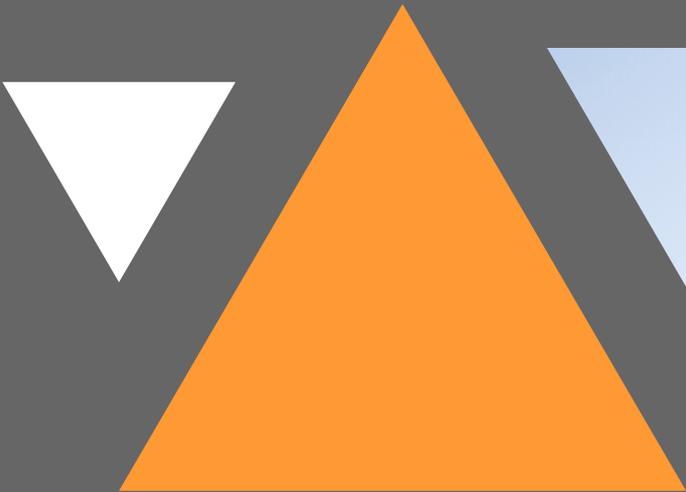
A large, stylized arrow graphic pointing to the right, with a blue upper section and an orange lower section. The text '2022 SCA Federal Election Priorities' is centered within the blue section of the arrow.

2022 SCA
Federal Election
Priorities





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SCA Priority Areas: A Short Introduction

The growth of residency in strata titles has expanded dramatically over the past decade, as more and more Australians seek to experience the multitude of benefits that strata living has to offer.

The need for positive developments within the industry has never been more essential.

Strata Community Association (SCA) are prioritising three key areas of reform as we move through 2022 and towards the upcoming federal election, which, if implemented by the Commonwealth, stand to benefit the millions of Australians living in strata-titled properties throughout the country.

Our priorities are as follows:

Creating Smarter, Greener and More Efficient Strata Communities

By increasing sustainable development initiatives and working alongside the Federal Government's Net Zero 2050 plan to produce positive outcomes for all strata community stakeholders.

Making Insurance Affordable and Accessible for Strata

Through working with Federal and State governments to alleviate the cost pressure, complexity and lack of availability of strata insurance, with the prioritisation of the introduction of the reinsurance pool for heavily impacted parts of Northern Australia regions.

Eradicating the High Prevalence of Building Defects in Strata Complexes

Creating better regulation of project management and building practices to combat preventable defects in both newly constructed and existing strata communities throughout Australia.

Recommendations

Creating Smarter, Greener and More Efficient Strata Communities

1. **Establish a National Strata Sustainability Fund** informed by comprehensive review, pilot program and appropriate money set aside for strata-specific grants, low income loans and assessments.
2. **Fund education for the strata industry on existing and future schemes and methods to improve sustainability schemes** through a \$100,000 grant to SCA to educate members and industry about available energy, water, EV and waste improvement options, and to continue the SCA Sustainable Development Goals (SDGs) program. Aspiration to offer every strata plan affordable, renewable energy for common property consumption.
3. **Incentivise the uptake of sustainability initiatives through direct investment in strata schemes** to further their involvement in existing sustainability programs and grants including NABERS, ARENA's programs, the Future Fuels Fund and the Clean Energy Finance Corporation Fund (CEFC). Consideration given to making the NABERS rating Scheme mandatory with some exceptions. Aspiration for making every schemes in Australia capable of EV charging installation.

Making Insurance Affordable and Accessible for Strata

4. **An effective Reinsurance Pool** that is evaluated yearly, and incorporates changes readily based on new modelling and events, as well as a **Strata Titles Mitigation Pilot** that reflects the will of our members.
5. **Commitment and support to pressure or partner with state governments to reduce stamp duties, taxes and levies** through abolition, capping or reinvestment, and a commitment to reduce effective 'double taxation' with compounding taxation from state, territory and federal governments.

6. Mitigation funding by government has the potential to reduce damage caused and insurance premiums and make a difference to affordability issues. Currently, 97 per cent of money spent over the cycle of a disaster is spent on recovery, with only 3 per cent on mitigation.¹ SCA is supportive of Insurance Council of Australia's calls to increase resilience funding to \$2 billion over the next five years.²

Eradicating the high prevalence of Building Defects in Strata Complexes

- 7. Commit to the implementation of the model guidance from the Building Confidence Report (BCR),** as released by the ABCB. The Federal government to partner with industry, states and territories and industry to review and identify gaps between existing state and territory legislation and regulation, particularly regarding registration, certification and building manuals.³
- 8. Support the introduction of rating tools that give consumers more transparency** when purchasing apartments in strata, to restore confidence in the quality of new developments.
- 9. Expand building warranty schemes** to include buildings more than three storeys in all jurisdictions that do not currently include these buildings, and support the implementation of decennial liability insurance products to give more confidence to strata consumers.

