

**Port Phillip Constructions P/L.
110 Sycamore Rd
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As a registered domestic builder my submission to the Senate enquiry is as follows.

There is considerable dissatisfaction with the outcomes of the 35 'government' enquiries involving the building industry amongst consumer representatives, building contractors and designers. As a building contractor I am in agreement with the identified problem areas as sighted by Senator Christine Milne noted in the notice of motion dated 11th of March 2008. The area I wish to comment on for this submission is Builders Warranty Insurance.

The existing Builders Warranty Insurance scheme is one of last resort for the consumer. Only on the occasion that a builder dies, absconds, or becomes insolvent does the consumer have an avenue in which to pursue insurance protection. In the more frequent cases where rectification of faulty work is sought, the consumer is obliged to pursue the contractor through various legal tribunals, at their own expense. This insurance scheme makes a mockery of consumer protection. This disgraceful situation, where a consumer pays for an insurance product that does not protect them needs to be addressed immediately.

Effectively, this is a monopoly situation, with a guaranteed income stream for private insurance companies because the product is compulsory. Surely the introduction of a government scheme would provide fair affordable protection for customers without insurance companies profiteering from, what to them, is a risk free product.

Two examples of the cost of this useless insurance are demonstrated below:

- Home extension at 8 Foam St. Aspendale 18/8/2006 Project cost \$92,135.
BWI cost \$1,104.46 1.2% of job cost.
- Renovation at 14 Railway Cres. Hampton (current job). Project cost \$80,000.
BWI cost \$751.53. 0.94% of job cost.

It reflects a large cost to the consumer considering they will never be able to make a successful claim.

Industry bodies, The Housing Industry Association and The Master Builders Association have duped their members by lobbying the government to keep this insurance scheme in place. This is because they are selling the insurance products on a commission of up to 60%. This is a conflict of interest and the board members of each association should be investigated for defrauding their own members and consumers. Insurance premiums are still high despite the government's attempts to reduce the risk. None of the past enquiries have examined a first resort proposal in any depth. Why hasn't this happened?

There has been a proliferation of owner-builder activity intended to circumvent the Home Warranty Insurance provisions to the detriment of registered builders. Having relied on the building industry for my lively hood for all of my working life, the time has come to examine the feasibility of my continued capacity as a registered domestic building practitioner. This has been brought about by current unfair litigation against my company by a dissatisfied client. The legal costs are likely to be enormous considering six parties are involved and the client can't make an insurance claim.

Russell Pickens