



State Insurance Regulatory Authority
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To whom it may concern

Thank you for the opportunity to provide feedback on the *Home Building Compensation Reform* Discussion Paper (Discussion Paper), examining proposed reforms to the Home Building Compensation (HBC) scheme.

The NSW Small Business Commissioner (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy and affordable dispute resolution services across NSW.

The Commission's role includes:

- Encouraging government agencies and larger businesses to enter productive working relationships with small businesses
- Facilitating and encouraging the fair treatment of small businesses
- Promoting a fair operating environment in which small businesses can flourish

Small business engagement

The Commission has heard from stakeholders within the construction industry who have indicated a perception they are overlooked or unable to contribute to Government policy and reform. These challenges are exacerbated by what is perceived to be an ambitious reform agenda, across multiple regulatory frameworks affecting the sector, that has made it difficult to engage across the breadth of issues under consideration.

To mitigate these perceptions, the Commission strongly encourages consistent and proactive engagement with small business stakeholders (and their representatives) on the practical implications of reform proposals. The Commission strongly supports compliance with the NSW Government's Guide to Better Regulation ([TPP 19-01](#)) when assessing policy proposals, and notes this includes specific consideration of small business impacts.

The Commission therefore encourages the State Insurance Regulatory Authority to actively consult with small businesses as policy proposals are further formulated and developed.

Insurance costs

As highlighted in the Discussion Paper, some of the proposed reforms have the potential to impact businesses through increased insurance premiums. The Commission notes that insurance, across multiple lines, is becoming increasingly unaffordable for small businesses. According to the Commission's July 2022 Momentum Survey, rising business costs is the top small business concern with 86 per cent citing the cost of business inputs as a challenge.

The Commission also notes that some proposals, for example covering victims of unlawfully uninsured home construction, may transfer costs from errant businesses to those who are



doing the right thing. While there may be merit in providing a safety net to support victims, it may be viewed as unfair for small businesses to contribute higher premiums, particularly given insured businesses are not contributing to this societal cost. If pursued, implementation models should include options to provide premium relief to smaller businesses that may face difficulties meeting these higher costs.

Updating the threshold for requiring insurance

As the Discussion Paper rightly identifies, the \$20,000 threshold for requiring insurance has not changed since 2012, despite the costs of building work having increased over the last decade. Recent increases in labour and material costs as well as supply chain disruptions have contributed to higher project costs over the past few years.

The Commission therefore supports, in principle, the proposed threshold increase, with a review every 3 years to ensure the threshold reflects contemporary developments in the construction industry.

Additional administrative challenges faced by small businesses

The Commission has heard from many small construction businesses that report feeling overwhelmed by administrative and regulatory requirements. Even processes which are seen as standard can be time intensive, especially for small businesses which can potentially comprise of just one builder and a bookkeeper.

The Commission encourages consideration of how to reduce administrative burden, especially for small businesses that may have less capacity to meet requirements. Regulatory processes that might seem reasonable for larger businesses, can often be disproportionate for smaller businesses and projects.

Thank you for the opportunity to make a submission. If you require further information, please contact [REDACTED], at either [REDACTED] or [REDACTED]

Yours sincerely

[REDACTED]
Commissioner
NSW Small Business Commission

Date: 16 August 2022