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Big Build is a quarterly publication tracking legislative and regulatory reform and other developments affecting the construction and infrastructure sector.

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Government and regulatory

The KiwiBuild “recalibration”

Having bowed to the inevitable and admitted that it will fall well short of its first year target of 1,000 KiwiBuild homes, the Government is now engaged on a “recalibration” of the programme.

Housing Minister Phil Twyford will take a paper to Cabinet for approval. He has indicated that new incentives to bring private developers on board will be in the mix.

The Government has now scrapped its interim targets but continues to maintain confidence that it will achieve the ‘100,000 new homes in 10 years’ goal.

[Article](#)

Bulk KiwiBuild buy first of several

Announcing an agreement with Mike Greer to build 104 KiwiBuild homes in West Auckland and Christchurch, Phil Twyford said that a number of similar deals were in the pipeline and that the Government was starting to see “really good progress” in bringing them to completion.

Twyford subsequently said at a conference, that the Government was in discussion with 44 local and overseas pre-fab manufacturers and that he hoped by the third quarter of this year to have entered “commercial dialogue” with a shortlist of providers.

[Announcement](#)

[Article](#)

KiwiBuild “progress” report

The Government has provided updated figures for KiwiBuild. As at 24 January, only 47 homes had been completed although 236 were under construction and another 10,160 had been contracted and committed to.

[Announcement](#)

Crowded housing market

The Reserve Bank of New Zealand (RBNZ) estimates that every 100 houses built for KiwiBuild in the period to 2022 may crowd out between 50% and 75% of private builds, particularly in the near term, because of capacity constraints in the construction sector.

The bank is assuming that between 7,000 and 14,000 KiwiBuild homes will be built over the three-year period but that the build rate will gather momentum over time, ramping up to 12,000 houses a year by 2022.

[RBNZ report](#)

New Government – Auckland Council joint working group

A joint Government/Auckland Council working group on Auckland housing and urban growth is about to become a reality. It will comprise Twyford, Local Government Minister Nanaia Mahuta, Construction Minister Jenny Salesa and Environment Minister David Parker and, from the Council, Mayor Phil Goff, Deputy Mayor Bill Cashmore, Planning Committee Chair Chris Darby and Environment and Community Chair Penny Hulse.

Meetings will be quarterly.

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Shake-up for vocational training

The Government has released proposals to “reset” vocational education provision, including the institutes of technology and polytechnics (ITPs) sector – many of which are under acute financial pressure – and Industry Training Organisations (ITOs).

The idea is to establish a more unified and coordinated system, extending the leadership role of industry and employers in the ITOs and bringing together the 16 ITPs into a single entity.

No substantial changes affecting students / trainees or apprentices will occur until 2020 but ITOs may have to start gearing up in the second half of this year.

The consultation closed on 27 March.

[Documentation](#)

Market study into building material supplies industry

Commerce and Consumer Affairs Minister Kris Faafoi has signalled that the building supplies industry may be the subject of a Commerce Commission market study. These can be initiated by the Commission, or at the request of the Minister. Faafoi told *The AM Show* in February that he’d asked his Cabinet colleagues to identify markets they had concerns about, and this was one of them.

[Article](#)

Building Amendment Bill in the slow lane

The report back from the select committee of the Building Amendment Bill has been deferred to 1 April. No explanation has been given for the deferral. Submissions closed in October. The Bill creates new powers to improve the system for managing buildings after an emergency and to investigate building failures.

Special Housing Areas Act to expire

The Special Housing Areas Act, introduced by the previous National-led Government to speed house construction, will be allowed to expire at the end of September this year. Phil Twyford said the Government had considered extending it but had decided that the benefits did not outweigh the costs.

He said research had shown houses were sometimes 5% more expensive inside a Special Housing Area (SHA) than outside. Eleven housing accords have been signed under the Act.

[Announcement](#)

Fair Pay Agreements – the model proposed

The Jim Bolger-led tripartite Working Group charged with developing a workable Fair Pay Agreement (FPA) system has produced a set of recommendations covering most of the design features. But it was unable to agree on whether participation should be compulsory or voluntary, with the employer representatives strongly of the view that employers should be able to opt out of bargaining and any resultant FPA at any time.

The Government is taking a cautious approach, saying it will not rush any decisions but will “take the time to get it right”. This may reflect the experience of the Employment Relations Amendment Bill last year, when New Zealand First forced a late back down on the 90-day trial periods rule.

[Chapman Tripp commentary](#)

Tax on vacant land

The Tax Working Group (TWG) has recommended that the Productivity Commission consider a tax on vacant residential land as part of its inquiry into local government funding. Auckland Mayor Phil Goff can see value in the idea.

[Article](#)

[Chapman Tripp commentary](#)

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Contracting with the public sector – new rules of engagement

The Ministry of Business, Innovation and Employment (MBIE) has completed its public consultations on the fourth edition of the Government Procurement Rules and is now finalising its advice to go to Cabinet in May.

The proposed changes are quite significant and include:

- the identification of four “Broader Outcomes” which the Government can designate to be considered in particular contracts or sectors, one of which is to lift skills in the construction sector
- increased reporting requirements and oversight for agencies, and
- the extension of Rule 65 from Public Private Partnerships (PPPs) to any infrastructure projects above \$50m. These will come within the purview of the soon to be established New Zealand Infrastructure Commission and will be subject to standardised contracts.

