

TRADE LEADER

FEB - MAR 2021 ISSUE ■



Report shows
future impact of
COVID-19



House of the
Year winners
announced



Managing
business
capacity



Implications
of low interest
rates



■ **Positivity the
key to industry
wellbeing**

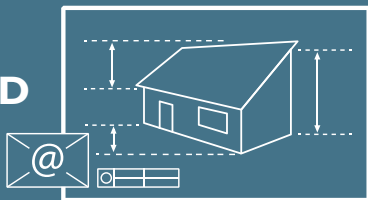
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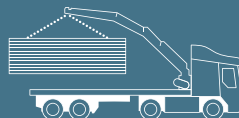
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In the frame

BY MIKE GUY, CARTERS CHIEF EXECUTIVE

As the start of 2021 unfolds, I'm sure I'm not the only one hoping for a year that is slightly less tumultuous than the previous 12 months have been.

Even the mention of COVID-19 tends to create a buzz of discussion, possibly due to the extremely fortunate position New Zealand is in at this time. Given the extremely rapid onset of the virus, and how it took hold around the world, it's no surprise that statistics and detailed reports have only just started to surface outlining the impact it has had on the building and construction sector, but there appear to be several different predictions as to what will happen next.

The Construction Pipeline Report, which was released as this issue was going into production, paints quite a dire outlook of just what the sector should expect (see page 8), but Graham Burke, the Chair of the New Zealand Construction Industry Council, says the industry holds its future in its own hands. His column that he penned for this issue has a very telling line in it – "We must avoid talking ourselves into a downturn!". He says that, while the industry needs to be prudent, it should certainly not be negative and that a positive outlook might be exactly what we need. His very refreshing article starts on page 28.

Most people are likely to agree that they've had to be more capable in the IT-Savvy world, working virtually rather than having person-to-person interaction than ever before. Going forward it's challenged us to evaluate the ways we work even outside of COVID – the trends we are seeing such as having an effective meeting without

the need to be face-to-face in every instance. For CARTERS it reiterated the importance of having our Trade Portal set up so that customers can order online to lessen the need for face-to-face interaction (when necessary).

The hardest part of 2020 was the uncertainty and I think there was an element of catch-up within the industry trying to make up for the lost time on the job through April. It taught us to be a lot more resilient and that's something which will benefit every company going forward.

The industry still appears to be busy from what we're hearing, which means that we anticipate a busy start to 2021, although there's also a lot of uncertainty going around the world which could hinder that. What we've learned from 2020 is we need to have a much more agile workforce that can react a lot quicker to uncertainty.

We also take a look at some of the fabulous new builds and renovations that have been features of the Registered Master Builders House of the Year awards, which were announced recently. We have been involved with the House of the Year competition for many years, and it's a privilege to again be a part of this prestigious event. Details on the winners can be found in our article starting on page 20.

As always, but especially as we start a new year, if there is anything we can do to assist you in your business, please don't hesitate to contact your local CARTERS Account Manager or stop in to your nearest branch to let them know what you need.



MIKE GUY
CARTERS Chief Executive

CARTERS 
Your **Building Partner**

TRADE LEADER.

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INDUSTRY POSITIVITY IMPORTANT INDUSTRY COMMENT

NZCIC Chair, Graham Burke, says It is important for construction businesses to take a prudent approach to their plans over the next two to three years and ensure they have the necessary resilience to withstand a slowdown if it comes.

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HOUSE OF THE YEAR MASTER BUILDERS

Totara Construction took out the CARTERS-sponsored New Home \$1-1.5 million category at the Master Builders House of the Year Awards 2020, for a home in Tauranga.



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According to WorkSafe's Best practice guidelines for working at height in New Zealand, if you're using a scissor lift, a harness should be worn unless a risk assessment has proven that the work can be done safely without a harness, and there is no risk of falling.

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With longer days and warmer temperatures, summer is a perfect time to complete work around the home, but this may also present health, safety and wellness hazards.



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LEGAL MAKING SURE YOU GET PAID

Cash flow is always extremely important in the building industry and so builders need to unlock the benefits of this process to unblock cash flow and reduce disputes.

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ECONOMICS LOW INTEREST RATE IMPLICATIONS

According to economist Rodney Dickens, part of the reason the economy and housing market have performed better than the bank economists predicted is because falls in interest rates become more powerful when rates are low.

Constructive wrap-up looks to the future



The fifth Registered Master Builders Federation Constructive Forum was a fantastic opportunity to bring the sector together and to engage with Government, according to event organisers.

A release from the RMBF says that the new Government confirmed and ministerial portfolios have been announced, we have an indication of what the sector can expect over the next three years.

"We are pleased to see the government continue to prioritise infrastructure, now being led by our Deputy Prime Minister, and Finance Minister Hon Grant Robertson," it says. "There is also good continuity around housing and vocational education with Ministers Woods and Hipkins both retaining these key portfolios. We are also looking forward to engaging with the Hon Poto Williams, our new Minister for Building and Construction."

The Government has announced a substantial work programme in replacing the Resource Management Act. RMBF says while in principle this has cross-party support, it will not be quick or simple, but is crucial for our sector.

"We will continue to keep you updated on this."

The Government has also announced a market study by the Commerce Commission on the cost of building supplies which will be of interest across the sector.

Supporting apprentices is a key focus, with the \$1.6 billion Trades and Apprenticeships Training Package taking us through the next two years. Off the back of this announcement, since July there has been a record jump in the number of registered carpentry apprentices, up by 17% compared to last year. This is important for our sector as we look to develop an ongoing pipeline of talent.

"AT CONSTRUCTIVE WE WERE ALSO PLEASED TO HEAR FROM MINISTER ROBERTSON THAT THE CONSTRUCTION SECTOR ACCORD WILL CONTINUE TO BE A FOCUS FOR THE GOVERNMENT AND USED AS A WAY TO COLLABORATE WITH THE SECTOR. THE ACCORD WILL CONTINUE TO PLAY A ROLE AT OUR CONSTRUCTIVE FORUM, AND WE WANT TO HEAR YOUR VIEWS ON WHAT YOU THINK SHOULD BE ITS NEXT PRIORITIES."

CARTERS CEO, Mike Guy said Constructive was an extremely useful forum for the future of the New Zealand building and construction sector.

"CARTERS was proud to sponsor Master Builders Constructive Forum this year. We are committed to building and construction and believe this Forum is an opportunity to help shape a vibrant and sustainable future for the sector. At CARTERS we continue to innovate and support our builders so they can deliver the economic, environmental and social outcomes New Zealand needs."

WHAT MASTER BUILDERS ARE DOING TO ADVOCATE FOR CHANGE

This year, Master Builders has also developed a policy paper, *Building a better New Zealand*, which outlines recommendations for Government action.

1. Improving building regulation systems

Our first priority is to improve building regulation systems. This is about rebalancing the building consent system to make it more efficient, easier to use and to allocate risk more appropriately. Rebalancing offers opportunities to establish more consistent national regulatory policies and systems, as well as providing greater clarity and certainty to the applicant and the building consent authority (BCA). The end result would see reduced time and financial costs and quicker delivery of commercial and residential projects.

2. Improving capability and capacity within the Licensed Building Practitioner scheme

We are also advocating a review of the Licensed Building Practitioners Scheme to improve its ability to support the wider building regulatory system. Strengthening the entry and renewal licensing requirements and processes is critical to lift building standards and improve consistency across the Scheme itself.

3. Stimulating residential construction demand

Our final recommendation provides tangible ways to stimulate residential construction demand. We recognise that the current recession is not predictable. Currently, our sector is defying expectations with residential demand still at record levels. But we are also vulnerable to shocks, and when they come they can be swift and severe. We believe the Government needs to be ready to intervene directly to support the sector if needed, keeping businesses afloat and people in jobs if required.

