



5 February 2008

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

Dear Sir/Madam,

I believe that this Inquiry is extremely important for residential builders in Victoria.

There are quite a few issues which need to be addressed to save the domestic building industry from squeezing numerous smaller builders like myself out of the industry. I also believe that the cost of housing will continue increasing steadily if there isn't a concerted effort in the field of dispute resolution in particular.

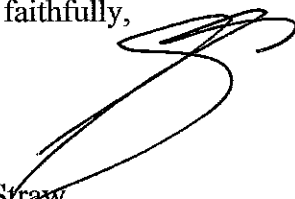
Please find below several comments which I think reflect a broad consensus of builders.

1. There is almost no benefit to either home owners or builders from the current HOW insurance. It basically takes money off builders for no benefit to anyone since it is an insurance of last resort. It needs to be replaced by an insurance which actually deals with defects and disputes. In other words, the insurance needs to have a form of dispute resolution imbedded into it
2. The actual, real cost of HOW for builders borders on obscene. We have to provide bank guarantees or personal securities, and our business is determined by the mood of the insurer and not the skill or ability of the builder. I have been unable to grow my business because of the constraints imposed on me by my insurer.
3. Our industry requires an independent dispute resolution mechanism as a part of any consumer insurance arrangement. The involvement of Consumer Affairs and the Building Commission is not only unhelpful but counter productive. They only ever focus on complaints by owners; they have no right or ability to pressure or legislate an outcome that the owner is unhappy with. However they will quickly charge a builder if they are unhappy with him. How can such an unfair scheme exist? There is no impartiality whatsoever.
4. The home-owner can request, for very little money, BACV reports which are often prepared by consultants who have little idea of actual, everyday building issues.

5. The builder must spend thousands of dollars on an independent reporting order to argue the merits of a dispute. Why does the consumer have taxpayer funded rights that builders do not have? This alone demonstrates that the role of the Commission is skewed in favour of the homeowner. It is not an impartial body, yet together with Consumer Affairs pretends that their conciliation meetings are fair to the builder. I have heard from other builders that if they did not agree to the suggested solutions put forward, they were threatened with criminal sanctions and enquiries that could lead to suspension or deregistration. This is no way to run a serious dispute resolution forum.
  
6. Consumer Affairs Victoria are ignorant of building matters. Their only charter is to appease home owners. Invariably this is achieved by penalizing the builder. Yet where is the CAV if a builder hasn't been paid a progress claim, or delays it significantly jeopardising the builder's cash flow? Home Owners have an array of avenues to go to address their grievances, usually for little or no cost. Builders have no avenue through government agencies; our only avenue is through VCAT which is very expensive and time consuming.

Thank you for your time reading my submission.

Yours faithfully,



Gary Straw  
Managing Director  
Hazeldene Management Pty Ltd