



Christchurch Event

22nd November 2023

Theme:

Modern procurement – Building a Pipeline



**Construction
Clients' Group**
CONSTRUCTING EXCELLENCE

Agenda

Host: Cavell Leitch
Venue: Level 3, BNZ Centre
111 Cashel Mall Christchurch 8011
[Website](#)

22 November 2023

4:00pm **Sign in, Networking and Drinks and Nibbles**

4:15pm **Welcome and Introduction**

Jonathan Barry
CCG Modern Procurement Work-stream |
Frequency

4:20pm **Host Welcome**

Jeroen Vink
Principal | Cavell Leitch

4:25pm **Building a Pipeline**

Downers share how they build their
pipeline, the challenges and opportunities.

Bruce Cullen
General Manager National | Downer

4:50pm

Procurement Journey

Rau Paenga share their journey so far and
their approach going forward.

Jenna Serfontein
Senior Procurement Manager | Rau Paenga
Limited / Crown Infrastructure Delivery

5:20pm

Business Developement

Insights from Marc on building a pipeline for
success.

Marc Fountain
Chief Rainmaker | Rainmaker

5:45pm

Panel Discussion

Opportunity to ask questions to our panel,
Jeroen, Jenna Bruce and Marc, led by Jonathan

Jonathan Barry
CCG Modern Procurement Work-stream |
Frequency

5:55pm

Wrap up & CCG 2023 Programme

Tim Warren / Julia Walkinshaw
CCG Company Secretariat

6:00pm

Close

Sharing ■ Learning ■ Innovating ■ Together



Jonathan Barry

Partner | Frequency

Welcome Nau mai and Introductions

frequency



Jeroen Vink

**Principle | Cavell
Leitch**

Host Introduction

CavellLeitch >



Bruce Cullen

**General Manager
National | Downer**

Guest Speaker



Building the Pipeline

A CONTRACTORS PERSPECTIVE



Macro view of the
Projects market

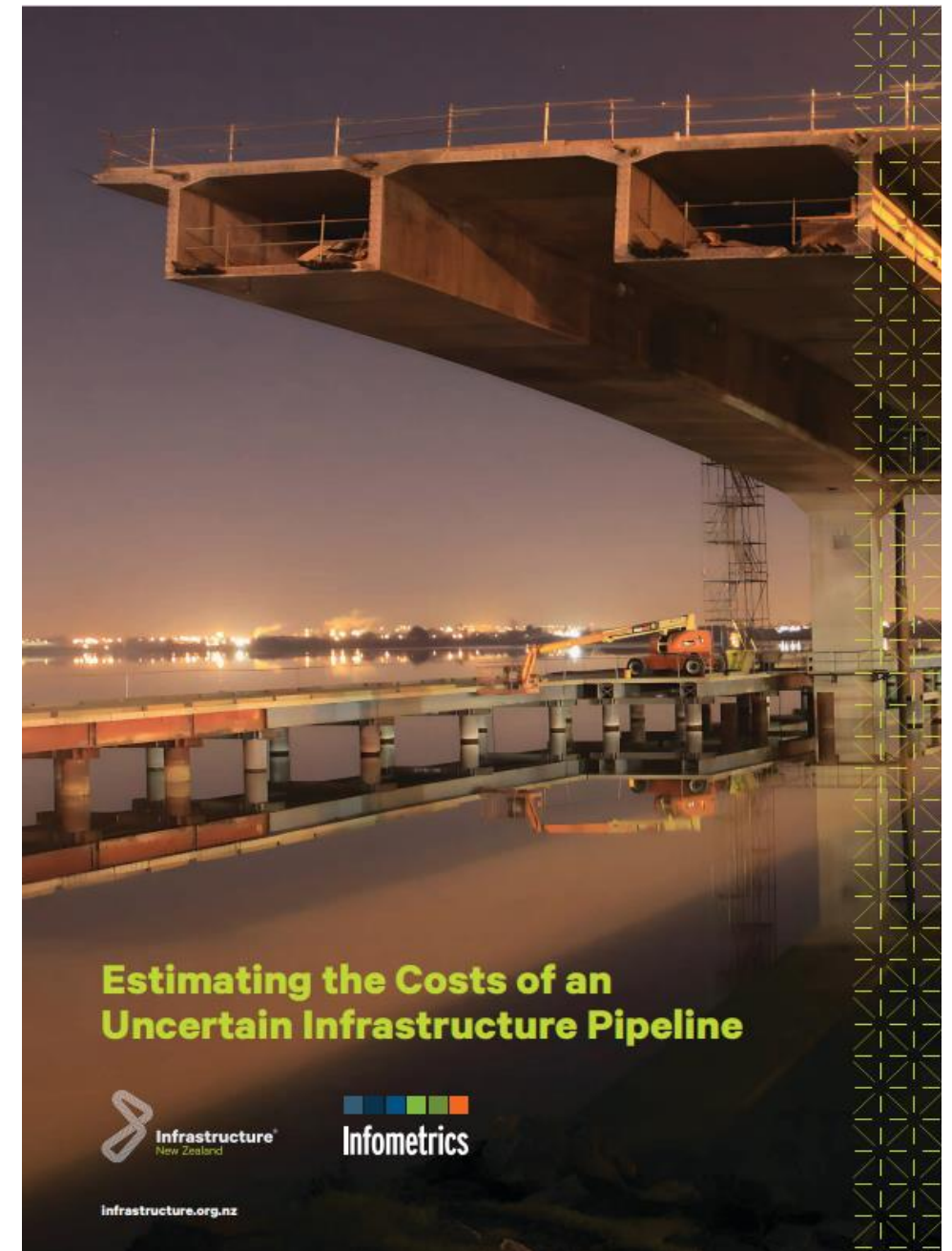
Our reaction and
approach to this market

