



New Zealand Contractors' Federation

Evaluating Contractors

Jeremy Sole
Chief Executive Officer
New Zealand Contractors' Federation



BBC TWO



New Zealand Contractors' Federation

CIVIL



Evaluating contractors shouldn't
be rocket science or brain surgery

Simplification

Synergy: We cannot understand any system by seeking to comprehend each component. When elements interact with each other there is a flow of energy between them, perhaps in the form of nutrients, water, food, or information [*or frustration*]. Synergy is when the sum of the whole system is greater than the sum of its parts; $1 + 1 = 3$. We have the individual elements and we also have the relationship that adds further complexity and characteristics

<http://en.wikipedia.org/wiki/Synergy>>

Synergetics: A system of geometry applied to the computation of lengths, areas, or volumes from given dimensions or angles employing 60-degree vectorial coordination comprehensive to both physics and chemistry [*and civil contracting*], and to both arithmetic and geometry, in rational whole numbers

[http://en.wikipedia.org/wiki/Synergetics_\(Fuller\)](http://en.wikipedia.org/wiki/Synergetics_(Fuller))>

[*insertions*] *Jeremy's contributions to scientific reasoning*

So, if it isn't rocket science;
there must be an easier way

Prequalification

Company Information

Quality Compliance
Checklist Input
Requirements

Quality Assurance
Environmental Management
Traffic Management
Health & Safety
Project Management
Quantum or size of work
Cooperation & Proactive Partnering

Contractor's Health & Safety
Management Information

Declaration

Statement of Interest & Ability Requirements

Applicants Submission

Performance

- Safety
- Customer
- Sustainability
- Assurance & Value
- Health of Relationship

Occupational
Health & Safety

Environmental
Compliance

Company
Information

- General
- Prequalification
- Experience
- Key Subcontractors

- H&S Policy and Management Commitment
- H&S Training
- Hazard Identification & Management
- H&S Records
- Accident Investigation
- Emergency Procedures

Declaration

Request for Tender

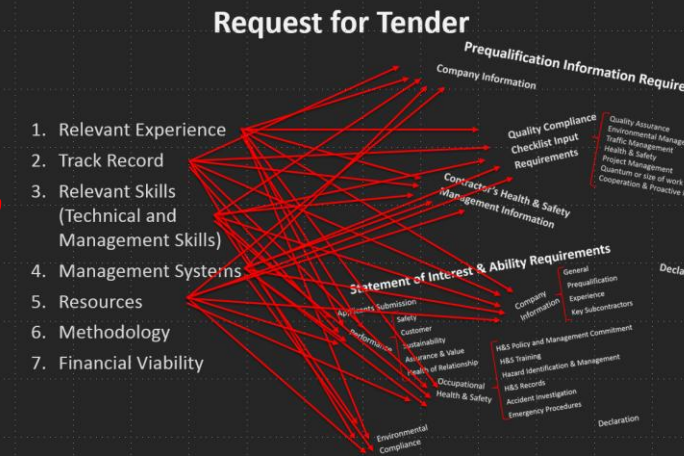
1. Relevant Experience
2. Track Record
3. Relevant Skills (Technical and Management Skills)
4. Management Systems
5. Resources
6. Methodology
7. Financial Viability

Request for Tender



Based on that, you'd be forgiven for thinking large scale long maintenance contracts do save lots of time and effort in procurement and evaluation (*even if they do shut out most of the supplier market*) – but ...

only because current methods are so overloaded with unnecessary complexity, duplication, subjectivity, effort, and cost!





Rule of thumb = cost to bid = 2% of project value

= cost to eval = 2% of project value

$$\therefore \$200,000 \times 4\% = \$8,000$$

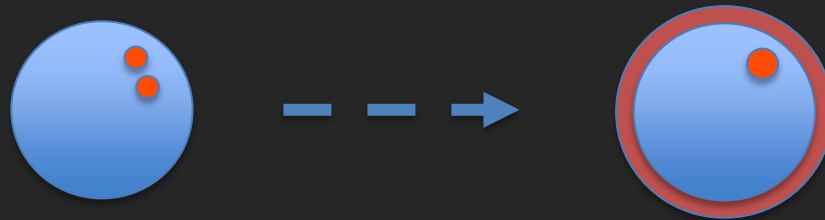
An inefficient tender and contractor evaluation process can more than double this cost and some...

Plus if procurement processes don't encourage an open competitive and skilled supply market, you can add 20% to 30% over time for the effects of loss of competition

BUT....

That 20% - 30% goes to the overall project value;
not just the bid and evaluation costs ...

... potentially adding \$40,000 to \$60,000



there must be a better way

Prequalification – Yeah ... Nah

a semi-permanent 'Warrant of Fitness' for any competent company to carry out works in a prescribed range.

Should it work?



Have aspirations been achieved?

- Reduced tender costs by contractors
- Reduced time cost for evaluators
- Ultimate reduction in contract price



So, what went wrong with Prequal?

- Not implemented or used the way it was intended
- Paperwork increased – RFTs and Prequal not in sync
- Attribute marking subjective and inconsistent
- Feedback systems subjective and not functioning
- Multiple different models in play

Outcomes based

What if we had to respond to outcome based RFT questions?

1. Explain how you will manage traffic flows at peak times on the main arterial and roundabout at Memorial Drive.
2. How will you ensure that silt run-off does not pollute the adjacent Owhanaki stream?
3. Describe any innovations that will lower whole-of-life costs on the project, and where possible, quantify those benefits.
4. Etc...

What if the TET only needed to evaluate:

1. Is the supplier prequalified for this type of work?
2. the methodology within those critical risk/ success areas,
3. the price (including any whole-of-life reductions in costs), and
4. the relevant project-specific skills of the team nominated to carry out the work.

it isn't rocket science or brain surgery, it's

- 1 everyone working together to implement an 'integrated' Auckland prequal model
- 2 developing simple, focused, and fair procurement tools that minimise the paperwork
(coupled with consistency in standards up and down and across the isthmus)
- 3 agreeing an 'objective' and defensible attribute scoring methodology
- 4 separating the generic information out of RFT's - focusing on critical project-specific factors that will differentiate the bidders
- 5 feeding scores back into prequal to make it an 'active certification' model
- 6 Offering a range of contract types and sizes to encourage those willing and able to grow

Greater all round confidence in the quality of decisions

- trust - lower admin costs – lower tender costs -

a healthy responsive and competitive supplier industry.

