

## **Briefing to the incoming Government from New Zealand's civil construction industry**

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### **1. Congratulations**

Congratulations to you, the National Party team and prospective coalition partners, on your election victory. While we wait to see the final shape of the next parliament, voters have delivered a resounding endorsement of your vision for the future.

### **2. In summary – what does the civil construction industry want from government?**

- Better recognition of the specific needs of the civil construction industry
- A clear pipeline of consented work that gives businesses confidence to invest in their people and equipment.
- Access to a skilled and reliable workforce, including domestic training pathways and immigration.
- Better dialog between government and industry.
- Better support for construction industry health (including mental health), safety and wellbeing.
- Clear indications around important policy changes that impact contractors.
- Assessment of which regulations are delivering value and which are not.

### **3. Civil Contractors New Zealand (CCNZ)**

By way of introduction, **CCNZ** is an industry association representing the interests of more than 500 contractor organisations, including large, medium, and small businesses in civil engineering, construction, and general contracting. We also have almost 300 associate members who provide products, support, and services to contractor members.

Our members build and maintain horizontal infrastructure such as roads, bridges, tunnels, dams and power stations, water networks, telecommunications cables and electricity lines, sport and recreation facilities and national defence facilities such as air bases.

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. This is the infrastructure that enables transport, clean water, power and the internet.

The civil construction industry undertakes roughly \$12 billion in projects each year, and keeps about 65,000 people employed. In addition to national representation, CCNZ also has twelve regional branches, providing valuable regional support to our members and interfacing with regional clients and communities on local issues.

Civil contractors literally shape the earth around us. We play a critically important role in shaping the health, wealth and wellbeing of our communities and our environment.

#### **4. The difference between horizontal and vertical infrastructure**

We have been immensely frustrated by government and agencies' lack of understanding of the difference between horizontal and vertical construction, believing instead that for construction 'one size fits all'. That is not the case. The horizontal (civil) construction sector is very different to the vertical (residential housing and commercial buildings) sector and professional services (i.e., engineers, architects) sector – structurally, demographically, commercially, type of work, type of roles, and so on.

When officials think of “construction” they appear to automatically gravitate to the part of construction they know best, which is typically residential or commercial building, and they will stress test their thinking in that context. That means that formulated policy is often quite adequate for the vertical construction sector but is not fit for purpose for our horizontal sector. We see this issue as quite pronounced, in the immigration policy setting for example.

The reality is, without the horizontal sector, the vertical sector could not function – unless the civil contractors do their ground and underground work, the vertical constructors can't start.

We are continuing to educate policy and law makers of the distinction, often working alongside clients to do so. If that distinction continues to be misunderstood, our ability to deliver on key infrastructure projects will most likely be compromised as we battle unfavourable or unreasonable policies, laws, and regulations.

It is also worth noting that, unlike the vertical construction sector with multiple industry associations, the horizontal construction sector is only represented by one – CCNZ. That makes engagement with the majority of the civil sector that much easier.

#### **5. Key challenges**

Our annual industry survey released in August 2023 highlighted the following trends:

- 34% of respondents had confidence in the civil industry outlook.
- 84% think the development of a clearer pipeline of central and local Government work will have a positive impact.

- 69% have had extreme weather events impact their projects, with project delays and contract changes being the main resulting outcome.
- 74% feel that infrastructure investment and maintenance should be a top two initiative for the incoming government.
- But only 18% were confident in the then government's commitment to infrastructure, only 9% of respondents were confident that adequate funding would be made available for projects and maintenance initiatives, and only 7% were confident that NZs infrastructure could cope with climate change.

In the context of that sentiment, the two most important policy areas for the civil sector are a committed and funded programme of work, and access to a reliable and skilled labour force.

### **5.1 Committed and funded programme of work**

Te Waihanga - New Zealand Infrastructure Commission's infrastructure strategy highlights the extent of the infrastructure deficit and the investment required over the next 30 years. The Labour government Budget 2023 provided for \$71b over the next five years for infrastructure capital and maintenance, and \$6b for weather related resilience. The draft Government Policy Statement for Land Transport provided for an increase in funding for roading capital and maintenance projects.

But promises don't get things built. It is only a committed and funded programme of work that provides our members with the confidence to invest in the people and technology that will be needed to undertake the infrastructure works. Our expectation is that the incoming government should provide more certainty to the work programme.

