

Manawatū Infrastructure and Construction

A priority sector for Manawatū

The Infrastructure and Construction sector in Manawatū and Palmerston North is growing faster than the national average due to a strong pipeline of work.

The sector has grown at an average rate of 5.6% every year for five years and makes up 7% of our GDP.

Locally, nearly 9% of the total workforce is employed in the sector, and the construction service subsector employs half of them. Competition for skilled staff is heating up. While there is expected to be a small dip in

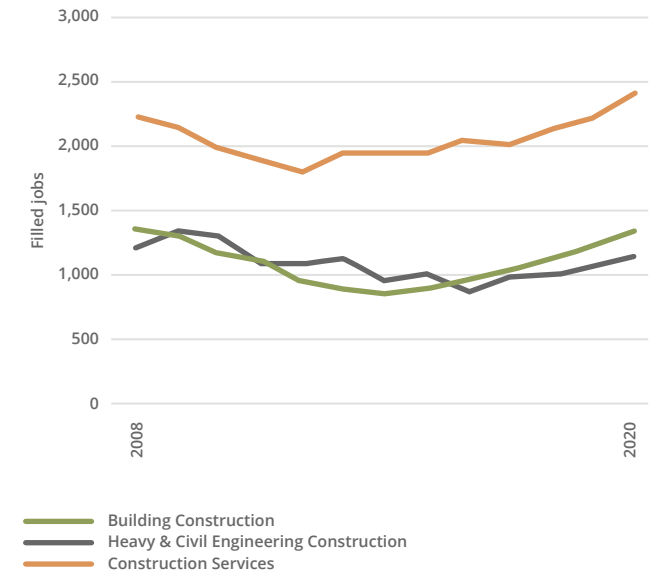
the number of people employed in the sector by 2023, overall, an extra 630 more people are expected to be employed by the sector by 2026.

While our region has a comparative advantage in the heavy and civil engineering subsector, that subsector is yet to recover to pre-2008 Financial Crisis levels.

Growth in the sector is set to continue. On the horizons is the reform of Three Waters to fix decades of poor investment, and the reform of the Resource Management Act may have positive effects on the sector.

CEDA has identified the Infrastructure and Construction sector as a key area of focus.

Manawatū Construction and Infrastructure subsector employment



VALUE AND WHERE OUR PEOPLE WORK

Subsector	GDP 2020 (\$000,000)	Filled jobs 2020	Labour productivity 2020 \$ (\$77,512 total average)
Heavy and Civil Engineering Construction	156	1,175	132,596
Building Construction	75	1,326	56,184
Construction Services	214	3,231	66,233

REGION

GDP: **\$444m** Jobs: **5732**
(growing at 4.8% per annum over past five years)

MANAWATŪ

GDP: **\$82m**

PALMERSTON NORTH

GDP: **\$362m**

Drivers of change



Convergence of sustainability and technology as the global sector addresses its contribution to climate change – currently contributing 25% of global emissions:

- Increased focus on green building construction and sustainability through urban planning reshaping land use
- New business models based around the circular economy
- Greater competition to build renewable energy infrastructure and the rise of the prosumer – consumers who generate energy
- More significant investment in waste-water plants and waste to energy plants

The ongoing impact of COVID-19 effect on both the global supply chain and worker safety:

- Disruption to supply chains, lengthening project workflow leading to cost-cutting efforts
- Increased costs of production that may lead to localisation of manufacturing if continued
- The rise in e-commerce leading to the revision of just-in-time supply chains
- Consistent and enforceable approach to hygiene and vaccinations



Labour market:

- Sourcing specific skills from overseas when the immigration and visa process have been drawn out due to COVID-19
- Time and costs of on-the-job training and education required to have a workforce with the right skills
- Major funding shift from vertical to horizontal construction, and not all skills are transferrable



VERTICAL



HORIZONTAL

Policy drivers and reform:

- Predicted \$185b investment in Three Waters
- Replacing the Resource Management Act
- \$3.8b housing acceleration fund
- \$2b for the purchase of land for social housing
- Increased funding for apprenticeships
- Long roll out of shovel-ready infrastructure projects

Industry Trends:

- New business models: Alliances and public-private partnerships that complement expertise – such as the Te Ahu a Turanga: Manawatū Tararua Highway Alliance
- The increasing importance of data, digitisation, and automation will improve asset management to meet population growth, construction pipelines, and environmental sustainability while being protected from cyber-attacks



Stakeholder and business perspective

Labour market and recruitment: The skill shortage was further exacerbated by COVID-19 at a national and local level. Locally, poaching of staff is starting to occur, affecting the traditional congeniality of the sector. By 2026 the sector is expected to employ more than 600 people than it does currently, many of them will be specialist managers, construction, electrotech and telecom trades, and construction and mining labourers.

Business performance: There is an increased focus on training existing staff and apprentices to meet demand and have proper skills for the right jobs. Some companies have stopped tendering for projects because large projects are employing significant numbers of people. Old hands fear new players have never known a downturn, and there is a concern at the reliance on government-funded projects.

Support and services: The sector is heavily reliant on key relationships with council inspectors, and councils are struggling due to competition from the central government for skilled inspectors. In general, development contributions are now accepted by the sector; however, allowing flexibility around the timing of payments would help. CEDA's role of supporting smaller businesses was acknowledged.

Benefits unique to us:

- ✓ Our central location
- ✓ About the right size – we have most things, and people are connected
- ✓ Around here a handshake still counts
- ✓ Supportive business community
- ✓ There is a strong pipeline of investment and ongoing maintenance work
- ✓ We have existing capability and depth – most national companies are represented here
- ✓ There are supportive intermediaries like the Central Skills Hub
- ✓ Great education offering for young families

Challenges:

- ! Too many students leave after tertiary study meaning our community lacks vibrancy
- ! Costs of accommodation are rising, and the availability is reducing
- ! It's hard for rangatahi to see how they can enter the sector

CEDA's commitment to support and develop the sector

- Prioritise the sector as a key area of focus for CEDA's team that support business attraction, retention and expansion
- Establish a Manawatū Infrastructure and Construction Group
- Implement the [Talent and Skills Framework](#) focusing on:
 - Promoting linkages with education and training institutions
 - Supporting the development and communication of shared place narrative and identity
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- Promote Manawatū as a prime location for private sector investment and ensure the region has business-friendly systems and processes to attract and retain private investment alongside planned public sector investment
- Facilitate connections and collaborate across the sector and advocate for the sector nationally and locally.

[READ THE FULL REPORT](#)