



CONSTRUCTION SECTOR ACCORD

**A shared commitment between government
and industry to transform the construction sector**

APRIL 2019

ACCORD MINISTERS



Hon Jenny Salesa
Minister for Building
and Construction



Hon Phil Twyford
Minister for Housing and
Urban Development



Hon David Parker
Minister for Economic
Development



Hon Iain Lees-Galloway
Minister for Workplace
Relations and Safety



Hon Shane Jones
Minister for
Infrastructure



Hon Chris Hipkins
Minister of Education
Minister of State Services



Hon David Clark
Minister of Health

GOVERNMENT AGENCIES

The following agencies have specific responsibilities in this Accord and are accountable for delivering the government commitments, and their monitoring and reporting.



ACCORD DEVELOPMENT GROUP



Peter Reidy
CEO, The Fletcher
Construction Company



Steve Evans
CE, Fletcher Residential



Chris Bunny
DCE, MBIE



Roger McRae
Chair, CHASNZ



Rick Herd
CEO, Naylor Love



Bill Newson
National Secretary, E Tū



Steve Killeen
CEO, Downer NZ



Doug Johnson
MD, Tonkin + Taylor



Michael Sentch
Manager, Project Unite



Janine Stewart
Partner, MinterEllison
RuddWatts



Raveen Jaduram
CEO, Watercare



David Kelly
CE, Registered Master Builders



Juergen Link
GM Assets and
Technology, Fonterra



Geoff Hunt
Chair, Construction
Strategy Group



MESSAGE FROM THE MINISTER



A thriving construction sector is vital to New Zealand's social and economic wellbeing. We need more affordable houses, safer and greener buildings, and new and upgraded infrastructure. Projections show signs of sustained growth in the industry over the next six years. The industry provides work for nearly 250,000 people and contributes around \$15 billion to our economy each year.

We all rely on the sector for the built environment we live, work and play in and the infrastructure we depend on.

But right now the sector is facing challenges that compromise its ability to keep pace with our growing needs. The sector is grappling with skills and labour shortages, poor risk management, unclear regulations and construction pipeline, and a lack of coordinated leadership.

As both the industry regulator and a major client, government is in a position to help transform the sector. Through this Accord, we are committing to a new way of working with industry so we can meet the challenges together. The Accord is a significant first step in our partnership to tackle the issues holding the sector back, to work together to support a more productive, innovative and safer industry.

A high-performing construction sector is good for everyone. This Accord supports the Government's overall plan for New Zealand—to create an economy that's growing and working for us all, and to improve the wellbeing of New Zealanders and their families.

A handwritten signature in black ink, appearing to read 'Jenny Salea'.

Hon Jenny Salea

Minister for Building
and Construction

MESSAGE FROM THE ACCORD DEVELOPMENT GROUP CHAIR



The development of the Construction Sector Accord represents a significant opportunity for the industry to partner with government to make real change in the construction sector.

The Government has given clear commitments to the industry and to the people of New Zealand to take transformative action in the sector. The Accord process is the chance for the industry, our clients and our people to align and respond.

Our role as the Accord Development Group has been to trigger a commitment across the industry to do things differently, and to hold each other to account on the promises we're making here. Together with government, we have agreed a shared vision for the sector, identified the primary challenges we need to respond to, defined the behaviours we need to adopt and the areas we need to work on to create a new level of performance. We believe delivering change quickly requires a shift in industry culture that can only be achieved through collaboration with existing industry groups and representatives.

From here, the Group will oversee the development and delivery of the construction sector transformation plan. This phase of work has the Ministers' endorsement and support amongst the industry. We are looking forward to engaging more widely with industry participants, customers, workers and suppliers in order to meet the significant challenges we face, then communicate a single plan with one clear voice.

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

A handwritten signature in blue ink, consisting of a large, stylized 'P' followed by a series of loops and a long horizontal stroke.

Peter Reidy

Chair, Accord Development Group
and Chief Executive, The Fletcher
Construction Company

CONSTRUCTION SECTOR ACCORD SUMMARY



Our vision

A high performing construction sector for a better New Zealand

Shared goals



Increase productivity



Raise capability



Improve resilience



Restore confidence, pride and reputation

Outcomes for New Zealanders

Safe, healthy and durable homes, buildings and infrastructure that support the wellbeing of our communities.

