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Metals New Zealand submission to Government Procurement Rules: 4th edition

email to: procurement@mbie.govt.nz

Feedback on draft Government Procurement Rules 4th edition'

Introduction.

Metals New Zealand congratulates government on the drafting of proposed changes to Rules of Procurement (4th Edition), giving effect to the Coalition's intent to increase access for New Zealand businesses to government procurement contracts and in particular the focus on increasing the capacity and skill levels of the domestic construction workforce.

Metals New Zealand acknowledges the work of the MBIE procurement team who have taken the time to consult with the construction sector, to listen and understand the challenges which are unique to New Zealand's building & construction sector.

The focus on broader outcomes and defining public value is a significant step forward to ensure New Zealand businesses are not disadvantaged in government procurement.

The diagram of the components of public value, (page 12) provides real clarity across good quality, good outcomes and good price. In particular Metals would like to acknowledge the critical importance of procurement decisions based on whole of life costs, rather than on least capital cost. Metals congratulates government in taking a holistic perspective of sustainability across economic, social, environmental and cultural outcomes. Metals also asks why there is not consistency across government agencies and given Treasury's focus on the *Living Standards* framework why then should the Rules not refer to the *Four Capitals – Human, Social, Natural and Finance & Infrastructure?*

Metals New Zealand agrees that the focus on better planning and building procurement capacity across government agencies will deliver better procurement outcomes.

Application of Rules to agencies: the devil is in the language.

Metals New Zealand supports that the Rules are mandatory for agencies listed in 5.1. However the devil is in the language and particularly across the construction sector where potential suppliers could be misled by the language of **must** (compulsory) and **should** (best practice).

Construction sector skills (Rule18) are a priority for government procurement, which is reflected in the four imperatives all being “**musts**”, and rightly so if government is to address sector capacity and lift skill levels. Metals New Zealand supports this.

However the imperatives of skills development, improving conditions for New Zealand workers (Rule 19) and increasing access for New Zealand businesses is completely undermined by Rule 25 Subcontracting where the three requirements are “**should**”. It is not mandatory for the prime contractor to meet government procurement rules in their sub-contracting.

Metals New Zealand acknowledges that while “**should**” for the subcontracting rule may be appropriate for other sectors of the economy and suggests that if government wishes to achieve the requirements for Construction Sector skills (Rule 18), then it should have a specific sub-contracting rule for construction which is compulsory – “**must**”.

Feedback on specific rules

Broader Outcomes. Rule 15: Planning

Metals New Zealand supports the building of procurement capacity across government agencies.

Historically New Zealand’s building & construction sector has been characterised by highly variable swings in demand which creates uncertainty and discourages investment in staff, skills, research and innovation. Developing procurement planning across government agencies and signalling future intentions to the construction sector will help reduce uncertainty for New Zealand businesses.

As the tick box says – *Planning is crucial for procurement.*

Why then is this not a **must** - a mandatory requirement for government agencies?

Rule 16: Broader Outcomes & Rule 17 Increase access for New Zealand business.

Metals New Zealand supports a move from cheapest price to mandatory consideration of broader outcomes, and in particular delivering to environmental, social, economic and cultural outcomes for New Zealand.

This holistic approach gives effect to government intent to provide greater access to New Zealand business (Rule 17), who are inextricably linked to their staff and the communities in which they reside.

Rule 18: Construction Skills and training

Metals New Zealand supports the mandatory requirement for skills development and training practices of the supplier and their sub-contractors.

Rule 19: Improving conditions for New Zealand workers

Metals New Zealand supports the mandatory requirement for all businesses operating in New Zealand to comply with all relevant employment and health and safety regulations – it is our businesses' licence to operate.

However we question the inclusion of this rule with respect to all relevant employment standards and health and safety practices, when it is already mandatory under employment and health and safety regulation for business in New Zealand to comply with these regulations.

Rule 20: Supporting the Transition to a low emission economy and designing waste out of the system.

Metals New Zealand supports the language of transition to a low emission economy and designing waste out of the system. Metals suggests that MBIE (in Rule 20) refer procurement in government agencies to the work that the Ministry for the Environment is leading in this space with respect to designing waste out of the system and the circular economy – refer <http://www.mfe.govt.nz/waste/circular-economy>

Rule 25: Subcontracting

Metals New Zealand does not support the optional intent of Rule 25. Metals New Zealand proposes for the building and construction sector that **should** be replaced by **must** for government to achieve their objectives of increased access for New Zealand businesses and to increase the capacity and skill levels of the domestic construction workforce.

For Government Procurement rules to be effective and the current government's objectives to be achieved then Rule 25 **must** be mandatory. Given that the dominant business relationship across the building and construction sector is a prime contractor / subcontractor relationship, we encourage MBIE to review Rule 25 for building and construction contracts.

What would define a New Zealand business?