The pipeline and
tendering

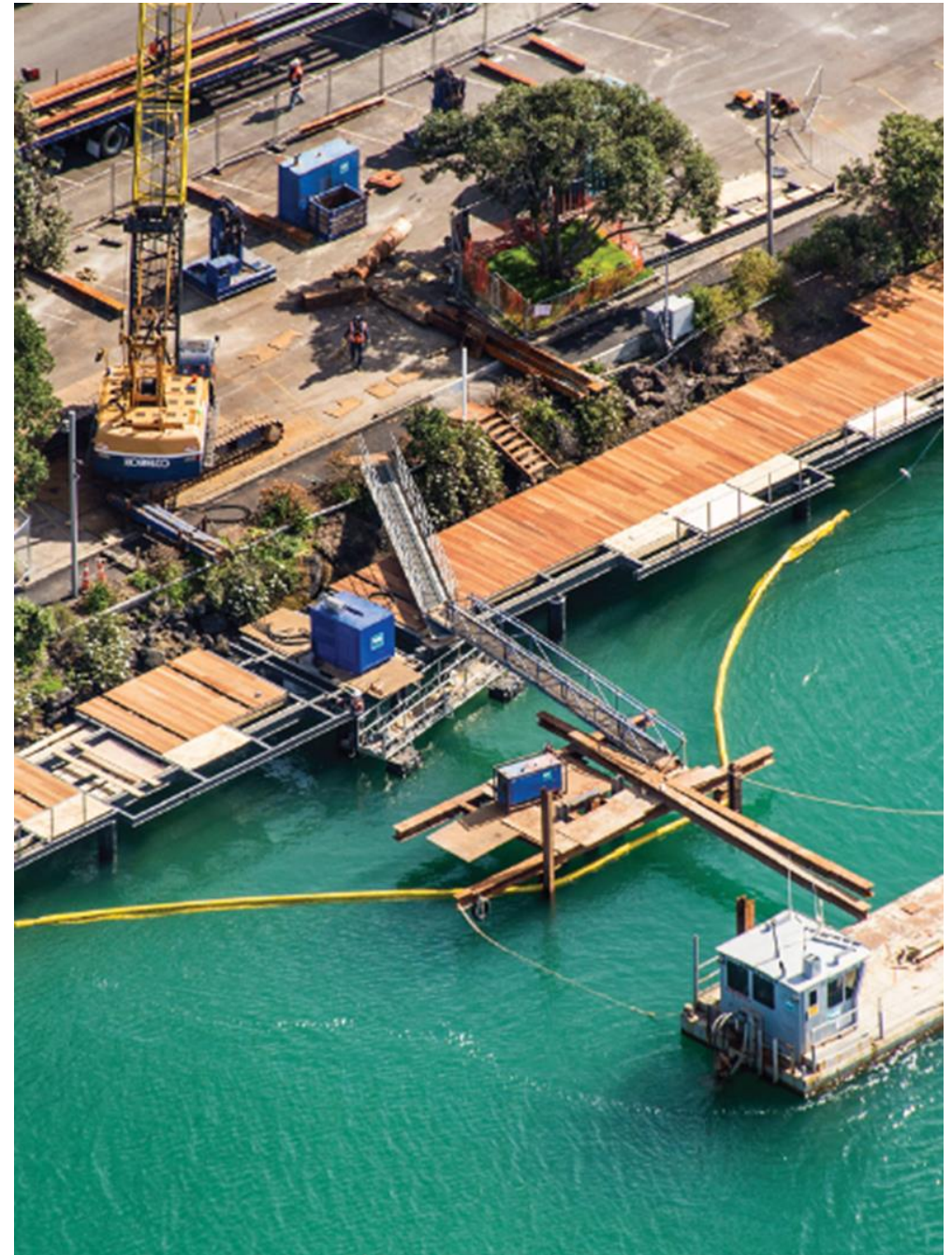
Procurement



- The Infrastructure Market
- Pipeline certainty erodes away quickly
- Infrastructure sector is suffering
 - Investment
 - Planning and sequencing
 - Collaboration
- Streamlined deliver saves 13.5% to 26.5%
- Need to be ready for bow wave of infrastructure



- The Contractors World
- Lumpy & Bumpy pipeline
- Delays to market, revenue uncertainty
- Delays even when won impacting project cost, contractor margin
- Expensive to tender
- High risk, low margins



Our Reaction

- A balanced portfolio approach
- Provide consistent shareholder value
- Increasing services and maintenance forward work
- Increasing scrutiny on bid, more no bids
- Less risk tolerance



Downer NZ – the numbers

- Revenue \$3b
- Over \$6b bid each year to feed the beast
- win rate circa 40%
- bid costs are circa 2%
- Other overheads 6 to 7%
- 3 to 4% profit
-

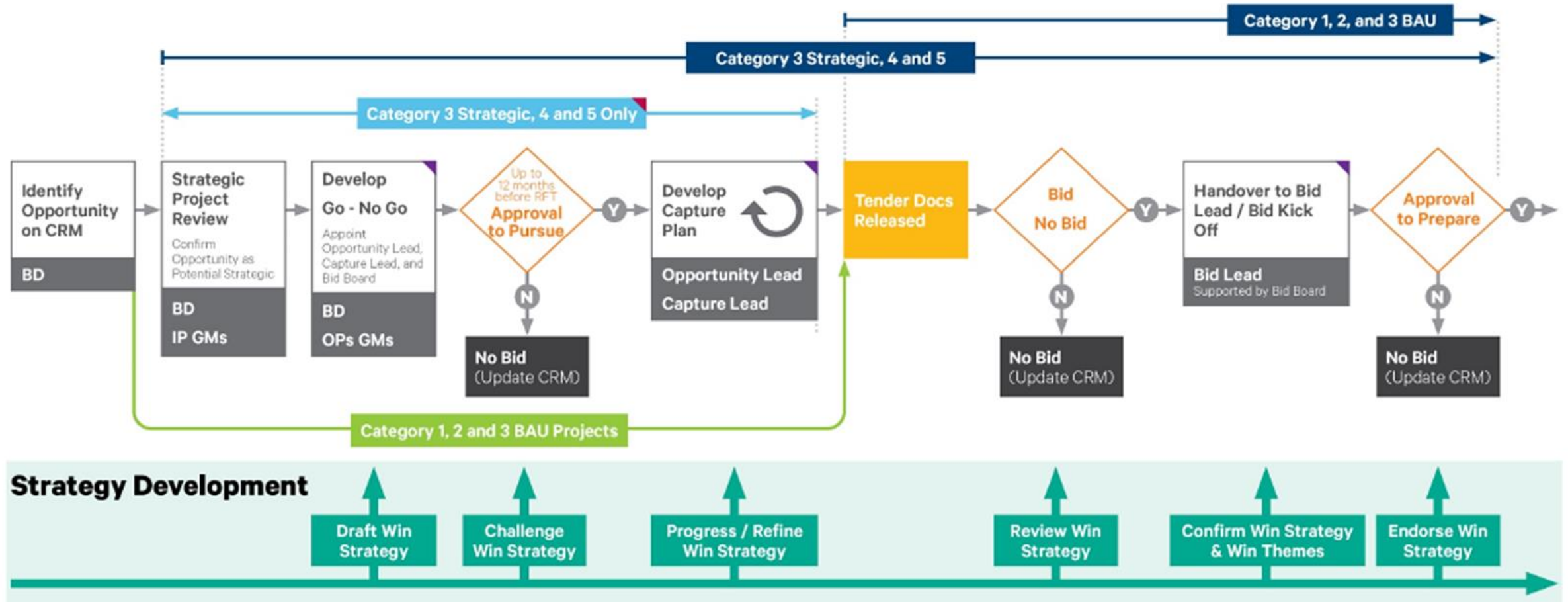


Pukekohe Station Bus Train Interchange pedestrian bridge and station upgrades.

