



# STRATEGY FOR THE PROCUREMENT OF TRANSPORT INFRASTRUCTURE

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# 1. EXECUTIVE SUMMARY

In order to comply with its obligations under Section 25 of the Land Transport Management Act (“**LTMA**”), Waka Kotahi New Zealand Transport Agency (“**NZTA**”) requires that approved organisations develop a procurement strategy for NZTA funded transport and roading activities under Section 20 of the LTMA.

This procurement strategy outlines the Queenstown Lakes District Council’s (“**QLDC**”) intentions for the procurement of transport infrastructure services and works. A strategic approach to procurement will enable Council to better increase its chances of obtaining value for money.

## 1.1. SUMMARY STATEMENT OF KEY ISSUES AND OPPORTUNITIES TO OBTAIN VALUE FOR MONEY.

### KEY ISSUE

- Continuing difficulty obtaining competition in the supply chain for transport services due to a constrained market. This is driven from geographic isolation where distance from key markets for goods and services and other urban centres increases transport and trade costs and the expense of setting up new operations in Queenstown. Rapid growth in the district is reflected in increased demand for infrastructure works and services, not only from local authorities, but also residential and commercial subdivisions.

### OPPORTUNITIES

- The collaboration of QLDC, NZTA and Otago Regional Council to form “Way to Go” will reduce the competition for suppliers through the development of a co-ordinated programme and smart sequencing that will optimise delivery and increase value for money opportunities; and the capability of all three organisations.
- Opportunities will also be kept open with neighbouring authorities.
- QLDC intends to generally continue to procure services in stages. Capital projects will usually include a design contract followed by one or more construction contracts.
- Where value for money can be evidenced, QLDC will continue to use advanced components to support the efficient and effective delivery of procurement programmes and projects.
- Robust procurement planning for programmes and projects will drive value for money, increase the capability and capacity of the supply market, increase new entrants and market competition.
- Development of the Council’s procurement capability, capacity and consistency.

## 1.2. RECOMMENDATIONS

The Queenstown Lakes District Council recommends that the New Zealand Transport Agency:

- endorses this procurement strategy
- approves the use of the advanced components, including the:
  - continued use of a professional services panel
  - the use of the “price quality without disclosure of the estimate” method
  - formalisation and redevelopment of a minor works panel
  - continued use of in-house professional services.
- approves the use of the 3 Waters Design Panel to procure NZTA funded professional transport services.
- approves the use of the 3 Waters Contract Works Panel to procure NZTA funded transport works.

## 1.3. ENDORSEMENTS

The Queenstown Lakes District Council endorsed this strategy on: 22 April 2020

Waka Kotahi The New Zealand Transport Agency endorsed this strategy on: 20 May 2020

## 2. POLICY CONTEXT

### 2.1. INTRODUCTION

This document is the Strategy for the Procurement of Transport Infrastructure Works and Services (“**Strategy**”) for Queenstown Lakes District Council (“**QLDC**”). Its development is required under Rule 10.4 of the *Procurement Manual for Activities Funded Through the National Land Transport Programme* (“**NZTA Procurement Manual**”) published by the New Zealand Transport Agency (“**NZTA**”) so it can meet its obligations under Section 25 of the *Land Transport Management Act 2003* (“**LTMA**”) when providing funding under Section 20 of the LTMA.

This Strategy is set in the context of the Council’s overall Procurement Policy and Procurement Guidelines (“**Procurement Policy**”) that details what is required by the organisation when procuring works, products and services. In instances where this Strategy specifies an approach that differs to the general approaches set out in the Procurement Policy, the departure will be documented and signed-off under appropriate delegation.

This Strategy will remain in force until a wider Council review of procurement is undertaken. Where appropriate this Strategy will be subsequently updated to reflect any change of direction. Consideration for a review of the Strategy will also happen in the context of national changes such as the Road Efficiency Group’s (REG) programme of Strategic Delivery (procurement & delivery models).

### 2.2. QLDC’S PROCUREMENT POLICY

The Procurement Policy contains the framework, principles and associated guidelines for the procurement of goods and services by Council.

The Council has identified four key principles of procurement:

- Quality and Value for Money
- Transparency and Fairness
- Accountability and Integrity
- Sustainability

During the next year the Council will undertake a review of its Procurement Policy and Procurement Guidelines. In this review the Council will consider and formalise its alignment with the:

- Principles of Government Procurement
- Government Procurement Charter
- Government Procurement Rules, including broader outcomes; and
- NZTA Procurement Manual.

### 2.3. STRATEGIC OBJECTIVES AND OUTCOMES

The Council’s Ten Year Plan 2018-2028 (“**TYP**”) contains the following community outcomes in relation to the provision of transport services:

- Efficient and effective infrastructure
- Investing strategically

The term 'infrastructure' includes network infrastructure, roads, trails, public transport facilities and community facilities.

In order to meet these outcomes the Council procures:

- Professional services for studies, assessments and designs
- Contractor services for maintenance, renewal and upgrades to its existing infrastructure
- Contractor services for construction of new infrastructure

## 2.4. OBJECTIVES AND OUTCOMES FOR THIS PROCUREMENT STRATEGY

The Council's primary infrastructure procurement objective is to:

*Deliver the right infrastructure, to the right standard, at the right time, at best value.*

In addition the Council requires its transport procurement to achieve or contribute to the following outcomes:

Procurement Strategy Outcomes
Council transport infrastructure programmes and projects are aligned to the current three years in the TYP.
Council processes are timely, effective and deliver at an affordable cost of ownership
Best value suppliers are participating in contestable processes to deliver Council projects and programmes
Council understands its supply market

QLDC acknowledge that to deliver efficient and effective programmes it is crucial to be a smart buyer of works and services, we will do this by considering:

- Economy – through securing (or supporting) the provision of products, materials and expertise at the quality, in the volumes and at the times and locations required, at the lowest price.
- Efficiency – through the processes used, including standard documentation and contracting forms selected for achieving best cost / quality and outcomes; knowledge of the product / materials, and supplier market applied.
- Effectiveness – taking opportunities for changing from traditional products and materials by maintaining support for innovation in the nature and characteristics of products and materials, and for a strong supplier market.

