

QLDC Road Maintenance Contract

Kirsty Marlow – Downer

Andrew Edgar – Queenstown Lakes District Council



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- Factoids
- The contract
- Elements of the contract
- Pros and cons
- Case studies
- Going forward



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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



Background to Request for Proposal

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

NEC3

- 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



NEC3

versus

NZS 3910

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

- 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



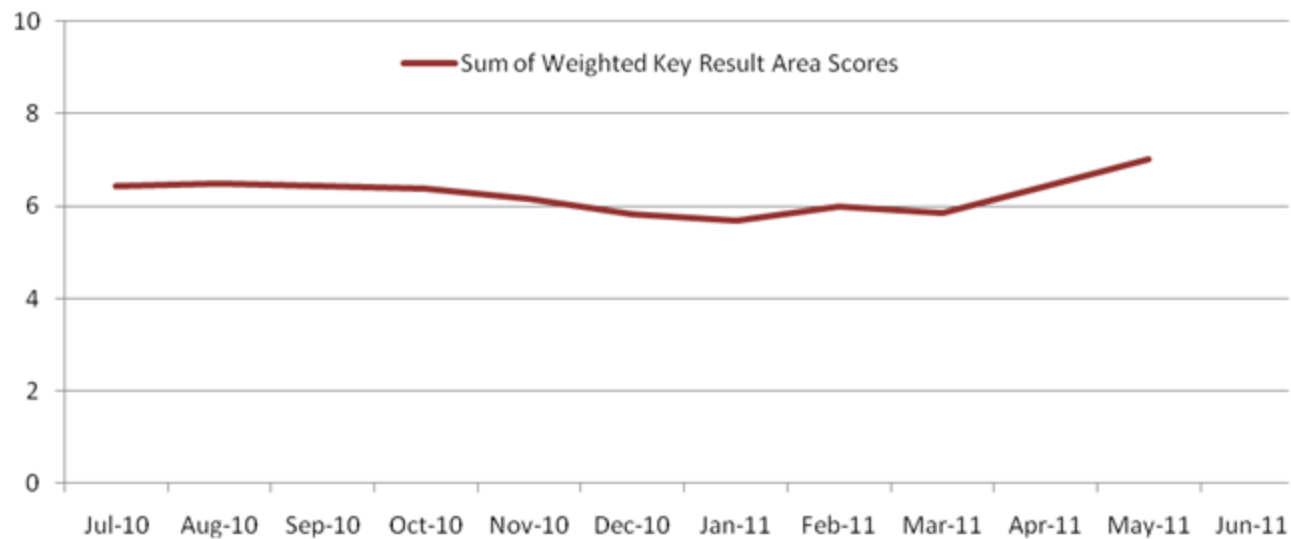
Performance Management Framework



- 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 can not 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 the help manage the contract
- Demonstrate that this is a good maintenance contract model

Thanks.

Questions?

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