

“Marathon to fix a severely broken market has started”

Submission to Commerce Commission, Residential Building Supplies Market Study

Summary Points

Monopoly Watch thanks the Commission for Considering the views of MWNZ and applauds the Commission’s professional report, which is a sensible use of taxpayer’s money, because it will start the long journey of lowering costs in the \$25bn construction industry.

It will also hopeful be the catalyst to further work and studies in this complex and multidimensional social housing assembly industry. Further work has the potential to move NZ from the lowest position in the OECD in terms of housing construction costs, to a top 10 position by the 2035.

We believe the focus on reform of the regulatory environment and the regulation of building materials is commendable and we look forward to these recommendations being sanctioned and delivered on .

MWNZ is concerned that the recommendations in some parts of the study lack numerical targets and as a consequence won’t be deliver results (See Section on Recommendations) .

In particular, there is no international comparison on what OECD peer group countries build social houses for, or what international best practise is . Its frustrating to see a lack of financial analysis in OSM economics at scale and no review of international plasterboard prices and (time to install) metrics .

We urge the commission to catalogue the impact of building materials competition on productivity, labour accounts for 75% of the cost of building, when building materials compete in a multi-product market , they usually compete on time to instal as well price and quality , This is the most important statistic in this market study . We will explain our points in our submission.

We urge more groups who don’t have an interest in the status quo to participate in public policy reviews of lowering construction and housing costs, so NZ can lead the OECD rather than be the most embarrassed. Its notable that many kiwi interest groups complain about housing costs, but too few are offering solutions for a better pathway.

MWNZ believes that this report coupled with the supermarket and fuel market studies illustrates the need to restructure and reform the ComCom. Such is the significance of the volume of broken markets in NZ , which in part will be resolved by section 36 of the Commerce Act , that a structurally reformed Commission is required to resolve these matters (see Reform of the Commission) Because section 36 reform is mentioned several times, its impact can’t be understated , hence the relevance , in reforming the body monitoring this .

The key themes being revealed now the ComCom is on its 4th Market Study (Telecommunications (2008) Fuel, Supermarkets , Building Materials) are very similar , in a dominant player leveraging its market power to prevent competition and behaving in a manner which is illegal in most other jurisdictions . Fixing broken markets in a small country requires more than legal and economists skills, it requires financial skills and game theory knowledge. We urge the commission to expand these skills basis and to build a specialist department called, " *fixing broken markets team*".

We urge the Commissioners to peer review the analysis of Vertical integration, as we think this analysis is wrong in the draft report and peer group regulators would address this problem by structural separation, in other markets. Particularly around the awarding of government contracts. The Commission is being gamed by incumbents and confusing Vertical markets in building materials, Verus ,Vertical integration in assembly of social houses .

To make this study a success the Commission must answer the question in its final report why it costs \$3500 a meter to build a social house in NZ and it only costs \$1100 internationally.

General Comments on the report

- 1) We applaud the call for reform of BCA's and Materials regulation.
- 2) We applaud the call for purpose statements of "competition "to be used with compliance authorities statements.
- 3) We suggest a final report focus on publishing a chart illustrating the changing statistics and evolution of this sector, particularly the change in housing starts, and the massive scale up of Govt house building through Kainga Ora .
 - a. There are a series of strategic successes which are noteworthy which don't seem to get coverage. They impact this study because the knowledge basis of the industry impacts competition Not only have housing starts doubled, but the government participation in the sector has catapulted from less than 100 houses being built a decade ago to over 6000, now , with a faster rate being planned . Its not illegal to call the governments intervention into the housing market a successful embryo . But what is required now is fine turning of its procurement and costs of construction ambitions .
- 4) International Benchmarking needs to take place. On many parts of the report , particularly in Green metrics, cost, price per Sqm and quality .
- 5) A Definition of what is the problem the ComCom is trying to solve needs to be formulated and published. Our guidance to the Commission, is the summary of price per sqm for New builds . Construction has 1000 components, (death by 1000 cuts) and sequencing, planning and labour management lead to the best outcomes,

without a metric to manage costs and make choices on what style of government procurement, there is no accountability , we urge the Commission to add this information to the final report .

