



**association of
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engineering**

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Ministry for the Environment
Climate Policy

Email: adaptation@mfe.govt.nz

Kia ora

Thank you for the opportunity to submit on the Draft National Adaptation Plan.

ACE New Zealand (the Association of Consulting and Engineering) is a firm-based membership association representing over 240 consulting and engineering firms – from large global firms to employee-owned SMEs and sole traders. Our members are the businesses at the forefront of delivering the activities that will enable the National Adaptation Plan (the plan) and the strategies it contains.

Our members employ approximately 14,000 staff, including engineers, project managers, planners, scientists, architects, surveyors, and other technical disciplines relating to the construction and infrastructure sectors. They work together to research, advise, design, and deliver on critical technology, policies and practices, construction, and infrastructure, across the built and natural environment in Aotearoa and their mahi sits across large areas of activity in climate change adaptation.

Given our role, our submission is focused directly on aspects of the proposed adaption plan that relate to our professional services consulting businesses – the role they play in the leadership of Aotearoa New Zealand's climate adaptation and the strategies Government can include in the plan to best support that role.

We support the direction of the National Adaptation Plan

New Zealand needs to adapt in the face of climate change over the coming decades and having a national adaptation plan will be a useful tool to support a strategic response.

But there are some fundamental gaps

While we support the direction of the plan, it is extremely high level and government focussed. We see gaps in the draft plan which will be fundamental to how it is delivered that we recommended be included in the final plan.

Roles and responsibilities

The plan as drafted sets a high-level response for government. While it acknowledges the role of the private sector, it predominantly focuses on the private sector as asset owners rather than as practitioners responsible for delivering much of what is contained in the plan.

Partnership with industry who research, advise, design, deliver, and maintain the technological and physical infrastructure supporting the plan needs to be referenced and elevated within the plan. The plan needs to enable industry to act as fast and as innovatively as possible to support the high-level strategic objectives. It can do this by creating more favourable settings for industry, and this leads on to the next three gaps we have identified.

Our people

Our people challenges – capability and capacity – are referenced in several places in the document, along with the current workforce shortage and pressure on the infrastructure labour market. However, in our view, the plan needs to draw out a stronger focus on our workforce challenges and speak directly to the criticality of taking action to address this for delivering the strategy.

As highlighted in our report [*Infrastructure for the Long Haul – A need for transparency and durability*](#), the infrastructure sector is a significant employer. Infrastructure investment supports seven jobs for every \$1m of spend. Increased infrastructure costs due to lost capacity and capability have cost us \$2.7 billion over the past decade. Alongside this, our sector is struggling with a lack of available skilled staff. While Covid-19 has amplified it, this is not just a Covid-19 issue.

We need to have a planned and strategic approach to the infrastructure and construction sector skills and workforce development and this needs to be a core aspect of any plan that relates to infrastructure investment, design, delivery, and management.

Our workforce strategy includes, among other things, investment in building the workforce pipeline, investing in building the capability of the current workforce, and ensuring our immigration settings support access to international markets. Our country's economic viability relies heavily on the movement of people, and this includes encouraging people with specialist skills into the country. Access to an international workforce is vital for the consulting sector to be able to make its contribution to the delivery of Government's adaptation ambitions.

Procurement and contract behaviours

We support focus area three, which seeks to embed climate resilience across government strategies and policies, meaning that government agencies will consider climate risks in their strategies and proposals. Within this, there needs to be a greater emphasis on the role of government as a client.

Procurement is a lever to drive better outcomes, including in our climate responsibilities and drive for technological change. The role of social procurement to better engage communities, mana whenua, and derive community benefit in infrastructure development, care and maintenance could also be emphasised.

Government procurement, despite commitments and efforts at the All-of-Government level, can still be inconsistent. This needs to be addressed if government is to be a leader in promoting climate adaptation. Greater consistency across procurement processes would also increase productivity.

We also need to ensure the way we engage services is driven towards creating a better system. Too often our members see contractual settings with unfair risk and liability settings. Risk and liability need to be fairly apportioned to the parties best able to manage them. We would like to see more

consistent and widespread use of industry-accepted standardised contracts that provide a fair balance. This will increase productivity, reduce costs, ensure parties clearly understand their obligations, and that risk is allocated fairly. When risk is fairly allocated, innovation is enabled to thrive.

We want to emphasise the difference between cost and value in these considerations. We support the focus on improving procurement processes, but we want to ensure this doesn't result in a race to the lowest cost. As noted in Infrastructure New Zealand's 2018 report *Creating Value Through Procurement*, a funding and procurement environment that rewards least cost offers and risk-shifting ends up exposing all parties to higher whole-of-life cost. If cost is more heavily weighted, we will miss opportunities for optimal outcomes, and we will continue with a drive to the lowest price with significant downstream effects.

