



'Look No Further than the Exterior': Corruption in New Zealand

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Abstract

Transparency International considers New Zealand the least corrupt country in the world. Yet ranking systems can flatter to deceive. This article takes a critical stance towards their global classification, which is a perceptions-based measure that ignores the private sector. In so doing, it heeds David Beetham's (2015) call for a broader definition of corruption, one that acknowledges the subjugation of the public sphere to secure private advantage. Jane Kelsey (2015: 11, 150) has noted that New Zealand is 'at the pure end of the neoliberal spectrum', being 'first to liberalise, last to regulate'. These points are examined with particular reference to corruption, the construction industry and the country's numerous housing problems. The opening section of *How Corrupt is Britain?*, in which Beetham's work appears, is titled 'Neoliberalism and Corruption'. This article questions the need for the conjunction.

Keywords

Construction industry; corruption; leaky buildings scandal; neoliberalism; New Zealand.

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Introduction

New Zealand has reclaimed its ranking as the least corrupt country in the world in an international survey. (Davison 2017)

We are the least corrupt country on the planet according to the world's most prominent measurement: Transparency International's (TI) 2017 Corruption Perceptions Index (CPI) (Transparency International New Zealand 2017). But TI's definition of corruption is rather restrictive: abuse of public office for personal gain. The private sector is ignored. Social scientists have also questioned the composition and validity of its data sources. The CPI's sampling bias is towards external business people rather than a nation's own citizens. It 'is a composite indicator based on a weighted average of other surveys, it cannot ensure that its definition corresponds with those used in its component elements' (Andersson and Heywood 2009: 749). Inconsistencies in the number of sources used for different countries, their annual variation and the change in frequency across time also hamper easy comparison (Kilkom and Samajdar 2010: 518). Further, like much work on corruption, the CPI ignores systemic forces and political objectives (Philp 2006: 6).

Indeed, TI is accused of pursuing political objectives of its own. Its model of corruption is coherent with, and perpetuates, a neoliberal agenda. It assumes the neoliberal position on human nature and motivation, the *homo oeconomicus* model of subjectivity. This is the belief that we are selfish rational utility maximisers; that, in essence, we are all corrupt (Gebel 2012: 121). It can also be said to push a neoliberal agenda in that it adopts its preferred modes of governance (like audit culture) and its pre-eminent values (like reputation management). In advocating for a level playing field for global trade, the removal of barriers to free trade, and in its belief that human nature is essentially venal, TI's ethos perfectly aligns with neoliberalism's (Sampson 2015).

If we take a broader approach to corruption and follow Beetham's (2015: 41) definition of it as 'the distortion and subversion of the public realm in the service of private interests', we might say that the ideology and practice of neoliberalism itself gives us wholesale corruption through privatisation of the public interest (Wiegratz 2015: 54). Stated simply, neoliberal modes of governance are geared towards the promotion of corruption. In opening up ever-greater domains of existence to competition and market logic, in the promotion of individuals over publics, in the degradation of politics proper, in peeling back the regulatory apparatus which both protects and scrutinises, and in insisting that human nature is grasping and self-serving, neoliberal thought and practice corrode the social fabric. These forms of corruption are endemic to neoliberalism yet they are not captured in typical corruption surveys such as those of TI.

If we look beyond the limited range which TI measures, a different picture emerges. We consider the ways in which neoliberalism fosters an environment that is conducive to corruption. Having contextualised the discussion, we then examine a specific case: New Zealand's housing crises and the industry at the heart of them. This case is used to understand corruption more comprehensively, and to establish the claim of neoliberalism *as* corruption. The conclusion suggests a range of remedies for offsetting the social harms that have resulted from the construction sector.

Neoliberalism and/as corruption

Here we heed Beetham's (2015) call for a broader definition of corruption. We begin by offering three reasons for going beyond TI's singular notion of abuse of public office for the purposes of personal gain: corporate capture of the regulatory apparatus; the free flow of individuals between business and public service; and the advantageous levels of political access that the powerful enjoy. As mentioned, Beetham's (2015: 41) preferred definition of corruption is 'the distortion and subversion of the public realm in the service of private interests'. Seen thus, capitalism seems

synonymous with corruption given that it is an economic system predicated on the privatisation of gain and the socialisation of pain (economists understand the latter in terms of negative externalities). Never was this more apparent than in the aftermath of the Global Financial Crisis. Private banks received record taxpayer-funded bailouts while the public got austerity (Harvey 2014: 173). Clearly, debts can be mutualised but profits cannot. Banker's bonuses have long returned with interest but, as far as western publics are concerned, cuts to the services their taxes pay for seem to be indefinite.

