



COVERSHEET

Minister	Hon Nicola Willis	Portfolio	Economic Growth
Title of Cabinet paper	Fulfilling the coalition commitment on the use of woollen fibres in government buildings	Date to be published	8 May 2025

List of documents that have been proactively released

Date	Title	Author
19 February 2025	Fulfilling the coalition commitment on the use of woollen fibres in government buildings	Office of the Minister for Economic Growth
24 February 2025	Fulfilling the coalition commitment on the use of woollen fibres in government buildings ECO-25-MIN-0008 Minute	Cabinet Office

Information redacted

YES / NO (please select)

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In Confidence

Office of the Minister for Economic Growth

Cabinet Economic Policy Committee

Fulfilling the coalition commitment on the use of woollen fibres in government buildings

Proposal

- 1 This paper seeks agreement to introduce a requirement that government agencies, that are required to follow the Government Procurement Rules (the Rules), are expected to use woollen fibres where practical and appropriate in government buildings.

Relation to government priorities

- 2 The proposed requirement meets the commitment, in the National Party and New Zealand First coalition agreement, to “*direct government agencies where practical and appropriate to preference the use of woollen fibres rather than artificial fibres in government buildings*”.

Executive Summary

- 3 I propose introducing a requirement that government agencies are expected to use woollen fibres where practical and appropriate in government buildings. This requirement will apply to around 130 agencies that must follow the Rules and will come into effect from 1 July 2025.
- 4 The requirement will apply to government owned buildings for:
 - 4.1 new construction works when the maximum total estimated value of the procurement meets or exceeds the value of \$9 million (excluding GST)
 - 4.2 for refurbishments when the maximum total estimated value of the procurement meets or exceeds the value of \$100,000 (excluding GST).
- 5 Agencies will be expected to make their own assessment on the practicality and appropriateness of using woollen fibres. Agencies will need to consider factors such as whole-of-life costs, compliance with New Zealand Standards, technical and functional requirements, as well as the relative sustainability and wellbeing benefits of using woollen fibres rather than artificial fibres.
- 6 I am proposing that the requirement be implemented through a new Construction Procurement Guide under Rule 69 of the Rules. Rule 69 requires agencies to give effect to Construction Procurement Guides when procuring construction works.

Background

- 7 The 2023 coalition agreement between the National Party and New Zealand First made a commitment to “*direct government agencies where practical and appropriate to preference the use of woollen fibres rather than artificial fibres in government buildings*”.

New Zealand strong wool sector faces challenges

- 8 Over the past 20 years, the strong wool sector has faced robust competition from synthetic fibres in global fibre markets. Alongside this, there has been a decline in sheep numbers (around 52 per cent) and the volume of wool produced (around 54 per cent) in New Zealand.
- 9 The sector has experienced an ongoing decline in strong wool price¹. The price was \$3.38/kg in 2022/23, which is a 35 per cent decrease compared to 2013/14 (\$5.20/kg). This has led to a continued decline in financial returns for strong wool farmers.

Benefits for the New Zealand economy and rural communities

- 10 For government buildings, strong wool has a variety of potential uses, such as flooring, insulation, acoustic panels as well as furnishings. Increased demand for woollen fibre products by government agencies could drive increased employment and regional development in wool producing locations. It could also encourage innovation in the New Zealand building materials industry.
- 11 This commitment will support the strong wool sector and deliver benefits to rural communities. New Zealand is the third largest wool producer, behind China and Australia, and accounts for around 9 per cent of total global wool production.
- 12 The wool sector contributed \$549 million to New Zealand’s economy from exporting processed and unprocessed wool, carpets, and other wool products in the year ending 30 June 2024. In the year ending 31 March 2022, the sector (along with the red meat sector) employed around 76,000 people in jobs across the value chain, including farming, processing and wholesaling, shearing, scouring, wool and hide processing, and textile manufacturing.

Potential sustainability and health benefits from using woollen fibres in government buildings

- 13 Wool is a renewable and biodegradable material. Increased use of woollen fibres could help reduce carbon emissions in government buildings as woollen fibre materials are likely to be a lower carbon option compared to synthetic materials.

