

Submission

By



to the

**Ministry of Business, Innovation and Employment
(MBIE)**

on the

**Building Seismic Performance – Proposals to
improve the New Zealand earthquake-prone building
system – Consultation document**

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BUILDING SEISMIC PERFORMANCE - PROPOSALS TO IMPROVE THE NEW ZEALAND EARTHQUAKE-PRONE BUILDING SYSTEM SUBMISSION BY BUSINESSNZ¹

1.0 INTRODUCTION

- 1.1 BusinessNZ welcomes the opportunity to make a submission on the *“Proposals to improve the New Zealand earthquake-prone building system Consultation Document”* (the “Consultation Document”).
- 1.2 Essentially the Consultation Document would require all non-residential and multi-unit, multi-story residential buildings that do not meet the earthquake strength of 1/3 of the new building standard to be demolished or strengthened within 15 years (5 years for assessments and 10 years to take the appropriate action).² This differs from current policy which gives local authorities more freedom to implement changes over much longer time periods.³ The proposed changes are broadly in line with the Canterbury Earthquakes Royal Commission in Volume 4 of its final report, publicly released on 7 December 2012.⁴
- 1.3 The Consultation Document also proposes that: *“local authorities could choose to require strengthening or demolition more quickly for strategically-important buildings, such as those:*
- *Located on transport routes identified as critical in an emergency*
 - *With important public, social and economic functions (such as schools and police stations)*
 - *With post-earthquake recovery functions, such as civil defence centres and hospitals.”* (p.26)
- 1.4 The Consultation Document estimates that NZ has between 15,000 and 25,000 earthquake-prone buildings, representing around 8-13 per cent of all non-residential and multi-unit, multi-storey residential buildings.
- 1.5 Much of the current emphasis on building standards, and more particularly on the earthquake strengthening of vulnerable buildings, is the result of the recent Canterbury earthquakes.

¹ Background information on BusinessNZ is attached as Appendix 1.

² The Consultation Document considers that some buildings could be exempted or be given longer time to strengthen, e.g. low-use rural churches or farm buildings with little passing traffic.

³ The Consultation Document outlines how the current system operates (see p.11 of the Consultation Document).

⁴ Proposals in the Consultation Document are outlined in Appendix 2 for reference.

- 1.6 In terms of loss of life and disruption, the Canterbury Earthquakes were the single biggest natural disaster ever to hit NZ. 185 people lost their lives in the February 2011 earthquake (with 133 victims dying as a result of the collapse of two large buildings) with, according to some estimates, approximately \$40 billion's worth of damage to buildings and infrastructure. While there will always be debate as to the precise impact of the earthquakes on the economy both in the short and in the medium term, there is general consensus that it was significant.
- 1.7 BusinessNZ, together with its founding members and Major Companies Group (MCG), was closely involved in the immediate response process and has provided further support over the medium term. It is pleasing that the rebuild is now proceeding at pace, as reflected in a number of economic surveys coming out of the Canterbury region, including enhanced employment intentions. This bodes well for future growth in the Canterbury region.
- 1.8 BusinessNZ wishes to point out that this submission deliberately does not focus on the Christchurch earthquakes but looks at the overall issue of building regulation in the broader context of government intervention in the economy generally. It is important to consider building regulation alongside other areas of government intervention to ensure a reasonably consistent approach is taken across the board, ensuring an efficient allocation of resources. At a fundamental level, resources are limited and therefore to maximise economic welfare, need to be concentrated on areas which provide the greatest benefit for the least cost.
- 1.9 Key concerns BusinessNZ has with the Consultation Document's proposals are elaborated below and include:
- The case for intervention (of the type proposed) is not clear
 - Lack of flexibility for communities to take account of the risks, costs, ability to pay and timeframes which can allow for rational trade-offs to be made
 - Consistency in regulatory interventions, particularly interventions which impact on valuation of life
 - Lack of discussion on possible compensation for deemed 'regulatory takings'.
- 1.10 It should be noted that other more practical issues are not addressed in this submission, such as the ability to implement the proposals outlined in the Consultation Document if they were to proceed e.g. the level of resources (principally engineering capability/resources) needed to achieve the objectives over the time-frame set. There is no discussion of such issues in the Consultation Document, merely time-frames which

appear to have been plucked out of thin air, although the Consultation Document does make mention of this limitation: *“There is also a risk of lack of capacity within the building and construction and design sectors and local government to implement the proposals”* (p.14).

