



COVERSHEET

Minister	Hon Poto Williams Hon Dr Megan Woods	Portfolio	Building and Construction Housing
Title of Cabinet paper	Construction Sector Accord 2020 Progress and next steps	Date to be published	11 June 2021

List of documents that have been proactively released

Date	Title	Author
14 April 2021	Construction Sector Accord 2020 Progress and next steps	Office of the Minister of Building and Construction
14 April 2021	Cabinet minute: DEV-21-MIN-0084	Cabinet Office
2020 January	Construction Sector Accord Transformation Plan	MBIE & Accord Transformation Unit
2020 December	Construction Sector Accord Progress Report	MBIE & Accord Transformation Unit

Information redacted

YES / NO [select one]

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In Confidence

Office of the Minister of Building and Construction and Office of the Minister of Housing
Chair, Economic Development Cabinet Committee

Construction Sector Accord 2020 Progress and next steps

Purpose

- 1 This paper reports back on the delivery progress on the three year Construction Sector Accord Transformation Plan 2020-2022, as requested by Cabinet [DEV-19-MIN-0335].

Relation to government priorities

- 2 The Construction Sector Accord (the Accord) has helped promote Government priorities throughout the sector, supported the economic recovery from COVID-19 and continued the health response to the virus. The Construction Sector Accord's Transformation Plan (the Transformation Plan) will contribute to:
 - improving health and safety;
 - growing and developing a skilled workforce that promotes Māori, Pasifika and women;
 - driving profitability and productivity through improving procurement practices and raising standards of leadership; and
 - improving environmental sustainability, including supporting climate change goals.

Executive Summary

- 3 The Accord is the Government's first Industry Transformation Plan, making it the lead example of how government and industry can partner to transform key industries across New Zealand.
- 4 The Accord was launched in April 2019, setting out the desired goals and outcomes for the sector and a group of principles to affect the culture change needed. At the launch, the Prime Minister, Ministers¹ and leaders across government and industry pledged their commitment to creating a better sector for the benefit of all of New Zealand.
- 5 In consultation with the sector, the Transformation Plan was released in January 2020, setting out the actions required to achieve the goals of the Accord. Delivering the Transformation Plan will help restore confidence in the sector, and create a positive shift in culture to ensure a more resilient and sustainable industry.
- 6 The Accord has played an important role in maintaining a viable sector during the immediate impacts from COVID-19. It created the Construction Sector COVID-19

¹ The Accord Ministers are the Ministers for/of Building and Construction, Urban Development, Economic Development, Housing, Education, State Services, Health, Workplace Relations and Safety, and Infrastructure.

Response Plan, the Rapid Mobilisation Playbook to speed up projects – including ‘shovel ready’, guidance to navigate contractual issues in relation to disruption caused by lockdown and developed site safety protocols for returning to work during Alert Level 3.

- 7 Funding to deliver the full programme under the Transformation Plan has been supported from Budget 2020 [CAB-20-MIN-0219] with \$8.5m from the COVID-19 Response and Recovery Fund. This funding will sustain programme delivery until June 2022. There are ongoing discussions between the Accord and Ministers about the future of the Accord post 2022.
- 8 The Accord will report back on its 2021 progress in early 2022.

Background

Addressing construction’s systemic challenges is critical to the success of our economic and social wellbeing

9 The construction industry is New Zealand’s fifth largest industry by GDP employing nearly 10 per cent of the workforce. The construction sector has been viewed as strong point for the country’s economic recovery from COVID-19.

10 There are several systemic challenges that are holding the sector back from high performance. These challenges may also hinder the success of the government’s infrastructure-led approach to economic recovery from COVID-19. The challenges include:

- *fragmentation, lack of collaboration and strong leadership*, majority of the sector is made up of small businesses (1 to 19 employees) (32.5%) or sole trading operators (65%), with over 150 industry bodies and subsector groups that make up the industry. This makes it difficult to achieve a single vision for the sector and subsectors to work towards.
- *low business resilience*, many companies operate on low margins to secure contracts leaving no built-in resilience when things change or go wrong.
- *low supply of skilled workers and a reliance on migrant workforce* translating to capability and capacity constraints to delivery of the growing pipeline of projects.
- *poor risk management practices* and a lack of understanding of the risks in constructions projects and who is best to manage them, combined with procurers often choosing the ‘lowest upfront cost’ over ‘best value’ and/or lower whole-of-life costs.
- *cyclical boom-bust performance of the industry* caused by economic expansion (boom) and contraction (bust) that occurs repeatedly.
- *lack of transparency*, complex contracts that contain many non-standard conditions can lead to parties unwillingly taking on risk they are not prepared for.
- *low trust and confidence in the sector* that results in lack of information sharing and unproductive competitive behaviours across industry players.

The Accord's Transformation Plan will deliver a high performing sector

- 11 Launched in April 2019 by the Prime Minister, Ministers² and leaders across government and industry, the Construction Sector Accord (the Accord) was the first Industry Transformation Plan committed between government and industry aimed at growing more innovative industries and lifting the productivity, sustainability and inclusivity of our key sectors.
- 12 The Accord Transformation Plan was endorsed by Cabinet in December 2019 [DEV-19-MIN-0335] and launched in January 2020 by Accord Ministers, agencies and industry leaders.
- 13 The three year Transformation Plan embeds key behaviours throughout its work programme, and has engaged key partnerships across industry partners/ bodies, member associations, workers and unions to help deliver high performance.

The Accord's Transformation Plan has responded to change

- 14 Since its launch, The Transformation Plan has expanded to reflect the needs and priorities of the sector and government by including:
 - *Environment workstream*: will help understand how the sector can better align itself with New Zealand's emissions reduction and adaption goals and contribute to sustainability and environmental goals across the sector.
 - *Beacon's workstream*: built from a Transformation Plan initiative, this workstream highlights good practice and lessons across the sector in response to the industry's willingness to showcase and share practice and innovation across the wider system. This workstream identifies and shares lessons on Accord in practice initiatives across the sector to support wider industry adoption and behaviour change.
- 15 The Transformation Plan is composed of eight workstreams: Leadership, Procurement and Risk, Business Performance, Health, Safety and Wellbeing, Environment, Regulatory, People Development and Beacons. Each workstream is led by one or more leads from government and/or industry to drive action. This approach has brought industry, central and local government, sector organisations and other stakeholders together to design and implement targeted initiatives.
- 16 In line with the partnership approach, the Transformation Plan has several initiatives that are delivered jointly with industry. This includes organisations such as the Construction Health and Safety New Zealand (CHASNZ), MATES in Construction, Building Research Association of New Zealand (BRANZ), Registered Masters Builders Association and Diversity Works New Zealand. In 2020, \$735,000 was awarded to industry partners, with an additional \$440,000 expected to be invested in the first quarter of 2021.

Providing a platform for industry and government to come together

² At the launch Accord Ministers included the Ministers for/of Building and Construction, Urban Development, Economic Development, Housing, Education, State Services, Health, Workplace Relations and Safety, and Infrastructure.

- 17 The Accord has established two channels of communication and collaboration with the sector:
- *Towards High Performance* is a webinar series delivered by the Accord and its partners to provide the wider sector with valuable resources, tools and information. In 2020, over one thousand people joined the webinar channel that focused on topics such as risk management, rapid procurement, improving mental health, and showcasing diversity in the sector.
 - *The Accord Forum* was established with pace to support a cross-sectoral response to the COVID-19 lockdown. It is made up of government agencies, major commercial, vertical and residential businesses, local government, industry and professional bodies and unions that helped inform the health and economic recovery efforts for the sector. The Forum meets and acts as a platform to raise issues and provide views on Accord initiatives for wider industry engagement.
- 18 The Accord has also supported public and private sector collaboration on the New Zealand Infrastructure Commission's construction pipeline. This initiative will improve transparency between government agencies and central and local government, and support sector business planning and investment.

The Accord supported the New Zealand's health and economic response to COVID19

- 19 The partnership between government and industry leaders enabled a swift and coordinated response to the COVID-19 lockdown in March 2020. The Accord became trusted advisors that enabled Ministers to quickly access on-the-ground information to inform what the construction recovery should look like for the workforce as well as for the pipeline. The Accord led response delivered:
- *The Construction Sector COVID-19 Response Plan*: released on 5 April 2020, the plan allowed the government to take a whole of sector approach to maintain confidence in the sector, support jobs and businesses and minimise the economic impact of COVID-19.
 - *Establishing a pathway to sector recovery*: the Accord brought together the COVID-19 Forum, which allowed for sector experts and government to develop health and safety protocols for the sector to return to work safely under Alert Levels 2 and 3.
 - *Providing a unified sector voice*: the Accord's platform provided an opportunity to gather views and concerns from a broad sector group to provide government advice so that initiatives such as the Wage Subsidy and Apprenticeship Boost package took industry needs into account.
 - *The Rapid Mobilisation Playbook*: a practical guide to help procuring agencies start construction projects, including 'shovel-ready' projects, in a fast and safe way. This will ultimately protect jobs, and achieve broader social, cultural, environmental and economic outcomes from New Zealand.

- *Supporting Mental Health of the sector:* Supported by the Accord, MATES in Construction provided valuable mental health and suicide prevention support following the immediate COVID-19 impacts to help improve the resilience of the sector.
- 20 This work supported the construction sector to be one of the first industries to get back on site in a safe and responsible way. The sector was predominantly back to work in Alert Levels 2 and 3 - only 36 per cent of construction roles required support from the Wage Subsidy Extension and eight per cent from the Resurgence Wage Subsidy. It also drove an accelerated pipeline of construction work, and supported best practice procurement that ensured contractors could be paid on time during Alert level 4 lockdown.

Support from industry, Ministers and agencies will facilitate culture change

- 21 The Accord Ministers Group³ is made up of Ministers that signed up to the Accord and hold portfolios that interact with the construction and infrastructure sector, either as regulators or major procurers. The Accord Ministers Group is responsible for promoting the agreed Accord principles within their portfolio agencies and organisations. This delivers to the government's role in driving a culture of collective responsibility alongside industry partners.
- 22 This year, the Accord Ministers Group was expanded to include the Minister of Finance, Local Government, Transport, and the Minister for Māori Development. This will enable the Accord to play its role and ensure the approach to the construction sector is joined up across portfolios.
- 23 Industry leadership across the Accord has grown to reflect the interest and impact delivered through the programme. To date, there are more than 1040 subscribers to the Accord updates and several partner organisations that collaborate with the programme broader reach to their networks.

It is critical to maintain the pace of delivery to sustainably transform the sector

Ongoing delivery and embedding progress

- 24 It is a key priority to maintain the momentum of delivery, and continue to embed positive behaviours generated by the Accord. Without this momentum the sector is at risk of going back to 'business as usual' which may cause government and the sector to revert to old behaviours, such as excessive undercutting in price leading to poor quality.
- 25 Maintaining momentum will involve strengthening the partnership between government and industry by embedding the Accord principles through the forward construction pipeline and the various parts of the sector (e.g. contractors, professional and legal service providers, clients and educators). The planned launch of the Accord Network in April 2021 will set-out the practice and behaviour expectations for how to deliver to the Accord principles that all parties in the industry can engage and self-assess against. We are exploring opportunities to organise an event to launch the

³ Minister for/of Building and Construction, Housing, Infrastructure, Economic Development, Urban Development, Workplace Relations and Safety, Health Education and State Services.

Accord Network. This is a key opportunity for government and agencies to show continued commitment to leading the culture change needed for a high performing sector.

Providing a lever to deliver shared Government priorities for a higher performing sector

- 26 The Accord provides an opportunity to promote and boost existing government priorities. This includes:
- *Building for Climate Change Programme:* The Ministry for Business, Innovation and Employment's Building for Climate Change Programme will deliver transformational change to the building sector to support the government goal of net zero emissions by 2050. This work will also deliver outcomes under the National Adaptation Plan to make New Zealand more resilient to future climate events. The programme will set higher standards for new builds, and will eventually look at how to make improvements to existing buildings. The newly established Accord Transformation Plan Environment workstream will define its actions by June 2021, which are likely to identify non-regulatory approaches that could reinforce and complement work within the Building for Climate Change Programme.
 - *Supporting Building Regulatory reform:* The Accord is strengthening industry engagement to shape Building System Legislative Reform Programme that is making changes to the Building Act 2004 and reviewing occupational regulation and risk and liability settings for the sector.
 - *Developing a future-focussed workforce:* The Accord is strengthening industry input to inform the Reform of Vocational Education. This includes working with the Tertiary Education Commission and vocational education experts to establish The Construction Centre of Vocational Excellence (ConCoVE). The ConCoVE will focus on how construction vocation education can improve the industry's long standing skills challenges. Its projects are centred on creating a career framework, improving productivity, growing a diverse and productive workforce, developing approaches to avoid disruption to the workforce, and establishing an environmentally sustainable industry.
 - *All of Government Employment Strategy:* led by the Ministry of Business, Innovation and Employment, the Strategy aims to ensure that all New Zealanders can fulfil their potential by developing skills, finding secure employment and engage in rewarding careers. Lifting the capability and capacity of the construction workforce is as an action to support thriving industries and sustainable provinces. There is also a focus on improving the employment outcomes of groups that have historically experienced poorer outcomes, including Māori and Pacific Peoples. Specific action plans for Māori and Pacific Peoples are currently in development, and will focus on supporting these groups to secure productive, sustainable and inclusive employment. Officials will work together to ensure these Action Plans align with the aims for Māori and Pacific Peoples in the Construction Sector Accord.

- 27 In December 2020, a first year progress report on the Accord was published on the Construction Sector Accord website to report on delivery as well as priorities for 2021. A copy of the report is provided in Appendix One.

Funding and future of the Accord beyond 2022

- 28 Funding to deliver the Accord COVID response plan and Transformation Plan has been secured from Budget 2020 that allocated \$8.5m from the COVID-19 Response and Recovery Fund [CAB-20-MIN-0219]. This was allocated to meet initiative and programme resourcing costs for 2020/21 and 2021/22 financial years aligned to the Transformation Plan milestones.
- 29 Industry contribution has been in-kind support to lead the design and delivery of Accord COVID-19 Response Plan and Transformation Plan initiatives. This contribution will be maintained to deliver on the industry leadership role in the Accord programme.
- 30 Forward resourcing and funding beyond 2022 is yet to be defined but discussion are planned to be progressed by the Accord Steering Group later in 2021.

Financial implications

- 31 There are no financial implications associated with this report back.

Legislative Implications

- 32 There are no legislative implications associated with this report back.

Impact Analysis

Regulatory Impact Statement

- 33 There are regulatory implications associated with this report back.

Climate Implications of Policy Assessment

- 34 There will be positive implications and outcomes for climate outcomes and resilience. These are yet to be identified through environment workstream. It is expected that this work will complement and align with the Ministry for Business, Innovation and Employment's Building for Climate Change Programme.

Population Implications

- 35 There are no population implications associated with this report back.

Human Rights

- 36 There no implications Under the New Zealand Bill of Right Act 1990 and the Human Rights Act 1993.

Consultation

37 Ministry of Housing and Urban Development, WorkSafe, Ministry of Education, Waka Kotahi, Kāinga Ora, Ministry of Health, New Zealand Infrastructure Commission, New Zealand Defence Force, Department of Corrections and Ministry of Justice were consulted on this paper and no feedback was received.

Communications

38 The 2020 Progress Report was published on the Construction Sector Accord website in December 2020. There is no Minister announcement expected.

