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Te Tira Ārai Urutā
NZ Royal Commission of Inquiry into COVID-19 Lessons Learned

Via Submissions Portal

Tēnā koutou i ngā ahuatanga o te wā

Early Submission Opportunity

Thank you very much for the opportunity to make an early submission to the Royal Commission of Inquiry into COVID-19 Lessons Learned.

1. Introduction

- 1.1 Infrastructure New Zealand (INZ) welcomes this opportunity to submit to the Royal Commission of Inquiry into COVID-19 Lessons Learned ahead of the call for public submissions.
- 1.2 INZ is New Zealand's membership organisation for the infrastructure sector. We promote best practice in national infrastructure development through research, advocacy, and public and private sector collaboration. Our members come from diverse sectors across New Zealand and include infrastructure service providers, investors, asset owners, and operators.
- 1.3 INZ is submitting now as the peak infrastructure sector organisation drawing largely on input from our Board and some member organisations. Our individual members may make their own submissions raising those issues specific to their areas of interest or expertise later during the public consultation phase of the Inquiry.

Infrastructure New Zealand Submission to the Royal Commission of Inquiry into COVID-19 Lessons Learned – early submission

2. General Remarks

2.1 New Zealand’s health response to the COVID-19 pandemic was world class. However, in retrospect, INZ also now views that this period also represents a lost opportunity for the development of New Zealand’s infrastructure.

2.2 The initial lockdowns were generally considered appropriate as these protected the workforce and general population and allowed time for New Zealand to understand what was happening globally.

2.3 Given New Zealand hadn’t dealt with a global pandemic for over 100 years, it is important for the country to capture the lessons and experience to put us on the front foot in future. The INZ submission aimed to provide valuable insights into how New Zealand could have better navigated future challenges.

2.4 INZ understands that the main focus of this Inquiry is to prepare for the future and take lessons from COVID which could be applied in the event of a future pandemic or large-scale unplanned events (think large scale natural disaster, security alerts or war etc) which could shut the international borders and affect supply chains. We understand that the Commission particularly interested in:

- The infrastructure sector’s response – what worked well and what didn’t, and any aspects to avoid or do differently.
- Any thoughts on lessons that would help in the future.

2.5 Most of the issues identified came from the construction sector and there was a feeling that their work environment and needs weren’t always recognised. In future a better understanding and engagement is needed with key parts of the sector to be able to respond to their quite different circumstances and not to treat them as one homogenous group.



3. **Impact of Lockdown**

3.1 The Covid-19 lockdowns in New Zealand had different effects on various regions, particularly Auckland/Northland compared to the rest of the nation. Given that a significant proportion of New Zealand's infrastructure and construction sector are located in these regions, there was significant disruption impacts experienced. The following aspects have been identified as worthy of reviewing and potential establishing some skeleton policies around that could form the backbone of any future approach in a similar situation:

- i. Wage Subsidy:* The government's wage subsidy program was essential for businesses impacted by the lockdowns. This allowed companies to retain staff on their payrolls and for employees to remain at home and follow isolation rules. However, it quickly became apparent that additional support needed to be considered for companies' fixed costs like property rentals which are a significant regular commitment.
- ii. Government Communication:* *Government communication* played a vital role during the pandemic, particularly in the construction sector. It helped maintain cash flow and provided clarity to businesses and clients. Ensuring timely payment of invoices by government departments and local authorities set a positive tone for the industry. But there was a significant lack of clarity as to the definition of *Essential Services*. It was obvious this had not been thought about prior to the lockdown and rules and definitions were being developed under urgency with less than perfect information.

There was limited guidance available as to what projects were essential work (for example, whether a car park project at a hospital; or a children's cancer ward refurbishment; or works at the inland port at Ruakura could continue). This led to differences in opinions being taken by principals and engineers on contracts. Some principals and engineers took a robust view and required projects to continue. However, there was not sufficient certainty about whether this was lawful and the penalties for non-compliance sat with the contractors performing the work. It would not have been a defense to any prosecution that the contractor had been instructed to continue work under the relevant contract.

A review of international approaches could help inform future approaches (for example public transport services were deemed essential services based on international



approaches and were able to operate safely to ensure essential workers could travel to work and everyone else could access essential services). In future there is a need to ensure clear definitions of essential services and site-specific work protocols to minimise ambiguity during lockdowns and disrupted supply chains. This clarity will require government to work with sectors to understand what essential roles or construction work are – which if they are delayed or not continued could present a significant hazard or risk to the environment, people’s health and welfare or our international reputation and ability to undertake future works.

