

# Improving productivity

**Katrina Bach, Chief Executive,  
Department of Building and Housing**

**Construction Clients' Group Forum  
30 March 2011**

**Building and Construction Sector  
Productivity Partnership**

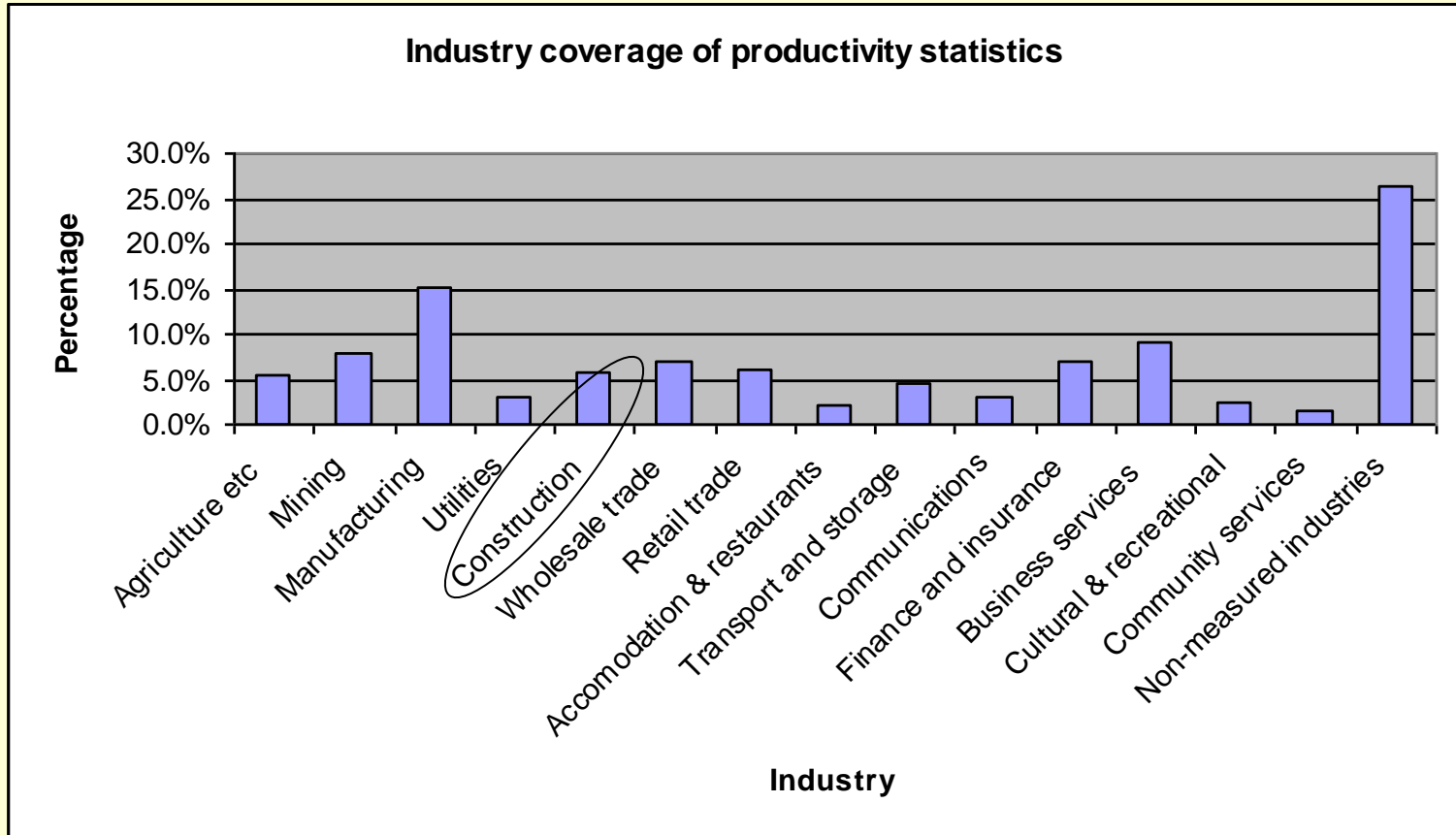


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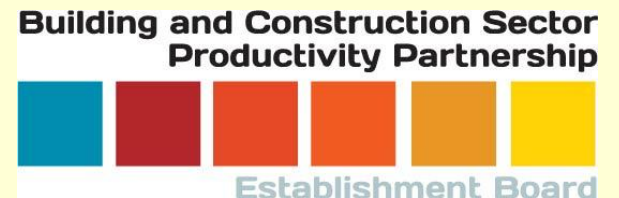
# Purpose of the Productivity Partnership

- Partnership of industry and government (multi-party team approach)
- Raise productivity in the build sector
- Contribute to increased economic development
- Goal: 20% increase in productivity by 2020
- 20%/2020  $\approx$  2% GDP  $\uparrow$   $\approx$  \$3.6 billion p.a.

