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Hon Chris Penk
Minister for Building and Construction

Via email: [redacted email address]

cc: [Minister's staff and officials' email addresses redacted]

BRANZ Submission for Review of Building Research Levy Act 1969

Summary and recommendations

1. This submission responds to your review of the Building Research Levy Act 1969 (BRLA).
2. While the subject of the review is the BRLA, the Building Research Association of New Zealand (BRANZ) and the critical role it plays for New Zealand's building and construction sector will be significantly impacted by any changes to the BRLA. Any reform options must fully understand and account for these impacts.
3. BRANZ represents the voice and needs of the building and construction sector through its stewardship of the Building Research Levy. Our submission reflects what the sector has told us: they value and require a strong, independent research organisation that is accountable to them, not directed by short-term economic and political cycles.
4. The sector is vital to New Zealand's prosperity – contributing over 6% of GDP¹, employing thousands of people across the country, and delivering the homes, schools, hospitals and infrastructure that communities rely on. To thrive, the sector must not only grow but also innovate to lift productivity and meet the challenges of affordability, resilience, quality, and sustainability. Independent research, practical guidance, and accessible tools are essential to make this possible.
5. The unique characteristics of the sector that required the Building Research Levy in the first place have not changed. It remains dominated by small to medium enterprises (SMEs), who do not have the scale or resources to invest in system-wide research and innovation. The Building Research Levy model is therefore as necessary today as it was when first established.
6. BRANZ research has a demonstrable impact. It solves critical issues like streamlined consenting, where our Artisan tool is now used in almost half of all new residential consents² to improve productivity and speed. It has supported smoother adoption of regulation, such as the H1 energy-efficiency changes, by providing modelling, training and practical guidance to more than 10,000 industry participants. BRANZ research has saved millions in avoided costs for

¹ Ministry of Business, Innovation and Employment (2024). *Building and Construction Sector Trends – Annual Report 2023*, page 5

² This is an estimate of market proportion of Artisan users.

classrooms³, reduced timber framing use across housing while improving insulation⁴, and developed world-class seismic, fire and corrosion research that underpins national building standards.

7. We have the mechanisms and networks in place to ensure Levy-funded research, tools and guidance reach those who need them. BRANZ is uniquely positioned to connect research with practice, filling the gap between regulation and real-world application. While we know there is more we can do, our new strategy signals clear change: we are committed to delivering even more practical outputs, faster, and deepening our engagement with the sector.
8. The sector has been clear – they want and need Levy-funded research to remain independent, industry-led and accountable to them. BRANZ is best placed to deliver on this. Our role, scale, and expertise ensure that Levy investment provides the greatest value for the sector and New Zealand.
9. This submission builds on the information provided to date and our engagement with you and with MBIE officials throughout the review process. MBIE has outlined, at a high level, the three options they have advised you of regarding the future of the BRLA. We sought a copy of the briefing MBIE provided to you in the week of 18 August 2025 to help inform our response. However, MBIE has advised that as this advice is under active consideration, it could not be shared at this point.
10. This submission is based on our high-level understanding and the sector engagement we have undertaken to provide a consolidated response that:
 - Sets out the importance of the Building Research Levy and BRANZ’s value proposition as the sector-owned investor of Levy funding.
 - Outlines sector and BRANZ support for modernising the Building Research Levy Act 1969 to strengthen transparency and accountability while retaining industry ownership.
 - Explains our opposition to reform options that would reduce the role of the sector in Levy investment or risk shifting control away from industry.
11. We conclude that industry interests are best served through a modernised BRLA, with BRANZ Inc. continuing to administer the Levy to meet the sector’s long-term research needs. This protects the expertise, infrastructure and networks built up over 50 years, while avoiding the risks of contestable or government-controlled models.
12. The following sections provide detailed evidence, case studies and recommendations to support this position.
13. We respectfully request a meeting with you prior to you finalising the findings of this review in order for us to discuss the outcomes you are seeking and the next steps.

³ <https://www.beehive.govt.nz/release/research-reduces-earthquake-strengthening-costs-schools>

⁴ BRANZ Annual Review 2025, page 38

How the Building Research Levy delivers for the sector

BRANZ's value stems from its independence, sector ownership and the funding certainty provided for by the BRLA - this enables the sector to deliver safer, warmer, more resilient and affordable homes and buildings for all New Zealanders.

14. BRANZ is an industry owned, funded and governed research organisation that has existed and grown its capability since 1970.
15. The BRLA was established to address market failures, with the sector recognising the need for industry and public-good research that improves techniques and materials. At 0.1% for every consented project over \$20,000, this is a cost-effective way to ensure the sector benefits from innovation that is crucial for New Zealand's prosperity.
16. BRANZ delivers research for the sector at scale. For the 2024/2025 financial year it had an income of \$33.6m, expenditure of \$35.9m and total equity of \$76.7m.
17. Our advice and guidance in this submission reflects what the sector has consistently told us: they value and require a strong, independent research organisation that is accountable to them.

