

ISSUE 59

# UNDER CONSTRUCTION

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# Keeping builders up to speed



**With further changes in the pipeline, Under Construction is committed to ensuring our readers are kept as informed as possible**

In this month's issue, we highlight the government's new Regulatory Systems Amendment Bill, which states that the retention money provisions referred to in the Construction Contracts Amendment Act 2015 will only apply to contracts entered into or renewed on or after 31 March 2017.

With two of three changes referred to in the Act now in place, focus on the new regulations has increased. We've provided all the information currently available through *Under Construction* and will continue to update you as new information becomes available online at [www.underconstruction.placemakers.co.nz](http://www.underconstruction.placemakers.co.nz).

Another relevant topic we set out to investigate this month was the oft-discussed skills shortage in the construction industry, which was highlighted in a recent PricewaterhouseCoopers report. It found that despite construction accounting for the largest contribution to national employment growth by industry last year, the industry shortage still prevails. See page 14 to find out how industry representatives think this should be dealt with.

In other news, PlaceMakers is extremely proud to confirm that you are doing business with some of the best in the trade. We are very proud that our people were awarded first place in all four relevant categories at this year's Hardware Awards. See page 4 for more details!

Last month also marked the last of our Blue September events and, once again, we've been blown away by our customers' willingness to acknowledge the issue of prostate cancer and contribute to the awareness campaign.

Just because Blue September is behind us doesn't mean that prostate cancer is (no joke intended!) - face your fear of acknowledging an uncomfortable topic by bringing it up with the people you care about this Christmas.

Good luck with the end-of-year rush and enjoy whatever holidays you have planned.

See you in the New Year!

**Gary Woodhouse**

General Manager Operations & Marketing

**PlaceMakers is extremely proud to confirm that you are doing business with some of the best in the trade**



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# Earn your LBP points!

**LBP**  
**COMPULSORY**  
**READING!**  
 + answer the questions on the LBP website

As promised, Under Construction will be including all compulsory Codewords articles to help LBPs earn their required points and stay up to speed with changes. This month's article is required for those who hold a Carpentry or Foundations licence

Under the new skills maintenance scheme, reading Codewords articles relevant to your licence and answering the corresponding questions is a mandatory part of skills maintenance (for those who have renewed their licence since 2 November 2015). Once you've read the article, go to the LBP website (under Codewords Issue 74) to answer the associated questions.

### DOING IT RIGHT WITH JACK AND PACK

In mid-2015, MBIE carried out a survey of earthquake-damaged and repaired homes in Canterbury (CEDAR survey). While the topic of the report was earthquake repairs, the information that came out of the survey is useful for anyone undertaking foundation repair. This article looks at what we learned about the jack and pack repair method.

### ASSESSING THE SITUATION

The first step is to assess whether to repair the damaged section of foundations or replace it. This will depend on the extent of the damage. For example if you are:

- Relevelling a timber framed floor by more than 100mm then the subfloor may need to be rebuilt rather than

repaired.

- Assessing a pile that is more than 15mm out of plumb, you should look at replacing it.
- Going to relevel a concrete slab foundation and it is more than 150mm out of level, a rebuild is the suggested option.

You should also identify if the work needs a building consent. A significant repair to the structure (including the foundation) of a home will likely need a building consent. A minor repair to a few piles may not need one, but it pays to check with the local Building Consent Authority, or read MBIE's guidance on Schedule 1 of the Building Act.

### DOING THE JOB

The general steps to relevelling include:

- Making the area safe and ready for the work.
- Identifying the relevelling heights.
- Detaching the connections and services from the subfloor.
- Applying the relevelling methodology.

- Reattaching connections and services.
- Reinstating disturbed ground and tidying up.

For a jack and pack repair on a timber subfloor, if you are lifting the bearers to pack them up, a single H3.2 treated timber packer or folding wedges fixed in place are suggested.

Remember, if you need to pack a pile more than 100mm, you should replace the pile instead.

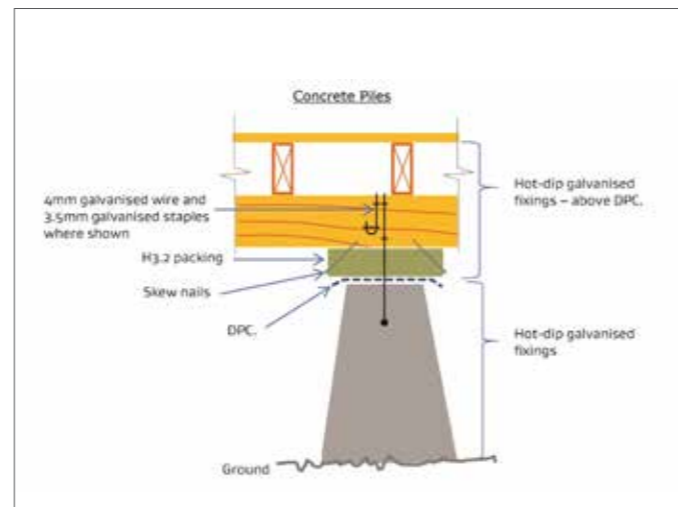
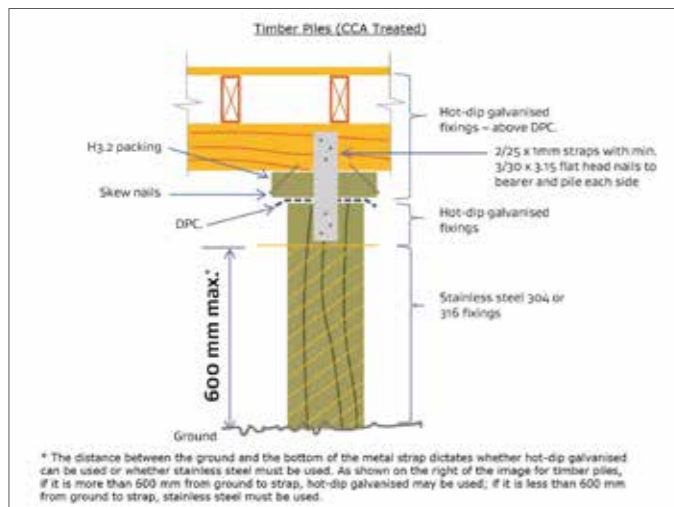
You should also replace the piles that are out of alignment or are leaning too far over.

Once you have packed the piles, you need to ensure the pile, packer and bearer are aligned and fixed together well.

### UNSURE OF WHAT TO DO?

If you are unsure of the methodology or whether the work should have a building consent, it is a good idea to speak to the local building consent authority.

For expert advice you could consult with an engineer, or direct the home owner to get some advice.



# All-action auction!

Thanks to the team at PlaceMakers national office, the Prostate Cancer Foundation netted an extra \$8,000!

National Inventory Manager Martin Brannigan says the Marua Road national office team holds a charity auction every year to raise funds for prostate cancer.

"We ran an online auction among ourselves and I'm really pleased with the effort everybody put in to make it so successful," Martin says. "We raised \$7,600, with prizes ranging from fishing gear and power tools to outdoor furniture and laptops."

In addition to the auction, they also held

a staff BBQ that saw a further \$400 raised – taking the total to \$8,000.

With the reason for their fundraising efforts front of mind, the national office's social committee also arranged for two nurses from Lab Tests to come in and conduct prostate checks.

"Thirty fellas embraced this year's Blue September theme of 'Face your Fears' by getting themselves checked," says Martin. "It was an awesome result for our team."



Margin Analyst Kevan Ng won a new All Blacks shirt

Assistant Category Manager Jack Skelton with his new drill

Not only did we raise a decent amount, we were able to give some of our staff peace of mind – and an interesting work story to help raise awareness of the importance of early checks among family and friends!"

# Hard to swallow

Four brave staff from PlaceMakers Mt Wellington faced their fears this Blue September and were rewarded with a 'Hard as Nails' trophy for their courage



Mt Wellington Retail Operations Manager Rusty Brooke, Branch Operator Chris Fairbairn, Loader Chris Rakei and Telesales Representative Vic Iakopo were nominated by the rest of their colleagues to take on a funky food challenge.

"We had pickled quails eggs, chilli-infused tofu, a mystery meat we suspected was jellimeat and I can't remember what the last one was, but it was bloody awful!" said Rusty. "A couple of the boys come close to puking, but managed to hold it all down!"

"Afterwards, we hosted a lunch where we sold pizza by the slice to raise money. We've also done a couple of other fundraisers, as well as taking donations over the counter for the past couple of months."

### SWING BIG

When we spoke to Rusty, he said the highlight would be the store's sixth annual charity golf tournament at

Pakuranga Country Club (held on 15 November) raising money and awareness for men's health and the Prostate Cancer Foundation.