[1] Insurance Council of Australia. (2021). Insurance Catastrophe Resilience Report: 2020-21. p. 20. Accessed at: https://insurancecouncil.com.au/wp-content/uploads/2021/09/ICA008_CatastropheReport_6.5_FA1_online.pdf

[2] Insurance Council of Australia. (2022). Building a more resilient Australia: Policy proposals for the next Australian Government. p. 6. Accessed at: <https://insurancecouncil.com.au/wp-content/uploads/2022/02/220222-ICA-Election-Platform-Report.pdf>

[3] ABCB. (2021). BCR Implementation Report. p. 2. Accessed at: https://www.abcb.gov.au/sites/default/files/resources/2021/BCR_Implementation_Report_December-2021.pdf

All About Strata

Members of SCA

- **5,000+ individual** and corporate members nationwide
- Almost **10,000 individuals employed** by the strata sector directly and indirectly
- Plumbers, gardeners, electricians, accountants, lawyers, valuers, surveyors, insurers all draw significant work from the strata sector.
- Strata sector contributes an estimated \$6.7 billion in annual economic activity.

Number of people living in strata

Projected population range living in strata title in Australia:

- between 4,278,650 and 6,543,818 people.
- Or between 17% – 26% of the total population (Roughly 1 in 4 people)

Property value of strata

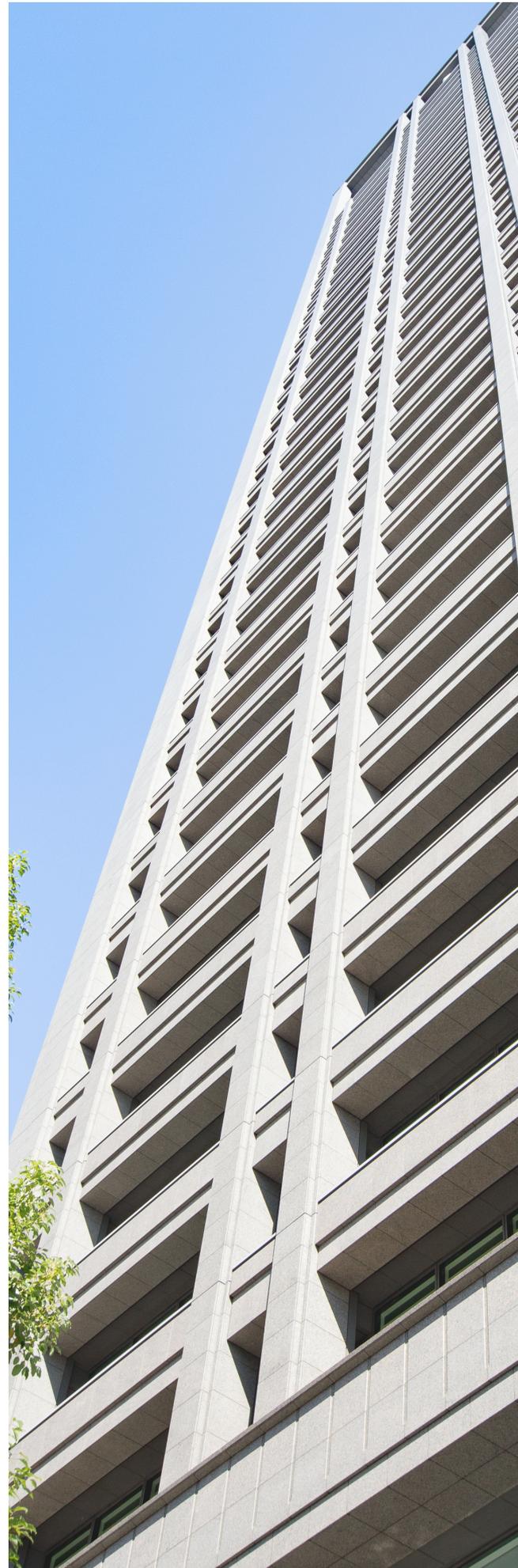
Total estimated insured value of strata schemes nationally in 2020: \$1,117,350,632,387 (\$1.1 Trillion). Estimated at more than \$1.3 trillion in 2022.

