

ISSUE 62

UNDER CONSTRUCTION

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Equal opportunities all round



Industry feedback continues to prompt government incentives – such as encouraging more women into the industry and guaranteeing better protection for subcontractors – designed to make the construction industry better for everyone

More than two years after the Construction Contracts Amendment Act was passed, the final stage of the three-pronged amendment has come into force – new rules for protecting retention money for subcontractors. A number of our builders have said they find the regulations confusing, so we've done our best to clarify them in this issue of *Under Construction*.

The new rules require developers and head contractors to hold 'on trust' any retention money they've withheld from their subcontractors. This 'on trust' obligation only applies to commercial contracts and had been widely discussed leading up to the date when it was scheduled to come in force – 31 March.

However, in early March, two new amendments to the original amendment were proposed; the first was to clarify that only contracts entered into (or renewed) on or after 31 March would have to comply with these new 'on trust' rules, the second would allow developers and head contractors to obtain an insurance-backed bond to cover the retention money they hold.

These amendments were only proposed at the time this issue of *Under Construction* went to print; however, if they are going to be enacted it will need to happen before 31 March.

While the vast majority of contracts in the residential sector do not contain the need for retention payments, some high-end architectural builds may. Either way, it's worth being across changes of this magnitude occurring in the industry.

As you'll also read this month, changes aren't limited to the paperwork – it's also all about the people. As part of its solution to New Zealand's under-resourced construction sector, a new three-year research project to get more women into trades has been launched (read more on page 15). In our Builders' Business section, we asked some of our own customers how they thought more women could be enticed into the industry – check out their ideas on page 5.

In much the same vein, PlaceMakers is doing its best to support the up-and-coming members of the workforce – male or female – through its PlaceMakers Apprentice Crew (read more on page 7).

As always, we will continue to do our best to help you stay up to speed with these changes through *Under Construction* – both in print and online! Make sure to sign up to our email newsletter on underconstruction.placemakers.co.nz to find out what happens with the CCAA amendments ASAP!

Gary Woodhouse

General Manager Operations & Marketing

The new rules require developers and head contractors to hold 'on trust' any retention money they've withheld from their subcontractors



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BPB annual report released

The Building Practitioners Board’s annual report outlines a continuation of increased activity over the past 12 months, especially around dealing with complaints received by the Ministry of Business, Innovation and Employment

As of 23 February 2017, the scheme had 30,305 licences issued to 25,305 individuals (some LBPs hold more than one licence). In the 2015/2016 financial year, 720 new licences were granted.

INCREASING COMPLAINTS

According to the report, the number of complaints received by the Board has increased by about 71% in the past year – likely due to increasing consumer awareness of the programme and increased residential construction activity.

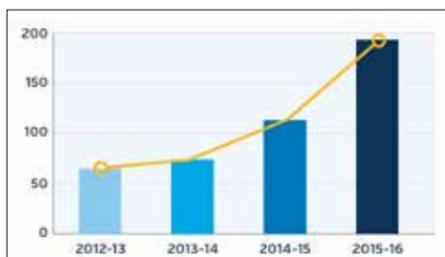


Table 1: Complaints received in previous four years

In relation to LBP complaints, the Board identified a number of common themes:

- The most dominant is the non-provision of records of work (RoW) memorandum. These are being withheld either out of ignorance or, in many cases, as leverage in a commercial dispute, neither of which are valid reasons.
- Poor understanding and application of site supervision.
- Undertaking work relating to general repair, maintenance and replacement as per Schedule 1 of the Building Act considered confusing to the industry at large. It is hoped that further Ministry-led guidance may reduce the number of complaints.

- Complaints about LBPs issuing signed statements (which are supposed to give assurance that building work meets the Building Code) based on little or no factual basis are increasing.
- Complaints that highlight the breakdown in the relationship between an LBP and the consumer where the LBP is replaced and a complaint made.

NOTE: Despite industry noise about the poor quality of design work, the Board has not received many complaints against designers.

Decisions on all these issues have been, and continue to be, made by the Board. The Board is encouraging LBPs to read these decisions so they can better understand how to avoid complaints in these areas.

PRECEDENT-SETTING DECISIONS

There have been a number of precedent-setting decisions this year, with the most significant ones relating to supervision.

Having taken into account Parliament’s intention in the Act, the Board decided that LBP supervision applies to work covered by a building consent AND non-consented work.

The Board also decided that, while the Act states an LBP cannot supervise another LBP of the same licensing class, if another LBP (employer) instructs an LBP to undertake work a certain way, and that work is subject to a complaint which is upheld, then the instructing LBP can be held to have carried out building work in their own right. While this does not fully address the power imbalance that exists between an employer and employee (as not all employers are LBPs), it is making those in positions of authority more accountable. The Board is also working

with the Ministry to look at ways of further redressing this power imbalance.

Chairman of the Board, Chris Preston, says that now that the LBP scheme has been in place for a few years, there will be less leniency when it comes to decisions and repercussions.

“With respect to penalties handed down by the Board, the Board has, to date, taken the approach that the scheme is still relatively new and LBPs need the chance to fully understand their responsibilities,” said Preston in the report. “As such, the penalties imposed have been at the lower end, but it is the Board’s intention to increase these over the next year to make it clear that poor workmanship and behaviour will have its consequences. The time for leniency has ended.”

COMPLAINTS IN NUMBERS

One of the Board’s targets was to determine 80% of complaints within 85 working days of the date of the hearing. In the end, the Board surpassed its target, determining 100% of complaints within the timeframe. Another target was to determine 90% of appeals within 85 working days of receipt of a complaint appeal. This too was achieved, with the Board determining 95% of appeals within six months.

Of the total complaints/Board inquiries determined in 2015/16, 80 (82%) were upheld. The remaining 17 (18%) were not. Table 2 details the licence classes held by LBPs who were disciplined.

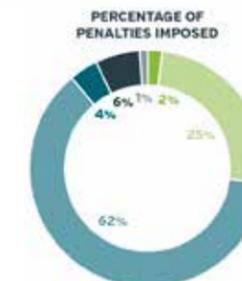
The LBP scheme is a complex occupational licensing model with seven separate licence classes – six trade-related and one which deals with the design of certain residential buildings. When compared with the total number of licences in each licence class, the proportion of LBPs disciplined per

LICENCE CLASS	NUMBER OF LBPs
Bricklaying & Blocklaying	5
Carpentry	69
Design	2
External Plastering	2
Foundations	4
Roofing	4
Site	22
Total	108

Note: Some LBPs hold licences in more than one class.

Table 2: Licence classes held by LBPs who were disciplined

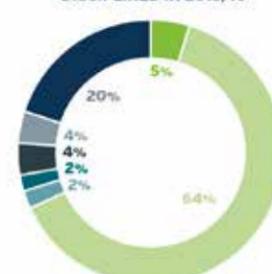
PENALTY TYPE	NUMBER OF PENALTIES IMPOSED
Licence cancelled	2
Censured	22
Fined	55
Name published	4
Licence suspended	5
Training ordered	1



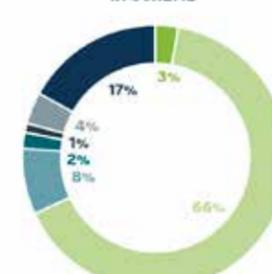
Types of penalties imposed



PERCENTAGE OF LBPs DISCIPLINED IN 2015/16



TOTAL PERCENTAGE LBPs IN SCHEME



Percentage of LBPs disciplined by licence class compared to overall percentage of LBPs in each class

licence class closely reflects the overall distribution.

COMPLAINTS BY REGION

Almost half of the penalties imposed by the Board are Auckland-based. This high volume is thought to be due to the quantity of work being undertaken in the wider Auckland area and the interrelated pressures on labour supply.

Canterbury also appears to be a growth area for complaints, up from 6% in 2014/2015 to 11% in 2015/2016. A substantial number of these complaints stemmed from a recently released report into the Building Code compliance (or lack thereof) of earthquake repairs to Canterbury homes.

The report followed an independent survey of 101 homes randomly selected from more than 2,700 addresses provided by EQC, Housing New Zealand and IAG. Once these potential acts of non-compliance were brought to the Board’s attention, it initiated inquiries into the LBPs in question.

CONSEQUENCES

In 2015/2016, 89 penalties were imposed for 80 upheld complaints against LBPs. Some complaints had more than one penalty imposed. Possible penalties included having the LBP licence cancelled or suspended, getting fined,

having their name published, being censured and/or being ordered to take training.

LOOKING AHEAD

Moving forward, the challenge for the Ministry, the Board and the sector as a whole is to lift the current levels of qualified entrants and work towards drawing a legislative ‘line in the sand’ for it to become an explicit requirement to hold a trade or design-related qualification to enter the scheme. This will be an important step in the scheme’s development and maturity.

KEY POINTS FOR LBPs TO REMEMBER:

- You must provide a Record of Work once the building work is complete – whether you’ve been paid or not.
- Supervising someone else’s work requires actual supervision of the work and makes the supervising LBP liable for its quality.
- If in doubt, check it out! Don’t proceed with work if you suspect it might be non-compliant.