Government activities *should* serve the public good and this, in turn, should be determined through open and transparent debate, yet neoliberalised economies often fall well short of this ideal. Indeed, the impacts of neoliberalism make themselves felt upon both state capacity and state integrity (Holmes 2006: 277). As a leading economist has noted, neoliberalism is predicated on the belief that the market is natural and inevitable; that markets are the solution to everything; that government of the self is the basis of social order; that the celebration of 'freedom' and global order should focus on the free flow of capital; that the state should be subordinate to the corporation; that corporations can do no wrong; and that inequalities are necessary, even desirable, as they motivate the poor to become rich (Mirowski 2013: 53-67).

We can see how this plays out in the local context. Deregulation has made New Zealand a country with notoriously high hazard tolerance. As Jane Kelsey (2015: 150), one of the leading commentators on the local political landscape puts it, we are typically 'first to liberalise, last to regulate'. The worker safety record is woeful. Worksafe New Zealand (2015: 8) notes that the number of people killed at work is *twice* that of Australia and *three times* that of the United Kingdom. The issue of corporate capture of the state apparatus has been raised periodically. Under urgency, the government changed the country's labour laws just to accommodate the producers of *The Hobbit* films, a move declared to be a clear 'abuse of constitutional power' by one legal expert (Wilson 2011: 90). Recently, an ex-parliamentary staffer and campaign analyst has complained about revolving door appointments and increasing cronyism within the public service, coupled with poor parliamentary scrutiny of corruption (particularly of fellow MPs), as well as lack of regulation around campaign financing. 'In New Zealand, political parties in government cost less than NZD\$2 million a year—mostly from secretive trusts. New Zealand could be the cheapest democracy money can buy. And who's checking?' (McLachlan 2017: A26).¹ In the space of three decades, the country has gone from being one of the world's most economically equal societies to one of the most unequal. Indeed, the country has seen the planet's *greatest* increase in inequality since the 1980s (Rashbrooke 2013: 30). This places ever-greater sections of the population at risk. Epidemiologists have empirically mapped a slew of social harms and public health problems which accompany the rising inequalities here (Wilkinson and Pickett 2011: 124-5, 148, 183, 244).

Beetham (2015) has noted the social consequences of decades of neoliberal ideology: the alleged economic advantages of neoliberal 'reform' are hard to find; negative impacts on social welfare all too easy to find; while the ability of the government to do its job is seriously compromised. To begin with, corporations take on many of the former functions of state, running essential services such as transportation, communication and power generation. But they also take former state functionaries, their networks and their taxpayer-developed competencies. Tendering processes and asset sales are ripe for corrupt practices: the greater the frequency of high-value interactions between business leaders and officials, the greater the opportunity for corruption (Holmes 2006: 200). Arguably, the neoliberalising post-communist states showed this most spectacularly in the 1990s but the same phenomenon of outsourcing giving rise to corruption has been observed elsewhere. David Hall, for instance, asserts that: 'Public sector contracts and concessions are the single greatest source of corruption in the UK which has been fuelled by government privatization initiatives' (quoted in Holmes 2015: 73). Other cases have been observed across Western Europe (Hawley 2000).

Much has been written internationally about the deleterious consequences of the shifting emphasis from public service to private advantage which undergirds neoliberalism. For example, James Meek (2014: 23) notes of Britain's privatisation of its electricity network: 'It's not racism that makes the foreign identity of some of the owners of our privatised infrastructure objectionable. It's the selling of taxation powers to foreign governments over whom we have even less democratic control than our own'. This, then, is clear instance of *the distortion and subversion of the public realm in the service of private interests*. I should also add that there is a strong body of scholarship which dismantles the claims of the free market ideologues. In line with Beetham's observations, it shows that asset privatisation has made infrastructure-based services neither safer, nor more efficient, nor more affordable (Perrow 2007: 246).

