

# Australia: Expert warns of poor construction after Opal Tower evacuation and Melbourne cladding fire

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An Australian property analyst has warned that the poor quality of residential property construction could turn some buildings into slum-like dwellings in 20 years.

Housing and banking analyst Martin North told Channel Nine's "60 Minutes" program last week: "We have so many properties across Australia which are being thrown up, or have been thrown up, with significant defects in them." He said this could result in "a generation of properties that frankly could become slums in 20 or 30 years."

North's warning followed a fire at Melbourne's NEO200 apartment building involving flammable cladding, and ongoing concerns over the safety of Opal Tower, in the Sydney suburb of Homebush.

Opal Tower residents were forced to evacuate for over a month after cracks in concrete, panels and supporting beams were discovered on December 24. More than half of the residents have still not returned to the building, even though the construction company has stopped paying their hotel bills.

The exposures of shoddy construction coincide with signs of a rapid slowdown of the debt-fuelled property boom.

North warned that house prices would fall from their 2017 peak by 20 to 30 percent and by up to 40 percent if there were significant international shocks.

Price decreases over the past year have already pushed around 10 percent of households into negative equity, meaning that they owe more on their mortgages than their properties are worth.

The *Domain* property website reported in October last year that around 386,000 households across the country were in negative equity. On "60 Minutes," North

estimated the figure to now be as high as 450,000.

There has already been a significant fall off in sales amid price declines and a tightening of lending by the major banks.

Andrew Leoncelli, the managing director for residential projects at property firm CBRE, told "60 Minutes": "We will be 75 percent down on the total number of apartments sold in 2019, as compared to 2015, so it's a major reduction in volume."

The "60 Minutes" program reflected growing fears in corporate circles that the billions of dollars in loans the banks have on their books are backed by worthless assets. The financial elite is determined that homeowners and mortgage-holders be compelled to pay for poor construction standards over the past period.

The Opal Tower crisis has pointed to the role of governments in fuelling the property and construction boom, with no concern for the safety of ordinary people.

The building's plan was categorised as a "state-significant development," meaning it could bypass the normal building approval process. The New South Wales (NSW) government effectively subsidised the building. According to the *Sydney Morning Herald*, it still owns 43 apartments in the tower.

The state Liberal government also retains ownership of the land the building sits on and may be deemed a developer under the Home Building Act. Since this was revealed in the press, government officials have stopped encouraging home owners to take legal action. Residents are in negotiations with a number of legal firms about launching a class action.

Successive Labor and Liberal-National governments at every level have been warned of dangerous

construction standards.

In February 2018, the Building Ministers' Forum, which brought together representatives of state governments across the country, received the Shergold and Weir report which concluded that the "nature and extent of the problems" in the construction sector were "significant and concerning."

Three years earlier, in 2015, the Lambert Report issued the NSW government with 150 recommendations on building safety and construction practices. Only those relating to fire safety were acted on.

Last Friday, a meeting of the Building Ministers' Forum in Hobart declared that it would issue a response to the 2018 report by the end of February.

The communique stated that "Ministers agreed in principle to a national ban on the unsafe use of combustible ACPs [Aluminium Composite Panels used as cladding], in new construction." The document added, however, that this would be "subject to a cost/benefit analysis being undertaken on the proposed ban including impacts on the supply chain, potential impacts on the building industry, any unintended consequences, and a proposed timeline for implementation."

In other words, despite its role in numerous fires, governments may allow the continued use of ACP cladding to ensure maximum profits in the industry.

The NSW Fair Trading Minister Matt Kean also announced the appointment of a "Building Commissioner" who would be responsible for licensing and auditing engineers, architects, certifiers and other practitioners and introducing new "consumer protections." There was no mention, however, of an investigation into existing buildings.

Michael Lambert, the former NSW Treasury Secretary and author of the 2015 report, told "60 Minutes": "My gravest fear is that there will be fatalities because of defects in buildings. And the most likely area for fatalities is in fire safety, with non-functioning fire safety warnings or sprinkler systems. And that is a fundamental risk because we still haven't got in place an effective fire safety certification and accreditation scheme."

The fire at NEO200 makes clear that Lambert's concerns are well founded. In June 2017, 72 people lost their lives in a blaze at London's Grenfell Tower as a

result of similar cladding.

The Lambert Report was commissioned following a non-fatal cladding fire at the Lacrosse building in Melbourne in November 2014. *The Australian* reported in January that firefighting agencies in Australia have a "hit list" of up to 10,000 buildings in Australia with suspected flammable cladding.

The record demonstrates that governments and the corporate and financial elite have subordinated the safety of renters, homeowners and mortgage-holders to the frenzied accumulation of profit during the housing and construction boom.



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