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

CONSTRUCTION

Government and regulatory

New Government procurement rules in effect from 1 October

The Government says the new procurement rules, in effect from 1 October, will help move away from the “lowest price model” to a broader approach which takes into account the financial health of the construction company, the health and safety of its workers and the environmental health of the building.

[Rules](#)

[Statement](#)

Councils told to grow up and grow out

The planned National Policy Statement (NPS) on Urban Development is out for consultation. It seeks to improve housing supply by requiring councils to make room for growth – both up and out.

Some provisions will have application across all urban environments. Others, setting more stringent requirements, will be restricted to “major urban centres” where the pressure on housing is greatest. Identified for this status are: Auckland, Hamilton, Tauranga, Wellington, Christchurch and Queenstown (the Big Six).

The proposed changes are directed at ensuring:

- an adequate supply of land to keep up with housing demand at affordable prices
- better integration of transport systems with land use to improve access to jobs and reduce car dependency, and
- cities which create less pressure on natural resources and are better at meeting people’s needs for physical activity, air quality, mental health, disability access and social cohesion.

Submissions are due by 10 October.

[Chapman Tripp commentary](#)

New construction centre of excellence for vocational training

A construction trades centre of excellence will be established on a regional campus as part of the Government’s radical overhaul of vocational training. It is one of three centres of excellence which the Government has budgeted to establish over the next four years. The other two are for the primary industries and health.

Other elements of the reform package include:

- creating four to seven Workforce Development Councils by 2022 to replace and expand most of the roles of Industry Training Organisations (ITOs)
- pulling the 16 institutes of technology and polytechnics into a single national organisation (working title ‘New Zealand Institute of Skills and Technology’) to provide on-job and off-job learning, starting next April. The head office will not be in Auckland or Wellington. A charter, containing a number of bottom lines, will be set out in legislation to guarantee performance, and
- establishing new Regional Skills Leadership Groups to identify local skills needs, working across local education, immigration and welfare systems.

The transition to the new structure will be implemented over the next three to four years.

[Centre of excellence announcement](#)

[Package announcement](#)

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KiwiBuild “reset” low key affair

The name stays but the 100,000 new houses in 10 years target has been abandoned. Other changes to try to get some traction behind KiwiBuild include:

- allowing up to 10% of KiwiBuild homes in a development to be over the price cap if they are four bedroom or larger
- reducing the deposit for the First Home Loan and the First Home Grant from 10% to 5%
- reducing the minimum period buyers of studio and one-bedroom homes are required to live in them before selling them on from three years to one year, and
- putting \$400m into progressive home ownership schemes (e.g., rent to buy and shared equity). The detail of how these might work is still being developed.

An online dashboard with metrics relating to housing (e.g., average weekly rental, KiwiBuild and state houses built, number of homes under construction) will be launched on the Ministry of Housing and Urban Development website in October and updated each month.

[🔗 Ministry of Housing and Urban Development fact sheets](#)

KPMG report with MBIE soon

A report into the retentions regime, commissioned earlier this year from KPMG by the Ministry of Business, Innovation and Employment (MBIE), is due soon. KPMG was asked to conduct a general overview of how the scheme is performing, the extent of compliance, signs of behaviour change and the impact on firms.

Market study for construction supplies sector

Commerce Minister Kris Faafoi’s office has confirmed that new Housing Minister Megan Woods has written to Faafoi suggesting that the Commerce Commission conducts a market study into the building supplies industry. No decision has yet been made.

Summary of submissions on the Building System Legislative Reform Review

A summary of the 470 submissions received by MBIE shows:

- a high level of agreement that system wide change is needed
- majority support for better product information, although it would need to be supported by monitoring and enforcement
- majority support for broadening the definition of restricted building work to include more complex, non-residential work (the Registered Master Builders Association [says](#) several large construction contractors oppose this requirement on commercial sites)

- strong support for raising competency standards and implementing a code of ethics (although with some concern about the scheme’s ability to actually manage quality and improve behaviour)
- retention of the status quo rather than a new voluntary certification scheme for engineers
- majority support for a compulsory guarantee and insurance product for residential new builds and substantial alterations, and
- mixed views on moving to a system of proportionate liability. This was strongly supported by Building Consent Authorities (BCAs) but other submitters considered BCAs were best placed to bear final responsibility for defects.

[🔗 MBIE summary](#)

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Local Government New Zealand wants a cap on liability

As recommended by the Law Commission in 2014, a remit calling for a cap on the liability councils are exposed to for building defects attracted 93% support at the Local Government New Zealand (LGNZ) annual conference this year.

LGNZ Deputy Chief Executive for advocacy Jason Krupp said LGNZ had argued in its submission to the Building Act review for a system in which liability would be apportioned according to the court's view of each liable defendant's share of responsibility or fault but that a cap was the next best option.

[Article](#)

Regulation review

MBIE is reviewing the regulations behind the Health and Safety at Work Act (HSWA) relating to work involving machinery, equipment, tools, vehicles, structures, heights and excavations. Workplace Relations and Safety Minister Iain Lees-Galloway said these activities accounted for 76% of fatalities at work – or 58 deaths a year.

