

Developing Social Outcomes through Procurement



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**Auckland
Transport** 
An Auckland Council Organisation

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- RNZAF
- Massey University
- Private Sector
- ARTA, AT

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Group Manager Procurement



- Unilever
- Air New Zealand
- AT

What is this?



Week 6
2 Dec 2016



Mentimeter

www.menti.com

Definitions

“Procurement is all of the business processes associated with purchasing, spanning the whole cycle from the identification of needs to the end of a service contract, or the end of the useful life and subsequent disposal of an asset”.

Source: OAG: Procurement guidance for public entities – Good practice guide June 2008

Sustainability

Sustainability is about meeting the needs of today, without compromising the ability of future generations to meet their needs.

sustainable procurement

procurement (3.18) that has the most positive environmental, social and economic impacts possible over the entire *life cycle* (3.12)

Procurement Model



Auckland Transport Purpose, Strategy and Business Plan

What

Procurement Strategy

Procurement Governance and Organisation

How

Category Strategy
(Plan)

Market
Engagement
(Source)

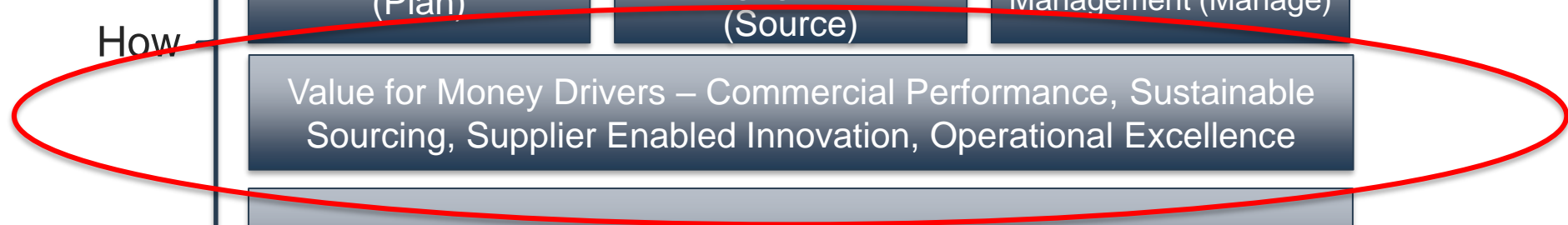
Supplier Relationship
Management (Manage)

Value for Money Drivers – Commercial Performance, Sustainable Sourcing, Supplier Enabled Innovation, Operational Excellence

Capability, Information and Performance Management

Who

People – Attract, Develop and Retain the very best



Broader outcomes



Government procurement can and should be used to support wider social, economic, cultural and environmental outcomes that go beyond the immediate purchase of goods and services.

Of these broader outcomes, the Government identified four priority outcomes for agencies to start focusing on:

- **Increasing access for New Zealand businesses**

Agencies must consider how they can create opportunities for New Zealand businesses, including Māori, Pasifika and regional businesses, as well as social enterprises.



- **Construction skills and training**

The Government is committed to using its procurement to find ways to partner more effectively with the construction sector to grow the size and skills of New Zealand's construction workforce.

