



# RESEARCH STUDY INTO THE CONSTRUCTION CONTRACTS ACT 2002

Presentation of research findings

# INTRODUCTION

- The NZ Building Subcontractors Federation (NZBSF) was one of the key parties involved in the introduction of the Construction Contracts Act (CCA) passed in 2002.
- The NZBSF believed the legislation had not been widely used and/or understood. Chilli Marketing was approached to conduct research into the CCA to verify or dispel beliefs.
- Both qualitative (focus groups) and quantitative (online survey) research methods were recommended for the project to meet the research objectives.

# RESEARCH OBJECTIVES

The research objectives for the project were:

- To investigate the level of awareness and understanding of the CCA legislation within the target market.
- To determine the level of use of the CCA within the target market.
- To explore perceived benefits of the CCA.
- To explore potential and perceived barriers to using the CCA.
- To explore potential areas for improvement to communications around the legislation.

# RESEARCH APPROACH

## Qualitative Research

- Three focus groups were conducted, they were:
  - 90–120 minutes long
  - attended by 4–6 people
  - held in Auckland, Wellington and Christchurch.
- Participants were:
  - members of an association who belongs to the NZBSF
  - self employed or own their own company
  - aware of the CCA.

# RESEARCH APPROACH/METHODOLOGY

## Quantitative Research

- An online survey which:
  - took approximately 8 minutes to complete.
- This survey was emailed to a list of associate members and members of the NZBSF for email distribution to their databases.

# SAMPLE CHARACTERISTICS – FOCUS GROUPS

- The research sample was representative of the target audience, skewed to older males from a range of industries.
- 16 participants were involved in the focus groups.
- Most participants:
  - were aged 41 years or older
  - had 20 or more years experience in their industry
  - had 15–35 employees
  - worked in the Commercial sector.

Industries represented included: Ceilings/Walls, Concrete, Electrical, Fire Protection, Pre-cast Panels, Plumbing, Reinforcing, Roofing and Tiling.

# SAMPLE CHARACTERISTICS – ONLINE SURVEY

- The research sample was representative of the target audience, skewed to older males from a range of industries.
- 229 participants completed the survey.
- Most participants:
  - were aged 41 years or older
  - had 15 or more years experience in their industry
  - had 6–20 employees
  - worked in the Residential sector.

Industries represented included: Air Conditioning, Carpentry, Concrete, Electrical, Fire Protection, Gasfitting, Heating, Joinery/Windows, Landscaping, Pre-cast Panels, Refrigeration, Reinforcing, Plumbing, Roofing and Tiling.

# KEY FINDINGS OF THE RESEARCH

# 1. The Building Industry is undergoing change

## Focus Groups:

- In Auckland and Wellington most participants worked on commercial projects, in Christchurch there was a more residential focus.
- Written contracts were almost always given for a job. However, occasionally verbal quotes were provided. This was generally for low value jobs (less than \$2,000) for friends or trusted contacts.

# 1. The Building Industry is undergoing change

Changes noticed over last 5 years	Changes predicted for next 5 years
<ul style="list-style-type: none"><li>▪ Tighter timeframes</li><li>▪ Building 'boom'</li><li>▪ Skill shortage across trades</li><li>▪ More restrictions/ regulations</li><li>▪ An increase in costs</li></ul>	<p>Participants felt that the trends of the last 5 years would continue, plus:</p> <ul style="list-style-type: none"><li>▪ an increased awareness and understanding of the CCA</li><li>▪ an increase in number of products available</li><li>▪ a shift to commercial work (Christchurch).</li></ul>

