

Opportunist builders,  
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crisis 'worse than  
leaky homes'



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JASON DORDAY/Stuff.co.nz

NZIBS building inspector Gerard Ball says properties that make the grade like this one in Flat Bush, south Auckland, are increasingly few and far between.

Take a building inspector through the soon-to-be city of Flat Bush in Auckland's south-east, and watch his hackles rise.

He shakes his head and laments the state of building in New Zealand today. He picks his way through Double Happiness cigarette boxes, jagged bricks sticking out of mud, broken bottles, twisted steel mesh to tut tut at wonky flashings. He – Gerard Ball from Babbage Consultants – notices walls are out of plumb and that polystyrene, plastic bags, and chip packets have drifted into nearby streams.

"Every single building on this street raises red flags for me," Ball says. "If builders don't give a damn about what's visible to the eye, how can they be trusted to properly do things they know can be covered up?"



PETER MEECHAM / FAIRFAX NZ

Jeff Fahrenson, inspections manager for Auckland Council, signs off a new development in Takanini, south Auckland. This one is good - not so many others.

Employee itinerancy and a lack of professional pride within the construction industry have led to an era dubbed worse than the leaky building crisis.

"It's a self-destructive industry," says Ball. "Why bother getting trained if you can leap into a job straight away? Why bother impressing the boss with your work ethic when you're not dependant on him for your next job? Why bother making a decent job of things when stretched councils don't have time to inspect thoroughly anyway?"



CHRIS SKELTON / FAIRFAX NZ

Lawyer Adina Thorn has more than 100 unhappy home-owners signed up to a class action suing over steel mesh used in their homes. She alleges it's substandard.

New Zealand's insatiable demand for construction lets reputable builders – in scarce supply – be price-makers. It has also allowed a glut of inexperienced but comparatively cheap tradesmen into the market.

These builders don't necessarily know what good work looks like. They forgo proper surveying to save money, don't understand the reasoning behind good quality materials, and are keen to move on to the next project – the next lump payment – as fast as possible.

A 10-week investigation has identified three key problems: - Unqualified tradesmen who just can't count: they under-quote to get the job, measure badly, and cut corners; - Cheap, substandard steel mesh for reinforcing concrete slabs, much imported from China or Malaysia; - Materials being bought on overseas websites like Ali Baba for a fraction of their price at New Zealand hardware wholesalers and retailers – and without any of the quality certification.

Opportunist builders, dodgy steel and shonky standards create new building crisis 'worse than leaky homes'



PETER MEECHAM / FAIRFAX NZ

Hundreds of new houses are being built in new developments on the fringes of Auckland, Christchurch and other cities. Some, like these, are well-built; others, according to building inspectors, do not meet standards.

Former lighting designer Mark Zhou is one who admits he has little experience. He got lured to New Zealand two years ago by whiffs of fortune and without any previous building experience now erects whole streets of Flat Bush.

How did he get into the game?

"I'd lost all my money gambling in a Melbourne casino," he explained, "and I'd heard doing building in New Zealand was the easiest way to get it back."

PETER MEECHAM/stuff.co.nz

Zhau jumps from brick pile to scaffolding, dusty, in a face mask, and with a tool belt slung low around his hips. When asked about all the mess on his building site, he says he doesn't care.

### **\$1 MILLION BUILDS WITH NO CONTRACTS**

Roger Levie says anyone off the street could get a job in construction. Levie is chief executive of the Home Owners and Buyers Association. He reckons the industry is desperate enough to welcome everyone in, leaving only time and bitter experience to identify the opportunists.



JASON DORDAY / FAIRFAX NZ

NZIBS building inspector Gerard Ball is relieved when he finds a new-build that is up to scratch: "If builders don't give a damn about what's visible to the eye, how can they be trusted to properly do things they know can be covered up?"

"That's just sick, isn't it?" he says. "Because until the duds get weeded out they're doing shoddy work that creates victims."

This is, of course, the tension between stimulating industry and protecting consumers coming into play.

The Ministry of Building, Innovation and Employment's efforts to protect consumers from dodgy builders have not been effective. They introduced the Licensed Building Practitioners (LBP) scheme in 2012, but a constant gripe throughout the industry is that supervising LBPs are spread too thinly, some barely visiting sites they're meant to be charge of.

CHRIS MCKEEN/Stuff.co.nz

Browns Bay build blows budget; roofer rues costly construction

There is no maximum amount of contractors or projects an LBP can supervise at any one time, and they need no formal qualifications. Roger Levie said that since "any twit can become an LBP" their role is dubious.

Even the registrar of LBPs, Paul Hobbs, admits they often lack leadership skills; "LBPs may not fully understand the skill-sets of people working beneath them and leave staff to their own devices too much, leading to poor workmanship", he says.

"Another problem is when they do something they suspect is wrong, but just carry on instead of asking for back-up."