- 6) **The Commerce Commission officials**, must be encouraged by the Minister to get on the plane and travel to study first hand how other regulators work and what is international best practice. Given the importance and size of this industry, MWNZ believes substantial travel and benchmarking would be in the interests of a superior report and more detailed analysis.
 - a. **We suggest the Commission travels** to Toronto , Leicester , Houston, San Francisco , Osaka , Brisbane and Pita (Sweden) and Stuttgart to look at OSM house building projects and best practise social house deployment . Then benchmark the costs into this report .
- 7) What does international best practice on BCA's look like , - this is an important question ahead of a reform ?
- 8) Why is competition between Merchants, missing the most important point in the enquiry, (*Scalable OSM players and scalable builders don't use merchants , they buy direct*) – This is fundamental to the hypothesis of this report . Please reference the supply chain chart in the ABC submission.
- 9) What has been achieved and learnt since the government has intervened in the social housing construction program of 2017 – 2022 by Kainga Ora . This needs to be documented and canvased, there is more progress than just building houses, a entire ecosystem has been built. This impacts this market study as the scale in which Kainga Ora is building can change a market structure by the request of government officials and a cabinet meeting .

Specific Materials and Analysis Comments

OSM

We applaud the canvassing of how important this area is, and how it's a pathway to lowering costs.

We feel the final report should have the following estimates and recommendations

- 1) How should government procurement systems assist in initiating OSM at Scale?
- 2) Vertical integrated Materials distributors and manufacturers, should they be excluded from govt sponsored OSM contracts?
- 3) What is the scale and order pipeline length required to finance international quality OSM
- 4) What price reductions in costs could be expected from a successful NZ scalable OSM program

Comment:

- 1) We note the Commission's comments in **8;53.5** (page 209) "*over time*" OSM can distrust the established industry (MWNZ question is what is that timeframe ? and what are the conditions.
- 2) We note the reduction of regulatory barriers to OSM , we suggest a section of " what is required by central govt procurement systems to meet scalable OSM targets "
- 3) We suggest an international benchmarking segment illustrating how other governments have mandated OSM at scale in social housing and government building (Singapore) being the best example
- 4) We don't think its satisfactory that the ComCom mention "*a challenge is achieving scale*", we think the final report should mention "what is scale " , what capital and what order pipeline is required to make this work.
- 5) We are disappointed about the lack of linkage between OSM and the changed intensification zoning to allow 3 story walk up town houses on old ¼ acre section lots in many of the urban and suburban areas. This new site zoning is a dream for OSM operators but governments controlling the foundation scales need to configure this. We believe the final report should mention this and set targets for OSM on these new sites. (*lack of joining the dots in a fast moving industry*)
- 6) OSM will usually reduce waste by up to 80% and turbo charge the pathway to carbon neutral because of scale and independence in their own supply chain. For this reason, more targets and metrics would be useful in the final report. (these numbers will come from international benchmarks)

Comments on Structural Timber

We would like to see some understanding of game theory in the final report, and also how capital is attracted to the important CLT and LVL markets.

Government procurement has been intellectually lazy in figuring out what the capital structure of the structural timber market is , and who has "lowest cost status".

Government officials inside the ComCom, need to understand the capital capability of the smaller players who don't have scale (and as such are pyrrhic competition) , we urge the commission to re think again what a 40% , 40%, 20x 1% market structure looks like in a capital intensive industry .

MWNZ believe that govt LVL and CLT budgets should be set to assist with de carbonising.

Comments on Merchants

We feel the final report should have more granular detail on business (and size of the that business) , to consumer DIY sales in the 5 major merchants . The ComCom have experienced & witnessed accommodating behaviour amongst the merchants (Cook St PlaceMakers 2014). The MWNZ position is that Bunnings and Mitre 10 are mainly small scale and DIY , with a largely different sales mix to the commodity / Market structure driven Carters and PlaceMakers .