Types of strata (apartments, townhouses etc.)

- Estimated 9% of the Australian population live in apartments (2,200,793 apartment residents)
- Strata complexes range from apartments and townhouses to retirement villages, holiday parks, commercial premises and mixed-use premises and community titles schemes.

Australian Lots and schemes

- Total number of strata schemes: 340,601
- Number of strata lots (late 2019/early 2020): 2,869,845
- 69% of strata schemes are less than 6 lots, 31% (roughly 1/3) of strata schemes consist of more than 6 lots.⁴



[4] Johnston, N., Lee, A., Mishra, S., Powell, K., Bowler-Smith, M and Zutshi, A. (2021). A data-driven holistic understanding of strata insurance in Australia and New Zealand. Deakin University. p.25. Accessed at: <https://www.strata.community/strata-insurance-report>

Priority 1: Creating Smarter, Greener and More Efficient Strata Communities

The case for sustainability investment in strata

At least one in five Australians live in strata complexes, including apartments and townhouses.⁵ That's 5 million people. The increasing popularity of living in close proximity to work, transport and shopping precincts has driven the growth of apartment and townhouse living. In particular, strata has seen significant growth in large scale communities, with schemes over 50 lots increasing by 18 percent in the past five years, the highest growth of any scheme size category. As of now, approximately one third of all strata schemes consist of more than six lots.⁶

Residential and commercial buildings contributed around a quarter of Australia's emissions in 2019, and account for just under half of Australia's electricity consumption.⁷ The government recognises that sustainable development at scale is a high priority, and the issue is one of the pillars of their long-term emissions plan.⁸

Economies of scale are created in strata, and shared facilities, shorter commutes, fewer trips in cars and less new and expensive infrastructure means that investing in strata is investing means investing in a cleaner, greener future.

Strata living is sustainable, and offers governments an opportunity to invest in better and smarter ways for communities to live, while at the same time reducing our environmental footprint.

Currently, many of the existing residential and commercial strata titles throughout the country are 'locked out' of participating in solar and other sustainability schemes, due to a number of contributing factors, most notably:

- Financial barriers, including high upfront capital costs
- Lack of consideration for alternative energy solutions when constructing new buildings
- Split incentives between landlords, builders and occupants
- The complex, technical nature of renewable technologies, impacting consumer choice.⁹

Australia has committed to a pathway to Net Zero, and it is hard to imagine that target being reached without a focus on strata living.

[5] UNSW Australasian Strata Insights 2020 | March 2021 p. 65 | Accessed at: <https://cityfutures.adfa.unsw.edu.au//research/projects/2020-australasian-strata-insights/>

[6] Johnston, N. et.al. (2021) p.82-83

[7] Australian Government. (2021). Australia's Long-term Emissions Reduction Plan. Commonwealth of Australia. p.69. Accessed at: <https://www.industry.gov.au/sites/default/files/October%202021/document/australias-long-term-emissions-reduction-plan.pdf>

[8] Ibid. p.61

[9] Australian Government. (2021). p.70

The federal government has already committed to \$20 Billion worth of investment into low emissions technology by 2030, and are assisting in securing a total investment goal of \$80 Billion, including private and state government investment. The main purpose of this investment is to drive down the cost of low emissions technology.¹⁰

Already, the strata industry is responding to consumer demand to introduce sustainable initiatives, such as widespread installation of Electric Vehicle (EV) charging stations. The Zinc building, in the Sydney suburb of Alexandria for example, has undergone installation of a \$30,000 EV charging infrastructure system, to service their 45 apartments, despite only having 1 resident owning an EV.

Similarly, the Neue Grand in Melbourne's St Kilda, due to be completed in 2023, has made EV charging accessible to all apartments in their new 19-story development.¹¹ Whilst EVs aren't as common in Australia today, planning for the future is imperative, as studies estimate rapid uptake of EV's in Australia over the coming decades. Moderate models estimate EVs will represent 49 per cent of total vehicle sales by 2030, and 100 per cent of total vehicle sales by 2040¹², due to factors including technological advances, falling costs and increasing availability.

There are many other case studies where we may observe the successful implementation and resultant benefits of various sustainable initiatives in strata throughout the country. Notably, strata residents and owners stand to see both significant reductions in energy costs, as well as considerable reductions in their carbon emissions production.

