



and
The Glen Crest Building Group

Designers, suppliers and builders of authentic reproduction homes Australia-wide and overseas.

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Consumer Policy Framework Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Compulsory builders' warranty in Victoria is a flawed talisman. It is believed by consumers to offer them protection in home building but in reality offers them virtually nothing. The building owner is being required to pay a not-insignificant sum for a 'meringue' policy which can only be accessed if the builder dies, becomes insolvent or disappears. And even then, the problems persist: the owner is required to provide proof of the builder's death, bankruptcy or disappearance before an investigation is even contemplated.

A number of questions beg to be answered. How much money have the insurance companies collected from warranty insurance policies since the inception of the scheme? How much of it has actually been repaid to consumers? What has been done with the remainder of the money? Why has the government been so reluctant to intervene in this matter?

It may be assumed that there has been a covert arrangement between the state government and the insurance companies in relation to warranty insurance. This perceived conspiracy has enabled the insurers to ride roughshod over builders, compelling many of them to provide bank guarantees or mortgage their homes as well as limiting the number of homes they could undertake in a year. A consequence has been that too many builders have gone into liquidation and too many building owners have suffered as a result.

It seems most inequitable that residential builders are required to have warranty insurance for each contract home but commercial builders are not required to do so for projects over three (3) storeys. As few domestic homes rise above three storeys, the underlying motive for this strange ruling is to be questioned. Were the insurance companies reluctant to deal with commercial builders? And if so, did they have sufficient influence on the government to enable them to be the instrumental partner in having this preferential system introduced? The relationship between warranty insurers and government in this state is a questionable one and deserves investigation.

Compulsory builders' warranty is a most discriminatory and disgraceful system and also deserves investigation. It also most assuredly deserves dismantling and a far more impartial system introduced in its place, one that benefits both consumer and builder and does not favour the insurer.

Yours faithfully

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