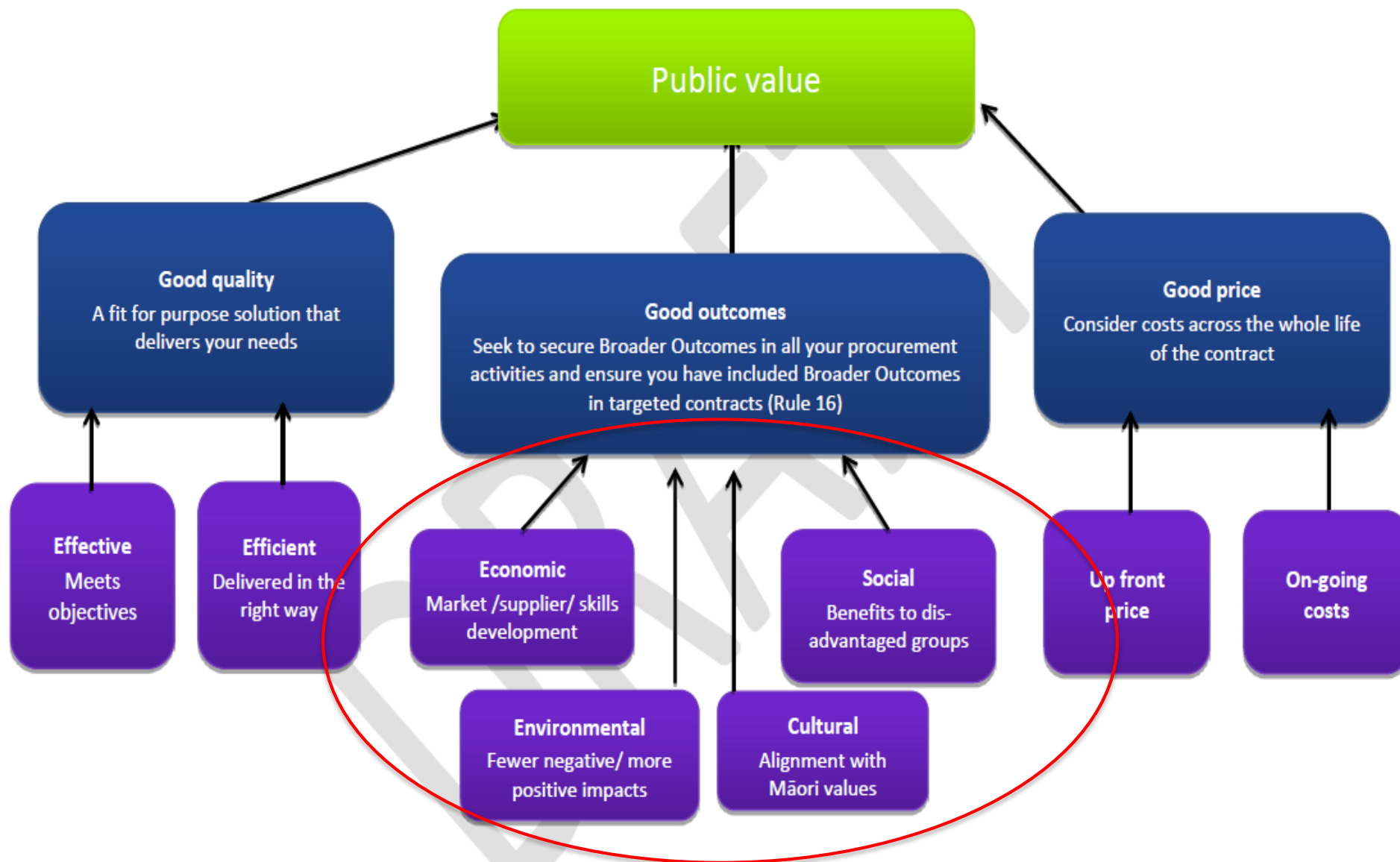
- **Improving conditions for New Zealand workers**

The Government aims to improve conditions for New Zealand workers by requiring agencies to ensure suppliers and their sub-contractors comply with employment standards, and health and safety requirements.

- **Reducing emissions and waste**

The New Zealand Government is committed to achieving positive environmental outcomes through sustainable procurement by buying low emissions and low waste goods, services and works.

Diagram of Public value



International Examples



International examples: Australia

SOCIAL TRADERS



Supply Nation is the Australian member of the GSDA, a global organisation which brings together supplier diversity organisations from Canada, China, UK and South Africa. GSDA shares knowledge; creates opportunities for minority-owned businesses to grow and expand globally; provides corporations around the world with access to and support from networks that effectively champion minority businesses; and encourages other countries to establish similar initiatives.

Fortescue awards A\$179 million in contracts to Aboriginal businesses

Jun 25, 2019

Billion Opportunities program awards A\$2.3 billion in contracts to Aboriginal businesses and joint ventures since 2011



Victoria's social procurement framework for inclusive and sustainable procurement



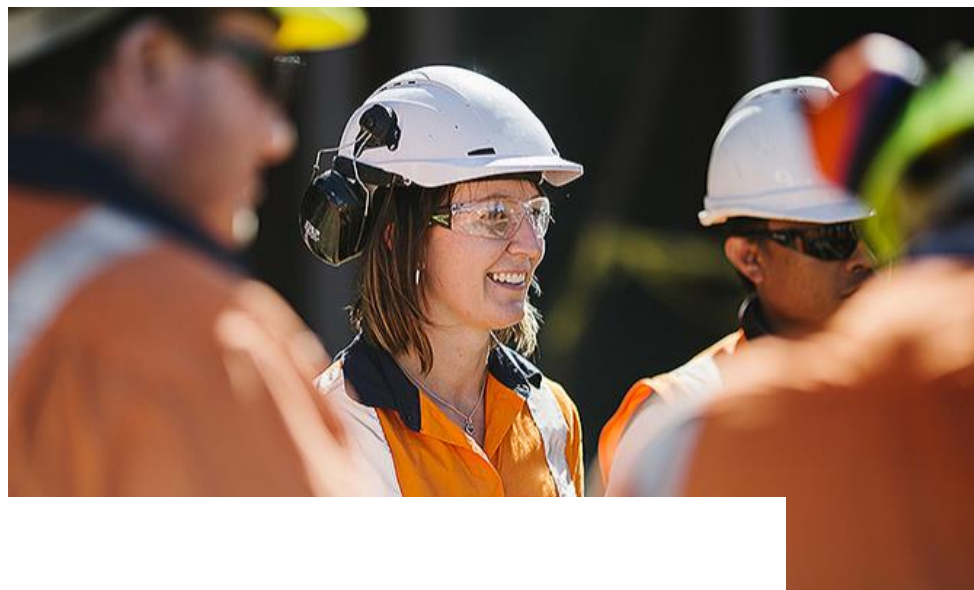
NZ is behind...

