



MASTER BUILDERS QUEENSLAND

GREEN PAPER

on

Renovators

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1.0 INTRODUCTION

Master Builders is Queensland's premier building and construction representative organisation. Master Builders represent over 11,000 businesses within the Industry, including builders, subcontractors, supplier / manufacturers, certifiers, consultants and students.

Due to the depth and scope of Master Builders' members spanning the spectrum of the building and construction industry we are able to offer a unique perspective on all facets of the building industry's housing issues specifically, and renovation of buildings more generally.

In this Green Paper, Master Builders' comments on renovators as a sub-sector of contractors / builders within the housing and construction sectors. This sub-sector consists of contractors who engage in the renovation of houses and commercial buildings (commonly referred to as "fit-outs" or "refurbishment"). The term renovation also includes carrying out alterations and additions or general repairs to a structure.

Renovation accounts for a significant market share of the dollars spent within the building and construction industry. If the recommendations of this Green Paper are accepted and Master Builders forms a Renovators (sub)-group with the associated work-program this will be due recognition of the significant contribution to both Master Builders and the building industry overall that commercial and domestic renovation makes.

In this Green Paper (a term simply used to denote a draft policy paper that is open for discussion and clarification) Housing Division examines the following:

- Classification and definition of types of renovators operating within the building and construction market;
- The scope of the renovation market to assess whether, and to what extent, a need for a renovation segment of membership is required within Master Builders; and
- In the event of the need to identify a work program for further assessing and reviewing this segment of the market with the specific objective of retaining members within this segment, encouraging focused / targeted drives for new membership within this segment, providing the opportunity for recognition of quality workmanship and "Master" status and supporting business development within Master Builders' business units.

It is proposed that this Green Paper be subject to discussion, consultation and critique within Master Builders to enable (as a second round) the development of final policy positions that can be submitted to the Housing Committee for endorsement prior to being recommended for approval through State Executive.

2.0 OBJECTIVES OF POLICY

Master Builders is committed to ensuring that all members are dealt with in an appropriate manner not only within the Association and but also the building and construction industry through policies that focus on the key issues that are critical to the viability of our member's businesses. Master Builders' presently tracks within the Housing segment of membership how many self-nominate as primarily operating within the renovation sector. As at 25 September 2008, 1359 members nominated as renovators compared to 3079 Housing segment members in total (representing 44.14% of all Master Builders housing members). This simple analysis reveals the significant contribution the renovation sector using overall industry self-categorization, has to the Housing segment of Master Builders and as a proportion of our membership overall (13.08%) Master Builders. In delivering a desirable value / proposition to renovation members Master Builders need to understand the linkages between those involved in the renovation sector and new work areas (see "onion" diagram below). The further segmentation of membership as proposed for the renovation segment can be viewed along the lines of the existing "display village" segmentation of housing sector members who contribute extensively to Master Builders' recognition amongst consumers due to their specialization.



The above “onion” diagram attempts to graphically demonstrate the linkages between Master Builders (represented by the innermost concentric circle) and other stakeholders within the building and construction industry as represented by the outer circles. For example moving from the inside out at the centre is Master Builders, surrounded by the major segments of the Housing market (builders, sub-contractors and renovators). This is then surrounded by the next level down of detail, and finally the outer ring reflects the macro factors influencing our sector. It is through understanding these linkages, how renovators interact within industry and the cross-effect that is the focus of this Green Paper.

Master Builders needs to be mindful that in establishing within broader categories of membership segments/groups such as display village builders and the proposed renovators group it is vital to ensure that an integrated approach be adopted in ensuring the renovators fit seamlessly into the Master Builders’ operations just as the display village builders have, and are presently continuing to do.

3.0 INDUSTRY DEFINITIONS

According to Statistics Canada renovations can be categorised into two subgroups: alterations and improvements, and maintenance and repairs. Maintenance and repairs are defined as any work made to keep a property in good working condition or maintain appearance, while alterations and improvements are defined as any work made to increase the enjoyment, value or useful life of the property.

Those working in renovation can be segmented into the following proposed groups for the purposes of this Green Paper:

- Housing Renovator;
- Commercial Renovator;
- Green Renovator; and
- Master (Builders Accredited) Renovator.

Each of these proposed classifications, their definitions are discussed below.

3.1 HOUSING RENOVATOR

This segment consists of renovators who primary activities include carrying out alterations, additions, renovations or general repairs to houses or domestic dwellings (Class 1 and 10 buildings).

3.2 COMMERCIAL RENOVATOR

This segment consists of renovators engaged in carrying out alterations, additions, renovations, fit-outs or general repairs to commercial and / or industrial buildings (Classes 2 to 9 buildings).

3.3 GREEN RENOVATOR

This segment of renovators are engaged in carrying out alterations, additions, renovations, or general repairs to houses and commercial/industrial buildings (all classes) but with a particular focus, from either an environmental or branding profile promote and adopt environmentally friendly building practices through their use of accredited building practices, materials and services. In this instance they have undergone courses and have been accredited as being “green” renovators.

3.4 MASTER (BUILDERS ACCREDITED) RENOVATOR

This segment of renovators are engaged in carrying out alterations, additions, renovations, or general repairs to houses/residential buildings and in addition for the benefit of both the environment and their business branding profile promote and adopt sustainable and environmentally friendly building practices through their use of accredited building practices, materials and services. Furthermore, the renovator (and their business) has participated in a CPD program specifically designed to assist the renovator to carrying on their building business in a sustainable and profitable manner. To achieve the status of Master (Builders Accredited) Renovator they will have completed the required courses from the Master Builders CPD program, have passed the requisite examinations and applied for and been accepted for entry to the classification of Master Renovator within Master Builders (see Appendix C for further explanation).

4.0 MARKET CHARACTERISTICS AND KEY STATISTICS

Demographic factors forecast / indicate the required minimum stock of housing via formularistic projections, but do not provide a good estimate of the value of the housing stock required. Recently it has been argued that restrictive land, development and approval policies as applied by State and Local Government has promoted price escalation among englobo and developed land within the urban footprint. The consequence of this price escalation (significantly above both real wages and construction cost growth) has been the dislocation of people beyond traditional urban footprints as well as the desire of existing landholders to avoid relocation and instead renovate in order to achieve adequate returns on capital (especially after the transaction costs of both buying and selling are accounted for). As either suitable / affordable land prices increase or land becomes scarce consumers find it more affordable to renovate their existing homes.

In addition studies show that new buildings comprise around 2% of the built environment each year and only a small fraction of these building are being built to best practice¹. Therefore across the building market 98% of existing building sometime in their economic lifetime will most likely require upgrading in terms of energy efficiency, sustainability features or the operational performance of building systems.

Land prices look set to continue upwards (or at least be maintained) and in the main owners and developers will try to minimise any cost implications in building so as to maximise their returns either through direct upfront savings (less borrowings) or reduced outlays over time (less interest).

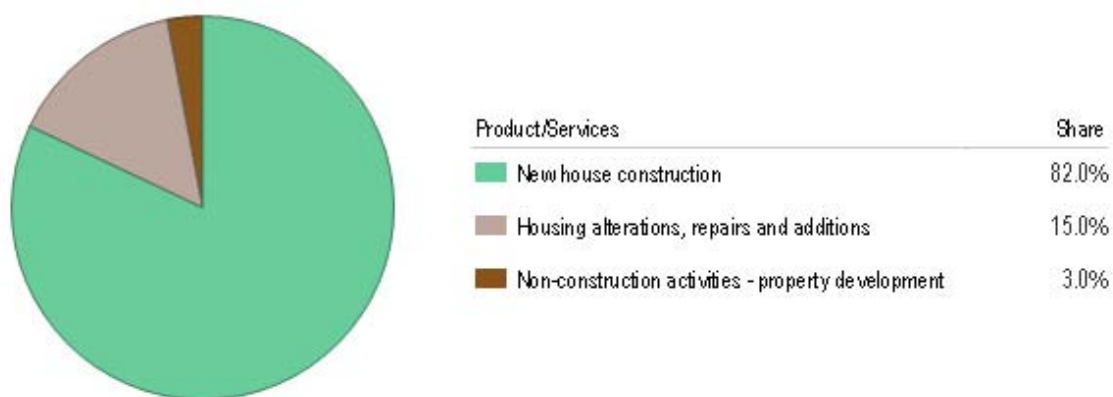
As indicated in the diagram below in 2007-08 82% of total housing industry revenue came from new house construction while 15% of revenue came from alterations, additions and repairs to new homes².

¹ The maintenance of sustainability- A regulator's perspective. Australian Building Regulation Bulletin.

² IBISWorld Industry Report – Housing Construction in Australia, 22 July 2008.

Segmentation

PRODUCTS AND SERVICE SEGMENTATION



Source:

IBISWorld Industry Report – Housing Construction in Australia, 2008

While there is a need for better understanding of how the ageing population may drive housing in terms of type, style, and liveability (called universal design) it is nevertheless a well acknowledged fact that Australia’s population is ageing. There are several reasons for this namely, a fall in fertility levels, greater life expectancy, a lower rate of immigration relative to the total population and the ageing of particular cohorts referred to as baby boomer generation. The table below shows the break-up of these population figures³.

Table 2.1: Australian Generations: Age Ranges, Numbers and Per Cent of Populations at the 2001 Census

Generation Label	Year of Birth	Age	Persons	Per Cent
	Before 1931	more than 74 years	1,710,291	9.1
The Austerity Generation	1931-1946	55 to 74 years	2,420,329	12.9
Baby Boomers	1946-1960	40 to 54 years	4,004,987	21.3
Generation X	1961-1976	25 to 39 years	4,154,821	22.1
Generation Y	1977-1991	10 to 24 years	3,902,926	20.8
	post 1991	under 10 years of age	2,575,895	13.7
			18,769,249	100.0

Beer, Faulkner and Gabriel 2006 p. 17.

³ AHURI Southern Research Centre – Housing Models for an Ageing Population September 2006

Nearing retirement people will decide where they will want to reside and barring severe health issues or financial restrictions there are strong health, financial and wellbeing grounds for encouraging people to age within their own homes. However, unlike previous generations, baby boomers will have higher aspirations with respect to their quality of housing⁴ in this stage of their lives. This in turn will require their financial commitment to upgrading, renovations or alterations to their existing premises to afford liveability, for example, ease of access in and around their homes.

