with new features, understanding of its contents. In turn this is anticipated to result in improved building outcomes, increased compliance and enhanced productivity.</p>

<p>Significantly increases practitioner understanding of the NCC and its requirements, resulting in increased consistency of interpretation, compliance and improved building outcomes. It will improve access to the expanded NCC audience through simpler and easier to measure documentation.</p>
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1994

1996

2011

2014

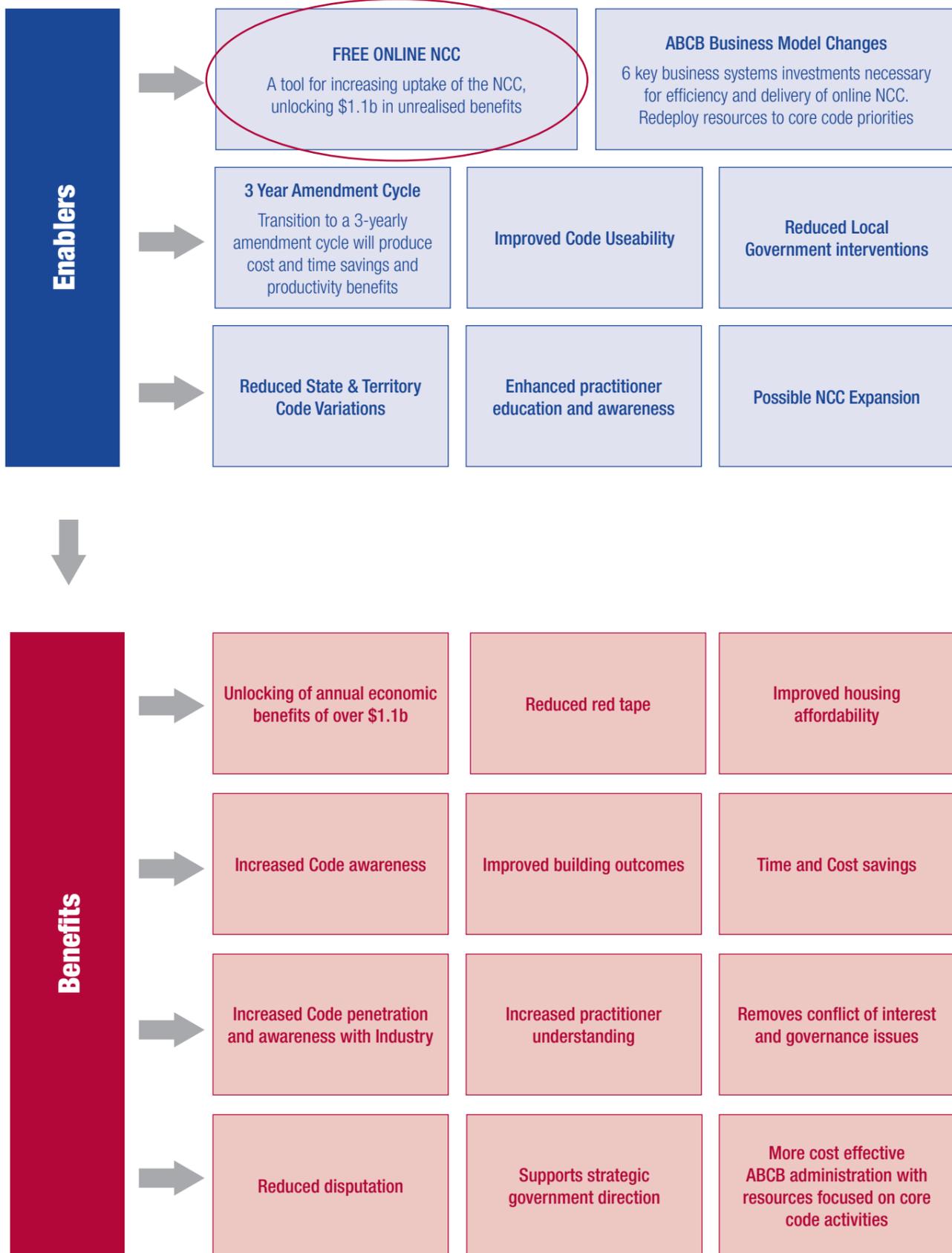
