



Site / Construction Manager (Remediation)

RESEARCH REPORT 6 October 2008

Summary

This report provides a comprehensive assessment of the remediation industry in the upper North Island, based on preliminary research carried out over three days; the terms of which were agreed in our proposal dated 25 September 2008.

To determine the potential success of running a full search for a construction manager specialising in remediation, it was necessary to focus the initial research around mapping the remediation sector in the upper North Island, assessing who the key players are, what the industry structure was in terms of who provides training and determines standards in remediation, and also outlining who the other key stakeholders are with influence in the sector.

The search aimed to identify potential target organisations and determine what sort of candidates would present as being good targets for Arrow International. By assessing the size and makeup of some of the key players in the industry as well as illuminating our findings by strategically speaking to senior remediation specialists and associated industry stakeholders, it was possible to gain an indication of how many likely candidates there would be, as well as what the best ways would be in which to engage these individuals in the process.

A good understanding of remuneration rates was also ascertained.

Market Feedback

The following factors were agreed as areas to be considered:

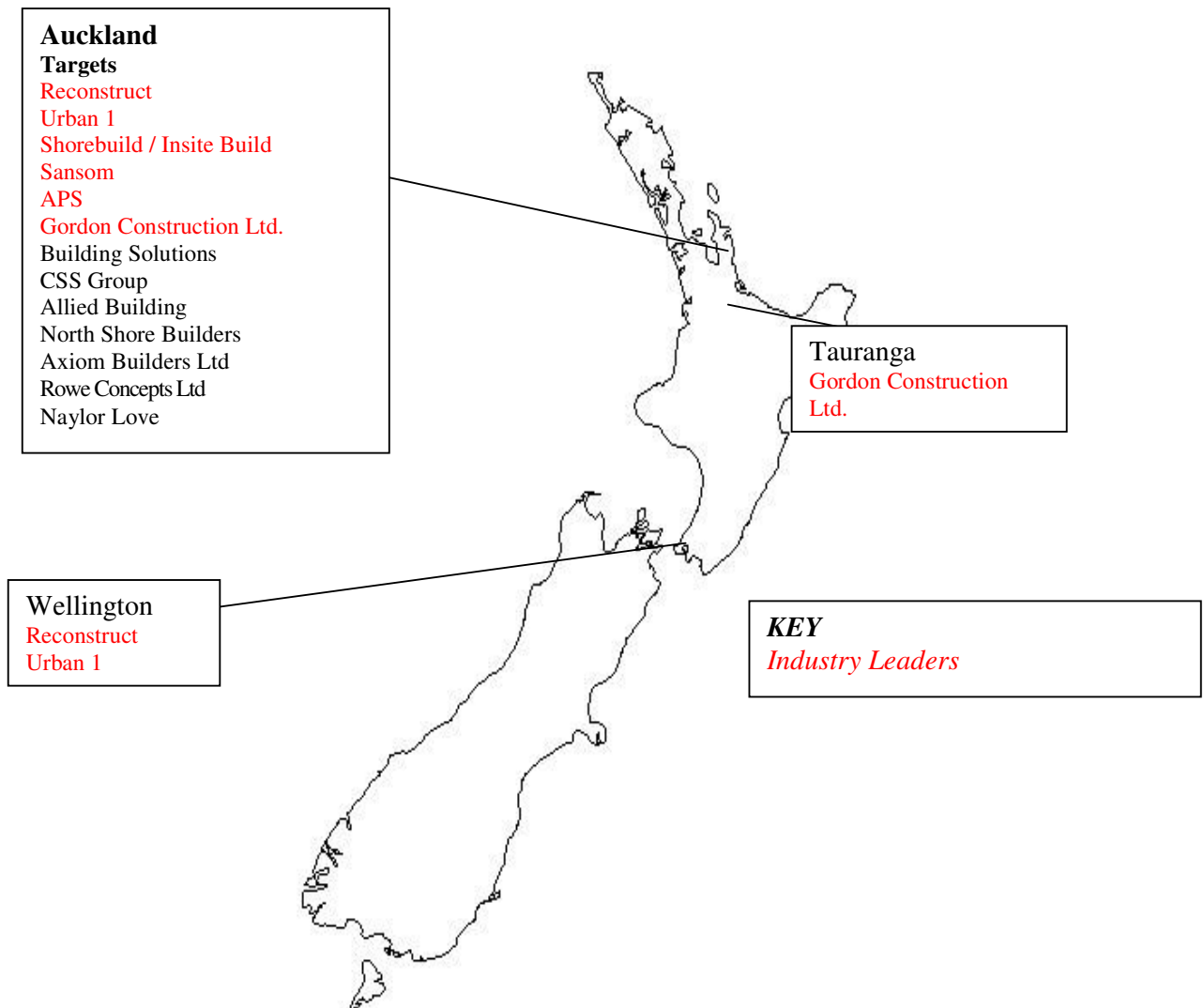
- ⑥ Industry Structure
- ⑥ Various industry players, size and make up of these businesses
- ⑥ Potential organisations to target
- ⑥ Level of experience of candidates whom could represent good targets
- ⑥ Approximate number of prospective candidates
- ⑥ Likelihood of engaging people into the process
- ⑥ Indication of the market remuneration rates



