

**Holland, Teresa**

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**From:** Clare Harvey [ClareH@masterbuilders.com.au]  
**Sent:** Monday, 12 September 2011 3:11 PM  
**To:** DCCEE - Residential Disclosure  
**Subject:** Submission to the Department of Climate Change and Energy Efficiency  
**Attachments:** 75 - Submission to DCCEE on Mandatory Disclosure of Residential Energy, Greenhouse and Water Performance.docx; 75 - Submission to DCCEE on Mandatory Disclosure of Residential Energy, Greenhouse and Water Performance.pdf; Submission 75 template cover sheet.docx

Good Afternoon,

Please find attached a submission to the Department of Climate Change and Energy Efficiency on Mandatory Disclosure of Residential Building Energy, Greenhouse and Water Performance. There is also a hard copy being sent in the mail.

If you have any queries please do not hesitate to contact Bob Appleton on 02 6202 8888.

*Kind regards,*

*Clare*

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## Submission Template

### Residential Buildings Mandatory Disclosure – Consultation Regulatory Impact Statement - July 2011

#### Overview

This submission template should be used to provide comments on Residential Building Mandatory Disclosure Consultation Regulatory Impact Statement (CRIS).

#### Contact Details

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<b>Date:</b>	12 September 2011

#### Confidentiality

All submissions will be treated as public documents, unless the author of the submission clearly indicates the contrary by marking all or part of the submission as 'confidential'. Public submissions may be published in full on the Department of Climate Change and Energy Efficiency or other relevant Government websites, including any personal information of authors and/or other third parties contained in the submission. If any part of the submission should be treated as confidential then please provide two versions of the submission, one with the confidential information removed for publication.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

Do you want this submission to be treated as confidential?  Yes  No

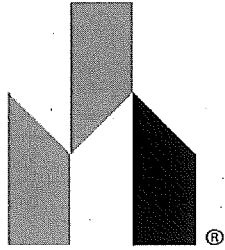
#### Submission Instructions

Submissions should be made by **close of business on 12 September 2011**. The Department reserves the right not to consider late submissions. Please restrict your submission to 4 pages of comments

Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text based formats, via the email address – [residentialdisclosure@climatechange.gov.au](mailto:residentialdisclosure@climatechange.gov.au)

Submissions may alternatively be sent to the postal address below to arrive by the due date.

*Residential Energy Efficiency  
Department of Climate Change and Energy Efficiency  
GPO Box 854  
Canberra ACT 2601*



