

Selecting the Right Delivery Model

Focusing the enquiry

Craig Turner



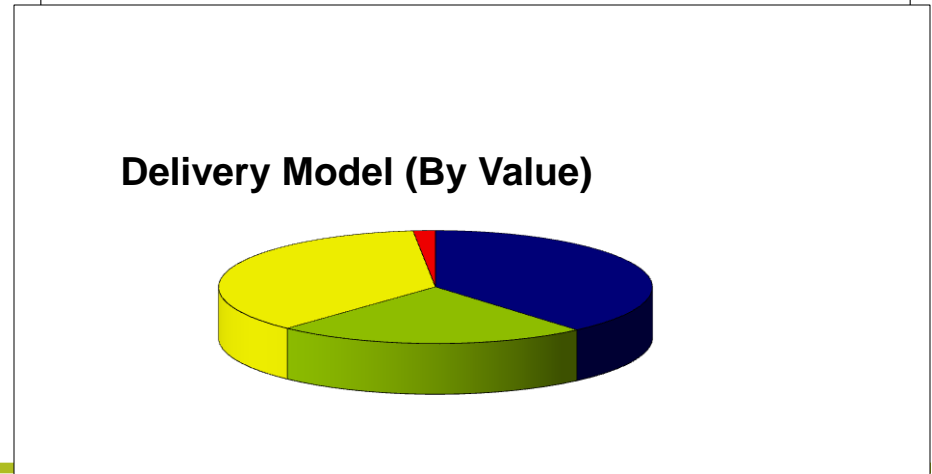
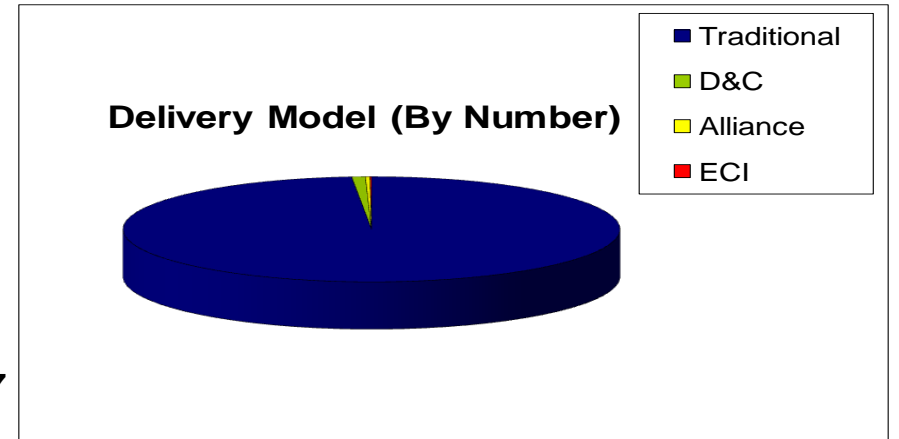
I WILL COVER...

- ✓ The current suite of delivery options
- ✓ Our portfolio procurement strategy
- ✓ Our approach to delivery model selection
- ✓ Alignment with Suppliers

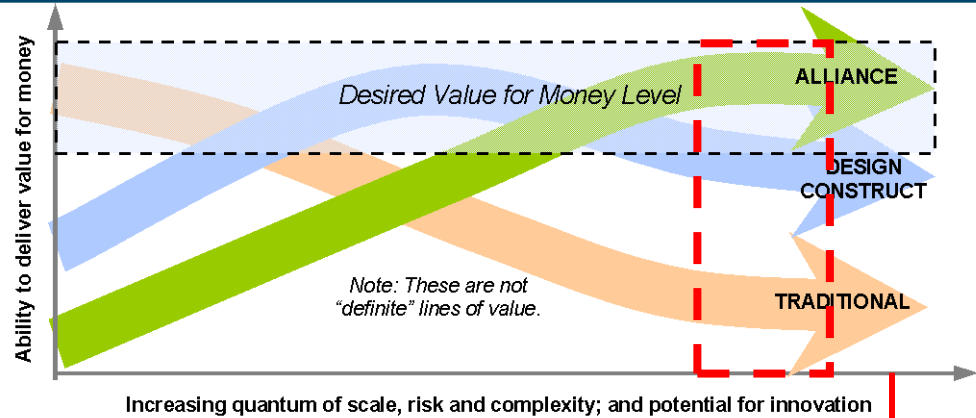
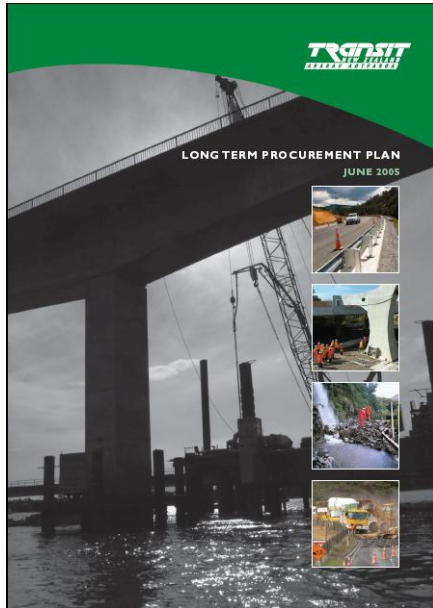


