

# National Competition Policy Review of the Sewerage and Water Supply Act 1949

**REPORT OF THE  
INTERDEPARTMENTAL REVIEW COMMITTEE  
FORMED TO UNDERTAKE  
A NATIONAL COMPETITION POLICY  
REVIEW OF THE SEWERAGE AND WATER SUPPLY  
ACT 1949.**

**1. THE LEGISLATION**

Queensland's principal legislation regulating the installation of plumbing and drainage services, on-site sewerage systems and sewerage and water supply infrastructure is the *Sewerage and Water Supply Act 1949*, and its subordinate legislation. The objective of the Act is to ensure that plumbing and drainage installations meet a standard that helps protect public health and safety.

The administration and enforcement of the *Sewerage and Water Supply Act* is shared between the Department of Natural Resources and Mines (DNRM), the Department of Local Government and Planning (DLGP), the Plumbers and Drainers Examination and Licensing Board (the Board) and local governments.

**Department of Natural Resources and Mines**

DNRM is responsible for the oversight of water supply and sewerage infrastructure and the installation and operation of on-site sewerage facilities. The Review deals only with controls on the quality of materials used in on-site sewerage facilities and in connections to water supply and sewerage infrastructure.

**Department of Local Government and Planning**

DLGP is responsible for ensuring:

- a safe and healthy potable water reticulation system within the boundaries of a site;
- an effective and healthy sanitary drainage system connected to a local government sewerage system, or to an on-site sewage treatment and disposal system;
- Australian Standards adopted by reference establish minimum acceptable standards for technical compliance;
- the approval and inspection of prescribed plumbing and drainage work by local government plumbing inspectors;

- approved materials are required to be used as part of plumbing and drainage installations; and
- the role, structure and operations of the Plumbers and Drainers Examination and Licensing Board.

### **Plumbers and Drainers Examination and Licensing Board**

The Board is responsible for licensing and disciplining plumbers and drainers in Queensland. The 6 member Board comprises representatives from DLGP, Queensland Health, the Department of Industrial Relations, the Local Government Association of Queensland (LGAQ), the Master Plumbers' Association and the Plumbing Division of the Queensland Branch of the Communications, Electrical and Plumbing Union (CEPU).

The Board must ensure only qualified persons are licensed as plumbers and drainers in Queensland and is responsible for:

- granting new plumbing and drainage licences;
- processing and issuing licence renewals;
- hearing complaints against licence holders;
- deciding and enforcing disciplinary actions against licence holders; and
- providing input into nationally consistent and appropriate competency standards.

### **Local Governments**

Local governments are responsible for the day-to-day administration of the legislation and their approval is required for any sanitary or drainage work (unless it is minor necessary work or unregulated work). Owners of premises must provide the local government with the plans of the work to be carried out.

During construction, local government inspectors must inspect plumbing and drainage work, and if satisfied, may on completion of the work, provide a certificate that the work complies with the legislation. There are about 300 local government plumbing inspectors in Queensland.

## **2. THE NEED FOR A REVIEW**

In April 1995, the Commonwealth, State and Territory Governments signed a set of agreements to implement a National Competition Policy (NCP). Under the policy, each participating jurisdiction committed to implementing a series of competition reforms. Pursuant to these agreements, each participating jurisdiction was obliged to review and, where necessary, reform all legislation that contained measures restricting competition.

The Queensland Legislation Review Timetable<sup>1</sup> identified potential restrictions on competition in the *Sewerage and Water Supply Act 1949* and subordinate legislation.

---

<sup>1</sup> Queensland Government, 1996.

The Review was undertaken in accordance with the Queensland Government's *Public Benefit Test Guidelines* (Queensland Treasury 1999).

The guiding principle for the review of legislation, as contained in Clause 5(1) of the Competition Principles Agreement (CPA), is that legislation should not restrict competition unless it can be demonstrated that:

- (a) the benefits of the restriction to the community as a whole outweigh the costs; and
- (b) the objectives of the legislation can only be achieved by restricting competition.

### **3. SCOPE OF THE REVIEW**

The Review examined a range of regulatory compliance options and discussed the appropriate roles of various government and private entities, in relation to the relevant aspects of the sewerage and water supply legislation.

The Review did not examine the need for a compliance regime as such. A compliance regime is not anti-competitive provided the standards used as benchmarks are relevant, developed in accordance with community expectations, applied uniformly and not in a discriminatory way. It is how a compliance regime is enforced that may involve unreasonable restrictions on competition. The compliance regime established under the Queensland plumbing legislation is designed to ensure, within practical limits, that plumbing and drainage installations meet all applicable technical codes and standards and is not a restriction.

However, the following three elements of the regime were identified as potentially anti-competitive and were examined in the Review:

- the specification of minimum technical standards for products and materials;
- the system of licensing plumbers and drainers (ie the Plumbers Board); and
- the local government monopoly of the inspection of plumbing and draining work.

The Review also assessed various regulatory options ranging from deregulation through to positive controls over licensing, materials and outputs. Within this range, negative licensing, and self-regulation supplemented by a code of conduct and minimum licensing, were also examined.

