

Submission to

**Wellington Water
Shaping Our Future
Discussion Document**

10 October 2016

SUBMITTED BY

Malcolm Abernethy on behalf of the Member Companies listed at the end of this submission.

Phone: 027 249 2513

Email malcolm@civilcontractors.co.nz

INTRODUCTION

This submission is provided by Civil Contractors New Zealand in response to Wellington Waters 'Shaping Our Future' consultations and workshops of 13th and 14th of July.

ABOUT THE SUBMITTER

Civil Contractors New Zealand Inc is the national industry body representing Civil and General Contractors who carry out the country's civil infrastructure construction and maintenance work. We estimate that the civil construction sector carries out more than \$12 billion of work annually and employs in excess of 60,000 workers.

Our Members undertake a wide spectrum of work including construction, operation and maintenance of;

Transport networks	including roading, bridges, tunnels, railways, airports and ports
Water infrastructure	including water storage and water reticulation, irrigation, drainage, waste and storm water services
Communications Networks	including underground and above ground networks
Disaster relief and protection	Flood and coastal protection and emergency response
Energy Infrastructure	including both generation and distribution;
Commercial and Residential Building	including site access, site works, foundations, car parks and installation of services;
Agriculture and Forestry work	including dairy conversions, tracks, drainage, effluent ponds, feed pads, building site preparation and forestry tracks and skid sites
Ground Stabilisation	including slips, subsidence and rock falls
Parks and sports fields	Construction and maintenance including vegetation control

Civil Contractors New Zealand was originally formed in 1944 as the NZ Contractors Federation and following the merger of New Zealand Contractors' Federation and Roading New Zealand in 2014 became Civil Contractors New Zealand.

Our primary roles are

1. Industry advocacy and representation
2. Supporting industry development, professionalism and safety
3. Providing information and advice

Civil Contractors New Zealand aims to:

- Create a safe, viable, and progressive sector meeting the needs of all its participants.
- Contribute to ensuring a healthy civil construction sector where skilled and qualified clients, consultants, and contractors produce outcomes that deliver value for money for all participants.
- It is the result of investment in people, forward planning, fair and consistent procurement strategies, competition in the supply chain, and growth opportunities for those willing and able to take up the challenge.

Overview

This submission is made in response to the Discussion Document of 12 September 2016 and the presentation by Wellington Water to inform suppliers.

We understand that Wellington Water are concerned that industry does not have the Capability and Capacity to deliver the proposed volume of work that will be increasing in value from \$50 million annually to in excess of \$70 million in the next few years. However we understand that there is currently little work being put to the market and many of Wellington Waters suppliers have an excess of capacity through to the end of the financial year.

We agree that the strategy appears to be going well with nine original themes:

1. Better relationships with the customer
2. Innovate through technology and information
3. Create regional alignment
4. Even up the business model with councils
5. Growing our capability
6. Bundling up packages of work
7. Maintain institutional knowledge
8. Risk and resilience is key
9. Local regional economy workforce.

And agree that some change is needed

Following early consultations, Wellington Water's Senior Leadership Team suggested that

1. We are first point of contact with the customer
2. We want to stay close to new technology and innovation
3. We could do a lot more delivering smarter water services
4. Progressively move to a regional way of delivering services.

Are put forward to be progressed however we suggest that work is also progressed on the last five themes at the same time being:

5. Growing our capability
6. Bundling up packages of work
7. Maintain institutional knowledge
8. Risk and resilience is key
9. Local regional economy workforce.

By moving these items up the priority list the four suggested themes can be developed simultaneously. It is these five points that are of particular interest to physical works suppliers

The following are recommendations provided by Civil Contractors New Zealand following consultation with those members that currently provide physical work inputs to Wellington Water.

Consultation

Civil Contractors New Zealand would welcome the opportunity to speak to this submission.

We commend Wellington Water on their approach to consultation however would like to see a shift in focus to procurement issues and the development of a detailed, comprehensive and realistic forward works programme

Detailed suggestions

1. Customer Contact - We are first point of contact with the customer

A large part of the work done by Wellington Water relies on the relationships that suppliers have with customers. It is the supplier that services the customers demands or needs and it is the supplier that has regular contact on the work site either in public or private spaces. It is the supplier that provides the external face to customers.

We do agree that internal systems are required within Wellington Water to manage customer complaints, establish a customer panel, customer relationship management system and contact centre

We suggest that these activities can be done and done well be Wellington Water while still progressing the procurement issues.

2. Technology and innovation - We want to stay close to new technology and innovation

Suppliers can and do address technologies and innovation when completing their work and we suggest this could be included in contracts in terms of new materials, techniques and work methods.