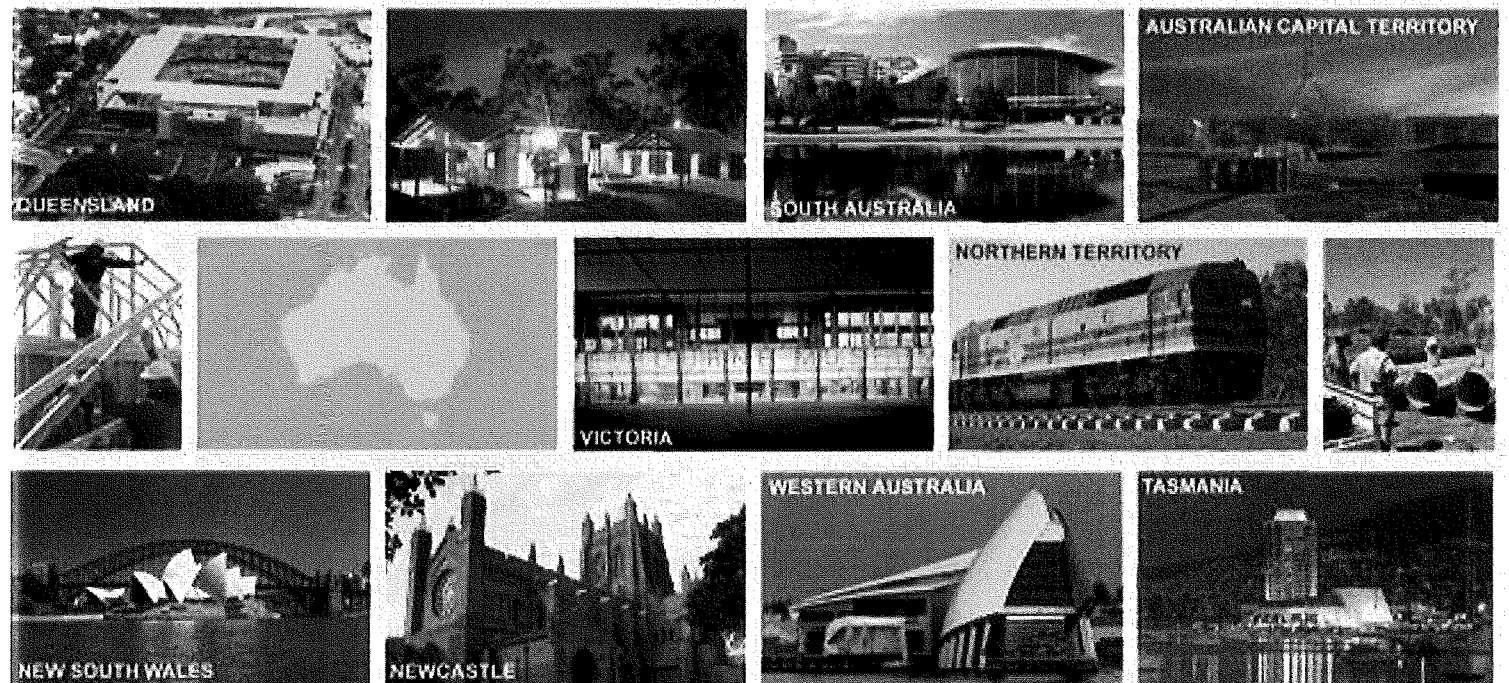
**MASTER BUILDERS  
AUSTRALIA**

**Submission to the Department of Climate  
Change and Energy Efficiency  
on  
Consultation Regulatory Impact Statement (RIS)  
on *Mandatory Disclosure of Residential Building  
Energy, Greenhouse and Water Performance***

**September 2011**

Master Builders Australia Ltd ABN 68 137 130 182

building australia



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## **1 INTRODUCTION**

- 1.1 Master Builders Australia is the nation's peak building and construction industry association which was federated on a national basis in 1890. Master Builders Australia's members are the Master Builder state and territory Associations.
- 1.2 Over 121 years the Association has grown to 30,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry association that represents all three building and construction sectors, residential, commercial and engineering construction.
- 1.3 The building and construction industry is a major driver of the Australian economy and makes a major contribution to the generation of wealth and the welfare of the community, particularly through the provision of shelter. At the same time, the well-being of the building and construction industry is closely linked to the general state of the domestic economy.
- 1.4 As a key driver in Australia's economy, the building and construction industry creates wealth and adds to the well-being of its citizens. Master Builders and its members are extremely proud to be at the forefront of building Australia's economic and social infrastructure.

## **2 THE BUILDING AND CONSTRUCTION INDUSTRY**

- 2.1 The value of work done by the building and construction industry in 2010-11 is estimated to have been \$200 billion, including an estimate related to smaller renovations work not included in official ABS statistics. Residential building work done was estimated to be \$80 billion, non-residential building \$34 billion and engineering construction \$85 billion. The building and construction industry contributes close to 8 per cent of total Australian economic output and employs over 1 million people or more than 9 per cent of the workforce.
- 2.2 The cumulative construction task over the next decade will require an estimated value of work done of \$2.3 trillion, with residential building likely to account for more than \$1 trillion and the non-residential building and engineering construction sectors combined to contribute \$1.3 trillion. The construction workforce over the next decade is expected to increase by 325,000 to a total approaching 1.4 million employees.

### **3 PURPOSE OF THIS SUBMISSION**

- 3.1 This submission sets out Master Builder's comments on the Australian Government's Consultation Regulatory Impact Statement (RIS) on *Mandatory Disclosure of Residential Building Energy, Greenhouse and Water Performance*.
- 3.2 This Consultation RIS has been commissioned through the National Framework for Energy Efficiency (NFEE) Building Implementation Committee (BIC) on behalf of the Commonwealth, State and Territory Governments. It is intended to assess a proposal to introduce mandatory disclosure of residential building energy, greenhouse and water performance.

### **4 GENERAL COMMENTS**

- 4.1 In recent years Master Builders has made a number of related major submissions to government, particularly in regard to energy efficiency policies. Master Builders supports energy efficiency as a complementary or 'second plank' in the Government's strategy to reduce greenhouse gas emissions, with the overall policy objective to reduce emissions at minimum cost to ensure that Australia's standard of living is not compromised.
- 4.2 Master Builders acknowledges that there appears some community aspiration and political imperative to implement measures that improve the energy efficiency of buildings. However, there is an untested assumption generally that householder climate change aspirations will translate into their willingness to pay more for their housing needs, as suggested again in this RIS.
- 4.3 Master Builders is on record calling for nationwide measures to increase building energy efficiency by focusing on retrofitting the existing stock of buildings. Continuing to increase the stringency of requirements for new buildings beyond the mandatory optimum will adversely affect housing affordability. Incentives and awareness programs that encourage a voluntary response for the community and individual householders are the preferred policy approaches.
- 4.4 Master Builders believes there should be greater use of incentives and consciousness-raising (the 'carrot'), than increased mandatory regulation (the 'stick'). Albeit limited in nature, programs targeting the existing stock of dwellings are available to some extent in various States and Territories and are generally welcomed by Master Builders.
- 4.5 The Government believes a market failure exists in the form of a lack of information about a dwelling's energy, greenhouse and water performance, particularly at the time of property sale or rental. However the RIS acknowledges that data is limited and that there is no comprehensive study on which evidence can be obtained.