Proactive Release

39 I propose to proactively release this paper, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Building and Construction recommends that the Committee:

40 **note** that the Committee approved funding for the Construction Sector Transformation Plan 2020-2022

41 **note** the progress made on delivering the Transformation Plan in 2020.

42 **agree** that the Accord will report back on its 2021 progress in early 2022.

Authorised for lodgement

Hon. Poto Williams

Minister for Building and Construction

Hon. Dr. Megan Woods

Minister of Housing

Appendices

- One: 2020 Construction Sector Accord Progress Report
- Two: Construction Sector Accord Transformation Plan

CONSTRUCTION
SECTOR ACCORD

CONSTRUCTION SECTOR
PROGRESS REPORT

DECEMBER 2020

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PURPOSE

This document provides an overview of the Construction Sector Accord (the Accord) and its progress catalysing action to address systemic challenges facing the construction sector.

The Accord was launched in April 2019 as a joint partnership by the Prime Minister, Accord Ministers and industry leaders. Since then it has proven its value as a platform for industry and government to share responsibility and achieve improved outcomes for New Zealanders.



ACCORD STEERING GROUP MEMBERS

Peter Reidy (Co-chair)

Chief Executive
Fletcher Construction

Chris Bunny (Co-chair)

Deputy Chief Executive
Ministry of Business,
Innovation and Employment

Graham Burke

President
Specialist Trade Contractors Federation
and Chair Construction Industry Council

Judi Keith-Brown

President
New Zealand Institute of Architects
- Te Kāhui Whaihanga

Ross Copland

Chief Executive
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E tū

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Susan Freeman-Greene

Chief Executive
Local Government New Zealand

Mike Craig

Chair
New Zealand Certified Builders

MESSAGE FROM THE ACCORD STEERING GROUP CO-CHAIRS

Chris Bunny and Peter Reidy

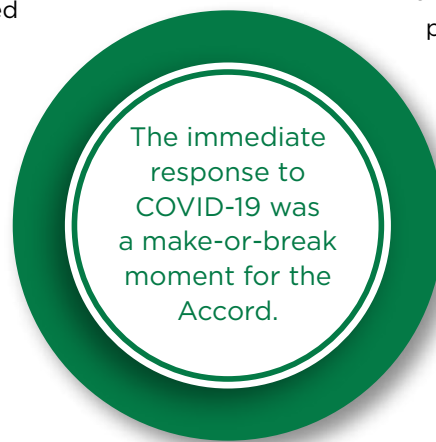
It almost goes without saying that 2020 has posed unprecedented challenges for New Zealand and our construction industry. The economic, physical and mental health impacts of COVID-19 have been significant. They have exacerbated some of the persistent challenges the sector is seeking to address, including a lack of business resilience, poor business and procurement practices and an adversarial culture.

The COVID-19 pandemic has shown the importance of the Construction Sector Accord. Prior to the Accord's formation there was no one forum that joined government and the sector in charting a clear and shared vision for the future. During Alert Level 4, this might have meant competition and retrenchment to protect self-interests, or policy decisions and support packages not being tested with industry. This, surely, would have meant worse outcomes from COVID-19 for all parties.

Fortunately, we do have the Accord. From the moment government announced a move to Alert Level 4, the Accord acted as platform for leadership and collaboration between government and industry. It aimed to protect and support the sector and its workers. It's a great example of the good that can happen when industry and government come together for a shared cause.

The Accord Steering Group quickly formed the COVID-19 Forum, which brought together experts from across government and industry to inform the recovery and develop the Construction Sector COVID-19 Response Plan. We partnered to develop health and safety protocols that enabled the sector to get back to work under Alert Levels 2 and 3. We provided information and advice to government so that support initiatives like the Wage Subsidy and Apprenticeship Boost package took industry needs into account. We also issued contract variation guidance that set up a consistent government position for contractors facing additional costs created by the lockdown - which enabled workers to keep getting paid and businesses to remain viable throughout lockdown.

The immediate response to COVID-19 was a make-or-break moment for the Accord. It gave us the opportunity to truly prove our value - and we believe we have. As the Accord Co-chairs, we would like to tautoko each and every person that played a part in helping support the industry. Thank you.



The Accord has also driven impressive progress that is transforming the construction sector for the better. The Transformation Plan, launched in early 2020, has been expanded to include new initiatives, such as the Environment workstream. Several pieces of legislation that have been informed by the Accord, including amendments to the *Building Act 2004* and the *Construction Contracts Act 2002*, are progressing through the House. The Accord also rallied industry support around the Construction Skills Action Plan.

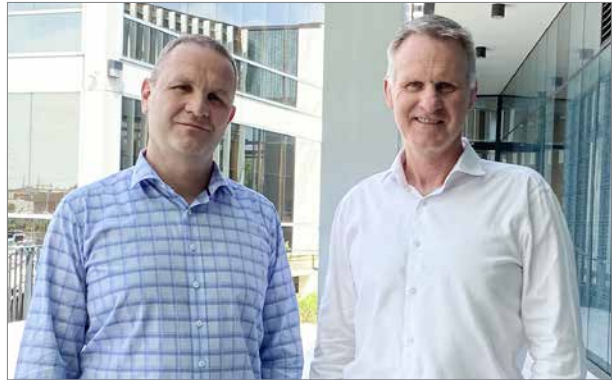
In the wake of COVID-19, we agreed to adapt our focus to what was most needed to support recovery. We launched the Rapid Mobilisation Playbook to support agencies to procure construction work speedily and safely. This tool will help support New Zealand's economic and social recovery, and has already been downloaded over one thousand times. We also launched the Contract Partnering Agreement, which sets out how parties can work together to follow Accord principles and contribute to Accord outcomes. This was released to set the groundwork for greater collaboration between contractual parties.

This is just some of the work that can happen when government and industry come together to support New Zealand's economic and social recovery.

We can be proud of what we have achieved – but this is just the start. The Accord continues to attract interest from across the construction sector. Over one thousand people and businesses have signed up on the Accord website to get involved in sector transformation, and hundreds of sector participants attend regular Accord webinars. The rapidly-growing Accord network shows the appetite for the kind of change we're driving.

Government has signalled its strong support for the Construction Sector Accord's work to maintain construction momentum and respond to the impacts of COVID-19. As government and agencies will continue driving an ambitious construction and infrastructure programme, our role in supporting a collaborative, high-performing sector will be crucial. We can help ensure the sector is ready to meet government's ambitious plan.

We look forward to working with our network in the coming year and continuing to transform the construction sector for the benefit of Aotearoa.



Chris Bunny

Deputy Chief Executive,
Ministry of Business,
Innovation and Employment

Peter Reidy

Chief Executive,
Fletcher Construction



MORE PEOPLE ARE GETTING INVOLVED AND RECOGNISING THE VALUE OF THE ACCORD

LEADERSHIP

- › 18 Accord Steering Group members
- › 15 Transformation Delivery Group members
- › 45 Accord Forum members

ENGAGEMENT

- › 1,007 Accord newsletter subscribers
- › 385 attendees at June webinar on risk management
- › 265 attendees at August webinar on rapid procurement
- › 157 attendees at October webinar on mental health and wellbeing
- › 142 attendees at November webinar on diversity in the construction sector

2020 PROGRESS AT A GLANCE

The Accord helped maintain a viable sector – including small to medium enterprises – during COVID-19's immediate impacts

Developed health and safety protocols to enable construction work to progress at COVID-19 Alert Levels 2 and 3.

- › *Benefits the whole sector, including workers, Small and Medium Enterprises (SMEs) and large contractors.*

Provided a unified voice that enabled government to develop tailored COVID-19 support for the sector.

- › *Benefits the whole sector, including workers, SMEs and large contractors.*

Kept cash flowing by developing guidance to address contract variations arising from lockdown.

- › *Benefits the parts of the sector and their employees that deliver services to government.*

The Accord helped government and industry kickstart work and accelerate a range of projects to mitigate the impacts of COVID-19

Secured government support to enable apprentices to remain in work and training.

- › *Benefits apprentices and employers who need to retain skilled workers for the future.*

Partnered with MATES in Construction to deliver suicide prevention and mental health support.

- › *Benefits workers in all parts of the sector.*

Helped establish construction pipeline clarity through guidance for rapid mobilisation and delivery of shovel-ready projects.

- › *Benefits procurers and large contractors bidding for government infrastructure contracts. Will benefit smaller subcontractors in future.*

The Accord is enabling transformation of the sector to meet long-term challenges and support resilience in the new COVID-19 environment

Launched first Beacon Project profile to showcase transformative innovation and leading practices.

- › *Benefits the entire sector in sharing good practice that can be used to inform the planning and scoping of future projects.*

Launched *Towards High Performance* webinar series in collaboration with partner organisations.

- › *Benefits people across the wider sector interested in discussing key topics.*

Development of Contract Partnering Agreement to help public and private parties embrace Accord principles and behaviours.

- › *Benefits all project parties including subcontractors by setting the foundation for a good working relationship through the life of a contract.*

THE ACCORD'S UNIQUE APPROACH

Construction is an important part of the New Zealand economy – employing around ten per cent of the national workforce and contributing seven per cent of GDP. The sector is positioned to play a central role in the economic recovery from the impacts of COVID-19. Therefore it is critical New Zealand has a resilient and high-functioning construction sector.

In April 2019 the Prime Minister, Accord Ministers, and industry leaders launched the **Construction Sector Accord** as a joint commitment between government and industry. Our shared vision is to work together to create a high performing construction sector for a better New Zealand.

The Accord created a new platform for government and industry to partner together to address some of the long-standing and systemic challenges the sector faces. These include skills shortages, unclear regulations, lack of visibility on the pipeline of work, a lack of trust between participants, uncoordinated leadership and ineffective risk management practices. These challenges contribute to low productivity and business instability.

We have an obligation to our people and to all New Zealanders to build a higher performing construction sector. The Accord is an opportunity we are grabbing with both hands.

Peter Reidy, Chief Executive, Fletcher Construction and Construction Sector Accord Steering Group Co-chair

The Accord enables government and industry leaders to achieve improved outcomes for New Zealanders and realise the Accord's shared goals:

- › **Increase productivity** – A productive, value-driven and efficient construction sector able to produce more for each dollar spent.
- › **Raise capability** – A skilled and capable workforce that meets New Zealand's growing housing and infrastructure needs.
- › **Improve resilience** – Strong, sustainable businesses with the capacity to innovate and adapt to change and disruption.
- › **Restore confidence, pride and reputation** – A high-performing, transparent and trusted sector we can all be proud of.

How is change being delivered?

The Accord's formation recognises that government and industry have common goals but different tools to drive change. By identifying shared challenges, the Accord set out the commitment to work in partnership to address these issues. The Accord has enabled government and industry to agree to key principles and actions, and to hold themselves and each other to account.

An important focus of the Accord is improving the culture across all parts of the sector, including small, medium and large contractors and procurers, professional service providers, and government. The Accord includes a set of principles to work by:

 <p>Build trusting relationships</p>	 <p>Value our people</p>
<ul style="list-style-type: none"> › Being accountable › Acting with empathy and respect › Focusing on delivering quality › Being transparent on the value and allocation of risk › Working in a collaborative and inclusive way 	<ul style="list-style-type: none"> › Fostering careers to nurture the industry's future › Recognising and rewarding effort and success › Embracing diversity and inclusion › Supporting better outcomes for Māori › Prioritising health, safety and mental wellbeing
 <p>Be bold</p>	 <p>Act with collective responsibility</p>
<ul style="list-style-type: none"> › Fostering innovation, and research and development › Not accepting conduct and culture contrary to the principles of the Accord › Sharing success and learning from failure › Focusing on whole of life value when buying and building 	<ul style="list-style-type: none"> › Planning for the long term › Acting as a custodian for the sector's future › Sharing knowledge and lessons learnt › Prioritising environmental sustainability

Who's involved?

The Accord membership includes leaders from public and private sectors including major civil, commercial and residential construction companies, property developers, industry and professional bodies and unions. People from all parts of the construction ecosystem have signed up through the Accord website to get involved in sector transformation, and hundreds of sector participants have attended regular Accord webinars.

Accord Ministers¹ are also signatories to the Construction Sector Accord. Throughout 2020, the Accord Ministerial group was chaired by the Minister for Building and Construction.

The Accord is engaging a wide audience

- 1,007** Accord newsletter subscribers
- 385** Attendees at June webinar on risk management
- 265** Attendees at August webinar on procurement
- 157** Attendees at October webinar on mental wellness
- 142** Attendees at November webinar on diversity in the construction sector

¹ Accord Ministers at the launch of the Transformation Plan included the Ministers for Building and Construction, Housing, Urban Development, Economic Development, Workplace Relations and Safety, and Infrastructure, and Ministers of Education and Health.

THE ACCORD'S AMBITIOUS PLAN FOR TRANSFORMATION

Following significant input and collaboration from industry and agencies, the **Construction Sector Transformation Plan** was endorsed by Cabinet in December 2019 and launched by Accord Ministers, agencies and industry leaders in January 2020. It sets out a bold vision for transformation – 24 programmes across eight major focus areas that will drive long-term culture change and help create a better construction sector for all.

The Transformation Plan's programmes of work will support government and industry to share and encourage best practice, contributing to:

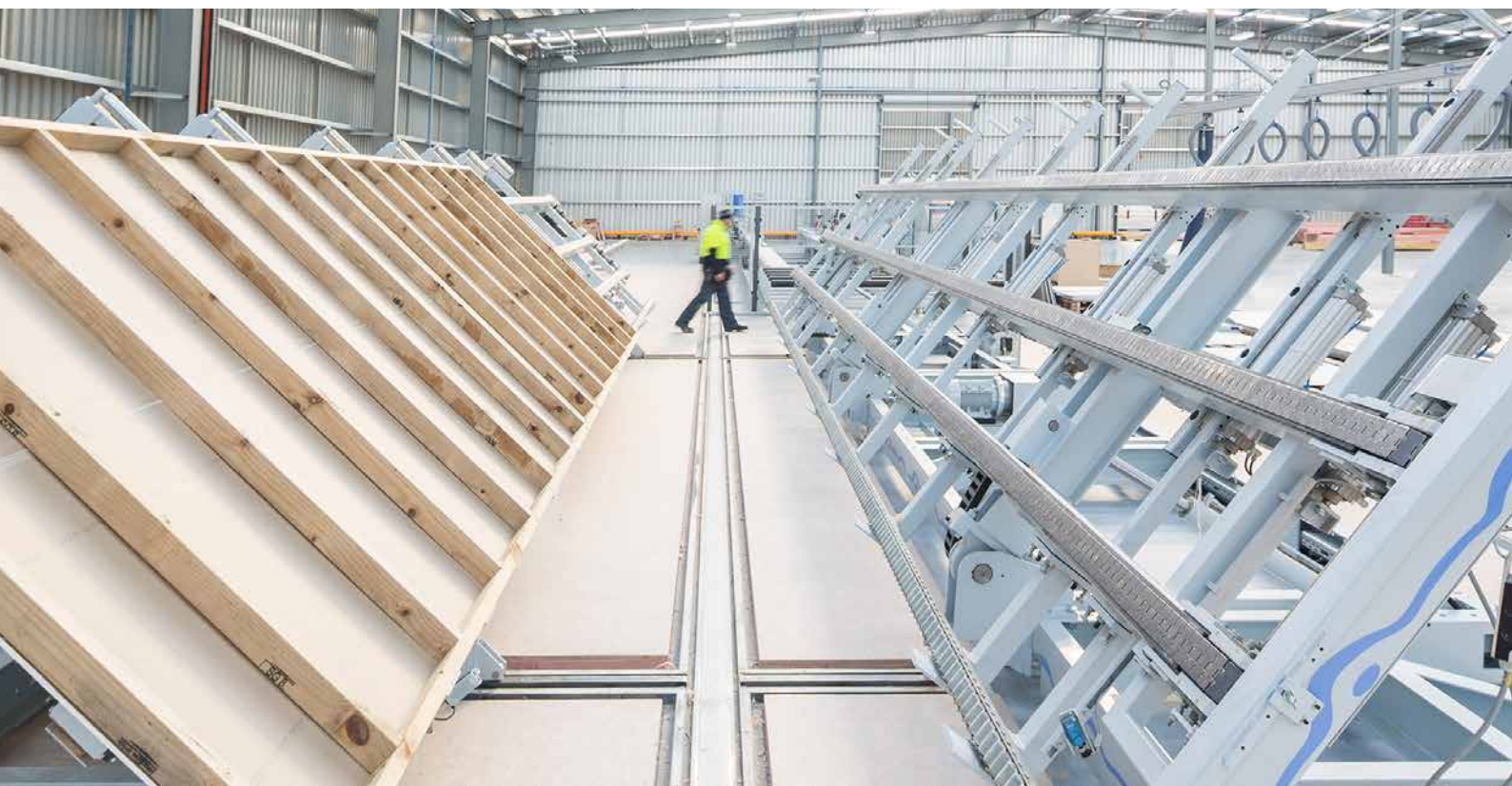
- › improving health and safety
- › growing and developing a skilled, sustainable and diverse workforce that embraces participation of Māori, Pasifika and women
- › improving procurement practices
- › driving profitability and productivity
- › raising standards of leadership
- › ensuring clear and efficient regulation
- › improving environmental sustainability.