"We've got 116 players entered as teams of four. We've had great support from our suppliers and other sponsors. Thanks to them, we've got some fantastic prizes to give away and some great items to auction on the night."

Players were able to bid on a top-line Merida bike, a 150-year-old anniversary cask of Jack Daniels and the Black Caps shirt worn by B.J Watling in Brendon McCullum's final test, signed by the former captain himself.

Notable guests include the Prostate Cancer Foundation's

Chief Executive Graeme Woodside and comedian and 7 Days writer Tarun Mohanbhai.

Rusty hopes to raise a further \$7,000 to \$10,000 through the tournament, which will be added to the \$137,000 raised by PlaceMakers to date.

See the next issue for an update.



Mt Wellington's Hard as Nails winners (l-r): Retail Operations Manager Rusty 'Big Man' Brooke, Branch Operator Chris 'Boss Man' Fairbairn, Loader and go-to guy Chris 'Eat Anything Man' Rakei and Telesales Representative Vic 'Hi Viz Man' Iakopo





## PlaceMakers dominates Hardware Awards!



### PlaceMakers' clean sweep at the Annual Hardware Awards is testament to the quality of its people and its values

PlaceMakers finalists were on the edge of their seats at the Annual Hardware Awards, as the top award in all four trade categories went to PlaceMakers and its employees!

Nearly 500 people attended the event, where the industry celebrates the best-in-class with a gala dinner and awards for suppliers, retail stores, trade stores and people.

"It was fantastic," says PlaceMakers General Manager Bruce McEwen. "One by one, teams and individuals from PlaceMakers were announced as their respective category winners - to the point that a rather disgruntled competitor said 'it may as well be the PlaceMakers awards!'"

"Being a finalist at this level is a significant achievement in itself, and PlaceMakers is very proud of our people and their achievements. It demonstrates

the strength of our people and what it means to be part of this great brand.

"Our philosophy of having the best people delivering market beating service to our customers every day is evidenced by the PlaceMakers team being recognised by these awards. They do what they say they will do every day to the benefit of all our customers."

#### TRADE ACCOUNT MANAGER OF THE YEAR

PlaceMakers Mt Maunganui's Damien Hermond secured top honours at this year's Hardware Awards - a satisfying achievement after coming so close as a finalist last year.

"PlaceMakers had an incredible run at the awards this year and I was proud to play a part in that," says Damien, who has worked at PlaceMakers for the past 16 years.

"I'm a fairly motivated individual and I firmly believe in not just selling, but working with my customers to achieve the best results possible and improve their business. This award means a lot because it's not based on numbers and figures - it's largely based on feedback from the clients I care a lot about."

The Trade Account Manager, who started as a delivery driver, has worked in many areas of the business.

"I've done most jobs you can do at PlaceMakers, and I make sure I can keep doing them whenever it's required - that includes maintaining my forklift licence so that I can help out if necessary. It's about being committed to the team you're working with."

At Mt Maunganui, Damien says teamwork goes both ways: "I couldn't have won the award without the incredible team we have here."

#### YOUNG RETAILER OF THE YEAR

At age 28, Shannon Collier may be considered a young retailer but he's not young in PlaceMakers years - the current Mt Maunganui Operations Manager started sweeping floors at PlaceMakers Whakatane when he was just 13 years old!

"Other than a six-month stint checking out the other side of the fence as a builder, I've spent my entire working life at PlaceMakers and my passion for the business and our customers only continues to increase," says Shannon.

"I was shocked to receive the award; I was up against some exceptional people, but of course I'm very pleased to be acknowledged in this way."

Shannon, who works closely with Trade Account Manager of the Year Damien, also attributes much of his success to the team who backs him.

"My team has really helped me to succeed by offering encouragement and support, but also making my job easier by doing theirs really well," says Shannon, who has also worked in a variety of roles.

Aside from the team, he says the most

enjoyable part of his job is the customers.

"Providing solutions for the issues they encounter is a truly rewarding experience, as is seeing the final results of their work."

#### RETAILER OF THE YEAR

Justin Macready of PlaceMakers Dunedin has been with the business for almost 24 years and was named Young Retailer of the Year in 2005. He sees the awards as an inspiration and was thrilled to win Retailer of the Year this time around.

"Receiving this award was the icing on the cake at an awards ceremony that truly celebrates excellence in our fantastic industry," says Justin.

"Whether you win or not, the true value of entering the awards is that it forces you to look back on your hardware career to see what you've achieved and what you're doing now. This helps you plan for the future.

"The benefit of being measured alongside your industry peers is huge - it helps the whole industry move forward and improve."

Justin was particularly impressed with

PlaceMakers overall performance: "It was a very special night and I am proud to be part of the PlaceMakers brand."

#### TRADE STORE OF THE YEAR

Charlie Longley accepted the award for Trade Store of the Year on behalf of PlaceMakers Riccarton operator Grant Close, who has won it several times.

"I know Grant will be stoked to receive this award," said Charlie when he accepted the award. "There are 200 staff at PlaceMakers Riccarton who work hard every day to make a difference and bring solutions to our customers, and this award is testament to their efforts."

He added that Grant deserved real praise.

"We are all privileged to work for a man who's so intuitive and passionate about what he does."

#### Two other PlaceMakers finalists were:

##### Trade Account Manager of the Year:

Michael Tonner  
(PlaceMakers Cook Street)

Trade Store of the Year:  
PlaceMakers Mt Wellington

### And the winners are...



JUSTIN MACREADY - RETAILER OF THE YEAR



DAMIEN HERMOND - TRADE ACCOUNT MANAGER OF THE YEAR



SHANNON COLLIER - YOUNG RETAILER OF THE YEAR



PLACEMAKERS RICCARTON - TRADE STORE OF THE YEAR  
(accepted by Charlie Longley)



## You don't know what you don't know

Builders' Business is a column by builders for builders. Its objective is to provide a forum, particularly for small business operators, in which to share knowledge, experience, tips and ideas

**Q:** In your experience, do homeowners know when they need to use a Licensed Building Practitioner, and their own obligations around that?

**Firm:** Bailey Builders  
**Principal:** Roy Bailey  
**Location:** Wanaka and surrounding districts  
**Staff:** 7

**I would say that,** in general, people don't understand it very well at all.

I guess with the Restricted Building Work scheme being relatively new, it will probably take time for people to get their heads around it.

I suppose the other thing to consider is that for most clients, it's the first time they've built a house so it's the first time they've ever had to deal with an LBP and the scheme; so it's probably hard for them to really understand it until they've gone through the process.

That said, it's not something we have to spend a lot of time explaining. We just deal with it as it comes up.

Obviously we have to sort out our own Record of Work, and during the build we also collect them off the licensed subcontractors we use.

What I've found is that, rightly or wrongly, we're doing a lot of the work when it comes to collecting that documentation.

**Firm:** Hoogervorst Architectural Builders  
**Principal:** Roland Hoogervorst  
**Location:** Christchurch  
**Staff:** 20

**I've found** that most of my clients aren't just happy with an LBP managing a project, they want one on site doing the actual building work, which means that I'm spending a lot more time on the tools.

Currently my guys are going through the LBP qualification process, which will give us more flexibility in that area.

We work on high-end builds and I find most of my clients are quite switched on, but I still have to educate them around some aspects of the RBW requirements.

I also think that because of the earthquakes and having had to go through the repair processes, a lot of people in Christchurch have a good general knowledge of building laws.

Concerns about leaky buildings are also common now, which is part of the fallout of that issue.

I've found that my clients will ask a lot of questions and they want to know that all the necessary paperwork is in order.

**Firm:** Walkers Builders Ltd  
**Principal:** Brendon Walker  
**Location:** Alexandra  
**Staff:** 5

**We mostly do** full builds, so we normally deal with all of that for the client and it's not something they have to worry about.

Generally, I don't think it's very well known. Some people are aware and it certainly makes life a lot easier when they are!

It might just be because its relatively new, but I also think the information that's available to homeowners about building regulations and their obligations could be made more accessible. Unless they really go looking for it, it's not something they're likely to know about.

I know that councils always inform applicants in their consent documents about what work is considered RBW where appropriate, but I think it could be a good idea to include a list in disclosure documents.

That way people would have access to the information right at the start of the process.

## Now have your say...

**HAVE CHANGES TO THE CCA CHANGED THE WAY YOU MANAGE YOUR OWN CONTRACTS?**

**ANSWER THIS QUESTION TO ENTER OUR QUARTERLY PRIZE DRAW**

Email your answer with your full name, contact phone number, company name, number of full-time staff and the city or town in which you're based to [editor@pmundersconstruction.co.nz](mailto:editor@pmundersconstruction.co.nz). All responses must be submitted by 25 Jan 2017.

The answers to this question will be published in *Under Construction* March 2017.

