



COVERSHEET

Minister	Hon Jenny Salesa	Portfolio	Building and Construction
Title of Cabinet paper	Construction Sector Accord: Approval to Launch	Date of release	6/06/2019

List of documents that are to be proactively released

Date	Title	Author
3 April 2019	Cabinet paper: Construction Sector Accord	Office of Hon Jenny Salesa

Information redacted

NO

In Confidence

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

CONSTRUCTION SECTOR ACCORD

Proposal

1. This paper seeks Cabinet's agreement to launch the Construction Sector Accord.

Background

2. In October 2018, Ministers¹ directed the Ministry of Business, Innovation and Employment (MBIE) to develop a Construction Sector Accord (the Accord) with industry. The purpose of the Accord is to strengthen the partnership between government and industry to transform the construction sector for the benefit of all New Zealand.
3. On 12 December 2018, the Cabinet Economic Development Committee agreed to fund the development and launch of the Accord [DEV-18-MIN-0310; CAB-18-MIN-0634] through a fiscally neutral adjustment in the Vote Building and Housing Weathertight Services appropriation.
4. MBIE, agencies and industry worked together to develop the Accord as a joint response to the challenges facing the sector. They sought to reach agreement on what the sector needs to achieve and how it needs to transform. They looked at what government and industry is already doing, and how all parties could commit to partnership to drive further action, accountability and ultimately better outcomes for New Zealand.
5. I seek Cabinet's approval to publish and launch the Accord in April, and note government will work with industry to publish a detailed action plan by the end of 2019.

The construction sector is critical to the success of New Zealand...

6. The construction sector contributes seven percent to New Zealand's GDP and employs ten percent of the workforce. It provides the built environment we live and work in, and the infrastructure we use such as transport networks, water and electricity.

...and the need for quality housing, buildings and infrastructure is growing

7. New Zealand's population is growing and changing. This is increasing demand for quality, affordable housing and improved infrastructure. Technological change and environmental challenges also demand a forward-thinking, sustainable sector.

¹ Ministers for/of Building and Construction, Housing and Urban Development, Economic Development, Infrastructure, and Workplace Relations and Safety.

8. The sector is also central to the delivery of major government initiatives such as KiwiBuild, and a significant road and infrastructure pipeline.

The sector must transform to be able to meet these needs

9. Government and industry both recognise they must work together to create a high-performing and productive sector able to meet the current and future needs of New Zealanders.
10. A successful sector will have a skilled, competent workforce and resilient businesses that are able to innovate and invest in new technologies. It needs stronger leadership and governance, and a collaborative culture underpinned by behaviours promoting trust and respect.
11. As the regulator and a major client, the government has a pivotal role in shaping behaviours and transforming the sector. It needs to ensure clear and effective regulation, a well-managed pipeline, good procurement practices, and to support the industry to grow and upskill its workforce.

In response, agencies and industry have worked together to develop the Accord

12. MBIE, the Ministry of Housing and Urban Development, Housing New Zealand, the New Zealand Transport Agency, WorkSafe NZ, and the Treasury worked with the Industry Development Group to develop the Accord.
13. The Accord Development Group, chaired by Fletcher CEO Peter Reidy, is made up of key business leaders across the industry. It was brought together in December 2018 as a group that has a direct interest and role in the industry changing itself. The group sees the Accord as an exciting and timely opportunity to build sector momentum and action for the benefit of the industry and New Zealand.
14. The development of the Accord has created the consensus for change and momentum for a stronger partnership between government and industry. There is agreement for improving industry practices both across the sector and with government.

I seek Cabinet's approval to publish and launch the Accord

15. The Accord sets out the vision of 'a high performing construction sector for a better New Zealand'.
16. To achieve the vision, the Accord outlines four strategic goals. These are increasing productivity, raising workforce capability, improving business resilience, and restoring the pride and reputation of the sector. These goals are underpinned by a set of fundamental principles, signalling that behaviours and interactions across the sector need to shift to create positive, sustained change.
17. The Accord identifies a set of nine priority areas for action to work toward the strategic goals. Four of these – growing workforce capacity and capability, better risk management and fairer risk allocation, improved health and safety at work, and more houses and better durability – are shared government and industry work areas. This

recognises that government and industry need to jointly address these priorities and do so by working together differently.

