

SUBMISSION TO THE ROYAL COMMISSION ON AUCKLAND GOVERNANCE

SUBMISSION BY THE AUCKLAND BRANCH OF THE INSTITUTION OF
PROFESSIONAL ENGINEERS NZ

22 APRIL 2008

BACKGROUND TO IPENZ

The Institution of Professional Engineers New Zealand (IPENZ) is the lead national professional body representing the engineering profession in New Zealand. It has approximately 10,000 Members, including a cross-section from engineering students to practicing engineers to senior Members in positions of responsibility in business. IPENZ is non-aligned and seeks to contribute to the community in matters of national interest giving a learned view on important issues, independent of any commercial interest.

The Auckland Branch of IPENZ has approximately 3,500 members and many are employed by consultants, central government agencies, local authorities, industry and academic institutions throughout the greater Auckland area.

INTRODUCTION

This submission highlights and comments on the issues of relevance to the engineering profession working in Auckland. Working in the greater Auckland area gives Members considerable insight into the current professional practice environment. This submission deliberately does not comment directly on governance options and solutions. However the Branch would like the Commission to take these issues into account when it makes recommendations on the new governance arrangements for Auckland.

The key issues addressed are the efficient use of resources and coordination within the region. Of particular note is that local authority boundaries – while appropriately based on communities of interest, do not necessarily accommodate the efficient management of infrastructure functions

The structure of this submission is based on the Issues and Questions outlined in the Discussion Document.

OVERVIEW

Issue 1: What kind of local government arrangements will help Auckland become a successful world-class city?

Question 1 – Do you agree with the list (transparency, accountability, efficient resource use, responsiveness) of what local government arrangements should ideally provide.

Efficient resource use – economies of scale

IPENZ (Auckland Branch) agrees that local government arrangements in Auckland should ensure the efficient use of resources. Each council is responsible for procuring its own services, but there can be considerable savings made through bringing to bear the economies of scale of the greater Auckland area.

For example we are aware that the Auckland councils co-ordinate actively in the water sector and have developed similar performance measures. However each procures separate supplier arrangements, with different contractors, different contract terms and different levels of service. This contributes to councils having different charges and tariffs.

Similarly there can be considerable savings from other services such as, roading, public transport services, rubbish collection, wastewater, environmental services and park/reserves, and workloads for providers can be smoother.

This is not to say that large contracts are in themselves desirable – procurement policies need to ensure that a competitive environment is fostered. This includes the need to align procurement packages with the capacity of providers in the relevant market place including ensuring the appropriate mix of the type and size of packages. It is also important to recognise the importance of ensuring services are delivered in a way that is responsive and accountable to the community served.

There can also be savings from collectively developing back office systems including GIS systems, hazard mapping, PIMs systems and asset data and management systems. This would also apply to financial systems and management information systems.

Key Point: The new governance arrangements for Auckland should take advantage of the significant scope for economies of scale in the procurement and delivery of services and in back office systems.

Efficient resource use – Skills

Auckland is committed to a large infrastructure spend for at least the next two decades. This covers all fields on infrastructure – transportation (roads, rail, air, marine), the Three Waters (water supply, wastewater and storm water), energy (power and gas), land development and communications. The majority of this spend is for growth but a large portion is for upgrading or replacement of infrastructure assets from the 1950's and 60's. As such, the work required covers a wide range of engineering disciplines and construction specialities.

NZ as a whole faces a critical skill shortage in the engineering profession and construction sector. For graduates of bachelors degrees or above, in NZ the engineering, manufacturing and construction graduates make up 6% of graduates, compared to the OECD mean of 12%. For sub-degree qualifications – the technician level, engineering, manufacturing and construction graduates make up 4% of graduates, compared to the OECD mean of 16%.

In the labour market, skill shortage assessments by the Department of Labour indicate that 'civil engineer' has a very low vacancy fill rate at 29% and accordingly are regarded by the Department as a genuine skill shortage. Professional engineers are on the long term skill shortage lists administered by the Immigration Service. A contributing factor has been the aging cohort of engineers and technicians (the baby boomers) who have been at the core of engineering in NZ over the last two decades.

The Association of Consulting Engineers currently estimates that there is a shortage of 800 engineers and technicians in the industry. As a result many local authorities, consulting firms, and contractors are competing for the limited pool of labour, and in many instances have initiated overseas recruitment initiatives.

