

# 2019 Infrastructure Procurement Survey Results

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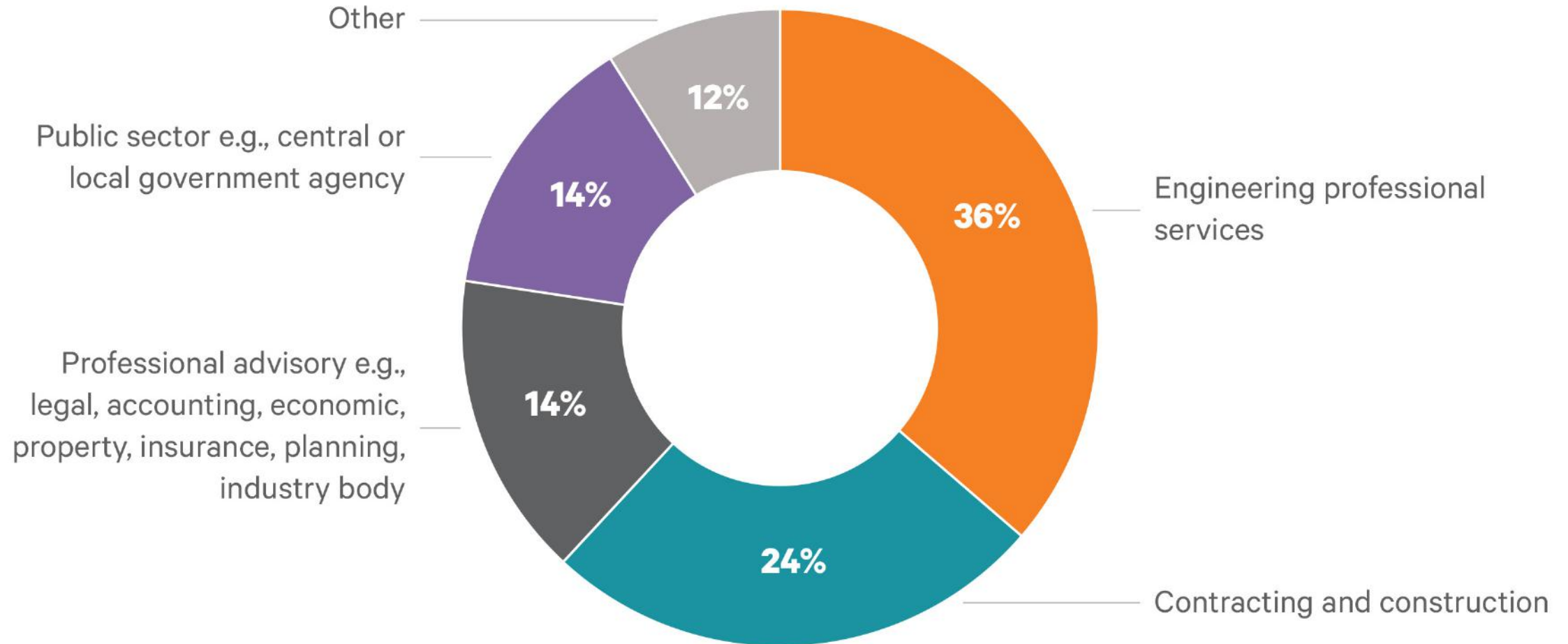
August 22, 2019

# Survey Respondent Statistics

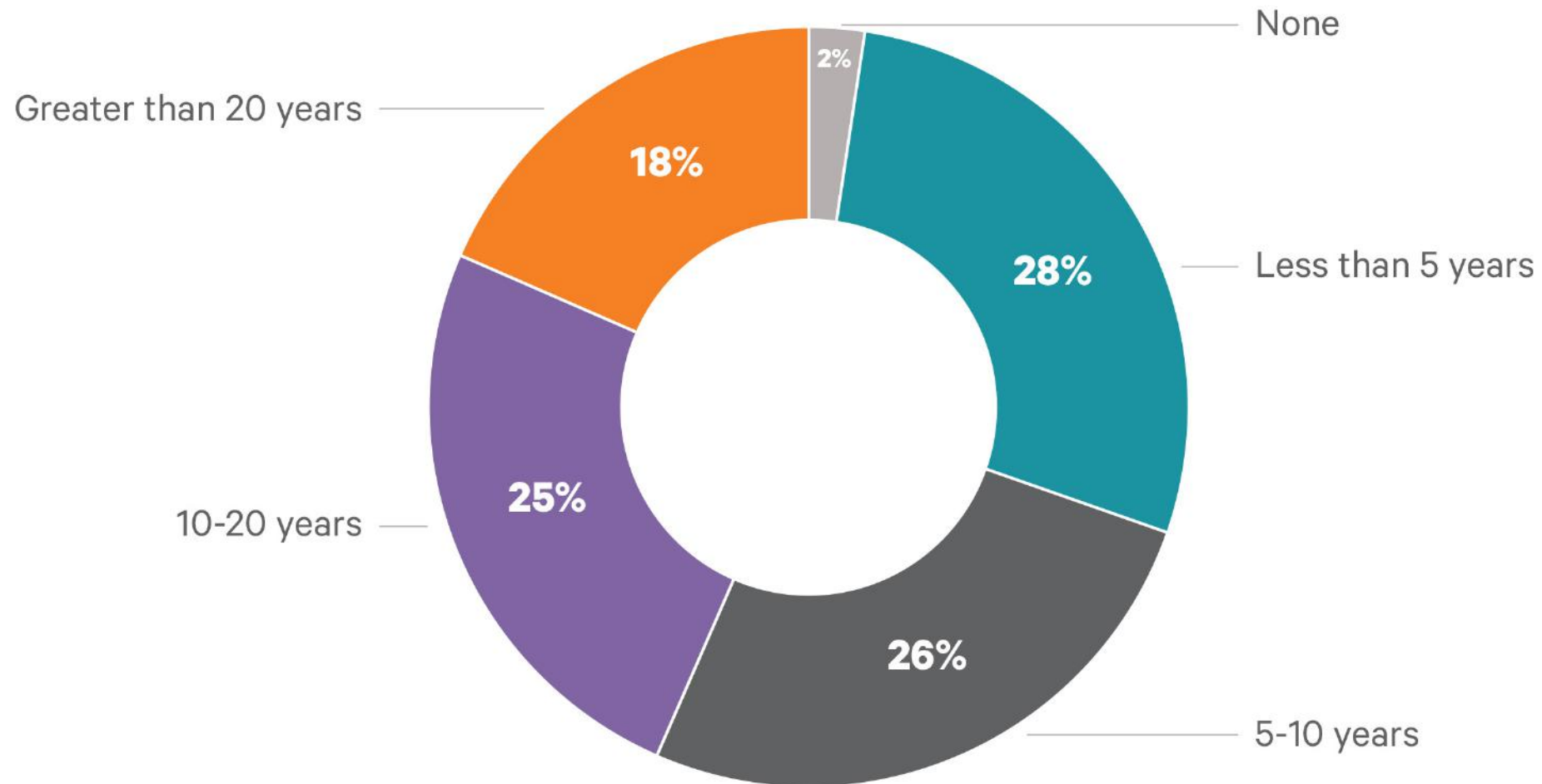
- 168 respondents
  - Feedback collected on 38 procuring agencies
  - 454 individual agency responses
  - 17 minute average survey completion time
- **Respondent demographics:**  
Directors, GMs, Partners,  
Project Managers,  
Commercial Managers,  
Project Directors, Bid Writers,  
CEOs, Procurement Managers,  
Regional Managers,  
Senior Consultants,  
Civil Engineers,  
Managing Directors



# Diverse, Senior Participants

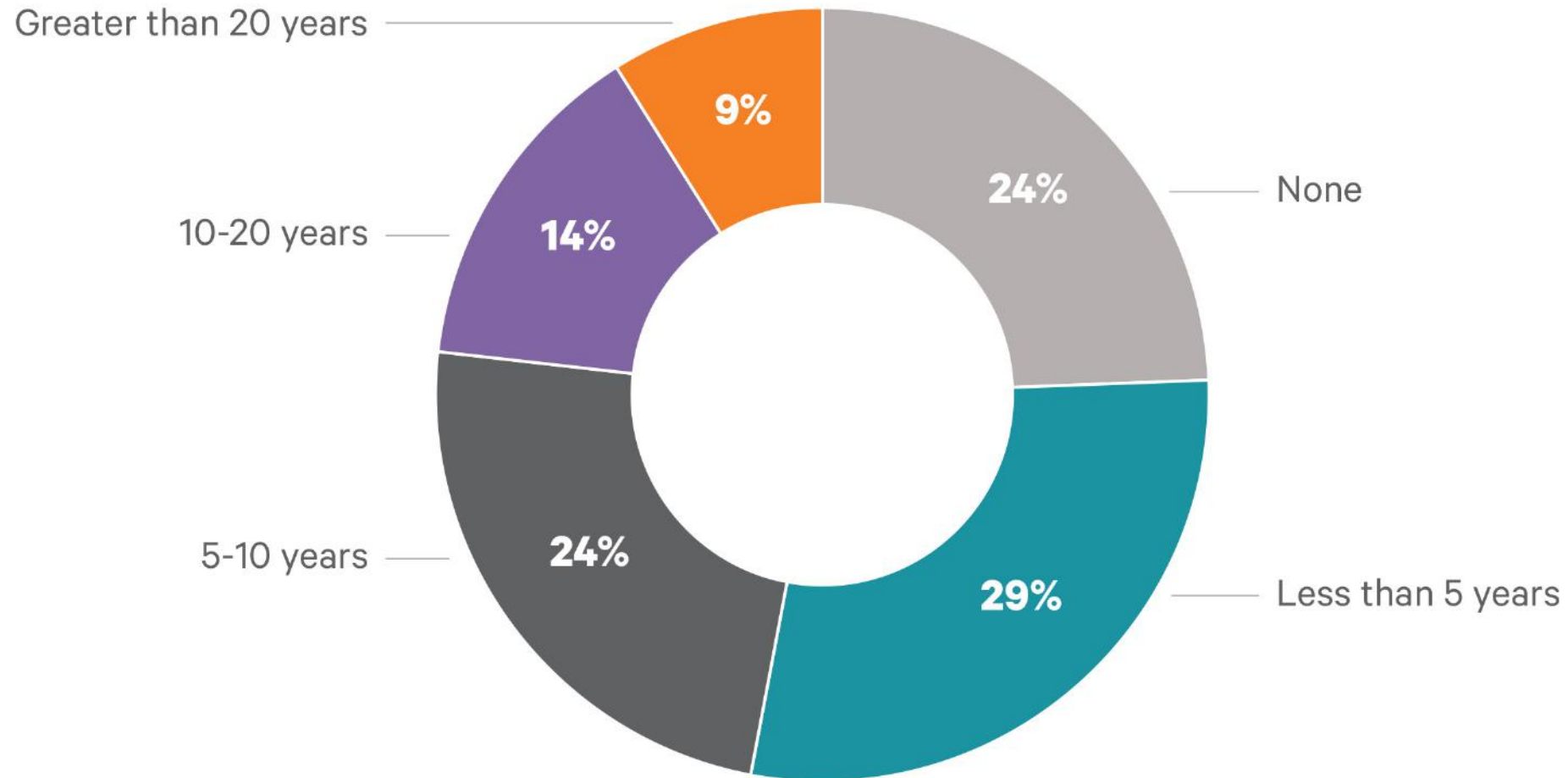


# Experience with Infrastructure Procurement Process in **New Zealand**





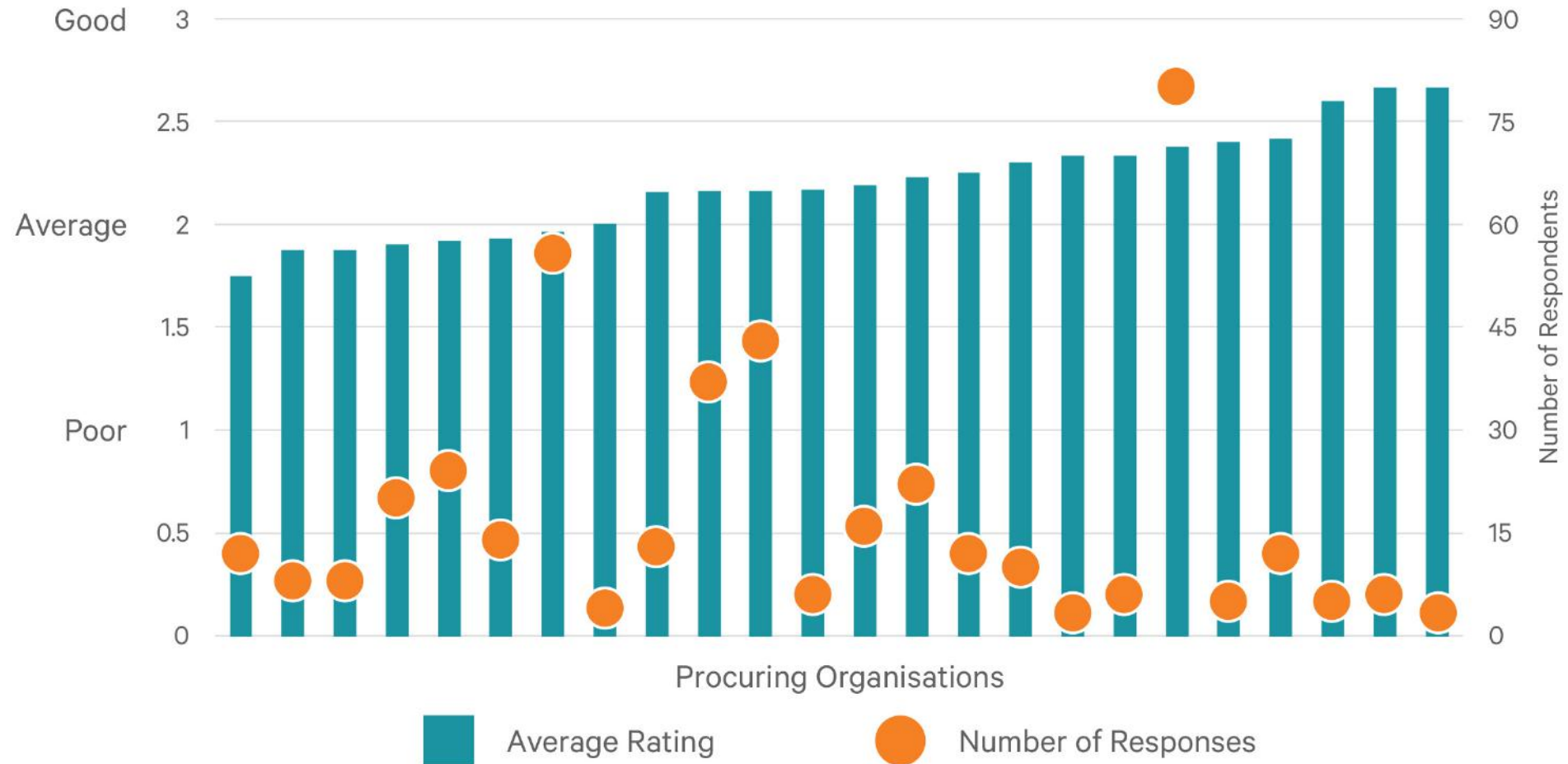
# Experience with Infrastructure Procurement Process **Internationally**



# Procurement performance has fallen



# Wide range of performance across agencies



# Agencies think they're doing better than they are





# Ports lead the way on procurement performance

## Top Performers

### Ports

Auckland  
Lyttelton  
Napier  
Tauranga

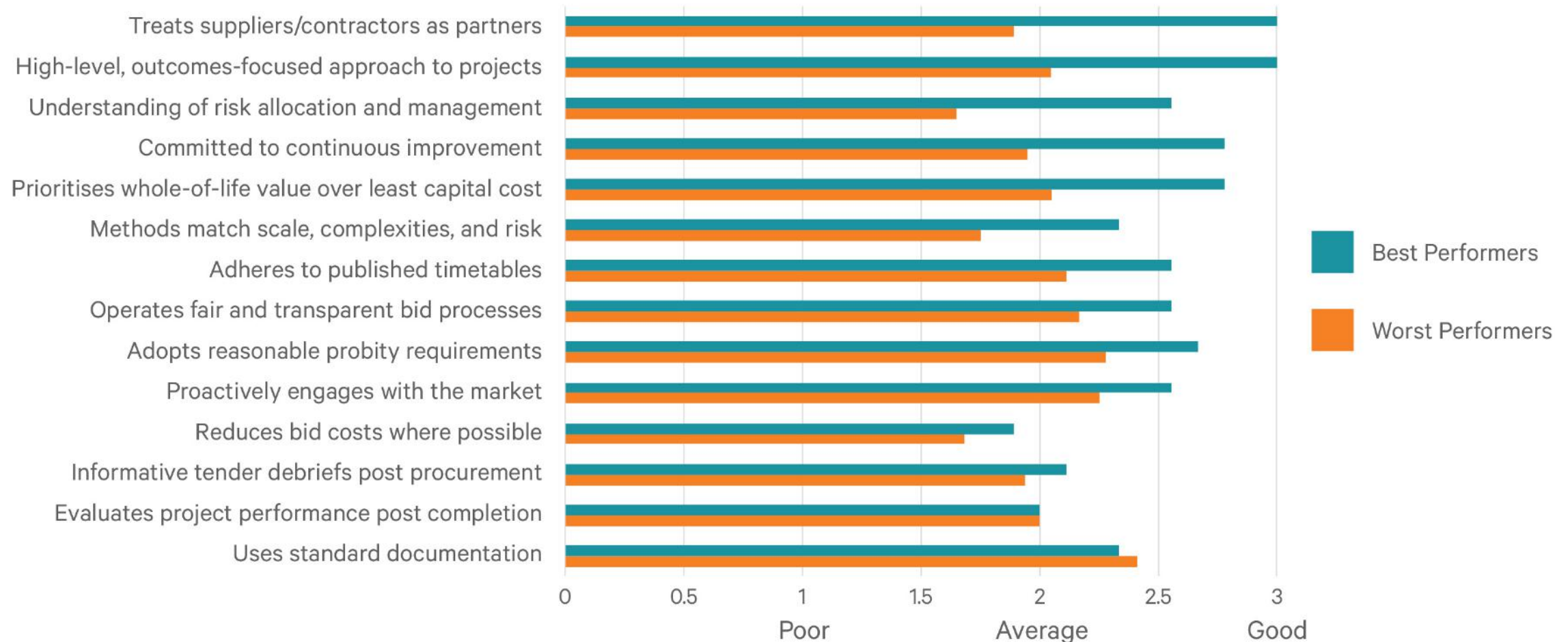
## Above Median

Auckland Airport  
Auckland Council ↑  
Department of Corrections —  
District Health Boards ↑  
Housing NZ/HLC  
Ministry of Defence ↑  
Ministry of Justice —  
New Zealand Transport Agency —  
Ōtākaro Ltd —  
Treasury —  
Watercare ↑  
Wellington Airport  
Wellington Water —

↑ Rise above median since 2017

— No change since 2017

# Comparison of Best and Worst Performing Agencies using 14 Key Procurement Criteria



# Changes in performance since 2017



## Improved

- Treats suppliers/contractors as partners
- Understanding of risk allocation and management
- Reduces bid costs where possible

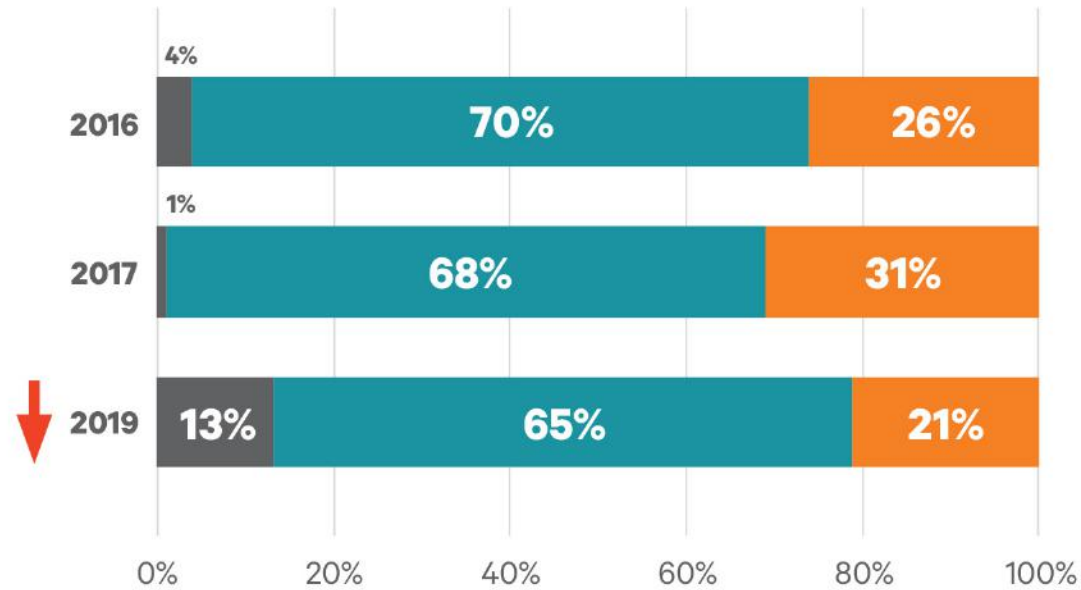


## Worsened

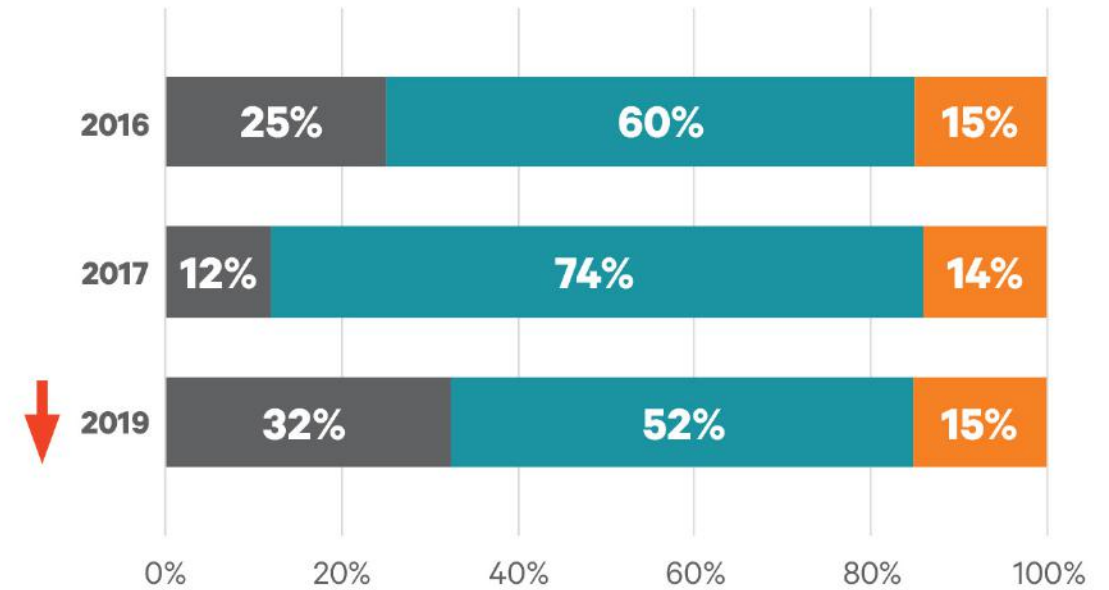
- Adopts reasonable probity requirements
- Committed to continuous improvement
- High-level, outcomes-focused approach to projects

# Procurement expertise is falling... both in the private and public sectors

## Private Sector



## Public Sector



Poor Average Good



# In-Depth Feedback: Public Sector

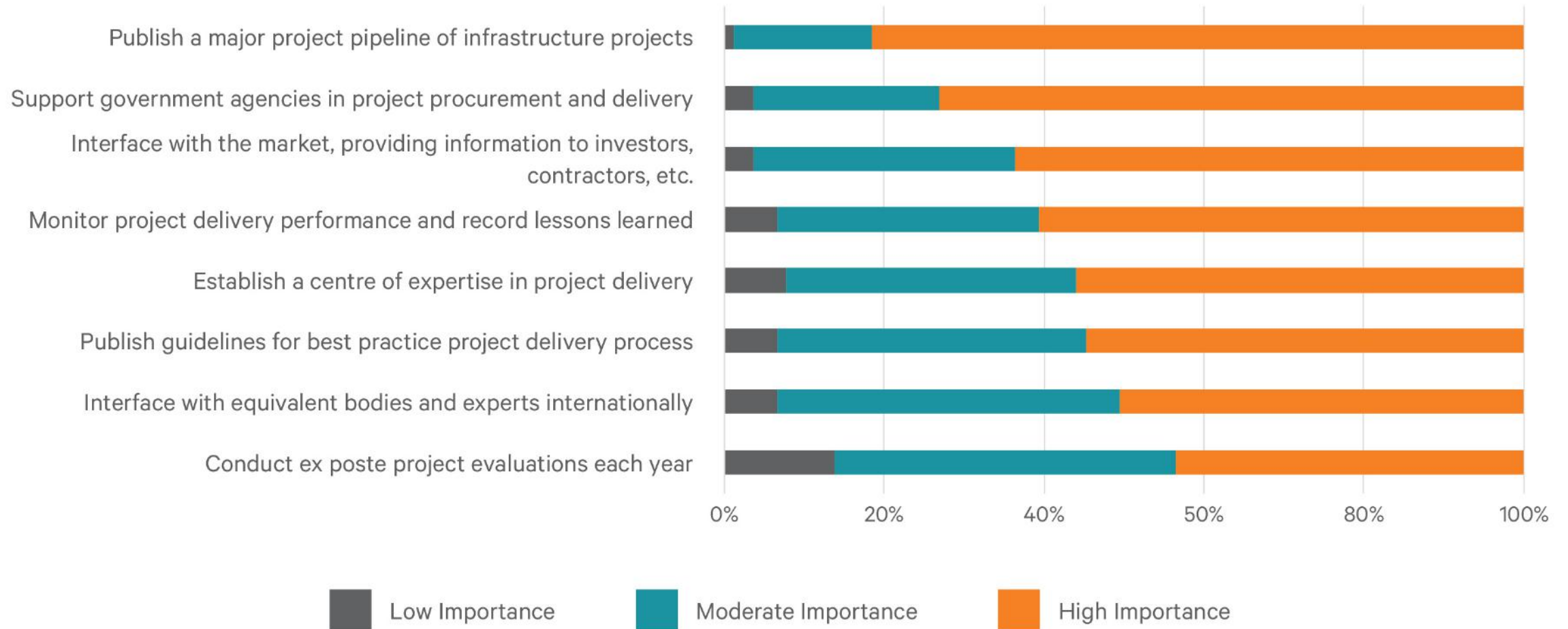
- ***“Too much focus on process and not outcomes.***  
Too much emphasis on ***probity*** instead of getting the best outcome for their entity.”
- ***“Lack of understanding on costs of tendering. Lack of understanding on fair risk allocation.”***
- ***“Often driven by lowest price, rather than lowest lifecycle cost.”***
- ***“Evaluation criteria need to be clear.*** These tell us your priorities and help create an even playing field as opposed to fumbling around in the dark.”
- ***“Very low understanding by the procurers of the market conditions and the **very low margins** that contractors operate under.”***
- ***“Never adhere to schedules. Can be months or years late.”***
- ***“Procurement is seen increasingly as a standalone activity, removed from the overall purpose of the organisation.”***



# In-Depth Feedback: Private Sector

- “Some private sector procurers are **very good**, much better than the public sector in **driving quality and long term outcomes**. Yet some, particularly developers, are very poor and are only **focused on a one off outcome** to the detriment of the contractor and the market generally.”
- “**The private sector is more pragmatic and generally more outcome focused**. It is about getting the best result in the quickest time and that means working together and not just following ‘the process’ and being a handbrake on the delivery.”
- “**Very good at procuring the best outcome, not so good at procuring within budget**, leaving the contractors exposed to all the risk from cost escalation. If you are being paid for a Mini don’t deliver a Bentley without the right variations in place.”
- “**Highly variable. Too much risk placed on contractors**. Bottom dollar focus.”

# Clear Focus Areas for the Infrastructure Commission



# Feedback on the Infrastructure Commission



- “***The commission needs to be given some teeth*** so that it can effect change in New Zealand. Providing reports and new ideas will not improve delivery of infrastructure in New Zealand.”
- “Their ***focus needs to stay at the strategic level*** and not get bogged in the operational aspects of procurement.”
- “***Expertise should be drawn from the professional services and industry as well as the procurement side*** to ensure a holistic understanding of the issues. It should also be committed to the Treaty and take a wider view of sustainable infrastructure (i.e., also social).”
- “***Its role needs to be carefully defined*** and promoted within the whole sector; what it is accountable for and what it is not accountable for. There is a big risk that matters will fall between stools if organisations such as NZTA, local authorities and KiwiRail do not fully understand their respective roles and responsibilities.”



# Agencies Leading Social Procurement in New Zealand



- Auckland Council (esp. the Southern Initiative)
- Auckland Transport
- New Zealand Transport Agency
- Housing NZ/HLC
- Watercare

## Early Days, Tentative Start

- “Not yet.”
- “Only just starting to become a consideration. I can’t say I’ve seen any great examples.”
- “I notice ***these themes are becoming increasingly important*** across most major projects and organisations in terms of the RFP responses, however I am not sure how much of this ***translates into any real and measurable gains during or post project.*** It would be good to have some evidence that these are actually followed through on once awarded.”

# Added costs or unintended consequences when fulfilling social procurement requirements?

- “**No**”
- “Often RFPs ask organisations to describe their steps relating to environmental sustainability or diversity and inclusion, **but procurement decisions are not then made on the basis of these matters.** This simply wastes the time of tenderers.”
- “**A lack of clarity** from procuring agencies about what those requirements actually involve.”
- “Yes. Confusion especially from the second tier contractors. They are under tremendous pressure to put in the lowest price and meet onerous compliance requirements. Now we add social procurement expectations and they **struggle to see how they can meet them and be cost effective.**”
- “The upfront and ongoing cost of managing stakeholders and liaising with iwi was **money well spent.**”



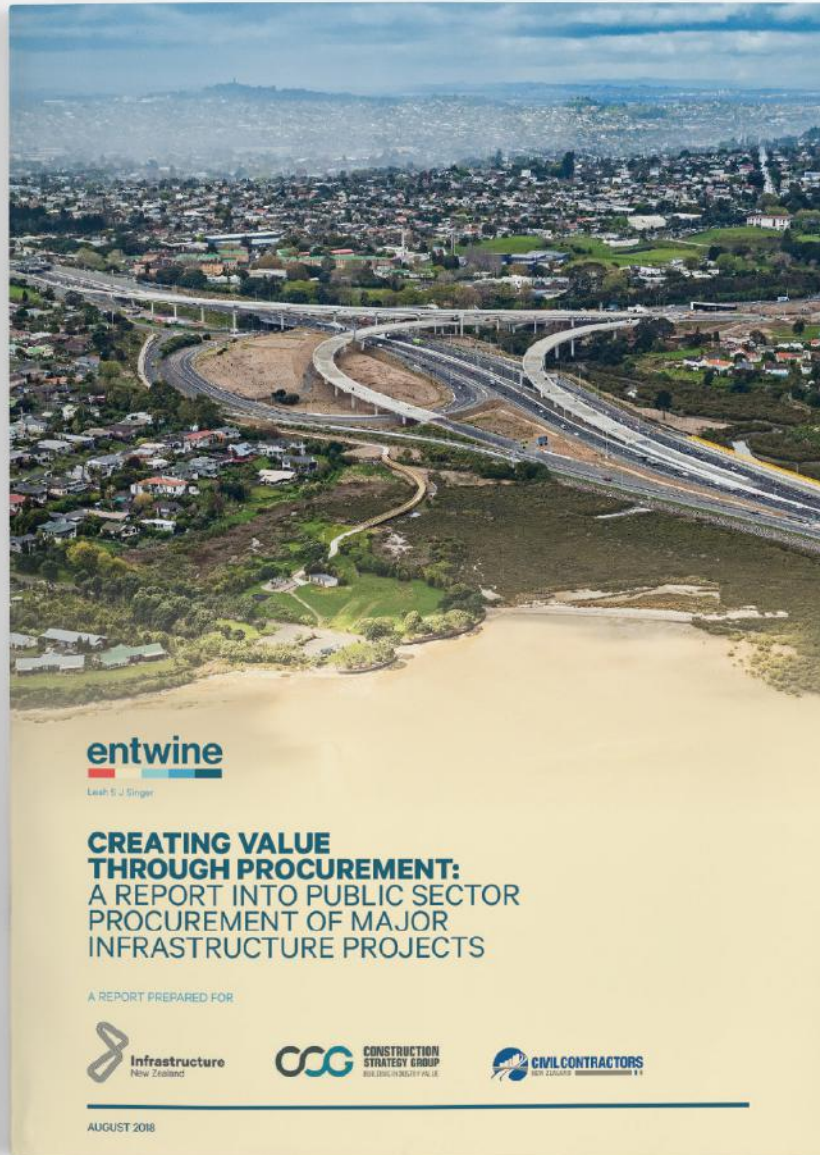
# Improving procurement practice in New Zealand



- “**Reduced complexity** in bid processes.”
- “**Bidders have few real avenues to challenge a flawed process.** A lack of challenges is not necessarily a sign that everyone is doing well - it can be a sign that bidders see hurdles and disincentives to raising a challenge.”
- “Changing relationship to strategic partnering requires both parties to grow and change. Often it is expected by the private sector that the **public sector** needs to change and we are open about needing to and doing so. The **private sector is less open** to acknowledging the need for them to change also.”
- “Finance, lawyers and insurance ‘experts’ advising on procurement are often the **worst culprits of risk transfer** and driving lowest cost solutions. They need to be part of the education campaign.”
- “**Ensure all organisations meet committed timeframes** and drive performance by compensating organisations affected when timeframes not met!”
- “The obvious problem is **lack of expertise and rigour in procurement planning.** Poor analysis of projects, little appetite to engage with suppliers, poor risk allocation and reluctance to pay for future benefits.”

# Final comments on procurement processes in NZ

- ***“Too slow, too expensive, too complicated.”***
- ***“I don’t think they’ve really changed in the last 20-30 years.*** We’ve played around the edges but inevitably it’s still lowest price wins.”
- ***“Room for improvement.*** Room for more support to the delivery team. Room for more expertise.”
- ***“The NZ IC is in a unique position not only to guide large-scale procurement,*** but to provide a common standard of expertise that is used across the infrastructure sector, for smaller projects as well. It’s not just about fishing, it’s about teaching them to fish!”



# What does good procurement look like and how can we get there?



**For further information about  
the 2019 Infrastructure Procurement  
Survey, please contact:**

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