



Submission by

Civil Contractors New Zealand

to the

New Zealand Infrastructure Commission

on the

**Infrastructure for a Better Future
Consultation Document**

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Introduction

Civil Contractors New Zealand and its members welcome the opportunity to provide input and feedback on the New Zealand Infrastructure Commission Infrastructure for a Better Future Consultation Document - May 2021.

Civil Contractors New Zealand is a membership-based organisation that works on behalf of members that engage in the construction and maintenance of civil infrastructure.

CCNZ acknowledges the balanced approach that the consultation document provides to the number of issues facing New Zealand's infrastructure now and in the future.

We are very supportive of a longer-term strategy that provides the stability and predictability which will allow the industry to build its capability and capacity to meet the nation's future infrastructure construction and maintenance needs. Pipeline uncertainty, a lack of co-ordination between clients (mainly central and local government) and poor procurement practices means that there is not good alignment between infrastructure needs and industry resources which leads to suboptimal use of scarce physical and human resources.

We support much the contents and direction of the consultation document. The key feedback points we wish to emphasise are

1. the need for improved **active asset management**
2. the need for a greater focus in the **maintenance and replacement** of existing infrastructure to optimise its operation and life
3. the need to build our **people capability and capacity** to meet our future the design, construction, operations and maintenance needs
4. the need to take a **whole of life value approach** to the design and construction of infrastructure not just focusing on things like waste and carbon during the construction phase
5. the need to ensure that we build, support and maintain a **healthy market of contractors** of different sizes and skills. This will ensure healthy competition and promote innovation.

The future infrastructure must be built around a reliable and accurate long-term pipeline that enables organisations to effectively plan and resource the design, construction, operation, maintenance, replacement and ultimate decommissioning of infrastructure.

CCNZ members respond to the needs of clients in terms of the type of infrastructure they build and maintain. However, if the type of infrastructure and the associated skills and capital equipment requirements change there needs to be sufficient time for these to be developed and equipment secured.

Infrastructure impacts on every New Zealanders quality of life. It is essential that we design, build and maintain infrastructure that meets or exceed the expectations of future generations.

Q1. What are your views on the proposed 2050 infrastructure vision for New Zealand?
CCNZ supports the proposed Infrastructure Vision 2050

Q2. What are your views on the decision-making principles we've chosen? Are there others that should be included?

CCNZ supports the decision- making principles that have been chosen.

In addition, CCNZ would support the addition of two further principals

1. add a principle about the health, safety and wellbeing those building, maintaining and operating the infrastructure. There is requirement to meet the HSWA and the Employment Act about worker welfare. This affords those working in the system the protections for fulfil their roles. Creating a better environment leads to greater productivity and engagement to meet the outcomes of the strategy.
2. Add a principle about the need to take a whole of life value view

Q3. Are there any other infrastructure issues, challenges or opportunities that we should consider?

We support the issues identifies but would like to add one more.

The ongoing shortage of people skills and capability to design, engineer, build, maintain, manage, and operate our infrastructure is a major issue. The reform of vocational education, our aging workforce, the competition for talent from other industries and from infrastructure programmes offshore (e.g. east coast of Australia), the need for more trades people and the role of immigration are all critical challenges.

This is a major barrier to ramping up our infrastructure spend over the next 10 years. Pipeline certainty, better recognition of trades and technology in our schools, better trades training, careers promotion and responsive immigration settings are some of the ingredients we need to overcome these challenges.