Aligned with this:

- We would like to see the procurement process approached differently. We need to remove the over-engineering or over design of project solutions – this is wasteful, costly, and unnecessary. We don't need bespoke solutions for every project; existing designs can often be reused producing better more cost-effective solutions i.e., in bridge construction.
- As the incoming government becomes established, in the interim clients need the confidence to continue to invest. We currently have a situation where there is so much to do and so many promises made, and yet clients are cancelling projects or reprioritising them due to government uncertainty or funding constraints. This uncertainty flows through to the civil construction sector and puts our ability to deliver at risk.
- We would like to see urgent effort put into finding a more effective infrastructure investment funding solution. We have a large investment programme ahead but fear how it will be paid for. Successive governments have talked a lot about transformation but taken little action to encourage it. We need to be creative and innovative about how we address this short-, medium- and long-term funding issue, and through its infrastructure strategy the incoming government has indicated its support for alternative funding sources.

### **5.2 Access to a reliable and skilled labour force**

In our survey, 72% of respondents highlighted skills shortages as a major challenge for future growth.

Access to a reliable labour force remains highly constrained. Even before the weather events we were short of workers; the storms have just exacerbated that. And the infrastructure aspirations exacerbate that even further.

The work that civil contractors do underpins all other parts of the construction sector. We are the enablers. So, our ability to resource a clearly defined and well-funded programme of work is essential if we are serious about tackling our infrastructure challenges.

The Labour government introduced the concept of a sector agreement to address our future labour capacity challenges, and our industry strategy is constrained by the limitations imposed by this sector agreement.

Strategically, our ability to build capacity and deliver on future projects will rely on three main things:

- The development of a reliable and skilled domestic workforce
- The ability to bring in workers through the immigration pathway across all roles - from low skilled to highly skilled.
- Innovation and technology could substitute for existing roles or improve the performance and productivity of existing roles.

### **5.2(a) Domestic Workforce**

Our primary focus is on creating opportunities for New Zealanders to join the industry. Our education system must produce better outcomes than it does (attitude and aptitude of school leavers). While engineering pathways exist, no infrastructure construction trades training happens at school, and the little civil construction trades training that is currently delivered at tertiary level is largely delivered outside the education system by private trainers. This means the bulk of the responsibility for civil construction trades training rests with employers.

We would like to see:

- Better recognition of trades at schools.
- Pre-employment training options.
- Better recognition and funding for the training employers are delivering

Some of the activity that we are doing in this area includes:

- Businesses working with regional schools and careers advisers, but schools are not teaching the skills necessary to prepare students for their working lives, and there are no clear entry points for civil trades.
- Therefore, we support pre-employment programmes as demonstrated in pilot Infrastructure Skills Centres and specialist regional programmes such as those offered by ADT Palmerston North and Topline Academy Hawkes Bay
- We have programmes running in partnership with MSD, Corrections and Waihanga Ara Rau Construction and Infrastructure Workforce Development Council
- CCNZ owns and operates the EPIC Careers in Infrastructure programme to show people the gateway to working in the industry.

We disagree with National's view that Workforce Development Councils have failed. We feel far better served and engaged now than we did under the previous ITO structure and would not support any move to disestablish our WDC. On the other hand, we see no value in the Regional Skills Leadership Groups, and agree these should be disestablished.

## 5.2(b) Immigration

With immigration we need to address the situation where civil construction remains largely unrecognised by the immigration pathway, remove the administrative burdens, and remove the barriers to global recruitment.

Pre-xmas a couple of civil roles were added to the Green List. Just prior to the election, a number of civil roles were added under our sector agreement. It is good to see recognition of skilled civil tradespeople on the Green List, and pathways for these people should continue to be serviced following the change of Government.

The Labour government did introduce the cyclone recovery visa, valid for a maximum of 6 months with fast processing and no fees, but few of our members chose to use that visa as the 6-month limitation made it unworkable for our project requirements.

We hear from our global recruiters that:

- The perception remains that NZ is still heavily restricted.
- The fear that, based on previous experiences, the government could move quickly to lock down NZ at any time.
- That crime is an issue (i.e., global reporting of ram raids)
- And that New Zealand is very expensive (cost of living, housing)

The perception that New Zealand is unwelcoming of migrants must change, and we should instead target the talent that we need to prosper as a country. To that end, CCNZ, Master Builders, ACE Engineering, and Institute of Architects, in partnership with NZTE's New Zealand Story and the Construction Sector Accord have jointly developed and are promoting a global construction recruitment campaign – Destination NZ.

The campaign includes story telling videos that first promote New Zealand and then promotes the virtues of working in the New Zealand construction and infrastructure sector. With guidelines on how to use the resources, they are available to our businesses and recruitment partners to support their global recruitment efforts, and to counter the misinformation in the global recruitment market.

However, for the campaign to succeed there must be further movement in immigration settings.