# The importance of the building and construction sector



Source: Statistics NZ

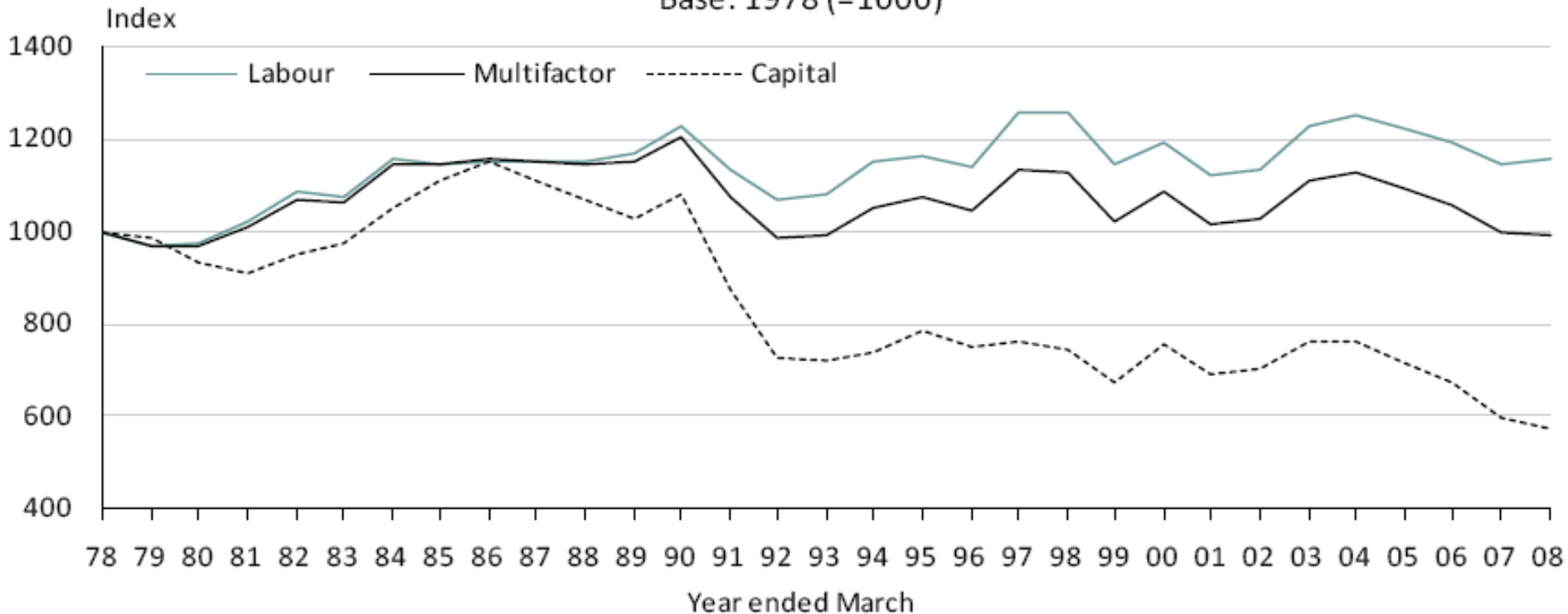


# The productivity challenge

## Construction productivity indexes

Year ended March, 1978–2008

Base: 1978 (=1000)