Due to the loss of state capacity, there arises a strange reversal in which government increasingly comes to rely on the private sector. This career trajectory from public service to private sector also means that those currently employed by the state may have more of an eye on their future employment than on their current role. Those who remain in office may fret about their job security. Growing precarity corrodes loyalty, professionalism and a sense of *esprit de corps* (Holmes 2006: 195). State employees, witnessing downsizing and worrying about their own future, may seek to abuse their office to accumulate funds while the opportunity still exists to do so. Corruption scholars call this the 'squirrel's nuts' syndrome' (Holmes 2015: 58).

Thus far, we have discussed neoliberalism as a one-way flow, where formerly public assets and practices are now in private (read corporate) hands. But the private sector ethos also impinges upon what remains of the state sector, as in the ideology of New Public Management (NPM) where the prevailing business model is applied to governance. Here too we see drives to cut costs and privatise assets and services, as well as pressure to deregulate. The imposition of market 'efficiencies' and new forms of performance measures are sought. In so doing, Hood and Jackson (1992) suggest that NPM helps to organise disasters. They note the relaxation of such things as zoning regulations to permit development in hazard-prone regions (like residential real estate on flood plains) as one of the ways in which the conditions for future disasters are created. Fragmentation of government administration into discrete cost centres can have a silo effect. This works against seeing problems fully in all of their interactive complexity. It also problematises lines of communication and confuses issues of responsibility. The huge stress on key performance indicators as the basis of reward encourages cover-ups in organisational malfunction. Bad news is best avoided. The exhortation to reach goals can also make for a situation in which ends are stressed above means, consequently 'achieving ambitious targets often takes precedence over due process' (Holmes 2015: 73).

New Zealand's housing problems

To reiterate some key points thus far: neoliberalism has positive impacts for some individuals and corporations, but it has rather more impacts which are negative upon the state (and its employees) and on civil society. Privatisation is a leading source of corruption but private corporations are rather poor at regulating their own environments. In offering a critique of the CPI—of what it measures and how—and in giving an overview of neoliberalism's societal consequences, I have set the scene to examine New Zealand's construction industry and that nation's numerous housing problems. In a sentence, neoliberalism exacerbates, and the CPI occludes, social harms.

It is not overstating the case to say that New Zealand has multiple housing problems. The country has some of the most unaffordable housing to be found anywhere in the world. Record numbers are homeless (Price 2016), while the National government looks to offload the state's remaining \$15 billion of public housing stock. This sell off will make for 'the largest privatisation of state assets in New Zealand history' (Minto 2015). Provision of social housing—formerly a public service—will now be undertaken for private profit. The social consequences of this are likely to

be devastating. As any number of charitable organisations have pointed out, the poorest segment of society will be squeezed out of access to housing (Johnson 2014). Where will they go? Homelessness compounds social harms, leading to greater demands upon the public purse. As international studies consistently show, it is cheaper to give the homeless housing than to have them on the streets. While there is an undeniable cost to housing provision, it is more than offset by the reduction in financial demand upon the police and prison services, hospitals, clinics and rehabilitation centres (Flaming, Toros and Burns 2015). The Social Housing Reform (Transaction Mandate) Bill (NZ), which amends the *Housing Corporation Act 1974* (NZ), was passed into law on 18 February 2016. This enables the Ministers of Finance and Social Housing to individually negotiate the sale of these assets on their own terms, exempt from normal legal scrutiny. The Opposition Housing spokesperson has called these unprecedented powers a 'charter for corruption' (Twyford 2016).

Meanwhile, in the midst of the biggest housing boom in almost half a century, the construction industry is beset by numerous issues. The 'leaky buildings fiasco' (discussed in the following section) which first surfaced in the 1990s continues to spread from private houses to apartments to public and commercial buildings. Massive class actions are in train. Fire safety regulations for apartments have been routinely flouted for at least a decade, putting their inhabitants at major risk. It is alleged that construction costs are high because of a range of anti-competitive practices. Substandard structural steel (often accompanied by fake certification from China) has been used in houses, apartments and motorway bridges across the land (Pennington 2016). A building inspector with over 20 years' experience went on record as saying he has never seen the building standard as bad as it is presently, with whole houses incorrectly constructed and fraudulent attempts to get past inspectors frequently noted (Fahrenshon quoted in McCrae 2016). As a building inspector said of new housing in the Auckland suburb of Flat Bush: 'Every single building on this site raises red flags for me' (quoted in Saxton 2016: A10).

