

Kiwi Infrastructure Limited (KIL)

Final Submission – Fixing Building Materials Market

Thank you for accepting our conference narrative, our persona is “what is a sensible market-based solution to this broken market “

- Who is KIL (see our CIC submission)
- What is our solution
- What is our contribution to the ComCom Building materials study
- What is our response to the questions of the commission
- What is it that the ComCom can recommend that would make a difference

KIL (Kiwi Infrastructure Limited) , is a Greenfields institutional start up which has focused itself on Housing NZ and Kainga Ora ITP process to transform residential construction in NZ . KIL has visited 32 international house building factories and over 50 social housing projects internationally

Our recommendation to the Commission on the final report is to use the levers in the Commission’s toolbox which make recommendations which start the long journey of fixing the cost basis of *“economy market segment construction “*

A first step is to ensure that scale and continuity of contract is used to contract in building high quality standardised homes in scalable project volumes. This will reduce the cost of Kainga Ora’s construction by up to 50% , this means building at \$1200 per sqm .

A contract of 21000 houses over 7 years to a experienced operator, who does not own vertically integrated materials would achieve this . The NZ consumer will benefit from volume and continuity inside contractors

The 1936 contract of Fletcher Construction and the NZ state is noteworthy in this regard. Economists in the Commission need to study why an incumbent (in the current vertically integrated basis)should be disqualified from such a contract .

We also recommend the Commission look at the shareholder dispute inside the Fletcher losses and reference the excuses the sacked CEO made in 2018 *“ I was trying to protect the building materials business”* this event gives flavour for what is wrong with the current structure (where else in the world does a major Manufacturer who has dominance and Market power own distribution and Construction)

It was an output of the conference that the OECD’s worst government procurement in social housing was evidenced, whereby a government agency’s sub-contractors were competing against each other for materials (south Auckland Kainga Ora sites) .

The Success of the rapid institutional rebuild of the NZ government building houses is a under reported achievement, tens of thousands of houses built, a new organisation a new skill base and tens of thousands of sections becoming build ready . – the Commission must exercise its in house economists to advocate long term scalable contracts, which will kick start not just substantial price reductions but also OSM , Green Buildings and Higher EPC ratings for NZ consumers . The economic

impact of scale, is new supply chains , new building materials , recycling and reduction of waste , and A Competitive reaction from monopolistic incumbents

Recommendations for action in the final report which would lead to benefits for NZ consumers

Recommendation	Comment	Time frame
Scalable contracts	Govt Procurement means 50% of all houses need to be built in scale	2023
EPC ratings	Introduce these into NZ	2028
EPC rental ratings	Introduce this into NZ	2030
EPC mortgage ratings	Introduce these	2032
Recycling of building waste	Set staggered targets	2026
Government procurement from vertically integrated firms	Change procurement	2024
OSM	Set targets of 50% of Govt	2030
BCA reform	Commence process to reduce to 5	2024
Risk	Permit 3 rd party insurance companies to start operations	2024
Māori Participation & Ownership	Maori should own its own EPC rating agency , and BCA	Now