## 2. Awareness of the CCA was high amongst subcontractors

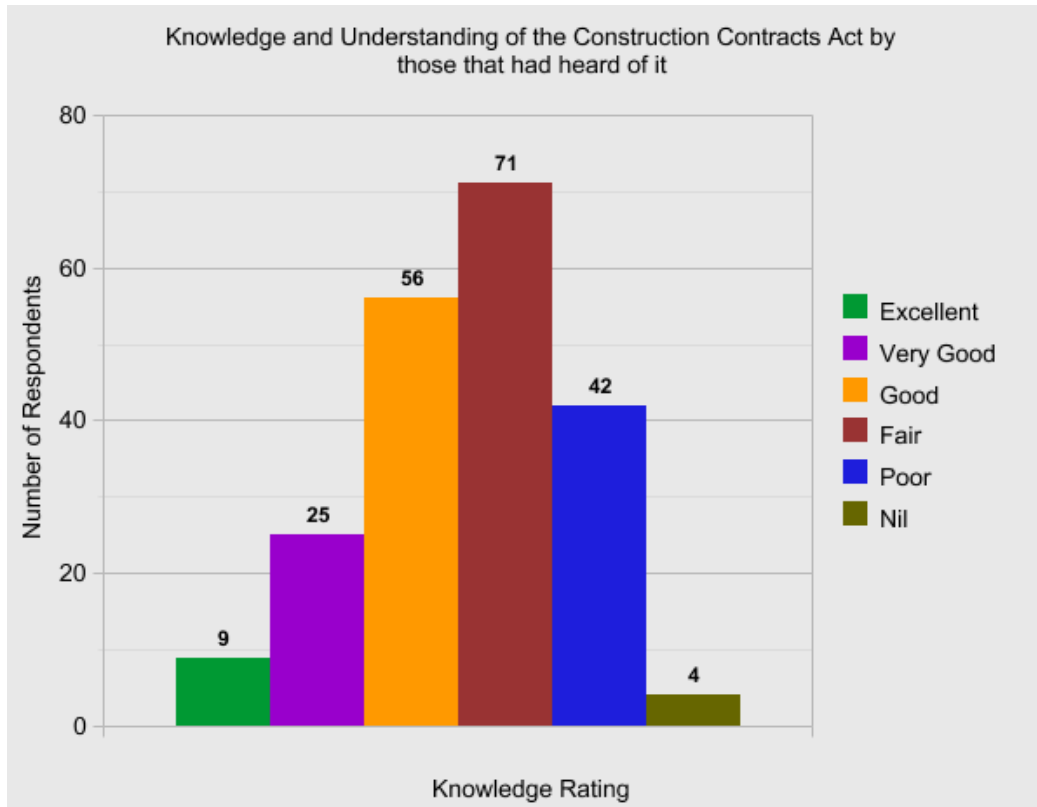
### Online Survey:

- 91% of subcontractors surveyed had heard of the CCA.
- 96% of subcontractors who worked predominately in the Commercial sector had heard of the CCA, compared with 87% for those working in the Residential sector.
- Those more likely to have heard of the CCA were in carpentry/joinery, electrical, fire protection and roofing.
- Those more likely to not have heard of the CCA were in concrete, gasfitters, heating, landscaping, plumbing and painting.

### 3. Subcontractors understood why it was introduced

- When asked who the CCA was for, online respondents answered:
  - Subcontractors (88%)
  - Main Contractors (50%)
  - Clients (20%)
  - Suppliers (10%)
- Both online respondents and focus group participants believed the CCA was introduced to provide subcontractors with protection and stop 'pay when paid'. More than half also answered 'to improve cash-flow for subcontractors'.

