

Meeting No. 18 Meeting Notes 17 May 2007

PRESENTATION 1



Introduction to Mainzeal Property & Construction Limited

Warren Chapman, National Manager Major Specialise Projects

Richard Yen, Parent Company Board (RICHINA) CEO

Peter Gomm, Chief Operating Officer, Martin Fahey, Area Manager

Mainzeal H&S: **Brian Olsen**, National Quality & Safety Manager

Warren Chapman, welcomed the CCG members to Mainzeal and introduced Richard Yen, CEO of RICHINA, Mainzeal's parent company.

Richard noted it was rare to have so many colleagues and competitors in the one room, but good to see.

RICHINA has owned Mainzeal for 15 years, but more recently changes are afoot for Mainzeal. Shanghai is the most competitive place in the world and this is where RICHINA have purchased a large piece of land that they intend to develop. This means that it makes sense to make Mainzeal a strategic partner. RICHINA will own the buildings therefore the company is seeking a very high level of service from Mainzeal. A key strategic move was to go to the industry and find a helmsman – 'we found a great man in Peter Gomm', the new Chief Operating Officer for Mainzeal.

And with this, Richard introduced the newly appointed **Chief Operating Officer of Mainzeal, Mr Peter Gomm**.

Peter described himself as a product of the English construction industry. During his early career the English market was beset with:

- Procurement Problems
- The Dichotomy of Design and Construction
- Documentation Errors
- Administrative Waste

Peter first arrived in NZ, Wellington, in 1982 and for the past two years has worked for Westfield, looking after their retail construction projects.

Peter talked about the paperwork in the UK industry and 'how it used to be' and in comparison to today, this point alone shows the way in which the construction industry is maturing. The major improvement has been the adoption of best practice procurement and look how far the industry has come.

Best Practice Procurement:

- Capital Cost Reductions Up to 14%
- Time savings approaching 30%
- Cost predictability to 95%
- Site accident reduction 50-60%

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Mainzeal – The Next Chapter Collaborative Working Agreements

The next chapter for Mainzeal has a strong lead in collaborative working agreements. The \$250m Spring Hill project has been the model benchmark project and has provided a lot of insight into the benefits of this form of procurement.

Experience; The People; The Market

Peter has discovered in a short period of time that the people in Mainzeal have a lot of experience across the board and all around New Zealand. The biggest risk in the future is going to be the shortage of resources so the resources available need to be used more effectively.

In concluding, Peter certainly believes that best practice procurement processes will be a catalyst of change. Results that are becoming available from the UK prove the cost benefits. Peter and the Mainzeal team have an exciting time in front of them. From all accounts Mainzeal are set to be pathfinders in more than just their quality systems / processes and management.



Brian Olsen, National Quality & Safety Manager, Mainzeal

The challenge Brian faced when he first joined Mainzeal was to improve the safety of Mainzeal's construction sites and what he discovered was that in order to improve safety of Mainzeal, the safety of the sub-contractors had to improve as well.

In the early 1980's out of the ordinary safety was a hard row to hoe and to think about including this in a tender often meant not getting the job. Mainzeal, along with other contractors instigated Site Safe to drive the excellence in Health & safety in the construction industry. Mainzeal have supported Site Safe since the beginning. Together over seven years they have developed a whole raft of initiatives over the industry. Also helped develop an audit tool that is in wide use throughout the industry and is about to be introduced to the electrical industry.

The Industry Safety Liaisons Group set the form that brings together sub-contractors and contractors to discuss how best to improve the industry in health & safety.

The group gives consistency to the industry. Mainzeal are part of the liaison group along with Fletchers, Hawkins, Multiplex and Westfield. The health & safety people from these companies meet separately to work together to improve the safety levels of the industry. We have made huge improvements but there is still a long way to go.

Mainzeal have also recently come together with Manukau City Council and are a pre-approved contractor in health & safety. "Compared to 7-8 years ago in health and safety, we are light years ahead." Brian concluded with a plea to keep improvement progressing, "we have to move to the next step". The next step is leadership. This is when leaders of the industry need to stand up and demand health & safety as a natural part of all projects.

Mainzeal entered the ACC Partnership Programme at secondary level and in two years were promoted to tertiary level. Rigorous audits are carried out annually. Between joining the ACC partnership programme in January 2004 and December 2006 Mainzeal have improved cost of injuries by 80%. It can be done and it does pay.

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PRESENTATION 2

Site Safe & the NZDF: NZDF in a Safe Environment

Commander Robert Skinner, FM Services Manager, NZDF



Rob is a commissioned officer in the Navy but strangely he did not join the Navy to go to sea! His single claim to fame is he has served one day at sea for every two years served! He joined the Navy in the mid 1980's and found himself in the 1990s as head of the Navy Property Group, which he held for the last 6 years. The property groups of the three single services then merged into one property group and currently Rob is the FM Services Manager for NZDF. This involves looking after all the camps and bases.

