

# COVID-19: Government signals major construction and infrastructure effort for economic recovery

By Helen Macfarlane, Glen Holm-Hansen and Sean Gamble

While New Zealanders played their part in eliminating the spread of COVID-19 by staying at home, the government has been developing plans for the construction sector in a post COVID-19 New Zealand.

In a release on 1 April, Ministers Twyford (Transport) and Jones (Infrastructure) set out the government's intention for the construction sector as pandemic control measures continue. The government's plan comprises the establishment of the Infrastructure Industry Reference Group (Reference Group), commencement of advance payments to contractors engaged in government transport projects and an announcement that the government is considering significantly reforming Crown Infrastructure Partners (CIP). The government also announced it was pursuing options to speed up the consenting process for key construction and infrastructure projects.

The goal of the announcements was outlined as a stimulation effort to mitigate the economic impact of the COVID-19 pandemic.

## Construction Sector Accord

The Construction Sector Accord (Accord) has shifted its focus from industry transformation to resilience and recovery. The Accord is a partnership between government and industry that extends across the entire sector, making it a valuable advisor to Ministers on how the government can best support the industry after the COVID-19 disruption and a key consultant for the Reference Group. The Accord's COVID-19

Response Plan is divided into three response phases (maintain, restart, transform) which serve as guidance posts for the government's recovery efforts. Further details of the Response Plan can be found on the Accord's website.<sup>1</sup>

## Reference Group

Chaired by Mark Binns (current chair of CIP) the Reference Group was tasked with collating and recommending to Ministers, infrastructure projects from the public and private sector which are 'shovel ready' now, or will be within the next six months. The Reference Group sought information from those in the construction sector with upcoming projects. The government outlined a timeline for information to be submitted to the Reference Group, and a set of criteria which the Reference Group assessed before recommending projects to Ministers.

(a) **Construction readiness:** Projects are expected to be 'shovel ready'; ideally construction could begin now, or within six months.

(b) **Public or regional benefit infrastructure:** Infrastructure highlighted by the Reference Group as beneficial includes transport, three waters, and buildings and structures.

(c) **Size and material employment benefits:** Projects are expected to be sized above \$10m, however this threshold may be altered for smaller regions.

(d) **Overall benefits and risk:** The overall assessment of projects has broad considerations including economic, social and environmental benefits which are either regional or nation wide.

A full description of the criteria can be found in the Project Information Guidelines.<sup>2</sup>

On 1 July the government announced 11 projects to be fast-tracked - all focusing on housing and environmentally friendly transport options. A full outline of those projects can be found in the Beehive Release.<sup>3</sup>

### Advance Payments to Contractors

The government has begun advance payments to contractors engaged in NZTA projects who were unable to work during the lockdown. Payments were made to encourage and enable contractors

to retain sub-contractors and other workers so that work could commence as restrictions were eased. These payments were not made to contractors in PPE projects.

### Ministry of Works?

The government identified potential reform of CIP in light of the anticipated construction environment following the COVID-19 lockdown. CIP currently investigates and implements commercial models for the government supply of specific infrastructure projects. The government has outlined it is looking to alter the size and purpose of CIP. Minister Jones acknowledged that one possible scenario could see the government without the requisite workforce to carry out its infrastructure goals. Further, the current financing and construction model 'mired with red tape' would no longer be fit for purpose in the anticipated recovery period. A return to a hands-on Ministry of Works approach has been mooted by Minister Jones as a measure to mitigate these anticipated employment and infrastructure complications.



The Ministry of Works undertook substantial construction work for the government from 1876 until it was disestablished in 1988 as part of state sector reforms. When the Ministry operated, it constructed most of New Zealand's roading, rail and energy infrastructure. When the Ministry was disestablished, several of its functions were transferred to other government departments, while other operational aspects were subsequently privatised.

Specific details have not been provided on what a future government agency or Ministry tasked with coordinating and executing government infrastructure would look like. While it seems unlikely there will be a return to the Ministry of Works, the growth and method of delivery for government infrastructure projects will be critical. We will watch this space with interest.

## Fast-tracking of consents

The Minister for the Environment has supported the passage of the COVID-19 Recovery (Fast-track Consenting) Act 2020, designed to speed up the consent process for specific infrastructure and construction projects so that work can commence expeditiously during the COVID -19 recovery phase. This is intended to compliment the efforts outlined above to provide a pipeline of work in the COVID -19 recovery and to provide certainty to investors and developers. Under the new law, the Minister for the Environment has the power to determine both public and private-led projects to be fast-tracked through the consenting process. Full details of the fast-tracked consenting process

can be found on the Ministry for the Environment website.

## Budget 2020

Several small-scale initiatives announced in the May 2020 budget also show the government's strong emphasis on construction. Kāinga Ora has been loaned \$5B to build approximately 8,000 community houses and \$1.2B has been provided to improve rail infrastructure. In terms of training, \$412M has been allocated to incentivise employers to retain apprentices and \$1.6B for free trades and apprenticeship training which commenced on 1 July.

These initiatives and indications outlined by the government signal that construction and infrastructure will form a key component of the COVID-19 economic recovery; however, the role and extent of private sector involvement is unclear.

Construction will form a vital part of New Zealand's Covid-19 economic recovery. We expect further announcements from the government and other political parties over the coming months on their plans to reduce the economic impact of COVID-19 on companies operating in the construction sector, and to ensure existing projects are able to continue, and new projects to commence.

If you require advice on any of the government initiatives above, or construction concerns relating to COVID-19, please contact one of our team.

## End Notes

---

<sup>1</sup> <https://www.constructionaccord.nz/news/news-stories/covid-19-response-plan-for-the-construction-sector/>

<sup>2</sup> <https://www.crowninfrastructure.govt.nz/wp-content/uploads/1.-Shovel-Ready-Project-Information-Guidelines.pdf>

<sup>3</sup> <https://www.beehive.govt.nz/release/infrastructure-investment-create-jobs-kick-start->

[covid-rebuild](#)

<sup>4</sup> <https://www.newsroom.co.nz/2020/04/01/1109751/a-ministry-of-works-for-post-covid-nz>

## ABOUT THE AUTHORS



**Helen Macfarlane**  
Partner



**Glen Holm-Hansen**  
Senior Associate



**Sean Gamble**  
Solicitor

Hesketh Henry is an Auckland based Law Firm that has proudly been serving Aucklanders, New Zealanders, and overseas businesses and investors since 1865.

**Hesketh  
Henry** The Art of Law