### **4. TYPE OF ASSESSMENT**

The Review was undertaken as a minor review in accordance with the Queensland Government's *Public Benefit Test Guidelines*. The decision to undertake a minor review was based on the following considerations:

- the restrictions identified in the legislation are designed to address public health and safety issues, not restrict competition;
- the licensing requirements for plumbers and drainers do not appear to be a significant impediment to market entry and are covered by Mutual Recognition legislation;

- a number of the restrictions relate to requirements to comply with national standards or codes;
- all Australian jurisdictions require the licensing of plumbers and drainers in some form; and
- although the number of stakeholders is potentially large, the impact of any changes is likely to fall on a distinct group in most instances.

## **5. CONDUCT OF THE REVIEW**

The Review was undertaken in conjunction with the Review of the Building legislation. Both Reviews were undertaken by a Review Committee with the assistance of independent Consultants. The Review Committee was made up of a representative from each of the following:

- Local Government Services, DLGP – Chair;
- Building Codes Queensland, DLGP;
- Queensland Building Services Authority (QBSA);
- DNRM; and
- Queensland Treasury.

A draft Public Benefit Test (PBT) Report was prepared by the Consultants and released for consultation. The draft PBT Report was provided to key stakeholder groups/associations directly for comment. At the same time, the conduct of the Review was advertised indicating that copies of the draft PBT Report were available for comment from the Department and on the Department's website.

The draft PBT Report was provided to the following key stakeholder groups/associations directly for comment:

- all local governments;
- Association of Hydraulic Services;
- Australian Institute of Building Surveyors (Queensland);
- Building Services Authority;
- Building Surveyors and Allied Professionals Accreditation Board;
- Communication Electrical and Plumbers Union;
- Housing Industry Association;
- Institute of Plumbing Inspectors Queensland;
- Institution of Engineers Australia Queensland Division;
- Local Government Association of Queensland;
- Queensland Fire and Rescue Services;
- Queensland Master Builders Association; and
- Queensland Master Plumbers Association.

Following consideration of submissions, the Consultants prepared a final Report for the Review Committee.

## **6. COMPETITION RESTRICTIONS EXAMINED**

### **6.1 Specification of minimum technical standards for products and materials used in plumbing and drainage**

#### *Current arrangements*

The *Standard Sewerage Law* and the *Standard Water Supply Law* provide that products and materials used in plumbing, drainage or on-site sewerage facilities must be certified in accordance with Manual of Authorisation Procedures – SAAMP52. The Manual calls up the relevant Australian Standards against which products and materials are assessed.

#### *PBT Recommendation*

The PBT Report supports these controls as reasonable but suggests their monitoring and enforcement may need to be improved. It found that product standards are necessary to meet public health and safety objectives, but compliance with the standards needs to be equitably enforced across the entire industry. In view of the potential competition from non-certified products for sale at lower prices, stronger controls are needed to discourage the use of non-certified products and to better manage the risk to society.

The consultants found no firm evidence to confirm the widespread use of non-certified products. However, during consultation some stakeholders suggested that a sufficient level exists to merit better enforcement measures to ensure appropriate health and safety standards are met and to prevent manufacturers that do not certify their products from having an inappropriate competitive advantage.

The PBT Report did not consider it was practical to remove mandatory requirements to use certified products and to place the onus on manufacturers or plumbers. This may temporarily reduce construction costs, but it has potentially high costs to the community at large, to neighbours and to future building owners. It also increases the risk of contamination of water supplies and environmental damage, which places the entire community at danger. The PBT Report concluded that, while the current system appears to be in need of a better policing system, it provides justified controls over products and materials.

#### *Review Committee Recommendation*

In respect of the recommendations of the PBT Report relating to enforcement issues, the Review Committee noted that action is being taken at the national level to improve the product approval process. The State and Territory regulators responsible for plumbing and drainage regulations and standards are engaged in developing a national plumbing code. The code will include plumbing and drainage standards, call up relevant Australian Standards, specify which products must be certified by a third

party, and define the processes for certification and authorisation of plumbing products.

Incorporating the product certification provisions in the national code will improve the current authorisation processes, which will over time benefit industry stakeholders. It will address the uncertainties that some manufacturers face and will allow them to use any Certifying Body approved by the Joint Accreditation System for Australia and New Zealand. This will shorten the timeframe for certification. The National Code will be subject to periodic reviews that will provide opportunities for further rationalisation. It will produce a nationally consistent platform that works with rather than hindering industry stakeholders.

The Review Committee accepts the recommendations of the PBT Report to retain existing controls over products and materials used for plumbing, draining and on-site sewerage. It also recommends developing an information program for industry and local governments on approved products and issues associated with illegal products and materials.

## **6.2 Licensing plumbers and drainers - Plumbers & Drainers Examination & Licensing Board**

### *Current arrangements*

Only a person holding a particular class of licence can perform specified categories of plumbing and drainage work. Licensees must meet prescribed experience and qualification criteria specified under the legislation.

The Board has statutory powers to discipline licensees for infringing the legislation, failing to comply with a direction, or for gross misconduct or negligence. The Board may also act where a licensee is not entitled to hold a licence or has obtained the licence by misrepresentation. The Board's enforcement powers include reprimanding licensees, suspending or cancelling licenses or making orders. Licensees who have had their licences suspended or cancelled may appeal to the Minister.