## 2.5. THE NZTA PROCUREMENT REQUIREMENTS AND WHAT THEY MEAN FOR QLDC

The NZTA procurement requirements are:

- Value for money
- Competitive and efficient markets
- Fair competition among suppliers

The measures the Council is taking to achieve these requirements are outlined below.

MEASURES TO ACHIEVE KEY DRIVERS	
Value for money	<ul style="list-style-type: none"> <li>• Robust asset management planning regime to identify an effective work plan and provide a whole of life approach to asset management.</li> <li>• Use the most appropriate selection and engagement processes that suit the procurement and its level of risk.</li> <li>• Successful delivery of works and services (the right outcome at the right time and within budget).</li> <li>• Optimising asset life while meeting appropriate service levels through the application of the One Network Road Classification (“<b>ONRC</b>”).</li> </ul>
Competitive and efficient markets.	<ul style="list-style-type: none"> <li>• The time allowed for tendering will be increased where appropriate to ensure complete and comprehensive tenders are submitted.</li> <li>• Fit for purpose specifications will be developed and engagement with the supply markets will be professional.</li> <li>• The time between awarding tenders and the start of projects is increased where possible and appropriate to enable suppliers to resource and programme with confidence.</li> </ul>
Fair competition among suppliers	<ul style="list-style-type: none"> <li>• The Council will ensure that its works programme is communicated to the market as soon as possible after it is finalised by the Council.</li> <li>• The process for awarding contracts will be open, clear and defensible and meet the requirements of the NZTA Procurement Manual.</li> </ul>

## 2.6. OTHER RELEVANT FACTORS

The Council shares these requirements, and also requires:

- a) Increased customer focus;
- b) Increased alignment of capital and maintenance activities;
- c) Increased use of supplier and market knowledge;
- d) Increased supplier ownership of outcomes; and
- e) Compliance with all statutes and regulations.

## 2.7. CURRENT POLICIES AND DOCUMENTS

The following Council policies, documents and tools influence this Strategy:

- a) Ten Year Plans
- b) Annual Plans
- c) Infrastructure Asset Management Strategy

- d) Financial Strategy
- e) Transport Activity Management Plan 2018/19-2032/33
- f) Delegations Register
- g) Procurement Policy and Procurement Guidelines
- h) Health, Safety and Wellbeing policies; and
- i) Supplier Pre-qualification (SiteWise) for HSAW.

The following external documents influence this Strategy:

- a) NZTA Procurement Manual
- b) Regional Land Transport Strategy
- c) Government Policy Statement on Land Transport Funding
- d) Local Government Act 2002
- e) Land Transport Management Act 2003; and
- f) Government Procurement Rules.

# 3. PROCUREMENT PROGRAMME

## 3.1. PROCUREMENT PROGRAMME

The Council delivers transportation services through third party contracts for professional services, maintenance & operations, renewals and capital projects.

Where appropriate Council generally utilises the following supplier selection methods:

- Direct appointments for low value, low risk projects;
- Closed tenders; and
- Open tenders.

The Council procures contracts for high value or complex capital projects as and when required. Capital projects are usually competitively tendered on a staged basis, specifically separating design from construction. Tenders are generally priced on a lump sum or measure and value basis.

The Council engages consultants to undertake tasks and various activities that cannot efficiently or effectively be addressed by internal staff due to limitations around time or expertise. This includes providing specific analysis and advice such as modelling, surveying and valuation, design and other short term assistance.

Contracts are also established with education specialists from time to time to help spread messages publically and encourage behaviour changes. This includes topic areas such as road safety and travel choice.

The Council may elect to extend contract terms from time to time subject to any necessary NZTA and delegated authority approvals.

## 3.2. PUBLIC TRANSPORT

The Council does not run any Public Transport (bus and ferry services are run by private companies on contract to the Otago Regional Council). However, Council supports the Otago Regional Council to subsidise the local bus services, and it provides bus stop facilities, some of which are subsidised by the Otago Regional Council and NZTA.

## 3.3. WAY TO GO

Way to Go is the collaborative partnership between the New Zealand Transport Agency, Queenstown Lakes District Council and Otago Regional Council.

Way to Go is currently operating under a Memorandum of Understanding signed by the parties in December 2018; and an updated Partnering Agreement is being finalised.

An interim structure was endorsed by the Way to Go Governance Board on 18 June 2019 and this is represented in the organisation chart attached as Appendix 1.

Way to Go recognises the unique transport challenges faced by the Queenstown Lakes District and is committed to working collaboratively to provide residents, visitors and ratepayers with an enduring, affordable, safe transport system, which also provides transport choice.

This joined up approach will:

- Enable a more logical planning and professional services environment
- Enable more efficient sequencing of construction projects
- Reduce the risk of competition for consultants and contractors; and
- Increase the procurement capability of all three organisations by drawing on the expertise of the home organisations.

### 3.4. SUBSIDISED TRANSPORT BUDGET PROFILE

Work is currently underway developing QLDC's He Mahere Kahurutaka 21-31 (Ten Year Plan) which is due for release in June 2021. In advance of that, QLDC's annual plan for 2020/21 will be public in the second quarter of 2020 and this will provide greater budget and project certainty over the near term.

With a forecast annual procurement spend in 2019/20 of approximately \$73m the Council can be considered a significant procurement organisation – both in terms of a New Zealand context, and especially in Queenstown Lakes / Central Otago districts.

The following table further breaks down the next two years budgets into Transport related activities (QLDC Ten Year Plan, uninflated).

TABLE 1: SUBSIDISED TRANSPORT PROCUREMENT BUDGET 2019/20-2020/2021

	2019/20	2020/2021
Active travel	\$7.8	\$10.9
Growth	\$22.6	\$42.4
Public transport	\$6.3	\$0.3
Travel demand management	\$1.8	\$0.7
Street scape	\$2.8	\$8.4
Minor improvements	\$2.8	\$2.7
Renewals	\$3.5	\$3.7
Parking	\$12.0	\$24.4
Other <\$50k	\$13.9	\$15.0
Total	\$73.4	\$108.6

### 3.5. PROCUREMENT FORWARD PROGRAMME

QLDC is currently in the middle of its three year planning cycle and has made the decision to append its current procurement programme.

