



# CONSTRUCTIVE

## NZ CONSTRUCTION INDUSTRY FORUM 2018

*Constructive 2018*, the New Zealand Construction Industry Forum under the auspices of the Registered Master Builders Association, was held in Wellington on 16 August.

The event is the only “all of industry” forum, bringing together the entire supply chain, from finance, land, design and build, and enabling sectors such as research, training and regulation. The enduring theme is collaboration. Given recent events in the sector, the timing of this year’s Forum could not be more opportune.

Last year’s Constructive Forum was about progressing change. This year’s Forum was about taking stock of the sector and understanding and progressing the transformation that is underway. Discussions were important to identify what the sector can do to respond to increasing demand for building and to ultimately deliver wellbeing to the country. This is pressing given the recently published National Construction Pipeline Report which highlights that the demand for building, particularly residential, would be sustained nationally for the next six years.

The Forum acknowledged that the performance of the construction sector was central to New Zealand’s economic growth and importantly interwoven in New Zealand’s social fabric.

### **State of the Sector**

A survey of CEOs and senior managers in the building and construction sector and related industries agreed that in the last 12 months New Zealand’s economy had performed well, but less than half believed this will be the case over the next 12 months. More than half thought the sector was performing below average. Very few thought the sector was in a good state, and no one thought it was excellent. The lack of

skills was regarded as the most critical issue affecting the sector right now. The most critical issue for transforming the sector was risk allocation followed closely by improved collaboration. These are inherently linked.

### **Government collaboration**

Housing and Urban Development Minister Hon Phil Twyford confirmed that the construction sector was of strategic importance to the Government. The Minister noted that the Government was mindful that the current allocation of risk and liability was concerning. He added that the current process must not under or over manage risk and that risk must be placed on the parties best able to manage it. *Constructive 2018* welcomed Minister Twyford's invitation to the sector to work with Government on how to strengthen collaboration. We will continue to push this forward.

Simon Bridges Leader of the Opposition, Judith Collins spokesperson for Housing and Urban Development and Andrew Bayly Spokesperson for Building and Construction emphasised that their priorities were to ensure policy settings were firmly aligned to the interests of the sector including on immigration, the Resource Management Act and infrastructure. They noted that they would prompt a re-think of how construction was dealt with and would look at how consenting problems could be addressed.

### **Game changers**

The Forum made it clear that change and transformation was already happening across the sector. It provided an opportunity to share learnings about the new technology and processes already being utilised here in New Zealand. We are no longer only looking at overseas examples of leading practice.

Early Contractor Involvement (ECI) and Business Information Modelling (BIM) were highlighted as key tools to promote collaboration. BIM in New Zealand while still in its infancy, was increasingly being used. New Zealand was not lagging but the challenge for using BIM more widely was scalability. The Forum included practical tips on how to utilise BIM, we recommend companies utilise the New Zealand BIM handbook and other tools discussed and available at [www.biminnz.co.nz](http://www.biminnz.co.nz).

Participants at *Constructive 2018* also heard from representatives from building and construction companies who showcased technologies and innovations that were used for recent commercial projects such as 3D Modelling, which was important at conception. Technology also allowed parties to, in effect, build twice – first digitally and then physically.

Technologies increasingly involved programming in some form and provided an opportunity to engage and attract wider groups into the industry, including the younger leaders we so urgently need. The successful culmination of these projects reflected a collaborative effort where there was trust and confidence across all parties involved in the build.

### **Risk management**

Recent failures of major construction companies demonstrate the sector must take ownership. Risk management was the essence of managing a construction company today.

It was also noted that builders had to regard themselves as professionals, with employees, supplier stakeholders and their dependants relying on the success of projects. There was strong alignment and consensus across key groups, including lead contractors, sub-contractors and civil contractors. Building as a profession must be valued highly and demand recognition in respect to fair terms, conditions and sustainable margins. The sustainability of the sector is at risk. Further failures of the sector potentially provided an opening for operators not based in New Zealand, who would not necessarily invest in the sector.

The Forum confirmed that the competitive procurement model was failing and that we must move to a genuine relationship and partnership model. The recent boom and bust cycles in the sector have led to a lack of skills and experience at the management level required to recognise and importantly understand and mitigate risk. Similarly, there were also issues with capability in government departments' procurement personnel.

The lack of skills was an issue at all levels across the sector. The challenge in improving industry attractiveness was the need to change generational prejudices against a career in the sector. Parents, schools and people's peers tended to view a career in the sector as less desirable than other training and career pathways. There was also a poor understanding of what career options were available in the sector. We are committed to working with industry leaders to tell the positive stories about the sector to help change these perceptions.

### **Industry Transformation Agenda**

Several areas of work from the New Zealand Industry Transformation Framework had been prioritised and taken forward since the launch last year including on risk management and improving information flows and data. It was clear given recent events this work was of urgency. Lessons could be learnt from other

successful New Zealand sectors e.g. moving forward by focusing effort on areas of agreement rather than those where there was not consensus.

### **Last year**

A key development since the last Forum was the formation of the Vertical Construction Leaders Group under the auspices of the Registered Master Builders Association. This group brings together the CEO's, Managing Directors and General Managers of our leading commercial construction companies. The group continues to grow, and currently has over 30 members.

The Vertical Construction Leaders Group was originally founded to work towards standardising Health and Safety policy and process across industry. Due to the success of this approach the group's mandate has been expanded to provide leadership in lifting standards of professionalism across areas such as risk management.

*Constructive 2018* provided an opportunity to launch a commercial contracts guidance document, mandated by the Vertical Construction Leaders Group. It was well received as a useful starting point for companies to assess the potential risk in standard commercial contracts, which include special conditions and amendments. We will continue to update these guidelines and communicate with the sector.

### **Future action**

There were several areas which Constructive participants would be updated on including on risk management, technology, BIM and ECI. Participants looked forward to working with other industry related groups. Already since the Forum other groups in the sector had indicated strong willingness to advance the reset that the industry so clearly needs. Participants were looking forward to working with the Society of Construction Law on a series of panel presentations to be held in the main centres involving key industry representatives on risk allocation.

Registered Master Builders Association Chief Executive, David Kelly said the Forum was a continuation of the collaboration sparked by the inaugural Constructive Forum participants. Meaningful and genuine collaboration, relationships and partnerships were consistent themes throughout the Forum. Leaders at *Constructive 2018* reflected frankly on the current state of the sector, but also looked with optimism at the transformation that was underway to build a more collaborative and sustainable industry. Participants look forward to *Constructive 2019*.