



**Sharon Grierson MP
Federal Member for Newcastle**

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Estate Property Group Collapse

Ms GRIERSON (Newcastle) (11.57 am)—In May this year the Estate Property Group and 26 associated companies, including Australian Capital Reserve, entered voluntary administration, with debts of around \$600 million. The companies were behind property developments around the country, including the half-finished, 42-unit Kingfisher Grove site at Shortland, a suburb in my electorate.

Recently the building group Becton bought a number of the construction developments, including Kingfisher Grove. It is believed that this transaction means the secured creditor, Adelaide Bank, will receive its money and the administrators of the various companies will receive their lucrative fees. It is also believed that investors in the project might see about 60c in the dollar upon completion and sale of the development.

These investors have been through a great deal of stress, and I do hope they get at least 60c in the dollar out of this settlement. Many of these investors are self-funded retirees and older people, who have now lost 40 per cent of their retirement savings in many cases. This is a huge social issue that we are going to have to confront, with so many of these schemes collapsing in recent times. I repeat Labor's call for ASIC to be more proactive in education about, and monitoring of, unsustainable investment schemes.

But there is one group involved who look like they will get, at best, only 10c in the dollar, if anything. That is the subcontractors, who contributed their labour and materials to actually build Kingfisher Grove. One small business owner who contacted my office is owed \$100,000 for materials and work already completed, and yet he has been told to expect nothing. The loss of \$100,000 for unpaid work has a devastating impact on a small business. This company has had to reduce its staff from 10 to three.

So the people who actually built Kingfisher Grove rank lower when it comes to recouping money than the big banks or the well paid administrators. There are about 30 subcontractors in my region in this situation. Those who have contacted me are owed amounts ranging from \$10,000 to \$100,000. This is morally wrong, but it is legal. The Howard government needs to look at these legal loopholes that deprive people of moneys that should be theirs and should give greater protection to subcontractors and to investors.

We have seen too many collapses in recent times—those of Westpoint, Fincorp, Australian Capital Reserve and Bay Building, all of which affected people in my region in the Hunter—but have we seen any action from the government? No, we have not. I have not. I wrote to the Treasurer in June seeking some answers for investors in the Australian Capital Reserve collapse. I have not had a response. When Labor proposed a parliamentary inquiry into these collapses, the government refused point blank. It really does show how out of touch the government is. Mum and dad investors, sole traders, contractors and small business people have already been doing it tough—and now they are left in the lurch. So if the Howard government will not help, what can we do?

If the building work recommences at Kingfisher Grove, I would suggest that there is scope for Becton to negotiate with existing subcontractors, or pre-existing subcontractors, to complete the work and be compensated for work they have already done. Becton has a very good reputation in our region. As a former member myself of the Honeysuckle Development Corporation, and having worked with Becton very successfully, I know they worked well with our community on those projects.

I am told that the deal between Becton and the administrator was the best deal going. Well, it may be, in commercial terms, for those players, and I sincerely hope it will help the 700 mum and dad investors affected, but it certainly has not, at this stage, helped the contractors who are estimated to be owed a combined \$1 million.

There are other realities than simply commercial realities. There are moral realities that we need to consider. As one of my constituents put it to me: 'Is it fair and reasonable that a company can buy and sell goods and services—assets—for which the original provider has not been paid?' I would suggest that it is not fair. But we know, unfortunately, that the Howard government has abandoned subcontractors like these, by refusing to look at the flaws that exist in this area.

The Treasurer and ASIC should be breathing down the neck of every unsustainable investment company raising money from unsuspecting pensioners and taking on the labour of subcontractors working in good faith. It is not good enough to sit on their hands. And, since I have been waiting since June for a response from the Treasurer, I will not be holding my breath for a response to other representations I have made more recently.

I will keep discussing this issue, though, with the administrators, and with Becton, with the affected subcontractors, with industry and with the unions. With good will, I am sure we can find a solution for those subcontractors who find themselves in such a terrible situation. And, more broadly, I am sure it is not beyond the wit of the government to look at how we can stop these collapses, and how we can better protect investors and subcontractors.

I hope to be part of a government that does that.