Appendix 2 provides a summary of operational / maintenance contracts including rights of renewal and go to market dates.

Appendix 3 provides a summary of our intended procurement projects through to mid 2021.

Appendix 4 provides a summary of Way to Go's high level programme and current projects.

QLDC commits to provide regular market updates as we gain greater certainty on our procurement forward programme, including Way to Go.

### 3.6. IDENTIFICATION OF ANY PENDING HIGH-RISK OR UNUSUAL PROCUREMENT ACTIVITIES

No high risk procurement activity is contemplated by this Strategy.

While well understood and not unusual in transport procurement, advanced procurement activities may be considered by Way to Go and QLDC and, if formalised, necessary approvals will be sought.

## 4. PROCUREMENT ENVIRONMENT

### 4.1. ANALYSIS OF SUPPLIER MARKET – PROFESSIONAL SERVICES

Queenstown Lakes District is represented by a number of national, multi-national and local professional services providers.

The Council has or is currently using the following transportation professional services providers:

Consultant	Services	Project Size
Stantec	Transport Professional and Engineering Services including in partnership with other consultants	Large/Medium/Small
WSP OPUS	Transport Professional and Engineering Services including in partnership with other consultants	Large/Medium/Small
GHD	Transport Professional and Engineering Services in partnership with other consultants	Large
BECA	Transport Professional and Engineering Services in partnership with other consultants	Large
Abley	Transport Professional Services in partnership with other consultants	Large/Medium

Rationale	Transport Professional Services including in partnership with other consultants	Medium/Small
Utility	Transport Professional Services	Small
Hadley Consultants	Capital design	Medium/Small
Jasmax	Urban Design in partnership with other consultants	Large
Boffa Miskell	Urban Design in partnership with other consultants	Large
LandLAB	Urban Design in partnership with other consultants	Large
RCP	Project management	Large/Medium/Small
Jacobs	Project management	Large/Medium/Small
Aecom	Project management	Large/Medium/Small

#### 4.2. ANALYSIS OF SUPPLIER MARKET – MAINTENANCE & CONTRACT WORKS

The Council has or is currently using the following transportation maintenance and contract works providers.

Contractor	Services Provided	Project Size
McKay	Lighting maintenance	Medium/Small
Downer NZ	Roading Maintenance Capital Works Transport Construction	Full spectrum
Fulton Hogan	Capital Works Transport Construction <sup>1</sup>	Full spectrum
SouthRoads	Capital Works Transport Construction	Medium/Small
The Roding Company	Capital Works Transport Construction	Medium/Small
Wilson Contractors	Capital Works Transport Construction	Medium/Small
Done Rite	Capital Works Transport Construction	Small
Brian Perry Civil	Capital Works Transport Construction	Large

<sup>1</sup> Council's accounting system categorises pavement reseals as capital expenditure.

It is worth noting:

- that on occasions these contractors also sub-contract smaller local contractors when necessary
- Council is aware there are other contractors that could bid for contracts as they are advertised. These include: CB Civil and Drainage, Civil Construction, McDonnell Dowell, HEB.

#### 4.3. ANALYSIS OF THE CURRENT PROCUREMENT SPEND AND PROFILE

The lengths of contracts will be fit for purpose to address risk, opportunity and the current supplier market.

Appendices 2 and 3 provide an overview of planned procurement.

#### 4.4. ANALYSIS OF THE IMPACT OF THE PROCUREMENT PROGRAMMES OF OTHER APPROVED ORGANISATIONS AND OTHER ENTITIES

The following other organisations are procuring or may procure significant projects that may attract local suppliers interested in the Council's infrastructure projects:

- New Zealand Transport Agency (NZTA)
- Central Otago District Council
- Southland District Council
- Private developers

Council's 3 Waters programme will also be using the same large contracting organisations and their sub-contractors, and the same project management resources. Although the procurement timing can be managed to limit when contracts are coming to the market, the programme may limit resources available for roading contracts.

The Council is mindful that the normal activities of the NZTA, Otago Regional Council, Central Otago District Council and Southland District Council, if all procured at the same time as the Council, could place undue pressure on the industry by creating work 'spikes' and reducing competition for individual contracts. Council will continue to work with these parties to better understand the load (and the availability of work to the industry) throughout the year. The Council believes it will benefit from greater levels of competition for its contracts as a consequence.

The following table provides a list of all the known significant projects being procured by other local entities that may compete for Infrastructure Services' suppliers over the coming year.

<b>PROCURING AGENCY</b>	<b>KNOWN PROJECTS</b>
NZTA	Projects with a Council component are within the Wakatipu Way to Go programme listed in Table 1. Additionally, the NZTA is also leading the Shotover to Kawarau project which will also be delivered under the Wakatipu Way to Go programme.
CENTRAL OTAGO DC	The Council expects activity levels to be comparable to average levels in previous years.

SOUTHLAND DC	Council expects activity levels to be comparable to average levels in previous years.
PRIVATE DEVELOPERS	<p>Continued development of :</p> <ul style="list-style-type: none"> <li>• Frankton Flats and Remarkables Park</li> <li>• Hanley Downs residential development (near Jack's Point)</li> <li>• Kingston</li> <li>• Ladies Mile</li> <li>• Other subdivisions</li> </ul>

There is evidence that the contractor supplier market is nearing capacity in the Queenstown Lakes District with no tenders received for a recent medium sized project and prices for a large project coming in well over the pre-tender estimate. It has also been difficult to secure consultants to undertake small to medium sized project. Strategies to address these issues are discussed in the next section.

The winter climatic conditions in the region and the peak tourist period over the Christmas/New Year period limits the time available for construction of transport projects in the Queenstown Lakes District.