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## CCAA retentions update



The new regulations regarding retention money should better protect subcontractors from ending up out of pocket

### The government has introduced a bill clarifying that new legislation relating to retention money in construction contracts will not apply to contracts signed before 31 March 2017

The Construction Contracts Act (CCA) 2002, which covers both commercial and residential construction contracts, provides a process for dealing with payments and disputes under a construction contract.

In December last year, the Construction Contracts Amendment Act (CCAA) 2015 was passed, amending the Act in three areas in a staged process:

- Removing the differences between residential and commercial contracts (already in place).
- Design, engineering and quantity surveying work to be included in the Act (from 1 September 2016).

- Retention money withheld under commercial construction contracts must be held on trust (from 31 March 2017).

#### PROVIDING MORE CLARITY

In late October 2016, the government introduced the Regulatory Systems (Commercial Matters) Amendment Bill, clarifying that the retention money provisions referred to in the CCAA 2015 will apply only to contracts entered into or renewed on or after 31 March 2017.

Under the CCAA 2015, retention money withheld under commercial construction contracts will be required to be held on trust. This will better protect retention money owed to contractors and

subcontractors in the event of a business failure.

The Bill addresses concerns that the new law relating to retention money would have applied to existing contracts as well as new contracts – making it clear that the new law does not and will not apply to existing contracts.

This new trust requirement provides greater certainty of payment for contractors and subcontractors owed retention money for work done by ensuring the money held in retentions is responsibly managed.

#### HOW WILL IT WORK?

Where payers withhold retention

money under a commercial construction contract, the retention money must be held on trust.

The payer becomes a trustee and the payee becomes the beneficiary.

The obligations of the payee holding retention money on trust end when:

- Retention money is paid.
- The payee to whom the money is payable agrees to give up their claim.
- The money ceases to be payable by law: ie, the money ceases to be payable under the contract.

#### WHAT CAN'T YOU DO?

##### 1) Prohibited contract provisions

You cannot include in a contract any terms designed to delay payment of retention money. Any such terms in a contract will be void.

Similarly, you cannot include any conditional payment provisions for retention money in a construction contract (known as pay-when-paid provisions). Conditional payment provisions have been banned since the Act came into force in 2003. The amendments make it clear that this ban also applies to provisions for payment of retention money.

NOTE: Payment of retention money cannot be conditional on anything other

than the performance of the payee's obligations under the contract.

##### 2) Use of retention money

Retention money cannot be used for any purpose other than to remedy a payee's breach of their obligations under the contract, such as fixing defective work.

#### WHAT CAN YOU DO?

Retention money:

- Does not need to be held in a separate trust account.
- May be mixed with other money: ie, it can be held in the same bank account as other money.
- May be held in the form of cash or other liquid assets.
- May be invested and interest earned can be kept provided the investment is in accordance with the trustee act 1956.

#### HOW MUST RETENTION MONEY BE ACCOUNTED FOR TO MEET THE TRUST REQUIREMENT?

Proper methods of accounting for retention money are now required. Parties holding retention money must keep proper accounts that correctly record all dealings and transactions in relation to the retention money and must make these records readily available to parties owed the money.

The accounting methods must comply

with generally accepted accounting principles and be auditable.

Late payments, interest and fees in relation to retention money

- Interest must now be paid on late payments of retentions at the rate agreed under the contract. If a rate has not been agreed, the default rate of interest specified in regulations (yet to be developed) will apply.
- In the event of a payer's insolvency, retention money will be protected. Retention money is not available for the payment of debts of any creditor of a payer and cannot be taken by a court order at the insistence of any creditor of a payer.

#### NEW REGULATION-MAKING POWERS

Regulations may, if necessary, prescribe:

- The minimum amount of retentions that the new trust requirements will apply to.
- Methods of accounting for retention money in addition to the requirements in the act.
- The default rate of interest for the late payment of retention money that will apply where a contract does not provide a rate.

Further information on the Amendment Act and retentions is available on the MBIE website [www.business.govt.nz](http://www.business.govt.nz)

## PROVE YOUR KNOWLEDGE!

Tick the correct answers below and record what you've learnt in the record of learning on the back page! Evidence of actual learning rather than just 'participation' is a key requirement of the LBP renewal process.

- 1) Which of the following is not a 'prohibited contract provision'?
  - a) A 'pay-when-paid' provision.
  - b) The performance of the payee's obligations under the contract.
  - c) A provision to delay payment if necessary.
- 2) What can the trustee (payer) use retention money for?
  - a) Cash flow.
  - b) Nothing.
  - c) Remediating a payee's breach of their obligations under the contract.
- 3) How must retention money be held?
  - a) In a separate trust account.
  - b) Separate from other money.
  - c) Neither of the above.







# Get decked out for summer



As summer approaches, many builders are receiving requests to build or replace decks

## With summer fast approaching, now is a good time to brush up on your deck building skills, as homeowners prepare for long evenings spent around the BBQ

An Acceptable Solution for deck construction is provided by NZS 3604:2011 *Timber-framed buildings*. In this article, we'll show you how to design and build an external open-slatted timber deck.

An L-shaped deck addition is proposed for an existing house. It will be 6.3m long in one direction, project 3.0m from the face of the building and have a total area of 21m<sup>2</sup> (see Figure 1). The finished deck level will be 100mm below the floor level of the house.

### GETTING STARTED

The requirements of foundations, subfloor framing, bracing, decking selection, fastenings and fixings can be found in NZS 3604 section 7.4.

The house is in earthquake zone 3 (NZS 3604 Figure 5.4). As there is no subsoil classification, E must be assumed and a multiplication factor of 1.0 (NZS 3604 clause 5.3.3 and Table 5.8) used for bracing calculations.

The section slopes away from the house, starting at approximately 1.0m below floor level adjacent to the house to approximately 2.0m below floor level at the edge of the deck.

Joists are to be cantilevered 900mm beyond the line of the piles and bearer (see Figure 1).

The building owner would like to use a 32mm Kwila decking, so joist spacing may be up to 600mm. However, as the deck is to support a cantilevered balustrade, NZS 3604 clause 7.4.1.3 requires that joists must be at 400 centres maximum and at least 190mm deep.

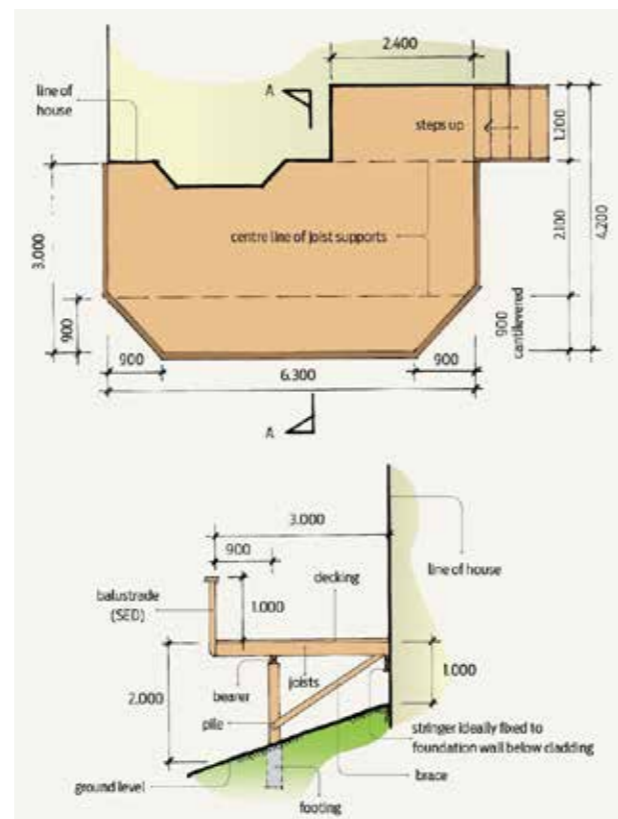


Figure 1: Proposed deck



Figure 2: Proposed subfloor framing for the deck

### STEP 1: SELECT THE TIMBER

New Zealand Building Code clause B2 *Durability* sets out the durability requirements for building elements and cites NZS 3602:2003 *Timber and wood-based products for use in building* for timber treatment levels.

Generally, structural elements must have not less than 50-year durability, and stairs, handrails and decking require not less than 15-year durability. All structural fixings must have the same durability as the elements with which they are associated and will need to be stainless steel.

So, from NZS 3602: Table 1:

- Piles must be H5 treated (ground contact).
- All other structural members - ie, bearers, stringer, braces, joists and safety barrier support posts - must be at least H3.2 treated (exposed to the exterior but not in ground contact).

NZS 3604 clause 2.3.2 requires SG8 (structural grade) timber for wet-in-service conditions.