We need to think differently about immigration. The majority of businesses are great employers who care about their people and want to do the right thing by them, while a small minority are unscrupulous employers who want to take advantage of employees for their own gain. Rather than judge all employers by the lowest common denominator, why not offer carrots not sticks, incentives rather than punishment?

We would like to see immigration policy settings where good employers are rewarded perhaps with less red tape, access to a wider range of roles to support their businesses,

faster processing and lower costs, whereas poor employers are subject to more rigorous scrutiny, a rehabilitation pathway, or if rehabilitation fails or behaviours do not improve, they face a ban from accessing migrants in New Zealand.

### **5.2(c) Technology**

Finally with respect to the workforce challenges, new technology and innovation will improve efficiency and delivery (and therefore productivity), but this continued investment again relies on having confidence in the future pipeline of work.

New technology is already being adopted that can improve productivity. For example, contractors are exploring powering their own heavy vehicle fleets with biofuels that they manufacture themselves; they are introducing new hybrid excavators; and some are using telematics software which can monitor both driver behaviour and vehicle and equipment performance. This can significantly improve productivity as well as reduce emissions.

### **5.3 Mental health**

There remains a mental health crisis across the construction sector. This is becoming a very serious issue in, for example, Hawke's Bay, with contractors (and the wider community) under considerable pressure.

Construction continues to lose on average a worker a week to suicide. That is tragic and avoidable. We invest in mental health support and resources through funding private organisations such as MATES in Construction to work on suicide prevention and improving mental health in our industry, but it defies logic the Labour government did not renew funding for MATES in Construction when it came due, and the organisation has had to fight for support for over a year now as an entity funded primarily by industry.

Real support, not hollow promises, needs to be front and centre of any government work programme budget around mental health. We have examples of workers who have sought help only to be offered appointments several days out. In the absence of timely intervention, they have in the intervening period tried to take their own lives.

This is not acceptable at any level. We appreciate the National Party had made its policy in this space clear, with Christopher Luxon saying 'Funding will also be available for activities beyond one-on-one counselling, such as the suicide prevention programmes run by MATES in Construction or any other mental health programme, provided they can demonstrate they are delivering outcomes' in a statement on 26 April.

We would like to see better support for MATES in Construction and the construction industry in this space, and tangible action taken in the first 100 days of the incoming government.

## **6. CCNZ submissions on current legislative reforms**

### **6.1 Water reform**

CCNZ has not taken a view on the structure and design of the new entities emerging as part of the Three Waters reform programme; that is a matter for the asset owners. However, we are strongly of the view that the current system of funding the maintenance, replacement, and development of our Three Waters assets is not working.

The key issue is that whoever is managing the delivery of NZ's water assets needs to properly fund the construction, maintenance and renewals of the network. We support the need for change that is informed by practical considerations, and an outcome that results in more efficiency, more transparency and better management. In designing and implementing the changes, we urged then responsible ministers to remain mindful of two key matters:

- During the change process and transition, we need to ensure that there is continued investment in maintenance and capital works on and underground in order to maintain the specialist capability that currently exists and depends on this market. The volume of work signalled for the next 20 years requires more people and more investment in plant and equipment, so any loss of momentum, during a transition, will create serious resourcing and delivery risks downstream.
- CCNZ and our contractor members want to be involved and engaged in jointly developing procurement processes with the new asset owners and managers to ensure that we have a healthy water construction market that develops our three waters capability and capacity. Through the reforms there is risk of lost knowledge and capability alongside the rewards that may come with better management, and we need to ensure that there is an equitable and consistent distribution of work and opportunity for all contractors, large and small.

## 6.2 Resource Management Reform

CCNZ recommended the Government rescind the Natural and Built Environment Bill, amend the Spatial Planning Bill accordingly, retain the positive aspects of the Bills, and incorporate them into the RMA. Much of the value of this legislative reform is contained in the ability of the SP Bill to plan effective regional spatial strategies (RSSs) that protect the environment and identify appropriate areas for development, along with the ability of the National Planning Framework (NPF) to resolve conflicts.

We proposed New Zealand should not be subjected to decades of cost and uncertainty in defining novel terms contained within the NBE, and how they are applied to our society through litigation. We should consider how the existing RMA can be amended to be complemented by the regional planning the SP Bill enables, and the effective conflict resolution mechanisms the yet-to-be-developed NPF is purported to contain. This approach will capture the value of the reforms in conflict resolution, and effective spatial planning.