A large-scale apartment block in Melbourne's Docklands area, for example, faced a common issue of limited roof space with which to install solar panels. Creatively, the building implemented 87 flexible solar panels vertically, which led to an annual common area electricity bill reduction of \$6,000, and an annual energy use reduction of 32,000 kwh.¹³

Similarly, one of SCA's large members runs a solar energy scheme that has been implemented in just 64 buildings, has already contributed to a carbon emissions (CO₂) reduction of approximately 8,700 tonnes p.a. along with savings of over \$680,000 p.a. from previous building energy contracts.

Upgrades to energy-efficient lighting solutions can also result in meaningful outcomes. 'Cammeray Square', in Sydney's North, upgraded over 130 inefficient fluorescent and LED lights running in common areas of their building (contributing to more than 35% of the total electricity usage), at a cost of \$35,800.

[10] Ibid. p.15

[11] Williams, S. (2021). Apartment buildings race to retrofit electric vehicle chargers. Sydney Morning Herald. Accessed at: <https://www.smh.com.au/property/news/apartments-racing-to-retrofit-electric-vehicle-chargers-even-with-only-one-user-20211217-p59ig8.html>

[12] Energeia. (2018). Australian Electric Vehicle Market Study. Australian Renewable Energy Agency. p. 69

[13] Wattblock. Case Study – Strata Solar Photovoltaic System installed vertically. Accessed at: https://www.wattblock.com/uploads/4/4/9/8/44984189/strata_solar_pv_vertical_1.pdf

In only 1.7 years, they had recovered the cost of their energy efficient lighting investment, and in turn had reduced electricity usage by 14,000 kWh and CO₂ production by 48 tonnes per annum.¹⁴

Changes in building water infrastructure in strata complexes may also be consequential. In Gosford, NSW, a 47-lot apartment building seeking to upgrade their water management system, obtained new water pumps at a cost of \$6,000. This led to an immediate reduction of \$7,540 in annual utilities bills, a 40-tonne reduction of CO₂ emissions p.a. and a ROI period of only 0.8 years.¹⁵

Evidently, investing in sustainability in strata has a multiplier effect not felt anywhere else in the economy.

One owner of a residential house can change the sustainability habits of one household, but one owners corporation (OC) can incorporate changes for 100 households. When considering the scale of strata in Australia, the potential benefits to the environment as a result of large-scale support and introduction of sustainable initiatives are undeniable. The leadership of strata management firms can empower hundreds of owners corporations across Australia's almost 2.9 million lots.

Four key areas of sustainability and potential gains

The success of previous investment into strata sustainability initiatives acts as evidence for the effect that further attention and contributions towards sustainable strata solutions from the Federal Government may have. The implementation of sustainability programs throughout the country has demonstrated the immense positive environmental, financial, and social impacts that can be achieved, and outlined effective models that can be followed in the future. Practical examples of successfully implemented sustainability programs include:

NABERS

The National Australian Built Environment Rating System, is a national rating system that measures the environmental performance of Australia's built environment, including energy efficiency, water use, waste management and indoor environment quality.¹⁶ Measuring a building's efficiency through NABERS not only serves to provide beneficial insights for residents, prospective buyers and local governments, but it may also encourage the development of sustainable practices that can dramatically reduce costs and improve building performance. For example, by improving one's NABERS rating from 3 to 5 stars, the average apartment building stands to save \$104,420 each year.¹⁷

[14] Wattblock. Case Study – Strata LED Lighting Upgrade in Carpark and Fire stairs. Accessed at: https://www.wattblock.com/uploads/4/4/9/8/44984189/strata_led_lighting_carpark_firestairs_1.pdf

[15] Wattblock. Case Study – Strata Variable Speed Drives on Water Pumps. Accessed at:

https://www.wattblock.com/uploads/4/4/9/8/44984189/strata_variable_speed_drives_1.pdf[16] NABERS. (2020). Case study: [1]

[16] NABERS. (2020). Case study: Smart, sustainable apartments in the spotlight. Accessed at: <https://www.nabers.gov.au/about/news/case-study-smart-sustainable-apartments-spotlight>

[17] Ibid.