The Military Factor

One of the subtleties of contracting to NZDF and working on base is that it is a military organisation and talking to military staff as a civilian or commercial contractor often takes a different approach. To help the group understand why this is Rob played a film. Before pressing play however, Rob asked the group to take into consideration three statements:

- The age of the people in the film, taking into consideration their associated responsibilities & accountabilities for what they are doing
- how they carry out their tasks and the inherent safety practices
- what's going on in the film

Their expectations of safety and the embedded culture of safety within the military is what is expected when contractors contract to the Navy onsite.

The film was a variety of situations NZDF military staff are required to deal with. It showed deployment to East Timor and Afghanistan, the conditions in which they work in and the types of situations they are faced with. When the three statements above are taken into consideration and realising that these people are between 19-24 years of age, they have huge responsibilities!

NZDF Property

Property Value of \$2.25b

- excludes plant & machinery, underground or infrastructure
- 5119 property assets
- 87,000ha

Operating (OPEX) Budget is \$83m

Capital (CAPEX) Budget is \$154m

Currently live Capital projects value approximately \$154m.

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Most projects over \$100k are put up for competitive tender. The Devonport Naval Base is a large facility and can have up to 2000 people working onsite daily. At any time the Naval Base can have 20 commercial providers coming onto base at any one time.

Typical contractor for the Naval Base:

- Over 40 years of age
- Operates from the back of a van
- Low overheads
- From the local area
- Mid to late career
- Built from the old school
- Operates his own safety procedures
- Hasn't had a serious injury
- He knows the job, he's done the job

Contractors on base are immune, to some extent, from any labour department or OSH. These groups are not allowed on base. Generally the contractor is isolated in a building that cannot be seen, or watched over by Navy staff, therefore the contractors on the Naval Base are self-monitoring. The Naval Base does not allow civilians or sales people on base and other military people are not allowed onsite without ID. Everyone is stopped 'at the border'. Contractors can therefore become blasé with respect to safety. Rob decided he needed to engender contractor willingness to engage in safety practices without a lot of grief. Rob was also under pressure from the Navy internal H&S group and although they are largely focussed on trainees and military operations, if they saw a situation that was less than ideal they would be sure to follow it up. So the need for a mechanism to engender contractor awareness was increased.

The initial thought was to empower Navy staff through an industry sponsored programme that spoke their language. Firstly, Site Safe was introduced and 18 staff completed the passport programme. Rob thought this would give the staff the training and confidence to talk to the contractors and the contractors in turn would talk to the staff and a meaningful arrangement would take place and it would all work well. This thought pattern,

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Rob discovered, was wrong! The contractors were ignoring the staff. From here Rob and his staff completed the Site Safe Gold card training and that's when the penny dropped on how to tackle the contractors on base.

It wasn't all contractors, however it was sufficient for Rob to seek alternative means [insert as a note]

- Step 1:** A letter to contractor groups and individual contractors advising that 'in the spirit of raising the bar' the Naval base was expecting each and every one of them to attend and complete the minimum site safety passport certification and for every staff member that worked on base. It included a time limit of 6 months to complete the programme.
- Step 2:** The Naval Base ran two Site Safe training sessions on base for the contractors. The entry was paid and morning tea was provided. Most contractors took advantage of this.
- Step 3:** An instruction that the Navy would no longer accept a tender that could not confirm all their staff that contractor staff that were going to work onsite for the length of the programme would be site safe certified passport level.

It took about 2-3 months and only 2 or 3 contractors insisted on submitting tenders without this guarantee and not surprisingly they kept losing the tender. After a while they saw the light and booked themselves and their staff onto the Site Safe course.

It's interesting that now the Naval Base has been through this process they now find when undertaking a site inspection that largely unskilled staff and migrant workers are only too happy to wave around their Site Safe passport. For some of these people it is the only qualification they have achieved in life and they act responsibly.

Since the inception of this safety procedure, the Naval Base staff have removed 5 or 6 people off site for specific breaches of safety profiles and have terminated contracts with two firms as they would not adhere to the safety profiles of the Navy base. Staff are equipped and have full support from the NZDF due to the procedures put in place around health & safety.

From a personal point of view, Rob states "you would think with the maturity of the Site Safe programme and the depth of requirement on the major construction fraternity, the process covered this morning would have gone without a hitch and people would have been willing and able to come on in behind us and yet there is a huge reluctance to do so". As an employing body of \$83m pa Rob finds this surprising and disappointing, "so anything this forum can do to reverse that culture, all power to it".

