

Auckland's Procurement Programme

Annual Update Event
1st April 2014

Auckland's Procurement Programme



Introductions and Agenda

Dean Kimpton

Auckland Council COO and Forum Chair

Auckland's Procurement Programme



The Forward Work Programme

*Report No.4
Annual Data Review and Discussion*

**Tim Warren
CE – NZ Ltd.**



Auckland's Procurement Programme



Report No. 4

Auckland's Procurement Programme

Report No. 5

- trade division expenditure,
- comparing historic spend profiles and planned expenditure,
- new annual spend profile.

Alignment with:

- Occupation model,
- National Pipeline Report
- Christchurch Forum's Report,
- a review of alignment with the National Infrastructure Unit (NIU) data,

and

- a geospatial model (GIS) model
- wider industry expenditure data derived from industry specialist sources,
- proposed/committed expenditure for the same quarter.

What have the first four Reports told us?

- To date the public sector spending profile is flat, whilst private sector work has been depressed.
- Expenditure capping
- Modal Shift
- A number of organisations have set local “zero” construction budgets

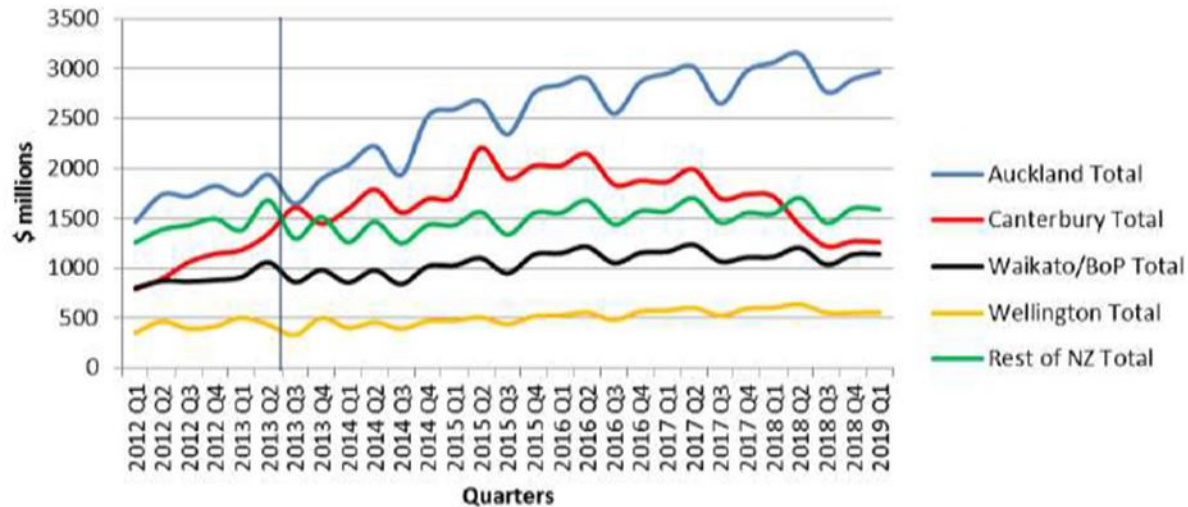
Trends

What can trend analysis tell us?

Medium Term – around five years

- Overview
- Local Authority
- Shifting Focus for Auckland

Figure 2.3 Value of all building and construction by region (by quarter)⁶



Source: Pacifecon / BRANZ

What can trend analysis tell us for Auckland?

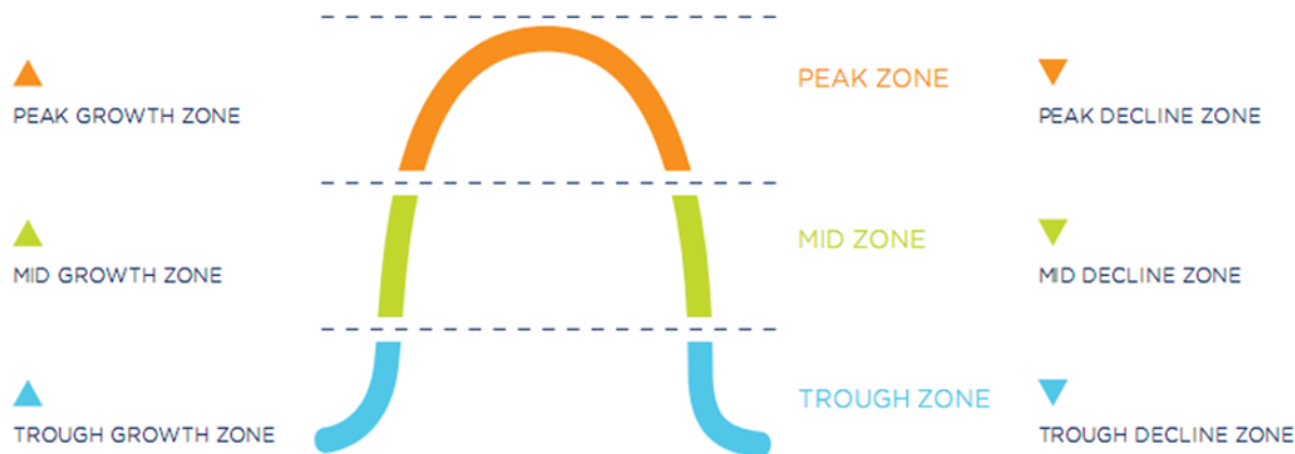
Longer term – six years and after

- The prospective “boom bust” cycle will tail off, although it presently looks like being longer than the last at around 6 years in duration.

