

The Construction Client's Group



CONSTRUCTING EXCELLENCE

10 April 2019

Best Practice Procurement of Construction & Infrastructure: Lessons from the Coal Face

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Interactive Session

- The **crisis** in the industry – **Why?**
- Some (procurement) ‘solutions’:
 - Give contractors **certainty**
 - Give contractors **a real chance**
 - Keep it **simple**

The 'crisis' in the industry

- 3 of NZ's top tier contractors have 'gone under'
- The 'tri-fecta' of trouble:
 - **Developers** are making **losses** (or not starting at all)
 - **Contractors** are making **losses**
 - **Purchasers/ users/ ratepayers/ taxpayers** are paying high **prices**
- **Why?**

The core of the crisis



Crisis: $\$(c)$ is MORE than $\$(a)$

Solution: ensure $\$(c)$ is [6]% LESS than $\$(a)$

Solutions – In the procurement

- Give the contractors **certainty**
- Give the contractors **a real chance**
- Keep it **simple**

(There are solutions outside of procurement too ...)



Certainty

- The **opportunity** – What is it?
- The **project** - Principal's requirements, design information
- The **process** – Clear procuremet processes, timeframes, evaluation methodologies

Give the Contractor a real chance

- Compressed tender processes are **a problem**
- Traditional tender – allow time for **interrogation and interaction**
- ECI – collaborative **pre contract period**

Keep it simple

Occam's Razor: where there exists more than one solution,
the simplest is probably the best

Conclusion

- It is in everyone's interest for the end cost to be LESS than the tender price
- Ensure the procurement process
 - Give the contractors **certainty** of what they are pricing
 - Give the contractors **a real chance** to understand and interrogate what they are pricing (and innovate ...)
 - Keep it **simple** – the simplest procurement/ contract option is often the best

END