In the spirit of the Accord principles, the Transformation Plan is jointly owned between government and industry. It has brought industry, central and local government, sector organisations and other stakeholders together to design and implement targeted initiatives. It is intended to benefit all parts of the sector, including small, medium or large procurers, professional service providers and contractors.

This plan is about rebuilding trust and confidence in the sector and ensuring a healthy and sustainable industry. The key to successful transformation is for all of us working in the sector to play a part in making things better.

Chris Bunny, Deputy Chief Executive, MBIE and Construction Sector Accord Steering Group Co-chair

New Zealand is not alone in setting out an ambitious plan to transform the construction sector. The Transformation Plan was informed by existing plans in Australia, the United Kingdom, Hong Kong and Singapore – which all identify similar challenges in their construction industries. The Accord is closely monitoring the progress of other countries' transformation programmes and is developing international networks to inform Accord initiatives.



Transformation Plan at a glance



STATE OF THE SECTOR



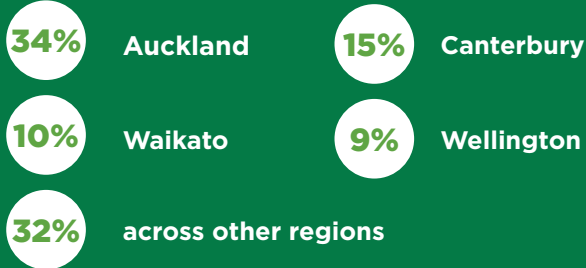
Construction is an important part of New Zealand's economy

Construction employs around 10 per cent of the national workforce and contributes seven per cent of New Zealand's GDP.

The sector has seen a steady growth in business numbers. There is a consistent growth in establishment of new construction companies.

WHO IS IN THE CONSTRUCTION SECTOR WORKFORCE?

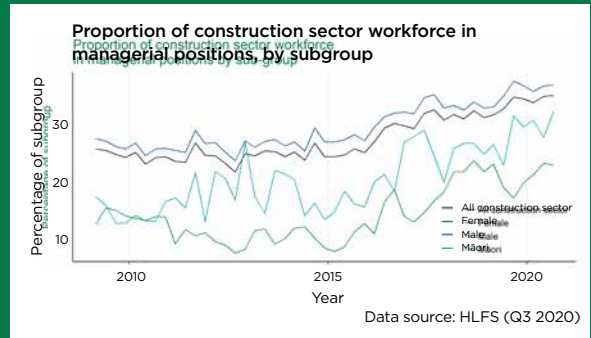
Construction employees are spread across the country



Recruiting certain skilled professionals remains an ongoing challenge for construction businesses. At the end of 2018, 6.4 per cent of workers were on working visas, up from 1.2 per cent at the end of 2012.

Women remain underrepresented in the construction industry but the proportion is slowly growing, from 11.7 per cent in 2010 to 13.5 per cent in 2020.

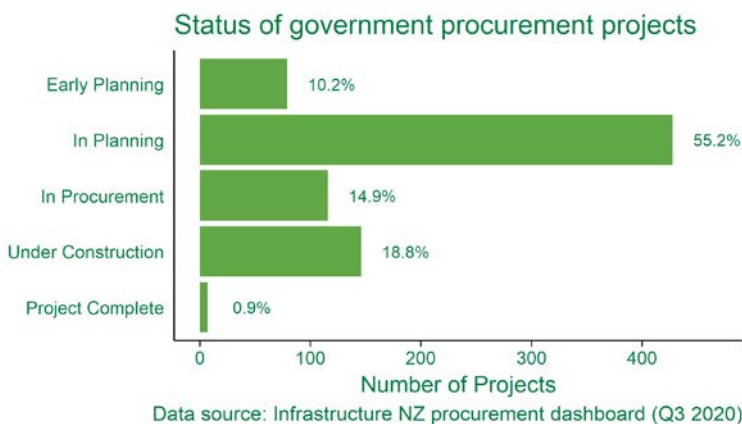
Over the past five years the proportion of women and Māori in managerial positions has slowly increased. However, the absolute number of these groups in management remains low.



Over a quarter of all Māori owned businesses in New Zealand operate in the construction sector (2,400 businesses).

Supporting mental health and wellbeing is an important part the sector. Fifty-two per cent of those in the industry that die by suicide presented with no previous mental health problems - it is six times more likely to lose someone to suicide than to a workplace accident.

WHAT'S IN THE CONSTRUCTION PIPELINE?



A large proportion of government projects are in the planning stage, suggesting a healthy longer-term pipeline of work. Reportedly, the outlook for the residential construction pipeline is more mixed.

About 4,600 projects have been delayed due to the impacts of COVID-19, which include high demand for contractors, decrease in building supplies and reduced productivity.

The recent growth of activity in the sector has resulted in a **steady increase in annual carbon emissions.**

COVID-19 HAD SIGNIFICANT IMPACTS ON THE CONSTRUCTION SECTOR, BUT THERE ARE SOME SIGNS OF RECOVERY

The October 2020 quarter saw a 28 per cent decrease in the construction sector's GDP compared to the same quarter in 2019, mainly due to a decrease in activity under Alert Level 4.

OVER 200,000 unique construction sector jobs were supported by the COVID-19 Wage Subsidy – virtually the entire sector. **This support enabled construction firms to retain staff and return to work when it was safe to do so.** Only 36 per cent of construction roles required support from the Wage Subsidy Extension and 8 per cent from the Resurgence Wage Subsidy – indicating that the sector was predominantly back to work in Alert Levels 2 and 3.

BUSINESS CONFIDENCE IS REBOUNDING AFTER COVID-19 IMPACTS

There was a significant drop in business confidence, hiring intentions and construction intentions during and immediately following Alert Level 4. However, more recent data suggests a shift in sentiment.

Hiring intentions are net 0, indicating around half of the sector expects to take on new employees.

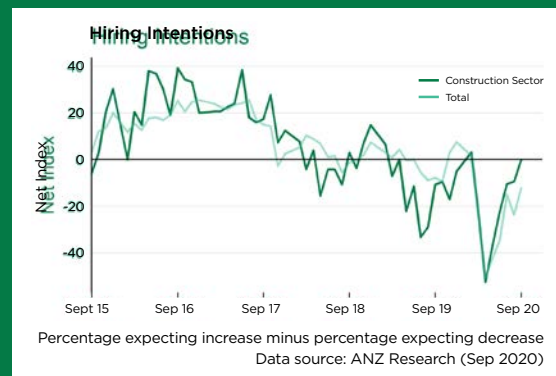
53%

of the sector think that the New Zealand construction is positioned better than most sectors to cope post COVID-19.

NET 7%

of construction sector firms expect an improvement in the economy over the coming months.

The sector is becoming more resilient to the impacts of COVID-19. Evidence indicates there was not a significant drop in sector sentiment or hiring and construction intentions following the August Alert Level increase in Auckland.



RESIDENTIAL CONSTRUCTION INTENTIONS REMAIN HIGH

More than 10,000 new homes were consented during the May to July 2020 period – the largest three month rolling total since the 1970s.

Despite the high number of consents issued, across the COVID-19 period the value of residential consents has declined approximately 38 per cent, while the value of non-residential consents has declined 44 per cent.

Promisingly, the value of issued building consents are beginning to rebound. The value of building consents issued in Auckland hit a record \$1.039 billion in the month of September 2020, with more than \$700 million coming from residential projects.

The average processing time for building consents has generally trended downwards in 2020 for both commercial and residential applications.



SUCCESSFULLY RESPONDING TO COVID-19

The COVID-19 pandemic and its impact on the sector reinforced the value and importance of the Construction Sector Accord.

The COVID-19 environment has created many new challenges for all parts of the construction industry, including a lack of cashflow, workforce retention issues and additional pipeline uncertainty. The Accord recognised that without steady cashflow, contractors would not have the confidence or financial ability to retain their workforce. This would have had significant long-term impacts on the viability of the sector.

The strong Accord partnership between government and industry leaders enabled a swift and coordinated response to the COVID-19 lockdown in March 2020. The Accord leaders became trusted advisors and a credible, unified channel that enabled Ministers to access information to support good decision making on COVID-19 response and recovery.

The Accord released a **Construction Sector COVID-19 Response Plan** on 5 April 2020. The plan facilitated government and industry action to maintain confidence in the sector, support jobs and businesses, enable the sector to work safely and minimise the economic impact from COVID-19.

The Accord Steering Group's immediate and influential support helped the construction industry and its workers get what they needed to maintain levels of activity during the immediate impacts of COVID-19, and to return to work quickly in a safe and responsible way. The Accord has driven an accelerated pipeline of construction work and supported best practice procurement that takes into account the challenges of the COVID-19 environment.

The Accord has been able to leverage COVID-19 as an opportunity to further enable government and industry to transform the sector. Improvements to procurement and cross-industry collaboration established in response to COVID-19 supported the immediate recovery and reinforced the Accord's overall goals.

Accord members have recognised that the genuine partnership between industry and government, with a high level of credibility and trust, has been pivotal in the response to and recovery from COVID-19.

It was fundamental to everyone working in construction, whether they were residential or commercial, that as soon as we finished Alert Level 4 lockdown, they could get back on site in a safe and responsible way.

The Accord made that happen - through the genuine partnership between industry and government, there was a high level of credibility and trust.

David Kelly, Chief Executive, Registered Master Builders and Accord Transformation Delivery Group member

MAINTAINING A VIABLE SECTOR DURING COVID-19'S IMMEDIATE IMPACTS

Government and industry's partnership supported the sector weather the immediate, acute impacts of COVID-19 and the associated limitations on work. The Accord recognised that longer-term plans for sector transformation would be worthless if there was no sector to transform after COVID-19 – so the Accord reprioritised work to focus on maintaining a viable sector in the immediate term.

Establishing the Accord Forum to provide a single, unified voice to government

- › Immediately after lockdown began, the Accord Steering Group established the **Accord Forum** (the Forum) to bring together a broader group of government agencies, major commercial, vertical and residential construction companies, local government, industry and professional bodies and unions to inform recovery. The Forum was a platform for industry and government to collaborate, resulting in a credible and unified voice that represented the whole industry.
- › The construction sector is broad and often fragmented, having the Forum enabled a coordinated and connected voice across the ecosystem. This helped inform the understanding and impact of COVID-19 and advice on options for recovery.
- › The Forum lived the principle of *he waka eke noa* – we are all in this together – and agreed that if all parties act in a fair and reasonable manner and are prepared to share the responsibility, then the sector as a whole can emerge intact from lockdown and be in the best position to restart.

I would be bold enough to say the sector would not have been allowed back on sites at Alert Level 3, if not for the important work the Accord and Construction Health and Safety New Zealand (CHASNZ) did around health and safety standards. This was really critical for the livelihood of our industry and our people.

Chelydra Percy, Chief Executive, BRANZ and Accord Transformation Delivery Group member

Restarting construction activity centred on people returning to work safely

- › The Accord worked with **Construction Health and Safety New Zealand (CHASNZ)** to develop health and safety protocols for those in the residential, vertical and horizontal construction sectors undertaking work in Alert Level 2 and 3 settings.
- › These protocols were regularly updated with government guidance. They supported the sector to return to work safely after lockdown, minimising the economic impact of COVID-19.

Guidance for contract variations arising from lockdown

- › The Accord developed and issued guidelines on a consistent government position for contractors facing additional costs created by the lockdown, and for establishing the fair value of these variations. The guidance provided confidence and support for fair payments to contractors during the lockdown, and avoided costly and time-consuming contract negotiations.
- › The principles and guidance applied to all government contracts but were equally valid in – and in some cases used by – the private sector. This reflects the potential for government to influence behaviours across industry through the Accord partnership.

Informed development of government COVID-19 support

- › Accord members worked together to inform Ministers' decision-making on COVID-19 supports for business, including the Wage Subsidy Scheme, Business Finance Guarantee Scheme and Small Business Cashflow Scheme.
- › The Accord provided government with real-time feedback from industry experts that helped target and tailor COVID-19 support to business needs.

KICKSTARTING WORK AND ACCELERATING PROJECTS TO MITIGATE IMPACTS OF COVID-19

Government and industry have progressed medium-term actions to build resilience and position the sector to recover from the impacts of COVID-19. They recognise that the sector's best route to recovery is engaging in a longer-term pipeline of construction work. They also recognise that some of the immediate impacts of COVID-19 may have longer-term skills and mental health and wellbeing impacts.

Rapid Mobilisation Playbook

- › In collaboration with New Zealand Government Procurement and Property, Aurecon and the Accord Forum, the Accord developed and published the **Rapid Mobilisation Playbook**. This practical guide is designed to help procuring agencies start construction projects (including 'shovel-ready' projects) in a fast and safe way. This will protect jobs and help achieve broader social, cultural, environmental and economic outcomes.
- › The Playbook will help organisations and project teams that have less experience procuring large-scale projects on an accelerated time frame. This will ensure government construction projects can lend further support to New Zealand's recovery from COVID-19.



Supporting apprentices to remain in training

- › Accord members' advice helped ensure that the sector's needs were taken into account as part of government's cross agency support in helping employers continue to invest in workforce training and development. This resulted in the **Apprenticeship Support Program**, which includes Apprenticeship Boost, extension to Mana in Mahi, support to Group Training Schemes and the Regional Apprenticeships Initiative.
- › This support is helping employers keep apprentices in training during times of retrenched construction activity. This will reduce the risk of long-term impacts on the skilled workforce pipeline that were felt following the Global Financial Crisis.