### *PBT Report Recommendations*

The Report states the retention of the licensing regime is defensible, but suggested the following changes:

1. The licensing system currently reserves almost all plumbing and draining work to licensees or apprentices. Non-licensees (particularly other trades) should be allowed to undertake some incidental/minor work provided a licensed person oversees them;
2. Disciplinary procedures should be amended to provide for appeals to be heard by a court or independent tribunal rather than the Minister; and
3. The roles of the agencies involved in the licensing regime should be re-considered. The following options were canvassed but no preference expressed:
  - (a) create a single body to manage all trades subject to occupational licensing,
  - (b) create a single body for the plumbing and drainage industry issuing both occupational and business licences, or

- (c) the Building Services Authority to issue both occupational and business licences for plumbers and drainers.

### ***Review Committee Recommendation***

The Committee accepts the three recommendations of the PBT Report. In summary the Committee recommends:

1. The licensing regime should be retained;
2. Further investigations and consultation take place to establish which areas of currently reserved work should be opened up to being performed by unlicensed persons under the supervision of a licensed person holding a licence relevant to that work;
3. Disciplinary procedures be amended to provide for appeals to be heard by a court or independent tribunal rather than the Minister. The Committee notes that DLGP has already commenced work in this regard;
4. The roles of the agencies involved in the licensing regime be reviewed to improve the occupational and business licensing systems. The Committee notes it is critical that the responsible agencies improve the services to licensees and provide for effective investigation and discipline of licence holders where needed. The Committee also notes the Government has already commenced such a review to be completed by the end of 2002.

### **6.3. Local government monopoly over the inspection of plumbing and draining work**

#### ***Current arrangements***

The Act currently provides for quality control in respect of plumbing and drainage works by a local government based inspection system. Local governments may appoint appropriately qualified persons to be inspectors of plumbing and drainage work. Inspectors must either be licensed by the Plumbers Board, or be approved by the Plumbers Board as having the necessary competence.

Under section 49 of the *Standard Sewerage Law* and section 43 of the *Standard Water Supply Law*, local government inspectors must inspect specified plumbing and drainage work in their government area. The local government may certify (or if requested, must certify) that finished work that is free from defects is in accordance with the legislation.

#### ***PBT Report Recommendations***

The PBT Report considered four options to provide for quality controls in respect of plumbing and drainage works:

- the current system of local government inspection,
- private certification,
- a mix of local government and private sector certification, and
- self assessment



The Report stated:

- The two options involving private certification (ie, private certification or a mix of local government and private sector certification) were not recommended due to what the consultants saw as potential conflicts of interest and inefficiencies with a combination of local government and the private sector;
- The Report notes the current system of local government inspectors required to inspect and approve all works cannot be assumed to be effective. Should any problems be widespread, advantage should be taken of the significant potential to improve the system of inspections and oversight by regulatory agencies to address such problems;
- Self assessment of work by plumbers, with an audit system to provide random checks on a percentage of work, could preserve quality work while lowering overall costs (through speedier inspections and lower inspection costs). However to ensure standards were maintained, it would be critical to have an effective audit system. An ineffective audit system could raise overall costs by lowering work standards and creating additional costs through failure of works and the disciplinary processes for failed audits (eg additional court action). The Report noted if audits were unlikely to be reasonably effective, the current system is probably preferable;
- To decide between inspections and self assessment would require detailed information on the performance and costs of the two systems; and
- The consultants considered it most likely that self assessment with an effective audit system would provide benefits that exceeded costs and met the legislation's objectives. However, there is insufficient evidence to present a persuasive argument that self assessment would be clearly superior or that the benefits of removing the local government monopoly over inspection would outweigh the costs. Therefore, the Report concluded there is not a sufficient case for replacing the current system of local government based inspections.

### ***Review Committee Recommendation***

The Committee agreed the two options involving elements of private certification were not appropriate.

The Committee noted that the PBT Report indicated that detailed information on the performance and costs of the two systems would be necessary to decide more definitively between local government inspections and self assessment.

The Committee took note of industry submissions suggesting Queensland adopt the Victorian model of self certification of works by plumbers. The Committee also considered there were difficulties in applying this model based on central control by a strong State Government agency in a geographically small state to a large State with great diversity in population densities and areas. In addition, in place of central controls, the Queensland system places responsibility for day to day controls over plumbing and drainage works on the local governments which own the water and

sewerage infrastructure. In these circumstances, savings from self assessment would be considerably less than found in Victoria.

The Committee also noted that industry complaints concerning the system of local government inspections and consequent proposals for change appeared to be directed at those local governments with inefficient or overly rigid approaches to inspection and approval of plumbing and drainage works. It was also apparent that lack of consistency between local government inspectorates also can present costs for the industry. However the industry also takes advantage of the considerable free advisory services provided by inspectors either on site while inspecting or by phone, ie advice that is not related to the matter being inspected.

A number of these problems could be addressed within the current system, provided there was a central licensing body with resources and ability to assist local governments to increase the efficiency and customer focus of their operations.

The Committee undertook a further consideration of the impacts of moving to a graduated approach to self assessment. This graduated approach was based on an assessment of the relative risk of failure of works on infrastructure, the environment and public health and safety. It also allowed for Queensland's geography and settlement patterns, local government ownership of water and sewerage infrastructure, a local government based audit system with a limited central government role to assist with consistency and quality control. It also took account of existing State Government moves to integrate plumbing and drainage approvals into the Integrated Development Approval System under the *Integrated Planning Act 1997*.

