QLDC Road Maintenance Contract

Kirsty Marlow – Downer
Andrew Edgar – Queenstown Lakes District Council
• Factoids
• The contract
• Elements of the contract
• Pros and cons
• Case studies
• Going forward
Factoids

- 804km network length
  - 450 sealed / 350 unsealed
- Highest sealed road in NZ!
- Four seasons
- “Historic” roads
- Diverse road user profile
- Low rate payer base relative to road user numbers
QLDC requirement for:

- Excellence in customer service
- Knowledge of network
- Performance Management
- Cost transparency/certainty
- Flexibility
- Reduction in total cost of ownership
Changing context

During life of contract:
• 2 Elections
• 2 Long Term Plans
• 5 Annual Plans
Contractual arrangement

NEC 3
- Term Service Contract
- Option C Target contract with Price List
- Z(W1) Dispute resolution
- X1 Price adjustment for inflation
- X2 changes in the law
- X19 Task orders
- X20 Key performance indicators
NEC 3  versus  NZS 3910

- Works information
- Early warning
- Appropriate allocation of risk
- Collaborative working encouraged
- Programme led

- Project specification
- NTC/NTE
- Traditionally push much risk on to Contractor
- Rules of engagement
- Support document
Payment mechanism

Target cost
- Paid cost plus fee percentage
- Target-actual = pain/gain
- 50% gain share, 100% pain share 😞
- Links between:
  - Cost Management System
  - Job Management System
  - Clients Schedule/General Ledger
Performance Management Framework

- Aligns with option X20 – Incentive Schedule
- Four KRAs each with four KPIs
- Weighted year on year to reflect what needs driving
- Data used in performance calculations is collected anyway
- Overall annual score affects ability to get gain payment
- 5 = BAU = 0%, 10 = WOW = 100%
Performance

- Council can influence direct performance drivers and outcomes
- Identify trends and take action within the team
- Link individual performance plans to group objectives
Pros...

- Budgets adjusted to match actual needs
- Transparency
- Adjust Total Cost Estimates each year
- “Team Culture”
- Change direction – without the fights
- Planning is key

and cons...

- Planning is key
- If budget cannot be flexible & actual spend above expected – no way to re-distribute to suit budget
- “Team” needs right personalities and skill
- Difficult to understand – particularly the performance framework
- Pay for poor performance
Collaboration

• Understand drivers - common and individual
• Open discussions about costs
• Open discussions about performance
Winter Maintenance

• Rising expectations
• Rising cost
• Funding pressure
• Annual Plan consultation
• Justification to NZTA based on actual cost
Dust suppression

- Rising expectations
- Environmental challenge – was there a better way?
- Semi Permanent dust suppression trial and roll-out
- Economic evaluation based on actual cost
- Annual Plan consultation
Going forward... Challenges

- Justification to those not involved in implementation
- Proof of Value for Money
- Improve performance scores
- Incentives?
Going forward…Opportunities

- Develop a solid 3 year forward works
- Providing a clear, flexible 1 year work plan
- Set/adjust budgets to reflect actual spend
- Managing budgets where actual cost and level of service exceed dollars allowed
- Focusing work where it is required on the network
- Use the NEC3 document as a tool to help manage the contract
- Demonstrate that this is a good maintenance contract model
Thanks.

Questions?

Kirsty Marlow – Downer
Andrew Edgar – Queenstown Lakes District Council