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Rt Hon Christopher Luxon

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Dear Prime Minister

Congratulations on forming your coalition government.

Further to our members meeting with you at our lunch event in June last year, we'd like to share with you the key issues impacting a business sector representing more than 7 percent of New Zealand's GDP and what we believe your Government can best invest in to achieve its goal of 'getting things done'."

Who we are

The Association of Consulting and Engineering New Zealand (ACE New Zealand) represents around 260 professional services firms and 15,500 people working across the built and natural environments – from large global firms to employee-owned small and medium enterprises.

Our members include engineers, project managers, planners, scientists, architects, surveyors and other technical disciplines. Our teams contribute significantly to New Zealand's economy. It is estimated our work in building and construction alone contributes around 7 percent of New Zealand's GDP,[1] with the construction sector being the largest contributor to employment (accounting for 10.4 percent), and Professional, Scientific and Technical Services the third largest contributor (accounting for 9.7 percent). Both these sectors are also significant contributors to employment growth in New Zealand.[2]

It is relevant to note the distinction of our members from management consultants which are often grouped under the label of 'consulting'. Our members make professional ethics and best practice commitments and play a vital role in providing specialist technical advice supporting design and delivery on critical technology, policies and practices, and construction and infrastructure across the built and natural environment in New Zealand. This specialist expertise is central to informing the decisions that ensure any investment delivers the most effective and efficient outcomes for New Zealand.

[1] Statistics New Zealand. See: https://www.stats.govt.nz/information-releases/gross-domestic-product-march-2022-quarter/.
[2] https://ecoprofile.infometrics.co.nz/new%20zealand/PDFProfile#h10

Our members' relationship with Government is symbiotic — our members play a vital role in the delivery of the Government's goals, while the Government plays a vital role in creating opportunities for our members to help deliver them.

Getting things done — our joint goals

We know that 'getting things done' – efficiently and effectively – is important to the coalition government, including the delivery of 'better housing and infrastructure'. It's important to us too, and we'd like to share our views on how we can do this together, from getting the basics of feasibility, business case planning and procurement right through to more co-ordinated, long-term and future-fit planning. We need to do these things in a way that benefits all New Zealanders and supports businesses, ensuring a healthy construction and infrastructure sector.

We have identified three key areas that we consider are central to enabling Government to achieve its goals, that sit within the government's sphere of leadership and influence, and that we would like to work with you on.

1. Certainty in pipeline
2. Client behaviour
3. Future workforce

1 Certainty in pipeline

Infrastructure is a powerful economic lever, but it must be backed by a coordinated approach that ensures governments maximise taxpayer dollars and support a thriving industry. This means understanding the business case for each project, engaging authentically with industry and the community, and prioritising the projects that will deliver the best long-term outcomes.

1.1 A certain pipeline is critical to business and communities

As recently highlighted in the Infrastructure New Zealand report[3] the lack of long term certainty in the pipeline of work has significant costs on the economy. For our members, without certainty in their pipeline they are unable to plan their business effectively and build capability, including developing and retaining skilled labour in New Zealand, and investing in technology.

It takes the consulting sector time and money to gear up for a project, from assisting with business case development, to pulling together a bid, to recruiting the right people, and mobilising and building the capacity and capability of the team. Any time a project is placed on hold, or a change in decision is made, there is a negative impact, not just for our businesses but for the wider productivity of the sector, which ultimately affects our communities.

Effective and efficient delivery requires a visible forward pipeline. We need Government to commit to a long-term pipeline of infrastructure projects that go beyond political cycles, which are well planned at a national level and have clear objectives. This gives our members a level of confidence over their investment to deliver on those projects.

1.2 We need to partner and collaborate to make informed investment decisions

We need to be making evidence-based decisions about where and how we build.

In this, we ask your government to take its time and be thoughtful before cancelling or pausing projects that are already underway and to ensure it is responding to informed perspectives from the community and sector and not just louder minority voices. Cancelling projects and initiatives (like the water reform) result in significant sunk costs for our sector and New Zealanders and we need our future planning to avoid this as much as possible not the least because we are in a

[3] Infrastructure New Zealand, Estimating the Costs of an Uncertain Infrastructure Pipelines (September 2023).

resource constrained environment. Furthermore, decisions to repeal different programmes and initiatives without clear alternatives proposed is causing a huge amount of uncertainty that has a negative effect on productivity and our attractiveness to future skilled workers and funders. There is a lot of business uncertainty now, and we are at immediate risk of losing to overseas markets the good talent that we need to retain in New Zealand for our future projects. We ask that your government prioritise giving the sector confidence as soon as possible through clear direction on policy and projects (such as the GPS on land transport and water reform).