Workforce Safe, secure, rewarding careers

Industry customers Functioning competitive market

Industry Sustainable, resilient, successful businesses

Government A construction sector that supports the wellbeing of all New Zealanders



Guiding principles



Build trusting relationships



Be bold



Value our people



Act with collective responsibility

Priority work areas

Industry-led	Shared	Government-led
<ul style="list-style-type: none">› Enhanced industry leadership, collaboration and organisation› Better business performance› Improved culture and reputation	<ul style="list-style-type: none">› Grow workforce capability and capacity› Better risk management and fairer risk allocation› Improved health and safety at work› More houses and better durability	<ul style="list-style-type: none">› Better procurement practices and improved pipeline management› Improved building regulatory systems and consenting processes

Our pledge



We agree to:

- › Hold ourselves and each other accountable to this Accord and challenge contrary behaviour
- › Work together to develop a plan for change that has collective intent
- › Work differently to build a stronger partnership between government and industry
- › Promote the Accord and encourage others to commit to it
- › Engage regularly to discuss and report on progress

PURPOSE OF THE ACCORD

The purpose of the Accord is to strengthen the partnership between government and industry and be a catalyst to transform the construction sector for the benefit of all New Zealand.

APPROACH

Government and industry leaders have agreed to take a two-phased approach to the Accord process.

This Accord document completes the first phase where government and industry have agreed a shared set of goals and principles that signal a new way of working together. The Accord sets out priority work areas and some high-level commitments to action for transformation.

In the next phase, the sector will collaborate on a wider basis to develop a more detailed construction sector transformation plan to meet the challenges and achieve the outcomes outlined in this Accord.



CONTRIBUTORS

This Construction Sector Accord has been co-developed by Ministers, government agencies and industry leaders.

Ministers

Building and Construction, Housing and Urban Development, Economic Development, Workplace Relations and Safety, Infrastructure, Education, State Services and Health.

Agencies

Ministry of Business, Innovation and Employment, Ministry of Housing and Urban Development, WorkSafe, Housing New Zealand, NZ Transport Agency and the Infrastructure Transactions Unit within Treasury.

Industry

The industry Accord Development Group includes leaders from construction businesses, industry clients, industry bodies, health and safety organisations, and worker representatives.



OUR VISION

A high performing construction sector for a better New Zealand.

The wellbeing of New Zealanders is supported by safe and durable homes, buildings and infrastructure, built by a productive, capable, resilient and proud sector.



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.

OUTCOMES FOR NEW ZEALANDERS

Achieving our shared goals will deliver benefits across the sector and for all New Zealanders.

New Zealanders

Safe, healthy and durable homes, buildings and infrastructure that support the wellbeing of our communities.

Workforce

Safe, secure, rewarding careers

- › 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

Industry customers

Functioning competitive market

- › 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

Industry

Sustainable, resilient, successful businesses

- › 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

Government

A construction sector that supports the wellbeing of New Zealanders

- › 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

THE CHALLENGE

Both government and industry recognise there is a gap between where the sector is now and where it needs to be to meet the future needs of New Zealanders. This Accord is a joint commitment to make a step change towards becoming a higher-performing, more productive sector.

For success we need:

- › Strong leadership and governance
- › A connected and collaborative sector
- › A broad workforce of qualified, competent and skilled people
- › Investment in new technology and other innovation
- › Whole-of-life thinking across the sector
- › Positive behaviours that cultivate trust and respect
- › Resilient businesses
- › Good risk management and fair allocation
- › Clear and effective regulations
- › A world-class health and safety culture
- › A well-planned and transparent public sector pipeline
- › Fair, transparent and consistent procurement practices
- › Cultures and behaviours that allow the industry to thrive and make construction a great place to work.



GUIDING PRINCIPLES

To meet these challenges the sector will need to work in a different way. As both clients and suppliers, our actions and decisions will be guided by four key principles that we will hold ourselves and each other accountable to:

Build trusting relationships

This means:

- › 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

Be bold

This means:

- › 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



Value our people

This means:

- › 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

Act with collective responsibility

This means:

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

We will follow these principles in our work and hold ourselves and each other to account if we fall below these standards.

PRIORITY WORK AREAS

Together we have identified a set of priority areas for action that will help us deliver our vision. The nature of the work areas means some will be jointly led, while others will be led primarily by government or industry, in consultation with each other.

INDUSTRY-LED

1. Enhanced industry leadership, collaboration and organisation

Collaborate and build stronger alignment between industry leaders to create a more coordinated response to the challenges facing the sector.

2. Better business performance

Create and implement initiatives to develop high-performing businesses. Improve business resilience, productivity and profitability to ensure a healthy and sustainable industry.

3. Improved culture and reputation

Promote a culture in the industry that supports trust between all parties throughout the value chain and the ecosystem that supports it. This is required to restore public confidence and improve the industry's attractiveness to capable people.

4. Grow workforce capability and capacity

Increase the number of skilled workers and lift the industry's capability in order to meet New Zealand's growing housing and infrastructure needs.

5. Better risk management and fairer risk allocation

Rebalance risk in the sector so it sits with the party best able to manage it. Improve the understanding of construction risks and their impact and costs.