Metals New Zealand suggests that government agencies should objectively consider the business that an entity transacts in New Zealand and is returned to the New Zealand economy and society, including its history of operation, number of employees, PAYE and tax paid, and its record of health, safety, employment and participation in local community.

Supplier Code of Contact

Metals New Zealand questions the purpose and value of the Supplier Code of Conduct.

The Code of Conduct is not consistent with the Rules. For example, the Rules focus on delivering to Broader Outcomes and are quite specific about delivering to economic, social, environmental and cultural sustainability. the Code of Conduct focuses solely on environmental sustainability.

The Code of Conduct highlights health, safety and security. Why is it necessary to state government expectations which are statutory obligations?

In the language of the Rules of Procurement statutory requirements are **musts**. Metals New Zealand does not support third party accreditation for requirements that are already statutory requirements.

Metals New Zealand

Metals New Zealand (Metals NZ) is an incorporated society serving the needs of New Zealand's metals related industry across the manufacturing and building & construction sector. In 2018 Metals manufacturing employed over 29,000 people – not including construction.

Launched in 2011, it consists of Organisation Members made up from metals related industry associations listed below.

Metals New Zealand also coordinates the work of the Sustainable Steel Council and ALENZ – a collaborative initiative of the major New Zealand Aluminium extruders.

Metals member organisations

HEAVY ENGINEERING RESEARCH ASSOCIATION

The New Zealand Heavy Engineering Research Association (HERA) was established in 1979 as a non-profit research organisation dedicated to serving the needs of the metals-based industries in New Zealand. Its membership consists of approximately 600 companies representing metals-based fabrication and manufacturing companies, the associated design and consulting industry, related education providers, and the supporting material supply and services industry.

HERA is base funded through an industry generated R&D contribution in the form of a levy on heavy steel and welding consumables administered by the Heavy Engineering Research Levy (HERL) Act. HERA's current research is in the areas of steel construction, general heavy engineering industry development and welding fabrication innovation. HERA works with other research providers such as universities, independent research organisations and CRIs to deliver its programmes.

www.hera.org.nz

STEEL CONSTRUCTION NEW ZEALAND

Steel Construction New Zealand Inc. (SCNZ) aims to advance the interests of New Zealand's diverse steel construction industry by promoting the benefits of steel solutions in building and infrastructure projects. Members include manufacturers of structural steel and steel products, distributors, fabricators, designers, detailers, galvanisers, and paint and building supply companies. SCNZ provides its members with technical advice on the latest in steel design trends and standards, networking opportunities, and a representative voice with key industry and Government decision-makers.

www.scnz.org

CASTING TECHNOLOGY NEW ZEALAND

Casting Technology New Zealand (CTNZ) aims to be a major contributor to the success and prosperity of the metal casting industry. The organisation is an advocate for maintaining high industry standards and encourages members to participate in quality training programmes. It provides a network for technical and business activities among its membership at national and international levels. At a Government level, CTNZ keeps abreast of legislation relevant to the metal casting industry and, importantly, represents the industry's position on issues affecting the sector.

www.castingtechnologynz.org

GALVANIZING ASSOCIATION OF NEW ZEALAND

The Galvanizing Association of New Zealand (GANZ) represents the core of New Zealand's galvanising specialists. Its mission is to promote the environmental sustainability of its product and to maintain the highest standards of quality and service in support of New Zealand construction and engineering industries through its international affiliations.

www.galvanizing.org.nz

NEW ZEALAND METAL ROOFING MANUFACTURERS ASSOCIATION

The New Zealand Metal Roofing Manufacturers Association Inc. (NZMRM) represents companies that roll-form steel and other metals for roofing and cladding purposes. Commonly known as 'Rollformers', NZMRM has 30 member companies. Members are involved in producing a wide range of profiled product, both painted and unpainted. The Association is active in the development and promotion of industry standards, and in conducting research that promotes the use of metal roofing and cladding.

www.metalroofing.org.nz

NATIONAL ASSOCIATION OF STEEL-FRAMED HOUSING

Formed in New Zealand and Australia in 1982, the National Association of Steel-Framed Housing (NASH) is an advocate for all forms of low-rise steel-framed construction. NASH represents the interests of suppliers, practitioners and customers of steel-framing systems, and provides a representative voice for the sector at Government level.

www.nashnz.org.nz

NEW ZEALAND STAINLESS STEEL DEVELOPMENT ASSOCIATION

The New Zealand Stainless Steel Development Association (NZSSDA) was formed in 1998 to promote and develop the stainless steel market in New Zealand. Its members include engineers, architects, fabricators, merchants and end-users with an interest in the supply or application of stainless steels. NZSSDA supports and encourages technical excellence in the industry and provides specialised training courses on stainless steel for the New Zealand market.

www.nzssda.org.nz



A United Industry Voice



Stainless NZ
New Zealand Stainless Steel Development Association