Building Together

Transitioning to tomorrow

EVENT SUMMARY
7 JUNE 2024

MinterEllisonRuddWatts.

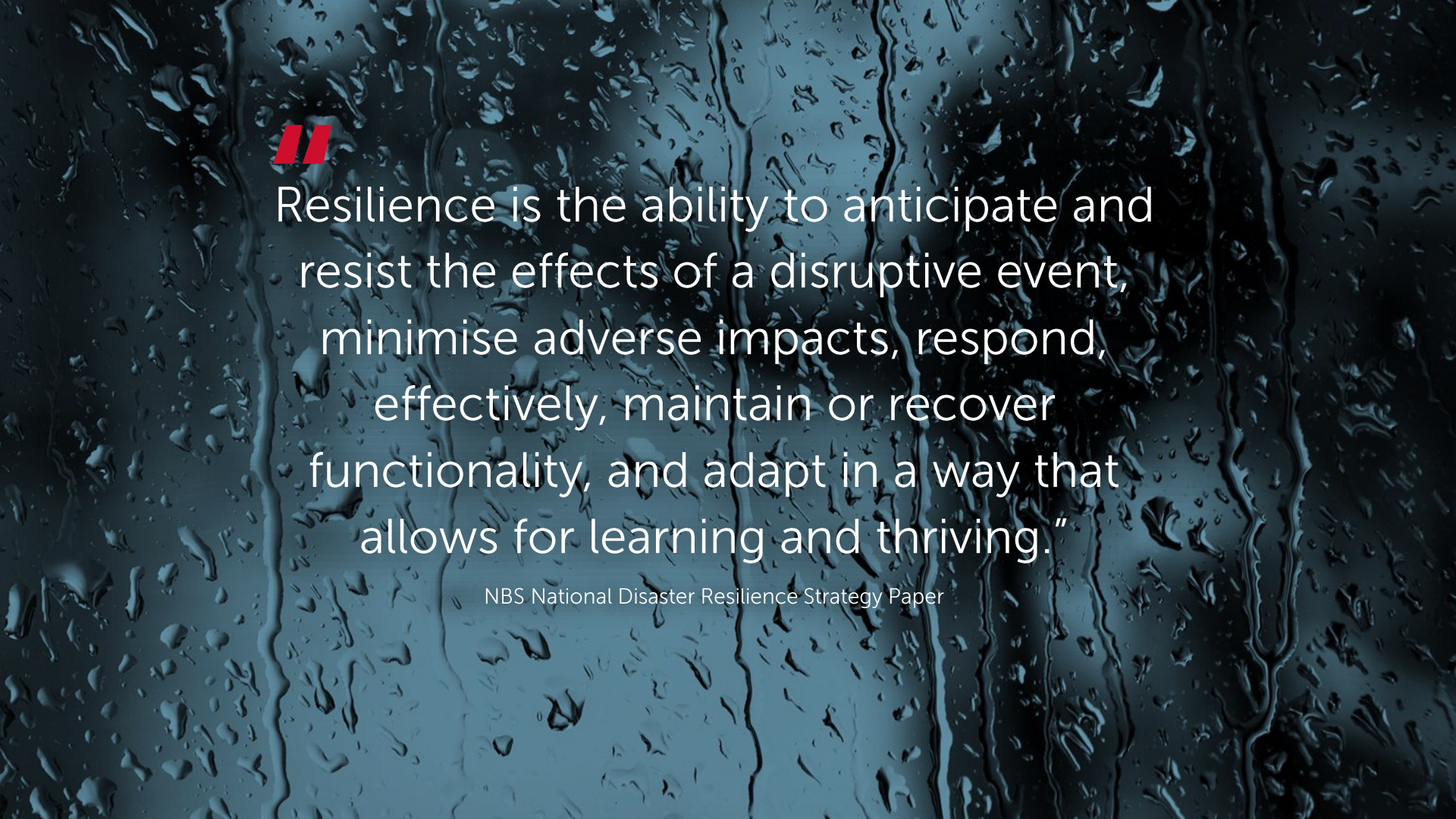
Introduction

MinterEllisonRuddWatts' Building Together 2024, successfully brought together politicians, construction and infrastructure leaders, and key industry participants.

