



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI



Licensed Building Practitioners Scheme: adjusting the fees and levy

Discussion Document

June 2018

How to have your say

Submissions process

The Ministry of Business, Innovation and Employment (MBIE) is seeking written submissions on proposed changes to the Licensed Building Practitioners (LBP) fees and levy regime.

This discussion paper includes questions you may like to respond to in your submission. The questions are listed in full in section 7 *Summary of Questions for Discussion* of this document. Your submission does not need to answer all of these questions.

MBIE also encourages any other comments you may have regarding the fees and levy regime aspect of the LBP scheme. Where possible, please include evidence to support your views, for example, references to facts and figures, or relevant examples.

Please send your submission before 5pm on 20 July 2018. Please include your name, or the name of your organisation, and contact details. You can make your submission by:

- Attaching your submission as a Microsoft Word or PDF attachment and sending to licensingreview2018@mbie.govt.nz or
- Mailing your submission to:
LBP Fees and Levy Review
Ministry of Business, Innovation, and Employment
PO Box 1473
Wellington 6140
New Zealand

Please direct any questions that you may have in relation to the submission process to:

licensingreview2018@mbie.govt.nz

Use of information

The information provided in submissions will be used to inform MBIE's fees and levy regime, and advice to Ministers. We may contact submitters directly if we require clarification of any matters in submissions.

Except for material that may be defamatory, MBIE may post PDF copies of submissions received to MBIE's website at www.mbie.govt.nz. By making a submission, we will consider you to have agreed to us posting your submission, unless you clearly specify otherwise in your submission.

Release of information

Submissions are subject to the Official Information Act 1982. Please tell us as part of your submission if you have any objection to the release of any information in the submission, which parts you consider should be withheld, and include your reasons for withholding the information. MBIE consider any objections you note and consult with you when responding to requests under the Official Information Act 1982.

Please indicate on the front of your submission if it contains confidential information and mark the text accordingly. If you wish to make a submission which includes confidential information, please send us a separate version excluding the relevant information for publication on our website.

Private information

The Privacy Act 1993 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information you supply to MBIE as part of your submission will only be used to help inform the development of policy advice in relation to this review. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that we may publish.

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1. Message from the Minister

The building sector is a large and growing part of New Zealand's economy and it underpins the delivery of the Government's KiwiBuild programme.

Building activity contributed almost \$15 billion to New Zealand's GDP in the last year, or 6 percent of total GDP, making it the fifth largest contributing sector. This is a large and important industry and its economic performance and productivity is an important contributor to the overall health of the economy. More importantly, through KiwiBuild, the building sector will contribute to a step change in New Zealand's housing market, delivering 100,000 affordable new homes over the next decade.



We recognise the challenge New Zealand faces in getting 100,000 quality homes built over the next ten years, and the importance of skilled tradespeople in the construction industry, such as builders. The Licensed Building Practitioner (LBP) scheme plays a crucial part in ensuring New Zealand has competent builders to deliver KiwiBuild.

The LBP scheme was introduced in 2007 to ensure that building work that is critical to the integrity of a building is carried out or supervised by competent building practitioners. By encouraging building practitioners to become licensed we can strengthen incentives for building practitioners to invest in occupation-specific skills and knowledge. The objective of the LBP scheme is to enhance consumer protection and confidence by improving accountability of individual practitioners for the work they do, and improve homeowners' ability to make informed choices when engaging the services of a building practitioner. All these things help to raise the overall quality of building in New Zealand.

We have over 25,100 current Licensed Building Practitioners. The number of Licensed Building Practitioners is expected to continue to grow with the government's Construction Skills Strategy to provide the right skills through more diverse pathways to enter the building sector and training systems that better meet the needs of KiwiBuild and the construction industry.

As with any system, there are always continual ways in which we can improve its operational effectiveness and its overall benefits to the sector.

Due to the large numbers now licensed under the LBP scheme, we have also seen demand for more resources to support LBPs to comply with licensing requirements and a large increase in the volume of complaints received about LBPs.