WHAT ARE THE DELIVERY OPTIONS?

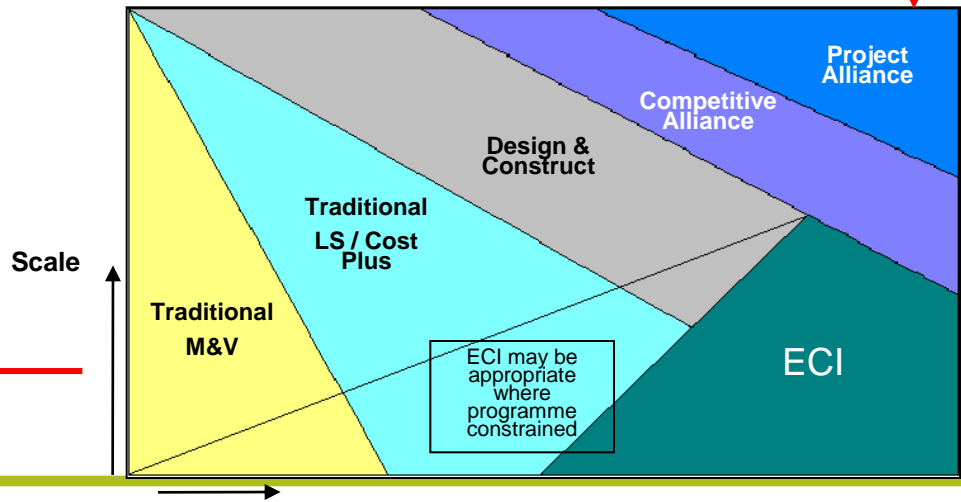
- Increasing number of delivery options
 - ✓ **Traditional**
 - ✓ **Design Construct** – since 2001
 - ✓ **Pure Alliance** – since 2001
 - ✓ **ECI** – since 2006
 - ✓ **Competitive Alliance** – since 2007
 - ✓ **PPP** –2012
- Increasing complexity
- Which delivers best value for money?



PORTFOLIO PROCUREMENT STRATEGY



The NZTA's Procurement Strategy – 2010



Complexity, Risk, Potential for Innovation, Flexibility required, Client Involvement, Supply Vs Demand, Programme constraint

PORTFOLIO PROCUREMENT STRATEGY

What are the key principles?

- Delivery models developed with a consistent set of selection criteria
- Procurement to consider market impacts
- Maintain diversity in available delivery models to:
 - ✓ Enhance supplier selection possibilities
 - ✓ Learn different lessons from each model
 - ✓ Avoid the manipulation of a single process
- Specific project objectives to be considered in delivery model selection

DELIVERY MODEL SELECTION

Project Specific Characteristics

- Technical challenges
- Time Constraints
- Stakeholders
- Statutory requirements
- Market Conditions

Delivery Model Characteristics

- Risk Allocation
- Commercial tension
- Incentive to perform / innovate
- Administrative effort
- Procurement Timeframes



