

2024

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

2024-25 Budget Estimates

OPENING STATEMENT

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Minister for Sustainable Building and Construction**

I wish to acknowledge the Ngunnawal people as traditional custodians of the land we are meeting on and recognise any other people or families with connection to the lands of the ACT and region. I wish to acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region. I would also like to acknowledge and welcome other Aboriginal and Torres Strait Islander people who may be attending today's hearing.

It is my pleasure to be able to update the Committee on the work undertaken across the Sustainable Building and Construction Portfolio, a key portfolio for promoting health, safety, amenity and sustainability outcomes and maintaining quality of living standards for Canberrans and initiatives highlighted in the recently announced budget.

As the Minister for Sustainable Building and Construction, I am proud of the national leadership the ACT Government has shown, of the positive outcomes that we are delivering for our community and that the construction sector in the ACT continues to grow¹ and perform.

Building Quality Initiatives

I am committed to action that protects homeowners and the community from poor building quality, addresses building safety, and addresses unsafe practices in the building and construction industry. Through these measures we are aiming to improve community confidence in the building and construction industry, by delivering policy and regulatory settings that are

¹ Construction work done in the ACT increased by 2.7 per cent through the year in seasonally adjusted chain volume terms. Construction Work Done – March Quarter 2024; 29 May 2024;
https://www.treasury.act.gov.au/__data/assets/pdf_file/0010/1286632/CWD.pdf

current, appropriate, and effective and that deliver sustainable and climate-resilient buildings.

Over the 2023-24 financial year, there has been a significant amount of work commenced, progressed and completed on the ACT's building regulatory system to improve the quality of buildings, support climate resilient and sustainable buildings, provide robust public protection measures and drive integrity and accountability in the ACT building and construction industry. The initiatives described in the 2024-25 Budget continue to strike an appropriate balance between consumer protection, industry regulation and addressing the very real threat of a climate emergency.

The ACT Government recognises that the national housing affordability and availability crisis is real. However, addressing this issue does not mean that we should lower the quality or efficiency of the housing we're building today. Building defects cost Australians approximately \$2.5 billion annually, with Class 2 Apartment buildings alone accounting for \$1.3 billion, or 52 per cent of the total. In Canberra, costs associated with residential building defects are estimated to exceed \$40 million annually. These issues can lead to high rectification costs, increased safety risks, and diminished property values and income, often impacting consumers' confidence in the construction industry. Reducing quality does nothing to improve affordability or availability.

This is why in the last 12 months we delivered on our Parliamentary and Governing Agreement (PaGA) commitment to licence property developers and to hold them to account for the residential development activities they carry out. From now on all property developers, not just the good ones in the ACT, will have to deliver quality buildings, meet their obligations to sub-

contractors, their employees and the person, the couple, the family and the investor who are buying into their development. Parts of the *Property Developers Act 2024* came into force on 11 July 2024 and are already making a difference in the way developers approach their developments. The 2024-25 Budget contains important funding to implement the scheme and commence the licensing and compliance framework.

The last 12 months has been a significant year in terms of reforms to the National Construction Code (NCC), in which the ACT has advocated strongly for improvements to the performance of our buildings. From 15 January 2024, the ACT became the first jurisdiction to introduce the full suite of NCC 2022. This means that all new homes built in the ACT now meet a minimum seven-star energy efficiency standard and meet minimum livability and accessibility standards. This means that all new homes in the ACT are designed and constructed to meet the changing needs of people over their lifetime, contribute to the cost of living by using less energy and are more resilient to a changing climate.

At the national level, I have also raised through the Building Ministers Meeting (BMM) the need for national consistency in relation to measuring emissions in the building and construction industry and have secured consensus among Building Ministers. Recently, I obtained a decision to include a pathway in NCC 2025 for commercial buildings to measure and report on embodied carbon utilising the National Australian Built Environment Rating System (NABERS) method. We now have agreement for the Australian Building Codes Board (ABCB) to investigate how to incorporate and fund inclusion of a future minimum standard for embodied carbon in NCC 2028 to further support Australia's transition to net zero. Through the BMM, we also now have

agreement on the need to make Australia's buildings more resilient to extreme weather events driven by climate change and to include climate resilience as a specific objective of the ABCB from 2025. This will give the ABCB a clear mandate to develop future National Construction Code (NCC) requirements that reduce the impact of natural disasters on housing and other critical community facilities.

