

## National Electrical and Communications Association (NECA)

NECA NSW response to IPART Home Building Compensation Fund Issues Paper



NECA NSW Branch

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## About NECA

The National Electrical and Communications Association (NECA) is the peak industry body for Australia's electrical and communications contracting industry, which employs more than 165,000 workers and delivers an annual turnover in excess of \$23 billion. We represent the interests of over 5,200 electrical contracting businesses across all Australian States and Territories.

NECA has been advocating for, and on behalf of, the electrotechnology industry for over 100 years. Our members make an integral contribution to the Australian and NSW economies – connecting homes, businesses and infrastructure – encouraging investment, improving reliability and security across the energy system and delivering greater environmentally sustainable and affordable outcomes for the community. Our members are committed to maintaining the highest standards of electrical work in NSW and we work with a range of federal and state departments to strengthen standards and combat defects.

Our role is to help our members and support the wider electrotechnology industry, to operate and manage business effectively and efficiently.

Small Business and family owned enterprises (SMEs) are the lifeblood of the electrotechnology industry. Over 79% of the businesses within our industry employ up to 25 staff. These businesses generate the vast majority of their work through subcontracting services. The challenges faced by SMEs need to be properly recognised and addressed by all levels of Government. It is critical that Government initiatives and incentives be implemented to support the growth and vitality of businesses and reduce red-tape, while protecting consumers.

NECA is also strongly committed to supporting the next generation of electrical and communications contractors. Working with our Registered Training Organisations (RTOs) and Group Training Organisations (GTOs), NECA provides employment and ongoing skills development for approximately 4,800 apprentices across Australia.

## **Duplication of insurance**

NECA NSW welcomes IPART's review of the HBCF. It provides a critical last resort for homeowners to be compensated for defective work, which has been endemic in the NSW building sector and is rightly being address by the government.

While IPART's review seeks feedback on a range of issues relating to HBCF, NECA NSW's response focuses on a single problem encountered by many electrical contracting businesses, as well as other subcontractors. Addressing this problem would benefit SMEs in the construction sector and reduce costs for consumers.

#### 1.1. The problem

Residential work with a value of over \$20,000 is often led by a head contractor who subcontracts pieces of work to subcontractors. Electrical contractors are almost always subcontractors, working on a project with a lead contractor. The electrical contractors work is an essential but small part of the overall project.

Despite this, lead contractors often require all subcontractors to have home warranty insurance. This is problematic for three reasons:

- a. It increases costs for consumers, who end up paying through higher fees.
- b.It is unnecessary as the lead contractor's insurance should cover any defect.
- c. It creates confusion about which party should be pursued for damages in the event of a defect. Clearly, this should be the lead contractor who is then responsible for holding subcontractors to account.

There is a lack of clarity in the market about whether or not a lead contractor can require subcontractors to hold home warranty insurance.

#### 1.2. NECA's recommended solution

As part of any reforms, NECA recommends there should be a specific legislative provision stating that head contractors cannot require subcontractors to take out home warranty insurance. Home warranty insurance must be the sole responsibility of the head contractor.

This would be in line with contractual agreements and avoid head contractors trying to pass responsibility on to subcontractors. Subcontractors are liable to the head contractor who is liable to the homeowner. The insurance scheme should be aligned with this process.

This simple action will quickly resolve the above problem and increase the efficacy of the home warranty scheme.

For further information, please contact NECA NSW Executive Director Oliver Judd on <u>oliver.judd@neca.asn.au</u>.

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