

Fletcher sets aside \$15m for faulty pipe compensation

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KEY POINTS

- ◆ Fletcher Building, listed on both the NZ and Australian stock exchanges, has upped its provisions to \$15 million as it deals with the fallout from leaking pipes in 1200 new homes built in WA.
- ◆ The Pro-fit plumbing pipes sold by its Iplex business in Australia were taken off the market in mid-2022, and were used in 15,000 new homes built from mid-2017 to mid-2022, mainly in WA.
- ◆ Fletcher has made interim proposals with two WA homebuilders, BGC Group and Delstrat, for financial help as they deal with affected customers.

Fletcher Building [<https://www.afr.com/companies/infrastructure/fletcher-building-s-biggest-holder-calls-for-australian-sell-off-20200821-p55nwm>] has set aside \$15 million to cover the costs from hundreds of complaints about leaks associated with a pipe product used in new home construction.

The Pro-fit hot and cold plumbing pipe – which belongs to the Trans-Tasman company's Iplex business [<https://www.afr.com/companies/infrastructure/fletcher-building-s-biggest-holder-calls-for-australian-sell-off-20200821-p55nwm>] – is at the centre of 1200 complaints in Western Australia made between 2017 and last year.



Fletcher Building has set aside \$15m for the fallout from leaks in an Iplex plumbers pipe which has caused problems for some new home buyers in WA.

More than 15,000 of the pipes were installed in that time. Iplex is already under investigation by WA's building regulator over the product.

Fletcher chief executive Ross Taylor said on Monday the Pro-fit product had not been sold since 2022. "We acknowledge the frustration and inconvenience impacted homeowners and their families are having," he said. "We are working hard with builders to arrive at an acceptable outcome for homeowners".

Fletcher is listed on both the New Zealand and Australian stock exchanges. The company runs a \$3 billion-plus building products business in Australia under brands including Tradelink plumbing and bathroom supplies, Stramit roofing and structural steel, Iplex pipes, Oliveri sinkware and Fletcher insulation.

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Fletcher said it had proposed interim arrangements for financial help with two large group home builders in Perth, who combined have built about 90 per cent of the homes in question. The two groups are WA's largest new home construction company, BGC Housing, and a smaller player, Delstrat, Fletcher confirmed on Monday.

Those proposals have been made under a "no liability basis". Fletcher has also set up a \$2 million fund to help plumbers and builders who have been involved in the construction of affected homes to reimburse costs, but that is also on a "no admissions" basis.

Fletcher said there was still uncertainty about how the whole matter might play out and was dependent on the final determinations of the cause of the leaks, the extent to which third parties were responsible, and insurance policies.

Iplex made an initial provision of \$2 million, but that has now been expanded to the new figure of \$15 million as the significance of the matter became clearer.

Fletcher said the Pro-fit product was also sold in other states of Australia in the period under question from mid-2017 to mid-2022. Reports to Iplex were that the leak rate in those states was not materially unusual for a product of this type, the company said.

The company said the Pro-fit product was sold only in Australia and the resin used in it during the period in question was not used by Iplex New Zealand or any other Fletcher product. Fletcher shares were trading at \$5.50 a year ago. The stock was down 0.9 per cent to \$4.27 in early trading on the ASX on Monday.

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