# 5. APPROACH TO DELIVERING THE WORK PROGRAMME

## 5.1. SPECIFIC STRATEGIC OBJECTIVE

The Council's primary infrastructure procurement objective is to:

*Deliver the right infrastructure, to the right standard, at the right time, at best value.*

This Strategy has considered how to achieve best value through the procurement process. Initiatives to ensure the on time delivery of the programme have also been identified. The panel delivery model will also assist with on time delivery by allowing the Council to approach suitable suppliers at the scoping stage of a project which will speed up the scoping stage and better prepare suppliers when the project starts.

## 5.2. OBJECTIVES

Council aspires to deliver on the following objectives:

OBJECTIVE	ADDRESSED ...
Council programmes and projects are aligned to the current three year programme in the 10 Year Plan	... by programming a three yearly update of this strategy to take into account programme changes in the 10 Year Plan and policy changes.
Council processes are timely, effective and deliver at lowest cost of ownership	... by helping remove questions about the way projects will be procured in the future.  ... by investigating and applying within each asset management plan and during project planning a whole-of-life cost analysis process.
Best value suppliers are participating in contestable processes to deliver Council projects and programmes	... by determining the value suppliers will bring to a project through attribute testing during the tending process. For high risk, high value projects the Council will use a pre-qualification process to ensure best value suppliers for particular projects are identified and known to Council staff before requesting for tenders.  ... by using the panel procurement method for consultants which requires a set tender process to establish the panel, and the use of tendering for all other contracts over the value specified in the Procurement Policy.
Council understands its supply market	... by conducting workshops with consultants and contractors, requesting and receiving feedback, and reviewing recently awarded contracts.

## 5.3. PROCUREMENT PLANNING

All procurement is to be supported by a Procurement Plan that addresses the entire project or service. It's intended that a 'short-form' procurement plan be developed for simple

procurements (low cost / low value), and a more detailed plan for complex procurements with higher costs, risk and/or high customer or community profile.

The level of procurement planning is assessed as the total budget for the project or contract. Services are not to be unbundled from projects (eg: \$20,000 of professional services fees in a \$500,000 capital project is part of a complex procurement). Also the value is based on the total value of the contract over the total term of the contract (eg: \$400,000 for a five year \$80,000 pa contract is a complex procurement). For panel agreements, the procurement planning will be addressed in the Panel Management Plan.

QLDC's Delegation Policy will be the driver to determine who is responsible for approving Procurement Plans.

#### 5.4. PROJECT SPECIFIC PROCUREMENT PLAN

In developing the Project Specific Procurement Plan, QLDC will review the project and consider:

- a) The services required for each project;
- b) The project value;
- c) The risk, complexity and chance for innovation that each project presents; and
- d) The Council's procurement goals.

Based on this analysis QLDC will identify its preferred strategy for procuring each project. Where the preferred strategy differs in some respect from Council's Procurement Policy, appropriate delegated authority for departures will be obtained.

#### 5.5. DELIVERY MODELS

In most cases, maintenance and other specialist contracts will be single contracts while most capital projects will include a design contract followed by one or more construction contracts.

The base delivery model for capex procurement will be staged delivery.

A new Engineering & Specialist Support Services Panel will replace the expired Engineering professional services panel. The new Panel will continue to be used for the majority of smaller transport related projects. This will ensure the successful consultants will be assured of the opportunity to win work into the future and will therefore be better able to invest in resources to support local delivery.

Design and construct contracts may be considered for projects where:

- the design component is simple and low;
- complexity and uncertainty is high;
- the Council considers that suppliers are best placed to influence and manage risk; and
- the opportunity to innovate is high.

Delivery model selection will follow the requirements of the Procurement Policy, NZTA Procurement Manual and this Strategy.

## 5.6. SUPPLIER SELECTION METHODS

The Council intends to utilise a variety of supplier selection methods and project specific decisions will be considered and defined in the Procurement Plan.

The following methods are contemplated by this Strategy:

- Direct Appointment
- Lowest Price Conforming
- Price Quality; and
- Quality Based.

Supplier selection will follow the requirements of the Procurement Policy, NZTA Procurement Manual and this Strategy.

## 5.7. ADVANCED COMPONENTS

Along with the standard procurement delivery models and supplier selection methods, robust procurement planning may identify greater value for money from the use of advanced components. Currently the Council's procurement planning has identified the use of advanced components being contemplated in multiple scenarios, including:

Supplier Panel – Engineering & Specialist Support Services Panel

The principles of the Engineering & Specialist Support Services Panel are threefold: an open market approach, ie there'll be a competition to be on the panel; the panel numbers will be constrained, to remove the common fault of panel members not getting enough work to reward their investment; and there will be a robust secondary procurement process for panel members to win work and for the Council to evidence value for money, ie the opportunity for success will be regularly available.

The primary panel procurement will be a balance of Price and Non Price attributes.

As rates will be sought to evidence price value and estimates are not available at a discipline level – the primary supplier selection methodology will evaluate utilising a price / quality method without disclosure of the estimate.

The secondary procurement will be greatly simplified by:

- providing different procurement methodologies for different dollar ranges; and
- generally only seeking methodology, key personnel and price.

The professional services panel is contemplated for an initial term of two years with two one year rights of renewal; and will be closed for the first two years.

## Supplier Panel – Minor Works

QLDC is also considering a minor works panel. This is not yet through the procurement planning stage but will parallel the principles, objectives, procurement and operational delivery to QLDC's Engineering & Specialist Support Services and 3 Waters Design and Contract Works panels.

## Way to Go – Quality Based & Shared Risk

The logical extension for Way to Go is moving from a partnering agreement to a planning alliance with future thinking to be confirmed in respect of conversion to a delivery alliance.

By definition the alliance model assumes a level of shared risk.

It is not uncommon in alliances to use the quality based method to undertake the initial supplier selection. Key to the success of alliances is finding the right partners and to this end open market approaches will ensure those suppliers with the best fit are successful. Price, at least initially, is less important as this will be independently validated through the development of the target out-turn cost.

Should the Way to Go Board make this decision, necessary approvals will be sought.