This included direct consultation with the various agencies charged with administering the self certification system adopted in Victoria in March 1997.

This analysis of the impacts of moving to self assessment for low-medium risk plumbing and drainage is at Appendix A.

This assessment confirmed the view of the PBT Report that introducing a graduated system of self assessment requires an effective audit system to prevent a decline in industry standards, and adverse impacts on local government infrastructure, the environment and public health and safety.

A self assessment regime would also require resources and an effective State Government agency to drive a program to retrain plumbers and drainers to accept responsibility for assessing their own work against standards. Similarly resources would be needed to establish a central system for receipt and referral of notifications by plumbers that work had been completed, for electronic exchange of data between State and local governments, and for a more rational approach to licensing with a central agency sufficiently resourced to undertake effective disciplinary action where audits or complaints indicated the need. Therefore a precondition to a self assessment system would be to establish what body or bodies will be responsible for the future oversight of the licensing regime, audit system and disciplinary processes, and to provide them with powers and resources to be effective in carrying out those functions.

The Committee's analysis in Appendix A did not conclusively establish that a system of self assessment would be clearly superior to an inspection and approval regime,

nor that the benefits of removing the local government monopoly over inspection would outweigh the costs. It found that:

- For the portion of plumbing and drainage work deemed high risk and subject to local government inspections, there would be no change to the benefits of the inspection regime;
- For the low-medium risk works where self assessment would apply, provided the system was supported by an effective local government based audit and disciplinary regime, the overall impact on all stakeholders is likely to be neutral; and
- However, this assessment is predicated on the development and operation of an effective local government based audit system. Without such a system, there is the potential for very significant negative impacts for consumers, the general community, industry and local government.

Therefore, the Committee concurs with the PBT Report that there is not a sufficient case for replacing the current system of local government based inspections.

However the Committee considered there is considerable merit to improving the current regime so that it operates more effectively.

In summary the Review Committee recommends as follows:

1. Options for private certification or a mix of local government and private sector certification were not recommended.
2. The Committee concurs with the PBT Report that there is not a sufficient case for replacing the current system of local government based inspections.
3. Improvements should be made to improve the current regime so that it operates more effectively. Such improvements should not prevent any future moves to a self assessment regime in the event that circumstances change so that the benefits of moving to such a system outweigh the costs. The elements of the improved regime should include:
  - (a) rationalising the licensing regime and agencies involved as discussed under section 6.2;
  - (b) mounting a program to improve consistency between local governments inspectorates across Queensland through training and advisory program as well as on the ground assistance. A useful guide for such a program would be the Business Management Assistance Program (BMAP) provided by the Department to local governments implementing NCP reforms<sup>2</sup>;

---

<sup>2</sup> BMAP is a program to assist small to medium local governments in Queensland to implement NCP reforms to improve their financial management capabilities. Many of these local governments were not making progress in implementing reforms due to a lack of understanding of what was required, and the lack of resources to do the required analysis of their current systems and determine what implementation was required for the future. BMAP offered an in-house assessment to determine the current level of reform of each council and the preparation of an action plan outlining what is required to finalise implementation, along with workshops and access to on-going advice.

- (c) increasing monitoring and disciplinary actions against licensees who breach standards and prosecutions of unlicensed persons undertaking plumbing and drainage works;
- (d) integrating plumbing and drainage approvals into the integrated development assessment system under the *Integrated Planning Act 1997* (which would not prevent any future moves to some plumbing works becoming self assessable development if circumstances change and the benefits outweigh the costs);
- (e) providing for “competent persons” provisions similar to those in the Building Act. This will recognise current local government practices and allow local governments to accept verification that specialised aspects of plumbing work outside the expertise of an inspector complies with a standard.
- (f) providing that specified remote rural local governments, that currently experience great difficulty in inspecting work in their remote outlying areas, may accept verification from that plumbing and drainage work has been installed to their required standards. This should not be available to other local governments.

## **7. SUMMARY OF REVIEW COMMITTEE’S RECOMMENDATIONS**

### **Specification of minimum technical standards for products and materials used in plumbing and drainage**

The Review Committee accepts the recommendations of the PBT Report to retain existing controls over products and materials used for plumbing, draining and on-site sewerage. It also recommends developing an information program for industry and local governments on approved products and issues associated with illegal products and materials.

### **Licensing plumbers and drainers - Plumbers & Drainers Examination & Licensing Board**

The Committee accepts the three recommendations of the PBT Report. In summary the Committee recommends:

1. The licensing regime should be retained.
2. Further investigations and consultation take place to establish which areas of currently reserved work should be opened up to being performed by unlicensed persons under the supervision of a licensed person holding a licence relevant to that work.
3. Disciplinary procedures be amended to provide for appeals to be heard by a court or independent tribunal rather than the Minister. The Committee notes that DLGP has already commenced work in this regard.
4. The roles of the agencies involved in the licensing regime be reviewed to improve the occupational and business licensing systems. The Committee notes it is critical that the responsible agencies improve the services to licensees and provide for effective investigation and discipline of licence holders where needed. The

Committee also notes the Government has already commenced such a review to be completed by the end of 2002.