## 4. Subcontractors understood why the CCA was introduced but they lacked understanding on it



### Online Survey:

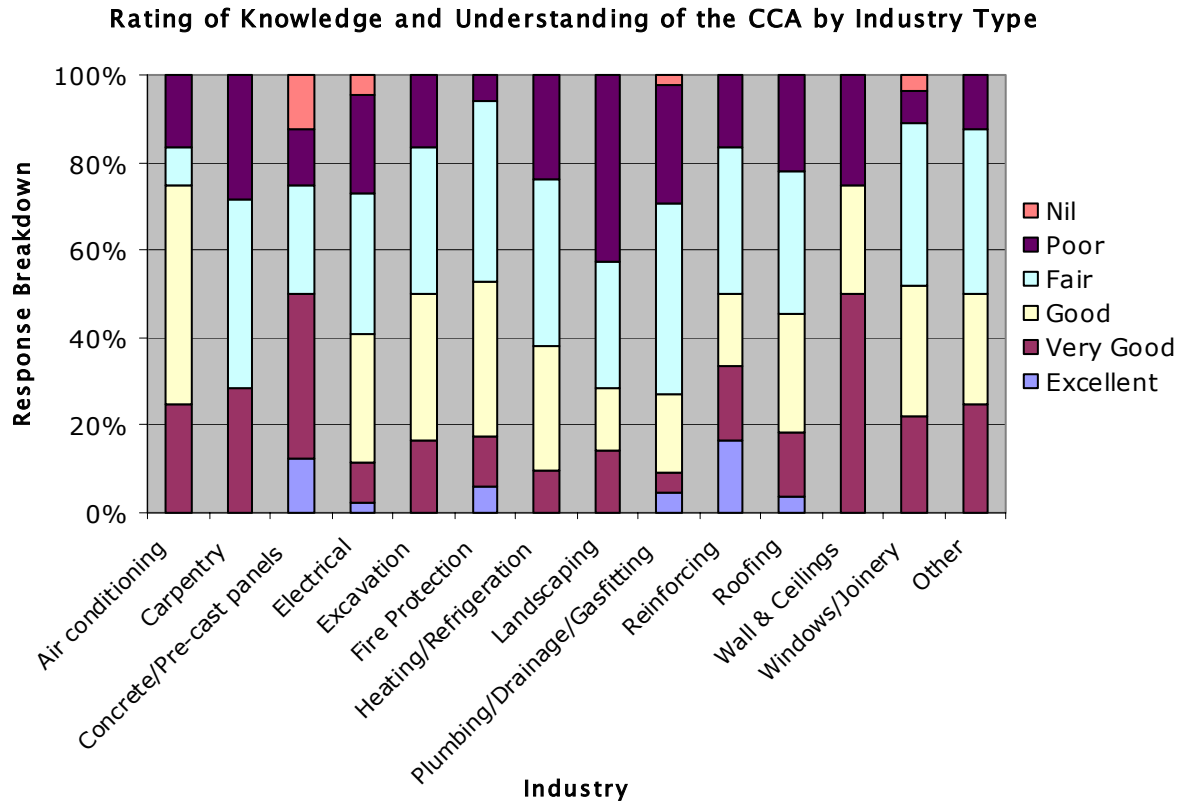
- Of those that had heard of the CCA, they were asked to rate their knowledge and understanding. The most frequent response was 'fair' (35%) then 'good' (27%).

## 4. Subcontractors understood why the CCA was introduced but they lacked understanding on it

### Online Survey:

- The three industries with the most knowledge of the CCA (comparing scores of 'excellent', 'very good' and 'good') were air-conditioning, wall & ceilings and fire protection.
- The three industries with the least amount of knowledge of the CCA (comparing scores of 'fair', 'poor' and 'nil') were carpentry, landscaping, and plumbing/draining/gasfitting.