Consequently while there will be a need to encourage adaptability or universal design within the conventional housing stock this decision is best left to the individual and must not be legislated to force people into making changes to achieve this adaptability or universal design. This is likely to spur further desire for renovation services into the future.

Nevertheless, irrespective of demographic factors or land release policies the fact remains that dwelling investment (whether new or via alteration) is mainly funded by mortgages (i.e. debt), and therefore the sector is particularly sensitive to variability in interest rates (up to a dwelling capital value of approx \$1M – thereafter stock market volatility is the main decision driver). At present interest rate variability combined with employment and economic uncertainty are taking their toll on dwelling investment levels (see graph below). Growth in dwelling investment is forecast to be a subdued reducing to only 2% of capital stock in 2008-09, with housing industry revenue growth largely expected to come from the renovation sector in alterations and additions⁵.

Chart 4: Growth in dwelling investment



Source: ABS cat. no. 5206.0 and Treasury

⁴ Beer, A., Faulkner, D and Gabriel, M. 2006 21st Century Housing Careers and Australia’s Housing Future: Literature Review Positioning Paper, Australian Housing and Urban Research Institute 9ahuri0, Melbourne.

⁵ Master Builders Australia – Budget 2008-09 Special CEO Update – 13 May 2008.

In Queensland, the table below shows that it is anticipated that dwelling construction will increase across the board⁶.

Table 3.4 Per capita expenditure – private dwelling expenditure (excluding other work done) – \$2006							
	Average 1992-2007	Average 2007-2011	Total activity: 2007 = 100				
			2007	2008	2009	2010	2011
Brisbane	1346.4	2588.2	100	100	100	113	124
Moreton	1855.0	3869.6	100	95	99	89	91
Wide Bay/Burnett	1250.0	2512.9	100	97	95	73	69
Darling Downs	940.1	1653.6	100	83	81	102	117
South West	410.2	584.7	100	97	95	109	115
Fitzroy	993.1	2100.4	100	95	92	67	67
Central West	336.6	496.9	100	95	90	184	197
Mackay	1084.3	2592.2	100	87	83	74	80
Northern	1342.1	3152.5	100	119	126	112	106
Far North	1424.7	2664.5	100	104	104	80	74
North West	303.2	552.6	100	137	136	101	74
Queensland	1396.0	2751.3	100	99	99	97	102

Source: NIEIR – Queensland regional construction supply and demand analysis: 1992-2016 and quarterly indicators to June 2010.

The above table shows that by 2010-11, Brisbane’s private dwelling construction activity, excluding other work done is approx. 24% above 2006-07 levels; while for the South West it is 15% above 2006-07 levels. This result reflects the differential in population growth rates between these regions. That is, Brisbane’s population will increase by 18% between 2007 and 2011 while the South West declines. Trends in Australia’s population size and growth, (including the changing age demographic profile) directly underpin the long term demand for housing construction⁷ and the related renovation market. Therefore, NIEIR contends, on the basis of a declining population growth, that the bulk of the expenditure in the South West will be for alterations and additions and dwelling replacement, which is considerable because of the average age of the housing stock.

The following table shows the forecast growth in the value of work done on new housing construction compared with the growth in the total value of work done in residential construction (including “other dwellings”, and alterations, additions and repairs to existing dwellings). As this table indicates housing growth across the board is expected to rise moderately for house construction and alterations and additions to existing dwellings.

⁶ NIEIR – Queensland regional construction supply and demand analysis: 1992-2016 and quarterly indicators to June 2010.

⁷ IBISWorld Industry Report – 22 July 2008 – Housing Construction in Australia.

Forecast Growth in the Value of Work Done in New House Construction and Total Residential Building.

Y/E June	Million Dollars Houses	Percent Growth Change	Million Dollars Total Residential	Percent Growth Change
2007	23750	N/C	40361	N/C
2008 estimate	23500	-1.1%	40600	0.6%
2009F	23000	-2.1%	40700	0.2%
2010F	22000	-4.3%	39600	-2.7%
2011F	24000	9.1%	43250	9.2%
2012F	25900	7.9%	47350	9.5%
2013F	27700	6.9%	50250	6.1%
Ave Ann Growth		N/C		N/C
%pa 2008 to 2013	3.3	-100.0%	4.4	-100.0%

Source: ABS - Cat. 8752.0

Note: All values in constant 2006-07 prices. IBISWorld estimates & forecasts shown through to June 2013.

Supporting this view IBISWorld in their 2 July 2008 Business Environment Report forecasts that private capital expenditure on alterations and additions to dwellings will increase by an average of 2.5% to an aggregate of \$33.5 billion over the next five years to 2012-13⁸. This information is also graphically depicted in the IBISWorld time series data below.

The reports also highlights the fact that, and not surprisingly, just as other industries and segments of the building industry are affected by changes in the level of interest rates, employment rates and recessions, so to, is the demand and aggregate expenditure on renovation / alterations / additions. The report goes on to suggest that private expenditure on additions and alterations will grow by just 0.9% in 2008-09 to \$29.9 billion before declining by 3% in 2009-10 to \$29 billion in 2009-10. Nevertheless it is anticipated dwelling expenditure on additions and alterations will rebound with an average growth rate of 4.9% per annum over the remaining three years to 2012-13.

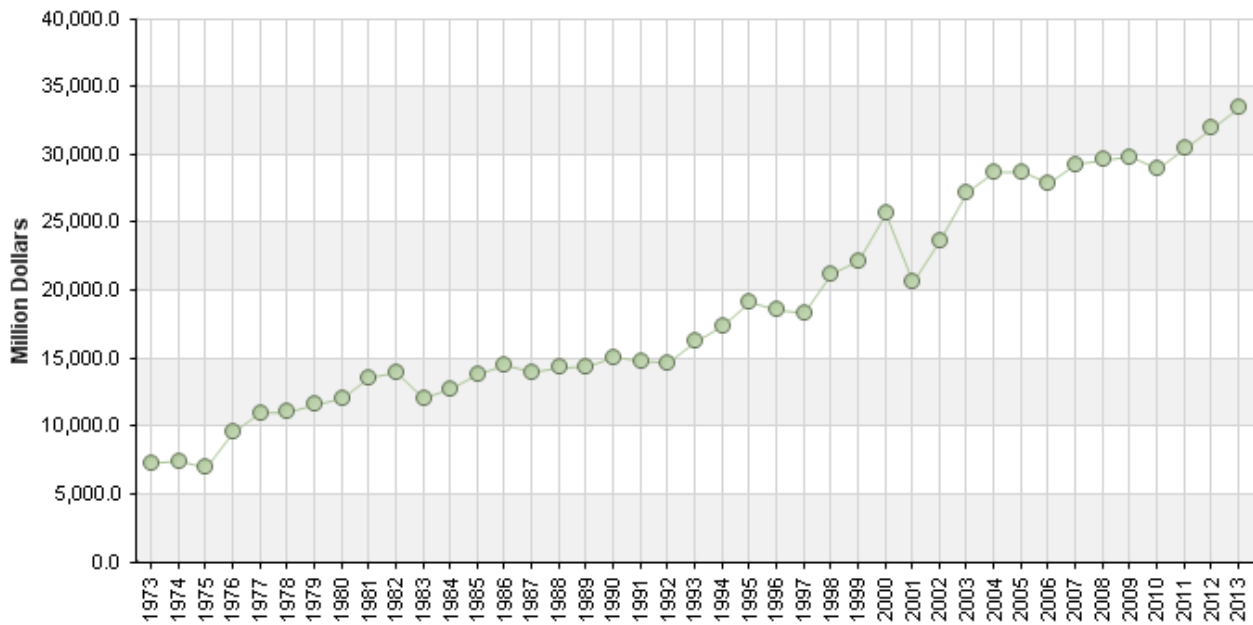
It is important to look at these figures / projections in the context of Queensland's overall building and construction industry activity. For example, at the regional level over the 2008 to 2012 period, those regions that are more dependent on dwelling investment (Brisbane and Moreton) will have stable but stagnant levels of construction activity. However, resource based regions will generally have expanding levels of activity with 2012 and 2013 seeing a 7% average annual increase in Queensland housing construction⁹. This trend will most likely be reflected in the renovation sector also.

The following time series data shows the annual fixed capital expenditure on dwelling alterations and additions by the private sector in seasonally adjusted 2005-06 dollars. Looking at these figures it is clear that, similar to other sectors in the building industry, the renovation segment is cyclical. Years 1973-76, 1983-1991, and 2002-09 indicate the renovation sector had experienced a stable but stagnant level of work whereas, the years between, (1977-82, 1992-2001) indicate an upturn in the value of work. The

⁸ IBISWorld Industry Report – 22 July 2008 - Business Environment Report.

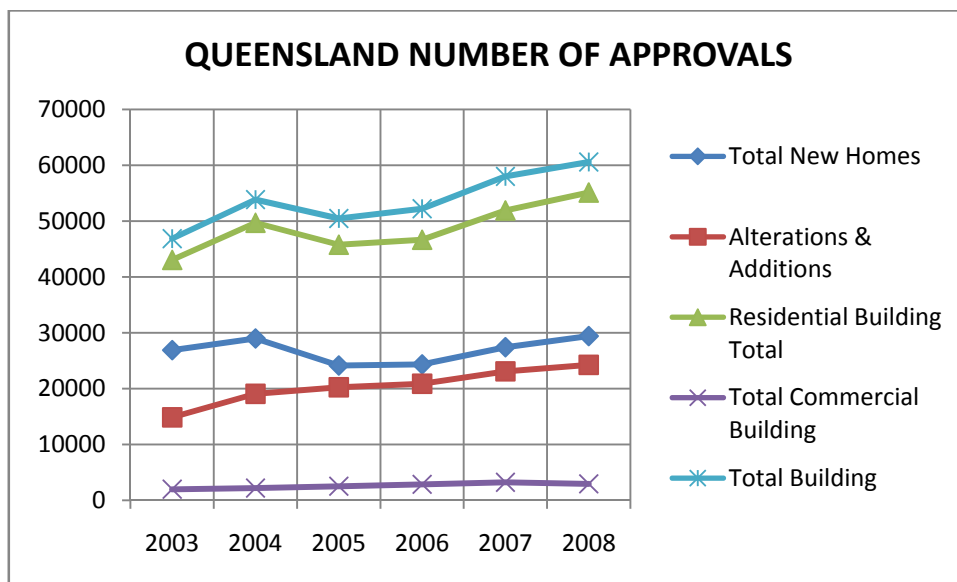
⁹ NIEIR – Queensland regional construction supply and demand analysis: 1992-2016 and quarterly indicators to June 2010.

graph also forecasts an upwards trend for 2010-13 renovation works – supporting the independent analysis revealed above.