We need to avoid a repeat of the GFC, where between 2008 and 2011 housebuilding declined by 50 percent and the residential construction sector lost 25 percent of its workforce. It took seven years for sector employee levels to recover to pre-GFC levels. This had a major impact on New Zealand's economy and directly contributed to the housing deficit we are still trying to rectify.

We are discussing these proposals with many in the sector and across parliament. We look forward to continuing to work with decision-makers to deliver change which will mean a robust and resilient system that can deliver positive outcomes for all New Zealanders.

RMB would value your views or any feedback you may have on their policy statement. Get in touch at: rmb@masterbuilder.org.nz

Auckland feels impact of COVID-19 on residential building

Builders, developers, and owners of home building projects in Auckland said they felt more affected by COVID-19 than those working on non-residential projects and projects outside Auckland, Stats NZ said recently.

Just over 3,500 respondents recently answered a series of questions in the quarterly building activity survey. Based on the Stats NZ analysis of the opinions given by respondents about the effect of COVID-19 on building projects (which may not be representative of all building projects), around 6 out of 10 respondents from residential projects in Auckland reported a moderate to severe COVID-19 impact in the September 2020 quarter. This compared with fewer than 5 out of 10 respondents from residential building projects outside Auckland reporting a moderate to severe impact. Nationally, relatively few projects of any kind (fewer than 1 in 20) reported severe impacts in the September 2020 quarter.

"Auckland spent more time at higher alert levels than the rest of New Zealand during the September 2020 quarter, which may partially explain why some of the survey respondents expressed greater perceived impacts of COVID-19," construction statistics manager Michael Heslop said.

During the quarter, Auckland moved into COVID-19 alert level 3 for part of August and was at alert level 2.5 for part of September.

"The results in the September 2020 quarter may also reflect some of the ongoing effects of the alert level 4 lockdown in the June 2020 quarter. Previous insights have shown significant delays to completion dates were anticipated, although there will be some projects that have been catching up," Mr Heslop said.

The value of building work put in place in Auckland in the September 2020 quarter appears to have bounced back from a dip in the June 2020 quarter, despite Auckland being at higher alert levels than the rest of the country.

Non-residential projects outside Auckland, including commercial buildings like offices, reported a lower impact on average in the quarter as a result of COVID-19.



New BCITO chief announced

The Building and Construction Industry Training Organisation (BCITO) has recently announced Mr Toby Beaglehole as its new Chief Executive.

Toby joins BCITO from his previous role as Chief Executive of Connexis, which he has led since 2018. In that role, amongst other things, Toby has been managing the Reform of Vocational Education (RoVE) for the organisation.

"We are delighted to have a new Chief Executive on board who is already across the transition and is familiar with the process and parties involved. He is also closely aligned with the direction of the BCITO through the BCITO – Connexis Heads of Agreement," says BCITO Chairman Mike King.

"We are committed to ensuring that during this transition period we continue to do what is best for our apprentices, employers, staff, and the wider sector. Having a leader who has an existing and deep understanding of what we do and the issues our sector faces will ensure we manage the next 12 months or so as smoothly as possible," continues King.

Toby also brings with him a wealth of experience in change management through previous complex roles with NZ Oil Services (JV between Z Energy and BP) and NZ Post, especially following the Canterbury earthquakes. He transitioned from Connexis to BCITO in early December last year and is immersing himself with BCITO as the move towards the new RoVE model happens later this year.

Toby replaces Warwick Quinn who left BCITO in early November 2020, to take up a role at Te Pūkenga as Deputy Chief Executive Employer Journey and Experience.



Report shows impact of COVID-19 is likely to be felt across the construction sector for the next few years

The recently released National Construction Pipeline Report 2020 forecasts a short-term decline in construction activity as a result of the COVID-19 pandemic. The Report commissioned by MBIE provides a projection of national building and construction activity for the next six years through to 31 December 2025, based on current settings.

"While there is a lot of uncertainty as a result of the pandemic, the Report expects a decline in the total value of construction through to 2023, before it starts to recover," says John Sneyd, General Manager Building System Performance, Ministry of Business, Innovation and Employment.

Residential construction activity is the largest contributor to national construction, making up 55% in terms of value last year. Historically, residential activity is the most volatile to changing economic conditions and it is predicted this will be the hardest hit by COVID-19.

The Report forecasts the value of residential construction will fall 43% from \$23.7b in 2019 to \$13.4b in 2023 as a result of an anticipated decrease in new dwelling consents from the high of more than 37,000 in 2019, to an average of 26,800 per year for the next six years.

"Despite the forecast, demand for residential housing remains strong at the moment. There is steady pipeline of demand and latest data show new home consents are currently at a 46-year high," says Sneyd.

Transformation Director for the Construction Sector Accord, Dean Kimpton, says the report shows the Construction Sector Accord will need to play a vital role in supporting our COVID-19 recovery.

"The Construction Sector Accord principles are now more important than ever," he says. "We need to build trusting relationships, be bold, value our people and act with collective responsibility."

"THE REPORT IS BASED ON THE SECTOR'S OWN FORECASTS AND INDICATES NATIONAL CONSTRUCTION VALUE COULD TAKE A 31% HIT BY 2023," HE SAYS. "HOWEVER, THE FORECASTS IN THE REPORT ARE SURROUNDED BY SIGNIFICANT UNCERTAINTY AS THE FULL IMPACT OF COVID-19 REMAINS UNKNOWN. IT'S IMPORTANT TO ACKNOWLEDGE THAT THE REPORT ALSO SHOWS PROMISING SIGNS FOR THE FUTURE AND THAT IS WHERE THE INDUSTRY SHOULD BE FOCUSED."

"Residential building makes up the bulk of construction activity and is typically the hardest hit by changing economic conditions. The report estimates residential activity could drop 43 per cent over the next three years – although recent data from Stats NZ indicates a 46-year high for new home consents. The sector has come out

of COVID-19 in a better position than expected, but this report serves as a reminder that we need to continue to plan and prepare for whatever comes our way."

Bill Newson, Accord Steering Group member and People Development Workstream co-lead, says "we have an opportunity to reset and make a difference. Now is the time to be investing in apprenticeships, in training and upskilling our people so that we grow great people and protect what expertise we have."

"We have a targeted People Development Workstream which aims to build a sustainable workforce through growing people and supporting those in it. Work is underway to develop skills across the sector, including informing progress on the Reform of Vocational Education (RoVE) and joining a consortium to lead the Construction Centre of Vocational Excellence (ConCOVE)."

Graham Burke, Accord Steering Group member and People Development Workstream co-lead, says "irrespective of what the future pipeline looks like, we need to improve the way we work together and continue to invest in our people."

"GREAT PEOPLE INNOVATE, CREATE, DELIVER EXCELLENT SERVICES, AND HELP DRIVE OUR BUSINESSES FORWARD. COMPANIES THAT TAKE THE TIME NOW TO GROW THEIR PEOPLE WILL BE THE ONES THAT THRIVE IN THIS NEW ENVIRONMENT," DEAN SAYS.

"Before the Accord, we didn't have a united vision for the future of the sector. The Accord has brought construction leaders and government together so that throughout this pandemic we could protect and support our sector and our workers. We are now focussed on enabling a united and resilient sector to support all New Zealanders in our recovery," Dean says.

"Despite the forecast, demand for residential housing remains strong at the moment. There is steady pipeline of demand and latest data show new home consents are currently at a 46-year high," says Sneyd.



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Bringing rental properties up to Standard

This article is published in conjunction with Tenancy Services.

■ BY STEVE WATSON, NATIONAL MANAGER, COMPLIANCE AND INVESTIGATIONS & INFORMATION AND EDUCATION, TENANCY SERVICES, MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT

New Healthy Home Standards for rental properties in New Zealand became law on 1 July 2019. The five standards set out specific and minimum standards for heating, insulation, ventilation, moisture ingress and drainage, and draught stopping in rental properties.