The great drivers of these troubles are cost reduction and profit maximisation, but the great enabler is the lax regulatory environment. Building Codes were changed in the 1990s, motivated by an unquestioned faith in the market to provide the best solutions. This in turn made for more limited state oversight (May 2007: 17). What resulted in the construction sector was completely novel, as May (2007: 14) observed: 'The New Zealand experience is especially noteworthy as it is the only case of a fully-implemented performance-based regime that spans a whole sector of regulation'. Problems have been noted ever since relaxation of the codes. Indeed, the massive fire safety issues only came to light as remediation work was undertaken to fix leaking problems. Though not code-compliant, they were singled off as such by uninsured private certifiers who liquidated in the aftermath of the leaky buildings scandal. As Roger Levie, chief executive of the Homeowners and Buyers Association, put it: 'It is a defective building problem but because of the government response to weathertightness, people have looked no further than fixing that. That set the tone, which was to look no further than the exterior' (quoted in Taylor 2015). Chillingly, potential social harms may be far worse than most suppose. A passive fire protection company has claimed that almost *all* public buildings in this country have no proper fire protection systems in place (Utility Construction Services 2012). These warnings are not new. BRANZ, the independent construction researchers, first raised the alarm about fire safety in 2008. The Fire Protection Association made the same point the following year. Equally depressingly, leaky buildings have been news since the 1990s. Surveyor Greg O'Sullivan warned of a ticking time bomb arising from stucco buildings back in 1994 (Collins 2003).

When inspection services are outsourced, private service providers compete for business. Their ongoing survival depends on customers. People may act like ideal neoliberal subjects and simply shop around in the market for permits. Such has been claimed in New Zealand, with commercial building owners doing this to procure non-compliant fire safety systems from independent fire safety inspectors (Stevenson 2014). There is also evidence from Sweden and the United Kingdom of building inspectors showing leniency to secure repeat business which in turn has led to

observable drops in construction standards (Monbiot 2006: 67). The same situation presents in New Zealand. Engineering whistleblower John Scarry lays the blame squarely at the feet of government for removing its own expertise and shifting responsibility to an outsourced form of peer review. Commenting on 'the "parlous state" of engineering and construction in New Zealand', he says,

The peer of an idiot is an idiot. And in many cases the company that is doing the designs gets to basically nominate the company to do the peer review and it's basically A reviews B's designs and B reviews A's designs and, lo and behold, everything's hunky-dory. (Scarry quoted in Fuller 2016: A10)

Scarry's comments were prompted by a media investigation which revealed that 13 recently built commercial premises in Masterton have design flaws which render them earthquake prone, compromising community safety.

New Zealand's leaky building problem

Leaky buildings are those which permit water penetration into the building envelope/cladding system, and which subsequently retain the moisture in their wall cavity. Constructions using monolithic cladding systems seem to be particularly liable to leaking problems. Timber framing stays wet, ultimately rotting, untreated steel framing rusts, and fungal growth thrives in the moisture. Water may also damage plaster, carpets and inside fittings. In addition to the economic costs associated with remediation work, health and safety issues arise from the harmful mould and the threat of structural collapse. There are no definitive pronouncements on the extent of the problem—new cases are still emerging—but back in 2002 a parliamentary briefing put the estimated number at up to 12,000 apartments and 90,000 homes, although commercial properties and public buildings such as schools are also affected (Parliamentary Library 2002: 4). The Ministry of Education (2017) has already repaired over 500 buildings and is set to re-inspect a further 1300.

The leaky buildings scandal is now seen as the result of systemic error, the combination of new legislation, architectural styles, building techniques and construction materials. The *Building Act 1991* (NZ) ushered in a flexible compliance regime to help reduce construction costs. It stipulated minimum standards and encouraged novel building solutions. In 1995, building regulations also changed to allow cheaper non-treated kiln-dried wood framing, which is markedly less tolerant to moisture. Tastes seemed to be changing too. Traditional brick and weatherboard builds were increasingly displaced by more Mediterranean-styled constructions. New building styles, including the use of sealants instead of flashings around windows, doors and eaves (all of which help redirect water) became more pronounced, as did the use of new cladding systems and more complex roof structures. New work practices also saw a decline in quality control, like labour only contracts with minimal oversight, and project managers replacing architects as on-site supervisors. This deregulation and outsourcing led to the attenuation of responsibilities and a decrease in proper oversight. It became less clear who was accountable for what as builders began to use new (substandard) materials and construction methods.