We also note that similar to other industries there should be asymmetric rules for those with Market power, to those who don't have it . Restrictive Covenants help consumers, when they are implemented by a challenger, they hinder competition when its perpetuated by a high market share incumbent. . There is poor literary of this. (We think this is a substantial concept given that the ComCom have 20 years ahead of them fixing broken markets)

MWNZ requests the commission secure a second & 3rd opinion on whether vertical integration is a problem in materials. We think it is , because of distribution asymmetries by challenger products . Fletcher Shareholders for almost a decade were told that cross business unit subsidies where the reason why the vertical construction units quoted such low pricing on (Convention centre & similar projects) . In the EU community vertical integration rules exist . This error needs to be fixed for the final report.

3rd party game theory economists need to be consulted to review the “incentives that a distribution company like PlaceMakers and Carters must stock completing products.

It's the MWNZ position that Carters and PlaceMakers should be ownership divested from their parents to create incentives to stock choice. It is no secret that the big gateway KBS products like Plasterboard are used to find out what the big projects are and participate in them , also to groom customers (like banks and telecommunications companies do) (send their small unprofitable customers to the new entrants and small challengers and secure all the big profitable clients . Of course Fletchers stock elephant board, Fletcher CEO will dance, sing and pray !! , sure everyone is lovely !, its just never sold and no rebates are paid . Vertical Integration needs to be reviewed.

Its the MWNZ position that better game theory analysis needs to be done with the merchants and the impact that ITM (98% trade) , has on Fletcher and Carters.

Comments on Plasterboard

The following issues aren't considered and need to be studied and included in the Final report .

Item	Impact
International price point difference	In the EU plasterboard is 10x cheaper
Installation time differences	In international markets easier installation systems mean suppliers compete on installation systems.
The impact of the "over serviced "distribution system	Over service is a technique to protect of a monopoly . Its not illegal , however it does damage consumer utility , because in this case the productivity costs are not being factored in.
Should challenger operators be able to provide rebates	Should there be asymmetric rules around rebates, Market power definition needs to be crafted simultaneously to reviewing rebates.
We believe that the capital intensity of the Fletchers budget of \$400m for the New Tauranga plant is misleading	We think the ComCom should make its own enquires as to how much a plasterboard plant costs and what the transport costs are for imported board .
Further detail be provided about the cost and profitability of installation systems	Its essential that the final report include international benchmarking in productivity differential for more competitive plasterboard markets (and other products if possible)
Plasterboard is a gateway product, its ordering and sales provides superior market intelligence of where the big scalable projects and orders are .	<p>The vertical integration problem should be re-examined considering the benefits of dominance in gateway products.</p> <p>The plasterboard market is replicated in other downstream less visible products. The KBS impact is huge strategically</p>
Market Power review	Too much emphasis in the draft report was on the regulations and specification, not enough on the impact that network effects and market power had , along with marketing lubrication from rebates , parties , and training courses
Hawkins plan to import BPB (British Plaster Board) , in 2008 ,	The final report should have a case study catalogued as to why this group weren't able to make a success of this project . The CEO of this project is available for discussion and statements
Kanuf Withdrawal from the NZ market	The final report should have a case study as to why this group pulled out . The CEO of this project is available for discussion and statements .
Elephant Board	The Final report should have a case study as why NZ's longest serving competition here , hasn't been able to break through 3% market share in plasterboard

Comments on rebates

We urge the commission to look at the full suite of benefits provided by the suppliers and installation teams of plasterboard in NZ , including , conference sponsorships, training days , entertainment , personal services , international “*holiferences* “ (a Swahili-Shona word for a holiday window-dressed as a conference) cash rebates , discounts , finance , and sporting tickets.

Comments on “Capital literacy” of the report

Its been proved that the market isn't; working for consumers, or end users of building materials. Its also been proved that kiwis suffer by paying approximately 4 x the international price for the construction of economy segment houses. (excluding land) . Its absolutely imperative that the Commission understand the impact of Govt contracts on competition and capital formation , too often Govt Contracts reinforce dominance and the capital structures of the incumbents .

