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Roading NZ welcomes Government focus on Road Construction

In April submissions closed on the new Government's Policy Statement (GPS) for Transport. This Statement is very different to the previous Government's GPS which focussed on sustainability and reducing emissions. It was set to reduce road construction funding by around \$600M to \$700M over the next 3 years.

This new GPS focuses on national economic growth and productivity, value for money and economic efficiency. It recognises the \$1 billion boost for road construction over the next 3 years announced by the Government in March. This boost not only holds road construction funding to the levels of previous years, it provides a further \$400M over this 3 year period.

This is good news because Government investment in high quality infrastructure (state highway) projects that support the economic movement of freight and people will provide funding certainty to the contracting industry so that it can meet anticipated construction demand. It will also keep people in employment and should move New Zealand away from a low capital cost/high maintenance roading network by taking a "whole of life" costings approach.

I believe that this boost is a much needed shot in the arm for the contracting industry. Not only will this increase in infrastructure funding help improve New Zealand's future economic growth, it will restore confidence in the construction sector and may prevent or reduce further job losses. But to avoid redundancies, projects need to proceed without unnecessary bureaucratic delays.

It would be very disappointing if contractors had to make people redundant only to recruit again in a year's time.

Large projects tend to have long lead times because of the required resource consents and other planning approvals. But recent experiences show that substantial time and cost savings can be gained by involving contractors early in the planning and design phases, and beginning construction at this time where possible. This concept of collaborative procurement was pioneered in the 1990s in the U.K. Procurement processes used in the manufacturing sector were transferred to the construction sector resulting in a move away from the self interest of the respective contractual parties to a focus of all parties working together to achieve value for money project outcomes.

Looking out to the medium term the GPS talks about advancing the construction of roads of national significance and the development of a National Infrastructure Plan. These are both positive initiatives for the construction sector.

Roads of national significance will be very important in achieving economic growth through

- providing a further boost to the construction sector
- improvements in journey time reliability
- easing of severe congestion
- improving transport connections to areas that have economic growth potential
- increasing access to markets
- improving transport efficiency

- improvements in road safety

The development of a National Infrastructure Plan will provide not only funding certainty it will also be a tool for creating smooth work programmes to eliminate boom/bust cycles. This Plan will give the construction industry confidence to invest in people and plant.

It's interesting to note that the GPS has provision of between \$5M and \$8M for sector training and research. We believe that at least \$100,000 of this fund should be used for on-the-job and non-qualification based training which is not covered by TEC and is very important to our industry.

We also believe that the GPS should make adequate provision for construction inflation which is often significantly greater than general inflation.

Finally, we have suggested that in order to give full effect to the GPS and to ensure its benefits are maximised

- smarter and more flexible procurement methodologies, such as collaborative procurement, are introduced to achieve better value for money
- work is brought to the market quickly, especially that of Local Government, to maintain industry confidence capability and investment and to reduce the potential for wholesale redundancies
- best use is made of Industry resources through the use of Early Contractor involvement and Alliance models
- the skills of Regional Land Transport Committee members are aligned with the Government's goal of economic efficiency
- funding is spread throughout the country to mitigate the recession.