

Fletcher Building grilled by shareholders on leaky pipes at annual meeting

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Fletcher Building chief executive Ross Taylor got tested on his pipe technical expertise at the company's annual meeting. (File photo)

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Fletcher Building was grilled by shareholders at its annual meeting about a high profile stoush brewing over the company's leaky Iplex pro-fit pipes in West Australian homes.

Australian builder Buckeridge Group (BGC), whose developments are affected, has estimated it could cost A\$1.8 billion (NZ\$1.9b) to replace all the Iplex pipes, which it blames for manufacturing faults.

But Fletcher Building chief executive Ross Taylor said the cost for the industry to repair affected houses in Western Australia, the only area impacted, would be more like A\$50 million to A\$100m for a fault he blames on "shoddy" installation practices in Australia's largest state.

The meeting was dominated by shareholder questions about the pipes issue, which Taylor said came as no surprise, given it had been a topical issue over the last few weeks.

“I feel like I'm going to get really tested on my pipe technical expertise today, but I'm happy to go there with you all,” Taylor told the meeting as he responded to questions on crimping and compression, expansion and contraction.

A fortnight ago, Fletcher Building was forced to halt its shares from trading and brief investors, analysts and media after BGC went public with its claims that Iplex was to blame and the product should be recalled.

“They were trying to actually attract attention. It was basically a deliberate stunt,” Taylor said.

He told shareholders that BGC's cost estimate was based on removing Iplex pipes from all houses across Australia but said that was “sensationalist” and “a little bit fanciful”, given there were no abnormal leak rates with the 15,000 houses on the East Coast, and only 10.9% of the 17,000 homes in Perth in Western Australia known to be affected.

In April, Fletcher Building set aside A\$15m in a fund to help establish the cause of the leaks and appropriate fixes, and help Perth builders and plumbers complete repairs.

To date, the repairs had cost an average A\$4000 each, and were caused by issues such as over-bending pipes, he said.

“Wherever there's been a leak, there's been an installation failure,” Taylor said. “What that does is it puts extra stress on the pipe and it just takes time then for that to manifest itself in a leak.”

He said the issues were concentrated to two plumbers and one builder.

Fletcher Building's value on the sharemarket has dropped by about \$430m since BGC went public with its claims, a sore point with some shareholders who questioned why they were footing the bill for a fund when they had eaten a massive reputation hit to the company and a huge cost to the share price.

But Taylor said the interim fund was necessary to enable Fletcher Building to gain access to the affected houses to investigate the cause of the leaks.

He noted BGC had not accessed the fund.

“We're working really effectively with all of the industry except one builder who has got the majority of the problem, Buckeridge Group, they will not let us into their houses to have a look at any of their installation so you can make of that what you wish,” he said.

Taylor said the pipes had been tested “to within an inch of their lives” by six or seven outside experts at five different laboratories for every different thing and were found to be fit for purpose and code compliant.

He declined to comment on whether the issue may be resolved through a settlement.

After about half an hour of questions, chairperson Bruce Hassall said he would only take new questions on the pipes that hadn't already been raised and the meeting came to an end shortly after.

- **Stuff**