### STEP 2: CALCULATE THE BRACING REQUIREMENT

Using the multiplication factor E for zone 3 = 1.0

$$15 \text{ BU/m}^2 \times 1.0 = 15 \text{ BU/m}^2$$

Paragraph 7.4.2.2 states that decks that project more than 2.0m from the building require subfloor bracing at half the bracing demand required by Table 5.8 for 'light/light/light' cladding, 0° roof pitch and for 'subfloor structures'.

Divide the number of BUs required by two:

$$15 \text{ BU/m}^2 / 2 = 7.5 \text{ BU/m}^2 \text{ are required.}$$

Multiply the number of BU/m<sup>2</sup> by the area of the deck to obtain the total BUs required for the deck:

$$7.5 \text{ BU/m}^2 \times 21\text{m}^2 = 157.5 \text{ BUs in each direction.}$$

Bracing may be provided by anchor, braced and cantilevered piles. NZS 3604 section 6 *Brace pile* gives the bracing capacity ratings of subfloor bracing elements. Both anchor and braced piles provide 120 BUs per bracing element.

However, as anchor piles may only be 600mm above ground level, and the ground level is 1.0-2.0m below the

deck, anchor piles cannot be used.

Similarly, cantilevered piles may only extend 1.2m maximum above ground level and in addition provide only 30 BUs per pile, requiring more cantilevered piles to achieve the BUs needed.

Braced pile systems offer the best solution. As they provide 120 BUs for earthquake resistance, two braced pile systems are required in each direction.

Braces will be less than 3.0m long, so the brace size may be 100 x 75mm.

### STEP 3: SELECTING JOISTS

As the line of support (ie, piles and bearer) is 2.1m from the house, according to NZS 3604 Table 7.1(b) (2 kPa floor load and wet in service), 140 x 45mm joists may be used, and Table 7.2 for cantilevered joists allows a cantilever of up to 1150mm.

However, at the bottom of Table 7.2, a note states that 140mm joist depth is insufficient where cantilevered balustrades are to be used (as in this situation).

So, select the next size up: **190 x 45mm joists**. At 400 centres, these may cantilever up to 1600mm.

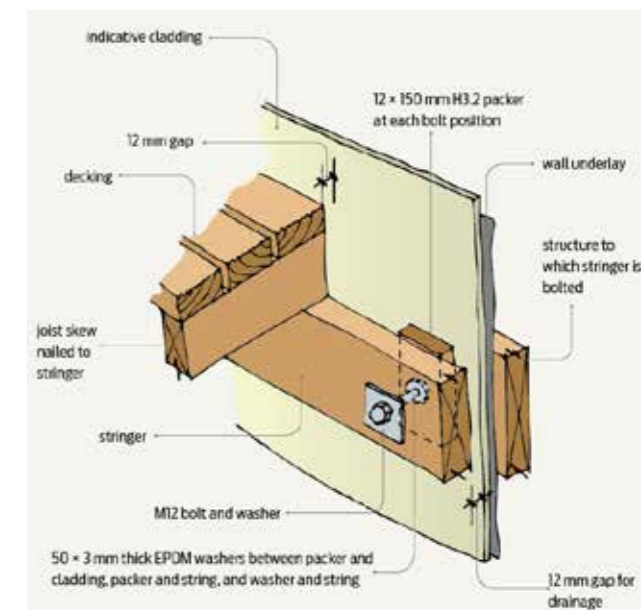


Figure 3: Connection of deck stringer to cladding - direct-fixed



# Get decked out for summer

### STEP 4: SELECTING BEARERS

Select bearers from NZS 3604 Table 6.4(b) (2 kPa floor load and wet in service).

To determine the loaded dimension of the bearers, refer to NZS 3604 Definitions.

From Figure 1.3(G), the loaded dimension = (span 1/2) + span 2 (where span 1 = 2.1m and span 2 = 900mm) = 2.1/2 + 900 = 1.95m

From NZS 3604 Table 6.4(b) (2 kPa floor load and wet in service):

- For maximum bearer span = 1.3 and a loaded dimension of 2.3m, bearer = 140 × 70mm, or
- For maximum bearer span = 1.65 and loaded dimension 2.7m, bearer = 190 × 70mm.

Use 140 × 70mm bearers with supports at 1.3m centres maximum.

### STEP 5: SELECTING STRINGERS

Stringers will be used against the house.

Ideally, stringers should be packed off and fixed to the foundation wall.

Maximum joist span is 2.1m, so from NZS 3604 Table 6.5, the stringer may be either:

140 × 45mm or 190 × 45mm

Both will need bolt fixings at 1600mm centres.

### STEP 6: SELECTING PILES AND FOOTINGS

A combination of ordinary and braced piles must be used. Select 140mm diameter timber piles.

For pile footings, use NZS 3604 Table 6.1.

For ordinary piles:

- Maximum bearer span = 1.3m; maximum joist span = 2.1m.
- Footings – 260mm diameter, 200mm minimum deep (NZS 3604 Figure 6.2).

For braced piles:

- Two systems in each direction.
- Footings – 400mm diameter, 450mm minimum deep (NZS 3604 clause 6.8.1.1).

### STEP 7: STRING FIXING THROUGH CLADDING

When installing slatted

timber decking, leave:

- A 12mm minimum gap between the stringer and the decking.
- A 12mm minimum gap between the cladding and the decking for drainage (E2/AS1 paragraph 7.1.1) – see Figures 3 and 4.
- A 3–6mm gap between decking timbers lengthways (NZS 3604 recommends using a 100 × 3.75mm nail as a spacer) to allow timber movement due to moisture and temperature changes and for water to drain.

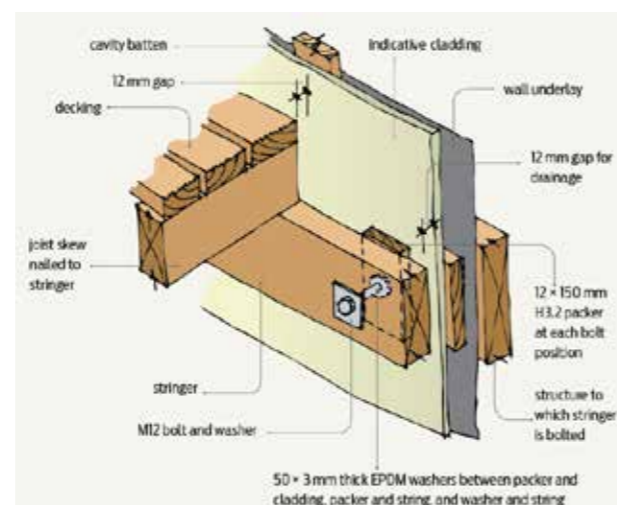


Figure 4: Connection of deck stringer to cladding - cavity

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# PROVE YOUR KNOWLEDGE!

Tick the correct answers below and record what you've learnt in the record of learning on the back page! Evidence of actual learning rather than just 'participation' is a key requirement of the LBP renewal process.

- |  |  |  |
|--|--|--|
| <p>4) What is the minimum gap you must leave between a stringer and slatted timber decking?</p> <p>a) 12mm.<br/>b) 18mm.<br/>c) 6mm.</p> | <p>5) When are anchor piles appropriate as bracings?</p> <p>a) When the ground level is less than 600mm below the deck.<br/>b) When the ground level is more than 600mm below the deck.<br/>c) When the deck supports a cantilevered balustrade.</p> | <p>6) What is the required durability of stairs, handrails and decking?</p> <p>a) At least 5 years.<br/>b) The lifetime of the deck.<br/>c) At least 15 years.</p> |
|--|--|--|



NB: The questions and answers in this section have been produced by the publisher and do not necessarily reflect views or opinions of the contributing organisation.

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## Construction industry squeezed by growth

Despite strong growth in employee numbers over the past few years, the construction industry still faces a significant labour shortage, currently estimated by some sources to be around 17,000

While the construction industry's ranks have been bolstered by strong employee growth in recent times, research shows a lot more is required to meet labour demands.

A recent PWC report titled *Valuing the role of construction in the New Zealand economy* shows that since 2012, the number of full-time employees in the construction industry has increased by 18%.

That figure includes 27,500 employees added in 2015 – the largest contribution by any industry to annual national employment growth that year.

However, the report says that labour demand in construction-related occupations is forecast to increase by 49,000 between 2015 and 2021.

Industry participants in the report highlighted labour shortages as a noticeable constraint on their businesses that impacts productivity.

The industry has struggled with finding skilled labour since 2011, particularly in regards to design and other technical skills, but participants highlighted that it has recently been increasingly difficult to find unskilled labour as well.

### SECTOR NEEDS BETTER RELATIONSHIP WITH EDUCATORS

Geoff Hunt, Chair of the Construction Strategy Group that co-commissioned the report, said that the construction industry is misunderstood within schools, making it difficult to attract people to careers within the industry.