Smart Blocks

Smart Blocks was a program developed between a multitude of strata industry stakeholders including Strata Community Association, City of Melbourne, City of Sydney, Owners Corporation (OC) Network and Green Strata. The program received federal funding and successfully helped strata owner-occupiers and owners corporations save on power bills, reduce carbon emissions and improve the value of their properties.¹⁸ A case study shows that the program helped Freshwater Place Apartments, a 530 apartment high-rise in Melbourne, replace over 1,200 common area lights, which reduced energy consumption by 62,000 kWh per year, CO₂ emissions by more than 84,000 kg per year, and with an ROI period of just over two years.¹⁹

SCA Sustainable Development Goals (SDGs)

SCA's SDGs program was developed to encourage strata communities to increase their uptake of sustainable development practices, in order meet sustainable development goals underpinned by the vision of the United Nations. In conjunction to offering education, advice and resources regarding sustainable development to our members, we also offer tools such as our 'Ready Reckoner' survey, which when completed produces a personalised sustainable development benchmark report, to help inform and make changes that will ultimately create more liveable, green, efficient and smart strata communities.

Energy Saver

The NSW Government implemented the Energy Saver Program aiming to help NSW businesses manage energy more efficiently and productively. The final evaluation of the program deemed it a significant success, stating that the financial incentives provided by the program (via free or heavily subsidised training, technical support and resources) helped businesses improve their awareness and prioritisation of energy management, as well as driving real action in realising improvements in energy efficiency and productivity.²⁰

WaterFix Strata

WaterFix Strata is a water efficiency program implemented by Sydney Water that incorporates an evaluation, followed by low-interest finance packages for retrofitting and installation of appliances that may be implemented to improve water usage. Across only nine apartment blocks in Sydney, the WaterFix program saves 75 Olympic sized swimming pools worth of water and close to half a million dollars a year.²¹ WaterFix Strata is an effective example of a model that may be followed in the further development and implementation of sustainability programs.

[18] Apartments and Developments. (2015). What is Smart Blocks? Accessed at: <https://a-d.com.au/buying-living/market-insights/what-smart-blocks>

[19] Ibid.

[20] URBIS. (2017). Evaluation of the Energy Saver Program: Final Report. NSW Government. p. iv. Accessed at:

<https://www.environment.nsw.gov.au/-/media/OEH/Corporate-Site/Documents/Energy-savings-and-resource-efficiency/evaluation-of-energy-saver-program-final-report.pdf>

[21] Jimmy Thompson. (2019). Waterfix saving strata blocks tens of thousands. Accessed at: <https://www.flatchat.com.au/waterfix/>

NSW EV Rebates

The NSW Government are currently offering rebates on the sale of 25,000 eligible electric vehicles. The rebate is \$3,000 of the sale price, along with the abolition of stamp duty to save EV purchasers up to \$5,540.²² This rebate is an effective method to increase the uptake of electric vehicle sales, making EVs more affordable, as well as reducing the potential pollution that may arise from the use of traditional petrol and diesel-fuelled vehicles.

Waster

Apartment and strata living creates a significant amount of waste. Waster is a company that focuses on educating strata on the best methods for waste management and recycling practices, along with providing waste management and recycling services in the form of flexible shorter term contracts, as opposed to traditional lock-in longer term contracts. These practices from Waster improve the waste management and recycling methods of strata communities, which in turn reduces the adverse effect that increased waste may have on the environment.

RECOMMENDATIONS

Creating Smarter, Greener and More Efficient Strata Communities

- 1. Establish a National Strata Sustainability Fund** informed by a comprehensive review, pilot program and appropriate money set aside for strata-specific grants, low income loans and assessments.
- 2. Fund education for the strata industry on existing and future schemes and methods to improve sustainability schemes** through a \$100,000 grant to SCA to educate members and industry about available energy, water, EV and waste improvement options and to continue the SCA Sustainable Development Goals (SDGs) program. Aspiration to offer every strata plan affordable, renewable energy for common property consumption.
- 3. Incentivise the uptake of sustainability initiatives through direct investment in strata schemes** to further their involvement in existing sustainability programs and grants including NABERS, ARENA's programs, the Future Fuels Fund and the Clean Energy Finance Corporation Fund (CEFC). Aspiration for making every scheme in Australia capable of EV charging installation.

