

Piero Di Giovanni

Builders Rego 8767

13 Buckle Street, Balcatta 6021. Perth WA
Mbl: 040 537 1198 A/hrs / Fax: (08) 9345 2442
timberdimension@optusnet.com.au

Inquiry into Western Australia's Home Indemnity Insurance Arrangements
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849
publicsubmissions@erawa.com.au

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RE: Home indemnity Insurance

Dear Sir/Madam,

My name is Piero Di Giovanni and I am a small builder that is currently suffering from not being able to access Housing Indemnity Insurance, the reason being that my client from 2008/9 has not paid his construction bills that exceed \$500,000.00 therefore I have no cash flow or good financial figures to show.

Now I would like to add my submission to your inquiry as it seems that the Government and Industry in general seem to think that builders are made of money so they should be made responsible for all the building industries issues and shall we say woes. That is to cover the Local Councils and Engineering firms who sign off on building plans and the Government in general who make policies to protect the "Public" but forget that builders are also part of the "Public"

The poor small builder has to compete in a very competitive and tight market while dealing with competition against Multi Million Dollar building conglomerates ie BGC and Dale Alcock, and still survive for 7 years until the Structural warranty expires.

Not only that but they have to get permission from an insurance firm to build and what they are allowed to build, that is after having their business and personal life put under a microscope before being deemed acceptable as an insurance risk.

Now I would like to put a fresh perspective on your argument for Housing Indemnity Insurance and ask what is the main cause for legitimate builders to go broke?

The answer is simple that **clients don't pay their invoices on time or at all**, causing the builder to carry this cost. Now if this is the rare case of a single client then it is not too critical but if this become multiple clients then the builder will go broke as all invoices are in the builders name and need to be paid in full.

So if this is the case then can I propose an alternative to your draft. Have all clients that intend to build either;

1. Have their full finances deposited into a trust account before contract are signed so it shows that the Client is fully **Financial** and as clients go over their budgets then say a 10% margin should be added to their finance to cover any over spend. No funds can be withdrawn without the signatures of both the owners and the builder with any excess funds transferring back to the owner on handover.

I am certain that the establishment of a financial institution solely for this purpose would not be a difficult proposition for the Government to oversee and should be cheaper than the current insurance arrangement.

2. That the clients should be insured against going broke or for non payment of any construction invoices.
So this would be a Housing Indemnity insurance against the owner as they are the party that pays for the current insurance against the builder.
3. That if the Government requires any form of insurance then it should be taken out of the hands of Private Companies and given to the Building Industry so as any financial benefits from these insurance policies can be used to improve the building industry in WA. As the private insurance industry is solely interested in financial profit as a whole and not the industry they are insuring.
4. That an independent body be set up to assist in recovery of funds from either the builder or owners if this becomes a requirement.

At present the builder is responsible for any legal fees to recover funds from clients with no assistance from any of the Building Bodies or government Departments. This comes from personal experience as I am having to fund my legal action to recover over \$500,000.00 from a client. My legal costs are over \$100,000.00 and it has taken over 3 years to date.

The building industry as a whole should not be penalised for the actions of so few especially in this tight economy that is at hand. The insurance companies have not released to the public their payout figures for Housing Indemnity even though they have increased their fees 40% due to the high number of Builders going bankrupt. A transparent market needs to be achieved in any event no matter what the outcome of this Inquiry shows as it is not deemed to be a money making venture for those involved.

I would like to continue working as a builder in this industry but at present there are not enough benefits to show for the amount of restrictions placed upon us. An open mind is required by all in this industry and hopefully a balanced work practice will come out of this submission to help both sides as I personally think that this Housing Indemnity insurance in any form is not required.

Yours Faithfully

Piero Di Giovanni