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## MEDIA RELEASE

### **Home insulation installers and manufacturers to pursue \$100m class action against Commonwealth Government**

Installers and manufacturers of home insulation who lost millions of dollars following the collapse of the Rudd government's home insulation program in 2010 have obtained funding to bring a class action against the Commonwealth Government.

The class action is being run by ACA Lawyers and McLaughlin & Riordan and brought on behalf of installers and manufacturers of home insulation companies established before 3 February 2009, when the program started as well as manufacturers, installers and distributors which were established after the HIP start date. The firms represent clients with claims exceeding \$100 million.

Mark Farrell, partner of McLaughlin & Riordan, says hundreds of businesses that were operating successfully before the start of the program lost millions of dollars or were forced to close down because of the Commonwealth's failed management and sudden closure of the program in February 2010.

"These were honest, successful and well established businesses that were operating well before the Rudd Government started the HIP in 2009. But just on a year later, when the program was suddenly closed, many were forced into bankruptcy," Mr Farrell said.

"This was not because of their mismanagement but because the Commonwealth Government failed to deliver on its commitments."

The Rudd government established the HIP in February 2009 and it was suspended in February 2010 after the deaths of four workers in NSW and Queensland.

When the program was cancelled there were some 7,000 registered installers across the country and approximately \$1 billion was left in the HIP budget.

At the time, 1.2 million homes had already been fitted with insulation but businesses had purchased stock and engaged staff expecting to deliver insulation to 2.7 million homes.

As a result of the Commonwealth's early termination of the HIP, many businesses suffered loss and damage.

The class action alleges that the negligent design and implementation of the HIP from January 2009 led to major investment by well-established insulation businesses to meet a 15 fold increased demand. It also alleges that numerous new insulation businesses were established to answer the government's call to help meet that demand.

The lead claimant in the case is Matthew Hannam, Managing Director of his family's major insulation businesses in Queensland which was one of those urged by the then government to invest in a major expansion, only to be left with worthless assets. (*see attached claimant summary*)

Mr Steven Lewis, Principal of ACA Lawyers, said major cases like this class action play a critical role in providing access to justice.

"Over the course of the failed HIP, not only was there tragic loss of life but hundreds of respected and profitable businesses, large and small, were left in financial ruin," Mr Lewis said.

“They had put their faith in the Commonwealth’s ability to run the multi-billion dollar scheme, many invested their life savings to be part of the program, only to find themselves ‘hung out to dry’ virtually overnight when the HIP was terminated.”

“They have been waiting for some form of justice ever since,” Mr Lewis said.

The class action is being funded by Harbour Litigation Funding. The funding will be subject to the condition that a sufficient number of businesses join the action.

Only legitimate and compliant businesses are eligible to participate. Any business found to have engaged in unscrupulous dealings under the HIP program will be excluded.

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*\*\*\*\* Please see attached a summary of losses suffered by two family businesses who will be claimants in the class action. Other claimants from various States can be made available upon request. \*\*\*\**

**ACA Lawyers** is an Australian law firm that focuses on commercial litigation and specialises in class actions. Further information about ACA Lawyers is available at [www.acalawyers.com.au](http://www.acalawyers.com.au).

**McLaughlin & Riordan** is also an Australian firm with extensive experience in commercial litigation, and which has a long standing relationship with a large portion of the claimant group and a historical involvement in this dispute with a thorough knowledge of the facts and circumstances. Further information about McLaughlin & Riordan is available at <http://www.mclaughlin.com.au>.

## CLAIMANT BACKGROUND

**Lead Claimant: Matthew Hannam, Managing Director and Owner of a group of a manufacturing & installation business in Queensland, (Matsuh Pty Ltd and Roo Roofing Pty Ltd)**

Mr Hannam runs a family-owned company and over a ten year period before the HIP in 2009, he and his family worked hard to expand the business into one of the largest residential retrofit insulation installers and manufacturers of cellulose fibre insulation in Queensland.

Mr Hannam attended every one of the Government's HIP "industry consultation" meetings during the HIP. He warned the bureaucrats at the Dept of Environment during one of these early meetings, that people may be killed if the government allowed untrained installers into the program. He gave evidence to this effect at the 2014 HIP Royal Commission.

Just prior to the HIP, the Hannam businesses had 19 staff, excluding contractors, comprising up to 3 installation teams for the retrofit of insulation products. In response to the HIP and at the insistence of Minister Garrett himself, Mr Hannam expanded his manufacturing lines during the HIP at a cost of over \$500,000. However, when the HIP was cancelled just 1 year into the 3 year program, Mr Hannam's new manufacturing plant was still weeks away from coming on line, leaving his entire manufacturing facility virtually worthless.

### **The Grech Family Story – Auspoly and Ausmalt Pty Ltd, Victoria**

Alfred Grech, aged 68: ***“The collapse of the HIP and the subsequent business failures and severe financial losses have had a devastating impact on myself and my family.”***

Mr Grech built two businesses from the ground up starting in 1998. They mainly manufactured polyester insulation and ducting for installation. Before the Rudd Government's Home Insulation Program, these two companies were averaging roughly \$20million a year in turnover.

Mr Grech considers he had no choice but to participate in the HIP because the insulation industry was his industry. He said the government chose to intervene in the market and if his business didn't use the government rebate and increase production, it would be forced out of that market.

Prime Minister Rudd 'suspended' the program nearly 2 years early and advised that as the suspension was temporary, businesses should hold onto their employees to ensure they were ready to start up again.

“I believed him even though I knew we had too many staff with us. In the second month we lost \$150,000 because of paying staff salaries alone. When the HIP was finally cancelled a few months later in April 2010, the impact was devastating. Our factory warehouses were bursting with stock and finished product that was now worthless. We continued losing money every month. Both companies were liquidated.” Mr Grech said.

“The bank took possession of my family home worth around \$1.7million and also the factory which was worth around \$4million. Machinery that was worth upwards of \$15million was sold at a fraction of the price and some machinery was scrapped.”