

Department of Building & Housing

# Building and Construction Industry Task Forces

examining

# PRODUCTIVITY IN CONSTRUCTION



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## DBH overall outcome

The people of New Zealand have access to quality homes and buildings that meet their needs, reflect our environment and contribute to a sustainable New Zealand



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# About the Department

- Established November 2004
- Sector policy
- regulatory functions
- Dispute resolution services
- Information and advice
- Analysis
- Administering legislation
  - the Building Act 2004,
  - Residential Tenancies Act 1986,
  - Weathertight Homes Resolution Services Act 2006  
etc



# Ministerial Forum – 1<sup>st</sup> August 08 to 30 April 09

Ministerial  
Forum

Industry Sector  
Leaderr & Govt

Two Task  
Forces

SECTOR  
PRODUCTIVITY  
Chair Peter Fehl –  
Akl University

URBAN  
INTENSIFICATION  
Chair Richard  
Harris - NZIA

Three Working  
Groups

PROCUREMENT

SKILLS

URBAN  
INTENSIFICATION



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# Two industry led taskforces

## Sector productivity

- Also looking at procurement practice
- Chair Peter Fehl, Director Property Services, Auckland University

## Urban Intensification

- Chaired by Richard Harris, President NZIA



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# What will the Taskforces focus on?

- Sector Productivity
  - Improving NZ's skill development system for this sector
  - Specific skill development needs – eg: specific trades, general management development
  - Making the sector a more attractive place to work – eg: better career paths within and across trades
  - Better procurement models to reduce whole-of-life costs and potential cost-overruns
- Urban Intensification
  - What would make intensified housing more desirable for consumers – especially families
  - Smoother process to facilitate intensification developments



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## Sector Productivity

Peter Fehl (Chair)

- Peter Neven (Fletchers)
- Peter Gomm (Mainzeal)
- Brett Mettrick (Master Builders)
- Richard Merrifield (CBA)
- Trevor Kempton (Naylor Love)
- Richard Michael (Contractors Fed)
- Ruma Karaitiana (BC ITO)
- Peter Mersi (Treasury)
- Nigel Bickle (DBH)
- Mark Steel (MED)

## Urban Intensification

- Richard Harris (Chair)
- Martin Dale (McConnell)
- Ian Castles (Wellington Co)
- John Coop (Warren & Mahoney)
- Peter Winder (ARC)
- David Rankin (ACC)
- Leigh Auton (Manukau CC)
- Ernst Zollner (NZTA)
- Anne Carter (DIA)
- Lesley McTurk (HNZC)
- Suzanne Townsend (DBH)
- + MfE representative



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# Developing an improved approach to the procurement of construction projects



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# Background

- One Taskforce objective is to develop pragmatic options for improving procurement practices.
- Comments from August 2008 Sector Forum:
  - Cost-based model does not always deliver best result
  - User needs being neglected
  - Lack of recognition of linkages between design and construction



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## What the Working Group considered...

- What is the procurement scene in NZ?
- Is there a problem?
- What are the solutions?



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# Building and Construction Industry Productivity Taskforce

## Procurement Working Group



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## Who was there?

Member	Company
Ian Bond	Principal CM Ltd
John Hale	Fletcher Construction
Bob Monteith	Ex. Pres. Cert. Builders Assoc
Clive Tilby	Independent
Amanda Warren	Consultant - Constructing Excellence
Robert Galvin	Dept. of Corrections
David White	Treasury
Phil Weir	Ministry for Economic Development
Devon Diggle	Ministry of Health
David Stevenson	Ministry of Justice
Brian Mitchell	Ministry of Education
Kevin Doherty	NZ Transport Agency
Tyson Schmidt	Department of Building and Housing



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## What the Working Group considered...

- What is the procurement scene in NZ?
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# What the Working Group came up with...