Q4. For the 'Building a Better Future' Action Area and the Needs:

- **What do you agree with?**
CCNZ supports the proposed action areas and the defined needs
- **What do you disagree with?**
 - We agree that climate change is a key action area. However, our view is that too much emphasis is placed on reduction of emissions and not enough on mitigation of the impacts of climate change on our infrastructure. Yes, sea level rise will require relocation of assets or infrastructure to defend those assets, however it also represents an opportunity for diversification of some sectors which will require a change in infrastructure needs. For example the primary production sector which will require a change in infrastructure needs. A warming climate will allow a greater variety of produce to be produced and at a lower cost.
 - We agree with the need to respond to demographic changes but believe that this needs to be augmented with social and societal changes too.
- **Are there any gaps?**
 - Improved asset management including better technology to assist us to manage and monitor infrastructure assets.
 - The opportunity that is presented by climate change needs more thought. Controlling average global temperatures by control of atmospheric carbon/methane etc is yet to be proven as an effective control measure. The country is becoming warmer which promotes greater opportunity for New Zealand to produce more. Infrastructure will be needed to accommodate this change which needs to be factored into the assets we will need to the future.

Q5. How could we encourage low-carbon transport journeys, such as public transport, walking, cycling, and the use of electric vehicles including electric bikes and micro-mobility devices?

- While we look to European countries to provide the model, we have transportation habits and systems aligned more with the USA and Australia.
- Electricity to power our transport sector is currently the preferred option. The hydrogen revolution may be the next step to proving our energy requirements. Whatever the next step needs to be comparable to the current cost structure or preferably cheaper.
- Unless we solve some of our electricity supply issues moving transport to electricity may not in fact reduce emissions. It is dependent on how our electricity is generated and distributed.
- Our decisions about transport options need to be more fact and information driven. From a carbon reduction perspective for example building a cycling and walking bridge over the Auckland harbour may support no-carbon transport journeys however using that same money to invest in public transport (building a bus lane or reducing public transport fares) may achieve a much reduction in carbon emissions even though the bus might still be diesel.
- We support Government incentivising change provided there are viable options available. For example the latest announcements to incentivise people towards electric vehicles are unfair to construction companies whose employees need to drive utes. There are no viable alternatives and therefore the addition tax will become another increase in infrastructure construction and maintenance costs.

Q6. How else can we use infrastructure to reduce waste to landfill?

In Europe, a significant amount of waste generated is sent to incinerators rather than landfill. Investment in large scale incinerators provides a means to disposal of waste and provides a means to create and distribute energy. Twenty years ago it was proposed that waste be incinerated at Meremere which eventually failed to stack up as a viable option. It remains an opportunity however a number of settings will need to change, and the New Zealand's waste strategy will need to be reviewed.

The previous government enacted legislation to increase the landfill levy over the coming years. The increased cost of landfill tipping is expected to reduce waste to landfill as the additional costs are passed along the supply chain. The spending of the surplus funds going to the Waste Minimisation Fund account needs to be improved to meet the governments 2050 carbon zero target.

The surplus levy generated provides an opportunity to further develop the circular economy. To date the levy has been spent to provide capital and feasibility funding. We need to be able to utilise these funds to support the ongoing operation of existing plants. This would provide the stimulus for encourage organisations, both public and private to invest. The MFE fund has distributed a significant amount of money for feasibility studies to tyre recyclers and most have gone under. To be successful those operations require on going funding to meet the operational costs. Australia has a mature approach to how waste levy funding is spent in the community and business to achieve waste reduction outcomes. An example is crumbed rubber where contractors are paid to add the product to bitumen to apply to road surfacings.

The MFE fund should have greater involvement from industry and the community on how the money is allocated. CCNZ suggest that a committee comprised of representatives from public, private and community-based organisations be formed to provide guidance into the allocation of the Waste Minimisation Fund. Re-thinking a NZ waste strategy with this in mind would allow that committee to make meaningful input into waste minimisation in this country.

Q7. What infrastructure issues could be included in the scope of a national energy strategy?

Transmission of power around the country and a review of significant critical distribution infrastructure. If Tiwai was to close, then infrastructure to distribute power to other areas of the country would be essential.

Waste incineration is an opportunity to assist with the transition to low carbon economy with energy generation as part of the process. It has many challenges with our current settings.

Balancing the environmental issues i.e. building wind farms to reduce carbon emissions but facing opposition on environmental grounds remains and issue that needs to be addressed by Resource Management Reform.

Q8. Is there a role for renewable energy zones in achieving New Zealand's 2050 net-zero carbon emissions target?