Auckland in particular faces global competition for highly skilled labour especially from Australia. In Australia the infrastructure industry is grappling with major lift in expenditure and offering very attractive employment packages. This has come at the same time as the demands for planning, design and project delivery in Auckland are rising. An additional demand is the increasing complex environment for project delivery, the various statutory approvals required under different legislation and the number of consultation processes required. Projects are thus much more resource hungry than they were, stretching the already scarce skills resource.

Key Point: A future solution for the governance of Auckland needs to recognise this considerable skill shortage of skilled engineers and technicians in Auckland to ensure this limited people resource is efficiently used.

Efficient resource use – infrastructure boundaries

Infrastructure generally operates within boundaries or “catchments” – water, wastewater, storm water and transport. These services, by their very nature, do not coincide with local authority boundaries. These are based on communities of interest and are entirely appropriate for representation purposes and community based services but do not accommodate the efficient management of infrastructure functions

The integrated nature of infrastructure is particularly evident in Auckland as most of the region is one homogenous urban area. Approximately 70% of council services are infrastructure related so a significant part of the council’s functions are inhibited by these boundaries. Current mechanisms for dealing with these issues are separate agreements and funding mechanisms covering the operation, maintenance and improvement and funding of these services. These result in significant transaction costs to the affected authorities.

Key point: Infrastructure boundaries do not align with local authority boundaries resulting in significant transaction costs

CO-ORDINATION WITHIN THE REGION

Issue 4: To what extent should individual local councils follow consistent practice? How do we ensure that decisions made at national, regional and local government levels are consistent with each other, and that they lead in the same direction.

Question 17. To what extent is it reasonable to have regulation and processes differing between local councils? If this is a problem, how is it best to overcome?

INCONSISTENCY OF STANDARDS.

In many cases there are different, inconsistent and sometimes contradictory approaches on engineering matters by the local authorities in Auckland as follows:

Development standards: The seven territorial authorities have different engineering standards. For example, the standards in their Codes of Practice for urban subdivision require different design requirements, different materials, different construction standards and different testing requirements. These inconsistencies create confusion and additional costs for developers, designers and contractors. In specifying new work

the councils also have different specifications for design and construction. This impacts on the ability of the engineers in the region (and around the country) in adapting to the different needs of the seven councils.

Contributions policies: There are also very different requirements in District Plans for financial contributions and development contributions under the Local Government Act. These provisions are compounded by different interpretations by officers of the seven councils.

Regional and District Plans: These Plans also have a range of provisions that directly impact on engineering standards of design. These inconsistencies arise from both different interpretations of the Resource Management Act and different applications of the Act. One member has pointed out that the conflicting requirements of the regional council regional plan and the city council district council on storm water discharges and earthworks consents have frustrated parties involved in the construction industry.

Council services: Services such as water supply, wastewater, storm water and roading interact across territorial authority boundaries. The current arrangement limits the design, planning and funding of these essential services from such a holistic viewpoint and leads to inefficient service delivery and costly duplication of effort.

Asset management: The councils also have varying asset management practices for these services including different maintenance, renewal and upgrading strategies leading to fragmented network standards and levels of service.

Infrastructure planning: Planning of regional services across territorial boundaries is currently fragmented, lack integration and outcomes are delayed due to consultative processes as all eight councils – including the regional council, have to have a say. This adds delays and costs to projects.

The topography, geology, environment and climatic conditions of the Auckland region are similar. The community expectations and economic circumstances are also very similar, so there is no valid reason why different standards should apply.

Engineers and contractors who work in the region are under considerable pressure in complying with this plethora of different standards and fragmented regulatory environment. As a result their productivity is greatly reduced and the limited capacity of this resource is not being utilised to its full capability.

Key Point: A future solution for the governance of Auckland must ensure there is a much greater degree of standardisation of service delivery, and asset management practices, and there should be consistent approaches to new development and regulatory requirements and standards.

CONCLUSION

As explained in our opening comments this submission does not comment directly on governance options and solutions for Auckland. However the activities of IPENZ members working in Auckland have given them considerable insight into the current professional practice environment for the profession. These insights include the recognition of the nature of infrastructure management and that infrastructure does not recognize local authority boundaries. There is also an awareness of the considerable shortage of the engineering resource in Auckland, the inconsistency of standards and the fragmented regulatory environment.

Addressing these issues will result in more cost effective outcomes for the people of Auckland.

The Branch would like the Commission to take these issues into account when it makes recommendations on the new governance arrangements for Auckland.
