

Commerce Commission New Zealand

on:

Residential building supplies market study

1 September 2022



Submission by:

The National Association of Steel Framed Housing (NASH)

NASH is an active industry association centred on light structural framing systems for residential and similar construction.

NASH represents the interests of:

- steel suppliers,
- manufacturers of steel framing systems, practitioners, and
- customers of steel framing systems.

Businesses in the industry join NASH to support cooperative programs for developing the market and industry infrastructure for all light structural steel framing, regardless of manufacturer.

NASH is active in:

- regulatory processes affecting steel-framed housing,
- contributing to New Zealand Standards and the Building Code of New Zealand, and
- working closely with government planning agencies.

NASH:

- supports building trades education and training,
- conducts generic product promotions,
- facilitates technology transfer and product development,
- provides well researched and balanced information to the public.

Introduction

The National Association of Steel Framed Housing membership includes steel manufacturers / importers, manufacturers of roll forming machinery, fabricators of steel framing, design professionals and building trades.

New Zealand has five manufacturers of light steel framing machinery equipment and the majority of equipment / solutions sales are export. Traditional residential framing systems are rapidly being replaced by cold formed steel framing which is uniformly lighter, stronger and of more consistent quality than natural framing materials. Steel is dimensionally stable, isotropic, uniform, non-combustible and resistant to mould and termites.

Steel is infinitely recyclable and cold formed steel framing systems are designed/fabricated around circular economy principles - optimised use of material and enabling repurposing over a building's life time and easily deconstructed for re-use or recycling at end of building life.

[NASH members share a common view that local manufacturing is critical to Aotearoa New Zealand's economic success providing innovative, competitive solutions while delivering resilience in our supply chains.](#)

The post COVID market recovery, characterised by reversals in globalisation, significant disruption of international supply chains and rapid escalation in freight costs, we see our major trading partners prioritising local manufacturing and national resilience. Other countries are rapidly pivoting in response to the fundamental and longer-term economic shifts driven by climate change and developments in the international context to protect existing employment, create new jobs, and ensure future economic growth. Intervention such as the EU's Border Adjustment Mechanisms are being used to ensure environmental bottom lines are protected and to more generally 'build back better'.

New Zealand's transition to a low-emissions circular economy will require a strong local manufacturing sector, not only to make and implement climate mitigation technologies, but also to ensure that circularity can occur with the lowest carbon footprints, while minimising solid waste to landfill.

[Missing from the Commerce Commission's draft report is the role of local manufacturing to enable our construction sector to deliver competitively.](#)

The Commerce Commission's report focuses on competition but is strangely silent on the role of local manufacturing, with exception of draft recommendation 2: better reflect a Māori perspective in the building regulatory system.

New Zealand has local manufacturing which competes successfully on the global scale and not just cold formed steel roll-forming equipment. We have global leaders in industrial

magnetic systems, brass componentry, jet propulsions systems for ferries, stainless steel food and dairy manufacturing systems, and commercial mowing systems, to name but a few.

Given New Zealand's stand out success in these diverse sectors, (along with Rocket Labs of course), and the current failure of global supply systems, why is the Commerce Commission silent on the future role that local manufacturing has to meet New Zealand's infrastructure needs and deliver a more competitive residential building supplies market.

The lack of real action in support of New Zealand manufacturers is leaving NZ economically exposed. The NZ economy is export dependent. Our exports need to meet the country and customer expectations to be acceptable, with those expectations increasingly extending beyond issues of price to include intangible but measurable assurances related to carbon footprint and other environmental costs of production. It is essential that New Zealand's pathway to Carbon Zero 2050 is formed with local manufacturing in mind to avoid unintended economic damage to a sector that is critical for NZ's successful transition to supplying goods and services to higher value markets expectation of a low-emissions circular economy.

NASH's response to Draft recommendations

Draft recommendations to enhance regulatory system

1. Introduce competition as an objective to be promoted in the building regulatory system

NASH notes the Commerce Commissions view that

..... there is scope to place greater emphasis on competition and innovation for key building supplies, without compromising the core objectives of the building regulatory system.

NASH supports increased competition but not at risk of declining quality or placing local manufacture at a disadvantage. Our homes are, for most New Zealanders, our biggest asset. Changes to regulatory systems involve significant risks and NASH cautions the Commerce Commission with a reminder of the 1990's weathertightness issues, where changes (regulations, materials, trades training) resulted in a large number of New Zealanders buying homes which they subsequently had to pay significant repair bills because they leaked!

