

State Highways M&O Journey

February 2014 Update



CREATING TRANSPORT
SOLUTIONS FOR A
THRIVING NEW ZEALAND



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What did we learn in 2011/12 ?



- Asset Management
- Service Delivery and Procurement
- Collaboration with Others
- People and Capability



Some Facts On Our Current Procurement Approach...



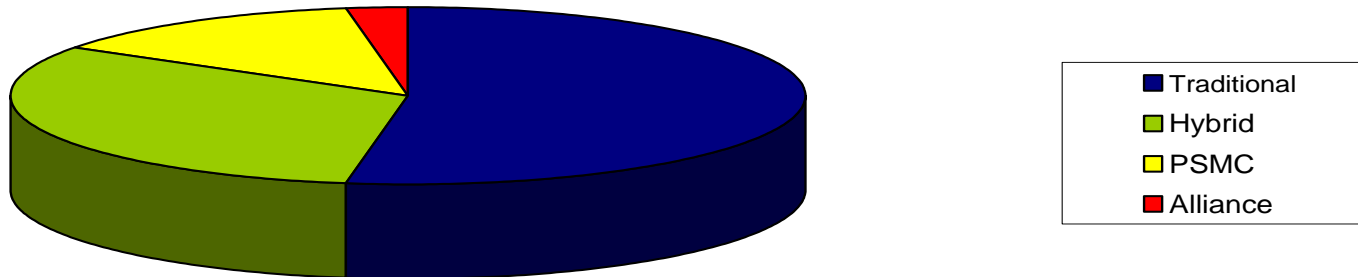
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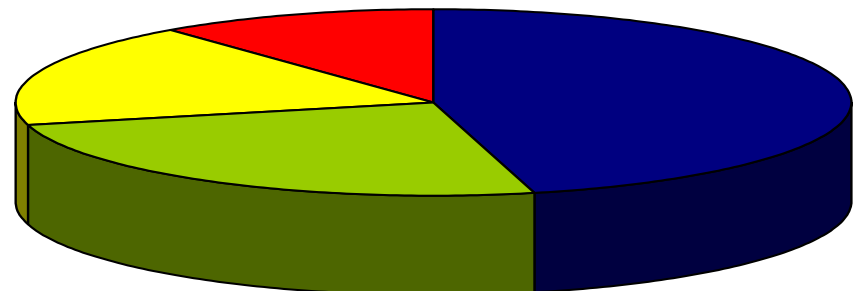
Delivery Model by Number and by Value



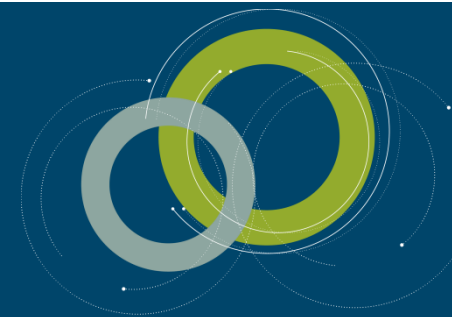
Delivery Model – By Number



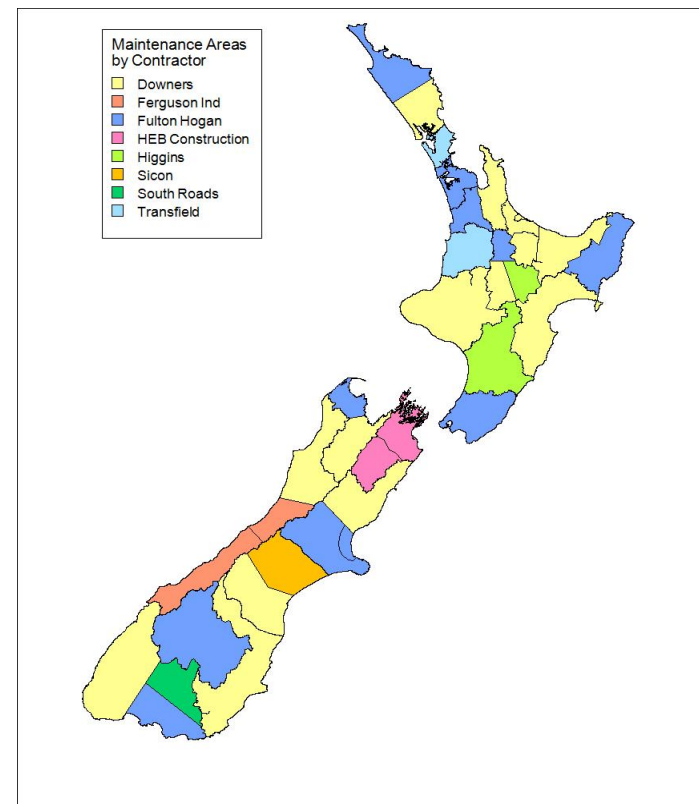
Delivery Model – By Value (\$ pa)



Current Picture...