## 5.8. UTILISATION OF QLDC'S 3 WATERS PANELS

QLDC has a large 3 Waters programme that, in a number of areas, will also involve transport related and/or funded projects.

In 2018/19 QLDC went to the open market seeking panel members for two new panels to support the programme.

The Design Panel and Contract Works Panels were procured utilising a best practice procurement approach that very closely mirrored the NZTA procurement process.

Where it is logical and value for money can be evidenced, QLDC plans to utilise the 3 Waters panels for transport related design and works.

## 5.9. COMBINING CONSTRUCTION WITH MAINTENANCE

Existing maintenance contracts provide the ability to vary the scope to add both similar maintenance activities; and the delivery of low cost / low contract works projects to the original contract.

This is contemplated where the contractor has shown they can produce a value for money outcome and it is unlikely that negotiating with a panel supplier or going to open or closed tender will produce a better result. The value for money consideration will also include the cost for the Council procurement.

## 5.10. ROADING NETWORK MAINTENANCE CONTRACT

QLDC's 2015 transport procurement strategy contemplated going to market in 2016/17 for a new Roding Network Maintenance contract. At that stage QLDC's thinking was that "...contracts are intended to be five years ...".

After undertaking an internal review including considering relevant provisions of s17A of the LGA, QLDC went to market for a longer term to align with NZTA's Network Outcome Contracts. NZTA were involved in this procurement.

The outcome is that QLDC entered into a Rooding Network Maintenance Contract:

- commencing 1/10/2016
- first right of renewal 31/3/2021
- second right of renewal 31/3/2024
- final expiry 31/3/2027

The rights of renewal are solely the provision of QLDC, to this end QLDC has the flexibility to evolve based on supplier performance, the market and QLDC's business need.

#### 5.11. COLLABORATION WITH NEIGHBOURING COUNCILS AND NZTA

This Strategy does not preclude the Council from entering into joint procurement of works and services with relevant partners to enable shared services and deliver better value to the community.

#### 5.12. PRE-QUALIFICATION ARRANGEMENTS

Pre-qualification has been introduced for suppliers' health and safety systems.

The Council intends to investigate whether there are efficiencies to be obtained through the provision of prequalification of suppliers. In the future prequalification may also be used for different work values and/or expertise.

Prequalification is contemplated to allow efficiencies to both QLDC and supply markets.

#### 5.13. BUNDLING OF CONTRACTS

The letting of a number of smaller contracts rather than batching them may help support smaller local contractors to build a positive track record, but it may require more staff time to manage. This will be assessed on a case by case basis as it may be better to batch some projects to realise staff savings, especially when Council resources are under pressure. The Council will continue to review the situation as and when internal resources change.

This Strategy does not preclude the Council from using internal staff to do work for infrastructure services that may have been previously contracted.

#### 5.14. FORMS OF CONTRACT

The Council's procurement framework will contain a range of contract templates for use by the staff. These contracts will be (wherever possible) standard form contracts with tailored special conditions to effectively manage Council's identified risk profile. Forms of contract in use by the Council include:

- NZS3910:2013 – Conditions of contract for building and civil engineering;
- NZS3917:2013 – Conditions of contract for building and civil engineering – Fixed term;
- CCCS: 4<sup>th</sup> Edition Dec 2017 – Conditions of contract for consultancy services;
- ACENZ/IPENZ: Feb 2019 – Short form agreement for consultant engagement; and

- Pre-Construction Services Agreement (Bespoke).

## 5.15. CONTRACT & SUPPLIER MANAGEMENT

The Council has adopted (and is further refining) performance measuring and reporting systems as appropriate to the type of contract. Supplier performance management will:

- Promote best practice and incentivise positive supplier behaviour that aligns with the QLDC's objectives;
- Set benchmarks and performance targets to communicate expectations on performance;
- Provide the suppliers with feedback on their performance;
- Provide periodic health checks on projects and vendors to be used as a management tool to identify issues and improvement opportunities; and
- Provide the Council with measures other than price to support procurement decisions.

Supplier performance management will be further developed to deliver at three discreet levels:

- Contract Performance – carried out by the Operation and Maintenance Business Unit will measure the performance of the supplier against contract performance targets;
- Supplier Management – carried out by the Property & Infrastructure Management Team to leverage contract performance to optimise supplier performance across QLDC; and
- Benefit Realisation – Carried out by QLDC's contract and project managers to ascertain whether the contracts deliver the anticipated benefits detailed in the business case and/or procurement plan.

## 5.16. EXCEPTIONS, ADVANCED AND CUSTOMISED COMPONENTS

As discussed above, there are situations that may require alternative procurement processes to be considered and used (such as panels, alliances and/or private public partnerships), the Council reserves the right to consider these on a case by case basis and will consult with relevant stakeholders where necessary.

In some cases, it may be prudent to deviate from this Strategy, in which case advance approval will be sought from NZTA.

# 6. IMPLEMENTATION

## 6.1. CAPABILITY AND CAPACITY

Transportation infrastructure services are led by Council's Chief Engineer, who is a Chartered Professional Engineer. The Chief Engineer has the following staff available to manage and support transportation services:

- Maintenance & Contracts Manager (40% allocated to transport)
- Roading Ops Contract Manager
- Roading Contracts Technician
- Asset Engineer
- Senior Asset Engineer
- Senior Engineer – Roading Ops & Safety
- Contracts Administrator (40% allocated to transport)
- Senior O&M Project Manager (40% allocated to transport)
- General Inspector (40% allocated to transport)
- Senior Environmental Advisor (40% allocated to transport)
- ONRC Roading Technician
- Transport Strategy Manager
- Senior Transport Engineer

And as projects require:

- Asset Strategy and Performance Manager
- Policy and Performance Manager
- Asset & Investment Officer
- Commercial & Procurement Manager

### 6.1.1. INSOURCED / OUTSOURCED MODEL

By both self-delivering transport procurement and maintaining strong oversight of outsourced transport procurement, through project management services, Council benefits from:

- Greater flexibility and responsiveness;
- Increased capability and capacity;
- Greater supply market intelligence;
- Stronger relationships being developed with contractors, consultants and other service providers; and
- Risk being better understood and managed.

