

# Fletcher taps heavyweights for pipes legal defence



Fletcher Building believes if it's at fault then it could cost \$50m-\$100m to repair Perth houses.

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Fletcher Building is understood to be working with Goldman Sachs and Macquarie Capital as defence advisers as it moved into damage control last week to defend itself against claims it is up for between about \$700m and \$1.5bn over faulty pipes sold from its Iplex business in the Australian market.

Fletcher Building suggests it's more like \$50m-\$100m to repair Perth houses, if it in fact is at fault, which it believes it is not.

Fletcher maintains that the liabilities are confined to Perth and the \$15m it has set aside to address the defects in its pipes for this year is more than adequate.

It also maintains that it is the installations of the pipes that are causing problems, not the products, claiming BGC's repair estimate is misleading and sensationalist with it based on a full house re-piping, which is not justified.

Yet some believe it once again throws the spotlight on Fletcher's Australian building materials assets and, if they had been sold years ago (with the exception being insulation) like some thought they should have, with proceeds reinvested in New Zealand, the company would now not be dealing with the current controversy.

Chief executive Ross Taylor, who joined in 2017, has focused on boosting their returns rather than making divestments, a move considered by predecessor Mark Adamson, but shelved when buyers were not there at the right price.

The Australian building products business, including Iplex plumbing products, was inherited through the acquisition of Crane Group in 2010 for \$740m under the leadership of Jonathan Ling. Some consider it a blot on Fletcher's track record.

The deal resulted in Fletcher operating in too many areas of the building materials business, creating a lack of focus, critics say.

Australia provides Fletcher Building with about a third of its revenue, where it is involved in the manufacturing and distribution of building products such as Stramit roofing and steel products, Laminex laminates and Iplex pipes and plumbing supplies.

Fletcher Building is best known as the producer of plasterboard and Pink Batts insulation.

In New Zealand, it has Golden Bay Cement and building products distribution business Placemakers, in addition to a construction and property development unit. Less than half of its revenue is from building products manufacturing and distribution in New Zealand.

Another question is whether Fletcher faces a class action if the claims do in fact prove to cost more than its estimates and it is found by the West Australia regulator that its products, rather than installation, is the cause.

The problem with the leaks relates to the Iplex Pro-fit pipes product. The company said in February that WA building regulator the Department of Mines, Industry Regulation and Safety was investigating.

A recent preliminary finding found it was the pipes that were the cause and it is working with Fletcher Building to resolve the cause.