

Submission to the Infrastructure Commission - Te Waihangā Infrastructure for a Better Future

30 June 2021

Executive Summary

The Commission commendably proposes the wellbeing of people – *oranga tangata* – as a fundamental principle that infrastructure should support.

If the Commission is to act upon just one thing from this submission, the Forum asks that you explicitly include in your Strategy the importance of thriving businesses and the wellbeing of the more than 250,000 people, both frontline and back office, who build and maintain our infrastructure.

If we want investment in good construction work, where people's physical and mental wellbeing can thrive, we need infrastructure that enables thriving businesses, and an economy that rewards smart investment. We need settings that explicitly ensure a fair go for all, including fair allocation of risk and reward. We need active and knowledgeable oversight and leadership of the entire delivery system, including the lived experience of the front-line workers.

That is not, however, where we currently stand in New Zealand. As you will know, the construction sector, its businesses and workers, are already under severe stress. This has consequences for people working in the sector. These consequences include high rates of injury, fatalities and poor mental health, including the highest rate of suicide across all sectors.

We believe the mental and physical wellbeing of infrastructure workers, and the success of the businesses employing them, should be regarded as a strategic capability, not a cost of construction nor something added later. That is, thriving people and profitable, successful businesses should be a deliberate outcome of how we plan, deliver and manage infrastructure.

Bridging our country's significant infrastructure gap is not only an opportunity to improve the lives of all New Zealanders, but it is also an opportunity to transform the New Zealand construction sector by planning, building and maintaining our infrastructure in a more collaborative, innovative and sustainable way.

As welcome as the greater commitment to infrastructure investment is, we can't continue with the current fragmented approach, where national benefits get trumped by portfolio demands, where collaboration is limited and variable, risk allocation unfair and the health and wellbeing of people at work a siloed requirement. Without change there is a high chance that existing challenges will only worsen, exacerbating acute skills and capacity gaps, poor mental and physical health, and static levels of productivity.

Include the people and businesses delivering the assets

The Infrastructure Strategy correctly links infrastructure to the wellbeing of New Zealanders, delivering long-term and enduring value. It is crucial that this value is also enjoyed by the many men and women who actually plan and deliver that work.

Our concern is that this is not happening.

Tragically, construction has the highest rate of suicide of all sectors in New Zealand. Serious harm and fatality rates have remained static despite significant increases in investment in improving health and safety.

We continue to see contractors of all sizes struggle with profitability as they deal with downward cost and increasing risk expectations from clients. Unsurprisingly, we also see a lack of capability and inadequate training across construction; testimony to continued and systemic limitations in supporting people's personal wellbeing and creating an environment for businesses to succeed.

This fundamentally undermines our national capability to build and maintain our critical infrastructure, now and over coming generations.

[We need leadership and follow through, not road cones and rules](#)

We are not calling for more road cones, more lists to check or hi-vis clothing. Indeed, our view is that this overly reductionist and simplistic view of "H&S" has actually resulted in effort and attention going into the wrong areas.

We are calling for a delivery environment that supports profitable businesses to be able to design work that enables working people to physically and mentally thrive. For that environment to become a reality we need leadership, collaboration and follow through by those in a position of influence and authority.

The problem is that currently, New Zealand's infrastructure delivery environment is dominated by a lack of coherence or oversight across the delivery system, by unfair risk allocation, low levels of mutual respect and by a lack of deliberate collaboration.

The result is a system that isn't improving as fast as it could or should, where lessons and opportunities for smarter ways of working fall between cracks and where businesses, the people working in them and ultimately the core asset delivery, are all being compromised – sometimes fatally.

That's why we need the Infrastructure Commission's Strategy to *get its arms around how we plan, build and maintain our country's infrastructure* – to bring coherence and to ensure active and knowledgeable oversight and leadership of the entire delivery system. It is an opportunity to deliberately and coherently pull together the many interdependencies and levers that influence how work is designed to enable better work, thriving people and successful businesses.

It can leave a legacy of a thriving workforce, improved reliability and innovation and sustainable businesses beyond the assets being built over the next 5, 10, 50 years.

[We know the recipe to succeed](#)

Applied examples from here and around the world all underline the importance of some common ingredients:

- Clear, sustained and shared leadership by government (Ministers and Officials) and industry alike
- Interdependencies acknowledged and understood, not siloed and reduced to procurement boxes to check, i.e. health and safety, environment, client leadership, innovation, people
- Effective governance and oversight structures ensure risks is fairly allocated and opportunities are anticipated, and managed across the entire delivery system
- Learning and insights are deliberately valued, captured and applied.