MATES in Construction mental health support

- › Supported by the Accord, **MATES in Construction** is working to improve mental wellness and reduce suicide in the construction industry.
- › MATES in Construction provided valuable mental health support during and following the immediate impacts of COVID-19. The Lunch Room, a virtual chat room for people working in the construction sector wanting to talk about their concerns, was in high demand throughout lockdown. Since then, demand for MATES services has increased, especially for the helpline services, an increased number of people have been referred to Case Managers.
 - › MATES in Construction also presented a webinar on mental health and wellbeing as part of the Accord's *Towards High Performance* webinar series.
- › This support is building resilience and helping to provide confidence in the future for both business owners and workers.

Since 2019, 76 industry organisations have partnered with MATES in Construction, 127 sites across New Zealand are delivering their programmes, with 8,057 workers inducted.

Research has highlighted that the Construction industry has the highest rate of suicide, when compared to other industries in New Zealand. Together with societal impactors, industry pressures have been cited as contributing to poor mental health and mental distress. Now more than ever we need to build communities, stay connected and know where to reach out, when help is needed.

Chris Alderson, Chair, MATES in Construction New Zealand

Shovel-ready projects

- › The Accord has been directed by Cabinet to provide procurement advice to project owners for shovel-ready projects. These infrastructure projects, which vary in scale and complexity, will contribute to economic recovery from COVID-19 while enabling investment in long-term infrastructure.
- › Cabinet's direction recognises the Accord's role in establishing good procurement practice through its established platform for government and industry collaboration.



TRANSFORMING THE SECTOR TO MEET LONG-TERM CHALLENGES IN THE NEW ENVIRONMENT

Throughout 2020, government and industry have laid the groundwork for longer-term behavioural changes and improvements for the construction sector. These will take time to embed, but will be key to achieving sector transformation.

Establishment of The Accord leadership structure to strengthen industry reach and ensure delivery

- › The Accord has established and refreshed its leadership structure to build broader industry voice and support. This reflects the shift from preparing for transformation, to delivering on it. The Accord Steering Group, Transformation Delivery Group, and Accord Forum, all made up of industry leaders from commercial and government organisations, are the platform for oversight, delivery and engagement of the sector.
- › The Accord has brought in new members with expertise from different parts of the sector. This allows it to incorporate new perspectives and continue to deliver programmes at pace that will transform behaviours and performance across the sector.

Embedding the Accord principles through Contract Partnering Agreement

- › The Accord has launched a **Contract Partnering Agreement** to set out how parties can work together to follow Accord principles and contribute to Accord outcomes.
- › The agreement can be used by clients and contractors at the outset of contract negotiations to set out the behaviours and principles that should guide their relationship through the life of the project. The document sets expectations for how parties will behave in regards to risk allocation, payments, people, health, safety and wellbeing, and the environment.
- › This supports the sector's move from a 'lowest cost' procurement model towards one that takes into account broader outcomes, including a focus on the sustainability of the sector.

Beacon projects

- › The Accord is identifying innovative and transformative projects and nominating those that meet set criteria as '**Beacon Projects**'.

- › Beacon Projects demonstrate Accord principles and act as examples that others can learn from, lifting performance and shifting behaviours in certain areas of the sector.
- › The first Beacon Project profiles Watercare, New Zealand's largest water and wastewater company, which has implemented an Enterprise Model approach. This brings construction partners together under a long-term relationship with a combined focus on reducing carbon emissions and construction costs while also improving health, safety and wellbeing.
- › Further transformative Beacon Projects are under development and will continue to provide new inspiring examples to the sector.

Breaking down silos between the public and private sector

- › The Accord has provided a platform for the wider sector to inform the **New Zealand Infrastructure Commission Te Waihanga's** construction pipeline. This is creating better flow of information and more transparency about projects and opportunities between central government, local government and the industry.
- › The construction pipeline supports sector business planning and investment. It is part of how the Accord is supporting a behavioural shift away from an unsustainable level of competition.

Towards High Performance webinar series

- › The Accord has launched a webinar series, **Towards High Performance**, to provide more opportunities to engage the whole sector.
- › The Accord has collaborated with partners such as New Zealand Government Procurement and Property, MATES in Construction, and Diversity Works New Zealand to deliver valuable resources, tools and information to the sector.



MAINTAINING THE PACE OF DELIVERY TO SUSTAINABLY TRANSFORM THE SECTOR

For 2020, the Construction Sector Accord has focused on responding to and contributing to the recovery from COVID-19 and setting the foundations for culture change. The next year will see the Accord continuing to leverage this progress.

Focus areas for the coming year include:

Maintaining and embedding progress

- › Developing and using Accord principles, behaviours and resources such as the Rapid Mobilisation Playbook and construction pipeline has been in the front of many government and sector leaders' minds during the immediate recovery from COVID-19. The response to COVID-19 has driven significant cooperation throughout the year.
- › It will be a key priority to maintain this momentum and embed emerging positive behaviours sparked by the Accord. If the Accord does not do this, the restart of post-COVID-19 'business as usual' may cause government and the sector to revert to old behaviours, such as undercutting each other in price and quality.
- › This will involve strengthening the partnership between government and industry and continuing to develop respectful, productive relationships through the Accord platform. It will also involve embedding the Accord principles through the forward construction pipeline.

Establishing the Accord Network

- › When it is established in 2021, the Accord Network will be made up of sector participants, including contractors, professional and legal service providers, clients and educators. Each will have made a commitment to a high standard of behaviour and performance. This will engage the wider industry with the Accord and be key to driving behaviour change in the sector.
- › Work in 2021 will focus on building engagement, expectations and commitment. This will set the foundation for developing a performance-based membership model.
- › Work will also focus on engaging more government agencies and more small to medium sized enterprises in the Accord Network.

Developing an approach to environment and sustainability

- › The Accord will create a road-map to understand how it can contribute to environmental and sustainability goals across the sector. This will involve collaboration and coordination with the wide range of work, views and opportunities already in this space within the construction sector, including Government's **Building for Climate Change programme**.

There is more work to do:

- › *Eight per cent of respondents to the 2020 BDO Construction Survey have experienced improvements in government agencies behaviour as a direct result of the Accord, with 32 per cent having experienced minor improvements.*
- › *About half of respondents to the 2020 Russell McVeagh Construction Industry Survey considered that the Accord and its principles were likely to reduce future disputes. Respondents also expressed some doubt as to industry's commitment to change the sector.*

Leading the transformation of vocational education

- › In September 2020, the Accord, as part of a consortium of construction sector bodies, was selected to lead the **Construction Centre of Vocational Excellence (ConCoVE)**.
- › The ConCoVE will focus on how construction-related vocational education can be applied to help fix the industry's long-standing skills challenges. The Accord's involvement will help to drive transformational change in the construction skills space and support development of a skilled, future-focused construction workforce.

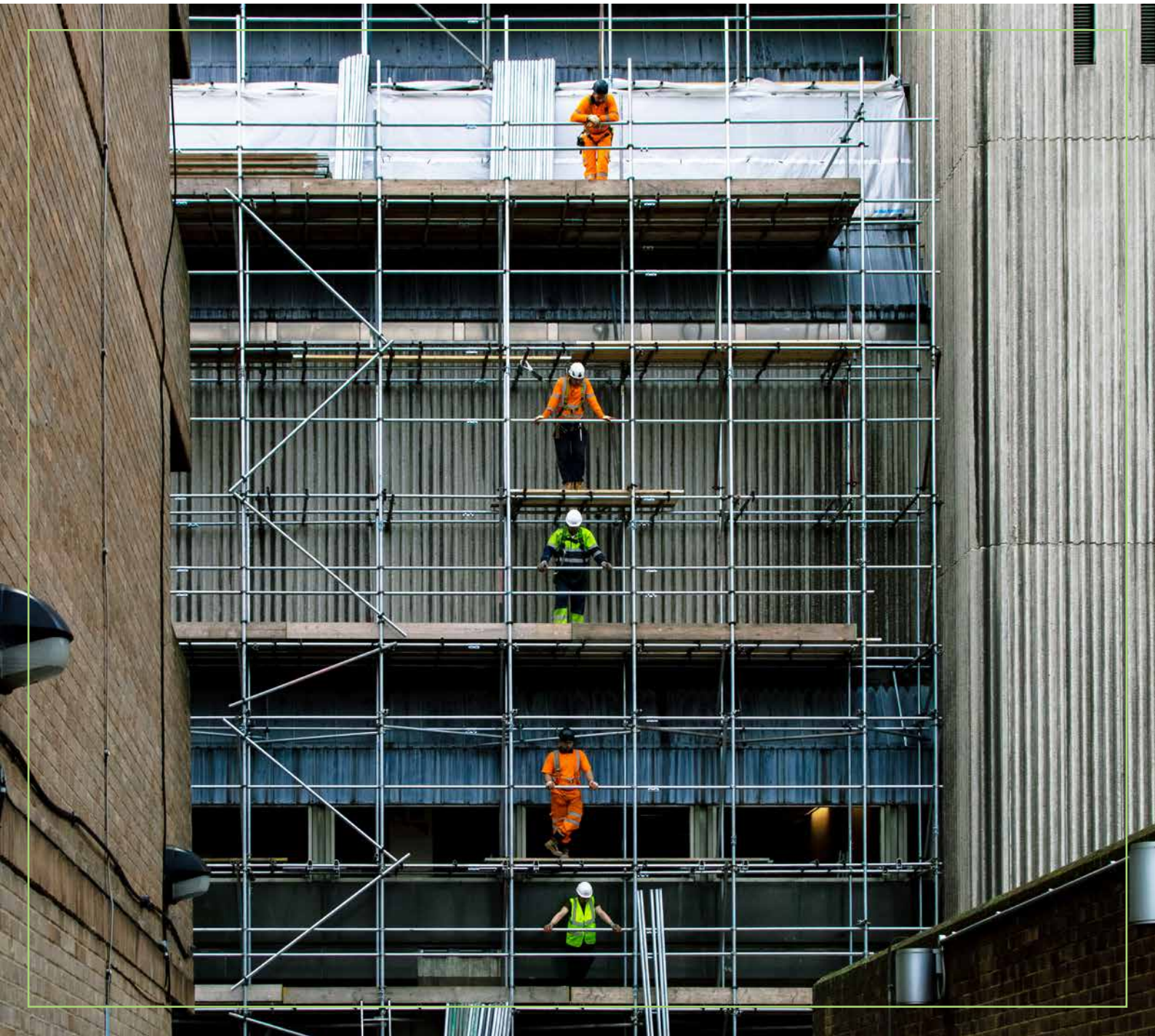
Supporting regulatory reform

- › The Accord is developing an understanding of behaviours and settings that can create barriers to transformation in the regulatory system. The coming year will provide an opportunity to further contribute the construction sector's unified voice to ambitious cross-government work on regulatory reform, including potential changes to the *Building Act 2004* and resource management legislation.
- › The Accord is focused on ensuring regulatory reform is implemented in a way that produces tangible results for the sector and for New Zealanders.

Measuring the progress of transformation

- › The Accord has established a robust evaluation framework and extensive set of indicators to help measure how work within the Transformation Plan is delivering real change across the sector. This evaluation will help the Accord assess progress and recalibrate initiatives to ensure they are having transformational impact.
- › A key input into the evaluation will be an Accord network survey of employers and employees, which will return results in 2021 and be used to track progress on a regular basis.

For more information on the Accord and its progress, please visit www.constructionaccord.nz





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[New Zealand Government](#)

CONSTRUCTION
SECTOR ACCORD



CONSTRUCTION SECTOR
TRANSFORMATION PLAN

JANUARY 2020

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and Construction



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Hon Phil Twyford
Minister for Urban Development
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MESSAGE FROM THE MINISTER

The future of the construction sector is critical to the success of Aotearoa New Zealand. How the sector is organised, supported and led, affects not only the 275,000 New Zealanders who work in it, but also the 4.5 million of us who rely on it for warm, dry and efficient homes, good schools, modern hospitals, safe worksites, and high quality roads and rail.

As New Zealand gears up for construction activity to grow to reach \$43 billion in 2021, it is crucial that government and industry work alongside one another to support the fundamentals for a thriving building and construction sector. We want to see value for the \$10 billion the government spends annually on construction and infrastructure. The sector and our workforce need to know that the future is bright with a strong pipeline of work from government.

In April this year, our Prime Minister Rt Hon Jacinda Ardern, myself and fellow Ministers, joined construction sector leaders in signing the Construction Sector Accord. The Accord created a new platform for government and industry to partner with each other in order to solve the many long-term challenges facing the sector. This is one of the priorities for Government.

As part of the Accord, we pledged to work together to create a plan to transform the industry for the benefit of all of us living in Aotearoa New Zealand. I have been heartened to see so many people willingly come on board to help in developing this Transformation Plan. It is a great achievement and testament to the commitment from leaders and people from across the industry. Many have told me they see this as a unique and valuable opportunity to create a stronger and healthier construction sector.

I'd like to especially acknowledge the work of the Accord Steering Group — 24 executives from some of our leading construction companies, working alongside leaders from unions, government agencies and industry organisations toward a common vision. The members of the Accord Steering Group have given so much of their time and considerable expertise, and have shown strong support and commitment to action as well as to leading by example.

The foundations of this plan are better leadership, collaboration, engagement and education, with actions focusing on building the workforce and improving processes and practices across the sector. The building consenting system will be reviewed and a new more efficient model proposed; there are initiatives to attract more diverse people into the industry including women; companies will have a better view of work coming up through the pipeline programme; and there will be work done around government construction contracts to make sure they are clear and deliver better whole-of-life value. There are many more programmes in this plan that will all work together to achieve transformation.

I would like to thank everyone for providing your voice, ideas, expertise and commitment to the Accord programme and the Transformation Plan. There are some bold initiatives in this plan and there is more work to do. To make it a success, we need your support — support for the programmes in the plan, as well as for helping to create the culture change needed for a higher functioning sector that better supports the wellbeing of all New Zealanders.



A handwritten signature in black ink, appearing to read 'Jenny Salesa', written in a cursive style.

Hon Jenny Salesa

Minister for Building
and Construction

MESSAGE FROM THE CO-CHAIRS

This is an exciting time for New Zealand's construction industry. We have a great opportunity, with the industry and government working together to bring about much needed change – change that will better provide for the future needs of New Zealanders.

The construction sector matters to New Zealand. Construction contributes around 7 percent of our total GDP, with the industry expected to grow 10 percent by 2021. Despite this, the sector faces many challenges including a lack of business resilience, poor business and procurement practices and an adversarial culture. This plan will not solve everything, but it is a positive start to address key issues. We are very pleased to launch this Transformation Plan, putting the Construction Sector Accord into action.

The sector needs to change. For the first time we have seen leaders across the sector talk with each other about common problems, collaborate on ideas and ways to transform the sector through better behaviours. The Accord Steering Group has taken a leadership role to demonstrate the culture change needed.

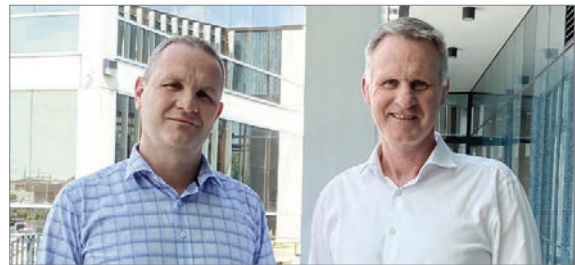
This plan is about rebuilding trust and confidence in the sector and ensuring a healthy and sustainable industry. The key to successful transformation is for all of us working in the sector to play a part in making things better. We can already see the positive impact the Accord is having. People are starting to do things differently such as rethinking the use of special conditions in standard contracts, and working with parties more collaboratively early on in projects to build a positive relationship from the start. We look forward to hearing many more great stories of change happening across the sector.