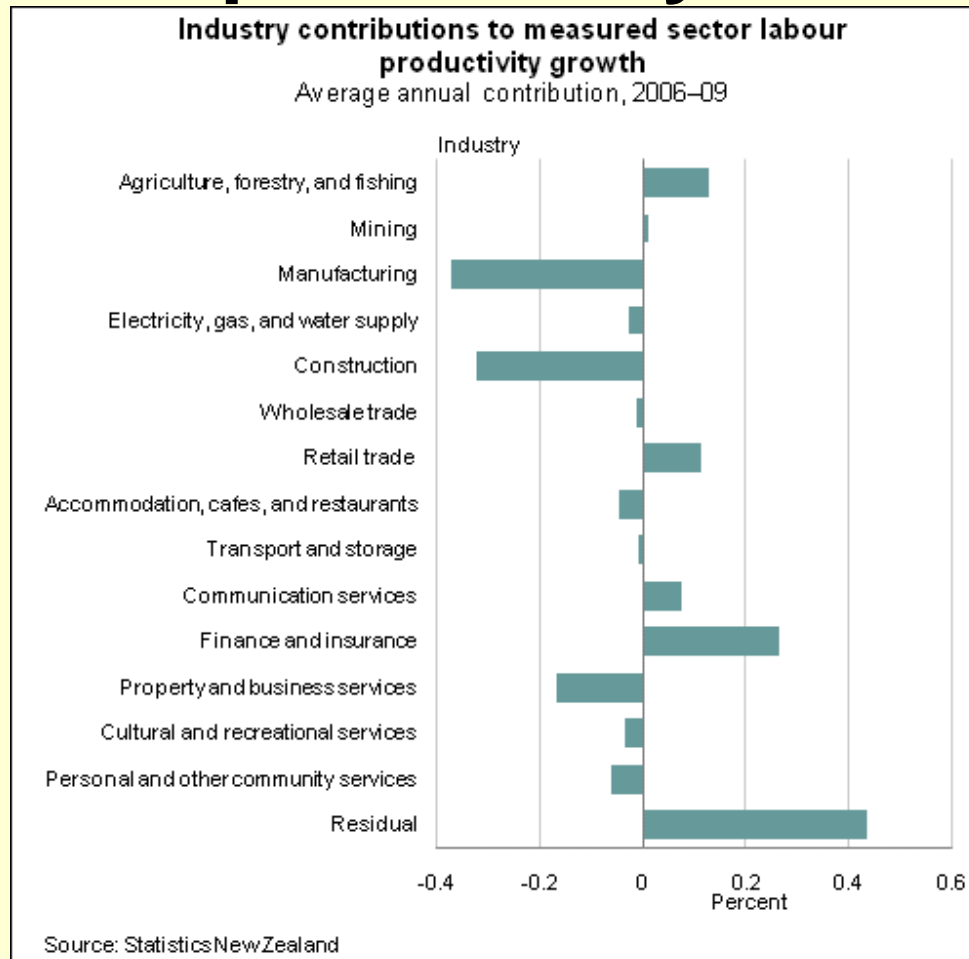
Source: Statistics NZ

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Source: Statistics NZ 2011

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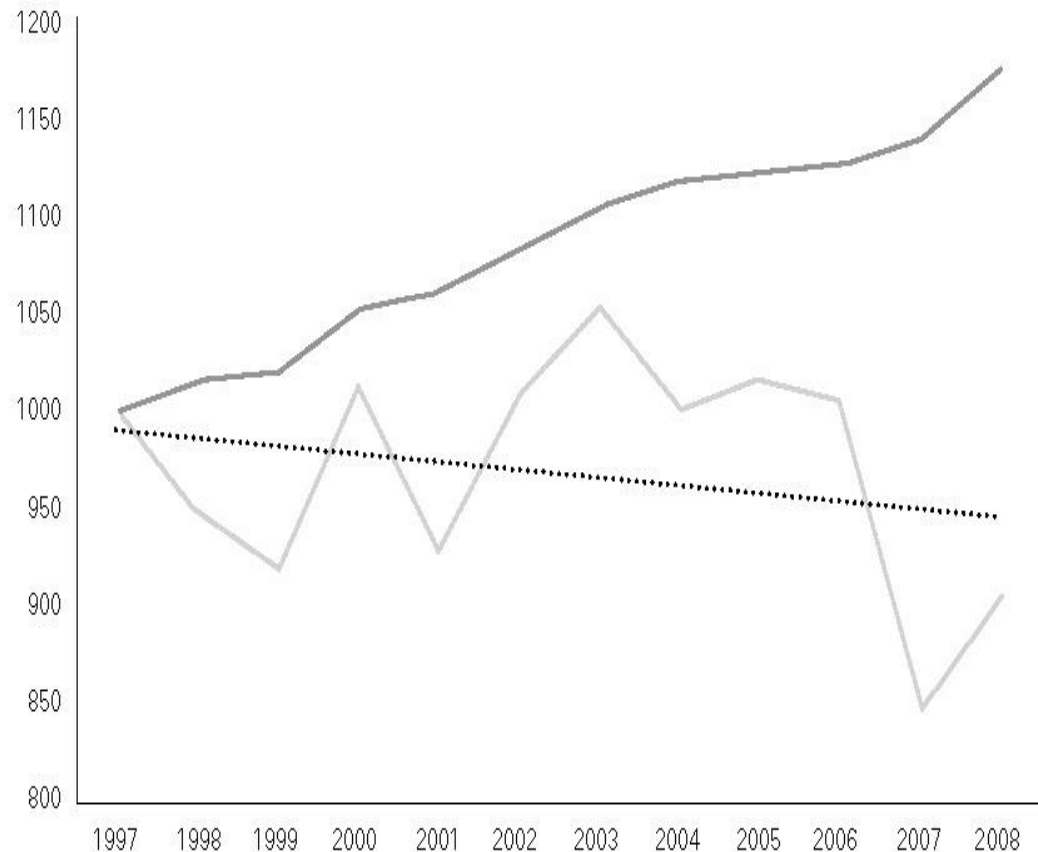
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# The productivity challenge