Upholding the LBP reputation

Builder convicted on two charges of falsely claiming to be a Licensed Building Practitioner

Albany-based builder Blair Cole has been fined \$5,000 and ordered to pay court costs and \$1,296 in reparation to an Orewa homeowner for falsely claiming to be a Licensed Building Practitioner (LBP).

The case against Mr Cole was brought to the North Shore District Court by the MBIE Occupational Licensing Team.

According to investigations team leader Simon Thomas, Mr Cole, who trades as Akoranga Construction Limited, ran numerous advertisements in local papers falsely claiming to be an LBP. He also displayed the LBP logo on his business card, despite never holding such a licence, and pretended to be an LBP when engaged to carry out building work.

An Orewa homeowner responded to one of these print advertisements and engaged Mr Cole to replace a number of piles under the deck of her house. He undertook this work, continuing the guise of a licensed builder.

BUILDING ACT OFFENCE

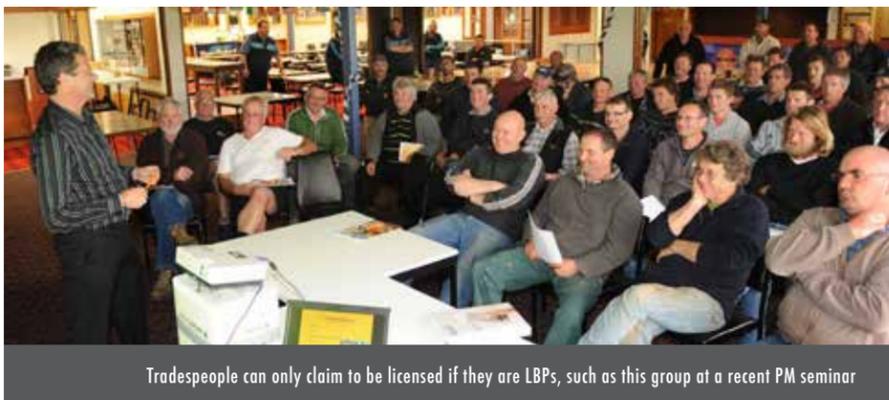
It is an offence under the Building Act 2004 for a person to claim to be licensed to carry out or supervise restricted building work, while not being licensed.

“The prosecution sends a clear message to the building industry that claiming to be a licensed building practitioner without actually holding such a licence is illegal,” said Mr Thomas.

Mr Cole pleaded guilty to both charges, was fined \$5,000, and ordered to pay court fees and \$1,296.02 in reparation to the homeowner for the unfinished work on her home.

THE MESSAGE IS CLEAR

“This prosecution should serve as an important reminder to tradespeople that



Tradespeople can only claim to be licensed if they are LBPs, such as this group at a recent PM seminar

they can only claim to be licensed if they are an LBP,” says LBP registrar Paul Hobbs.

“Where MBIE has evidence of anyone operating outside of the law, they can expect to be caught and prosecuted accordingly.”

HOW TO MAKE A COMPLAINT

The non-LBP complaint process is a little different to the LBP process.

If restricted building work has been done by someone who is not an LBP, you need to complain to our Occupational Licensing Team (OLT). Your complaint should relate to one or more of the following:

- A person has undertaken restricted building work without being licensed or supervised by a licensed person.
- A person held themselves out to hold a licence when they were not licensed.
- A person engaged another person to carry out or supervise restricted building work and knew the other person was not licensed.

This does not apply to owner-builders who have applied for an owner-builder exemption for restricted building work.

The OLT may prosecute a building

practitioner if they:

- Hold themselves out to be a licensed building practitioner when they are not.
- Undertake restricted building work while not appropriately licensed or supervised.
- Knowingly engage a non-licensed building practitioner to undertake restricted building work.

To complain, download and complete the RBW allegation form below and return it by email to investigations@mbie.govt.nz.

You could also talk to your council. In their capacity as a building consent authority they:

- Can issue an infringement notice for \$750.
- Should refuse to issue a building consent for proposed restricted building work (RBW) if the consent application is not accompanied by a valid certificate of design work.
- Can issue the owner, the building consent holder or both with a ‘notice to fix’ to stop any further building work if an application does not identify the LBPs who are to carry out restricted building work.



Equal opportunities

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: How do you think more women can be encouraged into the building industry?

Firm: Haimes Building Ltd
Principal: Mark Haimes
Location: Taupo
Staff: 22

Firm: Martin Goulden Builders Ltd
Principal: Martin Goulden
Location: Wellington
Staff: 5

Firm: Pronto Build
Principal: Adrian Mooney
Location: Hawke’s Bay
Staff: 6

One of the reasons I don’t think a lot of women work in construction is because it’s not a subject girls are guided to at school.

Thinking of women on building sites, we tend to think only of the barriers, such as them being weaker, but there are many positive aspects too, such as great organisational skills and attention to detail.

It can also help balance out a high testosterone worksite and make for a more efficient build, because a balanced work environment is healthy and productive for everyone.

I’m sure plenty of girls out there do want to be builders, though, and I see no reason why women who enjoy physical activity and working with their hands wouldn’t take up the challenge of carpentry.

Trades also open the door for people to own and manage their own business, which is something I think career advisors at school could communicate better.

Submitted by Mark’s wife Tanya

A lot of my girlfriends have said they wish they could be a carpenter like me, but they don’t feel that it’s attainable because of the physicality of the work.

It’s also just not a career they ever would have thought about normally – they’ve only considered it because they know me.

I think there’s a widely held belief that builders are, and should be, men.

To change that, teachers and counselors in schools would need to start promoting it as a career option for girls at an earlier age. The other potentially scary thing about being a builder is how hard it is on your body.

Especially with the retirement age increasing, the ability to work until you retire is definitely a factor when deciding to do a physical trade like building.

Written by apprentice Rachel Corbett

You’re starting to see women a lot more in the lighter trades, such as plumbing and electrical, but I think the heavy lifting and the attitude of some people in the construction industry still puts women off becoming builders.

Some builders can be a bit rough around the edges and from the perspective of a business owner, there are concerns around adding a woman into the team because they could feel uncomfortable or bullied; that said, men can also complain about that as well.

I’ve previously trained a female apprentice named Polly, though, and I’d say she was one of the best we ever had. She had an awesome attitude and was able to give as good as she got on site.

I’d recommend builders put an extra focus on teambuilding when they hire a female carpenter, because it helps better integrate them into your team and removes a lot of the stigma.

In terms of the wider recruitment effort, I think schools could do a better job of pitching it to young girls. There are great benefits to working in a trade and I’d encourage anyone looking at it to just get stuck in.

Now have your say...

WHEN, IF EVER, DO OR WOULD YOU USE RETENTIONS FOR SUBCONTRACTORS? IF NOT, WHAT DO YOU DO TO ENSURE THE QUALITY AND SPEED OF YOUR SUBBIES’ WORK?

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. All responses must be submitted by 25 April 2017. The answers to this question will be published in *Under Construction* June 2017.



X-Factor takes Ben abroad

Benjamin Broad has established himself as one of New Zealand's best motocross prospects and, with the support of PlaceMakers Thames, the internationally acclaimed rider is soaring to new heights

This season, Ben stepped up to the MX2 250cc New Zealand Motocross Championship – the largest senior class in the country, regularly featuring fields of more than 50 riders on the track at a time.

It's a far cry from when he got his first taste of the sport as a four-year-old playing around on trail rides. Ben's father and PlaceMakers Thames customer Ray says his son has been passionate about the sport ever since.

"When he was five, we took him to a Mini event where he finished sixth," says Ray. "A year later, he won the New Zealand Mini Championship and he's just carried on from there."

The 18-year-old has earned numerous titles and accolades since then, including consecutive national championships – winning the New Zealand Junior MX Championship in 2015 and the New Zealand Senior 125cc Motocross Championship in 2016.

CHASING THE DRAGON

Following his senior title win, Ben was one of two Kiwis invited to take part in the Chinese International Grand Prix – an event that features some of the world's best riders competing against one another, with entry limited to invitation only.

Ray says it was a great experience, with Ben finishing fourth overall despite recovering from a collarbone injury.

"He'd broken it six weeks earlier, playing rugby for his college 1st XV, and it was still plated when he was racing in China. While he was happy with the result, he was also a bit frustrated that he wasn't 100%.

"It was really interesting getting to go there and was a great opportunity for

Ben; everyone was really friendly and the hospitality was great. It was an extremely interesting place."

SLOW START TO 2017

With two rounds remaining in the MX2 series, Ray says Ben hasn't started the season as well as he'd have liked.

"He qualified fastest at the opening round in Timaru, but a crash in Race 2 ended his weekend early. He came into it wanting to finish inside the Top 5, so naturally he was disappointed, but crashes are just a part of the sport," says Ray. "It was encouraging to see that he had such a promising start though."

Ben bounced back well in Round 2, finishing a solid seventh and securing important championship points. Ahead of the penultimate round in Palmerston North in March, Ben was 10th overall in the championship and will be looking for a strong finish to the series.

Once the MX2 Championship is finished, the 18-year-old is heading to the Land Down Under to compete in the Australian U-19 Championship.

