

## **Civil Contractors New Zealand submission on the Draft Government Policy Statement on Land Transport (GPS) 2024-34**

**To:** Ministry of Transport

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### **About Civil Contractors New Zealand**

Founded in 1944, Civil Contractors New Zealand is an industry association representing the interests and aspirations of more than 840 member organisations, including 535 large, medium-sized, and small businesses in civil engineering, construction, and general contracting. Our 305 associate members provide valuable products, support, and services to contractor members. We live and work in all communities across New Zealand.

Our members play a vital role in the development of our country, our economy, and our way of life. They build and maintain the roads connecting our cities and towns; they install and care for the water networks that bring fresh water to houses and wastewater to treatment plants; they install the cables that bring the internet to homes and businesses. These are services a modern and developed economy must have to compete efficiently in world markets and to deliver high living standards for all New Zealanders.

The broad civil construction industry employs around 60,000 people and undertakes projects worth around \$10b to \$12b annually. More specifically, our organisation represents the contractors who carry out the physical construction works on country's roading, rail, port, and public transport networks.

CCNZ thanks the Ministry of Transport for the opportunity to make a submission on the Draft Government Policy Statement on Land Transport (GPS 2024).

## Focus of the Draft Statement

We agree with the focus of the draft statement's strategic priorities on priority projects, maintenance, resilience and safety.

Maintenance has been repeatedly and significantly underfunded, leaving a massive liability to restore the transport network to a first world, safe standard.

It is important to note one of the most effective ways to provide certainty to our contractors, and to retain capacity and capability within the industry, is to have a well-planned and effective maintenance programme in place.

We also caution that value for money should not be confused with lowest cost – the design and procurement process should provide for the best whole-of-life solution.

In summary we agree with:

- The simplified strategic objectives under GPS 2024-34, which are tied back to clear outcomes and expectations.
- The continued increase in construction and maintenance funding to overcome decades of underinvestment.
- Increased focus on preventative road maintenance.
- Increased focus and funding for road renewals.
- Consistency in the programme of works, which will enable contractors to retain and build capability and capacity.
- The focus on increased value for money as opposed to lowest cost.
- Consistent investment in rail, which will build capability and capacity amongst NZ's rail construction and maintenance contractors.
- The alignment of the GPS Land Transport with the second Emissions Reduction Plan (ERP). The first ERP does not directly acknowledge or provide for horizontal construction.
- Inclusion of regional development alongside urban development
- The focus on incorporating safety into improved network condition, which will in turn improve road safety.

However, we do not agree with:

- The terminology 'State Highway Pothole Prevention' (p25) and 'Local Road Pothole Prevention' (p26).

When road renewals are properly funded and appropriate surfacing is maintained, the work should have very little to do with potholes. For clarity's sake, these activities should instead be classed as 'State Highway renewal and rehabilitation' and 'local road renewal and rehabilitation'.

- Some mention of 'removal of speed bumps' under State Highway activity classes. This is a local roading activity, and speed bumps on state highways would be very uncommon, so the reference to speed bumps on p25 does not seem appropriate.

- The structure of the current funding system. While it's understandable that short-term 'top-ups' may be necessary in some circumstances, we would like to see a more enduring funding system that supports construction and maintenance activities.
- The huge variance between the upper and lower limits in the budget. While some allowance must be made for cost escalation given the recent economic situation and natural disasters, variances of upwards of \$800m between the upper and lower limits in some activity classes are concerning, especially if this represents work conducted by contractors that could be 'switched off'.

