



COVERSHEET

Minister	Hon Chris Penk	Portfolio	Minister for Building and Construction
Title of Cabinet paper	Modernising Building Research	Date to be published	23 December 2025

List of documents that have been proactively released

Date	Title	Author
November 2025	Modernising Building Research	Office of Minister for Building and Construction
12 November 2025	Modernising Building Research ECO-25-MIN-0188 Minute	Cabinet Office
17 October 2025	Regulatory Impact Statement: Reforming the building research funding system	MBIE

Information redacted

YES

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Some information has been withheld for the reasons of Commercial Information, free and frank opinions and Confidential advice to government.

[In Confidence]

Office of the Minister of Building and Construction

Cabinet Economic Policy Committee

Modernising building research

Proposal

- 1 This paper seeks agreement to modernise how building research is funded to improve efficiency, increase accountability and support economic growth.

Relation to government priorities

- 2 An efficient building research system will increase productivity in the building and construction sector and fuel economic growth.

Executive Summary

- 3 The Building Research Association of New Zealand (BRANZ) receives levy funding from building consents under the Building Research Levy Act 1969. Since 2014 BRANZ has received around 240 million dollars for building research.
- 4 The 1969 legislation has never been reviewed and is out of date. The current regime does not meet modern expectations for accountability, transparency and funding oversight from government.
- 5 I propose to repeal the Building Research Levy Act 1969 (the Act) and instead fund research using the building levy which is the main levy used to fund building regulatory functions.
- 6 Consolidating the building research levy with the existing building levy will simplify and increase efficiency of levy collection. It will also increase government oversight over how much money is collected and how it is spent.
- 7 I propose that research funding should be ring fenced, to provide multi-year stability to the sector and that transitional arrangements provide certainty for BRANZ and that they will continue to have an ongoing role in the building research system.
- 8 I intend to work with the sector around establishing how research decisions will be made so they have a voice in setting research direction. Confidential advice to

government

- 9 The sector continues to support public funding for building research and there continues to be an economic justification for a levy because without coordination, the small-scale businesses of the construction sector would not be able to collaborate to fund research to improve construction techniques and increase productivity.

Background

- 10 There are currently two main levies relating to building and construction:
- 10.1 The building levy, set by the Building Act 2004, is paid by applicants for building consents when the building consent is issued. The building levy is \$1.75 per \$1000 of building work over \$65,000 to fund MBIE's functions under the Building Act
 - 10.2 The building research levy, set by the Building Research Levy Act 1969, is in theory paid by builders² when a building consent is issued. The building research levy is \$1 per \$1000 of building work over \$20,000 and funds industry good research.
- 11 The Building Research Association of New Zealand (BRANZ) is the sole recipient of the building research levy specified in legislation. BRANZ is an independent incorporated society: unlike public research institutions it is responsible to its members in the construction industry, not the Crown. BRANZ Inc has two wholly owned commercial subsidiaries, BRANZ Ltd (NZ) and BRANZ Pty Ltd (Australia) that provide commercial testing and assessment services to the construction sector³.
- 12 In 2024/25 BRANZ received approximately \$24.4M from the building research levy, making up 72.6 per cent of BRANZ's revenue, with the balance primarily made up of commercial work. Since 2013/14, BRANZ has received approximately \$263M from the research levy⁴, and approximately \$4.5M in commercial work commissioned by government departments. More detail on BRANZ's revenue is in Appendix one.

Analysis

- 13 I am proposing to modernise the building research system to reduce duplication, better align research with government and sector priorities, and maximise the value of levy investment.

The current system is out of date and does not align with best practice:

- 14 The Building Research Levy Act has not been reviewed in the 56 years since it was enacted, and the levy has not been adjusted since 1977, when it was set at its maximum legal rate. Since the Building Research Levy Act was passed in 1969, Government expectations for the management of public money have evolved. The building research levy is now out of step with key standards, including the Public Finance Act 1989 and Auditor General's guidelines for fees and levies.

² Officials understand in practice the building research levy is passed on to customers.

³ As well as being the recipient of the building levy, BRANZ is the product certification body for CodeMark, the only deemed to comply product certification scheme in New Zealand that shows a building product or method meets the requirements of the Building Code, and BRANZ also tests the performance of materials against local and international standards.

⁴ From its annual reporting.

