

Iplex pipe failure put at \$750m+, Fletcher Building trading halt extended

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An Australian builder says Fletcher Building's [Iplex leaky pipe failure](#) will cost it more than \$750 million to fix but the NZ-headquartered business, in a trading halt over the issue, denies manufacturing defects.

And this morning, the trading halt was extended until Monday.

“We forecast >\$700m,” said builder BGC in an executive summary out yesterday on the Iplex Pro-Fit Pipe failures for media and investment analysts.

BGC's forecast loss and damages in excess of A\$709m (NZ\$754.9m) and also said problems were not confined to Western Australia.

Jarden analyst Grant Swanepoel said the worst-case scenario would be a \$1.3 billion pre-tax cash flow impact for Fletcher Building.

“What is the likely outcome? Anything on the spectrum from zero to that number,” he told the *Herald*.

“There are a lot of variables.”

They included whether or not Fletcher's Iplex product was found to be at fault, whether a full product recall was needed and if the impact extended to all 20,000 homes across Australia, or was contained to the 15,000 in Western Australia only.

The cost to repair each home was also up in the air.

He said BGC would “pull apart” Fletcher's presentation scheduled to be released at 2pm today, but the dispute would likely end up in court.

“All you really know is they both [BGC & FBU] can't afford to capitulate unless there is a way that a regulator or consumer body can dictate an outcome.

“It is most likely to go to litigation and that takes three to seven years.”

The length of litigation could smooth the financial impact on Fletcher's balance sheet, he said, although would keep the pressure on its share price and prevent it from returning to a normal trading pattern.

Trading halt

Fletcher went into a [trading halt](#) on Wednesday. The building company has made a A\$15 million provision in its June 2023 accounts while it tried to work out the extent of the problem, having made repairs to about 200 of 1200 to 1500 homes affected.

In April, Fletcher [chief executive Ross Taylor announced issues with Pro-fit](#).

“We acknowledge the frustration and inconvenience impacted homeowners and their families are facing. We are working hard with builders to arrive at an acceptable outcome for affected homeowners,” he said then.

“BGC has confirmed radical failure bursts in Victoria. BGC is experiencing a high rate of bursts on Iplex polybutylene pipe. Expert investigation reveals TYPLEX1050 resin pipe to be the root cause. Its particular physical properties make it unable to cope with the reasonably expected bending stresses of manufacturer-compliant installations.

“BGC have 11,817 homes that may have been built with TYPLEX-1050 resin. The bursts occur equally in the wall and ceiling, across all piped areas of the home and across the Perth metro area,” its document said.

BGC said there were “three commonalities between bursts: 99 per cent were TYPLEX resin pipes, there were radial fractures and bursts occur on a bend”.

The builder is continuing to patch bursts but said it was unable find any way to mitigate the defective pipe short of fully repiping a home.

“Due to the double brick construction, this is a significant undertaking, involving relocating the occupants and essentially rebuilding half of the home as mitigation reverts the home back to the “lock up stage”.

BGC has completed seven full home repipes, which took over six months, costing an average of A\$60,000,” it said.

Around 25 per cent of the cost was relocation.

Repair costs

“Trade scarcity makes such a program impractical to roll out at scale. BGC believe repiping the ceilings is a quick, cost-effective interim measure to mitigate the typically high repair cost and consequential losses caused by ceiling bursts,” its document said.

BGC has spent around A\$7m-plus on bursts and repipes.

Extrapolating the 11,817 repipes by A\$60,000 means the product recall bill for BGC alone amounted to approximately A\$709m before burst repairs or consequential losses caused by the failing Pro-Fit Pipes if every home is affected, BGC said.

A Fletcher spokesman said yesterday that Iplex had continued to work with builders and had undertaken 20 separate testing regimes on more than 875 individual samples which showed a categoric correlation between basic plumbing installation failures or mistakes and the location of the plumbing failures.

“At this time, the work that Iplex Australia has undertaken or commissioned does not identify a manufacturing defect.

“Ultimately, homeowners deserve a co-operative and timely response to this problem by all members of the building industry.”

The trading halt extension was announced at 8.30am on Friday.

Stock market regulator NZ RegCo said it agreed, at Fletcher Building’s request, to extend the trading halt until the close of business on Friday, with trading to resume at market open on Monday.

Anne Gibson has been the *Herald’s* property editor for 23 years, has won many awards, written books and covered property extensively here and overseas.