BRANZ's value to the sector, Government and New Zealand is clear

- Sector ownership of BRANZ means Levy funded research is driven by strategic sector needs and regularly delivers impact for the sector, through real world application of research insights.
- Certainty of funding through the Building Research Levy has enabled BRANZ to develop and maintain specialist equipment, capability and expertise to deliver building and construction innovation.
- In administering the Levy, BRANZ has supported growth in the wider research system through collaboration with researchers, scientists, universities, the government and the commercial sector.
- BRANZ research is aligned with Government priorities with opportunities for regular engagement with the Minister(s) at all times and formal mechanisms for MBIE to engage through BRAC.

Sector ownership of BRANZ means levy funded research is driven by strategic sector needs.

18. BRANZ is highly accountable to the industry in its administration of the Building Research Levy through its constitution and engagement practices, with a sector representative body (the Building Research Advisory Council or BRAC) appointing BRANZ's governance and driving its research programme.
19. Through BRAC, BRANZ is accountable to the full sector. BRAC represents the construction, design and engineering, regulatory, supply chain, and building owners/users sectors. BRANZ is

closely connected to the sector through its work and engagement. This represents a social capital that allows BRANZ to reflect sector needs in its work.

20. Our recently released organisational strategy and associated research investment strategy highlight four priority areas for the sector: affordability, quality, resilience and sustainability. This focus is based directly on what the sector has told us it needs, and translates into a wide cross-section of interests, touching on affordability of materials, construction delivery, workforce challenges, building policy and regulation, sustainable design, materials and systems, and emergency preparedness for large natural disasters.
21. BRANZ's research focus is long-term in nature with the ability to respond dynamically to immediate sector priorities as they arise. For instance, its focus for 2026/27 includes a significant attention on affordability, recognising the cost of living pressures on most New Zealanders. Research under the affordability priority area will receive 60% of new Building Research Levy investment in 2026/27, with resilience, quality and sustainability sharing the remaining 40% relatively evenly.

BRANZ has developed specialist equipment, capabilities and expertise needed to deliver building and construction innovation.

22. BRANZ has specialist capabilities in three areas: research investment (carried out by BRANZ Inc.), research delivery and impact in the building and construction sector by BRANZ Ltd, and commercial testing and assurance services also carried out by BRANZ Ltd.
23. BRANZ Inc. is an expert in research investment. We invest to meet sector needs, maintain high quality and achieve real world application by:
 - Determining strategic outcomes through close sector engagement,
 - Applying portfolio management discipline to the research programme to ensure that the full programme of research investment is focused, cohesive and does not duplicate,
 - Applying robust commissioning processes to ensure research delivers what it is intended to, with an independent expert panel advising on all proposals.
24. BRANZ Ltd's research delivery capabilities are underpinned by fit-for-purpose research facilities, expert scientists and engineers, and extensive sector networks. BRANZ Inc.'s research campus features several research laboratories with its property, plant and equipment worth \$67.1m. This includes the fire and structural engineering labs which allows testing buildings up to three storeys high, simulating extreme winds and replicating the magnitude of seismic events such as the 2016 Kaikōura and 2011 Christchurch earthquakes.
25. These advanced capabilities are the product of long-term investment enabled by the funding certainty provided in the BRLA. Estimated investment in capital assets over the last five years has totalled \$50–55 million. Without the funding enabled by the BRLA it is highly unlikely any one privately-owned research provider would have invested at the scale that BRANZ has been able to. This is due to the long lead times needed for capital investment and the lack of certainty that such investment would yield a return.

26. As New Zealand is a small country with unique demands, access to highly specialist building research capabilities can be difficult. The sector is also dominated by SME businesses who do not have the capacity or capability to innovate alone. They need practical solutions that work on site, rather than just on paper. BRANZ fills this gap.

27. The economies of scale that BRANZ provides for research in the building and construction sector enable it to:

- build specialist research areas,
- develop specialist, practical knowledge that connects directly with those working on site, ensuring research translates into real-world solutions,
- offer attractive career pathways for specialist researchers and subject matter experts in the industry,
- plan and execute investment in capability and infrastructure,
- undertake strategic and workforce planning to avoid duplication of research areas and skills,
- build diversity in the research workforce.

28. These benefits of scale are one key part of the Government's focus on consolidation of the Crown Research Institutes (now Public Research Organisations) as part of its reform to the science sector. BRANZ already offers this approach.

