

Committee Secretary
Senate Economics Committee
Department of the Senate
P.O. Box 6100
Parliament House
CANBERRA ACT 2600

Subject : Senate Inquiry into Warranty Insurance

18th April 2008

Dear Committee,

I write as a concerned 'Small – Medium' sized Builder, operating in the South East Melbourne – Mornington Peninsula region of Victoria.

Brief history of me:

Building is in my blood (family involvement over decades), and as a Building Practitioner (B.P.), I have a clean record, providing our many clients with quality construction via my qualified team of trades and sub-contractors, at a competitive price. Personally have some 12 years experience in my Company, 17 years with a family owned Building Company prior to venturing out on my own, and a 4 year Apprenticeship with another Small Building Company to kick off my career some 33 years ago.

Company:

Operating for over 12 years to-date, 2.5 years in Tasmania, remainder here in Victoria. Well respected amongst repeat and 'word-of-mouth' clients. Employ 3 Apprentices currently, and have an on-going commitment to the training aspect of those employed by this Company.

Warranty ~ First Resort (former scheme):

Initially received Warranty Cover via HIH Insurance Company (HIH), up until March 2001.

Provided a \$50,000 Bank Guarantee (B.G.) initially, in 1999, to secure the Cover, as our fixed assets were inter-state. At that initial stage, we hadn't purchased asset(s) in Vic, as we were settling in to our new environment (Vic), and to commence new works in Vic., the HIH staff advised that they required a financial commitment from me, to ensure I wouldn't 'Abandon Ship', and move to another State again. This B.G. was to be released, on satisfactorily project completion and business financials here in Vic. Unfortunately, HIH itself became a problem as we all now know, and was placed into liquidation in March 2001.

We are **still** attempting to have the B.G. released via the Victorian Building Commission.

We have no claim nor proposed claim for the warranty from our valued clients.

There is **no** reason for the B.G. to be with-held.

My Bank (via whom the B.G. is issued) obviously has the B.G. value as a liability to our accounts, and I incur an annual fee to have it rolled over. I have lost the benefit of this value for investment for the past 7 years, and assume cannot make a claim to recover this loss + cost for the on-going provision. *Assume this unless informed*

otherwise.

Warranty ~ Last Resort (current scheme):

Premium: Paid by the Builder, on behalf of the Client. It's value depends on the Providers Rating of the Builder, and can vary substantially. The Client generally has no say in who (which company) the Warranty Provider is.

Cover: Death, Disappearance or Insolvency.

Death ~ never been convinced that this is fair, as the security that has had to be put in place would kick in say on my death as the Builder / licensed practitioner. However with the security that has been requested to be in place prior to providing cover to the B.P., I feel the remaining Wife / Partner & dependants, would be distressed to see an Insurance Company take potentially a maximum allowable value from the Estate that remains ~ with no say over what's taken! This cover is not an Insurance Cover for the Builder, who has paid for the Policy, that covers others, not himself.

Disappearance and or Insolvency:

I have reason to believe that minimal claims have been made on policies issued (Aust wide!), and no public record is available to prove or disprove this theory.

Our Building Clients:

The theory for this Warranty cover, is to protect the Consumer from unscrupulous Building Operators*, and having a last resort policy, however will require the consumer with a building related dispute / problem, to take this problem to Govt dept or similar Semi-Govt body / panel in the first instance, at great time and expense. Generally Consumers would assume the 'Insurance' they have theoretically paid for via the Builder, would cover them to resolve faulty workmanship or disappearance of the Contractor.

**Unscrupulous Building Operators ~ may include un-licensed Building Contractors, as well as licensed.*

I have been exposed to some very dodgy work by unscrupulous Builders, with-in our area, and am powerless to assist the Consumer, particularly when building works were incomplete, causing water-proofing issues! Powerless due to the current system. Should I attempt to rectify work – due to the urgency of some building conditions, it would have exposed me to personal liabilities, voided the Main Contractors responsibility, and possibly voided insurance claim from the Consumers aspect. Point was that the Builder would not return to the job, despite the Consumer paying for the works in-completed.

Only one example of many, of an inadequate (personal opinion from a 'team player') Building Resolution System we have here in Victoria, and any other State other than Qld.

Other Information:

Back in June 2001, I thought I was privileged to be a part of a Special Committee of Small Builders for the Victorian Building Commission, called to assist the Commission in discussing the options for resolution of the crisis at that time, with the collapse of HIH, and it's affect on the building industry at that time.

We met regularly, but did not seem to have any affect on the outcome that had been resolved, presumably directly between Govt and or representatives, and the Insurance Industry!

During this time of meeting, one of our meeting participants was travelling to the U.K. for holidays, and was prepared to call into a well-run English Enterprise, namely

National Association of Home Builders. Access to this well established Company, can be via internet web address: www.nahb.org

He was very impressed by the organisation, and was shown thorough the Company organisation / offices, with the prospect of potentially sharing information with us here in Australia, to commence a similar / adjusted scheme.

However, it seemed to fall on deaf ears here.

The Govt of the day had no intention of reviewing an option to taking up the idea of expanding the existing system, as the U.K., and had no intention of making the Warranty system a Public (or Semi- Public) System.

If you have the opportunity to check this web-site, one will see similarities to the Qld – Australia scheme! I believe both are operating with profits, and both are very fair to Builders and Consumers alike.

Conclusion:

The current ‘Warranty’ system is not fair for Consumer or Builder. Dare I say that a scheme run as NAHB or Qld Aust IS my absolute recommendation.

Both Schemes scrutinise the Builder I believe, fairly; and have a system of conflict resolution that has one body taking care of the complete Building Process.

I would be happy to provide further information if required, on any aspect raised in this submission, and trust matters I’ve raised will assist the Committee and the Government particularly, to provide a better Building Service to our Australian Community, one that treats all participants fairly, one that punishes un-fairness (from Consumer or Builder aspects), one that provides security and faith with-in the Construction Industry.

Our Company endeavour is to continuously improve the environment we operate in. May our Government seriously review this system, to also provide an improved system.

Yours faithfully,

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