¹ Wool is classified into fine, medium and strong wool. Fine wool is less than 20 microns and is often used in clothing. Wool with higher micron is called medium or strong wool. It has a range of uses including bedding, mattresses, carpets, insulation, and upholstery fabrics. Medium and strong wool make up 80 per cent of New Zealand’s total wool production.

- 14 There are health benefits to using woollen fibres compared to synthetic or petroleum-based textiles used in construction. Wool is a natural product that is less toxic and has natural qualities that allow it to dampen sound and absorb pollutants. Woollen carpets also regulate humidity, are hypoallergenic and have been shown to perform better than synthetics in smell and staining tests.

Government procurement framework

- 15 The New Zealand public sector spends around \$51.5 billion each year on purchases of goods and services from suppliers to support the delivery of its activities. It is estimated that around \$18 billion of this expenditure is on infrastructure (such as buildings and roads) development and maintenance.
- 16 New Zealand's Public Service chief executives have autonomy over how their departments operate, including accountability and decision making for their procurement activities. However, they must do this within the government's procurement framework made up of policy, the Rules, and guidance.
- 17 The Rules set out requirements that ensure government procurement processes are fair, open, competitive and provide value for money. This means that goods and services should be selected on the basis of their merits (technical specification in terms of performance and functional requirements), rather than design or descriptive characteristics.

New Zealand's international trade agreements ensure government procurement settings don't preference local materials over imported materials

- 18 New Zealand's international trade agreements seek to increase access and opportunities for exporters in large overseas markets. They provide New Zealand businesses with guaranteed access to large government procurement markets. For example, the World Trade Organisation (WTO) Agreement on Government Procurement provides New Zealand businesses access to international procurement opportunities estimated to be worth more than US\$1.7 trillion annually across the signatory countries (including the EU, US, and UK). Reciprocal commitments in these agreements mean that our government procurement settings cannot preference local materials over imported materials.

Putting in place an expectation that government agencies use woollen fibres where practical and appropriate in government buildings

- 19 To meet the coalition commitment, I am proposing that we put in place a government procurement requirement where mandated agencies are expected to use woollen fibres where practical and appropriate in government buildings.

The requirement will apply to all agencies that must follow the Rules

- 20 The requirement will apply to all agencies that must follow the Rules (referred to here as mandated agencies). There are around 130 mandated agencies including Public Service agencies, non-Public Service departments, all Crown

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Entities (except school board trustees) and all companies named in Schedule 4A of the Public Finance Act.

The requirement will apply to new construction and refurbishments of government owned buildings over certain value thresholds

- 21 The requirement will apply to government owned buildings, for:
- 21.1 new construction works, when the maximum total estimated value of the procurement meets or exceeds the value of \$9 million (excluding GST)
 - 21.2 refurbishments, when the maximum total estimated value of the procurement meets or exceeds the value of \$100,000 (excluding GST).
- 22 These value thresholds are set out in the Rules and align to commitments made in our international trade agreements.

Agencies will need to assess when it is practical and appropriate to use woollen fibres and document this as part of the procurement process

- 23 When assessing the practicality and appropriateness of using woollen fibres in government buildings, agencies will need to consider a range of factors. The key factors will be:
- a. **Cost** - upfront cost, whole-of-life costs and overall cost-effectiveness.
 - b. **Standards** - compliance with New Zealand Standards as well as construction and fit-out standards that a government agency has developed to meet the requirements of their portfolio.
 - c. **Technical and functional requirements** - specific to the project and the intended use of the building. For example, product performance and durability.
 - d. **Supply** - timeliness, and availability of supply to meet project requirements and delivery timelines.
 - e. **Sustainability and wellbeing** – the relative sustainability and health benefits of using woollen fibres rather than artificial fibres.
- 24 Decisions made relating to assessing whether it is practical and appropriate to use woollen fibres must be documented as part of the procurement process. Where an agency decides that a woollen fibre option is not practical and/or appropriate they must document the reason why. If an agency did not receive any woollen fibre options in response to a tender, they should record this.