As the deadline for compliance with the standards is fast approaching, when working at a client's property, you might get asked some questions about the standards and what landlords need to do to make sure their properties comply.

From 1 July 2021, all private rental properties must comply with the standards within 90 days of any new or renewed tenancy.

Responsibility for meeting these standards sits with the landlord of the property and, if they haven't already, landlords should now be thinking about the work that needs to be completed to ensure their rental properties are compliant with the standards by the deadline.

Tenancy Services' website has a wealth of easy-to-understand information about the standards, as well as easy-to-use tools that calculate the requirements for individual properties to be compliant with the standards. You can find out more at www.tenancy.govt.nz/healthy-homes/

The standards can be accessed whether you're in the office or on site using your mobile phone. Below is a brief overview of some of the standards you may get asked about, and where to point people if they need more information.

HEATING STANDARD

The World Health Organization (WHO) recommends a minimum indoor temperature of 18°C. By installing heating that can reach this temperature on the coldest days of the year, tenants will be able to keep warm all year round.

The heating standard means rental properties must comply with the following requirements:

- There must be one or more fixed heaters that can directly heat the main living room.
- Heater(s) must be fixed (not portable), and must be at least 1.5 kW in heating capacity and meet the minimum heating capacity needed for the main living room.

There is an online Heating Assessment Tool to help calculate the heating requirements for the living room in a rental home. Alternatively, landlords can use the formula outlined in schedule 2 of the Residential Tenancies (Healthy Homes Standards) Regulations 2019. There is a handy guide to read before getting started with the Tool – landlords will need the measurements of their living room walls, floor, windows, ceiling and any other features to accurately calculate the heating requirements. You can find the tool and guide at www.tenancy.govt.nz/heating-tool/

The heating guidance document contains information on how to find out what size heater(s) are required, exemptions to the heating standard and further details. This guidance documentation can be found at www.tenancy.govt.nz/healthy-homes/heating-standard/

INSULATION STANDARD

The healthy homes insulation standard builds on the current regulations meaning some existing insulation will need to be topped up or replaced. All existing insulation must still be in reasonable condition to meet the requirements. This means there should be no mould, dampness, damage or gaps. All insulation must be installed in accordance with New Zealand Standard NZS 4246:2016 Energy efficiency - Installing insulation in residential buildings.

The Insulation Tool will help landlords find out whether

they need to upgrade the insulation in their rental property to meet the standards. You can find the tool at www.tenancy.govt.nz/maintenance-and-inspections/insulation/insulation-tool/

The insulation guidance document contains more specific information on the insulation standard. The document can be found at www.tenancy.govt.nz/healthy-homes/insulation-standard/

VENTILATION STANDARD

Mould and dampness caused by poor ventilation is harmful for tenants' health as well as a landlord's property. The ventilation standard targets mould and dampness in rental homes.

Rental homes must have openable windows or doors in the living room, dining room, kitchen and bedrooms. Kitchens and bathrooms must have extractor fans that vent to the outside.

After 1 July 2019, newly installed extractor fans must have a minimum diameter and exhaust capacity. These differ for kitchens and bathrooms:

- In kitchens, extractor fans must have a minimum diameter of 150mm or an exhaust capacity of at least 50 litres per second.
- In bathrooms, extractor fans must have a minimum diameter of 120mm or an exhaust capacity of at least 25 litres per second.

The Ventilation Tool is available for landlords to figure out if they need to install new extractor fans in the kitchens and bathrooms of their rental properties. You can find the tool at www.tenancy.govt.nz/healthy-homes/ventilation-standard/ventilation-tool/

The ventilation guidance document contains more specific information on the ventilation standard and can be found at www.tenancy.govt.nz/healthy-homes/ventilation-standard/

MOISTURE INGRESS AND DRAINAGE STANDARD

Moisture in a home can lead to poor health outcomes for tenants and can be destructive to the quality of a house.

Rental properties must have efficient drainage for the removal of stormwater, surface water and ground water. Rental properties with an enclosed sub-floor space must have a ground moisture barrier.

Ground moisture barriers must either:

- Be a polythene sheet and installed in accordance with section 8 of New Zealand Standard NZS4246:2016 Energy efficiency - Installing insulation in residential buildings, or
- Have a vapour flow resistance of at least 50MNs/g and be installed by a professional installer.

The moisture ingress and drainage standard document has more specific information on the moisture ingress and drainage standard. The document can be found at www.tenancy.govt.nz/healthy-homes/moisture-and-drainage-standard/

Draught stopping standard

Draughts increase the likelihood of lower temperatures in houses and can make it more expensive for a tenant to

heat their home. Fixing draughts is an easy way to reduce heating bills, and keep rental homes warm and dry.

Landlords must make sure the property doesn't have unreasonable gaps or holes in walls, ceilings, windows, skylights, floors and doors which cause noticeable draughts. All unused open fireplaces must be closed off or their chimneys must be blocked to prevent draughts.

The draught stopping guidance document has more specific information on the draught stopping standard. The document can be found at www.tenancy.govt.nz/healthy-homes/draught/

EXEMPTIONS TO THE HEALTHY HOMES STANDARDS

In some situations a property may be exempt from complying with the healthy homes standards or parts of the standards. More information on exemptions is available at www.tenancy.govt.nz/healthy-homes/exemptions-to-the-healthy-homes-standards/

CODEWORDS QUIZ



1. How can a landlord calculate the heating requirements for a living room?

- A. Using an online tool at www.tenancy.govt.nz/healthy-homes/
- B. By using calculations in formula outlined in schedule 2 of the Residential Tenancies (Healthy Homes Standards) Regulations 2019
- C. 1.5 kW heating capacity is OK for all living rooms, regardless of size
- D. A and/or B

2. A house has some insulation, but you are not sure if it meets the new healthy homes requirements. Where can you find more information?

- A. Guidance documents available from www.tenancy.govt.nz/healthy-homes/
- B. Residential Tenancies (Healthy Homes Standards) Regulations 2019
- C. By using an online calculation tool at www.tenancy.govt.nz/healthy-homes/
- D. All of the above

3. When must landlords comply with the new standards?

- A. From 1 January 2021, all private rental properties must comply with the standards
- B. From 1 July 2021, all private rental properties must comply with the standards
- C. From 1 July 2021, all private rental properties must comply with the standards within 90 days of any new or renewed tenancy

4. To comply with the healthy homes standards for rental properties, where must extractor fans be located?

- A. In all kitchens and bathrooms
- B. In all kitchens, and in bathrooms where you cannot open an external window
- C. In kitchens that are located in the main living area (open plan)

Answers: 1. d 2. d 3. c 4. a



Carports without consents

■ BY REZA SEDGH, SENIOR STRUCTURAL ENGINEER, BUILDING SYSTEM PERFORMANCE, MBIE
TE ZHANG, SENIOR ADVISOR, BUILDING SYSTEM PERFORMANCE, MBIE

From 31 August 2020, a range of new and extended building consent exemptions were added to Schedule One of the Building Act, including a range of options for building carports.

Several of the new and extended exemptions require the assistance of a Licenced Building Practitioner (LBP) to supervise or carry out the design and construction work, which will allow consenting authorities to focus more on higher risk building work. It is also a great reflection of the expertise that LBPs provide, and will help boost their profile to the public.

The current Exemption 18 in schedule 1 of the Building Act, amended in August 2020, applies to free-standing or attached carports that are:

- on ground level
- no greater than 20 square metres.

This amendment also introduced Exemption 18A to allow greater floor area of carports to be constructed without a building consent.

Exemption 18A applies to free-standing or attached carports where:

- they are built on ground level
- the floor area is between 20 and 40 square metres
- any design or construction work is carried out or supervised by a licensed building practitioner or the design is carried out or reviewed by a chartered professional engineer

Exemption 18A recognises the capacity and capability of professional people in design and construction of carports over 20 square metres and less than 40 square metres. These professionals are well placed to manage the risks associated with compliance with the building code requirements.