29. Below are some examples of projects and tools that have been developed using BRANZ's unique capability:

- B-RISK is a fire modelling tool that reduces fire risks in building design and material. It is used by 95% of New Zealand's fire engineering consultancies.⁵ It was developed using BRANZ's **advanced fire research and testing capabilities**. BRANZ collaborated with the University of Canterbury and drew on its **sector networks** to engage fire engineers, councils and industry bodies.
- BRANZ developed Artisan, a platform that enables faster and more efficient building inspections, cost savings and improved productivity. It is now **used for 45% of all new residential building consents**⁶ (Jennian Homes saw **six weeks of time saved on an average site**⁷). This was developed following sector feedback that consenting was a barrier to productivity. This was developed in **close collaboration with the sector, leveraging BRANZ's deep sector networks, independence and building expertise**.
- BRANZ's corrosion research investigates how building materials degrade in New Zealand's diverse environments. This research relies on BRANZ's **17 specialist exposure sites, advanced durability testing, and scientific expertise**. This research led to updated building guidelines in Rotorua and recommended changes to national standards.
- BRANZ Maps is a free online tool that identifies a range of features for a specific location, including earthquake zone, exposure (corrosion risk) zone, climate and experimental wind

⁵ Based on market survey undertaken in 2017.

⁶ This is an estimate of market proportion of Artisan users.

⁷ Direct quote from Aidan Jury, Jennian Homes, in [interview at 1minute 50 seconds](#)

zones. The BRANZ Map viewer had **342,398** views over the past year (September 2024 - August 2025) and was developed by BRANZ, based on **BRANZ research to provide automated calculations**.

- BRANZ's **structural and seismic engineering capabilities**, supported by its advanced testing laboratories has produced a body of research enhancing the resilience New Zealand buildings. This includes advice and guidance on precast concrete floors, multi-storey light timber framed buildings and structural bracing.

BRANZ supports the wider research system through collaboration with researchers, scientists, universities, the government and the commercial sector.

30. BRANZ is often the key link that enables this collaboration. This includes funding of other researchers (around a third of Building Research Levy investment), supporting new bodies to lift productivity (Building Information Modelling (BIMinNZ), OffsiteNZ (previously PrefabNZ), and Mates in Construction), and supporting skills and talent pipelines (supporting the UNESCO-UNEVOC expert group and BRANZ funding of post-graduate scholarships).
31. As the single point of building sector research investment, BRANZ Inc.'s portfolio management approach ensures coordination and cohesion of investment across the research system to avoid duplication. BRANZ Ltd's researchers are often sought out by researchers in universities and other research institutes to develop aligned building research.
32. Examples of externally led projects delivered through the Building Research Levy include:
 - The BRANZ-backed ReCast Floors Project investigated the seismic vulnerabilities and retrofitting options for precast concrete hollow-core flooring systems in New Zealand following the 2016 Kaikoura earthquake.⁸ The project was led by University of Auckland researchers and involved **collaboration** with MBIE, Earthquake Commission, Wellington City Council, QuakeCoRE, Concrete NZ, Property Council NZ, Engineering NZ, and the Insurance Council NZ. It led to **Building Code changes and practical solutions** to keep people safe.
 - The ROBUST project involved large-scale seismic testing of building systems on one of the world's largest shake tables at Tongji University in Shanghai. It was a **collaborative effort** between several universities, co-funded by Natural Hazards Commission, BRANZ, MBIE Endeavour funding, QuakeCoRE, HERA Foundation, and the Building Innovation Partnership⁹.
 - The **scholarship funded** Circular Design for Construction Waste Reduction project, led by Ged Finch at Victoria University of Wellington, investigated how to design buildings for end-of-life deconstruction and material recovery. It was supported by BRANZ's scholarship programme and involved **partnerships with** industry and government to amplify the research and **commercialise** the X-Frame¹⁰ system.

⁸ [Elwood, K.J et al. Recast Floors Project. SESOC Journal Vol 35 No1 April 2022](#)

⁹ <https://www.buildmagazine.org.nz/articles/show/shifting-the-seismic-focus>

¹⁰ <https://xframegroup.com/about>

BRANZ research delivers impact

33. BRANZ's value and strategic focus means its research has delivered transformative impact for the sector and New Zealand more generally. BRANZ research is often a catalyst for change, with innovations adopted across the sector.

34. Recent examples include:

- BRANZ guidance to reduce timber framing ratios contributed directly to **reducing timber costs by 5–10% and improve insulation performance by 10–15%**¹¹. This impacts most homes built in New Zealand each year.
- BRANZ research contributed to the development of 23 building standards in 2024. For example, **research on the costs and benefits of H1**¹² **supported the government by accelerating industry implementation**, with seminars, webinars and e-learning reaching over 10,000 participants.
- BRANZ testing showing that a significant number of timber-framed classroom blocks in New Zealand did not need retrofit strengthening, **saving the Ministry of Education \$800 million in expected costs**¹³.
- BRANZ developed the Annual Loss Factor tool which enabled **design of the most energy efficient homes** possible.
- The REBRI toolbox helps **divert up to 70% of waste from landfill** and is used by major firms like Naylor Love¹⁴ and Mitre 10¹⁵.

BRANZ research is aligned with Government priorities and science sector reforms.

35. BRANZ brings to life three of the five economic growth pillars. This ensures the sector continues increasing productivity and efficiency in delivering affordable, quality infrastructure and developing talent.