With respect to quality - NASH are already seeing steel frames/trusses coming in from China where steels are of lower strength and building codes don't have same durability or seismic requirements. These products are non-compliant. Purchasers of these homes are unlikely to be aware of their origin and in event of an earthquake may find their home performs poorly under seismic forces.

With respect to competition - it is government's role to ensure that there is an even playing field - Free and **Fair** trade. New Zealand manufacturers are placed at a significant disadvantage in comparison to Asian manufacturing who do not have to comply with same environmental requirements, health and safety obligations along with subsidised energy, land costs and financial support experienced by Asian manufacturers.

Procurement decisions are frequently based on lowest initial costs, which inevitably result in higher overall life time costs. Replacement/maintenance costs are not factored into the initial purchase by the builder /developer, who frequently exits at point of sale/completion.

Introducing competition as an objective in the building regulatory system potentially undermines purposes set out in Building Act 2004 - the four purposes of which are below:

people who use buildings can do so safely and without endangering their health

buildings have attributes that contribute appropriately to the health, physical independence, and well-being of the people who use them

people who use a building can escape from the building if it is on fire, and

buildings are sustainably designed, and constructed, and able to be used in ways that promote sustainable development.

2. Better reflect a Māori perspective in the building regulatory system.

NASH supports the facilitation of design/construction processes which enable iwi to deliver solutions which meet local needs and aspirations.

3. Create more compliance pathways for a broader range of key building supplies.

NASH supports the development of more productive and responsive compliance pathways. MBIE has signalled a review of the Building Consent Systems taking a broad systemic approach while acknowledging the risks and liabilities. Adding more compliance pathways may not necessarily result in more productive outcomes.

NASH suggests this recommendation needs to be considered as part of the MBIE review.

4. Explore ways to remove impediments to product substitutions and variations.

NASH supports the removal of bureaucratic impediments to product substitutions and variations. Variations / substitutions need to be supported by independently verified evidence that substitute products comply with NZ Building Codes and Standards.

Decisions need to be made on basis of verified technical performance, not because a product is cheaper.

5. Investigate what barriers to certification and appraisal can be reduced

NASH does not support government *contributing directly to the cost of certification and/or BRANZ appraisal*.

Over the past decade NASH has developed their own Standards to demonstrate how cold formed steel framing delivers to critical building code clauses - particularly, B1 Structure, B2 Durability, E2 External moisture, E3 Internal moisture. These practically focused Standards were developed (and paid for) by the cold formed steel sector. In 2019 MBIE cited NASH Standard Part 2 and NASH Building Envelope Solutions as Acceptable Solutions to the NZ Building Code.

Currently further research paid for by sector participants is underway to develop higher seismic performance and energy efficiency performance equivalent to International performance levels.

Working collaboratively across the sector NASH has engaged with MBIE, BRANZ and key stakeholders to ensure research into future solutions meet future market needs.

The attractiveness of product certification and appraisal would increase if the direct cost to product manufacturers and suppliers was reduced.

Suggesting that Government meeting the costs for certification and appraisal is subsidisation and stupid. It shifts responsibility and ownership from those who "own" the product or

solution to the Crown. Why would you do that? It implies the Crown would pick "winners" and pay for certification / appraisal.

Draft recommendations to support sound decision-making

6. Identify and develop methods to centralise information sharing about key building supplies:

1. Establish a national building products register for sharing information about building products and consenting

NASH acknowledges that a national building register for sharing information is attractive. NASH notes that MBIE current reform process is focused on improving Building Product information, with a focus on the manufacturer or importer providing more detailed information.

The scale of such a task - (bringing together all that information) is enormous. Keeping the data up to date would be a significant task with the current rate of regulatory reform across Code Clauses and Building for Climate Change / Adaptation.

It's important to acknowledge that our buildings are complex systems and our world is rapidly changing. NASH doesn't see that this recommendation is efficient use of Crown resources.

2. Establish a BCA centre of excellence

NASH supports the establishment of a centre of excellence as part of the MBIE review of building consent process to facilitate a more timely consenting process. This initiative needs to be well funded and coordinated ensuring that existing BCA's are part of the process - not a standalone isolated initiative.