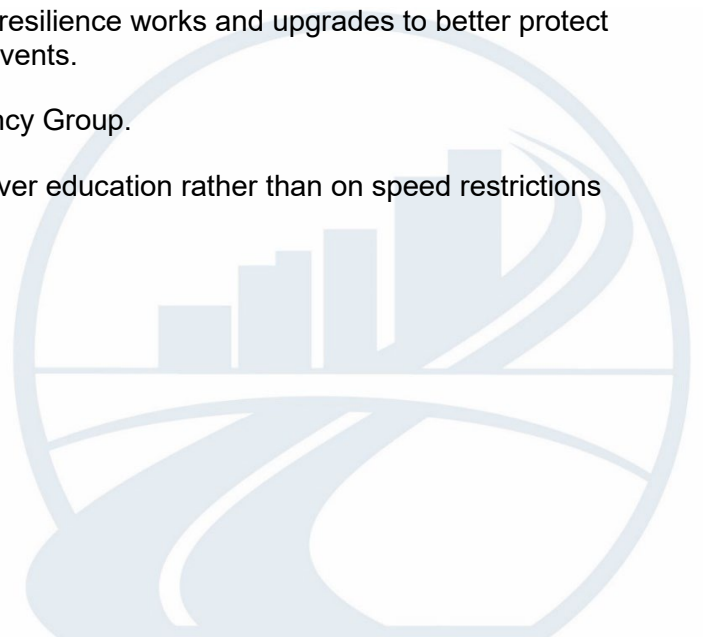
The variances are particularly significant in the early years of the programme, at a time when immediate economic stimulus is needed to support our currently underutilised contractor base.

- A lack of programmed investment in the South Island. Of the 34 major projects identified, only seven are in the South Island.
- A lack of recognition of the role of people in constructing and maintaining the network. There is potential for workforce intake programmes and targeted international recruitment to support people to enter the workforce and increase capacity.

Accordingly, we respectfully request:

- A broader discussion of other funding tools, for instance private funding or at the very least, incorporation of congestion or other user pays charges into the National Land Transport Fund to overcome the shortfall.
- Increased buffering of the work programme to ensure continuity.
- Consideration of more standardised design catalogues. Not every project needs bespoke design. More standardised designs will result in considerable cost savings.
- Revision of activity class titles to more accurately reflect their application (for instance 'State Highway renewal and remediation'.
- Consideration of targeted training and workforce intake programmes.
- A stimulus package centred around road renewals to retain capability and capacity in the roading construction workforce as it awaits some Roads of National Significance projects to pass through the planning and consenting processes.
- A more coherent programme of essential resilience works and upgrades to better protect transport networks from severe weather events.
- A contractor voice on the Roding Efficiency Group.
- A road safety programme focussed on driver education rather than on speed restrictions alone.

We discuss some of these more fully below.



## **Programme certainty**

We understand having absolute certainty of the “pipeline”, or (put differently) delivery of the physical works programme, is not possible when national and local electoral cycles are only three years, and council long-term plans are only for 10 years.

Major roading or resilience projects will span longer periods, with years of planning and construction. All too often though, projects or funding lines are announced with little or no detail about when they may be committed. Although unlikely given the current political divide between the left and the right, we believe that major infrastructure investment, including significant roading projects, should be considered intergenerational assets and form part of a committed cross-party long-term asset investment plan.

It is one thing to promise, but quite another to commit. To ensure a thriving, resourced, modern, capable civil industry such promises need to quickly turn into committed, scheduled, funded projects.

## **Long term funding**

We acknowledge the increased investment funding in the draft plan, but also note revenue from the National Land Transport Fund is projected to decrease.

While we appreciate short term funding packages may be necessary to deliver a consistent pipeline of work, we believe the funding system should be updated to make it fit for purpose for the long-term construction and maintenance of the network on an ongoing basis.

The current system is not covering costs, resulting in the need for short-term funding packages. This practice makes the transport work programme vulnerable to disruption through political ideology rather than best practice. We have a looming long-term funding issue for our roading network, and we need a long-term vision to sustainably fund improvement and maintenance of the country’s transport networks in different ways.

The government short-term decision to reduce the regional tax on fuel to support households during the current cost of living crisis has exacerbated this issue. At the very least, congestion charges should be included to support the existing funding mechanisms.

## **Value for money**

We acknowledge a renewed focus on value for money, innovation, and best practice. However, we caution about how the term “value for money” is interpreted.

Value for money should not equate to cheapest option – the design and procurement process should provide for the best solution. We have witnessed some clients opting for the lowest cost option, sometimes conducting multiple tenders until they achieve that outcome.

This is very risky because:

- The best solution is often compromised in favour of the cheapest solution.
- The outcome often leads to higher maintenance or remedial work sooner.
- Contractors prepared to put in low tender bids to satisfy cheap solutions are often not CCNZ members and are therefore not bound by an industry code of ethics, are not privy to industry best practice, and don't necessarily operate under a sustainable business model.