FIGHTING SPIRIT

While he's experienced plenty of success throughout his young career, Ray says one of Ben's biggest lows came after he broke both his ankles in a crash during training at age 12.

"He was in a wheelchair with both his legs in casts and obviously it was quite distressing for me and my wife. I think we took it more harshly than he did and he actually ended up comforting us!

"His attitude was that it was just a mistake and he was keen to continue riding once he recovered. After around three months off he was back on the bike and he's just loving it."



Ben Broad from Thames is looking to take his motocross career to the next level in this year's MX2 NZ Motocross Championship
Photo: Andy McGechan, BikesportNZ.com

PARTNERING WITH PLACEMAKERS

PlaceMakers Thames has always supported Ben and this year Ben and store operator John McGill decided to formalise the relationship.

"John's always helped us with different bit and pieces, contributing money for fuel, oil and the like. This year Ben signed a contract with Kawasaki to compete in MX2, which prompted him to approach John to ask for more structured support as he's taking the step up to the next level."

John says that he's always been impressed with Ben's work ethic and his commitment to training.

"He's very enthusiastic and is committed to going as far as he can in the sport, which is why we've decided to help him out. I see real value in it, as we're helping support a local person progress in their chosen field. I'm looking forward to seeing where Ben goes from here!"

PM creates pathways for apprentices



From its PlaceMakers Apprenticeship Scholarship Scheme to its new PlaceMakers Apprentice Crew, New Zealand's largest trade supplier is committed to supporting those entering the building industry

Over the past three years, PlaceMakers has helped 30 BCITO apprentices go from rookie to registered through its PlaceMakers Apprenticeship Scholarship Scheme (PASS), which covered course fees and provided ongoing support to these aspiring builders.

PASS recipient Blake Walton, who is now a qualified builder, is extremely grateful for the support PlaceMakers provided during his apprenticeship.

"Having the fees paid allowed me to focus entirely on coursework and learning on the job, which was great, but the additional insight PlaceMakers provided by organising trips to relevant suppliers, and the mentoring I received from John Sullivan of PlaceMakers New Lynn made a real difference to my overall experience," said Blake.

"I really respect PlaceMakers commitment to supporting those of us getting into the building industry – it certainly makes us feel valued and part of the trade!"

PLACEMAKERS EXPANDS ITS INFLUENCE

Supporting apprentices is PlaceMakers way of investing in the construction industry's next generation of builders. Looking to expand its impact beyond ten individuals per year, PlaceMakers is taking a new approach.

In March, it launched PlaceMakers Apprentice Crew (PAC) – a club designed to support any number of carpentry apprentices around the country, whether they're just starting out, in the middle of their apprenticeship, or



PASS recipient Blake Walton, who is now a qualified builder, is extremely grateful for the support PlaceMakers has provided

about to graduate.

"We aim to be there from start to finish, supporting apprentices all the way," says PlaceMakers General Manager Bruce McEwen. "They are the future of the construction industry and we recognise that, so we want to back them.

"By taking this approach, we can have more of an impact on a larger number of apprentices by way of the industry expertise, merchant support and a developed network."

Crew members will get access to a range of perks, such as discounts and special offers, educational and networking opportunities, competitions and apprentice-specific industry news.

It's also a great way to connect with other apprentices and share experiences and learnings – on or off site.

PAC members who are about to complete their qualification can access the 'Graduate Toolbox', a great resource for those who eventually want to start their own business. It also offers ongoing discounts when shopping at PlaceMakers.

STILL NOT CONVINCED?

New members who sign up before 30 April, 2017 will go into the draw to win an essential Carpenter's Kit (courtesy of Apex Tool Group), worth over \$1000, so head to pac.placemakers.co.nz now to become part of the club!

CCAA update


 Ministry of Business,
Innovation & Employment


Changes to the Construction Contracts Amendment Act mean that subcontractors, who do a significant amount of the physical work on building projects, will be properly paid their retentions money

Retention money provisions will apply regardless of the amount of money involved, meaning all subcontractors are covered

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

In December 2015, the Construction Contracts Amendment Act 2015 was passed, amending the Act in three areas with different implementation dates:

- Removing the differences between residential and commercial contracts (in place since 1 December 2015).
- Design, engineering and quantity surveying work now covered by the Act (has been in place since 1 September 2016).
- Retention money withheld under

commercial construction contracts must be held on trust (due to be implemented on 31 March 2017).

In February 2017, shortly before the third stage was due to come into force, Parliament's commerce committee proposed two changes which require further amendment to CCAA:

- 1) That the retention money provisions will only apply to contracts entered into, or renewed, on or after 31 March 2017.
- 2) That the CCAA include an alternative option for protecting money. The option proposed was obtaining a financial instrument, such as insurance or a payment bond, to provide third-party protection of retention money. There would be strict requirements on the financial instruments to ensure repayment of retention money.

If the amendments are not approved by 31 March 2017, only the existing CCAA provision regarding retention money – that it be held on trust in the form of cash or other liquid assets readily converted into cash – will come into force.

If the amendments are approved, payers, such as developers and head contractors, who choose to withhold retention money will have a second option – to obtain a financial instrument such as insurance or a payment bond, to provide third-party protection of retention money.

There would be strict requirements on the financial instruments allowed to ensure repayment of retention money. These include:

- Financial instrument providers would be limited to registered banks and licensed insurers.

- Financial instruments would be required to be issued in favour of subcontractors and allow them to directly enforce the 'promise to pay' against the provider.
- Records of financial instruments would be required to be kept and made available to subcontractors at all reasonable times and without cost.

Subcontractors would benefit from the option relating to financial instruments, as they would be able to claim directly from a registered bank or licensed insurer if the head contractor fails to pay retention money when it is due.

Developers and head contractors would benefit because they would not need to hold retention money on trust.

WHAT IS A COMMERCIAL CONTRACT?

A commercial construction contract means "a contract for carrying out construction work in which none of the parties is a residential occupier of the premises that are the subject of the contract". In other words, all subcontracts are commercial.

According to New Zealand Certified Builders chief executive Grant Florence, retentions are used regularly in commercial construction contracts and, while allowable, seldom in residential construction contracts. He says some high-end, architectural builds might use retentions.

In other words, all subcontracts are commercial and will be covered by retentions

WHY RETENTION MONEY PROVISIONS HAVE CHANGED

Retention money is an amount withheld by a party to a construction contract (the payer) from an amount payable to another of the contract's parties (the payee) as performance security, which can be used to pay for any remedial action that may need to be done as a result of faulty work.

Under the old law, retention payments were not required to be set aside and were put at risk by being used as working capital. In the event of a company going bust, subcontractors often lost the retention owed to them.

The CCAA definition of a commercial contract means all contracts are covered except where one of the parties is a residential occupier of the premises that are the subject of the contract. In other words, all subcontracts are commercial and will be covered by the retention provisions.

NO THRESHOLD AMOUNT PROPOSED

During 2016, MBIE consulted the construction industry on what, if any, regulations should be made under the retention money provisions of the CCAA.

The CCAA contains the power to make regulations setting a threshold amount of retention money that the provisions will apply to, and setting methods of accounting for retention money (additional to those set out in the CCAA).

No regulations are currently proposed. The retention money provisions will apply regardless of the amount of money involved to ensure payment for small subcontractors is protected.

The methods of accounting for retention money will be those set out in the CCAA.

MBIE expects industry participants to develop reporting methods that best suit the accounting systems they have in place.

AMENDMENTS EXPLAINED

The changes are the result of a comprehensive review of the Construction Contracts Act 2002.

The amendments ensure the Act provides:

- A fair, balanced and appropriate payment regime.
- Access to fast and cost-effective dispute resolution.
- Cost-effective and timely enforcement of rights and obligations.
- Better certainty of payment of retention money held under construction contracts.

Further information on the Amendment Act and retentions is available on the MBIE website 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.

- | | | |
|--|---|---|
| <p>1) Why was the law changed to require retention payments be held on trust or some form of third-party protection?</p> <p>a) To better protect main contractors from unscrupulous subbies.</p> <p>b) To prevent retention payments being put at risk by being used as working capital.</p> <p>c) As a result of the leaky building crisis.</p> | <p>2) What contracts will the new retention requirement apply to?</p> <p>a) Those entered into, or renewed, on or after 31 March 2017.</p> <p>b) Those entered into, or renewed, on or after 1 September 2016.</p> <p>c) Those entered into, or renewed, on or after 1 December 2015.</p> | <p>3) Which of the following is not a financial instrument requirement?</p> <p>a) That providers are limited to registered banks and licensed insurers.</p> <p>b) That records of financial instruments would be required to be kept and made available to subcontractors at all reasonable times and without cost.</p> <p>c) That providers are limited to banks, insurers and cooperatives.</p> |
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Weathertightness at gable verge



The traditional way to construct eave and verge details is to install soffit linings before the external cladding; however, this compounds the weathertightness problem. A better way to achieve a weathertight detail is to install weatherboards first.

BRANZ highlights a new method to achieve weathertightness at the junction between the soffit and the wall cladding at gable verge

Gables need to be carefully detailed and constructed to prevent wind-driven rain penetrating the junction between the soffit and the wall cladding. Follow this step-by-step guide to achieve a weathertight detail.