- 1.11 Other areas appear to have been glossed over in the Consultation Document, such as the rationale for certain exemptions (e.g. residential buildings), given the document’s focus on reducing earthquake-prone building risk irrespective of cost or local public opinion.
- 1.12 Finally, some members are concerned about the relationship between any changes made to building standards under the Building Act and obligations imposed on building owners and employers under the Health and Safety in Employment Act (HSE Act). The requirement under the HSE Act is “to take all practicable steps” to ensure the safety of employees and others while at work. The members in question consider there could be an inconsistency between the two Acts and are anxious to clarify the extent to which the HSE Act might affect business liability in terms of non-compliance with its “all practicable steps” provision.

2.0 **RECOMMENDATIONS**

BusinessNZ **recommends** that:

1. **Before proceeding any further, MBIE undertake further work to clarify the implications of the Consultation Document’s proposals, including the potential for any unintended outcomes.**

BusinessNZ **recommends** that:

2. **Localised regimes be considered as an alternative to the proposed “one-size-fits all” regime. Requiring each local authority to deal with earthquake risk in respect to buildings, as provided for under the Building Act, would allow local communities to take account of the risks, costs, ability to pay, and timeframes so that rational trade-offs could be made by communities most likely to be affected by earthquake-prone buildings.**

BusinessNZ recommends that:

3. If the Government proceeds with the proposals outlined in the Consultation Document serious consideration should be given to extending the potential exemptions well beyond those outlined in Consultation Document to include all buildings where risk is relatively low. But at the same time any exemptions are likely to be problematic and the ad hoc examples outlined would be both costly and difficult to administer. That exemptions can be contemplated raises the fundamental question of why MBIE is proposing a one-size-fits-all regime in the first place. The basis for its proposals needs serious reconsideration as outlined in BusinessNZ's recommendation 1.

BusinessNZ recommends that:

4. Consideration is given to the taking of remedial action on earthquake prone buildings which would reduce risk of death or serious injury at relatively low cost (e.g. removing unstable facades or awnings or preventing them from falling on to congested footpaths or roads) before any universal standards are adopted.

BusinessNZ recommends that:

5. If the Government proceeds with the proposals outlined in the Consultation Document serious consideration be given to extending time-frames in order for remedial work to be undertaken to earth-quake prone buildings, thus reducing the overall transition costs to building owners and ultimately to businesses and consumers in general.

BusinessNZ recommends that:

6. Interventions to reduce the risk of serious injury or premature death should be relatively consistent across the economy, given that it is not economically practical to eliminate all risk.

BusinessNZ recommends that:

7. If the government proceeds with its proposal for mandating standards for earthquake-prone buildings - a form of 'regulatory taking' - then compensation via general taxation should be provided to the building owners affected.

3.0 **DISCUSSION**

The case for intervention of the type proposed is not clear

- 3.1 The benefit cost analysis states that costs will be \$1.7 billion and benefits \$37 million. This does not take any account of economic losses to commercial and industrial businesses and their capital. There is no mention of compensation for potential regulatory takings or any analysis of the potential economic implications for particular regions.
- 3.2 BusinessNZ considers the Regulatory Impact Statement (RIS) to be sub-standard, dismissing, without adequate qualification, alternatives to legislative intervention such as more market-based approaches. The one-size fits all approach takes no consideration of the seismic risks of different regions and in BusinessNZ's view is way out of line in respect to other regulatory interventions targeted at reducing risk.
- 3.3 It is important to understand up-front that there is an optimal amount of resources which should be utilised in reducing risk of failure in earthquake-prone buildings, just as there is an optimal amount of resources that should be spent on crime prevention, health interventions etc. The crucial and undeniable fact is that resources are limited and risk cannot be completely eliminated, not at least without great cost. While it may be possible to reduce risk, beyond a certain point the marginal cost of taking action becomes progressively higher, while the potential returns from taking action become less. In this respect it pays for companies and individuals to invest in risk minimisation strategies up to the point at which the marginal cost equals the marginal benefit of taking action.
- 3.4 The Consultation Document correctly points out that there is no such thing as an earthquake-proof building – any building may fail if the earthquake is big enough...*"Therefore, the system must strike a balance between protecting lives and the economic costs of strengthening or demolishing the most vulnerable buildings"* (p.5).