### **Local government monopoly over the inspection of plumbing and draining work**

The Review Committee accepts the PBT Report's recommendations. In summary the Committee recommends as follows:

1. Options for private certification or a mix of local government and private sector certification were not recommended.
2. The Committee concurs with the PBT Report that there is not a sufficient case for replacing the current system of local government based inspections.
3. Improvements should be made to improve the current regime so that it operates more effectively. Such improvements should not prevent any future moves to a self assessment regime in the event that circumstances change so that the benefits of moving to such a system outweigh the costs. The elements of the improved regime should include:
  - (a) rationalising the licensing regime and agencies involved as discussed under section 6.2;
  - (b) mounting a program to improve consistency between local governments inspectorates across Queensland through training and advisory program as well as on the ground assistance (possibly of the type provided to local government business activities under the BMAP program from the Department for encouraging local governments to adopt competitive neutrality and water pricing reforms);
  - (c) integrating plumbing and drainage approvals into the integrated development assessment system under the *Integrated Planning Act* (which would not prevent any future moves to some plumbing works becoming self assessable development if circumstances change and the benefits outweigh the costs);
  - (d) providing for "competent persons" provisions similar to those in the Building Act. This will recognise current local government practices and allow local governments to accept verification that specialised aspects of plumbing work outside the expertise of an inspector complies with a standard.
  - (e) providing that specified remote rural local governments, that currently experience great difficulty in inspecting work in their remote outlying areas, may accept verification that plumbing and drainage work has been installed to their required standards. This should not be available to other local governments.

**ATTACHMENT**

**IMPACTS OF MOVING TO SELF ASSESSMENT OF LOW-MEDIUM RISK  
PLUMBING AND DRAINAGE WORK**

<p><b>CONSUMERS:</b></p> <p><b>(a) Persons purchasing plumbing &amp; drainage work<sup>1</sup></b></p>	<p><b><u>High risk works</u></b></p> <ul style="list-style-type: none"> <li>For the portion of plumbing and drainage work deemed high risk that would continue to be subject to local government inspections under the proposed alternative, there is <b>no change</b> to benefits of the inspection regime (eg, the high level protection of the health and safety of the purchasing consumer and safeguarding the integrity of buildings owned by consumer).</li> </ul> <p><b><u>Low-medium risk works</u></b></p> <ul style="list-style-type: none"> <li>Self assessment with an effective system of random audit checks on a percentage of work <b>potentially offers positive impacts</b> by preserving quality work while lowering overall costs (through reduced regulatory costs) and providing a clear record of responsibility for works. It is noted that in the Victorian system of full self assessment, the quality of work improved after self assessment was introduced with the percentage of works failing audits falling from 20.7% in 1998/99 to 12.6% in 2000/01.</li> <li>The <b>level of positive impact would depend</b> on the effectiveness and cost efficiency of the inspection regime that self assessment replaces. The performance of local governments currently varies significantly in terms of fees, procedures and requirements which impact on turn around times for approvals and inspections, and whether the local government accepts “as constructed plans” rather than requiring house plans to be received in advance:             <ul style="list-style-type: none"> <li>➤ In those areas where local governments are unduly expensive, slow or obstructive, there are likely to be <b>high positive impacts</b> of moving to an effective self-assessment regime;</li> <li>➤ However, available evidence suggests a number of the local governments operate effective inspection and approval regimes with brief turn around times (although definitive figures are not available for all local governments). For example, Queensland’s population and consequent development is concentrated in South East Queensland with over half of the State’s building approvals in 1997-98 occurring in the two local governments, Brisbane and Gold Coast City Councils. Information provided by these local governments indicates that there would be a <b>neutral to small positive impact</b> of moving to self assessment. The current costs of complying with the local government regimes in Brisbane and Gold Coast City Councils are not high relative to the benefits received.</li> </ul> <p><i>Brisbane City Council–</i></p> <p>Turnaround times for approval of plans is 1 day for domestic works, and 10 days for a standard plan for large scale commercial or industrial works. There is also a fast track system guaranteeing consideration of hydraulics plans within 24 hours at a cost of \$113 (although in practice it is usually within an hour). This is on the basis of assessing about 150 plans a month, which can be lodged electronically. Brisbane also offers an efficient staged approach for multistorey developments with different uses for different floors, eg parking, accommodation or commercial use. Up to 3pm, a plumber can book an inspection for the following day, and</p> </li> </ul>
--	--

**Size Of Industry: Plumbers and drainers** - There are 10,736 plumbers and drainers with occupational licenses issued by the Plumbers Board. 4073 (40% of plumbers and drainers) also hold business licences under the Building Services Authority (BSA). About 14% of the business licences issued by the BSA are to plumbers and drainers. **Plumbing and drainage works** - The value of plumbing and drainage installations in buildings, including the value of materials and products, represents about 6 percent of the total value of building work. The value of building work undertaken each year in Queensland exceeds \$6000 million. The plumbing and drainage work included in new building work amounts approximately to \$360 million (Building Activity Queensland, May 2000, Australian Bureau of Statistics). However, this does not include significant expenditure by the community on maintenance, repair and minor works that would not require local government approval.

confirm the time of the inspection (within 30 minutes) by a phone call after 7.30am on the day of the inspection. Inspections on weekends or out of hours can be booked, with early morning inspections not attracting a cost. Special arrangements can be made for large projects with a need for repeated inspections (eg, construction of hospitals). To further improve the inspectorate’s efficiency, Brisbane is also conducting a trial of inspectors using laptops with remote access.