The Council outsources its design function and generally limits its in-house professional services to contract and project management.

### 6.1.2. COMMERCIAL & PROCUREMENT MANAGER

The Council has created the above new role. This position was filled in late 2018 with an experienced infrastructure procurement specialist. The intent of this role is to

provide specialist strategic procurement support, increase the wider Council's procurement capability and ensuring that policies and processes are consistent with best practice, relevant legislative, NZTA and probity requirements.

One possible route to drive procurement capability and capacity is the development of a transport category strategy. This will provide greater transparency, both internally and externally, of the supplier selection methods contemplated for each category segment. Until that stage though, the Council will rely on its procurement planning as described in section 5.

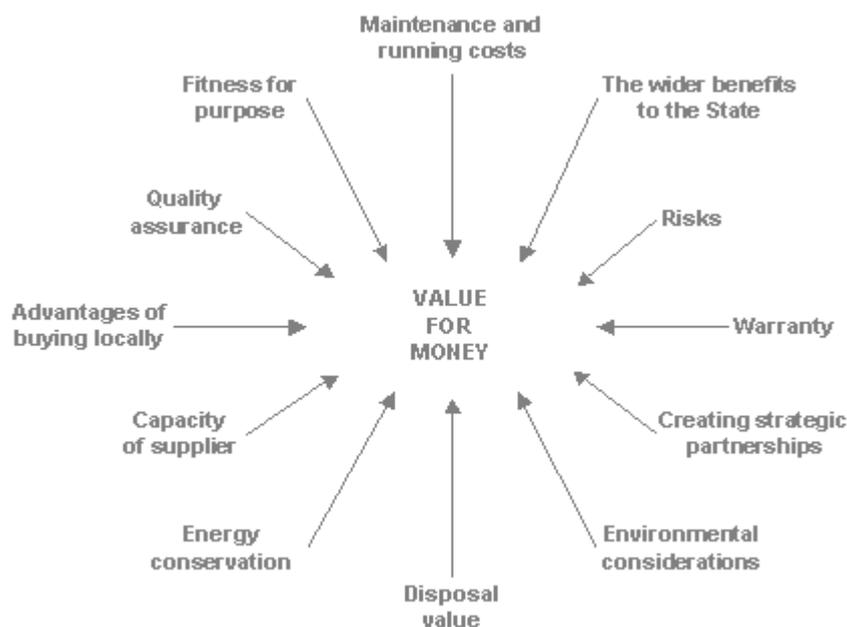
## 6.2. INTERNAL PROCUREMENT PROCESSES

The Procurement Policy sets out how goods and services should be purchased. This policy has been developed with reference to the Auditor General's Procurement guidance for public entities (Controller and Auditor General, 2008) and the Queensland State Government's Developing "Agency Purchasing Procedures" (Department of Public Works, 2000).

### 6.2.1. PROCUREMENT POLICY PRINCIPLES

The policy is based on two complementary principles, value for money and open and effective competition. Those principles are equally applicable to the procurement of goods, civil construction and/or professional services.

Value for money (VfM) is concerned with obtaining the desired outcome at the best possible price. The assessment of VfM involves weighing up the benefits of purchase against the costs of purchase and may include multiple factors such as are shown in the following model:



Open and effective competition is one of the principal mechanism for achieving value for money. The above model also demonstrates, effective competition is stimulated by the quality of specification, the transparency of the process and the quality of engagement with the supply markets.

## 6.2.2. PROCUREMENT POLICY APPLICATION

This policy applies to all purchases made by the Council including all goods, services, plant and equipment, civil construction and real property. There is no differentiation made in the policy parameters for different types of goods or services purchased or constructed.

## 6.2.3. NEGOTIATING PURCHASE CONTRACTS

Council officers may only accept, sign, negotiate or decline any contract for the purchase or supply of goods, services, plant, capital works or other assets (including real property) subject to passing three key tests:

1. The purchase is within jurisdiction (e.g. an officer responsible for parks and reserves should not be acquiring a computer system);
2. The purchase is subject to the limitations and conditions of the delegated financial authority of the Council officer. A Council officer may only contract up to the **lesser** of:
  - a. The uncommitted amount specified in any budget line, as set out in the LTCCP / Annual Plan and referred to by the terms of their delegation; or
  - b. The amount specified as the limit of the financial delegation for that manager; and
3. The purchase method complies with this policy.

Every person involved with a contract will ensure that the transaction is handled in such a way as to ensure that the Council receives the most favourable terms possible, with appropriate priority and balance being given to specified qualitative and other non-price and price attributes.

Officers entering into contractual negotiations must consider the value of the whole of life of the good or service being acquired when applying the Procurement Policy.

## 6.3. PERFORMANCE MEASUREMENT

### 6.3.1. GENERAL APPLICATION

Council will collect information on its procurement activities through these methods:

- a) Contract reviews
- b) Maintenance of project files with all key documentation
- c) Face-to-face discussions with suppliers
- d) Liaison with affected third parties
- e) Internal discussions between staff, especially contract and project managers
- f) Customer and neighbour feedback during and after contract implementation.

The present system obtains the information required by NZTA under Section 11 of the Manual, and sufficient information to enable the Council to monitor progress against its own procurement goals.

The Council will undertake regular reviews of the quality and quantity of information obtained, and the results of any audits, in order to ensure the Council is working towards meeting its goals and objectives. Additional information gathering exercises and procedures will be added where necessary.

### 6.3.2. APPLICATION TO MAINTENANCE CONTRACTS

The performance of Council's maintenance contracts is tracked through KPI reporting to the contract management team on a monthly basis, and to a governance level "core group" on a quarterly basis.

The role of the core group is:

- a) Steering group made up of senior managers for the contractor and the client.
- b) Ensure that information about what's working well about the contract as well as possible problems reach those with power to influence.
- c) Formal process to review and sign off KPI results.
- d) Part of the process for escalating more serious differences as appropriate.
- e) Provide a forum to review and challenge KPIs and contract scope to ensure the contract stays relevant for the full term.
- f) Ensure contract managers on the contractor and client side have a clear vision of what is expected from the contract.
- g) Forum to discuss community and elected member feedback and develop strategies to address areas of concern.

