

Leighton Contractors New Zealand

Construction Clients Group Client Lessons in Supplier Selection & Supply Chain Management



Agenda



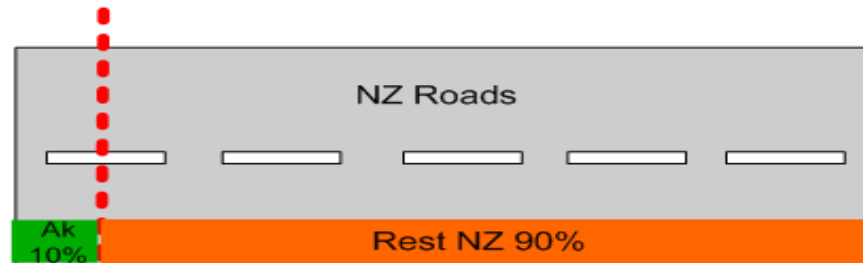
- Context
- Supply chain strategy
- Matching project risk to delivery strategy
- Operating model – infrastructure delivery
- Transforming service delivery
- Performance measurement
- Getting value from your supply chain

Context – regional forces

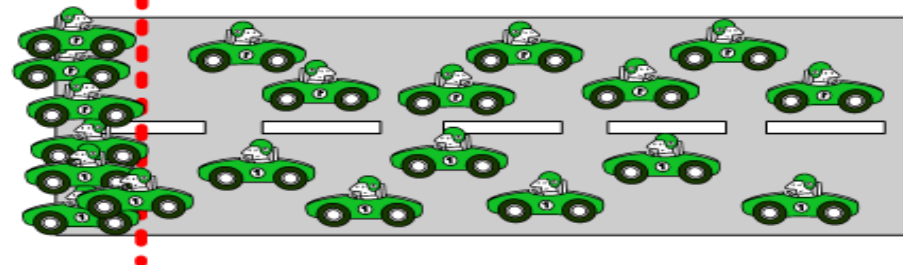
- Highly congested network
- Population growth
- Ageing infrastructure
- Under investment
- No integrated plan to align local road investment with:
 - Highways, Rail, Ferry
 - Land use
 - Community needs
 - Business needs



