

LOCAL INFRASTRUCTURE DELIVERY, A DRIVER FOR ECONOMIC DEVELOPMENT

The Cook Islands Chamber of Commerce interviewed 38 businesses in the construction, contracting, building services, logistics and building supply areas, and support services in January 2014.

These businesses collectively employ 527 people - 10% of Rarotonga's workforce, and 13% of the Private Sector workforce. The businesses vary in size from 1-100 employees, averaging 15 employees, and averaging 21 years in business.

Many have delivered multi-million dollar construction projects:

- roading,
- harbours,
- supermarkets,
- banks,
- hotels,
- power reticulation,
- water reticulation, and
- large solar projects.

Some have the capability to undertake massive procurements, having capitalisation up to \$30 million.

89% have the capacity to undertake projects in the outer islands.

92% of these businesses were prepared to undertake joint ventures (JV) to further increase their capacity.

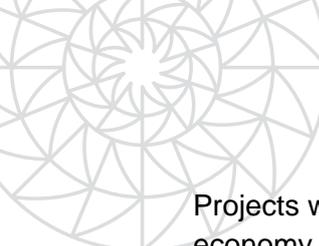
Qualifications of local employees were predominantly gained in New Zealand, with master builders, engineers, quantity surveyors, electricians, plumbers, drainlayers, and PV installers having recognised NZ/Australian qualifications, and/or accredited local equivalents. Most of the larger construction companies have

established relationships with engineering support from local and overseas engineering firms. Locals can therefore act as main contractors, subcontracting professional services from overseas as required, rather than the other way around.

Despite delays in implementation of these projects, employers are working hard to retain their staff in prospect of these projects materialising in the near future, and being available to local businesses.

A common theme with contracting businesses is their desire to deliver projects which are: appropriate to the local environment; manageable with local labour, materials and equipment; and sequenced and paced at a rate that allows continued local employment.

Many businesses have expanded their capability in prospect of the delivery of Government's 'Capital Book', and have undertaken staff training and upgraded equipment to ensure they are well positioned to take up projects in civil works, roading, renewable energy, and water reticulation.



Projects which are designed with these factors in mind are highly beneficial to the local economy, and can be readily maintained by the same companies that installed them.

Close liaison with local companies can also ensure that various pitfalls can be avoided due to the local knowledge and experience they have, particularly when “Request-for-Proposal” procurement systems are used. Local businesses have ‘ownership’ of the project, and their reputations will be attached to the outcome. Established inter-relationships between businesses can rapidly deal with unforeseen situations, and resolve issues before they become major.

It should be noted that the private sector itself has undertaken a number of its own self-funded projects including the construction of banks, supermarkets, office blocks, and large solar arrays. Invariably the local private sector delivered these projects simply because it made the best economic sense. Designs were appropriate, costing was efficient, outcomes were accountable, and maintenance, warranty and support were local, present, and assured.

Whenever local businesses have been allowed to participate in a meaningful way in infrastructure delivery, Government has benefited by seeing greater tax revenues from locally domiciled businesses, boosted employment, Cook Islanders returning home to take up good-paying work, and a revitalised economy in general.

Many local private sector projects are implemented on a design and build basis, with a strong focus on the outcome. This allows contractors to have an input on the most efficient delivery method which suits real-life logistics, human resources, equipment capability, and supply chain constraints.

The Chamber of Commerce is proposing a target of achieving 50% delivery of all infrastructure by local companies by 2015, and 100% by 2020 onwards.

The social and economic development benefits are obvious, and the target is

achievable by working with Government Procurement, Trade Training Institutions, Trade and Investment Regulators, Investment Corporation, Infrastructure Committee, Financial Institutions and Development Partners.

The Chamber of Commerce is able to offer brokering between any businesses wishing to undertake JVs, to provide initial contact, right through to direction on forming new legal entities, professional advice, and arbitration. It can act also as a liaison and co-ordinator between funders and contractors, not restricted to Chamber members. The Chamber already directly delivers liaison and coordination for NZ’s Pacific Business Mentoring Programme, the Young Enterprise Scheme, and the Business Development Fund.

The Cook Islands Capital Projects Book has never been larger, the local private sector is ready to take it on, and a 100% spend here would produce high quality outcomes, revitalised employment, business confidence, and economic stimulus in general, for years to come.