6. Improved health and safety at work

Reduce the number of people being harmed by work and create a safe construction sector that supports wellbeing and improves productivity.

7. More houses and better durability

Boost the supply of housing and ensure all new houses are built to perform well over their lifetime.

8. Better procurement practices and improved pipeline management

Create a more certain, visible and better coordinated pipeline of government construction work. Improve government and industry procurement practices so they are more consistent, focus on good value and enable the industry to succeed.

9. Improved building regulatory systems and consenting processes

Make changes to the regulatory system to better support and enable transformation in the construction sector.

GOVERNMENT COMMITMENTS

As both a regulator and a major client for the construction industry, the government has already committed to a programme of work that will contribute to the priority work areas.

Industry agree the government can have the most immediate impact in transforming the sector by helping build skills and capacity, better planning and communicating the construction pipeline, and improving the way it procures construction projects.

Grow workforce capability and capacity - Construction Skills Action Plan

This is a cross-agency plan to encourage more people into construction careers and increase business investment in training and development. Phase one of the plan includes several initiatives aimed at raising capacity in the sector. Future phases will focus on lifting capability.

The plan includes proposed changes to the government's procurement rules that will incentivise firms to invest in training by making it part of the criteria for tender evaluations.

Improved pipeline management - a new independent infrastructure body

The government will establish the New Zealand Infrastructure Commission, Te Waihanga, to create a coordinated long-term plan for all government construction projects. Work is already underway within Treasury to publish a pipeline of upcoming projects to provide greater certainty to the industry and encourage investment in skills and technology.

Better procurement practices – new rules and capability support

Changes to the government's procurement rules and the construction procurement guides will:

- › require agencies to apply the best practice set out in the guides where appropriate, and better support them to do so
- › provide more detail on risk to improve agencies' understanding and ability to manage it
- › require most agencies to submit an assessment on their general procurement performance so areas for improvement can be identified

The new Infrastructure Commission will also provide support and guidance to agencies on their major procurement projects. It will introduce a whole-of-life approach to infrastructure projects so the cheapest price is not chosen over the best long-term value.

Other government commitments that will contribute to the priorities include building regulatory reform, new ways of working with industry to make building state houses more efficient, initiatives to improve the building consenting process, and health and safety initiatives to reduce harm in the industry.

See loose leaf insert for more detail on government commitments to transformation.



INDUSTRY COMMITMENTS

The industry supports the government's commitments and will be a key partner in their delivery. It will provide coordinated consultation and advice to support decision-making and action.

The Accord Development Group recognises industry must play a significant role in sector transformation and there are a number of initiatives already planned and underway. Our early commitments to the priority work areas are focused on collaboration, health and safety, skills, and risk management.

Enhanced leadership, collaboration and organisation – coordinate industry representation and initiatives

The Accord Development Group is committed to working with government to deliver a construction sector transformation plan by the end of 2019. In this second phase of the Accord process, the Group will work with wider sector representatives to consult, build support and incorporate existing work programmes into the transformation plan.

Improved health and safety – industry-led changes to culture and approach

The industry is committed to supporting Construction Health and Safety New Zealand (CHASNZ) to take leadership on improving health and safety performance in the industry. CHASNZ will target clear expectations, consistency of standards, and workforce competency across the industry. It will support health and safety as an integral part of construction business ensuring there is a specific focus on information sharing, worker engagement and empowerment, mental health and wellbeing, and safety leadership as an ethical responsibility across the supply chain.

Better risk management – knowledge sharing

The Group will initiate the development of a workshop programme for industry training and knowledge sharing on risk management, within six months. This programme will build the industry's capability to understand, value and manage risk.

Grow workforce capability and capacity – partnering to address skill gaps

The Group will support the government Construction Skills Action Plan by collaborating with the Ministry of Business, Innovation and Employment to assist in identifying specific skill shortage areas and future requirements. Industry, government and education providers will then collaborate through the second stage of the Construction Skills Action Plan to build capability where needed.



OUR PLEDGE

We agree to:

Hold ourselves and each other accountable to this Accord and challenge contrary behaviour

Work together to develop a plan for change that has collective intent

Work differently to build a stronger partnership between government and industry

Promote the Accord and encourage others to commit to it

Engage regularly to discuss and report on progress

NEXT STEPS

In the next phase of the Accord process government and industry will work together to:

- › Develop the detailed transformation plan
- › Encourage wider sector representation and input
- › Establish a shared governance structure to lead the development and implementation of the plan
- › Integrate existing sector group activity with the plan
- › Establish work programmes with specific timeframes
- › Define performance measures to monitor execution of the plan

Be part of the Accord and keep up to date on progress at
www.constructionaccord.nz



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New Zealand Government