Registered Vehicles



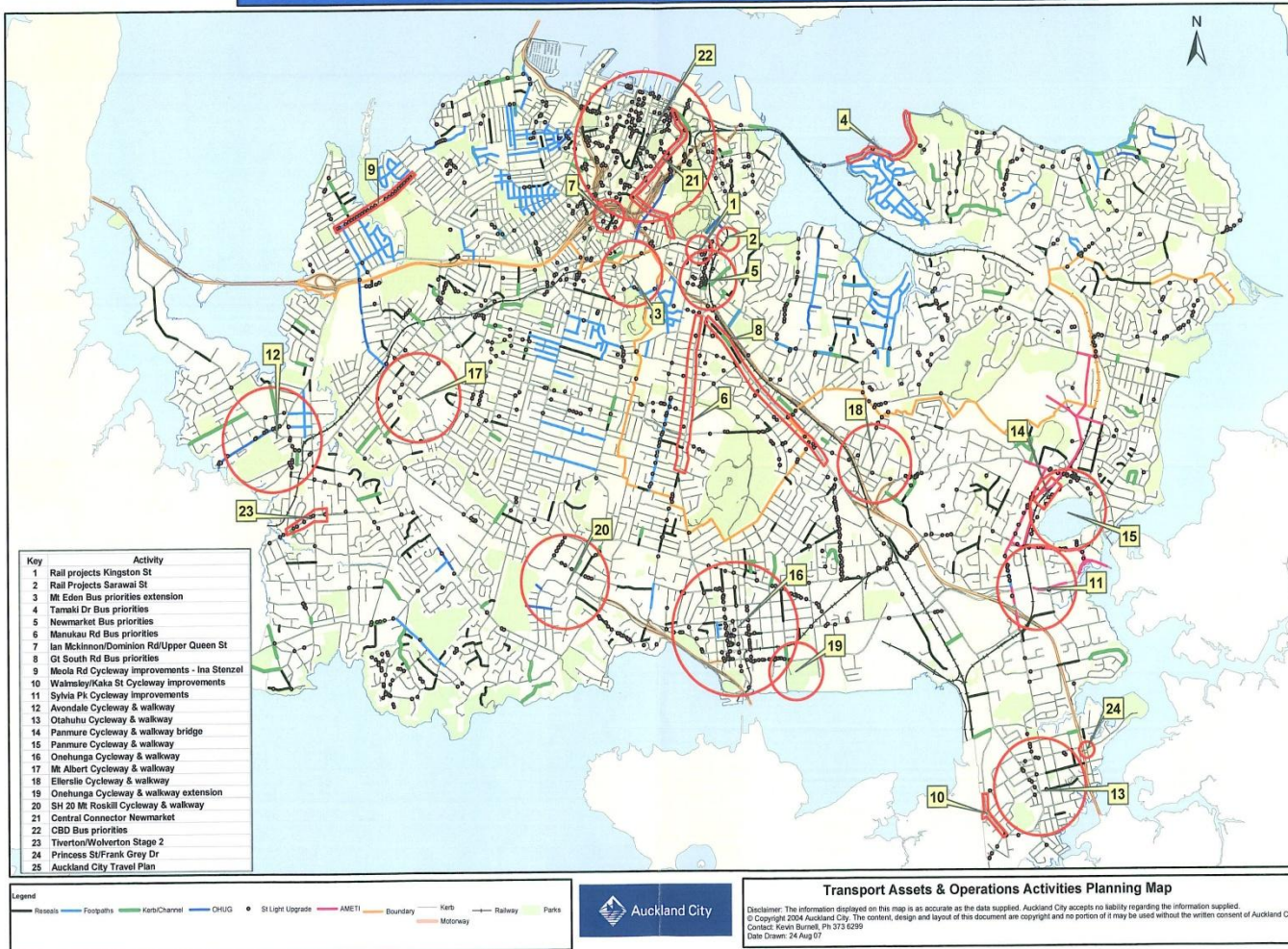
Resulting Congestion



Context - integrating & optimising work



Combined Maintenance, Strategy & Special Projects Map 07 - 08



Council:
Transport
Other
Utilities
NZTA
On-Track
ARTA
Developers . . .
a challenge!

Retrofitting infrastructure into a complex and intense urban network environment is disruptive & costly!

Context – service demand



- **Existing infrastructure**

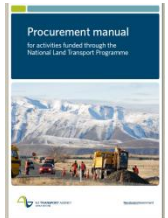
- Assets - old and need to be replaced
- Critical tool – High quality Asset Management Plan
- Service supply - Term contracts (\$100m/annum - capex/opex)

- **New Infrastructure**

- Planning – not forward enough and not integrated
- Retro fitting - impacts everyone and costly
- Service supply - Capital contracts (\$40m/annum – capex)

- **Funding**

- 50% from NZTA – need to use procurement procedures
- Infrastructure budgets – most Councils fail to spend them!



