

PRODUCTIVITY THROUGH DELIVERY

NEW ZEALAND IS AT A CROSSROADS

- Construction productivity growth has been slow compared to other industries
- There has been no significant shift in the way we deliver work
- The current delivery and supply chain models are fragile, and show signs of strain.

THE ISSUES HAVE BEEN IDENTIFIED

- Low business resilience
- Global economic slowdown
- Poor out-turn cost on Major Projects
- Lack of new workforce coming in to industry
- Squeeze on supply chain, fragmentation and skewed risk apportionment
- Climate change (and a push toward carbon targets)

THE ANSWERS ARE BEING SOUGHT

- **Te Waihangā**
The newly established Infrastructure Commission - focusing on longer-term horizons for infrastructure development and funding
- **The Construction Sector Accord**
Fostering the partnership between government and industry to transform the construction sector for the benefit of all New Zealand

Evidence of change

- Watercare's Enterprise model
- Kainga Ora's Piritahi alliance
- Sydney Water's Partnering For Success programme

THERE IS A GLOBAL MOMENTUM

- **Project 13**
An industry-led movement to promote Enterprise delivery models. Recently partnered with the World Economic Forum
- Design for Manufacture & Assembly
- Modern Procurement tools
- BIM, GIS and Digital Twin initiatives

WHAT WE ARE ADVOCATING

- Establish a group of Advocates/Champions from Local industry, focusing on the roles within the Enterprise model of delivery.
- Represent a unified voice to support the maturity of infrastructure delivery on both a National and Local scale
- Constrain an extensive subject matter to a specific agenda reflective of New Zealand's unique opportunities

BUT WE NEED LEADERSHIP ON A LOCAL BASIS

1. To determine best-practice based on local experience, and support individual organisations on this transition
2. To create a space for industry self representation and discussion
3. To identify and work within existing change initiatives
4. To champion a focus on delivering Social outcomes through enterprise

THE PROJECT 13 COMMUNITY OF PRACTICE IN NEW ZEALAND PROMOTED BY THE INSTITUTION OF CIVIL ENGINEERS - DRIVEN BY INDUSTRY

We are at a crossroads

The global economic backdrop is one of stagnated growth. Supply chains are facing uncertainty of future demand. Security of future work is much needed.

The **status quo** is a transactional model for delivery, typically based on lowest conforming price. This **constrains projects to a linear process**, with specialist inputs procured late in the development life cycle and with less ability to influence project outcomes. It prevents efficient delivery, prohibits innovation and therefore **fails to provide high-performing infrastructure networks** which both industry and society require.

There is already **evidence of momentum** towards a new model. Broader Government policy has already picked up some of the approaches present within an enterprise model - Transpower, NZTA and Watercare are all early examples of this paradigm shift. A growing number of Public Sector bodies have increasing visibility of their Capital Works budgets, time frames and strategy.

However, there are a number of significant obstacles in the NZ market which will need to be addressed.

Current procurement trends are a **linear chain of transactions**, culminating in an NZS 3910 contract. It typically includes significant, costly, **efforts to transfer risk** during the project life cycle.

Supply chains are fragmented, often only coming together for a specific contract. The transactional relationships formed afford little space for collaboration.

The **perception of risk** associated with change from these norms **has stifled innovation in delivery**. The lack of demonstrable local case studies compounds this stagnation.

The **New Zealand Infrastructure Commission - Te Waihanga** - represents a movement in policy towards quality infrastructure investment (planning, delivery and operation for the social good), based on continuity of vision and long-term strategy, supported by independence from political influence.

There is global momentum

The **Institution of Civil Engineers** is an international professional membership body that seeks to improve engineering practice and capabilities, and inform government and industry through knowledge, resources, events and training.

Project 13 is an industry-led response to infrastructure delivery models that fail not just clients and their suppliers, but also the operators and users of infrastructure systems and networks. The model has emerged from the UK and has been successfully applied by seven Early Adopters.

It seeks to develop a new business model using two key shifts.

Firstly, **moving to an enterprise model**, shifting the relationship away from traditional transactional arrangements. These deeper relationships can help to support a more sustainable, innovative, and highly skilled industry.

Secondly, Owners have also placed a greater emphasis on **delivering better outcomes for their Customers**, rather than a specific product or service. Having clearly articulated those outcomes, they have then set out to select and integrate partners with the right technical and behavioural capability and **establish a high-performing integrated team**.

Arising from industry study, **Project 13 provides a framework for a Client and their supply chain** - this includes capability pillars (Capable Owner, Enterprise Governance, Organisation, Integration and Digital Transformation), associated Project 13 Principles, and a maturity matrix that recognises that for participating organisations this is a journey, not an overnight shift.

This suite of tools & resources provides an underlying road map, which can **accommodate varying degrees of application of the enterprise model philosophy** - informed by the specific project's required outcomes, the organisations involved and their relative maturity.

Project 13 has reached the shores of Australasia, with **Sydney Water** using the guidelines to develop their new Partnering for Success programme. New Zealand organisations are adopting some of the key P13 principles, with the **Piritahi alliance** undertaking Land Development design/construction on behalf of **Kāinga Ora**, and **Watercare's** recently announced Enterprise Model and 40:20:20 sustainability vision.

We see an opportunity to:

Align with and influence into the future policy developed by both the Infrastructure Commission and the Construction Accord to promote New Zealand on a journey away from the traditional transactional model of infrastructure procurement to one focused on customer/end user/stakeholder needs.

Provide tools and evidence to support the self-creation of transition plans for infrastructure owners towards an enterprise model – a combination of case studies, procurement guidelines and international best-practice.

Work within the existing change initiatives of our industry (e.g. the Construction Accord) to **develop a suite of New Zealand specific guidelines** for Client organisations seeking to develop the characteristics of the Enterprise model.

What we are advocating.

Establish a Local group of 'advocates/champions/radicals' identified from industry. The target membership is not just top level executives and decision makers, but, importantly and primarily, it is passionate, mid-career individuals who have strong communication skills, an ability to explore ideas in a group dynamic and who aren't opposed to change.

Be a vehicle for collaboration within industry and provide a platform for Client's to collectively contribute to change.

Represent a unified voice to support the maturity of infrastructure delivery on a National/Local scale and promote the best-practice examples from our Client members.

Constrain an extensive subject matter to **a specific agenda of three or four key themes**, targeting those with likeliest opportunity to be effectively implemented within our industry environment. Example themes:

- Defining value-driven outcomes and how these can be quantified
- Developing practices to foster longer-term supply chain relationships,
- giving opportunity to invest in training.
- Procurement to allow for early engagement of Specialists