

NZ Building Industry Federation

Annual Report 2017

Introduction

Welcome to the 16th annual general meeting of the Federation. It comes at a period when we are seeing a number of challenges facing the industry as a whole against a backdrop of ongoing high demand for our products and materials. These challenges adding complexity to our markets are arising among our trade customers. They are confronted with a requirement to adjust business models to take account of extremely high land prices and a tightening of bank liquidity, while at the same time dealing with procurement pressures intended to lock down lowest prices at an early stage of project development. The combination of land price pressures and banks' financial constraints has seen a number of industry entities confront unwanted financial adjustments. It is pleasing to be able to say, however, that our membership is reporting continued strong performances. Volume supply is generally keeping pace with demand. That the market is open to all global suppliers is resulting in a variety and range of products and materials available to consumers at highly competitive prices. It is a substantive factor in allowing us to rebut unwarranted criticisms that our offerings are less competitively priced than those on some retail and trade markets abroad. The level of competition is in itself a constraint on pricing and margins.

A further challenge facing our sector springs from transport costs, especially in the South Island, but also in the major Auckland market. The impact of the Kaikoura earthquakes and the dislocation of road and rail routes has imposed additional costs in the distribution chain. It is also worth canvassing the problem faced by members in distribution across their prime Auckland markets. While East Tamaki and Albany are hubs for much of members' activities each poses considerable challenges in getting products and materials to destinations on the other side of the harbor. It is a particularly adverse factor for cement suppliers servicing builds around the urban and surrounding centres and contributes significantly to holding back wider industry productivity. When products and materials can't get to a building site where builders are waiting to proceed with the next stage of construction the time delays occasioned by unavoidably late delivery become a cost to both builder/contractor and customer. An improvement in the city's transport system that markedly reduces the congestion on main routes would go a long way to lifting overall industry productivity in the region.

Outlook

Ahead of the industry as a whole is relentless pressure to lift residential home building numbers. We're now at our highest level of home construction since 2004. Forecasts of some 35,000 homes at least needed each year across the country are raising demand and builders are struggling to meet the need. The challenges raised earlier compound their problems, especially as the calls for more housing are supplemented by pressures to include in the mix a considerable number of social housing units, provided at price levels that can be met by lower income buyers, either through rent or purchase. It is apparent that our supply chain is responding. A larger degree of off-site panel construction will help. But more surety and certainty in forward demand over a prolonged period will be needed to give the degree of investment assurance before off-site construction becomes an integral part of the housing supply chain, in my view.

A temptation exists that a look for quick fixes to the demand will gain adherents at public sector and political levels. Offers from offshore to enter the market with a bulk supply of pre-built homes have been mooted. But there must be a strict adherence imposed by regulators to requirements of the Building Code and New Zealand standards in respect of the quality of materials and products used.

Distinct requirements imposed by the Code to ensure materials, products and systems are compatible with the varied climatic, soil, seismic and coastal conditions found in our country are there for a reason – to protect home buyers and commercial entities from obtaining supplies that are not fit for purpose in often unique conditions.

Product Assurance

Over recent years we have been pressing for better enforcement of product assurance, especially in view of the problems encountered at compliance stage by Auckland Council in its inspection processes. In some quarters our attention to this has been characterized as “protectionism in another guise”. We, of course, reject this. Many of our members are themselves importers. Others are dependent on imports for either completion of a system they bring to market or for transformation into materials or products. All embrace the open market concept. The caveats they have are that trade should be fair and WTO rules adhered to; and there should be adequate policing to ensure that imported materials and products are up to the same Code and Standards requirements that are observed by our own manufacturing members. In this context we are appreciative of efforts by RMBA and CBANZ to ensure their members are aware of the liability dangers posed by a substitution of products which may be of lesser quality than those specified as code compliant.

The building division of MBIE has announced its intentions to review the Code, Standards and system for “Determinations”. We have expressed our support for this. MBIE is well aware of our position that suppliers should be warranting their products as compliant, a position we made clear to Building Minister Nick Smith and his officials following last year’s discussions at our annual meeting. The Build Quality General Manager at MBIE met recently with our Board and undertook to consult with us when this review gets under way during the second half of this year. We were pleased to have this assurance.

Industry Representation

Your Board has endorsed again this year our mission of advocacy on behalf of the supply chain and our ongoing involvement in pan-industry effort to gain better acknowledgment at political and public sector levels of the contribution our industry makes to the economic performance of the country. To this end through the Construction Strategy Group and the Construction Industry Council we have been active in supporting moves to strengthen the industry’s representational structure. It is pleasing to be able to report that BRANZ has been a significant contributor to advancing discussion and determination of a structure appropriate for an industry as diverse and complex as ours. Our partners RMBA, along with IPENZ, the NZIA and BOINZ and others, have been contributors to this process which will be given a thorough airing at the industry event “Constructive” to be held as part of the RMBA’s annual conference in Auckland on 3 August. Those of you taking a close interest in progression of our industry will, I am sure, find attendance at this event both informative and engaging. It will provide an opportunity for individual input into wider industry considerations.

