

Master Plumbers, Gasfitters & Drainlayers NZ Inc. submission on the Commerce Commission's Market Study into Residential Building Supplies

Master Plumbers, Gasfitters & Drainlayers NZ Inc., New Zealand's largest plumbing industry association, is pleased to have the opportunity to comment on the Commerce Commission's market study into Residential Building Supplies. Please find below our submission, replying to select questions of interest to our members and the plumbing industry.

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?

Master Plumbers is surprised that the plumbing and electrical industries were not included within the scope of the study. We understand that the study is complicated by a large number of businesses and aspects of industry already, but plumbing and electrical supplies form a large portion of the sector. The Commission's market study implicitly suggests that it is intended to represent an investigation into the cost of building a house in New Zealand; the exclusion of plumbing and electrical supplies will hamper the Commission's ability to discern the true cost.

Furthermore, the bespoke nature of plumbing supplies, their largely overseas origin, and the fact that they are often the first component of a project to be laid down means that increased and artificial prices affecting plumbing can complicate an entire project. The most common material used for plumbing fittings and pipes is the oil-based uPVC, which is currently sold through a duopoly. Recent oil price hikes and plumbing's exclusion from the study may contribute to an inflated uPVC price.

Q43. Are exclusivity arrangements prevalent? What levels of the supply chain are characterised by exclusivity arrangements?

Yes. Most plumbing merchants now have a range of exclusive products or homebrands.

Q44. Do the benefits of rebates and pricing pass through to end-consumers? Why/why not?

No. They benefit trade account holders and are linked to their loyalty.

Q45. Are there any other factors we should be aware of in considering the vertical arrangements of key building supplies?

The Commerce Commission's study would benefit from additionally surveying points programs, non-taxable schemes (that can inflate the actual price of items) and the components that make up the retail and trade prices of building products. We are anecdotally aware that group builders will occasionally insist on plumbers using a certain brand of product due to the financial benefit the group builder will obtain.

Q49 Do the regulatory and standards systems (e.g. product accreditation framework, building code and standards or consent process) make it easy or difficult for new and innovative building supplies to enter the NZ market and establish a presence?

It is- for plumbing products- too easy. There is no way to enforce compliance with New Zealand Standards, and no mandatory third-party verification schemes such as Australia's WaterMark. The result, too often, is an influx of poor products that undercut the New Zealand domestic market and contain health hazards for the public e.g. increased risks of leaching lead.

In conclusion, Master Plumbers, Gasfitters & Drainlayers NZ Inc. support the aims of the study but have significant concerns regarding its scope. The exclusion of both the plumbing and electrical industries will warp the findings of the study and this, together with a range of overlapping factors including rising land prices, inflation, and the studies ill timing during a building boom, may detract from the positive effects the study could otherwise achieve.

Master Plumbers would be happy to aid the Commission in any further aspects of the study.

Regards



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