

## PART A: CONTEXT

### A1. Legislative Context

A Procurement Strategy is required by NZTA as part of meeting requirements of Section 25 of Land Transport Management Act 2003 (amended 2008).

The NZTA requires that all approved organisations have a procurement strategy that documents an approved organisation's long-term integrated approach to the procurement of transport sector activities funded under Section 20 of the LTMA.

### A2. Regulatory Context

Section 25 requires:

- Procurement procedures are designed to obtain best value for money spent, having regard to an affordable, integrated, safe, responsive and sustainable network,
- Fair competition and encouraging competitive and efficient markets for the supply of outputs required for funded activities,
- Outputs must be purchased from external providers, except for minor and ancillary works, which may be purchased from an internal business unit under certain conditions.

To reinforce the point that the lowest price proposal received for the provision of any outputs does not always equate to the best value for money spent, S25 ends with a specific provision stating that an approved organisation is not compelled to accept the lowest price proposal. This has important implications when it comes to determining value for money.

This procurement strategy is designed to link WDC strategic goals and objectives with the procurement context of the LTMA, specifically value for money, fairness, competition and efficiency.

The following procurement objectives have been developed to achieve this linkage

### Strategic Goals & Objectives (refer Draft 2012 LTP)

Community Outcomes	How the Rooding Activity Contributes	Principal Objectives for Rooding Activity
A Strong Prosperous and Thriving Economy.	By providing and maintaining the local roads that form a significant part of the regional transport system.  By providing for local contract procurement options.	To ensure that relevant legislation, regulations and bylaws are monitored and enforced such that Council meets its requirements.  The long-term focus for Council is to meet the community's needs for
A Safe and Integrated Transport System.	By progressively and proactively improving safety features on the rooding network.  By providing access for businesses and consumers for the efficient movement of people and goods.	safe and efficient movement of people and goods by maintaining and developing the District road network.  Provision of a safe and affordable rooding network that contributes to the outcomes of the Land Transport Management Act and the objectives of the Regional Land Transport Strategy.

Specific Procurement Objectives	How we achieve these objectives
Ensure risk is appropriately managed by the party best placed to do so.	Establish a risk matrix and determine the appropriate risk transfer mechanism and the type of services to be procured e.g. High risk needs specialised professional design service.
Ensure fair and transparent procurement processes that give confidence to the market.	<p>All work projects of value greater than \$200,000 to be publicly tendered. Works will be generally unbundled to ensure a good mix of suppliers.</p> <p><b>Physical works;</b>            Lowest price conforming standard template.            An explicit pass/fail threshold which aligns with risk.            Price/Quality template utilised where premiums in whole life benefits can be demonstrated.</p> <p><b>Professional services;</b>            A preferred supplier panel developed with a mixture of competencies to reflect management of risk and benefits identified.            Target price systems utilised to encourage tension within preferred suppliers mix.</p>
Encouraging long term thinking about procurement processes to nurture sustainable marketplace.	<p>Balancing the bundling of work to suit local procurement environment. Promoting longer construction periods.</p> <p>The programmed tenders start early in the construction season and continue in a steady stream of contracts that align with seasonal weather changes.</p>
Procurement philosophy reflects a more aligned customer focus.	Where appropriate contracts be more activity based to discourage dilution of focus. In order to maintain the benefits of scale for some activities this may mean a shift to larger geographic bundles.
Work toward rationalisation of maintenance contracts in 2013/14 to achieve improved focus in service delivery.	Move to activity based contracts covering a wider area,
Link grading and metalling with LOS and asset value.	A new unsealed pavement contract model.
A focus on 'best fit' procurement which particularly discourages 'overbuying'.	Creating an environment where WDC understands the cost of risk and is prepared to engage in the iterations which involve accepting engineering risk.
Incorporating asset management drivers into maintenance contracts, to bring asset management closer to operations.	Area engineers taking more active role in managing risk and leading maintenance activities.
Flexibility to 'fast-track' some work through direct appointment.	Works under \$100,000 can in some circumstances be negotiated with an approved supplier. Works between \$100,000 to \$200,000 may be procured through invited prices (minimum of three).
Explore new initiatives to identify areas for adding value.	Initiate a trial system with a robust evaluation structure and review period e.g. Metal attrition study.
Flexibility to meet unique or specific needs of isolated areas which do not fit conventional contract models.	Identify specific areas which fall below agreed LOS, or are uniquely costly to deliver, and propose remedy e.g. local 'roadman' contracts.