**FIGURE 1**

Labour productivity in the aggregate economy and the construction sector compared (1997 – 2008)

- WHOLE ECONOMY
- CONSTRUCTION (ACTUAL)
- .... CONSTRUCTION (TREND)



Source: Productivity Taskforce

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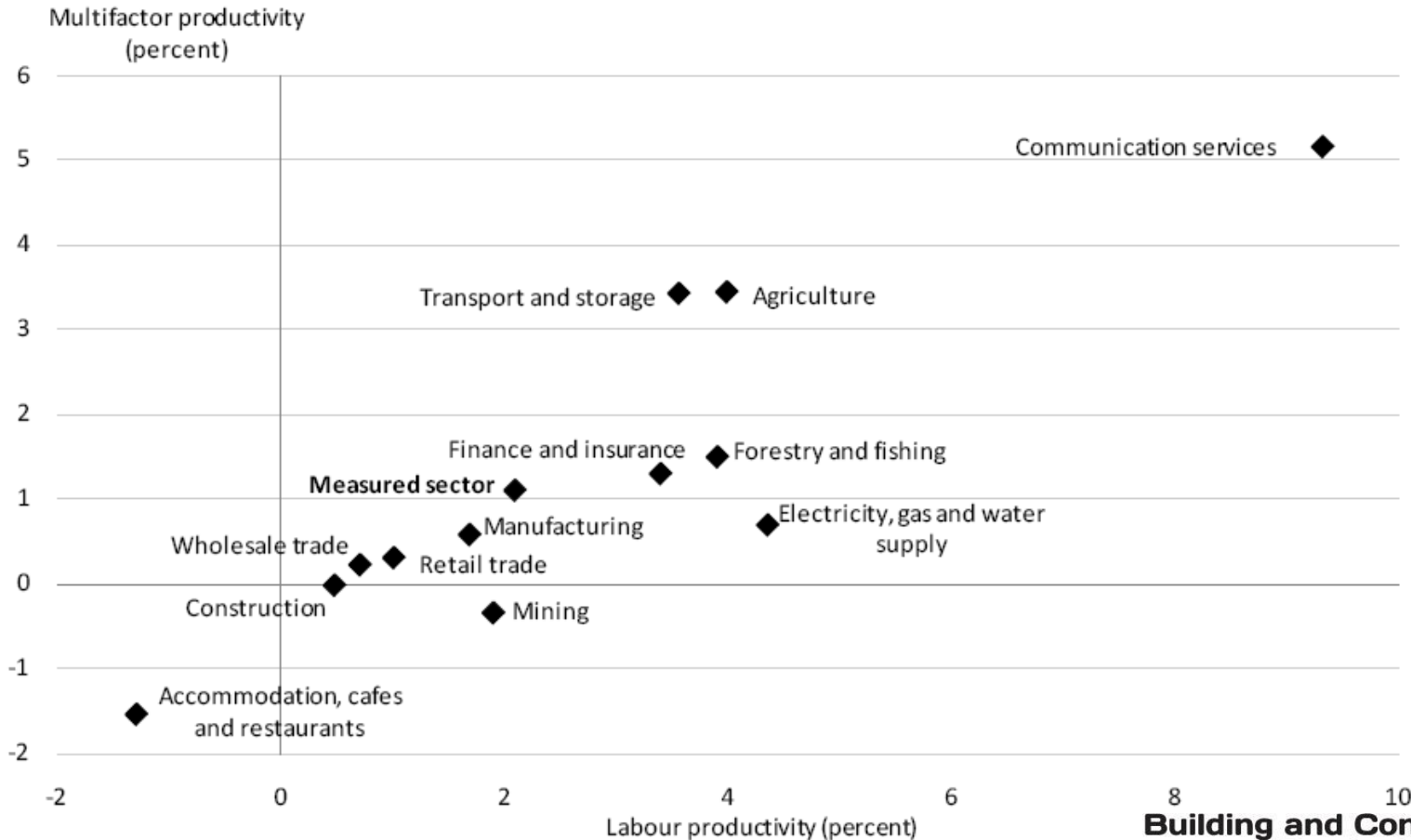


