

PUBLIC ACCOUNTS COMMITTEE

Fourteenth Report — “Building Slowly: Department of Mines, Industry Regulation and Safety’s Regulation of Builders and Building Surveyors” — Tabling

DR A.D. BUTI (Armada) [10.11 am]: I present for tabling the fourteenth report of the Public Accounts Committee, titled “Building Slowly: Department of Mines, Industry Regulation and Safety’s Regulation of Builders and Building Surveyors”.

[See paper [3448](#).]

Dr A.D. BUTI: I must say to my fellow committee member, the member for North West Central, that the issue he raised in his grievance is major tort law reform, so it should probably have been raised with the Attorney General, but anyway.

The ACTING SPEAKER: We are dealing with committee reports, member for Armadale.

Dr A.D. BUTI: This report concludes the Public Accounts Committee’s follow-up of the Auditor General’s twelfth report of 2016, “Regulation of Builders and Building Surveyors”. The Auditor General found that there had been limited progress in implementing a regulatory reform program first developed back in 2011. He therefore made some key recommendations, which were agreed to in full by the Department of Commerce, which was then the responsible agency. This report is our committee’s follow-up with the agency that is now responsible, the Department of Mines, Industry Regulation and Safety. Our report made nine findings and six recommendations. One could say that four of those nine findings were positive, four were negative, and one was probably neutral, so there is still some work to do. We found that some of the recommendations have been progressed and others have not. Progress has been made in seeking appropriate background checks for Western Australian applicants, even though there are still some gaps when it comes to interstate applicants, and that needs to be rectified.

The committee found also that the approach to auditing builders and surveyors has improved to meet the Auditor General’s expectation. Although that gives the committee some comfort, a lot more needs to be done. The committee’s major concern is that two of the most important recommendations identified by the Auditor General remain to be implemented. The Auditor General recommended an online licensing system. That system, which has been planned for several years and should have been finalised by December 2017, as was agreed by the Department of Commerce, remains outstanding. At the time of this report in June 2020, little material progress had been made in bringing licensing online. The department has recently sought industry and public feedback on its licensing system, but still relies on manual form-based systems. It is not surprising in this situation that the time to process applications has increased since the Auditor General tabled his report in 2016. To reiterate, this identification goes back to 2011. In 2017, the Department of Commerce agreed that it would be finalised, but it remains outstanding.

A broader reform program that was first identified in 2011 has also stalled. In part, this is a response to changing priorities and the need to deal with the risk of potentially life-threatening building materials, as evidenced by the disastrous Grenfell Tower fire in London. There has also been a major shift in responsibility for regulating domestic and other builders, and building surveyors. This responsibility has moved from the Building Commission, which at the time of the audit was within Commerce, to the building and energy division of the Department of Mines, Industry Regulation and Safety. That department informs us that it is focusing on streamlining its entire industry regulation process, and that is understandable. However, the fact remains that many important parts of the 2011 reform program remain incomplete.

The last major issue that I would like to address is the lack of transparency in how the reprioritisation of policies has impacted previously allocated funding. In 2015, Commerce secured what in 2016 had been estimated to amount to \$14 million in funding. That was specifically to complete the 2011 reform program, although the department now contests that figure and how formally it was tied to completing the reforms. During the original phase of the committee’s follow-up process, it became apparent that portions of that funding had been reallocated without appropriate approval by the relevant minister or even their clear knowledge. The decision to reallocate and reprioritise is one for government to make. However, Parliament and the public must be assured that funds allocated by Parliament for one purpose can be reassigned only with appropriate approvals. That is of some concern to our committee. I will read out finding 9 at page 14 of our report, which states —

A significant portion of \$14 million expected to finalise the 2011 reform program has been reallocated to emerging high priority activities with no clear approval from the Minister. The committee does not question the prioritising of emerging issues (including inspections and surveys to identify potentially dangerous cladding in response to the London Grenfell Tower fire). However, we are concerned that DMIRS had not followed the appropriate process for reallocating specified funds and had apparently neither sought nor obtained Cabinet or Ministerial approval to do so.

That is a significant finding. The committee also made recommendations 5 and 6, which state —

The Minister should determine what funds allocated for the 2011 reform project have been applied to other activities, and what implication this has on DMIRS' ability to finalise the outstanding reforms.

...

DMIRS should ensure it has clear processes established for seeking ministerial or Cabinet approval for the reallocation of specified funds.

In concluding, I must apologise that I forgot to include in my foreword a thank you to our fantastic secretariat, the principal research officer, Dr Alan Charlton, and the research officer, Dr Sam Hutchinson. They are very learned men, because they both have doctorates. I also want to thank my fellow committee members, the deputy chair, the member for Bateman; and the members for Mount Lawley, Bicton and North West Central. The committee has now been operating for just over three years. We have worked very well; all our reports so far have been unanimous, and may that continue. Thank you very much.

MR S.A. MILLMAN (Mount Lawley) [10.18 am]: I also want to speak in support of the tabling of this very important report, the fourteenth report of the Public Accounts Committee, titled "Building Slowly: Department of Mines, Industry Regulation and Safety's Regulation of Builders and Building Surveyors". I echo the comments that have been made by the chair of the committee, particularly with regard to the work of our secretariat and the committee members.

Markets like certainty and predictability. This can be provided by a robust regulatory framework that holds industry participants to appropriate standards. That includes suppliers, manufacturers, principal contractors and subcontractors. It means a level playing field in which people are competing on innovation and productivity, not on lowest wages, lowest price or lowest common denominator. It is important that all industry players know that there is a strong industry regulator and that the cowboys and mavericks will be found out and excluded from the industry, because every industry wants to do away with fringe elements that undermine consumer confidence in the industry and the broader market. Every industry is afraid of those barbecue-stopper stories of mum-and-dad consumers getting ripped off by unscrupulous providers. It is fine fare for *60 Minutes* or *A Current Affair*, but it is not the stuff of an efficient and well-functioning market. It is the same for large infrastructure projects.

As the McGowan government takes steps to stimulate our economy, money will flow into large construction projects, hospitals, public transport, roads and targeted investment. We need to ensure that as we undertake this program of work, our regulators provide us with two sources of confidence. One source is that we get value for money, with good locally produced products that comply with relevant standards. We do not want to spend money on a recovery and end up with lead in the water or asbestos in the ceilings or flammable cladding, like the member for Armadale referred to. The second source is that the money gets to the people who do the work. We need principal contractors with sufficient liquidity to meet their expenses, particularly for paying their subbies in full and on time. Unscrupulous players have no place in an important part of the economy. The last thing we want is a race to the bottom.

Community confidence depends on having a tough cop on the beat. This report is a timely reminder that the regulation of the building industry remains a work in progress, and the hardworking members of the Public Accounts Committee, under the stewardship of our chair, will continue and, in turn, that will motivate ongoing improvements in the capacity, ability and effectiveness of this regulator, and that is why I commend this report to this Parliament.