[The London Games provide lessons we can learn](#)

The 2012 London Olympics has been referenced by many as tangible example of world-class infrastructure delivery. And for good reason.

It remains the only Olympics that did not kill anyone in its development. It hit its immovable deadline on budget. The assets it delivered met their primary purpose (a successful games), but also their longer-term legacy goals, including new schools, parks and recreational assets. The approach taken was a strategic intervention to help transform the UK construction sector.

Engaged Ministerial leadership, sustained across electoral cycles, ensured that national benefits were not lost or left to chance.

That leadership then cascaded to public and private sector leaders to design and deliver something special. The end result was truly collaborative, built on mutual respect and deliberately structured to allocate risks where the right capability to manage them sat, including complex situations where that risk and the controls were shared.

That is what “getting our arms around the project” means – active and knowledgeable oversight and leadership of the entire delivery system including the lived experience of the frontline workers.

Consequently, government and the sector learned. They got better. And amongst the many legacies of the games was a more capable, reliable, innovative, healthier and safer sector that has in turn been re-deployed on even more complex infrastructure programmes.

Unfortunately, we do not currently see a similar commitment to get our arms around enough of the work on New Zealand’s infrastructure schedule. There are local examples of government and industry working successfully together, such as reconnecting the rail and road networks along the Kaikoura coastline following the earthquakes. We just need to back ourselves to do that more and on a bigger scale.

That’s the opportunity we want to see the Infrastructure Commission’s Strategy to capture and progress. A coherent Strategy and enduring commitment by government and the many other public and private institutions can help us build that active oversight and leadership of the entire delivery system, and let us *get our arms around this intergenerational and many multi-billion-dollar endeavour*.

This needn’t involve the creation of a new standalone entity, but the connections, independencies and complexities have to be acknowledged. We cannot allow a siloed approach. Achieving that will demand leadership, not simply more management.

[Revive the Construction Sector Accord](#)

The Construction Sector Accord was a unique acknowledgement by multiple Ministers, public sector officials and industry leaders that New Zealand construction was confronting challenges no single player could resolve. That’s why it was initiated as a sector leadership and culture intervention, not a technical delivery platform. The principles and priorities for improved performance have been agreed.

The Forum proudly played a key convening and catalyst role in making the Accord possible.

The challenge we now see is that the Accord is at risk of regressing to a focus on technical details and a gravitational pull to fixing problems rather than mobilising to confront shared challenges. Ministerial engagement with the Accord has drifted and the intent and opportunities are at risk of being lost.

The Infrastructure Strategy, and the more general work of the Commission, is an opportunity to revitalise, reenergise and elevate the Accord, leading the sector in a clearer and bolder direction.

[Specific feedback on the Consultation Strategy](#)

We have identified specific parts of the Strategy we have views on, and have provided answers to specific consultation questions.

Work in Partnership

– what about the businesses and the people who build the assets?

Under the heading *Work in Partnership* (p21) the Strategy highlights the need for partnership between infrastructure providers, infrastructure users and tangata whenua.

This partnership omits a strategically critical group - the businesses and workers who will plan, build, maintains that infrastructure. The absence of a mature or leadership-led partnership with construction firms and their people is, in large part, manifested in today’s acute skills and capacity gaps, unprecedented

levels of poor mental health and suicide in the sector, the absence of deliberate and effective learning, brittle firm profitability and static levels of productivity.

This Strategy is an opportunity to reframe and reset how infrastructure clients and providers partner with the businesses and people who will deliver and maintain these assets over coming generations.

We need to reverse the disaggregated, incoherent and fragmented eco-system of clients and those who do the work. This must go beyond a discussion about lowest cost, business cases or procurement rules. We need to build a mature, cross government (local and central) and pan sector culture of partnership, where risk is fairly allocated and where collaboration is planned for. That demands leadership.

The Construction Sector Accord was a start, but we are concerned that it has dropped into a programme delivery mode, rather than its original purpose of providing a place for Ministers, officials and industry to agree and drive ahead on the big leadership issues holding the sector back.

Q2 – What are our views on the decision-making outcomes and principles, and is something missing?

Your “decision-making outcomes” need to more explicitly consider how the work of planning and building the infrastructure will enable the workers and businesses doing the work to thrive. Across the current system, managers and workers are paying with their physical and mental wellbeing for how major projects are being structured and planned. Businesses are also paying a cost, illustrated by the commercial fragility of contractors who are all too often weighed down with risks that should be shared by others through the supply chain.

Disaggregation has led to fragmentation, with the health and safety of workers all too often relegated to a procurement and functional requirement, rather than seen as critical and interdependent outcome of how the work is designed, structured and valued. Arguably, skills and capability, innovation and wider sustainability outcomes suffer from the same fate.

