

Procurement Working Group Building and Construction Sector Productivity Taskforce Workplan

Purpose

The purpose of the Procurement Working Group is to provide analytical advice and information on workstreams identified by the Sector Productivity Taskforce, to assist it to develop an improved approach to the procurement of construction projects.

Context

Building and Construction sector leaders met in Auckland on 1 August 2008 at the invitation of the Minister for Building and Construction. Particular issues identified by the forum included that:

- productivity growth, especially labour productivity has been disappointing and is limiting sector ability to respond positively to change
- improving skill levels, across the board, is critical for improved sector productivity
- pressure on land use will continue to drive urban intensification – and that urbanisation is an issue for all New Zealand cities, not just Auckland and that:
 - there are not enough large scale intensification projects currently underway or planned to cope with future needs within current urban boundaries
 - the quality of urban intensification to date, in delivering sustainable urban environments, has been patchy and generally poor

To develop practical proposals to address the above issues it was decided to establish taskforces made up of industry, local and regional government, and central government leaders:

- A Sector Productivity Taskforce, to:
 - develop a sector wide skills strategy
 - develop an improved approach to the procurement of construction projects
- An Urban Intensification Taskforce, to:
 - develop proposals to improve current approaches to planning and coordination in support of improved urban development

It was proposed that the Forum should reconvene in mid 2009 to consider progress on the above.

Since the Forum met in August significant change has occurred with a worsening economic environment and substantive market adjustment.

Objectives of the Sector Productivity Taskforce

The objective of the Sector Productivity Taskforce is to:

- develop a sector wide skills strategy – to improve labour productivity
- explore issues with current approaches to the procurement of construction projects and to develop a proposal for an improved approach that would be piloted, evaluated for promotion as an improved approach (especially large scale projects).

In undertaking the tasks above the Taskforce has been asked to consider what can be done in the short term and what can be done to facilitate work already underway, in light of the potential adverse implications of the immediate economic downturn.

Procurement Working Group Workstreams

At the August 2008 Forum, it was suggested that more collaborative procurement arrangements rather than least cost tendering systems, would lead to better control of total construction costs and better cost management over the total life of a contracted project. *Prima facie*, such gains are more likely to be realised for major construction projects, such as the major roading projects and for prison and hospital builds.

In this context, the Taskforce has asked the Working Group to focus on three broad areas:

1. to identify what procurement models are likely to have applicability in the various segments of the building and construction industry
2. in those segments of the industry where alternate procurement models are likely to generate benefits relative to the status quo:
 - a. identify the segments where an alternate approach is most likely to generate gains on a whole-of-life-costs basis
 - b. outline what changes would be required in practice on part of industry and the Government to make those alternate models deliver in practice
3. Identify areas – particularly in the Government sector - where the use of standardised rather than bespoke designs may lower costs, improve efficiency and facilitate improved procurement practice. If such opportunities exist, identify what it would take in practice to make the requisite changes to design and procurement practice.

Three workstreams have been identified by the Taskforce for the Procurement Working Group to investigate and to deliver recommendations on the three areas above.

A high level summary of each of workstream is included at the end of this Workplan.

Membership of the working group

The role of the Working Group is to provide proposals and advice on the following workstreams, for the Taskforce to consider to improve procurement practice in practice.

It is proposed that the following organisations be invited to nominate individuals from their organisations to participate as members on the skills working group:

Working group to be facilitated by the Taskforce Secretariat and to comprise practitioners from industry and central Government (names to be confirmed once invitations sent and accepted).

To assist the working group to undertake the tasks above external consultants would provide advice to the working group, drawing upon inputs from public and private sector agencies as appropriate.

In carrying out its work plan the working group will be supported by a small secretariat from the Department of Building and Housing. The Secretariat will provide administrative and managerial support to the working group and will assist it in ensuring that links with procurement working group are maintained. The Secretariat will also manage a pool of funds that the working group will be able to use to purchase research and analytical inputs.

Reporting

The working group will compile an overview of its findings and proposals for each workstream and report to the Chair of the Productivity Taskforce as outlined in the attached discussion of the respective workstreams.

Accountability

The Working Group will be facilitated by the Taskforce Secretariat who will be accountable to the Chair of the Taskforce for the operation of the working group. The working group will report back to the Taskforce with findings and proposals.

Workstream 1: Identifying range of procurement models, in what circumstances and how they should be applied.

What questions would be answered?

- What are the various procurement models, what segments in the sector are they relevant for, and what factors are needed to make them work?
- For the segments where a change in procurement practice could lead to lower whole-of-life costs:
 - what are the lessons from their use (eg: from NZ and overseas case studies)
 - what is typically required to make these models work in practice

Process:

- Review existing work and literature on procurement models and their application, in consultation with industry experts – possibly using the Construction Industry Council's previous work in this area as a starting point
- Review recent published case studies in NZ (particularly major Government procurement) and overseas using a variety of procurement models to establish:
 - What worked in what situations
 - What didn't work, and why
 - What would do differently next time

What is the Product:

An analysis on the types of projects, and/or the segments of the sector, that could benefit from new approaches to procurement practice. This would provide a foundation for Workstream 2.

Who:

- DBH to commission a researcher to: pull together international best practice and published NZ case studies in consultation with industry experts.

Date:

Final results by end of January 2009

Workstream 2: For those segments of the sector where more systematic use of alternate procurement models may reduce whole-of-life costs, developing practical options for embedding alternative models of procurement into Government and industry practice

What questions would be answered?

- Is information on the alternate models easily accessible to the industry and clients, and if not, how to better inform clients/users about the benefits of alternative models of procurement?
- What would it take to ensure the uptake of appropriate alternate procurement models to fit the contexts:
 - What role would industry need to take and how could we make it happen?
 - What would central Government need to do, including:
 - Are government procurement processes and policies hindering good procurement outcomes?
 - How to lift procurement capability within government?
 - Is there a need to aggregate procurement skills within government? To what extent is fragmentation (in for example, the health, education sectors) a barrier to good procurement outcomes?
 - What – if anything - would Local Government need to do?

Process:

Would include the following:

- Review themes arising from workstream 1 about what works in what context
- Consider unpublished Government case studies and distil lessons from them to develop actions on how these lessons could be wider applied across the state sector, especially the disaggregated sectors (eg: health and education)
- Analysis of public sector (including local Government) procurement practice and capability, and what can be done - if it is required – to build upon existing capability
- Analysis of private sector procurement practice and capability, and what can be done - if it is required – to build upon existing capability

What is the Product:

An action plan in relation to:

- What Government, local Government and/or the industry can do to improve its procurement practice in the segments where further efficiencies can be made?
- Whether any change required to the underlying legislative or legal framework

Who:

- Working Group to:
 - review recent experience and current industry procurement skills and capability
 - review implications of unpublished case studies/best practice across Government procurement – including engagement with Corrections, Health and Education and to identify what need to change to improve Government procurement performance in this area.

Date:

Final results by end of March 2009

Workstream 3: The potential role of greater standardised design for Government infrastructure

What questions would be answered?

- Whether there are areas – particularly in the Government sector, such as the health and education sectors - where the use of standardised rather than bespoke designs may lower costs, improve efficiency and facilitate improved procurement practice.
- If such opportunities exist, identify what it would take in practice to make the requisite changes to design and procurement practice.

Process:

Would include the following:

- Identify the approaches taken now in the key Government sectors (eg: Health, education sectors), towards standardisation of design. Take the forthcoming range of hospital construction projects as a possible case study to consider opportunities and barriers
- Workshop the opportunities for greater standardisation with Government purchasers – what are the opportunities and the barriers, and what could be done to overcome the barriers. Develop a possible action plan

What is the Product:

An analysis of:

- what is done now, and why
- what opportunities exist for greater standardisation, and what are the benefits, costs and risks of doing so
- a proposed action plan

Who:

- DBH to facilitate several round table forums with the Working Group with focus on sector case studies (eg: upcoming hospital (re-)developments)

Date:

Conclusions by end of March 2009.