Source: IBISWorld Industry Report – 22 July 2008 - Business Environment Report.

Examining overall construction figures the graph below reveals the comparison between the various construction sectors. Graphically it shows a small but continuous and consistent increase in the value of renovation works for those periods as indicated. Nevertheless, while renovation is cyclical in nature it appears the impact / effect experienced by the renovation industry is less extreme, thus providing stability in builder earnings even in downturns when they focus upon competing in the renovation sector.



5.0 THE SIGNIFICANCE OF RENOVATION

Australia's population reached 21 million at the end of June 2007. Queensland has a population of approx 4.3 million.¹⁰ Home improvement is a national pass-time; Australians renovate kitchens, replace windows and extend houses, etc. This investment of funds by Australians into their homes does more than give them a functional home it has also historically been used as a forced savings mechanism to build household wealth (assuming capital appreciation) and helps people achieve financial security (assuming appropriate gearing levels). For example, improving and/or adding a bathroom can significantly affect the sales price of a home. However, residential property specialist Michael Matusik believes when it comes to renovating the general rule to minimise the risk of overspending includes for example¹¹,

- New kitchen: spend around 5% of the property value;
- New bathroom: spend no more than 2% (on each bathroom) of the property value;
- Landscaping: spend about 3% of the property value.

He goes on to state if building a new home, do not spend more than 1.25 times the value of the land on the construction however if a person is doing a major renovation on their existing residence then they should not exceed 50% of the current value of the property.

It is estimated that close on 50 cents in the Australian housing dollar is spent on renovations with many of these renovations being done for owner-residents, rather than investors¹². Thus while the financial return may be marginal the returns upon amenity are critical to the decision to renovate.

Nevertheless it must be remembered home improvement is labour intensive and demand for services of smaller contractors can fluctuate substantially and quickly; employment uncertainty is a major concern for industry overall but most pointedly for the renovation segment. Given the extent and importance of the consumer's average investment in renovation (averaging at approx \$50K per renovation job in Queensland) they must have confidence in the person/company contracted to carry out the renovation. In this regard making the Master Builders brand valuable to the renovation market can create implied trust that offers value in economic downturns to consumers.

In addition, there are also many advantages for Master Builders in setting up a renovation segment or more precisely, a Master (Builders Accredited) Renovator. The strategy will assist in both member acquisition and retention. It will enhance Master Builders' industry profile especially amongst the

¹⁰ Australian Government, Department of immigration and Citizenship – Population flows, Immigration aspects 2006-07.

¹¹ The Matusik snapshot – Backlog, July 2008 No. 373

¹² The Matusik snapshot – July 2008 No. 376.

consumers. It will enable direct competition with HIA in their renovation marketing segments of kitchens & bathroom but extend that competition to the broader renovation market. Furthermore, by Master Builders widening its appeal to consumers it will increase our branding opportunities. This wider appeal will most likely encourage not only new members but equally important it will entice further sponsorship deals from the industry manufacturers and suppliers given the value of the renovation market to the building materials and supplier segment of our existing membership.

As well as advantages for Master Builders', the renovator strategy value adds for our members business whether they are involved in the construction of new housing or renovation; they have the opportunity to migrate between markets or build up their involvement within the renovation market. Being a renovation member of Master Builders will give members the support, advice and "tools" necessary to assist their diversification into the renovation business.

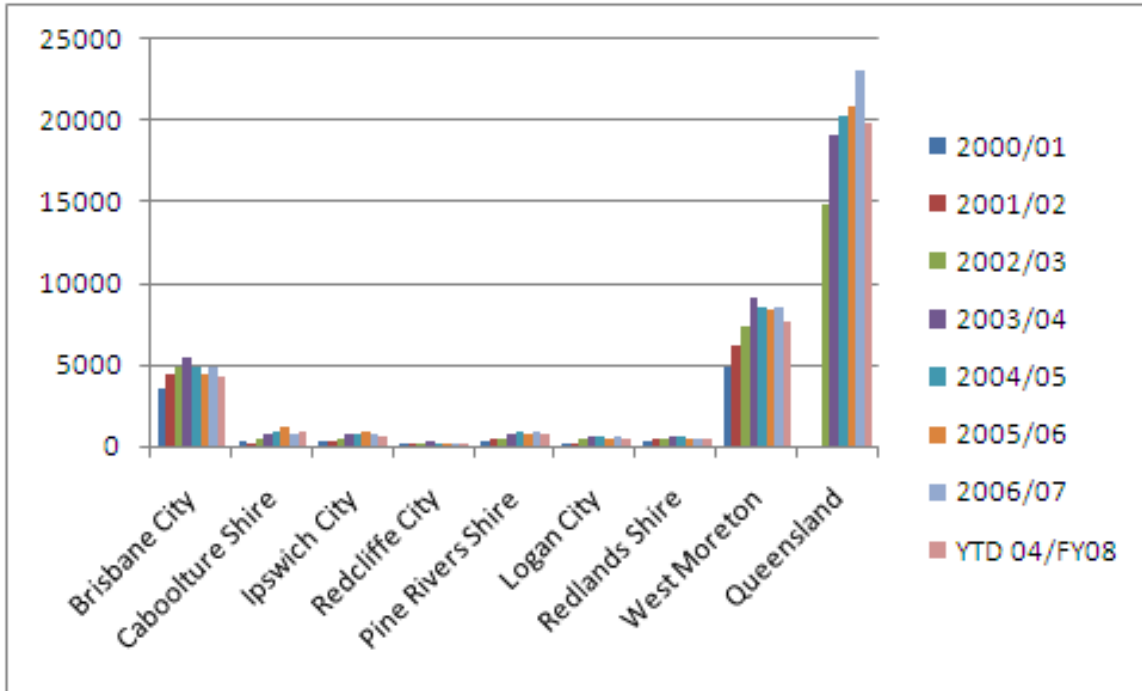
According to the 2006 Census of Population and Housing, 67% of dwellings are in major cities, 21% are in inner regional areas, 10% were in outer regional areas and 3% are in remote Australia. These statistics provide a useful basis for comparison for assessing the importance of renovation for building industry growth and aggregate value of work completed. It helps us realise that the capital cities are where the most renovation work is likely¹³ to take place. The four graphs below support this assessment showing the high number of approvals in the larger regions of Brisbane and West Moreton with their corresponding high dollar value of the works for renovation undertaken.

From a Master Builders' strategy point of view two important considerations come to light. Firstly, it is apparent that the trend in new houses and new other residential buildings building approvals for the periods 2005-2008 mirror those for conversions etc for the same periods. That is, over the three year period both segments experienced a noticeable down turn in activity in 2006-07 with a slight upturn for 2007-08¹⁴. Secondly, any significant allocation of resources in initially setting up the renovation group as a sub-committee within Master Builders would suggest that the major emphasis should be placed on Brisbane and West Moreton areas given both their numbers and value of work and the potential member base within this tight geographic area.

Number of Alt / Add Approvals

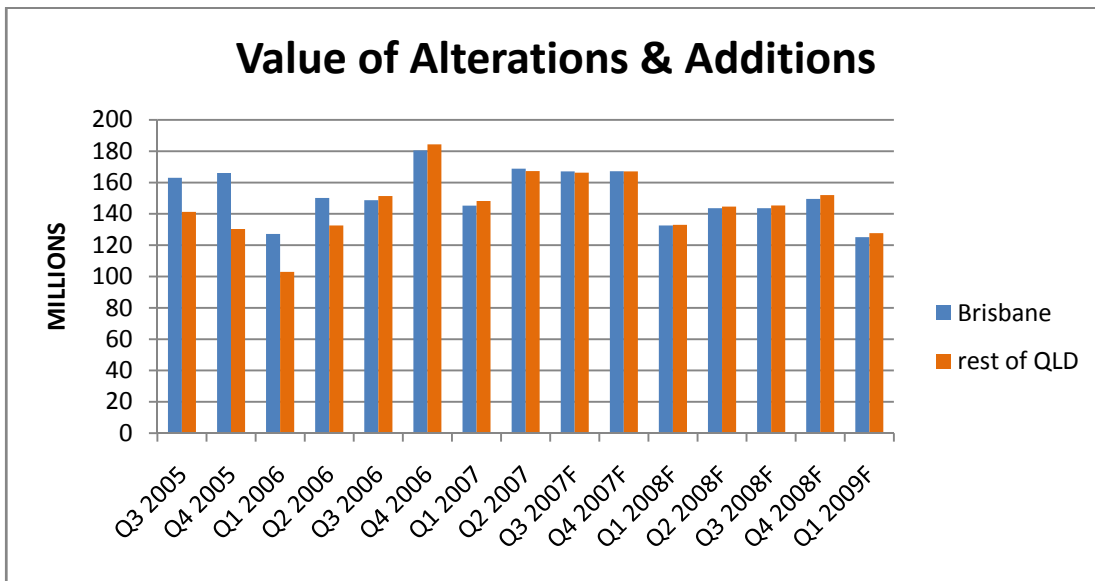
¹³ Australian Institute of Health and Welfare 2008, Housing assistance in Australia.

¹⁴ ABS – June Quarter, 2008, Dwelling Unit Commencements.



