

CPBC proposed fee increase for BC Home Inspectors

Submission from:

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By Email and Registered letter

October 30, 2017

Executive Summary

Overview

CPBC is proposing to impose additional costs on the home inspection industry which are not directly related to the industry, resulting in annual fee increases of 25% each year for three years. In total, the compounding of these fee increases will see fees increase 95% from the 2017 level. Speaking as a home inspector and as the president of the Home Inspectors Association BC, I strongly object to this inappropriate downloading of costs onto the home inspection industry. It will cause hardship, higher costs for consumers, and more home inspectors to leave the industry. On behalf of myself as a licensed home inspector and on behalf of our 330 HIABC members I wish to register, in the strongest terms, my opposition and those of the industry to this unjustifiable fee increase.

The Facts

In 2016 home inspector licensing fee revenue totaled \$270,000. The total direct cost to CPBC of regulating the home inspection industry was \$247,350 leaving a surplus of \$22,650. The direct costs included licensing \$164,000, complaint handling and inquiry \$9,700, inspection \$58,200 and enforcement \$14,550. Given the low number of complaints and enforcement action necessary it can be concluded that BC's home inspection industry is operating properly and to the benefit of consumers.

Now CPBC is proposing to allocate additional expenses to home inspectors which are not directly related to the home inspection industry. These additional costs totalling \$237,350 annually provide zero benefit to home inspectors and zero benefit to anyone looking to use home inspection services in the province of British Columbia. These new costs which home inspectors will be forced to pay for include education and awareness \$48,200, stakeholder relations \$58,200, policy and research \$72,750 and general consumer protection \$58,200. The result of downloading these costs onto home inspectors is a proposed doubling of home inspection fees which are already more than double the fees in neighbouring Alberta.

CPBC is a mature organization, one which should be run efficiently and within constraints seen across government in BC and that is to keep increases to the level of inflation or below. In fact, as you will see outlined in our brief, a good case can be made for a fee rollback due to efficiencies that can be found based on what appears to be an extraordinarily high cost of service at CPBC, such as annual licenses that cost almost double to issue than a 10 year Canadian passport.

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In addition, CPBC has adequate cash reserves of more than \$5,000,000 to cover any shortfalls which might occur in a given year.

This is nothing more than an attempted cash grab targeting an industry which has proven itself to be professionally run by member associations, primarily HIABC and ASTTBC.

The Issues

On behalf of HIABC and inspectors I have broken down the issues into three main areas. The pages that follow provide detail.

The issues are:

1. Inadequate consultation

- Consultation process is flawed
- Fee schedule survey is designed to achieve positive response to nonsensical questions which will be claimed to show support for the fee hike initiative
- Teleconferences where opinions were expressed are not counted as consultation by CPBC meaning the issues raised may be ignored

2. Cost of service does not justify the 25% annual compounding fee increase which totals 95% over three years

- CPBC License fees are already much higher than other common licenses. CPBC should look for internal efficiencies to reduce license fee costs before looking to industry to increase the fee
- Current allocated costs of regulating home inspectors show there is room for efficiencies
- Costs arbitrarily allocated to home inspectors with no evidence that they represent the true cost of service

3. Regulatory contradictions

- No cross industry subsidization allowed yet clearly this is being done
- New or higher fees only when higher related costs can be demonstrated

Conclusion

In conclusion, our analysis of the proposed fee increase shows it is not justified. The current fee more than covers the cost of administering home inspection in BC and in fact there appears to be the opportunity to find internal efficiencies at CPBC based on the excessively high cost of issuing a license which is many times higher than other more complicated licenses issued by governments.

There is no evidence that CPBC has looked for internal efficiencies to mitigate or eliminate the need for any fee increase.

We ask that:

- CPBC roll back the proposed increase to the level of inflation, approximately 2%.
- CPBC find efficiencies to reduce the annual cost of issuing a license which, at \$306.50 per license, is out of line with what is charged for issuing other licenses in BC.

- We ask that any reduction in the cost of issuing a license be used to reduce the annual home inspector license fee
- CPBC find internal efficiencies to mitigate future increases.
- CPBC provide detailed financial rationale for the proposed increase in fees if it does not intend to take other steps outlined above to mitigate or eliminate the fee increase. To date this has not been forth coming.