*Gold Coast City Council*

Turnaround times for approval of plans for domestic work are 1-2 days and approximately 7-10 days for commercial work, depending on the complexity of the project. The turnaround on commercial buildings is based on 2 days to assess plans, with remainder of time for processing application. It is also based on approximately 50 applications registered and processed in sequence. Gold Coast offers staged approvals for commercial or high rise residential buildings.

- There may be **minor negative impacts** from the loss of the advisory service provided in practice by many plumbing inspectors to the industry either at inspections or over the phone. This service has helped in the past to produce a better standard of plumbing and drainage works for the consumer.
- To the extent that some plumbers’ skills need to be enhanced to undertake their responsibilities under self-assessment, there may be **short term negative impacts** covering the period required to upgrade their skills. There would be an increased risk to public health and safety in the short term from poor quality work until plumbers upgrade their skills. The extent to which skills need to be upgraded and the risk to public health and safety and the environment will depend upon how much the current system relies on deficiencies being fixed at the time of inspection – that is, how much poor quality work is performed by plumbers at the moment that is detected and corrected at inspections.
- Fees paid for plumbing work under a self assessment and effective audit regime are likely to be less costly than a local government full inspection system, thereby having a **small to medium positive impact** for consumers. However, because faults are detected by an audit system after work is completed and a compliance certificate provided by the plumber, restitution is likely to be much more costly for the plumber and pose greater inconvenience to consumers, with a **potential negative impact**.
- Even with an effective audit regime, auditing only a percentage of works carries a greater likelihood of undetected faulty work, thereby increasing health and safety risks and the cost of rectification when faults subsequently become apparent. There would be a **negative impact** for those consumers required to later rectify problems that would otherwise have been detected and rectified at the time of inspection under current arrangements.
- Consumers currently receive some protection from the insurance system provided by the Building Services Authority that provides 6 years consumer protection in relation to new residences constructed (including plumbing and drainage works). A **positive impact** for consumers would come from the need for plumbers to carry some form of insurance to provide for consumer protection in the event of failure of self assessed works which would expand on the limited coverage for works under the current BSA scheme. However the cost to the plumbers and drainers of insurance premiums would be passed on to consumers in increased prices that would be a **minor negative impact**.

**Overall, there is likely to be a minor positive impact for consumers** from moving to a self-assessment regime, providing that an effective audit regime is developed and implemented, keeping in mind the pivotal role local governments play in the delivery of plumbing and drainage services in Queensland. Without an effective audit regime, there are **potentially high negative impacts** for consumers through a failure to protect work standards, public health and safety and the environment. The most serious impact would be through increased failure rates that would lower industry standards. Government costs incurred through the consequences of the failure of works and court / disciplinary processes



	<p>for failed audits are in the end borne by the consumer. If a reasonably effective audit system based on local governments cannot be implemented, or is too expensive to operate compared with the benefits, the current system is probably preferable in terms of impacts on the consumer.</p>
<p><b>(b) General Community</b></p>	<p><b><u>High risk works</u></b>                  For the portion of plumbing and drainage work deemed high risk and subject to local government inspections, there is <b>no change</b> to benefits of the inspection regime.</p> <p><b><u>Low-medium risk works</u></b></p> <ul style="list-style-type: none"> <li>• The impact of moving to a self-assessment regime for low-medium risk works will depend on whether effective audit and disciplinary systems can be developed and implemented. If such systems can be put in place, then there is likely to be <b>no change</b> to the impact on the community through protecting work standards, public health and safety, and the environment through the quality of the water supply and sewerage systems.</li> <li>• However, without an effective audit regime there are <b>potentially high negative impacts</b> on the community through increased failure rates that would lower industry standards. Increased failure rates are also likely to produce significant environmental damage as well as damage to local government infrastructure. Government costs incurred through dealing with environmental damage or the consequences of the failure of works and court / disciplinary processes for failed audits are in the end borne by the consumer through rates and taxes. If a reasonably effective audit system based on local governments cannot be implemented, the current system is probably preferable in terms of impacts on the general community.</li> </ul>
<p><b>INDUSTRY</b></p>	<p><b><u>High risk works</u></b>                  For the portion of plumbing and drainage work deemed high risk and subject to local government inspections, there is <b>no change</b> to benefits of the inspection regime.</p> <p><b><u>Low-medium risk works</u></b></p> <ul style="list-style-type: none"> <li>• There would be <b>potentially positive impacts</b> for the building and construction industry, including plumbers, by reducing compliance costs through speedier inspections and reduced fees. However, as noted under Consumers above, there is evidence that a number of the local governments operate effective inspection and approval regimes with brief turn around times, although definitive figures are not available for all local governments. The extent of the savings from moving to self assessment is not clear.</li> <li>• There would be a <b>minor positive impact</b> for industry in moving from complying with the variety of systems and procedures for inspections and approvals across local governments. However it is noted that some local government systems currently offer savings to the industry in that area (eg, the use of “as constructed plans by Brisbane City Council and Gold Coast City Council) so the positive impact would vary. In addition, this would be balanced by a <b>minor negative impact</b> for industry from the varying approaches to auditing by local governments.</li> <li>• There would be a <b>minor negative impact</b> from the potential loss of the advisory service provided in practice by many plumbing inspectors to the industry either at inspections or over the phone.</li> </ul>