- 15 The issues raised by the sector around transparency, accountability and lack of competition mean reform is required. The legislation is now out of date and has not accounted for changes to the building industry and building regulatory system, or to government expectations for the collection and expenditure of money.
- 16 My key objective is to modernise and maximise the value of levy investment in building research. I intend that we will achieve this by:
- 16.1 reducing duplication and improving efficiency
 - 16.2 better aligning research with sector and government priorities
 - 16.3 increasing the transparency and accountability around funding oversight
 - 16.4 providing certainty for the building research sector through any change.
- 17 Reform to the building research system to meet these objectives aligns with the broader reform of the science, innovation and technology system.

The construction sector has raised concerns about transparency, accountability and lack of competition of building research funding

- 18 **Free and frank advice**
 [REDACTED]
 [REDACTED]. Some stakeholders are concerned with the lack of formal accountability mechanisms and some consider that other researchers – such as universities, industry bodies and independent research groups – do not have the opportunity to secure equitable access to the building research funding.
- 19 **Free and frank advice**
 [REDACTED]
 [REDACTED]
 [REDACTED]
- 20 Officials have undertaken a short, targeted review of the Building Research Levy Act and engaged with key stakeholders, including BRANZ. The sector continues to support public funding for building research to address potential market gaps and support innovation and productivity growth. Stakeholders raised concerns about their limited visibility of research decision-making and levy fund utilisation.
- 21 There continues to be an economic justification for a levy to fund building research. Without government coordination, the fragmented, undercapitalised, small-scale businesses of the construction sector would not be able to collaborate effectively to fund research to improve construction techniques, increase productivity and fuel economic growth. However, the system requires modernisation to improve transparency, accountability and operational efficiency.
- 22 While it is appropriate for greater accountability and public oversight of building research funding, I recognise the value of independent research funding decision making. Research independence enables decisionmakers to balance alignment with

immediate government priorities while also supporting long-term sector needs that drive sustained innovation and productivity growth.

I propose funding building research with the building levy

- 23 The building research levy was established as an industry levy, intended to benefit builders who paid the levy⁵. However, in practice the costs are passed on to building owners when they commission work, and the downstream benefits of building research are spread more widely than just builders, including material suppliers, building owners, designers and surveyors.
- 24 Over time the de facto payers and beneficiaries of the building research levy have become more aligned with the intended payers and beneficiaries of the building levy, and it is appropriate to consider whether two separate levies are still required. Collecting two building levies on the same group for similar purposes is inefficient.
- 25 I consider that research would be better delivered as a function of an expanded building levy. The building levy already addresses many of the key concerns with the way research funding is administered, without the cost of establishing and operating new, bespoke processes through amendments to the Building Research Levy Act.
- 26 I consider that this option strikes the best balance between Government oversight and research independence. Alternative options, including establishing a building research Crown Entity, or reforming the Building Research Levy Act would be less effective and more expensive. There is no natural home for building research in any of the three new public research organisations, and building research would not have the scale on its own to justify establishing a fourth.
- 27 Funding building research through the building levy will involve:
- 27.1 amending the Building Act 2004 to combine the building levy and building research levy into a single levy that can be set in regulations at a proportionate combined rate
 - 27.2 amending the purpose of the Building Act 2004 and the Chief Executive's functions under the Building Act to allow the building levy to be spent on research for the building sector
 - 27.3 repealing the Building Research Levy Act 1969, as it will no longer be required.

A suite of wider reforms to building levy settings would ensure the value of building research funding is maximised

- 28 The above changes will ensure the transparency of the building levy are applied to building research funding. However, I consider a suite of wider changes are required

⁵ The subtitle of the Building Research Levy Act is "An Act to authorise the levying of building contractors to provide money for research into improved techniques and materials for use in the building industry". As well as research, the Building Research Levy Act provides specific benefits to builders that pay the levy e.g. membership of BRANZ.

to deliver accountability and maximise the value of government research funding and best deliver the objectives in paragraph 12.

Ring fencing

- 29 I propose amending the Building Act to enable the building levy regulations to set aside a proportion of funding that must be used for research to ensure certainty of funding that will allow the building research system to deliver a long-term sustainable research programme.
- 30 Allowing the research funding to be ring fenced in regulation will provide stability to enable a sustainable, competitive research marketplace to develop. Many research projects take several years to complete, and research institutions are built up over time, and the stability provided by clear signalling of long-term funding will facilitate this.