Impacts of Boom Bust

Boom Bust Hypothesis

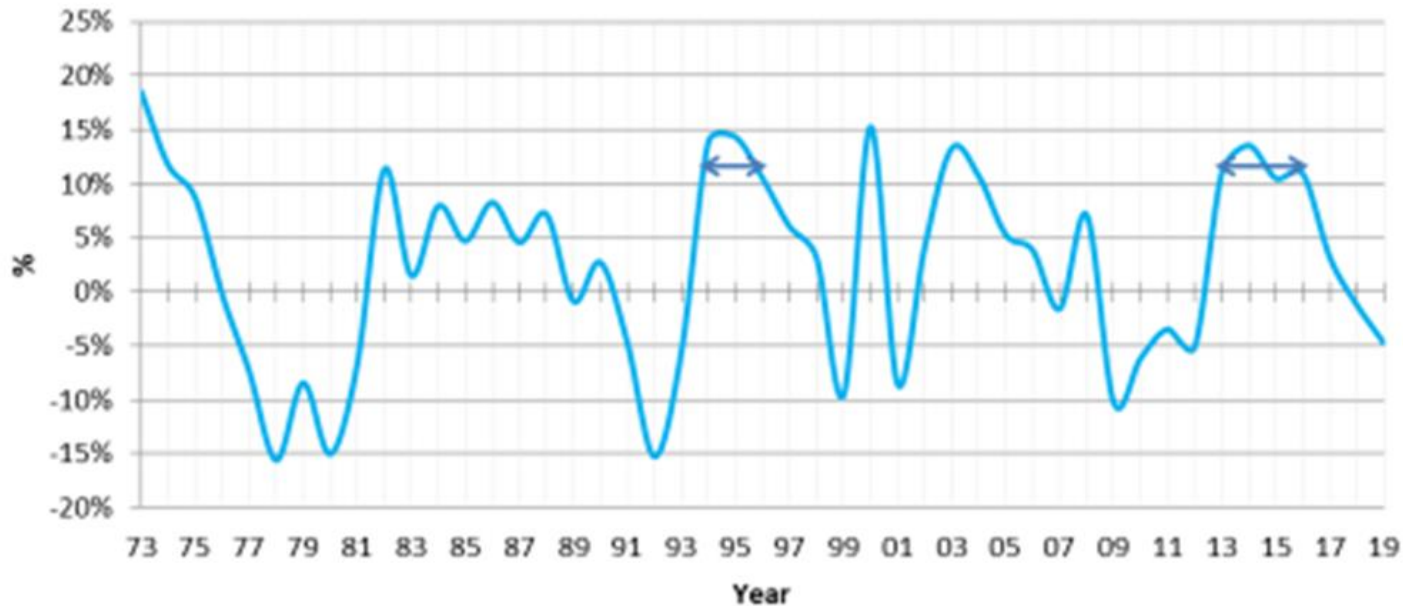
CONSTRUCTION MARKET ACTIVITY CYCLE MODEL



Location	Houses	Apartments	Offices	Industrial	Retail	Hotel	Civil
Auckland	▲	▲	▲	▲	▲	▼	▲
Christchurch	▲	▲	▲	▲	▲	▲	▲
Sydney	▼	▲	▲	▼	▲	▼	▼
Wellington	▲	▲	▼	▲	▼	▼	▲

