



15 April 2008

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senators,

Re: Mandatory Last Resort Home Warranty Insurance

Please accept this letter as a submission to the Senate Economics Committee Inquiry into the Last Resort Home Warranty Insurance schemes. This Builders Warranty Insurance was introduced as a knee jerk reaction across Australia (with the exception of Queensland) following the HIH collapse in March 2001. Since the inception of the product, there has been a significant quantity of complaints from consumer groups and from builders about its operation and management.

The Australian Consumers Association have damned the product as 'junk insurance' and 'making a mockery of consumer protection'. So it is clearly not protecting the intended beneficiaries of the cover – the consumers.

In addition, it has forced many smaller builders out of the industry because of the security demands applied by the underwriters or the limits of building work able to be undertaken by the builders at any one time given security levels. Younger builders have seen little prospect of qualifying for the necessary asset base to meet these security demands and not pursued their careers as builders with their own businesses. This may not have concerned the HIA but it certainly concerns us as developers. We are seeing a diminishing pool of independent builders who were prepared to build quality homes to meet individual architectural designs. This trend pushes all consumers towards the large project builders with a limited range of project houses and skews the market in their favour. It is not acting in the interests of the overall building industry and it is certainly not acting in the interests of consumers.

This 'junk insurance' worsens the Housing Affordability issue for home owners, with no benefit to its consumers. Assessment of the issues surrounding this issue requires liaison with all levels of the building industry. It must not be restricted to representative bodies when different parties' interests are clearly not aligned on the subject. I would be keen for the Enquiry to hear evidence from small builders who have left the industry, young builders who have been deterred from commencing a business and existing building firms restricted from desired levels of building activity because of security limitations placed upon by this insurance.

Please do not hesitate to contact me if you require anything further from me in relation to this submission.

Yours faithfully,

Tim Weight
Managing Director

Level 1 / 61 The Esplanade (PO. Box 205) Paynesville Vic. 3880

Phone 03 5156 1093 Fax 03 5156 1096

www.rivieraprop.com.au

RIVIERA PROPERTIES LIMITED ABN 59 073 087 199