## 4. Subcontractors understood why the CCA was introduced but they lacked understanding on it

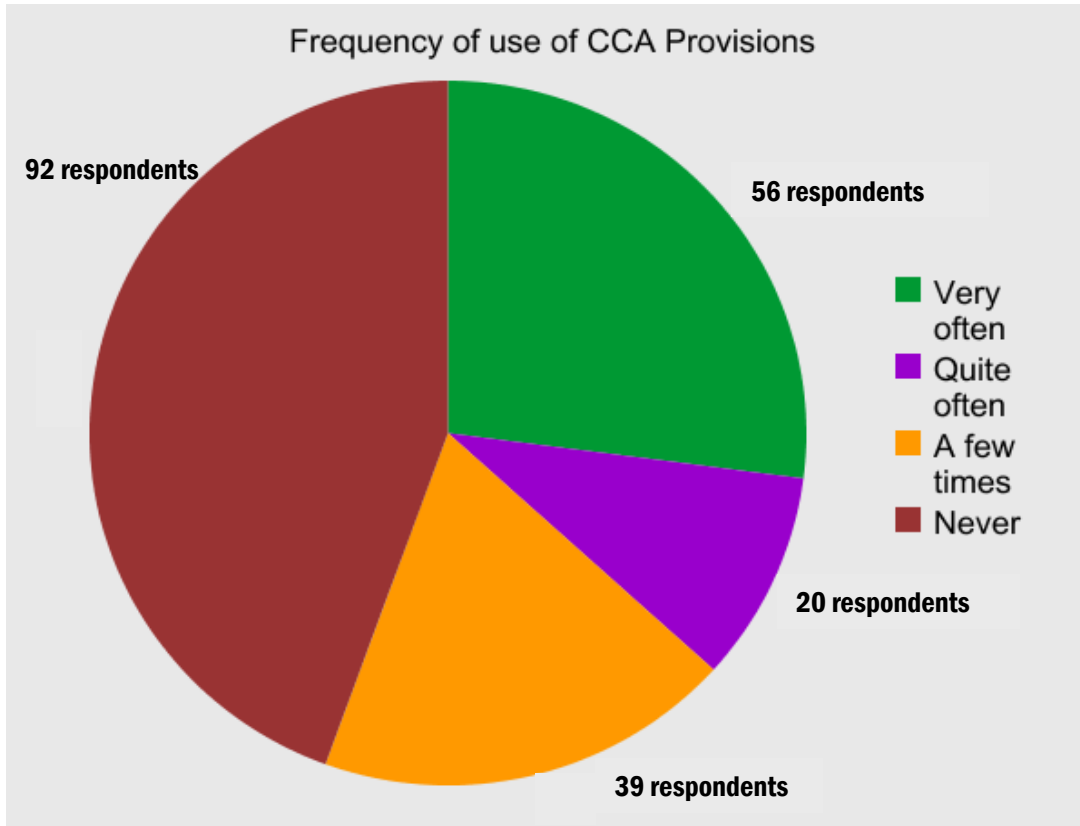


## 4. Subcontractors understood why the CCA was introduced but they lacked understanding on it

### Online Survey:

- 45% of respondents provided comments on key areas that they wanted to know more about.
  - Enforcing payments
  - When, how and why I should use the Act?
  - Payment Claims and Schedules
  - Having a simple overview of the Act

## 5. Subcontractors were mixed in their level of use of the CCA provisions

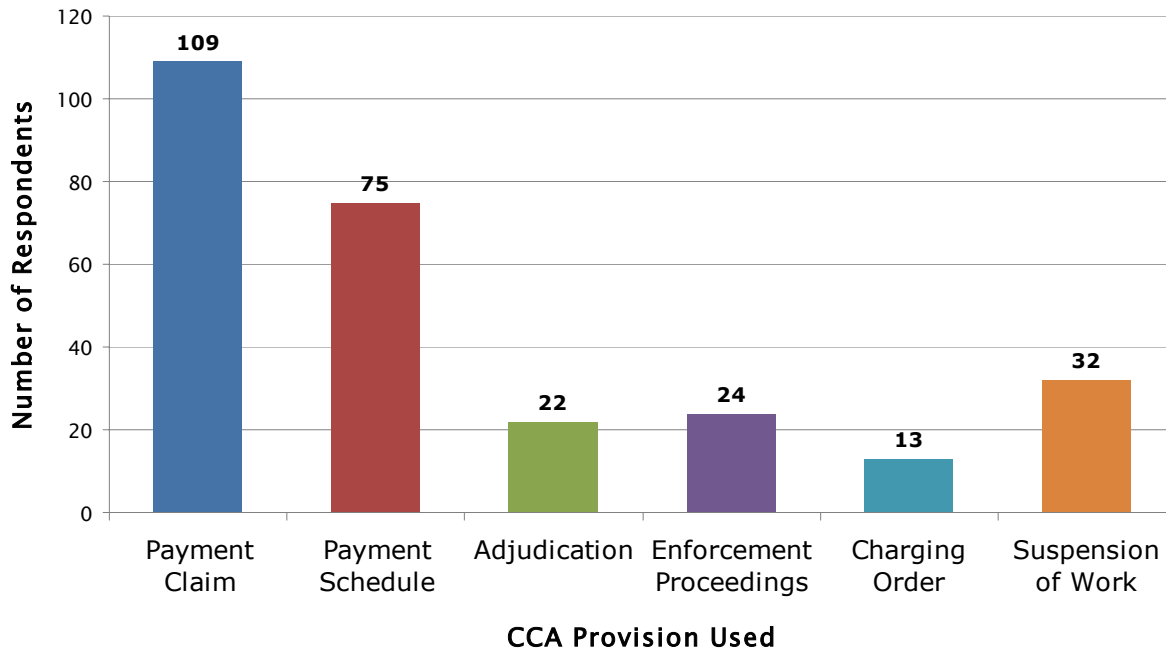


### Online Survey:

- 45% had never used the provisions of the CCA.
- 27% of respondents rated their use of the CCA provisions as 'very often'.
- 10% of respondents rated their use as 'quite often'.

## 5. Subcontractors were mixed in their level of use of the CCA provisions

CCA Provisions Respondents Had Used



### Online Survey:

- Payment Claims were the most frequently used provision, followed by Payment Schedules. This was independent on how often they had used the provisions.