*“BRANZ has a key enabling role in helping [to] deliver the Government's **Promote innovation, science and technology** pillar” - BRAC member*

36. BRANZ's approach to delivering research and innovation is strongly aligned with the science and innovation reforms your government is advancing. These reforms aim to unlock the full potential of science to drive economic growth. At their core is a commitment to fostering innovation, strengthening industry partnerships, and ensuring a more commercially focused system that delivers tangible, real-world outcomes.

¹¹ [BRANZ 2025 Annual Review, page 38](#)

¹² [Sullivan, J., Curtis, M., McNeil, S., Burgess, J., Butler, J. & MacGregor, C. \(2024\). Technical analysis of New Zealand Building Code energy efficiency clause H1 settings for residential buildings. BRANZ Ltd.](#)

¹³ [BRANZ 2014 Annual Review, page 25 and media release from Associate Minister Nikki Kaye dated 21 October 2013](#)

¹⁴ <https://www.buildmagazine.org.nz/articles/show/a-masterclass-in-diverting-construction-waste>

¹⁵ [Mitre10 website feature](#)

37. A key objective of the reforms is to ensure research organisations have the scale, capability, and funding needed to build deep expertise, invest in research infrastructure and connect research directly with end-user needs.
38. The current BRLA model exemplifies these principles. Sector-led investment ensures research is targeted to the practical needs of industry. BRANZ Inc. stewardship of funding has enabled the development of essential assets and capabilities for innovation.

The sector strongly values ownership and governance of research investment.

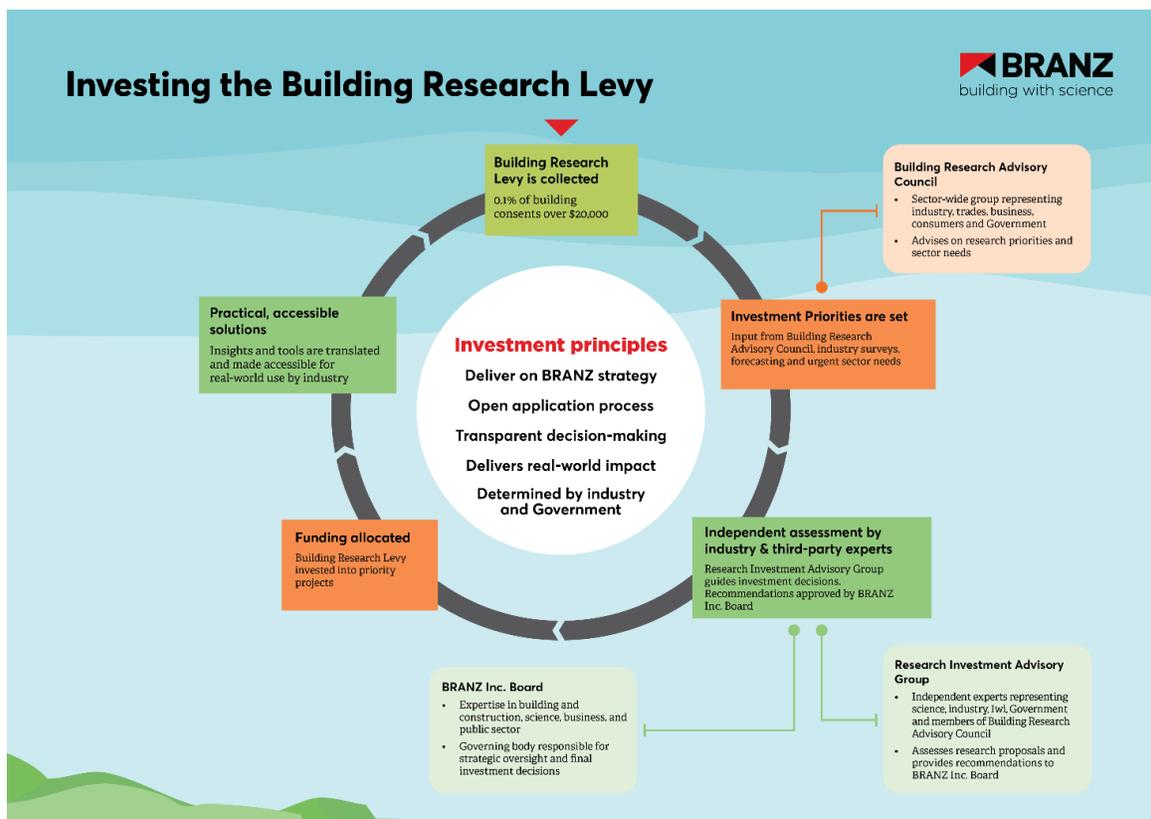
39. In September, we surveyed members of the Building Research Advisory Council (BRAC), which provides comprehensive representation from the building and construction industry, to ensure their views are heard in this review. The responses strongly reinforce that the industry values sector ownership and governance of building research and does not wish to see this lost.
 - **100%** of respondents expressed a desire for industry research funded by the Building Research Levy to **remain independent of government** ownership and direction.
 - **93%** of respondents indicated that if the Building Research Levy were reduced or removed, they **do not believe the sector has the capacity to fund and deliver this research itself**.
 - **93%** of respondents think the current levy rate of 0.1% for consents above \$20,000 is either at **the correct level or too low**.

