

April 6, 2020

The Hon Karen Andrew MP
Minister for Industry, Science and Technology
Parliament House, Canberra ACT 2600

Dear Minister Andrews

RE: REQUEST FOR URGENT ACTION TO SECURE BUILDING PRODUCT SUPPLY CHAINS AS A KEY PART OF CORONAVIRUS CONTAINMENT PROVISIONS

I am writing to request the urgent use of every legislative and regulatory avenue open to your Government to help secure the building product supply chain as it struggles with the financial fallout related to the COVID-19 pandemic.

Specifically the Building Products Industry Council (BPIC) is seeking the imposition of both a moratorium on the withdrawal of 'Trade Credit' insurance by underwriters, and a moratorium on 'Liquidated Damages' provisions within construction contracts, and for this to apply for at least the term of the Government's Staged Restrictions being imposed on communities and businesses.

We have already seen financial conditions deteriorate to levels not experienced in decades. Forecasts suggest that things are likely to deteriorate even further in the next few months before a recovery is even possible. It is critical that building product supply chains are secured so they are able to play their part in the recovery.

BPIC wishes to advise you that NCI, QBE and other insurers have taken an axe to Trade Credit insurance by dropping cover across the board to 50% of pre-COVID-19 levels. If this action and projected further reductions by insurers continues, it will bring the supply of building products to an abrupt halt, despite the sector having ample manufacturing capacity to supply the sector during this time. The actions of these insurance companies will see billions of dollars of cash disappear from the construction industry overnight because finance companies will not lend against uninsured debtors. QBE and other Trade Credit insurers appear to be undermining the key business hibernation and recovery policies that the Federal and State Governments are trying to implement.

At the same time Liquidated Damages' provisions within construction contracts which require suppliers and fabricators to pay contractors a sum of money for a delay in the delivery of materials, are being triggered because of social distancing and stringent on-site hygiene measures creating mismatches in delivery timeframes both from the demand and the supply side on sites.

BPIC is strongly of the view that Government should play a defining role in securing Australia's building product supply chains by placing moratoriums on Trade Credit insurance policies and Liquidated Damages provisions backdated to March 1, 2020, similar to what it has been applied to commercial tenancies.

BPIC thanks you for your consideration and we look forward to your urgent response.

Yours sincerely,



Rodger Hills
BPIC – Executive Officer