### 6.4. PERFORMANCE MONITORING

The application of this Strategy will be monitored annually by reviewing the past year's procurement processes against this Strategy.

The supplier market will be monitored by measuring the following:

- The number of tenders received per market approach. If this is trending towards less than 3 tenders per contract then a review of go-to-market and communication strategy will be triggered.
- The spread of prices received from the tenderers for each contract. If the spread is increasing the amount of work for suppliers is likely to be increasing and a review of the project specific procurement strategies may be needed.
- Customer and neighbour feedback sought, monitored and acted upon during contract implementation and after contracts have been completed.

### 6.5. REVIEW PLAN

This Strategy will be reviewed when a wider organisation procurement strategy, or transport category strategy, is developed. Any Strategy review will also consider the work happening at a national level as part of the Road Efficiency Group's (REG) programme of Strategic Delivery (procurement & delivery models).

### 6.6. COMMUNICATION PLAN

On completion of the endorsement process the Strategy will be:

- communicated to internal stakeholders;
- uploaded to QLDC's publically facing website; and
- advised to the supply market at QLDC's next market briefing.

## 7. CONCLUSION

This Strategy has built on the foundations and lessons learnt from our previous Strategy. The Council's procurement capability is maturing and with recent new appointments, is now better resourced to provide greater support and enable the efficient and effective delivery of transport works and services.

The Queenstown Lakes District is undergoing massive growth which both puts pressure on existing suppliers but is also creating the opportunity for new entrants, as can be evidenced from Council's recent market approach for its 3 Waters Programme.

The Council acknowledges that successful delivery of this Strategy will require ongoing commitment to professional development, the updating of forms of contract and RFX templates; and ensuring the consistent application of fit-for-purpose procurement planning, sourcing and management.

## 8. CORPORATE OWNERSHIP AND INTERNAL ENDORSEMENT

This Strategy is endorsed for the Queenstown Lakes District Council by the General Manager of Property and Infrastructure and will be reviewed when there are significant changes in the supply market, procurement best practice, or in three years – whichever is sooner.



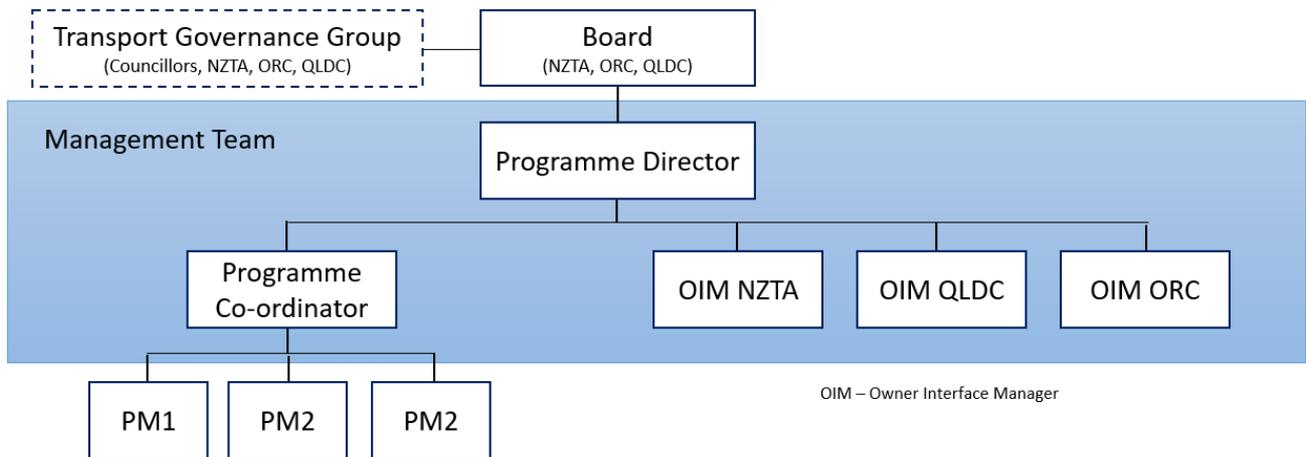
Peter Hansby

General Manager – Property & Infrastructure

22 April 2020

# APPENDIX 1 – Way to Go Organisation Chart

## WAY TO GO - GOVERNANCE STRUCTURE



*The Way to Go Group is a partnership between Queenstown Lakes District Council, Waka Kotahi NZ Transport Agency and Otago Regional Council to integrate transport investigations and plan safe, accessible and connected transport solutions for everyone.*

**Board Membership:** NZTA - Kesh Keshaboina, PT Advisor – Pete Clarke, ORC – Gavin Palmer, QLDC – Pete Hansby

**TGG membership:** Mayor - Jim Boulton, ORC Councillors – Hobbs, Laws, Forbes, ORC CEO – Sarah Gardner, ORC GM Operations – Gavin Palmer, NZTA – Robyn Elston, Jim Harland, Kesh Keshaboina, QLDC – Councillor Smith, CEO Mike Theelan, GM Planning and Development Tony Avery, GM Property and Planning, Peter Hansby, Queenstown Airport Corporation – CEO Colin Keel, GM Property and Planning Rachel Tregida.

## APPENDIX 2 – SUMMARY OF OPERATIONAL & NETWORK MAINTENANCE CONTRACTS

The following table summarises QLDC's current maintenance agreements and provides possible renewal and return to market dates.

Notes:

- Rights of Renewal are at the discretion of QLDC
- QLDC also procures electricity for street lighting through the All of Government contracts.