This will support us to get on with the job of reducing emissions generated by the building and construction sector. The Environment, Planning and Sustainable Development Directorate also continues to participate in national discussions through the Australian Building Codes Board on the inclusion of commercial energy efficiency provisions and provisions for building resilience in the NCC to address future weather events and climate risks.

The ACT Government will also soon deliver another component of its reform program that I am deeply passionate about. That is our PaGA commitment to commence a 10-year pathway to sustainable and climate resilient buildings. Sustainable buildings are an important component of the orderly and just transition to net zero emissions and deliver health, comfort, and cost-of-living outcomes. They have a low carbon footprint, are operationally efficient, and are circular economy ready. They are resilient to the changing climate and sensitive to the needs of the natural environment. A sustainable buildings sector is underpinned by an engaged industry sector, national building standards that support innovation and continuous improvement, and Government leading by example. This is what the sustainable building pathway will deliver for Canberrans.

Over the last 12 months and continuing into the future, we have prioritised reforms which give greater choice and protection to the community, making those working in the industry accountable for their actions, and delivering robust compliance frameworks supported by appropriate compliance activities. These initiatives will improve consumer protection and support greater confidence in the sector to deliver quality housing.

As with all of our regulation, we carefully consider the costs and benefits and the potential impacts on the cost of living and housing affordability for Canberrans.

In developing our recent reforms on developer licensing and regulation we commissioned an independent cost benefit analysis to review the impact of these reforms. This analysis found significant benefits to be delivered to Canberrans, at an acceptable cost level for developers, which may be passed on to consumers. Ultimately, this small up-front cost will pay off many times over for homeowners, through increased quality of the building product, with developers responsible for fixing defects in their developments. This is a significant consumer protection initiative, with a small cost to make sure that we have the right protection for purchasers, and also protecting the broader community against the social and community wellbeing impacts that we know flow from defective buildings.

Recent changes to the National Construction Code that we have implemented here in the ACT were also subject to scrutiny on costs before the decision was made through a regulatory impact assessment process. The analysis which supported the changes for new energy efficiency provisions showed cost benefits across the lifecycle of a building. This means lower ongoing living

costs for Canberrans living in higher quality houses. The payoff period from savings to meet these initial upfront costs is relatively short in terms of the life of the building.

The ACT Government has also agreed to reforms to residential building insurance and to strengthen building certification services, which I will be implementing over the coming months. I am very conscious that purchasing or building a home is the most significant financial decision many Canberrans make in their lives. I am focussed on making sure that when Canberrans enter into this process, the regulatory system adequately protects them and makes sure that they are not left to deal with the significant hidden costs that arise from defective buildings, from being under-insured, or let down by industry practitioners who should be working in their interests. Without these reforms, and the small upfront cost that comes with them, Canberrans can be left in financially devastating circumstances when the building process goes wrong.

I would like to share some highlights of work undertaken over the last financial year and work that is progressing into 2024-25 on key initiatives:

- As mentioned, continuing to progress work to strengthen certification services in the ACT and support regulatory oversight to increase consumer confidence. This included engagement of a consultant to provide an options analysis to deliver this commitment and engagement with stakeholders on the options analysis and implementation of the preferred option. An options paper was considered by the Government and regulation changes will be progressed in the second half of 2024 to implement the Government's decision.

- Completing a review of the regulatory settings for residential building work insurance. The final report made 12 recommendations to government, including clarifying regulatory responsibilities, updating legislative instruments, considering options for a consumer representative, and enhancing complaints management procedures. The final report was tabled in the ACT Legislative Assembly in June 2024. The review included extensive consultation with stakeholders, including community advocates, which informed the findings of the review. We have commenced implementation of the findings of the review to improve consumer protection. This includes progressing regulation changes in the second half of 2024 to increase the minimum prescribed insurance amount and time limits to lodge a claim from 1 January 2025.
- In addition, undertaking and implementing reforms to security of payment laws to make the construction industry fairer, including an industry workshop discussing the impact of the reforms. This work will inform a detailed review of the ACT's security of payments framework to commence scoping later in 2024.
- Establishing home swimming pool safety reforms through the passage of the Building (Swimming Pool Safety) Legislation Amendment Act 2023. The scheme commenced on 1 May 2024 and requires all home swimming pools and spas to have a safety barrier compliant with modern safety standards by 1 May 2028.
- Commencing and progressing work to implement regulation of medical gas systems, including new licensing requirements.
- Commencing the Professional Engineers Registration Scheme on 6 March 2024 with applications being processed in a phased manner.

From 6 March 2025, all engineers providing professional engineering services in a prescribed area of engineering will be required to be registered and will be subject to compliance and enforcement activity.