Impacts of Boom Bust

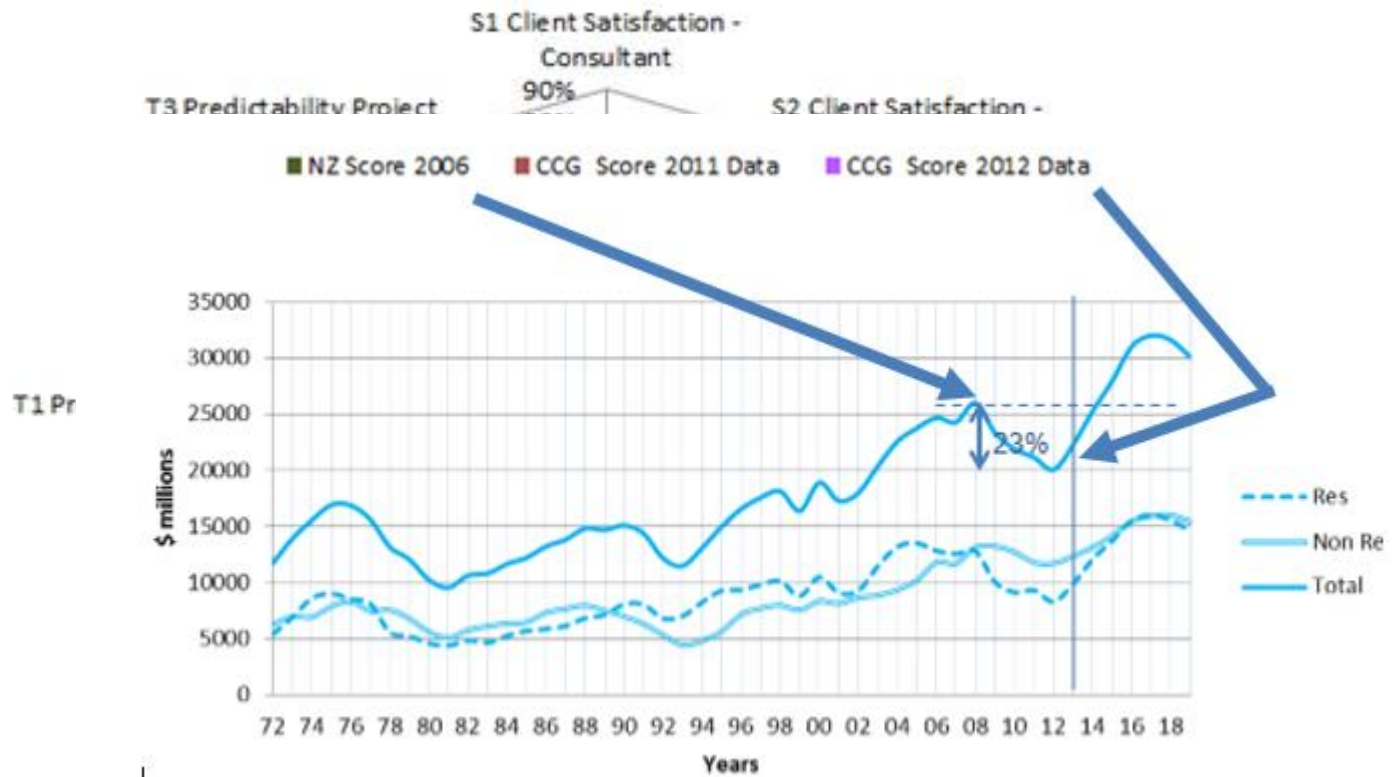
**National rate of construction growth –
historically maxed at 10% pa for 2 years –
forecasting 4 years at 10%+**