I encourage you to provide your feedback on the proposals outlined in this document, which will ensure the on-going operational sustainability of the LBP scheme.

Hon Jenny Salesa
Minister for Building and Construction

2. Purpose of this document

MBIE wants your thoughts on proposals in this document to adjust Licensed Building Practitioner (LBP) scheme fees. These proposals involve changes to the Building Practitioners (Licensing Fees and Levy) Regulations 2010 to:

- simplify the structure of fees and levy
- set the level of fees to cover the costs of the LBP scheme.

Your thoughts will be used to help us make final decisions on changes to the LBP scheme fees and levy.

We welcome your written submissions on the proposals included in this document. Once we have considered your submissions, we will develop final proposals. The proposals will then go to Cabinet for approval. If the proposals are approved they will form the basis of revised regulations.

A proposed timeline of milestones is as follows:

Due date	Action
20 July 2018	Deadline for submissions to MBIE
August 2018	Report back to Minister on submissions and proposals for change to the Building Practitioners (Licensing Fees and Levy) Regulations 2010
September 2018	Seek policy approval from Cabinet for proposed changes
November 2018	Governor-General makes Order in Council to amend the Building Practitioners (Licensing Fees and Levy) Regulations 2010
December 2018	Legislative changes come into force 28 days after Order in Council is made

How to use this document

This discussion document outlines our proposals to ensure LBP fees and levy are structured and set at a level to cover the costs of the LBP scheme.

It describes what legislative change is needed, perceived issues the proposals address and the rationale for changes.

Questions are asked throughout the document for your consideration and feedback, and a complete summary of these questions can be found in section 7 *Summary of Questions for discussion*. We welcome any other relevant comment or information that you wish to provide on the LBP scheme.

Information on how to submit is provided at the beginning of this document (see *How to have your say*).

3. Introduction

Overview of the Licensed Building Practitioners Scheme

The LBP scheme was launched in November 2007 following an amendment to the Building Act. Following a transition period, from 2012 the Act required practitioners who carry out or supervise Restricted Building Work (RBW) to be licensed. RBW is residential building work that is critical to the integrity (for example, weathertightness, fire safety) of a building.

The purpose of the LBP scheme is to encourage competent building practitioners to build homes right the first time. The LBP scheme also gives consumers the information necessary to make informed decisions about the competence of building practitioners they may engage.

The LBP scheme provides evidence and assurance (through standards and clear pathways) to customers, that LBPs:

- have the required skills and abilities to do the work in their specialty
- continue to have up-to-date knowledge and skills
- have knowledge of standards to maintain a safe work environment for themselves and their employees.

The Building Practitioner Board (BP Board) is appointed by the Governor-General to oversee the LBP scheme. The BP Board is independent of the Ministry of Business, Innovation and Employment (MBIE), but MBIE provides administrative support to its role and functions.

The LBP scheme is funded from fees and levy charged to building practitioners (there are currently over 25,100 LBPs). Authority to charge the fees and levy are provided under sections 303 and 402 of the Building Act 2004. These fees and levy are prescribed in the Building Practitioners (Licensing Fees and Levy) Regulations 2010.

Objectives of the LBP scheme

The primary objective of the LBP scheme is to enhance consumer protection and confidence by encouraging and ensuring RBW is building is carried out or supervised by competent building practitioners.

The LBP scheme aims to achieve this objective through:

- encouraging building practitioners to become licensed
- encouraging building practitioners to invest in occupation-specific skills and knowledge
- enhancing accountability of individual building practitioners for the work they do, thereby raising the overall quality of building work
- improving consumers' ability to make informed choices when engaging the services of building practitioners.

What value does a Licensed Building Practitioner receive for being licensed?

Being a LBP provides recognition of the person's skills and expertise, provides distinction as part of a profession, and builds trust with customers.