[22] NSW Government. (2021). Rebates for Electric Vehicle Purchases. Accessed at: <https://www.nsw.gov.au/initiative/nsw-governments-electric-vehicle-strategy/ev-rebates>

Priority 2: Strata Insurance

The case for strata insurance

Strata insurance is complex, and OCs need a trusted person to navigate them to their best outcome. The Deakin Strata Insurance Report (2021) identified that across Australia and New Zealand there are 38 pieces of legislation regulating strata insurance, 12 legal topics relevant to strata insurance and that managers carry out 47 different insurance services. Of those 47 services, at least 50 per cent of the manager respondents identified 32 services that were very frequently, or frequently undertaken on behalf of their clients.²³

Total insurance costs for owners corporations and bodies corporate have spiralled upward over the last five years, increasing from \$619 million in 2016, to \$1.08 billion in 2020. That's the equivalent of Australia's OCs and bodies corporate paying an extra \$252,000 each and every day for the last five years. The national average insurance premiums increased 12 per cent over that same time period.

Due to low population density and the frequency of high-risk weather events, the Northern Australian market has been particularly heavily impacted by issues of affordability and availability of insurance. Between 2007-08 and 2018-19, home insurance premiums rose by 178 per cent in Northern Australia, compared to a 52 per cent increase across the rest of Australia. Average premiums for Northern Australian insurance coverage are now double the average of other areas.²⁴ Similarly, Northern Australians paid \$79.6 million in stamp duties in 2018-19.²⁵ This is a major contributor to the rising rate of non-insurance in the area, increasing by between 7 and 9 per cent from 2011.

Australia's weather will always be unpredictable, but our approach to insuring against it does not have to be. We know that increased mitigation funding, better building regulation and fairer taxes on strata insurance can drive down premiums and drive up consumer protections. As of 2019, only 3 per cent of natural disaster funding is spent on mitigation, and instead 97 per cent is spent on post-disaster recovery.²⁶

On 4 May 2021, the Federal Government announced its intention to introduce a \$10 Billion reinsurance pool for Northern Australia, administered by the Australian Reinsurance Pool Corporation (ARPC). The pool should increase liquidity to protect against rare weather events and reduce risk for insurers to encourage them to re-enter the market.²⁷ SCA is committed to working alongside the introduction of this pool to ensure that strata residents are allocated the relief they need.

[23] Johnston, N. et.al (2021). p. 172

[24] ACCC. (2020). Northern Australia Insurance Inquiry. p. 22. Accessed at: <https://www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf>

[25] Ibid. p.23

[26] ICA. (2019). Statement on climate change, insurance affordability and accessibility. p.2

[27] Treasury. (2021). Reinsurance pool for cyclones and related flood damage. p. 3. Accessed at: https://treasury.gov.au/sites/default/files/2021-05/c2021-175678_reinsurance_pool_cp.pdf

Similarly, stamp duties, taxes and levies represent one of the single greatest costs to consumers as they take out strata insurance policies, representing between 20 and 40 per cent of the insurance cost, with the national average lying at 27.45 per cent.²⁸ Total levies, duties and taxes paid on insurance in Australia rose from approximately \$134 million in 2016 to \$228 million in 2020.²⁹ New South Wales and Tasmania are the most disproportionately affected states, paying considerably higher rates of taxes, duties and levies on insurance premiums due to compounding effects from both emergency services levies (ESL) and goods and services tax (GST) on a number of insurance components.³⁰

Individual implementation of stamp duties across Australia's states and territories has complicated tackling comprehensive reductions on a national scale.

Strata insurance service models recognise strata managers for their specialist strata knowledge and its direct application to achieving good consumer outcomes across the 47 different types of services they perform. Both owners corporations and lot owners heavily rely on strata managers for the delivery of strata insurance services. However, the Deakin Strata Insurance Report found that while strata managers are an integral part of the strata insurance claims process, their utility is not always effectively communicated to OC clients.³¹ This can contribute to an undervaluing of the role that strata managers play in the strata insurance supply chain.

Recently, the country has faced immeasurable hardship due to the effects of a multitude of disaster weather events. Natural disasters not only have a devastating impact on the communities affected by the event, but also contribute to a significant financial burden on the economy. According to the Insurance Council of Australia, the total economic cost of natural disasters in Australia over the decade to 2016 averaged \$18.2 billion per year, equivalent to 1.2 per cent of GDP.³²

The focus and allocation of resources in Australia has long been directed towards post-disaster recovery efforts when a weather event occurs, and far less attention is paid to mitigating the potential effects of these disasters before they occur. It is imperative that the Government consider a policy approach that increases investment into weather event resilience measures. We know that increased mitigation funding will not only contribute to reductions in physical harm, infrastructure damage and economic expenditure, but put downward pressure on rising insurance premiums in high-risk areas of the country. Since just December 2018, insurers have paid out more than \$8.9 billion in natural disaster claims.³³

[28] Johnston, N. et.al (2021). p. 24

[29] Ibid.