To fix the broken market will require

- 1) Change in market structure
- 2) Incentives to deploy capital in new places
- 3) An understanding of where big blocks of capital are required with missions to participate in uncertain markets

MWNZ would like to see more advanced capital literacy in the final report, noting the following

- 1) It matters that there are no really well capitalised house builders in NZ, who have scale , and a decent recourse balance sheet . (there are none)
- 2) It matters that there is no capital in small scale sawmills that require capital access to LVL and CLT plants and modern efficient saw mills , to facilitate competition .
- 3) It matters that small capitalised entities are concerned about pocket pricing and the ability of incumbents to pocket price (Pink Batts case)
- 4) We need budgets and prescriptive numbers for OSM plants , and scalable distribution of new plants .
- 5) We felt the concrete case study, should have highlighted the capital position of the challenger, and completed a series of tests to see if it's a like for like challenger or merely a healthy dwarf

Comments on Vertical integration

This section needs to be repeated and reviewed, its MWNZ position that a peer review of this , would alter the recommendations to promote structural separation of distribution from manufacture , particularly as there is no scale in assembly of economy segment houses.

Comments on what is the problem the Commission is trying to solve.

It's the MWNZ position that every chapter of the final report is pulled back to the test of how construction costs are lowered by these recommendations. Where is the competition on price, innovation and productivity coming from? And what areas are the top priorities.

The problem is called social housing construction costs (or affordable (economy segment) , housing construction costs. No one gathers around the summer BBQ to discuss the cost of nails, building paper Plasterboard or 4x2 structural timber, everyone uses the price per sqm finished number or "the costs of construction "

That is why working on benchmarked numbers would be helpful in the final report , because a successful final report will have a clear and present pathway to lower costs, improved productivity and the next unit of study by the commission to work out where the industry needs reform to achieve internationally benchmarked costs .

Where is the response in the Fletchers submission of how they would achieve construction costs at the international benchmark price .

Comments on WHAT are MWNZ best ideas to solve the problem in which competition in building materials will lead to reduced construction and refit costs for NZ housing consumers

- 1) Set targets during this market study (at the construction and benchmarking level)
- 2) Continue the process , by virtue of the size of the industry , not everything can be fixed in this study, The Commission should publish its wish list.
- 3) Review international best practise in social house assembly, and add new materials to review as case studies , these could include , Aluminium windows , productivity , roofing systems , retrofit costs, EPC ratings.
- 4) Complete some international benchmarking on best practice in social housing after and international tour .

Comments on research from 32 International house building factory tour

Between May 2017 , and Dec 2019 , visits were made to 32 international house building factories (contacts available on request) , to study international best practise on the assembly of Social houses . A summary of major findings is attached

- 1) Most international social housing agencies internationally, build houses with contractors who are specialist social housing assemblers who build in excess of 5k houses a year
- 2) Some social houses are built as a consequence of securing town planning consents for luxury developments, on these projects the expertise of the premium developers transfers to tremendous outcomes in building “Economy “social houses.
- 3) Almost all OSM facilities had scale of 3k + units PA
- 4) All OSM facilities did not use builders’ merchants and brought materials direct from manufactures (substantial *difference from NZ where Merchant Margins are incurred by even scalable group builders*)
- 5) Vertical integration of the assembly process mean minimal use of subcontractors (substantial *difference from NZ as no Margin on Margin*)
- 6) Average weighted cost per sqm was \$1200
- 7) Most Factories had circa \$150m worth of capital
- 8) Most operators had difference styles and configurations, but essentially all plans came back to standardised 3 – 5 platforms.
- 9) Average Minimum Scale was 2000 houses PA and capital investment Circa \$200

Comments on potential to reform the Commerce Commission

MZNZ judge this topic is relevant , because of the substantial changes in the Commerce Act , permitting market studies and changing the monopolisation test in Sect 36 of the act .

These changes will evolve market structures if change occurs, without a change to the Commission, there won’t be the resources or expertise to leverage these changes for the benefit of consumers .

Fixing broken markets which have benefited from the most benign competition law for over 35 years , is a unique bespoke skill , which requires financial engineering skills and requires focus . The existing parts of the Commission, Compliance, Surveillance, regulation and leadership , are quite different from “ *fixing broken markets* “ and undoing consolidation which would be illegal in many other markets NZ size .

Kiwis have been groomed by those large NZ companies who have market power , that NZ is too small for competition , and that scalable monopolies are the best way to serve the kiwi interest. This leads to poor or no innovation ,high prices , no investment in efficiencies and disastrous results when Kiwis invest in overseas ventures as they don’t know how to compete.