Contestable funding

- 31 I propose to enable regulations to establish a contestable funding mechanism for building research.
- 32 I consider that contestable funding is key to ensuring the efficient, effective and accountable distribution of building research funding making funding contestable and available to wider researchers, such as universities, industry bodies and independent research groups.
- 33 While long-term guaranteed funding is likely to be required to support the continuation of BRANZ and its unique capabilities, enabling a more competitive building research system will ensure we maximise the value of government funding and drive economic growth. It will also address the concerns I have heard about the lack of transparency in research decision making, and ensure we are making research funding available to the institutions best able to improve the productivity, performance and economic contribution of the construction sector.

Research funding decisions

- 34 It is important that research decision making is independent and informed by the expertise of the building sector and is also responsive to government priorities. I propose that the Bill specifies the overarching principle that research decision making is informed by an appropriate balance of sector, research and government input.
- 35 I propose to work with the sector to determine the details of how research funding decisions will be made, including who makes the decisions and the contestable funding allocation model. This funding allocation model will be agreed by Cabinet and set out in regulations.

- 36 Confidential advice to government
- [Redacted text]

Implementation

- 37 To enable a smooth implementation, I propose that transitional arrangements allow BRANZ to continue operating under current levels of funding until the new funding allocation model fully comes into effect.
- 38 The new combined levy rate and collection arrangements would come into effect alongside commencement of the Building Amendment Bill, expected **Confidential** **advice to** 2026.
- 39 Under expanded Chief Executive functions, MBIE's CE can allocate transitional funding to BRANZ based on current levels received through the research levy. The transition period is key to ensuring continuity for the building research sector, and will allow time to develop regulations and operational structures, align with timeframes in the broader science system reforms, and manage the impacts of transition on BRANZ and the sector.
- 40 To deliver this reform to building research, I propose a suite of regulatory and operational changes. I am seeking agreement to report back to Cabinet with proposals for regulations and operational design to:
- 40.1 provide for a competitive research funding allocation process in line with the principles to be set out in the Building Act. Contestable funding will ensure research funding is more available to universities, private research organisations and industry to better align research with national priorities and maximise the value of public investment.
 - 40.2 facilitate a new ongoing role for BRANZ in the building research system, **Commercial information**
- 41 I will report back to Cabinet to seek agreement for regulations to implement these operational arrangements. My intention is that the new system would be fully implemented in time for the next levy review, scheduled to start in 2028.

Cost-of-living Implications

- 42 The proposal is expected to generate immediate savings of approximately \$65 per building consent⁷, due to the higher threshold before the building levy must be paid. In the longer term, the cost-of-living implications will depend on future decisions about the levy rate as part of the three-yearly levy review.
- 43 The reduced BCA processes required to assess, collect and pass on one levy on construction rather than two is also expected to modestly reduce the cost of building consents.

⁶ **Commercial information**

⁷ MBIE modelling is that this would correspond to a total annual saving of \$300,000 per year across the economy due to the increase in threshold.

Financial Implications

- 44 There are no immediate financial implications arising from this the proposal, as the building research levy is paid to BRANZ rather than the Crown. I will seek agreements to regulations to set the new rate of the building levy, accounting for its expanded research scope, in line with existing three-yearly building levy reviews established under the Building Act.
- 45 Funding decisions made as part of the new structure may have financial implications for BRANZ and I will inform Cabinet of these when I report back.

Legislative Implications

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- 47 The proposed amendment Act will bind the Crown, subject to the existing limitations in the Building Act 2004.

Impact Analysis

Regulatory Impact Statement

- 48 A Regulatory Impact Statement has been prepared and is attached. MBIE's regulatory impact analysis review panel considers the information and impact analysis summarised in the RIS partially meets the quality assurance criteria. The primary reason it is only a partially meets is that the inability to consult in detail on the preferred option with key stakeholders, and the implementation risks that arise from this. The panel notes the plan to mitigate this through the two phase approach, and transitional arrangements as part of implementation.

Climate Implications of Policy Assessment

- 49 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the threshold for significance is not met.

Population Implications

- 50 There are no specific impacts on population groups arising from this paper. The new mechanism through which funding decisions will be made will ensure research addresses the diverse needs of building owners, users and practitioners.

Human Rights

- 51 The proposals in this paper are not inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

- 52 No external resources were used in the preparation of this advice.