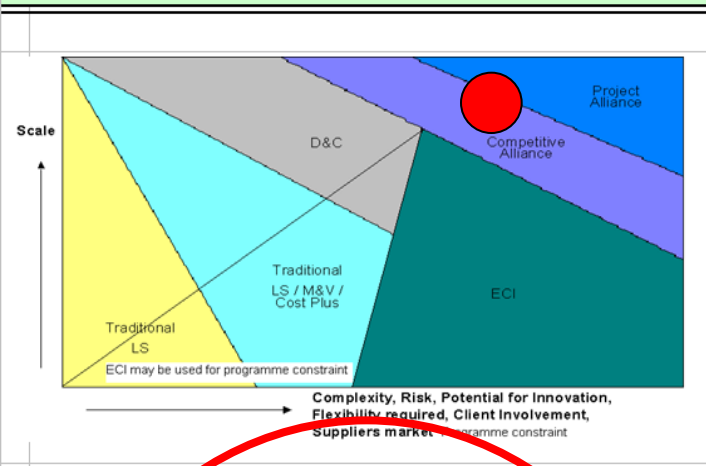
DELIVERY MODEL SELECTION

➤ 10 Generic Factors

- ✓ Scale
- ✓ Complexity / Scope for Innovation
- ✓ Programme Constraint
- ✓ Market Conditions
- ✓ Risk
- ✓ Stakeholders
- ✓ Client Involvement
- ✓ Focus on non-cost areas
- ✓ Tangible demonstration of value for money
- ✓ Flexibility to deal with change



Delivery Model Selection Matrix Manukau Harbour Crossing




Rating	Weighting	Comment
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Model Rating (out of 5)							
Traditional M&V	Traditional LS	Traditional Cost Plus	D&C	ECI (LS)	ECI (Prog)	Competitive Alliance	Project Alliance

1	Scale	Estimated \$100M	5%	Expected Project Estimate Over \$250M	1	2	1	5	1	1	5	5
					0.05	0.1	0.05	0.25	0.05	0.05	0.25	0.25
2	Complexity / Scope for innovation	Moderate	5%	Complex interchange and budget duplication	3	2.5	3	3	3	3.5	3	3
					0.15	0.125	0.15	0.15	0.15	0.175	0.15	0.15
3	Programme constraint	Constrained	20%	Tight delivery timeframe - completion required by mid 2011	2	1	2	3	4	5	4	4
					0.4	0.2	0.4	0.6	0.8	1	0.8	0.8
4	Market conditions	Moderate	15%	Current tight market conditions. Likely to ease over the construction period.	3	3	4	3	2.5	3	3	3
					0.45	0.45	0.6	0.45	0.375	0.45	0.45	0.45
5	Risk	High	10%	Some significant technical issues.	1	3	3	4	4	4	5	5
					0.1	0.3	0.3	0.4	0.4	0.4	0.5	0.5
6	Stakeholders	Many	5%	Numerous stakeholder and consenting issues	2	2	2	2	4	4	5	5
					0.1	0.1	0.1	0.1	0.2	0.2	0.25	0.25
	Client involvement, control, capability and availability	Moderate	5%	Some resource issues, but desire reasonable level of client involvement and skill development	3	3	3	3	3	2.5	3	3
					0.15	0.15	0.15	0.15	0.15	0.125	0.15	0.15
8	Focus on non-cost success	High	10%	Highly visible infrastructure. Marine environment. Diverse group of end users.	2	3	2	3	4	4	5	5
					0.2	0.3	0.2	0.3	0.4	0.4	0.5	0.5
9	Tangible demonstration of value for money	High	15%	Significant political pressures on the demonstration of value for money	4	4	2	5	2	2	4	1
					0.6	0.6	0.3	0.75	0.3	0.3	0.6	0.15
10	Flexibility to deal with change	High	10%	Incomplete statutory processes likely to necessitate scheme re-scoping	3	1	5	1	5	5	4	5
					0.3	0.1	0.5	0.1	0.5	0.5	0.4	0.5

OVERALL RATING TOTAL					2.50	2.45	2.75	3.25	3.33	3.60	4.05	3.70
OVERALL RANK					7	8	6	5	4	3	1	2

PROJECT PROCUREMENT STRATEGIES



NZ TRANSPORT AGENCY
WAKA KOTAHI

Large Project Stage 1* Procurement Strategy
<<insert project name>>

1 Purpose

The purpose of this Stage 1 Procurement Strategy is to:

- document the key considerations made in the selection of a delivery model for the <<insert project name>> project; and
- confirm the high level details in the approach to be taken to procurement.