HIABC would be happy to work with CPBC to take on a greater role at no cost to CPBC. We share the same goal of encouraging the continuing professionalism of the home inspection industry and providing consumers with industry leading home inspections.



Bob Hamm
Licensed Home Inspector
President, Home Inspectors Association of BC

cc Mike Collyer, CPBC, Manager Stakeholder Relations
Rob Gialloreto, CPBC, President & CEO
Honorable John Horgan, Premier of British Columbia
Honorable Mike Farnworth, BC Solicitor General
Honorable Selina Robinson, BC Minister of Housing

The Issues

1. Inadequate consultation

- [The consultation process is flawed](#)

In participating in the “consultation” process we came to the conclusion that it was not a genuine effort on behalf of CPBC, rather it was designed to meet minimum consultation standards developed by CPBC for the benefit of CPBC. In short the process was a sham exercise designed to generate only data that can be spun into positive support for the unjustified fee increase.

CPBC created the following media documents for the consultation process

HOME INSPECTOR 2018-2020 FEE REVIEW CONSULTATION, OCTOBER 2017 – Appendix 1
FEE REVIEW BACKGROUNDER: HOME INSPECTORS, September 29, 2017 – Appendix 2

The documents developed are designed to market CPBC’s position supporting the fee increase without providing any transparency. Data relied upon to support the position should be readily available as well as data which may be used to challenge their position. This was not the case. CPBC was unwilling to provide data in a format that allowed easy analysis. The data is vague and inconsistent, designed to be opaque rather than transparent.

CPBC quantifies volume in percentage or dollars, whichever creates a more beneficial portrait of what they have done or plan to do. We were forced to find the data by connecting information found in eight or more separate documents, some of which took research to find.

When asked for this information during the teleconference meeting on October 3rd Mike Collyer, Manager, *Stakeholder Relations CPBC* & Dustin Dunlop, *Director, Stakeholder Relations CPBC* replied that CPBC did not have that information but we could find it in the financials. This was not appropriate stakeholder relations and in fact was designed to discourage investigation by HIABC rather than assist in a better understanding of why CPBC feels it is justified in proposing such outsized fee increases.

When I called Mike Collyer on October 10th I was again told the information we sought was in the provided documents. We had to combine information from 2 documents to get basic financial information. No rationale was provided for how CPBC had arrived at the conclusions they put forward as factual to support the fee increase.

- [Fee schedule survey is designed to achieve positive response to nonsensical questions which will be claimed to show support for the fee hike initiative.](#)

The fee consultation survey clearly appears to have been designed to obtain simple yes or no answers with questions written in language that basically forced yes answers. It is our view the yes answers will be used to demonstrate support for the fee increase. A copy of the fee survey has been attached for reference. (Appendix 3 Fee Survey)

As an example, question 4 asks “Do you understand that we are proposing to change your license fees and other charges?” Answering “yes” means you are aware of the changes but it certainly does not indicate support. Our concern is that CPBC will use all positive responses to the brief survey to indicate agreement with the fee increase.

Home inspectors are never given a choice of what they would like their fee to be and what that fee should support. Instead it is presented as a fait accompli; the decision has already been made. This is evidenced by the fact that the only way a respondent can share their feelings is by writing an additional note at the end of the survey. Many respondents will not take the time to write a concise clear objection. While CPBC says it will review and collate the written comments, CPBC will put most of the emphasis on the yes and no responses because it is easier to quantify and will seem to support their position.

As part of this submission I request that CPBC make the survey results (including raw results) publicly available, including all comments. This way it will be clear to home inspectors and the public how the survey was evaluated by CPBC.

- [Teleconferences where opinions were expressed are not counted as consultation by CPBC meaning the issues raised may be ignored](#)

According to an email from Mike Collyer, two teleconferences were organized to allow Home Inspection associations and home inspectors to "... participate in a focused industry discussion session. The purpose of the session is to provide you with an in-depth overview of the proposed fee changes, answer your questions, and allow time for discussion."

In reality the structure provided no in-depth overview and neither did it answer questions or allow time for adequate discussion. CPBC did not come prepared to openly share the necessary information so that its fee decision could be independently evaluated. CPBC was unable to justify the fee increase; it failed to provide the necessary facts to support the decision. When asked direct questions CPBC kept referring to its PowerPoint presentation or other documents on the website which did not answer basic straight forward questions such as, where will the new fee revenue go and how will that assist the Home Inspection industry making it better for inspectors and consumers.