Licensing and the LBP scheme promotes, recognises and supports professional skills and behaviour in the building industry. Aside from the right to carry out RBW, licensing also provides LBPs with an ability to show the public and potential customers that they meet a minimum standard of competency in their licensed area. This allows those customers to have confidence in the LBP's knowledge and skill.

The fees and levy paid by LBPs covers the costs of licensing and ensuring the competency of LBPs. This includes:

- providing LBPs with the information they need to carry out building work, for example, important updates relating to regulatory and technical changes in areas related to their work.
- administering the complaints function, a mechanism by which poor performers are excluded or required to improve their competency.
- campaigns to promote the need to use LBPs for RBW.

4. Why do the current fees and levy structure and settings need to change?

Increased costs of running the LBP scheme and additional services provided

The costs for both the Licensed Building Practitioners and Electrical Workers scheme are allowed for by a single appropriation Vote Building and Housing, Occupational Licensing (total appropriation \$9.546 million). 88 percent of the costs of administering these schemes is funded by fees. This review does not affect the Crown funded portion of the regimes (\$0.691 million).

The fees for the LBP scheme have not changed since the LBP scheme was introduced 10 years ago, as it was considered a review would be more meaningful when the costs and membership of the scheme became more established. Fees reviews are normally undertaken every three to five years.

The scheme's running costs have increased significantly since fees were set. Some cost efficiencies have been made through the sharing of administrative resources and systems with other occupational licensing regimes and through streamlining of complaints processes. The increase in costs has arisen from two areas:

- rapid change and growth, and complexity in the building and construction sector requiring the LBP scheme to provide more diverse and broader services to LBPs; and
- growth in the number of LBPs and in the volume of complaints.

Growth, change and complexity in the sector

The building and construction sector has expanded rapidly to meet the demands of a growing population and events such as the Canterbury earthquakes. This rapid expansion has resulted in labour shortages, leading to pressure on the workloads of builders and quality controllers, and an influx of migrant labour.

The sector has also experienced rapid change and increasing complexity. This has come from new products and building methods, and changing business models.

This growth, change and complexity have resulted in issues such as:

- variability in skill levels
- variability in compliance with building standards and the quality of work
- non-compliance by LBPs to their obligations in the Building Act leading to an increase in the volume of complaints
- the building and construction sector needing to keep up-to-date with new technical and legal requirements

The LBP scheme needs to continue to support the building sector to address these issues, and raise the overall quality in the building sector.

