Purpose

The purpose of this update is to inform contractors and trades people of the basis upon which FCC, as agent for EQC, intends to engage contracting parties for the work EQC must complete in accordance with its statutory obligations.

FCC is providing this update to keep relevant parties up to date but reserves the right to change any aspect of its proposed activities should it decide to do so.

Further updates will be provided as the process develops.

Project management structure

Fletcher Construction (FCC) is the agent for EQC to manage the residential rebuild arising from damage to houses in the range of $10,000 to $100,000. The project is known as EQR – see www.eqr.co.nz Claims at below the threshold will be settled by way of lump sum payment to the homeowner, and claims in excess of the $100,000, by the home owner's insurer.

FCC is establishing a geographical "Hub" structure, with 16 or so Hub offices, each responsible for about five Satellite Site Sheds located in the specific areas being worked. The intention is that each Satellite Shed will work with five contractors, each handling a number of EQC claims at one time. The Satellite Sheds will move as the work progresses and the Hub offices less frequently.

The Hub offices and site sheds will be linked electronically to each other and to the Command Centre in Deans Avenue.

The Hub offices will be staffed with a full team of project manager, engineer, QS, estimator, community liaison person and administrator and it will be a coordination centre for the local council, EQC, consultants and the project team. The Satellite Site Sheds will be staffed by a FCC supervisor and administrator, overseeing the work being performed by the contractor/trades teams.

Contractors will generally liaise with the FCC supervisor in their area who will be responsible for day to day contact with the contractor and all site inspections.

Accreditation

Contractors wishing to perform work on the EQC claims will be required to become accredited as part of an assurance programme to ensure that home owners have trades people that are experienced, competent and reliable, working on their homes.

FCC have had discussions with Master Builders and Certified Builders and reviewed their accreditation programmes, and determined that they are sufficient for EQR purposes. HOWEVER builders who are members of these organisations still will need to complete the accreditation and capability assessment forms.

Those builders and trades people who are not members of these organisations also will need to go through the accreditation process but FCC wishes to make this process as streamlined as possible. See www.eqr.co.nz and email contractors@eqr.co.nz

The Department of Building and Housing (DBH) is offering assistance to accelerate the process of obtaining Licensed Building Practitioner status for EQC work in Christchurch. FCC will work with DBH in conjunction with the major building suppliers to encourage contractors to choose this path.

Legal / contractual

Prior to commencing work, contractors will be asked to sign a short form (two page) contract agreement, which both the contractor and FCC (as agent for EQC) will sign. This document will be the principal document governing all work that the contractor/trades person does under the EQR programme and each new job will be initiated by a contract instruction containing details of the job.

The contractor will be responsible for the work it performs, and for that of its subcontractors, as in any normal contracting arrangement.

The contractor will be the responsible party under the Health and Safety Act and accordingly will be responsible for H&S requirements on each household site. However FCC or an independent expert will provide oversight from time to time as agent for EQC (the Principal) and the contractor will be expected to comply with its obligations to provide a safe work site.

There will be requirements for the contractor to abide by a code of conduct appropriate to all work carried out under the programme. In particular, contractors should be aware of minimising "claimant fatigue" – ie minimising the interactions with homeowners, and performing the work efficiently, promptly and courteously.

Materials

Contractors will only use accredited suppliers and merchants for their building materials and supplies. These merchants/suppliers will have been accredited through FCC procedures, so that the supplies are provided to NZ standards, with appropriate warranties, and to a maximum price acceptable to EQC. Suppliers will also have to have information systems that allow FCC to track orders placed by contractors for EQC work.

In practice this means that a contractor using for example a local ITM store, will have a pre-agreed price list for these items, and materials will be supplied with the usual guarantees and warranties.

The major merchants and suppliers are being asked to provide net pricing with no rebates or loyalty scheme points being applicable. Contractors will be asked to abide by these rules, and be prepared to have their accounts audited by EQC if required.

It is a requirement that everything be transparent and instead of a materials rebate all contractors earnings will come from the agreed rates and recoveries (see below).

Payments and Pricing

Contractors and tradespersons will be paid at agreed hourly rates, set for each qualified trade, unqualified personnel and apprentices, and at agreed scheduled rates for certain works. These rates will be set after consultation with Master Builders, Certified Builders, QS professionals and others.

In setting rates for EQC work, FCC is mindful of the need to offer rates that provide contractors and trades people with market oriented returns. The intention is to agree charge out rates for labour that reflect the actual cost of labour plus a reasonable profit margin.

Contractors who coordinate the work of other trades and take responsibility for their work will have an allowable margin applied to the subcontractor's invoice. Subcontractors' details and rates will need prior approval.

Larger contractors that undertake a large number of claims may be entitled to a recovery of some offsite overheads but this will be negotiated on a case by case basis.

The rates set by EQC will be reviewed from time to time and will not be published on the website or any public domain but will be discussed with each contractor or trades person at the time they sign up for EQC work.

EQC will pay FCC monthly for the work performed on the EQC claims, and accordingly FCC will pay each contractor and tradesperson on the same monthly cycle. Payments will be certified by FCC's Hub that is responsible for that job. Contractors will be required to pay all their subcontractors and suppliers promptly.

Insurance

EQC / FCC will provide contractors all risks insurance and public liability in a blanket policy which will cover the contractor, subcontractors and tradespersons working on the EQC claims. However, contractors should provide insurance for their own vehicles and tools.

Adherence to Rules

Contractors who are found to be flouting the above rules will be governed by the "three strikes" principle – first strike a warning; second formal notice to EQC, and third a public dismissal from the programme.

Overall intentions

The project management team works on the following guidelines:

- use existing industry practices and structure
- local hire first, while identified resource pinch points will need to be sourced from elsewhere
- accreditation for assurance and competence
- steady work flow, prompt payments, for a reasonable return for all
- a systemised approach, with good work practices
- equity, fair and transparent dealings, and prompt decisions
- homeowner empathy and satisfaction

It is hoped that contractors and tradespersons will see themselves as a valuable part of the overall team, helping homeowners recover their asset value.

Roll Out

With the ongoing aftershocks, ground repair issues and resource determination, it is not possible to detail the roll out programme at this point but FCC realises that this would assist contractors and trades people. It will therefore try to provide as much notice as possible with respect to its plans.

On Friday 29th October it was announced that the first hub would be established in Halswell and work on establishment will start immediately. The next hubs will be in Kaiapoi and Rolleston.