"....designing an earthquake-prone building system involves balancing life and safety considerations, on the one hand, with the economic cost of dealing with risky buildings on the other. The optimal balance might be described as an "acceptable level of risk." (p.9)
- 3.5 In respect to government intervention, where the intervention is clearly justified as a result of established market failure, it is important that

resources are directed to interventions which provide the greatest bang for buck. This requires sometimes unpalatable choices to be made between funding, say, health care interventions (and what specific types), transport policy decisions, building codes etc. There are almost always trade-offs to be made between greater cost, either monetary cost or other costs, such as restrictions on freedom on the one hand and reduced risk on the other.

- 3.6 While it almost goes without saying that the “benefits of regulation must outweigh the costs” in order for regulation to be justified, it is also important to analyse not only total costs and benefits (including potential unintended costs and/or benefits) but also where these expected costs and benefits might fall. For example, if the benefits are widely dispersed but the costs fall disproportionately on one group (in this case building owners), there may be a case for compensation for that particular group or at least for the provision of a reasonable length of time in which to change systems, processes or whatever may be causing significant externalities. The impact on particular industry sectors and firms within sectors needs careful consideration to avoid some of the costs associated with potential regulations.
- 3.7 Given that markets are generally faster at self-correcting than government intervention, the onus of proof must be on government to prove beyond reasonable doubt that the benefits of intervention exceed the costs, including unintended costs associated with regulation (such as non-compliance).
- 3.8 Moreover, it should be noted that regulators generally have strong incentives to minimise their own risk by imposing higher standards than might arguably be justified. Because regulators do not bear the costs associated with their decisions (costs will ultimately be passed on to consumers), they may well over-regulate rather than be aware of, or adequately consider, the cost/quality trade-offs consumers are willing to make. Given that each individual is unique, individuals will generally have different risk profiles, with some willing to pay considerable amounts of money to minimise risk while others will want to invest little in reducing real or perceived risk.
- 3.9 The Consultation Document implies that consumers and companies should not be allowed to manage risk and that regulation is a more appropriate mechanism for providing certainty of outcome. While it is possible that regulation may provide for greater certainty (though not necessarily of outcome), that certainty is likely to come at a considerable cost, which will ultimately flow through to consumers. The Consultation Document fails to adequately accept that increasing regulation involves trade-offs.

- 3.10 It is premature to make the proposals outlined in the Consultation Document without a clear understanding of the scale of earthquake-prone buildings in NZ. This point seems to be acknowledged in the Consultation Document, but then largely ignored: *“Better information is needed about the scale of the earthquake-prone building problem across New Zealand in order to identify and confirm costs, and to help policy-makers and the public understand and respond to the issue.”* (p.12).

BusinessNZ **recommends** that:

1. **Before proceeding any further, MBIE undertake further work to clarify the implications of the Consultation Document’s proposals, including the potential for any unintended outcomes.**

Providing for communities to take account of the risks, costs, ability to pay and timeframes which can allow for rational trade-offs to be made

- 3.11 The Consultation Document dismisses both more market-based approaches to risk management and also the current system whereby local authorities have the power (under the Building Act) to develop their own policies for dealing with earth-quake prone buildings: *“Under the current system, many earthquake prone buildings are not being identified or dealt with in a timely and cost-effective way. The issues include too much variance in local authority practice, public confusion about risk, a lack of good data on buildings, and a lack of central guidance to local authorities.*

“Ideally, in an improved system, no building would fall below an acceptable level of risk. There would be better information on the seismic capacity of buildings, reasonable times for owners to strengthen or remove buildings, limited exemptions to the strengthening requirement, and important heritage buildings would be preserved.” (p.6)

- 3.12 The Regulatory Impact Analysis (RIA) is similarly dismissive of market-based approaches without serious consideration: *“Moving from the status quo to an approach that relies entirely on market forces (largely demand and/or insurer driven) to drive improvements in the seismic performance of buildings (either through strengthening, demolition, or replacement) is not considered to be a viable option, and therefore has not been considered in any further detail than that below. (p.14 of the*

Earthquake-Prone Building Policy Review – Agency Disclosure Statement”).

