Reducing Renewals Costs on the East Waikato Network

Thomas Wright
East Waikato Environment...

- **Network Budget Forecast**
  Flat-lined budget for the next three years.

- **2011/12 Total Network Budget**
  Reduced by 11% compared to the previous five year average.

- **Existing 5-Year Hybrid Lump Sum Contract**
  Collaboratively renegotiated a reduced lump sum, retaining existing performance criteria.
East Waikato Environment...

**East Waikato SH Network Budgets**

- Average funding level for 5-Year Hybrid Contract
- 11% Reduction
East Waikato Environment...

- Hybrid Contract Model – Rethink
- Recent Forward Work Programme Performance
- A Different Approach...
Previous Method...

• Contractor & Consultant develop FWP separately.
• Contractor completes the pavement investigation and rehabilitation design.
• Consultant verifies and sanctions the rehabilitation designs for construction in addition to the FWP.
• Rehabilitation is completed to conform with Contract Specification.
A Different Approach...

• Contractor & Consultant develop FWP together.
• Contractor & Consultant complete the rehabilitation designs together.
• Renewals are completed, with extensive Consultant RVT.
• Full transparency between Consultant & Contractor regarding trade-off rates and renewal quantities.
• Shared risk between Client, Consultant & Contractor.
Further Adaptations & Details

• Consultant & Contractor complete treatment selections together, with the Contractor completing the seal designs.

• Consultant organises and completes site investigation, test pits and sampling.

• Contractor completes laboratory testing for rehabilitation designs.

• Design assumptions and risks are understood and accepted.
Key Elements

- Collaborative mindset with an understanding of risk transfer between Client-Consultant-Contractor.
- All parties show support and are respectful of each others positions.
- Innovative approach to the renewals programme.
- A knowledgeable Client who is open to alternative solutions and an innovative approach.
Recent Success...

- Less risk-averse reseal and first coat seal treatments. Saving of 20% on reseal costs in 2012/13 Season.

- **Potential** of Performance-based rehabilitation design. Saving of 12% on rehabilitation costs in 2012/13 Season.
Cost Effective Treatments via Collaboration and Sharing of Risk

Before

After
Cost Effective Treatments via Collaboration and Sharing of Risk
Cost Effective Treatments via Collaboration and Sharing of Risk

- Historically, the treatment type was specified by the Contractor and would typically be risk-averse.
- Dramatic shift in treatment type has occurred due to increase in collaboration and risk-sharing.
- Utilisation of the most cost effective treatments.
- “Best for Network” options are chosen.
Reducing Renewals Costs on the East Waikato Network

Thanks!