There is a two-fold weathertightness problem at the junction between the soffit and the wall cladding:

- Gables tend to be higher and more exposed.
- The cladding is cut to the angle of the roof pitch where it intersects with

the soffit lining to create a wedge-shaped gap at each end of the boards.

TRADITION COMPOUNDS PROBLEM

The traditional way to construct eave and verge details is to install soffit linings before the external cladding.

This compounds the weathertightness problem as the cladding is butted to the soffit lining, allowing any water running down the soffit to enter the gap between the lining and the top of the cladding. From there, it will run down behind the cladding.

BETTER TO INSTALL WEATHERBOARDS FIRST

A better way to achieve a weathertight detail is to install weatherboards first. The intersection of the soffit lining and the top of the weatherboards can be effectively flashed and wedges installed to block the gaps between the weatherboards.

The sequence of construction is described in Steps 1-7 and shown in Figures 1 and 2.

Step 1 - Carry wall underlay up the wall framing and turn out over the underside of the soffit framing.

Step 2 - Install vertical cavity battens and raking cavity batten to close off the roof space.

Step 3 - Install bevel-back weatherboards up to the underside of the soffit framing. Ends of weatherboards are cut to match the angle of the roof pitch.

Step 4 - Fix minimum 45 x 45mm angle flashing to the underside of the soffit framing and over the weatherboards.

For boxed soffit, fold flashing to form a stop-end at the bottom. Fit an additional angle flashing behind the fascia return.

Step 5 - Install the soffit lining by slotting it into the groove in the bargeboard and fixing to the framing.

Step 6 - Cut wedges to fit gaps at the junctions of the soffit and the weatherboards.

Step 7 - Fix a timber trim or cover batten to the intersection between the soffit lining and the weatherboards.

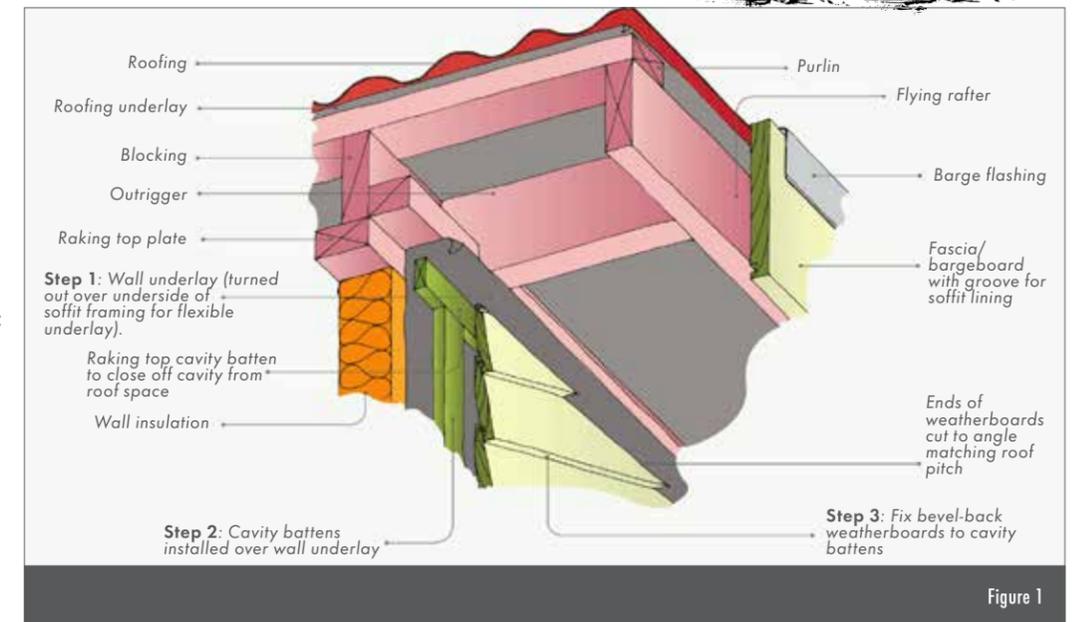


Figure 1

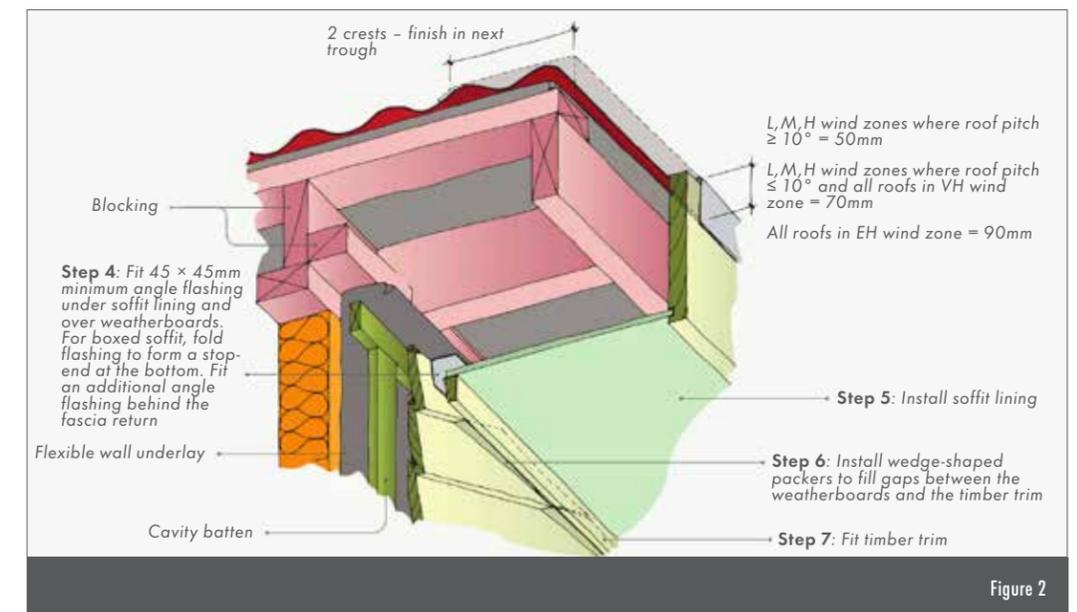


Figure 2

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.

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|---|--|---|
| <p>4) Why do gables need to be carefully detailed and constructed?</p> <p>a) To prevent wind-driven rain penetrating the junction between the soffit and the wall cladding.</p> <p>b) To allow rainwater collection between the soffit and the wall cladding.</p> <p>c) They don't need to be as long as the weatherboards are installed first.</p> | <p>5) What size angle flashing should be fixed to the underside of the soffit framing and over the weatherboards?</p> <p>a) Maximum 45 x 45mm.</p> <p>b) Minimum 45 x 45mm.</p> <p>c) Exactly 95 x 45mm.</p> | <p>6) What's wrong with the traditional construction method according to this article?</p> <p>a) It's slower.</p> <p>b) It's more expensive.</p> <p>c) It compounds the weathertightness problem.</p> |
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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.



Determining 'adequate' fencing

Whether building a fence is part of your contract, or something you offer homeowners advice on, it's worth knowing the rules around fencing

Building a fence between two properties may not sound like a complicated project, but it's one that's been known to cause a few issues. Over the next few months, *Under Construction* will provide details on various aspects of The Fencing Act 1978 that might come in handy one day.

WHO PAYS?

One of the questions the Fencing Act 1978 (the Act) deals with is who pays for the erection of and repairs to dividing fences between adjacent properties.

Generally, if a homeowner wants to build a fence on a common boundary with their neighbour, or upgrade an existing one, the homeowner can expect the neighbour to go halves on the bill for an 'adequate' fence. The definition of adequate in the 1978 Fencing Act is a barrier that in its "nature, condition, and state of repair, is reasonably satisfactory for the purpose that it serves or is intended to serve".

However, what was adequate ten, or 20 years ago, or even last week, is not necessarily considered adequate today and the purpose it intends to serve can differ person to person. Repelling burglars, providing privacy, protecting children, and even appeal to potential buyers are all considered when judging the adequacy of an urban fence.

A barrier that merely shows the boundary between two properties does not need to be high to be 'adequate', and New Zealand has a long tradition of low fences separating back gardens, or gardens from neighbours' driveways. There are still properties not separated by fences at all.

According to senior solicitor Peter Hall from law firm Simpson Western, there is no general duty to fence at all under the Fencing Act.

"Adequate doesn't have a nice clean, crisp definition when you are talking about fences," says Hall. "It is very circumstantial."

THE MEANING OF ADEQUATE

To help homeowners better understand potential factors, Simpson Western compiled a list of some of the factors that have been considered in tribunal and court cases in judging the adequacy of fences.

Privacy: Over the past 30 years, lace curtains have fallen from windows to let more light in, but fences and walls have gone up to screen homeowners from prying eyes.

Urban dwellers have argued before the Disputes Tribunal that privacy is a factor that should be considered.

Security: A national burglary epidemic means fear of being burgled is common. Adequate may, depending on the circumstances, include a fence high enough to deter intruders.

