
Cladding fix could face delays as owners have to fund defect repairs

While Victoria will spend \$600 million on fixing cladding, it won't pay for defects – so apartment owners will have to come up with those funds.



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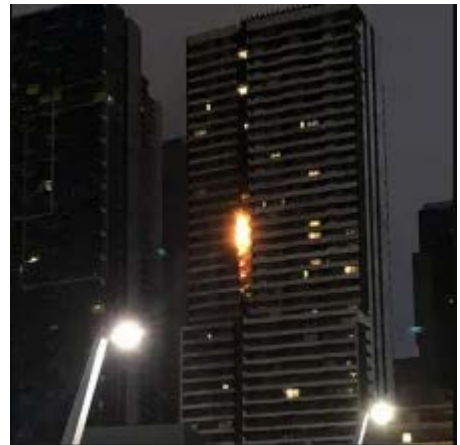
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Apartment owners in Victoria's riskiest cladding-affected buildings will have to fix other defects uncovered during the detailed investigations that are about to kick off, the head of the state's cladding rectification taskforce says.

The state government has pledged \$600 million to resolve the combustible cladding on the riskiest buildings with material such as polyethylene core aluminium composite panels or expanded polystyrene. However, if the audits of buildings uncover other defects, owners would have to meet the cost of fixing them, Cladding Safety Victoria head Dan O'Brien said.

"Our focus is on the removal of flammable exterior wall cladding, not on defects," Mr O'Brien told The Australian Financial Review on Tuesday.

"I don't think there was ever any intention we'd be paying for defects. We will support the owners as much as we can, but funding was never to go beyond cladding removal."



Neo200 on Melbourne's Spencer Street is one of the first buildings on the list for cladding rectification. **3AW**

Rectification work is due to start this year on the first 100 buildings on Cladding Safety Victoria's list, but as the agency gets down to detailed work the process may uncover latent defects such as waterproofing failures that are more widespread even than flammable cladding. The agency is currently tendering for private consortia to conduct the detailed assessment – in five packages of about 100 buildings – and propose solutions.

A report last year based on a pilot study of 212 building reports by Deakin University's Nicole Johnston and Griffith University's Sacha Reid found that as many as 74 per cent of all buildings in Victoria had at least one type of defect and the average number per building was 11.

The same report found that in NSW nearly every apartment building had at least one defect and 71 per cent of Queensland buildings also had defects.

It makes sense for a building's other defects – especially if the subject of a building notice ordering a fix – to be resolved at the same time as construction work is underway to replace or modify combustible cladding. But with the cost of defect rectification the responsibility of building owners, cladding work could potentially be delayed further.

"Owners need to protect their own investments," Mr O'Brien said.

"But it makes no sense taking cladding off and allowing water intrusion issues to not be addressed."

Cladding Safety Victoria has to date executed rectification agreements with the owners of 10 of the 15 riskiest buildings it said last year it would tackle first. Agreements with two buildings were on hold as further structural engineering advice was needed, while legal questions over proposed funding agreements were delaying three other buildings, Mr O'Brien said.

None of the agreements to date had been held up as a result of owners corporations' inability to come up with funding to remedy other defects, but the CSV boss said he expected this would occur.

"It hasn't posed as a blocker at all, but I suspect over time it's going to become a conversation that will have to happen," he said.

Mr O'Brien said the priority list of high-risk buildings had grown from 406 at the time of his appointment in August last year to 450 currently and was likely to grow further.

"I think there will be more, but don't know how many," he said.

The due diligence work currently being tendered is likely to take about nine months and come up with plans for rectifying each building – whether by removing the combustible cladding or proposing ways to reduce its risk – by the end of the calendar year.



Cladding Safety Victoria head Dan O'Brien.

"We'll understand which buildings are more ready to go and higher risk," Mr O'Brien said.

"We'll be making judgments about risk and readiness to determine the order. I'm still confident we'll have 100 buildings in the construction phase by the end of this year."

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