... However



New Zealand Infrastructure Commission - Te Waihanga

CONSTRUCTION SECTOR ACCORD



Outcomes for New Zealanders

Achieving our shared goals will deliver benefits across the sector and for all New Zealanders.

New Zealanders — safe, healthy and durable homes, buildings and infrastructure that support the wellbeing of our communities

Workforce — safe, secure, rewarding careers

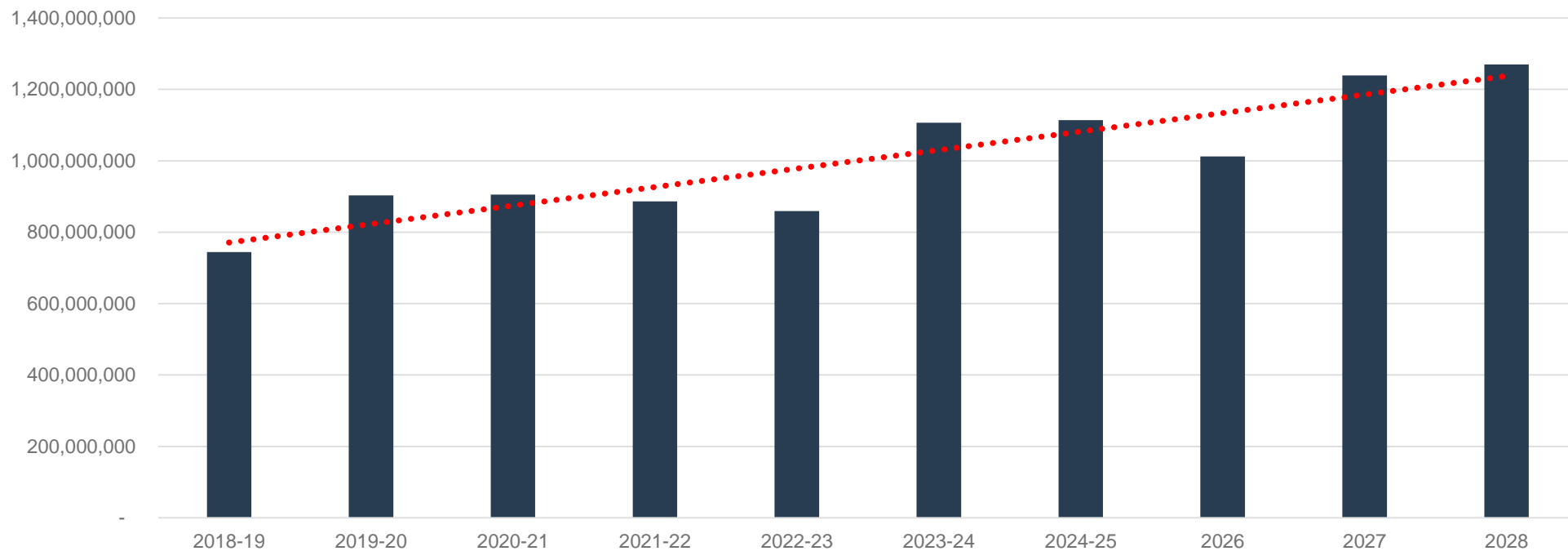
- Job security
- Career pathways and opportunities to upskill
- Trusted and respected professions
- Greater diversity
- An environment that supports thriving mental health and wellbeing
- Increased earning power



So what does this all mean for Auckland Transport?

Auckland Transport's opportunity

AT 10 Year Capital programme



2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2026	2027	2028
744,343,218	903,227,331	905,228,004	886,378,631	859,212,693	1,106,381,510	1,113,700,558	1,011,844,622	1,239,248,717	1,269,916,078

Case Study: Eastern Busway 1 – Panmure to Pakuranga



Why?