BIF supports these moves through its membership of the CIC and representation of members (myself and Dave Taylor) on the CSG. In that context I would like to pay tribute to the work of Geoff Hunt and David Kelly, Chairs of the CSG and CIC respectively. Both deserve our thanks for their contribution to advancing industry interests. The CSG represents most sections of the industry through individuals with “skin in the game” at their respective business entities and brings a strong commercial focus to consideration of policy and regulatory issues. The CIC as a wider grouping of trade associations and industry interest groups offers strong networking and issues identification qualities that enable discussion of matters in one sector that may have implications for others.

Strategic priorities

The Board regularly reviews our strategic priorities in line with our mission: To deliver value to the building materials' supply chain by identifying, advocating and delivering positive outcomes on issues of importance to members. These are:

- Product Assurance
- Consent and Compliance
- Procurement
- Build quality
- Skills availability.

In reviewing our priorities, the Board considered this to be an accurate reflection of the direction in which BIF should proceed. It was subsequent to this that MBIE outlined its forward work programme for the next 12 months. The programme embraced reviews of product assurance measures such as the Building Code, Standards, Determinations, the consent and compliance role of BCAs and home warranties. Such alignment between your Board's strategic priorities and MBIE's forward activity programme suggests that our advocacy is well geared to the legislative and regulatory process in line with supply chain interests.

Activities

Representational and advocacy activities continued in the year under review through submissions and presentations to select committees of Parliament under our policy of keeping the interests and concerns of manufacturers, importers, marketers and merchants in front of government, and those who influence our business environment. We continue to work closely with our colleague organisations, especially RMBA, CBANZ, WPMA, Metals NZ, FTMA, the PDA, and the Cement and Concrete Association. Our views are sought by national media on issues of the day and we have maintained a regular flow of Newsletters and "Alerts" to members on developments affecting our interests. Our association with GS1 remains strong. Its support for our activities is appreciated and ongoing development work around the potential benefits of product traceability in association with BRANZ illustrates the value this partnership brings to supply chain activities.

Accounts

Our accounts reflect a rigorous application of members' subscriptions to work in progress. While we are showing a small loss on activities in 2015-16 this can be attributed to our decision to proceed mid-year with a special investigation into product and quality issues identified by Auckland Council in presentations to your Board. We appreciated the willingness of RMBA, BOINZ, CBANZ and The Master Plumbers, Gasfitters and Drainlayers Board to contribute to the costs of this investigation by Paul Taylor, a former senior industry executive. His report confirmed the concerns of the Council. It provided a basis for ongoing work directed at improving the product assurance system, compliance procedures and build quality. We expect a modest surplus to come through in the current year's operations in line with the Board's policy of using your subscriptions to further supply chain interests. That we have maintained our subscription levels at those applying in 2011 is testament to the quality stewardship of your Board and the Chief Executive.

We propose to maintain these levels for the next year but a small increase may be appropriate for the following year according to trends in operational costs. While our membership has remained steady over the past decade we urge members to remain vigilant in promoting among those not contributing to the collective representational level to “get aboard”.

Board

Your Board met on five occasions during the year. Membership remained constant and the stability this brings to administration is of considerable value. I would like to record my appreciation for members’ willingness to contribute of their time for industry good. It is also appropriate to record thanks to Tony Te Au, a Board member for some six years, for his service on your behalf. Tony has now taken up a senior industry position in Adelaide and we wish him well in his new endeavours. Our policy is to maintain a reasonable sharing of representation among merchants, manufacturers and importers.

Special contributions of service

Our thanks go to Stephen Walker who has completed the two terms allowed for as a member of the Building Research Advisory Council (BRAC) on our behalf. Stephen’s technical knowledge and background in product and systems application has been of value in this role and in the service he gives to industry through participation in Standards setting. We are fortunate that Board member John Beveridge, who has had much high level executive experience across a number of businesses in our sector, is willing to give of his time to fulfil Stephen’s role at BRAC. We are also appreciative of the contributions of Ruth Brash and Jason Bardell as our representatives on the Board of GS1.

Conclusion

Fresh challenges are always arising in our industry. We hope that before the current calendar year is out we will have had the opportunity to get into meaningful dialogue with MBIE for change to better the regulatory system under which you operate. It is likely this work will lead on to an examination of how the existing new home warranty system can be strengthened. Consultation is also probable on proposals to further develop the occupational licensing system. We hope that this will allow for positive changes to the LBP scheme in line with thinking of its oversight board. BIF is positioned to contribute significantly to the moves for transformation of the representational framework of the industry. Members can take satisfaction that their support underpins the role that our organisation undertakes in furthering supply chain and industry interests.

Gordon Buswell
Chairman
NZ Building Industry Federation

13 June, 2017