- *What is the procurement scene in NZ?*
  - Govt Procurement mixed. Some leading examples, others traditional. Agencies do not collaborate
  - ‘Thinness’ across industry in client and supplier ability to get greatest value from projects
- *Is there a problem?*
  - Yes, large gap between majority of NZ procurement and international best practice
  - Not about what proc. models go where, more about how to get best out of the model used and the quality of the businesses being procured
- *What are potential solutions?*
  - Short term = visibility of infrastructure projects
  - Medium term = visibility + central resource to impr. Capability and performance of both clients and industry



# Govt uses a range of procurement methods...

## **New Zealand Transport Agency**

- Uses full range of procurement methods, decide which to use at the strategic context level
- Core team of 8-9 people, annual spend in excess of \$2b

## **Ministry of Education**

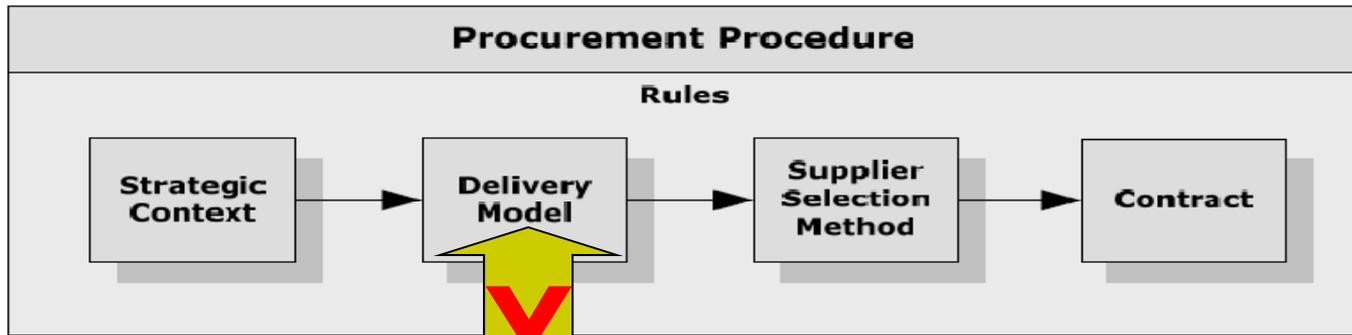
- Use design & build for larger projects, traditional methods for smaller works
- Team of 6 people, annual spend of \$500-600m

## **Department of Corrections**

- **Have tried** collaborative working arrangements. **Moving towards** standardisation
- Lumpy profile, but annual average est. \$140m, 10 people

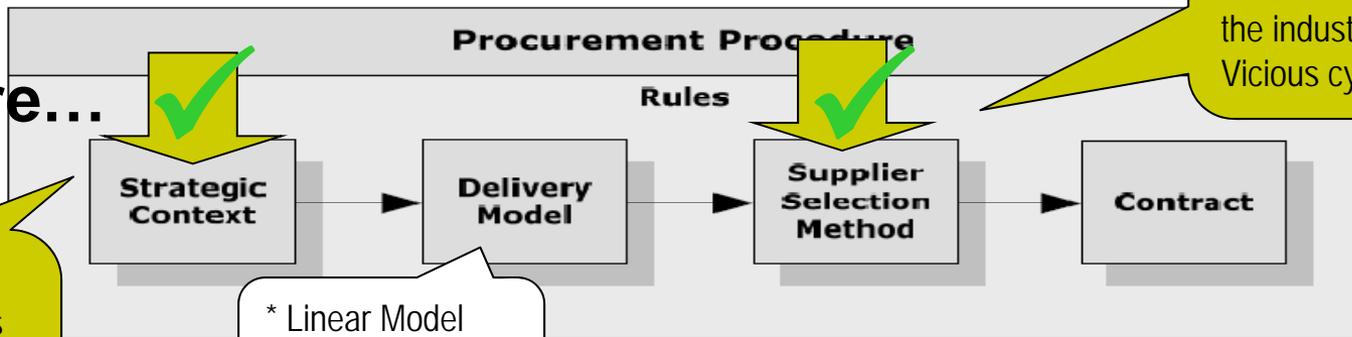


# Where does the problem lie?



...mostly not here\*

but here...



