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From: Matthew Trigg [mt@fma.com.au]
Sent: Wednesday, 24 August 2011 2:48 PM
To: DCCEE - Residential Disclosure
Cc: DCCEE - Buildings; Nicholas Burt
Subject: FMA Australia submission to residential building disclosure consultation
Attachments: FMA Submission for Residential Building Disclosure - 110824.pdf

Good afternoon,

On behalf of FMA Australia, please find attached our submission to the residential building disclosure consultation.

If you have any questions relating to this submission please do not hesitate to contact us.

Kind Regards,

Matthew Trigg
National Policy Advisor



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Submission



Department of Climate Change and Energy Efficiency

**Residential Building Mandatory Disclosure
Consultation Regulatory Impact Statement**

24 August 2011

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24 August 2011

Residential Energy Efficiency Team
Buildings and Government Energy Efficiency Branch
Department of Climate Change and Energy Efficiency
residentialdisclosure@climatechange.gov.au

To whom it may concern,

I commend to you the Facility Management Association of Australia's submission in response to Regulation Impact Statement: Mandatory disclosure of residential building energy, greenhouse and water performance.

The Facility Management Association of Australia (FMA Australia) is the peak national body for facilities management, representing and supporting professionals and organisations responsible for the operational management of Australia's built environments.

Contributing in excess of \$20 billion to Australia's GDP annually and employing over 200,000 people, facilities management ensures the health, wellbeing and productivity of the Australian community.

As an industry, facilities management transverses all public and private organisations, covering a broad spectrum of activities from strategic operational planning to daily physical maintenance, cleaning and the management of environmental performance issues.

With more than 2,000 members across Australia, a primary focus of FMA Australia is to ensure the needs of all those professionals and organisations working in and dealing with facilities management are understood and considered in government and business policy formulation and decision making.

FMA Australia welcomes the opportunity to contribute to this important element of the National Framework for Energy Efficiency Building Implementation Committee and the work of the Ministerial Council on Energy's Energy Efficiency Working Group.

We look forward to having further discussions on the issues raised in our submission.

Yours sincerely,

Nicholas Burt
Chief Executive Officer

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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

General/Overall Comments

The content of this submission is based on the consultation documents and subsequent information forums. Its focus is on those areas and elements relating to facilities management in Australia.

Extent of the 'problem'

FMA Australia agrees that the Australian market for residential buildings suffers from information quality and access issues which contribute significantly to the multiple and interrelated problems around energy, greenhouse and water performance.

It is widely understood within the built environment sector that most existing buildings perform poorly when compared to the local performance standards for new developments, and even more so when compared to international best practice standards. The wider community, however, remains generally unaware of this as the information provided to, and understood by the majority of Australians does not represent the true state of our existing residential buildings.

As the largest consumer purchase in the lives of most Australians (and often the largest ongoing expenditure for those renting), it remains surprising that the high levels of energy and water use, as well as greenhouse gas production, resulting from the operation of residential buildings cannot yet be clearly and consistently communicated to owners, tenants and the market as a whole.

Along with limitations around the ability of such consumers to understand the information provided, this lack of quality information results in an unacceptable level of *adverse selection*; where market participants are unable to distinguish between high and low quality products. This is less of an issue in situations such as whitegoods and new residential buildings where star rating schemes are in place.

The opportunity

FMA Australia believes that, where there is a firm evidence-base, there exists a case for intervention to assist the market overcome information problems.

FMA Australia agrees that intervention by government to assist with the provision of information around the energy, greenhouse and water performance of residential buildings has the potential to result in positive environmental outcomes. However, we do not believe that this is assured and as such should not be seen as a justification for intervention.

Any action by government in this area should first and foremost be to create a more informed market for the sale and lease of residential buildings throughout Australia.

FMA Australia believes there is a strong case for government intervention to address information quality and access issues relating to the environmental performance of residential buildings. This must be delivered in a cost-effective and nationally-consistent manner, developed and implemented in close consultation and collaboration with industry.

The objective of any program should be to improve the quantity and quality of information available to market participants to support and inform their decision-making – by creating a more informed and competitive market environment for residential buildings in Australia.

