

# Attachment A - Residential building supplies market study

## Preliminary Issues paper

### How you can have your say

- A1. Our [Preliminary Issues paper](#) invites views from all interested parties to help further our understanding of the industry and decide where to focus our efforts during the study.<sup>1</sup>
- A2. Throughout the paper we include questions within each section to help frame the feedback we receive. This document sets out how you can have your say on the paper and includes the full question list in one place to assist you when providing feedback.
- A3. You do not need to respond to all the issues and questions raised – you can instead respond to a single issue or question, or address just the issues or questions that relate to your business operations or experience.
- A4. Where possible, you should reference the section heading and question number to which each aspect of your submission responds or relates. A list of the questions asked throughout the paper is included in Attachment B for ease of reference.
- A5. You are welcome to provide views beyond the questions and topics we have highlighted for feedback. Where you do so it would be helpful if you could set these out under a heading for ‘other issues’.
- A6. Where possible please explain the reasoning behind your view, to the extent you include any supporting materials please reference these in your answer.
- A7. We encourage you to provide comments that are supported by evidence. Less weight may be given to a statement or submission that cannot be supported by evidence.
- A8. Please provide your views to us by emailing your submission to: [buildingsuppliesmarketstudy@comcom.govt.nz](mailto:buildingsuppliesmarketstudy@comcom.govt.nz)
- A9. To ensure your views can be taken into account, please provide these to us by **4pm, 4 February 2022**.
- A10. You will also have further opportunities to contribute to our study, as described in our [Statement of Process paper](#).<sup>2</sup>

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<sup>1</sup> Commerce Commission “Residential Building Supplies Market Study: Preliminary Issues Paper” is accessible at: <https://comcom.govt.nz/?a=273553>.

<sup>2</sup> Commerce Commission “Market Study into Residential Building Supplies - Statement of Process”, accessible at: [https://comcom.govt.nz/data/assets/pdf\\_file/0021/271281/Market-study-into-residential-building-supplies-process-paper-Statement-of-Process-22-November-2021.pdf](https://comcom.govt.nz/data/assets/pdf_file/0021/271281/Market-study-into-residential-building-supplies-process-paper-Statement-of-Process-22-November-2021.pdf).

## **Format for written submissions**

- A11. Please provide submissions in both a format suitable for word processing (such as a Microsoft Word document), and a 'locked' format (such as a PDF) for publication on our website.

## ***Confidential information – disclosure of your submission***

- A12. While we intend to publish submissions on our website, we understand that it is important to parties that confidential, commercially sensitive or personal information (confidential information) is not disclosed as disclosure could cause harm to the provider of the information or a third party.
- A13. We recognise the need to ensure that you can have confidence in our use and retention of information, and we are committed to respecting any privacy, confidentiality, or commercial sensitivity attached to your information where possible.
- A14. Anyone who has information relevant to the study can ask the Commission to keep their identity and/or the information provided confidential. If confidentiality is a concern, it should be raised when you first contact the Commission so we can discuss your concerns and any available protections as soon as possible.
- A15. Where your submission includes confidential information, we request that you provide us with a confidential and a public version of your submission. We propose publishing the public versions of submissions on our website. We note that responsibility for ensuring that confidential information is not included in a public version rests on the party providing the submission.
- A16. Where confidential information is included in submissions:
- a. the information should be clearly marked and highlighted in yellow; and
  - b. both confidential and public versions of submissions should be provided by 4pm on the due date.
- A17. If your submission contains information which is considered confidential, a schedule must be provided which identifies each piece of information over which confidentiality is claimed and the reason why the information is confidential (preferably with reference to the Official Information Act 1982 (OIA)).
- A18. We will not disclose any confidential or commercially sensitive information in a media statement, public report, or in response to a request, unless there is a countervailing public interest in doing so in a particular case. Such cases are likely to be rare and will be discussed with you in advance of any publication.

## **List of questions in the Preliminary Issues paper**

### **Questions on the importance of building supplies to New Zealanders**

The following questions relate to paragraphs 35-39 in the Preliminary Issues paper.

- Q1 What impact is the current level of competition in the building supplies industry having on New Zealand businesses and the general public?
- Q2 How important is it for us to consider building supplies for renovations separately from building supplies used for new builds?
- Q3 Are there any aspects of the building supplies industry which have a particular impact on Māori?