MWNZ advocates for a name change to ensure Consumer , is in the Commissions’ name (*Aotearoa Komihana Kaihoko Tauwhaingā* (or Whakataetae) .(Aotearoa Commission for Consumers and Competition).(* still in consultation with Te Reo experts from MWNZ)

Its essential more consumers and consumer groups have more participation, participation and the commission builds skills in financing broken markets and game theory . A noticeable learning from the Supermarkets market study was for the first time a senior Commissioner

(Commissioner Dr J Small) asked “*what will it take to get a new entrant who can expand*” rather than the traditional question of , “*what are the barriers to entry*” . This question was asked in reference to how many stores , what market share and scale and how much capital was needed to make a meaningful difference to consumers

This question was the most arguably the most important question to consumers of the supermarket study , but it was never published in the final report . To answer Commissioner Smalls Question substantive research on , scale , distribution , retail stories and game theory reaction of incumbents was needed , But more specifically a financial model was needed of what a 3rd operator looks like on a like for like basis .MWNZ research and modelling suggested that a internet operator only , without like for like retail stores divestment would not work because of the requirement for scale on day one , to secure price competition .

Game theory knowledge and financial modelling skills were not available, as Competition law evolves and changes, so must the skill set of the commission .

The relevance of Commissioner Small’s comments to the supermarket study ,is that we ask him to ask the same question at the Building Supplies Study “ what will it take to get a new entrant who can expand and fix the social house construction market “.

Comments on the Government participation in the market for building supplies

We urge the commission to fish out the empirical data from the Kainga ora Media Team and model up what it means for the NZ industry and in particular in reform for best practise internationally. We urge the commission to remove emotion from the media frenzy of Kiwibuild stories and analytically focus on the size , scope and impact of this government intervention in the broken affordable (social) house building market .

Core Concepts

Kainga Ora the Govt owned Social housing company has moved the dial from 1421 new house builds in 2017 to 6421 in FY 2023. Kainga ora is the most scalable builder by a factor of 6x , and represents approx 12% of all consents .

The housing crisis and media fire-thunderstorm, surrounding the evolution of this agency means tremendous misinformation and has flowed to the private sector supply chains and contractors.

This Commerce Commission report is now the time to reflect on the fact the government is back in the house construction market after a strategic absence of 30 + years, now is the time to reflect on the successes of building the new organisation Kainga ora and its unique kiwi persona and review international best practise in social housing and green carbon zero pathways in housing.

Not only has Kainga ora built houses , but they have also built an organisation and built new expertise across the country in social house construction , with high standards and great quality buildings . There is much to compliment Kainga ora , about , (particularly H5 Baseplate specification and internal waterproofing protols, passive heating , rainwater recycling etc . However new targets on price , speed and green quality need to be set .

Now is the time for another govt agency to peer review Kainga Ora materials strategy and its costs in comparison with similar scalable groups Essentially the Taxpayer is financing this govt agency . We think the following areas would benefit from a review by the commission

- 1) What is the price per sqm for peer group social housing agencies across the OECD
- 2) What is the game theory outcome of having competition in merchants and suppliers
- 3) An important Game Theory angle in Kainga Ora Procurement exists and is synergistic with the study of merchants, the MWNZ numbers show that in the trade market its 42% , 41% , Fletcher / Carters/17% ITM , (Mitre 10 & Bunning largely DIY)
 - a. ITM is not vertically integrated like the larger 2 , and as a consequence always miss out on national deals and larger projects, however, ITM is providing all the competition as a consequence of the big 2 have complementary and synergistic product offerings .
 - b. Kainga Ora need to respect this competitive dynamic and actively look to feed (allocate 30% of its purchasing) to ITM as it will be able expand its product range and leverage competition , (ie provide a new plasterboard Etc etc) and promote products which compete on time to install . (similar to the Data communications business, whereby all the competition and price reduction and productivity comes from the 3rd operator –2D /Vocus business . Govt procurement should fertilise the 3rd operator with a decent chunk of business, to drive strategic outcomes for the entire community.
- 4) Kainga ora board carries a tremendous burden, with its responsibilities to its tenants , communities and its stake holder , MWNZ assert that its reasonable to ask should it also be tasked and transformation of the construction markets ,? And if so what is its formula for fixing this. By its sheer scale, this is the impact its having. The ComCom Final report , must publish a problem definition as well as a road map for continued work on construction affordability . We note the fabulous work vested interest groups like the Building Accord and the Building Industry Federation have done , - But no Discussion of how to reduce Costs !