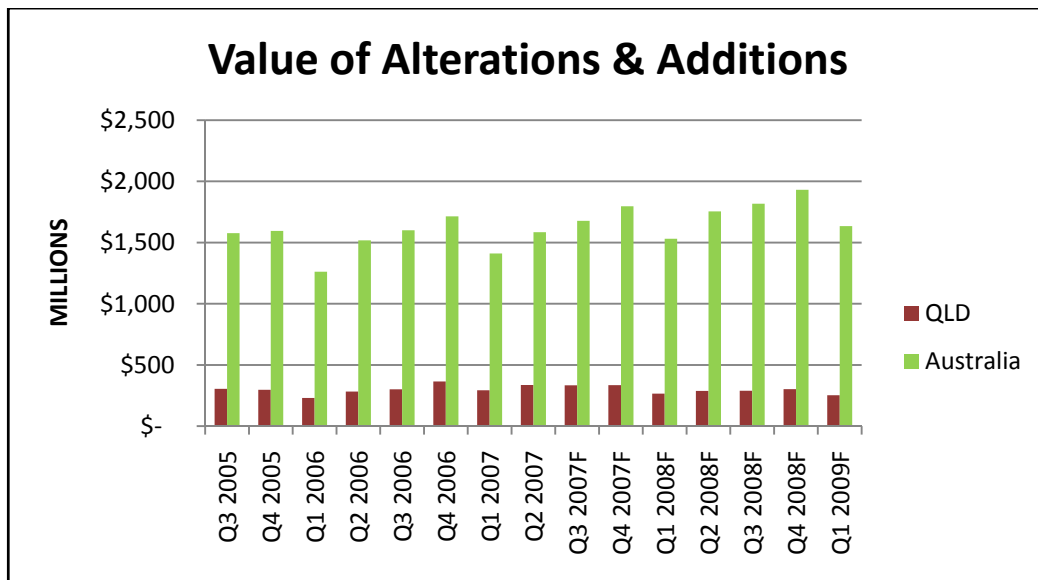
Source: ABS and Master Builders Queensland

The above graph reveals that the number of renovation approvals in West Moreton (Brisbane and north Brisbane excluding the Gold Coast regions) is approx 50% of all renovation approvals Queensland wide. This analysis also shows that the largest renovation market is the Brisbane Local Government statistical division – where renovation approval numbers have been steady for 8 years. This indicates that this area has a robust renovation market that Master Builders is neither servicing nor tapped into.



Source: ABS and Master Builders Queensland

The above graphs show the aggregate valou of all renovations both historically (until Q4 2007) and then as a forecast until Q1 2009. Importantly it reveals that Brisbane is the market for renovation and that outside that area (given that the residual south east Queensland is part of the “rest of Queensland” in these forecasts) any work undertalen by Master Builders in the renovation segment can be geographically restricted to the south east Queensland and affect only the Brisbane, Gold Coast and Sunshine Coast regional offices.



Source: ABS and Master Builders Queensland

The above graph shows, the national picture for renovations with Queensland relative to the rest of the nation. Importantly (and especially when accounting for the 50/50 nature of the Queensland numbers between Brisbane and the rest of Queensland) this reveals that the renovation market in Queensland is less cyclical then the rest of Australia – implying that south east Queensland is a good market for being a renovator.

Furthermore, in light of the following forecasted stable growth in the value of alterations and additions in 2008-09 (+6%), 200-2010 (+7%), 2010-11 (+7%), 2011-2012 (+4%) and over the longer term, anticipating growth of around 3.1% pa over the 2012-2022 period¹⁵, it will be vital that members prepare themself to take full advantage of a relatively stable and lucrative market. There is of course a danger that members flood into a market that is robust and drive down prices and profits for members already in that market – and this is not the intention of this Green Paper. The purpose of this paper is to acknowledge that Master Builders already has a large number of its member base engaged solely in the renovation market and that specifically addressing their needs may assist greatly in membership retention and growth. It would also make sense that over time as the broader market becomes aware of the magnitude of the renovation market in south east Queensland that one should expect to see a greater

¹⁵ QLeave – Environmental Scan – 2008-212

level of competition and involvement in this market by parties not currently within that segment to augment revenue declines in their traditional markets.

Either way, the renovation segmentation strategy for membership and servicing as proposed in this Green Paper offers our members the opportunity to diversify their business channels (markets) which in a (the present) fluctuating market brought about by volatility in interest rates, global monetary uneasiness, fluctuating petrol prices and restrictive local authority land and development policies, should amongst other things, be viewed as being a valuable component of both a members risk management strategy as well as Master Builders' 's reaction to present market conditions.

6.0 KEY CONSIDERATIONS

While establishing a renovation segment within Master Builders will have significant benefits for the renovator and Master Builders it is well to remember that the public will play an important role in the eventual success of this initiative. A key hook or selling point to the consumer will be lifestyle. Information technology will also play a significant part in our strategic imperatives. .

For example, for people who are working longer hours the time spent at home is becoming increasingly important as a leisure activity. They entertain family and friends at home; the home has to perform for normal weekday functioning but on the weekend be capable of transforming into an entertainment 'hub'. Homes built pre-World War 2 and up to the late 1980's require modification to achieve this symmetry of mixed functionality / use. Where will they get the ideas from to do this work? In the main television, or 'surfing' the net.

Life-style television shows awaken the renovator urge within the consumer. It sells them on the idea that anything is possible; you are only limited by your imagination. Quite often the budget is over looked but the vision (and desire to renovate) has been created. The net gives the public a great deal of information concerning products and services necessary for a successful renovation. All this information can be gained from the comfort of their home. They can even source their renovator, for example, by using the "find a member" section of the Master Builders' website. A smart renovating contractor will ensure that when a client first contacts them that they can answer their questions or at least guide their client towards the right area for advice.

Development of a symbiotic relationship with other industries will be important for attracting work given that many renovators assume they have the equity available in their home to renovate – and seek approvals for drawdown after they have a firm idea as to their project's cost. For example, access to financial institutions to enable adequate funding of activity or a home furnishing company to provide themselves or their client/consumer with a wider selection of premium goods and services. This approach will allow our member to offer a one-stop shop for goods and services to their client. These linkages also assist our members particularly in this instance, the renovator, to offer a point-of-difference to the consumer when compared to other renovation contractors. An example of this may be having the means, for example, via web based information or an 1800 information line the ability to bring potential clients to renovators.

Having captured consumer's attention it will then be important that the consumer is enticed into following through with their inquiries. How far a consumer continues with the contractor will largely depend on how well the contractor handles their potential client interests in renovation. For example, do they have either themselves, staff or consultants who can explain what will be required of them before a written contract is entered into? A high level of customer service from this point is critical in building trust and influencing the possibilities for any future business undertakings. This competition for the consumer dollar will be an ongoing challenge not only for the renovators but building industry in general and this also holds true for supporting supply / manufacturing industries given that in renovation it is often the consumer who selects the building materials to be used due to having seen it elsewhere and then wanting it for their project.

The supply / manufacturing industries can see advantages in developing new products and services for the renovation market. Indeed many manufacturers and / or distributors are finding that their customers (and this includes contractors) want them to supply and install their building products. Generally homeowners feel very much at ease dealing with larger bodies/companies especially when giving thought to when/if things go wrong with products. They contend the bigger manufacturers and alike are more likely to be there to handle their issues when needed. Given that consumers in general put value in the size of a company they are dealing with this is another good reason for the small to medium businesses/persons to get involved with and be identified with such a large association such as Master Builders Queensland.

Therefore it is imperative for both Master Builders and its members to be able to demonstrate why consumers or sponsors (or potential new members) should build a relationship with Master Builders'; why we are "different" to others in the building industry; and therefore because of this "difference" the consumer, sponsor (or new member) involvement with us is to *their advantage* especially in terms of financial, quality and trust.

With Master Builders recognising formally a renovator member segment it is helping its members to continue to operate and importantly remain sustainable and viable. It will assist our members to access new distribution channels (markets) which will provide greater exposure for Master Builders' and Master (Builders Accredited) Renovators. For example, Master Builders could produce a consumer web page solely dedicated to renovation or produce a magazine promoting lifestyle similar to Queensland Home and Style. Producing these products is strategically important for both Master Builders and our members. This strategy helps Master Builders' to better target our members needs; it helps Master Builders' in addressing its value proposition for membership within this large existing segment – that is unrecognised. Primarily for our members the new renovation segment should lead to improved business outcomes through better buying power (an initiative could be a commission based supplier buying group), more consumer inquiries (adjusting the find a member web directory), and hopefully higher profits (for everyone – including Master Builders').

Hence (the renovator) being a member of Master Builders should enable renovators to access finance, insurance and other goods and services at reliable prices. It affords them access to a labour market and contacts within the renovation market. It also assists our members to offer a one-stop-shop to their clients; it enhances their point-of-difference. The renovator concept is a valuable marketing or branding tool for both our member and Master Builders.

A collorary is the Master Builders display villages which attract a lot of positive feedback from the wider community. It is valuable in terms of exposure for our members and Master Builders. It helps Master Builders attract sponsorship from suppliers and manufacturers involved in the building industry. Importantly the villages also generate sales for our (display village) members. Additionally, what is often overlooked or at least not well recognised, is the intangible benefits that also flow onto *all* members of Master Builders. Unknowing too many is the fact that by “association” *all* members are judged as being of or possessing the quality or at least the ability to deliver such a well recognised and respected product as those depicted in the display village. The public respect a Master Builder (and their works).

Likewise this new renovation segment can reinforce and build onto these existing reputations and relationships. With Master Builders lifting it profile into the renovation arena it is also highly likely that we will attract other consumers who are interested in renovating only and sponsors who operate or target this segment of the building industry. Master Builders and its members will be extending their influence further onto the building industry and building closer ties with the public. Of course, importantly for this renovation initiative to be successful Master Builders’ marketing strategy will need to be reviewed and aligned with this initiative.

Let’s be quite clear about sponsor involvement, size does count; targeting the right audience/consumer is imperative; sponsors have budgets and want to maximise their outlays, that is, selling more equates to higher profits. Therefore, in enticing sponsors (and for that matter new renovator members), Master Builders will need to convince these parties, just as we are doing in our display villages, that we can engage with consumers by helping them with the necessary knowledge, guidelines and information before renovating their ‘dream’ home. Hence, in addressing this engagement with consumers Master Builders must recognise the impact information technology has in the renovation (and decorative) industry.

Materials, features and designs are constantly changing hence any renovation website will need continual updating with new features which enable the consumer to access the latest information about trends and designs within the renovation (and decorative) industry. Consumer education programs and Master Builders push to upgrade its professionalism and standards through its Master (Builders Accredited) Renovator (MBAR) program will also play an import part in promoting the sponsor’s products, the renovators business and Master Builders.