Contractors Processes and Approach

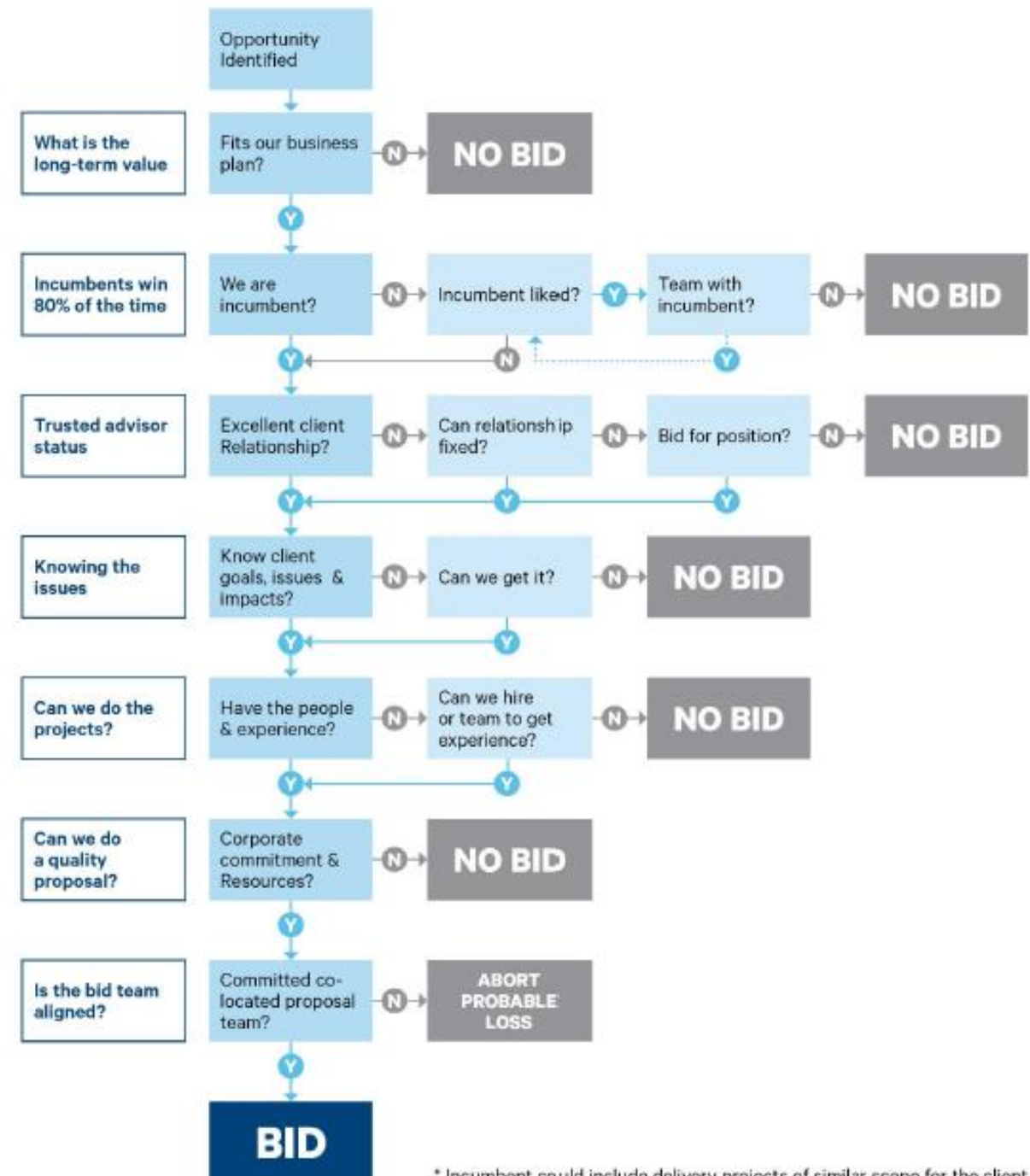


Our Gateway Process



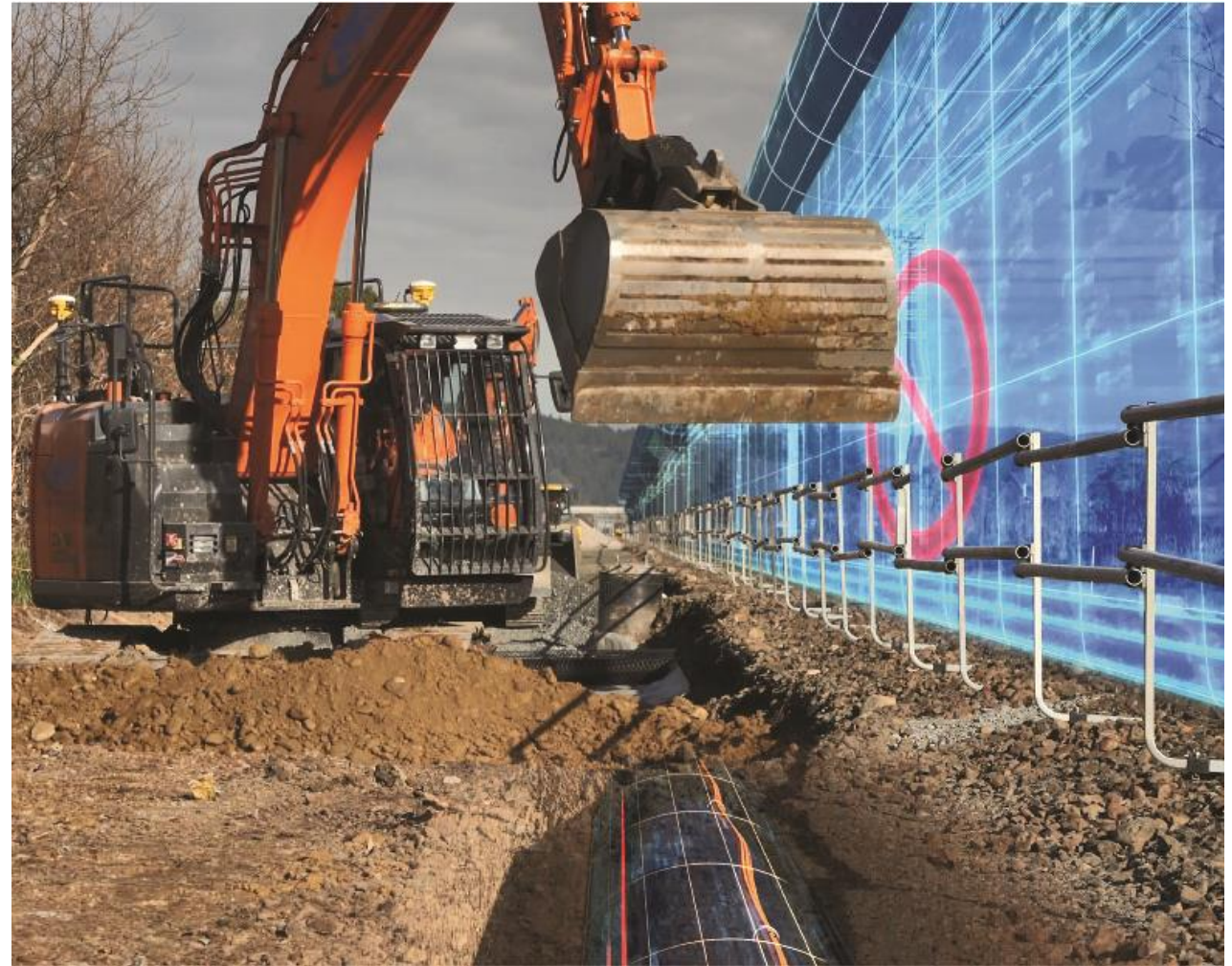
To Bid or not to Bid

Ref	Criteria	Indicative Ratings/ Values				
		Category 1	Category 2	Category 3	Category 4	Category 5
A	Total Contract Value	<\$1m	\$1m - \$5m	\$5m - \$30m	\$30m - \$100m	>\$100m
B	Contract Type	Type 1	-	-	Type 2	-
C	Design Responsibility	No design responsibility or minor design element only (asphalt mix design, services co-ordination, etc).	Design only using a standard and proven design without performance guarantees OR Concept and pre-feasibility studies (services are non-binding and will be superseded by a final design).	Design and construct responsibility using a standard and proven design <u>without</u> performance guarantees.	Design responsibility using a standard and proven design but <u>includes</u> performance guarantees (with or without construction).	Design responsibility using a <u>new or unproven design</u> with or without performance guarantees (with or without construction) OR Full EPC responsibility using a standard and proven design with performance guarantees.
D	Risk Class	Base	-	Intermediate	-	Elevated