Noise reduction: This argument was persuasive in a tribunal case where a property was flanked by a shared driveway used by multiple vehicles which created noise that a more substantial fence could reduce.

Child safety: Low wire, or concrete block fences cannot keep any but the smallest children in, or roaming dogs out. Families living near major roads who want higher fences argue 'adequate' means at least high enough to keep

their children in.

Aesthetics: What is acceptable in a poorer suburb may not be adequate in a more affluent one. Arguments in cases have included whether fences matched other fences around the property, and were in keeping with the neighbours' fences. Fences that are 'eyesores' may not be considered adequate in an urban setting where the view outside the window matters.

Animals: Keeping animals in or out can be a factor in deciding whether a fence is adequate.

Safety: A barbed wire fence that could cause injury to livestock and children is unlikely to be judged adequate.

State of repair: A damaged or ramshackle fence or wall is unlikely to meet the definition of adequate, though repair is always an option.



Building a fence isn't just about defining a boundary. Repelling burglars, providing privacy, protecting children, and even appeal to potential buyers are all considered when judging the adequacy of an urban fence

Ending migrant exploitation

Employers caught exploiting migrant workers could be banned from hiring them for up to two years in light of new regulation

New measures taken by Immigration New Zealand to combat migrant exploitation are now in place, largely due to a study that revealed the issue is widespread in various industries – including construction.

Immigration Minister Michael Woodhouse says the measures are part of a government clampdown on employers who breach immigration and employment law.

"Migrant workers make a valuable contribution to our workforce and have the same rights as any other worker," said Woodhouse.

"It is simply unacceptable that those employers who exploit migrant workers are still able to recruit from the international labour market and disadvantage those employers who do the right thing."

Employers who break the law could be banned from recruiting migrant workers for a stand-down period that could range from six months to two years, depending on the severity of the case.

CONDEMNING REPORT

The research for the study was commissioned by six non-governmental organisations (NGO) after human rights abuses were exposed on foreign charter boats.

The results are troubling – it showed modern-day slavery is happening in several key industry sectors: construction, dairy, fishing, horticulture and viticulture, hospitality and prostitution.

According to the report, accounts of worker exploitation in the construction sector have been emerging since the Christchurch earthquake rebuild began, when it was estimated that 30,000 to 35,000 workers would be needed over

a five-to-ten year period, with 50% of the workers being migrants.

Filipinos have been the number one source of labour and, as a result, are frequently victims of migrant exploitation – often in their own country first. Accounts have emerged of Filipino workers paying exorbitant recruitment fees (\$3,000 to \$15,000 each) to immigration agencies in the Philippines to obtain work in Christchurch. The promise of employment in Christchurch and relatively high wages of \$18 to \$25 an hour are seen by many as life changing and, subsequently, many entered into debt bondage in order to obtain employment. The reality for some is that they end up being exploited by recruitment agents and, subsequently, their employers in New Zealand.

In 2013, Michael Morrah, as part of TV3's former 3rd Degree series, investigated accounts of oppressive contracts, loss of jobs and the non-payment of wages. He identified workers living in over-crowded living conditions organised by the employer and paying excessive rents – in one such case, eight people in a converted garage paid \$155 each per week for accommodation.

Furthermore, some Filipino migrants found the contract they were given in New Zealand differed from the contract they had signed in the Philippines.

A key difference was the schedule of costs workers were liable for – in the vicinity of \$7,700 to cover airfares, tool kits, insurance, etc. In some cases, employers said that if employees failed to complete their contract of three years, they would be required to pay a bond of \$10,729. At the time, employment lawyer Paul Brown referred to this "as an attempt at bondage servitude".

In 2014, due to an increasing number of complaints around employment practices, MBIE undertook an audit of 40



Migrant workers make a valuable contribution to New Zealand's workforce and have the same rights as any other worker

Christchurch recruitment and construction companies and found 16 to be in breach of employment laws, many of which related to incomplete employment agreements, unlawful deductions from wages and insufficient records.

Christchurch isn't the only area that's affected – the report also referenced accounts of exploitation among Chinese and Vietnamese migrants working in the construction industry in Auckland.

REPORTS FROM THE LABOUR INSPECTORATE

The problem of employers breaching immigration and employment laws hasn't gone unnoticed – in a bid to combat increasing non-compliance, the government increased the number of labour inspectors by 87% since July 2013.

Labour inspectorate southern regional manager Stuart Lumsden says exploitation of construction workers – both migrant and non-migrant – is a significant issue, and the larger inspectorate base was a direct reaction to the importance the government puts on employment standards.

"We're seeing a lot of non-compliance," says Lumsden. "First with the Canterbury rebuild and now with the Auckland



Ending migrant exploitation (continued)

market boom.”

To find and penalise those exploiting workers, the Labour Inspectorate takes a two-pronged approach.

Its more reactive method offers a call centre service where people can call in if they're concerned about their own, or others', employment standards.

The Inspectorate's more proactive approach involves putting together a work programme each year to target specific areas based on industry trends. Inspectors will select a particular residential area, go onto work sites and conduct investigations by asking for people's contracts, wage records and other required paperwork.

According to Lumsden, there are three prominent issues: people who don't have valid work permits, employees who don't have employment contracts, time or wage records, and employees who are

treated as contractors.

He said those without work permits are particularly vulnerable to exploitation, as they often associate complaining with having to leave New Zealand. However, Lumsden said more and more are coming forward at the point where they're so frustrated they plan to leave.

“When this happens, the impact on the employer who was exploiting the system and the migrant workers is two-fold,” says Lumsden. “We can make the employer pay arrears if the worker wasn't paid properly, as well as ban them from hiring migrants for up to two years.”

These are only two of several enforcement measures that can be used by the government to dissuade or punish employers who exploit workers – migrant or not. Inspectors can issue fines for \$1000 per breach, up to \$20,000,

or seek penalties at the Employment Relations Authority of \$50,000 for an individual, or \$100,000 for a company.

BAD FOR PEOPLE AND BUSINESS Lumsden says labour exploitation harms all New Zealanders and we can all help protect vulnerable workers.

“Most fair-minded New Zealanders do not support labour exploitation,” he says. “By breaking the law, such unscrupulous employers not only harm their staff, they also gain an unfair commercial advantage over their law-abiding competitors. People can help protect vulnerable workers by refusing to support businesses that exploit staff.”

Lumsden says the Labour Inspectorate encourages anyone who feels they are being exploited or who knows of people in this situation to phone the call centre on **0800 20 90 20**, where concerns will be handled in a safe environment.

Consent numbers steady

More than 30,000 new dwellings were consented in the year ending January 2017, up 11% on the previous corresponding period

A total of 1,752 new dwellings were consented in January, up 3.4% compared to the same month last year. The figure included 1,253 houses and 116 apartments.

Seasonally adjusted, the number of new dwellings consented rose 0.8%, a small recovery following two consecutive drops.

The trend for the seasonally adjusted number of new dwellings consented is now 15% below the 12-year peak recorded in August last year.

IN THE REGIONS

In January 2017 compared to January 2016, the number of new dwellings consented was up in ten of the 16

regions, led by Canterbury (up 59 to 348; +20%), Otago (up 28 to 130; +27%) and Manawatu-Wanganui (up 25 to 68; +58%). Auckland, Gisborne, Marlborough, Southland, Taranaki, Wellington and West Coast were the other regions to record an increase.

The biggest decreases were in Waikato (down 60 to 201; -23%), Bay of Plenty (down 29 to 165; -15%) and Nelson (down eight to ten; -44%). Hawke's Bay, Northland and Tasman also recorded a decrease in the number of new dwellings consented.

CONSENTS FOR ALL BUILDINGS TOTAL \$1.1BN

Including alterations, consents for all buildings totaled \$1.1bn in January 2017.

This comprised:

- \$748m for residential buildings.
- \$338m for non-residential buildings.

In the year ended January 2017, consents for all buildings totaled \$18.6bn (up 12% from the January 2016 year):

- \$12.5bn for residential buildings (up 18%).
- \$6.0bn for non-residential buildings (up 2.9%).

Trade sector seeks diversity

Research project aims to increase participation and success of women in construction and engineering-related trades

As part of the solution to New Zealand's under-resourced construction sector, a new three-year research project has been launched to get more women into trades.

Jointly commissioned by the Ministry for Women and Ako Aotearoa, the National Centre for Tertiary Teaching Excellence, it involves a group of organisations led by the Building and Construction Industry Training Organisation (BCITO).

“With \$178 billion of work forecast for the next five years*, the strong demand for skilled workers in the construction and engineering trades is unquestionable,” says BCITO Chief Executive Warwick Quinn. “Regrettably, so too is the low participation rate of women in those trades.

“Our traditional workforce pools are not large enough to meet the demand, so we must be diverse in our approach.”

COLLABORATION IS KEY

Collaboration is at the core of the project and the group's greatest strength, says Quinn.

Members of the group include four industry training organisations representing 86 industry sectors and 38% of all industry training. They are supported by 18 associated industry educational organisations, 19 secondary schools and a growing list of supporters.

The research will be conducted over the next three years through three interrelated focus areas - working with women in the trades and those involved in pre-trade training, engaging with trade employers and working with data to establish benchmarks and measure change.