- 3.13 While undoubtedly there will be problems associated with the current system (as there are likely to be with any system), given the magnitude of the issues that must be grappled with, it is totally reasonable to expect local authorities to need time to consult with their communities as to what is considered appropriate for their cities, towns and regions. Variance in local government practice is not necessarily to be seen as a bad thing if such variance is based on a sound understanding of the unique issues affecting particular communities. It is not necessarily appropriate to have a common standard irrespective of risk, population density, building use etc. There are many trade-offs which need to be factored in when making appropriate decisions on building risk, including but certainly not limited to, known risks (e.g. the existence of established fault lines). The ability to pay and the impact on local communities and regions also need to be clearly understood.⁵
- 3.14 Even putting aside the issue of seismic risk, it is fair to say that New Zealand communities, towns and regions are not homogenous in respect to size, population density, contributions to Gross Domestic Product (GDP), and indeed income levels. What one community would be prepared to pay to reduce risk (not only in respect to earthquake risk but many other risks), might well differ substantially, depending on the trade-offs which must be made. Some regions are in a relatively strong growth phase while other regions are showing negligible growth. Indeed some regions are showing strong population growth – other regions are showing steady decline.
- 3.15 BusinessNZ notes that the consultation document suggests some buildings could be exempted or given a longer time for strengthening, e.g. low-use rural churches or farm buildings with little passing traffic. It is sound logic to assess the need to upgrade on the basis of risk and it might be better to take an economy-wide approach exempting all relatively low-risk buildings from the document's proposals. But any exemptions are likely to be problematic and the ad hoc examples outlined would be both administratively costly and difficult to administer. Even so, that exemptions can be contemplated raises the fundamental question of why MBIE is proposing a one-size-fits-all regime in the first place. The basis for its proposals needs serious reconsideration.

⁵ For example, economic analysis undertaken by consultants “rationale” for a number of lower South Island councils shows that the number of earthquake prone buildings is likely to be significantly higher than the national average, given the age of the building stock in particular regions. According to the analysis, approximately 40% of urban and 23% of rural buildings are estimated to be earthquake prone for the councils covered in the analysis. See [Appendix 3](#) for associated graphs and tables which highlight these issues in more detail.

- 3.16 BusinessNZ also believes that consideration be given to providing remedial action on earthquake-prone buildings which would reduce the risk of death or serious injury at relatively low cost (e.g. removing unstable facades or awnings or preventing them from falling on to congested footpaths or roads) before any universal standards are adopted. This would provide an opportunity for “low-hanging fruit” to be addressed at relatively lower cost before embarking on more extensive programmes of work.
- 3.17 There are also other potential mechanisms which could help inform public understanding of earthquake risk by more clearly identifying earthquake (or other risks) associated with particular buildings. The Consultation Document talks a little about the benefits of increased public understanding of risks through more transparency associated with particular buildings. This is broadly endorsed by BusinessNZ.

BusinessNZ **recommends** that:

2. **Localised regimes be considered as an alternative to the proposed “one-size-fits all” regime. Requiring each local authority to deal with earthquake risk in respect to buildings, as provided for under the Building Act, would allow local communities to take account of the risks, costs, ability to pay, and timeframes so that rational trade-offs could be made by communities most likely to be affected by earthquake-prone buildings.**

BusinessNZ **recommends** that:

3. **If the Government proceeds with the proposals outlined in the Consultation Document serious consideration should be given to extending the potential exemptions well beyond those outlined in Consultation Document to include all buildings where risk is relatively low. But at the same time any exemptions are likely to be problematic and the ad hoc examples outlined would be both costly and difficult to administer. That exemptions can be contemplated raises the fundamental question of why MBIE is proposing a one-size-fits-all regime in the first place. The basis for its proposals needs serious reconsideration as outlined in BusinessNZ’s recommendation 1.**

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BusinessNZ **recommends** that:

5. **If the Government proceeds with the proposals outlined in the Consultation Document serious consideration be given to extending time-frames in order for remedial work to be undertaken to earth-quake prone buildings, thus reducing the overall transition costs to building owners and ultimately to businesses and consumers in general.**