We will continue to progress work to support, drive and deliver an environment in which the building and construction industry thrives and produces high quality, safe and sustainable buildings for Canberrans and a transparent, accountable and innovative industry.

I also acknowledge the continuing challenges some sectors of the building and construction industry are facing due to inflation, Australian supply chain issues, labour shortages, rising interest rates and fixed-price contracts signed in recent years, not to mention some of the residual impacts of the COVID-19 pandemic. While these continuing challenges are not specific to the ACT, the ACT Government will continue to work with industry and consider the broader cumulative impact that ACT Government regulations may have on them. We will, of course, continue to use regulatory impact assessment tools to help inform our regulatory approach and I appreciate the ongoing positive engagement of stakeholders in our building and construction industry to provide valuable insight into industry practice and experience.

Private Buildings Cladding Scheme

The Cladding Rectification Program supports the testing, risk assessment and remediation of combustible cladding on eligible privately owned buildings and the removal of higher risk combustible cladding from ACT Government owned buildings.

The Private Buildings Cladding Scheme (the Scheme) provides financial assistance to eligible owners corporations to:

- identify if their building has combustible cladding; and
- to remove cladding that poses a moderate or higher risk.

The identification and assessment of cladding risk was undertaken in the testing and assessment phase, which was open for applications between 21 July 2021 and 21 July 2022. Owners corporations participating in the Scheme were given a 50% rebate on the costs (up to \$20,000 excl. GST) of having the cladding on their buildings tested.

On 29 August 2022, the Government launched a concessional loan scheme to assist owners corporations with the costs of remediating higher risk cladding on their building. The concessional loan is significantly more attractive than other loans currently available in the commercial market, providing a low interest rate, no application or early repayment fees; and up to \$15 million per owners corporation.

Costs covered under the concessional loan will include the cladding remediation design and works, any 'make good' works necessary due to cladding remediation, and regulatory fees, such as building approvals.

The Government has also undertaken work to identify and remediate combustible cladding on ACT Government owned buildings. We identified 23 buildings needing remediation and successfully completed works on all of these buildings by December 2022, within our set timeframes and within allocated budget.

I wish to thank the owners corporations and all ACT residents who have engaged with the Cladding Rectification Program. Together we are working to make where we live, work and play safer.

Loose Fill Asbestos Insulation Eradication Scheme

The Loose Fill Asbestos Coordination team (LFAC) commenced operation on 1 July 2022, following the closure of the Asbestos Response Taskforce on 30 June 2022.

LFAC has continued the work of the Taskforce in administering the Loose Fill Asbestos Insulation Eradication Scheme (the Scheme). The Scheme has been in operation since 2014, and diligent work over the past ten years has yielded good results as we seek to eradicate loose fill insulation from the homes of Canberra.

The vast majority of 1029 identified affected properties have been eradicated from the Canberra community. As at 1 July 2024, 1011 properties have been removed from the Affected Residential Premises Register through the Scheme, Assisted Private and Self-Funded demolitions.

LFAC continues to support remaining homeowners, and work through the significant complexities and challenges of the small number of remaining affected properties within the Scheme.

Great progress has also been made in delivering the projects requested by the Legacy Working Group. The 'Mr Fluffy' our voices exhibition at the Canberra Museum and Gallery was well received, informing Canberrans and visitors of the impact loose fill asbestos has had on our city; the Place of Reflection, a dedicated forest shelter at the National Arboretum Canberra, was completed and officially opened on 20 November 2023; the second stage of the ANU Health Study is drawing to completion with a report expected to be available in the coming months; funding has been provided to the ANU to support research grants and PhD Scholarship; Mr Fluffy information is being published in the General Practitioner newsletter to support ongoing awareness; and

work is progressing on the early release of documents to the ACT Memory platform to support any ongoing research into the impact of Mr Fluffy on our community.

As we approach the ten year mark from the announcement of the Loose Fill Asbestos Insulation Eradication Scheme, I wish to acknowledge and reflect on the impact of Mr Fluffy on our community, and in particular on the homeowners and residents of affected properties.

It has not been an easy journey, and it is not yet complete. Whilst not the preferred option, the ACT Government will consider what further actions may be required to achieve the goal of eradicating loose fill asbestos from the homes of Canberra. This is a sensitive and complex issue, and will consider the individual circumstances of all homeowners and residents of the remaining loose fill affected properties, along with the safety needs of Canberra community.

I am pleased to provide this update for the Committee on the considerable work and progress across the Sustainable Building and Construction Portfolio.