Existing schemes in the ACT and Queensland must be re-aligned to meet any national standard.

Adequacy of regulatory options

The following is a brief general assessment on each of the five regulatory options proposed in the Consultation Regulation Impact Statement (CRIS). The feedback is provided based on the understanding that a certificate would be considered durable for the life of a residential property of until it is materially changed.

Option 1 – full thermal assessment

Due to a number of technical, policy and behavioural factors, including the consistent lack of correlation between simulated and actual performance, FMA Australia does not support the mandatory full thermal assessment/modelling of existing residential buildings.

Furthermore, as displayed in the CRIS, the costs associated with this option far exceed any identified benefits; therefore this option should not proceed as proposed. However, elements of should be incorporated into the ‘preferred option’ described below.

Option 2 – simplified thermal assessment

The use of a simplified thermal assessment would likely increase the inaccuracies associated with simulating building performance disproportionate to any reductions in costs.

FMA Australia does not support any intervention which seeks to achieve an outcome which is not achievable with the method selected. However, as with the full thermal assessment, there are elements of this approach (such as the inclusion of other building component information) which should be incorporated into the preferred option described below.

Option 3 – Online-self assessment

While this option minimises administrative and cost burdens, it does so at the expense of accuracy and program validity. It is simply unreasonable to expect the general public, who have been identified as being not well informed in building performance issues, to conduct assessments which should be completed by suitably trained professionals.

FMA Australia believes there is merit in the use of an online assessment tool by suitably trained professionals, but that the ability of the general public to participate presents too significant a risk to data quality and program validity. As such, this approach forms the basis of the preferred option described below.

Option 4 – Checklist assessment

A checklist of building component information presents a cost-effective option without the uncertainties of thermal assessments. However, in doing so, the opportunity to gain meaningful information where assessments have been conducted would be missed entirely.

FMA Australia supports a checklist approach which provides the opportunity to capitalise where a thermal assessment has been conducted, as displayed in the preferred option described below.

Option 6 – Mandatory rating with an opt-out feature

As the program cannot be expected to pre-empt every circumstance which may arise, FMA Australia supports the inclusion of an opt-out feature in the mandatory performance of residential building energy, greenhouse and/or water performance. This should only allow exception from obtaining a rating, but not from disclosure.

Comment on non-regulatory approach

FMA Australia does not believe that the non-regulatory approach (Option 5) would sufficiently address the problem of an information market failure that has been identified.

As seen with commercial property, the disclosure of higher levels of environmental performance is unlikely to lead to an overall increase in rental or sale price, but rather a discount in poor performing assets. Hence, there is minimal motivation to 'opt in' to a disclosure program.

An information campaign to raise households' awareness of environmental performance issues should be a key complimentary component of any future program around the disclosure of building performance information, including for residential.

Preferred Option

Where disclosure of residential building energy, greenhouse and water performance is to proceed, **FMA Australia would support a mandatory checklist assessment of building component information completed online by an approved assessor (registered with industry) with an opt-out feature, and including multiple degrees of thermal assessment as part of a series of evidence-based options available to gain an overall building performance rating and/or score.**

This presents a combination of the better elements from each of the options proposed in the CRIS, whilst allowing for the market to determine the value of the effort involved in obtaining a full or simplified thermal assessment.

It also permits those who do not wish to participate (for whatever reason) to exclude themselves from a rating, but not from disclosure. The approach also avoids many of the pitfalls of engaging stakeholders through an entirely voluntary approach.

As this allows for degrees of thermal assessment, costs per building would typically be kept below a threshold that would be seen as acceptable by those involved whilst ensuring a minimum level of robustness in the overall process.

Additionally, any scheme which applies to private residential buildings should also apply to government-supplied housing.

Approved assessors are essential

FMA Australia considers the use of approved assessors as critical in any approach to the mandatory disclosure of residential building energy, greenhouse and water performance to ensure the accuracy of the information being provided to potential purchasers and tenants.

Allowing the general public to conduct assessments would present unreasonable issues around data accuracy, thereby undermining the validity of the entire program. For instance, the average person would not be able to distinguish between different types and sizes of insulation or lighting.

