

COVID-19 - Response plan for the construction sector

CONSTRUCTION SECTOR ACCORD

5 April 2020

A resilient sector

The construction sector will have an important role to play in kick-starting the New Zealand economy when COVID-19 Level 4 restrictions are lifted. To support this, the Construction Sector Accord has temporarily shifted focus from industry transformation to industry resilience and recovery. The Accord is a collaboration between construction sector leaders from across government and industry.

The [Accord Steering Group](#) has been asked by government to act as an adviser to Ministers on how the industry can best be supported and confidence maintained during and after the COVID-19 disruption. The construction industry now faces many new challenges including a lack of cashflow, workforce retention and additional pipeline uncertainty.

The group has responded with urgency, meeting twice weekly, and additional sector leaders have been brought into the group to broaden the perspective and ensure greater sector coverage. The sector is diverse and complex, and Ministers have emphasised 'all parts of the industry matter'. It is imperative the full supply chain is ready to quickly restart on an accelerated work programme once restrictions are lifted.

The Accord Steering Group is focused on how the government can support the construction sector and ensure resilience for the benefit of the industry, its workers and the whole economy. This response plan will continue to evolve and be reshaped as issues become clearer and as it is discussed with the sector and Accord Ministers. Specific actions and achievements will be shared with the sector as they are agreed with government.

While the response plan is largely focused on government actions and its leadership by example, it places similar expectations on the private sector that it will act likewise where possible.

Plan summary

The plan has been divided into three response phases:

- **Phase 1: maintain** – retain a viable sector during the shutdown
- **Phase 2: restart** – ensure readiness to restart works and accelerate projects
- **Phase 3: transform** – refocus on high performance

Actions across the phases are focused on:

- Maintaining and accelerating the pipeline of work and removing barriers to restarting works
- Keeping cash flowing in the sector
- Ensuring a fair and consistent approach to how contractor costs are covered and/or reimbursed during the shutdown
- Additional financial and other support that could be available for employees and business owners
- New health and safety guidelines to ensure the safe return to work

Phase one – maintain industry

The Accord Steering Group is working on options for government to consider implementing to maintain the industry during shutdown. These include:

Maintain the pipeline of construction projects

- Encourage existing projects to continue. While construction sites are closed down, other work such as planning, procurement, design, consenting, and maintenance works planning can all be progressed.
- Identify additional 'shovel ready' projects that could begin when restrictions are lifted
- Remove barriers to a swift restart including in legislation and allowing flexibility in the Government Procurement Rules
- Identify projects at risk of being paused or cancelled and provide advice on options to keep them going

Maintain cashflow in the sector

- Require agencies to pay contractors promptly or early and ensure that they in turn pay subcontractors promptly
- Require government agencies to take a consistent and fair approach to the costs incurred from work stopping and site shutdowns.
- Consider providing rent subsidies to commercial tenants to help sustain businesses and employment
- Consider other options including changes to the management of bonds, retentions and stand-down payments

Additional government support

- Explore options for further business and employee financial support and consider these as part of the wider economic relief package
- Support for the large labour hire market and migrant workforce
- Consider the impact of site deterioration during the shutdown on compliance with building regulations
- Assist with maintenance of closed sites that might lead to environmental issues such as silt run-off
- Consider options to stimulate house building to support the residential sector
- Consider how best to maintain skills and rebuild the workforce when works resume

Phase two- restart

When restrictions are lifted the industry must be in a good position to restart works while at the same time keeping the workforce safe.

Essential construction services

- Advising on the types of work that can be restarted at each level.
- Provide guidelines for working safely on construction sites while COVID-19 is still in the community.

Maintain the pipeline of construction projects

- Position 'shovel ready' projects across urban centres and the regions to begin works, and facilitate their acceleration.
- Develop a strategy to support the distribution of work across the civil, vertical and residential construction subsectors, as well as across the supply chain and the regions.
- Provide stimulation for the residential market including through Kāinga Ora
- Consider further medium and long-term stimulus measures to help the sector move to long term resilience

Maintain cashflow in the sector

- Rapidly mobilise multi-party collaborative projects through ensuring procurement strategies and commercial frameworks are developed and ready to go (eg the Stronger Christchurch Infrastructure Rebuild Team).

Phase 3- Lift performance

Once works have fully restarted, the focus will shift back to how we can work together to create a high performing sector. In this phase the Transformation Plan will be revised in light of the changed environment and initiatives reprioritised. The focus is likely to be on:

- Raising business performance through an enhanced pipeline and the promotion of better business practices
- Supporting mental wellbeing programmes
- Creating a new more efficient consenting model
- Improving procurement skills and practices with a focus on rapid mobilisation of projects
- Providing greater assurance for subcontractors around prompt payments and security of retentions.

Co-ordinated cross-sector response

The Accord is a partnership between government and industry that extends across the whole sector. Members of the Accord Steering Group are leaders from major commercial, vertical and residential construction companies, local government, industry and professional bodies and unions, and government agencies Housing and Urban Development, Ministry of Business Innovation and Employment, Kāinga Ora, and the Infrastructure Commission.

The ASG are connecting with other agency and industry groups working on the COVID-19 response to ensure advice is complementary and coordinated. This includes the work underway to [speed up](#)

[resource consenting](#) for specific projects and the activities of the newly formed Infrastructure Industry Reference Group which has been tasked with [identifying infrastructure projects](#) that are 'ready to go' and helping ensure the regulatory environment supports their immediate start after the shutdown.

He waka eke noa - we are all in this together

The Accord group promotes the principle of we are all in this together. If all parties act in a fair and reasonable manner and are prepared to share the burden, then the sector as a whole can emerge intact and be in the best position to restart.

Next steps

Government is urgently considering the advice given in this plan and updates will be provided through the Accord website on the latest developments and decisions.

People working within the industry are invited to contact the Accord with their suggestions for actions to support the sector, either by connecting with their relevant representative on the [Steering Group](#), or their industry body, or through emailing accord@mbie.govt.nz.

Completed actions and announcements

Government will direct agencies to pay contractors promptly or early and to take a consistent approach to their construction contracts. Guidance will be issued to support a more consistent approach across public sector agencies dealing with the contractual implications for construction projects of the COVID-19 lockdown period.

The Infrastructure Industry Reference Group is working to identify infrastructure projects that are 'ready to go' when restrictions lift.

[Read the infrastructure projects media release.](#)