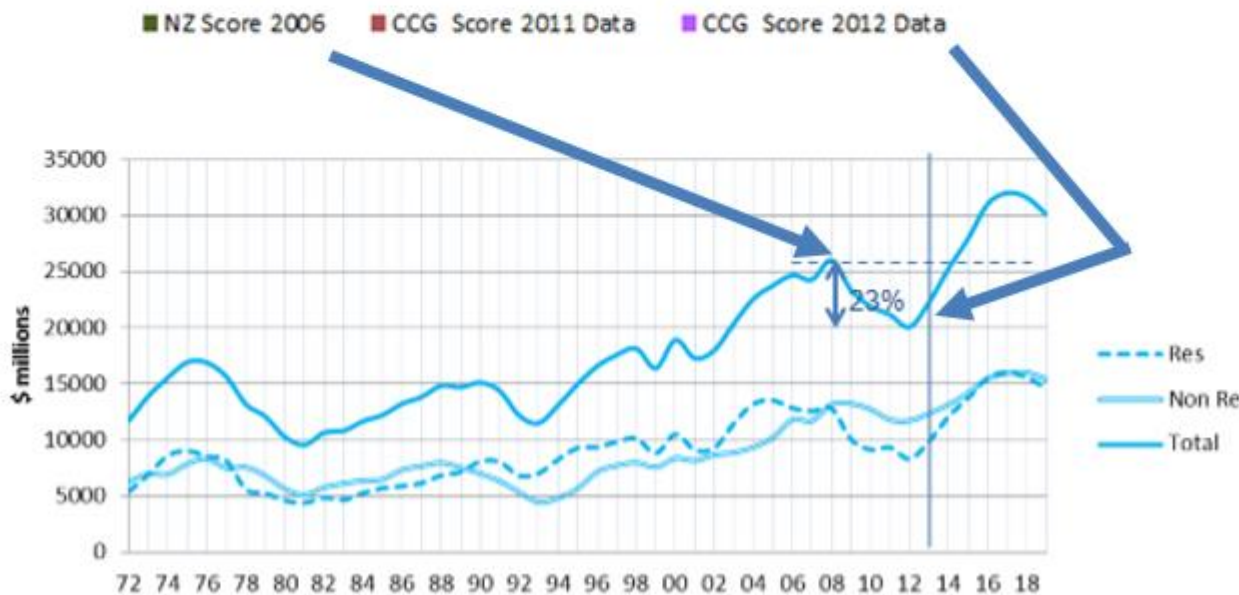
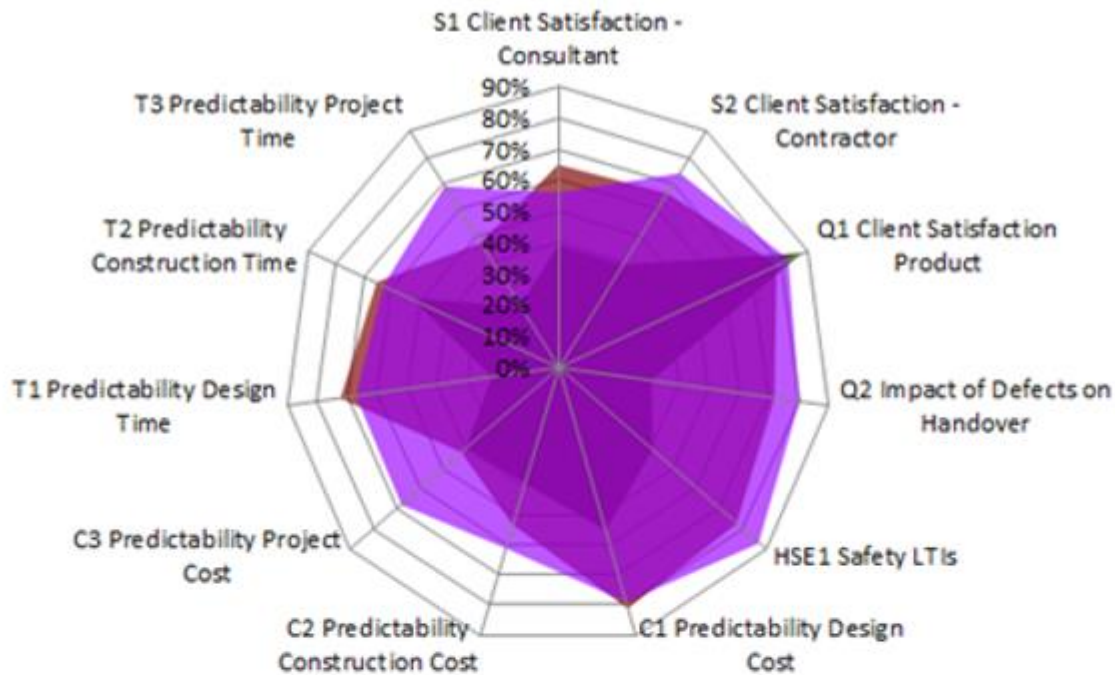
Impacts of Boom Bust

NZ Industry Results – 2006, 2011, 2012

% Projects Scoring...



E



Nationally

What has been gleaned from the wider picture?

- Chch's 15%
- The Private Sector
- Housing – the elephant in room

Looking Forward



Auckland's Forward Work Programme



Auckland Construction & Infrastructure Occupation Outlook

Heather Stonyer

Auckland's Forward Work Programme

Panel Review

John Schermbrucker, Delivery and Development
Manager – IES,
Ken Woof - Akl. Property,
Chris Morgan – AT,
Tom Newson – NZTA,
Dirk De Jong – Vector,
Tim Munro – Watercare,
Chris Haines – RLB.

Special Housing Agreement Update

Alan McGregor
Manager SHA Masterplanning,

Procurement Working Group



7th Nov. Procurement Working Group & 27th Nov. Industry Event

Sarah Sinclair – Chief Engineer, Auckland Council
Tim Munro – Manager, Major Projects - Watercare

Structure of the Auckland Group

Auckland Forum's new Structure & Supply Chain
Involvement

Dean Kimpton, Chief Operating Officer, Auckland Council

Dr Roger Blakeley – Chief Planning Officer, Auckland
Council

Achieving Auckland's Goals through Client Involvement



Dean Kimpton,
Chief Operating Officer, Auckland Council

Next Steps

Actions and Outcomes

Dean Kimpton,
Chief Operating Officer, Auckland Council

Close

Auckland Housing Accord – the new opportunities



- Council identifies Special Housing Areas; Unitary Plan applies immediately
- Optimise infrastructure investment
- Coordinate infrastructure delivery in the same place, at the same time
- Fast-track consenting & approvals, including for associated infrastructure

What's happening now



- **11SHAs now legal entities**
- **11 more in second batch recommended to the Minister (announce pre-Xmas)**
- **Third batch: likely to be fewer, and larger (April 2014)**

What's happening now



- **4198 new dwellings consented 2011/12; 26% more consented in 2012/13**
- **Increase in apartment buildings being consented**
- **Subdividers active**
- **SHAs allow adaptation to market change**

Auckland Housing Forum Update

Graham Wood,
CIO, Watercare



Special Housing Areas Working Together

- Collaborated on a long list of proposed SHA's
- Tranche 1 released with full support of Watercare
- No issues on the second tranche
- Represent 25+ areas that can progress
- Clearly future SHA's may provide challenges

Special Housing Areas

What do we need?