We need government to get its arms around how this infrastructure gets delivered, and ensure the knowledgeable oversight and leadership of the entire delivery system, by confronting and addressing the fragmentation across Ministerial portfolio votes.

Consideration of the hundreds of thousands of people who work in the construction sector could be exercised through your decision-guiding outcome - *efficient* specifically – by acknowledging that infrastructure investment decisions have social, emotional and direct financial costs on the workforce. Equally, consideration of wider, national benefits beyond the specific project objective is needed.

Governance and leadership commitments to reconnect the rail and road networks on the Kaikoura coast were real and sustained, enabling oversight and understanding of the many moving parts of this large programme. This understanding ensured these interdependencies we leveraged not siloed. Despite the multiple agencies, the hundreds of businesses and thousands of workers involved, the work was designed and delivered in a way that was timely, staggering in its material achievement, and safe for the people doing the work.

Q3 – Are there infrastructure issues, challenges or opportunities that should be considered?

The delivery capacity of the construction sector to make any of this planned investment happen feels like it has been missed.

Skills and capacity gaps, mental health challenges and suicides, flatlining harm and fatality reductions, slow productivity improvement and ongoing commercial struggles paint a sobering indictment on the health of New Zealand’s construction sector.

Any assumption that “the market will respond” to future infrastructure demands is overly optimistic at best, and wilfully negligent at worst.

We need fair economic outcomes for every member of the supply chain, which means taking a dynamic approach to risk management when things change, for example paying people more when input costs go up, or the work turns out to be harder than expected.

If New Zealand wants to leverage innovation, learn, increase productivity, see working New Zealanders thrive and improve value for money in its infrastructure delivery eco-system, then it needs to make those things a priority and value them accordingly.

We need a clear statement that a healthy, profitable and resilient construction sector where workers and businesses thrive is a deliberate outcome of what we choose to design and how we choose to deliver it.

Currently it feels that disaggregation and risk shifting is trumping what actually works. Transmission Gully and the Justice Precinct in Christchurch stand as stark illustrations of what happens when that consideration is missing.

The financial price for these approaches is being paid by contractors and the tax and ratepayers of New Zealand. The people doing the actual work are paying with their health and, in too many cases, their lives.

Consequently, we need settings that explicitly ensure a fair go for all, including fair allocation of risk and reward. We need active and knowledgeable oversight and leadership of the entire delivery system including the lived experience of the front line (i.e. how work is actually done).

Q4 What do we think about the *Building a Better Future* Action Area?

Demographic change demands we design work differently and better

We are pleased to see that responding to demographic change is identified as an area that infrastructure will need to respond to.

We would highlight that this demographic change will also impact the workforce required to deliver and maintain current and future infrastructure. More people will leave work than enter it, and those remaining will be older.

This will demand active, sustained and bold leadership from across the infrastructure sector to ensure attraction, retention and development of people is understood as a strategic investment, not simply a cost of construction.

This leadership should focus on approaches to ensuring *people are fit for work*, but also ensuring *work is fit for people*. This means confronting issues such as working hours, use of automation and mechanisation and prefabrication. This type of risk cannot be simply passed on down the supply chain without a discussion about what's fair.

Ensuring *work is fit for people* also means designing construction work with an understanding of the needs and aspirations of the people within the demographics that the sector will be looking to attract to their workforce. Nationally and internationally, commentary is increasing on the concept of the "great resignation", a phenomenon said to be propelled by the realisation people can have a different life and spend more time with family. This driver is likely to increase with demographic change, and design of good work within construction will be needed to ensure that construction workers thrive and do not become further disconnected from society wellbeing standards.

In our view, New Zealand's progress in these areas is slow by international comparison, undermined by the lowest cost, project-by-project nature of how infrastructure work is planned and delivered. The short-term and sovereign agency approach means investment horizons constrain innovation and the adoption of new technologies. Passive disaggregation means economies of scale and shared lessons are not captured.

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

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

We need to acknowledge we've disaggregated ourselves to a standstill

The disaggregation pendulum has swung to the point where it has morphed into fragmentation which is undermining our capacity to collect and access data on assets, has made transparency in the sector challenging and created barriers to adopting technologies. The safety and health of workers in the sector is a direct victim of these limitations.

This does not mean we are advocating for a single owner or agency across these assets. But we do want more explicit acknowledgement of disaggregation and fragmentation as a strategic problem and more meaningful follow through on initiatives like the Construction Sector Accord.

That is why we need active and knowledgeable oversight and leadership of the entire delivery system.

Q24 – What do we think about the Action Area *Creating a Better System*?