- 4.6 The purpose of a RIS is to quantify the benefits and costs of a proposed policy change in order to understand whether the proposed amendments should be introduced. The RIS needs to be consistent with Office of Best Practice Regulation (OBPR) guidelines.
- 4.7 National competition policy states that regulations should not be introduced if the benefits to the community do not outweigh the costs. To justify a regulatory change, a RIS must show, unambiguously, that the benefits to the community comfortably outweigh the costs.
- 4.8 Master Builders is not convinced that this Consultation RIS meets the above test, given the uncertainty attached to key parameters (see Section 5).
- 4.9 Master Builders supports initiatives designed to improve energy efficiency of existing residential building stock, provided they are cost effective and generate demonstrable net benefit for the community. Master Builders supports light-touch regulation and is opposed to mandatory measures where there is no clear benefit.
- 4.10 Master Builders is not convinced that any of the mandatory options (options 1 to 4) considered in the regulatory impact statement (RIS) would necessarily generate a net benefit for the community.

## **5 SPECIFIC COMMENTS**

- 5.1 Master Builders does not believe a clear, positive case has been established in the RIS for the introduction of mandatory requirements. The RIS acknowledges that there is limited data available to assess whether there really is an information failure and how effective any of the proposed options for change may be.
- 5.2 The RIS also acknowledges that is impossible to collect a dataset that contains every possible influence on the sale price of residences. There are many factors that contribute value to a house, many of them personal and individual. However, it is understood that energy efficiency and greenhouse and water performance are well down the "pecking order" in terms of factors determining a decision whether to buy or rent a home.
- 5.3 Master Builders believes there are a number of key issues that bring the findings of the RIS into question and these need to be satisfactorily addressed before a mandatory approach could be supported. As acknowledged in the RIS, the benefits are sensitive to small changes in key assumptions.

- 5.4 **The ACTHERS 2006 Study** - This is used as part of the justification for the need for regulatory action and as the basis for the critical up-take rate factor used in the cost-benefit analysis. However this was based on a focus group of only 35 participants and had heavy disclaimers associated with the report. Master Builders believes that the sample size was too small to make any valid deductions and that this brings the RIS into question.
- 5.5 **The Uptake Rate** - The RIS stands or falls on the "uptake rate" – in effect by how much mandatory disclosure will actually make a difference in terms of promoting residential building energy efficiency investment. As noted by Allen Consulting, this is **the key assumption** yet is literally and directly translated into the RIS from the very limited evidence associated with observations of 35 people involved in a focus group meeting (as noted above). Intuitively, the 15 to 30 per cent figures used in the RIS seem high. The much lower uptake rates used in the break-even analysis seem more realistic, although they too could be on the high side of the "real rate".
- 5.6 **Home Insulation Program (HIP)** - It has been widely announced that the HIP involved the insulation of over 1 million homes. Excluding the impact of the HIP program in the analysis calls the validity of the RIS into question. Information must be used to form sensible estimates included in the core analysis.
- 5.7 **Assessment Costs** - Master Builders believes that the costs assumed for the assessments required in the mandatory options are too low, possibly by a wide margin. These costs have a major impact on the cost/benefit analysis and need to be reviewed.
- 5.8 **Practicality of Assessment Options** – There are over 1 million residential sale and lease transaction every year. Options 1 and 2 require assessment by skilled professionals and the industry would need to grow the capacity to deal with that many assessments per year. We believe it may take years to develop the expertise needed to handle this level of transactions. Until industry capability is expanded there would be the potential for delays, price impacts and community backlash. The impact of this on assessment costs does not appear to have been considered.
- 5.9 **Detail in Assessments** - Master Builders believes it inappropriate that options 1-3 require, as part of the mandatory assessment, the provision of recommended up-grades and improvements, identifying the simplest or most cost-effective investments that could be undertaken to improve the building's performance. It is not accepted that it is the role of the seller to provide such information to the buyer. It is not required in any other aspect of the building in terms of the sale. Also the Option 3 assessment would be carried out by the owner or real estate agent, both of whom are non-professional in this field and therefore it would be inappropriate for them to be making any such recommendations regarding building performance.

## 6 CONCLUSION

- 6.1 In general terms, Master Builders supports light-touch regulation and is opposed to mandatory measures. Master Builders is not convinced that any of the mandatory options (options 1 to 4) considered in the regulatory impact statement (RIS) would necessarily generate a net benefit for the community.
- 6.2 The key issues discussed above, taken together, suggest that there is genuine and potentially very significant uncertainty as to whether any of the mandatory disclosure options considered in the RIS would actually generate a net benefit to the community.
- 6.3 Consequently, at this stage Master Builder strongly supports the option of a well-targeted education and awareness voluntary program being adopted by the Commonwealth and States and Territory Governments, i.e. Option 5.
- 6.4 As a fall-back position, should the Government remain determined to adopt one of Options 1 to 4, the lighter touch of Option 4 would be preferred, particularly as the RIS finds that it is the best alternative once account is taken of the HIP, as well as less risk and uncertainty by comparison with the other mandatory options. Sometime in the future, based on post-hoc actual experience of this least cost option, a review could be undertaken of actual uptake rates. Better evidence on uptake rates might lend support to some of the more costly options (or confirm they are not justified).
- 6.5 Master Builders believes that far more comprehensive research and a more comprehensive cost/benefit analysis is required before a final RIS is developed for decision-making purposes, particularly elaborating on the key issues discussed above.

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