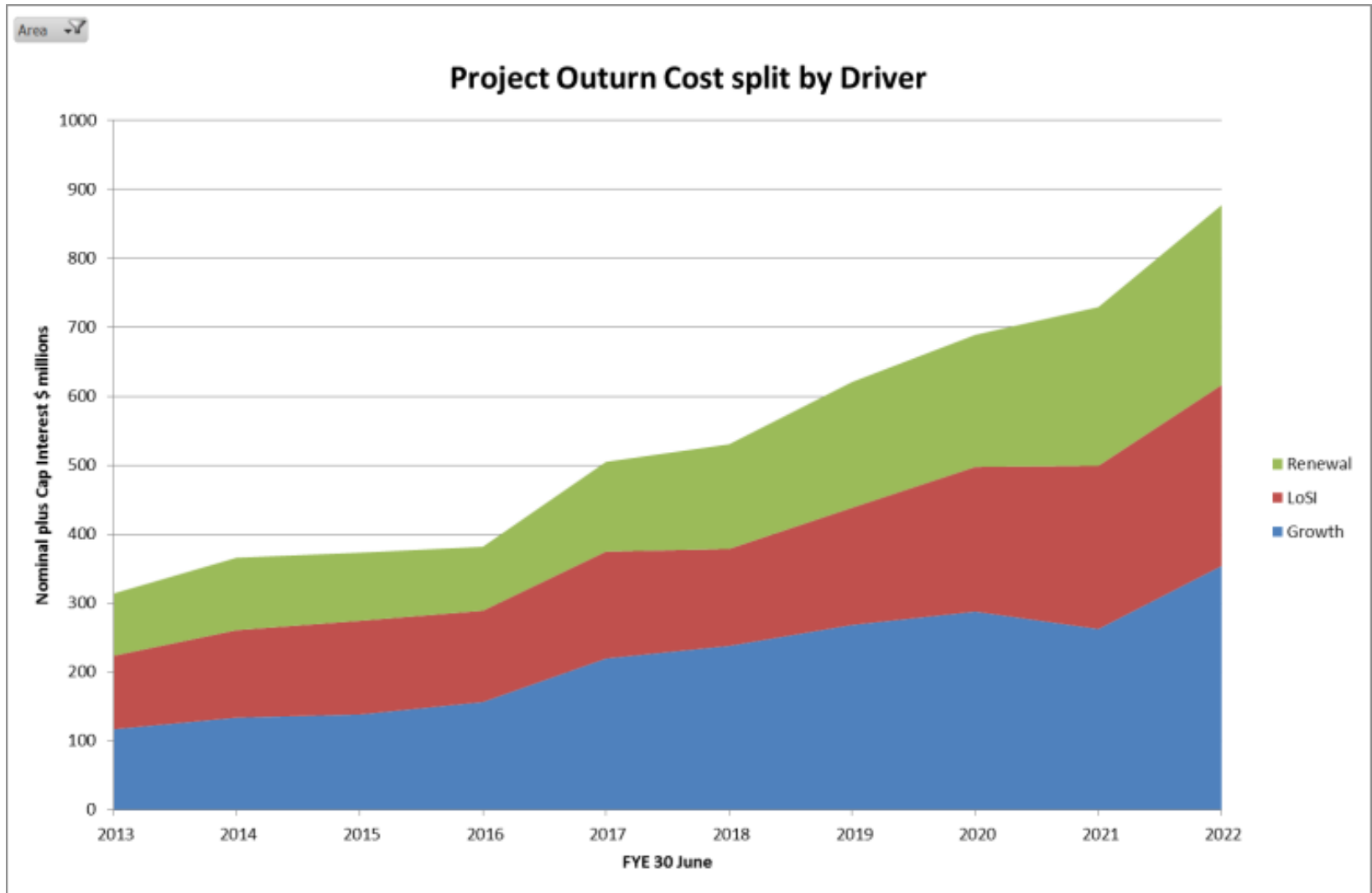


WATERCARE SERVICES

PROCUREMENT OF PRINCIPAL ENGINEERING ADVISORS for Major Projects

Tim Munro

Increasing Capital Expenditure Portfolio



Increasing Portfolio

- Increasing total portfolio expenditure
- Increasing value of individual projects
 - Due to:
 - Expanded operations as part of integration
 - Higher growth forecasts
 - Higher levels of service (quality, reliability, environmental)
 - Ageing infrastructure (significant expansion in 50s/60s)
- Prior to Integration (2010)
 - 1 - 2 projects >\$100M at any one time
- Currently
 - 6 projects >\$100M
 - Largest project \$950M

Principal Engineering Advisor selection

- 5 Major projects required engagement of Principal Engineering Advisors (PEAs) over similar period
 - Projects
 - At different stages
 - Different disciplines (water / wastewater, pipes / tunnels / process plant)
 - Could see benefits of grouping into one process
- Main considerations:
 - Solicit strongest bids
 - Competitive pricing
 - Optimise efficiency of PEA engagement process for;
 - Watercare
 - Consultancies
 - Consistent assessment methodology
 - Feedback to PEAs for subsequent submissions
 - Probity

PEA Procurement Process

- Three stage process
 - Expression of Interest (EOI)
 - Pre-qualification (non price attributes only)
 - Competitive Tenders (mainly priced attributes)
- Full procurement process documented prior to commencement
- Evaluation criteria
 - Generic criteria
 - Project specific
- Strict probity requirements
 - Conflict of interest register
 - Contact register
 - Secure evaluation room and electronic storage
 - External Probity Auditor

Expression of Interest

- Advertised on Tender Link and NZ Herald
- Substantial block of work
- Most EOIs groups of significant NZ / Overseas consultancies
- A couple of sole practitioner or small consultancies
 - Discussed size of projects / strength with them
 - Agreed unlikely to win a bid and to not be taken forward to next stage
- Self grouping meant only 3 to 5 EOIs / project

Pre-Qualification

- Aim to prequalify 3 (+/-1) PEAs per project
- Where only 3 ROIs direct to competitive tender phase
- Project specific documentation, inc. evaluation criteria
- Evaluation Team members from across business
 - Planning
 - Major Projects
 - Operations
 - Specialist areas (Consenting, Risk, H&S etc.)
- Pre-qualification process
 - Detailed submissions
 - First evaluation
 - Presentation
 - Review evaluation
 - Challenge Team consisting of Senior Managers
 - Executive approval
- Number of PEAs taken to competitive tendering varied some projects 3 others 2
- Feedback to unsuccessful PEAs

Competitive Tendering

- Detailed scope of work
- Conditions of Contract (align with conditions for construction contract)
- Evaluation mainly price (except if skipped pre-qual)
- Tendering Process
 - Detailed priced submissions
 - Initial evaluation
 - Presentations where skipped pre-qual phase
 - Review evaluation
 - Challenge Team consisting of Senior Managers
 - Executive approval
- Bids received considered of high quality and very competitive

Comments

- Process developed very keen interest from PEAs
 - Substantial enough block of work to interest overseas partners / parent companies
 - Consultancies grouped themselves
 - Groupings varied widely and tailored for different projects
- Groupings
 - considerably strengthened teams over single consultancies
 - Reduced tendering and evaluation costs
 - Maintained competition
- Efficiency gains from one process for 5 major projects
- Due to high visibility easy to maintain probity
- Initial concern one PEA may be top for all projects
- Better outcome than if undertaken individually
- Positive feedback from PEAs