

Company collapses continue in Australia's "construction industry bloodbath"

Terry Cook
26 July 2022

The crisis engulfing Australia's construction sector has deepened over the past six weeks. A plethora of building companies have been placed into administration and liquidation, owing millions of dollars to owners of unfinished homes, subcontractors, suppliers and workers in entitlements.

This month, Victorian-based building firm Snowdon Developments was ordered by the Supreme Court to go into liquidation on the grounds of insolvency, owing just under \$18 million to 250 creditors.

The Snowdon collapse follows similar failures throughout June, including prominent home builders such as Victorian-based Waterford Homes, which went into liquidation with debts so far amounting to \$600,000.

Specialist small home builder Affordable Modular Homes collapsed under a mountain of debt, owing \$121,000 to creditors, while Statement Builders failed, owing \$200,000 in taxes. Other home builders that went to the wall last month included Langford Jones Homes, Pivotal Homes, Solido Builders, Wulfrun Construction and Westernport Constructions.

These failures are part of what media commentary terms "a construction sector bloodbath." More than 16 building companies had already collapsed since the closing months of 2021. They include well-known names in home building, such as Hotondo Homes, Dylam Developments, BA Murphy, Home Innovation, ABG Group, New Sensation Homes, Pindan and ABD Group.

This year also saw the collapse of major companies, such as Probuild and Condev, that had projects underway or on the books worth billions of dollars. The fate of Australia's largest home builder Metricon, which had around 4,000 homes under construction last month, remains uncertain despite a \$30 million cash

injection into the company by its shareholders and promises of government support.

It is widely acknowledged across the industry that these failures are only the tip of the iceberg. Industry market researcher IBISWorld recently projected that the number of firms operating in the home building industry would fall by 9 percent in 2022-23, contracting for the first time in a decade "by thousands."

Last month, co-founder of the Association of Professional Builders (APB), Russ Stephens, told news.com.au that around 50 percent of building companies in Australia "are currently experiencing negative equity." A company is considered to have negative equity if it owes more than it has in assets, with more than one creditor. "Once a company experiences negative equity, it's a slippery slope to becoming insolvent," Stephens said.

Last October, based on extensive research, APB had warned that "it was clear that the increasing price of construction materials, supply chain delays and COVID-related labour shortages were impacting the profitability of every single building company in Australia."

Referencing the spiralling costs of building materials, CoreLogic, a provider of property data and analytics, has said home builders are unlikely to experience a reprieve anytime soon. "The short- and medium-term outlook for the construction industry still looked bleak," it stated.

Banks could become embroiled in the meltdown. In May, National Australia Bank chief executive Ross McEwan said construction was the "most worrying" industry in its portfolio.

This crisis has been exacerbated by the necessary two-month lockdown of Shanghai to bring the recent outbreak of COVID-19 under control. More than a

quarter of goods imported into Australia come from China, including around 60 percent of its building industry materials.

ANU supply chain management expert David Leaney told the media in May that construction “has certainly got some of the biggest delays,” saying “the lead time to get timber frames if you’re building a house is 46 weeks.”

The “let it rip” COVID policies adopted since late last year by all Australian governments, Liberal-National and Labor alike, continue to cause repeated waves of mass infection, illness and death. This has resulted in labour shortages in vital areas of the supply chain, such as the docks, trucking and freight haulage.

It is difficult to put a precise number on jobs lost in the construction industry because most companies directly employ only small numbers of workers. The bulk of their work is carried out by labour hire companies, employing casuals, subcontractors and independent trades-persons. Many of these are owed thousands of dollars and will find it difficult, if not impossible, to survive.

Many more jobs will be impacted in downstream industries, such as building industry suppliers and home appliance and home décor companies whose operations rely heavily on new home construction.

From the outset of the pandemic, the Construction Forestry Maritime Mining and Energy Union (CFMMEU) and other industry trade unions collaborated with the employers to demand that the sector be exempted from lockdowns and other public health measures, thereby forcing workers to stay on the job, resulting in widespread COVID infections.

Now with building companies collapsing in quick succession, destroying the livelihoods of countless workers, the CFMMEU is maintaining a virtual silence, seeking to prevent the eruption of struggles by construction workers to defend jobs and livelihoods.

This is a logical extension of the role played by the unions for decades, enforcing the decimation of working conditions and the huge increase in casual, labour-hire and sham contracting arrangements throughout the construction industry, claiming this was necessary to ensure competitiveness and to preserve jobs into the future.

Construction workers need to draw a balance sheet of these bitter experiences. They cannot leave matters in

the hands of the unions, which are tied by a thousand threads to the corporations and governments.

To fight for decent jobs, pay and conditions, workers need to form new organisations of struggle, including rank-and-file committees on every job site. Through an interlinked network of these committees, workers can take up a unified political and industrial counter-offensive against the corporate and financial elite.

The crisis wracking the construction sector is a graphic example of the irrationality of the capitalist system itself, which subordinates everything to private profit. While firms collapse, there is a burning need for affordable social housing.

Workers need to turn to a socialist perspective and the fight for a workers’ government to place construction and other critical sectors under public ownership and democratic workers’ control, to reorganise production to meet social need, not profit.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact