Managing Future Demands

Does Size Matter In Procurement? Warren Furner Bring Back the Roadmen Roger Coles
Managing Future Demands

Does Size Matter In Procurement?

Warren Furner
Ruapehu District Council
Ruapehu District  “The Forgotten World”
# Traffic Light Assessment

## Contract Performance Summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Quantities</th>
<th>Annual Value</th>
<th>Assessment</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRELIMINARY AND GENERAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Contract Quality Plan</td>
<td>mth 12</td>
<td>$240,563</td>
<td><strong>Oops</strong></td>
<td>Near miss Not a lot of rigour placed on QA but acceptable nevertheless</td>
</tr>
<tr>
<td>1.2.2</td>
<td>Implementation and Management of OGP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>Network Inspections and Programmes</td>
<td>mth 12</td>
<td>$29,401</td>
<td><strong>Near miss</strong></td>
<td>Generally late, many culverts missed</td>
</tr>
<tr>
<td>1.3.1</td>
<td>Network Inspections and Programmes</td>
<td>ea 1</td>
<td>$125,570</td>
<td><strong>Oops</strong></td>
<td>Programmes are not being generated as per spec</td>
</tr>
<tr>
<td>1.3.2</td>
<td>Annual Culvert Inspection and Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Reports</td>
<td>mth 12</td>
<td>$47,540</td>
<td><strong>Near miss</strong></td>
<td>Mostly provided but more often than not, late and incomplete</td>
</tr>
<tr>
<td>1.4.1.1</td>
<td>All Reports not covered by 1.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4.1.2</td>
<td>RAMM database management</td>
<td>mth 12</td>
<td>$35,067</td>
<td><strong>Oops</strong></td>
<td>Not delivered, data loaded by GHD</td>
</tr>
<tr>
<td>1.5</td>
<td>Customer Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.5.1.1</td>
<td>Customer Service Requests</td>
<td>mth 12</td>
<td>$2,964</td>
<td><strong>Good</strong></td>
<td>Generally a good response</td>
</tr>
<tr>
<td><strong>SEALED PAVEMENT MAINTENANCE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Pothole Repairs</td>
<td>mth 12</td>
<td>$533,360</td>
<td><strong>Oops</strong></td>
<td>Not repaired to spec, timeframe, resurface/repaved programmed roads generally missed</td>
</tr>
<tr>
<td>2.1.2</td>
<td>Maintenance of Unsealed Shoulders</td>
<td>mth 12</td>
<td>$27,035</td>
<td><strong>Near miss</strong></td>
<td>Generally this is combined with edgebreaks which is a different spec, makes programming a bit of a challenge</td>
</tr>
<tr>
<td>2.1.2.1</td>
<td>Maintain Unsealed Shoulders</td>
<td>mth 12</td>
<td>$11,500</td>
<td><strong>Near miss</strong></td>
<td>No work required now due to grassed shoulders, low shoulders missed</td>
</tr>
<tr>
<td>2.1.2.2</td>
<td>Strip high shoulders</td>
<td>mth 12</td>
<td>$11,280</td>
<td><strong>Near miss</strong></td>
<td>Measured and value work, hard to get this work programmed</td>
</tr>
<tr>
<td>2.1.3</td>
<td>Metal and rail line shoulders</td>
<td>mth 12</td>
<td>$28,000</td>
<td><strong>Poor</strong></td>
<td>Generally this is combined with edgebreaks which is a different spec, makes programming a bit of a challenge</td>
</tr>
<tr>
<td>2.1.3.1</td>
<td>Metal and rail line shoulders</td>
<td>mth 12</td>
<td>$45,350</td>
<td><strong>Poor</strong></td>
<td>Not repaired to spec</td>
</tr>
<tr>
<td>2.1.4</td>
<td>Pavement Repairs</td>
<td>mth 12</td>
<td>$33,650</td>
<td><strong>Near miss</strong></td>
<td>Seal coat later than 48 hours, same for markings</td>
</tr>
<tr>
<td>2.1.4.1</td>
<td>Digout and 1 Coat Chipseal</td>
<td>mth 12</td>
<td>$33,650</td>
<td><strong>Near miss</strong></td>
<td>Seal coat later than 48 hours, same for markings</td>
</tr>
<tr>
<td><strong>OTHER</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>
Single Contract – Variation in Performance
# The Challenges

<table>
<thead>
<tr>
<th>Contractor Size</th>
<th>Work Type</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Substandard</td>
</tr>
<tr>
<td>Large</td>
<td>Pavement rehabilitation (range)</td>
<td>XXX</td>
</tr>
<tr>
<td>Large</td>
<td>Sealed maintenance (range)</td>
<td>XXX</td>
</tr>
<tr>
<td>Large</td>
<td>Unsealed maintenance</td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>Vegetation control</td>
<td>XXX</td>
</tr>
<tr>
<td>Large</td>
<td>Aggregate supplies</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>Reseals</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>Aggregate supplies</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>Aggregate supplies</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>Subcontractor - minor improvements</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>Pavement rehabilitation</td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>Streetlight maintenance</td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>Subcontractor - Emergency works</td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>Subcontractor – vegetation control</td>
<td></td>
</tr>
</tbody>
</table>
The Solution – Unbundle

Break the previous single contract into 9 activities

- General Maintenance
- Sealed Pavement Maintenance
- Unsealed Pavement Maintenance and Renewals
- Vegetation Control
- Heavy Maintenance and Improvements
- Capital Pavement Rehabilitation programme
- Capital reseals programme
- Major Bridge Repairs
- Aggregate supply,
- Roadside Plant Pest Control

Market to determine optimum mix and bundling
The Solution – Share Risk
Price, risk and behaviour

<table>
<thead>
<tr>
<th>Price Type</th>
<th>Client Budget Risk</th>
<th>Contractor Pricing Risk</th>
<th>Price Effect – Unit Costs</th>
<th>Behavioural Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump Sum Low</td>
<td>High</td>
<td>Higher cost</td>
<td>Do as little work as possible for the same payment.</td>
<td></td>
</tr>
<tr>
<td>Measure &amp; Value</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium cost</td>
<td>Do as much as possible in close areas, little as possible in outlying areas.</td>
</tr>
<tr>
<td>Dayworks High</td>
<td>Low</td>
<td>Lower cost</td>
<td>Do as much as possible</td>
<td></td>
</tr>
</tbody>
</table>
Our approach

Collaborative contracting – share risk and work together

To implement a supplier relationship model that is:

- **Inclusive** – One team contractors and council
- **Collaborative and efficient** – One team smart problem solving and realising opportunities
- **Performance based** – One team focussed on delivering positive outcomes at an affordable cost.
Procurement Objectives

- Create procurement certainty for up to eight years
- Source and select a value based mix of suppliers
- Delivery of quality infrastructure maintenance services
- Provide program flexibility in uncertain times
- Ensure contractors are aligned to “Ruapehu”
- Raise quality of deliverables
- Sharper pricing through client/contractor risk sharing
- One Team approach with Contractor ownership
The Procurement Process

- Stage 1 EOI – open to all
- EOI shortlisted quality only
- Stage 2 RFP – invitation
- PQM – 60% quality 40% price
- Detailed Negotiations
- Recommendation and Approval
Stage 1 EOI Results

- 19 suppliers submitted
- 14 suppliers qualified for Stage 2 RFP –
- Only 5 missed the cut

Tender evaluation team hard at work
Stage 2 RFP Results

- 12 qualifying suppliers placed proposals
- 2 – 6 suppliers competing for each package
- Price Quality evaluation identified benefit for bundling
- Suppliers bidding for more than one package offered price discounts for bundles
- Negotiations very worthwhile
- The original 9 packages were bundled back to 6
- Mix of small, medium and large contractors – local, regional and national
The Final Solution – Market Lead Packaging

The market determined optimum mix and bundling

1. General Maintenance - Sealed Pavement Maintenance $2.2M
2. Unsealed Pavement Maintenance and Renewals, Capital Pavement Rehabilitation programme, Heavy Maintenance and Improvements $3.4M
3. Vegetation Control $0.5M
4. Capital reseals programme $0.9M
5. Major Bridge Repairs $0.6M
6. Aggregate supply (annual negotiation) $0.9M
7. Roadside Plant Pest Control (small, specialised) <$0.1M
How have we done so far ...  

Budgets and Pricing?

- Council acceptance of risk, with trend from LS to M&V and Dayworks resulted in lower unit pricing.
- No adverse impacts on budgets
- Levels of Service maintained
How have we done so far ...

Collaboration?

- Collaborative working to optimise network support costs (traffic management, inspections, material positioning and utilities)
- Collaborative working during emergency response
- The One Team concept is working
How have we done so far ...

Management Effort?

- The One Team approach = greater ownership
- All parties bring skills to the game – recognised & respected.
- Less Lump Sums = less auditing
- PS contract tuned to collaborative working, less “engineer speak”
- Management effort busier but more interesting
- No more management FTE’s, costs the same
Managing Future Demands

Bring Back the Roadmen
Roger Coles GHD

On the job was one of the district's best-known residents, roadman Mr D'Arey McPherson.
Can we re-create the roadmen?

- How often have you heard the call “bring back the roadman”? 
- Good idea or not? 
- Contract renewal = opportunity to address
The Outcome

- A general maintenance contract, all manual work, no heavy equipment.
- Covers drainage and traffic services maintenance, TS renewals, sealed potholes, litter and minor detritus, first response to emergency events.
- High skill level a pre-requisite attribute
- Three teams of two to cover the network (flying squads)
- Utes or light trucks with signage and handtools
- Basis of payment is all dayworks, hours, kms and materials oncost.
- “Efficiency tests” as agreed
The Ruapehu Roadmen
Everyone needs to be on the same page

Achieved by….

- Roadmen attend the monthly network audit
- Customer requests go to the roadmen
- Roadmen attend regular meetings with the network management team
- Roadmen are encouraged to engage with residents
Out there doing it
How is it working so far?

- The focus has been great, especially on detail previously overlooked
- The calibration is working well
- Response is improved
- Efficiency is very good
- Budgets and activity costs are in balance
- Great support from the community

We are very pleased with this contract
Overall Outcomes

Achievements…
- Promoted competition
- Promoted collaboration
- Matched funding aims and outcome
- Community Satisfaction

Satisfaction achieved…
- Innovative solutions
- Acceptable prices
- Quality whole of life outcomes

Long term health/sustainability …
- Forward work visibility and investment certainty
- Social return from infrastructure investment
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