

Residential Building Supplies Market Study Final Submission



Image courtesy of TOA Architects

This submission is authored by Brent Reihana on behalf of the National Māori Authority. Information contained within has been gathered from a number of sources and methods including; conducting desktop review of published articles, interviews with experienced Māori industry staff and comparison of historic data.

Overview

Following the three-day conference held September 27-29, several areas were identified where Māori could effectively leverage to become more involved in the residential supply market. Māori have a vested interest in housing, are interested in becoming more involved and should have an involvement in all facets raised during the conference. Historically though, Māori have been prevented from being involved in large commerce activity by regulatory, economic, social, or other means. Despite this, Māori have entered the market but remain the poor cousins, nowhere close to the privilege the Nash and Fletcher relationship enjoyed as pointed out by Tex Edwards and others.

"No problem will ever be solved in the same consciousness that created it" - Albert Einstein.

Māori must articulate and design their pathway essentially building by Māori for Māori. For this to be of any real consequence, the quantum and mechanisms need to be monumental rather than incremental. Due to the narrow focus of this study, positive measures will likely be swallowed by the macroeconomic environment, regulations, the industry and related market forces. Many credible rationale can be raised to resist and reject Māori involvement. The conventional outcome is a modest arrangement with constraints and expectations imposed by the Crown delegated authorities from which Māori can, if successful, prevail.

Duplication

Oral submissions raised that; Crown agencies were guilty of duplication in undertaking work in the OSM space. In the first submission, a whole-of-government approach was suggested. While this aspect is not a focus of the study, it is important to highlight the inefficiencies government agencies are involved in while trying to create efficiencies in the commercial sector.

Further to this, in the oral submission, I raised a lost opportunity in the OSM sector given the amount of red tape required to enter New Zealand. The opportunity was quickly taken up with partners in the Australian mining industry. The Māori organisation involved lacked the lobbying resources to bring the opportunity to the attention of those consenting agencies.

Consenting Process

Anecdotes and evidence described how Fletchers supported the regulatory processes in domestic construction processes. The firm's level of support was far-reaching noting them as a major sponsor of council-monopolised building approvers and inspectors, Architects and other industry stakeholders.

This well-oiled machine exists unchallenged and repels competition by the very nature of its size. Any process to change must not just be done but it must be publicly seen to be done.

Māori have no direct control over which firms and products enter New Zealand. This is entirely a Crown process with no partnership, participation, or protection in the process. Māori must have a voice in the consenting process both at a local level for Building Code Approvals and internationally for products entering Aotearoa New Zealand.

Funding

Industry research is largely funded by extracting a percentage from building code approvals. If the larger organisations build more houses, then it makes sense that they would also provide a larger percentage. The anecdotal evidence has already identified the level of “support” larger firms provide consenting organisations. It is not therefore difficult to consider the power larger firms have on where those funds are directed either by the sheer weight of the number of requests or by the close relationships they enjoy.

Feasibility studies undertaken by the likes of BRANZ involving Māori projects have done very little to increase the housing stock for Māori or to reduce the cost of that stock. Reaching an international standard cost per square metre (PSM) would certainly be an attractive aspiration for Māori. Economies of scale, market size and historic relationships must surely be a tempering consequence to sway in favour of profit-maximising firms.

Exerting downward cost pressure on a profit-maximising firm enjoying a \$4000 PSM cost to build as opposed to meeting the \$1000 PSM international standard is a difficult pill for any entity to sell. Research to investigate why this has not been possible is a topic that must surely be of interest to a wide audience including Māori. Topics such as this that are interesting to Māori must also be attractive and beneficial to a wider audience.

While it is not in the realm of this study, it is outrageous that water connections per dwelling cost \$18,000 regardless of whether the property is two (2) metres from the main supply or two hundred (200) metres. It ensures that housing is ring-fenced for the wealthy and does little to instil confidence in the market or entice suppliers to enter the market.

Kainga Ora

Distributing a percentage of housing stock to traditional and known Māori populations outside of the city regions is one way of providing equity. Legislating this initiative would ensure Kainga Ora contractors have a mandate to provide housing stock to rural as well as higher-earning potential locations.

Given the slow take-up and resistance to change, oversight by Māori is essential.

Incentivising

The energy-efficient car analogy of incentives is one mechanism to encourage a more affordable, sustainable, energy-efficient home-building system, method and product. Moving from a \$4000 PSM home building to include a \$1000 PSM must benefit the market over the long run. The level of luxury enjoyed by the market need not be protected by any crown-funded mechanism especially if that mechanism is focused on competitive behaviour.

These incentives should also cross the line to innovative products entering New Zealand. Incentivising along with streamlining building product consents are just two low-hanging fruit options that can bring new products, increase competition and innovation and decrease the cost of labour which is the industries thus far, unachievable decrease in variable costs.

Conclusion

Historic failure to include Māori in decision-making to address concerns has disadvantaged generations of Māori and New Zealanders alike. The Commerce Commission has a unique opportunity to invigorate and improve the poorly achieving construction industry for all New Zealanders, not just the privileged few.

Key points

1. It is for Māori to decide how and where they are involved.
2. A whole of government coordinated approach is needed to address the crown, industry and social resistance to include mātauranga Māori in all facets of the industry.
3. Mechanisms for Māori to become involved in the local and international consenting process are long overdue.
4. Funding for Māori research projects by Māori and Māori is essential.
5. Percentages of housing stock made available to Māori by a legislative mechanism that distributes equitably.
6. Incentivising the process for Māori to enter the market.

Aspirations

1. We believe there is a willingness and need for a Māori strategy taking a mātauranga Māori approach to inform policy and strategic direction within the industry where long-term benefits will flow to the Aotearoa New Zealand economy and society.
2. The Commerce Commission along with other government agencies could engage and include Māori in the decision-making process in a long-term, meaningful way. We would like to understand where this approach is and how it is progressing.