- Time to plan and provide strategic overlay
- Develop individual solutions
- Allow for the consenting process – for our assets
- Time to build solutions – ideally just in time!
 - reflecting staged development

Special Housing Areas

Key Growth Challenges

- Servicing growth in locations where existing infrastructure is near or at capacity
 - Prioritise growth in areas with spare capacity
- Expanding system capacity in multiple locations concurrently
 - Regional development strategy which identifies and sequences growth areas over time based on infrastructure servicing capability
- Accommodating increases in intensification once infrastructure design is complete and construction is underway
 - Area structure plans which clearly define the allowable level of development – and not changed after approval

Auckland Housing Forum Update

**Dirk De Jong,
Group Supply Chain Manager, Vector**

The Big Question



How will we ensure effective infrastructure is in place to meet the needs of a rapidly growing, changing city whilst maintaining value to Vector shareholders!?

There is only one cheque book



- All infrastructure providers in Auckland have expansion plans
- All of which will need to be funded from one economic base
- Priorities:
 - Value-for-money
 - Innovation
 - Co-ordination



Build programme

- From approval to commissioning
~ 18 months
- If all long lead-time equipment is
pre-ordered the project time
would be halved
- Priorities:
 - Finding the right site
 - Standardisation of
methodology
 - Control of supplier pool
 - Financial recovery



Challenges

- Pre-Qualification of suppliers – consistency across the Principles
- Impose higher level of responsibility on 3rd party service providers:
 - Civil works
 - Consultancy
 - Electrical works



Auckland's Procurement Programme



Akl. Council On line Consenting Initiative

Implementing the Roll Out and the national context

Ian McCormick, Manager Building Control

Auckland's Procurement Programme



**PROACTIVE ENGAGEMENT OF AUCKLAND'S
BUILDING AND CONSTRUCTION INDUSTRY**

**Reducing Boom Bust, Raising Productivity and
Increasing Value**

Coffee Break 09:30 Hrs. – 10:00 Hrs.

Auckland's Procurement Programme

**Annual Industry Event
The Forum's Work + Workstream Reports**

**Dr Kevin Doherty
NZTA**

Overview – The Auckland Forum



-
- The **heart of the Programme**, with a three to five year plan to drive for more efficient procurement and project delivery working practises.
 - It aims to **contribute significantly** to improving construction industry productivity by 2020.
 - Working with a **wide range of stakeholders**, the Partnership is acting to bring this idea into reality through the Auckland Procurement Forum
 - Launched by **Minister Williamson and Auckland Mayor Len Brown** on 5th March 2012.

Current Forum Members and associated Client Orgs.



Endorsement and support:



The Forum – Looking Forward:

Looking forward :

We are:

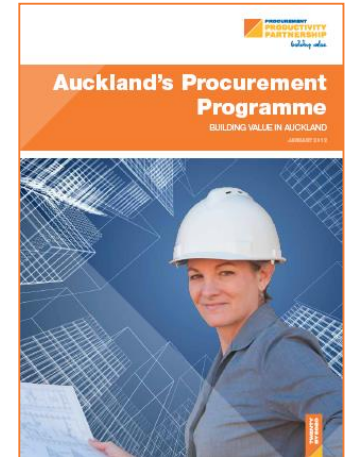
- Finishing our second year,
- Third Industry Event,

And now:

- in the delivery phase,
- beginning to deliver the expected outcomes,

Looking to:

- broaden the Membership base,
- engage the supply side ,
- ask you to “step up” and demonstrate what they can bring to the Forum.



The Forum's Work

The Auckland Procurement Programme 's four Workstreams:


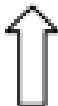

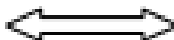


1. Presenting Aucklands' Fwd Work Programme,
2. Raising efficiency through a modern Consenting process, lifting Client Skills and investment appropriate new Technologies,
3. Driving waste from Procurement,
4. Engagement with industry.