Submissions close on 4 October.

[Discussion document](#)

Building Code November update

MBIE consults twice a year on the Building Code, producing updates in June and November. The November update this year will focus on improving building resilience to support high-density housing on liquefaction-prone ground. Submissions closed on 13 September.

Free building standards

A number of Building Standards are now available free online as part of a push by MBIE to promote compliance.

[Website](#)

Tax policy work programme

Top of the Government's tax policy work programme for 2019-20 is a review of measures to discourage land banking and to encourage residential development. Other workstreams include: the tax treatment of spending on innovation, and whether the tax system has a role in driving infrastructure investment.

[Work programme](#)

WorkSafe data centre

WorkSafe has created an online data centre giving easy access to information on fatalities and serious injuries by year and sector.

[Data centre](#)

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Industry

Zero carbon by 2050 roadmap for New Zealand buildings

The Green Building Council has released a plan to slash emissions in the building sector, which is currently responsible for about 20% of New Zealand's carbon footprint.

Of this, 28% comes from the carbon emitted in the production of construction materials (e.g., concrete and steel); 70% from occupation emissions (e.g., gas-fired water heaters and other non-renewable energy sources), and the remaining 2% from water consumption over the lifetime of the building.

Key among the report's recommendations to achieve net zero carbon status by 2050 are:

- a progressive strengthening of the energy efficiency requirements in the Building Code over three updates in 2022, 2026 and 2030, and
- a requirement that all buildings over 1,000m² have Building Energy Labels (much like those required now for whiteware) from 2024, with the Government requiring this in the public sector from 2021 and requiring a four star rating from October 2024.

[Release](#)

[Report](#)

NZCBA drops insolvency cover for homeowners

The New Zealand Certified Builders' Association (NZCBA) has dropped insolvency cover for homeowners although completion coverage is still in place for other events, including if a builder dies or becomes legally incapacitated, or a contract is cancelled.

NZCBA said it had no choice as Lloyd's of London as underwriter had told them that the alternative was much larger premiums.

[Article](#)

New industry-led initiative to prevent lowballing on contracts

The Registered Master Builders' Association hopes to have a new certification scheme in place within 18 months to set minimum financial, governance and skill standards for companies to win big jobs. The idea is to prevent lowballing on contracts, which is behind some of the insolvencies in the sector.

[Article](#)

CertMark International withdraws from CodeMark

Australia-based CertMark International has withdrawn from the CodeMark certification scheme after being suspended. It said that the decision was not taken lightly but it did not think CodeMark in its current form was an "ideal means of demonstrating compliance", particularly as the Building Product Certification Regulations overrode the CodeMark rules – an issue currently being addressed by MBIE.

[Announcement](#)

Building Industry Federation wants national building material register

The Building Industry Federation is calling for a register to provide an integrated system to prove a product meets the requirements of the building code and to prevent New Zealand becoming a dumping ground for dodgy products.

[Article](#)

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Construction pipeline – the boom rolls on

The 2019 National Construction Pipeline Report forecasts demand to remain strong over the next five years, peaking at \$43.5b in 2021. Key forecasts include:

- residential activity to level out from next year onwards except in Auckland, where it is forecast to reach \$12.2b by 2024, 39% above 2018 levels
- non-residential activity to peak at just over \$9b in 2021 before being overtaken in volume by infrastructure in 2023, and
- commercial buildings to dominate non-residential work in projects starting this year, accounting for 48% by volume and 59% by value.

A similar pattern emerged in the latest Rider Levett Bucknall (RLB) survey.

[Report](#)

[RLB survey](#)

Insurance expert identifies project complexity as a risk

A senior manager in Swiss Re has identified the increasing complexity of construction projects in Australia and across Asia as a risk.

[Article](#)

Overseas developer ordered to sell up

BCH Investments Ltd, an overseas owned property development company, has been fined \$300,000 along with costs of \$288,000 and ordered to sell the properties within two years for failing to secure Overseas Investment Office (OIO) approval.

The five hectares of land in Albany is classified sensitive because it adjoins a reserve.

The OIO agreed BCH should be given time to complete the subdivision and sell the lots in an orderly way to protect the interests of contractors and purchasers. It is agreed BCH will not make a profit on the sales. Had that not been the case, the penalties could have been higher.

The Overseas Investment Act allows a maximum penalty of \$300,000 or three times the quantifiable gain made on the sale of the property, whichever is the greater.

[OIO announcement](#)

INFRASTRUCTURE

Bollard to lead Infrastructure Commission

Former Reserve Bank Governor and Treasury Secretary Alan Bollard will chair the New Zealand Infrastructure Commission, Te Waihangā. Jon Grayson, currently the Deputy Secretary Financial and Commercial at the Treasury, will be the Chief Executive. Other board members are: David Cochrane, Raveen Jaduram, Sarah Sinclair, Stephen Selwood and Sue Tindal.

The Commission is tasked with developing a long-term infrastructure pipeline.

The Bills to establish the Commission has now been passed, having been strengthened through the select committee process to:

- extend the Commission's information gathering powers to local government, and
- require central government agencies (with the exception of the Security Intelligence Service and the Government Communications Security Bureau) to comply with information requests necessary to the performance of the Commission's functions unless there are privacy or legal reasons not to.