There are bold actions in this plan. It will provide visibility of a more comprehensive and certain pipeline of construction work that includes both

government and private sector projects. It includes initiatives to lift performance through sharing good business and procurement practice, provide greater assurance for subcontractors, and promote a standard for fairer and more transparent contracts.

We would like to acknowledge the significant work put into developing this plan by our fellow Steering Group members, the 200 sector leaders and staff who took part in Transformation Plan development workshops, representatives from government agencies, and the nearly 500 people who have signed up to the Accord mailing list.

It's important we build on the valuable government and industry partnership created through the Accord – and work to make the sector a success for everyone. We ask everyone to actively support this plan and to consider how they can play a part in creating a better construction sector.



Chris Bunny

DCE, Ministry of Business,
Innovation and Employment

Peter Reidy

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Construction



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EXECUTIVE SUMMARY

VISION — A high performing construction sector for a better New Zealand

Industry and government have formed a partnership to work together to lift the performance of the construction sector. The sector faces challenges in many areas — including skills and knowledge gaps, poor business and procurement practices, and fragmented leadership — that affect productivity and threaten the industry's ability to build the environment New Zealanders need to support their wellbeing.

In April 2019 leaders across government and industry launched the Construction Sector Accord and pledged their commitment to creating a better sector for the benefit of all of New Zealand. The Accord set out a group of principles to follow to effect the culture change needed, and outlined the outcomes the Accord sought for the sector. This Transformation Plan, developed with input and ideas from people working across the sector and the regions, is how these outcomes and the vision of the Accord will be achieved.

The ambitious three-year plan has six major workstreams with programmes in each that will help make the shift needed to create a high-performing sector.

The success of the plan will be measured against the four Accord goals of increasing productivity, raising capability, improving resilience and restoring confidence, pride and reputation.

Improving the fundamentals of the way the sector operates will put the industry in a better position to innovate and embrace new technologies, and to focus on environmental sustainability and carbon reduction. This plan is about getting the basics right and it's acknowledged there will be more work to do.

A shared plan

In the spirit of the Accord principles of building trusting relationships and acting with collective responsibility, the Transformation Plan is jointly owned by industry and government. The new Accord leadership group will be working with industry organisations, central and local government and their relevant agencies, and individual industry participants to develop and implement targeted programmes. This cross-sector approach will maximise the reach of the plan and ensure it can make a real difference in the sector.



Summary of actions

The actions in the plan are focused on:

Building skills and diversity

- › actively supporting the government's Construction Skills Action Plan to increase the workforce
- › developing new initiatives to fill current and predicted skills gaps
- › creating a long-term workforce plan
- › valuing and strengthening workforce diversity — women, Māori and Pasifika in construction

Fairer contracts

- › promoting transparency in contracts including clarity on risks
- › providing assurance of prompt payment and strengthening the retentions scheme

A comprehensive pipeline

- › building a more comprehensive and more certain pipeline of construction work that includes both government and private sector projects.

Sharing good practice

- › using beacon projects to demonstrate success and good practice
- › improving procurement through refining and promoting the government's Construction Procurement Guidelines
- › setting up a procurement advisory panel
- › providing information on running a successful business
- › providing education programmes on dealing with risk
- › promoting environmentally sustainable construction practices

A cross-government and industry leadership group

- › maintaining and evolving the Accord Steering Group to lead the transformation of the sector alongside existing industry bodies, and to drive the necessary culture change

An industry leadership voice on reforms

- › establishing a coordinated industry leader's voice to feed into, shape and support major reforms including the review of the Resource Management Act, the Reform of Vocational Education (RoVE), building legislative reform, and the work of the newly formed Kāinga Ora agency responsible for public housing and urban development

Improving consenting

- › developing a more efficient model for providing assurance that buildings are durable and safe
- › greater use of digital tools and technology

Better health, safety and wellbeing

- › building on existing quality health and safety and mental health programmes
- › implementing the CHASNZ mental health in construction strategy
- › promoting and adopting 'safety in design' principles
- › creating a single health and safety prequalification standard

**THE
ACCORD
AIMS TO**

- › Increase productivity
- › Raise capability
- › Improve resilience
- › Restore confidence, pride and reputation

PRIORITY WORKSTREAMS ARE

- › Leadership
- › Health, Safety and Wellbeing
- › Business Performance
- › Regulatory Environment
- › People Development
- › Procurement and Risk

ACTIONS ARE FOCUSED ON

- › Leadership group to oversee the plan
- › Industry leadership voice on reforms
- › Building skills and diversity
- › Health, safety and wellbeing programmes
- › Fairer and more transparent contracts
- › Sharing good practice
- › Improving consenting processes
- › A comprehensive and certain pipeline

THE NEED FOR TRANSFORMATION

As an important contributor to our economy, a major employer, and a key industry supporting the wellbeing of all New Zealanders, it's vital we have a thriving construction sector. But like many around the world, our construction sector is under stress and underperforming.

The sector is an ecosystem of diverse participants —suppliers, constructors, designers, engineers, maintainers, regulators and customers. Ecosystems depend on the high performance of all parts — where one fails, there can be a knock-on effect across the sector. The problems facing the industry are well known, and these were reinforced during engagement with the sector in the development of this plan. The challenges include:

- › skills and labour shortages in most trades and professions
- › poor health and safety performance including mental health
- › a slowness to innovate and adopt new technologies in construction practice, design and materials
- › limited uptake of modern methods of construction such as prefabrication
- › a lack of collaboration and knowledge sharing to take the sector forward

- › fragmented leadership in an industry of many small players
- › a poor understanding of risk and who should bear it
- › poor business management practices
- › low margins
- › a lack of clear and consistently applied regulations
- › poor procurement skills
- › distrust between parties

These issues add up to stagnant productivity and consequent higher costs, and also contribute to damaging business failures. They also affect the industry's ability to provide the quality houses and infrastructure we need to support our growing and changing population.

There is no one silver bullet to fix these issues — some of which have been plaguing the sector for decades. This plan includes a range of programmes that will work together to meet the challenges and build a stronger and more resilient sector that works for the benefit of all New Zealanders.

Employment

The construction sector employs 275,000 people or nearly 10% of the workforce.

Stats NZ, Integrated Data Infrastructure 2019

GDP

The sector contributes around 7% of our total GDP.

Stats NZ, GDP: National Accounts March 2019

Growth

The value of construction is expected to grow by 10% over the next two years to 2021.

MBIE, National Construction Pipeline Report, July 2019

A HIGH PERFORMING SECTOR — GOALS AND OUTCOMES

The Construction Sector Accord set out a challenge to transform the sector into a high performing and more productive industry, a sector that has:

- › strong leadership, is connected and works collaboratively
- › a workforce of qualified, competent and skilled people
- › the confidence to invest in new technologies
- › a culture of thinking about cost across the life of a product
- › resilient businesses able to withstand setbacks and to adapt to change
- › a good understanding of risk and how it is best allocated

- › clear and effective regulations that support quality builds, the first time
- › a world-class health and safety culture
- › a well-planned and communicated pipeline of work
- › fair, transparent and consistent procurement practices
- › the reputation as a great place to work

This Transformation Plan was developed with a vision to enable a successful construction sector with these characteristics. The Accord recognises government and industry must work together to lead this transformation, and that transformation can only happen when everyone takes part.

Accord outcomes

The Accord identified specific outcomes for workers, customers, businesses, the government and for all New Zealanders. The programmes in this plan have been selected and designed to contribute to these outcomes.

New Zealanders			
Safe, healthy and durable homes, buildings and infrastructure that support the wellbeing of our communities.			
<p>Workforce</p> <p>Safe, secure, rewarding careers</p> <ul style="list-style-type: none"> › Job security › Career pathways and opportunities to upskill › Trusted and respected professions › Greater diversity › An environment that supports thriving mental health and wellbeing › Increased earning power 	<p>Industry customers</p> <p>Functioning competitive market</p> <ul style="list-style-type: none"> › Quality durable builds › Value for money › Fit-for-purpose options for products and services › Consistent, reliable and timely project delivery › Transparency › Capacity and flexibility to meet customer needs 	<p>Industry</p> <p>Sustainable, resilient, successful businesses</p> <ul style="list-style-type: none"> › High performance culture › Workforce capacity and capability › Greater pipeline certainty and confidence to invest for the future › Profitability and stronger balance sheets › A collaborative industry › Trust and confidence in the construction sector › Fair risk allocation › All our people home safe every day 	<p>Government</p> <p>A construction sector that supports the wellbeing of New Zealanders</p> <ul style="list-style-type: none"> › Healthy and safe Kiwis › Access to quality affordable housing › Stable, healthy and more productive construction sector › Strong, reliable and enduring infrastructure › Better whole-of-life value for taxpayers › Sustainable buildings and infrastructure created with minimal environmental impact

MEASURING CHANGE

The Accord leadership group will oversee the delivery and monitoring of the Transformation Plan. Programmes will be reviewed each year to assess their progress and impact, and contribution toward the vision and goals of the Accord.

Accord goals

Increase productivity – a productive value-driven and efficient construction sector able to produce more for each dollar spent.

- › Measured through labour productivity statistics produced by Stats NZ. As construction is a labour-intensive industry and labour is a key drive of sector performance, labour productivity statistics will give the best and simplest measure of productivity change.

Labour productivity

From 1998 to 2018, labour productivity in construction increased on average 1% each year, agriculture 2.4%, and retail 2.9%.

Stats NZ: Industry Productivity Statistics 2018

Raise capability – A skilled and capable workforce that meets New Zealand’s growing housing and infrastructure needs.

- › Measured by the change in numbers of people participating in construction-related study or training, and by the change in total proportion of people in the sector who are qualified. Data will be provided by MBIE.

Qualified workforce

In 2018, 48.7% of the construction workforce had some form of qualification. 24.5% of the workforce had a construction-related qualification

Stats NZ: Integrated Data Infrastructure 2019

Improve resilience – Strong, sustainable businesses with the capacity to innovate and adapt to change and disruption.

- › Measured by how long businesses remain in operation. This will be measured with data from Stats NZ.

Business resilience

Of the construction firms established in 2009, only 23% were still trading in 2019.

Stats NZ: NZ Business Demography

Restore confidence, pride and reputation – A high performing, transparent and trusted sector we can all be proud of.

- › Measured through sector surveys.

DEVELOPING THE PLAN

Achieving the goals set out in the Accord requires an ambitious plan of action. The Accord created a firm foundation for this Transformation Plan, with actions focused on achieving the vision of ‘A high performing construction sector for a better New Zealand’.

Leadership

The development of this plan was led by an Accord Steering Group of 24 industry and government leaders. Steering Group membership reflected the broad ecosystem that makes up the construction sector and included representation for workers, professional services, planners, developers, regulators, constructors, trades, clients and health and safety.

Work on the plan was overseen and supported by the Accord Ministers – the Ministers of and for Building and Construction, Economic Development, Education, Health, Housing and Urban Development, Infrastructure, and Workplace Relations and Safety.

Sector input

The success of any transformation plan depends on meaningful engagement with the sector. This plan evolved through a series of workshops with Steering Group members, and around 200 other sector leaders and the public. Six workshops were held in Auckland, Wellington and Christchurch to ensure a country-wide perspective was captured. Additional input was gained through a public survey that received 230 responses.

The workshops were focused on agreeing the major challenges in the sector and considering what industry and government initiatives would address them. During this part of the plan’s development, the nine Priority Work Areas identified in the Accord were condensed into six workstreams.

Many of the initiatives contributed to outcomes in more than one work area, and for ease of implementation these were consolidated into:

- › Leadership
- › Business Performance
- › People Development
- › Health, Safety and Wellbeing
- › Regulatory Environment
- › Procurement and Risk

During the development process, the plan was tested and critiqued by an independent Challenge Panel of sector experts*, who considered whether it was bold enough and whether it would have the desired impact.

Assessing initiatives

The workshops generated more than a hundred new initiative ideas, and these were then considered alongside the initiatives already set out in the Accord and work underway within the sector. Initiatives were assessed in terms of how well they aligned with the Accord, their likely outcomes, the number of stakeholders they would impact, and the level of confidence that the initiative was achievable.

Accord initiatives

Government committed to more than thirty initiatives in the Accord, and most of these are already underway. There is an update on many of these initiatives in the workstream section of this plan and several of the transformation programmes are about building on these. Industry committed to four initiatives in the Accord and these have been incorporated into this plan for implementation.

* Francois Barton - Executive Director, Business Leaders’ Health and Safety Forum
Martyn Dunne - independent consultant
Chelydra Percy - CEO BRANZ
David Warburton - independent consultant

A NEW CULTURE

Transformation is about creating a different and better future. To achieve this we must do more than implement programmes to make improvements in certain areas, we must work to change the way people behave so a new culture is created.

The construction sector is often described as 'adversarial,' – there are often winners and losers where there should be a culture of collaboration, fairness and shared success. It's common behaviour for people to inappropriately shift risk onto the next person, and this must change so people take on the risks that they are in the best position to manage. There is also a culture of focusing on the lowest possible up-front price when long-term value is the more sustainable and ultimately more cost-effective approach. And there is the 'she'll be right' culture that persists on many projects when it comes to health and safety and is reflected in our poor statistics. These are examples of behaviours this plan will work to change.

Change happens through leadership, collaboration and communication, and through holding people to account for their actions. It happens when people no longer accept the status quo and are willing to do things in a different way.

“Transformation is not something the government or an industry body can do to a sector, it's something all participants must make happen. We all need to ask ourselves – what can I change and how can we work together differently?”

Peter Reidy, Accord Steering Group co-chair and CE Fletcher Construction

This plan includes specific initiatives aimed at changing the way people behave in the sector and an overall plan for ensuring the necessary behaviour change outlined on page 21.

Transformation in action

ARMSTRONG DOWNES AND MINISTRY OF EDUCATION – PARTNERING FOR SUCCESS

William – I've been thankful we've used Armstrong Downes in the building project at Karori West Normal School as they have been walking the talk on the Accord. From the very beginning of the project we (Ministry of Education) have been in conversation with Armstrong and we built up a level of trust which allowed us to distil all the information we need to get the project underway in a very efficient manner, which has been best for both of us. This is one of the big advantages of the Accord – bringing the parties together early to start building a good relationship – this is one of the keys to a successful project.

Phil – We've been hugely appreciative of the Ministry's approach to the procurement process and especially the management of risk. To be honest it was like a breath of fresh air – we have never encountered it before with any government department. One of

the biggest issues in the procurement of government projects has been the race to the bottom which has forced the lowest price to win out. There are also examples of very complex contracts that allocate risk unfairly. I hope the Transformation Plan will see more government agencies working with us like the Ministry of Education has on this project.

Phil Hebden, Commercial Manager at Armstrong Downs Commercial and William Whewell from the capital works division of the Ministry of Education



Accord principles

The Accord ignited the beginning of a new culture by defining a set of principles for the sector to work by and hold each other to account against. The principles urge people to think differently about how they behave and make decisions — focusing on pushing boundaries and being bold, building trusting relationships, valuing people and acting with collective responsibility. The Accord called for government and industry to set aside differences and work together for the benefit of the full construction ecosystem.