In approving suitably qualified and experienced assessors, industry bodies such as FMA Australia should be engaged to guide and/or provide required training, registration and/or certification services in collaborative with, or as agents of, responsible government agencies.

As with compliance costs for building assessments, the time, effort and expense involved with training, approving and monitoring approved assessors must be kept to a minimum and only include that which is necessary to meet the program objectives. Clear program boundaries must be defined.

Funding and support should be also provided to ensure facilities managers of residential buildings (particularly high rise residential) are encouraged to seek approved assessor status and/or undertake industry-based training relating to the program.

The Trade Practices Act and other protections should be employed as necessary to ensure the accuracy of the program and more specifically the work of approved assessors, particularly in situations where they have an interest in the impending property transaction.

Contemporary case study

A suitable contemporary case study on which the preferred option above could be based are the STEPS/SDS building assessment methodologies developed by the City of Port Phillip and Moreland City Council and delivered through the Council Alliance for a Sustainable Built Environment (CASBE).

This type of assessment has been proven to be highly communicable to the general public, a key factor in the delivery of any building performance disclosure program. Where combined with other industry-based building assessment methodologies, such as the Green Star suite of rating tools development by the Green Building Council of Australia, and proven elements of mandatory disclosure from Australian and international examples, a clear evidence-based methodology can be developed to deliver the preferred option described above or a close variation there of.

- STEPS/SDS: www.sustainablesteps.com.au/index.html
- Green Star: www.gbca.org.au/green-star

FMA Australia is also working with industry partners around the rating of operations and management activities within the built environment.

Complementary measures

Complementary measures around education, subsidised training and registration of professionals must form a central element of any policy package to require the disclosure of residential building energy, greenhouse and water performance.

To deliver such initiatives, responsible governments should work with industry bodies such as FMA Australia to ensure activities are matched with current and potential skills and competencies for professionals and the wider community. As well as aligned with other career and professional development activities occurring in professional areas such as facilities management.

Identified risks and uncertainties of implementation

Firstly, governments need to consider outcomes and recommendations from the review of existing and past programs, including the report on the Energy Efficient Homes Package (ceiling insulation) by the Senate Standing Committee on Environment, Communications and the Arts (July 2010).

Second, this program must rigorously avoid being seen as any sort of revenue stream for government; operating on a clear and transparent cost recovery basis at all times. Training and education may also be funded/subsidised directly from the budget.

Third, care must be taken to ensure market participants understand how and why the value of comparatively poorer performing building has been decreased (if and when this occurs). This has been observed with some buildings following the introduction of Commercial Building Disclosure and should be seen as a fundamental reason for ensuring high levels of program transparency.

Fourth, agreement must be reached with local government stakeholders to ensure that, where residential buildings are valued higher due to their environmental performance, the owners are not penalised through council rates valuations.

Fifth, as part of a holistic approach, embodied energy gains and losses from building changes must be taken into account and perverse adverse incentives avoided (such as can be seen with 5 star houses with no eaves despite being in a climate ideally suited for their inclusion).

Finally, a differentiation must be clearly made in the treatment of different ownership types, such as householder, trust, lot owner, multi-owner and strata.

Industry engagement and oversight

Inconsistent and sometimes limited or non-existent engagement with the built environment sector, including with industry bodies such as FMA Australia, has the potential to constrain the development and operation of policies and programs seeking affecting the overall performance of our buildings, precincts and cities.

Duplication of roles already undertaken by other agencies or industry bodies (such as assessment of facilities management professionals and organisations) must be avoided wherever possible.

Based on experiences with programs such as Commercial Building Disclosure, industry groups involved with the design, construction and operation of residential buildings, including FMA Australia, must be represented and engaged on a regular basis to ensure that any program requiring the disclosure of residential building performance information is instigated and delivered with the greatest level of insight and understanding from practitioners on the ground.

Finally, residential building disclosure must be presented as part of a wider whole of government approach to the building environment. While FMA Australia will play a strong role in positively promoting this program, our unique market position (and that of our members) can add considerable value to the further development of this initiative. FMA Australia looks forward with interest toward its successful delivery.