The other three “Broader Outcomes” are:

- increased access to government procurement for New Zealand business
- improved working conditions, and
- support for the transition to a low emissions economy.

[Chapman Tripp commentary](#)

Positive outlook for 2019

Rider Levett Bucknall is predicting a positive outlook for construction this year in *Forecast 90*, a publication prepared for them by New Zealand Institute of Economic Research (NZIER).

They report that underlying demand for construction is “robust”, particularly in the residential sector, and that the trend is now for an increase in non-residential construction activity after a plateau early last year.

[Report](#)

Commercial construction in Auckland led index up in December quarter

Non-residential construction in Auckland led a seasonally adjusted 2.7% increase in construction volume growth in the last quarter of last year.

[StatsNZ release](#)

Female tradies paid 20% less than men

Women in trade are paid 20% less on average than men, according to a survey of more than 10,000 trades workers. The gender pay gap across the economy as a whole is 9.2%.

[Article](#)

Government housing consents at 40 year high

Across New Zealand, 32,996 homes were consented last year, 6.1% up on the previous year. Of these, almost 2,000 were for central government agencies which is higher than at any time since November 1978.

[Statement](#)

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Detail on the proposed Infrastructure Commission

The New Zealand Infrastructure Commission (Te Waihanga) will have an independent board and the autonomy it needs to provide robust advice but Ministers will retain final decision-making power on investments.

It will be tasked with developing a “broad consensus” on long-term strategy, enabling a coordinated approach to infrastructure planning, and providing advice and best practice support to infrastructure initiatives.

Infrastructure Minister Shane Jones said the “overwhelming message” from the almost 130 submissions the Government had received was that the Commission have “enough independence from government to have credibility with private sector infrastructure owners, market participants and local government, while also having a close relationship with Ministers”.

Current expectations are that the Commission will be operational from October this year.

[Statement](#)

Civil Contractors ask – Where’s the pipeline?

Civil Contractors New Zealand have taken their frustration public, issuing a press statement asking the Government to get the promised infrastructure pipeline moving.

The issue is that the previous Government’s roading programme is winding down and there is not much to replace it as new projects are not coming to market in “a reasonable timeframe”.

Infrastructure New Zealand CEO Stephen Selwood also weighed in, saying the extent of the funding switch from roads to public transport meant that the roading industry was starved of work and was losing skilled people to Australia.

[Statement](#)

[Selwood](#)

Counting the cost on the coast

A report commissioned by Local Government New Zealand (LGNZ) from Tonkin & Taylor Ltd to quantify the replacement value of the damage to council owned infrastructure from sea level rise at four increments – 0.5, 1, 1.5 and 3 metres – makes sobering reading.

Findings include:

- a total cost of over \$13b for a 3 metre rise, and almost \$8b for 1.5 metres
- exposure will be greatest for Canterbury at 1.5, followed by Hawke’s Bay and Auckland. Other areas of high risk include Greater Wellington, Bay of Plenty, Otago and Waikato
- the rate of increase will accelerate over time, requiring that councils provide for a long lead-time in their mitigation planning and early communication with ratepayers.

Among the actions LGNZ is proposing in response to the research are:

- to coordinate with central government to create a National Climate Change Adaptation Fund to improve stakeholder participation in the mitigation response and to ensure equitable outcomes, and
- creating a Local Government Risk Agency charged with improving local government capability and capacity to identify and understand risk.

[LGNZ statement](#)

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Report on Upper North Island supply chain due soon

Infrastructure Minister Shane Jones says he is expecting the report by Deloitte and Aecom on future rail options in Northland to be ready in April. The cost of upgrading the Northland rail network and linking it to Northport could cost up to \$500m.

[Article](#)

Auckland Council submission to Productivity Commission

Auckland Council has released its submission to the Productivity Commission inquiry into local government funding and financing options as an attachment to an information report to the Council's Finance and Performance Committee.

It paints Auckland's predicament – home to a third of New Zealand's population and economy, and to 50% of New Zealand's projected growth; a lack of "debt headroom", and a strong community preference for low rates increases.

It quotes the partnership with Fulton Hogan and Crown Infrastructure Partners to fund the Milldale development as an example of how it is working to find solutions within the current legislative environment and says it hopes that the Government's Urban Growth Agenda and the legislation to create the National Urban Development Authority will facilitate these sorts of arrangements.

And it argues for a range of other changes, including:

- a share of the increased income tax and GST revenues arising from council investment in economic development (for example, the hosting of the Americas Cup), or a larger capital contribution toward these costs from central government

- allowing the regional fuel tax and development contributions to be based on broad future funding intentions rather than attached to specific projects
- more flexibility over the application of targeted rates, and
- providing the Council with better information gathering powers to establish how properties are being used so that this can be reflected in rates.

[Submission](#)

The Hodder paper

In a paper prepared by Jack Hodder QC for presentation to a LGNZ meeting, on the risks to local government from climate change litigation, Hodder says it may only be a matter of time before New Zealand has its first large damages claim for a failure to implement adaptation measures such as controlling development and protecting coastal areas.

He considers that the solution "would sensibly recognise that anthropogenic climate change is a major "meta-externality" requiring collective action on the broadest scale, and funded on the broadest base (i.e. central government taxation)".

[Paper](#)

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