The Pipeline and Tendering

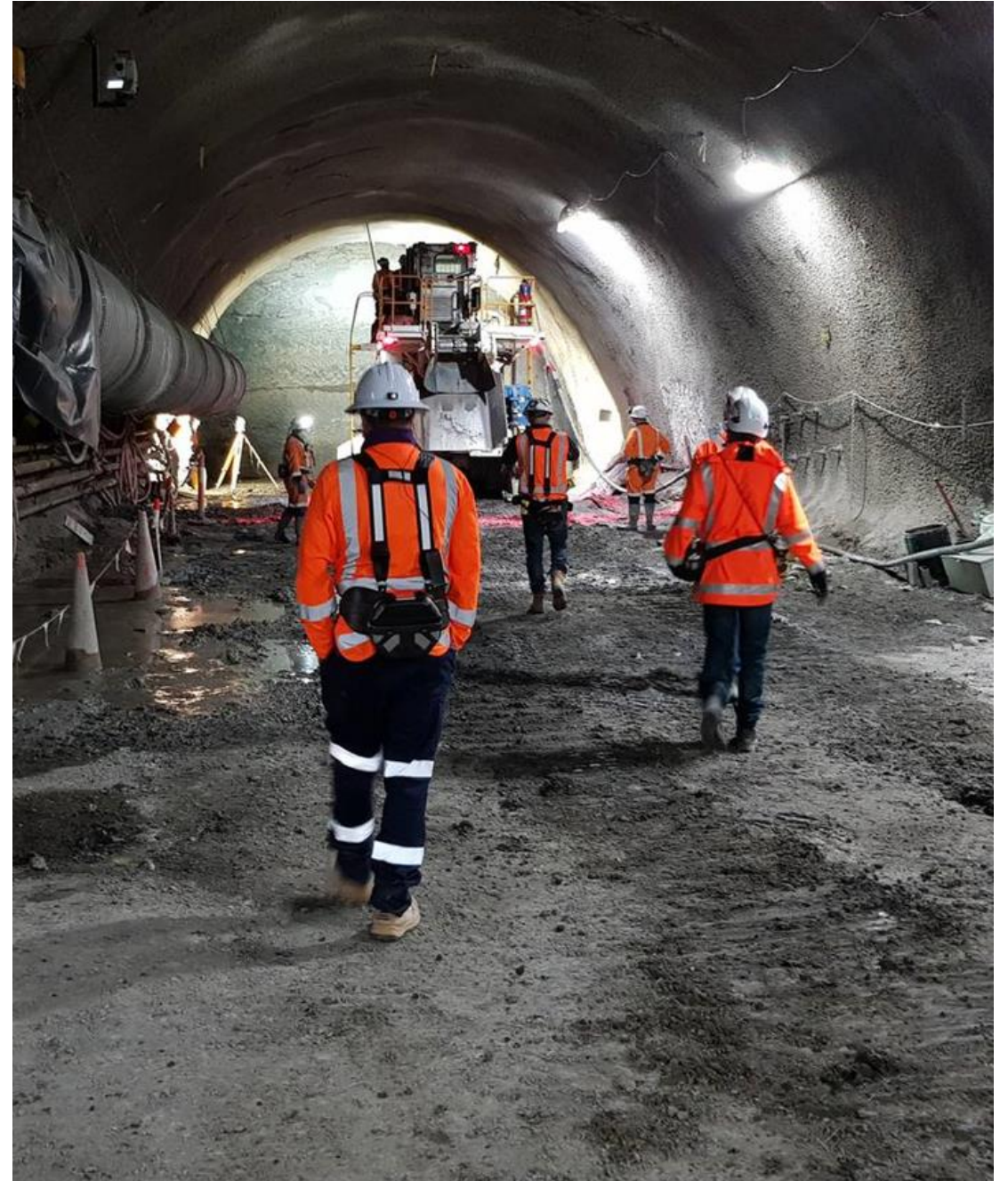
- Tracking our historical financial performance of each Project by;
 - value,
 - region,
 - sector,
 - client
 - contract type



Machine avoidance on the Trentham to Upper Hutt Double Tracking project.

For Go No Go we are also interested in;

- Early market engagement
 - Risk profile
 - Our Team
 - Bid Costs
 - Win %
-
- Its about knowing under what situations we perform well / poorly



Considerations for procurement

- The right contract for the right project
- Right commercial terms (limit of liability, design, accuracy of info, warranties, LD's etc)
- Project KRAs are welcome
- Recognise investment in 'social license'
- Pain at the start can be better than pain at the end

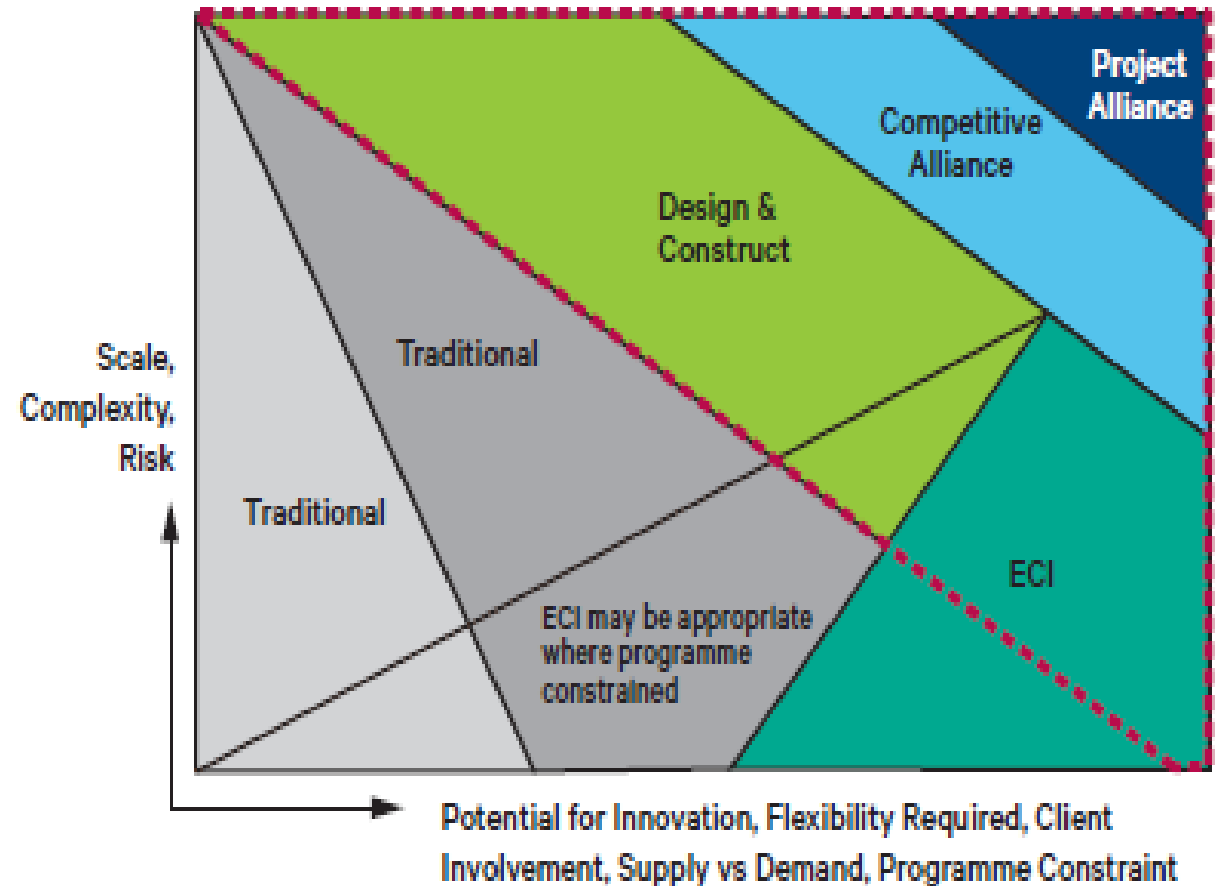


Figure 1: Delivery model selection graph – adapted from NZ Transport Agency (2014)

Considerations for procurement



Increasingly, our clients are asking for our perspective on ECIs, the potential benefits to their upcoming projects, and what best in class ECI management looks like. We find the common areas of value sought by clients include:

1

Value through cost reduction and innovation

2

Improved speed and agility in delivery

3

Risk mitigation and change management

4

People and Collaboration

5

Achieving sustainability outcomes

Based on our knowledge of the project drivers and outcomes

Matrix Key:
 L: Zero or minimal representation in contract
 H: Highly represented in contract

	Delivery of project on or before time	Innovation (Value Engineering)	Risk Mitigation	Flexibility	Collaboration & Best for Project Decisions	Commercial Tension	Transparency of Cost	Performance Management	Overall
Traditional Lump Sum (e.g. NZS 3910)	M	L	M	L	L	H	L	L	L
Traditional Measure and Value (e.g. NZS 3910)	M	L	L	L	M	H	M	L	M
Other Measure and Value (e.g. NZS 3916)	M	L	L	L	M	H	M	L	M
Other Measure and Value (e.g. NEC 3 ECC – Option B)	M	M	M	M	M	M	M	M	M
Target Out-turn Cost (e.g. NEC 3 ECC – Option C Target Price)	H	H	M	H	H	M	H	H	H
Design and Build (e.g. NZS 3910)	M	M	M	L	L	M	L	M	M
Alliance (Bespoke conditions of contract)	H	H	M	H	H	M	H	H	H

Summary

- We like;
 - Project and Pipeline certainty.
 - Allows us to invest in capability and capacity and turn up to the opportunities ready to go
 - Clear risk allocation and fair commercial terms
 - Early to market collaborative contracts allows us to bring the A team, work with the Client to evaluate and mitigate risk and offer VE.
-
- **In our opinion these outweigh a traditional price driven procurement process slow to market in a high escalation environment.**



Thank you





Jenna Serfontien

**Senior Procurement
Manager | Rau Paenga
Limited**

Guest Speaker

Rau Paenga Limited
Crown Infrastructure
Delivery

Rau Paenga^{Limited}

Crown Infrastructure
Delivery



Agenda

- About Rau Paenga
- Broader Outcomes
- Sector Leadership

Our background



Before Rau Paenga there was Ōtākaro

- Government's central Christchurch quake regeneration agency
 - Broad infrastructure programme
 - Value in preserving Ōtākaro's infrastructure delivery capability
 - Repurposed as a nationwide provider of delivery support services
-



The Problem

- Many Govt agencies don't routinely build things
 - No in-house delivery teams, tools and processes
 - Occasionally they deliver significant infrastructure projects
 - The risks are significant
-



The Solution

We provide a ready-to-go project team

We undertake complex, high-value procurement activity

Experience to manage delivery challenges

There is no obligation to use our services



Simple, effective and free

The project owner (agency) retains control through its governance tiers

We manage the contractor relationship

Our service is free to Project Owners

We develop a delivery agreement with Project Owners



A compelling value proposition

We can support business case development

We can support and manage the Project Owner with the functional brief and concept design outputs

We will then procure and manage the detailed design and procurement activities beyond

We will support the Project Owner's engagement with central agencies and Ministers



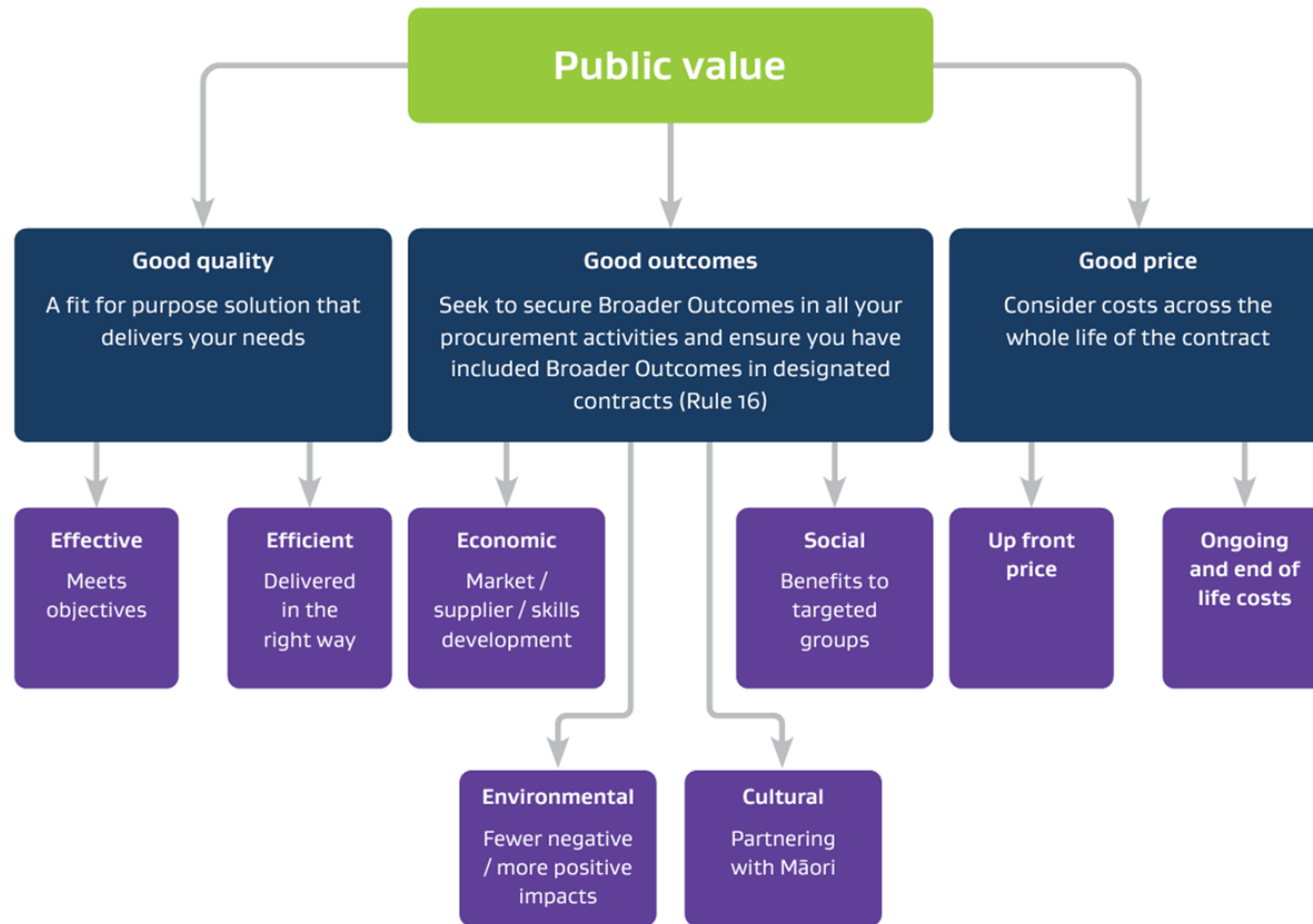
Broader Outcomes



“The secondary benefits that are generated by the way a good, service or works is produced or delivered.”