[Announcement](#)

[Bill as reported back](#)

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Alarm at the top

The Prime Minister's Business Advisory Council wrote to the PM in June warning that New Zealand is at an "infrastructure crisis point", although it identifies this as a problem which has been created over generations.

We have not seen the letter but it was released to the New Zealand Herald which quoted the Council as saying there is "no overarching vision or leadership" and "no nation-building narrative upon which to build a strategic direction" and that the public sector lacks the capability to manage a programme of projects of national significance while the private sector "operates in a boom-bust cycle".

The Council advocates the need for a master plan and for financing and funding mechanisms that would allow for long term debt-funded or investable opportunities.

Transport Minister Phil Twyford agreed, but parted company on the Council's push to proceed with the 12 roading projects now on hold or under review, and to open them to private investment. He said they were "of very low economic value" and that none of them would attract the traffic volumes required to generate a decent return.

[🔗 Article](#)

Big changes sought by infrastructure sector

A poll of the industry participants at the 2019 Building Nations Symposium in August found strong demand for change.

- 98% supported regional economic partnerships between local and central government to drive development
- at least 65% supported a partial redistribution of tax revenue (GST, income and corporate) from central to local government – currently central government commands 93% of all tax revenues, leaving only 7% for local government, and
- almost 75% supported doubling the Provincial Growth Fund from \$3b to \$6b and converting it to a Regional Growth Fund, a core function of which would be to align central and local government investment.

[🔗 Statement](#)

Freshwater plan looking for watershed moment

The Government's plan to improve freshwater quality is ambitious in scope – and this is before we get to the trickier allocation and ownership issues. But Environment Minister David Parker is determined to begin the rehabilitation of the country's rivers and lakes "within a generation".

We provide a summary of the discussion document. Any business which uses large amounts of water will be affected. Submissions close on 31 October 2019.

[🔗 Chapman Tripp commentary](#)

First urban growth partnership signed

The Government has entered a growth partnership with local councils and mana whenua to build the Hamilton to Auckland Corridor.

[🔗 Announcement](#)

Kāinga Ora era has begun

Kāinga Ora – Homes and Communities is now in effect. It took over from Housing New Zealand, its development subsidiary, HLC, and the KiwiBuild unit on 1 October. It will be chaired by Sir Brian Roche (who also chairs NZ Transport Agency). Other board members are Vui Mark Gosche, John Duncan, Philippa Howden-Chapman, Nicola Crauford and Pat Sneddon.

Funding Auckland light rail

Twyford will decide early next year whether to fund the Auckland light rail network through a traditional NZ Transport Agency led procurement or to allow it to be funded through a joint venture by the New Zealand Superannuation Fund and Canadian fund manager CDPQ Infra.

Both are developing proposals to put to the Government for decision – a process which is expected to take up to six months. Construction will not begin until at least 2021, and possibly 2022 to avoid disruption to the CBD for the Asia-Pacific Economic Cooperation (APEC) conference in November 2021.

[🔗 Article](#)

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Funds redeployed from rapid rail to the Manawatū Gorge

The NZ Transport Agency has reallocated \$190m of the \$313m allocated this year for rapid rail to progress the Manawatū Gorge replacement and a number of state highway improvements, as well as for public transport, walking and cycling and local roads.

[🔗 Announcement](#)

Rapid rail Auckland-Hamilton link?

The Government is investigating the viability of a rapid rail link between Auckland and Hamilton. Announcing the move, Twyford said that his hope was to “work steadily” toward developing the proposal over the next few years but that, until the business case and costings were completed, he could not put a timeframe on it.

Meantime, the NZ Transport Agency has approved funding of almost \$80m (with a further \$12.5m from local government) for a Hamilton–Auckland commuter rail service, starting with two morning peak trains and two afternoon peak trains, each able to carry 150 passengers.

[🔗 Article](#)

High value soils NPS

The Government is consulting on a proposed NPS to prevent highly productive land being swallowed up by housing. Submissions close on 10 October.

[🔗 Paper](#)

Auckland Council takes green bond funding to \$350m

Auckland Council has now raised \$350m through its Green Bond framework. Mayor Phil Goff said the bonds were attractive to investors keen to promote environmentally positive projects.

[🔗 Statement](#)

Waitaha dam declined

An application by Greymouth-based company Westpower Ltd to build a hydro facility on the Waitaha River near Hokitika was declined by Environment Minister David Parker because it would have significant impacts on the natural character of an area which was “largely unmodified by humans, “near to pristine” and yet “accessible for recreation”.

The proposal was supported by the Department of Conservation.

[🔗 Press statement](#)

Local government – the front line in the climate change response

Territorial authorities are highly exposed to climate change risk, both through their statutory role as the branch of government responsible for implementing much of the response and as the owners of large amounts of at-risk infrastructure.

This is the third instalment in Chapman Tripp’s *Building resilience to climate change* series. The previous two instalments covered insurance and governance.

[🔗 Chapman Tripp commentary](#)

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