It's important to remember that building consent process is only one part of the legal requirements for building a carport. All the usual requirements about durability

of materials, district planning, location of services and boundary restrictions still apply.

CARPORT VS GARAGE

There is no detailed or fully explicit definition for a carport in the current building regulations. However, Clause A1 of the Building Code classifies a carport as an outbuilding. This classification primarily applies to buildings not intended for human habitation that are accessory to the principal use of associated buildings.

A carport is a covered parking structure for the storage of lightweight vehicles, and is commonly used in connection with a dwelling. A carport is a covered, but not fully enclosed, which must be open on one or more sides. A fully enclosed space with doors would be reasonably considered a garage, and these are covered by different rules.

STRUCTURAL CONSIDERATIONS

A carport may be freestanding or attached to another building. However, if you wish to attach a carport to a building, due consideration should always be given to the impact the fixtures or connections may have on the weather tightness and structural integrity of the existing building.

All carport structures are required to comply with the requirements of clause B1-structure of the Building Code. For example, a carport must resist the lateral force acting on its structure (wind and seismic), as well as potential loads on top of its own weight (such as snow loads). The structure of carports is outside the scope of the Acceptable Solution B1/AS1, especially when cantilevered structural elements are designed to resist loads.

KITSET SOLUTIONS

If you are looking to use this exemption for a pre-manufactured carport, or a ready-to-assemble carport kit, you may need to make sure that the design has been verified by a Chartered Professional Engineer. If a supplier or manufacturer does not have such verifications, you will need to make sure there are right people involved to qualify for this exemption.

A producer statement may be a good means of demonstrating that a kitset design complies with the clause B1 of the Building Code, for example, if the structure is designed by an engineer using B1/VM1.

BE AWARE OF FIRE RISKS

Regardless of whether a building consent is required, a carport must comply with the building code and your council's planning rules. The Building Code limits fire spreading and heat transmitting across boundaries.

A carport generally has a lesser risk of fire spread to neighbouring buildings than a garage due to the venting of heat and smoke from its open sides. It is common practice to use low-height walls or lattice type screens (trellis type components) to cover the side-walls of a carport in order to achieve a better fire performance. Also, these side-walls can result in less likely use of a carport for the storage of any substantial quantity of substances or materials that may increase the potential for fire.

CONSIDER THE EXTRA ROOF AREA

It is important to note that the stormwater runoff from larger carports may be significant, and this will need to be taken into account, and be compliant with the building code, as stormwater must be collected in a way so that it does not create a risk to land, buildings and structures nearby. This would generally be achieved by

installing gutters, downpipes and storm-water pipes. The roof-water must then be discharged appropriately. It is recommended that you check with your local council about where to discharge the stormwater.

FURTHER INFORMATION

You can find the updated information in the guidance document "Building work that does not require a building consent" on the Building Performance website at building.govt.nz.

CODEWORDS QUIZ



1. Who can design, or supervise the design, of a carport under exemption 18A?

- A. A design LBP
- B. A chartered professional engineer
- C. A carpentry LBP
- D. A and/or B

2. For a carport to be eligible under the schedule 1 exemption:

- A. It must have one or more sides open
- B. The floor area must be less than 40 square meters
- C. It must not touch the main building
- D. A and B

3. What rules apply to distance from a boundary under exemption 18A:

- A. The Building Code
- B. The council's planning rules
- C. A and B
- D. None

4. Who can design, or construct, a carport under exemption 18?

- A. A LBP
- B. A chartered professional engineer
- C. A Homeowner
- D. All of the above

Answers: 1. d 2. d 3. c 4. d

Why you need to regularly review your insurance cover

■ BY BEN RICKARD

Managing risk is a key part of running a business. This is true whether you are a large construction firm with nationwide operations, an independent contractor doing decks and fences or anywhere in between.

Insurance is a key part of your risk management plan, so it's important to make sure you regularly check that what you have in place is suitable and make any changes that are needed.

If you use an insurance broker part of their service should be to assist you with this review each year, generally at the same time your policies are due for renewal. A good broker will keep you up to date with the current risk environment for your industry. This includes relevant regulatory exposures, such as changes to the Building Act, health & safety, LBP licensing, the RMA, Trust law, that could affect your business operations. They will also provide expert advice and recommendations according to your particular business operations. For example, if you're now:

- 1 Doing builders reports/pre-purchase inspections then you will require specialised cover that can be quite hard to obtain.
- 2 Engaging designers, surveyors or engineers you may require professional indemnity insurance to cover your potential exposure for errors they may make.
- 3 Moving from doing residential work to commercial fit outs this could affect the amount of public liability cover you need.
- 4 Contracted to do maintenance at a boatyard, port, power station, paper mill, dairy factory, manufacturing plant this will require notification to your insurer.
- 5 Changing from a sole trader to a limited company affects your liability as a director as well as having implications for how past jobs are insured for claims that might arise in the future.
- 6 Moving from doing renovations to new builds this can affect who arranges contract works insurance for each job.
- 7 Taking on much larger projects, your cover limits may need to be increased.
- 8 Employing staff brings liability.
- 9 Moving from subcontracting to another builder to working directly for the public. This can affect the liability insurance you need (as well as a whole bunch of other things too).
- 10 Using software to manage projects and do invoicing. This increases your exposure to cyber crime.
- 11 Hiring in or renting out equipment can affect how your insurance responds and what cover is best suited for you.
- 12 Purchasing more tools & equipment will require your insurance to be increased.

A broker will ensure that not only do you have the right cover for your risks but also that you get the best value and claim service. They can also access specialist policy benefits not available from direct insurers.

If you don't have a broker it is still a good idea to conduct your own review each year. Builtin has a **"Tradies Risk Management Checklist"** on our website to help with this. Download it at: www.builtin.co.nz/checklist.

Either way, it is important that you spend a bit of time (if only once a year!) reading your policy wordings, so that you understand what is included and what isn't. Put a date in your diary every year to do this review and refresh yourself on the policy coverage. Builtin's "Tradies Tips" blog has tons of information to help you understand risk for builders, including claim examples and policy explanations.