Contract No	Incumbent Supplier	Contract Name	Contract & Go to Market Dates				
			Start Date	Right of Renewal 1	Right of Renewal 2	Final Expiry	Lastest Go to Market Date
CT16-007	Downer	Roading Network Maintenance Contract	1/10/2016	31/03/2021	31/03/2024	30/03/2027	2026
CT16-007	Downer	Renewals (under Roothing Network Maintenance Contract)	1/10/2016	31/03/2021	31/03/2024	30/03/2027	2026
CT16-007	Downer	Minor Improvements (under Roothing Network Maintenance Contract) - assume 20%	1/10/2016	31/03/2021	31/03/2024	30/03/2027	2026
O-19-035	Mckay	Lighting Maintenance Contract (Joint contract with NZTA. QLDC portion only)	1/05/2019	31/03/2024		31/03/2027	2026

## APPENDIX 3 – INDICATIVE PROCUREMENT FOR PROJECTS

The following table summarises QLDC's current intentions for the capital procurement projects.

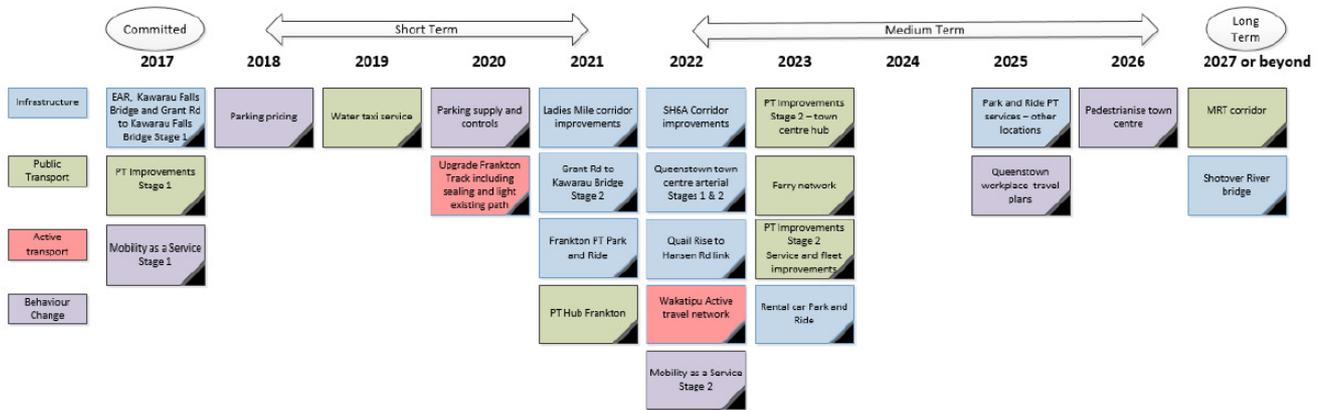
QLDC LTP (adjusted)	2019/20	2020/21
Queenstown Traffic Operations Centre		
Queenstown Town Centre Arterials	0	2,000,000
Wakatipu Active Travel Network	1,968,524	594,874
Queenstown PT Improvements - Hub	0	5,424,275
Queenstown Water taxi service / ferry network	0	613,250
Street Upgrades	500,000	0
Queenstown Town Centre Masterplan	0	100,000
Frankton Masterplan	0	0
Wanaka Town Centre Masterplan	335,000	435,000
<b>GRAND TOTAL</b>	<b>1,608,982</b>	<b>10,302,403</b>

QLDC's current Long Term Plan is provided here: [Volume 1](#) and [Volume 2](#).

# APPENDIX 4 – WAY TO GO PROGRAMME & PROJECTS

## 1. HIGH LEVEL PROGRAMME

The following table summarises Way to Go’s high level programme.



## 2. PROJECTS

### Way To Go Scope – Current Projects

<p><b>Modelling</b></p> <ul style="list-style-type: none"> <li>- District Wide Tracks Strategic Model</li> <li>- F2Q and QTC Project Model</li> <li>- PT Demand/Capacity Analysis</li> </ul>	<p><b>Wakatipu Active Travel Network</b></p> <ul style="list-style-type: none"> <li>- Wakatipu walking and cycling trails</li> </ul>	<p><b>Wanaka Masterplan &amp; ITPBC (SSBC)</b></p> <ul style="list-style-type: none"> <li>- Public Realm and supporting Transport programme</li> </ul>
<p><b>Travel Demand Management</b></p> <p>Queenstown focused behavior change</p>	<p><b>Lake Wakatipu Public Ferry Service DBC</b></p> <ul style="list-style-type: none"> <li>- Ferry Services Network</li> </ul>	<p><b>Edith Cavell Duplicate Crossing DBC</b></p> <ul style="list-style-type: none"> <li>- Investigation of critical infrastructure</li> </ul>
<p><b>QT Parking Strategy</b></p> <ul style="list-style-type: none"> <li>- Parking Scale and Funding</li> </ul>	<p><b>Frankton Masterplan &amp; ITPBC</b></p> <ul style="list-style-type: none"> <li>- Land use, Public Realm and supporting Transport programme</li> </ul>	<p><b>Park &amp; Ride DBC</b></p> <ul style="list-style-type: none"> <li>- Critical connection between modes</li> </ul>
<p><b>Queenstown Town Centre DBC</b></p> <ul style="list-style-type: none"> <li>- Arterials</li> <li>- PT Interchange and Bus Priority</li> <li>- Network Optimisation</li> <li>- Town Centre Public Realm</li> </ul>	<p><b>Grant Rd to Kawarau Falls Bridge SSBC</b></p> <ul style="list-style-type: none"> <li>- State Highway</li> </ul>	<p><b>Ladies Mile Masterplan</b></p> <ul style="list-style-type: none"> <li>- Establishment Report</li> </ul>
<p><b>Frankton to Queenstown SSBC</b></p> <ul style="list-style-type: none"> <li>- SH6A</li> <li>- Traffic Management Facilities</li> <li>- Mass Rapid Transport</li> <li>- Travel Demand Management</li> </ul>		<p><b>HIF</b></p> <ul style="list-style-type: none"> <li>- Quail Rise</li> <li>- Kingston</li> </ul>



[www.qldc.govt.nz/way-to-go](http://www.qldc.govt.nz/way-to-go)

**ENDORSED BY:**

- **QUEENSTOWN LAKES DISTRICT COUNCIL ON 22 APRIL 2020**
- **WAKA KOTAHI NZ TRANSPORT AGENCY ON 20 MAY 2020**