Monitoring and reporting

- 25 Agencies will be required to report to the Ministry of Business, Innovation and Employment (MBIE) on an annual basis, if they have chosen not to use woollen fibres as well as the reasons why woollen fibres were not practical or appropriate.

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Implementation

Time frame for implementation

- 26 I propose that this requirement will come into effect on 1 July 2025.
- 27 To avoid potential delays and cost impacts on projects, the requirement will not apply if the business case for a new construction or a refurbishment project has already been approved before this requirement takes effect.

Implementation mechanism - Construction Procurement Guide

- 28 I propose that the requirement is implemented through a new Construction Procurement Guide under Rule 69 of the Rules. Rule 69 requires agencies to give effect to Construction Procurement Guides when procuring construction works.
- 29 The Guide is attached as Annex A. MBIE will finalise and publish the Construction Procurement Guide before the requirements set out in this paper take effect.

Cost-of-living Implications

- 30 This proposal does not have cost of living implications.

Financial Implications

- 31 Agencies will need to implement these requirements within approved budgets for new construction and refurbishments projects. When assessing whether woollen fibres are practical and appropriate, agencies will need to ensure that the decision they make represents good value for money, balancing approved project budgets as well as the costs and benefits of using woollen fibres rather than artificial fibres.
- 32 Unless woollen fibre options are price competitive, agencies may be challenged to select wool products when making procurement decisions.

Legislative Implications

- 33 No legislative implications have been identified.

Impact Analysis

Regulatory Impact Statement

- 34 A Regulatory Impact Analysis is not required.

Climate Implications of Policy Assessment

- 35 A Climate Implications of Policy Assessment (CIPA) is not required.

Population Implications

36 This proposal will not impact on specific population groups.

Human Rights

37 No human rights implications have been identified in this paper.

Consultation

38 All agencies that must apply the Government Procurement Rules were given the opportunity to comment on this Cabinet paper.

Communications

39 I expect to announce the new requirement as soon as is practical.

40 To ensure agencies understand the new requirements and have time to update internal procurement processes and templates, the Procurement System Leader will communicate the new requirements to mandated agencies as soon as practical after the date on which Cabinet makes a decision.

Proactive Release

41 This paper will be proactively released within 30 business days of final decisions being taken by Cabinet, subject to redactions, as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Economic Growth recommends that the Committee:

- 1 **note** that the 2023 coalition agreement between the National Party and New Zealand First made a commitment to “*direct government agencies where practical and appropriate to preference the use of woollen fibres rather than artificial fibres in government buildings*”.
- 2 **agree** that from 1 July 2025 agencies, that are required to follow the Government Procurement Rules, are expected to use woollen fibres where practical and appropriate in government buildings, and that the requirement will apply to:
 - 2.1 new construction works, when the maximum total estimated value of the procurement meets or exceeds the value of \$9 million (excluding GST)
 - 2.2 refurbishments, when the maximum total estimated value of the procurement meets or exceeds the value of \$100,000 (excluding GST).
- 3 **agree** that to avoid potential delays and cost impacts on projects, the requirement will not apply if the business case for a new construction or a

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refurbishment project has already been approved before the requirement to use woollen fibres comes into effect.

- 4 **agree** that the new woollen fibres requirement be implemented as a Construction Procurement Guide, under Rule 69 of the Government Procurement Rules.
- 5 **agree** that agencies will not be required to use woollen fibres in government buildings as set out in the new Construction Procurement Guide if it is not practical or appropriate for the agency to do so.
- 6 **agree** that if an agency does not choose a woollen fibre option in its construction procurement, it must document the rationale as to why it was not practical or appropriate to do so.
- 7 **agree** that agencies will be required to report to MBIE on an annual basis if they have chosen not to use woollen fibres as well as the reasons why woollen fibres were not practical or appropriate.

Hon Nicola Willis

Minister for Economic Growth

Annex A: Construction Procurement Guide on *The use of woollen fibres where practical and appropriate in government buildings.*