



**Australian Government**  
**Australian Greenhouse Office**

**Australian Greenhouse Office Submission to the Productivity Commission  
Research Study on Building Regulation Reform**

The Australian Greenhouse Office has been working with the Australian Building Codes Board since 1999 on the introduction of minimum energy performance provisions into the Building Code of Australia. In 2001, the two organisations entered into a formal agreement covering the work program and funding of the energy performance standards.

The introduction of national energy performance standards has been supported by the building design and construction industries and they have played an active role in the development of the energy provisions.

Product manufacturing, building design and construction industries of the 21<sup>st</sup> Century operate without consideration of State and Territory borders. Artificial trade barriers caused by localised regulation inflates the cost of construction. A nationally consistent approach to the development and enforcement of standards is important for reducing the cost of meeting regulation.

The Inter Government Agreement on building reform has provided a vehicle for harmonizing particular aspects of building regulation throughout Australia. The scope of coverage, and the variation in jurisdictional administration, limit the completeness of the harmonization process. After nearly ten years of building reform the list of State and Territory variations in the Building Code of Australia is long, and even for the most recent energy performance provisions jurisdictions have elected to publish variations.

Market failures exist influencing the provision of buildings in Australia. Price signals are often blurred by the relatively complex supply chain in building markets (designers, developers, builders, building owners, and tenants), the lack of performance information available, the knowledge base of purchasers, and longevity of buildings.

Research commissioned by the Australian Greenhouse Office has found that residential building energy performance before regulation averaged below 1 Star in the Nation-wide House Energy Rating Scheme, yet economic research commissioned by the Victorian Government has demonstrated that a 5 Star energy performance level would benefit the local economy by \$566 million per annum, created over 1,000 jobs and reduced annual greenhouse gas emissions by 37,000 tonnes.

Existing markets also do not fully reflect environmental and social benefits and costs. Energy and building material prices are largely based on the operational costs of supply, and do not include environmental costs such as greenhouse emissions and intergenerational access to

scarce resources. Such environmental costs are not generally included in calculations of the productivity of the building sector and the returns to building investment.

Community expectations are changing, with climate change and environmental sustainability growing as issues within the Australian community. Without national regulation to meet new community expectations, inconsistent local and state government regulation is filling the void, and proving to be a cost burden for industry.

The Australian Government plays an important role by setting the national agenda. For example, the Commonwealth played a lead role in seeking support from the State and Territory Governments for the incorporation of minimum energy performance standards into the BCA.

The Australian Government will continue to play a lead role in setting the agenda for national regulatory reform. For example, the Commonwealth funded the study to examine the potential for incorporating environmental sustainability into the BCA.

The ABCB model of State and Commonwealth Government cooperation in the setting of national standards is restricted by a predetermined scope of coverage, operates with a level of uncertainty of jurisdictional adoption of provisions, with the rate of change limited by the readiness of the least interested jurisdiction.

Alternative models could be explored that preserve the ability of jurisdictions to share in decision making on appropriate standards while:

- providing a clearer path for translating Government policy into laws impacting the built environment;
- presenting industry with nationally consistent regulation and its administration;
- ensuring focus on areas of national importance;
- delivering regulation that has a net positive economic benefit to Australia;
- allowing regulatory change to keep pace with community expectations.

Reform of the building standards setting system should take into account the existence of intergovernmental processes for dealing with specific energy and environmental issues, and recognise that the Council of Australian Governments has agreed principles and guidelines for national standard setting and regulatory action to ensure that regulation must pass the necessary tests of appropriateness and economic impact.

Government intervention through a model of nationally consistent building regulation will continue to be an important process of economic reform in Australia. A model that provides the standard setting organisation(s) with the appropriate legislative authority will best serve to develop the scope of regulations that address market failure, meet community expectations, and drive regulatory change in a timely manner.

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