## **PART B: Procurement Environment**

### ***B1. Physical Environment***

Wairoa's remote geographic location impacts on our procurement environment. To attract non-resident contractors, consultants and other suppliers to tender for work where appropriate, smart packages must be developed with regard to optimising quantum and type of work to align with marketplace capabilities and establishment economies.

### ***B2. Market Environment***

#### ***Physical Works Providers:***

While our geographic location does create an impediment to outside contractors we do maintain a competitive market for general civil works with a range of local contractors capable of supplying the full range of services we need to procure. Efforts to nurture this marketplace include unbundling work packages, maintaining a regular work flow by softening out peaks where possible i.e. weather dependant work not conflicting with civil works, and communicating work flow annually with adequate notice.

Diversity and competition is less evident in specialised areas such as streetlight maintenance and road-marking, so careful attention is needed in these areas to ensure value for money – where direct competition is less likely to contribute to that goal. That is to say, if competition at the tender box is not likely to drive value for money, we must look for other mechanisms to drive that value.

#### ***Professional Services Providers:***

WDC had a traditional professional services contract in place from 1998 through to 2010 through two retenders and two 'roll-overs'. The 2010 professional services tender attracted only one bid which in turn led to a review of the outsourcing model. At this time it was determined that the timing to revert to an in-house model was appropriate.

The creation of the WDC Infrastructure Business Unit (IBU) reflects a structure where asset management systems are operated in-house. Council's asset manager and area engineers are tasked with managing physical works contracts and collecting information regarding the cost to

maintain Council's road assets, to ensure that decision-making is optimised.

Design and planning inputs for construction projects are largely outsourced and a preferred supplier panel developed with a mixture of competencies to reflect management of risk and benefits identified.

#### ***Other Sectors:***

Other agencies that impacts on our markets include NZTA (Highway Managers), Hastings District Council and Gisborne District Council operating to the northern and southern boundaries of the Wairoa district. These agencies, along with local farming and forestry companies, provide a base load of work which complements the ability of local contractors to service the district infrastructure needs.

The ability to collaborate with other TLA's is especially relevant on the borders of our unsealed network (e.g. Whakatane District Council on the S.H.38-S.P.38 route) and NZTA within our sealed road environment.

### ***B3. Supplier Relationships***

With a relatively small marketplace, it is beneficial to make value from established relationships whilst not disadvantaging new players.

An annual supplier invitation process would give interested contractors the opportunity to pre-qualify for certain components of the network programme and increase supplier engagement as well as reduce repeated processes.

#### ***Procurement Processes:***

Whilst WDC remains focused on compliance, our funding streams are best spent through achieving outcomes that appropriately fit our unique requirements. This is achieved by involving local engineers in the design and contract formulation processes.

To avoid 'overbuying' WDC physical work requirements are generally procured by the lowest price conforming tender process with compliance risk managed by a rigid pass/fail threshold.

In order to allow contractors to receive initial feedback as well as understand the currency of the marketplace, public tender openings are currently held 15 minutes after tender closing.

***STRATEGY GOAL: LOCAL ENVIRONMENT IS SUSTAINABLE.***

## PART C: Planned Procurement Programme

### C1. General Maintenance and Operations

This is the most significant component of our procurement of subsidised roading services. These needs are currently serviced through four separate 'Area Maintenance Contracts'. One option Council is investigating is whether to rationalise the grouping of these contracts to promote effective and efficient work practices as well as improving the network level of service through improved focus on activities.

The major activities of expenditure include;

Activity	Annual Expenditure \$
Unsealed pavement maintenance and renewals	1,400,000
Sealed pavement maintenance	750,000
Road drainage maintenance and renewals	740,000
Traffic services maintenance	300,000
Environmental maintenance	400,000
Structures maintenance	60,000
<b>Total</b>	<b>3,650,000</b>

Proposed Delivery Model:	Traditional (Staged)
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"> <li>• Lowest Price</li> <li>• Price/Quality</li> </ul>

One form of rationalisation being considered is by activity-based procurement and reducing from four contract areas to two larger contracts.

The core work of these 2 contracts could be **a)** sealed pavement maintenance which could encourage benefits or linkage with the S.H. maintenance provider and **b)** unsealed pavement maintenance and renewals (which likewise could similarly offer unsealed S.H.38 an opportunity to gain some efficiency).

Road drainage and signage are other activities that take in specific areas and apply specific detail to the network which could be targeted by local providers or included in the core work contracts.

Environmental Maintenance - The majority of vegetation control works is currently carried out by an external subcontractor to the 'Area Maintenance Contracts'. Direct engagement of supplier(s) can be considered.

Routine bridge maintenance is being considered for inclusion in a structural bridge contract works model where the specialist nature of these works better suit the competency of a specialist provider, again improving effectiveness through activity focus.