Build trusting relationships

- › Being accountable
- › Acting with empathy and respect
- › Focusing on delivering quality
- › Being transparent on the value and allocation of risk
- › Working in a collaborative and inclusive way



Value our people

- › Fostering careers to nurture the industry's future
- › Recognising and rewarding effort and success
- › Embracing diversity and inclusion
- › Supporting better outcomes for Māori
- › Prioritising health, safety and mental wellbeing



Be bold

- › Fostering innovation, and research and development
- › Not accepting conduct and culture contrary to the principles of the Accord
- › Sharing success and learning from failure
- › Focusing on whole of life value when buying and building



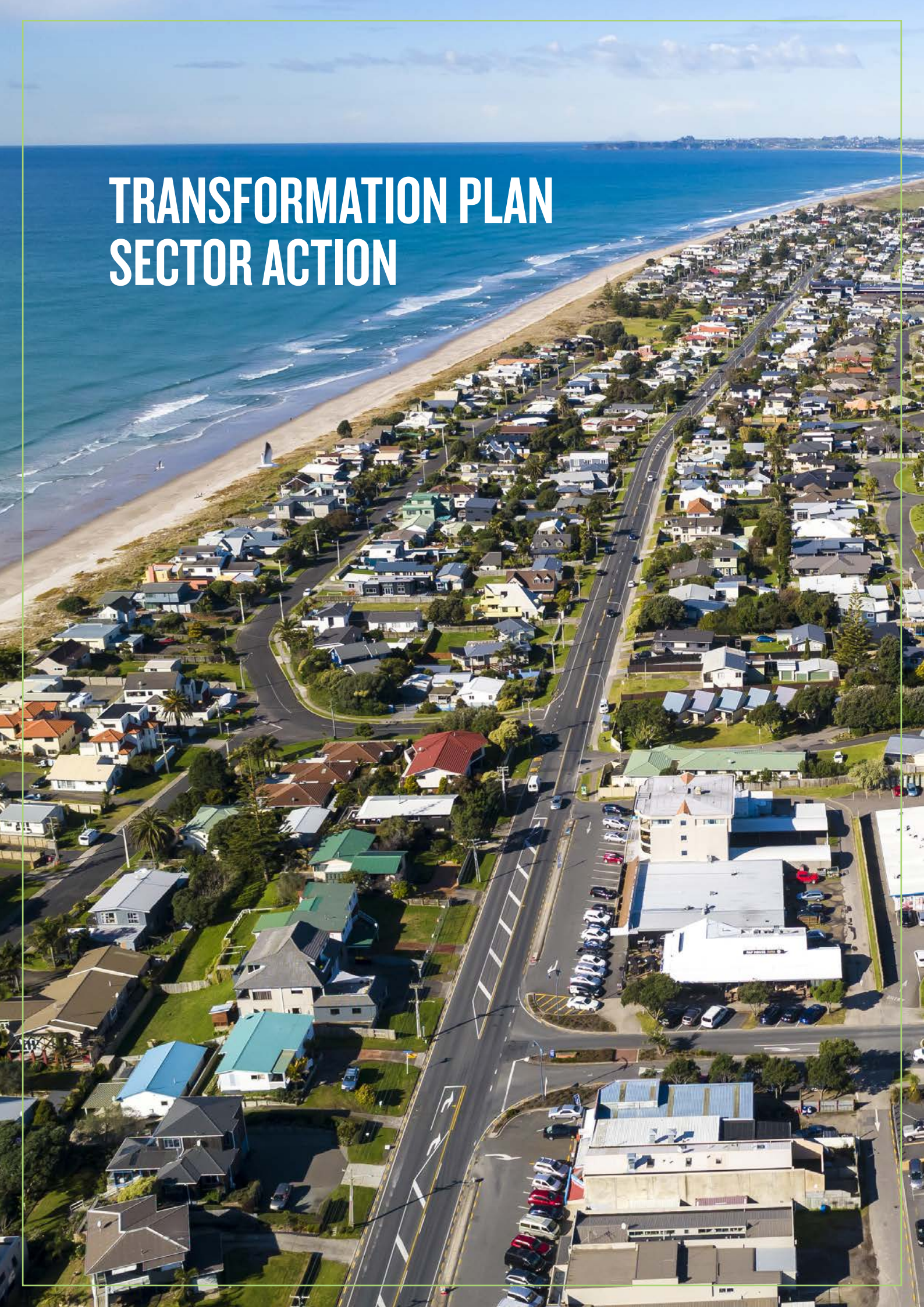
Act with collective responsibility

- › Planning for the long term
- › Acting as a custodian for the sector's future
- › Sharing knowledge and lessons learnt
- › Prioritising environmental sustainability

“I am motivated to be a change maker within my organisation”

78% of Accord survey respondents

TRANSFORMATION PLAN SECTOR ACTION



TRANSFORMATION PLAN AT A GLANCE

This plan focuses on programmes within six workstreams that will lift the performance of the sector and achieve the outcomes set out in the Accord.

Workstreams and programmes



A photograph of three people in an office environment. On the left, a man with glasses and a beard, wearing a blue sweater, is leaning over a table. In the center, a woman with blonde hair tied up, wearing a black top, is looking at a document. On the right, a woman with dark hair, wearing a black top and a grey scarf, is also looking at the document. They are all focused on the papers on the table, which include various documents and a large sheet with images. The background shows a modern office with glass partitions and a large window.

01

WORKSTREAM: LEADERSHIP

Change is driven by leaders. However the diverse ecosystem that makes up the construction sector has created more than 150 industry bodies and this fragmentation impacts on the sector's ability to lead and sustain change. There is a lack of a single vision for the sector and subsectors can have difficulty aligning interests with others and taking a holistic system view.

This lack of a coordinated leadership platform makes it challenging to get momentum and agreement on change. It makes it difficult for government to understand what's best for the sector and who best to engage with when considering major reforms. It also creates a siloed mentality where best practice and lessons learned are not readily shared to benefit the greater ecosystem.

WORK UNDERWAY

The Accord programme has brought sector leaders together in an unprecedented way, creating a new pan-industry and government leadership group, working in genuine partnership toward a common vision. Members of this sector-nominated group report the Accord principles are already having an impact on the way they are leading their organisations and this behaviour change is expected to cascade down through the industry.

In 2019, the leadership group role was fulfilled by the Accord Steering Group and in 2020 this will develop into an enduring leadership group to work alongside existing industry bodies to drive transformation of the sector.



TRANSFORMATION PROGRAMMES – LEADERSHIP

Accord leadership group

Transformation will only be achieved through effective cross-government and industry leadership.

An Accord leadership group will be established to implement and monitor the Transformation Plan, in partnership with industry groups and government agencies. The Accord Steering Group will fulfil this role until June 2020. The full function and design of an ongoing leadership group will be agreed early in 2020 and will include consideration to expanding it to a wider sector membership group.

The leadership group will:

- › ensure the timely and effective implementation of the Transformation Plan
- › engage with the sector to promote ownership and behavioural change in support of the plan and improved performance across the sector
- › define what membership of the Accord means
- › develop leaders within the sector to help drive change.

Beacon projects

There is limited sharing of innovation and good practice across the sector.

The leadership group will identify beacon projects within the sector and use them to create, promote and share good practice, and to demonstrate the principles of the Accord in action. Beacon projects will be stages or elements of larger projects and demonstrate innovation or good practice in one or more of:

- › use of technology in design or construction
- › environmental sustainability in design or construction including energy use and waste reduction
- › procurement and subcontracting
- › workforce development and training.

Projects will be targeted from across the vertical, infrastructure and residential sectors. The first beacons will be from the Ministry of Education and Watercare and will provide examples of good procurement practices that demonstrate the principles of the Accord. The Watercare beacon has bold aims including reducing both the cost of infrastructure construction and the carbon produced.

Sector culture change

A coordinated plan is needed to drive the change in culture required to transition to a high-performing sector.

The leadership group will design and implement a programme to inspire and foster behaviour change in the sector. This will include actions to develop strong leadership, create a personal commitment to change and a shared accountability for success that will ultimately help lift sector performance.

Major reform engagement model

Engagement between government and industry on major sector reforms is not effective due to the large number of organisations and lack of a coordinated sector leadership voice.

The leadership group will develop a better way for industry and government (central and local) to engage and work together on major reform programmes that impact the sector. Based on Accord partnership principles, the new model will provide a more collaborative and connected voice to help design and implement solutions for the construction sector.

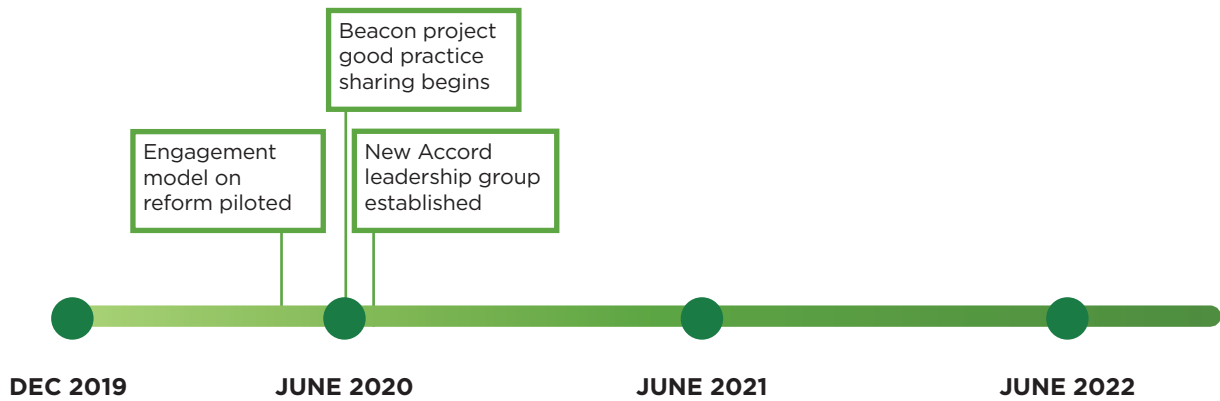
The model will be used for all programmes that support the Accord outcomes such as the Resource Management Act reform programme and the work of the new Kāinga Ora agency. The intent is to engage more actively early in the process, before options are presented to Ministers or for wider consultation. This does not replace existing consultation, but better informs it.

Accord goals

- › Raise capability
- › Restore confidence, pride and reputation

Accord outcomes

- › Collaborative industry
- › Trusted and respected professions
- › Transparency
- › High performing culture



CREATING SECTOR CULTURE CHANGE

Changes in the way things are done and how people act need to come from within the sector. Delivering the initiatives in this plan is one half of creating change — the other side involves everyone doing their part to multiply positive behaviours and create a ripple effect across the sector.

Transformation is driven by strong leadership and a personal commitment to change. Accord leadership group members will drive behaviour change within their networks and initiate the difficult conversations — challenging behaviours that don't align with the Accord. They will engage sector leaders to build momentum for change.

Joining the Accord

Creating change is achieved through shared responsibility for success. Sector participants will be able to become members of the Accord and this will commit them to act in accordance with its principles. The leadership group will define what membership means and share this with the sector in early 2020.

Supporting transformation

A core group of industry bodies, sector leaders and government agencies will be engaged to support the plan and its delivery, promote the Accord principles and provide feedback on the programmes.

Change will be achieved through lifting sector performance. Case studies of Accord principles in practice will be published to provide exemplars of the type of behaviour the Accord wants to foster. These will be supported by toolkits for easy adoption by others. Success and progress will be celebrated and the achievements of this plan shared to reinforce the 'new normal' and lift the performance of the sector.

To help you understand what the plan means for you and how you can play a part in transformation, visit the personas on the Accord website www.constructionaccord.nz.



02 WORKSTREAM: BUSINESS PERFORMANCE

Recent high profile failures of construction firms in New Zealand and their widespread impact have drawn a sharper focus to the business performance and behaviours of companies. In a booming industry it seems logical that businesses will be doing well, but there are several factors contributing to business vulnerability.

Many companies operate on low margins in order to secure contracts and when things change or go wrong, there is no built-in resilience. There is a poor understanding of good business practice in enterprises large and small, and limited sharing of lessons learned. Risk is particularly poorly understood and this leads to inadequate risk pricing, allocation and management.

Businesses need a forward view of upcoming construction projects to allow them to plan and have the confidence to invest in skills and technology, however the pipeline of work is unclear, uncertain and uncoordinated.

The availability of skilled staff also has a significant impact on business performance and this is addressed in the People Development workstream.

WORK UNDERWAY

In the Accord, government committed to several initiatives to create a more visible and better planned pipeline of work to support industry.



New Zealand Infrastructure Commission created September 2019



First 'Infrastructure Pipeline' for five government agencies published in May 2019 and expanded in November to include ten additional crown entities and 500 projects. The pipeline can be viewed at [infracom.govt.nz/projects](https://www.infracom.govt.nz/projects)

The New Zealand Infrastructure Commission — Te Waihangā is working to develop a long-term infrastructure strategy for New Zealand including a pipeline of upcoming projects. They will provide advice and best practice information including promoting a whole-of-life cost approach to infrastructure procurement.



Kāinga Ora created 1 October 2019

The new Kāinga Ora agency, incorporating Housing New Zealand, HLC and KiwiBuild, is working to enable a more cohesive approach to delivering housing and urban development in New Zealand and to increase the pace, scale and certainty of work.

Government has also begun establishing partnerships with local government agencies and mana whenua under the Urban Growth Agenda, to better plan and commit to a long-term coordinated approach to infrastructure development.

The actions in this plan will build on the pipeline work underway and focus on promoting better business practices in industry through sharing information, and on providing education around risk.





TRANSFORMATION PROGRAMMES - BUSINESS PERFORMANCE

Enhanced construction pipeline

Industry needs a long-term, comprehensive and more certain pipeline of work to help plan and manage business investment decisions.

The leadership group will work with the New Zealand Infrastructure Commission and Kāinga Ora to enhance the current pipeline including:

- › providing ongoing feedback to the Commission on the usefulness of the pipeline and suggest amendments
- › adding non-government and Kāinga Ora (public housing) projects into the pipeline
- › better scheduling of projects that takes supply and demand into account, to promote more efficient use of resources.

Promote better business practice

It is difficult for businesses to access information on how to run a successful and high-performing construction-related business.

The leadership group will work with industry to:

- › collate and analyse existing good practice information with a focus on quality throughout the project lifecycle
- › publish and share good practice information
- › identify any gaps in good practice materials
- › monitor adoption of good practice standards.

Education programme on commercial risks

There is limited knowledge of how to identify, manage and fairly allocate commercial risks in the construction sector.

The leadership group will work with the Vertical Leader's Construction Group to develop and roll out an education programme on identifying and managing commercial risks.