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## Labour and multifactor productivity

Average annual percentage change over period, 1978–2008 <sup>(1)</sup>



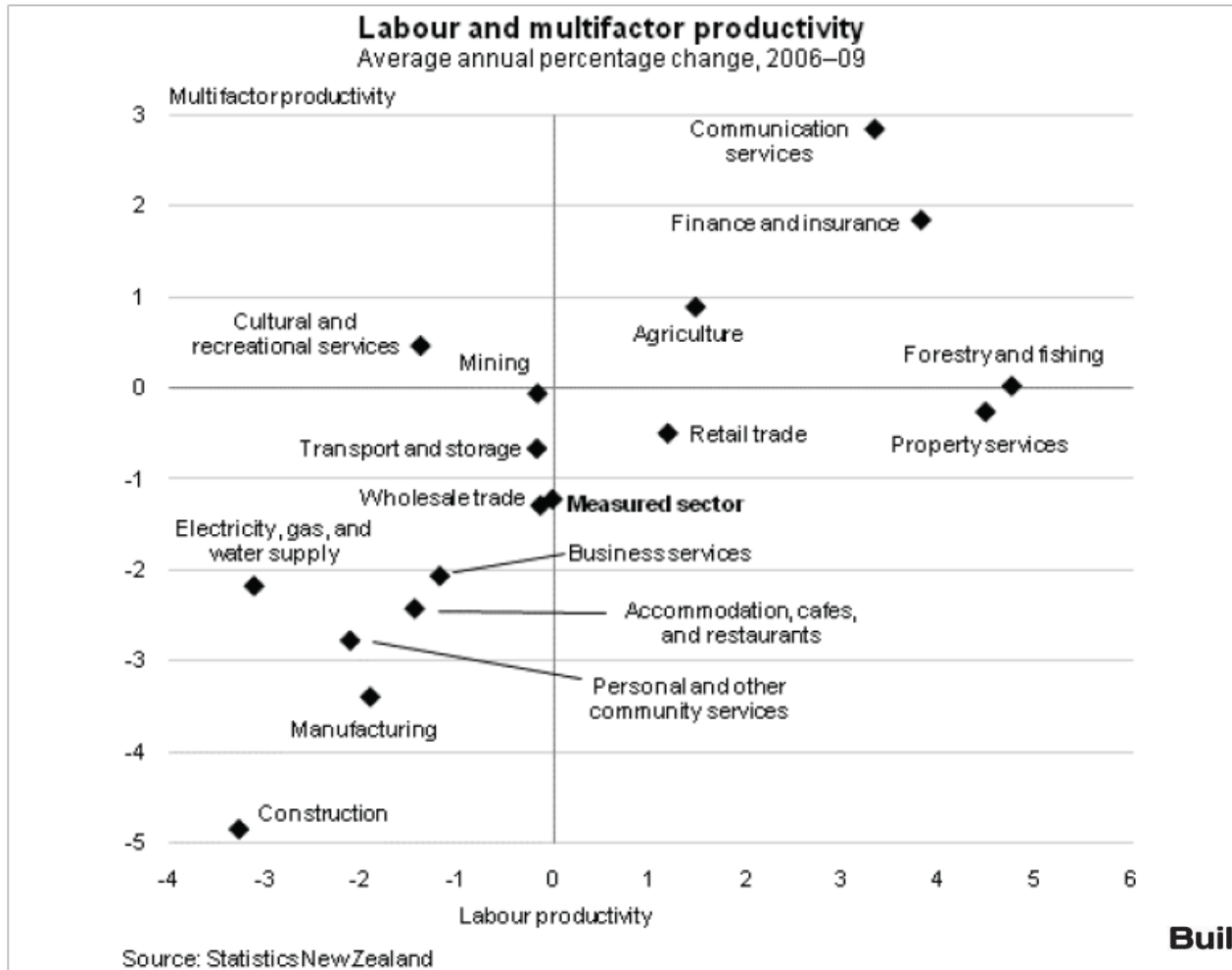
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Source: Statistics NZ

