



Submission to

Local Government and Environment Committee

on

Local Government Act 2002 Amendment Bill (N° 2)

28 July 2016

SUBMITTED BY

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INTRODUCTION

This submission is provided by Civil Contractors New Zealand who welcome the opportunity to comment on the Local Government Act 2002 Amendment Bill (N° 2).

Civil contractors New Zealand wishes to be heard in support of this submission.

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.

PLACEHOLDER SUBMISSION

Civil Contractors New Zealand will provide a detailed submission by 1 August 2016

Civil Contractors New Zealand while supporting the intent of the Bill to provide greater flexibility to local government have concerns with regard to encouraging wholesale changes that undermine the independence of local government where the Bill provides greater powers to the Local Government Commission and allows the Minister to instruct.

Accountabilities within the Bill are complex and need to be reconsidered as they transfer responsibilities from Local government to Central Government which Civil Contractors NZ do not support.

We caution that large, multiple Council owned CCO's may be detrimental to suppliers to those CCO's by removing potential clients and relying on efficiencies perceived to arise from increased scale.

Local government must have structures that offer diversity through the development of healthy industries to enhance local economic competitiveness.

SUBMISSION – COMMENTS ON THE BILL

1. While we generally support the intent of the Bill to provide greater flexibility in the formation of CCO's we caution that such an approach may be to the detriment of suppliers to those CCO's by removing potential clients and relying on efficiencies perceived to arise from increased scale.
2. Local government must have structures that offer diversity through development of healthy industries to enhance local economic competitiveness.
3. We caution that large, multiple Council owned CCO's may be detrimental to suppliers to those CCO's and may not result in the efficiencies perceived to arise from increased scale. Unless procurement by large CCO's is carefully managed it can result in larger contracts which cut out SME suppliers (due to the scale and level of risk involved) resulting in fewer suppliers bidding for work and potentially increase costs to the CCO.

4. Civil Contractors NZ support the concepts of 'The Local Benchmark: When smaller is better' (Jason Krupp, Research Fellow, The New Zealand Initiative) which makes the case that bigger is not always better when it comes to local government organisations.
5. The Bill provides a great deal of flexibility for Councils, which, for suppliers working across many different council areas may lead to a lack of uniformity. Clear guidance as to the organisation that is responsible for water, transport or other activities will be important and this information should be clearly available as a requirement of each local authority.
6. While local government is structured around territorial boundaries there are some existing or joint CCO's that cross boundaries as demonstrated by Wellington Water. While each local authority remains responsible for meeting their various requirements, Civil Contractors NZ considers that recognition of the potential for conflict is addressed by developing a mechanism to address any issues that may arise.
7. In addition there are examples of joint agreements between local and central government entities which Civil Contractors NZ believe can be both good and bad. There needs to be a high degree of rigour required before such arrangements can be supported as large entities may not necessarily result in savings, increased levels of service and healthy efficient industries and suppliers.
8. While the Bill recognises that the Local Government Commission ("Commission") will require funding for its new functions and responsibilities no consideration is given to the costs of reorganisation proposals on local authorities and CCOs. This may be an issue particularly when a proposal is Commission rather than local authority led and given the different size and resources of the organisations involved. Civil Contractors NZ suggests that further consideration be given to providing funding for local authority involvement in reorganisation proposals – particularly where these are Commission initiated rather than council led.
9. Accountabilities within the Bill are complex and need to be reconsidered as they are transfer responsibilities from Local government to Central Government which Civil Contractors NZ do not support.
10. The Bill provides increased powers to the Local Government Commission which we believe undermines the role of Local Government by effectively ignoring community consultation.
11. The Bill also allows the Minister to instruct the Local Government Commission which undermines the independence of the Commission
12. The Bill enables the greater use of CCOs for the provision of water, transport and other services. The legislative regime applying to CCOs must then be fit for purpose to enable the benefits of CCOs to be realised (efficiencies and improvements in the levels of services), while at the same time ensuring that private supplier markets remain healthy, viable and competitive. Transparency, accountability and effective public participation, particularly in relation to healthy industries and markets must be of utmost importance.
13. The taxation rules applying to local authorities and CCOs are complex. While it is understood that the new CCO and local government structure proposals in the Bill are intended to be tax neutral, Civil Contractors NZ suggest further changes are required to ensure that the tax status and implications are clear, consistent and fair.
14. Civil Contractors NZ supports the submission of the Society of Local Government Managers ("SOLGM") in relation to taxation matters and endorses the recommendations made in that submission; particularly in relation to the tax status and treatment of multiply owned, substantive and water CCOs.