



30 November 2016

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee

The Owners Corporation Network of Australia Limited (OCN) is the peak body representing residential strata and community title owners and occupiers.

Strata is the fastest growing form of residential property ownership in Australia, with something like a trillion dollars of the common wealth invested in this type of housing. Over half the new dwellings to be built in our metropolitan areas over the next decades will be strata titled, and the growth of this sector raises increasingly important questions over property ownership and governance.¹

This submission strongly supports the Senate Inquiry into Non-Conforming Product, as the prevalence of building products not meeting Australian standards and codes has increased significantly in recent years as the result of increased global sourcing and purchasing products.

Australia has an alarming and growing incidence of building defects, particularly in residential buildings. The three most common defects are water ingress, fire safety non-compliance and non-compliant materials.

Non-compliant materials may put at risk the structure, safety and integrity of the building they are installed in. This poses very real life safety risks to occupants, as illustrated by the Bankstown fire in 2012 – [details](#) – and the Lacrosse fire in 2014 – details [here](#), [here](#) and [here](#). Overseas fires have resulted in multiple deaths – [details](#). While amazingly there were no deaths at Lacrosse, owners now face an estimated \$40m in rectification costs because a builder could cut corners.

Defective products present the risk of a variety of injuries, or worse. Immediate injuries can result from things such as defective glazing, whilst hazardous materials such as asbestos pose long term health threats for occupants.

Australian apartment buildings are increasing rapidly in height and complexity and defects claims, often against builders who use special purpose vehicles to go into voluntary liquidation to avoid responsibility for rectification, are now running into tens of millions of dollars.

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The cost of this preventable behavior is incalculable:

- to the construction industry and the good builders disadvantaged by dodgy operators
- to the community in terms of
 - overloaded Tribunals and Courts
 - Home Owners Warranty Insurance payouts, which in NSW was \$33m in 2014 and \$62m in 2013
- and to the individual victims, with evidence of bankruptcy, suicide and death from the stress

The national property industry is worth \$6.5 trillion, with superannuation trailing at \$1.9 trillion, and listed stocks at \$1.6 trillion.

It is essential that the commonwealth acknowledges the importance of these issues and addresses them through:

1. adequately funded, improved training standards, and
2. effective [regulation](#) to minimise building defects, prevent phoenix activity, and prevent non-compliant materials being imported or used.

The Prime Minister has acknowledged the importance of cities by appointing a Minister for Cities. The next step is to ensure the safety and financial security of the occupants.

Industry leaders have been calling for a simplified national regulatory framework for years. It's time.

Industry has also been urging government to take action on non-compliant materials, and a consortium put some practical solutions to the Hon Karen Andrews MP last year.

OCN also supports the proposals by the Building Products Innovation Council in its December 2016 submission.

It is crucial that the government funds and implements these critical initiatives. Doing so will prevent injury, illness and death. It will protect the conforming businesses trying to compete against competitors undercutting by using inferior, and potentially dangerous, products. And it will improve the community's perception of the construction sector, which is currently seen as dodgy. In addition, reducing the incidence and cost to owners of time consuming, costly and unproductive rectification of defective products will positively impact the real cost of housing, thus housing affordability.

OCN welcomes the opportunity to engage with the government on any aspect of this submission, and to develop solutions to the issues identified.

Yours sincerely

Karen Stiles
Executive Officer