Builtin are New Zealand's Trade Insurance Experts

More information builtininsurance.co.nz

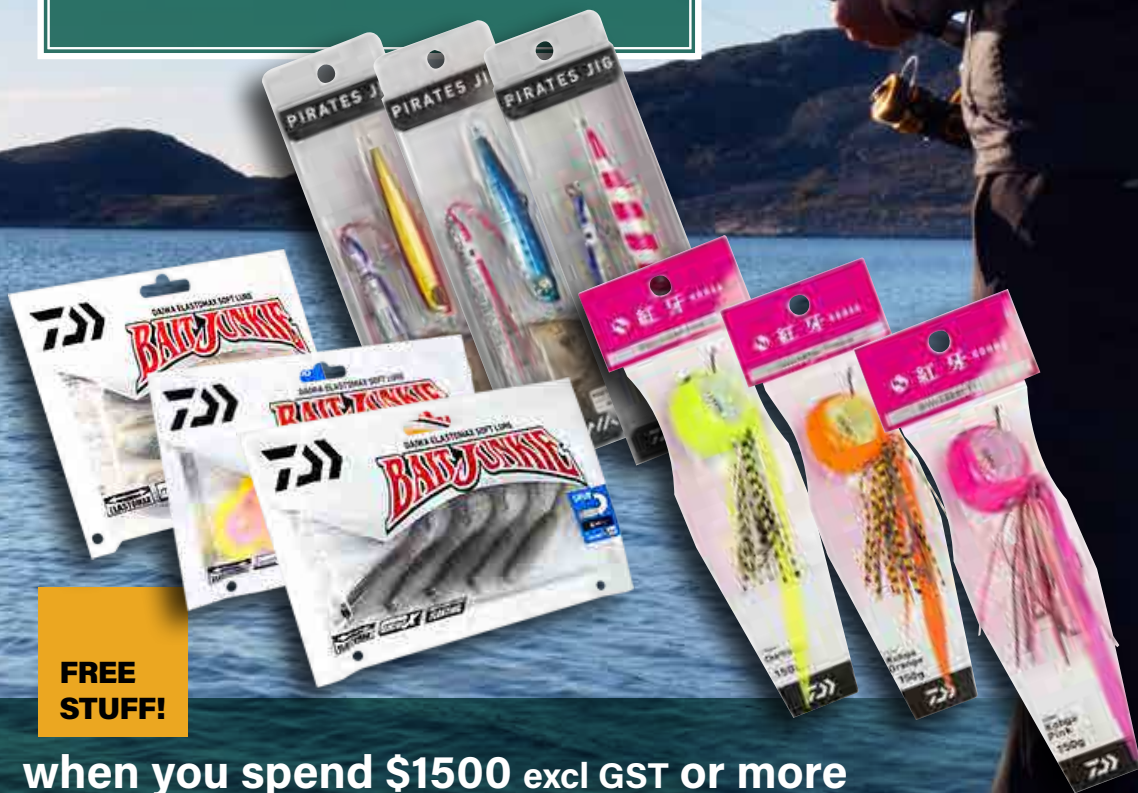
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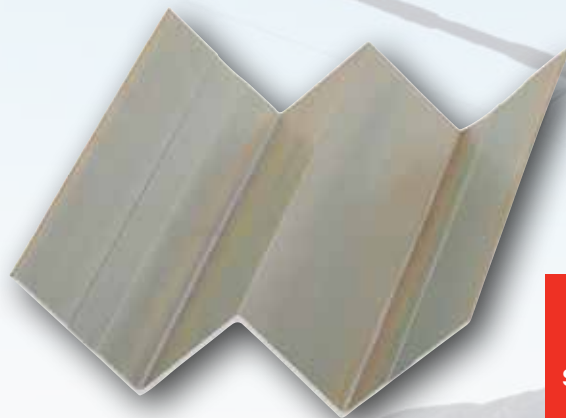


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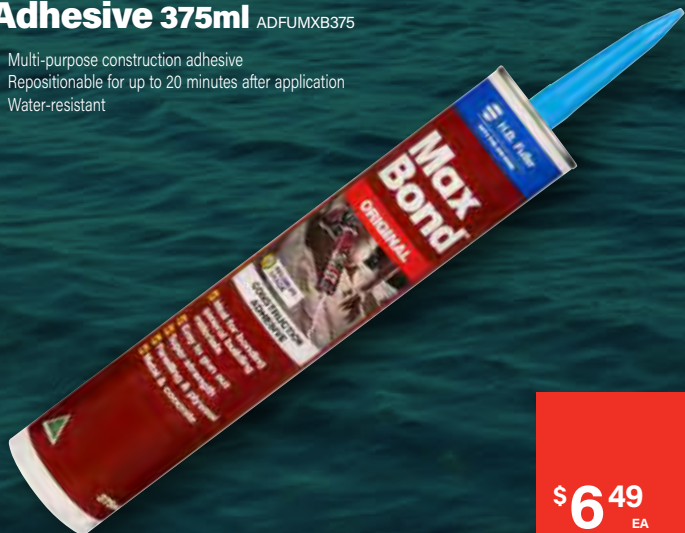
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Common myths when operating a scissor lift



Don't want to fall short on working at height?

Site Safe has put together some tips based on commonly-asked questions.

Myth: I don't need to wear a harness if I'm in a scissor lift, do I?

Answer: According to WorkSafe's Best practice guidelines for working at height in New Zealand, if you're using a scissor lift, a harness should be worn unless a risk assessment has proven that the work can be done safely without a harness, and there is no risk of falling.

TIPS TO REMEMBER:

- When using a scissor lift or other elevating work platforms, like a cherry picker, and using a harness, you should ideally be protected by a double lanyard system (of the adjustable variety) fitted with a short energy absorber or fit for purpose self-retracting lifeline (SRL), fixed to a certified anchor point.
- The worker operating the lift must be competent in its use.
- Make sure to follow any instructions given by the manufacturer.
- People must work inside guardrails and not reach or climb over the rails. Workers need to keep both feet on the work platform.
- If you often work at height, it's a good idea to regularly practise and review your rescue plan – that way if the worst does happen, everyone will know what to do and no-one will hesitate.

ARE YOU COMPETENT?

If you or your workers are wearing a harness, you'll need to be trained and "competent". Only trained and competent people can install and use harness systems on-site. Untrained workers must be trained by a qualified person before they are permitted to use a harness system. They will also need to be supervised at all times by another worker who is also trained and competent. For workers completing basic work, a recommended way of showing competence is NZQA Unit Standard 23229 – Use a safety harness for personal fall prevention when working at height. If you are involved in planning, installing, operating fall arrest systems and supervising staff, NZQA Unit Standard 15757 – Use, install and disestablish temporary proprietary height safety systems when working at height is recommended.

To get these Unit Standards, check out Site Safe's Safety Harness Systems and Advanced Safety Harness Systems courses. To learn more about how to do a risk assessment, download the free Risk Management 101 guide from Site Safe's website or check out the Risk Management course.

WORKING AT HEIGHT CHECKLIST: BEFORE GETTING STARTED

- 1 Identify the tasks to be done
- 2 Identify the hazards for each task
- 3 Identify the risks linked to each hazard
- 4 Identify control measures
- 5 Pick the right mobile elevating work platform for the job
- 6 Develop your plan (this could be done via a Task Analysis)
- 7 Make a plan for what to do in an emergency
- 8 Record the planning, including any rescue plan
- 9 Involve people and talk to everyone working on the job about the plan
- 10 Review the plan before the job starts and add any changes



Site Safe is a not-for-profit membership organisation established by industry for industry and is New Zealand's leading health and safety solutions provider.

Business Fundamentals:

Understanding and managing the capacity of your business.

■ BY JEREMY THORNTON

Tetris – Have you ever played the old computer game of Tetris, where the blocks of different shapes fall and you have to locate them? If you have, you'll understand the aim of the game is to manipulate the blocks, so that it creates a full layer. If you haven't, look it up.

In a way, this is the skill that helps trades business owners manage their business profitably.

What we are trying to learn from Tetris is how to place our jobs end-to-end, so that we can move from one job to the next with no downtime. Putting it that way makes it sound easy, but we all know it isn't. It is a mix of communication with customers, with team members, with suppliers. It is programming and allowing flexibility. It is selling, so that we have work to do straight after we finish the last job, and selling in a way that we have enough time to deliver a quality job. It is managing the variations and customer expectations on the jobs.

It is...lots of things.

One of the changes we are encouraging in the trades is managing your business/jobs by time rather than dollars. How much time do you have available each week, and how much work do you have to get done in the week? When you can create a sustainable balance for this, then we have efficient profitable businesses with a reasonable workload. Most of us in the trades, still don't manage our business by the capacity that we have, and we suffer for it.

Whether you work on fixed price, estimates, or charge up works, getting all of your teams hours charged out, and productive becomes the operational goal.

Let's have a look to make sure we are.

You have a team of three guys. They work 44 hours a week each and, in this instance, we are going to say they are

all on one job. You, as the Operations Manager/Owner, have to do 20 hours of productive work to keep them going. The work you, as the Operations Manager, have to do is: organising materials, running the schedule, client meetings, quality control, work on site, etc.

So, we have to pay 152 hours in that week against that project.

Our efficiency, productivity and, therefore, profitability is tied up making sure that we have enough work to charge out every hour of work for our team (and as many for ourselves as practical). One of the traps many companies fall into is not charging for the time of the Owner/Operations Manager - and setting that up in our job contract to start with.