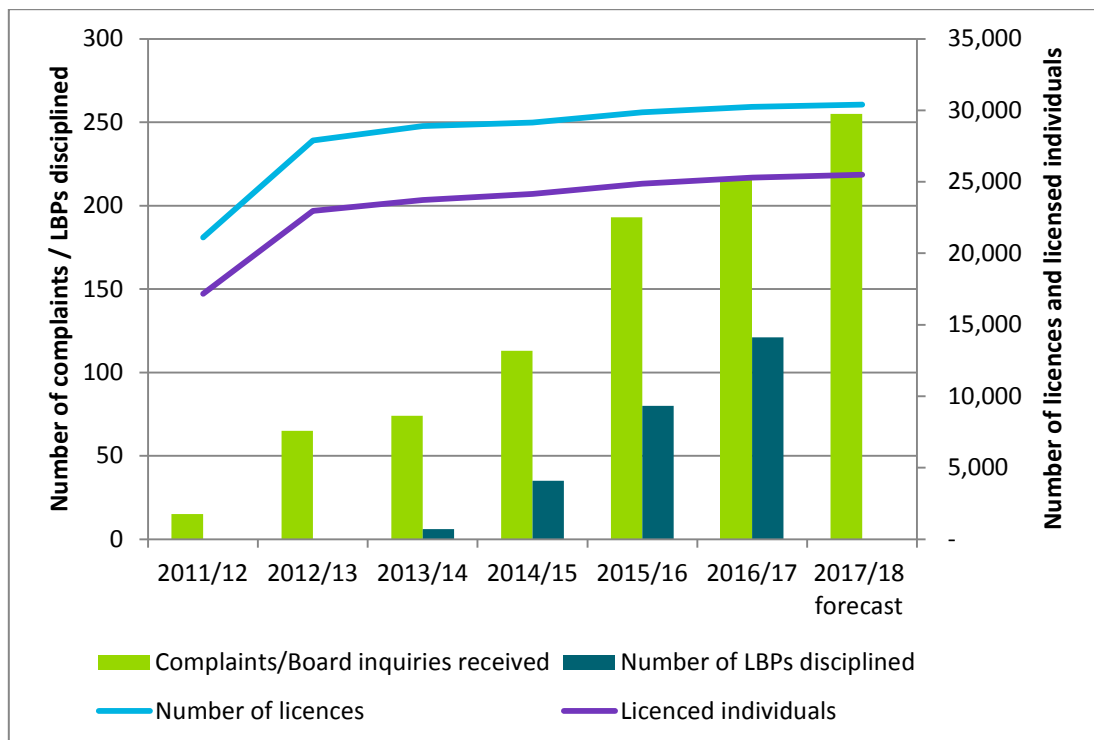
Growth in LBPs and complaints

The graph below shows the increase in number of LBPs and growth of complaints over the past eight years.

Apart from large increases in the first two years of mandatory licensing for building practitioners (undertaking restricted building work), the net increase in LBP numbers per year has been gradual at about 1,800 licence applications per year. The residential construction boom evident since about 2013/14 (likely to continue to about 2022) has not been reflected in LBP numbers. This may be because of a lag in meeting the demand for builders and/or more restricted building work being signed off by the current stock of LBPs. The number of Licensed Building Practitioners is expected to continue to grow with the government’s Construction Skills Strategy to provide the right skills through more diverse pathways to enter the building sector and training systems that better meet the needs of KiwiBuild and the construction industry.

The number of complaints has seen faster growth, most likely arising from increased visibility of the LBP scheme and growth in building activity. To ensure the LBP scheme continues to protect consumers, it must have effective services and resources to accommodate the expected increase in LBPs and increased use of the complaints system.

Figure 1: Number of licensed individuals and complaints to the Board since year ending June 2012



The cost of services provided by the LBP scheme

To ensure ongoing provision of an effective and efficient LBP scheme, the fees and levy of the LBP scheme would need to increase by \$1,235,000 (see Table 1 below) from 2018/19.

The additional fees and levy would also enable improvements and provide additional services to LBPs. The proposed improvements to the LBP scheme will include the following benefits for LBPs:

- Streamlined and timely licence application and annual renewal processes;
- Development of new resources on the legal and technical requirements LBPs need to meet due to changes in the Building Act (the Building Act has been significantly changed since the LBP scheme started in 2007);

- development and implementation of IT systems to improve efficiency of registration and licensing processes. IT systems will also improve the management of complaints and provide online access to services for Licensed Building Practitioners;
- Raising the reputation of the building sector by ensuring the standard of competency of LBPs meets the required level.

The LBP scheme will also continue to invest in encouraging greater participation in the LBP scheme to ensure quality building work, especially during periods of rapid expansion in the industry and for KiwiBuild.

Table 1: Services provided through the LBP scheme to ensure the competency of building practitioners

Service	Description	Costs \$000s (GST exclusive)			Expected benefit to LBPs
		Current	Future	Increase	
Licensing and licence renewal - processes to assess and verify competency.	Assess LBPs' competencies against competency standards	1,966	2,768	802	A greater focus on proactive auditing of skills maintenance records to ensure LBP competency.
	Licensing LBPs				
	Audit of skills maintenance				
Resources that support LBPs to get and remain competent – to ensure that LBPs' competency meets the required standard to build homes right the first time, minimising the potential for rework which can be costly for both the builder and the consumer.	Training of staff to ensure they keep up-to-date with current building trends, competency programmes and materials	2,317	2,750	433	Streamlined and timely online licence application and annual renewal processes. Development of new resources on the legal and technical requirements, that better meets the needs of LBPs.
	Online resources e.g. guidance documents and skills maintenance programme				
	Responding to LBP related calls to the contact centre (about 2,000 calls per month)				
	Administering the complaints function				
Promotion of LBP scheme - build awareness and benefits of using a LBP, thus encouraging participation in the LBP scheme and LBP uptake amongst consumers.	Campaigns e.g. to promote use of licensed building practitioners	180	180	0	Engagement with a wider range of sector groups to promote the benefits of using a LBP. Engagement with building consent authorities to address competency issues.
	Use of LBP logo				
Total costs				1,235	