### **Questions on the supply chain for residential building supplies in New Zealand**

The following questions relate to paragraphs 40-47 in the Preliminary Issues paper.

- Q4 How does our high-level summary of the supply chain fit with your understanding?
  - a. Are there any other key steps in the supply chain we should consider? If so, please explain how these steps fit into the supply chain.
  - b. Are there building supplies relevant to this study that have different supply chain structures? If so, please describe these building supplies and how the supply chain differs?
- Q5 How does our characterisation of the key participants and the other key stakeholders in the residential building materials supply chain fit with your understanding?
  - a. Are there any other key participants or stakeholders that play a major role in the industry? If so, please explain the role of these participants or stakeholders.
- Q6 Is the structure of the supply chain changing or evolving? If so, please explain how and over what time horizon this is likely to occur?

### **Questions of the scope of “key building supplies” to be considered in the study**

The following questions relate to paragraphs 48-59 in the Preliminary Issues paper.

- Q7 Do you agree or disagree with our preliminary view on the "key building supplies" in scope for this study, as described in paragraphs 49-52 and Table 1? Please explain your reasoning.
- Q8 If we focus on a narrower selection of building supplies to assess certain issues, are the factors set out in paragraph 55.1-55.5 appropriate to guide our focus? Are there any other factors we should also consider?
- Q9 Which key building supplies do you think should be assessed in greater detail, or otherwise prioritised? Please explain your reasoning.
- Q10 How will key building supplies evolve in the future? Will different materials become more important?

### **Questions on the unique characteristics of building in New Zealand**

The following questions relate to paragraphs 60-63 in the Preliminary Issues paper.

- Q11 Are the characteristics set out above an accurate reflection of residential building in New Zealand? Please explain your reasoning.
- Q12 Are there any other characteristics of residential building in New Zealand which are important for us to understand?

### **Question on the demand and supply chain pressures on residential construction**

The following questions relate to paragraphs 64-73 in the Preliminary Issues paper.

- Q13 Does our summary of the external pressures facing the residential construction industry accurately reflect the current situation? Please explain why/why not.
- Q14 To what extent are these external factors temporary or likely to continue in the long term?
- Q15 Would an increased use of technology, such as prefabricated housing, help to address some of the longer term pressures facing the industry? Please explain why/why not.
- Q16 Please describe any other examples of innovative technologies or approaches that could increase efficiency in the sector over the longer term.
- Q17 Please describe any other major external factors that are currently impacting (or have recently impacted) the New Zealand residential building industry that we should consider in this study and the time horizon over which they will impact the industry.

### **Questions on the evolving regulatory framework around residential construction**

The following questions relate to paragraphs 74 and 75 in the Preliminary Issues paper.

- Q18 How might the regulatory changes described in paragraphs 74 and 75 affect the demand for or supply of certain types of residential building supplies?
- Q19 Please describe any other major recent or ongoing regulatory changes that might affect demand for certain types of residential building supplies.
- Q20 Does the regulatory environment pose challenges to the introduction of prefabricated products? If so, please explain where you see the issues and whether these will be addressed by the latest regulatory reforms.

### **Questions on impact of climate change for building supplies**

The following questions relate to paragraphs 76-82 in the Preliminary Issues paper.

- Q21 What are the most important 'green' building supplies for us to focus on? Why are these important?
- Q22 Please describe any other ways in which building for climate change might drive change and innovation in the residential construction sector.

### **Questions on our high-level approach for our market study into residential building supplies**

The following questions relate to paragraphs 83-87 in the Preliminary Issues paper.

- Q23 Do you have any comments on our proposed high-level approach to the study as discussed in paragraphs 83 to 87 above?
- Q24 Would international comparisons of key building supplies prices provide insights into the level of competition in the industry? Why/Why not?
- Q25 How should we assess the levels of innovation in the industry? Is there a way to measure this or benchmark internationally?
- Q26 Would assessing the margins of the manufacturers and/or merchant sales of key building supplies provide insights into the level of competition? Why/Why not?
- Q27 Are there other assessments that would provide better insights?

### **Questions on concentration**

The following questions relate to paragraphs 92-97 in the Preliminary Issues paper.