So let's sum it up:

Capacity – it is what you are building your business from. If you manage your capacity well, business can be profitable. If you manage your business poorly, then you'll struggle on profitability. Keep working with this challenge and use your back costing to identify how you are doing, then just keep changing for the better.

Jeremy Thornton can be reached at
email jeremy@basicbusiness.org
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New Zealand's Supreme homes announced

REGISTERED MASTER BUILDERS

**HOUSE
OF THE
YEAR**

New Zealand's best built homes and renovations revealed at Master Builders House of the Year Awards 2020, including Totara Construction, who took out the CARTERS-sponsored New Home \$1-1.5 million category for a home in Tauranga.

The owners of the Tauranga residence have returned to their ancestral roots, with a home designed to connect them back to the landscape, while reflecting the silhouette of Mt Maunganui in the background. Each external element has a meaning and together they create this stunning peaceful home. With non-traditional details, material selections, design angles and unforgiving light, the build certainly had its challenges. The judges said the construction methodology and detailed design during construction truly shows the builders commitment and passion for this project. Every detail has been carefully thought-out and constructed. This home has been built with outstanding craftsmanship and was an absolute joy to judge, they said.

For three decades, Registered Master Builders House of the Year competition has recognised the very best homes, builders, and craftsmen across New Zealand. This year marks 30 years of the competition. Since its inception in 1991, Master Builders has celebrated building quality homes for New Zealanders.

In a first for the competition, this year the awards were announced virtually. Builders across the country gathered with colleagues, friends and families to watch from the comfort of their own homes, workplaces, or at local viewing parties hosted at Master Builders regional branches.

NEW HOME \$1-1.5 MILLION CATEGORY





SUPREME HOUSE OF THE YEAR BUILD

Triple Star Management Limited, based in Queenstown, took home the Supreme House of the Year for their Southern House. The build also received the Resene New Home over \$2 million, the Plumbing World Bathroom Excellence, and National Kitchen Excellence awards.

Judges were impressed with the powerful presence of this well-built home, carefully positioned to take advantage of the lake and mountain views, growing into its landscape.

"This home is an outstanding example of the builder's attention to detail. Clever use of natural materials creates an intriguing home that has visual warmth and a harmonious balance. The geometry stirs the imagination with a dramatic use of steeply pitched roofs, sculptured shapes, and five interconnecting pavilions. It's clear that this incredible home has been designed and built to successfully offer comfortable living."

"The flawless implementation of these details proves this build was no easy feat," said the judges.



SUPREME RENOVATION OF THE YEAR

Taupo based Haimes Building won Renovation of the Year. They also walked away with the Renovation Over \$1 Million award.

Judges said this renovation, that was two years in the making, was an impressive example of collaboration between the passionate homeowners, a clever designer, and a craftsman builder.

"Renovations always present challenges, require great planning, and need a lot of thinking along the way to incorporate the new, maintain the old, and create a seamless result. From the Hinuera stone personally laid at the entry to the endless straightening of the original structure to cope with the unforgiving new light from the atrium windows on the gib board, the workmanship has been executed beautifully. This is a wonderful alteration that the owners clearly enjoy and has been built to stand the test of time."



Petersen and Barnes / Taranaki
Altus Window Systems New Home \$750,000 - \$1 million Award



Third Little Pig / Southern
New Home \$1.5 million - \$2 million & National Outdoor Excellence Awards



Maddren Builders / Auckland / Builders Own Home Award



OTHER AWARDS

An additional 12 category awards, a craftsmanship, a special, and four lifestyle awards were announced at the Virtual National House of the Year Awards Gala on Friday 11 December.

Registered Master Builders Chief Executive David Kelly says the organisation is proud to have been showcasing the best of New Zealand residential buildings over the last 30 years.

"Master Builders make up some of the best builders in the country and this competition is an opportunity to recognise their efforts to build quality homes in New Zealand. Each year we reach a new level with innovative designs and excellent craftsmanship.

"Our sector plays a vital role in New Zealand. We are a key contributor to the New Zealand economy, with every \$1 million spent on house building supporting \$2.6 million across the wider economy. But maybe our most important role in the legacy we leave – we are building the quality homes that Kiwis will live in for generations to come.

"As Master Builders our focus remains on building quality homes quickly and efficiently across all price brackets. This competition sets the standard of what is possible and is an inspiration to others across the sector."

"Master Builders congratulates our Supreme Award recipients, Triple Star Management and Haines Building, and all the 2020 winners."

The Awards are made possible through the support of Altus Window Systems, Bunnings Trade, CARTERS, APL Window Solutions, Master Build 10-Year Guarantee, Resene, GIB, and Plumbing World.

To see more on this competition visit
www.houseoftheyear.co.nz



Summer safety

■ BY DARIAN HUTSON

Here are our top tips to help you stay safe this summer.

With longer days, and warmer temperatures, summer is a perfect time to complete work around the home, but this may also present health, safety and wellness hazards. Sun, dust, ear and eye safety, and working at height are some of the things to look out for.

OVERHEATING SIGNS

Even though it's great to enjoy the sunshine, be sure to follow basic sun-smart rules such as covering up, wearing breathable fabrics, a broad brim hat and using a good-quality sunblock. Make sure you also know the overheating symptoms when working in heat:

- Clammy/sweaty skin
- Headaches
- Feeling dizzy
- Loss of balance/fainting
- Muscle cramps
- Weakness &/or fatigue
- Nausea
- Profuse sweating or not sweating at all

Sun exposure may also contribute to fatigue and dehydration. Water is arguably the best hydrating beverage. Make sure water is readily available and you drink regularly.


REDUCING DUST

Every year, thousands of New Zealanders are hospitalised after being exposed to airborne contaminants, including wood dust, and silica. In dry summer weather, circulation of dust in the air increases. Here's how you can reduce the health risks associated with dust:

Use water Water and wet working methods can keep dust out of the air, and out of your lungs. Spray surfaces with water.

Extraction methods On-tool extraction or local exhaust ventilation can be used for places where there is cutting, grinding and polishing stone.

Personal protective equipment (PPE) Wear PPE suitable for the task and in accordance with the safety data sheet, such as respiratory protection equipment.



There are often a number of jobs put on hold until summer so it's a great time to reinforce safety measures and best practices.

HEARING SAFETY

Many tasks, tools and equipment produce high levels of noise. Exposure to these noise levels can lead to temporary or permanent hearing problems.

Exposing your ears for even 15 minutes to an 85>Db (decibel) noise – i.e., the noise levels of equipment can cause serious harm.

Hearing protection such as ear plugs, and earmuffs are designed to reduce the intensity or loudness of sound. They should be worn when hearing protection is required.

EYE SAFETY

Any work activity involving particles or objects, hazardous substances, or optical radiation (e.g. from welding or solar radiation) can put your eyes at risk.

In most cases, ordinary eyewear such as prescription glasses and sunglasses will not offer enough protection against eye injury. Appropriate eye protection over prescription glasses and sunglasses should be worn. Prescription safety eyewear could also be considered.

Wearing the right eye protection for the hazard is important. Always choose eye protection that complies with AS/NZS1337 and AS/NZS 1067 standards.

When to wear eye protection:

- The first action in preventing eye injuries is to identify any hazards. Assess the risk to determine if eye protection is necessary.
- If the risk cannot be eliminated, minimise the risk by substitution, isolation, or adding administrative controls. For example:
 - Replace high-risk equipment with safer alternatives wherever possible.
 - When using high-risk equipment, isolate yourself.
 - Install safety screens.
 - Ensure equipment are in good working order and guards are in place
 - Use water to dampen dusty environments.
 - Manage dust with exhaust hoods, extractor fans, or similar.
 - Double up with a face shield if the risk is still too high

WORKING SAFELY AT HEIGHT

Whether you work at height every day or occasionally, your safety should be your priority.