RNZN and NZDF have signed a heads of agreement with Site Safe New Zealand and communications are proceeding to tighten that bond further.

The Future for NZDF: Potential new contracting model

A select few including Rob, form the 'standard of good taste' for the delivery of NZDF Property. They are currently reviewing a new contracting model for NZDF. The new model being considered is 'contractor panels'. This is going to be largely modelled off the Australian model. No doubt there will be some minor modifications to allow for the New Zealand culture and the way we do things, legally under the defence act. The new model would apply to NZ and Australian firms. It will include standing offers for consultants and contractors in infrastructure and building and in the coming years, environmental services. The new ROI is expected to be released in the new financial year. The registration process will follow, then a filtering process from there on in. Rob admits jumping the gun as it hasn't yet been designed, but obviously some strong support is there. It would be likely to have ~6-8 industry practitioners in the areas of specialist services NZDF are looking at. At this stage NZDF would imagine a maximum of 50% of work going to any one company in the panel but not less than 10%. Appointment would last a minimum of three years but not more than five years. Finer details are yet to be explored.

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Something other than Competitive Tender

Over the years Rob has been approached to engage with contractors with something other than a tendered bid. For example; payment set at certain levels for performance. Rob is quite open and admits NZDF have little, to no experience in paying for different levels of performance. NZDF do expect every contractor to give a good result, good service and industry best practice to be the norm. "We don't expect to pay for better than what is required" and Rob doesn't see that changing in the near future.

Partnering

Rob personally can't see partnering/alliancing happening **yet** in the NZDF. Currently Rob runs a bi-monthly workshop with FM providers, plus running partnering workshops and NZDF have a partnering charter. However the partnering charter is not legally enforcing.

PRESENTATION 3

Best Value through Health & Safety

Blake Kyle, Project Manager, Site Safe New Zealand



Massey University & Auckland University have conducted a study into the health & safety benefits "Workplace Productivity Working Group".

-Difficult to measure, the actual measurement on improvement in performance is difficult to measure.

However, the following benefits were clearly identified:

- Less time off
- Linked with Staff retention
- Linked with productivity
- Fewer breakages and errors
- Improved workplace relationships
- H&S was the glue that held everybody together

The following list of facts are from Site Safe's own case studies

- Ahead of schedule
- Tendered profit achieved
- Improves planning, reduces downtime
- Safety flows through to other things
- Instils a sense of discipline
- Improves relationship

Currently Site Safe are developing a Health & Safety charter, for more information on the charter please refer to Blake's presentation on our website www.clientsuccess.org.nz or contact Site Safe New Zealand, www.sitesafe.org.nz.

Accidents = Delays = Time = \$

Health & Safety = Best Value

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PRESENTATION 4

Iris Clanachan, Executive Director, Site Safe New Zealand



Iris's presentation included some interesting and thought provoking statistics from Statistics New Zealand. To view further interesting statistics please view Iris's presentation on our website at www.clientsuccess.org.nz.

Site Safe is looking to create Site Safe Charter accreditation. Currently in Australia and the UK, only accredited companies (charter members & Operate Safe members) can tender for government construction work. With the growing influence of Site Safe with local and national government there is a strong possibility of this happening in New Zealand. The results of a charter like this can only benefit those companies and people involved.

Site Safe's Influence:

 Almost 80 Heads of Agreement

 2270 member companies

 Over 22,000 companies on Site Safe database [providing Site Safe training to their employees]

 The NZDF agreement

 Several DHB's have made capital works Site Safe, including the new Wellington Hospital & Waikato