Given these brute facts, it would make sense to have more regulation rather than less. Here, Auckland Council—which receives the bulk of complaints regarding the nation's construction problems—suggest causes for concern. It has struggled to get its own house in order. As the media have noted, it is headquartered in its own 'faulty tower'. The Council admitted that it relied on second-hand visual inspection when it bought the ASB Tower for its new base. Council paid \$104 million for the building in 2012. An engineering firm had scrutinised the Tower's façade. It advised of cladding (and other) problems. The real estate consultants put an estimated cost of \$4.2 million to the repairs required to the façade and roof. But the engineering company's report came with significant caveats: they were clear that they had only conducted a visual inspection,

that access to the façade was restricted, and that they had not seen the technical drawings. This really was a case of *look no further than the exterior*. Building components were neither drilled nor tested. Nonetheless, they had identified issues with the Tower's cladding, podium and roof, hence the discounted price (the initial asking price was \$105.1 million). By 2016 it had become apparent that the building would have to be entirely re-clad. In April that year the cost to be borne by local ratepayers was put at \$31 million (Orsman 2016).

That having been said, Auckland Council sees no reason to relax construction rules and let builders self-regulate. It is on record as stating that it is failing upwards of a quarter to almost a half of all applications for building consents because they are not up to code. When the head of Council's building consents, Ian McCormick, appeared before a parliamentary select committee he stated:

There is no way with a 25 to 40 per cent failure rate on building inspections that I can put my hand on my heart and say, 'we are picking up every piece of non-compliant work that is out there', because I am absolutely certain we are not. There is a real shortage of people working in the industry at the moment in Auckland. What we are seeing is large numbers of relatively unskilled folk coming into the market, often not supervised to the degree they need to be, and that's contributing to some of the quality issues that we are currently seeing (quoted in Jones 2015).

Interestingly, a recommendation by the Rules Reduction Taskforce (discussed in the section below), which would make a tangible difference, received little media traction, namely: 'Develop an industry-wide strategy to lift the professional practices of builders' (Rules Reduction Taskforce 2015: 7). We are in the midst of a construction boom for two reasons. One is the spectacular growth of Auckland: it is both the largest and the fastest growing city in New Zealand (Auckland Council 2017). Statistics New Zealand's (2017) latest subnational population projections suggest that this growth will only continue. More than half of the country's population growth to 2043 will be in the Auckland region. By that time, Auckland's population could be 39 per cent of the nation's. The second cause of the construction boom is the Canterbury rebuild following the 2010 and 2011 earthquakes. The earthquake sequences did widespread property damage in the region. The Reserve Bank currently costs the rebuild at almost \$40 billion in 2015 dollars: \$16 billion for residential property, \$16 billion for commercial property and \$7 billion for infrastructure (Wood, Noy and Parker 2016: 3). This has brought large numbers of unqualified people into the industry, with many looking to make easy money. According to figures released under the *Official Information Act 1982* (NZ), in Canterbury the Earthquake Commission has received over 23 000 complaints about the home repair programme since the first earthquake in September 2010 (Stylianou 2015). The Earthquake Commission concedes that there are about 11 500 claims relating to poor construction work (Bayer 2017). A 2015 government study showed that a third of the new constructions failed to comply with the Building Code. When a journalist asked an expert what it took to be a builder in that city he replied: 'a dog, a ute and a bloody radio' (quoted in Truebridge 2016: A11).