CCNZ seeks the following from RMA reform:

- Consenting pathways that enable the construction, operation and maintenance of infrastructure and the built environment, for both large and small projects.
- Efficient and effective and affordable consenting, planning and other regulatory processes, and to avoid unnecessary delays in regulatory processes.
- The above to apply to civil construction at all scales, from small earthworks to multi-firm construction alliances for nationally significant projects.
- Ability to manage trade-offs or conflicts between RM reform objectives, e.g., between protection of, and the use and development of the natural and built environment.

- Effective mechanisms to balance the environmental cost of development against the benefits infrastructure delivers for our society.
- Access to raw materials that enable infrastructure construction, such as aggregate, steel and concrete, and efficient repurposing of construction and demolition waste, whether through recycling or through identified sites for enabling infrastructure - e.g., clean fills.
- Upholding of property rights, including for existing infrastructure and buildings

### 6.3 Government Policy Statement on Land Transport

We are concerned that the Land Transport Fund which shapes the user-pays system for the construction and maintenance of our transport networks looks set to diminish on an ongoing basis, and that an increasing amount of funding is being delivered through political packages that sit outside of the Land Transport Programme. We consider a more stable and enduring funding system is needed.

We agree with:

- The strategic objectives as stated 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.

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.

We request:

- More programme certainty - to ensure a thriving, resourced, modern, capable civil industry such promises need to quickly turn into committed, scheduled, funded projects.
- Long term funding - 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.



- Value for money - we acknowledged a renewed focus on value for money, innovation, and best practice, but cautioned that “value for money” should not equate to cheapest option – the design and procurement process should provide for the best solution.
- 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.

#### **6.4 Emergency Management**

CCNZ has submitted on the Emergency Management Bill as it proceeds through the House. Our submission included the following:

- Outside of the transport response, the emergency management system is fundamentally broken, and there needs to be a complete overhaul of NEMA/Civil Defence.
  - The 2023 cyclone and floods exposed a lack of overall leadership, direction, prioritisation, preparedness, communication, and engagement.
  - There is a significant disconnect between decision makers (central government, NEMA leadership), and what is in fact happening on the ground.
- At present, the needs of civil contractors are only indirectly acknowledged in the Bill through clients. Yet contractors play a critical role as the people and businesses that hold the equipment and expertise to act as first responders in emergencies. The needs of contractors and the pivotal role they play should be more directly acknowledged.
- The emergency process and initial response must include civil contractors (regionally and via CCNZ nationally) at the outset.
- There should be protected funding to enable contractors to act as first responders without worrying about cost.
- There should be protection from prosecution for contractors acting reasonably as first responders in case of emergency.
- More effective communication plans are needed to co-ordinate disaster response (in Hawke's Bay residents were advised to check the civil defence website for information/updates, but there was no power or internet for days). Clearer plans are needed around how engagement will occur with communities, contractors, first responders, etc.
- More effective mechanisms to debrief after emergency response are needed (too many people, including CCNZ, have been excluded from the debriefing process).

#### **6.4 Sustainability**

The civil construction industry is working hard to develop innovative sustainable practices through use of new technologies, including fleet electrification, biofuels, systems for emissions measurement and reporting and waste minimisation.

CCNZ has commented on several Government plans, including the Emissions Reduction Plan and National Adaptation Plan, and considers packages of physical works to better protect communities in adapting to increased severe weather events are needed, in addition to the detailed plans proposed for emissions reduction initiatives.

It is also important change is considered in terms of practicality – for instance a lack of enabling infrastructure such as cleanfills or quarries in close proximity to projects will greatly reduce efficiency, as well as increasing emissions and inflating project cost. We welcome

dialog on these matters with the incoming government.

## 6.5 Labour relations

We support National's plans to repeal the fair pay agreement legislation in the first 100 days. We also support a return to 90-day trials.

## 7. Conclusion and meeting with industry leaders

CCNZ is keen to engage as soon as possible to help shape your thinking on the policy areas that are important to us. Our members hold the practical knowledge that can unlock New Zealand's potential, and we are happy to elaborate on any matters raised in this briefing.

We have met with Nick Leggett, CEO of Infrastructure NZ, which represents infrastructure planners, funders, lawyers and financiers. Together, we suggest once the new parliament is established and preferably before Xmas, some of our respective key industry leaders meet with you and members of your team that we will interface with (finance, infrastructure, construction, transport, immigration, education among others) to discuss where to next.

We hope to help you to shape the underlying policies that will underpin those portfolios and deal with the infrastructure challenges ahead. We need to ensure the practical considerations that civil contractors can bring to the table are well understood, so that policies can achieve the best results possible.

We hope you are keen to engage with the civil construction industry in this way. We look forward to hearing from you to discuss how we can support your vision for New Zealand.

Yours sincerely,



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