2 Background

2.1 Description

<<List the high level objectives of the project, its key features, and the major scope items>>

<<Note the latest project outturn cost estimate and the allocation for the D phase>>

<<Summarise the key programme dates, or attach the most recent Risk Adjusted Programme, based on the selected delivery model>>

2.2 Status

<<Include a brief description of the status of critical aspects of the project such as: funding, statutory approvals, property acquisition, consultation, investigations including geotechnical data, Scheme Assessment, etc.>>

2.3 Large Projects Portfolio

<<Describe the tie-in with other projects due for tender / construction during the same period, including where possible consideration of both internal and external projects, at both a regional, and national level, if there are likely to be any capacity constraints etc>>

<<Include consideration of the expected tenderers for the respective PS and PW tenders>>

3 Key Project Characteristics and Risks

The following project characteristics or risks have been identified as key to the decision on the most appropriate procurement model:

<<insert project name>>
* Stage 1 Procurement Strategy: to be completed prior to the tender of the D&PD phase.

Page 1 of 3, 22/09/2008

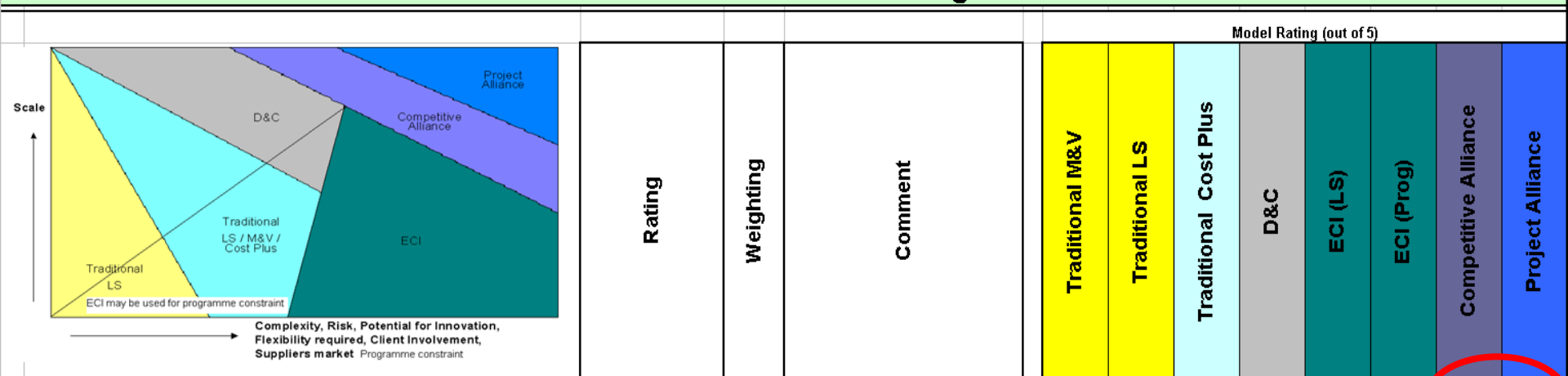
➤ Project Procurement Strategies for all large projects (>\$4M)

✓ Selection Matrix used as a rough sorting tool

➤ Regional Procurement Strategies for Block Programmes (<\$4M)

➤ Empirical approach taken

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			3	1	5	1	5	5	4	5
			0.3	0.1	0.5	0.1	0.5	0.5	0.4	0.5

OVERALL RATING TOTAL	2.50	2.43	2.75	3.25	3.33	3.60	4.05	3.70
OVERALL RANK	7	8	6	5	4	3	1	2

Alignment With Suppliers

➤ Macro Level

- ✓ National Land Transport Programme
- ✓ Spending Allocations on Improvement and Maintenance Activities
- ✓ Quarterly Liaison Events
- ✓ Global Procurement Strategies

Alignment With Suppliers

➤ Project Level

- ✓ Statement of Interest and Ability
- ✓ Interactive Tendering
- ✓ Certificate A
- ✓ Variation benchmarking