
Ssome insurers have imposed exclusions in professional indemnity cover over non-compliant cladding. PHOTO: AP

Fallout over cladding could slow development

Michael Bleby

The risks around cladding in high-rise residential buildings and insurers' growing reluctance to underwrite the liabilities could push privatised building surveyors out of the high-rise residential sector, slowing down future developments.

Concerns around liability that have caused some insurers to impose exclusions in professional indemnity cover over non-compliant cladding would add to the pressure on surveyors, who sign off that buildings comply with standards before occupation, to quit the residential niche, said Blackett Maguire + Goldsmith director David Blackett.

Mr Blackett's firm decided five years ago to cut its exposure to the high-rise residential sector due to what it saw as a deteriorating standard of construction and scope for ongoing complaints around issues such as fire separation. Cladding was a much bigger issue that would prompt others to do the same, he said.

"It is a hot topic, a very political topic, and with good reason," Mr Blackett told *The Australian Financial Review* yesterday. "Aluminium composite panels are certainly up there with one of biggest headaches the industry in Australia and internationally have seen. It's leading that race."

As Australia's biggest-ever housing construction boom reaches its peak, authorities across the country are scrambling to measure the extent of aluminium composite cladding in the high-rise apartments that have become a feature of every mainland capital. While unknown, the numbers will be large. The ABC's *Four Corners* yesterday cited a supplier of Alucobond, one such panel product, who said European builders had stopped using the product – known to be flammable back in 2007 – even as they continued supplying it into the Australian market.

The fallout for the Australian construction industry will be great.

Without insurance cover, the private industry that has over the past 30 years taken over a task previously done by local councils, may have to hand it back to local authorities that don't have the resources to do the task.

"We could end up in position in 12 months' time where individual certifiers have a problem [getting cover]," said Allan Harriman the director of building consultancy BCA Logic. "They won't be able to practise as certifiers any more. That is one of my fears from what is potentially happening out there."

Developers agree.

"It would be a big worry to the industry," said Chris Johnson, the chief executive of developer lobby group Urban Taskforce. "The end [result] would be to slow things down. What we do need to do is get more checks and balances in the whole supply chain rather than just at the end points."

Brett Mace, chief executive of the Australian Institute of Building Surveyors, declined to comment on whether insurers might vacate the high-rise residential sector – "They'll make their own decisions as they see fit and we'll have to react," he said – but said the ability of local authorities to take certification up would vary by jurisdiction.

"How long that would be in each state, whether the local council wanted to take that back on again – that's something that's just unknown," he said.

Different states' responses will also affect the ability of building owners to claw back any rectification costs.