Consistency in regulatory interventions particularly concerning interventions which impact on valuation of life

- 3.18 The Consultation Document states that the risk of major life-threatening earthquakes remains very low in NZ with the risk of dying in an earthquake estimated at about one in 1,000,000 (1 million) annually, averaged across the whole population, compared with one in 10,000 risk of dying in road accidents. *“Existing buildings can be strengthened to withstand moderate to large earthquakes, but the financial costs are often large relative to the benefits, which are small on an annualised basis, and may not be realised for many years (if at all).” (p.8)*
- 3.19 A number of government interventions or regulations are aimed at, amongst other things, reducing the risk of injury or premature death. Generally, analysis of valuation of life focuses on the valuation of “statistical lives” rather than on identified individuals.
- 3.20 The purpose of calculating an economic value of human life is to provide an estimate of government’s (and through it society’s) preparedness to pay for programmes which will reduce risk of injury or premature death. When taxpayers’ money is spent on health and safety measures in transport or healthcare services, the decisions made implicitly or explicitly place values on reducing the risk of premature death.

- 3.21 Notwithstanding the above, society's valuation of an identified individual is likely to be much greater than that of a statistical life. This can be demonstrated by the willingness of society to pay towards the treatment, rescue or recovery of identified individuals.
- 3.22 Over more recent years, efforts have been undertaken in NZ to ensure there is a greater degree of consistency in decision-making and this is to be commended given the number of potential projects that could reduce risk. However, it is acknowledged that there are difficulties in getting a consistent measure as to the willingness of people to reduce risks; willingness may differ according to the type of risks involved. For example, some overseas jurisdictions recommend higher valuations to certain activities which are targeted at preventing cancer deaths than for, say, some transport interventions, given the protracted period of pain and suffering associated with the disease.
- 3.23 The economic perspective of risk stresses two ideas:
1. More resources, including time and money, are needed to reduce risk; and
 2. People (through their actions) have a desired level of risk that is well short of zero, because of what they must give up in terms of increased cost or other desirable considerations. For example, a reduction in the risk of death through road accidents could be achieved through prohibiting individuals from driving faster than 5 kilometres per hour. However, this could be done only at the significant cost of requiring individuals to spend a much longer time getting to their destinations. The implications for the broader economy in terms of the movement of freight (not to mention the inconvenience to individuals) would be monumental.
- 3.24 A wide range of measures have been adopted to reduce the risk of serious injury or death. For example, traffic lights, medical research, building codes, even motor cycle helmets.
- 3.25 To find the economic level of effort appropriate to such risk reduction, it is necessary to access the benefit so it can be compared with the cost. This ensures resources used to reduce risk are used efficiently.
- 3.26 While there are a number of different methods for valuing life, and some are utilised in NZ (e.g. willingness to pay), the key point is that interventions to reduce the risk of serious injury or premature death should be relatively consistent across regulatory interventions. This will ensure resources are spent on activities which provide the greatest

return on the investment, given resources are limited and it is not possible to eliminate all risk.

BusinessNZ **recommends** that:

- 6. Interventions to reduce the risk of serious injury or premature death should be relatively consistent across the economy, given that it is not economically practical to eliminate all risk.**

Lack of discussion on possible compensation for deemed 'regulatory takings'

- 3.27 As the Consultation Document states, past governments have made decisions about reducing the chances of buildings collapsing and injuring or killing people in earthquakes. A number of changes have been made to building codes over the years with the object of reducing risk.
- 3.28 It is understandable that as a greater knowledge of risk is acquired adjustments may be made to building standards. But it is also important not to place unreasonable burdens on current building owners by making changes to building codes which will impact on them without providing adequate time to make the necessary adjustments or paying compensation for the significant costs imposed.
- 3.29 As the Consultation Document outlines, the potential cost of the proposals is around \$1.7 billion and would involve upgrading between 15,000 and 25,000 earthquake-prone buildings. This represents around 8-13 per cent of all non-residential and multi-unit, multi-storey residential buildings.
- 3.30 The cost of rental space during the re-strengthening exercise will depend on a huge range of factors, including the speed of the proposed strengthening, availability of resources, demand from existing or new tenants, the ability to move location and so on. It is certainly an issue of which tenants need to be aware when negotiating lease arrangements.
- 3.31 In terms of compensation for strengthening, it might be argued that such upgrades are in effect a "regulatory taking", (restricting the use of a resource (in this case a building) and/or adding significant and unforeseen cost), given the original building would presumably have conformed to the building code at the time. It could perhaps be argued that building code upgrades are a response to new information,

changes in public perceptions and risk acceptance. Irrespective, the timeframe for adjustment should reflect the cost implications for building owners and the impact on the wider community.

