

POLITICS VICTORIA **COMBUSTIBLE CLADDING CRISIS**

Cladding crisis to hit construction as surveyors are refused insurance

By **Clay Lucas****Updated** June 25, 2019 – 5.47pm, first published at 4.06pm

Construction projects across Australia could grind to a halt next month, with hundreds of building surveyors unable to get indemnity insurance as a result of the flammable cladding crisis.

It has prompted Premier Daniel Andrews to call on the federal government to step in to help, to avoid shutdowns in a construction industry already buffeted by the nation's property downturn.

The Australian Institute of Building Surveyors has warned there is a real possibility that, without government intervention by July 2, when many premium renewals are due, many private building surveyors may be forced out of work and the construction industry across the country hit.

In a communique to its members, the institute said that almost no insurers were willing to offer coverage to surveyors in Victoria because of issues around cladding. It meant most surveyors stood to lose everything in the event of one of their buildings catching on fire or needing significant repairs.

“If there are no insurance policies without cladding exclusions, who is going to undertake the rectification of buildings identified by the respective cladding task-forces across the country or any other building with external cladding?” the institute's president Troy Olds and chief executive Brett Mace said.

The Victorian premier said he knew the problem was a big issue for the construction industry.

“I am very much aware how real this issue becomes next week,” said Mr Andrews, speaking at a Property Council lunch on Tuesday. The Premier said he had talked to ministerial colleagues about the cladding crisis on Tuesday, and the implication of insurers declining to cover many surveyors.

A combustible cladding fire in Docklands in 2014 saw a subsequent legal case find the building surveyor 33 per cent responsible for the \$6 million repair bill (that decision is now under appeal).

In the wake of the ruling, insurers became very nervous, some withdrawing entirely from covering surveyors. Others limited what they covered to exclude cladding, capped claims or ramped up premiums dramatically.

Mr Andrews said the federal government should be involved in helping Victoria and other states find a solution to the cladding crisis.

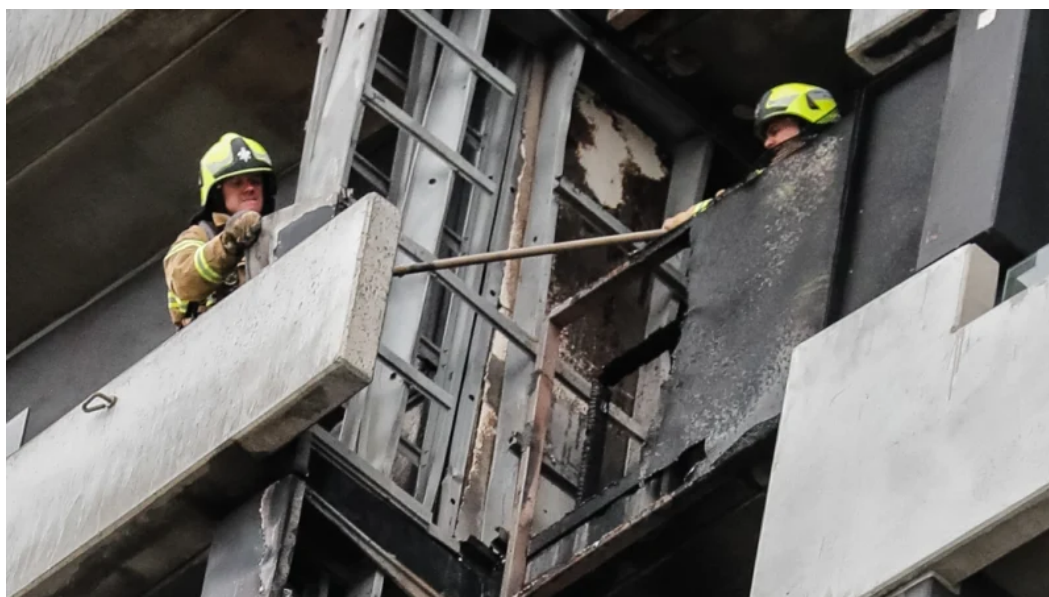
"The feds should be involved, but we will not let anybody be uninsured – there are some steps we can take," Mr Andrews said.

He said, as a former health insurer, he knew the state could step in as an insurer of last resort, but that also it was likely that Canberra could step in. "We won't leave anybody stranded."

Federal Industry Minister Karen Andrews, who has responsibility for the building industry, said officials from her department and federal Treasury had been working with the states to avoid the looming crisis.

They are looking at short term options ahead of the July 2 deadline, she said, and long-term solutions would be discussed at a forum of Australia's building ministers later next month.

But she issued a stern warning to the insurance industry over the issue. "The insurance industry should really step up here too. They have been collecting premiums from building professionals for decades and can't just walk away now when the going gets tough," Ms Andrews said.



Firefighters survey the damage on the Neo 200 tower block in Melbourne's Spencer Street.
JASON SOUTH

The Premier had earlier on Tuesday conceded that Victoria's cladding crisis had left thousands of Victorian apartment owners with "assets that are basically stranded" because they are covered in flammable materials.

"There will be some certainty brought to this market," Mr Andrews said. "I know, from talking to plenty of people in real estate, that these are stranded assets. It's very difficult to sell an apartment that is under a cladding cloud."

The government has acknowledged the seriousness of the cladding problem facing many owners, and is set to launch a new agency, Cladding Safety Victoria.

Thousands of medium-rise buildings and high-rise towers around Australia are covered in cladding that catches fire easily.

While the problem has been known for more than a decade it was given greater urgency after two fires in high-rise buildings in Melbourne since 2014, and London's deadly Grenfell tower fire in 2017 in which 72 died.



Daniel Andrews admits many residents are stranded in properties they cannot sell.. EAMON GALLAGHER

Opposition planning spokesman Tim Smith said it was good Mr Andrews had finally acknowledged the enormity of the problem facing owners of properties clad in combustible materials.

Mr Smith said Victoria now needed to follow the lead of Britain, where [the government recently announced](#) it would spend £200 million to pay for repairs to buildings with dangerous cladding.

“This material is so dangerous [owners] can’t wait any longer - we need action now before there is a tragedy in Melbourne.”

Cladding Safety Victoria is, according to a website accidentally released by the government, provide “free services and assistance to apartment owners faced with removing combustible cladding”.



Clay Lucas



Clay Lucas is a senior reporter for The Age. Clay has worked at The Age since 2005, covering urban affairs, transport, state politics, local government and workplace relations for The Age and Sunday Age.