2015

2016

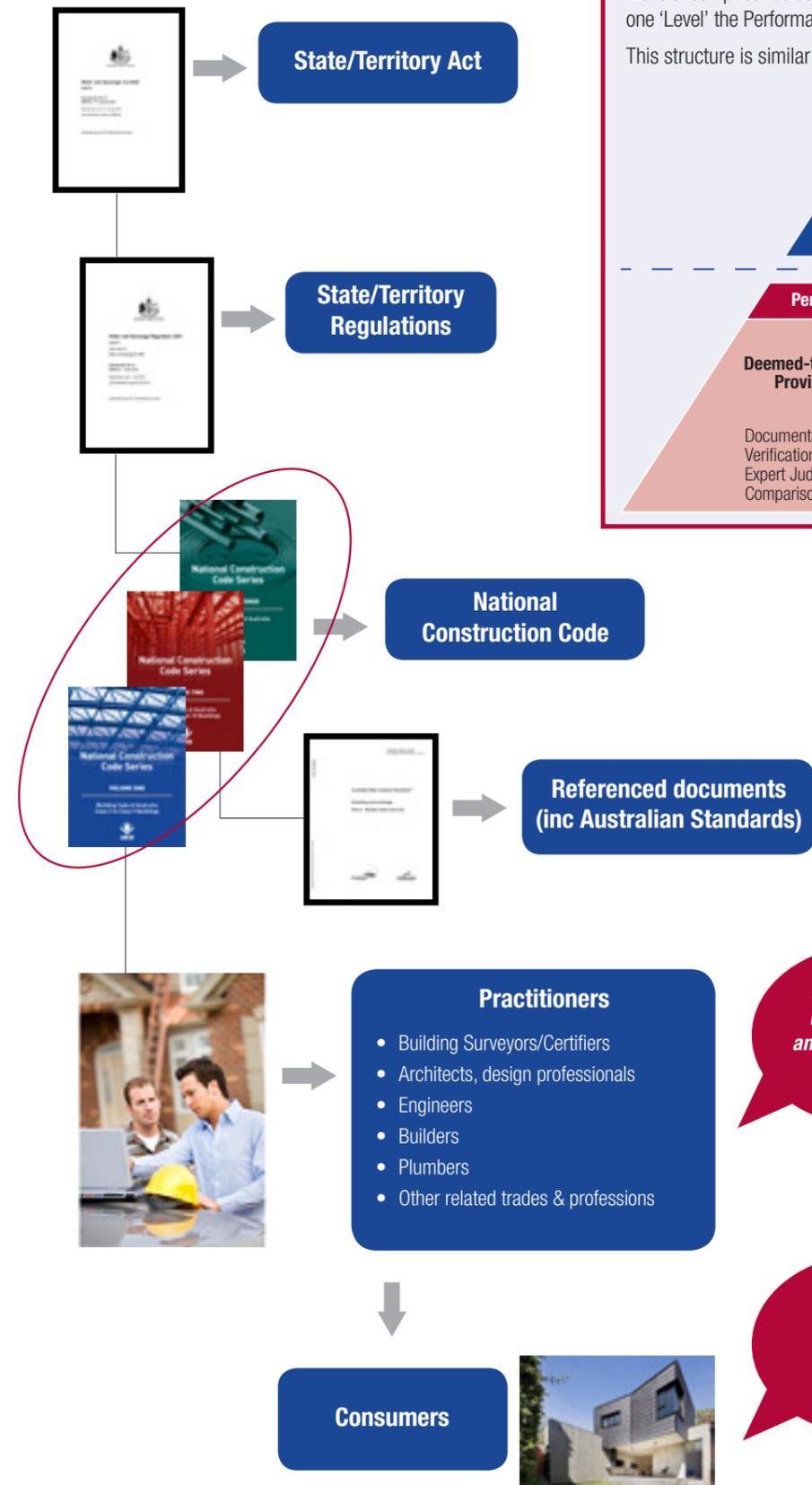
2018

2019

THE NEXT INSTALMENT OF BUILDING REGULATORY REFORM



WHERE THE NCC FITS INTO THE REGULATORY FRAMEWORK



THE NCC STRUCTURE

The NCC is a performance-based code and its requirements are built around a 'structure' or 'hierarchy' consisting of four levels. These 'Levels' comprise 'Guidance' and 'Compliance' Levels. However, only one 'Level' the Performance Requirements are mandatory.

This structure is similar to a number of international building codes.





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