Industry Structure

Remediation sector upper North Island – Industry key players / structure

As a result of the 2004 Building Act, The Department of Building and Housing set up the Weathertight Homes Resolution Service (WHRS) to help facilitate and resolve leaky building claims. NZIBS were encouraged to create an accreditation scheme within the remediation sector based around a 'weathertightness surveyor' qualification. Qualified surveyors could then be appointed to the remediation panel as industry experts based on experience / portfolio of work. Surveyors contract the building work out to firms specialising in re-cladding. The building firms and / or individuals doing this kind of work are generally CBANZ certified. The leading firms are highlighted below in red. Often the Construction Managers will be members of PMINZ as well as the NZIoB. Another industry body which supports the remediation sector is the CINZ (Cladding Institute NZ). Many of the individuals involved in the NZIBS also have executive positions in CINZ.



The industry in the North Island is largely concentrated in the Auckland region. Almost 50% of registered leaky building claims come out of the region.

Various industry players, size and make up of these businesses

Our research has confirmed that the four major contractors for remediation / re-cladding work are Reconstruct, Urban-1, Shorebuild and Sansom. These companies are the largest in the sector with regards to staff and rates. Sources indicated that Reconstruct and Urban-1 were the largest firms, each employing about 75 people. They are both based in the Auckland region, however one senior remediation consultant indicated that Reconstruct have recently opened a Wellington office and it was likely that Urban-1 would do the same later this year. It was estimated by sources that both of these firms would have about 4 or 5 Site/Construction Managers with the required experience to take on the role.

Outside of the specialist firms, many smaller firms and sole practitioners are taking on this kind of work. One firm mentioned by sources with a good reputation in the market was Gordon Construction, run by Gordon Mitchell, a previous employee of Reconstruct. APS, who offer remediation work as part of a broader building service, have 3 remediation practitioners. Similarly, Naylor Love have 4.

Potential organisations to target

All of the above organisations (see map) would be suitable targets for sourcing potential candidates.

Type of candidates whom could represent good targets

It was generally agreed that re-cladding specialists were very 'hands on' people who have learned the trade through doing it. These individuals have generally come from standard building and construction backgrounds, and subsequently moved into re-cladding work due to sector demand. There is no formal accreditation available other than being recognised by CBANZ or the NZIoB. One source did indicate however that the re-cladding part of the process is simple; the real experts are the people who have high standards with regards to the removal of the damaged material from the building beforehand. Outside of the bigger firms, the quality of work wasn't particularly high.

Sources further indicated that companies will recruit people and train them in-house. It was noted that it is often the case in the building industry that you don't gain any real professional credibility until you are 40-50 years old. Although a younger person may have the basic experience i.e. has worked on 3 previous remediation projects, they may not have the industry 'mana' to be able to give them credibility in court – which is essential if you are going to manage any remediation project.

A further avenue of investigation suggested, was to attract a senior builder with an interest in remediation who may see value in the challenge of setting up a 'start up' practise, and who is willing to learn along the way. It was noted however that the industry is weighted towards residential properties, with the labour involved surpassing that of commercial work by three times. There is also a lot of expert knowledge built into residential remediation work, that doesn't necessarily translate into commercial.

Approximate number of prospective candidates



It was agreed that it was impossible to determine exactly how many potential candidates there could be for the role. However, if we only take the data from the larger 'specialist' firms, we could give an estimate of no more than 30 potential candidates across the upper north island. An experienced Site Foreman from one of the major specialist firms indicated that when he began doing remediation / re-cladding work 7 years ago, there was already a great deal of individuals like him in the industry. The reality is that these people are largely hidden within organisations and will therefore be difficult to identify.

Likelihood of engaging people into the process

Sources generally agreed that we would struggle to both find *and* entice suitable candidates for this role. One of the key issues we would likely face is that there is a lot of remediation work taking place at the moment, with a '*great deal more coming up*'. With 80% of new builds not quality driven, remediation / re-cladding specialists are increasingly in high demand and with it being such a high risk industry, the rates are going up.

The challenge of running a start-up may be of interest to some (as previously discussed) however the likelihood is that the prospect of a lucrative salary and fixed term contract may be the only significant motivating factor. The reality is that many building firms are now getting involved in this arena and the market is very competitive.

One senior remediation consultant indicated that if we were to carry out this work, it is likely that we would have to go into these firms directly and ask for names due to the lack of visibility. One alternative could be to advertise on the NZIoB website. Some construction managers are members of the PMINZ, although these individuals are usually company owners or directors.

Indication of the market remuneration rates

The current market rates for remediation / re-cladding work at the top end range from \$60-100 per hour and it is likely that most of the individuals within the larger firms would be on six figure salaries.

Other comments

'It wouldn't be wise for a commercial construction firm to get on the tender list. My recent experience of working with such a firm is that they won't believe what needs to be done. They don't understand the physics they just build stuff - there is a big learning curve. I came out of commercial construction and I thought I knew everything about this arena until I started doing it, and then realised I didn't know anything'.

'One idea for a commercial construction firm would be to get involved in 'destructive investigation' work and specialise in it'.

