

Australian building company collapses destroying hundreds of jobs and impacting thousands

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On March 31, two large Australian building companies collapsed, joining a long line of business failures in the construction industry.

Porter Davis Homes had 1,500 partially built houses in Victoria and 200 in Queensland, as well as almost 800 signed house-building contracts ready to start. The Lloyd Group had 59 projects underway, mostly for state and local governments including education, health and aged care buildings.

The majority of Porter Davis's 410 directly employed staff were sacked, apart from a skeleton crew retained by the liquidators to wind up the company. All 200 Lloyd Group employees were made redundant. Thousands more workers employed by subcontractors and suppliers will be devastated financially.

Porter Davis reportedly owes money to around 2,000 creditors, while some subcontractors, including bricklayers, plumbers, plasterers and painters, have reportedly not been paid since before Christmas.

The two bankruptcies follow many shutdowns over the past year in both the house building industry and commercial construction.

2022 saw the failure of house builders Snowdon Developments, Waterford Homes, Langford Jones Homes, Pivotal Homes, Solido Builders, Wulfrun Construction and Westernport Constructions, among many others. Australia's largest house builder, Metricon, was rescued, potentially only temporarily, with a last minute cash injection of \$30 million.

Probuild and Condev, major commercial builders with billions of dollars' worth of construction underway, also collapsed last year.

On Tuesday, Melbourne-based home builder Simonds Group announced it would slash 70 jobs, ten percent of its permanent staff, following a similar cut in August last year.

In June last year, one industry body estimated that 50 percent of building companies were experiencing negative

equity, that is, they had more debts than assets. Another report predicted that 9 percent of builders would collapse over the financial year 2022–23.

Construction company insolvency has risen by 90 percent, from 761 for the comparable period last year up to 1,447 for the current financial year to date.

The collapse of building companies and the destruction of thousands of construction industry jobs is a product of a deepening global crisis of capitalism.

The “let-it-rip” COVID-19 policies adopted by governments worldwide have caused labour shortages and supply chain disruption, leading to sharp rises in building material costs, which rose 17 percent in the 2021–22 financial year. The US-NATO war against Russia in Ukraine has pushed energy and commodity prices even higher.

On top of these inflationary pressures, ten consecutive monthly interest rate rises by the Reserve Bank of Australia (from a historically low 0.1 percent in May 2022 to 3.6 per cent now) have further squeezed builders who entered into fixed-price contracts with no mechanism to pass on cost increases to buyers. These hikes have nothing to do with combating inflation but are intended to increase unemployment and drive down wages.

In addition to the destruction of jobs and the financial hit to subcontractors, the wave of home builder collapses has left around 4,500 new home buyers stranded with an unfinished house or a potentially unrecoverable deposit. If home buyers can find another company to complete their build, they are likely to incur a substantial cost penalty over their initial outlay. Skyrocketing interest rates means some will not be able to afford to engage new builders.

Grant Thornton, the liquidation firm appointed by Porter Davis, announced that the 779 buyers who had paid a deposit and signed a contract but were awaiting a construction start will lose their deposits, as compulsory insurance coverage only starts when the ground is broken.

The Victoria Managed Insurance Agency was established

to provide compulsory insurance for home builders and may pay out up to 20 percent of the contract price, up to \$300,000, to house buyers. But it does not cover deposits if construction has not commenced. The Queensland Building and Construction Commission provides a similar scheme in that state.

The average deposit required to get finance to purchase a new home in Australia is now at an unaffordable 110 percent of average annual income.

As with all these collapses, customers and workers suffer the biggest losses, while the banks and major companies are the first to be repaid. Porter Davis's largest secured creditor is the Commonwealth Bank.

Porter Davis had reportedly been offering discounts of up to \$50,000 to house buyers who signed up and paid a deposit from February up until their collapse last week.

The Lloyd Group had 29 projects underway in Victoria and 30 in New South Wales. Frankston City Council, a local government in Melbourne's south, had four projects with the Lloyd Group. They stated that, despite due-diligence checks on the financial status of the Lloyd Group, they had not foreseen any issues until the announcement of liquidation.

The string of collapses in residential construction illustrates the irrationality of the capitalist system itself, taking place as it does amid a major shortage of affordable housing across the country.

A 2021 Australian government-funded review found that "an investment of around \$290 billion will be required over the next two decades to meet the shortfall in social and affordable housing dwellings." Yet the federal Labor government has promised only a \$10 billion investment fund, supposedly to deliver just 30,000 affordable homes over the next five years, a fraction of the more than 500,000 needed to address the shortfall.

This meagre pledge, which will do nothing to resolve the housing crisis, illustrates the priorities of the Labor government, especially when compared to the \$368 billion that it has committed for nuclear-powered submarines to fight a US-led war against China.

Victorian Labor Premier Daniel Andrews made clear they would not underwrite the collapsed builders, stating "we're not the financier of last resort." By contrast, state and federal governments handed out billions of dollars to keep major corporations and the banks profitable in the early stages of the pandemic. As a consequence, the full burden of the construction crisis will be borne by house buyers and workers whose jobs and savings are destroyed.

The Construction Forestry Maritime Mining and Energy Union (CFMMEU) and other building unions have said nothing about the collapse of Porter Davis and Lloyd Group,

in line with their silence on previous failures in the residential building sector.

But there is clearly real concern among workers about the state of the industry more broadly. On Wednesday, thousands of building workers took part in mass rallies around the country, demanding wage increases in line with inflation.

The CFMMEU leadership, compelled to call these events by workers' anger and frustration, is seeking to channel it behind plaintive appeals to state and federal Labor governments. But the mounting sentiment among workers for real action was reflected in the left posturing of the bureaucrats, who issued vague allusions to the possibility of general strikes.

The CFMMEU offers no way forward for workers, whether they are subcontractors and sole-traders building houses or working on major commercial projects. The union has worked for decades to drive down wages and conditions in the construction industry, under the pretext that "competitiveness"—i.e., a race to the bottom—was the only way to preserve jobs.

This is because the CFMMEU, like all the trade unions, is no longer a workers' organisation in any form. The union is a major player in commercial property development through the joint union-industry controlled Construction and Building Unions Superannuation (CBUS) fund, meaning it has an active interest in driving up industry profits at the expense of wages and conditions.

This poses the need for building workers to establish their own organisations, rank-and-file committees, independent of the unions and democratically controlled by workers themselves. Such committees are the only means of developing unified action, across the construction sector, in defence of jobs, wages and conditions.

More broadly, the developing crisis in the sector, and the determination of governments, the corporations and the unions to make workers pay, raises major political issues. It poses the need for a struggle against capitalism itself, which subordinates everything, including such necessities as housing and jobs, to the profit interests of the ultra-wealthy.



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