

TERMS OF REFERENCE

Sector Productivity Taskforce

Aim

To propose a way forward for enhancing sector productivity and skill levels and to identify ways to improve approaches to procurement of construction projects.

Context

Building and Construction sector leaders met in Auckland on 1 August 2008 at the invitation of the Minister for Building and Construction. Particular issues identified by the forum included that:

- productivity growth, especially labour productivity has been disappointing and is limiting sector ability to respond positively to change
- improving skill levels, across the board, is critical for improved sector productivity
- pressure on land use will continue to drive urban intensification – and that urbanisation is an issue for all New Zealand cities, not just Auckland and that:
 - there are not enough large scale intensification projects currently underway or planned to cope with future needs within current urban boundaries
 - the quality of urban intensification to date, in delivering sustainable urban environments, has been patchy and generally poor

To develop practical proposals to address the above issues it was decided to establish taskforces made up of industry, local and regional government, and central government leaders:

- A Sector Productivity Taskforce, to:
 - develop a sector wide skills strategy
 - develop an improved approach to the procurement of construction projects
- An Urban Intensification Taskforce, to:
 - develop proposals to improve current approaches to planning and coordination in support of improved urban development

It was proposed that the forum should reconvene in 2009 to consider progress on the above.

Since the Forum met in August significant change has occurred with a worsening economic environment and substantive market adjustment.

Productivity Issues

The Productivity Taskforce is to focus on productivity and procurement. Specific issues to emerge under each of these themes are as follows:

Productivity

Issues related to productivity were complex and multi-dimensional and included:

- lack of 'scale' developments compared to overseas
- volatility – boom/bust nature of the market has a tendency to underestimate the top and bottom. This flows on to skill migration, where at the bottom end youngsters get laid off, go and do not come back. Then when the cycle picks up again there is a lack of capacity, lack of skill level and low-skilled people end up getting employed to get through the cycle
- opportunities to make better use of research and development to provide economic, well made/designed, well produced, efficient, effective homes.

It was identified that improving skill levels, across the board, is critical for sector productivity. Relevant considerations include the:

- need to improve basic skills in maths and literacy, and how deficiencies in these contribute to high levels of re-work
- importance of immigration as a component in addressing skill gaps and how this can have the added benefit of bringing in workers with new ideas and ways of working
- growing of skills over the long term.
- importance of improving management capability, and how deficits in management capability make it difficult to maximise what skills we do have
- lack of tertiary qualifications for project and site managers

Procurement

A number of issues with the prevailing business / procurement model were identified. The fragmented and cost based model does not always deliver the best result and can lead to user needs being neglected, loss of innovation and additional cost, due to changes midway through the project. In order to improve productivity, an integrated business model was discussed. Particular characteristics of this model included:

- recognition of the close linkages between design and construction
- more attention to design at the initial tendering of the development
- more attention to the overall capability of the team and more collaboration between different team members – developer, designer, builder – from commencement of the project.

Objectives

The objective of the Sector Productivity Taskforce is to:

- develop a sector wide skills strategy – to improve labour productivity
- explore issues with current approaches to the procurement of construction projects and to develop a proposal for an improved approach that would be piloted, evaluated for promotion as an improved approach (especially large scale projects)

In undertaking the tasks above the Taskforce has been asked to consider what can be done in the short term and what can be done to facilitate work already underway, in light of the potential adverse implications of the immediate economic downturn.

Role

The role of the Sector Productivity Taskforce is to meet 3-4 times as required to:

- consider and agree a terms of reference for work to progress each of the above work streams
- oversee each work stream and in doing so:
 - identify and provide guidance to the taskforce secretariat on any issues affecting progress
 - ensure that appropriate connections and links are made between work streams
- consider the findings and proposals of each work stream including:
 - their relevance to the issues identified by the sector forum of poor sector productivity
 - the practicality of proposals and their ability to reduce skill gaps and improve the sector's productivity
 - how the proposals would be implemented, including the roles of industry, local and regional government and central government
- champion the proposed way forward with central and local government agencies and industry to seek their support in taking appropriate action

Membership

Taskforce members will be drawn from industry, local government and central government but the group is not intended to be representative. Individual members will be recognised sector leaders and will have knowledge and understanding of the strategic context in which the sector operates including the nature of issues, challenges and opportunities facing it.

The Taskforce may choose to establish working groups to progress particular work streams (e.g. skills development). Membership of the working groups will be selected by the Taskforce and may draw on people from outside the Taskforce who are recognised for their specialist skills, knowledge and experience.

Reporting

The Taskforce will compile an overview of its findings and proposals (including advice on 'next steps' necessary to implement or further refine its proposals) and report to the Chief Executive Officer (CEO) of the Department of Building and Housing by March 2009. Once finalised, proposals will be presented to the sector forum when it reconvenes in mid 2009.

Accountability

The CEO of the Department of Building and Housing will, convene, but not chair, the Taskforce. A Taskforce Chair, to be appointed by the CEO, will be accountable to the CEO for the operation of the Taskforce. The Taskforce will report back to the CEO with findings and proposals (including advice on 'next steps' necessary to implement or further refine its proposals). The CEO will ensure the Minister is advised on progress.

Ministerial Involvement

Ministers will not attend meetings of the Taskforce but will be regularly updated on progress and provide input via the Chief Executive, involving the taskforce chair as appropriate.

Support

In carrying out its work the taskforce will be supported by:

- A small secretariat that will provide administrative, analytical and communications support to the taskforces. The secretariat will manage and coordinate work on the Taskforce's behalf and pull together conclusions and proposals in the form of written reports and presentations.
- Working groups to be drawn from suitable skilled and experienced persons from across central government, industry and local and regional government to explore particular issues and develop proposals for the taskforce's consideration.
- Some funds, to be managed by the secretariat, to purchase research and analytical inputs.