



1 September 2022

## **Residential building supplies market study: NZ Building Industry Federation Submission on the New Zealand Commerce Commission's Draft Report**

### **1. Summary**

- 1.1 This submission outlines NZ Building Industry Federation's (NZ BIF) response to the Commission's Draft Report.
- 1.2 We address some key points of most relevance to the building supply chain below and in summary:
  - (a) We believe the New Zealand building supply chain is competitive but welcome a formal recognition that competition is to be an overriding and acknowledged part underpinning the regulatory system. In our view we believe that there are parts of the New Zealand supply chain that can be improved, and thus, as we said publicly in mainstream media on release of the Draft Report, we support the intent and overall direction of the Commission's draft recommendations.
  - (b) We welcome the Draft Report's highlighting of related reforms in the building sector such as the Review of the Building Consent System which we also believe needs to be updated and streamlined in terms of providing additional competition into the market as well as also reducing the direct and indirect costs on the cost of housing.
  - (c) It is also pleasing to see that the Draft Report is recommending the need for a national building product register where all information relating to product performance and compliances can be easily accessed by anyone in the construction industry from manufacturers, importers, merchants, specifiers, builders to homeowners. This is international best practice in some markets (i.e. Norway) and leads to significant cost saving, compliance and better outcomes for home owners and the built environment over time.

### **2. Draft recommendations to enhance the regulatory system**

- 2.1 We support any efforts to introduce a greater number of levers and improvements to the regulatory system which leads to more efficiency. There are always ways to do things better and continuous improvement should be part of ensuring we have the most effective operating environment for every aspect and participant in the building supply chain.
- 2.2 New Zealand has six merchants for a market of 5 million compared to 2 merchants in Australia and apart from how this demonstrates a robust level of competition in our market, it is also illustrative of the unique geographical challenges that make our country a hard and costly place to operate in without scale.
- 2.3 We also support a regulatory system that takes appropriate account of a Te Ao Māori perspective.

*Introduce Competition as an objective to be promoted in the building regulatory system.*

- 2.4 Robust competition is the key to unlocking innovation and making it possible for new products to enter the New Zealand market. New, innovative products must of course still be subject to meeting the same standards required under the Building Code and wider building regulatory system to deliver quality homes and buildings that are safe, healthy, and durable.
- 2.5 Competition as an objective should affirm and encourages more efficient behaviours and practices in the building regulatory system but not at the expense of ensuring homes and buildings are safe, healthy, and durable or other unintended consequences.

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

- 2.6 We are in favour of updating the ways in which more Acceptable Solutions and Verification Methods as well as developing guidance for key building supplies that identify the appropriate Building Code clauses – we are aware of the added delays and cost over the years when applications are not completed correctly leading to rejection at the Building Consent Authority (BCA) level for non-compliance.
- 2.7 We also believe that making it possible for international bodies to certify products as compliant with the NZ Building Code as well as against other Codes has potential benefits in making it easier to introduce new and competing products. However, we do urge that this is only done only after requisite scrutiny by suitably qualified technical experts to ensure that there is no dilution or ‘dumbing down’ of New Zealand’s certification standards that continue to protect all parties in the built environment through the adherence to delivery of homes that are safe, healthy, and durable.
- 2.8 Ultimately, if New Zealand is to allow the adoption for other international bodies to certify products as compliant our NZ Building Code, then NZ BIF contends that there must be a Govt / MBIE framework that there is a high degree of consistency of certification standards across all certification bodies.

*Explore ways to remove impediments to product substitution and variations*

- 2.9 Based on costly mistakes in New Zealand’s recent past, we understand why BCAs are inherently cautious to accept any variations to a building consent. However, we do support, in the interests of reducing any additional costs and time delays, that BCAs are given much more detailed and comprehensive direction about what constitutes a ‘minor variation’ to a building consent. This guidance from MBIE must be clear on the conditions and terms by which product substitution can be made in a way that achieves full compliance in a streamlined and uniform manner.
- 2.10 While we acknowledge that there are some drawbacks to the “tried and tested” approach by BCAs to consenting, we do not think that any change should be overly draconian or prescriptive in not allowing specification of products or brands. If there is both a use of a generic product category such as glass wool insulation in conjunction with a brand specification if this is what a specifier has determined it is necessary to include as part of a wall or design system. This seems logical and would not have any unintended consequences such as limiting the range of design choice available to homeowners.
- 2.11 NZ BIF supports minor substitution where this between products but not where it involves changing products that are part of a system. The Building Code recognises that a system is a collection of building products that provides the performance required by relevant clauses for example fire resilience, acoustic, or moisture prevention qualities. In most cases a building system will only deliver the requisite performance if several different but complimentary products all work as one.

- 2.12 It is important to realise that many building systems are designed and tested to perform as a totality of many component product parts constructed in a particular way, and in many cases, manufacturers have only guaranteed the performance of these products if they are utilised as part of an approved system.
- 2.13 If a clear direction about what constitutes a 'minor variation' to a building consent can be developed by MBIE, and we believe it can, as opposed to requiring pre-emptively architects and designers to provide this information up front which would be cumbersome and onerous. Direction only needs to apply when a minor variation is required on a case-by-case basis as a logical and value add intervention that is appropriate to deal with the potential issue.

*Investigate whether the barriers to certification and appraisal can be reduced.*

- 2.14 We agree with the recommendation that the CodeMark and BRANZ approval process require significant time and cost which is a barrier or disincentive to the entry of new products and so there would be a benefit to introduce a streamlined certification process for low-risk products and review the cost structure of the scheme.

### **3. Draft recommendations to support sound decision making**

- 3.1 We agree with the Commission that there is scope for improving decision making in the certification and consenting processes.
- 3.2 We therefore support the Commission's draft recommendations to establish:
- (a) a national key building products register as a centralised repository for sharing information about building products. However, NZ BIF recommends that only building products tested and approved for use in NZ can be listed on the register.
  - (b) and a BCA centre of excellence to facilitate a better co-ordinated and enhanced approach by BCAs to consenting and product approval processes provided it is universal to all building products, funded by the government and that the costs are not passed on to consumers.

**Yours sincerely**



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**Chief Executive**