18. Two priority areas – better procurement practices and improved pipeline management, and improved building regulatory systems and consenting processes – are government-led.
19. The Accord sets out key government initiatives already planned or underway that contribute across the priority work areas, and highlights the Construction Skills Action Plan, the new Infrastructure Commission, and work around improving construction procurement practices.
20. Key to improving the building regulatory system is a major legislative reform programme. Along with this paper, I am seeking your agreement to consult on a package to reform New Zealand's building laws. This reform package represents the first step in fulfilling this priority area.
21. In addition, agencies have collated an extensive set of initiatives planned or underway that will contribute to sector transformation, to demonstrate government's commitment. These are appended to the Accord.
22. Three priority areas are industry led: enhanced industry leadership, collaboration and organisation, better business performance, and improved culture and reputation. The Accord outlines industry commitments focusing on better collaboration, health and safety, skills, and risk management. Following the launch of the Accord, industry will lead work to develop a detailed plan for actions to transform the sector. The Accord Development Group will consult more widely across the sector, integrate existing sector activity and identify further work to support the content of the Accord. The plan will be published by the end of 2019.
23. After the Accord is launched, further to delivering on the commitments set out in the Accord, government and industry will work together to define how we will deliver on the behaviour and practice change needed across the sector.
24. I seek Cabinet's approval for the Accord to be launched on 14 April at a Housing New Zealand development site in Manurewa, Auckland. The Accord will be launched by the Prime Minister, the Accord Ministers², and Peter Reidy from the Accord Development Group. Attendance to the launch is expected to include chief executives across key government agencies that are partners or contributors to the Accord as well as senior business leaders across the sector.

Consultation

25. Accord Ministers, and the Minister of Local Government Hon Nanaia Mahuta, have been consulted on this paper. The Ministry of Housing and Urban Development, Housing New Zealand, the New Zealand Transport Agency, WorkSafe NZ, and the Treasury have been consulted.

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

26. The industry Accord Development Group has engaged and consulted a wider industry group in the development of the Accord.

Financial Implications

27. Cabinet previously agreed to fund the development and launch of the Accord. Government initiatives in the Accord are planned and funded within existing agency work programmes. There will be some funding required to support ongoing work with industry and delivery of industry commitments after the launch of the Accord.

Legislative Implications, Human Rights, Gender Implications and Disability Perspective

28. There are no legislative, human rights, gender or disability implications resulting from the proposal set out in this paper or the Accord.

Publicity

29. I expect the launch event scheduled for 14 April to be well attended and publicised. Senior business leaders have indicated their attendance, reflecting the level of engagement by industry and the momentum the Accord process has provided to drive change across the sector. Media will also be invited to attend the launch event.
30. As the lead Accord Minister, I intend to issue a media release welcoming the signing of the Accord by government and industry. A Construction Sector Accord website, developed by MBIE, will go live at the time of launch, providing a space for more details on the industry action plan and related content as the programme progresses. A stakeholder email will also be issued by industry leaders to link the wider sector to the media release and Accord website.

Proactive Release

31. I propose to proactively release this Cabinet paper, along with the Cabinet minutes and Ministerial briefings on the Accord, on MBIE's website within 30 working days of Cabinet's final decision. The release of the information is subject to redactions consistent with the Official Information Act 1982.

Recommendations

The Minister for Building and Construction recommends that the Committee:

1. **note** Ministers directed MBIE, agencies and industry to develop a Construction Sector Accord, to strengthen the partnership between government and industry to transform the construction sector for the benefit of all New Zealand;
2. **note** the Accord establishes the government and industry commitment to working in partnership, sets out a shared vision and outcomes for the construction sector, and outlines strategic goals, priority work areas and government actions to transform the sector;
3. **note** following the launch of the Accord, industry will develop a detailed action plan;

4. **approve** the launch and publication of the Accord on 14 April 2019;
5. **invite** the Minister for Building and Construction to report back to Cabinet in late 2019 on progress on the commitments set out in the Accord.

Authorised for lodgement

Hon Jenny Salesa

Minister for Building and Construction

PROACTIVELY RELEASED