

Association of Consulting
and Engineering

Level 11
79 Boulcott Street
Wellington 6011

PO Box 10247
Wellington 6140
acenz.org.nz



18 May 2023

Rt Hon Chris Hipkins, Prime Minister

By email only: Chris.Hipkins@parliament.govt.nz

Tēnā koe Prime Minister

We're writing today to invite your engagement with our members on key issues affecting them.

Who we are

The Association of Consulting and Engineering New Zealand (ACE New Zealand) represents over 255 professional services firms and 15,500 people working across the built and natural environments – from large global firms to employee-owned small and medium enterprises.

Our members include engineers, project managers, planners, scientists, architects, surveyors and other technical disciplines. Our teams contribute significantly to Aotearoa New Zealand's economy by advising, designing and delivering on critical technology, policies and practices, and construction and infrastructure across the built and natural environment in Aotearoa. It is estimated our work in building and construction alone contributes around 7 percent of Aotearoa's GDP.¹

Key policy areas

As our members play a vital role in the New Zealand economy, it's critical that Government policy supports our businesses and ensures a healthy construction and infrastructure sector. The key areas we need continued Government support with are:

1. Continued investment in infrastructure to ensure we have a consistent and visible pipeline of work, enabling our businesses to plan effectively including attracting skilled migrants.
2. Continued work to address the significant skills shortage facing our sector, both through review of the immigration settings and investment in our education system at tertiary as well as vocational levels – particularly in engineering and surveying.

¹ Statistics New Zealand. See: <https://www.stats.govt.nz/information-releases/gross-domestic-product-march-2022-quarter/>.

3. Enabling productivity and a healthy market by continuing to strongly encourage central and local government agencies to use industry-accepted standardised contracts, and improve construction procurement processes to ensure they are efficient, fair and inclusive.
4. Investment in new technologies and innovations in the construction and infrastructure sector, and efficient and flexible regulatory processes that enable and support these technologies and innovations.

We have **attached** further discussion on each of these areas for your reference and would welcome the opportunity to provide you or your team with in-depth briefings on these topics, and/or engagement with our members in a Boardroom setting.

ACE member firms are integral to the growth and development of our communities in Aotearoa New Zealand, and to our economy. We have a deep understanding of the policy and stakeholder issues across a vast range of areas all linked to the economic wealth and prosperity of our societies. We are invested in policies that support our businesses to support their communities in the most effective, efficient, and productive way possible.

We would welcome the opportunity to discuss these issues with you further and are available to provide an in-person or in-depth briefing on any of topics outlined above. Please contact me by email: helen@acenz.org.nz or telephone: 022 108 7167 if you would like to set this up.

Nga mihi,

Helen Davidson
Chief Executive

Cc: Hon Dr Megan Woods
Hon Michael Wood

Priority 1: Infrastructure investment, a secure pipeline of work, and future focus

Ensuring we are continuing to invest in infrastructure is central to ensuring a resilient and sustainable future. Having a visible and consistent pipeline of work is critical for Aotearoa and to the productivity of our sector. If we know with good notice what the pipeline looks like our members are better able to plan their business effectively and build capability (through training or recruitment). It takes the consulting sector time and money to gear up for a project, from assisting with business case development, to pulling together a bid, to recruiting the right people, and mobilising and building the capacity and capability of the team. Any time a project is placed on hold, or a change in decision is made, there is a negative impact, not just for our businesses but for the wider productivity of the sector, which ultimately affects our communities. We are asking that the Labour Party avoid as much as possible sunk cost and disruption to productivity and business continuity.

The recent Auckland floods and Cyclone Gabrielle events have highlighted the immense challenge ahead adapting for future events, ensuring our infrastructure is as resilient as possible, and to mitigate further damage. It's also highlighted that any decisions around investing to rebuild infrastructure needs to be carefully considered against the changing needs of the population, and accommodating for change, such as raising properties or rebuilding more resiliently, and managed retreat in areas identified as being at intolerable risk.

To respond to these challenges effectively and efficiently we need all players to radically collaborate for long-term solutions, including central and local government, Iwi/Māori, the private sector (including our members), and financial institutions (banks and insurers). We'd like to see Government invest in and lead this collaboration. This goes beyond setting facilitative regulation such as resource management and beyond the immediate flooding and Cyclone response. It's about sustained, and bold action, innovation and informed investment decisions, and it needs to be Government-led. This includes ensuring that our climate responsibilities are underpinning all our infrastructure investment decisions, including in transport and mode shift, and urban growth.