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Source: Statistics NZ 2011

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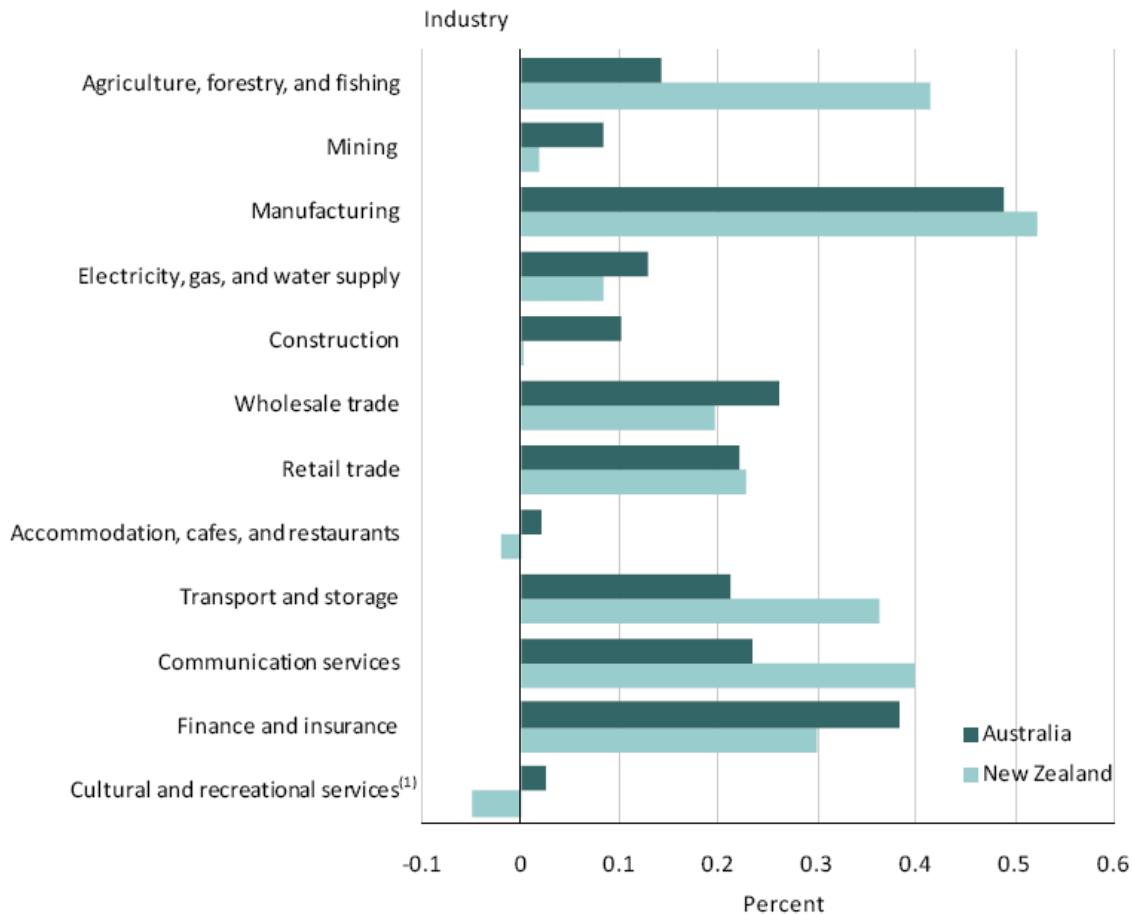


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# The productivity challenge

Industry contributions to measured sector  
labour productivity growth  
New Zealand and Australia 1986–2008