“Through frank discussions with women working in identified trades, we aim to discover what the significant

characteristics of their engagement and learning journeys are. Based on what we learn from these discussions, and national and overseas research, we will initiate change projects involving educational and industry programmes, processes, and practices,” says Quinn.

One of the expected project outputs is a set of practical tools, guides and other resources for women, employers, educators and decision-makers.

IN THE FIELD

Martin Goulden of Martin Goulden Builders Limited, who has had carpentry apprentice Rachel Corbett in his team for the past three years, says employers need to change their perception of what women are capable of.

“It's always in times of need that women step forward and surprise everyone,” says Martin. “You only have to look at recent history to realise that women can do anything – look at what happened when all the men were away in WW2.”

Martin says Rachel is a very capable carpenter with excellent finishing skills and he's glad to have her on board. According to Rachel, Martin encouraged her to give it a go.

“I'd been landscaping for about ten years and was working on a paving job next to Martin's crew,” says Rachel. “I'd always enjoyed the timber side of things, so was intrigued and started talking to Martin about it – he was so supportive that I decided to give it a go and here I am three years later.”

Rachel says she's not sure how to encourage more women into the building industry, despite her enjoyment of it.

“I don't think there's a simple solution – a lot of women are convinced they couldn't do it because of the physicality of the work. To be honest, I think some



BCITO carpentry apprentice Anna Clearwater is enjoying working in the building trade

of the more petite ones would really struggle, but then again, so would petite guys,” she says.

“I think it might help if building wasn't presented as such a guy's industry – you don't see many female builders in movies, on advertisements, or interviewed in the media, so it's kind of like we don't exist unless it's for something women-specific.”

Twenty-three-year old BCITO carpentry apprentice Anna Clearwater admits it wasn't easy telling her parents that she wanted to pursue building, but she was thrilled when they reacted positively and she is very happy with her choice.

Both Anna and Rachel say that, despite being nervous about being treated differently, everyone has been hugely supportive.

“If I could give any advice to girls thinking about getting into this industry, it would be to do it! Before I came in, I was nervous that maybe I wouldn't be accepted being a female, but everyone I've come across has been so supportive and so encouraging.”

*According to the Fourth National Construction Pipeline Report (2016).

Ticking boxes doesn't cut it



Taking time to communicate the risks of the work you're carrying out reduces the chances of miscommunication and mistakes

Health and safety is everyone's responsibility – whether you're on site for five minutes or five hours

It's generally accepted that assuming something without asking can lead to issues, and it's no different onsite. This month, Site Safe is looking to clarify subbies' responsibilities.

Assumption: I'm a subbie and I'm only onsite for a couple of hours, surely I'm not responsible for health and safety and don't have to do any paperwork?

Reality: Wrong. Even if you're a subbie who is only onsite for a couple of hours, you still have health and safety responsibilities. From workers through to company directors, safety onsite is now everyone's responsibility.

Example: Sam is a self-employed floor sander. He often does sanding on residential renovations for his friend Bruce, who is a builder. Although Sam may only be onsite for a few hours or days, he is still a PCBU (person conducting a business or undertaking) and has responsibilities. The extent of his duty will depend on his ability to control the risk he is creating. The more influence and control he has over the risk, the more responsibility he has. Because Sam is usually sharing a site with other crews or workers, he needs to consult with these other businesses to make sure everyone onsite is kept safe and aware of any risk he has created.

Under the recent Health and Safety at Work Act, clients, principals, main contractors and sub-contractors are all PCBUs. Despite the name, a PCBU is not necessarily one person – in most cases a PCBU will be a business entity, such as a company or organisation, but it could also be an individual running their own business, such as a sole trader. A PCBU has the "primary responsibility of care" to ensure the safety of its workers and anyone affected by its work.

PCBUs must (as far as is reasonably practicable*):

- Have a safe site, plant, structures

and ways of working.

- Make sure plant, structures and substances are used, handled and stored safely.
- Provide facilities for the welfare of workers, such as running water and toilets.
- Provide the necessary information, training and supervision to protect people from risk.
- Monitor health and workplace conditions.

As Sam is self-employed, he is also classed as a "worker" under the Act. This means he also has a responsibility to take reasonable care to ensure the health and safety of himself and others in the workplace.

SO, WHAT SHOULD I BE DOING?

Let's take Sam. He may only be onsite for a day but he still needs to be thinking about what risks there might be and what he can do to manage them. As a minimum, Site Safe suggests that Sam:

- Meet with the main contractor before starting work to discuss the job, any risks and what to do in an emergency.
- Completes a Site Specific Health and Safety Agreement with the main contractor, a Hazardous Products and Substances Register for his varnishes and stains, and

a Site/Job Hazard Risk Register. The Hazardous Products and Substances Register may be the same for most of his jobs and might just need minor changes for each job.

- Does a quick Step Back 5x5 to think through the job. A Step Back 5x5 is when you step back five paces from the job and spend five minutes planning.

This is just an example of one scenario - it is important to remember that each job is different and will require a different approach depending on the circumstances.

NOT JUST TICKING THE BOXES

- By talking to the main contractor and completing the Agreement, Sam is helping to communicate what he is doing about safety.
- By completing the Hazardous Products and Substances Register and Site/Job Hazard Risk Register, he is communicating what the risks of his work might be and how he will manage them onsite.
- By completing the right safety documentation, he is not just "ticking the boxes" but taking a systematic approach to managing risks.

Taking these steps reduces the chances of miscommunication and mistakes and, in the event of an accident or injury, it is also evidence that Sam is on top of safety. In a nutshell, the job is not there

to create paperwork, the paperwork is there to support the job.

WHAT NEXT?

If you're wondering what to do about health and safety, then a great place to start is the Site Safe website, where you'll find a free electronic Site Specific Safety Plan.

This document has many of the individual templates that you need to get a basic system in place including:

- Hazard register
- Task Analysis / Safe Work Method Statement
- Emergency Response Plan
- Training and Competency Register
- Accident/injury register
- Hazardous Products and Substances Register
- Accident and Incident Investigation Report

Site Safe also offers the Advanced Passport course, designed to help you understand risk management and Site Specific Safety Plans.

For more information on this, or to enrol, go to www.sitesafe.org.nz.

**Not sure what 'reasonably practicable' really means? Check out page 18 to find out!*

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.

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.

7) Under the recent Health and Safety at Work Act, who is considered a PCBU?

- Only main contractors.
- Clients, principals, main contractors and sub-contractors.
- All LBPs.

8) Which of the following is not a PCBU responsibility?

- Monitor health and workplace conditions.
- Provide facilities for the welfare of workers.
- Discussing what to do in an emergency with everyone onsite.

9) Why should 'Sam' complete a Hazardous Products and Substances Register?

- To communicate what the risks of his work might be and how he will manage them onsite.
- Because varnishes are particularly toxic.
- He shouldn't, it's not his responsibility.



Reasonably practicable



WorkSafe offers insight into what “reasonably practicable” actually means when it comes to health and safety in a small business

Small to medium-size businesses (SMEs) make up about 97% of businesses in New Zealand and employ one of every three New Zealanders. Since the *Health and Safety at Work Act 2015* (HSWA) became law almost two years ago, many of these same businesses have been trying to determine how their liability has changed with regards to health and safety.

Many duties under HSWA apply ‘so far as is reasonably practicable’. It’s an important concept that involves doing what is reasonably able to be done to ensure people’s health and safety under the given circumstances. However, it has given rise to a number of myths.

COMMON MYTHS

Health and safety reps are now compulsory.

Wrong: Only for businesses with 20 or more employees.

I can’t use a ladder at all when working at height.

Wrong: The law doesn’t specify heights at which you should or shouldn’t use a ladder, but it does specify that you must use equipment appropriate to the task. Ladders should be used for low-risk, short-duration tasks, with three points of contact maintained to prevent a person slipping and falling.

If a worker gets even a minor injury, it has to be reported to WorkSafe.

Wrong: Under the new law, you must notify us when certain work-related events occur – these are called notifiable events. A notifiable event is when a person dies, is seriously injured or becomes seriously ill as a result of work.



Using scaffolding and safety nets when working at height is considered best practice, but that doesn’t mean it’s reasonably practicable for every situation

SO WHAT DOES REASONABLY PRACTICABLE MEAN?

The term ‘reasonably practicable’ appears throughout the Health and Safety at Work Act 2015 (HSWA). ‘Reasonably practicable’ is used to qualify duties to ensure health and safety. There is no such thing as zero risk. It’s important to note that the person conducting a business or undertaking (PCBU) is not expected to guarantee the safety of their workers and others from work activities.

Instead, PCBUs are held to a ‘reasonably practicable’ standard.

It is a judgement call that the PCBU must make. It involves weighing a risk against the resources (time and cost) needed to manage it. Here are a few things to consider:

- Reasonably practicable means you don’t have to do everything humanly possible; you do what is suitable in the circumstances to first try to eliminate the risk. If the risk can’t be eliminated, then you minimise it.
- Just because something is possible to do, doesn’t mean it is reasonably practicable under the circumstances.