- 3.32 While the Consultation Document makes some mention of the need for owners to have certainty in respect to building requirements given the cost involved, it also states that with the possibility of further changes down the track, building owners might see benefits in strengthening to levels well above the threshold: *“Any changes to the earth-quake prone building threshold would be made rarely, through regulation, and independently of any decision to change the standard required for new buildings. This is because building strengthening costs are very high and building owners should have certainty that, having complied with the mandatory national requirement, the compliance level would not be changed over the short-term.”* (p.23)
- 3.33 The Consultation Document then goes on to apparently contradict the need for certainty by stating: *“While changes to the threshold are expected to be rare, they will be necessary from time to time due to improvements in building technology or better understanding of natural hazards. For this reason, building owners may see benefits in strengthening to levels well above the threshold, to avoid potential future strengthening costs.”* (p.23)
- 3.34 This is a classic example of regulation made by persons who lack of any understanding of the costs involved to third parties since the costs are not being paid for by government (general taxpayers) but by identified individuals (building owners) who get no say in the matter.
- 3.35 The real danger is that regulators minimise their own risks by indirectly requiring building owners to provide gold-plated remedial work with no certainty that the rules won't be changed down the track. This will hardly encourage investment in building activity as there is no certainty the rules won't be changed at relatively short notice.
- 3.36 When property is compulsorily acquired under the Public Works Act, appropriate compensation is payable. But buildings that must be earthquake strengthened are not being compulsorily acquired; rather, they are being seriously reduced in value (in effect a 'regulatory taking').
- 3.37 There are a number of possibilities for reducing the pressure on building owners in relation to earthquake strengthening, such as tax depreciation rule changes. Such moves might have some appeal but

would also have significant drawbacks both conceptual and of a political nature. To change tax depreciation rules in respect to earthquake strengthening would be to adopt a specific policy for a specific event. With New Zealand's widely accepted "broad brush, low rate" tax system, it is unlikely that any specific exemption for earthquake strengthening would prove acceptable. Further, such an exemption would considerably disadvantage building owners who decided to upgrade their buildings for greater saleability or rental, unrelated to the building code and earthquake risks. The potential for gaming the system would be huge and cause significant distortions.

- 3.38 Other possible options, such as special earthquake strengthening levies on building materials, would be problematic, as there would be no relationship between materials purchased and the earthquake strengthening of existing buildings. This option would simply push up the cost of new building materials and add inflationary pressures to a housing market already coming under increased price pressures.

- 3.39 Compensation, funded out of general taxation would be a much more palatable regime. However, given the Government's commitment to returning to surplus by 2014/15, such a cost would be unsustainable in the present environment. This would suggest that the Government might like seriously to reconsider the proposals outlined in the Consultation Document, as this submission recommends.

- 3.40 An important aspect of the proposals is that the cost will fall almost exclusively on building owners while the projected benefits (while very small in comparison) could apply to a significant number of people.

- 3.41 There is a strong case for compensation being payable to building owners for required upgrades since the benefit is largely to the public at large rather than to individual building owners. Second, by the stroke of a regulatory pen many buildings will effectively become worthless unless they can be upgraded within the timeframes proposed.

- 3.42 Clearly, to understand the risks (both costs and benefits of the proposed regime) the public needs clear signals as to the trade-offs involved and willingness to pay for reducing building risk. Unless such costs are understood and the beneficiaries (general taxpayers) pay, then any upgrades are likely to be considered a free lunch - not an appropriate way of allocating scarce resources.

- 3.43 Moreover, the public must be educated about the risks associated with current buildings and the costs and benefits of particular options so that

willingness to pay for reducing risks in the building sector, compared with other competing areas for taxpayer money or resources aimed at reducing risk, can be clearly determined.

