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The Commerce Commission
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New Zealand

By email: buildingsuppliesmarketstudy@comcom.govt.nz

Residential building supplies market study: Preliminary issues paper

1. Introduction

- 1.1 Infrastructure New Zealand welcomes this opportunity to make a submission on the Commerce Commission's preliminary issues paper on its residential building supplies market study.
- 1.2 As a general introduction, Infrastructure New Zealand is New Zealand's leading infrastructure member association. We promote best practice in infrastructure outcomes through research, advocacy and public and private sector collaboration. We have more than 140 member organisations across New Zealand that include infrastructure service providers, investors and operators.

2. Discussion

- 2.1 I am encouraged by the release of the issues paper and this consultation process. I encourage the Commerce Commission to also undertake targeted engagement with key identified stakeholders in addition to inviting submissions, to better inform the draft and final reports. Targeted engagement may go some way in getting a more thorough understanding of matters (e.g. by having two-way discussions in those engagements) which is not always possible through submissions.
- 2.2 The paper outlines the preliminary issues this market study may explore and the study's proposed scope. I note this market study's primary aim is to consider whether competition in the supply or acquisition of key building supplies used to build the major components of residential buildings could work better for the benefit of New Zealand consumers over the long term. This includes considering how competition is operating at all levels of the supply chain and how that might change going forward.
- 2.3 Infrastructure New Zealand is a key proponent of well-functioning, competitive markets. To this end, I encourage the Commerce Commission to also keep a lookout for symptoms of market failure during the course of this market study, particularly regarding supply chains which have been significantly impacted by Covid-19 and the flow on effects on cost escalations.
- 2.4 The recent *Infrastructure Quarterly* report from the New Zealand Infrastructure Commission is relevant to this market study. The report states that residential and non-residential construction rose more than 10% in 2021, with similar increases forecast for 2022. The report discusses New Zealand's high construction price inflation and cites the pre-existing conditions of

workforce capacity and capability, material supply chains and investment volatility as making our construction market unusually vulnerable to Covid-19.

- 2.5 The market study will benefit from first taking a holistic approach to the construction price inflation and then focussing on the building supplies market's resilience and vulnerability.
- 2.6 I am encouraged by the market's study's focus on understanding the impact of regulatory settings and changes on the residential building supplies market. This should include the ease with which regulatory settings and changes facilitate the entry and exit of businesses. It is important the market study has a focus on the regulatory settings for locally manufactured as well as imported building supplies.

3. Conclusion

- 3.1 I note the draft and final reports are due in July and December 2022, respectively. Infrastructure New Zealand would welcome the opportunity to engage further with the Commerce Commission as a key stakeholder on this market study.
- 3.2 If you have any queries or require further information, please feel free to reach out to me at claire.edmondson@infrastructure.org.nz.

Yours sincerely



Claire Edmondson
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