Public Value



Construction Skills and Training

- Government procurement rules
- Weighted evaluation question about skills development and training practices
- Must conduct sufficient monitoring to ensure this is delivered

Progressive Procurement Policy

- 8% of all contracts awarded to Māori businesses
- Reported to MBIE twice annually
- Subcontracts can be considered

Current State

- Information promised at RFP
- Little visibility of the direct impact

Future State

- Written into project objectives/outcomes
- Reported to project governance
- Benefits measured

Sector Leadership Model



Sector Leadership

- Sector Leadership Consultation
- Identified high spend areas
- Construction/Infrastructure first
- Engagement ongoing

Next steps

- Determine final SL functions
- Identify responsible agency/agencies

Thank you



Rau Paenga Limited
Crown Infrastructure
Delivery

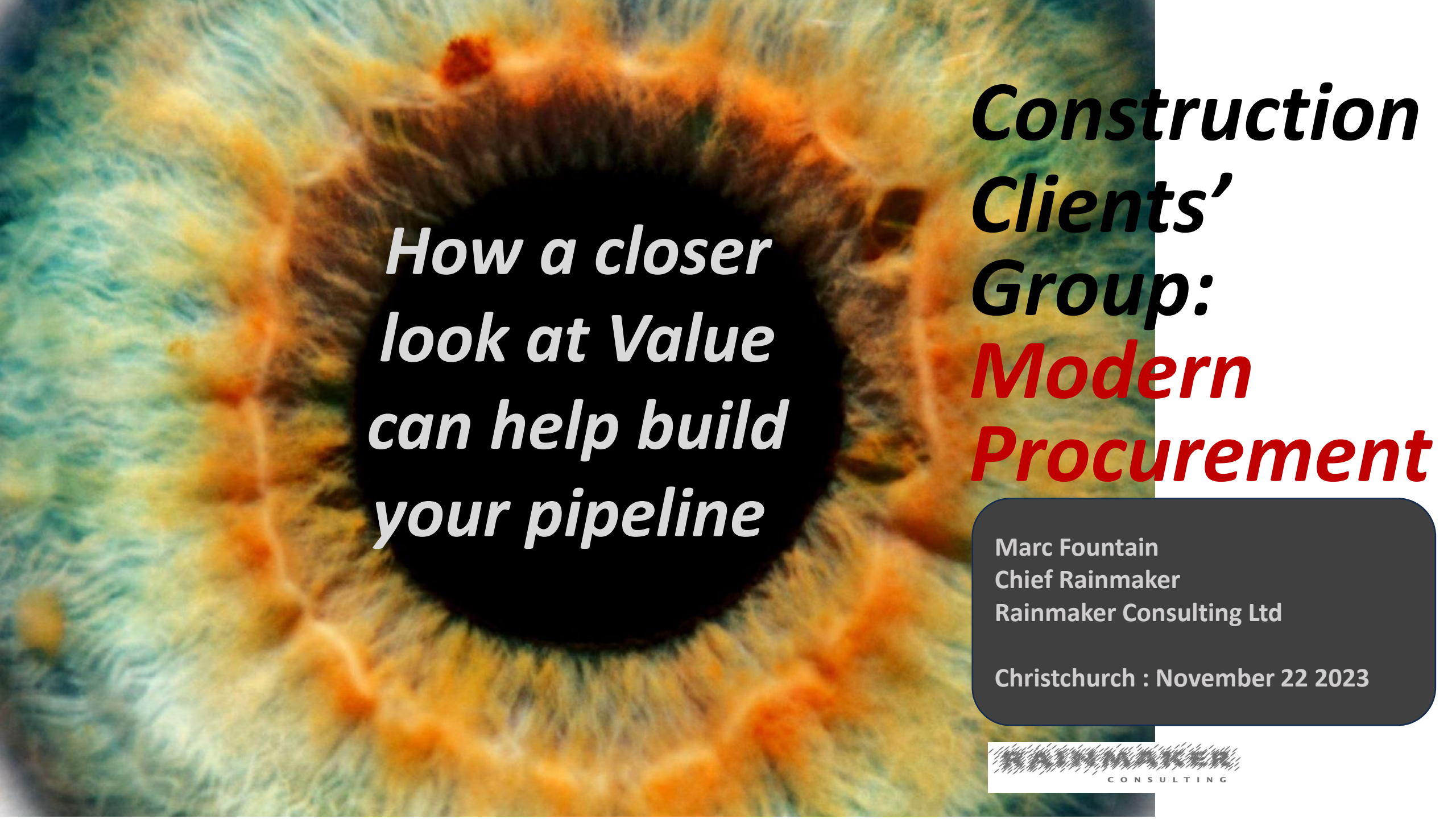


Marc Fountain

**Chief Rainmaker |
Rainmaker**

Guest Speaker





*How a closer
look at Value
can help build
your pipeline*

Construction Clients' Group: Modern Procurement

Marc Fountain
Chief Rainmaker
Rainmaker Consulting Ltd