- iii. *Safe work environments:* The timely availability and distribution of personal protective equipment (PPE) and vaccinations were crucial for workforce safety. Having key industry bodies, like CHASNZ (Construction Health & Safety NZ), which could provide coordination and leadership, and develop work protocols and guidelines which could be approved by the Ministry of Health were vital. Clear and consistent protocols were essential for managing construction sites during the pandemic to maintaining some level of productivity.

An aspect that wasn’t properly considered was the significant difference between vertical and horizontal infrastructure development worksites. These two types of worksites have very different spatial scale, and this should be an important consideration in future. The ability to easily physically distance workers will need to be considered. A 10km long roading construction site with individual in machinery or outside and more than 50m physically separated is very different from a tight vertical building site with much closer contact. The construction of the Auckland City Mission’s new building *HomeGround* was largely undertaken during this time and would be worth talking to as an example of a large vertical development.

- iv. *Health risk and Compliance* – It is important to understand the incentivise and disincentives in these situations. In some cases, workers were incentivised to continue working and earning their wages during isolation periods as the alternative was not to receive any wages. Some people need 55-60 hours work to meet their commitments such as mortgages and didn’t see they had any alternative. These incentives occasionally led to non-compliance with testing and health protocols which put the entire workforce and their families at risk. Ensuring worker safety while maintaining productivity was challenging. This issue should be addressed if there were to be an even deadlier disease



in the future. Understanding worker motivations are critical, particularly when the incentives for continuing to work are stronger than any penalties for not complying.

- v. *Worker Impacts:* Established industry liaison groups such as the *Construction Sector Accord (CSA)* and CHASNZ were instrumental in managing pandemic-related issues. However, representation across the sector was necessary to address all perspectives effectively. The value of already established industry liaison groups such as the Construction Sector Accord, which could liaise between government and the industry to identify issues and quickly work to resolve them in a timely manner. A two-way flow of information was invaluable to the pandemic response as a whole. Supplying credible information from frontline business operations provided insights for response teams and enabling a safe forum to test possible approaches and guidance.

The pandemic initially prompted proposals for up to a 30% reduction in staff as a consequence of the first COVID wave. However, the real experience varied across sectors. A greater understanding of the actual workforce experience was crucial. While some organisations were able to utilise time away from worksites for training and upskilling. The reality is that a lot of construction skills and training development including maintaining workers tickets for operating machinery requires face to face contact, which was not possible during this time. Other additional challenges for business were the necessary large-scale adjustments required to payroll systems, including COVID related additional sick leave, annual leave, and tax adjustments. These changes were administratively time-consuming and required unanticipated IT system adjustments which distracted from getting productive work undertaken at times.

- vi. *Tools, systems and frameworks developed:* The CSA proved invaluable as there was already a platform set up to quickly escalate concerns from industry to Government. Guidance on the interpretation of standard 3910 contracts was released in April 2020 to clarify how that contract would respond to provide compensation for lockdowns on Government projects. Prior to that guidance being released, there was disagreement between lawyers about how the contract would respond and it seemed as if there would be a wave of disputes coming. The guidance provided by the Accord was effective in avoiding those disputes. It then became a question of how to value that compensation. When disagreements arose about that, the Accord released supplementary guidance on the valuation. Not all industry parties agreed with it, but it provided clarity that enabled parties to reach agreement on any compensation payable.



Disputes about Covid compensation since then have primarily focused on the disruptive period after lockdown or are in the private sector which has declined to follow the CSA's guidance.

vii. Lockdowns

2020 National Lockdown

The national lockdown was viewed positively. It applied to all and was reasonably clear (subject to providing critical services). While uncertain and challenging for the businesses, the clarity and clear direction of what the lockdown meant and the 5 days/3 working days' notice prior to implementing the lockdown were appreciated, as was the 4 weeks duration for review. Access to finance and cash flow was key and this was recognised by the government and a plan set out. No one knew what was happening as the pandemic took hold globally, but people were able understand why the government took the actions that they did.

All infrastructure projects were subject to the same general controls. Government departments and local government were instructed to pay invoices on time to keep cash flow systems operating and this set the tone for industry in general and helped with confidence levels.

What did not work so well:

For some businesses:

- The understanding of what a critical service was. Some work related to the provision of services was uneven in how it was defined and managed.
- How rental and business occupancy would be managed – better guidance on this was required – the key issues being certainty and even treatment.
- Some businesses were disadvantaged more by the lockdown than others depending on how different landlords and client agencies interpreted what was happening.