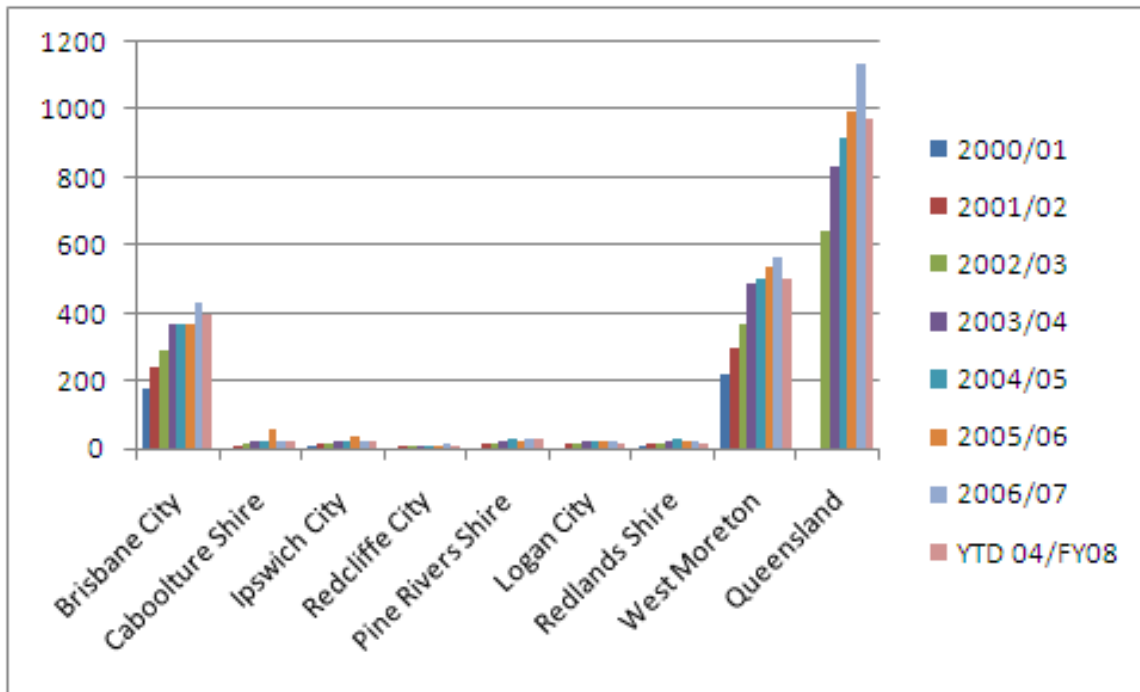
Indeed the MBAR program could also be viewed as a “case study” in preparation for a larger Master Builders’ CPD program relevant to all members. This “case study” could be used to study the MBAR in great detail, in the hope of learning things from this initiative that then could be applied to a general CPD program for all Master Builders’ members. For example, Master Builders’ might decide that to ensure the “Master” means something or represents a point-of-difference, that is, a distinction from other builders it might require all builder members to have to undergo a program of CPD to retain membership. On the other hand Master Builders’ might decide to introduce another category or membership that distinguishes those members who have undertaken a course of CPD, for example, Master Builders’ Certified Master Builder or Renovator or Sub-contractor or whatever the title may be. Initiatives that not only talk about putting the “Master” back into Master Builder but actually do something about it are good news for the members, public, industry and Master Builders’. The knowledge and skills gained through

CPD will improve our members' business management and hopefully contribute to Master Builders' members' value proposition.

It is anticipated that this renovator's strategy while assisting Master Builders' acquisition of new members can also help in the retention of existing members. There is the high probability for existing builder members wanting to also engage in renovation given the dwindling market share (for new houses). For example, Master Builders' major project builders while maintaining their new house construction business may also want to cross-over into the renovation market (this migration has been witnessed with many display village builders now operating what is effectively a "project renovation" service that is a one-stop service from design through to execution).

Furthermore, it is well understood within industry and the general public that governments restrictive land policies while making suitable land scarce is also forcing up the price of land. Therefore consumers are now seeing a cost / benefit analysis swing in favour of renovating existing homes rather than moving to a new home. Interestingly, this consumer sentiment has also influenced some of Master Builders' house builders to experiment with contracting into the renovation market. As the graph below indicates there is a high volume of work in and adjacent the Brisbane and West Moreton regions. If a member operates their business in the South-East corner of the state, their venture into the renovation market could prove worthwhile.

Value (\$M) Add/ Alt



Source: ABS and Master Builders Queensland

The above slide shows the value of renovation has been increasing at greater than the rate of inflation and is a good market for a builder to have been engaged in, especially within the Brisbane Local Government statistical division.

In combination the renovation market already has a significant portion of the Master Builders membership base and to those members we offer an undifferentiated service. Master Builders' main competitor has long marketed a segment for renovators (but within a narrow sub-segment of kitchens and bathrooms and tilers). The Master Builders proposition is for the renovation segment to be recognised as a specialty segment in its totality. The renovation segment is largely a south east Queensland market and thus can be tightly contained and marketed to. Further addressing the specific needs of this segment can create valuable learning (such as CPD and accreditations) that can inform wider policy debates within Master Builders on the "getting the Master back into Master Builders" in the long run.

It is the view of the Housing Division that a substantive case exists for creating under the Housing Committee a specific sub-committee to be called the Renovators Sub-Committee. This committee will be confined to the geography of the south east Queensland corner (although products generated, etc can be used outside that area) and will commence with an ambitious work plan to give effect to the challenge of establishing this as a viable sub-segment of Master Builders. Section 7.0 of this Green Paper (and the appendices) reflects in draft form that work program.

Master Builders has looked to the example of the US based National Association of Home Builders (as per Part 6.0) as a model for the development of this committee as it focuses solely upon the remodelling market in the US.

As a Green Paper the purpose of this document is to elicit discussion about the contents and proposals within this paper with the view to establishing whether or not the creation of a Renovators Sub-committee (reporting to the Housing Committee) is a worthwhile endeavour or not. If it is a worthwhile endeavour then the objective is to establish the goals, targets and initial work plan for that sub-committee so that if established – it has a program of works that will deliver the benefits for members and Master Builders as envisaged.

Housing Division intends conducting a series of discussions on this document at which we will be seeking the input of the SMT, affected division / regions as well as the Housing Committee. After that consultation Housing Division will convert this Green Paper into a White Paper containing formal recommendations together with a detailed work plan (including a submission on possible sub-committee members) for the Housing Committee to discuss and approve, after which State Executive will be asked (as per the Master Builders Constitution) to approve the policy and outworking package contained therein.

It is our desire that consultation will be completed in November 2008 such that the Housing Committee will be able to assess a White Paper at its 3 December meeting and State Executive can review / approve the matter at either its December 2008 or January 2009 meeting.

7.0 THE MODEL – NAHB REMODELLORS

The purpose of this section is to outline how the NAHB remodelors group operates in the United States to simply reveal how it has “been done before” elsewhere such that Master Builders can witness the overarching “model” that is guiding the thinking of Housing Division.

NAHB Remodellers is an association of renovation specific builders in the United States that has more than 14,000 members. The parent body, the National Association of Home Builders has 235,000 members. Master Builders’ renovation sub-committee could operate in similar vein with Master Builders Queensland as does NAHB Remodellers with NAHB. Correctly applied Master Builders’ position within the building industry should prove beneficial for a new group starting up in terms of brand recognition, membership and consumer confidence.

NAHBR has 150 NAHR affiliated state and local builders association working in partnership providing information, certification, education, and recognition programs geared to keeping remodelor members competitive. They provide advocacy in making the remodelor voices heard. Additionally NAHBR promotes membership benefits to include the following services.

- **Training for a competitive edge.** They run educational programs throughout the year on all aspects of the renovation business. Like certified public accountants, remodelors also work to increase their knowledge through education. For example, Certified Graduate Remodellor takes two years to complete. This remodeling graduate school teaches extensive technical, business, and customer skills well beyond the average renovator or builder. The Certified Aging in Place designation, is the only program that teaches remodelors how to modify homes for those who

wish to age in place. These courses aim at separating those who have completed the course from their competitors.

- **Networking** to strengthen the remodellers connections. Remodellers 20 Club bringing together a maximum of 20 remodellers from non-competing markets twice a year to learn from one another.
- **Marketing and promotion** to boost their bottom line. Remodellers receive a free listing in the Online Directory of Professional Remodellers. All builder members of NAHB Remodellers are listed in the online directory. NAHB Remodellers promotes the directory in all consumer communications and advertising. The month of May is promoted as Remodellers month with a public relations program.
- **Information** that keeps members at the forefront of industry developments. For example, free subscription to their *RENews* members-only e-newsletter (remodeling news and events electronic and print newsletter), and resources NAHB's members-only web site keeping them in touch with the remodeling industry. Americans spend more than \$235 billion each year on remodeling. NAHB Remodellers and the National Association of Home Builders' economic department offer the latest analysis and information – including the Remodeling Market Index – to identify the latest economic trends in remodeling.

Each year consumers are harmed by unscrupulous contractors or simply frustrated by the lack of customer service. NAHB Remodellers provides consumers information and advice on finding, evaluating, and hiring professionals to get the job done right the first time. They have a special website and designated telephone lines for inquiries.

NAHB Remodellers have many exclusive awards, including the NAHB Remodeller of the Month and Remodeller of the Year awards, with the winners featured in *Qualified Remodeller* magazine, as well as Remodeling Hall of Fame.

There are many areas in which Master Builders and NAHB and in particular NAHBR are similar particularly in the services we offer our members. This similarity extends to and through our code of ethics, business, and technical information, as well as leading education programs. Like NAHBR, Master Builders will also require that members have the highest integrity and professional practices. We also have similar aspirations in setting up a remodellers/renovators group that will be seen as the leading professional group for remodellers. The NAHBR is a successful innovation that is up and running; it is a model that Master Builders renovation aspirations can be easily modeled along.

8.0 STRATEGIC DIRECTION

Membership with Master Builders Renovators (MBR) should reflect members' commitment to responsible business practices, quality construction, and reliable customer service. With industry leading programs in education, networking, marketing, advocacy and recognition of excellence, Master Builders Renovators will give its members the tools needed to build their renovation business. We must engage the new and existing member.

Members are overwhelmed with rapid changes in the building industry. We need to remain consistent in our look – without complex and fancy events or words – and develop an open customer service (OPS).