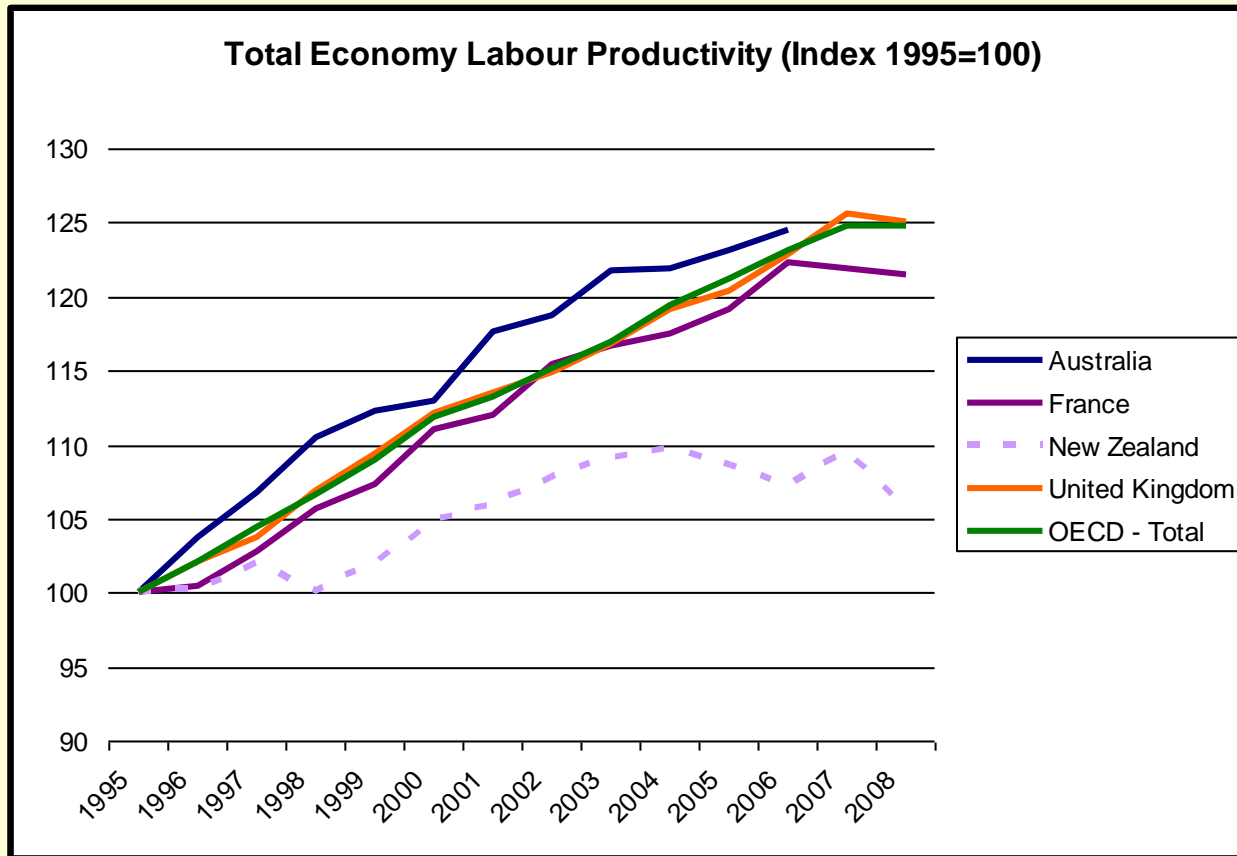
Source: Statistics NZ

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# New Zealand's challenge is to lift our productivity



