

DWYER

BUILDERS

M.B.A MEMBERS

27 ADVANTAGE RD, HIGHETT VIC 3190.

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8th April 2008

Committee Secretary,

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

Dear Senators,

Thank you for undertaking this inquiry. I am hopeful that between your efforts and those of the Productivity Commission something will come of your inquiry and not be subject to the vested interests that we have on a State level.

Here in Victoria we have the Building Control Commission(BCC) who according to my understanding is there to regulate our industry and recommend to Government procedures to enhance the building industry in terms of its regulatory control, and the policy decisions it makes and recommends. However, their platform supports a regime of consumer protection (Last Resort Insurance) that is obviously flawed and they do this in harmony with the trade associations who totally ignore their membership in favour of substantial commissions.

I believe the role of the BBC, being in charge of the building industry, and its policy decision to maintain and defend this type of insurance requires a complete investigation to establish why this insurance is supported to such an extent and who is benefiting from its existence.

A major downside for our industry has been the fact we are paying a HIH levy on every building permit issued, to pay for the criminal collapse of HIH when it was the insurance regulators who failed. Then, when builders without this mandatory insurance had their businesses going to the wall, (because they couldn't work without the insurance) half our industry decided to work without the insurance. This created an anti-competitive environment for those that were able to work within compliance. That circumstance still largely applies today and strangely our regulators are quiet!

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The BBC has failed our industry and allowed it to fall into disrepute without regard to the future wellbeing being considered in terms of security of tenure for its registered builders, also allowing insurers to demand builder underwriting of the warranty policies they issue, and further using and promoting the fear of eligibility withdrawal to suppress any dissent.

As the builder is the entity that sells this compulsory insurance to the consumer, if something goes wrong it is the builder that is then accused of selling a policy that is left wanting and of no value to the consumer. Clearly consumers have been let down just as severely as the builders. The impact on those who have tried to access their insurance policies has been horrific, and they are now only coming to light as they have been locked away in courts for years until they run out of money and give up. These people were clearly led to believe they had consumer protection by all involved in the regulation of the building industry.

The cost to the building industry of this insurance is extreme in terms of maintaining compliance with accounting, application, restructuring costs, maintaining securities and the like and then of course there is the policy premium, and we have the audacity to talk about home affordability when the cost of building has increased by around 80% over the past 6 years with a large proportion of that increase being directly attributed to the incidence of the mandatory Last Resort Home Warranty Insurance scheme.

Yours faithfully,

Sean Dwyer

Director.