The idea seems sound to remove the NIMBY factor. Need more detail on how they would be implemented and how they would be managed through the RMA process.

Q9. Of the recommendations and suggestions identified in Ministry of Business Innovation and Employment's "accelerating electrification" document, which do you favour for inclusion in the Infrastructure Strategy and why?

We have no comments on this question.

Q10. What steps could be taken to improve the collection and availability of data on existing infrastructure assets and improve data transparency in the infrastructure sector?

The creation of a nationally recognised digital standard is a significant step forward in standardising how data is captured. Waka Kotahi are currently creating a standard for data collection that will be used for data capture on roading networks. This concept needs to be rolled out across the whole infrastructure network to allow the system to develop and work effectively. There needs to be an integration of data sets and national legislation that requires all public asset owners to contribute information to the one data portal.

This is particularly important in the roading corridor where not only transport assets exist but also many communications, energy and water assets.

Q11. What are the most important regulatory or legislative barriers to technology adoption for infrastructure providers that need to be addressed?

Lack of support from clients who are focused on individual project costs rather than the benefits of the technology in the future.

Q12. How can we achieve greater adoption of building information modelling (BIM) by the building industry?

Central Government needs to take a lead role and should simply require and fund the use of BIM on all physical infrastructure projects over \$10 million in value. This will have the effect of pushing BIM into regular use which will then result in greater up take across to public sector. The value of BIM is well established, and its introduction needs to be client driven.

Q13. How should communities facing population decline change the way they provide and manage infrastructure services?

Innovative solutions need to be looked at. We need to see a greater sharing of resources across communities.

Q14. Does New Zealand need a Population Strategy that sets out a preferred population growth path, to reduce demand uncertainty and improve infrastructure planning?

This would be advantageous to allow for better planning for future infrastructure needs. Changes to immigration settings which have seen a rapid rise in population have had a major impact on our ability to provide the infrastructure required particularly in Auckland.

Q15. What steps can be taken to increase collaboration with Māori through the process of planning, designing and delivering infrastructure?

Take a similar approach to early contractor involvement. Involve Tangata Whenua at an early stage when key project outcomes are being discussed and agreed

Q16. What steps could be taken to unlock greater infrastructure investment by Māori?

We have no comments on this question

Q17. What actions should be taken to increase the participation and leadership of Māori across the infrastructure system?

We have no comments on this question

Q18. For the 'Enabling Competitive Cities and Regions' Action Area and the Needs:

- **What do you agree with?**

We agree with the needs identified

- **What do you disagree with?**

Nothing

- **Are there any gaps?**

We need to establish priorities for our infrastructure and clearly define our goals before we start designing the outcome e.g. Auckland's light rail.

We also need to work on delivery that minimizes the duration of disruption e.g. potentially 24/7 construction to minimize the length of jobs, closing roads to enable the free run at work rather than partial road closures.

Q19. What cities or other areas might be appropriate for some form of congestion pricing and/or road tolling?

We have no comments on this question

Q20. What is the best way to address potential equity impacts arising from congestion pricing?

We have no comments on this question

Q21. Is a 10-year lapse period for infrastructure corridor designations long enough? Is there a case for extending it to 30 years consistent with spatial planning?

CCNZ would support the case for extending corridor designations to 30 years.

The designation of road corridors and subsequent purchasing of land as it comes to market has a significant effect on project budgeting. The designation of future transport corridors and the purchase of land along the designation should be done in a timely way to reduce costly land purchases sometime in the future or at the start of projects where additional costs and project delays resulting from acquisition through the Public Works Act. These corridors also need to provide for other infrastructure services such as water, communications and energy.

Q22. Should a multi-modal corridor protection fund be established? If so, what should the fund cover?

There should be the allocation of funding to purchase land within designated corridors. It should be considered as a business-as-usual activity.

Q23. What infrastructure actions are required to achieve universal access to digital services?