Another maintenance rationalisation is the merging of areas into one major contract. Experience in other districts is that this template does not reduce competition in future retendering rounds; however it does impact on the competitiveness of unscheduled works and ongoing renewal/capital roading projects, as well as reducing activity focus.

**STRATEGY GOAL: ROAD MAINTENANCE PROVIDES BEST VALUE.**

### C2. Site Specific Trial Solutions

Specific activities/ projects with a lower risk profile but challenging in detailing an efficient solution under the conventional contract structure are candidates for a specific local solution template. Examples include an isolated low volume unsealed road being uneconomic to maintain under an area maintenance contract but appropriate to manage under a local roadman type structure. The roads pre-dominantly utilised by the forestry industry are another example.

Local dust suppression strategies are also examples of unsealed road challenges in specific locations. In these trials it is anticipated that an array of options can be encouraged as the template becomes better understood in the district.

Approximate Annual Expenditure	\$ 100,000
Proposed Delivery Model:	<ul style="list-style-type: none"> <li>• Traditional</li> </ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"> <li>• Direct appointment</li> </ul>

### **C3. Surfacing Renewals**

For the past several years NZTA (State Highways) has undertaken the implementation of WDC's annual resurfacing programme, and more recently the roadmarking, as part of the regional state highway programme.

This arrangement has a number of benefits that ensure value for money from this specialised activity. Firstly it allows WDC to take advantage of NZTA's far larger volume of work utilising the economies of scale in our favour. Secondly it means that NZTA and WDC are not competing for the same contractors at the same time. Thirdly this creates a healthy and persistent tension to WDC staff and consultants to ensure our annual programme is ready in a timely fashion.

Approximate Annual Expenditure	\$ 900,000
Proposed Delivery Model:	<ul style="list-style-type: none"><li>• Traditional (Staged)</li></ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"><li>• Lowest Price</li><li>• Price/Quality</li></ul>

### **C4. Pavement Renewals**

These works are generally tendered separately or, in some circumstances, direct negotiation with the area maintenance contractor may be used – particularly where trial methodologies are being used to test new techniques or products. In these instances the collective risk/reward model of a collaborative approach can be more conducive to demonstrating value for money.

Current thinking also provides for the opportunity of linking this work with NZTA packages of work should this be appropriate.

Approximate Annual Expenditure	\$ 350,000
Proposed Delivery Model:	<ul style="list-style-type: none"><li>• Traditional (Staged)</li><li>• Design &amp; Build</li></ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"><li>• Lowest Price</li><li>• Price/Quality</li><li>• Direct Appointment</li></ul>

### **C5. Structures Maintenance and Renewals**

This category of work is currently an annual package of work for bridge and structures repairs and, depending on the type, scale and location of work, are generally tendered separately or, negotiated with the incumbent suitably skilled area maintenance contractor.

Due to the maintenance components of this work being under delivered, it has been considered that best value is obtained from the structures investment by developing the civil works marketplace in the district. Combining structures maintenance as well as renewals in an annual contract is expected to provide more effective delivery, and better focus on the structure's stock can be achieved.

It is also being considered to link this work package with the NZTA programme where this is appropriate especially when looking for specialised bridge repair solutions.

Approximate Annual Expenditure	\$ 470,000
Proposed Delivery Model:	<ul style="list-style-type: none"><li>• Traditional</li></ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"><li>• Lowest Price</li><li>• Price/Quality</li></ul>

### **C6. Associated Improvements**

Associated improvements (minor safety) have traditionally been relatively low value projects that are negotiated with area maintenance contractors using existing contract rates or procured through a closed tender process with local contractors being offered the opportunity to tender for the work on a lowest price conforming basis. Where a project exceeds threshold values it would be subject to open tender in accordance with NZTA rules.

Approximate Annual Expenditure	\$ 550,000
Proposed Delivery Model:	<ul style="list-style-type: none"><li>• Traditional</li></ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"><li>• Direct appointment</li><li>• Price/Quality</li><li>• Lowest Price</li></ul>

## C7. Professional Services

Refer section B2 for more detail on the structure of the current professional services model.

Specialised low to medium risk flood damage repair design works is still targeted through outsourcing and WDC sees a small group of focused professional providers supplying further technical expertise.

The desired professional service marketplace will provide a client focus where design 'best fit' iterations are the means by which the District design solutions are optimised.

Projects of particularly high risk will extend the marketplace to the larger, 'best-equipped' professional service providers. The development of 'risk understanding' processes by the in-house team allows specific projects to be allocated to consultants who are best able to demonstrate their abilities at a particular risk profile.