[30] Ibid.

[31] Johnston, N. et.al (2021). p. 5

[32] Insurance Council of Australia. (2021). Insurance Catastrophe Resilience Report: 2020-21. p. 20. Accessed at: https://insurancecouncil.com.au/wp-content/uploads/2021/09/ICA008_CatastropheReport_6.5_FA1_online.pdf

[33] Ibid. p. 20.

RECOMMENDATIONS

Making Insurance Affordable and Accessible for Strata

- 4. An effective Reinsurance Pool** that is evaluated yearly, and incorporates changes readily based on new modelling and events, as well as a **Strata Titles Mitigation Pilot** that reflects the will of our members.
- 5. Commitment and support to pressure or partner with state governments to reduce stamp duties, taxes and levies** through abolition, capping or reinvestment, and a commitment to reduce effective 'double taxation' with compounding taxation between state and territory and federal governments.
- 6. Mitigation funding by government has the potential to reduce damage caused and insurance premiums**, and make a difference to affordability issues. Currently, 97 per cent of money spent over the cycle of a disaster is spent on recovery with only 3 per cent on mitigation.³⁴ SCA is supportive of Insurance Council of Australia's calls to increase resilience funding to \$2 billion over the next five years.³⁵

[34] Insurance Council of Australia. (2021). p. 20.

[35] Insurance Council of Australia. (2022). Building a more resilient Australia: Policy proposals for the next Australian Government. p. 6. Accessed at: <https://insurancecouncil.com.au/wp-content/uploads/2022/02/220222-ICA-Election-Platform-Report.pdf>

Priority 3: Building Defects and Strata

The case for building defects investment and reform

Research suggests that as many as 85 per cent of residential multi-owned properties across Australia have at least one building defect across multiple locations, at an average number of 14 line item defects and 5.93 construction systems defects per building.³⁶

Over a third of buildings in NSW alone have serious defects, with average bills to rectify said defects coming to more than \$300,000 and taking over 12 months to complete.³⁷ Of those serious defects, waterproofing, fire safety systems and structural defects were the most common, represented in 63 per cent, 38 per cent and 27 per cent of buildings that were found to have had a serious defect respectively.

These common defects cost consumers time and money, affect their quality of living and when serious issues drag on over considerable time periods, their mental health. The most serious defect for example, waterproofing, is known to cause dampness and mould in buildings that is associated with respiratory and asthma-related health problems.³⁸ The Construction, Forestry, Maritime, Mining and Energy Union (CFMMEU) suggested it would cost A\$6.2 billion to comprehensively repair apartment structural and safety defects across Australia.³⁹

Building defects, construction materials and quality really slammed into the public's consciousness in the wake of the Grenfell Tower tragedy in 2017. In fact, recent inquiries have shown that the UK Government failed to publish safety reports stating that Grenfell style cladding was unsafe for use.⁴⁰ By the time the election is held, that will be nearly five years ago. Have we done enough to counter poor building quality and products in that time? In Australia, more than 3,400 buildings have so far been identified with dangerous flammable cladding alone.⁴¹

The Centre for International Economics found the cost to consumers from building defects relating to regulatory non-compliance currently is \$2.5 billion annually, with \$1.3 billion of that attributed to multi-storey apartment buildings. The report estimates that nationally consistent implementation of BCR recommendations would reduce the costs of building defects by approximately \$1.4 billion annually, and offer time savings worth approximately \$375 million annually.⁴²

[36] Johnston, N. & Reid, S. (2019). An Examination of Building Defects in Residential Multi-owned Properties. Deakin University. p. 21.

[37] NSW Government. (2021). Serious defects in recently completed strata buildings across New South Wales. p. 6. Accessed at: https://www.nsw.gov.au/sites/default/files/2021-10/Serious_defects_in_residential_apartments_research_report.pdf

[38] Johnston, N. & Reid, S. (2019). p. 14

[39] Oswald, D. Moore, T. & Lockrey, S. (2021). Combustible costs! financial implications of flammable cladding for homeowners. International Journal of Housing. p. 13. Accessed at: <https://www.tandfonline.com/doi/full/10.1080/19491247.2021.1893119>

[40] Parnaby, L. (2022). Government 'failed to publish report on Grenfell-style cladding 20 years ago'. The Independent. Accessed at: <https://www.independent.co.uk/news/uk/government-communities-and-local-government-government-policy-acm-aig-b2025136.html>

[41] Ibid. p. 2

[42] ABCB. (2021). p. 2.

