

OFT's Market Study on Housebuilding Proposed Topics for Comment

Introduction

Having launched our market study on housebuilding at the end of June 2007, we are currently finalising the detailed scope of the study. The final scope will be based on the parameters of the study as set out at http://www.ofc.gov.uk/shared_ofc/reports/comp_policy/ofc934.pdf.

As part of this exercise, we are seeking views on the topics we should be covering to inform the study. In this regard, it should be noted that the OFT proposes to consider consumer issues across the UK, and issues relating to competition and the impact of the planning framework primarily within England. To the extent that Scotland, Wales and Northern Ireland face similar issues to England on these latter aspects, this will be considered and these administrations will be encouraged to take account of the issues raised and recommendations made in framing policy for their respective areas.

We anticipate that our specific requests for information to relevant parties will fall between late this summer and next spring.

As you may already be aware, the OFT's ongoing general consultation is open until 17 August 2007. However, to support this consultation process, we have identified a list of possible topics to explore based on the ideas that we have formulated and suggestions we have received which we consider to be most relevant to the scope of the study.

The topics outlined below cover the areas we believe need to be developed further and we invite recipients to write to us with their thoughts on these topics and/or provide suggestions for other areas we should be focusing on within the parameters of the study.

All views and suggestions will be carefully considered however we cannot undertake to cover all the listed topics or all topics in the same detail during the course of this study.

We are also using this document as a further means of ensuring that the study will complement any other Government reviews of the sector currently underway. We are in frequent direct contact with other reviews to avoid any unnecessary duplication. Please note that where there may be an apparent overlap, the focus of the OFT's study is on the competition and consumer issues connected to the topics.

The topics listed below cover the entire market study. As such, not everything may be relevant to you. Please feel free to disregard topics which are not applicable to your area of expertise.

We would welcome your submissions and related evidence you may have on these topics. **The deadline for written submissions is 5pm on 7 September 2007.**

Submissions should be sent to:

Housebuilding market study – Floor 2N/013
Office of Fair Trading
Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX

They can also be emailed to housebuilding.study@oft.gsi.gov.uk

Proposed Topics

Warranties matters

This will include an investigation of whether new home warranties adequately insure homebuyers against poor quality housing.

1. How significant a consideration are warranties when homebuyers are purchasing a newly built home.
2. The depth of understanding that homebuyers have about the extent of protection offered by warranties.
3. The minimum standards homebuilders are required to meet in order to obtain warranty cover from providers. The influence that mortgage providers which require such cover have in determining these standards.
4. The impact that the fact that it is homebuilders who actually obtain warranties, rather than homebuyers themselves selecting warranty providers, has on the overall quality level of new homes. The relationship (if any) between this practice and levels of homebuyer satisfaction with the quality of new homes.
5. The factors affecting the nature, extent and development of competition in terms of the cost of and cover afforded by warranties.
6. The relationship between the nature, extent and development of competition between warranty providers and the overall quality level of new homes.
7. The extent to which warranty providers package their warranty and building control functions together. The impact (if any) this has on the price and quality of warranties and/or building control.
8. The formula warranty providers use to set the premia for individual homebuilders and whether this favours certain housebuilders over others.
9. From the homebuyers' perspective, how effectively claims and disputes under warranties are handled by warranty providers.

Consumer matters

This will include the extent to which consumers have power to drive competition, and the different levels of knowledge homebuyers and

homebuilders may have concerning the process of buying a new home and the quality of the home itself.

10. Consumers' experience of buying a new home and their satisfaction with the process and the quality of the home itself.
11. The level of consumer/legal protection that exists for homebuyers purchasing new homes.
12. The level of consumer/legal protection that exists for homebuyers purchasing new homes in the light of the nature of the transaction, the level of protection in other sectors and/or international comparisons
13. The extent to which homebuyers *are aware* of the level of consumer/legal protection available to them when purchasing a new home.
14. The extent to which model house purchase terms agreed between the OFT and the Home Builders Federation are used and the reasons for and against use.
15. Other features which impact on a homebuyer's bargaining position when purchasing a new home from a homebuilder.