Where the potential of a fall exists, the following preventative measures can be taken:

Ladders

Don't assume that because you have a ladder at home, you know what you're doing. Ladders are familiar. You use them to hang your Christmas lights, paint the living room, change hard to reach bulbs, and clean gutters.

Ladders do not offer fall protection and therefore should be considered last.

Ladders should be used for low-risk and short duration tasks (10-15 minutes). You should maintain three points of contact with a ladder to reduce the likelihood of slipping and falling.

In New Zealand, ladders should be compliant with AS/NZS 1892 standard. For more information on working at height, refer to WorkSafe's Best practice guidelines for working at height in New Zealand.

Ladders should be:

- Fit for purpose.
- Structurally sound.
- Free of defects.
- Not covered in chemical or other material.
- Set-up & secured correctly
- Footed or held by another person to prevent slipping.
- Set up correctly with a 4:1 angle, and passing the structure by at least a metre if you use it for access

Trestle scaffold

Trestle scaffolds are only suitable for low-level work (less than a metre off the ground) because of the difficulty of incorporating a guardrail system.

Step platform

A step platform provides a safer alternative to a ladder, especially where the task involves working at height for extended periods or with restricted vision. The step platform is more stable and provides a much larger work surface than the ladder. Some models are collapsible and should comply with AS/NZS 1892.1.



Free Practical Safety Advice is available at www.sitesafe.org.nz/guides--resources/practical-safety-advice



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UPCOMING EVENTS 2021

With the new year ahead of us, lots of events across the country are already planned. It's a great chance to connect with industry peers and keep your learning up to date. CARTERS are proud to partner and support many of these events and look forward to seeing you there.

Date	Event	Location
16 February	NZIOB Building Legends Workshop	Auckland
18 February	NZIOB Building Legends Workshop	Christchurch
2 March	NZIOB Building Legends Workshop	Auckland
4 March	NZIOB Building Legends Workshop	Christchurch
4 - 6 March	Northland Field Days	Dargaville, Northland
25 - 27 March	Master Joiner Conference	Claudlands, Hamilton
1 April	RMBA CARTERS Apprentice of the Year Entries Open	Nationwide
21 May	RMBA New Zealand Commercial Project Awards	Auckland
22 May	Asian Construction Forum	Auckland North/West
11 - 12 June	NZCB Conference & Expo	TSB Arena & Shed 6, Wellington
30 June - 2 July	NZIQS Conference	Distinction Rotorua
20 August	National Property Council Awards	Auckland
6 November	Asian Construction Forum	Auckland South/East
20 November	RMBA House of the Year National Event	Auckland



APPRENTICE OF THE YEAR 2021

Registered Master Builders CARTERS Apprentice of the Year is an annual event that recognises the talent of up and coming carpentry professionals.

WHO CAN ENTER

- 30 y/o or younger on 31 December 2021.
- Currently employed by, or contracted to a building firm or a builder at the time of the regional competition being judged.
- You may only enter the competition a maximum of two times, provided you were not a national winner the prior year.
- You must have completed at least two years of your National Certificate on-site by Thursday 29 April 2021 (or must still be in your apprenticeship on the day the applications close, 29 April 2021).

EMPLOYERS

Got a star apprentice? Get them involved in this competition to boost their career and your business to the next level. There's an award up for grabs for you too!

APPRENTICES

Show us your skills! If you're tackling your apprenticeship this competition is a chance to expand your experience and compete against the best in the country.

NEED MORE INFO?

Head along to a Heads-up meeting near you to get the low down on all things AOY, so you feel prepared before entering the competition.

EVENT DATES

Registrations open 1 April 2021 with event dates being announced soon. Head over to www.apprenticeoftheyear.co.nz for more details.



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ROUND 1

Auckland Sth/East
Tauranga
Napier
Gisborne

Mon 15 Feb
Tues 16 Feb
Wed 17 Feb
Thurs 18 Feb

ROUND 2

Christchurch
Dunedin
Invercargill
Queenstown

Mon 1 Mar
Tues 2 Mar
Wed 3 Mar
Thurs 4 Mar

ROUND 3

Hamilton
Auckland West
Whangarei
Kerikeri

Mon 3 May
Tues 4 May
Wed 5 May
Thurs 6 May

ROUND 4

Wellington
Palmerston North
New Plymouth

Tues 3 Aug
Wed 4 Aug
Thurs 5 Aug

ROUND 5

Auckland North
Tauranga
Rotorua
Taupo

Mon 18 Oct
Tues 19 Oct
Wed 20 Oct
Thurs 21 Oct

ROUND 6

Christchurch
Greymouth
Nelson
Blenheim

Mon 15 Nov
Tues 16 Nov
Wed 17 Nov
Thurs 18 Nov

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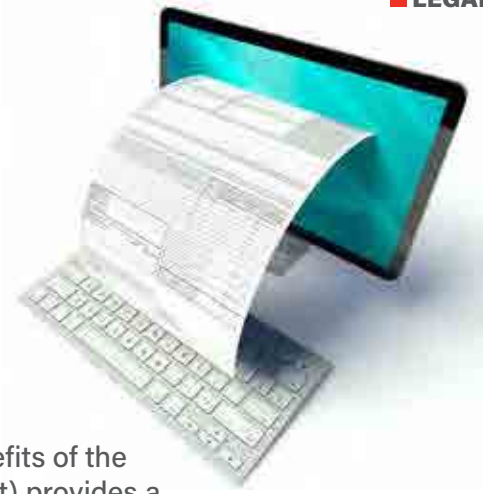
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Laser frame S68

This article is of a general nature and is not intended to be relied upon as legal advice.

Making sure you get paid

■ BY ANDREW SKINNER



Despite the payments claim regime having been in place for some time it still surprises me how many builders do not maximise the benefits of the statutory payment process. The Construction Contracts Act 2002 (Act) provides a clear and certain process for claiming and processing payments. Cash flow is always extremely important in the building industry and so builders need to unlock the benefits of this process to unblock cash flow and reduce disputes.

The process starts with a builder issuing a payment claim (commonly referred to as an invoice). Effectively, payment claims should give the customer enough information as to what they owe and why they owe the specified amount. The payment claim can be made of multiple documents (for example, the invoice and the accompanying details). In order for the payment claim to be effective, the requirements in the Act must be followed and adhered to carefully, otherwise a claim cannot be made.

FOR PAYMENT CLAIMS TO BE VALID THEY MUST MEET THE 9 STRICT CRITERIA IN THE ACT:

- 1** Be in writing
- 2** Identify the construction contract to which the payment relates
- 3** Identify the construction work you are requesting payment for
- 4** Identify the relevant period to which the payment relates
- 5** State the amount claimed
- 6** State the due date for payment
- 7** Indicate the manner in which you calculated the claimed amount
- 8** Contain the words: "This is a payment claim issued under the Construction Contracts Act 2002"
- 9** The payment claim must also be accompanied by a prescribed form which states the process for responding to the claim, as well as setting out the consequences for: (1) not responding to the claim; and (2) not paying the claimed amount in full.

The major benefit of issuing a statutory payment claim is that within 20 working days (unless otherwise specified in the building contract) your customer needs to either pay the amount stated on the payment claim or dispute the payment claim by serving a payment schedule. If the amount in the payment schedule is less than the amount claimed by the builder, the payment schedule must indicate:

- the manner in which the customer calculated the scheduled amount;
- the customer's reason or reasons for the difference between the scheduled amount and the claimed amount; and where the difference is because the customer is withholding payment on any basis, the customer's reason for doing so.

If the payment schedule is not issued in accordance with the Act or the payment is not made within the prescribed timeframe, the amount owed to the builder becomes a due debt. The due debt may be awarded to the builder in a litigation process through the courts.

The Act also provides for builders to suspend work if the customer does not provide a payment schedule or pay what is owed within the relevant time specified. Builders may do so by serving a notice to their customer stating the grounds on which they are suspending work and that notice is given under the Act.