"The scope of the industry isn't well understood. Job opportunities exist for architects, project managers, engineers, quantity surveyors, carpenters, plumbers, plant operators, etc. A survey in Auckland identified that around 31,000

new entrant jobs would be created in construction in the next five years and about a third of those will require university qualifications or equivalent," Mr Hunt said.

"I think something like organising site visits for year nine and ten students would be a great idea, because it would highlight to those kids what the jobs on offer look like.

Another question the industry needs to answer is how do we build the cost of training tomorrow's workforce into today's jobs?"

**Our battle is not so much finding enough skills during the boom times, but retaining sufficient skills during the bust. This is when we see apprentice numbers collapse, which means we start well behind the eight ball when the market eventually rebounds, which is what we're experiencing now." – BCITO Chief Executive Warwick Quinn**

Mr Hunt said that he was encouraged to hear that, this year, the Auckland University of Technology will turn out its first class of construction management graduates.

"What tends to happen is that the industry will take graduate engineers or quantity surveyors and try to mould them into construction managers on the job, but they don't necessarily have all the right skills or training. I'd like to see similar courses to the one offered by AUT taught by more tertiary institutions in New Zealand."

BCITO Chief Executive Warwick Quinn

agrees, highlighting one of the biggest challenges as being the prejudice facing the trades from key influencers of school leavers who favour them going to university.

"This pressure comes from parents, schools, career advisers and others. It's a bias that has been in the making for the best part of 30 years (if not longer). Positioning the trades as a genuine career option is really important, along with building strong employer connections with schools in local communities," Mr Quinn said.

"BCITO is running quite an extensive marketing campaign to help address the bias issue and works a lot in schools. We are looking to strengthen that relationship further and not only connect with school leavers, but also those still in schools interested in a career in the trades. If we can do that well, we have a much better chance to build those early relationships with local employers."

### VOLATILITY HURTS RECRUITMENT AND RETENTION

Hunt and Quinn both said that the boom and bust nature of the industry acted as a deterrent to smaller firms – which make up more than 90% of New Zealand's construction industry – taking on apprentices and investing in their training.

"During the boom times we chase potential apprentices and during a bust we chase employers. The best way to manage the shortfall is to not fall behind the number of people we need in training in the first place," Mr Quinn said.

"Our battle is not so much finding enough skills during the boom times, but retaining sufficient skills during the bust.

"This is when we see apprentice numbers collapse, which means we start well

behind the eight ball when the market eventually rebounds, which is what we're experiencing now."

He said a number of factors needed to be considered as part of the solution, including equipping construction companies with better business skills to improve their understanding of the economy and how a business should respond to its high and lows, as well as changing the view of training from a cost to an investment.

"Training and qualifications also need to be more aligned to how the sector is structured, so that training is directly related to the job being undertaken. The

sector should send strong signals that training is valued and purchasers of construction services, including principal contractors, insist on hiring firms that employ a certain number of trainees."

He also said that there was an opportunity for the government to step in.

"It could offer builders who are training apprentices some form of financial incentive. It could also encourage better labour force planning by having a dedicated policy unit monitoring the labour market's demands and using whatever levers it has to encourage skills development during a down turn, to avoid capacity and capability

problems when the market eventually recovers."

Mr Hunt said that he would like to see the government better plan the rollout of its large-scale projects.

"Rather than coming to the market with work during a boom time, the government could delay or bring forward projects so that they fall during a bust, which would help to smooth out the troughs."

He said it would also give industry players more confidence to invest in both training and productivity increasing measures.

## Consents hit September slowdown

Seasonally adjusted, new dwelling consents rose just 0.2% compared to 1.5% in August

Statistics New Zealand data shows that a total of 2,550 new dwellings were consented in September.

Year-on-year, the September total – which included 1,892 houses and 206 apartments – was up 308 or 14%.

For houses only, the seasonally adjusted number fell 2.5% following a 4.1% rise in August; however, the overall trend has increased substantially since the low point in early 2011.

### WELLINGTON DOUBLES UP

Compared to September 2015, new dwelling consents in September 2016 increased in 11 out of the 16 regions led by Wellington (up 168 to 294; +133%), Auckland (up 109 to 752; +17%) and Otago (up 50 to 165; +43%). Bay of Plenty, Hawke's Bay, Manawatu-Wanganui, Marlborough, Northland, Tasman, Taranaki and West Coast were the other regions to record an increase.

The massive increase in Wellington was driven by 93 units consented as part of Wellington City Council's Arlington Apartments project.

The biggest decreases were in Canterbury (down 67 to 458; -13%), Southland (down 17 to 24; -16%) and Waikato (down nine to 311; -3%).

Nelson and Gisborne were the two other regions to consent less new dwellings in September compared to the same month last year.

### 12-MONTH VIEW

In the year ended September 2016, 29,935 new dwellings were consented, up 14% from the previous corresponding period.

Across the North Island, the number increased 25% compared to a 3.9% decrease across the South Island, including a fall of 737 new dwelling consents in Canterbury.

The six regions with the largest increases were:

Auckland – up 1,239 (+14%)  
 Waikato – up 845 (+31%)  
 Bay of Plenty – up 829 (+50%)  
 Wellington – up 458 (+30%)  
 Otago – up 408 (+31%)  
 Northland – up 321 (+40%)



New builds such as Wellington City Council's Arlington Apartments project have boosted construction activity in the capital  
 Credit: Novak+Middleton



## Hot summer safety tips!



Protect yourself onsite by wearing a hat, sunglasses and sunscreen

Summer is always one of the busiest times of the year for those involved in the construction industry. While you work hard to make hay while the sun shines, it's important to ensure you and your staff are aware of the hazards presented by working in hot, sunny conditions

Summer is a great time for building and landscaping work, but it can present additional health and safety risks. We've put together some tips below on what you and your team can do to look after each other while working in warmer weather.

Make sure you know the danger signs to look out for when working in the heat. If you or one of your colleagues overheat,

you'll notice symptoms such as:

- Clammy or sweaty skin.
- Feeling weak or dizzy.
- Darker coloured urine.
- Pounding or rapid pulse.
- Loss of balance / fainting.

- Headaches.
- Muscle cramps.
- Mood changes or confusion.

If heat stress or exhaustion is not dealt with quickly, it can progress to heat stroke. At its worst, this can be life threatening. Be extra careful when doing the type of work listed below, which

increase your chances of suffering from heat exhaustion:

- Working in confined spaces.
- Doing underfloor, ceiling or roof work.
- In cabs of mobile plant.
- Enclosed areas with limited air flow.

**It's important to always protect yourself from the effects of heat by wearing sunscreen, drinking plenty of water, taking breaks and seeking shade**

#### SLIP, SLOP, SLAP!

It's important to always protect yourself from the effects of heat by wearing sunscreen, drinking plenty of water, taking breaks and seeking shade.

The risks of sun exposure may seem obvious, but it's an easy one to overlook and can be fatal given New Zealand's high rates of skin cancer.

Even though it's great to enjoy the sunshine while on site, make sure you and your team follow basic sun-smart rules such as covering up with work clothes made of breathable fabrics, wearing a hat and using a good-quality sunblock.

Safety sunglasses, to protect eyes from flying objects and UV rays are also a good idea. With any sunglasses, always check the impact and UV rating.

#### STAY HYDRATED!

Your body overheats when it can't cool itself through sweat, and sweat requires you to stay hydrated. Anyone building or landscaping in the heat of a summer's day is at risk of dehydration.

This could be due to working in the direct sun, working near heat-producing processes or simply from the work you are doing (whether indoors or outside).

The effects of working in heat range from mild discomfort through to life-threatening heatstroke. With that in mind, consider:

#### Planning ahead

Try to avoid or limit prolonged exposure to extreme heat, and work in the shade when possible. Ensure there is adequate airflow or ventilation to help keep the temperature down.

Wear lightweight clothing if it's safe to do so, but be sure to comply with your company's clothing regulations.

#### Keep up the fluids

Most people need about eight glasses of water per day – but if you're working in the heat, it's likely you will need more.

Make sure you and your crew drink plenty of water throughout the day and also limit the consumption of sugary or caffeinated drinks.

#### FATIGUE

If you've been waiting for good weather to get cracking on a job, it can be tempting to push through and extend your working day. However, ignoring the signs of fatigue in yourself and your workers can be a real risk.

Consider:

- Taking regular breaks – with extra breaks if the work is demanding.
- Monitor and place limits around overtime and avoid incentives to work prolonged hours.
- If you need to work longer hours, consider staggered start and finish times and longer breaks and periods off work.
- Use the right tools and resources for the job.
- Consider low-vibration hand-held tools and, where practical, install low-vibration seats in machinery.
- Rotate tasks between workers.
- Keep workloads and deadlines realistic.