- Q28 On what geographic basis (eg, local, regional, national) should we assess the concentration of key building supplies. Please explain your view.
- Q29 Are there any key building supplies which stand out as having a limited choice of suppliers? If so, please explain which building supplies.
- Q30 What are the barriers to importers of key building supplies competing effectively with domestic manufacturers?
- Q31 Are there building supplies you are aware of that are not available in New Zealand, but you think would benefit New Zealanders? Please describe these supplies and benefits.
- Q32 How do economies of scale in the supply chain for key building supplies impact the number of suppliers?
- Q33 What are the main barriers to new providers of key building supplies establishing domestic manufacturing in New Zealand?
- Q34 Are customers, (for example, merchants when purchasing from wholesalers, or builders when purchasing from merchants) able to constrain their suppliers due to their own size or negotiating position? Please explain why/why not?

### **Questions on vertical integration**

The following questions relate to paragraphs 98-102 in the Preliminary Issues paper.

- Q35 Does vertical integration act as a barrier to entry/expansion for independent rivals? Does this differ for different building supplies? Please explain your view.
- Q36 Is being vertically integrated necessary to compete effectively in this sector? Please explain your view.

- Q37 What are the benefits in this industry to being vertically integrated? Do consumers benefit from this?
- Q38 Are there any other factors we should be aware of in considering the vertical integration of key building supplies?

#### **Questions on vertical arrangements**

The following questions relate to paragraphs 105-113 in the Preliminary Issues paper.

- Q39 What forms do supplier rebates and loyalty payments typically take in this industry? (eg, monetary, non-monetary, lump sum etc.) Does this vary by type of building supply? If so, please explain how.
- Q40 Do rebates / loyalty payments usually relate to one product or category of product, or are they often applied across multiple products or product categories?
- Q41 Do rebates / loyalty payments inform or restrict a merchant's or builder's decision about which product(s) to acquire? If so, how significant is this consideration?
- Q42 Is tying of products or product "systems" a prevalent practice? What levels of the supply chain are characterised by tying arrangements?
- Q43 Are exclusivity agreements prevalent? What levels of the supply chain are characterised by exclusivity agreements?
- Q44 Do the benefits of rebates and pricing pass through to end-consumers? Why/Why not?
- Q45 Are there any other factors we should be aware of in considering the vertical arrangements of key building supplies?

#### **Questions on accommodating behaviour**

The following questions relate to paragraphs 114-118 in the Preliminary Issues paper.

- Q46 Is accommodating behaviour likely to be an issue in this industry? Please explain why/why not.
- Q47 How transparent is pricing for key building supplies?
- Q48 Are there any other factors we should be aware of in considering accommodating behaviour in building supplies?

#### **Questions on regulatory and standards systems**

The following questions relate to paragraphs 119-132 in the Preliminary Issues paper.

- Q49 Do the regulatory and standards systems (eg, product accreditation framework, building code and standards or consent process) make it easy or difficult for new and innovative building supplies to enter the New Zealand market and establish a presence? Please explain any difficulties posed and your view on whether it would be beneficial to make it easier for new suppliers to enter the New Zealand market.

- Q50 What impact does the current regulatory environment have in encouraging or discouraging a move to 'green' building supplies?
- Q51 Does the current regulatory regime favour incumbent suppliers over new entrants? If so, please explain how.
- Q52 Does the current regulatory regime encourage vertical integration (including, for example, in-house product compliance) or vertical arrangements in the sector? If so, please explain how.
- Q53 Does the current regulatory regime encourage the offer of 'systems' of products? If so, please explain how.
- Q54 Are there any other factors we should be aware of in considering the regulatory and standards systems for building supplies?

### **Questions on behavioural impediments**

The following questions relate to paragraphs 133-138 in the Preliminary Issues paper.

- Q55 Who are the key decision-makers for key building supplies?
- Q56 How do decision-makers choose the most appropriate building supplies to use?
- Do decision makers default to choosing building supplies which have been used in the past? If so, please explain why,
  - Do decision-makers on key building supplies have full information available to them to make informed decisions? How costly is it to obtain this information?
  - What role do warranties or other guarantees have in the decision to choose the key building supplies?
- Q57 Do the incentives of the decision-makers on key building supplies align with the interests of consumers?
- Q58 Are there any other factors we should be aware of in considering decision-makers' behaviour in respect of building supplies?

### **Questions on other issues and prioritisation**

The following questions relate to paragraphs 139-140 in the Preliminary Issues paper.

- Q59 Are there any other issues not raised in this paper that could impact competition in key building supplies?
- Q60 Which potential issues do you think should be the priority issues to focus on? Please detail the reasons why.