We urge the Commission to take a leadership position on industry reform to deliver lower construction costs , via more competition , more innovation and a better market structure.

What we would like to see in the final Report

Reference to Draft Report	Comment	Reference and resolution
What is international best practice in social house assembly	The Draft report is a commendable start, of a complex subject. Consumers want to know what a realistic aspirational target for construction costs is, and how much pricing could come down (MWNZ target by 35%)	10 benchmark countries can be used (Ire,Den, Swe, Fin, Nor, UK, US, Sol , Au) etc The best countries are the similar sized similar economies of the EU
Scale OSM Investment criterion	OSM is no silver bullet, but it's a successful step forward for lower costs, less waste and lower carbon foot print	Its essential that the final report sketches out some draft numbers, to catalogue what needs to happen to secure scalable , reduced cost basis OSM
Plasterboard capital costs	3 rd party verification of how much a plasterboard plant costs	MWNZ believes a plasterboard plant can be built for \$75,m the Fletcher number needs 3 rd party verification
38 OECD countries have similar BCA processes	International comparison matrix in BCA protocols and costs	This is such an important issue we need Commission Staffers to get on the plane and study first hand the best 5 and publish this in the final report
What is a sensible definition to use in segmentation of different housing systems	Segmentation documentation and leadership in drawing lines on Luxury, Premium , Economy & renovations . in Housing. The simple folk at MWNZ only understand 3 market segments, Economy ,Premium & Luxury . the problem is that in NZ we use premium house build systems to build economy houses, - that's why we pay 4 x too much for entry level "affordable houses "	NZ is the only country in the OECD without a scalable Social house assembly industry . NZ only started in 2017 building affordable houses at scale , Because No industry existed in NZ, Kainga Ora use luxury house building techniques to build its houses.
Market shares in Merchants	We would expect to see a break out of Market shares by Trade , DIY and Scale of accounts	Much more granular analysis of the components of the customers and trade v DIY scale need to be included in the final report
Margin on Margin Analysis (ComCom must look at CCC producer statement culture which increases Margin)	A diagram needs to be prepared showing the difference between NZ v OECD	There is a merchant intermediary problem in NZ for economy segment builders, in that everyone uses merchants and subcontractors

EPC rating introduction	Impact of EPC (Energy performance Certificates) ratings in amount of construction that needs to be done (EPC is a rating given to a building in order for it to be sold or rented) , while its illegal to rent a house with under a D EPC rating , the second hand house market delivers sensible market based signals which help introduces this change .	Its inevitable, that EPC ratings (or similar) will be introduced in NZ , they are common in Europe . Just like the ending of petrol and diesel cars, there is a long 15 year runway to make this change. Similar discussion needs to take place in the final report , as it hugely effects how OSM is introduced and what the Refit v replacement market looks like for houses to secure the inevitable EPCs
Rebates and incentives for inferior products	Impact that rebates and misinformation allow Acqualine to be used in shower boxes in NZ, where they are not high enough to be used internationally.	Its strategic that in wet lining areas (particularly in shower boxes), that Aqualine is used , its illegal in many other jurisdictions , its noteworthy Fletcher residential doesn't use it .What it does it reflect that these rebates are fracturing quality building systems
Replace the word Tried and Tested	Inert the word <i>"those incumbent materials which benefit from Network effects, market power and weak competition law"</i>	We believe the Commissions language is bizarre, Kuanf's products are tried and tested , and most of the competing materials , this T & T , language is incumbent manipulation of the commission

What are the main numbers and numerical targets that need to be set

Reference to Draft Report	International benchmark	Where to source and Reference the numbers and benchmarks
OSM targeted cost reduction	OSM at Scale reduces costs by up to 40% and reduces waste by 80% , the average OSM plant needs \$200m in capital and an order pipeline of circa 10,000 units , = These operating metrics need to be researched validated and published	We feel that the final report should catalogue international best practice on social house OSM construction. Leadership in a highly regulated market comes from the government and big customers, in this case the Government is also the biggest customer.