We suggest that where innovation and technologies can be introduced safely that contractors receive recognition of those approaches through contractual mechanisms which would need to be developed.

3. Smart water services - We could do a lot more delivering smarter water services

Suppliers can also play a role in data collection as part of their physical works contracts.

4. **Regional Approach** - Progressively move to a regional way of delivering services

We agree that a regional approach is of very high importance within Shaping the Future and addresses some of our concerns in our last submission.

While testing a move to a single approach to wastewater treatment we recommend that this should not include the concept of a single supplier as that is contrary to a healthy market when the time comes for contract renewal. Quite simply there would not be another supplier with the capability to do the work unless that supplier came from outside of the region and furthermore a single supplier approach runs counter to the intent of building capacity.

Refer to our Healthy Market Statement.

Civil Contractors New Zealand do not agree with testing a single approach to networks and utilities, strongly opposing the establishment of a virtual entity works unit.

We believe that deciding on the best delivery model by 2018 is of high importance and Civil Contractors New Zealand want to work with Wellington Water to assist in the development of a delivery model that is fit for purpose.

As noted earlier and within our previous submission, physical works and maintenance contractors have the capacity required to deliver Wellington Water's work programme and we strongly oppose the resourcing of Pomare Pipelines to become a lead contractor.

Such a move will simply add another layer of management to the budget for no real gain as it would relegate existing contractors to subcontractor status.

Where Wellington Water will make real gains is in the bundling of work as previously suggested and noted in the discussion document along with developing delivery models in association with contractors.

5. **Capability and Capacity** - Growing our capability

This theme needs to be moved up the priority ranking as it will assist in getting themes 1 to 4 well established.

Civil Contractors New Zealand suggest there are several aspects to this theme. Building capability within Wellington Water and building capability within contractors and consultants.

But it is not just capability that should be addressed – this theme needs to address capacity.

Capability within contractors is high with contractors working for Wellington Water investing in staff development through training programmes such as the new Civi Trades apprenticeship scheme. This scheme demonstrates a significant investment in the industry and the development of capable workers.

Suppliers have the capability and capacity to provide the services required by Wellington Water. These are achieved through the supplier's investment in human resources:

- They attract and retain people with the right skills and relevant experience
- They ensure their people are trained and qualified for their jobs
- As employers they give high priority to meeting and maintaining health and safety requirements
- They invest in machinery and materials

Following the actions suggested in the discussion document at theme 4 would seriously negate the development of both capability and capacity

6. **Contract Size** - Bundling up packages of work

We reiterate from our July submission

Civil Contractor New Zealand members suggest that there is some middle ground to be explored here where contracts could be bundled based on similar types of work, or geographical area to a value of between \$1 million and \$2 million.

This approach would allow Contractors to programme their work at greater efficiencies over potentially extended construction durations. In addition many of the small contracts (\$250,000) could be incorporated to make up the suggested contract value reducing both tender and contract award and administration costs.

Also from our July Submission having a reliable programme industry can ensure resources are available or readily available, can form alliances or joint venture with other Contractors for those special projects.

BASED ON A RELIABLE PROGRAMME CONTRACTORS WILL DEVELOP / GROW / CONSOLIDATE THEIR BUSINESSES, TRAIN EMPLOYEES AND THEREBY IMPROVE THEIR PRODUCTIVITY AND CAPACITY.

7. **Knowledge** - Maintain institutional knowledge

Contractors currently working for Wellington Water have a great deal of institutional knowledge of both the network and the conditions under which they may need to work. For that reason alone it is imperative that the health of the local market is maintained as detailed in our Healthy Market Statement

8. **Risk and resilience** - Risk and resilience is key

By having a broad group of suppliers / contractors as at present Wellington Water have available the resource to attend to emergency work offering greater resilience to the networks.

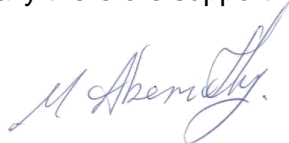
Many local contractors were able to respond to emergency works following on from the Canterbury Earthquakes and we suggest that the local work force is well laced to respond if an event of similar scale were to occur in the Wellington Region

9. **Economy** - Local regional economy workforce.

Improving reliability of the forward works programme will encourage the current Suppliers to gear up to meet the demand but the programme needs to be realistic!

Many large Contractors operating nationally have national supply agreements for basic supplies of materials, fuels and the like, meaning that large portions of payments will go outside the Region.

Local Contractors currently working for Wellington Water employ and purchase their supplies locally therefore supporting Local and Region economic development.



Malcolm Abernethy
Executive Officer
Civil Contractors New Zealand
PO Box 12 013
Wellington

Phone: 027 249 2513
E-mail: malcolm@civilcontractors.co.nz