BRANZ has evolved its practice in line with best practice governance, transparency and accountability, going well beyond the requirements in the Building Research Levy Act.

40. While the BRLA is an important foundational legislation for the way the levy is collected and used, BRANZ considers it has become out of step with modern governance and accountability practice.
41. In the absence of legislative direction, BRANZ has evolved its own practice, in response to member views and needs, to ensure the levy continues to deliver value for money and respond to the priority challenges and opportunities facing the sector.
42. We have established robust governance and accountability arrangements for administering building research for the sector. These arrangements are provided as part of our constitution (as an incorporated society accountable to its members) and through current practices.
43. Key features of our current arrangements include:
 - **Sector representation and accountability.** As an incorporated society, BRANZ Inc. is accountable to its members, with BRAC as the sector representative body appointing the BRANZ Board and acting as a conduit for the sector. Board members are appointed for three-year terms, with reappointment possible for another two terms. In considering reappointments BRAC is guided by the Board Charter, where after one term consideration should be guided by a presumption of reappointment unless there are good reasons why not to reappoint (after performance discussions) and after two terms, consideration should be guided by there being a clear rationale for reappointment. For example, there is a strong ongoing fit with the skills matrix (after performance discussions).

- **Robust research scoping and commissioning.** BRANZ Inc. applies robust commissioning processes to ensure research delivers on needs. This includes ensuring research delivers on strategic priorities and portfolio management¹⁶ for a cohesive body of research. BRANZ Inc. is advised by an independent panel of subject matter experts from the sector who use strict assessment criteria for proposal assessment and applies robust contract management and oversight (including bi-annual independent audits).
- **Transparent practices.** Strategic research investment direction is developed based on sector needs and published so the sector is clear on the direction of Levy investment. BRANZ Inc. publicly reports on key information, including Levy investment by project, and financial statements.
- **Sector engagement and communication.** BRANZ is closely engaged with the sector at all levels of the organisation, with a key focus on communicating research to the sector to maximise impact.

44. These arrangements are shown in the diagram below:



45. The Building Research Levy model (i.e. a sector-owned society investing a sector-funded levy and delivering research with dedicated specialist capability) is a common model for sector research levy investment in New Zealand. The following incorporated societies receive and invest legislated levy revenue for the benefits of their respective sectors: New Zealand

¹⁶ BRANZ’s research investment strategy includes a set of balancing criteria to ensure the research portfolio provides good strategic coverage in terms of the timing/phasing of research, balance of risk and impact, and diversity of disciplines.

Winegrowers, DairyNZ, Forest Growers, Leather and Shoe Research Association, Heavy Engineering Research Association (HERA) and Horticulture New Zealand.

Opportunities for improvement to BRANZ reporting of Building Research Levy expenditure and research programme and impact

46. BRANZ as an organisation recognises the importance of continuous improvement and acknowledges there are always opportunities to strengthen performance, beyond the proposed legislative changes. We have identified the following areas for further work to strengthen how we administer the Building Research Levy:

- **Monitoring and evaluation of research impact.** More detailed impact measures to be developed to enable evaluation of research impact across the entire portfolio of research investments, along with enhanced organisational performance measures.
- **Transparency on BRANZ Ltd activities funded via different sources.** There is potential to explore further measures to ensure transparency in the separation of commercial and Levy funded activities.
- **Dissemination of research and amplifying its impact.** BRANZ Ltd is focusing on increasing dissemination of research findings (the focus of BRANZ's 10 year engagement strategy) and uplifting internal capability to deliver research with high impact (the Amplify Research Impact programme).
- **Increasing confidence in accountability to the sector.** This can be achieved by guaranteeing and clarifying the role of BRAC as the sector representative body that holds BRANZ Inc. to account.

BRANZ supports modernising the Building Research Levy Act 1969

47. BRANZ and BRAC members support modernisation of the BRLA. The proposals below respond to the review principles and would represent a step change in how the legislation ensures transparency and accountability of Levy investment. While these would bring a significant change to legislation, they are largely reflective of current BRANZ practice and generally accepted good practice levy governance.

Proposals to modernise the BRLA

48. To modernise the BRLA (to generally reflect current practice), we recommend:

- Providing more direction and clarification on the activities that the Building Research Levy is to be used to fund.
- Explicitly prohibiting use of Building Research Levy monies to subsidise commercial activities.
- Requiring BRANZ Inc. to identify and report on research priorities.
- Providing more direction on requirements for the involvement of industry and sector stakeholders in:
 - i. the setting of research priorities and research programme,

- ii. monitoring and reporting on the performance of the Levy funded research programme.
- To this end we propose that the BRLA should provide for the role and functions of BRAC in:
 - i. providing oversight of the Levy rate and allocation,
 - ii. in setting research priorities to be funded by the Levy
 - iii. in monitoring and reporting on the Levy funded research programme
 - iv. in providing assurance that Levy monies are not being used to unfairly subsidise commercial activities.
- Provide for the government to be represented on BRAC (as it already is).
- Provide for regular three yearly reviews of the Building Research Levy by BRAC in consultation with MBIE, as basis for your regular consideration of the Levy rate.