Decision-making for pipeline certainty will be enhanced through a strong relationship between government and the private sector, and collaboration between central and local government, Iwi/Māori, the private sector (including our members), and financial institutions (banks and insurers). We'd like to see Government invest in and lead this collaboration. This collaboration needs to be Government-led, sustained and bold, and supportive of innovation and informed investment decisions. The Construction Sector Accord has played a significant role in enabling this collaboration and we would like to see this continue. Because infrastructure decisions are specialist decisions and require expert technical input, our members need to be a core part of that collaboration. We would also like to see that our climate responsibilities are underpinning all our infrastructure investment decisions, including in transport and mode shift, and urban growth.

How Government can better utilise private sector capital and expertise in public projects will also be an important part of the decision making. We know that without private financing we will not be able to fund New Zealand's infrastructure deficit. The PPP model has been used successfully internationally and can allow the public sector to focus its funds on necessary central services, while private investment can bring forward utility in other areas and fund projects for those systems. But there are improvements needed to the current contracting model to ensure it works best for New Zealand. This includes considering a more collaborative and risk-sharing model such as an alliance. We would like to talk to you about this more.

2 Client behaviour

"Getting things done" also requires a significant culture shift in client behaviour.

As New Zealand's largest procurer, the Government has an opportunity to contribute to more efficient project delivery and better economic, social and environmental outcomes for New Zealand. Government can do this by showing leadership to avoid complex and lengthy government procurement processes, unfair contracting behaviours, and the continued emphasis on lowest price, rather than best value.

These types of behaviours prevent projects from moving efficiently from business case to design to construction, lead to cost blow-outs, and undermine our members' ability to deliver innovative and cost-effective solutions for New Zealanders. Getting on top of these behaviours is fundamental to achieving the type of progress the coalition government is keen to see and is something we can easily implement through Government leadership.

2.1 Better procurement practices

We need to see a more consistent approach across government procurement processes, with the focus on ensuring the way we engage services is driven by creating an efficient system with the best long-term outcomes, rather than lowest immediate cost. This includes continued support for the increased targets for goods and services to be awarded to Māori businesses.

We also need to see better pre-tender planning so that we understand the feasibility of proposed projects and so that what is being asked for in a tender is clear from the beginning, coordinated and the process can be stream-lined. This is about planning slow to go fast. In many circumstances, when a project goes to tender there is very little lead time and a lack of clarity on the outcomes sought resulting in prolonged and complicated tender processes.

There are a range of solutions for this, including commitment from Government to improve its procurement behaviours, setting clear and consistent standards for public sector agencies and upskilling agency staff on good procurement practices. Specialist expertise will still be needed in the feasibility, planning and delivery phases, and our members have specialists able to help agencies with this work. We encourage government to bring in these skill sets more often and early in the process. Engaging our members early in the procurement process can help inform the tender process to ensure the project has a clear scope that all suppliers understand and all the relevant information at the planning stage, this in turn allows a more accurate bidding process which can avoid cost blow-outs down the line.

2.2 Standard use of contracts

Improving contract terms and conditions, and ensuring fair allocation of risk, is also an important part of ensuring productivity and a healthy market.

Firms put a lot of time and resource into responding to bids and negotiating contracts and this is a key area where there is opportunity for government to drive the change for a more productive sector. We have industry-accepted standard contracts that are well understood by the industry, fair to all parties and insurable. Bespoke amendments to these contacts by agencies can lead to protracted negotiations adding significant delays and cost to a project and slows innovation. They also add significant cost and barriers to smaller firms participating in the market, with the risk that uninformed bidders participate in the bidding process and when something goes wrong these bidders are unable to absorb the financial loss.

Another driver for standard contracts is the current insurance market. The demand from the sector for shifting risk onto suppliers is being closely watched by insurers and is already impacting our members' ability to get appropriate insurance, which is not good for clients.

To address this, we would like to see widespread use of industry-accepted standardised contracts that ensure a more consistent and streamlined process where risk and liability are fairly apportioned to the parties best able to manage them, and that support the participation of smaller firms in the market as well as larger ones.

While we have seen a recent commitment from central government Construction Sector Accord agencies to the use of standardised contracts, we encounter challenges at the delivery end that still need to be addressed, and contractual behaviour across local government is prohibitive.

We encourage central and local government agencies to use industry-accepted standardised contracts. This directive needs to be led by your government.

3 Future workforce

Our sector continues to face a significant skills shortage which unless addressed urgently will impact our ability to deliver our growing infrastructure and construction deficit and the new infrastructure we need to support our growing economy and climate change responsibilities.