One of the features for Master Builders' in developing OPS could be to target our members' wants as opposed to their needs. For example, in general carpenters are interested in floor laying techniques and not necessarily in waterproofing the floor ready for tiling. Directly target their interest by sending flooring articles instead of flooring and waterproofing might be one way of ensuring they actually read Master Builders' articles. Giving them a choice as to what information they want to receive from us in the first instance will help them address this "overwhelmed" feeling. Secondly, if we can give them what they want they will most likely be more respectful to our (their) need messages. Being a member of MBR must be seen as an aid to running their business. However for MBR to be successfully introduced a business unit strategy (BUS) needs to be formulated along with a work program.

Importantly, any proposed BUS must be in keeping with any Master Builders corporate strategy. The corporate strategy might be expected to be stated explicitly through any proposed Master Builders mission statement. Such a mission statement might profess the following:

- *To be the essential business resource to our members;*
- *To shape the future of the building and construction industry through effective influence on government, industry stakeholders and the community.*

The BUS must concern itself as to how Master Builders and its renovators businesses are to compete successfully in the renovation market. The formation of BUS is about competitive positioning, about differentiating Master Builders Renovators in the eyes of its customer (new/existing members) and its members customers, about adding value through a mix of activities different from those used by its competitors e.g. HIA. Typically BUS strategic decisions will concern choices about:

- How they will deliver their products and what resources will they need to be able to compete (resources);
- Which market (housing or commercial) should they compete in and what kind of activities are involved in such markets (markets; scope);
- Where is the Master Builders Renovators trying to get to in the long-term (direction);
- How they will meet the needs of their customers;
- How they will gain and maintain an advantage over their competitors (advantage); and
- What are the values and expectations of Master Builders and members (stakeholders);
- How they might go about exploiting or creating new opportunities;
- What external, environmental factors might affect Master Builders Renovator's ability to complete (environment).

In addressing these strategic decisions the BUS is to consist of three main components namely:

1. Strategic Analysis; Analysing the strength of the business position and understanding the importance of external factors that may influence that position. We are to undertake a SWOT Analysis.
2. Strategic Choice; It is important we understand the nature of both Master Builders and members expectations. We will organise high level meetings with the appropriate persons/group – SMT. A Work Program and indices have been formulated in response to this strategy; and
3. Strategy Implementation; When the BUS has been analysed and selected, the task will then be to translate it into organisational action.

Businesses operate in hostile and increasingly complex environment. The ability of a business to achieve profitability is impacted by dozens of environmental factors, many of which are interconnected. This is a reality of the building industry in which both Master Builders and its members are constantly dealing with. Therefore in addressing the issue of Master Builder Renovators it makes sense to try to bring some order to this chaos by understanding the commercial environment and bringing some strategic sense to the process when forming a BUS and in particularly the incorporation of a work plan and its indices.

9.0 WORK PLAN AND INDICES

The BUS is about means. It is about the attaining the end goal. What follows is a draft and high level work plan and its indices containing the items considered necessary for setting up the Master Builders Renovators initiative. Together they state those future conditions and circumstances towards which efforts are to be devoted until the goals are achieved. To that end the items have been integrated into a work plan nominating the various milestone in terms of dates by which time these items will either be delivered as indicated or working groups formed to implement the appropriate course of actions. The compiled list of items is as follows:

- Sub-committee composition and governance (including charter),
- Renovators contract;
- TV show;
- Purchasing group;
- Membership strategy;
- Renovation monthly periodical;
- Sponsorship strategy;
- Master (Builders Accredited) Renovator;
- Green Renovator;
- Renovator website;
- Networking strategy; and
- Business Development.

The Work Program document shown below names the task to be performed and gives a brief description of the item. It nominates the person/s and the date by which time the item will be completed. The Appendices gives a more detailed description of the item as well as explaining the importance this item has in the strategy overall. Furthermore, Master Builders will form an internal Renovators Working

Group (RWG) as part of its plan to ensure the items detailed in the Work Program are actioned. The RWG will serve as an internal forum to:

- Assist the nominated staff to share and exchange viewpoints, information, knowledge and experiences;
- Be an integrated and co-ordinated approach to the renovation issues through the development of shared common analysis and positions;
- Analyse actions or measures of Master Builders that in the opinion of the group may have a major impact on the renovation strategy; and
- Address any issue of priority which in the opinion of the group requires the pooling of expertise, a greater dialogue between them or the co-ordination of their actions.

RWG will be chaired by Master Builders Manager Policy. Initially RWG will consist of those nominated on the Work Plan. RWG meetings will be held fortnightly and a copy of the CAL and the revised Work Plan are to be submitted to the SMT for their information and consideration.

WORK PROGRAM:

ITEM	NAME	DESCRIPTION	ACTION BY	DATE	APPENDIX
		Master Builders			
Sub-committee	Renovators Sub-Committee	This sub-committee would sit under the direction of the Housing Sector Committee. It would consist of a Chair and seven other members representing various segments of renovations eg repairs, small renovation, trade-based, high-end alterations. They would meet bi-monthly.	Darren Barlow	30/04/09	A
Accreditation	Master Builders Accredited Renovator	At the outset Master Builders has the opportunity to assist these businesses to set themselves apart from the other industry participants.ie point-of-difference. This can be achieved through normal membership of Master Builders and in addition CPD or by attaining other relevant skills recognised by Master Builders.	Darren Barlow/Work Group	30/02/09	B
Renovators	Membership Strategy	This strategy must help Master Builders address the following scenario: When we ask a prospective member: "You are not a member?" and they answer, "So what"? Master Builders will need to develop a strategy that does two things; firstly convince people they need to be members of this group (recruit); and secondly supply the resources to maintain their ongoing involvement (retention).	Craig Peters	22/01/09	C

ITEM	NAME	DESCRIPTION	ACTION BY	DATE	APPENDIX
Designated Programs	Green Renovator	The public is now tuned into saving the planet. If only for a sound commercial reasons members will need to respond to the public's "green" sentiment. Labelling, producing a sticker or stating we are "green" will not work. Green renovating is a range of energy-efficient, environmentally-responsible renovating techniques, materials and strategies. Master Builders needs to show why our members and their clients need to go green. It about producing the point-of-difference and demonstrating in a practical way why they need to be a member of this group specifically (and Master Builders in general).	Paul Kearney	22/01/09	D
IT Programs	Master Renovator Website	Communicating with the public is critical for any business. The web has become a vital tool in marketing. Unlike the new home market where the public can walk through for Master Builders Display Villages and see the finished products renovation does not have this advantage; this segment does not have "open inspections". Increasingly people are "shopping" on the web. The web and its innovation will assist people to "walk through" extension and view a wide range of products from their living room. Of course, links (to other sites) will play a vital part in promoting sponsors, Master Builders, its members and the renovation industry in general.	Julie Russell /Simon Spencer	22/01/09	E
Strategic Partners	Sponsorship Strategy	Strategic partners will provide valuable financial support for the group's year round activities. Of course, all members will have the	Stephen King	22/01/09	F

ITEM	NAME	DESCRIPTION	ACTION BY	DATE	APPENDIX
		opportunity to meet representatives of sponsor companies at various events. Communication with their clients, our members is critical for sponsors and as such any sponsorship strategy will need to work closely with the sub-committee, IT and any other designated programs.			
Networking	Mates 8	Each group is limited to 8 remodellers from non-competing markets who gather together four times a year to learn from each other through open discussion and open-book sharing. Renovation's Mates 8 offers a unique, personalised learning experience as an exclusive benefit to Master Builders Renovators' members.	Phil Breeze	22/01/09	G
Publications	Renovators Contract	Renovation segment argues it has "special" needs when it comes to issues surrounding contract documents, administration and workplace safety. In assisting our members needs Master Builder's suite of contracts (and other goods/services) should produce a contract for the renovation market. This document while addressing the legislative requirements will also help promote and distinguish our members business and the renovator's group profile.	Jeff Poultney	22/01/09	

APPENDIX A - RENOVATORS SUB-COMMITTEE

It is recommended that this committee be known as the “Renovators Sub-Committee” (RSC) in representing that segment of the housing sector commonly referred to as renovation or alterations and additions. The scope of the committee (industry sectors covered) should form part of the charter.

Purpose of RSC

The purpose of RSC is:

- To assist develop Master Builders policies on housing related issues involving renovation issues;
- To examine in detail proposed changes to legislation that might impact on renovation of residential dwellings;
- To help monitor changes to the various local authorities town planning schemes that affect the renovation sector;
- To inform and seek opinions and comments from MBA members on matters relevant to building and planning regulations pertinent to renovation;
- To provide all levels of government (through MBA) with direct industry feedback regarding proposed changes to legislation and or the various local authorities town planning schemes;
- To provide a forum for all issues pertaining to housing renovation sector to be discussed;
- To consider any reports or issues coming to the sub-committee from members;
- To consider any legislative proposals, discussion papers, technical reports, government papers, and other information that could impact upon the renovation building process and to make recommendations;
- To promote renovation considerations within the whole building process.
- To assist Master Builders members understand and manage their building and contractual obligations.
- To provide input into the decision making processes of the regulators so that the decision makers know and understand the full impact of regulatory changes.

Sub-Committee

It is proposed that the committee consist of a Chair, Convener (MBA officer) and at 7 other members. The appointment process will be in accordance with the Master Builders constitution and shall be a sub-committee of the Housing Sector Committee (HSC). The committee will be empowered to invite guests and government officials to assist the work of the committee. It is recommended the committee be made up of a representative of each of the following renovation industry sub-sectors:

- Repairs,
- Small renovation,
- Trade-based renovation,
- High-end renovations,
- Project home/renovators,
- Interior decorations,
- Supplier.

Term of Appointment

Each member will be appointed on an annual basis in line with the constitution. All members will be eligible for reappointment. A member may cease to be a member if:

- They fail to be re-appointed
- The committee member resigns
- The committee member changes employment
- The committee member leaves the industry
- The committee member fails to attend 3 consecutive meetings without reasonable excuse
- The committee member is terminated by the president of Master Builders Queensland

Role of Chair

The chair shall:

- Demonstrate good communication and negotiation skills
- Control the meeting.
- Provide leadership on the issues and allocate tasks for committee members to fulfill.
- Ensure recommendations are formulated and progressed through appropriate channels.
- Ensure minutes and actions are accurately recorded and distributed effectively.
- Encourage participation of all members in line with the objectives and functions of the committee.