Site Safe is a not-for-profit, membership-based organisation that promotes, inspires and supports a culture of health and safety in New Zealand construction. For a free guide on preventing fatigue and other useful industry information, check out [www.sitesafe.org.nz](http://www.sitesafe.org.nz)

## PROVE YOUR KNOWLEDGE!

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7) What is the best drink to prevent dehydration?

- a) Coffee.
- b) Water.
- c) Red Bull.

8) What is NOT a sign of overheating?

- a) Feeling weak or dizzy.
- b) Darker coloured urine.
- c) A regular pulse.

9) Which of the following is a recommended way of managing fatigue?

- a) Only work at night to avoid heat exposure.
- b) Rotate tasks between workers.
- c) Give your workers incentives to work longer hours.





# THE SUCCESSFUL BUILDER

## Be seen online!



Ensuring your website is mobile is one of the keys to being seen

In last month's article on online marketing, we focused on putting good-quality content on your website – the next step is to boost the chances that people will actually see it

There's a saying that 80% of success in life is about showing up, so it's hard to catch opportunities when you're not there. It's the same with websites – the ones that show up in searches for builders are the only ones that potential customers are likely to see. Simple!

Online marketing can show up at any time – 24 hours a day, seven days a week. It can show up to someone searching for a great builder and it can show up from friends posting about their new home renovation on social media.

The following four steps will help ensure your website is seen:

- Scrutinise
- Optimise
- Socialise
- Capitalise

### 1. SCRUTINISE

Do your research first by asking yourself

the following questions:

- **What are my current online marketing strategies?** List all the things you're currently doing online, such as Facebook, LinkedIn, Pinterest.
- **How is it going?** Examine results on each channel carefully and objectively, noting the differences in how your business is portrayed on each (what words and photos you use to describe your business, what comments people make).
- **Where is the marketing winning or losing?** Are you getting many visits with few conversions, or are you just not getting visits online?
- **What are your company goals for online marketing?** To get phone calls and email enquiries, or get sign-ups to your interesting blog articles?
- **How do you differentiate yourself from other building companies?**

Asking these questions will help you figure out the types of online marketing channels you should be using to direct people to your website.

It will also guide you in generating keywords and phrases to help your website show up in searches.

### 2. OPTIMISE

Once you've figured out who you want to market to and through which channels, it's time to optimise your website to rank highly in search results. This is called Search Engine Optimisation (SEO).

Search engines are complex mathematical algorithms that 'patrol' the internet, reading websites and organising indexes of thousands of words and phrases, the websites they are hosted on and the popularity (value) of that website. These indexes enable almost instant search results.

The closer your content gets to matching the words, phrases, sentences or questions that are typed into a search

engine, the higher your website will rank in the Google index the search returns (assuming everything else is equal).

As an example, let's say you've done your research and you have a list of keywords and phrases that your target customers are likely to use.

You want your home building business to rank highly for the search: "custom home builder in Hamilton". So, you could follow these three steps:

1. Include the phrase in the titles of pages on your website.
2. Put the phrase in the content on your home page.
3. Write blogs and content about custom home builds you've worked on in Hamilton.

It's highly likely that Google will list your website in an index built from combinations of the words 'custom', 'home', 'builder' and 'Hamilton'. When someone types in these words, your website will show up.

### Mobile friendly

There's nothing worse than scrolling across a page when searching for something on your phone. Research has shown that over 50% of people leave a site if it's not mobile optimised.

This is called the 'bounce rate' – the

percentage of visitors who go to your website and leave without exploring another page – and it's bad because Google rates it negatively.

The higher the bounce rate, the lower your ranking – even if it's only because your site isn't mobile friendly!

### 3. SOCIALISE

Social media is a great way to communicate with potential leads.

Platforms such as Facebook, Twitter, Pinterest and Google+ allow you to easily reach new audiences and be seen. It's easy and quick to share photos of new homes or interesting renovation projects.

You can promote selected website posts and even target your ads at a specific audience, such as people in particular locations or with a certain set of interests.

Some builders also find Facebook a great place to interact with customers and answer questions. In valuing your website, Google also looks at your business' overall social presence. Social interactions help you rank higher in Google searches.

Each time you add a new blog post to your website, add the link to each of your social profiles to drive more traffic to your website. If readers like what they see, they're likely to visit and spend time navigating around your site.

Remember to keep your social media pages up to date – having unanswered questions on a social media page can be as bad as/or worse than not having one at all.

Add updates as often as daily. These could be photos of sites you're working on. Do this even if you don't yet have many followers, because Google will take it into account.

### 4. CAPITALISE

To drive more traffic to your site and turn more visitors into leads, you can also use pay-per-click advertising (eg, Google Adwords). This is more costly than SEO but, if used correctly, can be a powerful tool.

Google Adwords is great for targeting people who are actively searching for a builder to build or renovate their home, because you're able to create and run ads for your business that are displayed in Google's search results.

You stipulate the key searchable words or phrases that will cause your ad to be displayed and you only pay when someone clicks on your ad.

So, don't make the mistake of being invisible on the internet.

Employing the strategies outlined above will help you show up when potential customers are looking, ensuring your website is in the right place at the right time.

Graeme Owen, based in Auckland, is a builders' business coach. Since 2006, he has helped builders throughout New Zealand get off the tools, make decent money, and free up time for family, fishing, and enjoying sports. [www.thesuccessfulbuilder.com](http://www.thesuccessfulbuilder.com)

## PROVE YOUR KNOWLEDGE!

Tick the correct answers below and record what you've learnt in the record of learning on the back page! Evidence of actual learning rather than just 'participation' is a key requirement of the LBP renewal process.

- |  |  |  |
|--|--|--|
| <p><b>10)</b> What is NOT a benefit of sharing your website posts through social media?</p> <p>a) Social interactions help you rank higher in Google searches.</p> <p>b) It gives you an opportunity to answer people's questions.</p> <p>c) It automatically increases your lead conversion rate.</p> | <p><b>11)</b> Why is it important to make your website mobile friendly?</p> <p>a) It will likely reduce your 'bounce rate' and improve your Google ranking.</p> <p>b) 87% of new-home builders search for tradesmen on their phones.</p> <p>c) It is not important to make your website mobile friendly.</p> | <p><b>12)</b> Ideally, how often should you update your website and social media pages?</p> <p>a) Daily.</p> <p>b) Weekly.</p> <p>c) When you have time.</p> |
|--|--|--|





## Resolving disputes

SRB | Saunders Robinson  
Brown Lawyers

In previous articles we have discussed the common causes of construction disputes and suggested steps to avoid those disputes. Unfortunately, sometimes a dispute cannot be resolved and further action needs to be taken

The Construction Contracts Act 2002 (Act), which covers both commercial and residential construction contracts, provides a process for dealing with payments and disputes.

The Construction Contracts Amendment Act 2015 was passed in December last year and amended the Act in three areas in a staged process. The first amendment removed the differences between residential and commercial contracts, allowing parties to residential construction contracts full access to the Act's dispute resolution process.