Building Together built on the success of last year's inaugural event. This year's event focused on the opportunities and issues in delivering and funding of projects for the future in New Zealand's construction and infrastructure sectors.

The discussions reinforced the need for investment in existing built assets, with an emphasis on value for money and future-proofing. The scale of investment required highlighted the need for a considered approach to both private and public projects, having regard to such things as technology and funding opportunities.

The event also stressed the need for efficient use of limited resources, with optimisation of existing assets, resilience to natural events and climate change, and the opportunity in information sharing and improved collaboration between sectors.



"Resilience is the ability to anticipate and resist the effects of a disruptive event, minimise adverse impacts, respond, effectively, maintain or recover functionality, and adapt in a way that allows for learning and thriving."

NBS National Disaster Resilience Strategy Paper

The opportunities and challenges in building housing and infrastructure for tomorrow

PANEL: Tracey Ryan, Managing Director, Aurecon; Steve Evans, Chief Executive Residential and Development, Fletcher Building; Andrew Monteith, Partner, MinterEllisonRuddWatts.

FACILITATOR: Janine Stewart, Partner, MinterEllisonRuddWatts

Disaster and post disaster

Our responses to modern natural disasters have demonstrated a common theme – a lack of preparedness both in how poorly infrastructure performed and delay in centralised leadership.

To improve our immediate response to disasters we need to consider:

- Establishing a legislative framework that enables decisions to be made and executed faster.
- Setting-up clear centralised leadership and decision-making processes that enable resources to be focused.
- Funding applied at a central level.

Building on sensitive land

There is a need to be brutally honest with ourselves about whether we should build back.

This is not to say that we should not develop on sensitive land. Examples in Auckland, like Stonefields in Mt Wellington and the former Manukau golf course show that urban design done well with the right characteristics maximises the value of sensitive and risk prone land.

Design must be considered on an holistic and community basis to reduce exposure to natural disasters, while producing good community outcomes.

On the other hand, where the cost of repair and maintenance cannot be justified there must be brave decision – building back resiliently will sometimes mean not building back at all, or at least now.

Resilient infrastructure

New Zealand's infrastructure is frail, and a system-wide collaborative approach is essential to making it resilient.

To ensure the country's infrastructure pipeline is not affected by political change we need to see the current bipolarism in politics overcome.

We have to accept that for the population to grow there will be intensification. However, we can ensure our infrastructure is resilient and sustainable by considering such things as circularity of design and focusing on system-wide solutions.

New Zealand's "comfortable mediocrity" has started to become uncomfortable. Now is the time to act.

Making the most of what we've got

PANEL: Jeremy Holman, Chief Infrastructure & Investment Officer, Te Whatu Ora; Ross Copland, Chief Executive, Te Waihanga; Josie Boyd, COO, Northpower; Dean Kimpton, CEO, Auckland Transport.

FACILITATOR: Sarah Sinclair, Partner, MinterEllisonRuddWatts.

New Zealand has a massive infrastructure deficit – and whether we like it or not, we have no choice but to optimise the infrastructure we already have.

Research estimates that there is NZD280 billion in capital assets under management.

In looking at these existing assets there are two objectives:

1. Asset utilisation; and
2. Asset preservation.

The tools we have to assist in achieving these objectives include asset pricing, asset management planning, regulation and network convergence (connecting different networks to work together).

Electricity

Much of our legacy infrastructure is approaching or beyond end of life. There needs to be a step change to focus on renewing that infrastructure in a way that accommodates future needs and demands. The past is not a proxy for the future.

Healthcare

The state of the NZD24 billion worth of assets across the 20 DHBs that have been merged together has yet to be fully understood. The ability to best manage the assets depends on understanding what we have.

There is a focus on using standardised designs and finding opportunities to refurbish, recycle and repurpose as opposed to building new infrastructure to support the country's healthcare sector.