Supply chain strategy



VALUE = PLAN +
PROCURE +
DELIVER +
MANAGE RISK &
OPPORTUNITY

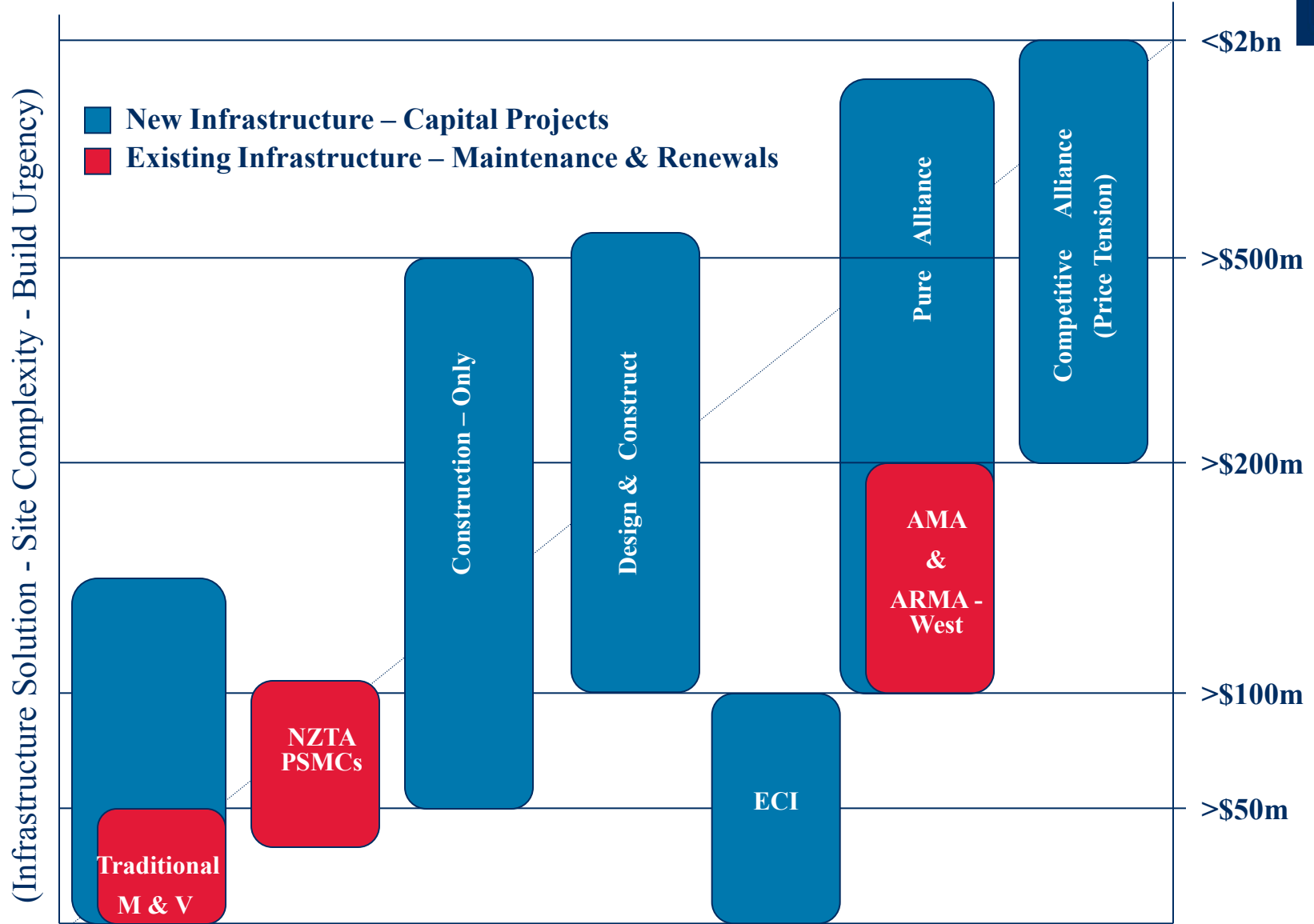
Aligning all the elements in a
holistic end to end approach!



Matching project risk to delivery strategy

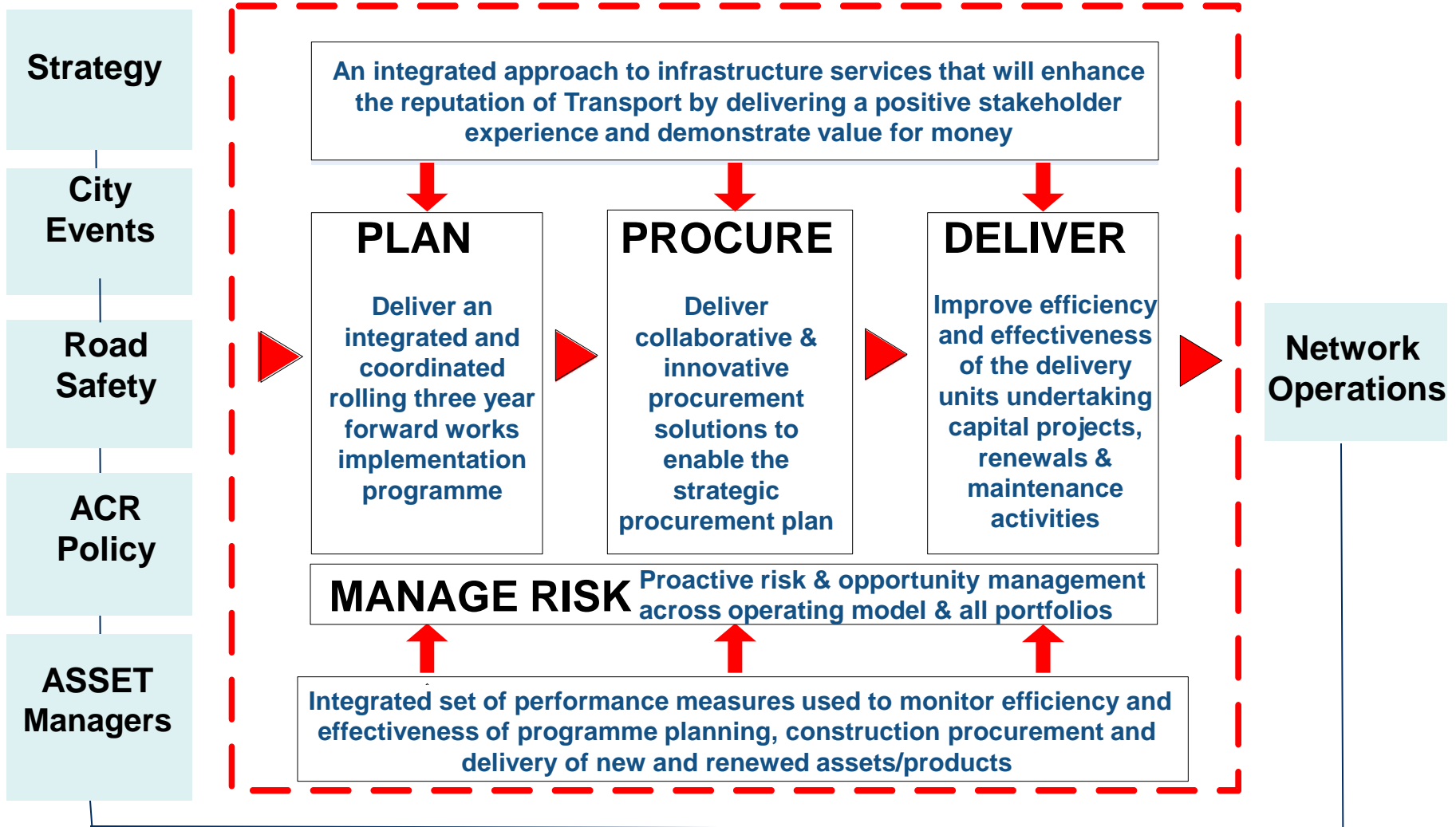


PROJECT RISK



INDICATIVE VALUE

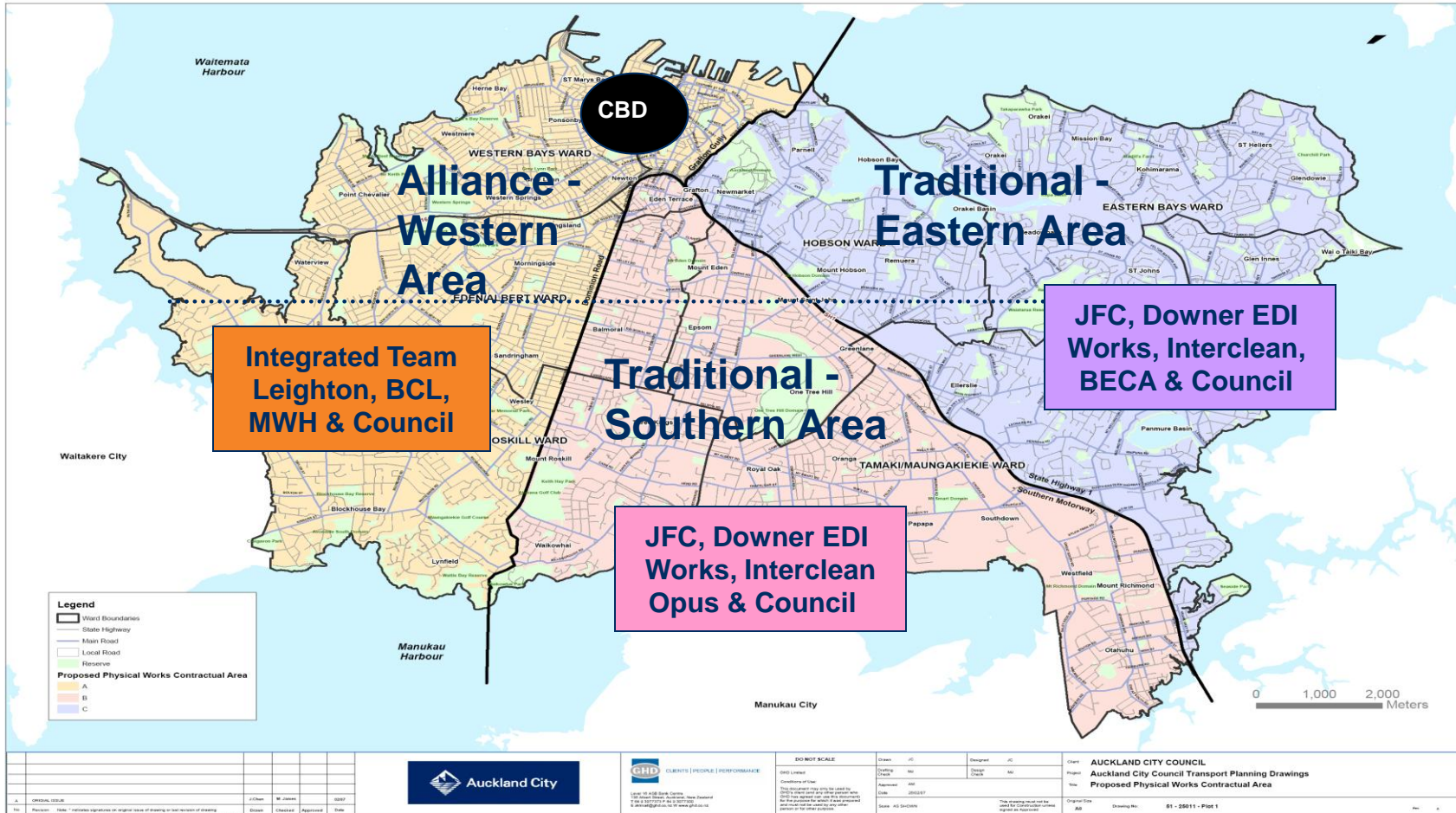
Operating model - infrastructure delivery



Asset Intelligence Feedback Loop



Transforming service delivery



- Increased competition for supply – change from two to three contract areas
- Improved design integration - designer aligned to contract area for all asset types
- Improved delivery integration - area based renewals and safety improvements