The Chair is selected by Master Builders Queensland.

Meeting times

The committee will generally meet on a bi-monthly basis. The meeting will be held in the first week on the months of February, April, June, August, October and December. Special meetings may be called for any reason by the Chair or Master Builders Queensland.

Meeting Procedures

Meeting procedures will be in accordance with typical custom and practice. The chair will preside at each meeting and if unavailable then the meeting will nominate an alternate chair. The meeting shall consist of:

- A quorum of at least half of the members; and
- A question is decided by a majority of the votes present; and
- Each member present has a vote and if the votes are even then the chair has the casting vote

The committee may otherwise conduct its proceedings as it sees fit. Members may wish to participate via telephone or other form of communication.

Minutes

Minutes will not be produced. Rather a Consolidated Action List shall be distributed by the Convener to members within a timely manner following each meeting. An agenda will be prepared and distributed prior to each meeting (with appropriate papers as attachments).

Role of Master Builders

Master Builders will:

- Provide resources to enable the committee to function effectively
- Assist the committee members undertake any aspects of their roles where practicable
- Conduct research to assist the committee formulate recommendations to the HSC.

APPENDIX B - MASTER BUILDERS ACCREDITED RENOVATOR (MBAR)

At the outset Master Builders has the opportunity to assist these members and their businesses to set themselves apart from the other industry participants ie point-of-difference. This can be achieved through normal membership of Master Builders and in addition CPD or by attaining other relevant skills recognised by Master Builders. It does however require an Master Builders integrated pathway to be set up; a pathway that not only value adds to our members business but also enhances Master Builders existing services and goods for the betterment of Master Builders (as an association), its staff and of course its members.

It is a pathway that leads the member onto a process of continuous improvement. In building an integrated pathway for a Master Builders Accredited Renovator member the following is presented for your consideration.

The purpose of establishing an MBAR (integrated pathway) is five-fold namely:

1. To help Master Builders recognise that the multitude of “ideas” possessed by the various core services/business units need a united and integrated approach to ensure these “ideas” are successfully implemented to ensure maximum outcomes for the renovation member.
2. To assist Master Builders to develop for its renovation members a process of continuous improvement in relation to either personal, staff and/or their business development.
3. To assist in recruiting renovation members to Master Builders.
4. To assist in the retention of the Master Builders’ renovation members.
5. To contribute to the financial viability of the renovation member and Master Builders.
6. Promote the MBAR member as having a point-of- difference when compared to other renovators.

These “ideas” spoken of above consist of the following:

- Induction evenings;
- Step Up;
- Mentoring;
- Networking groups;
- Continuing Professional Development;
- “Accredited” Master Builders members;
- Northside and Southside Renovations, “ Master Builders Display Workshops”;
- Buying Group/s;
- Renovators Paper; and
- Renovator’s website.

There is nothing new about the above-mentioned “ideas”. Some are currently in operation, for example, induction evenings, step-up, and mentoring. Others are in the process of being introduced. Still others have had significant efforts and business plans put together about them, for example, CPD. The remainder has been discussed informally by various staff members, for example, networking groups, and “accredited” Master Builders’ members. However, what has occurred is that they have all been in the main discussed in isolation.

What is needed is for the “ideas” to be looked at and discussed in a theme which says *we are not an isolated idea but we are part of an integrated pathway*. It is a pathway that leads the Master Builder Accredited Renovator onto a process of *continuous improvement*.

What does this integrated approach look like? Let's look at a new member coming into Master Builders. A brief example follows.

Integrated Pathway Example.

1. Member joins as a builder member.
2. Member attends an induction evening.
3. Member attends mentoring program.
4. Member joins Master Builders' Renovation group
5. Member attends the networking group – Mates 8.
6. Member wishes to upgrade their status to Master Builder Accredited Renovator.
7. Therefore member needs to undertake a CPD program run by Master Builders training.
8. Part of the network group forms part of the CPD program.
9. Part of the CPD program requires that the member's staff, for example, supervisors undertake CPD through Master Builders training.
10. Part of the CPD program is Master Builders' Green Renovator's program.
11. As a member they can join the Master Builders buying groups (yet to be established).
12. As the member business grows they might want to join the Display Workshop Group (yet to be established).
13. Joining the Display Workshop Group gives them access to the facilities set up at the Display Workshop, for example, their staff can attend training at these locations; they have access to sponsors products and displays as does their clients; they can buy Master Builders products from the Master Builders shop; use of other Master Builders services and products, for example, insurance, telephones, cars, finance; and like the Display Villages renovator members would now have a high visual "access point" to the public and the public back to them. Master Builders' public profile is also further enhanced.
14. Members see the worth at being a member through increased works leading to increased profits etc; again the Master Builders barometer is rising.
15. Master Builders sponsors benefit through the growth and success of our Master Builders Accredited Renovators and exposure through the Master Builders projects such as the Renovators Paper and the Renovators website.
16. Master Builders generate additional incomes, retains members, the words "Master Builders Accredited Renovator" will be symbolic for meaning a distinct and unique group; and Master Builders lobbying influence with government increases – size does count.
17. Master Builders and MBAR's "barometer" within the Queensland building and construction industry and the general public travels further upwards.

The integrated pathway allows MB Renovator members to embark on a journey commencing from when they first join to gradually progressing and developing their own personal skills as a renovator member whether it be technical, contractual or managerial in nature. Their staff and or business can also benefit through professional development, training in general and have access to Master Builders' wealth of intellectual knowledge. Sponsors can also reap benefits through higher volume of sales and them and their products being associated with a respected group of renovators.

Additional requirements for accreditation

In order to obtain a MBAR designation, an individual must also meet the following criteria:

- Five years minimum related industry experience (on-site/education/management);
- Complete and pass those courses nominated by Master Builders with a minimum grade of 80%;

- Must have been a member of Master Builders for at least two years;
- Must hold a current and relevant BSA license;
- Enroll annually in suitable courses as nominated by Master Builders.

In order to obtain a MBAR designation, a company must also meet the following criteria:

- Proof that the nominee of the company has at least five years minimum related industry experience (on-site/education/management);
- Proof that the nominee of the company has completed and passed those courses nominated by Master Builders with a minimum grade of 80%;
- The company or nominee must have been a member of Master Builders for at least two years;
- Must hold a current and relevant BSA license;
- The nominee enrolls annually in suitable courses as nominated by Master Builders.

Maintaining Accreditation

Due to the constantly changing nature of the industry, and to encourage an on-going commitment to CPD, the designations are granted for a one-year period only. In addition to completing courses there are a number of other ways accreditation can be obtained, for example, attending seminars, meetings, conferences and participation in Master Builders' nominated events. Annually, Master Builders will mail to all individuals a renewal fee invoice and a report verifying the courses completed. The fee must be paid within 30 days to avoid de-registration.

In summary, it might be said this approach is very simplistic. However, keep in mind while the words may be simplistic the "ideas" discussed are worthy of consideration and in most cases have developed a life of their own be it in isolation. The "ideas" can and are being presently managed. What this discussion paper is really highlighting is the fact that leadership is required to bring these isolated "ideas" into an integrated process, a pathway of continuous improvement that our renovation members can travel. It is a pathway that once stepped upon entitles our member to the title of Master Builders Accredited Renovator (MBAR).

APPENDIX C - RENOVATOR - MEMBERSHIP STRATEGY

The reasons for pursuing renovator members is based on the fact that there is a growing demand for renovation of existing homes and those within this segment are unique as opposed to those who are building new homes. Master Builders is initially focusing on renovation carried out within the residential market. Master Builders will negotiate the setting up of renovators membership and its membership strategy.

This strategy amongst other things must help Master Builders address the following scenario: When we ask a prospective member: "You are not a member? they answer, "So what?"; what is our response? Master Builders will have needed to develop a strategy that does two things. Firstly, convince people they need to be members of this group (recruit); and secondly, keep their enthusiasm going by supplying the necessary resources to maintain their ongoing involvement (retention).

Master Builders' in addressing the first point need to demonstrate to the renovators our worth in improving their business. Improvement in the bottom should result in a cross-over to an improved quality of life for them and their families that is in keeping with their achievements. Nevertheless, let's face it, the cost of membership will be seen as an expense; what Master Builders' should be trying to achieve is a changed mind-set from both Master Builders and its members. The payment of a membership fee needs to be viewed in the light of an investment, an investment in resourcing their business. Master Builders' management and staff must recognise this first and foremost before we can hope to convince a member this is not just rhetoric but fact and equally important maintain them as members.

The strategy must be built around increasing the member's bottom line and dare I suggest friendship. Monetary needs and friendship considerations in being catered for are powerful matrixes in keeping together Master Builders' renovators membership. Generating new renovator members and building a relationship with prospective renovator member will be a vital part of the recruitment process. Master Builders will initially target anyone who is licensed with the BSA as a contractor (builder or trade).

The recruitment strategy should also involve a marketing strategy that will aggressively promote the fact that Master Builders is the most influential and successful building related association in Queensland. The key to marketing is education and awareness. Master Builders will support an educational effort, which will contact newspapers and television and licensed trades to provide awareness to the public, industry and prospective new members. Master Builders will also support opportunities to market renovators and or renovation through publications such as Queensland Home and Style magazine.

The advertising and promotion strategy will position Master Builders Renovator as the leading group of renovators in the Queensland renovation market. Membership in Master Builders renovators group will be seen as desirable and unique by prospective members because of its ties with Master Builders and the need to be a member of a group that can increase their bottom line and provide a better quality of life.

Attracting a critical mass of new members assist Master Builders branding and has the potential to increase its revenue income streams. This in turn allows Master Builders the opportunity to provide additional resources back to its (renovator) members. It also assists Master Builders in its retention of Master Builders' (renovators) members.

APPENDIX D - GREEN RENOVATOR

The public is now tuned into saving the planet. If only for a sound commercial reasons members will need to respond to the public's "green" sentiment. Labelling, producing a sticker or stating we are "green" will not work. Green renovating is a range of energy-efficient, environmentally-responsible renovating techniques, materials and strategies. Master Builders needs to show why our members and their clients need to go green. It's about producing the point-of-difference and demonstrating in a practical way why they need to be a member of this group specifically (and Master Builders in general).