CHRIS McKEEN / FAIRFAX NZ

When Chris Drabble renovated his north Auckland home, the cost blew out from an estimated \$420,000 to over \$1 million.

Hobbs says complaints against LBPs increase every year. Between 2015 and 2016 there were 193 complaints, of which just 97 were decided. Of the 97 complaints heard, 80 resulted in some form of discipline for the builder.

Critics of the LBP scheme say the punishments – a fine of a few hundred bucks or in extreme cases the suspension of their licence – are not enough to spark a change in behaviour. Some disappointed consumers, Levie worries, will not even invest the extra energy to complain to the LBP board because it does not offer them compensation.

Another consumer protection measure from MBIE was the introduction of mandatory written contracts for building work over \$30,000 – but actual take-up of these contracts seems patchy.

PETER MEECHAM/stuff.co.nz

One independent builder spoken to said that he had done \$1 million projects this year without any written contract; a project manager for a large building firm said that contracts were seldom asked for by council, "so not worth taking the time for".

### **'FAILING BUILDING 101'**

Auckland Council building inspector Jeff Fahrenson says around 25 per cent of inspections in the region fail, mainly through builders "failing building 101s".

He says cost-cutting is at the heart of the matter. Substituting building-code specified product with cheaper, non-compliant material for example.

"We get a whole lot of problems with steel reinforcing mesh," he says.

It's impossible to tell quality mesh from shoddy substitutes by sight, Fahrenson said. The hefty price differences between the two "make it all too tempting for some people".

You can buy steel mesh from the Chinese version of Trade Me, Ali Baba, and get it shipped here from China for as little as \$8 a sheet. Local suppliers sell it for 11 times as much.

Ali Baba is a blind middle-man trading website used by anyone wanting to get cheap deals on mainly Chinese products. One steel mesh seller, Uan Steel Co., has a warning on their page: "We're not low-end manufacturers! The low-end producers would not be trusted."

But unless you're swayed by small pixelated images of testing certificates, there's no way to verify their product's standard or origin.

Even major steel merchants in New Zealand, though, have been accused of using non-compliant steel mesh; the Commerce Commission is investigating Steel & Tube and Brilliance Steel Ltd after their products failed safety tests.

Steel & Tube are also being investigated by the Commerce Commission for worries over the certification of their steel mesh testing.

Since the Christchurch earthquake, steel mesh used for reinforcing concrete foundations must be made of steel with 10 per cent ductility. Low ductility was one of the reasons Christchurch's CTV building collapsed. If non-compliant steel gets used in construction now – provided it's picked up on in a council building inspection – the building will fail its check and the foundations will need re-doing.

## **STEELED FOR CLASS ACTION**

Auckland lawyer Adina Thorn is putting together a case against steel mesh manufacturers.

"This is a huge issue and Harbour Litigation would not be getting in on this if they weren't confident we'd win," Thorn says.

She has already signed up more than 100 registrations of interest from owners of buildings built since 2012 that contain allegedly dodgy steel mesh.

Thorn's firm are also involved in class action litigation against building materials supplier James Hardie for weathertightness issues.

And it's not just steel.

A slew of poor quality but cheap products are being imported and used on our building sites. Cost-cutting tradies bring in plumbing materials, safety glass, and bolts that fail to meet code compliance all the time, councils say.

Shoddy steel has become so rife in New Zealand that the London-based Harbour Litigation Funding – one of the biggest litigation funders in the world – agreed to pay for a class action against suppliers of non-compliant steel.

## **EASY MONEY**

There's not only a lack of building nous in the industry, but business savvy as well. Builders using cheapness as their main selling point often run on very tight margins and have cashflow problems.

Levie says that since a lot don't understand cashflows, "it's all too easy to go broke".

"There are all too many cases of builders running off and leaving jobs unfinished and subcontractors unpaid," he says.

Runaway building contractor Jonathan Sommers did just that last year – he fled to Australia, leaving suppliers, scaffolders, and assorted tradesmen out of pocket, with clients lumped with the husks of their former homes.

Director of Finesse Residential Geoff Philson said that construction companies "either trade on their solid reputation and history, or jump from project to project, changing names and swindling."

"Both ways get you jobs and unfortunately the latter might be easier," he says.

Levie said he reckoned there was "more incompetence than immorality" in the industry, but the two often gave consumers a similar outcome. Quotes on price, for example, could be unrealistically low to win contracts or because the builder hadn't fully understood what a project entailed.

Chris Drabble, a roofer who moved to New Zealand seven years ago, had to sell his house in the UK to pay for the surprise cost leap of his home's extensions in Browns Bay, Auckland.

Drabble came here to start a new life and transform a cramped house with tiny windows at the top of a cliff into a haven for his wife and teenage boys. Most of all they wanted to maximise their outlook, putting in floor to ceiling ranch sliders for a sweeping view of Browns Bay.