1. Before weighing up if something is reasonably practicable, you should first consider common controls for common risks.

If you follow industry standards or commonly accepted guidelines for carrying out a task (eg, common controls), then the likelihood is that you are already taking suitable actions to ensure health and safety. Where these are available, WorkSafe expects people to follow them under most circumstances.

Example: It is good practice to guard a guillotine to protect the operator from potential cuts or amputations.

This is the reasonably practicable control in most cases. If the guard cannot be used for a specific reason, then suitable actions need to be taken to ensure the operator’s safety while using it.

2. If there is no common control available or you choose not to use it, how do you decide what is reasonably practicable in the circumstances?

If there isn’t a common control for a risk, then you first need to evaluate the risk and the ways to control it. Lastly, you would consider the costs and

whether they are proportionate to the risk.

All the relevant elements of the risk and how to manage it must be considered and weighed up, and a balance must be achieved.

On one side, you have the potential risk; on the other, you have the time and cost needed to control it. You need to balance the two sides to achieve a result that provides the highest protection reasonably practicable in the circumstances.

Responses must be proportionate to the risk. To spend \$1 million to prevent five staff suffering from paper cuts is obviously grossly disproportionate, but to spend \$1 million to prevent a major explosion capable of killing 150 people is obviously proportionate.

If you are not using a common control to manage the risk, then you should think about these factors:

a) How likely is the risk to occur?

- The more likely a risk is to occur, the more should be done to eliminate or minimise the risk.
- Your response should be proportionate to the risk.

b) How severe is the harm that might result from the risk?

- More should be done to eliminate the risk if death or serious injury is a possible or likely result.

- The greater the potential harm, the greater the response required.

c) What you know or ought to reasonably know about the risk and the ways of eliminating or minimising it.

You are expected to find out if there are any ways to eliminate or minimise the risk. If you are unsure, you can do so by carrying out a risk assessment, talking to workers, other PCBUs in the industry and health and safety representatives, and looking at health and safety records and processes of others will help inform decisions. The WorkSafe website (worksafe.govt.nz) is also a valuable resource.

d) The availability of the control measures, and how suitable they are for the specific risk.

How a risk is eliminated or minimised will depend on the situation, type of work, work environment etc. This is where you will need to apply judgement to figure

out the best actions to take.

e) As a final step, consider if the cost of setting up control measures is grossly disproportionate to the risk.

Note: Cost is rarely an excuse for not setting up a necessary control for a risk. However, below is an example of where it can affect a decision.

Example: It is possible to helicopter scaffolding into a remote inaccessible area of the bush to complete repairs on a small hut. However, it may not be reasonably practicable to do so.

The high cost of the helicopter and flying in certified scaffolders to set up and take down the scaffolding compared to the risk to workers is disproportionate.

Instead reasonably practicable alternatives may be more suitable in the circumstances to control the risk (eg harnesses).



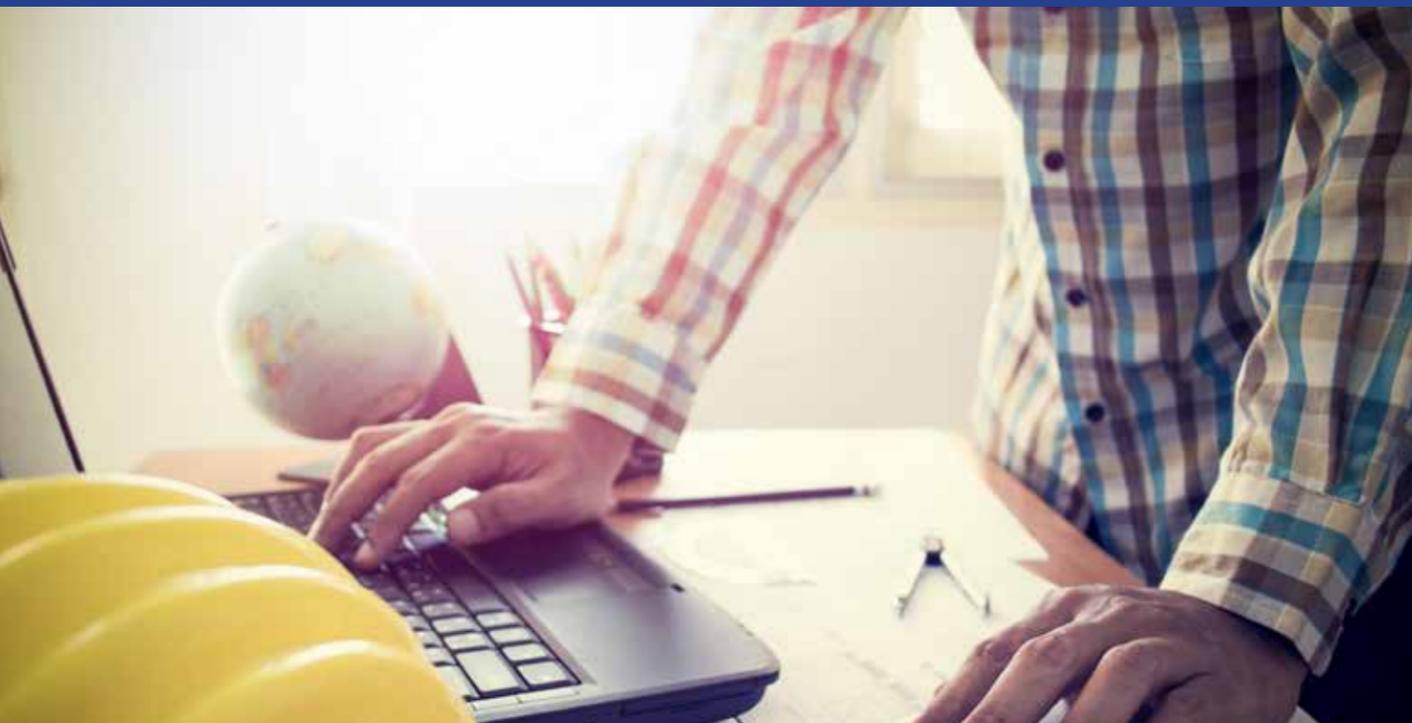
PROVE YOUR KNOWLEDGE!

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.

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|---|---|---|
| <p>10) What type of injuries at work must be reported to WorkSafe?</p> <p>a) All injuries, no matter how minor.</p> <p>b) When a person dies, is seriously injured or becomes seriously ill as a result of work.</p> <p>c) Only if a person dies.</p> | <p>11) Who is responsible for ‘guaranteeing’ the safety of their workers and others from work activities?</p> <p>a) PCBUs.</p> <p>b) WorkSafe.</p> <p>c) No one – PCBUs are responsible for ensuring the safety of their workers and others from work activities as far as is ‘reasonably practicable’.</p> | <p>12) Which of the following statements is not a true statement under HSWA?</p> <p>a) Cost is a reasonable excuse for not setting up a necessary control for a risk.</p> <p>b) ‘Reasonably practicable’ means you don’t have to do everything humanly possible.</p> <p>c) Just because something is possible to do, doesn’t mean it is ‘reasonably practicable’ under the circumstances.</p> |
|---|---|---|



Preparing for the new financial year



When you own a building business, you need to have more than building skills. If you've decided that this financial year needs to be different, then you may want to consider the calculations side of your business

The Successful Builder coach offers tips for increasing your paycheck alongside your workload

It's that time of the year again when your end-of-year financial accounts reveal the real truth. Hopefully it's a great report, but sometimes there can be unwelcome news about the year's performance. You may have done heaps of business, as proved by the tax bill, but when it's all tallied up, is there enough left over for you?

If you've decided that this financial year needs to be different, then you may want to get onto making changes as soon as possible. So here are four things you might want to focus on to give yourself a better chance of doing well in the new financial year.

1. AIM FOR WALLET SHARE, NOT MARKET SHARE

Share of wallet is a marketing term referring to the amount of the customer's total spending that a business captures in the products and services that it offers. Market share is a percentage of total sales volume in a market captured by

a brand, product, or company.

There is a tendency among inexperienced builders to win a job no matter what, especially when it looks good – picture a high contract price, mouth-watering progress payments and the prestige of having your sign outside a big job in a good suburb. It tends to create the illusion that 'if the jobs are big, and there is lots of money going through the bank account, then we must be doing OK'. Right?

Wrong! Unfortunately, it is just not true. Business income does not equate to personal income.

I know of small businesses turning over more than \$5m annually, yet paying their owners less than similar businesses doing a \$2m turnover. You probably know some too. Why? Because the successful business owner understands the difference between market share and wallet share and how to ensure the latter.

Most business consultants, coaches and accountants know that wallet share is closely connected to Gross Profit (GP) and Gross Profit percentage (GP%). Many (including me) will say that these two numbers are the most important in your business. Of course Net Profit (NP) is important too, but apart from GP it can only be increased by reducing your fixed expenses – and it's not easy to make major changes to these without affecting your ability to run your business.

However, there are many ways to increase your GP. So this year, focus on checking your reporting systems to ensure you're not compromising GP for turnover. Think of your wallet!