 All new prison sites are Site Safe

 5 local authorities are Site Safe

 The Pegasus town outside Christchurch will be Site Safe – 5000 residents

 BP and many more clients

ACC Safer Industries

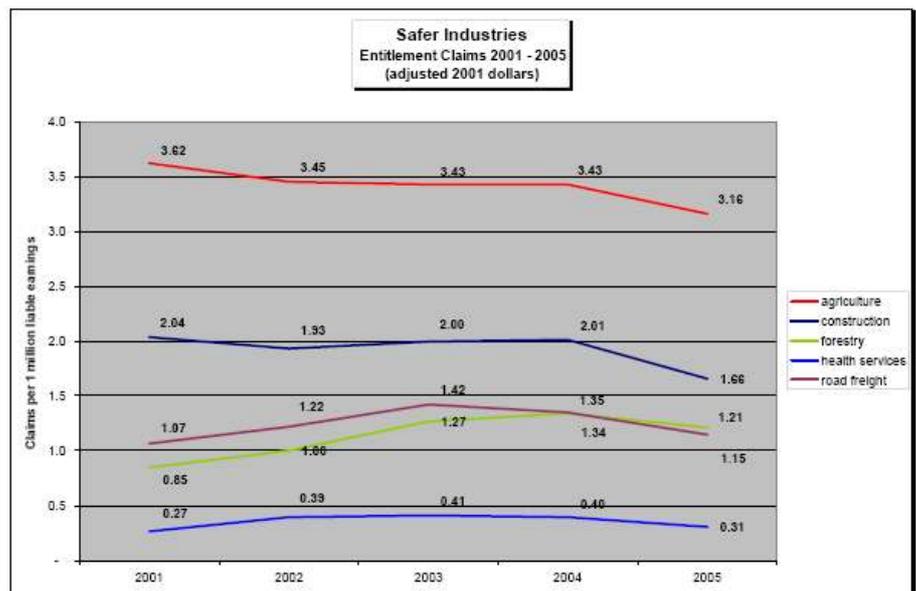
Agriculture reduced by 12.7%

Construction reduced by 18.6%

Forestry increased by 42.4%

Health services increased by 7.5%

Road Freight increased by 14.8%



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Site Safe is not a main contractor provider but the contractor area was identified where the initial use was going to be most effective and where Site Safe should start.

Iris's full presentation is available on our website, along with all other presentations given today, at www.clientsuccess.org.nz

PRESENTATION 5

Roading New Zealand, Operate Safe

Tim Warren, Manager – Industry Self Governance, Roothing New Zealand

After a brief introduction of Roothing New Zealand and Tim's role, Tim went on to present to the group Operate Safe.



What is Operate Safe?

- ★ Health & Safety accreditation regime for roading and civil contractors
- ★ Based on the Act and ACC's Injury Prevention Strategy
- ★ "Take all practical steps"



Operate safe was initiated in 2002 as a response to a challenge for OSH & Transit and analysis of ACC's injury statistics for the infrastructure industry.



Tim's complete presentation is available at www.clientsuccess.org.nz.

Following Tim Warren's presentation a panel discussion took place. The significant feedback from the CCG was the clients and contractors feel frustrated that in some cases they would be required to be members of two health & safety organisations. The question proposed by the group **'is there an opportunity for Site Safe and Operate Safe to provide an industry standard health & safety regime that would prevent clients and contractors spending time and money being involved in both?'**

At this stage it is a 'watch this space' situation, but with groups such as the CCG working collaboratively to create change in the industry and setting the path for other operators involved in the industry to work together, a industry standard health & safety regime is not impossible or unimaginable.

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Attendees

Meeting 18
17.5.2007

Ben Eitelberg	Senior Project Manager	ANZ National Bank Limited
Graeme Birkhead	Company Director	Arrow International Limited
Adam Tyrie	Engineering Manager Buildings	Auckland International Airport Ltd
Peter Burgess	Project Manager	Beca
Amanda Warren	Director	Constructing Excellence NZ Ltd
John Belcher	Health & Safety Manager	Fletcher Construction, Interiors Akld
Ian Wheeler	Development Manager	Housing New Zealand
Anthony Leighs	Managing Director	Leighs Construction
Brian Olsen	National Quality & Safety Manager	Mainzeal Property & Construction Ltd
Peter Gomm	Chief Operating Officer	Mainzeal Property & Construction Ltd
Warren Chapman (Host)	National Manager, Major Specialist Projects	Mainzeal Property & Construction Ltd
Mervyn Clarry	Manager Projects & Contracts Performance	Manukau City Council
Stephen Hunt	Manager Best Practices	Manukau City Council
Syd Sykes	Manager Health & Safety	Manukau City Council
Joe Hollander (Chair)	Director Strategic Facilities Management	Massey University
Chris Wood	Advisor	Ministry for the Environment
Karl Hutton	Manager, Network Provisions	Ministry of Education
Phil Brosnan	Auckland Manager	Naylor Love
Trevor Kempton	Managing Director	Naylor Love
Commander Rob Skinner	FM Services Manager	New Zealand Defence Force
Dave Saunders	Procurement Manager	North Shore City Council
Simon Guillemin	Manager: Strategic Projects	North Shore City Council
Stuart Wheeler	Principal Architect	Opus International Consultants Ltd
Waren Warfield	Managing Director	Resource Coordination Partnership
Tim Warren	Industry Self Governance Manager	Roading New Zealand
Blake Kyle	Project Manager	Site Safe New Zealand
Iris Clanachan	Executive Director	Site Safe New Zealand
Richard Willis	Business Development Manager	Site Safe New Zealand
Duncan Stuart	Tenancy & Development Manager	The Warehouse

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