Although it is not mandatory for builders to send invoices to customers as payment claims, the Act provides an effective way for builders to progress payment through the prescriptive process. Issuing payment claims forces customers to respond and identify any issues (otherwise payment is due). It is therefore very important to review your payment claims to make sure they meet all of the requirements under the Act so you can maximise the benefits of issuing payment claims.



ANDREW SKINNER
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Positivity will keep the industry moving

■ BY GRAHAM BURKE

What a year 2020 has been! We have certainly had some ups and downs and while New Zealand seems better placed than most of the world, I am cautiously optimistic for the future.

The beginning of 2020 was a continuation of the last few years with demand exceeding supply across most parts of the building industry and talk of this new virus in China was basically background noise. COVID 19 certainly took centre stage in February and March and we were plunged into the unprecedented level 4 lockdown which took us all by surprise.

Five weeks at home with whānau was a new experience for most of us and many took advantage of the time to work 'on' their business and take stock after a long period of sustained growth. Economists at the time were predicting a huge hit on construction activity in the third quarter of 2020, along with general falls in economic activity and a huge spike in unemployment.

The government worked closely with the Construction Sector Accord and broader industry to develop policies and strategies to maintain construction activity and use construction as a springboard for recovery. Much work went into establishing the list of "shovel ready projects" alongside several announcements of increased infrastructure spend which dwarfs any government spending experienced for decades. Government stimulus was hoped to make up for some of the huge drops in demand, which was predicted.

The industry got straight back to work as we dropped back to alert level 3 and below, and despite Auckland returning to level 3 for a period, the construction sector has never slowed. Residential construction has continued to grow against all expectations in both the new and renovation market and has never been busier. We have not seen the

increased unemployment forecast for the sector and, thanks to the Apprentice Boost scheme, we have a record number of apprentices signed up across the industry.

It is surprising therefore to read the MBIE Construction Pipeline forecast released as this issue went to press, which is predicting a sharp downturn in residential and commercial building activity. NZCIC members I talk to are surprised by this report, which is similar to forecasts during lockdown which predicted that the whole construction sector would have hit a wall by now, when, in fact, we are seeing record demand.

CONSTRUCTION HAS ALWAYS BEEN PLAGUED BY BOOM AND BUST CYCLES AND, PRIOR TO COVID, WE HAD BEEN EXPECTING TO REACH THE TOP OF THE CYCLE OVER THE NEXT YEAR OR SO. GOVERNMENT POLICY CAN DO A LOT TO OFFSET THESE CYCLES AND THE PROMISED SHOVEL READY PROJECTS ARE A GOOD EXAMPLE OF COUNTER CYCLICAL SPENDING. GOVERNMENT POLICY CAN ALSO SUPPORT CONSUMER CONFIDENCE. STRONG CONSUMER CONFIDENCE MAINTAINS DEMAND FOR RESIDENTIAL BUILDING AND, IN TURN, HELPS ADDRESS THE HOUSING CRISIS BY INCREASING THE NUMBER OF NEW HOUSE BUILDS.

Construction businesses must be prepared for the ups and downs of economic cycles by maintaining healthy balance sheets and containing costs. They must also continue to invest in their people to build capacity and capability



which provides resilience in downturns and supports growth when demand improves. Boom and bust cycles lead to ongoing skills shortages right across the sector and at all levels from entry level to trades and professional services.

Whilst tightening of lending criteria could force a slowdown, the government is in a good position to override this. Interest rates are predicted to stay low or even drop slightly over the next year and we still have a shortage of housing stock. A tight supply of land available for immediate housing use and materials shortages may constrain the residential market to some extent, but not to the level predicted in the MBIE report. The government has announced a policy release due in the new year aiming to lift the number of new houses being built. I hope the government will look to changes which will improve the supply of land available for development and an improved funding model for the infrastructure needed to get sections to market.

It is important for construction businesses to take a prudent approach to their plans over the next two to three years and ensure they have the necessary resilience to withstand a slowdown if it comes. We need to learn from previous experience and retain skills within the sector. Businesses that retain their skilled staff are in the best position to take off when the inevitable upturn arrives. Most importantly, we must avoid talking ourselves into a downturn! Taking a prudent approach does not mean being negative; maintaining a positive approach is great for our own wellbeing and promotes the confidence we need to keep the industry moving.

It is important for construction businesses to take a prudent approach to their plans over the next two to three years



Graham Burke is the Chair of the New Zealand Construction Industry Council (NZCIC) and the Co-Chair of ConCOVE - Construction Centre of Vocational Excellence.



Powerful implications from low interest rates

■ BY RODNEY DICKENS, MANAGING DIRECTOR, STRATEGIC RISK ANALYSIS LTD

With the official cash rate (OCR) close to zero, the scope for the Reserve Bank to stimulate economic growth and residential building by driving down mortgage interest rates is greatly reduced. Unlike the bank economists, who have been too pessimistic about post-lockdown economic growth and housing market activity, I question the need for further cuts in the OCR.

Part of the reason the economy and housing market have performed better than the bank economists predicted is because falls in interest rates become more powerful when rates are low; however, the same will apply when they next increase, which may be much earlier than the bank economists predict.

Interest rates have been the most powerful driver of housing cycles, including consents for new dwellings, although at times other drivers, like migration and government initiatives, can either undermine or add to the impact of interest rates.

The chart shows a general inverse relationship between the average mortgage rate offered by major banks in the number of consents for new dwellings. The best fit is with the red mortgage interest rate line advanced or shifted by 14 months into the future. The fall in mortgage rates over the last year, which is largely the result of Covid-19, will be a positive factor for new dwelling consents next year, although other factors - including much slower population growth because of the closure of the international border to other than returning Kiwis - will offset much of the stimulus.

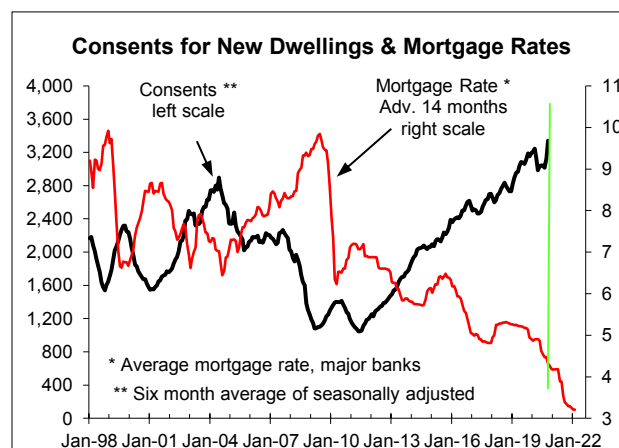
The existing housing market has already rebounded strongly from the lockdown, helped by the fall in interest rates that impacted on existing house sales much quicker than on consents for new dwellings. This is partly because when interest rates are low, any given change has a larger impact on interest costs for borrowers. For example, over the last 12 months to December the average mortgage rate offered by the major banks has fallen from 4.2% to 3.2%. This represents a 23% drop in interest costs. By contrast, if the average rate fell 1% when the starting point was 10%,

as was the case when the financial crisis arrived in 2008, it would only represent a 10% fall in interest costs.

This only matters if banks cut the interest rates used to assess borrowers' ability to service mortgages. Banks have been slow to cut these rates, but this doesn't entirely detract from changes in interest rates being more powerful when rates are lower.

The consensus view of the bank economists has been that interest rates will remain low for a protracted period. This is counter to what could be most important which is the prospect that vaccines will in time fix the Covid-19 problem. At the time of writing, wholesale interest rates in the US and NZ were starting to nudge up in response to positive vaccine news.

The bank economists have been slow to realise the scale of the stimulus to the housing market from the fall in interest rates. However, they will also be slow to recognise the threat of higher interest rates that is likely to be a natural consequence of success with Covid-19 vaccines.



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