# Richstone restructure follows collapse of CDC Plumbing

Richstone is currently working on the $12.6 billion Metro Tunnel project in Melbourne. Picture: NCA NewsWire / David Crosling


**By GIUSEPPE TAURIELLO**
BUSINESS REPORTER
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10:00PM MARCH 20, 2023

Administrators have been called in to restructure Victoria's largest privately-owned plumbing contractor in a move that saves 150 jobs but leaves dozens of creditors in limbo.

The restructure of Richstone Group involves an expedited sale of the business to a related company led by common director Shannon Egglestone.

Voluntary administrators David Coyne and Peter Krejci from BRI Ferrier secured approval for the deal from the Victorian Supreme Court, which deemed it was in the best interests of creditors to avoid the company being put into liquidation.

Asset and business valuations supporting the deal were provided by Dominion Group and William Buck.

However with Richstone's assets sold off to the newly formed entity, Richstone Victoria, the deal leaves unsecured creditors waiting for more details about any additional funds that might be offered up for repayment towards their debts.

Richstone has delivered plumbing infrastructure services to high-rise apartment towers and other developments across Melbourne over its 20-year history, and is currently active on several major projects including the $12.6 billion Metro Tunnel rail project.

Its struggles come hot on the heels of the $7.1 million collapse of fellow Melbourne plumbing contractor CDC Plumbing and Drainage, which fell into the hands of liquidators in February, leading to the loss of 197 jobs.

Both companies blamed Covid-19, higher material costs and ongoing supply chain constraints for their deteriorating finances.

"Our business which had a general annual turnover of $45 million for the past five years started to suffer because of circumstances beyond our control," Richstone director Shannon Egglestone said in a statement.

"Three major factors have contributed to the situation we are in today. Material costs against fixed priced contracts, construction industry inefficiencies due to the worldwide pandemic and cuts to credit lines.

"In an economic environment where other tier one plumbers have been unable to survive, Richstone is hopeful that the restructure will allow the industry to progress and avoid the

unnecessary loss of jobs and increased to project completion costs."

Mr Coyne said it was too early to estimate how much trade creditors were owed, but confirmed all employees and their entitlements, totalling close to $2 million, would be transferred to Richstone Victoria as part of the sale deal, while a $2.1 million debt to secured creditor CBA would also be repaid in full.

However the largest unsecured creditor, the Australian Taxation Office, has been left chasing more than $18 million, alongside dozens of other trade creditors left out of pocket.

Court documents show the cash component of the purchase price paid by Richstone Victoria for the assets of Richstone Group was a little more than $715,000.

Mr Coyne said the sale secured the jobs of all Richstone employees and also avoided interruptions on major construction sites across Melbourne.

"In this instance, we achieved a primary objective of the administration process by securing the continuation of the business as a going concern and the employment and entitlements of in excess of 150 employees," he said.

"The position for them (other creditors) we can't say at this stage. The directors have indicated they're likely to propose a deed of accompany arrangement. What that's going to look like I do not know yet because they haven't sent me any details and that will obviously impact on the outcome for the unsecured creditors."

The collapse of CDC and sister company Aerolink in February left 197 staff and around 175 creditors more than $7 million out of pocket, while dozens of active projects were also affected.

The companies had previously worked on major projects across the country including the new Footscray Hospital, high-rise towers Australia 108 in Melbourne and 300 George Street in Brisbane, as well as the new Royal Adelaide Hospital and MCG's Great Southern Stand redevelopment.

Master Plumbers chief executive Peter Daly said many larger contractors had not been eligible for JobKeeper payments during the height of the pandemic, and that had left their cash-flows tight amid the surge in material and labour costs.

"They've been through a lot of their cash and they've come out of Covid with a workforce, with a business that's intact, but without a lot of reserves," he said.

"There's going to be a shakeout in the industry, and we're already seeing that where those who are locked into fixed price contracts, or do the vast majority of their work in this very highly competitive commercial space - it's predominantly lowest cost and it's not a sustainable model going forward.

"It's a big issue for the economy, it's an issue for consumers and certainly it's not one that we see in the short term is going to change."

**GIUSEPPE TAURIELLO,** BUSINESS REPORTER

Giuseppe (Joe) Tauriello joined The Advertiser's business team in 2011, covering a range of sectors including commercial property, construction, retail, technology, professional services, resources and energy. Joe ... Read more