- 9 NZTA Regions
- 25 Network Management Areas
- 37 Network Contract Areas
- Significant number of annual contracts and tendering activity



Our Portfolio Procurement Strategy Focus



- Model performance
- Healthy and competitive market
- consolidation of contracts
- Build capability
- Optimise the level of service
- Performance incentives



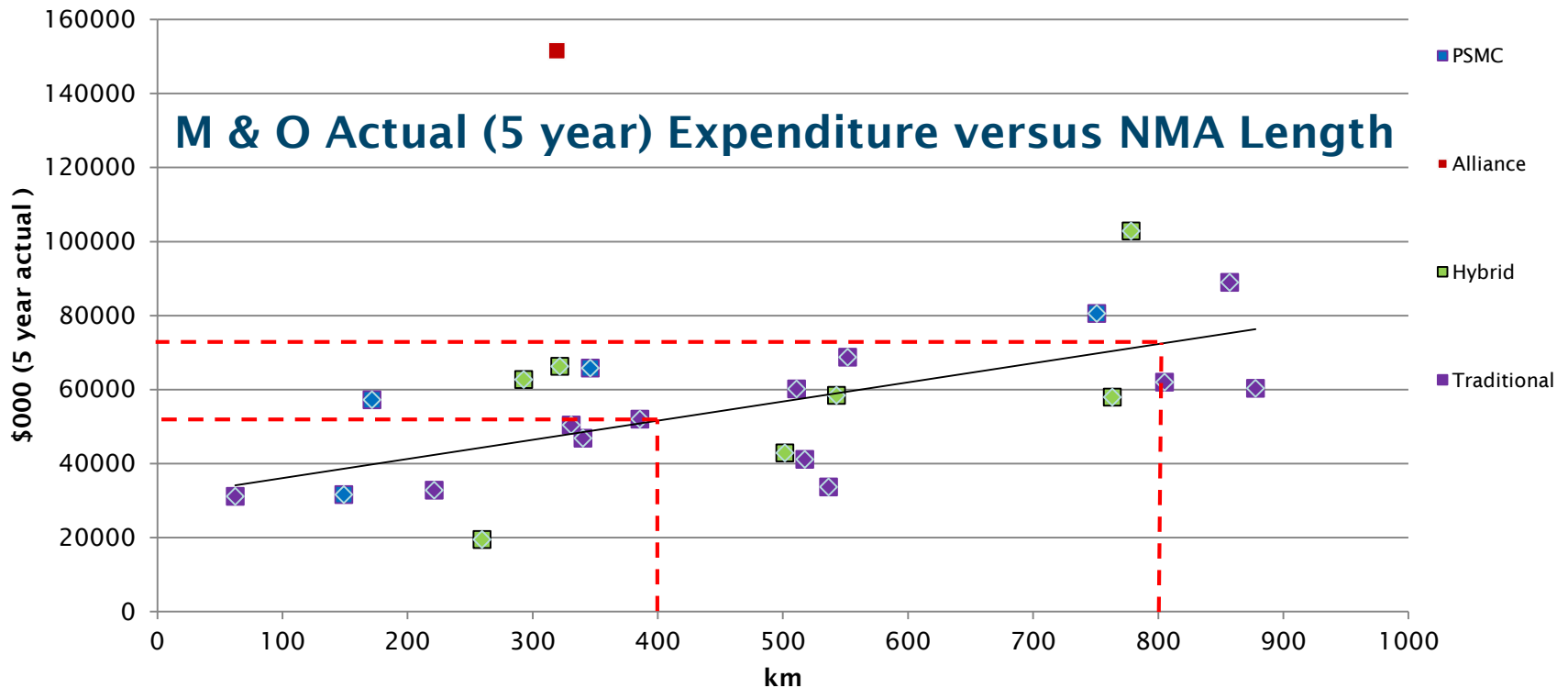
What did OAG say about our M&O procurement approach?