We have no comments on this question

Q24. For the ‘Creating a Better System’ Action Area and the Needs:

- **What do you agree with?**

We fully support the needs identified

- **What do you disagree with?**

Nothing

- **Are there any gaps?**

The key to making better use of existing infrastructure is adequate investment in maintenance, replacement and upgrading.

An additional point needs to be added around ensuring that we have the skills and people to build, maintain and operate our infrastructure.

We also need to ensure that our procurement processes build, support and maintain a healthy market of contractors and consultants of different sizes and skills. This ensures healthy competition and promotes innovation. See the CCNZ Healthy Industry Statement at appendix 1.

Q25. Does New Zealand have the right institutional settings for the provision of infrastructure?

No. The key issue is that the institutions are not able to provide a coherent and bankable pipeline of work. The Construction Accord has highlighted many fundamental issues.

Three-year electoral cycles mean that there is a propensity to invest in beautification before looking after the basic long term community needs. This is driven by a lack of public understanding and appreciation of the importance of infrastructure. Key infrastructure projects often take more than 3 years to get started and therefore they struggle to be seen as an immediate priority.

Q26. How can local and central government better coordinate themselves to manage, plan and implement infrastructure?

Trying to make substantial change to how infrastructure is delivered may need significant changes to the roles and responsibilities of those who will define, procure and deliver. Applying a new lens over the old system may not lead to the behavioural change that is required. This has been identified in the 3 waters space where it is intended that the number of entities involved will go from many to a few. This should be an important piece of work to establish clarity on what everyone’s roles are and how they are supposed to behave.

There needs to be far greater alignment of planning at national, regional and local levels. There needs a high-level decision-making framework and process that sets out a vision and clearly sets out objectives.

Q27. What principles could be used to guide how infrastructure providers are structured, governed and regulated?

- A strong belief in the development of the nation for future generations.
- Take a long-term strategic review
- Able to establish long term partnerships and relationships including with Tangata Whenua.
- Work collaboratively with other infrastructure asset owners and operators
- Focus on value rather than cost
- Use of funding models that deliver the best whole of life value outcomes.

Q28. What steps could local and central government take to make better use of existing funding and financing tools to enable the delivery of infrastructure?

We have no comments on this question

Q29. Are existing infrastructure funding and financing arrangements suitable for responding to infrastructure provision challenges? If not, what options could be considered?

No. The future funding requirements far exceed what the existing arrangements can provide to develop new and maintain existing infrastructure to an acceptable standard. The funding of transport infrastructure will grow increasingly inequitable as the fleet moves to alternative fuels. All options should be considered. We should be learning from overseas experience and investing in technology early.

Q30. Should local authorities be required to fund depreciation as part of maintaining balanced budgets on a forecast basis?

Adequate maintenance, renewals and replacement is required to optimise use of existing assets.

Q31. What options are there to better manage and utilise existing infrastructure assets?

As the consultation document points out there is a under investment in infrastructure and its ongoing maintenance. This needs to be addressed though a review of funding to ensure that it is adequate and to understand any decline as changes in revenues with a change.

The key to this is improving understanding of the current state of assets and ensuring active asset management. Developing risk management guidance would be advantageous. Employing cheaper intervention strategies for declining infrastructure doesn't net the best whole of life outcome. Cheaper intervention strategies are generally dictated to by a lack of budget.

Q32. Are there benefits in centralising central government asset management functions? If so, which areas and organisations should this apply to?

Central Government should set out the responsibilities for asset management clearly to ensure that policy, procedures and levels of risk are identified for those that own and ultimately maintain infrastructure assets. Rather than centralization there should be greater There needs to be greater standardization and investment in developing asset management skills across central and local government.

Q33. What could be done to improve the procurement and delivery of infrastructure projects?

