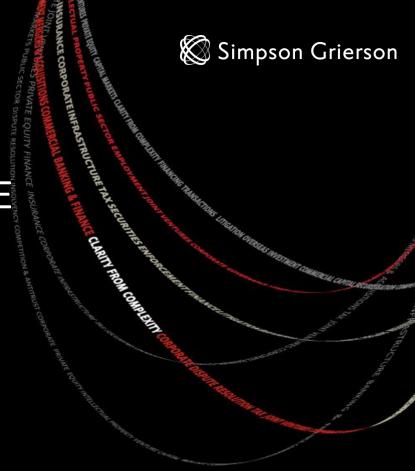
The Construction Client's Group

CONSTRUCTING EXCELLENCE

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 exsists 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