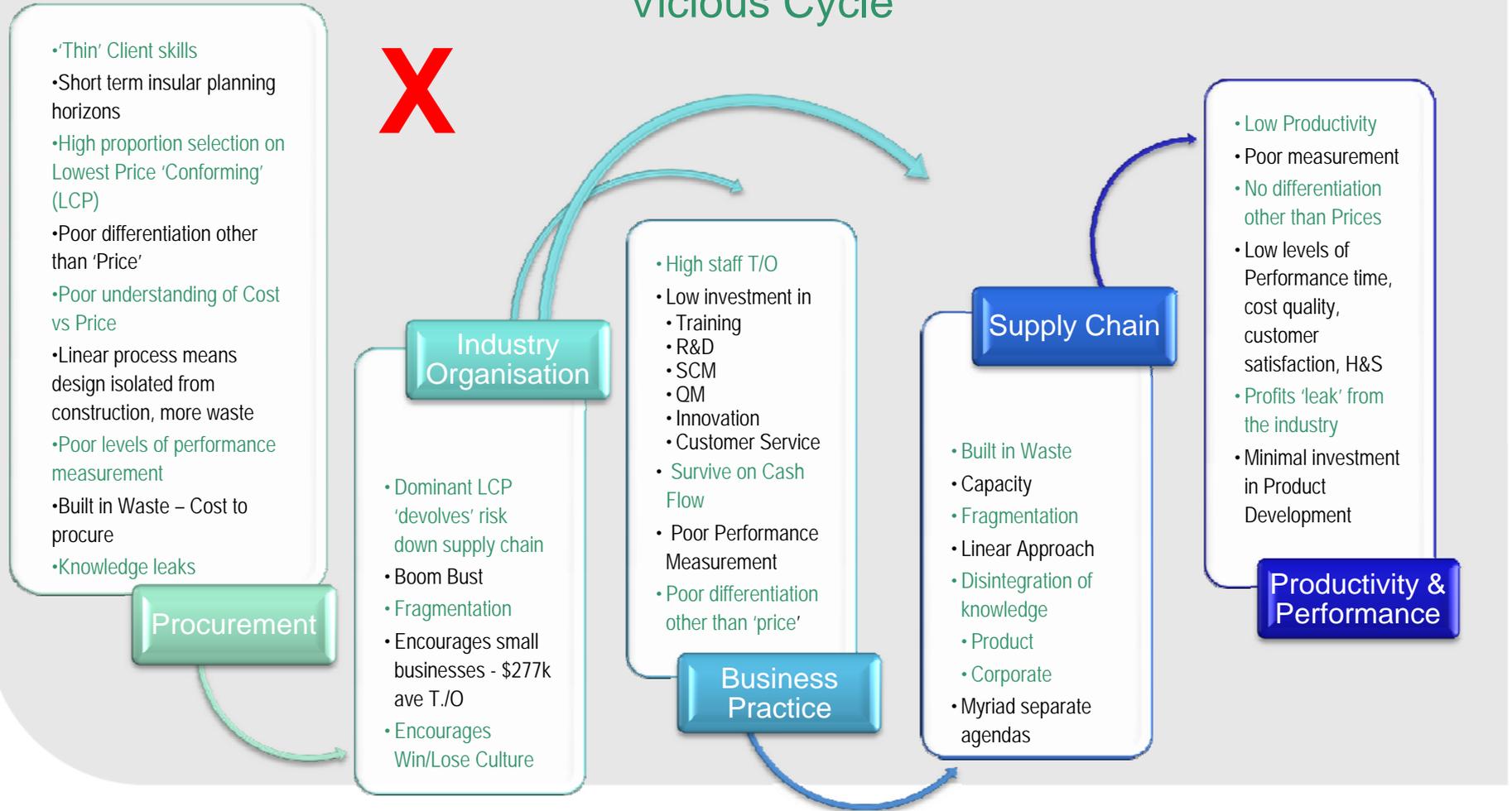
'Lowest Price Conforming' selection drives the industry into a Vicious cycle

Mixed skills in delivery models available.  
Differing planning periods  
Poor visibility of workload

\* Linear Model builds in waste



# Procurement impacts on Productivity & Performance Vicious Cycle



# Procurement impacts on Productivity & Performance Virtuous Cycle