The Forum will create real value for the supply side through the Workstreams:

Workstream 1 Report No.4

Goal	KRA	KPI	Threshold	"Traffic Light" score	Movement since last period	Comment	
Improve industries ability to develop reliable business plans through access to improve fwd spend data for the region.	1 – Provides useful, timely and robust data.	Completeness/accuracy			↔	On track	
		Extent/breadth across Client groups	20 Clients = Done. Private Sector Clients		↑	Need to broaden for next Report No.4	
		Pertinence for/to audience	Connection to historic trends		↓	StatsNZ data included – but difficult to connect into Report No.4	
			Inclusion of Chch data				
		Industry sectors added			↔		
	GIS Spatial format				Planned for Report No.4		
	2 – Is used by industry.	Presented to industry	Event attendance > 120			↓	Need to get the invites out
		Copies printed/ E mailed	>150			↔	Circulation needs to verified
		Number of organisations using info. Inside business	TBC				Needs survey

Workstream 3 - Procurement

Goal	KRA	KPI	Threshold	"Traffic Light" score	Movement since last period	Comment
Alignment + Unification of Client procurement process	Implement "Top 5" systems+ practises to align and unify towards better practices. e.g. ECI, Pre-qual, Panels or aggregated procurement.					On programme for 7 th Nov. event
	Reducing the cost of doing (\$+time + resources) business for supply chain					To follow
	Reducing the cost of doing (\$+time + resources) business for clients					To follow

Work Stream No.1 – Report No.4

Tom Newson
NZTA

Workstream No.1 - Report No. 4

What you will hear today

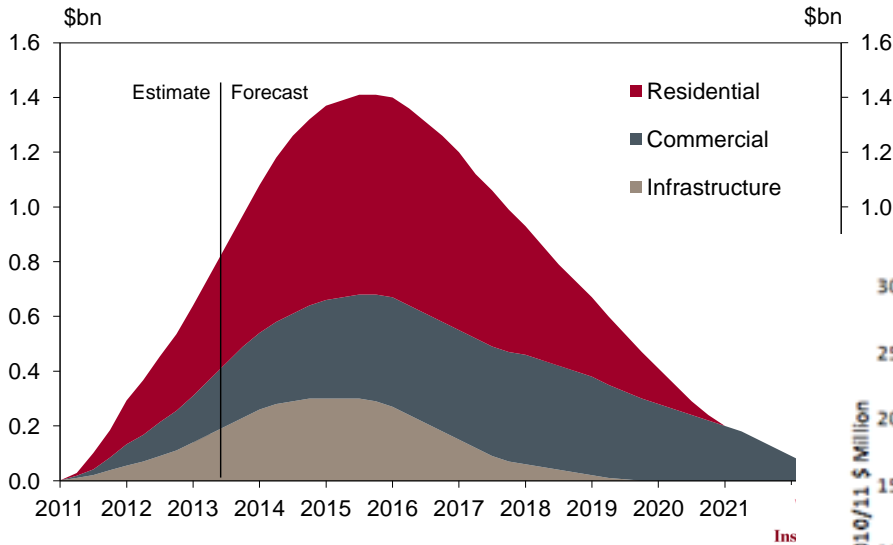
Overview

- “The Wall of Work” for NZ and Akl. – Tom Newson,
- The Fwd Work Programme – Report No.4,
Data and commentary – Tim Warren.

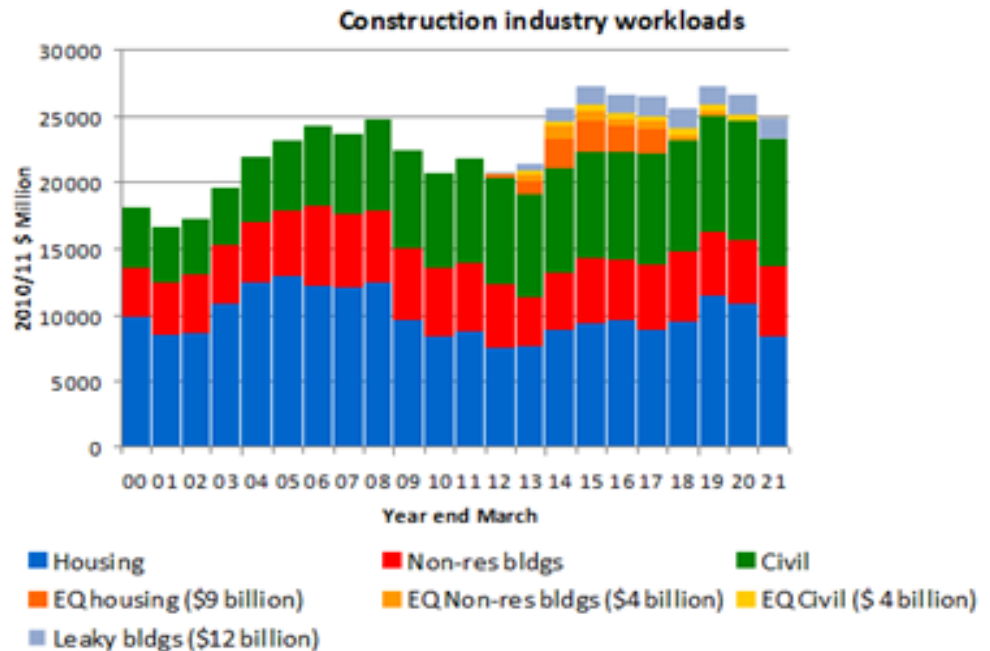
The Wall of Work

Figure No.1 A and B

Fig. 1A - Quake-related construction activity in Canterbury (in 2012 dollars)



- Estimated \$33bn of quake-related work
- Repairs and rebuild spend estimated \$800m a quarter



Workstream No.1 – Report No. 4

Purpose

- Industry Partners tool for better business planning
- Provide transparency on the “Pipeline” of projects (Strategic Investment).

