

**INVESTMENT** | 3 mins to read

# Fletcher CEO sees litigation looming on leaky Aussie pipes

After handling a series of dramas, Ross Taylor says the question of his succession will become relevant 'in the next year or so'.



Fletcher Building chief executive Ross Taylor.

**Tim Hunter**  
Fri, 27 Oct 2023

Fletcher Building is preparing for litigation on the Australian bursting pipes problem, says chief executive Ross Taylor.

Speaking to *NBR* after the company's annual meeting in Auckland this morning, where most shareholder questions were focused on Fletcher's exposure to plumbing remediation costs, Taylor said legal action was looking likely.

"The whole thing we're doing is assuming that will occur," he said. "If that does eventuate we're well organised."

Fletcher's share price is down about 11% since October 13, when [Taylor gave a presentation](#) blaming a spate of leaks in Western Australian on faulty installation of the company's Iplex polybutylene pipe product.

The presentation followed claims from major customer BGC that the product itself was at fault and may need to be replaced in 30,000 homes.

Asked if the share price indicated the market did not trust Fletcher's view on liability, Taylor said he couldn't offer an opinion on that.

"The reason I can't is BGC came out with their presentation. We've responded. But no-one has an end game yet.

"You can interpret what you think of that. I can't. We're playing the issue in front of us."

Fletcher has estimated the WA building industry could face a cost of \$50m to \$100m to fix the bursting pipes but has made no provision to cover any of that cost, beyond a A\$15m fund to pay for repairs while the cause was being investigated.

## Time will tell

Taylor said the company had made no decision on whether it might ultimately contribute more to remediate the problems, even if they were ultimately found to be an installation issue.

It was important first to get more data, he said.

“Because of what BGC did, we’re all talking assertively on data that’s not extensive enough or mature enough. Look at the BGC presentation and that stupid little graph they did off their little bit of data; and we’re trying to interpret five or six months of data as well. We just need to let that run for three or four more months and see the cause and effect and the fixes.”

The Iplex issue has followed a series of crises Taylor has been dealing with since he was hired in 2017 to turn the company around after huge losses emerged in its construction business – a problem chair Bruce Hassall referred to during the AGM as “a near death experience for Fletcher”.

Those problems have included continuing cost blowouts on legacy construction projects, a fire at its NZICC project, Covid shutdowns and a Commerce Commission Gib board probe.



Fletcher Building chair Bruce Hassall addressed the annual meeting.

### Internal candidates

Asked how long he wanted to remain CEO given those stresses, Taylor said he was “not done yet”.

However, “what happens is [when] you run these businesses for this long, you do get some really good internal candidates coming up and you’ve got to be careful not to lose them because you hang on too long.

“I do think that’s a relevant question in the next year or so.

“It’s not so much about me; it’s about what’s right for Fletcher Building.”

Taylor said there was an exciting opportunity ahead.

“We’ll be through the legacy construction, our base business is nicely positioned, we’ve got a good growth story out there, and we wrestle the WA plumbing issue into a framework that’s more understandable and agreed, then you get rid of the cycle – because eventually the resi cycle will turn – and that puts a natural uplift into the business as well.

## **Protest vote**

In formal business at the AGM, shareholders re-elected Hassall and his fellow directors Barbara Chapman and Martin Brydon, as well as approving the election of Sandra Dodds.

There was an 18.8% vote against Chapman's re-election and a 9.9% vote against Hassall's.

Several shareholders questioned Chapman on whether her other commitments would affect her work at Fletcher Building – Chapman is also chair of Genesis Energy and NZME, deputy chair of the NZ Initiative, and a director of BNZ.

Chapman told shareholders: "I would not stand for re-election if I felt I did not have the time to put into this business.

"I'm probably working at 80-85% of the pace I worked at in my executive life [as CEO of ASB Bank]."

Hassall described Chapman as "an outstanding director".

"You often find the best directors are busy – I wonder why that is," he said.

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