Building regulations matters

This will include whether building regulations ensure sufficient protection for consumers in terms of quality and the extent to which the building control provides sufficient protection for consumers in terms of key building performance standards.

16. Whether the minimum performance standards set out in building regulations ensure quality for consumers.
17. The efficacy with which compliance with, and enforcement of, building regulations is ensured.
18. The factors affecting the nature, extent and development of competition to provide building control.
19. The relationships and interactions between the planning process and building regulations.

Planning¹ and competition matters

¹ Please note in your responses whether the White Paper on Planning for a Sustainable Future affects your view of this issue.

The OFT proposes to consider issues relating to competition and the impact of the planning framework primarily within England. To the extent that Scotland, Wales and Northern Ireland face similar issues to England on these latter aspects, this will be considered and these administrations will be encouraged to take account of the issues raised and recommendations made in framing policy for their respective areas.

The OFT proposes to consider affordable housing only insofar as it is linked to private housing development (for example where planning approval is conditional upon provision of affordable housing), but not to consider the social housing sector separately.

The OFT does not propose to consider overall policy concerning land use, including issues such as building on the green belt, or the environmental impact of new homes.

Please bear in mind when considering the planning system in the topics below that the OFT's market study will be concentrating primarily on the *impact* that the planning system has on competition between undertakings.

20. The process for drawing up development plans including local development documents and regional spatial strategies.
21. Whether land which is suitable for development is being effectively brought through the planning process, from development plans through to full (i.e. implementable) consent.
22. Whether delays occur at particular phases of the planning process, such as negotiating s106 agreements or otherwise.
23. Whether delays in the planning process are different on developments which include an element of affordable housing than on purely private ones.
24. The reasons behind any pattern of delays in the phases of the planning process and the effect of this on competition.
25. The rate at which homes are built on sites (including the time between start on site and the sale of first and last units) and the reasons for this.
26. The impact of the size of parcels of land released for development on competition and the delivery of homes.
27. The impact of policy on density (the number of dwellings per hectare) and how it might be improved.
28. Views on how the market for homebuilding should be defined (including whether the market is national, regional or local).

29. Concentration levels of homebuilders (how many firms are competing in the market) at the local/regional level.
30. The level of competition at each stage of the supply chain of producing new homes (including competition to acquire land and gain planning permission, build homes and sell homes).
31. The impact of mergers between homebuilding firms on competition in the market and on the delivery of new homes.
32. The (vertical) integration of land assembly and building functions within housebuilding firms.
33. The extent and effect of companies' landbanks and option agreements (and the terms of these) on competition in the market and on the delivery of new homes.
34. Attempts by firms to enter the homebuilding market (including factors that may deter firms from entering and the level of entry).
35. The scope for commercial developers and other firms to switch into the homebuilding market.
36. The scope for smaller homebuilders to expand within the market (including barriers to expansion and economies of scale).
37. The impact of risk and the availability of capital on decision making in the market.
38. Difficulties and delays in obtaining infrastructure including roads and utility connections and the impact of this on the market.
39. The prevalence of the use of sub-contractors and the availability and cost of skilled labour and the impact of these factors on all aspects of the supply chain in the homebuilding sector.
40. The scarcity of other key inputs to the homebuilding process.
41. Who owns land that is suitable for development.
42. The availability and ease of procuring land suitable for development and the time and cost of this process.

Important

Please note that the OFT may wish to refer to submissions in any report or other material published as a result of our review, or make permitted disclosure under the Enterprise Act 2002. The OFT may also be required to

disclose information under the Freedom of Information Act 2000. Please indicate clearly if you consider that any information in your submission is confidential and explain briefly why. This will be taken into account when considering whether or not the information should be disclosed but, given legal duties on the OFT, it cannot give an assurance that it would not under any circumstances be released.

The OFT recognises that it is not always the case that evidence is available to parties to support their views. Parties may be able to suggest information the OFT should seek out. However, the OFT may not be able to pursue all avenues of study. Where no evidence is provided, the weight the OFT can place on the views is lower than where evidence is provided.