2. IMPROVE YOUR CASHFLOW

Building businesses often suffer because of poor cashflow management. In sales, the business can be doing really well with large contracts and good profit margins. However, without the money to pay your team, subbies and

suppliers, those contracts are worthless. You need to be able to fund your operations.

Cashflow problems are often caused by clients not paying on time – either because the job is delayed or, sometimes, because the client can't (or won't) pay for one reason or another.

So this year, review your contract payment terms, the spacing between progress payments and the size and timing of your deposits.

Make sure that you will always have enough money in the bank to cover your operational expenses in the event a client can't make a progress payment.

Sometimes it's those one-off payments such as holiday pays, insurances, taxes or similar that cause the problem. If this is the case, consider setting up a separate bank account to fund these one-off payments.

Then, on a monthly basis, pay enough into this account so you can pay your one-offs as they come up. You might even pay in a little more and build an emergency fund. That way, if someone can't make a monthly payment, you can take action immediately.

If you are uncertain about how to do this, seek some advice. It's very unfortunate when an otherwise great building company goes under because cashflow issues were overlooked.

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

3. MARK UP FOR MARGIN

Margin is the difference between a product or service's selling price and its cost of production. Mark up is the ratio between the cost of a good or service and its selling price. It is expressed as a percentage over the cost.

In my opinion, there is a mathematical test that a builder should score 100% in before quoting any job.

The test should be in the calculation of margin and markup. I have seen too many cases where builders believe they have quoted a 25% margin, but then discover that they have actually quoted a 20% margin. Unfortunately, this is often realised after the contract is signed!

Now, 5% might not sound like much but, when you consider that overall a building business might return just 8% net profit, then a loss of 5% equates to a loss of 62.5% of the net profit – almost two-thirds!

So it's worth the effort to get your head around margins and markups. If you are uncertain, get someone to check your calculations before you provide a contract!

Desired margin (GP)	20%	25%	30%	35%	40%
Required mark up	25%	33%	43%	54%	67%
Multiply costs by...	1.25	1.33	1.43	1.54	1.67

The table below shows you the percentage of markup you will need to apply to your costs to achieve a desired Gross Margin percentage.

4. VALUE YOUR SERVICE

You are a qualified builder, an entrepreneurial business owner, a professional advisor and you handle your clients' largest assets.

Few of your non-building peers handle contracts anywhere near the size of those that you do.

Moreover, if you are the main contractor on the build, you are likely the first port of call should anything go wrong during the project or in the guarantee period, and even if the issue is caused by others, you will handle it. That's a lot of responsibility.

So give yourself a break this year and don't underestimate the value of your service.

REMEMBER!

Take a moment or two right now to think about the suggestions above. Even if you can only manage to follow through on one, it can make a world of difference.

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.

- 13) Why doesn't a high net profit guarantee a strong payout for a business owner?
- It does.
 - Because business income does not equate to personal income.
 - Because your cashflow might suffer.
- 14) What are cashflow problems often caused by?
- Bank delays.
 - The client can't (or won't) pay for one reason or another.
 - Increasing labour costs.
- 15) How can builders avoid cashflow shortage due to large one-off payments?
- Set up a separate bank account to fund them.
 - Ask the IRD whether you can pay tax monthly.
 - Work longer hours.



Pitfalls in contract works insurance



It's just as important to have cover for earthworks, retaining and foundations as it is for the rest of the build

Bultin highlights three important issues that could affect your contract works insurance cover

As with any contract of insurance, the devil is in the detail and it's important you read and understand the terms and conditions contained within it. Below are three things you may not be aware of that could affect your cover.

CESSATION OF WORK

Most policies exclude cover for loss or

damage caused by, or connected to, cessation of work, which could occur for

Make sure before you start any project that you consider what existing structures on site may need to be insured during the build

a number of reasons.

You could be building your own home in stages; have a bust up with the owner and walk off site; get injured and can't work; or any other delay. If it results in you not being able to continue work on site for a period of time, the policy may not cover any damage or loss that subsequently occurs.

The interpretation of whether work has ceased, and whether the damage or loss is connected to it or caused by it (directly or indirectly), is down to your insurer.

Most policies exclude cover for loss or damage caused by, or connected to, cessation of work, which could occur for a number of reasons

Different insurers have different wordings around cessation of work, so if it's likely that your project will be interrupted by periods where no work is going on, speak to your insurer about how it may affect your cover.

EXISTING STRUCTURES

If you have an annual contract works policy, it may not include any cover for damage to existing structures.

If you're doing a new build and there is a garage, retaining wall or septic tank on site, your contract works policy would not cover loss or damage to these.

The same applies to project specific contract works policies if you do not include cover for any existing structures on the site.

Make sure before you start any project that you consider what existing structures on site may need to be insured during the build.

EARTHWORKS AND FOUNDATIONS

All too often we hear from builders who want to arrange contract works insurance because "we're ready to put the framing up". They did not think they needed insurance for the earthworks or foundations because "what could happen to these?" However, significant flooding, landslips, collapse and earthquakes are all hazards that could substantially damage earthworks, retaining and foundations, and therefore should be insured for during this phase of the work.

Secondly, there is no significant saving to be had by arranging the cover later in the job, as the premium is largely based on the total value of the work, not the length of the policy.

Not arranging cover until after the work has started can also be more expensive, more difficult to arrange and can cause banks to delay releasing progress payments. So save yourself the hassle by doing it before the work begins.

IN A NUTSHELL

- Consider the effect on your insurance cover if you have to cease work on site for any reason.
- If there are existing structures on site before you start work, determine whether they need to be insured.
- Remember to arrange cover before you start work, as there's usually no benefit or saving in delaying it.

Bultin is New Zealand's trade insurance expert. For more information visit www.bultininsurance.co.nz or contact Ben Rckard at ben@bultin.co.nz or call him on **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.

16) When might insurance not cover you due to cessation of work?

- a) If your insurer determines that damage or loss is connected to or caused by it (directly or indirectly).
- b) If you stop work for more than two days.
- c) If the cessation is due to anything other than weather.

17) Which of the following might your contract works insurance not cover?

- a) An existing structure.
- b) Work on a new residential building.
- c) Renovation work on an existing residential building.

18) According to the article, which of the following could substantially affect earthworks, retaining and foundations?

- a) Significant flooding, landslips, collapse and earthquakes.
- b) Delays in framing delivery.
- c) Rotten timber.



Remember to arrange cover before you start work, as there's usually no benefit or saving in delaying it



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SPORT NEWS



Lovin' the Landers



The Highlanders aim to lead the way when it comes to entertaining fans both on and off the field – and that includes pre-season practice games. Super Rugby sponsor PlaceMakers is right behind them – and the rest of NZ's Super Rugby teams – whether it's hosting a sausage sizzle for those pre-season matches, or helping out with local community events.

In late January, the Highlanders kicked off their community engagement with a Rugby 10s practice match, with exclusive entry for Highlanders members and sponsors.

"The fan base in Dunedin and Mosgiel is very passionate and the pride we have in the Highlanders is immense," says Justin, adding that everyone is excited to see how the season plays out.

a very strong team with high expectations.

"This standing continues to attract quality players and this season is no exception, with Tevita Li the latest example of that.

The intensity of the game fed the crowd's appetite for good rugby and the PlaceMakers Dunedin and Mosgiel teams satisfied another appetite by cooking more than 500 sausages, with some help from the players themselves!

"There's certainly a massive buzz in the Highlanders franchise, having gone from being an underdog two years ago to

"I have no doubt it's going to be a good one and we're glad to be a part of it!"

"We have a great local relationship with the 'Landers'," says PlaceMakers Branch Operator Justin Macready, who says Dunedin branch staff love being involved with their local team.

"The Highlanders are a real family, which fits well with our PlaceMakers culture, and many of our customers are avid rugby fans, players or ex-players."

Justin says the Super Rugby sponsorship is a natural fit for PlaceMakers Dunedin and Mosgiel customers, and his staff enjoy helping the team with other community events throughout the season, such as 'BendersShout', a Kid's Club Rugby free ticket and half time Race.



In late January, the PlaceMakers Dunedin and Mosgiel teams, with some help from the players, cooked more than 500 sausages at a Rugby 10s practice match

PROVE YOUR KNOWLEDGE

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April 2017

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 _____



*Offer exclusive to PlaceMakers trade account customers only. Purchases must be invoiced on a single trade account between 1st April and 31st May 2017 to qualify. Giveaway limited to one per trade account & while stocks last. Purchases can be on more than one invoice as long as they fall within the promotional period. The giveaway of 100 Bluetooth speakers will be available for collection before June 30th 2017 and qualifying customers will be contacted by their branch. Prize is not redeemable for cash or any other product or service. Qualifying SKUs include: 3140084, 3140092, 3140100, 3141207, 3141199, 2741943, 2741156, 2741160 & 2741172

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Carpenter's Kit courtesy of Apex Tool Group. *Terms and conditions apply. The offer to join the PlaceMakers Apprentice Crew (PAC) is open to current carpentry apprentices. Current carpentry apprentices who sign up to PAC before 30th April 2017 will automatically go into the draw. One sign up per person. See pac.placemakers.co.nz for full details.

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