BANNERMANS LAWYERS

Our ref: Strata reform submissions
Your ref: Alison Spink

Principal: **David Bannerman**
dbannerman@bannermans.com.au

Contact: Alison Spink
aspink@bannermans.com.au

29 May 2017

The Hon. Matthew Kean MP
Suite 5, The Madison,
25-29 Hunter Street,
Hornsby NSW 2077
BY EMAIL

Dear Minister Kean,

NO FURTHER DELAY TO THE IMPLEMENTATION OF THE 2% DEFECTS BONDS SCHEME UNDER PART 11 OF THE STRATA SCHEMES MANAGEMENT ACT 2015

In relation to rumors that you are proposing to defer the 2% bonds scheme, we would like to point out that there has been no legislative reform to address building quality in strata schemes since the last construction cycle more than 10 years ago.

However, as a counter measure to mitigate risk under the home warranty insurance scheme, your predecessors put forward inappropriate retrospective legislation which was made to reduce the warranties under the insurance, and sadly, due to poor policy to simplify issues decided to also reduce the warranties owed by developer, builders and private home warranty insurers at the same time.

In practical terms:

1. Building defects in the former cycle had a 7 year warranty for all defects. For schemes in this construction cycle they have 2 year warranty for all defects and a 6 warranty for waterproofing, structural and fire measures where those failures cause the building or part to be collapse be destroyed or prevent use.

2. In the former construction cycle, all strata buildings had home warranty insurance, regardless of the number of storeys. In this cycle, if the building is more than 3 storeys there is no home warranty insurance.

In part, to address the inequity of buildings of more than 3 storeys having no home insurance, the 2% defects bond scheme was to be introduced. However, contrary to our lobbying this scheme has been delayed with the effect that it will miss the majority of this construction cycle.

We are concerned that your office will further delay the implementation of this scheme. Being on the Australian Standards committee commissioned by your office, I am confident that a suitable document which can be utilized for the scheme and that other relevant measures can be taken to implement an effective scheme.

We implore your office not to further delay the implementation of this scheme.

Please feel free to contact me if you want any further details.

Yours faithfully
BANNERMANS



David Bannerman
dbannerman@bannermans.com.au
Acc. Spec. (Prop.)
Principal