



Submission by the Combined Building Supplies Cooperative Limited (CBS) on the Residential building supplies market study, recommendations and report (draft study dated 4 August)

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About us (CBS)

CBS is the Cooperative for Small to Medium sized Builders and Associated Trade Businesses. We commenced four and a half years ago in 2018 with the purpose of levelling the playing field for SME Construction businesses. Over time, as we grow, we will assist in reducing the market power gap between the large number of SME construction businesses and the few Building merchants and suppliers.

We establish supply agreements with a number of building materials merchants/suppliers and service providers (e.g. hire services, insurance service). Those that are prepared to offer better discounts at the time of transaction: that reflect the combined business of all our member/shareholders.

Our focus is on maximising the upfront discounts, but suppliers also pay a small rebate (generally 2% to 3%) with the purpose of covering the CBS operating expenses.

CBS currently have nearly 900 Member/shareholders after just 4 years and aim to get to 10,000 or more over the next decade. We have recently commenced an advocacy role for our members, including being active in the most challenging issues for our members. Currently these are: the inadequate timeliness and service of Building Consent Authorities (BCA's) and Product availability. These two issues have significant negative impact on the productivity and cashflows of SME construction businesses.

CBS comments on the recommendations in the study:

1. Removing the barriers to entry for innovative and alternative products

We generally agree with the draft recommendations in the report, but we are concerned that effective implementation of this will not be achieved with the current structure of 67 BCA that are local and district councils. They already perform poorly in the consenting process and are effectively monopolies in their region, with little motive to change or provide great service.

The report highlights that SME have a limited decision-making role in alternative product decisions and we have seen this demonstrated. As an example, one of the suppliers to CBS Members was USG Boral until they pulled out of the NZ market in mid-2021. They were offering Plasterboard directly to CBS Members at a price about 20% cheaper than GIB. Only a small number of our members purchased though them. To get change, we think that designers will respond if the BCA's change and be more open to suitable alternative products.

The key issues and recommendations in the study that are welcomed by us are focused on removing the barriers to entry for innovative and alternative products. This starts with Compliance regulations and approval processes - which flow to consenting authorities' incentives to maintain the STATUS QUO products and then flows to designers/builders wishing to avoid delays/extra cost of alternative products.

Achieving effective implementation will require, in our view, structural changes to Building consent providers and the use of excellent and experienced change management expertise and approach. Our suggestions are:

1. All local BCA's report directly to a 'centre of expertise' in MBIE that applies and implements one best practice approach to all BCA's and ensures full compliance with this and with customer service standards.
2. An advisory panel including representation from small as well as larger builders is involved in a change management steering group that meets monthly with MBIE to provide input and review progress with the change management.
3. Ideally, allowing more than one BCA in each region to compete for business would provide better incentives for BCA's to improve performance and be innovative.
4. Look at approaches that work well in other countries e.g. the role of Building Certifiers in Queensland may be worth considering (summary attached).

2. Rebates

We agree that rebates are being used by some product suppliers with dominate market positions in selected products, to lock out competing products from being sold by Building merchants.

However, rebates have an important role in funding the operations of builder buying groups and cooperatives like CBS. We consider it critical that general rebates (not product specific) can continue to be provided by merchants to Buying/Building groups as these groups can achieve better discounts for SME builders and make them more competitive in their pricing to customers.

To ensure that merchants and buying/building groups focus more on better discounts at the time of each transaction (than on maximising rebates) a maximum rebate of say 5% would be enough in our view (CBS rebates from Merchants average 2.8%).

Yours sincerely

Carl Taylor
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Role of building certifiers in Queensland

Building certifiers manage the building approval and inspection process with all relevant practitioners. This helps ensure that all aspects of the building work comply with the [Building Act 1975](#).

They can also advise whether a building approval is needed, as some minor building work may not require an approval (i.e. accepted development).

Some aspects of domestic building work—such as maximum height, setback or character of a building—may be controlled under a local government planning scheme. In that case, a planning permit is required from the local government.

Building certifiers must not design the building or carry out any of the work.

All building certifiers must be licensed with the [Queensland Building and Construction Commission \(QBCC\)](#).

Private certifiers

You can [check with the QBCC](#) for the accreditation history of a private or local government building certifier.

The agreement to engage a private certifier must be in writing and state the certification fee.

Most private certifiers have a standard engagement agreement.

Code of conduct for building certifiers

All building certifiers are bound by a strict and have an obligation to always act in the public interest.

Severe penalties can apply if they fail in these duties.

Competent persons and cadets

A building certifier may rely on a 'competent person' to assist with aspects of inspection stages, in specific circumstances.

They may also appoint a cadet to help them perform certain building certifying functions.

Role of QBCC

The QBCC:

- conducts audits of building certifiers' work
- investigates complaints made against building certifiers
- takes disciplinary action against building certifiers found guilty of professional misconduct.

Anyone can [lodge a complaint](#) against the actions of a building certifier.