49. Most of our proposed amendments to the Building Research Levy Act, suggested above, are consistent with how BRANZ Inc. currently administers the Levy. Formalising these practices in statute will provide a step change in how the legislation ensures the efficiency, efficacy, accountability and transparency of Building Research Levy investment.

50. We also note the provisions that refer to the New Zealand Master Builders' Federation Incorporated are out of date. We recommend these provisions be modified to reflect the current breadth of organisations representing the sector (with BRAC as the most appropriate representative body, of which Master Builders is a member).

Criteria for assessing proposals

51. BRANZ has reviewed the stated principles MBIE is using to guide the review and considers these are appropriate, subject to the following two changes:

- Separating efficiency and efficacy as two separate principles, recognising these are distinct and may require trade-offs on rare occasions. For instance, research that responds to urgent needs may deliver effectively but may incur inefficient expenditure due to its dynamic nature and immediate term focus.
- Separating the competition principle into:
 - i. Capability building – this is a reframing of the principle of fund contestability to focus on how contestability enables the strengthening of the building construction research capability that exists within the wider research sector.
 - ii. Separation of conflicts – this responds directly to the concern that commercial activities of BRANZ Ltd may be receiving Levy funding.

BRANZ's proposals address the MBIE review principles

52. The summary table below outlines the benefits of our proposals. For the purpose of consistency, we have used MBIE's review principles as they were supplied to us.

Proposal	Benefits	Efficiency & Efficacy	Accountability	Transparency	Flexibility	Competition
Proposals consistent with BRANZ current practice						
Prohibit use of Levy monies to subsidise commercial activities	<ul style="list-style-type: none"> Provides assurance that Levy revenue is not used to create an unfair competitive advantage Greater transparency in legislation 			✓		✓
Require BRANZ Inc. to identify and report on research priorities	<ul style="list-style-type: none"> Provides assurance to Minister and the sector that research will continue to be informed by sector needs Publication of research priorities ensures other research organisations can apply for Levy funding from BRANZ Inc. Reporting of research outcomes will provide greater transparency for the sector 		✓	✓		✓
Provide more direction on requirements for the involvement of industry and sector stakeholders	<ul style="list-style-type: none"> Provides sector with a direct opportunity to influence research priorities Ensures research is responsive to sector needs More transparency in how research priorities are set 	✓	✓	✓	✓	
Formalise the role of BRAC in legislation	<ul style="list-style-type: none"> Formalises sector governance role Strong accountability to the sector Transparency in legislation over how BRAC is appointed and what its functions are Direct channel for sector to inform short, medium and long-term research priorities 	✓	✓	✓	✓	
Provide for the Government to be represented on BRAC	<ul style="list-style-type: none"> More transparency for the Minister and MBIE Opportunity to respond to Government priorities 			✓	✓	
Proposals that would be in addition to current practice						
Provide direction on the activities that the Levy is to be used to fund	<ul style="list-style-type: none"> Strengthens external confidence that Levy decisions are based on good practice principles Ensures consistent principles in legislation on how the Levy can be used Opportunity to reflect best practice funding principles in legislation Protect investment in research backed tools for sector 	✓	✓	✓		

Proposal	Benefits	Efficiency & Efficacy	Accountability	Transparency	Flexibility	Competition
Provide for regular three yearly reviews of the Levy	<ul style="list-style-type: none"> Enables regular review to ensure Levy expenditure is effective Strengthens accountability and transparency over Levy spend and outcomes Opportunity to review Levy expenditure against key sector and government priorities at that time 	✓	✓	✓	✓	✓

BRANZ does not support repeal of the Building Research Levy Act and providing for building research in the Building Act

- 53. We understand that an option is being developed by MBIE to repeal the BRLA and to incorporate provision for building research in the Building Act 2004.
- 54. While we have not been provided detail on this option, we assume it could involve shifting the Building Research Levy investment function from BRANZ Inc. to central government, reducing or removing the Levy investment received by BRANZ Inc. and aligning the purpose of Levy investment with the regulatory purpose of the Building Act.
- 55. We, and the sector leaders we have engaged with, are strongly opposed to any option that would reduce the influence and role of the sector in sector funded and focused research by shifting investment responsibility to government. This option risks undermining the fundamental features of the current approach that deliver research targeted to sector needs, resulting in:
 - **Research disconnected from sector needs and accountability.** Reducing the influence of the sector in setting research priorities by shifting funding investment responsibility to government will disconnect research from sector needs. Research focus would be disproportionately influenced by the short term political and economic cycle and misaligned with the long term research and innovation needs of the sector.
 - **Constrained research scope to regulatory purposes.** Housing the provisions in the Building Act may constrain research to the regulatory purpose of the Building Act. This creates a risk that much of the broader investment currently delivered is lost, with negative flow on consequences for the sector.
 - **Compromised building sector research capability.** BRANZ’s specialist research capability is a cornerstone of New Zealand’s small but vital building research sector. Its scientists and laboratories rely on the stability provided by Building Research Levy investment. Transitioning to a model where funding is fully contestable would create perverse incentives around maintaining and further developing this type of capability, particularly capital investment that carries greater risks and lower return. This risks the erosion of expertise and infrastructure built up by the sector over 50 years.

