



TE TAI ŌHANGA
THE TREASURY

INFRASTRUCTURE TRANSACTIONS UNIT

National Construction Pipeline Report 2019

The National Construction Pipeline Report is commissioned each year by the Ministry of Business, Innovation and Employment (MBIE). It is jointly prepared by the Building Research Association of New Zealand (BRANZ) and Pacifecon.

The National Construction Pipeline Report provides a forward view of national construction value to 2024. It forecasts the expected level of spend on construction, in what sectors, and where in New Zealand. The report aims to provide awareness of the expected pipeline of building and construction work to support:

- planning by all participants in the sector
- scheduling the investment in skills development and capital to meet future needs, and
- coordination of construction procurement to enable improved scheduling.

The report covers residential building, non-residential building, and horizontal infrastructure. BRANZ has prepared forecasts based on data from Statistics New Zealand, modelled for historical trends and economic forecast indicators. Pacifecon's dataset of over 9000 researched project intentions (from very earliest planning stages) is also used in the report.

Both forecast and research data indicates infrastructure investments will continue to increase over the next few years. In terms of project intentions, non-residential building activity is expected to peak in 2021 (at just over \$9bn) and then fall away sharply by 20%. Horizontal infrastructure activity is forecast to overtake non-residential activity by 2023.

The private sector is the largest initiator of non-residential building, contributing 65% of the value (48% by volume) of intentions over the forecast period, while central and local government make up 20% and 15% respectively. The forecast for the Education sector suggests 824 projects due to commence in 2019 (22% of the total number of projects and 11% by value).

Local government is the main initiator of horizontal infrastructure intentions, contributing 47% of projects initiated over the forecast period. Central government (28%, mostly transport) and the private sector (25%, mostly subdivisions) are very similar to each other in the total value initiated. Late 2019 through to early 2021 shows a peak for horizontal infrastructure intentions.

The new Infrastructure Commission, Te Waihanga – Infrastructure Pipeline

The Infrastructure Transactions Unit (ITU) is due to transfer to the New Zealand Infrastructure Commission, Te Waihanga, later this year. A key focus for the new Commission will be the publication of an Infrastructure¹ Pipeline.

¹ The ITU/Commission's reference to infrastructure includes all physical assets (i.e. vertical buildings and horizontal network infrastructure). The Pipeline Report's use of the word infrastructure refers to horizontal network infrastructure only.

In May this year, the ITU published a prototype Infrastructure Pipeline presenting data from five-capital intensive agencies. Together these five agencies identified 174 projects, with an estimated value of over \$6.1 billion, as having funding certainty or near certainty in the pipeline.

The National Construction Pipeline Report differs from the prototype Infrastructure Pipeline in terms of both data and publishing format. The prototype Infrastructure Pipeline published on the Treasury website allows users to apply a range of filters for displaying data and download data files for further analysis. It provides specific information on credible and committed projects supplied directly via government agencies and local government.

<https://treasury.govt.nz/information-and-services/nz-economy/infrastructure/pipeline>

While the Infrastructure Pipeline signals a level of certainty, final approvals may be required by Cabinet, Ministers, or at board and executive level, before a project actually comes to market.

The National Construction Pipeline Report lists 31 individually scrutinised projects valued over \$100m and likely to start within the year. Twenty of these are private sector projects. Of the remaining projects identified, six (City Rail Link is listed as three separate projects) are listed as being initiated by central government and the rest by local government. This compares with the 2018 National Construction Pipeline Report that listed 47 projects over \$100m, of which 23 started as anticipated, one was cancelled, and the rest delayed.

Of the 174 projects identified in the prototype Infrastructure Pipeline, all of which are central government led initiatives, 10 are valued at over \$100m. None of these appear to overlap with the projects identified in the National Construction Pipeline Report. Of note is that the new Dunedin Public Hospital was not included in the 31 projects listed in the National Construction Pipeline Report. The authors may have assumed that this project would not start within the year. The ITU understands that enabling and site preparation works are due to commence in 2020.

Other projects identified in the National Construction Pipeline Report likely to be included in further iterations of the Infrastructure Pipeline include Auckland's City Rail Link and Watercare projects and Christchurch's Metro Sports Facility.

In conclusion

The ITU welcomes the publishing of the National Construction Pipeline Report. The National Construction Pipeline Report and the prototype Infrastructure Pipeline have similar objectives, albeit different publishing frequency and methodology.

The prototype Infrastructure Pipeline is the first step in providing the infrastructure market with better information about the timing, sequencing and scale of future credible and committed infrastructure projects. The ITU will continue to develop the breadth and quality of pipeline information.

The National Construction Pipeline Report highlights the expected level of spend on construction to support better planning and investment. This includes residential building, which is unlikely to be captured by the Commission's Infrastructure Pipeline, other than where it is funded by local and central government (i.e. community and state housing).