Public transport

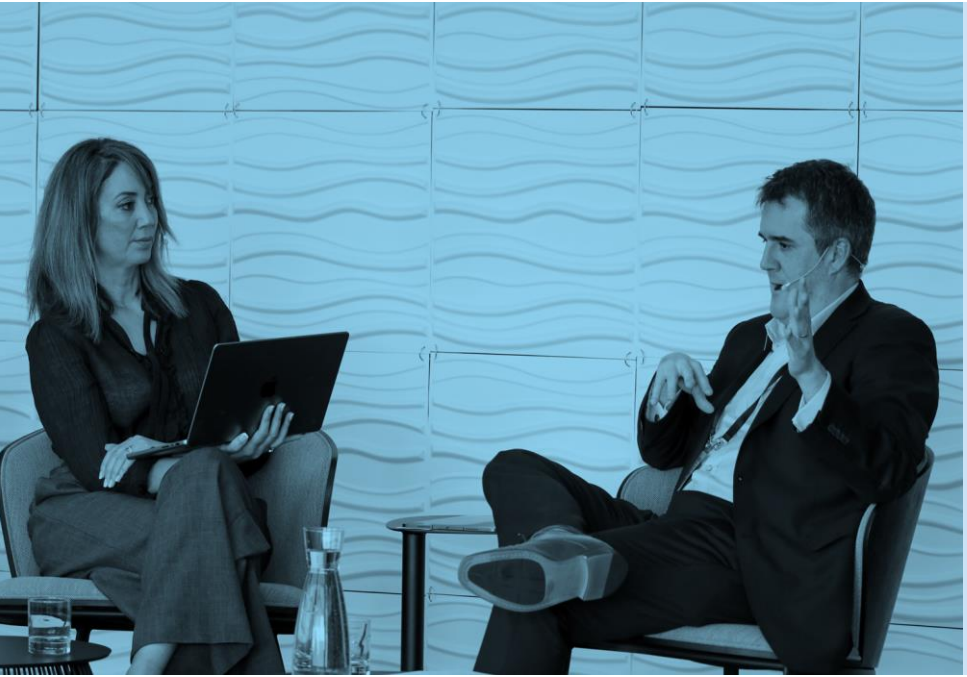
Over the next 10 years, New Zealand's population will grow by a minimum of 220,000 people and the load on our arterial roads will increase. Therefore, a major part of maintaining transport infrastructure will have to involve optimisation of that network.

If we can defer a major capital investment, (e.g. a new road), by 10 years and use that time to optimise the system, we could deliver the same benefit for a fraction of the investment. This approach frees up the most precious resource – capital.

Q&A: What does the Government need from the construction and infrastructure sector?

Hon Chris Bishop, Minister of Housing and Infrastructure

FACILITATOR: Miriama Kamo



Our Q&A session with Chris Bishop provided in-depth exploration of the Government's overarching infrastructure procurement strategy for future projects in New Zealand.

The discussion revolved around the Government's approach to addressing the infrastructure deficit, with a keen focus on value for money and delivering projects within the set time and budget.

The 30-year National Infrastructure Plan was also examined, highlighting its crucial role in developing a robust pipeline of infrastructure projects, as well as the significance of bi-partisanship for the success of long-term plans was underscored and the proposed National Infrastructure Agency's role in the Government's infrastructure strategy.

"Choose growth and choose prosperity."

An Australian perspective

Adrian Dwyer, CEO, Infrastructure Partnerships Australia

FACILITATOR: Sarah Sinclair, Partner, MinterEllisonRuddWatts

The Australian market

Currently there is more than AUD600 billion worth of contestable major projects in the Australian market – 314 projects are yet to be awarded in that pipeline.

For transport infrastructure there has been no new funding for new major projects over the last two years of state and federal budgets – meaning there is a now a funding valley locked in for road and rail.

Other market observations include that Australia will almost certainly miss its 2030 emissions targets, potentially by a considerable margin. However, the goal of decarbonisation is here to stay.

Why is transport infrastructure declining?

Transport infrastructure funding is highly dependent on taxpayer funding with very limited user pay opportunities. With Australian states fiscally constrained, there are few taxpayers dollars for either capital or maintenance without reform. The states are in a particularly tricky spot with high levels of relatively expensive debt, a lack of assets to recycle (or a lack of willingness to recycle) and extremely limited revenue options.

