

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

To: Ministry of Transport

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Date: 15 September 2023

About Civil Contractors New Zealand

Founded in 1944, Civil Contractors New Zealand is an industry association representing the interests and aspirations of more than 780 member organisations, including 500 large, medium-sized, and small businesses in civil engineering, construction, and general contracting. Our 280 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 Funding (GPS 2024).

Focus of the Draft Statement

We agree with the focus of the draft statement's strategic priorities on priority projects, maintenance, resilience, safety, emissions reduction, urban and regional development, and integrated freight.

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 wish to note 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 strategic objectives under GPS 2024.
- The continued increase in construction and maintenance funding to overcome decades of underinvestment.
- Increased focus on road maintenance.
- 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 holistic 'whole of life' approach Waka Kotahi NZTA has taken when considering transport sustainability and emissions.
- 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 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 \$500m 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'.
- 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 request:

- A 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.
- Consideration of more standardised design catalogues. Not every project needs bespoke design. More standardised designs will result in considerable cost savings.
- Consideration of targeted training and workforce intake programmes.
- Consideration of how emissions reduction can be measured consistently using international standards, without creating significant cost escalation.
- As we noted in our submission on the National Adaptation Plan, we would like to see a more coherent programme of essential resilience works and upgrades to better protect transport networks from severe weather events.

These requests are discussed 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. The 2023 budget is a case in point. The budget provided for an investment of \$71b over five years for new and existing infrastructure investment, with a further \$6b allocated to the National Resilience 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 that 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 excise tax on fuel to support households during the current cost of living crisis, and the government push toward electric vehicles with no willingness to address the obvious anomaly of how these road users should contribute to the maintenance of the roads that they use, has exacerbated this issue.

While the draft Government Policy Statement offers stability, what it lacks is vision. History shows this will inevitably lead to “more of the same” - a lack of ultimate project commitment, and a poor design and procurement culture, delivering solutions which are not fit for purpose or optimised. This in turn leads to shorter investment life spans and higher maintenance costs incurred sooner.

Excise taxes and road user charges do not work as an efficient and fair funding mechanism. We need a workable user-pays system, or to enable investment from external infrastructure funds. We are disappointed no consideration has been given to private funding, which could bring projects forward and take the pressure off already strained government finances.

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.

Partnership and collaboration



Principal Business Partner

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 Waka Kotahi and its 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.

Kind regards,



Alan Pollard
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Civil Contractors New Zealand Inc.