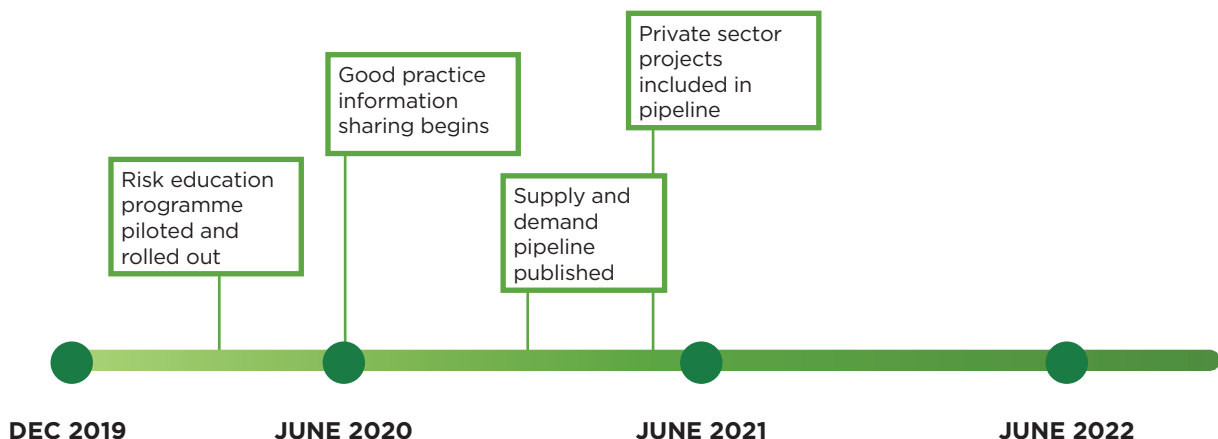
Accord goals

- › Raise capability
- › Improve resilience

Accord outcomes

Sustainable, resilient, successful businesses

- › High performance culture
- › Greater pipeline certainty and confidence to invest for the future
- › Profitability and stronger balance sheets
- › Trust and confidence in the construction sector







03

WORKSTREAM: PEOPLE DEVELOPMENT

The construction workforce must grow and develop so it can meet the demand for new houses, buildings and other infrastructure. There are shortages of people and skills throughout the sector and not enough capacity to deliver the growing pipeline of construction projects. The shortages run across the trades and professions and include plumbers, electricians, builders, engineers, planners and project managers.

To build a sustainable workforce, the sector must promote and value diversity and ensure that everyone can see a good career path in construction.

Building and construction methods are also evolving in response to new technology, innovation, and environmental and policy changes. The construction workforce needs to evolve alongside these developments to ensure it has the skills to support a modern, productive industry.

By 2022, it's estimated the sector will need 15% more plumbers, 14% more electricians and 12% more civil engineers.

MBIE - Future demand for construction workers, July 2017

WORK UNDERWAY

Government and industry are committed to growing a future-focused construction workforce for New Zealand centred around the ‘three Cs’ – capacity, capability and careers. There is already significant work underway with the government’s Reform of Vocational Education (RoVE) programme and the Construction Skills Action Plan (CSAP) www.skillsinconstruction.govt.nz. These are focused on quickly growing construction worker supply and skills, and ensuring the industry has the workforce it needs now and in the future.

In the Accord, government committed to help grow the workforce through six CSAP initiatives. All of these are now underway:

Mana in Mahi programme to connect construction employers with beneficiaries



more than 90 people placed in work

Skills for Industry pre-employment and in-work training funding scheme



150 people placed in construction work

Flexible immigration settings



3,200 migrants working in construction-related occupations

Jobs and Skills Hubs



two new hubs now operating in Auckland

New Government Procurement Rules



now require government agencies to consider staff training and development in their construction project tender evaluations

Promoting construction careers



launched online careers hub ‘Get ahead with a construction career.’

Other ongoing government initiatives in the Accord working to boost investment in skills and training are KiwiBuild, and the Kāinga Ora Innovate, Partner Build programme which ensures there are a minimum number of apprentices working on each state housing project.

Government is also working to better protect migrant workers from exploitation through the Temporary Migrant Workers Review programme.

The actions in this plan work to build on these and other programmes and to better connect industry to the initiatives and to ensure they meet industry needs.



TRANSFORMATION PROGRAMMES - PEOPLE DEVELOPMENT

Build workforce capability

There are skills gaps across the construction process including trades, architects, planners, engineers, and project managers.

The leadership group will work with the Tertiary Education Commission, MBIE and wider industry to identify skills gaps and assess these against the education and training programmes available. New initiatives will be developed to address gaps, targeting the areas of highest need across the vocations and professions.

There will also be a focus on broader professional standards for the industry and life skills that support a successful career in construction eg literacy, numeracy, and skills in contracts, risk and business management. The new initiatives will include building capability in different population groups including women, Māori and Pasifika.

Shape the Reform of Vocational Education

Government is reviewing the way vocational education is delivered in New Zealand and this process needs coordinated input from industry.

The leadership group will canvas industry views and provide a leadership voice into RoVE. It will collaborate with the Ministry of Education, Tertiary Education Commission and MBIE to help shape the design of the vocational education system. This includes:

- › advocating for the new Workforce Development Council for construction to be set up first
- › partnering with the Regional Skills Leadership Groups and Workforce Development Councils to ensure the skills people are being trained in match what the industry needs. The partnership will also work to develop a better skills forecast and skills supply plan. This will ensure the right numbers are being trained in the right skills, and will support a more productive and resilient workforce.
- › working with the Tertiary Education Commission and vocational educational experts to co-design and establish the Construction Centre of Vocational Excellence to drive innovation and excellence in vocational teaching and learning.

Long-term workforce plan

There is no long-term sector workforce plan, resulting in a mismatch between workforce supply and demand.

The leadership group will develop a long-term vocational and professional workforce plan, which will include industry-led initiatives, to ensure a better match between the supply of people and skills and the construction pipeline of work. This will include defining the role of migrant workers in providing a more sustainable workforce.

Boost Construction Skills Action Plan

To increase the number of skilled workers in industry, government has implemented the Construction Skills Action Plan (CSAP). Industry now needs to actively support it.

The Accord leadership group will support and use the programmes in the CSAP by providing jobs and training through the Mana in Mahi and Skills for Industry programmes. They will connect to the Jobs and Skills Hubs and support the youth transitions initiative. The group will work to promote construction careers. The wider industry will be urged to support the CSAP.

Accord goals

- › Increase productivity
- › Raise capability

Accord outcomes

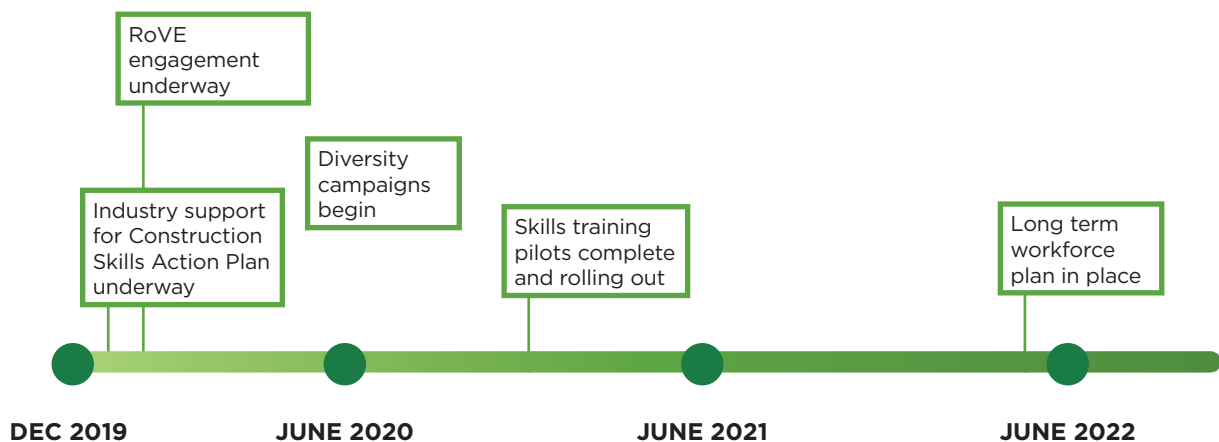
Safe, secure, rewarding careers

- › Increased workforce capacity and capability
- › Job security
- › Career pathways and opportunities to upskill
- › Greater diversity
- › Increased earning power

Diversity in construction

Construction is not perceived as an attractive career choice for many, meaning the industry is missing out on a large potential pool of workers and diversity is limited. For example women make up only 18 per cent of the construction-related workforce and Māori and Pasifika are underrepresented in the skilled professions.

The leadership group will work with government and industry to build on existing diversity campaigns that promote construction as a good career option. They will consider initiatives for ensuring a workplace culture that welcomes and values diversity, and identify and share good practice. The initial focus will be on increasing the participation of women in construction through supporting the Women in Trades, and Engineering New Zealand's The Diversity Agenda initiative.



Transformation in action

CURRIE CONSTRUCTION – GROWING THE EAST COAST WORKFORCE

Our company fully supports the Construction Sector Accord and its aim of developing a sustainable model for creating a skilled workforce. Collectively we need to lift performance in this sector, particularly in the skills area. We believe Currie Construction has a responsibility to the community to help develop a skilled workforce in our region – Tairāwhiti/ East Coast. We currently have 15 staff working through their apprenticeship and we take on three to five new trainees a year.

Most people we have taken on have worked out great, with many of them going on to start up their own business. It's an investment for us that comes with a cost, but we believe without this commitment to a sustainable workforce, the whole region would suffer. We're proud to say that over the last 35 years we've trained nearly a hundred apprentices and are helping create a healthier construction industry here.

It's pleasing to see the industry and government getting together to develop a plan to encourage broad sector participation in doing things better. I'm looking forward to seeing how the new Regional Skills Leadership Groups and Workforce Development Councils will help encourage more businesses to take on apprentices, and boost the number of skilled workers in the more isolated regions like ours.

Mark Van Wijk – Project Manager at Currie Construction, Gisborne





04 WORKSTREAM: HEALTH, SAFETY AND WELLBEING

Good health and safety practices are critical to a successful construction industry. In 2018, eight construction workers lost their lives on the job, and there were more than 37,000 injuries. Each year, hundreds more suffer ill-health or die from conditions such as cancer and respiratory disease due to exposure to chemicals, dusts and fumes, or develop heart conditions related to stress. In addition, the high demands of construction work, and business instability, can contribute to poor mental health and suicides.

With the increasing demands on the construction sector to build more houses and infrastructure faster, our health and safety practices, culture and performance, must improve.

“The intensified construction and infrastructure demands over the next decade will cause avoidable harm to New Zealand workers, their families, and our communities.”

Business Leaders Health and Safety Forum,
2018

Improvements must also be made to compliance processes. The health and safety prequalification system assures clients that contractors have the right health and safety systems in place before they are awarded contracts. However there are many different prequalification schemes that contractors must engage with which leads to inconsistencies and inefficiencies, and cost businesses time and money.

A safe and healthy workforce supports an efficient and productive industry. Good health and safety at work is a shared responsibility — workers, managers, owners and government all need to play their part.

6.9% of New Zealand men who commit suicide are employed in the construction industry — the highest of all sectors, including farming.

Suicide Mortality Review Committee 2016

WORK UNDERWAY

In the Accord, industry committed to supporting Construction Health and Safety New Zealand (CHASNZ) to take a leadership role in improving health and safety performance in the industry. CHASNZ are working on several fronts including consistent standards, client leadership, workforce competency, changing attitudes, and mental health.

Government is reviewing health and safety regulations for managing common workplace risks such as using machinery and equipment, and it's expected changes will take effect in 2021. In addition, the Government Procurement Rules have been changed to better support health and safety at work, and guidance has been published on incorporating good health and safety practices in procurement.

WorkSafe are implementing health and safety Worker Engagement and Participation projects at the Dunedin hospital rebuild and at Auckland's City Rail Link. They are also providing support to CHASNZ to implement mental health programmes including Mates in Construction, and supporting their work to simplify the health and safety prequalification system for construction companies. NZTA are also working to improve their prequalification process.

The transformation programmes in this workstream focus on improving our health and safety statistics through building on programmes that work to change the culture, and by changing systems to make compliance easier.





TRANSFORMATION PROGRAMMES - WORKSTREAM HEALTH, SAFETY AND WELLBEING

Enhance health and safety programmes

Surveys show an attitude of complacency toward health and safety is creeping back into the industry and this culture needs to be addressed.

The leadership group will support and build on existing health and safety initiatives including the CHASNZ client leadership programme. The group will also ensure health and safety is considered throughout the lifecycle of all their projects, and support and promote the adoption of 'safety in design' principles.

Support mental wellbeing programmes

Recent statistics highlight the high rate of suicide among construction workers.

The group will support the implementation of the CHASNZ mental health in construction strategy programmes including the Mates in Construction suicide prevention initiative. They will also implement a mental health action plan within their own organisations and encourage others to do the same.

Standard health and safety prequalification system

The number of different prequalification schemes mean the system can be expensive, inefficient and inconsistent.

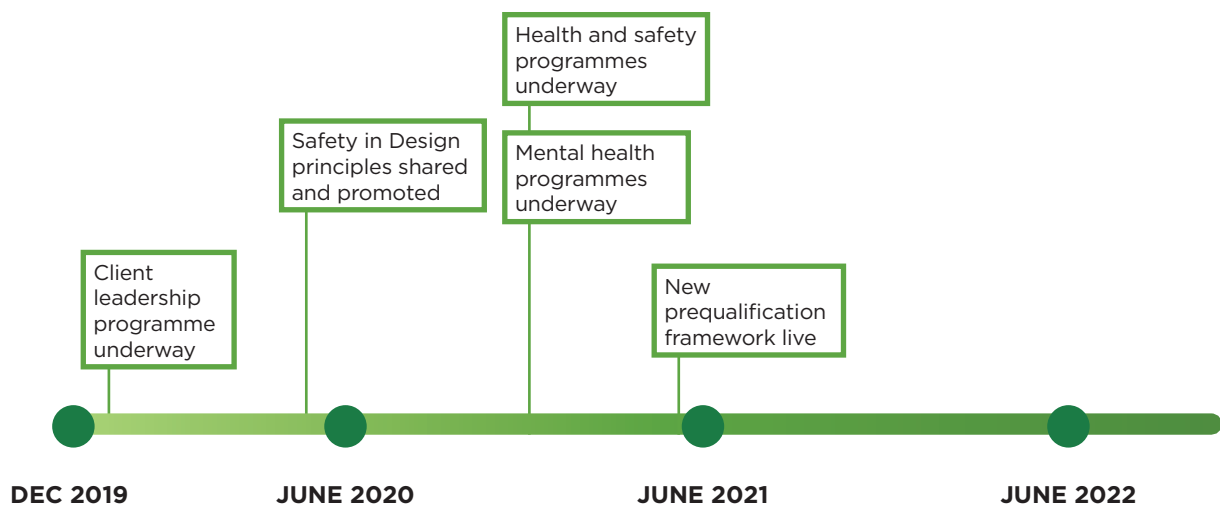
The leadership group will work with CHASNZ to promote a standardised health and safety prequalification system.

Accord goals

- › Raise capability
- › Increase productivity

Accord outcomes

- › An environment that supports thriving mental health and wellbeing
- › All our people home safe every day







05

WORKSTREAM: REGULATORY ENVIRONMENT

A strong construction industry needs clear and efficient regulatory systems that protect people from harm, but don't act as a barrier to innovation and delivery. An improved regulatory system will help drive the right behaviours in the industry so it can operate at the optimum level needed to meet our future construction needs.

The building consenting system needs to be more consistent, easier to understand and more certain. Most building consents in New Zealand are granted by one of the 69 city or district councils, each with their own systems and capabilities.

There are some inefficiencies in the system that create delays and unnecessary barriers to building.

When seeking industry input to regulatory reform, the high number of individual industry bodies, each with their own agenda, can make it difficult to gain consensus for change.

“Clear and robust building laws are critical to enabling the building sector to reach its full potential. Reforms aim to deliver safer and more durable buildings, a high performing building sector, and better efficiency in our regulatory system.”

