



# **ROADING NEW ZEALAND**

BUILDING AND MAINTAINING NEW ZEALAND'S  
LAND TRANSPORT INFRASTRUCTURE

**ROADING NEW ZEALAND**

**SUBMISSION**

**TO THE**

**NEW ZEALAND TRANSPORT AGENCY**

**ON THE**

**INTERIM PROCUREMENT MANUAL:  
FEEDBACK DOCUMENT**

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# SUBMISSION BY ROADING NEW ZEALAND ON THE NEW ZEALAND TRANSPORT AGENCY'S INTERIM PROCUREMENT MANUAL: FEEDBACK DOCUMENT

## Introduction

Roading New Zealand (RNZ) thanks the New Zealand Transport Agency (NZTA) for the opportunity to comment on the Interim Procurement Manual and commends it on reviewing the CPP Manual to improve transport outcomes for all New Zealand. RNZ would also like to thank NZTA for the opportunity to being part of the Reference Group that assisted NZTA to produce the Interim Manual.

Roading New Zealand represents contractors who build and maintain the majority of New Zealand's land transport infrastructure. The combined turnover of our members is approximately \$3 billion pa. The Procurement Manual is very important to our members as it directly impacts on their businesses and their ability to offer value for money to approved organisations.

## Overview of Submission

RNZ supports NZTA for the Interim Manual's

- requirement for Approved Organisations to develop procurement strategies
- concise listings and guidance on contract types and supplier selection methods
- inclusion of collaborative procurement options
- more flexible approach

RNZ's suggests the following changes to the Interim Manual could improve value for money procurement outcomes.

(a) *Requiring Procurement Strategies to*

- Include scenarios for achieving value for money in both boom and recession periods.
- Identify ways of ensuring that Industry training, skills and capacity are sufficient at all times.
- Identify ways of ensuring that the Industry is able to offer value for money options, according to the Manual's definition of value for money.
- Identify ways of promoting and encouraging innovation.
- Improve Industry performance in areas of health and safety and environment to mitigate these legislative risks of approved organisations as Principals to Contracts.
- Identify and mitigate any significant procurement risks such as cost escalation.
- To invite Industry input.

(b) *Supplier Selection, we advocate that*

- \$200,000 is the appropriate cap for Direct Appointments and \$500,000 for Closed Contracts.
- Only suppliers with trained employees who meet the industry's unit standards of competency should be selected. (As per joint submission by NZCF, RNZ and InfraTrain).
- Only suppliers who meet industry best practice standards for health and safety and environmental management should be selected.
- One member of every Tender Evaluation Team (TET) should hold the Tender Evaluation Qualification (as per joint NZCF, RNZ and InfraTrain submission) and the moderation of such qualifications strengthened.

(c) *Non Price Attributes*

Track record should be mandatory and should be based only upon generic company performance. It should not be project or location based. In addition to this we would advocate that consideration be given to company health and safety, plus environmental performance. This should promote better industry behaviors and performance overall, and mitigate the legislative risk of approved organisations.

- (d) *Price Quality Tool*  
The use of this tool can be made easier by having better explanations on a number of critical issues.
- (e) *Performance Indicators*  
Meaningful procurement performance indicators should be developed for roading work in the same way the Manual requires them for bus contracts.

These are discussed in more detail below.

## Discussion

- (a) *Procurement Strategies*  
Boom and recession periods equally threaten the achievement of value for money. For example in boom times industry skills and capacity may become stretched and in a recession an emphasis on lowest price in a highly competitive market will likely compromise training, skills and quality. Strategies should identify these and other risks to value for money and mitigate them.

At any one time the industry may have surplus capacity or on the other hand a skill shortage. Different strategies are needed for each of these situations. At present we need strategies to grow the skill base of the Industry.

Industry considers including a lump sum for training in the schedule to increase Industry training is counter productive. It is better to specify competency requirements by qualifications or unit standards. This can be done through the attribute of relevant skills.