Despite the shoddy construction of many of Auckland's residential properties, their price is at an all-time high. And in a country in which home ownership has been seen as something close to a birth right, the new normal is inflicting a great deal of social pain. The International Monetary Fund's (2016) *Global Housing Watch* showed that New Zealand has the highest house price-to-income ratio amongst OECD countries, with housing being the most unaffordable in Auckland. Indeed, the 2017 *Demographia* survey showed that the 'City of Sails'—as Auckland is known—has the fourth least affordable housing in the world. Only Hong Kong, Sydney and Vancouver are more unaffordable (Cox and Pavletich 2017: 14). The average Auckland house price has tripled in the last 15 years. Homelessness is the worst in living memory. Millennials are increasingly becoming known by the new demographic descriptor of 'generation rent' (Eaqub and Eaqub 2015). The national newspaper has declared that 'even the elite are locked out', while the most

right-wing Member of Parliament and leading proponent of an unfettered free market, Association of Consumers and Taxpayers (ACT) MP David Seymour, admitted that 'the only people he knew who could afford to buy homes were lawyers, doctors and engineers who went to Auckland Grammar or St Cuthbert's and had financial help from their parents' (quoted in Laxon 2016: 6). The Opposition has gone so far as to call on the government to declare a State of Emergency over lack of housing affordability (*New Zealand Herald* 2016).

The political response to the crisis has been muted, particularly from the ruling National Party. Here the spectre of corruption is raised once more. The 2016 register of pecuniary interests shows that the country's 121 Members of Parliament own 245 homes and 71 farms between them, in addition to vacant sections and commercial properties. The government's MPs topped the list, owning an average of three houses per politician. This prompted *New Zealand Herald* columnist Brian Rudman's (2016) acerbic comment: 'it's little surprise they're in no particular hurry to strangle the golden property goose that just keeps on giving; to them and their baby-boomer "investor" mates at least'.

While successive iterations of centre-right governments have shown an enthusiasm to deregulate and liberalise, they have not shown the same enthusiasm for making good on another tenet of neoliberalism—making markets free—at least, not when it comes to construction materials. These materials constitute as much as a quarter of the total costs for a house. A TV3 documentary suggested that building costs per house are 30 per cent higher in New Zealand than they are in Australia, and 60 per cent higher than the United States, on account of the higher prices for building materials. Those costs can be between 300 and 400 per cent higher on some individual product lines than they are in China. Many commentators blame this on the lack of competition. TV3's documentary also noted that leading building contractor Fletcher Construction has a 94 per cent share of the plasterboard market, while an earlier report showed that the markets for concrete, insulation and pipes are dominated by duopolies. In the same documentary, the presenting journalist alleged kick-backs in the form of overseas trips, cash bonuses and tickets to sports events for those large chain stores that agree to stock only their preferred lines of product. Kickbacks and rebates are also paid to builders. These perks do not have to be declared. Further, consenting authorities have rejected alternative products of the same standard that could provide consumers with greater choice and lower prices. Confidential Ministerial briefing papers suggest that all of these practices are 'widespread' (Morrah 2015). Here we would be remiss not to recall Robert Klitgaard's (1988: 75) famous formula: Corruption = Monopoly + Discretion - Accountability.

The Commerce Commission New Zealand (2016) has also raised concerns about non-competitive practices in the non-residential construction sector. The Commission's research was motivated by global concerns that the construction sector is particularly liable to collusive behaviour. Three reasons are given for this: the same companies tend to keep bidding for similar products and services; there are not many alternatives to these products and services; and some bidding rules make it easier for suppliers to rig their bids. Their own research shows that industry insiders have a poor grasp of what is meant by anti-competitive behaviour, and that they struggle with notions like cartels and collusion too. They also found that cover pricing (collaboration between tendering parties) is practised by companies within the sector. Amongst other things, their informants complained about the absence of regulation and corrupt procurement practices with some government agencies.

Neoliberalism and deregulation: Getting rid of loopy rules

It came as a surprise to many when then Local Government Minister Paula Bennett announced that we have all 'moved on' from the leaky buildings scandal: 'products have moved on since then, the country has moved on from then, and we have to make sure we are getting sensible rules'

(quoted in Collins 2015). Amongst the proposals tabled by the Rules Reduction Taskforce was the recommendation to allow builders to self-certify.

Upon hearing Minister Bennett's announcement, I wondered if Wayne Young, a 60-something-year-old whom I happen to drive past each day on my morning commute, had 'moved on'. He became a casualty of the leaky homes crisis after an apartment he bought in 1999 suffered water damage. He disputed the repair bill. The attendant legal costs forced him into bankruptcy. He has been living in his car ever since. A three-time Auckland mayoral candidate who is completely sanguine about his electoral prospects, Wayne holds a homemade sign aloft on Tamaki Drive each day. He is a visible reminder that the fallout from the leaky homes scandal is still with us. 'I've learned a lot about being homeless, how to fossick in jumbo bins for extra food, how to supplement your income, do odd jobs and try to pay for things like warrants of fitness' he told a *New Zealand Herald* reporter. 'I never would have believed the struggle there is in being poor and oppressed' (quoted in Houlbrooke 2014). On the day that the *Herald* photographed him, his sign took aim at the amalgamation of Auckland's councils into a single unit: 'super city organised crime integration'. His sign read 'Homes = leaky buildings. Organised crime' when I drove past this morning.

