

Australia: One third of Mascot Tower owners face bankruptcy over \$20 million repair bill

John Wilson**7 November 2019**

Owners of 122 apartments in the Mascot Towers building, near Sydney Airport, met at the end of October to approve a \$5 million commercial loan, as part of an expected \$20 million repair bill for their units. Reports indicate that up to one third of owners cannot afford their portion of the repairs, however it is financed.

The 10-year-old building, next to the underground Mascot railway station, was completely evacuated in June after cracks were found in one of the major supporting beams. It is thought that the construction of a neighbouring building, completed this year, compromised the foundations of Mascot Towers. The new construction was approved by the local council.

On Tuesday last week, owners met for four hours and “agreed” to take out a \$5 million, 15-year commercial loan. A small proportion of owners were having difficulty paying their \$60,000 share of a \$7 million special levy that had previously been approved. One resident told the *Sydney Morning Herald* that “the options presented to us as owners are like choosing a preferred execution method.” Another said that all options were “very bad” and added that he had spoken with a bankruptcy lawyer.

A report by the structural engineer advising the owners, released in October, stated that foundation conditions were “significantly worse than previously assumed,” which meant that the capacity to provide support to the building had been “significantly compromised.” One owner told the *Herald*: “We don’t know whether the \$20 million is the end or just the beginning.”

In a submission to a New South Wales parliamentary inquiry, one Mascot Towers owner noted that “[we] are in a very difficult position because of a corrupted system and government that’s currently trying to wash

their hands and not take any responsibility for having some cowboys certified to build and audit buildings and play with investors’ money.”

The evacuation of Mascot Towers followed that of the 30-storey Opal Tower complex in the Western Sydney suburb of Homebush in December last year.

Defects have been uncovered in a number of other new buildings.

In July, residents were blocked from moving into a brand-new 126-unit complex in the inner-city Sydney suburb of Erskineville after it was discovered the land was still contaminated from former industrial use.

It has also recently been revealed that a 30-apartment complex was evacuated in December 2018 due to water ingress. Residents have still not been able to return.

In October, the owners of 298 apartments in the “Otto Rosebery,” which had been constructed by the same builder as Opal Tower, were told not to use their balconies because the balustrades were of “inadequate strength.”

NSW Building Commissioner David Chandler last week told a state parliamentary committee that there were three more apartment towers with “serious issues,” including a 200-apartment complex which has “significant issues” and was “incomplete,” despite having received certification to be occupied.

According to surveys, up to 97 percent of apartments in New South Wales have some form of defect. The figures are 71 percent in Queensland and 74 percent in Victoria.

The potential problems across Australia were outlined in an economic analysis published in August, prepared by the Construction, Forestry, Maritime, Mining and Energy Union (CFMMEU). The report estimated the total cost for the repair and remediation work of defective apartments nationally at \$6.2 billion. It said

that depending on the type of remediation this could be \$165,000 per apartment for cladding and \$45,000 per apartment for water damage.

Australia has had two major fires in apartment towers due to flammable cladding. Despite this the New South Wales (NSW) government announced on October 31 that it would not release the list of 444 buildings throughout the state that are potentially covered in the flammable material, on the pretext that to do so would pose a security risk.

The escalating problems at Mascot Towers are only the most graphic expression of a systemic crisis in apartment construction in Australia caused by a rush to erect new buildings during the property boom of the past decade.

The crisis is contributing to a significant drop in interest in new apartments and purchases “off the plan.” According to the *Australian Financial Review*, “sales of residential development sites plummeted 38 percent to \$5.1 billion in the 2019 financial year,” which is half the peak of over \$10 billion in 2015 and 2016 financial years.

On October 1, the NSW government released a framework draft of the “Design and Building Practitioners Bill” which calls for the registration of “design practitioners” (architects and engineers) and “building practitioners.” It does not deal with existing defects. The bill has already been criticised by Engineers Australia for not requiring the registration of all engineers, a recommendation of the Shergold-Weir report which the government claims to be implementing.

The crisis confronting apartment owners and renters is a product of the pro-business policies of successive governments, Labor and Liberal alike. For years, they have gutted building safety and certification standards, to provide a profit bonanza to the major corporations. Trade unions, including the CFMMEU, have been their willing enablers, collaborating closely with property developers and big business government.



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