Improve and align infrastructure leadership

Our clear view is that the current mental health and safety of the 250,000+ infrastructure workers in New Zealand is a casualty of the sector's fragmentation and unfair risk allocation. The uncomfortable reality is that there is far too much unfair and asymmetrical allocation of risk to the front line, including small contractors and the self-employed on piece rate.

Consequently, we are pleased to see that "integrating infrastructure institutions" is a proposed action area in this Strategy.

Better alignment of infrastructure leadership is needed to ensure collaboration and learning. Leadership of infrastructure delivery cannot get pushed out by planning (what and when) and funding (how much and by whom).

We want to see a more explicit commitment to improve and align infrastructure leadership. We need to fill the leadership gap at multiple levels that is currently seeing delivery activities being driven by overwhelming and misdirected levels of process and rules.

Q25 – Does New Zealand have the right institutional settings for the provision of infrastructure?
No.

We need settings that explicitly ensure a fair go for all, including fair allocation of risk and reward. We need active and knowledgeable oversight and leadership of the entire delivery system.

Q26 – How can local and central government better coordinate themselves?

See Q24. We need leadership, not solely process and rules.

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

The Construction Sector Accord's principles are a good start:

- Build trusting relationships
- Be bold
- Value our people
- Act with collective responsibility

These were developed by a genuine cross section of the sector from both the demand and supply sides and were intended to frame and inform a genuine partnership between industry, workers and government, including Ministers.

They simply have yet to be meaningfully applied.

Before we develop more, we would like to see genuine commitment and accountability for what has already been signed up to.

Qs 33 and 35 – What could be done to improve the productivity of the construction sector and reduce the cost of delivering infrastructure / procurement and delivery of infrastructure?

Recognise that procurement isn't supply chain leadership

Procurement is a management practice that can be used by supply chain leaders. [New Plymouth District Council deliberately sees itself as a supply chain leader](#) rather than a client. This approach still relies on innovative procurement practices, but their relationships with their contractor community expands beyond commercial contracts or formal procurement processes. They are consequently unlocking value (for example, innovation, environment, safety, skills and productivity) that a procurement only approach would miss.

We believe that there is an over simplification of the challenges that all too often see procurement as the answer. The end result is a lengthening list of requirements without a corresponding lift in performance.

Align success through the supply chain

We need to enable leaders to align success for the client with all members of the supply chain, including safe and health outcomes, profit, happy stakeholders and a pipeline of work so businesses can invest in more capacity and capability.

Recognise that interdependencies can't be siloed to be managed

Interdependencies need to be understood, and there needs to be capable and effective leadership and governance across projects to unlock and leverage these complexities. For example, [Transpower unlocked significant health and safety improvements](#) and productivity in their tower asset management programme by extending contract tenure, making contracts bankable and unlocking contractor confidence and innovation to get better. By recognising the interdependencies, they unlocked value.

Recognise that there is currently no incentive, mechanism or apparent value in deliberate and sector-wide learning

The agency-by-agency or sovereign approach to engaging construction services means experiences and lessons sit with the project not the sector. Equally, lessons from challenging and difficult projects often become a matter of protecting legal liabilities rather than learning.

Q36 – What components of the infrastructure system could have been better utilised to deliver stimulus during Covid-lockdown?

It was disappointing that asset maintenance was not better prioritised. The workforce and equipment were already mobilised and the work was there. The need for good asset maintenance is ever-present.

NOTE – This submission has been deliberately prepared independently of Government CEO Forum members and does not reflect their views.

Who is the Business Leaders' Health and Safety Forum?

The Business Leaders' Health and Safety Forum is a coalition of more than 365 business and government leaders committed to building cultures that enable people to thrive and businesses succeed. Our focus is to make workplaces safer by growing world-class CEO safety leaders in NZ, and by leveraging the combined skill, influence and resources of members.

The Forum was launched in 2010 with just under 100 members, and now has since more than tripled in size. We have four key areas of focus:

- Building a community of senior leaders that enables and supports the structure and design of work where their people and businesses can thrive
- Amplifying the impact of effective leadership and reach across supply chains and sectors
- Advocating for better health and safety across the ecosystem
- Building insights and learning for improvement

We have a constructive and open relationship with Richard Wagstaff at the NZCTU and Kirk Hope at Business NZ. We also partner with and work in support of the key sector health and safety associations.

We are funded through membership subscriptions, including the majority of central government agency Chief Executives. We are not-for-profit and ensure all of our resources are evidence based, and open source.

Our [latest Annual Report](#) provides a list of our members as well as outline of our work in service of a safer, healthier and more productive New Zealand.