- More training of procurement managers aligned to the existing NZQA Level 6 Certificate in Infrastructure Procurement
- Use of standard documents with minimal special conditions
- Improved industry engagement and notification of upcoming work
- Use simple user friendly RFT documents to save time and money for all parties
- Do not load unmanageable risks on to contractors
- Ensure there is a clear statement of agreed project outcomes
- Focus more on value and less on price
- Work collaboratively
- Use standard technical specifications and components
- Ensure all reports (engineering, geotechnical, services etc.) are available to bidders

Q34. Do you see merit in having a central government agency procure and deliver infrastructure projects? If so, which types of projects should it cover?

No, we do not support this. Knowledge of the value to be delivered and key outcomes sought needs to be managed by those that will operate the infrastructure. A central government agency procuring and delivering infrastructure projects would be a step backwards.

We support the current role that Infracom takes in assisting agencies with large or complex procurement processes.

Central Government should use the standard contract NZS 3910 (or other from that suite) with minimal special conditions. The Government Procurement Rules are good but need to be better enforced and monitored by MBIE.

Q35. What could be done to improve the productivity of the construction sector and reduce the cost of delivering infrastructure?

- Create a consistent pipeline of work that better utilizes industry capability and capacity.
- Clients as long-term asset owners should invest more in training and upskilling the workforce via project deliverables.
- Reduce unreasonable consent conditions to allow more effective use of resources e.g. 24/7 construction.
- Clients to lead technology uptake such as BIM.
- Standardise designs, components, and processes.

Q36. What components of the infrastructure system could have been improved to deliver effective stimulus spending during the Covid-19 pandemic?

There was a lost opportunity during the first Covid lockdown for capital and more especially maintenance work to continue. Having significantly less traffic on our roads would have allowed for a massive improvement in efficiency of undertaking a number of tasks. This would have been done with increased levels of worker safety.

Now that there are COVID Construction protocols in place to control worker interactions to reduce the risk of any spread, the construction industry should be given a greater mandate to continue to operate during future lockdowns.

These are our recommendations

Building and Construction industry recommend that the Ministry of Business, Innovation and Employment:

1. Identify now capital projects and maintenance activities that an exemption to close down during higher Alert Levels would be granted. Any exemption would be based adherence to industry proposed and government agreed protocols. The exemption should be incorporated into future Covid-19 Public Health Response Orders
2. Identify and engage with supply and support chain partners to determine industry material and resourcing requirements at higher Alert Levels. Define now the additional or alternative protocols they must implement to eliminate community spread of Covid-19.
3. Review and maintain current protocols to reflect internationally recognised best practice for the mitigation and/or elimination of community transfer within the workplace and/or through extended bubble arrangements.
4. Instruct the building and construction industry to develop Alert Level 4 protocols to govern safe site work during an Alert Level 4 Order and have these presented to the Ministry of Business, Innovation and Employment for review and approval.
5. Review and update existing Alert Level protocols to align with Government and international best practice.
6. Review a mechanism that would allow building and construction companies to report the number of workers working in a full-time capacity. This would allow workers continuing in full time employment to have the wage subsidy offset.

We have attached below CCNZ's Healthy Industry Statement. Having a healthy industry is critical to the delivery, maintenance and operation of infrastructure in Aotearoa and every region.



CIVIL CONTRACTORS
NEW ZEALAND

A Healthy Civil Construction Sector

Vision

A safe, viable and progressive sector meeting the needs of all its participants

A healthy civil construction sector is one where skilled and qualified clients, consultants and contractors produce outcomes that deliver value for money for all participants.

It is the result of investment in people, forward planning, fair and consistent procurement strategies, competition in the supply chain and growth opportunities for those willing and able to take up the challenge.

Elements

A healthy civil construction sector environment is one where:

- safety is a priority for everyone
- there is competition for all types and sizes of projects based on value for money
- there are growth opportunities for all business types and sizes
- there is a degree of certainty of forward work that allows investment in personnel and resources
- collaboration produces innovative solutions
- there are transparent procurement strategies
- procurement and delivery processes promote a sustainable industry environment
- industry participants take responsibility for environmental and other community and social impacts
- there is recognition that investing in improved skills and training will improve quality and productivity
- industry participants are aligned to client needs and adapt to changing political or economic conditions

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