



Achieving reform without losing essential infrastructure, data and expertise

The case for a phased, multi-year transition

BRANZ is committed to making any transition successful. Our long-term strategy is to become more commercially focused and less dependent on the Levy. **But if there is a sudden drop-off in funding or support, these efforts will not succeed** – and the impact on the sector will be fragmentation of capability and avoidable risk to critical national infrastructure.

A well-managed transition offers the opportunity to enhance reform outcomes, strengthen research impact, increase capability, and preserve the delivery of safety critical services for the sector.

The New Zealand Construction Industry Council (NZCIC):

“NZCIC strongly supports BRANZ’s role...Our concern is with how the transition is managed and the outcomes it will produce for system capability.”



The key problem: A rushed transition will undermine reform and waste research dollars

- Early engagement indicates officials are working towards a **short term (1-2 year) contracting** as the transition instrument. This does not align with how commercially structured research organisations operate
- **This risk is immediate and concrete.** BRANZ’s portfolio of committed research contracts totals \$28.4m and includes 80 projects, contracted with 21 organisations, including BRANZ Ltd. A number of these contracts don’t complete until FY31
- Short-term contracts and a low baseline would introduce structural instability, force the loss of specialist capability and fixed infrastructure, and risk losing impact from prior research investment

The unintended risks if transition is too short or too uncertain

1. **Continuity risk:** “Stop-start” funding undermines multi year research delivery and long term commitments
2. **Capability erosion risk:** Revenue uncertainty forces job losses and permanently erodes specialist building science capability
3. **Infrastructure risk:** Nationally significant labs and exposure sites have unavoidable operating costs; once capability is lost it is difficult and costly to rebuild
4. **Delivery risk for MBIE:** rushed set-up of new processes increases bureaucracy, slows decisions and raises credibility risk
5. **“Lolly scramble” risk:** Compressed timelines and low certainty increase the risk of ad hoc allocation across a limited funding pool (c. \$25 million), with effort absorbed by process rather than **research delivery and impact**
6. **Value for money risk:** under funded transition can produce the worst outcome – higher admin costs and lower research output

What mitigates the risks (and maximises research funding for the sector)

A measured, phased transition protects decades of investment in people, facilities, tools and longitudinal datasets while the new system is established. This requires:

- Multi-year transition funding certainty (no annual cliff edges)
- Ongoing baseline funding so essential public-good and industry good services continue

A funding approach that will enable long-term success of reforms

Phase 1 – mobilisation (FY27–FY29): maintain status quo funding (\$27.8 million per year) while the new system is established and BRANZ repositions without service disruption. Given nearly 60 years of operating under a different model, and current economic conditions, this is an ambitious transition period; shortening it further would materially increase the risk of disruption, loss of capability and reduced capacity to deliver future public good research.

Phase 2 – transition to contestable funding (FY30–FY32): progressively increase contestability while stepping down existing committed research funding to a new baseline (\$17.9m in FY30 → \$16.96m in FY31 → \$14.8m in FY32), allowing system capability to respond to the new environment.

Ongoing baseline from FY33: \$14.8m p.a. as a minimum viable level to maintain core public good services, specialist capability and nationally significant assets. This represents a lean setting and would require material scaling back of current public good activity.

Key Consideration

A phased, multi-year transition with an ongoing baseline enables reform to deliver maximum value for money, sustain essential capability and public good services as contestability is progressively introduced.

