



Speech by

Hon. Robert Swarten

MEMBER FOR ROCKHAMPTON

Hansard Wednesday, 5 September 2007

MINISTERIAL STATEMENT

Newport Homes

Hon. RE SCHWARTEN (Rockhampton—ALP) (Minister for Public Works, Housing and Information and Communication Technology) (10.07 am): I wish to report to the House on the collapse on 22 August 2007 of Newport Homes Pty Ltd, which is a Gold Coast builder with a significant proportion of its work in Brisbane. Korda Mentha has been appointed voluntary administrators of the company, and the BSA is currently working with the administrator to ensure the best return for suppliers and contractors.

The Building Services Authority is currently assisting homeowners affected by assessing their entitlements under BSA's Statutory Home Warranty Insurance Scheme. Newport Homes has 109 homes under construction mainly in the north and west of Brisbane. About 80 of these homes are between 60 and 80 per cent completed. There are 29 homes where deposits have been paid but construction has not commenced.

I am advised by the BSA that the links that Newport Homes has with nearly 30 marketing companies based in New South Wales may well have led to its collapse. The four marketing companies with the most ties with Newport are Modern Equities Pty Ltd, Reliance Capital Pty Ltd, Darren George Properties Pty Ltd and Encompass Professional Services Pty Ltd. I am advised these New South Wales marketing companies source investors and claim a commission of between \$25,000 to \$35,000 per construction contract from Newport Homes. The owners negotiate and sign a contract with Newport Homes at which point the commission is payable. The BSA is analysing the relationship of the marketing companies to Newport Homes. It appears that excessive commissions are the main reason for the collapse.

I am advised by BSA that over the last 18 months there have been a number of Queensland building company collapses caused by excessive commissions being charged by marketing or wealth creation companies. One example is SNS Developments Pty Ltd from Mackay, trading as Laguna Homes, which also collapsed. The BSA has to date paid out \$3.2 million under the Statutory Home Warranty Insurance Scheme. Contractors should be very, very cautious before developing close financial links with these marketing or so-called wealth creation companies, as should investors. There is clearly a trail of misery and the BSA will get to the bottom of it.