

Productivity Commission

on:

Improving Economic Resilience:

Enhancing economic resilience of industries and communities to persistent supply chain disruptions.

17 April 2023



Submission by:

The National Association of Steel Framed Housing (NASH)

NASH is an active industry association centred on light structural framing systems for residential and similar buildings.

NASH represents the interests of:

- steel manufacturers and distributors,
- manufacturers of steel roll forming systems,
- manufacturers of steel framing systems, practitioners, and
- customers of steel framing systems.

Businesses in the industry join NASH to support cooperative programs for developing the market and industry infrastructure for all light structural steel framing, regardless of manufacturer.

NASH is active in:

- advocating for New Zealand manufacturers
- regulatory processes affecting residential construction,
- improving the quality of new residential buildings,
- contributing to New Zealand Standards and the Building Code of New Zealand, and
- working closely with key government agencies.

NASH:

- supports building trades education and training,
- conducts generic product promotions,
- facilitates technology transfer and product development,
- provides well researched and balanced information to the public.

Contact Person (on behalf of the NASH):

Nick Collins
nick@nashnz.org.nz
021 464 252

Introduction

The National Association of Steel Framed Housing has a membership that reflects the sector which includes steel manufacturers, steel importers and distributors, manufacturers of roll forming machinery, fabricators of steel framing, engineering/design professionals, building trades and the tertiary education sector.

New Zealand has five manufacturers of light steel framing machinery equipment, all supplying export markets and with limited domestic sales. Traditional residential framing systems are rapidly being replaced Cold Formed Steel framing which is uniformly lighter, stronger and of more consistent quality than traditional framing materials. It is dimensionally stable, isotropic, uniform, non-combustible and resistant to mould and termites.

Steel is infinitely recyclable and cold formed steel framing systems are designed/fabricated around circular economy principles - optimised use of material and enabling repurposing over a building's life time and easily deconstructed for re-use or recycling at end of building life. Steel is used extensively in the building sector, ceiling systems, structural components, profiled steel roofing and rainwater goods, connectors, fasteners, and as reinforcing in concrete.

Growth in the use of cold formed steel framing is also being driven by reduced availability and significant cost increases in traditional framing materials.

NASH members share a common view that local manufacturing can and is critical to Aotearoa New Zealand's economic success providing innovative strength and resilience. The post COVID market recovery, characterised by reversals in globalisation, significant disruption of international supply chains and rapid escalation in freight costs, we see our major trading partners prioritising local manufacturing and national resilience. Other countries are rapidly pivoting in response to the fundamental and longer-term economic shifts driven by climate change and developments in the international context to protect existing employment, create new jobs, and ensure future economic growth. Intervention such as the EU's Border Adjustment Mechanisms are being used to ensure environmental bottom lines are protected and to more generally 'build back better'.

The transition to a low-emissions circular economy requires a strong local manufacturing sector, not only to make and implement climate mitigation technologies, but also to ensure that circularity can occur with the lowest carbon, solid waste and other environmental 'footprints'.

The lack of real action in support of New Zealand manufacturers is leaving NZ economically exposed. The NZ economy is export dependent. Our exports need to meet the country and customer expectations to be acceptable, with those expectations increasingly extending beyond issues of price to include intangible but measurable assurances related to carbon footprint and other environmental costs of production. It is essential that New Zealand's pathway to Carbon Zero 2050 is formed with local manufacturing in mind to avoid unintended economic damage to a sector that is critical for NZ's successful transition to supplying goods and services to higher value markets expectation of a low-emissions circular economy.

NASH's response to Improving Resilience: Enhancing economic resilience and communities to persistent supply chain disruptions

NASH congratulates the Productivity Commission on provoking the discussion on the future resilience of the global and local supply chains on which New Zealand is reliant.

Question 1: What supply chain disruptions and trends are you worried about?

New Zealand's infrastructure and construction sector is inextricably linked to local manufacturing. During COVID lockdowns New Zealand food manufacturers were able to manufacture during a pandemic. Surprisingly non-food manufacturing was unable to manufacture.

In the final quarter of 2021 when Auckland region was in lockdown (with no, then a small amount of construction material manufacturing permitted in Auckland) and the rest of New Zealand was able to work on construction sites, construction countrywide ground to a halt as key building materials ranging from reinforcing mesh, to plasterboard, cold formed steel for framing and timber ran out of stock. These material shortages have had a profound effect on financial viability of builders, housing suppliers and the very same manufacturers.

In 2021 the Infrastructure Commission Te Waihanga published a Physical Resources Study focusing on the capacity of four key materials required for the infrastructure sector¹ Aggregates, Steel, Timber & Cement / Concrete. The Infrastructure Commission has also done a fantastic high level job of understanding, quantifying and sharing the future infrastructure and construction pipeline on a quarterly basis²

Central Government procurement is a significant procurer of goods and services - approximately \$51.5b totalling 20% of GDP³. This excludes local government and State owned enterprises. The Government Procurement Charter directs agencies to:

- 1. SEEK OPPORTUNITIES TO INCLUDE NEW ZEALAND BUSINESSES** Openly work to create opportunities for local businesses and small-to-medium enterprises to participate in your procurement processes.