Procurement strategies need to “flush out” opportunities for the Industry to systematically offer value for money initiatives. The Manual talks of value for money being either the same outcome at a lower cost or a better outcome at a higher cost. Strategies are needed to give effect to value for money.

Strategies are also needed to encourage innovation, which in turn leads to better value for money.

It was noted that the manual contained no mention of Industry health and safety or environmental management performance. RNZ believes these are key legislative risks that require greater input and leadership from Principals’ than is currently the case. Industry Self Governance is one option available for Principals to minimize their risk in this regard.

Significant procurement risks expected to be borne by the contractor, such as unreasonable tender conditions and cost escalation, can reduce competition and threaten the sustainability of the contracting industry. It is important that approved organisations have strategies to mitigate these risks.

Sound policy best practice indicates that for strategies to be robust any party(s) directly affected by them need to have input into them. We therefore advocate that the procurement strategies of approved organisations have industry input.

- (b) *Supplier Selection*  
It seems inappropriate to have the same cap of \$100,000 for both physical works and professional services direct appointment contracts, given the relative size and value of the contracts. The same applies to the \$200,000 cap for closed contracts. On a percentage basis \$200,000 and \$500,000 would seem more appropriate for physical works direct appointment and closed contract contracts respectively.

Clarity is also required as to the maximum size of a contract variation, before retendering is required.

It is often difficult for TETs to decide if a contractor's employees are competent to carry out a task. The Industry through its ITO, InfraTrain, has defined units of competency for all work activities. Employees are assessed independently to see if they meet these standards of competency. This includes those who have learnt on the job as well as those who have attended courses. The Industry would be happy to supply competency standards by work activity to NZTA and approved organisations through a matrix or similar tool.

Industry Self Governance uses an independent Board to accredit contractors who meet the requirement of health and safety best practice. Such contractors are Operate Safe. We suggest that Operate Safe or equivalent is included as a supplier requirement to mitigate this form of legislative risk.

Tender evaluations that seem inconsistent with other evaluations compromise the credibility and integrity of the tender process and can threaten the viability of good contractors. We believe that the quality of tender evaluations must be very high and at least one member of the TET for ALL tender evaluations should be qualified.

The Interim Manual is not as prescriptive or as black and white as the CPP manual. This is positive because it leads to increased flexibility, but it does introduce an increased risk of the outcome being challenged. We therefore believe it is important to guard against this by ensuring that all decisions are transparent, challengeable and subject to external audit. There should also be an appeal process to NZTA, as there is at present.

(c) *Non Price Attributes*

The introduction and use of Track Record in the early 1990s, as a non price attribute increased competition and grew the capability of contractors substantially. It also lifted the performance of the contracting industry considerably. It is disappointing that Track Record in recent times has become location and project specific; this may potentially reduce supplier options available to the Principals'. We advocate a return to the previous definition.

(d) *Price Quality Tool*

Our comments refer to the Tools circulated in February by NZTA for feedback

- Step 3 needs to be made more clear, e.g. regarding AWST and a reference to the "Sum of the Weights" in Row 7.
- Step 4 needs more explanation, especially as to where you would find the price estimate and what the SOP stands for.

(e) *Performance Indicators*

The lack of prescriptiveness of the Interim Manual and more focus on outcomes places an onus on Principals to measure supplier performance in accordance with the desirable outcomes as opposed to purely compliance with the Manual. For such a performance system to work there must be a standard form of measurement and evaluation throughout the country. The contracting industry believes that NZTA's PACE does not do this well. We believe that the KPIs based on Constructing Excellence in the U.K. are more appropriate.

We believe that Performance Indicators should be used to

- identify trends in the performance of the Industry
- be an input into supplier selection

We trust you find this submission helpful. Please do not hesitate to contact me to clarify any points should you wish.



Chris Olsen  
**Chief Executive**