Experience has indicated that well engaged iterative design techniques are often present in the smaller providers and the risk matrix approach is able to be used to manage risk for this type of procurement.

The opportunity to develop a shared services model for appropriate activities is an opportunity WDC expects in the future.

Approximate Annual Expenditure	\$ 800,000 (varies)
Proposed Delivery Model:	<ul style="list-style-type: none"> <li>• Traditional (Staged)</li> <li>• Project brief</li> </ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"> <li>• Direct appointment</li> </ul>

## C8. Flood Damage Repairs

In a typical year Wairoa experiences flood damage in the order of \$2 - \$4 Million. The approach that has evolved for this work is one that is designed very much around value for money principles. Area Engineers, Contractor representatives and Council staff assess the damage and collate the individual sites.

These sites are all risk assessed in a framework under the following categories:

### Minor/Emergency and/or Simple Projects

Risk profile low - Either no design required or specific design and low value. These are easily managed by agreement between contractor and Council. Maintenance contract rates can be used as the basis for agreeing price. Works will typically cost in the region of \$10,000 - \$50,000.

Judgement is applied to determine whether there is benefit in including more than one individual site in a larger contract. This reduces the cost of preparing contract documents and tendering costs etc. WDC is guided by NZTA rules, guidelines and advice when assessing the relative merits of negotiation versus tendering for individual projects.

Approximate Annual Expenditure	\$ 500,000
Proposed Delivery Model:	<ul style="list-style-type: none"> <li>• Traditional</li> <li>• Collaborative</li> </ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"> <li>• Direct appointment</li> <li>• Lowest Price</li> </ul>

### Dayworks Contracts

Risk profile low - A group of bundled earthworks sites in reasonable proximity with descriptions of works and required outcomes. Work can be either negotiated or tendered based on a schedule of hourly rates. Cost of design and delays minimised with in-house monitoring driving good engagement in producing outcomes.

Approximate Annual Expenditure	\$ 500,000
Proposed Delivery Model:	<ul style="list-style-type: none"> <li>• Traditional</li> <li>• Collaborative</li> </ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"> <li>• Direct appointment</li> <li>• Lowest Price</li> </ul>

### Alternative Repairs with Soft Structures

Risk profile low - projects with low risk consequence and high complexity for a hard engineering solution are considered for protective type environmental solutions such as "living" and MSE walls. These

involve utilising natural remedies such as specially breed willow seeding remedies or compost sock sand-bag type retaining walls. There are seasonal constraints. Results are encouraging and trials continue with cost comparisons and ongoing evaluations of these systems.

In these alternatives it is anticipated that an array of options can be encouraged as the technology becomes better understood in the district.

Approximate Annual Expenditure	\$ 100,000
Proposed Delivery Model:	<ul style="list-style-type: none"> <li>• Supplier panel</li> </ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"> <li>• Direct appointment</li> </ul>

### **Hard Retaining Structures**

Risk profile medium - Projects assessed as requiring a consented structure to reinstate the appropriate level of service. The projects are bundled based on construction type and location, as well as timing in order to provide to the marketplace a steady supply of work through the construction season. The works are completed to a robust design and a producer statement is required.

Generally procurement is based on lowest price however contractors will need to demonstrate competence in previous projects of a similar nature.

Approximate Annual Expenditure	\$ 1,000,000
Proposed Delivery Model:	<ul style="list-style-type: none"> <li>• Traditional</li> </ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"> <li>• Lowest price conforming</li> <li>• Negotiated if below threshold</li> </ul>

### **River and Coastal Works**

Risk profile medium to high. A certain component of emergency works repairs in the district requires river or coastal works reinstatement. This work can be specialised and is generally sensitive and challenging.

Solutions focused on robust design and procurement proposals shall outline the need for experienced contractors who have a firm

understanding of RMA processes. A number of challenging sites in the district are becoming urgent.

Approximate Annual Expenditure	\$ 500,000
Proposed Delivery Model:	<ul style="list-style-type: none"> <li>• Traditional</li> </ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"> <li>• Lowest price conforming</li> <li>• Negotiated if below threshold</li> </ul>

### **Large, Specialised or Complex Projects**

Risk profile medium to high. High design level required. These will generally be tendered as separate projects. Judgement is applied on a district wide basis to determine the mix of negotiated and tendered work. WDC has very good relationships with NZTA representatives and regularly seeks guidance and input on the proposed procurement approach.

We believe the flexible approach assessing each project on a 'case by case' basis is the best way to achieve value for money. WDC acknowledges the value added by NZTA regional staff input to this process.