- **Reduced efficiency and collaboration.** BRANZ acts as the key link across the sector, bringing commercial, universities, government and other researchers together. Shifting funding allocation to a government department risks removing this link for research investment.

Key machinery of government considerations that would limit a government-administered research fund

In designing a possible government-administered research levy, there are several key considerations that have the potential to limit how effective, efficient, transparent, flexible and accountable such an option could be.

- Conventions around the provision of advice to Government and the confidentiality of such advice would mean the sector would be kept at arm's length from the process for determining priorities for research.
- Government would be limited in how early it can engage with the sector and the amount of information it can share, given these conventions.
- Ultimate decision-rights would sit with the Minister or a delegate which also weakens sector accountability for how its own funding for research is spent.
- Government would need to invest in developing its own building sector research investment capability. BRANZ has developed this specialist capability over 50 years, which requires deep knowledge of the building sector, science and research, and extensive connections for collaboration.
- Government would need to cover its administration of the research levy from the levy funds as opposed to departmental baselines. This means it would face trade-offs in how it allocates levy funding for internal capability with sub-optimal outcomes for the sector in either eventuality:
 - invests upfront in the capability required to administer the levy, which would incur a higher cost in early years and reduce the amount available for research
 - invests over time in that capability, which would mean more funding for research but less confidence over whether MBIE is effectively setting and delivering on research priorities.
- Government funding allocation principles would likely reduce flexibility and the ability for collaboration. This includes the ability to divert funding to respond to urgent situations or crises, which under Government would need to be done under Public Finance Act processes and likely require Cabinet approval which would introduce delays in securing urgent funding.
- Any advice and recommendations from the sector would need to be accompanied by 'second opinion' advice from officials using slightly different criteria and would risk diluting the outcomes sought from research.
- Government would be one step removed from the research and academic sectors and would not have the research expertise and experience to engage with and support those sectors to ensure a healthy pipeline of talent and research capability.

56. BRANZ has sought feedback from BRAC members, and they strongly oppose repeal of the BRLA. They have told us that they continue to see a need for industry research and guidance, and this should be independent from Government.

“The building and construction sector does not have the combined capacity/desire to fund and deliver the quality and breadth of research currently undertaken by BRANZ and its external partners. There is an element of public good in the work delivered by the levy that private sector shareholders either won't see or, if they do see, they won't be willing to fund to the extent required.” - BRAC member

57. Case studies highlight the importance of levy funded sector organisations, and the significant risks of removing their funding which can include:

- crippling a sector's ability to respond to strategic challenges and opportunities, and
- compromising research focus to allow preventable disasters like the Grenfell Tower fire.

Case studies highlight the unintended consequences of compromising levy funded sector research investment

Disestablishment of levy investment in wool

In 2003, farmers voted to disestablish the Wool Board due to concerns about the performance of the Board. The levy funded Board did marketing, promotion, market development, wool and sheep research and technology transfer. In 2009, farmers voted to stop paying a wool research levy and the following year AgResearch closed its wool and textiles research division with the loss of 36 scientists and technicians. Since then, the industry has seen the price of wool continue to fall and the innovation pipeline collapse. In 2019, Federated Farmers agreed that “unless a collaborative plan for wool research, development and marketing is formulated - and then widely backed - the death-knell for the crossbred wool industry in New Zealand would be sounded.”

Insights for the BRLA: Demonstrates how removal of levy-based funding can dismantle research infrastructure and long-term innovation capacity, crippling a sector's ability to respond to strategic challenges and opportunities.

Commercialisation of Building Research Establishment

The Building Research Establishment (BRE) has a similar role to BRANZ in the UK, providing research, certification and advice for the UK building sector. It was originally a government funded public research body but was privatised in 1997, so transitioned to a commercially driven organisation.

The Grenfell Tower fire inquiry was highly critical of BRE's role in the disaster. It found that BRE's commercial mandate had compromised its independent testing function. BRE's client focus meant it did not raise alarms, failed to challenge misleading claims, allowed manipulation of test conditions, and ultimately enabled dangerous building products to be used in buildings like the Grenfell Tower.

Insights for the BRLA: Demonstrates that levy-based funding is essential to maintain independent, sector-wide research that serves public safety and innovation—not just commercial interests.

