

Comments on Leaky Buildings Report

Following work we carried out recently regarding leaky buildings, some comments have been made in the media which, unfortunately, have not accurately characterised our analysis. Consequently, we have provided the report below along with the following clarifications:

- Tax receipts from leaky building repairs should not be considered additional ‘windfall’ revenue. In the absence of spending on leaky buildings, the Govt would have collected revenue from other spending.
- The fact that the Govt obtains 25% tax revenue from spending on leaky building repairs does not provide an economic justification for the Govt to fund repairs to the tune of 25%, or any other amount.
- However, there is a strong policy rationale for some form of Govt involvement. Although the costs of repairs has been estimated at approximately \$8bn, the total economic cost of this problem, including dispute costs (e.g. legal expenses, expert witnesses, court time) has been estimated at \$11.3bn. Consequently, without effective Govt intervention, the country could end up incurring \$11.3bn in costs to fix an \$8bn problem.
- From an economic perspective, the extent to which the Govt intervenes should be based on a full cost-benefit analysis, where the costs of intervention (i.e. costs of Govt funding) are compared to the benefits, which include avoided dispute costs and public health benefits of quicker repairs.