Transforming service delivery - results



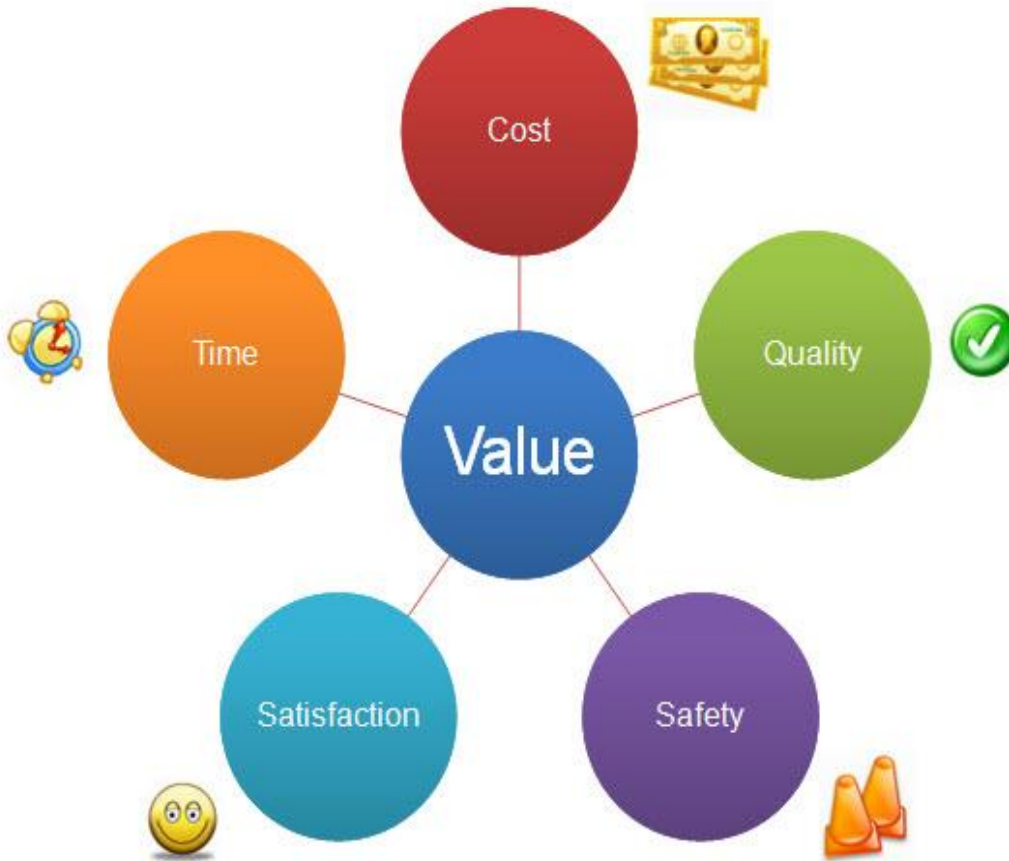
3 year change plan

June 07

June 10

• Customer Service Compliance	<80%	>95%
• Programme Delivery	80% x \$85m	>100% x \$130m
• Cost to Serve	>12%	<5%
• Work done outside Transport	0%	>20%
• Efficiency gains per year	<\$1m	>\$15m
• Annual JRA staff engagement	<25%	>60%

Performance measurement - framework



- KPIs introduced into new contracts from July 09 onwards
- As at June 2010, performance across all suppliers and KPIs has seen an increase of >5%
- Creates a platform for 10/11 and beyond!

Performance measurement – process



- Handbook
- Meetings
- Supply Chain Club
- Strategies



**Driving the
right
behaviours to
achieve a
culture of
continuous
improvement!**



Getting value from your supply chain



- Value – define what it means for you
- Plan – know quantum and project services you need
- Risk – quantify and select optimum delivery strategy
- Procure – select arrangements to mitigate your risk
- Deliver – drive win/win relationships & behaviours
- Performance – cost & non-cost with periodic review
- Risk & opportunity – embed as part of your culture

Questions?