## 5. Subcontractors were mixed in their level of use of the CCA provisions

### Online Survey:

- 74% of respondents had used either Payment Claims and/or Payment Schedules only.
- Only 17% of respondents had used one CCA provision only.

## 6. Effectiveness of the tools was rated moderate, with heavy users being more satisfied

### Online Survey:

- All of the provisions were rated on average between 3 and 4 on the scale for effectiveness (1 = not effective, 5 = very effective).
- Respondents were most satisfied with the Payment Claim and least satisfied with Enforcement Proceedings.

CCA Provision	Average score
Payment Claim	3.94
Payment Schedule	3.79
Suspension of Work	3.78
Charging Order	3.31
Adjudication	3.23
Enforcement Proceedings	3.17

## 6. Effectiveness of the tools was rated moderate, with heavy users being more satisfied

- Users of multiple provisions were more likely to rank the tools as more effective.
- The rating of effectiveness for adjudications varied.  
Of the 22 users who had used adjudication:
  - 18% scored 5 (very effective)
  - 27% scored 4
  - 27% scored 3
  - 14% scored 2
  - 14% scored 1 (not effective)

## 7. Subcontractors identified advantages and disadvantages with the CCA

Advantages ranked in order of priority by both groups:

Key Advantages Focus Group	Key Advantages Online Survey
<ol style="list-style-type: none"><li>1. Improves cash flow</li><li>2. Improves business management</li><li>3. Protects subcontractors</li><li>4. Alleviates a certain level of stress</li></ol>	<ol style="list-style-type: none"><li>1. Decreases debtors (98%)</li><li>2. More formal processes (e.g. Payment Claims, Payment Schedules etc.) (73%)</li><li>3. Improves cash flow (65%)</li><li>4. Provides quicker dispute resolution (40%)</li></ol>

## 7. Subcontractors identified advantages and disadvantages with the CCA

Key Disadvantages Focus Group	Key Disadvantages Online Survey
<ul style="list-style-type: none"><li>▪ Time consuming</li><li>▪ Not always effective</li><li>▪ Impacted on working relationships</li><li>▪ Lack of awareness and understanding by the general public and target market of CCA</li></ul>	<ul style="list-style-type: none"><li>▪ None (49%)</li><li>▪ Hard to understand/ implement (23%)</li><li>▪ Time consuming (21%)</li><li>▪ Other (9%)</li></ul>

# THE WAY FORWARD – SUMMARY RECOMMENDATIONS

When asked for any suggestions on how the Act could be improved, most focused on raising awareness and increasing understanding of the CCA as well as educating people in a simple way on how to use the CCA.

# 1. Raise the awareness of the CCA to the following key audiences:

- Subcontractors

WHY? Not all subcontractors are aware of the CCA

HOW? Trade associations, media, publications, seminars/  
workshops and websites.

- Main contractors

WHY? To ensure main contractors are aware of the Act and its  
benefits.

HOW? Articles in relevant publications (e.g. BUILD), and media  
coverage.

# 1. Raise the awareness of the CCA to the following key audiences:

- General Public

WHY? Increase the profile to general public to increase public awareness and understanding of the Act, especially with regards residential contracts. This is also one way to access smaller subcontractors not part of an association.

HOW? Advertising, media coverage, suppliers.

- Legal sector

WHY? To ensure adequate understanding for adjudications and enforcement proceedings.

HOW? Media coverage, articles in legal publications (e.g. NZLawyer)

## 2. Increase understanding of the CCA

- Provide education on the Act to address the following issues.
  1. What is it? Provide a basic overview of the Act.
  2. Why use it? Educate and promote why it should be used.
  3. How to integrate and use it? Provide education on how to integrate it into businesses (paperwork and processes).
  
- Target audiences:
  - Subcontractors
  - Main contractors
  - Accountants, bankers and other business advisors
  - Legal sector
  - General public

## 2. Increase understanding of the CCA

- How do we reach them?
  - Through suppliers (e.g. PlaceMakers)
  - Educational materials (e.g. brochure)
  - Integrate into current training programmes and apprenticeship schemes
  - Practical workshops,
  - Media (e.g. advertising, websites, radio)
  - Promotion of the book 'Managing Contractors Cashflow'.
  - Trade Associations
  - Hands-on workshops

### 3. Improve the usability of the CCA

- Increase the tools available for subcontractors, such as software programmes or templates for using the Act.

HOW? MYOB templates, Stop Work form, step-by-step manual

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