His building contractor quoted \$420,000 – but Drabble ended up having more than \$1million squeezed out of him, even though the house plans hadn't changed.

"What tradesmen do is quote low to get a foot in the door, then rip your house to pieces and tell you if you want it put back together you've got to pay," he says.

He also warns that tradies "have that many jobs to do that the minute you offend them they bugger off somewhere else – and you don't see them for another three months".

Drabble took the matter to court – "forking out even more big bucks for a solicitor" – but in the end he had to pay because quoted prices were "just an estimate".

Almost everyone involved in his project, from the electrician to the product supplier, doubled or tripled their price, says Drabble. Getting excavated dirt removed cost him \$14,000 when it was originally quoted at \$4,000.

As well as inflating their price, Drabble says the earthmovers damaged his house and his neighbour's with their bob cat. The driver just shrugged afterwards, Drabble says, and claimed that damage was to be expected in a tight space.

Drabble believes flagrant re-quotes to be a Kiwi trick. Tradesmen in the UK, he says, are prepared to make a loss if they go over what was initially agreed.

"Kiwi builders on the other hand, they're just robbing you blind."

## **THE SEARCH FOR SOLUTIONS**

Jessica Wilson of Consumer.org.nz says her organisation is flooded with people at a loss over how to get reparation for shoddy building work. She says that while the disputes tribunal works well for claims under \$15,000, consumers were "at the absolute bottom of the bargaining ladder" for larger sums.

"They often think they're covered, but don't realise many of the schemes in place, like via Master Builders, have no mandatory obligation to pay out."

Court is often not worth the financial risk, since reparation "is far from guaranteed" and lawyers fees are steep, she said. Private insurers, meanwhile, are not often keen to cover building issues.

Queensland has a government-backed mandatory insurance scheme for the building sector, and similar arrangements operate in Europe. Consumer.org.nz advocates these models as a route to increasing accountability in tradesmen and protecting what is many consumers' biggest financial investment.

Wilson says that although higher standards would see some people leave the industry, "you've got to ask whether they should have been there anyway".

Levie says mandatory insurance has been looked at in New Zealand, but that those with more money and power at the discussion table always prevent it from getting through.

Since insurance premiums would increase building costs, it would mean some builders couldn't afford to stay in the industry. That stirs controversy, as New Zealand arguably needs all the builders it can get to keep up with demand.

Building and Housing Minister Nick Smith says he's not convinced there is a significant problem in the building sector.

"But we must be vigilant and I keep an ear to the ground," he told Stuff this weekend.

"The risk of poor quality is greater when the industry is booming. People desperate to get a tradesman end up with a substandard one."

"It will always be a performance-based building code, that's not changing. But we are tightening it, for example testing requirements for steel mesh."

The government is investigating a mandatory warranty scheme, but Smith is concerned the extra costs it would add to building would not benefit consumers.

Under current rules, tradesmen must tell customers about any insurance they hold for residential work above \$30,000. A MBIE spokesman said that was meant to encourage consumers to think about whether or not they wanted a builder with insurance – decide they do – and thus pressure builders to get insurance in order to find more work.

Given the evidence that Kiwi consumers like things cheap, Levie reckons MBIE's stance is "naive" and that insurance has to be both mandatory and independent to be effective.

Commercial law lecturer Rohan Havelock, of the University of Auckland, says a properly set-up government-backed insurance scheme would be better than the self-regulation options on offer from the industry today.

Havelock gives the Master Builder guarantee as an example: "It's just so skewed in their favour it's not funny – I haven't heard of a case where owners successfully claimed on it."

He says something drastic has to be done to improve the quality of New Zealand's construction sector, be it mandatory insurance or a flip back to a prescriptive building code. The current code is based on a building's performance; advocates say this encourages innovation. Critics point out this innovation led to the leaky building crisis in the first place.

"If you look at the leaky building crisis, and how much that's cost the country – it's in the billions," says Havelock.

"We obviously don't want something of that nature to occur again, but it is."

On former paddocks at the outskirts of our cities, people lay concrete and put up gib-board. In Flat Bush and in Browns Bay contractors work putting up new houses and renovating the old. However a quiet scandal is shaking the foundations. Between the empty cigarette packets and the broken V bottles wanders a worried building inspector. Gerard Ball sighs as he looks at the anonymous vans of contractors in the street. Tradies have lost sight of the importance of their craft, Ball says.

He witnessed government-backed insurance in action in France, and he believes it incentivised good building. The cost of increasing premiums for every negligent act made builders more aware of their work, he explains.

"Right now too many tradespeople think that when the job's over, their role is over. But families can suffer tremendously – builders need to be made aware that their shoddy work can come back to haunt them, and others. Sad though it is, financial incentives work better than human decency.

"They don't feel responsible for a building's performance and there's no sense of pride in good workmanship. This really needs to change."

**- Sunday Star Times**