- Step change on what had been done previously:
 - Manukau Bus Station
 - Pukekohe Train Station
 - Ōtāhuhu Streetscape Upgrade (design)
 - Coffee kiosk at Ōtāhuhu Station
- High value contract - \$100m+
- First of three Eastern Busway stages
- New approach used (financial performance incentives – up to \$2m in total / \$400K for sustainability outcomes)
- This is the game changer – nothing else will deliver better results for Māori and Pasifika peoples.

Eastern Busway Sustainable procurement outcomes

Social Outcomes

- Targeted Recruitment
- Supplier Diversity

Environmental Outcomes

- Measure and report GHG emissions
- Measure and report water consumption
- Measure and report waste diversion

Social Outcomes:

What	BAU	Above average	Breakthrough	% of incentive
Employment for new entrants	1 new entrant per \$5m of contract value	1 new entrant per \$4m of contract value, ≥ 20% women	1 new entrant per \$3m of contract value, ≥ 30% women	3%
Starting wage ≥ \$20.50 p/h then ≥ \$25 p/h within first 12 months then \$27.50 p/h within first 24 months of employment	75-80% of new recruits achieve wage targets	81-90% of new recruits achieve wage targets	≥ 91% of new recruits achieve wage targets	4%
Upskilling/productivity gains <ul style="list-style-type: none"> Level 3 Literacy Level 3 and 4 industry qualification Full driver's licence 'Green skills' training module 	80-99% of new recruits achieve upskilling	100% of new recruits achieve upskilling	100% of new recruits achieve upskilling and ≥ 20% of the current workforce	5%
Māori, Pasifika and/or socially innovative businesses in supply chain	5-7% of supply chain value spent with diverse suppliers	8-10% of supply chain value spent with diverse suppliers	≥ 11% of supply chain value spent with diverse suppliers	4%
Supplier diversity strategy and development	Best practice supplier diversity strategy is developed for the company	As for BAU and can actively demonstrate how the organisation is seeking opportunities to develop the capabilities of diverse suppliers	As for above average and identify burgeoning markets within the business for M&P enterprises, social enterprises, and/or socially innovative businesses to grow into	4%

Te Whangai Trust

Te Whangai Trust

- Through nurturing environmental hubs, the Trust creates safe Turangawaewae to create hope and purpose, transitioning vulnerable people into training, employment and community connectedness.



PAST ADDICTIONS TO GOOD IMPRESSIONS

Economic, Environmental, Social



360-18-469-AC
 AMETI Eastern Busway (EB1) –
 Construction

Social outcomes: supporting guidance for tenderers

September 2018

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**Rationale,
 clarifying
 detail and
 where to
 get help**

Lessons Learned (so far..)

- There is a lot of willingness to do good – within organisations, suppliers and communities, and good examples already
- A big shift is required from talking about sustainability to deliver actual positive sustainable impact
- Creating net-positive benefits does not *actually* require policies, strategies, procedures etc in place
- It's hard! The effort goes well beyond the tender...
- This is a collective effort – it will take Government, Private companies, impactful businesses and supporting organisations such as Ākina and He Waka Eke Noa for social procurement to succeed
- You do not need have social procurement experts in your organisations to make a difference, but, it is a growing profession and your 'environmental' specialists may lack the skills required

What's next?

- Puhinuni Interchange
- Karangahape Road Improvements
- New Lynn to Avondale Shared Path
- Medallion Drive
- Matakana Link Road
- Road Corridor Maintenance
- Security
- Catering
- Rail Operations Franchise
- Many others!

Supplier Code of Conduct

- Sets out minimum standards (do no harm) expectations of all our suppliers, focussed on:

- Customer and Community
- Health, Safety and Security
- Te Whai Rawa
- Human Rights and Workplace Conditions
- Environmental Sustainability
- Business Resilience
- Ethical Business

- Approved by AT Board 3 Sep 2019
- Formal launch 30 Oct 2019:

- 90% of spend under Code of Conduct end of Year 1
- 95% of spend end of Year 2
- 100% of spend end of Year 3

- Further training
- Possible future Responsible Supply Chain reporting



Manukau Bus Train Interchange Construction

Week 60
22 Dec 2017



Manukau Bus Train Interchange Construction



Early works trainee site visit

- **13 Trainees employed during project, all have gone onto full-time employment**
- **Employed by sub-contractors**
- **Hourly \$ rates > Minimum Wage**
- **Improving lives and providing opportunities**

Thank you

Questions?

