



Builders Licensing

Policy Background

- Although there are benefits in licensing, licensing also constrains the market's ability to provide services. By restricting entry, license holders maintain an entrenched market position thus reducing competition.
- In this regard, the need for licensing of any particular trade activity should be assessed against the risk involved. If licensing is justified according to risk, an important task is to identify those risks that require regulation.
- Where there is a high monetary threshold for licensing, a greater range of building work will not require a licence. This might have the consequence of increasing competition amongst non-licensed practitioners at the lower-end of the market, which in turn could have potential to expose consumers to increased risk from unlicensed builders.
- However, removing compliance costs for the lower end of the market will result in lower costs, greater choice for consumers and more targeted regulation where it matters the most.
- An added complexity is that in only one jurisdiction the monetary licence threshold and the Home Owners Warranty Insurance threshold are the same.
- One option to reduce complexity is to align licensing thresholds with warranty insurance. If adopted nationwide, this would assist compliance for contractors who are burdened with unnecessary paperwork and documentation for the smaller valued projects.
- Not all jurisdictions licence both commercial and residential builders and amongst those that do, there is a wide variation in the way licences are graded or classified. From a consumer protection point of view, the grading of licences assists market choice by indicating the most appropriately qualified builders for their needs.
- Despite the existence of a national training framework, the number of years of experience required and the level of training qualifications required to be licensed varies from region to region. Hence there isn't uniformity in the levels and skills and knowledge provided by different courses, which range from diploma and degree courses to Certificate IVs in Building. Likewise, there can be a significant variation in the experience levels of recently licensed builders.

HIA's Policy Position on Builders Licensing

HIA supports (business) licensing for:

1. Builders undertaking domestic building work.
2. Builders undertaking multi-residential building work, and that domestic, multi-residential and high rise licenses be separate categories.
3. Builders undertaking commercial and other building work - and that non-residential licenses be a separate category from a residential builders' license.

4. Trade contractors undertaking high risk work relating to electrical, plumbing and gas fitting work.
5. Trade contractors engaged (contracting) directly with consumers (subject to a monetary threshold).
6. Trade contractors engaged (contracting) directly with 'commercial' consumers.
7. Project managers who undertake building work.

Monetary Threshold

8. HIA supports a monetary threshold for building work, above which a license is required.
9. The monetary threshold should align with the warranty threshold for residential building work.

License Eligibility

HIA supports license eligibility for the requirement for builders and subcontractors being based on:

10. Technical competency
11. Industry experience
12. Business skills
13. Financial viability – for example, insolvency should trigger an automatic suspension of license
14. Business financial checks to be undertaken annually by warranty insurance providers, not consumer/licensing agencies
15. Personal probity
16. Warranty insurance eligibility
17. Other insurance requirements
18. CPD not being required for renewal purposes.

Transition to National Licensing System

HIA supports a transition to a National Licensing System that provides for:

19. Existing license holders to transition directly to licenses of the same or equivalent National Licensing System category.
20. Existing license holders to transition directly to licenses of a similar new National Licensing System category.
21. State/Territory agencies to administer the National Licensing system.
22. State/Territory to opt out of National Licensing System categories that do not currently exist in their jurisdiction.
23. HIA does not support the licensing of trade (sub)contractors who work exclusively for builders/principal contractors, except where they undertake work involving structural safety risk, such as concrete form workers, roof framing carpenters, structural masonry work. (Note, HIA supports licensing of contractors who undertake work directly for consumer above a monetary threshold.)
24. Licensing agencies should have a role in inspecting (alleged) defective work and issue rectification notices.
25. Licensing agencies should not have authority to issue 'show cause' notices, penalty notices or suspend licenses in circumstances where a builder or contractor does not comply with a rectification notice.