Rather than a focus on lowest cost, the focus should be on achieving best value for money – with value assessed in a holistic sense, including social and environmental externalities, as well as whole of life operating costs. This may mean choosing options with higher initial cost that create greater value and minimise disbenefits. A lowest cost focus will often be inimical to climate change objectives – low-carbon options may involve more complex and costly design and engineering, as well as new technologies and construction practices that can add to cost.

Insurance

There is a focus in the plan on insurability of assets. It is important to recognise the challenges posed by the current insurance environment as it relates to the infrastructure sector, and the difficulty this can pose for work that pushes the boundaries of new practice and new technology. This goes beyond the insurability of assets and includes the availability of professional indemnity insurance, which has a significant impact on our businesses supporting climate adaptation.

Issues of professional indemnity have become particularly acute recently due to changes in the worldwide professional indemnity insurance market over the last 24 months, where some insurers are withdrawing from the market and premiums are increasing markedly. Furthermore, in some jurisdictions (most notably in Australia) consultants are now unable to obtain professional indemnity insurance for particular types of work. Work in the environmental space is a key area that is pushing up professional indemnity premiums. This creates a huge potential risk not only for consultants but for the infrastructure sector.

In an environment where securing insurance is difficult, professionals are incentivised to 'play it safe' and not do anything that goes beyond regulated minimums. A functioning insurance market that enables professionals to undertake work and be innovative on climate adaptation is vital, as are clear laws and regulations that set standards for them to adhere to, which will achieve the needed outcomes in terms of climate resilience, sustainability, and efficiency.

Specific comments on Homes, Buildings and Places

We support the future work programme to make sure regulations consider future climatic conditions, and the other future work programmes in the building and construction and housing portfolios. These changes will help to ensure new buildings are constructed appropriately for the environment they will exist in and reduce the impact of severe weather events.

We think it is particularly important that work on design requirements for flood mitigation and heatwave tolerance is advanced rapidly, and to have clarity as soon as possible on the direction of

the Building for Climate Change programme and the government's plans to incentivise retrofitting of the existing building stock for energy efficiency.

Specific comments on Infrastructure

ACE New Zealand agrees with the objectives for infrastructure outlined in the draft plan. We need to reduce the vulnerability of assets to climate change effects, build new infrastructure to be fit for future climatic conditions, and upgrade our existing infrastructure to also be ready to mitigate climate change impacts.

Our 2020 *Infrastructure for the Long Haul – A need for transparency and durability* report highlighted several relevant systemic issues, including that climate change is likely to require significant investment in repairing or replicating at-risk infrastructure, and that local government is running out of fiscal headroom and democratic support for infrastructure investment.

The earlier infrastructure practices and resource management rules change to adapt to the coming effects of climate change, the more resilient our infrastructure will be, and the fewer costs will be incurred in the future, both from climate change itself and the need to make later mitigations. We support good minimum requirements when it comes to climate change mitigation in the built environment. Experience has shown that clients and designers will tend to treat legal minimums as the standard, and few will go above and beyond them. Furthermore, requirements provide clarity to all industry players on expectations and reduce arbitration in projects. We support the commitment of Te Whaihangā to scope a resilience standard or code for infrastructure.

Certainty around the future states of infrastructure and resource management rules is very important for our members. Major infrastructure projects take years to plan and construct and last for decades. Our industry needs a solid pipeline of work to plan around, to ensure we have adequate workforce and the right skill sets. The prospect of significant changes to government regulation throws that pipeline into doubt and undermines our members' ability to plan.

We believe Government has a central role in this by moving rapidly to set new standards that satisfy those objectives. The design requirements that government sets, both as regulator and as the largest procurer of new infrastructure, become the de facto standards. We agree that government procurement should be leveraged for climate outcomes, but regulation is also important because it gives certainty to the sector and ensures consistency, which individual procurement decisions do not.

Further, for our sector, a predictable, dependable pipeline of work is very important. Our members work on projects that frequently take years, even more than a decade, to complete and as noted above they need to be able to plan their workforce and investment needs accordingly. Regulatory and government strategy upheaval, including through changes in political cycles, throws that pipeline of work into doubt. The quicker we can have certainty restored, and confidence that settings will remain stable, the better our members will be able to adapt their practices towards climate mitigation.

Concluding comments

We encourage the government to acknowledge industry's role more clearly in the plan and outline strategies within the government's control to create more favourable settings for industry to lead the mahi it needs to do to bring the plan to life. This includes across skills and capabilities, procurement and contractual behaviours and the insurance environment.

We trust these comments assist with the finalisation and execution of this important plan. Please do not hesitate to contact us to discuss any aspects of this submission.

Nga mihi,

A handwritten signature in black ink, appearing to read 'H Davidson', written in a cursive style.

Helen Davidson
Chief Executive