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Steven Bailey  
Inquiry Director  
Inquiry into Housing Affordability  
New Zealand Productivity Commission  
Wellington  
By email to: [housingenquiry@productivity.govt.nz](mailto:housingenquiry@productivity.govt.nz)

Dear Steven,

**Response to Productivity Commission Housing Affordability Inquiry Draft Report**

We write in response to the Housing Affordability Inquiry draft report released last December.

Fletcher Building has reviewed the Housing Affordability Inquiry draft report and is broadly supportive of its findings and the proposals contained there. The general themes of the report are in line with our own and many of the other submissions.

In particular, we support the Commission's conclusions that housing affordability will be improved through increasing the supply of construction friendly land parcels, reducing the costs of regulation and development taxes on housing, and improving the overall efficiency of building processes.

The Commission characterised an underlying issue as the distribution of new housing investment being heavily skewed to upper quartile (relatively expensive) housing. Fletcher Building's own residential construction activities support this view, and we can confirm this is driven by the economic requirement to maximise returns on expensive land.

We, like the Commission, believe that the issue of housing affordability will be best addressed by increasing land availability and streamlining regulations and planning, together with driving efficiency improvements in the construction sector through the Building and Construction Sector Productivity Partnership.

We comment more specifically below on these matters.

## **Land availability**

We support the Commission's conclusion of the need to address land scarcity caused by policy and planning practices in our largest cities. The urgent need to identify under-developed and undeveloped land, and to speed the approval and planning process to bring this to market, is an important enabling step in addressing housing affordability.

The Commission highlights that increased land availability will need to be partnered with intensification through redevelopment of existing urban areas. This is a practical response and highlights that it is not an either/or situation. Our experiences mirror the Commission's findings that conventional homes on greenfield sites are generally cheaper to build than infill, multi-story or brownfield sites.

As intensification sites often have higher land values than greenfield sites, especially after the activity to make such land suitable for residential development, affordability is impacted. This can result in smaller dwellings or lower quality build processes as developers seek to operate between the cost of land and a market driven price point.

## **Reduction in Regulation and Tax**

The Commission importantly focuses attention on the impact of local government on housing affordability through its role in building regulation, monitoring compliance, and extraction of fees and charges through the land development and house construction process. The concern is that these processes and costs are too onerous and add unnecessary cost and complexity to the construction process, thereby resulting in higher costs for home buyers. Fletcher Building agrees with this conclusion and highlights that lower regulatory costs and streamlined processes would be of benefit to the building industry delivering benefits to the home owner.

The Commission generally proposes addressing these concerns through increasing visibility and highlighting best practices across NZ. For example:

- Increased visibility and effectiveness of infrastructure/development contributions through Best Practice Guidelines
- Increased visibility of process time and cost and review effectiveness of building regulations

Fletcher Building is supportive of this approach but believes increasing visibility of processes and outcomes is only one part of a broader set of responses to improve the productivity and effectiveness of local government in this area. Additional measures could include greater accountability for poor outcomes by local government and, as the Commission has highlighted, greater standardisation across the country and use of technology to drive efficiency.

## **Construction productivity**

The Commission has concluded that the Building and Construction Sector Productivity Partnership (The Partnership) is best placed to drive efficiency improvements in residential construction sector operations.

The Partnership was established to be a key driver in achieving building act reforms. It is focused around four themes of activity: industry training, productivity measurement, use of IT (BIMS system) and alternative procurement processes. Fletcher Building is involved with this group at a number of levels and values its work. We look forward to continuing our engagement over the coming years.

In our first submission to the Commission, Fletcher Building highlighted the importance of scale in driving productivity improvements within the residential construction sector. The industry has been characterised as a cottage industry where many participants lack the size and sophistication to drive innovation and productivity gains through build processes. As such, lack of scale is a key barrier to productivity gains. This barrier can be overcome through land release policy. Land blocks representing housing developments of say over 50 homes are of enough scale to justify the involvement of industry players with the size and sophistication to deliver productivity gains. This is generally been the experience in Australian and the United States where gains in residential construction productivity have been achieved.

### **Conclusion**

As noted Fletcher Building is supportive of the Commission's findings and the energy it has established in seeking to drive the availability of more affordable housing outcomes in New Zealand.

We remain available to answer to any further queries or questions the Commission may have.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jonathan Ling', written in a cursive style.

Jonathan Ling  
**Chief Executive Officer**