



## **Bringing down construction costs - and what to do about dumping**

Construction costs are again under scrutiny. Many studies have been conducted on costs in the building industry and this week a new [report](#) by PwC added a few more recommendations.

Construction material costs are just one of the problems facing the building industry – other problems include low productivity, skill shortages and restrictive regulation.

The PwC report recommended improving government procurement practices (because government is a significant purchaser of construction projects and materials), improving regulations that affect the sector such as the Resource Management Act and Local Government Act, and improving the performance of Building Consent Authorities – all of which could help bring a more efficient construction sector.

The report noted that the cost of construction materials is still a major limiting factor in the performance of the industry.

Bringing down the cost of construction materials would be a significant advance, however achieving it might not be easy.

The Government is currently considering a Bill that is aimed at reducing construction materials costs - but is flawed, as it would basically allow dumping of construction materials in the New Zealand market.

Dumping – selling products in an export market at a lower cost than they are sold in their home market – is an offense under the rules of the World Trade Organisation. WTO rules allow for penalties in the form of duties to be imposed on dumped products, to help ensure a level playing field for domestic producers.

The background to this Bill is connected with the Christchurch rebuild. At the time of the Christchurch earthquakes New Zealand had imposed penalties on certain building materials imported from Thailand, Malaysia and China due to unfair trading practices such as dumping or Government subsidisation.

Following the earthquakes the Government became concerned about the cost of building materials in the Christchurch rebuild and temporarily suspended several of these penalties, for three years, to allow more low-cost building materials to be imported.

The three-year period is now coming to an end and now a decision has to be made on what to do about dumping.

The Trade (Anti-Dumping and Countervailing Duties) Amendment Bill would allow dumping to continue without penalties, as long as it was 'in the public interest'. The Bill proposes a test that would weigh up the benefit to consumers versus harm to domestic industry – a public interest test. If the dumping was found to be 'in the public interest' then penalties would not be imposed.

ManufacturingNZ is concerned at this proposal to dilute anti-dumping provisions in New Zealand as this would reduce the ability of domestic firms to respond to unfair predatory pricing by international competitors. We also consider it would be hard to devise a public interest test that was not perceived as subjective and open to challenge.

The integrity of our anti-dumping regime needs to be maintained.

Anti-dumping penalties are important for guaranteeing fair trade and are used widely throughout the world wherever WTO rules are applied – in Australia, the US, Canada, and many other countries. Australia has recently strengthened its anti-dumping legislation, making it easier for Australian manufacturers to take a case and achieve remedies.

Anti-dumping rules are particularly important for New Zealand – we depend significantly on international trade, and take care to abide by WTO rules in all countries we export to. If we were to dump product in any of our overseas markets we would expect to have anti-dumping penalties imposed.

The proposed legislation would create an unfair disadvantage for local producers of building materials. New Zealand-made steel would be particularly vulnerable to dumped product. Smaller manufacturers and producers of many kinds of building materials would be vulnerable to large amounts of dumped product swamping the market.

ManufacturingNZ is questioning why the Government is making it harder for our manufacturers to protect ourselves against unfair trade practices, while the Australian Government is making it easier for theirs. If there are concerns about competition in the building and construction sector the correct recourse is for the Commerce Commission to test the concerns, instead of removing fair trade provisions.

This Bill is an example of the difficulties involved in trying to reduce the cost of construction materials in New Zealand.

We need to look closely at the wide range of issues impacting on the construction sector to find better solutions.

Catherine Beard

[cbeard@businessnz.org.nz](mailto:cbeard@businessnz.org.nz)