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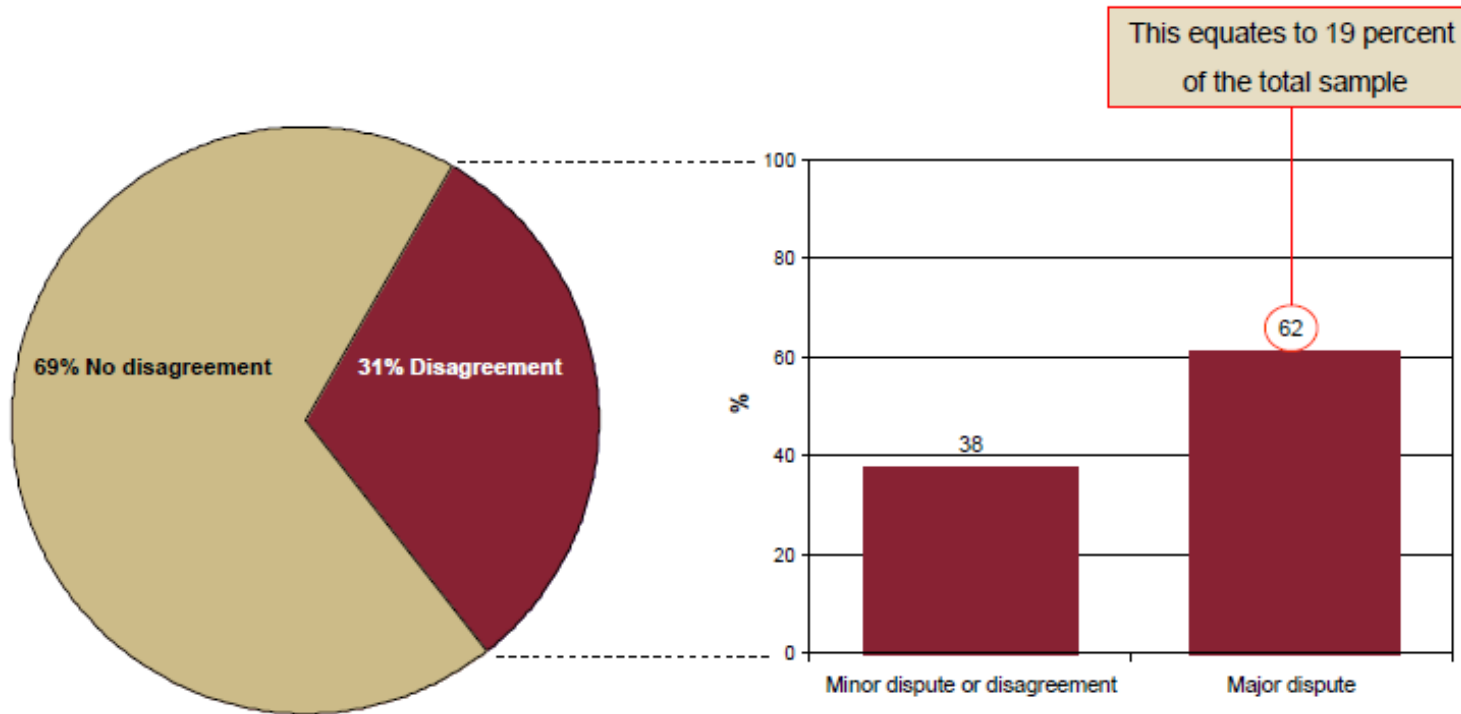
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# Importance to NZ Inc

- 90% of NZ household wealth is held in housing
- Leaky building syndrome has damaged the reputation of the sector
  - PwC estimate  $\approx$  **\$11.3 billion** cost to repair
- The collapse of 50 finance companies since 2006  $\approx$  **\$7 billion**

# We've got too many unsatisfied customers

## What proportion of homeowners experience a disagreement?



Based on the first n=500 interviews

Based on those who had a dispute or disagreement (n=154)

Source: DBH survey, 2010

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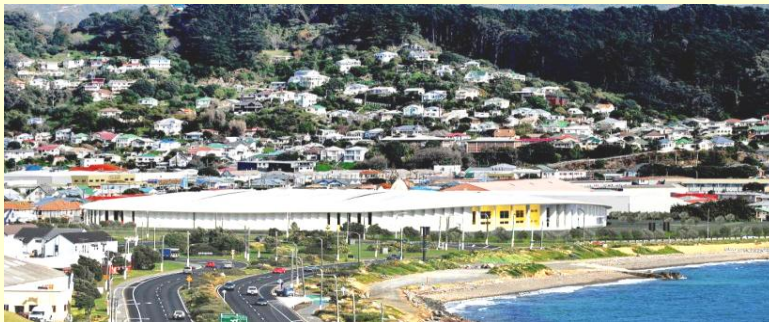
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# Case Study: Roading Sector

- Productivity of the roading sector increased by 23% from 2000/01 to 2008/09
- Driven by a small number of key industry changes:
  - More emphasis on delivering value for money and quality, not just lowest price
  - Development of a contractor prequalification system
  - Shift from prescriptive specifications to performance based
  - Greater adoption of bundled contracts (construction and maintenance)

# Case Study: Wellington Indoor Sports Centre

- Objectives included sustainability and whole-of-life performance
- Clients and providers worked as a team and with the community
- “Value Management and Engineering” approach led to innovations to stay in budget but deliver objectives
- Design and build will save \$200K a year in operating costs (\$14 million over the life of the centre)
- Use of Building Information Model (BIM) allowed for better team work and client relations, and real time project management



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# Final comments

- The building and construction sector needs to be mindful of its poor performance and not stuck in the past
- Improvement in performance can and must happen
- 20% improvement in productivity by 2020 is very achievable
- The DBH is fully committed to making this a reality
- But it will take work and commitment from industry stakeholders through the likes of the Construction Clients' Group and the Productivity Partnership