Hon Jenny Salesa, Minister for Building and Construction

WORK UNDERWAY

The government is proposing amendments to the Building Act 2004 to better ensure the industry has skilled and accountable people, fit-for-purpose building products and efficient processes — including for consenting. The Building System Legislative Reform programme proposes to lift the efficiency and quality of building work and provide fairer outcomes if things go wrong. The reforms include:

- › strengthening the laws around building methods and products
- › making it easier to consent for modern methods of construction, including prefabrication and off-site manufacture
- › strengthening regulations around some occupations

- › proposals to address issues with risk, insurance and liability in the building system

The Building Code is now being updated twice a year. Work is underway to ensure minimum performance requirements are clear, to better allow for innovation, and to ensure the Code is more future-focused — including a technical programme for high density housing.

The Transformation Plan actions focus on creating a single leadership voice to help shape and drive the legislative reform and partnering to develop a new model for consenting.





TRANSFORMATION PROGRAMMES - REGULATORY ENVIRONMENT

New building consenting model

With 69 separate consenting authorities, the building consent process is inefficient, and inconsistent across regions, contributing to reduced productivity.

The leadership group will work with MBIE and local government to develop a new model for building consenting. The model will improve the process for providing assurance that building design and construction comply with performance requirements in the Building Code.

In developing the model, the roles and behaviours of all participants in the process will be considered. Opportunities will be identified to improve the way people interact with the system and fulfil their responsibilities, such as by providing quality information.

Better use of digital technology to promote speed and accuracy in the consenting process will be considered.

Support building legislative reform

The government is proposing major changes to New Zealand's building laws to improve the quality of building work. Industry input into the programme has sometimes been conflicting and does not always take a holistic view.

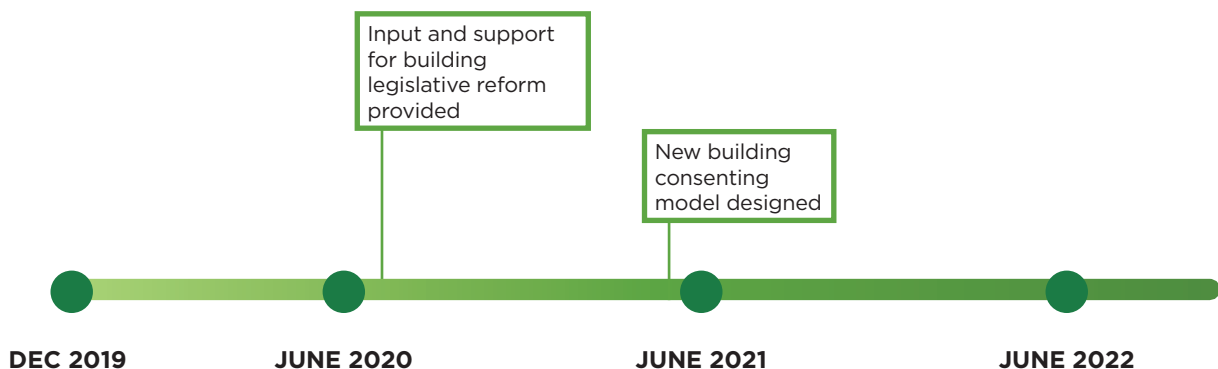
The leadership team will provide a single leader's voice ensuring a coordinated industry response to the Building System Legislative Reform programme. They will work with the wider industry to raise awareness and understanding of the changes and to support their implementation.

Accord goals

- › Increase productivity
- › Restore confidence, pride and reputation

Accord outcomes

- › Quality durable builds
- › Fit-for-purpose options for products and services
- › Consistent, reliable and timely project deliver



Transformation in action

HAMILTON CITY COUNCIL - MAKING COMPLIANCE EASIER FOR CONSTRUCTION FIRMS

One of the main issues that construction firms face when dealing with local government is the level of bureaucracy and regulation they face. It's very challenging for businesses to fully understand what's required of them, especially considering there are different policies, regulations and District Plans in each region. One of the first steps for local government in implementing change and to improve the overall construction ecosystem is to admit we are part of the problem, and acknowledge that some of our practices aren't fit-for-purpose and are not best practice.

At Hamilton City Council we're trying to resolve these problems in a number of ways - we've reviewed our processes and the District Plan, and we've talked to the sector— developers, builders, planners and others — about how things could be better. We've identified several areas for improvement to reduce red tape, including changing the District Plan. This will be great for the construction industry as it will reduce the level of input needed from council and improve the efficiency of the system.

I'm excited about the opportunity this plan presents to make changes to the building consenting system. Our work so far means we've already got good ideas to feed into the thinking about how to create a more efficient consenting system for New Zealand.

Richard Briggs, Hamilton City Council CE and Local Government NZ representative on the Accord Steering Group





06

WORKSTREAM: PROCUREMENT AND RISK

Good procurement practices are an important element of a high performing construction sector — getting it right at the front end helps set up a project for success and ensures quality outcomes and value for money in the long term.

Central government makes up around a fifth of the construction spend in New Zealand, and it has the potential to take a lead in setting procurement standards in the industry — improvements will impact on behaviour across the sector. There is evidence of poor procurement practice and inadequate levels of skill in both government agencies and in the wider sector. The 2018 Entwine report into public sector procurement of major infrastructure projects identified several weaknesses including:

- › agencies choosing ‘cheapest’ over ‘best value’— creating greater whole-of-life costs
- › a lack of understanding of the risks in construction projects and who is best able to manage them
- › a culture of mistrust between government agencies and industry

Complex contracts

Another common issue is the use of unnecessarily complex contracts that contain many non-standard conditions. The lack of transparency can lead to parties unwittingly taking on risk they are not prepared for and increases the likelihood of disputes. Often roles and responsibilities are not clear which means when things go wrong people are able to avoid accountability, leaving others to pick up the costs.

The sector must work toward a culture of greater transparency where the risks are clear and parties accept those risks they are in the best position to manage.

Retentions

Another focus area for industry is the retentions scheme in the Construction Contracts Act that protects payments to subcontractors in the event of a head contractor collapse. While the law does provide protection for subcontractors, it is not always working in the way it is intended.

“The number one factor identified as contributing to disputes is a lack of understanding of contract obligations within the industry, with bespoke contract amendments reportedly not always read and understood by all parties.”

Russell McVeagh survey, 2018

WORK UNDERWAY

In the Accord, government committed to reviewing the Construction Procurement Guidelines which set out the standards of good practice for government agencies to apply to their construction projects.



Updated Guidelines were released in September 2019 including guidelines aimed at improving project briefs and risk transparency, and at shifting the focus from lowest price tenders to best long-term value. The government's general Procurement Rules were also updated, and these now require agencies to follow the Guidelines for construction projects over \$9 million, and to submit an assessment of their overall procurement performance to MBIE so areas for improvement, including in construction, can be identified.

Programmes in this plan will focus on improving procurement guidance and advice, creating greater transparency particularly around risk, and a better deal for subcontractors.





TRANSFORMATION PROGRAMMES - PROCUREMENT AND RISK

Promote good procurement practices

Poor procurement practices can have a far reaching impact – creating the conditions for poor behaviour across the stages of the project, contributing to business instability, and leading to sub-optimal quality builds and greater whole- of-life costs.

The leadership group will work with MBIE and the New Zealand Infrastructure Commission to promote and refine the Construction Procurement Guidelines on an ongoing basis. This will include feedback on their effectiveness to ensure they continue to support sector stability and growth, and quality construction work.

The group will monitor and report on the procurement performance of government agencies on large construction projects and their adherence to the Construction Procurement Guidelines.

The leadership group and Accord members will adopt the Guidelines in their own non-government contracts.

The leadership group will work with the New Zealand Infrastructure Commission to implement a leadership programme for construction procurers – to improve procurement skills in both the public and private sectors.

Fair and transparent contracts

Contracts and subcontracts can be unclear and risk unspecified or unfairly allocated.

The leadership group will work with central and local government agencies that procure construction works to ensure their contracts:

- › are transparent on risk and where it sits
- › limit the number of special conditions
- › hold all consultants to account for their work including designers, project managers and quantity surveyors
- › ensure any Engineer to the Contract is fully independent
- › include provisions for efficient and fair dispute resolution

These standard contract principles will be promoted for use in both the public and private the sector.

Subcontractor assurance – payment, retentions and risk

Sub-contractors face a number of commercial challenges. Risk is often unfairly passed to them, payments are delayed and retentions are sometimes not available when head contractors collapse.

The leadership group and Accord members will be required to:

- › be transparent about the risks sub contractors need to price and manage, and ensure risk sits with the party best able to manage it
- › pay subcontractors within 30 days
- › comply with the retentions scheme. In addition they will hold retention money in a separate account and proactively share accounting records.

The leadership group will work with MBIE to ensure improved compliance with the retentions law and will explore ways to strengthen the scheme such as increased penalties for non-compliance, and removal of Accord membership.

Procurement advisory panel

Government agencies are often unable to find procurement advice or expertise such as Engineers to the Contract.

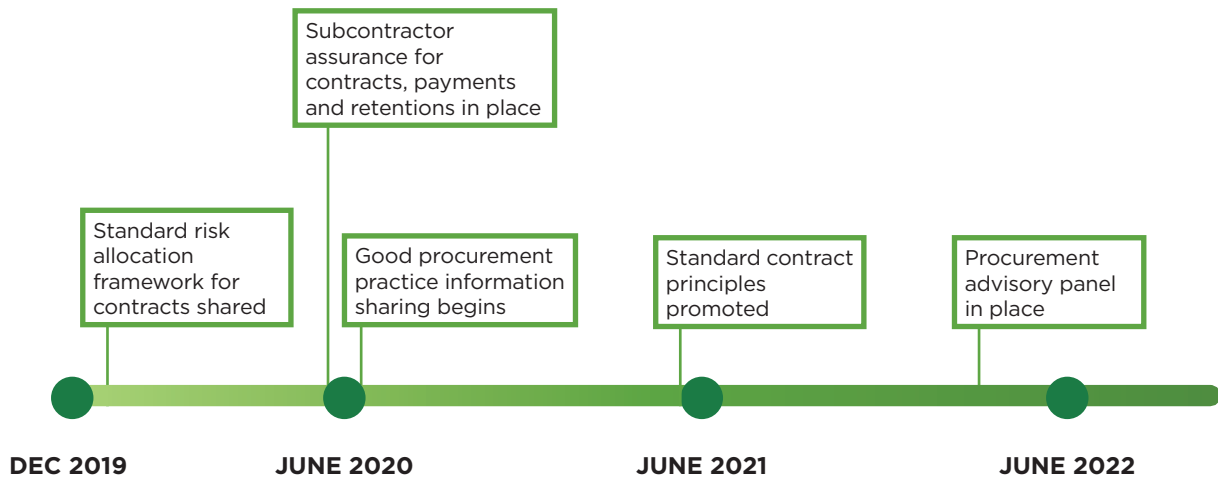
The NZ Infrastructure Commission and MBIE will establish a panel of individual and independent experts who meet specified competency requirements and who can be procured by agencies for the role of advising at the project governance level or as an Engineer to the Contract.

Accord goals

- › Increase productivity
- › Improve resilience
- › Restore confidence, pride and reputation

Accord outcomes

- › Trust and confidence in the sector
- › Fair risk allocation
- › Transparency
- › Stable, healthy and more productive construction sector
- › Better whole-of-life value for taxpayers



Transformation in action

KIWI RAIL - MAKING CONTRACTS CLEARER

The Construction Sector Accord is already having an impact on the way we work with construction companies. KiwiRail is a big client to the industry and the Accord started me thinking about the types of contracts we have been asking our construction partners to sign up to. When I took a closer look at them, I admit I was surprised at the number of special conditions that they included. Although we use standard 3910/15 and ACENZ contracts we had progressively added pages of special conditions.

KiwiRail has pledged to materially reduce the number of special conditions in its contracts. It's not an easy thing to do, because you can always conjure up an event where a particular clause "might come in useful". However unless we think about the contractor/client relationship more holistically and get the balance back into the contracts, we are not serving anyone's interests effectively.

We will be happy to share our experiences with the Accord programme once we've taken this work a little further.

David Gordon, Chief Operating Officer: Capital Projects at KiwiRail and Accord Steering Group member



TRANSFORMATION ACTION TIMELINE

The programmes in this plan will be implemented over three time horizons – to June 2020, June 2021 and June 2022.

WORKSTREAM	PROGRAMME	JUNE 2020
01 LEADERSHIP	Accord leadership group	Accord leadership group set up and driving transformation
	Beacon projects	Beacon project good practice shared with sector
	Sector culture change	Sector change management plan in place and supporting transformation
	Major reform engagement model	
02 BUSINESS PERFORMANCE	Enhanced construction pipeline	Monitoring and feedback process for pipeline implemented
	Promote better business practice	Good business practice information released and promoted
	Education programme on commercial risks	Commercial risk management training piloted and rolling out
03 PEOPLE DEVELOPMENT	Build workforce capability	
	Shape the Reform of Vocational Education	RoVE engagement underway
	Long term workforce plan	
	Boost Construction Skills Action Plan	Industry support for Construction Skills Action Plan underway
	Diversity in construction	
04 HEALTH, SAFETY AND WELLBEING	Health and safety programmes	Client health and safety leadership training developed and rolling out
	Mental health initiatives	Mental health strategy in place. Mates in Construction pilot completed and
	Standard prequalification system	
05 REGULATORY ENVIRONMENT	New building consenting model	
	Support building legislative reform	
06 PROCUREMENT AND RISK	Agree and adopt good procurement practices	Leadership programme for construction procurers launched and rolling out
	Fair and transparent contracts	Standard risk allocation framework for contracts developed and shared
	Subcontractor assurance – contracts, payments and risk	Subcontractor assurance initiatives in place
	Procurement advisory panel	

JUNE 2021

JUNE 2022

Engagement model on reform agreed and underway

Supply and demand pipeline published

Private sector projects included in pipeline (if feasible)

Pilots for new skills building initiatives completed and rolling out

Long-term workforce plan in place

Diversity campaigns underway including promoting women and youth into construction

'Safety in design' principles shared and promoted

expanding

Standardised prequalification framework live

New model for building consenting developed for consultation

Ongoing industry input and support for building legislative reform in place

Construction Procurement Guidelines refined and promoted

Standard contract principles promoted

Procurement advisory panel in place

WHAT YOU CAN DO

As a participant in the construction sector, you have an important role in transformation. To help you understand what the Transformation Plan means for you, visit the personas page on the Accord website **www.constructionaccord.nz**

To support positive change in the sector you and your organisation can:

- › Take a leadership role in driving culture change in your area - be a change agent in your organisation and in your interactions with others
- › Adopt the Accord principles on page 16
- › Call out behaviours you see that are contrary to the Accord - tell the person, your boss, or your sector body
- › Tell your stories about positive change to your industry organisation and to the Accord team so they can be shared more widely
- › Write and publish a personal or company pledge - “this is what I will do differently”
- › Sign up to the Accord mailing list to receive updates on progress and read success stories.
- › Support the programmes in this plan where you can
- › Talk about the Accord and what it’s trying to achieve - be a champion for change

Keep up to date on the Construction Sector Accord programmes and Transformation Plan on the Accord website. Join up to the mailing list so you can find out about progress and opportunities to take part in Accord programmes or events. This transformation programme needs your support.





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