Format

- 20 + Clients with 3 years of forward planned expenditure
- Aligned with Statistics NZ report
- Covers public sector , SOE’s and some private sector Clients
- V. & H. non residential data - Akl. wide.

Caveats

- Not a guarantee of spend – “best on the day”,
- Complex and “due process” with the Forum,
- Totals only, with “trends” and “trade sector splits” to follow.



Workstream No.1 – Report No. 4 Overview

Total Spend

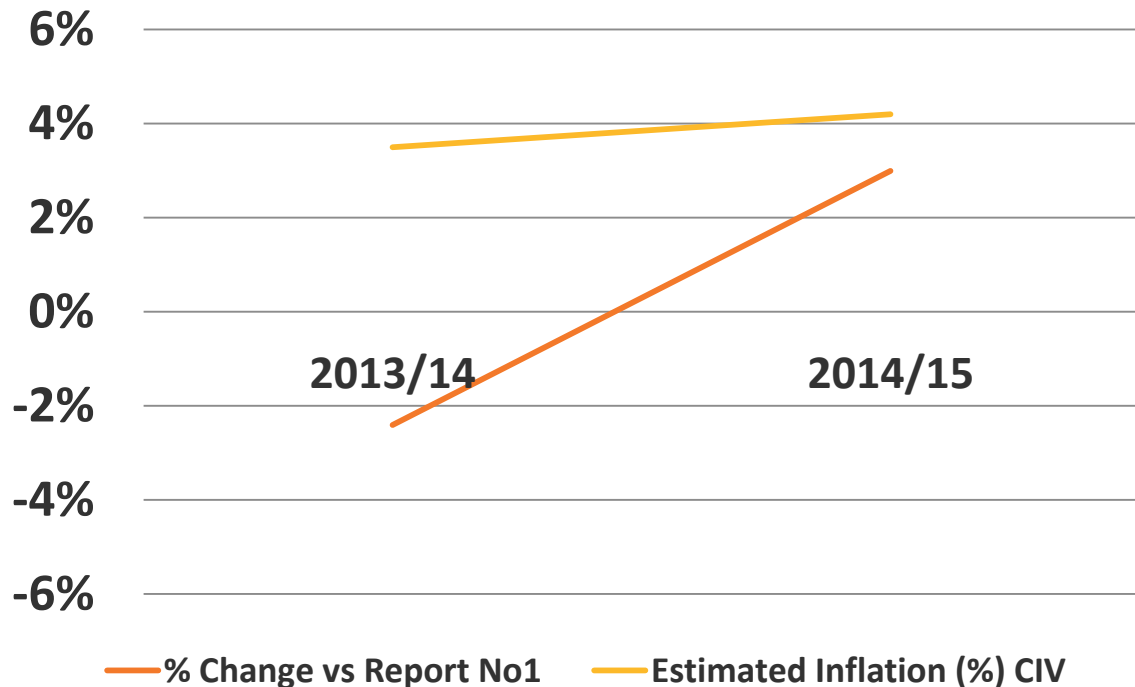
Report No.4 \$M	2013/14 TOTAL	2014/15 TOTAL	2015/16 TOTAL	3 YEAR TOTAL
Horizontal Spend	1,948	1,802	1,681	5,431
Vertical Spend	379	723	529	1,632
Industry Spend	2,328	2,524	2,210	7,062

Change in spending

“like for like”

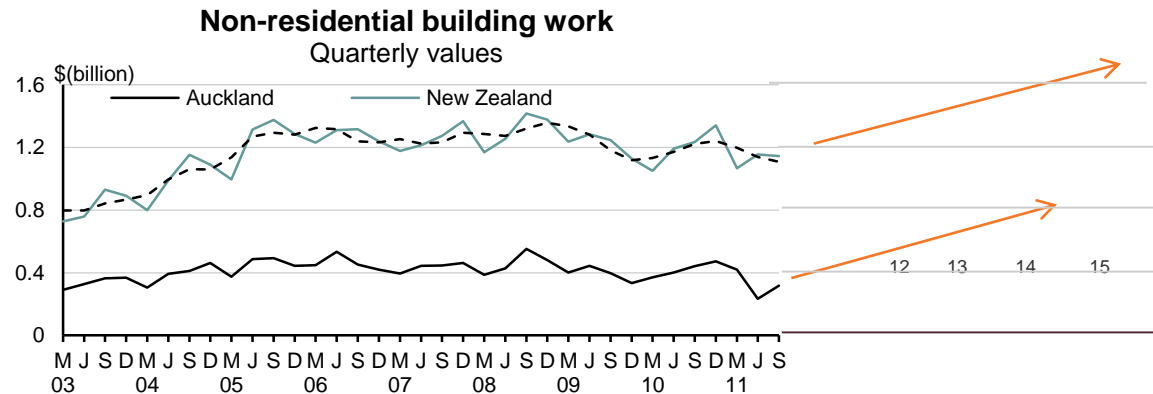
3 Points:

- The Wall of Work,
- Over promising
- Year 3 scatter



Workstream No.1 – Report No.4

Where Next



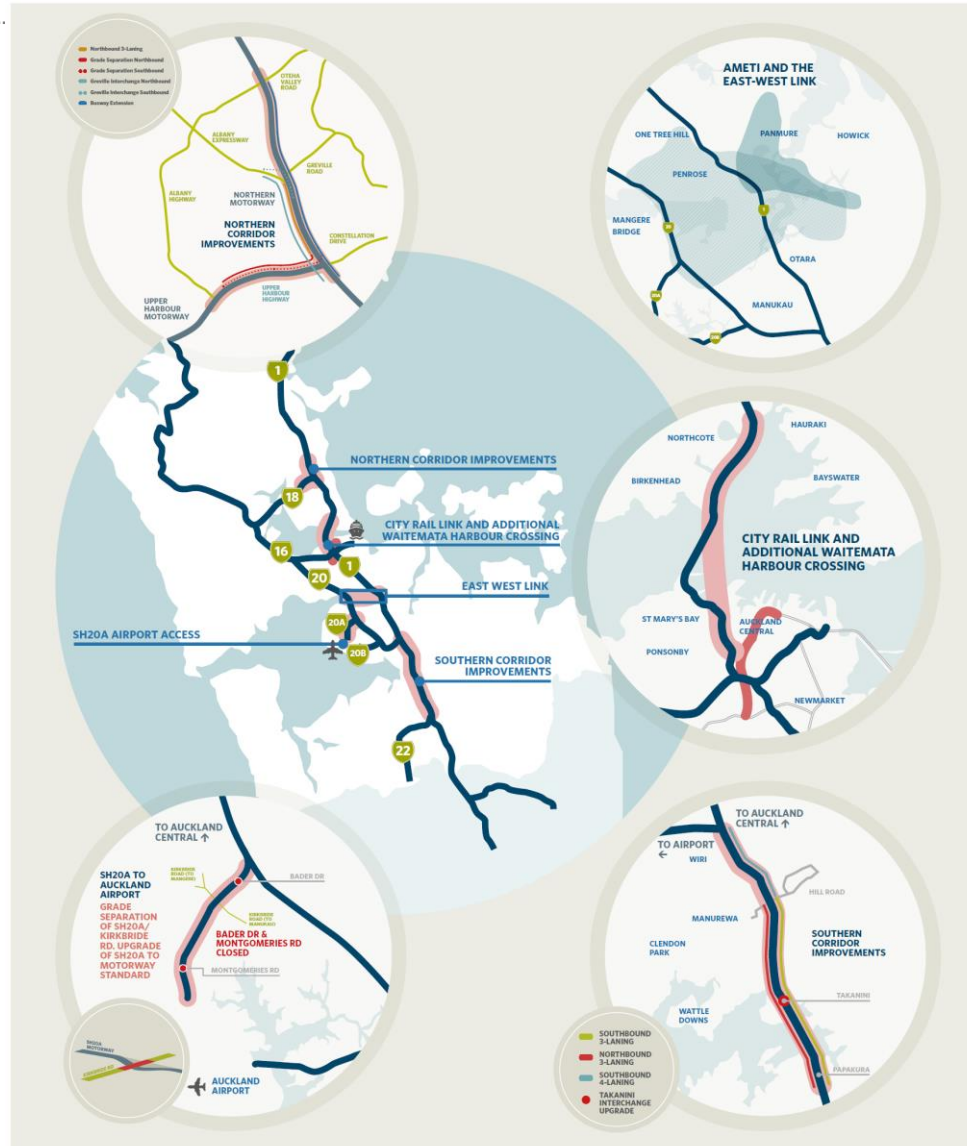
Source: Statistics New Zealand

- GIS – like AT and CERA,
- Connect to the National and Chch Fwd Wk Programmes,
- More Supply Side/Trade details,
- Tracking trends and ‘actual v’s reality’ ,
- Calculating work creation by supply chain sector – FTE demand.

Transport Package

GROWING AUCKLAND & CONNECTING NEW ZEALAND

- Existing Akl. pipeline
- ↑ Canterbury quake pipeline
- ↑ Transport related package
- ↑ Housing Accord



The Procurement Workstream



Procurement Working Group

Sarah Sinclair

Auckland Council's Chief Engineer

Closing Thoughts

Dean Kimpton
Forum Chair

**PROACTIVE ENGAGEMENT OF AUCKLAND'S BUILDING AND
CONSTRUCTION INDUSTRY**

Reducing Boom Bust, Raising Productivity and Increasing Value