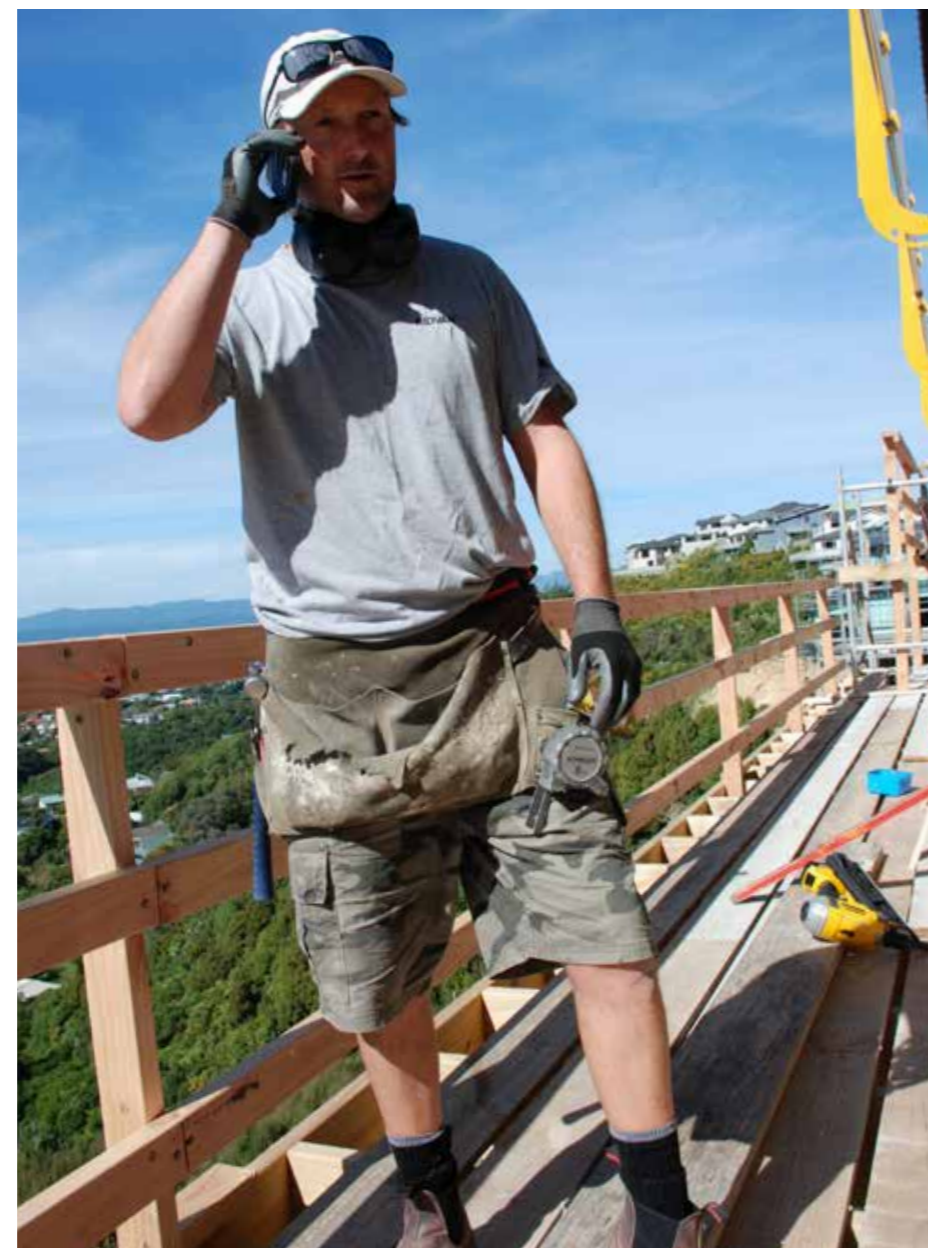
One of these dispute resolution methods is adjudication, designed to provide a fast and cost-effective method of determining the dispute. It is a legal process in which an adjudicator reviews evidence (including relevant documents and written statements) and written legal arguments, as set forth by opposing parties.

It is the method favoured by the Act, on the basis that it is intended to provide a fast and cost-effective process that allows the parties to maintain their cash flow while the dispute is resolved.

### WHEN SHOULD IT BE USED?

Adjudication should only be used if the dispute cannot be resolved by discussing the issue with the other party. For example, adjudication may be the best next step if the parties to a construction contract disagree on the following:

- Whether an amount is payable under the contract (for example a progress payment).



Adjudication may be the best next step if the parties to a construction contract can't agree after talking to each other about things such as a progress payment being delayed or the terms of a contract being breached

- The reasons given for non-payment of an amount due.
- Whether there has been a breach of a term of the contract.

Nothing in the Act prevents the parties to a construction contract from submitting a dispute to another dispute resolution procedure – eg, to court, to a tribunal or to mediation.

However, an adjudicator must terminate the adjudication proceedings if, before the adjudicator determines a dispute, that dispute is determined under any other resolution procedure.

### THE ADJUDICATION PROCESS

Although adjudication may be daunting to the uninitiated, the key steps under the Act are relatively straightforward and easily understood.

However, the timeframes are short. If you are making a claim (the claimant), you should ensure that you are well prepared before submitting the claim to adjudication.

### Adjudication should only be used if the dispute cannot be resolved by discussing the issue with the other party

If you are responding to a claim (the respondent), it is essential that you get advice straight away. If you delay, you will risk not being able to comply with the required timeframes.

The key steps in an adjudication process under the Act are:

1. The claimant will serve written notice of their intention to refer a dispute for adjudication (the Notice of Adjudication) on the respondent.
  2. Within five working days of serving the notice, the claimant should request an agreed adjudicator. If an adjudicator cannot be agreed upon, then a nominating body (as may be set out in the contract between the parties) will select an adjudicator.
- If a nominating body is not set out in the contract, an Authorised Nominating Authority (ANA) can be requested to select an adjudicator.

3. Once selected, the adjudicator must indicate their ability within two working days of the request that they are willing to act. The adjudicator's acceptance must be confirmed to the claimant and the respondent.

4. The claimant then has five working days after the adjudicator's notice of acceptance to submit their dispute in writing, specifying what the dispute is over and any other documents supporting the claimant's claim.

5. Within five working days of the claimant putting the dispute in writing, the respondent must submit a written response. If they do not file a response, the adjudication will continue anyway. The respondent may request an extension of time to file their response.

6. Once the response has been filed and served, a claimant may serve a written reply to the response within five working days.

An adjudicator can refuse to consider any new material or issues raised in the reply, or they can allow the respondent up to two working days to serve a 'rejoinder' (a reply to the claimant's reply).

7. The adjudicator will then investigate the matter and may request further details from the parties and/or call a conference if required. Often an

adjudicator will decide that they are going to determine the dispute on the papers (without a hearing). However, they could also decide that a hearing should be held. The parties must cooperate with this process.

8. After the investigation is finished, the adjudicator will issue a written determination outlining their reasons.

This is normally within 20 days of when the respondent's response was due, but can be extended to 30 days if the contract parties agree.

### APPEALS

Adjudicator determinations are interim decisions – the dispute can still be pursued through the court or arbitration. However, anecdotal evidence suggests that adjudication is often the final step in many disputes.

Another key advantage of adjudication is that, unlike a court decision, it can remain confidential between the parties.

There are strict timeframes to comply with under the Act. These timeframes are there for a reason, but as a result a respondent needs to get advice as soon as possible if they are served with a Notice of Adjudication.

Claimants should make sure that they are well prepared before submitting a claim to adjudication.

The information in this article is intended as a general guide only and is not intended to be legal advice. Detailed advice should be obtained to cover a specific situation.

## PROVE YOUR KNOWLEDGE!

Tick the correct answers below and record what you've learnt in the record of learning on the back page! Evidence of actual learning rather than just 'participation' is a key requirement of the LBP renewal process.

- |  |   |  |
|--|---|--|
| <p>13) What did the first amendment to the Construction Contracts Amendment Act 2015 allow?</p> <ol style="list-style-type: none"> <li>a) An additional hour of break time for builders.</li> <li>b) It allowed parties to residential construction contracts full access to the Act's dispute resolution process.</li> <li>c) It removed the right of parties to residential construction contracts to access the Act's dispute process.</li> </ol> | <p>14) How much time can an adjudicator allow a respondent to file a 'rejoinder'?</p> <ol style="list-style-type: none"> <li>a) Two working days.</li> <li>b) Three working days.</li> <li>c) Four working days.</li> </ol> | <p>15) What is an advantage of adjudication over a court decision?</p> <ol style="list-style-type: none"> <li>a) They are confidential.</li> <li>b) They are legally binding.</li> <li>c) Decisions generally favour claimants.</li> </ol> |
|--|---|--|

NB: The questions and answers in this section have been produced by the publisher and do not necessarily reflect views or opinions of the contributing organisation.





## Retentions – bond or trust?



An advantage of using retention bonds is that there is no risk of losing retention monies if a main contractor goes under, such as when Mainzeal collapsed in 2013

### Retentions are often a source of headaches for those working in the construction industry – but did you know that there's an alternative to help alleviate the associated stress?

Most subcontractors who've had to agree to have retentions withheld from their invoices will have experienced the trepidation that comes with worrying if they'll ever see that money again.

Many find recovering it once their defects liability period has ended a long and painful process, even from a main contractor that's still trading, let alone one that's gone bust.

Fortunately, from 1 April 2017 retention money withheld by a principal or contractor must be held 'on trust' until being released to the subcontractor. See the MBIE article on page 8 for more details.

The retention trust regime will only apply to commercial construction contracts (not to residential contracts with the home owner) where the retention money is above a specified amount, yet to be determined by regulation.

Held on trust means the money has to be properly accounted for and can't simply form part of a 'slush fund', or be used as working capital to cashflow the main contractor's operation. Subcontractors will be able to demand evidence that their retentions are being held on trust.

However, these changes – passed into law in 2015 as part of the Construction Contracts Amendments Act – will not require retention money to be held in separate, secured bank accounts.

This means there is still a risk that a principal or main contractor could wrongly use the money and that if they get into trouble, their subcontractors could still lose out.

However, it does mean that rather than being at the back, subcontractors will be at the head of the queue to get their retention money back through the liquidation process.

### MAKING RETENTIONS EASIER FOR MAIN CONTRACTORS

Because of these new requirements, principals and main contractors will need to develop contract agreements, payment terms, accounting policies and reporting systems that comply with their own trust obligations.

Should retention funds be kept in separate trust accounts for each job, or in one consolidated retentions account, or neither, and simply be accounted for separately in the books?