The first conference call was set up for industry associations and was held October 3rd. There were only 3 attendees, Bob Hamm and Helene Barton for HIABC and Barry Brooks for ASTTBC. Mike Collyer of CPBC read the PowerPoint presentation "Home Inspector 2018-2020 fee review consultation". (*appendix 4*).

When asked questions Mike and Dustin Dunlop referred us to information in the PowerPoint presentation. If we stated the information we wanted was not where they said it was, then they referred us to other documents on their website which we did not have available at that time. This meant we could not verify the accuracy of the information during the consultation meeting. This prevented an open exchange, meaning the consultation was in reality a one-way exercise.

My conclusion is that this was an attempt to tick the "consultation box" without actually participating in meaningful consultation. It failed to meet any meaningful standard of true consultation. It became obvious that CPBC had no intention of sharing real information or having a real discussion regarding fees. There was definitely no opportunity to present alternatives to the fee increase which could reduce or eliminate it.

The second teleconference was held the next day on October 4th. I called in to find out what this meeting was about. I'm paraphrasing Mike Collyer when he said "it was the same meeting as yesterday, with the same presentation documents as the day before, but this meeting was for individual home inspectors who had been invited to attend as they represented different aspects of the industry. "

CPBC would not provide a list of those invited or those who attended so it is impossible to assess the value of this “consultation.” It would be helpful for CPBC to give us a summary of what was said (names redacted) so we can assess the value, if any, of this second consultation meeting.

In a conversation with Mike Collyer on October 10th one alarming aspect of the consultation came to light. Mike informed me that all formal feedback has to go through the online survey. We fear that this confirms what we thought about the “consultation” meetings; that they were, in fact, a sham. This is disappointing and is not the proper way to treat stakeholders.

I hope that this submission will form part of the official record and not be dismissed by CPBC.

2. Cost of service does not justify the 25% annual compounding fee increase which totals 95% over three years

Members of HIABC have never believed that we were getting value in terms of service provided for the licence fee we are paying, even in those areas CPBC says are directly associated with providing licensing and monitoring.

CPBC has not provided direct financial numbers, scope of service information or other data to support their costs. We were directed to find the data in their documents. That is what we did. If CPBC disputes the accuracy of our data, then they have the responsibility to provide the “correct data” or accept ours.

We have calculated costs using the most recent data available, 2016. The data is in our HIABC document **ALLOCATED COSTS OF THE HOME INSPECTION SECTOR. Appendix 5**

- CPBC License renewal cost already much higher than other common licenses

First area is the cost of issuing licences. The cost of CPBC issuing a license are out of line with the norm for other licensing agencies, including ones with a much more complex process. This indicates CPBC is either inefficient or the costs of issuing the license are inflated. Either way, reducing the cost of actually issuing the license would cover most or all of the proposed fee increases.

It costs CPBC \$306.50 to issue a home inspector license. It costs ICBC \$75 to renew a driver’s license for five years and the federal government, through the RCMP, \$60 to \$80 dollars to issue a firearms license. Even a Canadian Passport costs just \$120 for five years and \$160 for ten years.

If CPBC was as efficient as other parts of government, this would free up approximately \$180-230 dollars of the current fee or even more. This is where CPBC should look first, for internal efficiencies, before proposing drastic fee increases. This saving could be put toward other initiatives CPBC proposes or reduce the home inspector license fee. Before looking to home inspectors for funds, it would be prudent for CPBC to look internally. **(appendix 6 Comparison of license fees)**

HIABC knows the true cost of issuing a license and ID card because we do it for our members using the same amount of information to renew memberships that CPBC uses to issue the license. In addition to what CPBC requires we also verify education credits, create insurance documents for our Professional Insurance plan and process this information faster than CPBC. We perform all those functions for a total cost of \$75 per member. This is what CPBC should be able to achieve if it was efficiently run.

- [Current allocated costs of regulating home inspectors show there is room for efficiencies](#)

The direct costs for regulating home inspectors are: handling complaints and inquiries \$9,700, enforcement \$14,550 and compliance inspections \$58,200. The small sum for handling complaints and enforcement shows the home inspection industry is not a problem industry that needs excessive intervention or oversight. It is well-managed through member associations such as HIABC.