Model guidance, resources and codes of conduct are excellent for state and territory regimes to have guidance, however they may require additional resources, scrutiny or incentive to move towards meaningful reform.

Many strata managers hold an incomplete set of key documents for the building, with the as-built plans and development-related documentation (e.g. the Development Approval or Construction Certificate) held by less than half.⁴³ Strata managers were almost always able to identify the original developer, builder and certifier.⁴⁴

Opal and Mascot Towers are a stark reminder of the financial and emotional pain that serious mismanagement of building and construction work can cause. The tragic Miami building collapse in June 2021 was another timely reminder of not only the financial and emotional consequences of building defects, but their deadly potential.

Strata managers sit at the centre of the building defects issue. When a serious defect occurs, strata managers are working with insurers to manage the claim, with owners corporation committees to make informed decisions about how to proceed, and with governments to advocate for better consumer outcomes going forward.

SCA believes that all building defects are avoidable. Deakin research identifies that the biggest contributors relating to building defects are ‘endogenous organisational factors’ including:

- Organisational instability caused by high job mobility, meaning key operators are often leaving through projects
- Client project control
- Time pressure
- Cost pressure (lower cost often wins project – which may affect the quality of a project)
- Human error.⁴⁵

Deakin suggests changes in project management will have the biggest impact on reduction in building defects, even more so than changes in training or construction site practices. 50-60 per cent of building issues can be combatted with better project design, with 40-50 per cent of defects arising in the construction phase.⁴⁶

The current regulatory standard for building in Australia is the National Construction Code (NCC), a performance based regulatory code. However, the NCC isn’t 100 per cent comprehensive in regulations for every design and construction requirement, and individual states may amend any provision of the NCC as they see fit, often leading to regulatory oversight.⁴⁷

[43] NSW Government. (2021). p.46.

[44] NSW Government. (2021). p. 46.

[45] Johnston, N. & Reid, Sacha.
(2019). p. 11

[46] Ibid. p. 11

[47] Ibid. p. 15

According to the BMF, in order to maximise the benefit of a performance-based approach, it is imperative for the building and construction industry to understand how compliance can be achieved through the incorporation of performance requirements, along with a strong public trust that requirements are being met and that health and safety is assured.⁴⁸

Therefore, it is critical that the federal government consider harmonisation of laws pertaining to standards of building design and maintenance at a national level, to ensure consistent standards in state jurisdictions across the country. Without regulatory uniformity, adequate consumer protection cannot be ensured.

For example, an action that the Federal Government may undertake that would see immediate benefits in the fight to reduce the prevalence of building defects would be urging Australia's state and territory governments to implement BCR recommendation 20, which would require buildings to develop and maintain a comprehensive building specific manual that is readily available to property owners, consisting of information such as building product information, occupancy and maintenance records etc. The implementation of this recommendation would contribute to improving strata manager and owners corporation (OC) operational decision-making in both the short and long-term.⁴⁹

The government needs to take new measures, invest in the strata industry's knowledge and research base and implement the changes to improve consumer outcomes and avoid a future where a Grenfell, Miami, Opal or Mascot is another possibility.

RECCOMENDATIONS

Eradicating the High Prevalence of Building Defects in Strata Complexes

7. Commit to the implementation of the model guidance from the Building

Confidence Report (BCR) as released by the ABCB. The Federal government to partner with industry, states and territories and industry to review and identify gaps between existing state and territory legislation and regulation, particularly regarding registration, certification and building manuals.⁵⁰

8. Support the introduction of rating tools that give consumers more transparency

when purchasing apartments in strata to restore confidence in the quality of new developments.

9. Expand building warranty schemes to include buildings more than three storeys in all

jurisdictions that do not currently include these buildings and support the implementation of decennial liability insurance products to give more confidence to strata consumers.

[48] Shergold, P. & Weir, B. (2018). Building Confidence. Building Ministers Forum. p.9. Accessed at: https://www.industry.gov.au/sites/default/files/July%202018/document/pdf/building_ministers_forum_expert_assessment_-_building_confidence.pdf

[49] ABCB. (2021). Building Manuals – A response to the Building Confidence Report Discussion paper. p.4

[50] ABCB. (2021). BCR Implementation Report. p. 2. Accessed at:

https://www.abcb.gov.au/sites/default/files/resources/2021/BCR_Implementation_Report_December-2021.pdf



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