Our members have specialists able to help agencies with this work. We encourage government to bring in these skill sets more often and early in the process.

Priority 2: People

The professional services consulting sector is facing a significant skills shortage. In mid-2021, a survey with our members revealed we are short at least 837 engineers, 147 technicians, 114 architects, 79 Planners, 104 land/quantity surveyors, and 104 valuers/cost managers among others. A more recent survey with our members shows that recruitment is not getting easier. The shortage will be exacerbated as the country moves into the rebuild phase of the Cyclone recovery.

Having a clear pipeline is also important to retain skilled labour in New Zealand. Many other countries are investing in infrastructure as we are now, with larger, more attractive projects. It's a competitive international market, and we don't want to lose people especially if we can't replace them easily.

Our members are committed to developing domestic talent and have many programs and scholarships to support this. From Government, we would like to see continued investment in domestic programmes, including for larger tertiary intakes for our engineering and surveying schools and apprenticeship and training boosts.

The talent shortage cannot be addressed through the domestic market alone. The immigration reset last year, and border openings have provided pathways for the skills we need to recruit internationally to supplement our efforts to grow domestic talent, but our members are still experiencing significant challenges with visa requirements and processing and increased attrition due to delayed OEs which means vacancy numbers are not shifting downwards.

Without more certainty to residency, and an easier and more efficient system, we will not attract the skilled workers we need from overseas to support the recovery and rebuild of Cyclone effected areas or be able to keep up with the current infrastructure development projects. International recruiters HainesAttract, who we have been partnering with on an international recruitment campaign for engineering and consulting (nextstopnz.com), have processed over 2000 applications through the campaign since September. They are telling us we are losing candidates to Australia who have a much more efficient and simpler application process, including in relation to checking qualification equivalency. They are also hearing that, given the significance of relocating to New Zealand, applicants want assurance that when they arrive they will be able to stay, and their investment moving across the world will be sustained.

That's why we're asking for your support for a relook at immigration processes and settings to provide certainty to the professionals we need to support the recovery and rebuild, for the immediate and long term, and that is based on a trusted partnership with the sector. We're looking for increased efficiencies from Immigration NZ, and for engineering and consulting professionals entering on the Green List we'd like to see more transparency and consistency around the requirements for visa approvals, and fewer barriers for the employer and candidate, such as police and medical checks, as well as simpler and more transparent qualification checking procedures.

Priority 3: Productivity and a healthy market

Beyond having a future-focussed pipeline of work and sufficient workers, we need to ensure our systems support our staff to be as productive as possible. Productivity is a significant challenge for our sector. For our members to be able to respond efficiently and effectively to both the rebuild work, as well as system transformation and the broader pipeline of infrastructure and construction work, the system needs to be able to support fast decision making and a healthy market. Procurement and contract behaviours are an important part of how we will be able to respond to current and future challenges.

Firms put a lot of time and resource into responding to bids and negotiating contracts and this is a key area where there is opportunity for government to drive the change for a more productive sector. We have industry-accepted standard contracts that are well understood by the industry, and insurable. Amendments to these contracts can lead to protracted negotiations adding significant delays to a project and slows innovation. They also add significant cost and barriers to smaller firms participating in the market. To address this, we would like to see widespread use of industry-accepted standardised contracts that ensure a more consistent and streamlined process where risk and liability are fairly apportioned to the parties best able to manage them, and that support the participation of smaller firms in the market as well as larger ones.

While we have seen a recent commitment from central government Construction Sector Accord agencies to the use of standardised contracts, we encounter challenges from agencies at the delivery end that still need to be addressed, and contractual behaviour across local government is prohibitive. We would like to see Labour's continued support for a widespread move to the standardisation of contracts and fair procurement processes to support a productive and healthy market.

Ensuring a healthy market through fair procurement processes that promote the social, economic, environmental, and cultural wellbeing of communities and that enables firms of all sizes to participate will also be central to a resilient and sustainable future. To achieve this, we need to see a more consistent approach across government procurement processes, with the focus on ensuring the way we engage services is driven by creating an efficient and better system, rather than lowest cost. This includes continued support for the increased targets for goods and services to be awarded to Māori businesses, which we support.

For productivity, we also need to see more investment in technology and support for businesses developing technological solutions to enhance productivity. This includes considering how to ensure the opportunities and benefits of utilising technology are clearly understood and adopted by government where appropriate.