Compliance inspections require a closer look. In 2016, CPBC conducted 11 such inspections for a total cost of \$58,000, with an average cost of almost \$5,300. The inspections are not rigorous and again there appears to be room for increased efficiency. In two of the inspections we have reviewed (**see Appendix 7**) we found the inspections to be brief. They included an interview and in-person review lasting no longer than two hours. CPBC inspectors then took a number of inspection reports with them to review. At the outside the home inspectors interviewed estimated it would take no more than 8 hours to complete the work, and likely half that much time. Including travel and other expenses it is difficult to see how an inspection of less than 10 hours could cost over \$5,000. One inspection report was provided to an inspector within 6 working days. Again, the costs allocated by CPBC to inspections appear to indicate there is room for more efficiency and reduced costs.

- [Costs arbitrarily allocated to home inspectors with no evidence that they represent the true cost of service.](#)

CPBC proposes to download additional costs onto home inspectors in the form of higher fees. These costs are *allocated* to home inspectors to justify the 95% increase in fees. There is no evidence these costs are *actually incurred* to regulate home inspectors. There is no evidence that these increased costs will benefit BC home buyers or sellers or home inspectors. There is also no evidence that CPBC looked internally for efficiencies before downloading these costs onto home inspectors.

The costs include: education and awareness \$48,500 without any evidence of any consumer education program related to home inspection; stakeholder relations \$58,200 with little evidence of any genuine effort by CPBC to improve stakeholder relations or embark on an ongoing program which could cost nearly \$60,000 per year; policy and research \$72,750 with no evidence of what policy or research was or will be done for the home inspection industry; and finally general consumer protection of \$58,200 even though CPBC policy forbids cross-subsidization of one licensed group for another. General consumer protection clearly is an example of cross subsidization.

Again, it is important to point out that if these are legitimate costs which benefit consumers and home inspectors, despite a lack of evidence that that is the case, there are adequate efficiencies that can be found within the current fee structure so that no additional fees would be required to fund them.

In conclusion, we think CPBC's costs are excessive for the services they provide. In our opinion they do not provide value in services for the license fees they collect. They have not upped their level of service this year with higher fees and don't have the skill set to provide improved service in the future. There is simply no justification for the fees CPBC has been charging the last 2 years and no justification for future increases. They should be lowering fees based on the service provided not raising them.

3. Regulatory contradictions

- No cross industry subsidization allowed yet clearly this is being done

CPBC freely admits they are charging the home inspection sector to fund services CPBC provides to the general consumer population. These services are not connected in any way to our industry. CPBC should look for internal efficiencies or use its accumulated \$5,000,000 in cash or seek other sources of funds outside of regulated industries. It should not be imposing the burden of general consumer protection or education onto industries which are regulated, particularly home inspection which is a small well-run industry.

In our document **ALLOCATED COSTS OF THE HOME INSPECTION SECTOR (Appendix 5)** we have calculated that CPBC allocated **\$58,000** dollars (**\$108.18** per inspector) to cover the costs of providing services to the general consumer. This is a crossover charge that is not allowed in CPBC's own policy (Appendix 9 - **Fee Setting Policy and Process - Version: 1.0 Approved: Sept. 21, 2004.**)

2.0 Policy Statement reads in part that Consumer Protection BC will levy

- *base fees, charges or other amounts on the principle that there will be no industry cross-subsidization;*
- *use recoveries to fund services to non-regulated businesses;*

CPBC appears to be violating this policy and using fees collected from regulated businesses to fund non-regulated businesses when it is only to use *recoveries*.

- New or higher fees only when higher related costs can be demonstrated

The policy statement continues

- *set new fees, charges or other amounts only when related costs can be demonstrated;*

CPBC has not demonstrated related costs to justify an increase. In fact, the numbers appear arbitrarily "allocated" and CPBC has not demonstrated that it has looked for internal savings that are clearly evident.

The first step in demonstrating higher costs are present is to consult with stakeholders and demonstrate, with facts, what the higher related costs are and how they suddenly came about after more than eight years of regulation. CPBC did not do that.