	<ul style="list-style-type: none"> <li>• There would be a <b>minor positive impact</b> from an expected decrease in unapproved works. Some industry spokespeople have stated there is a significant level of unapproved works under the current system. Unapproved works may be carried out in accordance with standards but can be offered to consumers at a lower cost because no fees are paid and no delays for inspections incurred. Price savings may also be due to unapproved works using non standard materials and installation methods. It is alleged that the price competition offered by unapproved works is sufficient to place pressure on other operators to avoid the inspection process to keep costs low and thus reduces the standard of practice in the industry. There is no solid evidence of the extent of unapproved works, making an estimate of the extent of the negative impact extremely difficult.</li> <li>• Whatever the level of unapproved work under the current system, it is reasonably certain that any plumbing occurring in conjunction with at least one area of activity (ie, new residences or major building work) is now subject to application and inspection procedures. This ensures all plumbers and drainers comply with standards of materials and workmanship, which prevents the negative impacts of price competition from unapproved works in respect of new residences and major building works. There is likely to be a decrease in compliance levels for new building, at least while the self assessment system is bedding down, with <b>negative impacts</b> on quality of work – which would continue to impact adversely on competitors.</li> <li>• Industry would face a <b>minor negative impact</b> from the cost of purchasing training provided through a State Government or other program to upgrade the skill of plumbers, particularly if some training is mandatory.</li> <li>• The BSA insurance scheme protects Queensland consumers by providing insurance cover for new residential work (which would include plumbing and drainage works in a new house) where there are defects in construction or where the contractor goes bankrupt. Therefore plumbing work by sub-contractors within a new house would be covered. In addition, the BSA provides a mediation and dispute resolution system for consumers and contractors. A critical part of a self assessment regime is to provide for increased consumer protection in the event of failure of all works (not just new residential works) by requiring plumbers and drainers to take up some form of insurance cover (NB. In the Victorian system, licensed plumbers and drainers must carry insurance cover for 10 years which is the period of the guarantee of workmanship and materials they provide to consumers). The cost of insurance premiums would be a <b>moderate negative impact</b> for plumbers, particularly as the cost of any insurance cover is increasing.</li> <li>• A new system which focuses more on consumer rights and the responsibilities of the industry (eg, as in the 10 year guarantee offered in the Victorian system) has the potential to increase <b>negative impacts</b> for plumbers and drainers due to an increase in the incidence of claims against them.</li> </ul> <p><b>Overall, there would be a minor positive impact on the building and construction industry</b> from moving to a self-assessment system providing there are effective audit and disciplinary systems to ensure maintenance of work standards. However, without effective systems, there is serious potential for a decline in work standards, through competition from operators making savings through work that does not comply with standards. Such unfair competition has the potential to impose a <b>significant negative impact</b> on persons complying with standards, who can be driven out of the industry. It would also serve over time to bring the industry into disrepute in the eyes of the public.</p>
<p><b>GOVERNMENT</b> <b>(a) Local Government</b></p>	<p><b><u>High risk works</u></b> For the portion of plumbing and drainage work deemed high risk and subject to local government inspections, there is <b>no change</b> to benefits of the inspection regime.</p>

**Low-medium risk works**

- The current system of inspections is self funding based on the collection of application and inspection fees. Local governments currently employ about 300 plumbing inspectors who must be licensed persons or of equivalent competency to verify compliance of plumbing and drainage work with the standards set in the legislation. The cost of the approval and inspection programs is recovered by local governments from fees set according to the size of a particular development, amounting to approximately \$11 million per year. The overall cost of regulating plumbing and drainage works at the State and local government levels is relatively small at around 3.0% of the total expenditure on plumbing and drainage. However local governments must also store data on approvals and inspections, the cost of which may not be covered by fee revenue in all cases. Although there would be operational cost savings for local government (managing data and conducting audits is less expensive than a full inspection regime), this would be balanced by reduced revenue from fees. The overall impact would be neutral. The actual cost for 125 local governments to run a system of graduated self assessment plus random audits is unknown. However the combined cost to the Victorian PIC of a centralised audit system covering all of the State (including audits, investigating breaches, prosecuting unlicensed persons and conducting disciplinary actions in respect of licensees is \$1.63M. In addition there would be a significant portion of the \$3.009M salaries bill for the 53 member PIC would apply to the audit system. Up to 20 persons would be involved in this function including a 16 person investigation section, a legal advisor and senior members of the PIC and the Plumbing Industry Advisory Council involved in hearings. The ancillary costs of audits and inspections by the Office of Gas Safety and drainage inspections by Water Boards are unknown.
- Local governments currently benefit from the protection offered by the inspection system in maintaining standards of plumbing and drainage work and the materials used and thus protecting local government infrastructure, the environment and community health and safety. The inspection system also fosters local government awareness of work being carried out in its area. The risks inherent in moving to self assessment with random audits of a percentage of work have potentially a high negative impact. However, this would be offset to a large degree by the ability under the self-assessment proposal, for each local government to protect its infrastructure by determining the level of auditing for work that involves connections to its infrastructure. As a result, there would be **potentially small to medium negative impact** on local governments in relation to protecting their infrastructure.
- There would be **minor to moderate negative impacts** for local governments facing increased costs in dealing with displaced inspectors (from the approximately 300 currently employed). These costs could relate to re-training and associated costs of absorbing these officers into other areas of local government administration. Local governments would also face increased costs from officers ceasing employment.
- There would be small short term negative impacts for local governments in setting up electronic connections to the State Government “post box” for receipt and referral of notifications of self assessment.
- Under the current system, there is a perception by some in the community and even by some plumbers that local governments are liable for plumbing and drainage works once they have certified them as complying with relevant standards. Therefore complaints have tended to be addressed to local governments rather than the responsible plumber and dealing with complaints has consumed local government administrative resources. Provided the self assessment system is publicised, there should be a drop in complaints directed to local governments, which would be an **minor positive impact** on local governments.