BusinessNZ **recommends** that:

- 7. If the government proceeds with its proposal for mandating standards for earthquake-prone buildings - a form of 'regulatory taking' - then compensation via general taxation should be provided to the building owners affected.**

APPENDIX 1

BACKGROUND INFORMATION ON BUSINESSNZ

BusinessNZ is New Zealand's largest business advocacy organisation.

Through its four founding member organisations – EMA Northern, BusinessCentral, Canterbury Employers' Chamber of Commerce (CECC), and the Otago-Southland Employers' Association (OSEA) – and 72 affiliated trade and industry associations, Business NZ represents the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, BusinessNZ contributes to Governmental and tripartite working parties and international bodies including the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the Business and Industry Advisory Council (BIAC) to the Organisation for Economic Cooperation and Development.

APPENDIX 2

PROPOSALS CONTAINED IN THE CONSULTATION DOCUMENT

Proposal 1: Local authorities would be required to make a seismic capacity assessment of all non-residential and multi-unit, multi-storey residential buildings in their districts within five years of the legislation taking effect, using a standard methodology developed by central government, and to provide the resulting seismic capacity rating to building owners. An owner could have their building's seismic capacity rating changed by commissioning their own engineering assessment.

Proposal 2: Assessments would be prioritised faster for certain buildings (e.g., buildings on transport routes identified as critical in an emergency).

Proposal 3: Building information would be entered into a publicly accessible register maintained by MBIE.

Proposal 4: The current national earthquake-prone building threshold (one-third of the requirement for new buildings, often referred to as 33 per cent NBS) would not be changed. However, it is proposed to establish a mandatory national requirement for all buildings to be strengthened to above the current threshold, or demolished, within a defined time period.

Proposal 5: All buildings would be strengthened to be no longer earthquake-prone, or be demolished, within 15 year of the legislation taking effect (up to five years for local authorities to complete seismic capacity ratings, followed by 10 years for owners to strengthen or demolish buildings).

Proposal 6: Strengthening would be carried out faster for certain buildings (e.g., buildings on transport routes identified as critical in an emergency).

Proposal 7: Owners of buildings assessed as earth-quake-prone would have to submit a plan for strengthening or demolition within 12 months.

Proposal 8: Certain buildings could be exempted or be given longer time to strengthen, e.g., low-use rural churches or farm buildings with little passing traffic.

Proposal 9: Central government would have a much greater role in guiding and supporting local authorities and building owners, as well as in public education and information.

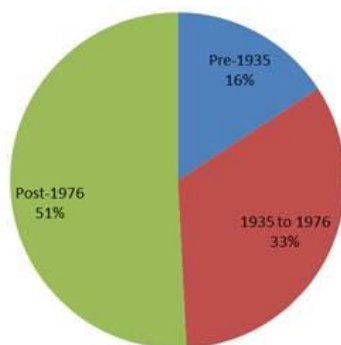
APPENDIX 3

Table and graph adapted from an economic analysis by “rationale” for a number of Southern Councils showing that the impact of the proposals could vary substantially, depending on the age of the building stock in particular regions.

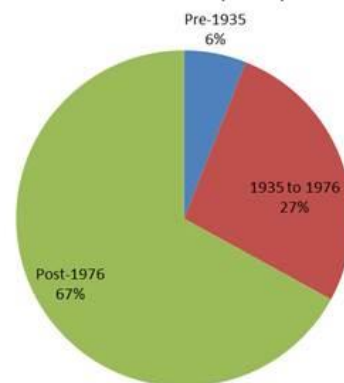
Total building stock...

* Age distribution of building stock:

QV Building Areas by Age (excluding unknowns)
Otago, South Canterbury and Southland



QV Building Areas by Age (excluding unknowns)
All New Zealand (MoBIE)



Estimate of Earthquake Prone Buildings...

* Estimate of Earthquake Prone Buildings

Code Era/Building Date	Urban	Rural	Total
Pre-1935	2,440	1,750	4,190
1935-1965	1,880	785	2,665
1966-1976	410	45	455
1977-1992	50	20	70
1993-2004	40	20	60
Post-2004	0	0	0
TOTAL	4,820	2,620	7,440

- * Approximately 40% of Urban and 23% of Rural buildings are estimated to be earthquake prone