The leaky building problem was supposed to have peaked between 1994 and 2004 but new cases keep coming to light, and they are compounded by two other construction scandals: the deliberate flouting of fire safety regulations in apartment buildings (between 1995 and 2005), and substandard structural steel (in houses, apartments and motorway bridges). This would suggest that the issue, despite Minister Bennett's pronouncement, is far from over. Numerous media reports corroborate this. For example, in 2015, high profile Auckland builds like the Heritage Hotel, Scene One apartments and the Scotia Tower were shown to be suffering from weather-tightness problems. In 2016, the owners of the St Lukes Garden Apartments complex filed a \$60 million claim against its builders and Auckland Council over leaks, damage to structural integrity, and failures to comply with fire safety regulations (*Radio New Zealand* 2016), while Parker and Associates announced that they are taking a \$200 million-plus class action on behalf of 350 building owners against cladding manufacturer James Hardie (Stock 2015). In July 2016 a Supreme Court ruling paved the way for the biggest product liability claim in the country's history, allowing the Ministry of Education to pursue legal action against Carter Holt Harvey over allegedly defective cladding products used in schools across the nation. The Minister of Education estimated remediation costs would exceed \$1.3 billion (Parata quoted in Edmunds 2016).

Minister Bennett's Rules Reduction Taskforce (2015) produced the publication *The Loopy Rules Report: New Zealanders Tell Their Stories*. Its opening message was: 'New Zealanders are fed up wasting time and money trying to work with loopy rules'. There followed a litany of complaints, including unnecessary bureaucratic hurdles and costs, mindless rules, over-zealous enforcement, and a general failure to orient services towards the customer. Paula Bennett had invoked examples of red tape running riot to justify the Taskforce, including the illegalisation of children's lolly scrambles and the insistence that those using stepladders wear safety harnesses. It emerged that most of the 'loopy rules' that frustrate the public, as in the two just mentioned, do not actually exist.

Here questions of cronyism and corruption also arose. It emerged that half of the Taskforce had direct ties to the ruling National Party. They were former MPs John Carter and Tau Henare, former candidate Mark Thomas and party donor Ian Tulloch. Documentation released under the Official Information Act showed that \$25,000 in fees went to these people, each of whom was remunerated at \$500 a day for their services. Their report also ultimately consumed three quarters of a million dollars of taxpayer money. Opposition MPs soon voiced their disdain. Phil Twyford said: 'It's an insult to the taxpayer that National should undertake a blatantly political exercise like this ... and essentially provide a make-work scheme for National party has-beens and apparatchiks' (quoted in Collins 2016). All the same, Sam Lotu-Iga, the new Minister of Local

Government, announced in July 2016 that the government would be accepting 72 of the Taskforce's 75 recommendations, including the relaxation of building laws and permitting builders to sign off on more areas of their own work (a gesture which has been met by considerable industry ambivalence).

Conclusions: What can be done?

In this article I have turned my attention where TI refuses to look: to the private sector. Indeed, other studies show real problems here. Less than half of New Zealand's stock exchange-listed companies have anti-bribery policies, corporate ethics systems are relatively rare, and surveys show significant rises in fraud, bribery and corruption cases in the \$1 million-plus range. The reported instances of private sector corruption doubled between 2011 and 2014 (Chartered Accountants Australia and New Zealand 2015: 7, 14). This figure, while worrying, is likely to be the tip of the iceberg. A 2014 PwC survey on economic crime stated that only 51 per cent of their business respondents would even report an illegal request (Anthony 2016). Where would New Zealand place in the CPI if this sector was included?