For infrastructure:

- The different needs of what different infrastructure asset types required to support ongoing operations was at the time not or poorly understood by MBIE
- The fast shut down time meant some infrastructure projects were required to be shut down with works at risk to damage/incomplete, leading to lots of removal



and repair etc. once sites came back online – e.g. the 4 week shut down in some cases set project back by 6 months – This was not understood by most clients and as a result things were much more costly than expected.

- Even with all the “mitigation control” set up to support lock down many infrastructure projects lost access to key staff.
- Closure of borders impacted many infrastructure projects dependent on access to offshore labour

Post 2020 lockdown response

New Zealand’s closed borders caused lots of staff disruption with people stranded outside the country. Resetting projects took a lot of time and was a real challenge. It introduced a lot of uncertainty into commercial businesses, making many cash tight business constrained, despite being busy due to forward workload investment. These conditions made recruitment more difficult. The sector is still dealing with the aftereffects on some projects today – because the impacts of lockdown were not understood and owned by the government.

Level 3 Lockdowns were particularly challenging for families with school age children. Although schools remain closed, restrictions on the ability to work on construction and infrastructure projects were relaxed. Many of these roles were not able to be undertaken on a work from home basis, but childcare options were limited with children not in school, resulting in difficulties for those families with many workers unable to work to full capacity and manage childcare and reduced productivity on projects – the cost of which was borne by the industry.

2021 Auckland Lockdown

Unlike the 2020 National lockdown, the understanding and extent of these regional lockdowns was patchy and lacked clarity. Boundaries were changed based on feedback, but this then affected other businesses when they were changed. There were difficulties with manufacturing plants being outside the boundary but the majority of the workforce being stuck inside the boundary.

Following the Christchurch earthquake, the rest of the country, who were unaffected, carried on as normal. Only those in Christchurch understood the journey. This was



similar to the experience in the Auckland lockdowns; the rest of New Zealand had a very different experience. As time carried on, the social disconnect grew. This took a lot of management within individual companies. Many businesses that could not trade essentially lost all investment and goodwill despite demand remaining – the capacity of leaders in particular to hold up a distressed business resulted in lots of personal wellbeing failures and business failures. The uneven business environment created an uneven outcome within and across companies. The application of who could do what within different control setting allowed some sector and business to carry on while others, in related and adjacent fields, were disadvantaged by the uneven lockdown.

- viii. *Supply Chain and Travel Impacts:* The nature of our Trans-Tasman infrastructure market depends on regularly travel of key personnel between countries. Travel restrictions and multiple visits through Managed Isolation and Quarantine (MIQ) created logistical challenges for these workers and their families. Some major construction projects also had international personnel with specialist skills, such as tunnelling expertise, who still needed to travel to New Zealand to keep critical projects like the Central Interceptor safe during critical phases. Up to seven stints in MIQ for these people was not unheard of and took a personal and professional toll. Once New Zealand lost workforce with people naturally returning to their country of origin due to the pandemic situation and uncertainty, then it became very difficult for these workers to return to the country. For example, the regular labour from the Pacific Islands could not come into the country and provide their ongoing contribution to the workforce and economy for the around 6-9months.
- ix. New Zealand's slow reopening to migrant workers resulted in labour shortages as these workers went elsewhere. There was still the impression that New Zealand was closed. This impacted the availability of machinery operators, truck drivers, and other essential roles impacted on supply chains internally. When the borders did open, they were focussed on highly qualified professional workers, but we also needed other migrant workers including machinery operators, truck drivers, technical workers etc. Settings were freed up a little with the introduction of the minimum salary requirements for migrant workers but the reality of this was that budgets for salaries were tapped out.

New Zealand also experienced its own unique supply chain issues due to over-regulation such as that which occurred with the plaster board situation whereby the *Gib* product had unintentionally become the sole option and was affected by major supply issues



which brought some construction sites to a halt. Some degree of this shortage of supply was self-inflicted as we rejected the use of alternative products here despite acceptance and testing in comparable countries.

- x. *RMA Fast-Track Consenting:* Fast-track consenting was a successful response to try to expedite infrastructure projects. However, there were still challenges, especially in understanding and managing the different needs of various infrastructure asset types. More standardised consenting conditions promulgated through the National Planning Framework could assist this process in future. Expectations that this process could be utilised for projects that had long been in the pipeline, such as the Port of Tauranga wharf extension and associated land reclamation, proved disappointing and added to decision-making delays.
- xi. *Missed Opportunities:* The Shovel Ready programme, while theoretically promising, became overly politicised, especially in the lead-up to the general election. In hindsight, this programme may have focused on the wrong initiatives too. Rather than effectively leveraging and accelerating construction of existing projects, it led to industry distractions as competitors vied for future projects and funding.