MBIE warns that breaching these obligations, which may implicate directors personally, could result in substantial penalties, including criminal prosecution.

In this new environment, one alternative that provides the same security as cash retentions, but is much easier to administrate (and comes without the consequent trust obligations), is a bond in lieu of retentions or retention bond.

### A BOND IN LIEU OF RETENTIONS

Rather than withholding the subcontractors' retentions from each invoice and having to hold it before repaying it at the end of the defects liability period, a principal or main contractor can simply demand a retention bond.

The subcontractor arranges the bond with an insurance company and presents it to their main contractor. The bond covers the amount of their retentions and expires at the end of the defects liability period.

A retention bond provides the same assurance to the main contractor that, should any problem arise after the work is finished, the subcontractor will come back to fix it.

If they refuse or can't do so, the main contractor simply calls on the bond and the insurer pays out first, then seeks recovery of their money from the subcontractor.

They are called 'on demand' bonds, because there is an obligation on the insurer to pay first and assess the claim later, to ensure the process is swift and the bondee (the main contractor) can get on with fixing the defects.

The subcontractor doesn't get off the hook, because they've paid a premium for the bond and, if they're still around, the insurer who backed it will want to recoup their money.

### BENEFITS FOR PRINCIPALS AND MAIN CONTRACTORS

Firstly, bonds provide the same security as withholding retentions. In the event that the subcontractor fails to rectify defects, the bond can be used to pay another contractor to fix them.

**The retention trust regime will only apply to commercial construction contracts (not to residential contracts with the home owner) where the retention money is above a specified amount, yet to be determined by regulation**

Secondly, because they're not holding any funds on trust, there are no trust obligations or trustee liabilities on the company directors or compliance requirements under the Construction Contracts Act.

Finally, a bond in lieu of retentions is easy to specify in contracts and they expire when the defects liability period ends (or on whatever date is agreed in the contract), so there is no administrative burden or paperwork involved in returning them.

### BENEFITS FOR SUBCONTRACTORS

Firstly, providing a bond in lieu of retentions means that the subcontractor's cash flow position is immediately improved, as every invoice is paid in full

with no retention money withheld.

Secondly, they don't have to wait for three, six or 12 months after the project ends to get their final payment (return of their retentions) and book the profit on the job.

Finally, they don't have the risk that their main contractor goes into liquidation before returning their retention money.

Even under the new CCA rules, there is still a risk that retention money could be lost if it hasn't been accounted for properly or there isn't enough to go around.

### HOW TO ARRANGE A BOND

Once the two parties have agreed that a bond in lieu of retentions is the preferred method of guaranteeing defect resolution, the subcontractor applies for the bond.

After a one-time assessment of the company's management structure and financial position, each subsequent bond application resembles a normal insurance application.

It requests details of the project, the two parties and the amount being bonded. There is a premium to pay and then the bond is issued to both parties.

If you're interested in replacing your cash retentions obligations with an insurance-backed bond, contact your broker or Bultin for more information.

Bultin Insurance is a specialist in insurance and guarantees for builders and trade professionals. For more information visit [www.bultin.co.nz](http://www.bultin.co.nz) or contact Ben Rickard at [ben@bultin.co.nz](mailto:ben@bultin.co.nz) or 0800 BULTIN.

## PROVE YOUR KNOWLEDGE!

Tick the correct answers below and record what you've learnt in the record of learning on the back page! Evidence of actual learning rather than just 'participation' is a key requirement of the LBP renewal process.

- |   |   |   |
|---|---|---|
| <p><b>16)</b> What type of contract does the retentions trust regime outlined in the Construction Contracts Amendments Act apply to?</p> <p>a) All construction contracts.</p> <p>b) Residential construction contracts only.</p> <p>c) Commercial construction contracts only.</p> | <p><b>17)</b> What is a retention bond?</p> <p>a) A bond paid by a subcontractor to ensure a main contractor retains his services.</p> <p>b) A bond held by an insurance company that covers a retention payment.</p> <p>c) Another term for trust.</p> | <p><b>18)</b> What is NOT a benefit of using retention bonds for a subcontractor?</p> <p>a) It improves their cash flow position because every invoice is paid in full.</p> <p>b) There is no risk that they'll lose their retention money if a main contractor goes into liquidation.</p> <p>c) It's a free service offered by most insurance companies.</p> |
|---|---|---|





# GET THE EDGE

## ACHIEVE A SUPERIOR R-RATING WITH FIRTH'S NEW SLAB EDGE INSULATION

As we head into an era where energy efficiency and sustainability defines how homes are designed and built, Firth have developed a new slab edge insulation system called RibRaft® HotEdge®. RibRaft® HotEdge® system has been 3D modelled by BRANZ and shown to provide a minimum of R1.0 to the edge beam, increasing the overall R-value to the floor area of up to 50%. RibRaft® HotEdge® has been designed specifically for Firth RibRaft® floors. It is a fully integrated slab edge insulation system that assists in attaining Homestar® points and is fully compatible with Firth's RibRaft EQ® and RibRaft TC3® seismic foundation systems.



1 Unlike 'bolt-on' alternatives, HotEdge® panels are placed inside the RibRaft® foundation boxing before Firth RaftMix® concrete is poured. Tornado screws allow it to be structurally connected to the Firth RaftMix® concrete edge beam, making it an integral part of the foundation.



2 RibRaft® HotEdge® is a closed cell extruded insulation system, with a pre-meshed and plastered exterior that provides high strength durability and is highly resistant to moisture, retaining its R-value year after year.



3 Boxing is removed, revealing a truly integrated seamless thermal barrier. With the RibRaft® HotEdge® you don't need to increase the framing size in your design: standard 90mm framing applies.

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## Tour of Southland is Roulston's lap of honour

Two-time Olympic medalist Hayden Roulston finished fourth at the 60th Tour of Southland to put a lid on a career that will be remembered as one of New Zealand's best

A decade after his last Tour of Southland title, Hayden had hoped this year might bring his fifth victory and a fairytale ending to his time in the saddle.

"Tour of Southland is New Zealand's number one cycling race and I felt it would be the perfect occasion for me to finish my career," said the 35-year-old, who competed in this year's tour as Team PlaceMakers lead rider.

Tour Manager Bruce Ross said it was special to have a rider of Hayden's calibre in the tour.

"He developed a lot of his talents competing in this event and I think it's quite special to see him have his swansong here," said Bruce. "He rode very well throughout and certainly showed his quality."

Hayden was joined in the PlaceMakers team by Reon Nolan (Christchurch), Richard Lawson (Christchurch), Scott Thomas (North Shore), Frazer Hewett (Invercargill), Anton O'Connell (Cambridge) and Tom Sexton (Invercargill).



Team PlaceMakers finished sixth overall at this year's Tour of Southland

Bruce said that the team's young riders benefited from racing alongside Hayden.

"Those guys in and around him all rode very well too. Speaking to them, they said it was great to be in the same team and that they learnt a lot from him, which will no doubt help them in the future."

Team PlaceMakers finished sixth with a time of 63:12:46, competing in a field that featured a number of international riders and Olympians, including eventual winner Auckland's Aaron Gate.

Gate, riding for Team Creation Signs - L&M Group Ricoh, powered through the tour's grueling 831km in a time of 20:47:49 - more than five minutes ahead of Roulston.

A patient ride saw him claim the yellow

jersey with a Stage 5 victory, before putting in some strong work to ensure he retained it until the finish. It's the first time he has won the tour.

**FANTASTIC ANNIVERSARY EVENT**  
With the Tour celebrating its 60th anniversary, 12 former winners were invited to help commemorate the occasion.

"It was great to hear some of the stories from past tours," said Bruce. "The event itself was fantastic, too. We had a new leader almost every day and the level of racing was very good."

"I've been involved in the tour for more than 40 years and I reckon this was definitely one of the better ones I've seen."

## PROVE YOUR KNOWLEDGE

- |                             |                              |                              |
|-----------------------------|------------------------------|------------------------------|
| 1) <input type="checkbox"/> | 7) <input type="checkbox"/>  | 13) <input type="checkbox"/> |
| 2) <input type="checkbox"/> | 8) <input type="checkbox"/>  | 14) <input type="checkbox"/> |
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| 4) <input type="checkbox"/> | 10) <input type="checkbox"/> | 16) <input type="checkbox"/> |
| 5) <input type="checkbox"/> | 11) <input type="checkbox"/> | 17) <input type="checkbox"/> |
| 6) <input type="checkbox"/> | 12) <input type="checkbox"/> | 18) <input type="checkbox"/> |

### December 2016

For ease of record keeping, use this coupon to collate your answers from within this issue of **Under Construction** and then sign and date it as proof of your own learning.

Signature \_\_\_\_\_ Date \_\_\_\_\_







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