In this article I have taken a different tack from TI to conceive of corruption as the degradation of the public realm and of social wellbeing in the service of private interests. Beetham's (2015) definition has allowed us to see the ways in which neoliberalism is conducive to corruption: in peeling back the regulatory apparatus and in becoming subservient to the dictates of the corporation, the state's protective role has been diminished, while former public services are now undertaken for private gain. In particular, I have taken issue with privatisation and deregulation as they relate to construction and housing provision. While private gain is undisputed (elements of the construction sector have certainly profited), social pain has been felt in a variety of ways, as seen in terms of housing affordability and availability, privatisation rates of public housing stock, the comparatively high cost of construction materials, record levels of homelessness, and rates of non-compliance to fire safety regulations and to the building code, as well as the number of workplace injuries within the construction industry. In order to account for this, I had to reverse TI's priorities, focussing instead upon facts over beliefs and public welfare over private gain.

Here I consider ways in which the social harms associated with this sector might be addressed. The opening suggestion is to make houses safe for those who are most vulnerable: poor tenants. The social ills that arise from substandard housing are well known (Howden-Chapman, Bennett and Siebers 2009). As the *2016 Household Incomes Report* notes, 42,000 children are hospitalised as a result of substandard housing each year, 110 000 live in damp and mouldy homes, 140,000 in cold homes, and 75,000 are in homes that are both cold and mouldy. Some illnesses, like respiratory ailments, are often life-long. Yet most of those who live in unhealthy housing can do nothing about it: 45 per cent are in private rental accommodation, while 25 per cent are Housing New Zealand tenants, though if the government gets its way there will be significantly fewer (Twyford 2015). Housing should be for social benefit rather than private profit. 'Across the world only governments have the resources and capacity to provide quality affordable housing for families and tenants on low incomes' (Minto 2015). Pressure needs to be exerted on government to commit to this. In the meantime, a number of policy levers could help to halt the accumulation of private wealth at social expense, such as implementing a capital gains tax and removing tax exemptions for property speculators, and insisting upon 'warrants of fitness' for landlords, which would include minimum standards for rentals such as insulation and an identifiable heating source.

The second set of suggestions relates to those who build houses. Their working conditions need to be safer. The forestry, agriculture, construction and manufacturing industries are heavily over-represented in New Zealand worker injury statistics. Forestry tops this list. In its worst year, 12 people were killed. Fully 1000 of the 6000-strong workforce were receiving payments from the

Accident Compensation Corporation. Forestry's negative statistics are in decline, but the construction industry recorded a 14 per cent increase in injuries requiring a week or more off work in the year ended June 2015 (Worksafe New Zealand 2015: 34). Here unionisation provides a solution. When non-unionised industries unionise, they become safer. Forestry is a case in point. After unionising, the former head of the Council of Trade Unions noted that the serious accident rate reduced 60 per cent in a single year. The number of deaths also dropped (Kelly 2015).

The Building Code needs to be prescriptive rather than proscriptive. Formal training is a must for those installing passive fire protection systems, and Licensed Building Practitioners need to have the requisite skills and resourcing. They also need to be resourced to sufficient levels. All forms of self-sign-off must be abolished. New Zealand requires proper (and properly independent) testing regimes for construction materials, and a government-sponsored insurance scheme for those in the building business would be no bad thing either.

More broadly, to offset the deleterious effects of decades of neoliberalism, Beetham (2015) suggests sound political and institutional strategies centred on the defence of the public sphere, the forging of a common citizenship against the market logic, and the demand for an autonomous civil service. In support of this, government could make public sector contracts more transparent; insist upon companies having anti-corruption policies in place before awarding them public sector contracts; seize corrupt assets and refuse visas for corrupt officials; support, protect and reward whistle-blowers; encourage cross-border cooperation and prosecute foreign bribery; impose harsher sanctions for offenders and ensure that they are imposed; and insist upon anti-bribery and corruption policies as a condition for listing on the stock exchange (Chartered Accountants Australia and New Zealand 2015: 32-3). The government should also honour the commitments it signed up to under the Open Government Partnership. Consideration could also be given to petitioning for the reform of the official freedom of information laws (as of now there are cost and time barriers in place); the creation of consultation guidelines for new bills and policies; the generation of regular uniformly formatted independent 'state of the nation' reports on social policy and environmental matters; and the implementation of greater transparency around party political donations (Price 2016). Perhaps, then, New Zealand might be closer to the point at which hidden depths match surface appearances.

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¹ All monetary amounts are in New Zealand dollars

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