Question 1 – What value for money do the additional services provide to you or your business?

Ensure transparency of costs

The current structure of LBP fees and levy do not provide transparency about what the LBP is paying for. Good practice recommends that fees only cover the cost of activities/services directly received by the fee payer.

The cost of complaints handling and investigation is currently allocated across several fees. As an LBP does not receive any direct service from the complaints and disciplinary system, it is more appropriate to include complaints and investigation costs in a levy; a levy covers costs which benefit all LBPs in general.

Shifting the complaints and investigation costs to a levy would provide better transparency and accountability around what the fee/levy payer receives for that fee or levy.

5. Proposed fees and levy

Proposed changes

The following changes to fees and levies are proposed.

Table 2: Proposed changes to LBP fees and levy (all figures are GST exclusive)

	Current fee	Cost to Serve	Proposed fee	\$ Difference between current fee and proposed fee	% difference
LICENCE APPLICATION					
Initial licence application fee	\$71.11	\$219.44	\$217.39	+\$146.28	+206%
Assessment fee	<i>subject to class of licence¹</i>		<i>no change</i>	-	-
Administration fee	\$151.11	<i>n/a</i>	<i>n/a (removed)</i>	-\$151.11	-100%
Total application fee	\$222.22 <i>plus relevant assessment fee</i>	\$219.44	\$217.39 <i>plus relevant assessment fee</i>	-\$4.83	-2%
ANNUAL RENEWAL					
Licence renewal Fee	\$151.11 (Administration fee)	\$84.17	\$84.35	<i>n/a</i>	<i>n/a</i>
Scheme levy	\$22.22 (Board levy)	\$123.28	\$123.48	<i>n/a</i>	<i>n/a</i>
Total annual charge	\$173.33	\$207.45	\$207.83	+\$34.50	+20%
OTHER					
Reissue documentation	\$26.67	\$37.86	\$43.48	+\$16.81	+63%
Voluntary suspension	\$44.44	\$37.86	\$43.48	-\$0.96	-2%

As well as ensuring that fees are set at a cost-recovery level, the proposed fees would simplify the structure of the fees and ensure better transparency of the costs they cover. The proposed fee changes relate mainly to two key activities of licence application and licence renewals.

¹ A summary of current assessment fees by licence class is available at <https://www.lbp.govt.nz/become-an-lbp/application-cost/>

Currently, these fees and levy are:

- At time of licence application:
 - application fee – to cover the administrative cost of processing the application;
 - assessment fee – to cover the cost of assessing whether the applicant meets the competency standards
 - administration fee - to cover the cost of operating the LBP scheme.
- At time of licence renewal (annual):
 - Administration fee – as above
 - Board levy – to cover the costs of operating the Building Practitioner Board

The proposed fees are:

- Licence application:
 - application fee (definition unchanged)
 - assessment fee (definition unchanged)
- Annual charge comprising:
 - Licence renewal fee (new)– to cover the administrative costs of renewing the licence
 - Scheme levy (replaces the Board levy) – to cover the costs of operating the LBP scheme which cannot be attributed to specific services that directly relate to individual LBPs (i.e. licence application and renewal). These costs are more appropriately covered by a levy than a fee and relate to overall scheme operating costs that benefit LBPs in general, for example, the complaints system, the Building Practitioner Board and engagement with the building industry.

Question 2 - What impact would the cost of the proposed LBP scheme fees and levy have on you or your business?