What are NASH members worried about ?-

Government's failure to understand not just global supply chains but the finer detail of LOCAL supply chains and in particular the close relationship between local manufacturing and successful delivery for the construction and infrastructure sector.

Governments failure to connect procurement across all government (including local government and SOE's) to maximise the opportunity for New Zealand businesses.

¹ <https://www.tewaihanga.govt.nz/policy/reports/infrastructure-resources-study/>

² <https://www.tewaihanga.govt.nz/projects/infrastructure-quarterly/>

³

Recommendations:

That the Productivity Commission work with Government Procurement and the MBIE unit responsible for the Advanced Manufacturing ITP to connect the dots and maximise the benefit for New Zealand

- map in detail the supply chains listed in Table 5, the interdependencies between these sectors,
- the key role manufacturing plays in adding value to both export of primary products and imported materials / componentry needed by local supply chains.
- connect government procurement needs / forecasts to this value chain analysis.
- Identify the “choke points” in the supply chain, these may change over time

This information needs to be shared widely across respective government organisations and industry players. Regular reviews, seeking input from industry will improve the quality of this resource.

Question 2: What is your industry / community currently doing or ⁴planning to do to address supply chain concerns?

NASH has investigated local supply chains of material and componentry required by our members. Long term forecasting of product demand has been trialled but with the meagre resourcing our membership organisation has we have not been able to progress this or to document in a meaningful manner.

Recommendation: Funding be available to support member organisations to develop and document sector forecasting models, including material / product / component interdependencies.

Question 3: How can the government help to ensure the resilience of your industry / community to supply chain disruptions?

Ensure that the movement of goods is not disrupted domestically. Road and rail corridors (including the Cook Strait Ferries) are maintained to a high standard.

Having invested in detailed supply chain analysis, (as recommended in Question 1 above), government (both trade remedies unit in MBIE and MFAT need to closely monitor the behaviour of New Zealand's major trading partners who have, particularly post COVID (and in response to failure of global supply chains and the changing geo-political settings), have invested significantly in on-shoring supply by revitalising their local manufacturing sectors. Officials need to look no further than Australia and the US where billions have been committed to revitalising their local manufacturing.

It should be noted that there are no trade remedies in the CER agreement New Zealand has with Australia.

⁴ <https://www.tewaihang.govt.nz/policy/reports/infrastructure-resources-study/>

Furthermore, with significant subsidisation of manufacturing in our trading partners, current WTO rules and how they are acted upon are no longer fit for purpose. Lodging trade remedies action (dumping or subsidisation) in New Zealand is largely the domain of multi-national organisations. Safeguard remedies to protect local manufacturers (which theoretically could be taken by MBIE) have a very high threshold and are largely unheard of in New Zealand.

In New Zealand there is an extraordinary degree of uncertainty taking a trade case. There is no time limit for cases to be accepted by MBIE's trade remedies team. Once accepted MBIE has 180 days to investigate and reach a decision. Further delays result from subsequent public interest test.

Few cases result in positive outcomes for New Zealand manufacturers, while comparable cases in Australia and the EU have resulted in significant tariffs being applied.

In many cases import statistics are suppressed (unlike many of our trading partners) for extended periods at the request of the importer. This creates a significant hurdle for NZ manufacturers wanting to initiate a trade case. New Zealand regulations protect the foreign exporter. It would be in the public interest if the import data is readily available.

Recommendation: Productivity Commission request the Commerce Minister to immediately action a review of

- current situation, exposure of local manufacturing and fit for purpose of current trade remedies in New Zealand
- current trade remedies process and timelines, including why there is not an independent review of decisions (as there is for Customs cases)
- resourcing of trade remedies team and location of trade remedies team
- referencing investigation material accepted by trade remedies organisations of our major trading partners - e.g. Australian, US and European trade cases.
- Remove the ability to suppress import data by either foreign exporters or local importers.

Question 4: What should the Commission study to learn more about the economic resilience of industries and communities?

New Zealand's successful transition to a low emission circular economy will be the greatest transformation of our economy in our working lives. The transition provides enormous opportunities for resource rich New Zealand to develop innovative solutions which grow high value local manufacturing jobs.

Provide case studies of local successful businesses or sectors that are achieving productivity improvements that are equivalent or better to other countries.

Perhaps Regulatory Impact Statements should cover the impact on industry economic resilience when new regulations are proposed?

Recommendation: The Productivity Commission needs to portray a realistic view of what this transition could look like, building off current understanding of supply chains and current capabilities to build a more resilient future for New Zealand.