Consultation

- 53 The following departments and ministries were consulted on this paper: Ministry for Regulation, Department of Prime Minister and Cabinet, Treasury, Ministry for Housing and Urban Development, Department of Internal Affairs, Statistics New Zealand, Ministry for the Environment, Ministry of Justice, Parliamentary Counsel Office.
- 54 MBIE has engaged with key stakeholder, including BRANZ, Master Builders and the Building Advisory Panel.

Communications

- 55 I will announce the proposals in this paper from my office following Cabinet confirmation.

Proactive Release

- 56 I intend to release the Cabinet paper proactively in whole, subject to redaction as appropriate under the Official Information Act 1982, within 30 business days of Cabinet agreement, in line with [CO (18) 4].

Recommendations

The Minister for Building and Construction recommends that the Committee:

- 1 Note that the Building Research Levy Act 1969 has never been reviewed, the levy was last set at its maximum legal rate in 1977, and the Building Research Levy Act is out of date and requires reform to meet government expectations for fiscal good practice;
- 2 Note that officials have undertaken a short, targeted review of the Building Research Levy Act and have engaged with stakeholders including BRANZ and advise that legislative change is justified to respond to the sector's concerns about transparency, accountability and contestability;
- 3 Agree to empower the chief executive of MBIE to fund building sector related research through the allocation of the building levy
- 4 Note that a new proportionate rate for the expanded building levy will be set in regulations
- 5 Agree to repeal the Building Research Levy Act 1969 as it will no longer be required if building research is funded under the Building Act 2004.
- 6 Agree to amend the Building Act to allow the building levy regulations to specify a proportion of the building levy that must be spent on building and construction sector research
- 7 Agree to amend the Building Act to include the principles that research decisions are independent and informed by an appropriate balance of building, research and government expertise.

IN C O N F I D E N C E

- 8 Agree to amend the Building Act to authorise regulations that set the building research funding allocation model, including details of a contestable funding mechanism and funding decision making arrangements.
- 9 Agree to transitional funding for BRANZ out of combined building levy funds that maintains the status quo until the new system is fully implemented.
- 10 Invite the Minister for Building and Construction to report back to Cabinet, with proposals for:
 - 10.1 regulations to provide for a new building research funding allocation model including details of a contestable funding mechanism and funding decision making arrangements.
 - 10.2 detailed operational design for how to deliver the new system and the ongoing role and funding of BRANZ.
- 11 Agree that the Minister for Building and Construction is authorized to further clarify and develop policy matters relating to the proposals in this Cabinet paper in a manner not inconsistent with the policy recommendations contained in the paper.
- 12 Invite the Minister for Building and Construction to issue drafting instructions to Parliamentary Counsel Office to implement the decisions set out above through a bill to amend the Building Act 2004.

Authorised for lodgement

Hon Chris Penk

Minister for Building and Construction

Appendices

Comparison of Building levies and other revenue sources

Regulatory Impact Statement

Appendix one: Comparison of Building levies and other revenue sources

BRANZ's revenue from the levy has climbed sharply, from \$12.48M in 2014 to a peak of \$31.53M in 2023, before lowering slightly to \$24.39M. At the same time, its commercial revenue has remained relatively steady.

The below figures are in millions of dollars, as reported in publicly available annual reports.

Year	Building Research Levy	BRANZ Ltd income	Total BRANZ revenue
2014	12.48	7.46	19.94
2015	14.57	6.53	21.1
2016	16.99	6.78	23.77
2017	18.44	7.2	25.64
2018	19.83	7.57	27.4
2019	21.53	8.22	29.75
2020	22.7	8.4	31.1
2021	23.9	7.59	31.49
2022	30.39	7.69	38.08
2023	31.53	7.84	39.37
2024	26.51	9.39	35.9
2025	24.39	8.69	33.08
TOTAL	263.26	93.36	356.62

Since 2019, BRANZ has received an amount of revenue for building research (encompassing the building research levy and the commercial revenue of BRANZ Ltd) that is nearly as much as what MBIE has received through the building levy to fund all its policy and regulatory functions under the Building Act.

Year	Total BRANZ revenue	Total MBIE revenue from the Building Levy ⁸
2019	29.75	38.5
2020	31.1	37.9
2021	31.49	40.8
2022	38.08	50.6
2023	39.37	48.6
2024	35.9	37.3
2025	33.08	37.2
TOTAL	238.77	290.9

⁸ Before 2019 MBIE's financial records of building levy revenue are in a format that does not make them directly comparable against BRANZ revenue.