**Overall, there is likely to be a neutral to minor negative impact on local governments** of moving to a self-assessment system with effective auditing and disciplinary systems. However, without effective systems there are **potential high negative impacts** on local governments through adverse impacts on their water and sewerage infrastructure and the environment and public health and safety generally.

<p>(b)State Government</p>	<p><b><u>High risk works</u></b></p> <p>For the portion of plumbing and drainage work deemed high risk and subject to local government inspections, there is <b>no change</b> to benefits of the inspection regime.</p> <p><b>Low-medium risk works</b></p> <ul style="list-style-type: none"> <li>• Under the current inspection system the State Government has few costs because local governments inspect and approve works on a cost recovery basis. Current costs include:             <ul style="list-style-type: none"> <li>➤ The total annual operating costs of the Plumbers Board for 2000-01 (covering 2 support staff for the Board, administrative and technical support from DLGP staff and accommodation) was \$215,000, and for 2001-02 is \$220,000.</li> <li>➤ The total annual operating costs of the BSA in 1999-00 was \$30.675M which was expended on mediation and disciplinary activities(\$6.748M), providing advice to the industry (\$3.068M), the insurance system (\$13.804M) and administering the licensing system (\$7.055M). 14% of licences issued are to plumbers and drainers and gasfitters.</li> <li>➤ Costs of the Queensland Building Tribunal hearing matters relating to plumbing and drainage are unknown.</li> </ul> </li> <li>• By comparison, the Queensland State agency responsible for both operational and contractual licensing in the electrical industry received revenue in 2000-01 of \$1.25M. The Petroleum and Gas Inspectorate in DNRM has a budget of the order of \$1M.</li> <li>• By comparison, the total annual cost in 2000-01 of the Victorian PIC (covering occupational and business licensing of 18,195 plumbers and drainers, gasfitters and refrigeration/mechanical ventilation) is \$7.559 M. The PIC is self funded and its revenue for the same period was \$7.62M. This funding provides for administering an information program, managing a training and examinations system, licensing, managing and auditing the self assessment system, investigating complaints and breaches, conducting disciplinary hearings and court prosecutions. Other inspections in relation to gas installation are carried out by the Office of Gas Safety and the Water Boards also conduct inspections. The costs of these inspection regimes are unknown.</li> <li>• There would be a <b>negative impact</b> on the State Government by increased costs through moving to a self assessment system. These costs would include providing training and upgrading the skills of plumbers to accept their responsibilities under self assessment (even on basis of partial cost recovery). Under a centralised system as applies in Victoria, the Government would need to resource its additional functions of coordinating the system for registering notifications of self assessment of works (including electronically receiving and forwarding notifications to local governments, receiving advice from local governments of the locations of connections to infrastructure, and maintaining records), and forwarding these electronically to the relevant local governments. In a local government based system, the State Government would need to maintain only a small program to track information on notifications of self assessment, to assist local government auditors to maintain a consistent approach across local governments inspectorates and to provide auditors with technical advice. Relative to the costs currently incurred by local governments and the potential impacts on consumers, the community and industry, the State Government would incur <b>small to medium negative impacts</b> as some costs were transferred from local government to State Government, but this would be offset by increased revenue from State Government fees to replace those currently imposed by local governments.</li> </ul>

	<ul style="list-style-type: none"> <li>• There would be a <b>very minor negative impact</b> through State Government costs of introducing legislation to implement self assessment.</li> </ul> <p><b>Overall, there is likely to be a small to medium negative impact on the State Government</b> of moving to a self-assessment regime for low to medium risk plumbing and drainage works.</p>
<p><b>OVERALL ASSESSMENT</b></p>	<p><b><u>High risk works</u></b>                  For the portion of plumbing and drainage work deemed high risk and subject to local government inspections, there is <b>no change</b> to benefits of the inspection regime.</p> <p><b><u>Low-medium risk works</u></b>                  In summary, the impacts of self assessment for low risk work supported by an effective audit and disciplinary regime are</p> <ul style="list-style-type: none"> <li>➤ Consumers purchasing plumbing and drainage works – <b>minor positive impact</b></li> <li>➤ General Community – <b>no change</b></li> <li>➤ Industry – <b>minor positive impact</b></li> <li>➤ Local Government – <b>neutral to minor negative impact</b></li> <li>➤ State Government – <b>small to medium negative impacts</b></li> </ul> <p>Overall the impact on all stakeholders combined of moving to a self assessment system with an effective local government-based audit system is likely to be <b>neutral</b>.</p> <p>However, this assessment is predicated on the development and operation of an effective local government based audit system. Without such a system, there is the potential for <b>very significant negative impacts</b> for consumers, the general community, industry and local government.</p>