Green renovation can describe a broad range of materials, products and techniques many that may be already in use. It's also popular with customers, whether they are trying to be more green themselves, or just looking for ways to lower their energy bill.

Master Builders Renovators could offer a wealth of resources to renovators in learning about green products and practices, and integrate these new techniques into their business for enhancing profits. So why would a member go 'green' well just a few reasons:

- Easy to implement because a lot of renovators are already using green products and techniques in their projects but possibly are not aware of it;
- Huge market in that there are a large number of house built without any consideration being given to the environment;
- Sales will increase because the consumer is prepared to spend money on green initiatives;
- Profits should increase because consumers are prepared to spend additional on energy efficiency that saves them money in the long term;
- Business recognition can be increased when associated with the concept of saving the planet.

There are also benefits for Master Builders in promoting a green renovator namely;

- Membership recruitment
- Membership retention
- Sponsorship appeal
- Potential increase in the uptake of our existing goods and services e.g. contracts online, insurance.
- Potential to supply additional training and educational courses.
- Increases Master Builders branding both within industry and amongst the public particularly homeowners

Master Builders can further contribute to the concept of green renovator by promoting its green living program (residential). We can also promote green renovation through partnerships with manufacturers and sponsors, for example, promote a Green Month or a Green Day.

Needs to link into the whole green living program, environment etc.. Need to work on elaborating on these links, etc to ensure it is all integrated – or do the plan for this assessment.

APPENDIX E - IT PROGRAMS: MASTER BUILDER RENOVATOR WEBSITE

Communicating with the public (i.e. consumers and potential customers) is critical for any business. The web has become a vital tool in marketing. Unlike the new home market where the public can walk through a Master Builders Display Villages and see the finished products the renovation sector does not have this advantage; this segment does not have “open inspections”. Increasingly people are “shopping” on the web. The web and its innovation will assist people to “walk through” and view a wide range of products from their living room. Of course, links (to other sites) will play a vital part in promoting sponsors, Master Builders, its members and the renovation industry in general.

Innovation counts only if it meets customers’ needs. In this instance information appearing on this website would need to have consideration for both member and the general public’s needs. It’s important that the public association with Master Builders Renovators is one they see as beneficial. Any initiative undertaken by Master Builders in regards to renovation must demonstrate our commitment to making the renovation experience, and this includes their dealings with Master Builders and its members, a positive one for the public/homeowner. Master Builders would also want to utilise this site to promote the Association to members, potential members and industry stakeholders.

The renovation member would most likely want to use the web as a source for technical, contractual, business, and managerial material; something along the lines of an e-library. For example, a section containing assorted articles on numerous building related topics. There could also be links to websites that will assist in the building project itself. A member’s only section could be set up where renovator members share their ideas and questions with other renovators directly on a renovators email list service.

The public access and investigate areas of interest concerning their renovation project. For example, they might want the name of a member. They might view an article explaining the building development process and its associated cost. Area in relation frequently asked questions and the answers. Alternatively they might “walk through” a members’ recently completed renovation showing innovated efficiency lighting ideas, floor layouts, off the shelf products and the like. The website could link to manufacturers (our sponsors) sites. Also the links could include relevant government websites, for example, EPA, WHPS and Local Authorities sites.

The website could be used to promote sponsors goods and services utilised in the renovation market. Sponsors could be encouraged to put on a sponsors night for anyone thinking of renovating. This would be a great promotion for sponsors, Master Builders and members. The website could have links to our sponsors’ websites.

This website should have a clear purpose for existing. Being a member based organisation one of those purposes should be to generate leads for our members (and of course us). The website must have a clear mechanism for people interested in the organisation, but who may be not yet interested in membership, to sign up to receive regular information. There will need to be a clear “how and why” to join information on the website. For example, develop and distribute a free email bulletin once a month that provides a free “taste” of our services.

Another purpose could be that we want to increase the renovators’ profile. Through the web we could give away “tasters” of our (renovators) products. Things such as checklists can be distributed via this website or in hard copy. The web site could also help promote non-member attendance at events.

For example, a renovators network could be formed whereby the network present programs covering a wide range of topics about buying, researching, renovating and maintaining older homes. Members and non-members could be invited to these workshops. At these workshops, participants learn from experts in all aspects of older home ownership, for example, bankers, landscapers, plumbers, electricians who care share their own experience in home renovation. It could also involve sponsors who might like to sponsor an event.

APPENDIX F - STRATEGIC PARTNERS - SPONSORSHIP

Strategic partners will provide valuable financial support for the group's year round activities. Of course, all members will have the opportunity to meet representatives of sponsor companies at various events. Communication with their clients, our members, is critical for sponsors and as such any sponsorship strategy will need to work closely with the renovators sub-committee, IT and any other designated programs.

Corporate sponsors provide important benefits because they typically have strong ties to other industry stakeholders. The concept behind such partnerships is that we can do more together than we can separately by carefully planning our joint efforts and aligning our resources and time to focus on the area of commonality.

The benefits captured by Master Builders can be passed onto its members. For example, members are provided an additional level of support beyond what Master Builders could have provided them by virtue of any financial contribution or in-kind support offered by sponsors for a specific purpose.

Another form of this partnering could be in the form of a donor. A donor is a person or organisation which contributes financial support to Master Builders but without naming a specific purpose and leaving it to the SMT to determine when or how best to use the gift. For example, a donor could be a person who gives an undesignated cash gift to Master Builders which the SMT decides to use to bring in a big name keynote speaker or to provide a scholarship to help a needy individual attend a building course or program or assist them get the professional development and or mentoring they need.

Master Builders Renovator group's vision of being a group consisting of the best performing renovators in Queensland (if not Australia) is a challenge that can only be met through innovation and creative enterprise. Sponsorship assistance is part of the support that will assist Master Builders and its renovator members achieve prosperity from the building industry in which they operate. This sponsorship helps promote innovation and entrepreneurship through financial, technical and business support. Master Builders must continue to look for opportunities to increase revenue through sponsorship. Nevertheless, if Master Builders, through its partnerships, can help provide the resources members need then Master Builders can rightly be proud of its members' successes in improving not only their lives but also their customers' lives and hopefully in having created new business opportunities for themselves.

It's anticipated, sponsors through their collaboration with Master Builders and now with Master Builders Renovators, will seize the opportunity to grow their existing relationships into a multi-faceted business partnership delivering significant marketing value (returns) to not only the sponsors but Master Builders and its members. For Master Builders to benefit fully from the sponsorship the strategic partnership must also assist the marketing of membership. That is, it must help achieve the recruitment of new members and the retention and expansion of relationships with existing members. This can be achieved through Master Builders building a relationship, nurturing the links, enhancing the benefits that brought our members to us in the first instance, and improving the products/services continuously to protect Master Builders from competitive encroachments.

APPENDIX G - NETWORKING – MATES 8

For the huge potential of the Master Builders Renovators group to be realised, Master Builders needs to agree to the extent of its support it is committing to this group. One practical means by which this support can be given to the group is through the setting up of peer groups. Each group is limited to 8 remodelers from non-competing markets who gather together four times a year to learn from each other through open discussion and open-book sharing. Renovation's Mates 8 offers a unique, personalised learning experience as an exclusive benefit to Master Builders Renovators' members.

No one person or company has a monopoly on good ideas. Renovators have the same issues, questions, and problems. The Mates 8 group brings together similar members to find solutions to common barriers. The trust and open exchange of information allows the group members to become cost-efficient, quality-oriented and profitable contractors.

Mates 8 groups would typically consist of the following:

- Made up of similar companies/individuals that meet regularly to discuss matters of business and personal interest.
- Consists of 8 members who do not share the same competitive market.
- Membership of the group is open to members of Master Builders and in particular renovators being a company, trade person or builder.
- They would meet four times a year.
- There is no charge for this member service, although members are responsible for their own meeting and travel costs.
- Group members take turns hosting each meeting. Master Builders Renovators does assist in getting groups together, and serves as an information source.
- Group members must be Master Builders members.

The benefits of joining a Mates 8 group can best be summarized as follows:

- Provide the opportunity for contractors to collectively solve problems;
- Opportunity to improve the business;
- Exposure to new ideas;
- Sound board for ideas or concerns with non-threatening feedback;
- Association with fellow business persons involved in the renovation industry;
- A source of recreation.

There are also benefits for Master Builders namely:

- Membership recruitment;
- Membership retention;
- Sponsorship appeal;
- Potential increase in the uptake of our existing goods and services e.g. contracts online, insurance;
- Additional training and educational courses;
- Increases Master Builders branding both within industry and amongst the public particularly homeowners.

Establishing a Mates 8 group requires collaborative development by Master Builders and members.

APPENDIX H - CONTRACT, SAFETY PLANS, SITE SUPERVISION AND SITE DIAIRIES

The renovation segment argues it has “special” needs when it comes to issues surrounding contract documents, administration and workplace safety. In assisting our members with these needs it has been suggested Master Builders’ in its suite of contracts (and other goods/services) should produce a contract for the renovation market.

The renovator’s contract document while addressing the legislative requirements would also help promote and distinguish our members business and the renovator’s group profile. In considering the option to include a renovators contract in the Master Builders suite of contract documents there are some issues that Master Builders’ might wish to canvass namely;

- At this stage residential renovation is only being considered;
- What obligations are imposed on residential renovation contractors as opposed to those building new homes?
- Are there any limitations on the work a renovation contractor can perform as opposed to new home builders?
- Do the legislated building stages differ for renovators and new house builders?

So what are the answers; what are the impacts of the *Domestic Building Contracts Act 2000*, on those performing residential renovation works when compared to new home builders? The simple response is there is no difference except for the staged payment provisions for a regulated contract.

This comes about by the very nature of most renovations in that they do not in general follow the same construction path in building a new home. That is, not all renovations have footings, frame inspections, enclosed stage or plumbing works. So what affect does this have on the content of a renovators’ contract? In short, not much. Therefore, the real issue lies with marketing (of renovators).

That said, all that needs to be done is carry out some “cosmetic” changes to an existing contract, for example, the Trade Contractor’s contract. The Trade Contract was mirrored on our Minor Works Contract. To distinguish the renovator’s contract from the Trade Contract, rename and replace the front cover and in the main body of the contract replace the word “contractor” with the descriptive word “renovator”. The renovators now have another “tool” that sets them apart from new home builders and at practically zero cost to Master Builders’.