



Supplier Selection

A Fresh Approach

Andy Spittal



Hunua 4 Overview

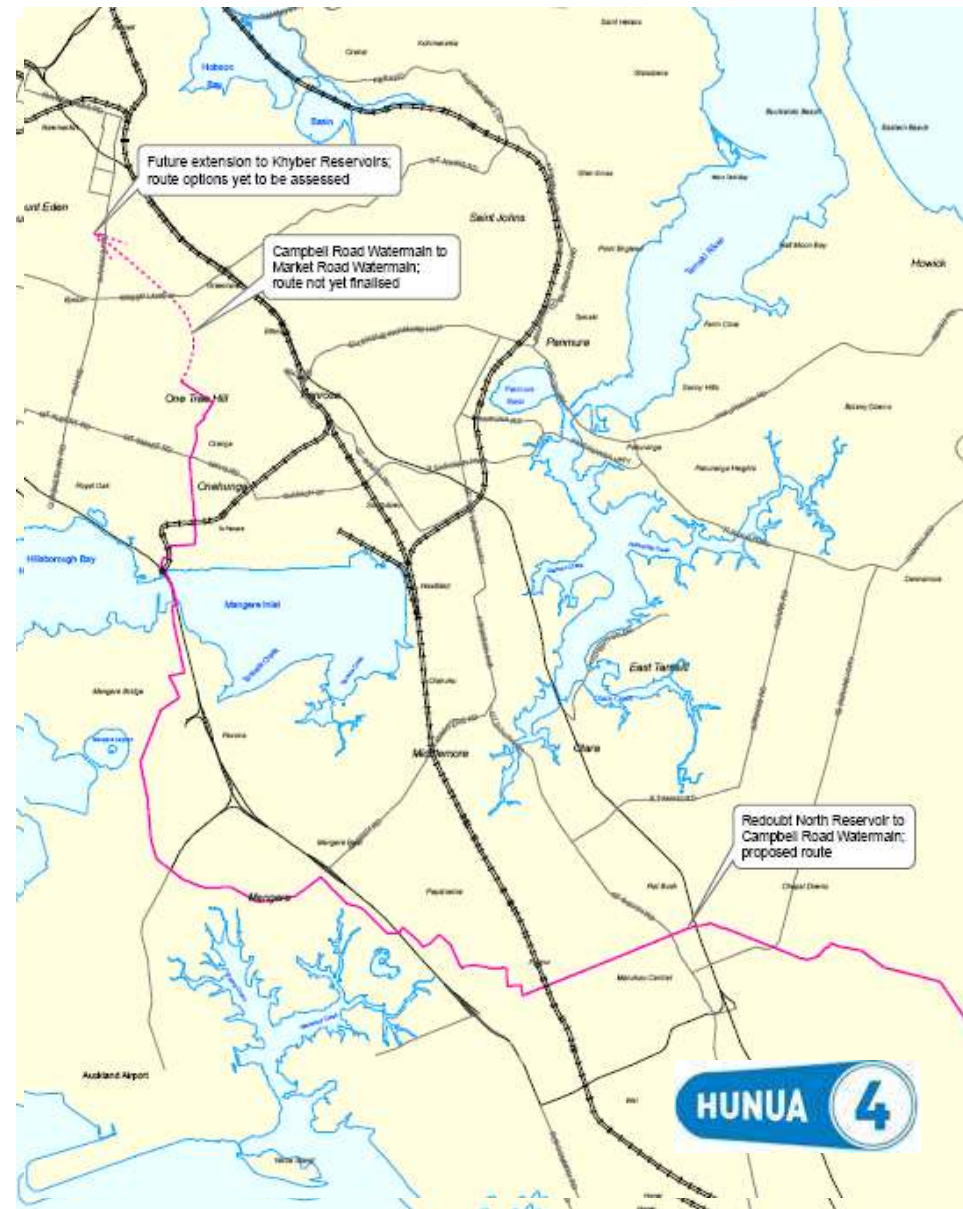
- \$350M new water pipeline for Auckland
- Meet future demand for water supply - 50 year horizon
- Mitigate the security of supply risks that exist due to the degree of reliance on existing pipelines
- 100+ years design life expectancy



Hunua 4

Pipeline Route

- Over 30km long
- Critical asset
- 1.9m and 1.6m diameter.
- Includes tunnel / bridges
- May 12 – Jun 16 (current)
- July 16 – Jun 20 (future)
- Work is now underway



Major Supply Items

CLS Pipes (\$45M)

Valves (\$3M)



Summary

- The old (current) way
- The problems
- Options
- Desires
- Change & Challenges
- Mechanisms for success
- Outcomes



Supply Contracts - The Old Way

Procurement of major supply items

- High risk to project – quality and time
- Mostly procurement by client
- Bespoke supply contracts or purchase orders
- Items required to satisfy main contract programme
- Contractor supply to lower Watercare risk?



Supply Contracts - The Problems

- Late delivery
- Poor / variable quality
- High babysitting costs
- Limited visibility on risk and prog
- Serious knock on effects to project
- Additional costs
- Degraded relationships



Options

- Do nothing and suffer
- Improve current practice (again!)
- Change procurement methods



Desires

- On time delivery
- Consistent, high quality
- Reduced management costs
- No surprises
- Value for money
- Robust change control
- Functional relationships founded on mutual respect and trust (fun)



Change

NEC suite of contracts (now includes a supply contract)

NEC promotes the things we want – so adopt it

- Collaborative approach
- Active risk management
- Programme focus
- Early resolution of issues



Challenges

- Limited market not mature enough for this contract form
- Lack of supplier management capability
- Highlighting risk to contracted parties
- Contract modifications for Watercare- isms using option X clauses and special Z clauses
- Market not willing to accept penalties for poor performance



Mechanisms for success

Contract underpinned by the NEC *‘spirit of mutual trust and co-operation’*

Suppliers selected in the usual way – lowest compliant bid

Care taken to define bid compliance during tender phase

LD’s and Performance Bonds used to ensure key risks managed at source.



Outcomes

Now in delivery phase on two key H4 supply contracts for \$48M of product (pipe and valves)

- Onshore manufacture by Auckland company (large diameter CLS pipes)
- Offshore manufacture, assembly and testing of large diameter butterfly valves

Acute focus on programme and risk management – client supplied materials feeding into main contract works.

Jury is still out but overall signs are good.