Providing for building research in the Building Act does not meet the review principles

58. We have reviewed this option against the stated review principles and do not consider it meets these for the following reasons:

- **Efficiency.** It is unclear how government administration of the Building Research Levy will achieve greater efficiency compared to an industry body with the requisite research investment discipline and research capability. Should administration of the Levy shift to MBIE, it would need to either purchase this capability or build it internally, and this would increase the costs of administering the Levy.
- **Efficacy.** Government administration of the Building Research Levy is likely to be at arm's length from the sector, with greater weight attached to Ministerial priorities. The potential narrower purpose of Levy funding (being linked to the purpose of the Building Act and therefore limited to building regulatory issues alone) further limits the potential efficacy of Levy investment. This is likely to result in funding becoming increasingly disconnected from sector needs in both the short and long term.
- **Accountability.** A government administrated research levy would weaken accountability unless there are strong mechanisms for sector ownership, feedback and review. As noted above, there are a number of levy-funded incorporated societies with a research function who operate on a similar industry owned model to BRANZ. It would be highly atypical for the Government remove accountability for funding away from the building and construction sector and adopt a model where Government administers sector funding.
- **Transparency.** This option carries potential for less transparency given government officials do not typically publish advice to Government until after decisions are made. This is contrary to the current model where the industry is involved in decision-making through BRAC and there is open exchange of information and advice on the development of the research programme with the expert Research Investment Advisory Group involvement in that process and provision of recommendations direct to the Board.
- **Flexibility.** As noted above, there is a risk that investment through the research levy is constrained by the Building Act purpose. Government administration would also be one step removed from the sector which may introduce delays in its ability to respond to urgent needs and priorities in the same way that an industry-owned model can. Attempts to divert funding dynamically can also be challenged by public finance protocols and delegations that limit officials' ability to shift funding quickly.
- **Competition.** While this option may enable increased competition in research services, it may also threaten specialist research capability by reducing the certainty of funding received by BRANZ. Allocating the entirety of Building Research Levy funding competitively will reduce the certainty needed for BRANZ capital investment in specialist capability and facilities for advanced research. This capital investment is unlikely to be provided by the market given such

capability and facilities deliver significant public good research but typically incur a high up-front cost and carry a low commercial return on investment.

If a Building Act option was progressed, it would need several features to ensure levy investment remains focused on sector needs.

59. BRANZ reiterates that it does not support subsuming provision of the Building Research Levy in the Building Act. However, should this option be progressed further, BRANZ considers that the following key features would need to be included in its design to ensure it delivers against the review principles and maintains the industry and public good that the Levy delivers:

- **Retain a broad and flexible investment purpose.** The purpose of levy investment could be protected by a carve out provision in the Building Act so it is not constrained to its current regulatory purpose. This would need to protect investment in research and in knowledge transfer tools/resources (including the likes of the H1 Hub, Artisan and Mates in Construction).
- **Retain sector ownership and accountability of outcomes delivered from the research levy.** The Building Act could provide for BRANZ Inc. to retain its levy investment function, along with the proposed accountability mechanisms outlined above. This would ensure that the sector continues to retain accountability for the outcomes from levy funded research and ensures research is effective and efficient in the way it responds to sector needs.
- **Retain investment in specialist building research capability.** Retaining a proportion of levy funding for the development of specialist building research capability will ensure that the industry continues to benefit from investment in long-term human and physical capital. This capability is unlikely to be delivered by the market under a fully contestable funding model for research due to its highly specialised nature. Any option that shifts levy administration to government should ring-fence a proportion of funding for BRANZ to ensure these specialist capabilities can be retained.

60. We strongly believe that levy investment achieves best value for the sector and New Zealand when it is owned and governed by the sector (independent of government). We do not believe there is a sufficient problem with current approaches to justify any radical departure, particularly given there is a well-established existing approach that can be enhanced through BRLA modernisation.

Conclusion and recommendations

61. We conclude the interests of industry are best served by ensuring that oversight of the Building Research Levy is via a modernised BRLA. We also conclude that BRANZ Inc. is the best placed to retain the responsibility for administering the Building Research Levy to continue to support the sector's research needs, which is independent of government. This builds on the knowledge, expertise and facilities BRANZ has built up over 50 years. There are significant potential risks to the sector if this capability, evidence and insight is not retained.

62. BRANZ recommends that you:

- **Support** modernisation of the BRLA to align with best-practice levy principles while protecting independence and sector ownership of research.
- **Retain** the Building Research Levy Act as stand-alone legislation, rather than subsuming it under the Building Act 2004, to ensure research focus remains wider than just building regulation.
- **Strengthen** governance and accountability by enshrining the role of the BRAC in setting research priorities, monitoring performance, and ensuring Levy integrity.
- **Enhance** transparency and assurance by requiring clear reporting on research priorities, outcomes, and financial performance, and prohibiting use of Levy funds to subsidise commercial activity.
- **Ensure** regular review of the Levy (e.g. every three years) to maintain efficiency, responsiveness and alignment with statutory objectives.



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