"If New Zealand is ambitious about its own agenda, there is a really good opportunity coming to exploit the resourcing gap that is opening up in Australia."

Slow-moving energy wave

Australia's energy project pipeline is substantial and growing, but it is moving at a glacial pace.

It was anticipated that the outgoing tide of transport investment would be replaced by the incoming tide of energy investment. But it is clear that this will not occur. Consenting energy infrastructure is slow.

The bubble

As a result of this, a bubble is forming in the market where transport projects are ending without energy projects to replace them. The affects are already being felt by consulting engineers and front-end advisors.

This will flow through to contactors over the next 18 months where they will not be able to replace the work that is leaving the system. The rate at which Australia would need to increase the approval of energy projects to close this gap is not feasible. As such this bubble is real.

The bubble presents an opportunity for New Zealand to exploit the gap to obtain experienced infrastructure delivery resource. It presents as an immense advantage to New Zealand or for anybody that can get a pipeline of projects ready and rolling.

Technology as an enabler

PANEL: Luke Herlihy, Chief Product Officer, Reveal; Chau Nguyen, Director, WSP; Thomas Hyde, Chief Innovation and Transformation Officer, Beca.

FACILITATOR: Tom Maasland, Partner, MinterEllisonRuddWatts

Technology for productivity

- Technology can and should be used to close the infrastructure deficit but it is not a panacea – examples include using digital twins to visualise construction as built, drones to replace physical surveying methods and parametric design.
- Asset maintenance inefficiencies can be resolved through technology, such as implementing digital sensors onto infrastructure or utilising robotics to monitor hard to reach locations, resulting in cost and time savings compared to human labour.
- Looking at innovation overseas, New Zealand lags behind Australia and the United Kingdom.

Barriers

- New Zealand has a people-based construction culture – contractors calculate margins per worker on site rather than investing in technology which would flow through to construction and maintenance cost savings for asset owners. Need incentives to change.
- Market participants are not generally collaborative in data sharing or other technology which would reduce costs and time if there were centralised systems for projects. Consider regulatory threat to encourage sharing (like occurred with open banking)
- Limited senior level discussion around innovation – need to consider how to measure and what this looks like for major projects.
- If we can identify tools which can improve productivity and enhance efficiency in a sequence of projects, we can train up teams who can use these tools in such sequential projects. Requires collaboration and co-opetition.

The impact of disputes on projects: How can we do better?

PANEL: John Bridgman, Board Chair, City Rail Link; Director, Waka Kotahi and Kainga Ora; Peter Neven, Director, PCR; Scott Thompson, Partner, MinterEllisonRuddWatts

FACILITATOR: Deb Rowe, Special Counsel, MinterEllisonRuddWatts.

Key points

- New Zealand market players are typically relationship based whereas Australia players are typically contractual. The trend has been for parties to take disputes personally rather than treat them as an aspect of business as usual. This can present problems for resolving conflict.
- Parties should determine their claims strategy from the project outset – will they adopt a strictly contractual approach to dispute resolution for every claim raised (adversarial) or have a more project outcome focus (practical)?
- Have a mechanism for elevating disputes to an executive level. If it cannot be resolved on the ground, escalate the issue. Often those on site bear the brunt of heightened emotions.
- Companies need to have efficient processes for managing key personnel turnover – how will you ensure records and knowledge are retained?
- Keep it simple – having standard conditions in contracts means disputes are resolved quicker due to a precedent being available.
- Keep your ear to the ground – gather market intel on how contractors work with sub-contractors. If there is not a good relationship, disputes will invariably arise.
- Disputes take the focus away from the project. The priority should be ensuring the project is completed on time and to scope, even if there are issues on site.
- The procurement model needs to match the project, team capabilities and goals.

> "Making change for the sake of change is fraught with issues."

Contact

Building Together: Transitioning to tomorrow was hosted by the MinterEllisonRuddWatts' Construction and Infrastructure Division.

Our sector-leading, specialist team has the largest dedicated offering in New Zealand, and is involved in all aspects of construction and infrastructure projects, both in the private and public sectors.

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