- Encourage more professional services suppliers into the M&O market
- Ensure that, over time, the balance of service **delivery models** used across the network delivers **value for money**
- Improve the **consistency of the monitoring** of consultants and contractors



Double Network Length Costs Don't Double



BIG Questions.....



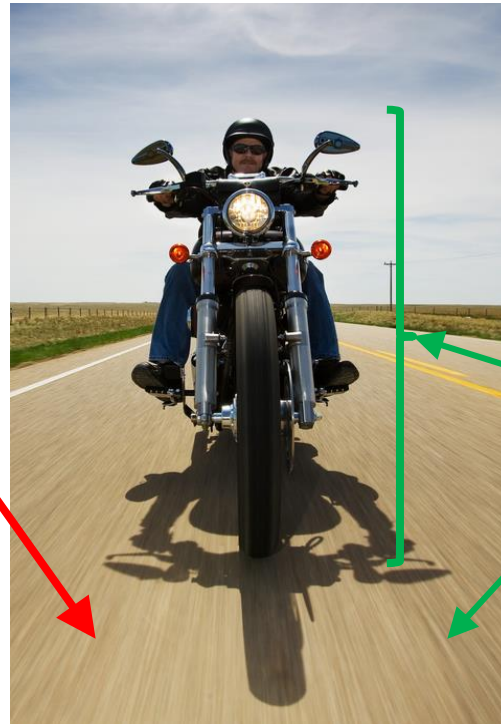
- How can we reduce gaming at tender stage?
- How can we reduce variation across our delivery models?
- How can we incentivise supplier performance?
- How can we really understand performance of our delivery model(s)?
- What does 'optimised levels of service' look like?
- What is the optimum network size and shape?
- How can we collaborate more effectively with TLA's



Looking for a New Way



Old Model
Focus on looking after the asset



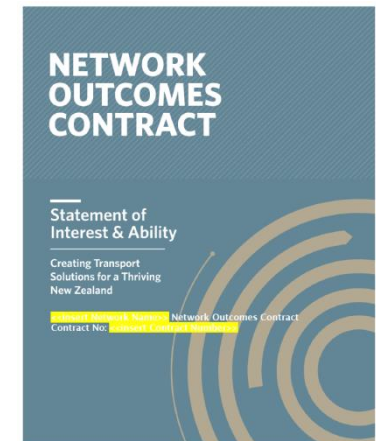
New Model
Focus on the journey and optimising the asset investment



Network Outcomes Contract Principles



- Consistency – One Model *plus* Auckland Alliance
- Base preservation quantities for renewals components
- Better performance management and benchmarking
- Risk allocation and reward mechanisms
- Greater NZTA Ownership
- Collaborative relationships
- Healthy Market Focus



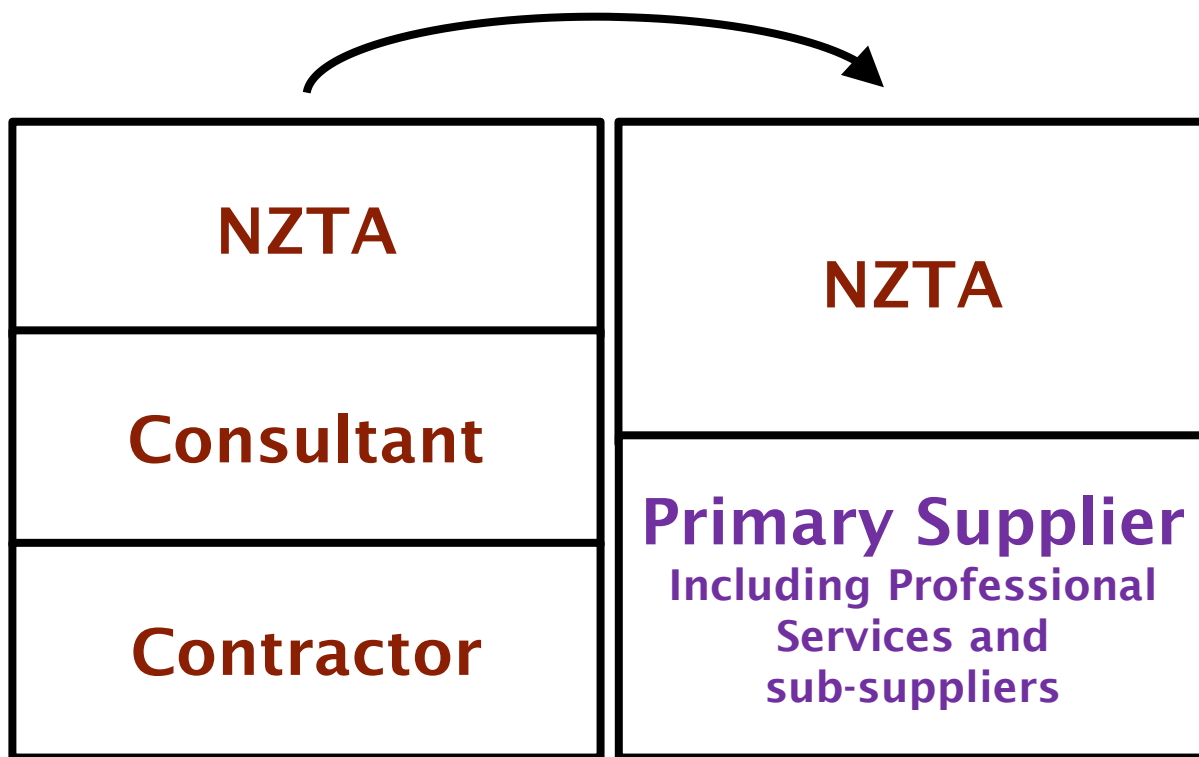
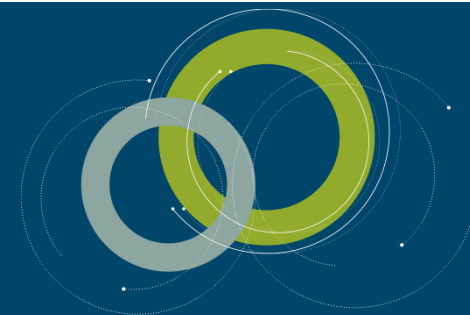
Key Result Areas