When considering value for money, a focus should also be put on the design process. There appears to be a philosophy in New Zealand that every new project needs a new design. We need to move away from requiring bespoke designs for every project.

Contractors have frequently commented on the millions of dollars wasted on, for example, new bridge designs, where reuse or minor modification of an existing design would have delivered an outcome at least as good (if not better), for a fraction of the cost.

### **Project efficiency**

A large amount of cost can be saved by reaching for greater efficiencies at the local and national levels. This could mean:

- Investigating and resolving factors causing cost escalation, such as a lack of provision for local fill sites resulting in increased cost of cartage and reduced project efficiency.
- Early engagement of contractors at the design stage – as the constructors of the project and with experience across multiple projects, contractors have a very good understanding of what the solution to the problem being addressed could or should look like.
- Increasing early contractor engagement to reduce the financial burden of the tender process. In some situations, contractors spend millions on scoping and making a losing tender. A more collaborative environment would allow knowledge to be retained and shared.

Particular attention is also needed on the interface between central and local government, as local government holds responsibility for enabling infrastructure such as quarries and cleanfill sites as well as the construction and maintenance of local roads.

### **Roading Efficiency Group**

The Roothing Efficiency Group was originally founded as a taskforce in response to a joint submission from CCNZ's predecessor organisations, the NZ Contractors Federation and Roothing NZ.

Contractors have a detailed understanding of the factors that are increasing the costs of practical construction and maintenance of the network, so CCNZ believes significant value would be added by contractors having a greater voice through membership of the Roothing Efficiency Group.



## **Workforce**

Contractors train and develop transport construction and maintenance workers. This leads to better safety and quality outcomes, as well as better careers for the people that work to construct and maintain NZ's transport networks.

Training should be better recognised as part of project cost, as civil construction trades training is not currently funded or delivered through the formal education system, which is instead focussed on qualifications.

## **Road safety**

The most recent focus for road safety has been on speed limit restrictions rather than on addressing the root cause of road deaths and accidents. We welcome increased funding for road policing, improved road surface quality, and enforcement, although we would like to see an emphasis also on ensuring that our court system supports the efforts of our police force by actually imposing the penalties allowed by law.

We would also like to see a stronger focus on driver education, a priority suggested by a number of safety campaigners including Greg Murphy.

## **Temporary traffic management**

The draft GPS talks of reducing the cost of temporary traffic management (TTM). While a new risk-based approach is being implemented, and contractors are fully committed to the safety of workers and the traveling public, often it is the inconsistent interpretation of TTM needs by clients in the tender process that leads to unsuitable TTM requirements, adding unnecessary cost to the project. A well understood, well supported and well implemented risk-based approach to TTM may go some way to reducing its cost and ensuring value for money.

## **Cyclone recovery**

While the draft GPS refers in passing to cyclone recovery investment, we understand that very little funding is finding its way to the groups charged with the recovery and rebuild efforts – in particular on local roads. Not only do communities continue wait, but a lack of current work is having a severe impact on our contractors.

## **Partnership and collaboration**

There must be a greater emphasis on partnership and collaboration between government, clients, and those who construct and maintain the transport network.

There are some good examples of where this is occurring, such as NZTA and its construction alliance partners, or Whangarei District Council and its contractors.

While this may be outside the scope of the GPS, we would like to see a more universally adopted partnership model in the next National Land Transport Programme, with more focus on early contractor involvement and better growth pathways for contractors of all sizes. This

will lead to better project outcomes, increased contractor capacity, and a more resilient civil construction industry.

### **Need for urgent stimulus**

The industry is currently facing a situation where a lack of committed and funded projects is causing financial distress among many in the contractor community, with skilled staff leaving for better opportunities, plant and equipment sitting idle, and businesses either downsizing or closing.

An urgent stimulus is needed, with road maintenance and renewals an obvious short-term mechanism that does not require lengthy debate or an arduous consenting process. While the stimulus must come from the full range of infrastructure asset classes, whatever can be achieved through the GPS on Land Transport would be welcome.

### **Conclusion**

Thank you for the opportunity to submit on the draft GPS for Land Transport 2024-34. We welcome the opportunity to provide further submissions or supporting information if required.

Kind regards,



Alan Pollard  
Chief Executive  
Civil Contractors New Zealand Inc.