Approximate Annual Expenditure	\$ 500,000
Proposed Delivery Model:	<ul style="list-style-type: none"> <li>• Traditional (Staged)</li> <li>• Supplier Panel</li> </ul>
Proposed Supplier Selection Method(s):	<ul style="list-style-type: none"> <li>• Direct appointment</li> <li>• Lowest Price</li> </ul>

**STRATEGY GOAL: MIX OF SERVICE PROVIDERS TO BEST SUIT THE RANGE OF TECHNICAL SKILL AND/OR ACTIVITY RISKS REQUIRED.**

## **PART D: Management and Implementation**

### ***D1. Approach to Contract Management***

All contracts are based on the NZS 3910 framework that is widely understood in the market and creates a level of certainty and comfort because of its familiarity. Council's preference is to limit modifications to the general conditions of contract unless absolutely necessary to manage a specific risk. This would tend to be on a project by project basis rather than a general amendment.

Council's intention is to encourage a collaborative approach, with more direct Council/contractor interaction to promote empowerment, in order to create efficiencies and innovation in an environment of genuine risk share. Council believes promotion of collaborative behaviour across the sector is more valuable than attempting to drive this behaviour through particular forms of contract.

### ***D2. Communication Strategy***

#### **Elected Members**

Formal reports are provided when decisions are required relating to funding or policy matters. The key reports from a procurement perspective are the Activity Management Plan that sets the scene for the ensuing 10 years. Monthly updates are provided.

#### **WDC Management**

Management and other staff have access to all the same reports as Councillors including detailed Asset Management Plans. The size of our organisation is such that most communication between staff and departments is informal, with regular team meetings, and email the most common form of written communication.

#### **Other Approved Organisations & Suppliers**

WDC maintains extensive engagement with NZTA (State Highways), Hastings, Central Hawke's Bay and Napier councils through the Regional Land Transport grouping. We have involvement with Gisborne District Council through relationships maintained regularly via phone or email, and attendance to Utility operator liaison meetings.

Council staff communicates with other approved organisations and suppliers through a range of forums such as RCA Forum, Ingenium, IPENZ and numerous courses, presentations etc throughout the year. Council staff (and consultants/contractors) are encouraged to gain knowledge and share experiences from outside the region, such as involvement on reference groups, working parties etc.

Formal communication to the market of proposed programmes is through the Long Term Plan.

### ***D3. Performance Management & Success Measures***

Council will continue to rely on NZTA audits to assure us we are meeting targets consistent with other territorial authorities. Success on an annual basis is essentially measured by whether we achieve the approved programme. Success is also measured project by project through Contract evaluations either by using standard PACE templates or by qualitative and anecdotal performance monitoring through on-going discussions with consultants/contractors.

Council monitors a range of criteria through its Long Term Plan reporting processes. These include performance measures in the areas of Health & Safety, Quality, Financial Performance, Integration (with other Council activities), Environmental, Demand and Customer Satisfaction.

### ***D4. Capability***

Council currently employs experienced qualified engineering staff to manage the land transport programme. Where required additional specialist expertise is employed. Shared services opportunities are currently being investigated.

Council's employment policies ensure that Council can always be considered as a "smart buyer" by requiring appropriate qualifications and experience for key Engineering Department staff. Currently WDC have two CPeng and one qualified tender evaluator on its staff with plans to train further staff members in tender evaluation processes.

**STRATEGY GOAL: FAIR AND REASONABLE CONTRACTS**



## Appendix 1: Consultation

### Stakeholders

The following stakeholders are identified for consultation. Each stakeholder will be sent a copy of the draft Procurement Strategy and given 2 weeks to provide comment. Feedback received from stakeholders will be attached to the strategy where any specific changes are reflected.

### **Contractors/Contractor Organisations**

- Bayliss Contracting
- Cheriton
- Contractor's Federation
- Downer EDI Works- Hawkes Bay Branch
- Earthworks Solutions Gisborne
- Fulton Hogan- Gisborne Branch
- Higgins Contractors
- McNatty Construction
- Pryde Contracting
- QRS
- Roothing New Zealand
- Telford Contracting
- Waiotahi Contractors

### **Consultants/Consultant Organisations**

- ACENZ
- Cardno
- Cheal
- Land Development and Exploration
- Lowe Environmental Impact
- MWH
- Opus International Consultants
- RST

### **Councils/Other**

- Central Hawkes Bay District Council
- Federated farmers- local branch
- Forestry- local based Forest companies e.g. JNL, Panpac
- Gisborne District Council
- Hastings District Council
- Hawkes Bay Regional Council
- Napier City Council
- NZ Heavy Haulage Association Inc
- NZTA
- Road Transport Association
- Whakatane District Council