- Safety
- Customer
- Sustainability
- Assurance and Value
- Network Performance
- Health of the Relationship



Changing Relationships



Consolidating Networks

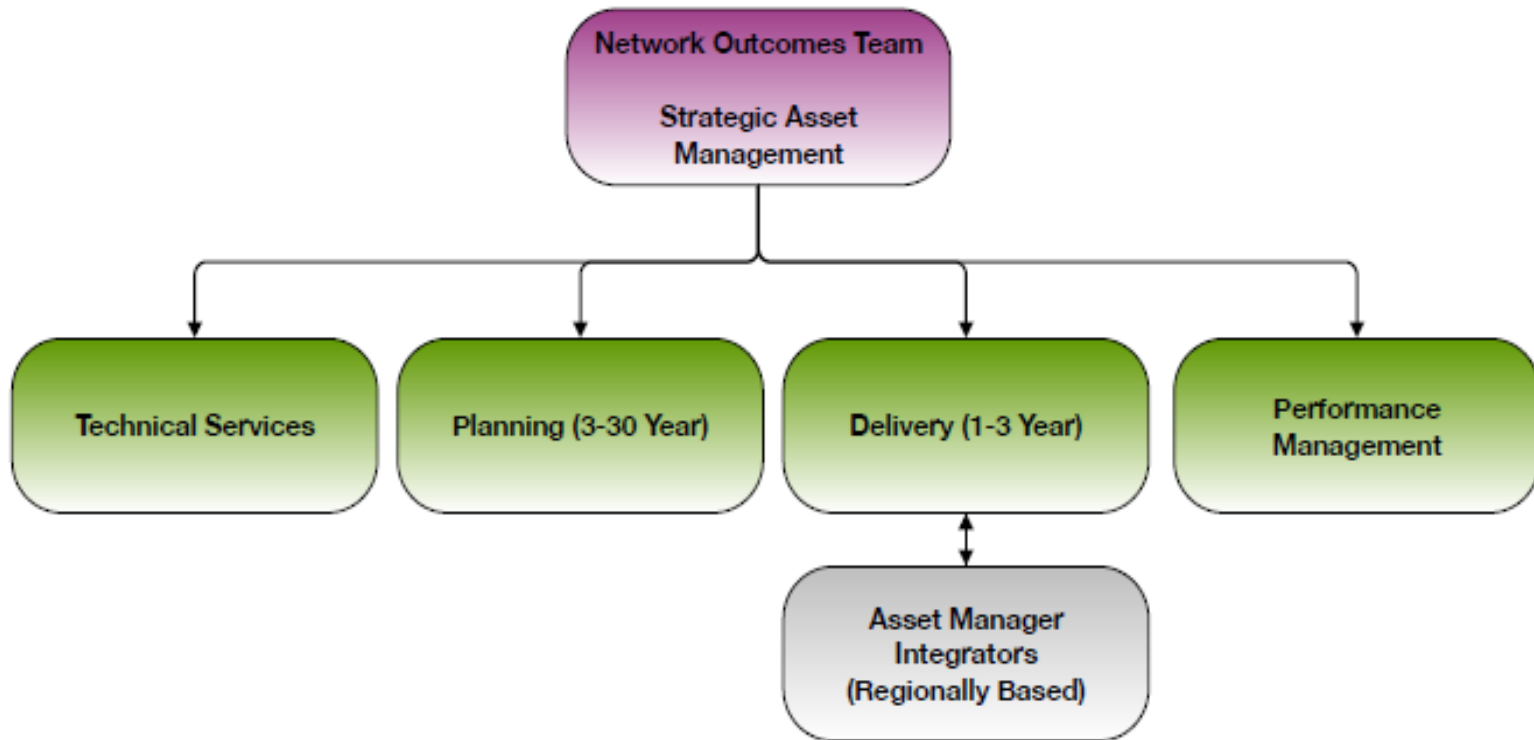


From 37 to 23 networks;
4 collaborative
partnerships;

~~professional services~~
~~Annual rehabs~~
~~Annual resurfacing~~
~~Vegetation~~
~~Line Marking~~



Nationally Planned Regionally Delivered

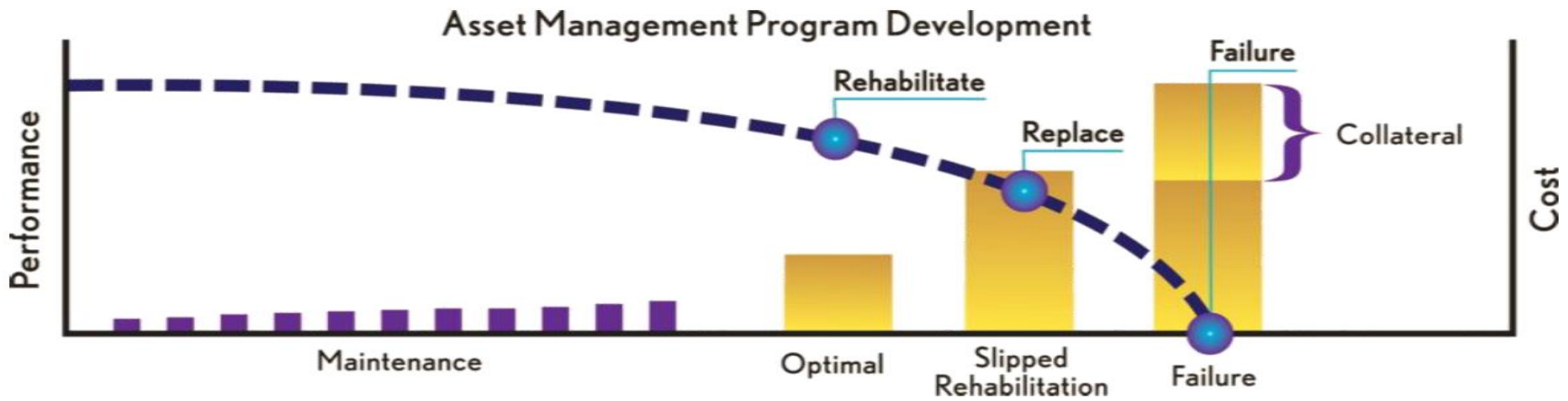


Smarter Asset Management



Reducing renewals by 10% will yield \$20m!

Better quality construction will yield \$'s



Progress on Implementation



- 3 year NOC programme has started
- 60% of recruitment for new positions complete
- 2 conversions to NOC form complete (savings of around 5%)
- South Canterbury Contract Awarded (savings up to 10%)
- Taranaki, Eastern Bay of Plenty and Wellington in progress
- More consultants now bidding with contractors
- Minimum 3 bidders for each area to date



Driving Performance and Value for Money



Establishing framework to increase VfM transparency:

\$'s Now:

- Annual Contracts
- Term Maintenance
- Professional Services
- Specialised Contracts



\$'s Future:

- **Network Outcomes Contract**
- **Specialised Contracts**
- **Increased FTE**
- **Reduction in Renewals**
- **Benchmarking Network and Supplier performance**



Questions?



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