Question 3 – Do the separate licence renewal fee and new scheme levy make it clearer as to what you are paying for?

Assessment fees unchanged

All LBP applicants undergo an independent assessment to establish their knowledge specific to the licence classes or areas of practice that they are applying for.

Fees for these assessments vary depending on the proposed licence class of the applicant, the numbers of area of practice included in the application, and for some classes of applicant whether or not they hold a qualification.

There are no proposed changes to the fee levels for assessments.

Comparison of fees with other regimes

Table 3 below, compares the fees and levy (GST inclusive) of the regulated building sector and related occupations.

Table 3: Licence application and annual fees: comparison of proposed LBP and other regulated occupations (all figures are GST exclusive)

	Registration fee (\$)	Annual practising or registration fee and levy (\$)	Estimated average income ² (\$)	Last reviewed
Licensed Building Practitioners – proposed by 2017 fees review	Ranges from \$461 to \$1096 depending on licence class)	208 (fee 84, levy 124)	57,500 (carpenter)	2003
Electrical Workers – current fees	152	104 (online) 165 (manual)	57,000 (electrician)	2013
Electrical Workers – proposed	304	109		
Plumbers, Gasfitters and Drainlayers	308	310 (75 fee, 235 levy)	55-75,000 (plumber)	2016
Registered Architects	Initial Registration varies depending on pathway 450-1,044	560 (no levy)	72,500 (architect)	2017
Chartered Professional Engineers	1,565 to apply plus 460 full year registration certificate	460 plus, if required 640 assessment of continued registration (no levy)	85,000 (engineer, independent practice)	2015
Engineering Associates	130	83 (no levy)	64,500 (engineering technician)	2013

This table shows the proposed fees are comparable to other building sector occupations, for example:

- The standard LBP licence application (including standard assessment) fee is \$461, and equivalent fees for other occupations range from \$215 to \$1,565.
- The proposed annual charge for LBPs is \$208. The equivalent fee for other occupations ranges from \$83 to \$560.

² Source: Occupation Outlook 2017. <http://occupatoinoutlook.mbie.govt.nz>

6. Next Steps and implementation

We welcome your written submissions on the proposals discussed in this document. Please provide your feedback to MBIE before 5pm, 20 July 2018. Instructions on how to submit your submission can be found at the beginning of this document.

Once we have considered the submissions, we will develop final proposals. The proposals will then go to Cabinet for approval. If they are approved, they will form the basis of new regulations. Please see **2 Purpose of this document** for proposed timeline of key milestones.

7. Summary of questions for discussion

Question 1: What value for money do the additional services provide to you or your business?

Question 2: What impact would the cost of the proposed LBP scheme fees and levy have on you or your business?

Question 3: Do the separate licence renewal fee and new scheme levy make it clearer as to what you are paying for?

Note:

Further information on the process for providing feedback is provided at the start of this document ('How to have your say'). When answering these questions, please let us know who you are responding on behalf of (e.g. for yourself, or on behalf of a company with several Licensed Building Practitioners). This helps us to understand the impact of the proposals on different types of workers.

8. Glossary

You need to know how we define the words we use in this document. The meanings given are not legal or technical definitions. They are a guide to the meaning of words used in the context of this document.

Building Act 2004 (Building Act): the primary legislation governing the building and construction industry, and sets out the rules for the construction, demolition and maintenance of new and existing buildings in New Zealand.

Building Practitioners Board (BP Board): independent of MBIE though the Ministry supports its role and functions, the Board has four main functions:

- Hear appeals against licensing decisions made by the Registrar
- Investigate and hear complaints about the conduct of LBPs
- Approve rules about LBPs (the LBP Rules)
- Report annual to the Minister for Building and Construction on its activities.

Licensed Building Practitioner (LBP): LBPs are designers, carpenters, brick and blocklayers, roofers, external plasterers, site and foundations specialists who have been assessed to be competent to carry out work essential to a residential building's structure or weathertightness.