A recent survey of over 100 of our member firms – covering 14,123 staff and 67 job codes – showed that there has been little change to the percentage of organisations with vacancies and the average number of vacancies within organisations for each job category in the last 12 months:

- Eighty per cent of respondents reported vacancies in professional engineer roles, with the average number of vacancies per firm being 5.5.
- Sixty-six per cent of respondents reported vacancies in graduate engineers, with the average number of vacancies per firm being 4.7.
- Fifty-nine per cent of respondents reported vacancies in specialist roles, with the average number of vacancies per firm being 3.6.

- Fifty-five per cent of respondents reported vacancies in professional surveyor roles, with the average number of vacancies per firm being 1.4.

There were also significantly high vacancies reported in CAD Draughtspersons and technicians. All vacancies were noted to be harder to fill than a year ago.

We know Engineering New Zealand has provided you with data about the engineering shortages, and we are currently working with them to pull together research on the depth of the engineering skills shortage issues in New Zealand which we'll provide to Ministers and officials in the New Year.

3.1 Attracting talent to the sector

3.1.1 Investment in STEM and advanced training

With STEM related occupations expected to increase, we need to look at how we encourage more school aged children into STEM, as well as continued investment in our education system at tertiary as well as vocational levels – particularly in engineering and surveying.

Our members are committed to developing domestic talent and have many programs and scholarships to support this. From Government, we would like to see continued investment in domestic programmes, including for larger tertiary intakes for our engineering and surveying schools and apprenticeship and training boosts. We also ask your government to invest in STEM education. We'd like your government to promote science, technology and engineering as well as maths, reading and writing, in its curriculum reviews and to support successful initiatives that are already established like The Wonder Project and Pūhoro Stemm Academy to attract talent into the STEM sector.

We would also like to take this opportunity to note the improvements achieved by the construction and infrastructure Workforce Development Council (WDC), particularly through providing a stronger voice for industry and improved communication with the Tertiary Education Commission, as well as more accurate and current data sharing. In addition, the formation of the sector Strategic Reference Groups which has enabled greater accountability, communication and planning for industry. We ask your government to continue its discussions with industry to ensure we don't undo the progress the WDCs have made.

3.1.2 Immigration settings

We need to see further evolution of the immigration settings to provide more certainty for the intermediate and long term. The immigration reset last year, and border openings have provided pathways for the skills we need to recruit internationally to supplement our efforts to grow domestic talent, but our members are still experiencing significant challenges with visa requirements and processing.

Without more certainty to residency, and an easier and more efficient system, we will not attract the skilled workers we need from overseas to support our growing work programme. International recruiters HainesAttract, who we have been partnering with on an international recruitment campaign for engineering and consulting (nextstopnz.com) tell us we are losing candidates to Australia who have a much more efficient and simpler application process, including in relation to checking qualification equivalency. They are also hearing that, given the significance of relocating to New Zealand, applicants want assurance that when they arrive they will be able to stay, and their investment moving across the world will be sustained. This is where the importance of investment in a consistent and clear forward pipeline of work is critical.

We're looking for fewer barriers for the employer and candidate, such as police and medical checks, as well as simpler and more transparent qualification checking procedures.

3.2 Keeping our talent

Our first two key areas we consider central to enabling to Government to achieve its goals – certainty in pipeline and client behaviour – are critical to enabling us to retain our talent. In particular, having a clear pipeline is important to retain skilled labour in New Zealand. Many other countries are investing in infrastructure as we are now, with larger, more attractive projects. It's a competitive international market, and we don't want to lose people especially if we can't replace them easily.

We also recognise our responsibilities to retain talent in the sector, including through supporting wellbeing and diversity and inclusion:

Since 2018 ACE has partnered with the New Zealand Institute of Architects and Engineering New Zealand on The Diversity Agenda which supports our members in their commitment to diversity and inclusion. Government leadership is critical here. While there has been some positive progress over the last few years with the government achieving its target of 50% women on public sector boards and committee, as well as requirements around pay transparency, to help support our goals we encourage the Government to make further commitments in this area.

This year ACE launched Mindspace, a program dedicated to helping our firms design workplaces to better support the mental wellbeing of their people. Creating a mentally thriving industry helps to promote productivity, innovation and creativity, as well as helping to support recruitment and retention of people in the industry. Government clients also play an important role in supporting a thriving industry in its model client behaviours, as outlined earlier.

Conclusion

ACE member firms are integral to the growth and development of our communities in Aotearoa New Zealand, and to our economy.

We would welcome the opportunity to discuss these issues with you further and are available to provide an in-person or in-depth briefing on any of topics outlined above. Please contact me by email: helen@acenz.org.nz or telephone: 022 108 7167 if you would like to set this up.

Nga mihi,

Helen Davidson
Chief Executive

Cc: Hon Chris Bishop
Hon Chris Penk
Hon Simeon Brown
Hon Erica Stanford