Relationship between competition and Productivity	Impact of productivity in installation of more competitive plasterboard markets In more competitive markets Panelisation has advanced from pre cut (which is popular in NZ)	More competition in structural timber would lead to better environmental outcomes
Benchmarks in OECD	List of top 10 peer group countries costs of social house assembly on per sqm basis	The EU commission publish benchmarked data, , this needs to be included in the final report
International supply chain comparisons	\$ of social houses built internationally that do not have materials invoiced via merchants.	A new supply chain chart needs to be published, which shows SCALE , SCALE and SCALE , in NZ ,
Differences between 2017 , and 2023 the Government became the	We believe there needs to be more empirical analysis of the impact of Government procurement in the housing market building materials markets, both now and for the next decade	Additional paper on the scope of the study required the Commission to look at this and the impact

Sustainable and Green building Points in the Final report

We urge the commission to work with the Green Building Council, MWNZ and ABC and other consumer groups and agree a draft pathway to affordable EPC ratings in NZ houses within a 20 year time frame, We urge the setting of green targets , including recycling of NZ native timbers . The use of OSM, CLT and LVL should also have targets set , and a discussion on whether its time to take back control of the NZ forestry industry needs to be canvassed.

We feel Green Buildings Recommendations should cover the following items

What is the pathway to an EPC style rating for all NZ homes.	The final report should proposal a draft date for discussion on when EPC ratings are introduced to NZ houses, New , and Rental and retrofit
What is the impact of OSM for new build and retrofit economics in the new EPC environment	The final report should deliver some empirical draft targets for OSM , which are benchmarked to OECD best practise , in particular Carbon and Energy use benchmarks . EPC ratings are synergistic with OSM and the recent new land zoning in our cities, the ComCom must try to unlock these synergises in their final report
How will market forces impact the prompt introduction of carbon neutral construction & High EPC ratings	A regulatory system will reward investors, its easy to understand why Electric cars trade a premium , they are socially desirable but also more economic. – They are rated, A rating system on Green building systems and EPC would enable the secondary market to reward investors , and therefore speed up the penetration of new materials and new applications (Ie High EPC rated houses would trade at formal premiums in second hand sales)

Comments on the recommendations

We request the Commission to deliver leadership to the industry and work in consumers interests be declaring a ratings target or some financial targets, safe , healthy , and Durable homes need to be built to a target metric associated with Price NZD \$ per sqm ,and carbon target , and EPC ratings , along with a position in OECD social house rankings on these items .

We request the Commission to deliver leadership associated with discriminating where regulatory processes need to be reformed, but also market power curtailed .

NZ taxpayer pays 4x the cost of construction that is the best international benchmark, and NZ is in the bottom quartile of Green Building delivery, there is much work to do to transform this. The final report should promote a transformation process which is not financed by vested interest incumbents and one which runs for the rest of the decade.

Thank you for Considering the position of Monopoly Watch NZ

Tex Edwards
MWNZ

KEY POINTS

Market Study – Building Materials

- 1) This study is a great start and a good use of Tax payers Money**
- 2) Kainga ora is the countries' largest builder now, we need critique of its procurement numbers & protocols**
- 3) We need international benchmarking on costs per Sqm in Social housing, link Material competition to Productivity**
- 4) We need new skills and a new Dept at the ComCom to Fix Broken Markets**
- 5) The final report needs to discuss Game Theory**
- 6) The vertical integration analysis seems to be wrong it needs peer review**
- 7) The Govt is back in the house building industry, its notched up some considerable successes, but like any start up it needs a review**
- 8) Targets and empirical review of OSM needs to be in the final report**
- 9) The plasterboard case study is a case study with what's wrong with the NZ industry**
- 10) The BCA and BRANZ reviews and recommendations make sense, please benchmark internationally**