CPBC has changed the consultation model which appears to violate another policy. **Fee Setting Policy and Process section 3.0** reads in part that CPBC will

- *consult with Industry Advisory Groups, who will provide feedback through the Board to the director on proposed fees, charges or other amounts;*

However, on their website CPBC discloses that it has changed that practice. The website states:

- **Stakeholder Engagement:** *In the past, Advisory Groups were the focal point for CPBC's industry relations engagement activities. This model historically served both CPBC and stakeholders well. It provided an effective platform to deal with the establishment and enhancement of key licensing and regulatory policies and served as forum to identify and discuss emerging industry or consumer issues. However, as the relations between CPBC and our regulated sectors matured, it became clear that it was time to reassess the Advisory Group model as the main industry engagement tool for the organization.*
- *In 2015, the Board of Directors of Consumer Protection BC approved a new approach to industry relations, which is described as a "Balanced Industry Relations Model". We have*

moved away from the Advisory Group model, and instead, we now use a variety of engagement tools, which may still include bringing industry groups together on a specific issue.

CPBC organized one meeting with associations and invited at most five representatives. Only three attended. This was as close to an industry advisory group as CPBC got. CPBC arranged this meeting *after* it had chosen the new fees and had all their expensive advertising in place. This was not an honest attempt to consult industry groups rather it was apparent CPBC had made up its mind and was going through the motions without intending to hold genuine consultations with anyone.

CPBC's proposed Fee Schedule contradicts their policy – Fee Setting Policy and Process (Appendix 9) and their new policy - Late Renewal Policy and Procedures (Appendix 11). CPBC has done away with late fees and have replaced them with *early* late fees meaning if the annual fee is not paid two weeks *prior* to the due date a late fee will be imposed. (appendix 10 Proposed Fee Schedule). This is clearly a new fee, which violates policy and was never discussed with stakeholders.

In CPBC's **Fee Setting Policy and Process**, 2.0 Policy Statement (Appendix 9), **bullet 11** reads;

- base administrative fees for late payment on costs incurred to process additional information or payments and on the need to ensure timely compliance. Fees will be at least 50% of the fee or payment that is late, to a maximum of 2 months, after which enforcement will be undertaken.

In CPBC's **Late Submission Policy and Procedures (Appendix 11)**, 2.0 Definitions, reads as follows

"late renewal" means the submission of a licence renewal after the licence has expired.

"renewal" means the process of reapplying for a licence prior to the current licence's expiry date. While the law for renewing a licence is the same as applying for a licence for the first time, the renewal process is different.

According to these definitions, paying a penalty for renewing a license within the last 2 weeks before expiry is not a late fee. CPBC has created a new type of fee penalty that is not in policy.

In CPBC's **Late Submission Policy and Procedures**, section 4.1 reads "*In order to offset the additional costs often associated with late submission of licence renewals, Consumer Protection BC will, when appropriate: (1) Charge a late renewal fee in the amount specified on the fee schedule;*

CPBC has moved the deadline for late renewal to 2 weeks *prior* to expiry of the license. They have extended what use to be a 2-week late period into a 4-week late period. This tactic seems designed to catch licensees off guard and have them renew on time only to find out they are late. Licensees would not be late based on CPBC's own policies.

Conclusion;

In conclusion, our analysis of the proposed fee increase shows it is not justified. The current fee more than covers the cost of administering home inspection in BC and in fact there appears to be the opportunity to find internal efficiencies at CPBC based on the excessively high cost of issuing a license, which is many times higher than other more complicated licenses issued by governments.

There is no evidence that CPBC has looked for internal efficiencies to mitigate or eliminate the need for any fee increase.

We ask that:

- CPBC roll back the proposed increase to the level of inflation, approximately 2%.
- CPBC find efficiencies to reduce the annual cost of issuing a license which, at \$306.50 per license, is out of line with what is charged for issuing other licenses in BC.
- We ask that any reduction in the cost of issuing a license be used to reduce the annual home inspector license fee
- CPBC find internal efficiencies to mitigate future increases.
- CPBC provide detailed financial rationale for the proposed increase in fees if it does not intend to take other steps outlined above to mitigate or eliminate the fee increase. To date this has not been forthcoming.

HIABC would be happy to work with CPBC to take on a greater role at no cost to CPBC. We share the same goal of encouraging the continuing professionalism of the home inspection industry and providing consumers with industry leading home inspections.

CPBC Reviewed Documents not covered in Appendices

- CPBC Annual Reports 2009 – 2016
- CPBC Financial Statements 2009 – 2016
- CPBC Business Plans 2011-2013 to 2017-2019
- Administrative Agreement (BPCPA, CIFSA & MPA) July 4th, 2014
- BPCPA Act (SBC 20047) Chapter 3