The development of the list of potential shovel ready projects was confined to a very small team under a veil of sworn secrecy. This meant that they were often drawing on file information and not getting the latest project details and status.

The government could have taken a more strategic approach by focusing on accelerating national significance infrastructure projects, such as the City Rail Link, the Central Interceptor, large-scale roading, hospitals, and others exceeding \$500 million in investment. These projects typically disrupt their surroundings and incur significant costs due to environmental and logistical constraints. With cities and communities in lockdown, there was a missed opportunity to expedite these projects without disrupting communities and without the environment affecting them. Designating these projects as "priority projects for NZ" would have reduced costs, accelerated timelines, and advanced economic and social benefits.

As we have seen with recent projects constructed as emergency works (SH25A Taparahi Bridge and SH5 Taupo – Napier reinstatement) having a closed road, applying best practice approaches to environmental management and utilising crews 24/7 can



increased productivity, save costs and complete projects fast than having disrupted worksites with traffic management in place.

4. Lessons Learned and Future Preparedness:

- 4.1 With the benefit of hindsight, there is a need for a more strategic focus on key infrastructure projects during any future pandemic or similar event. Some of the projects under construction were nationally significant and should have had a special focus from day one to understand the critical impacts that a shutdown or isolation of key personnel would have, in terms of health, safety, environmental impacts, timeliness and costs.
- 4.2 Other opportunities exist to have more effective government communication, streamlined consenting processes, and preparedness for future crises. These lessons can help New Zealand better navigate future challenges and ensure a resilient and productive infrastructure sector.
- 4.3 In preparation for future pandemics or large-scale unplanned events, several lessons can be applied:

Business Funding:

- i.* Consider interest-free loans for businesses to manage cash flow uncertainties, rather than wage subsidies in some cases, especially for professional service firms that can continue trading but need financial support. A one size fits all approach did not work. Many professional service firms were able to keep trading, so they didn't necessarily need a wage subsidy. But it would have been good to offer them access to interest-free loans to manage uncertainty in cashflow.
- ii.* For business that could not trade – the wage subsidy was essential but without controls to balance business cost (such as rental and fix costs) there needed to be additional access to cash – again this could be in term of interest free loans and after the event if businesses were heavily impacted by being shut then these could be forgiven.



Committed Infrastructure Pipeline including a priority list:

Lock in a committed pipeline of infrastructure investment to boost the country's recovery, and to maintain commercial and employment stability. The uncertainty created by decision delays added to the increased costs. To support the pipeline, Te Waihanga / the New Zealand Infrastructure Commission is also working on the development of an infrastructure priority list, which includes a clear consistent process to assess proposed infrastructure projects at set points in the investment life cycle. This priority list would provide a flow of projects and act as a bit of a menu for decision-makers to use to select sound projects for further development and funding consideration. At a time of economic stimulus following a disaster or pandemic the pipeline and priority list should be the first port of call to identify potential infrastructure projects for investment.

Productivity Enhancements:

Recognise and preserve productivity improvements introduced during the pandemic to avoid reverting to pre-Covid working methods. Some of the activities invested in to allow work to be fast tracked during Covid created greater productivity and this was lost when work returned to the previous 'normal' ways of working. Some change opportunities were lost.

Better understanding of flow-on impacts affecting the economy

There appeared to be a limited understanding of the flow-on impacts that the closure of schools and early education centers had on children's parents, and hence on their availability to work in jobs such as construction where being onsite was a requirement. This is an area that could benefit from some further investigation. The ability of much of the education sector to transition to online learning meant this activity could still continue to some degree but it also constrained other parts of the economy/society.

Response Planning Preparation

In terms of infrastructure development, it would be helpful to have pre-defined criteria agreed as to what an essential service is and how construction sites may be allowed to work. To undertake this pre-planning, it will require people who know how the work is done, to be involved in the planning so there is less ambiguity in what is required to be done in lock down or disrupted supply chain.



5. Conclusion

- 5.1 Finally, there is much to learn from the COVID-19 impact on particular sectors of the economy, such as the infrastructure sector, and the response during the pandemic. Some of the effects have taken time to be fully felt, and it is clear that the impact has not been uniform.
- 5.2 The value of having established industry groups that government can liaise with, work together to identify and solve issues in a timely manner, and direct communications through adds to a much more effective response.
- 5.3 We also know that economic stimulus is a favoured common government response to aid the recovery from significant events such as a natural disaster or pandemic. The more preparation and pre-planning, including establishing frameworks like the infrastructure pipeline and priority list, that can be done ahead will add to a more effect recovery for the country.

Ngā mihi nui

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