Christchurch : November 22 2023

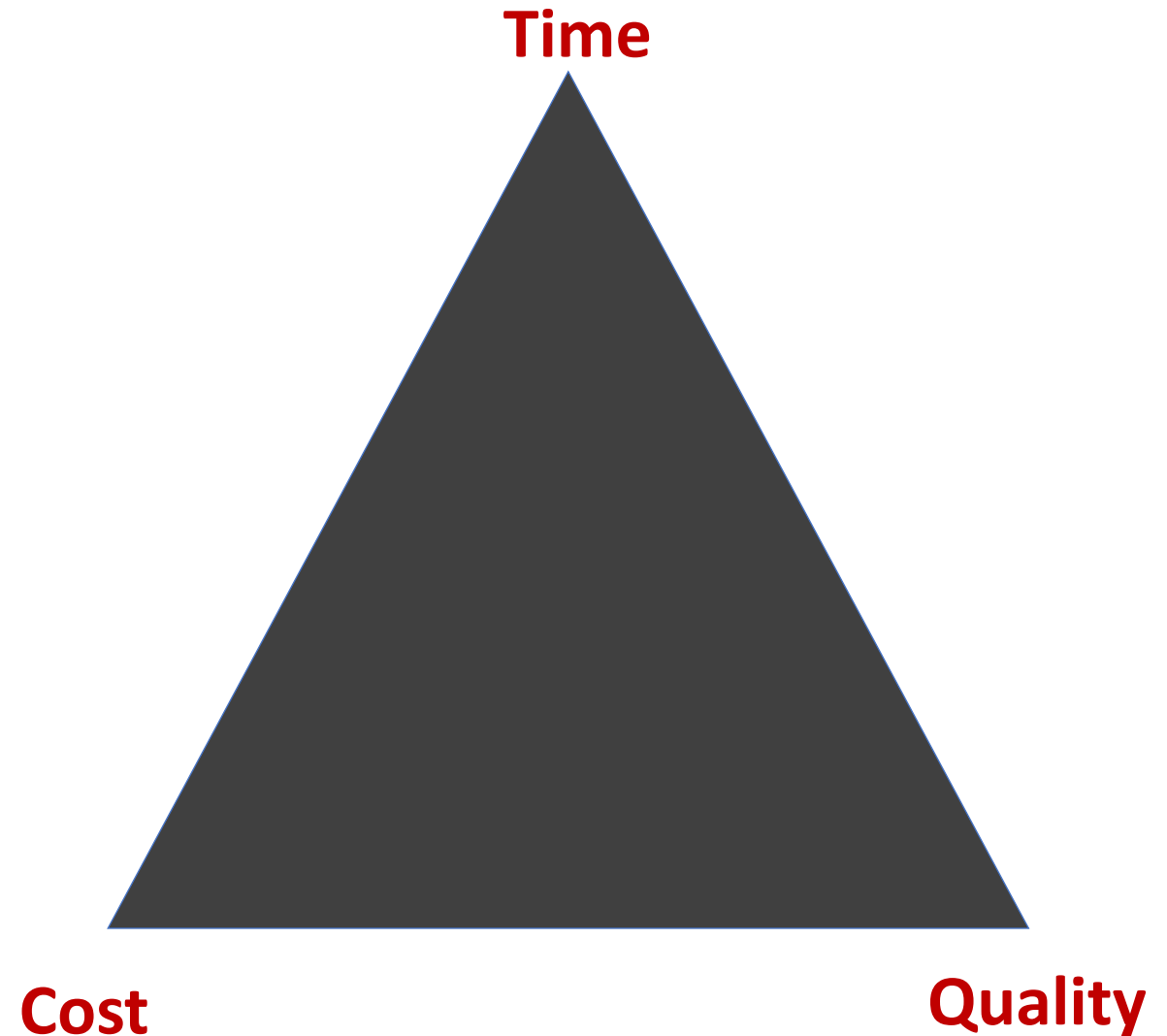
RAINMAKER
CONSULTING

MY LIFE IN WEEKS

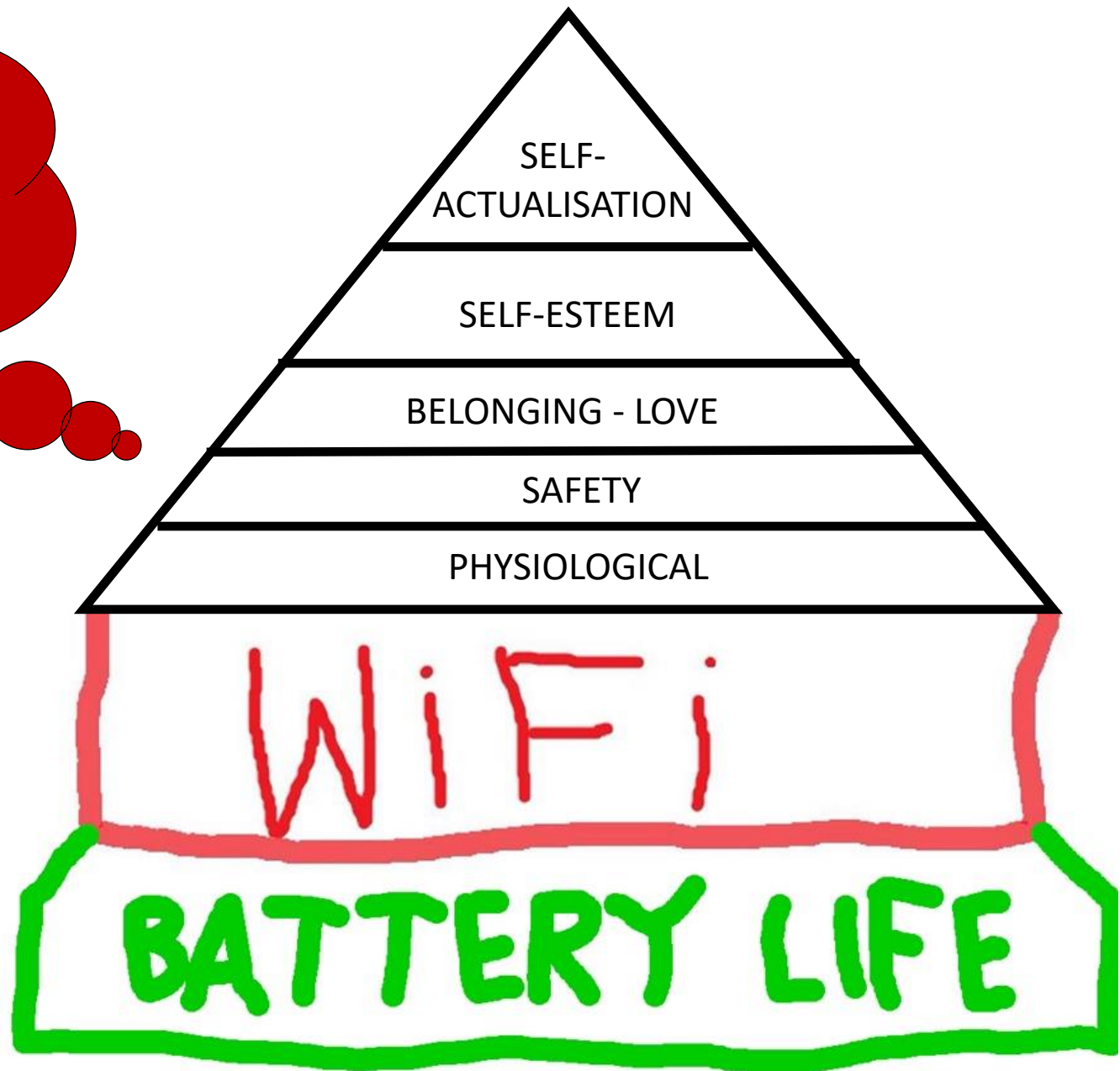




Traditional VFM framework



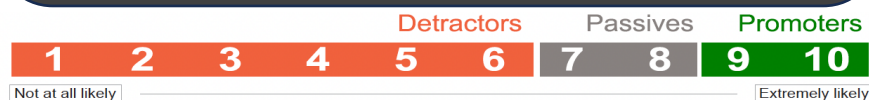
**We've been thinking
about value in
triangles for the last
80 years!**



More Subjective/Personal/Emotional

Value Pyramid: B2B Elements of Value

Developed by:
Bain & Company 2018



NPS = % of PROMOTERS (9 and 10) - % of DETRACTORS (1 to 6)

3: Ease of Doing Business

2: Functional

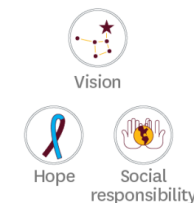
1: Minimum Entry

More Objective/Quantifiable/Rational

Most focus energies on these bottom 2 levels

5: Inspirational

PURPOSE



CAREER



PERSONAL



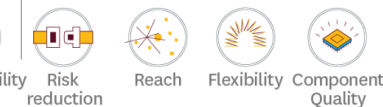
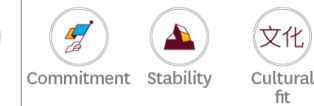
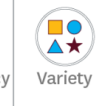
PRODUCTIVITY



ACCESS



RELATIONSHIP



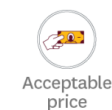
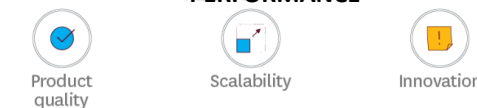
OPERATIONAL

STRATEGIC

ECONOMIC



PERFORMANCE



So what might a Construction Project Value Pyramid look like?

Based on a selection of NZ+AU Rainmaker Consulting infrastructure sector Client Relationship Surveys asking:

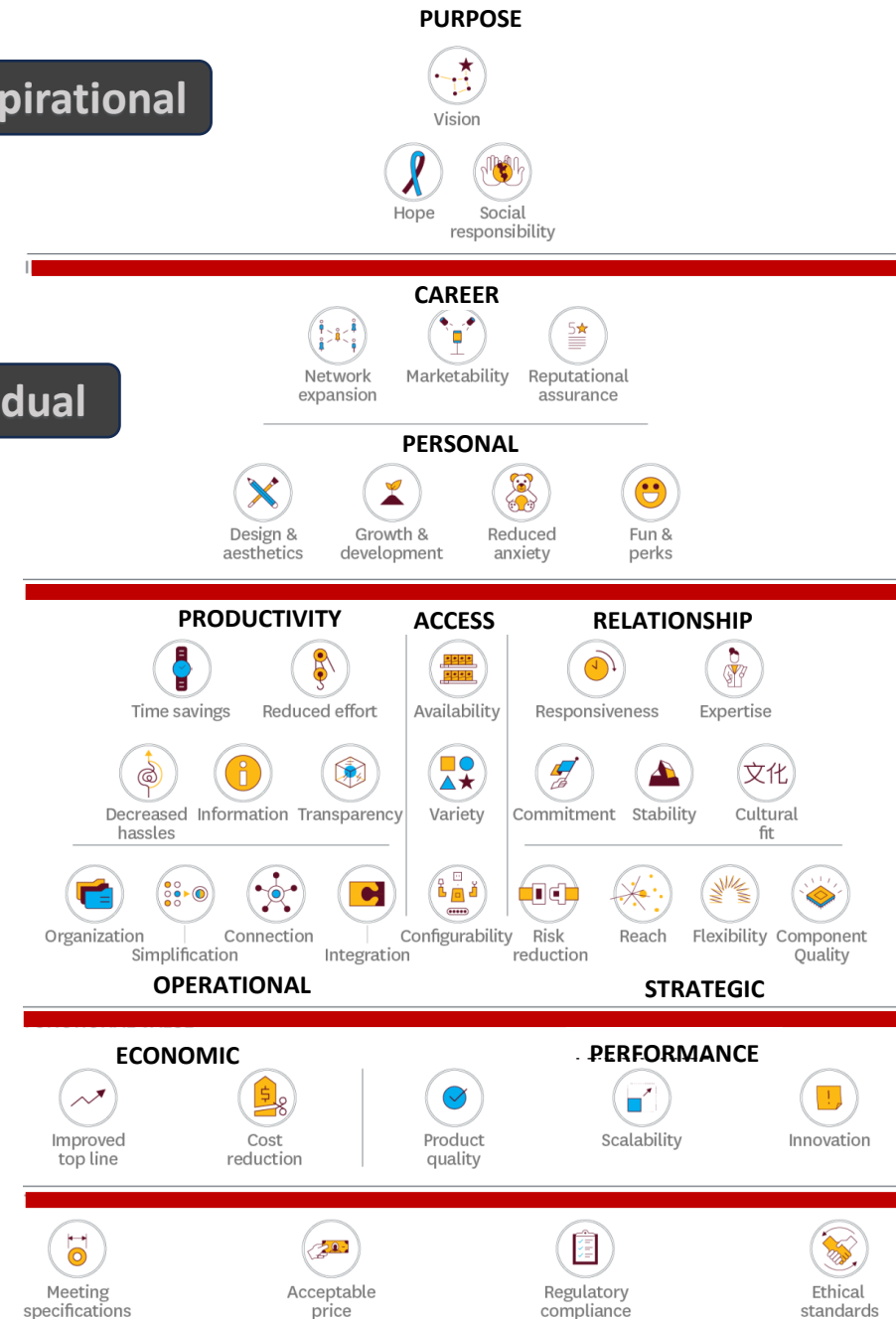
- *What does VFM mean to you?*
- *Other than price, how could your perception of VFM be enhanced?*

3: Ease of Doing Business

2: Functional

1: Minimum Entry

5: Inspirational



PURPOSE

5: Inspirational

CAREER

4: Individual

PERSONAL

3: Ease of Doing Business

2: Functional

<i>early completion benefits</i>	<small>ECONOMIC</small> <i>cost reductions / efficiencies</i>	<i>mutual commercial 'win'</i>	<small>PERFORMANCE</small> <i>more than a post box/ fair + candid</i>	<i>resourcing more heavily</i>	<i>innovation conversations + outcomes</i>
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1: Minimum Entry

meeting specs	<i>to programme</i>	acceptable price	regulatory compliance	ethical standards
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PURPOSE

5: Inspirational

CAREER

4: Individual

PERSONAL

iconic legacy – technical, functional, aesthetic

3: Ease of Doing Business

u/std + provide delivery certainty sensitivity re ratepayer+taxpayer money high performance, collaborative mindset right from start maintaining value-add focus right thru to commissioning + handover
site team 'invisible' managing operational interfaces remove my risks thought + knowledge leadership for specific challenges cultural alignment No surprises

2: Functional

early completion benefits ECONOMIC cost reductions / efficiencies mutual commercial 'win' PERFORMANCE more than a post box/ fair + candid resourcing more heavily innovation conversations + outcomes

1: Minimum Entry

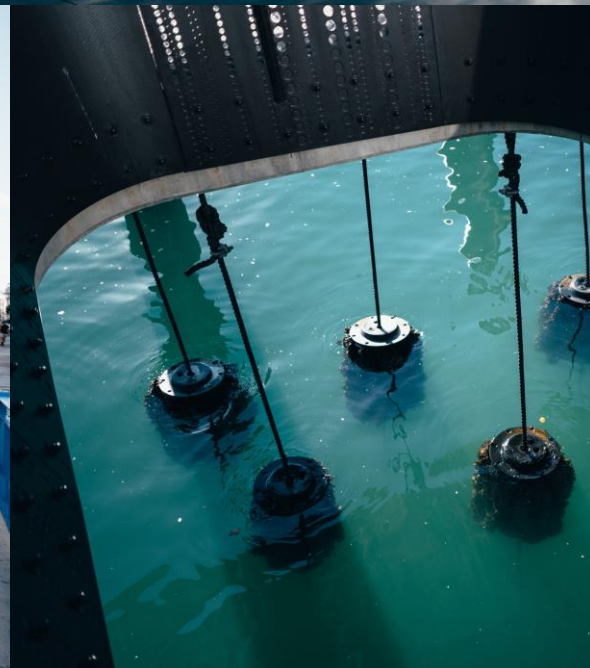
meeting specs to programme acceptable price regulatory compliance ethical standards







5: Inspirational	PURPOSE				
	help client's progress toward achieving vision	enhance client's social responsibility/ achieve broader outcomes	market leader innovator reputation	help achieve cultural shift	
4: Individual	work with best market players	CAREER		choice of designer/contractor vindicated	
		enhanced reputation: safe hands/ gets stuff done			
	PERSONAL			avoiding loss-of-face additional funding requests	
3: Ease of Doing Business	iconic legacy – technical, functional, aesthetic				
	u/std + provide delivery certainty	sensitivity re ratepayer+taxpayer money	high performance, collaborative mindset right from start	maintaining value-add focus right thru to commissioning + handover	
	site team 'invisible'	managing operational interfaces	remove my risks	cultural alignment	
			thought + knowledge leadership for specific challenges	no surprises	
2: Functional	ECONOMIC			PERFORMANCE	
	early completion benefits	cost reductions / efficiencies	mutual commercial 'win'	more than a post box/ fair + candid	innovation conversations + outcomes
1:Minimum Entry	meeting specs	to programme	acceptable price	regulatory compliance	ethical standards



Buyers...

1. Are you telling suppliers what specific attributes you're looking for?
2. Have you really thought about what VFM means to you personally as well as your organisation on specific projects? Any success or 'failures' from previous projects you want to replicate/avoid? Do your suppliers know that?
3. Are you investing time upfront internally to nurture a shared understanding of what's important to you/your organisation & its stakeholders – and with the consultants/contractors right at the start of the project?
4. Have you ever asked your providers what they value? And whether they think you're good to work with? Or how you could be even better to work with?

Providers...

1. Are you asking suppliers what attributes they're looking for in an ideal supplier?
2. Do you know what VFM means to them personally as well as to their organisation for each project you engage with them on? If not, have you ever asked them?
3. Do you know how your clients perceive you in terms of being good to work with? Or how they rate the VFM you are delivering? If not, have you ever asked them?



Why articulate and share a clear understanding of what VFM means on each project?

Buyers

Providers

Can save you both a world of pain later

Ensures you are more internally aligned, can optimise the spec & scope so all stakeholders get a fit-for-purpose outcome

Knowing pre-award who has listened to you & understood you best helps you decide who to prefer

Much more likely to have a successful project (however you define that) - and a provider who wants to work with you again

Knowing what value elements to emphasise (with evidence + benefits) helps your chances of being preferred

Value element-who differs from- how differs- evidence- benefit

Have more confidence in your pricing (many consultants + contractors don't understand how they current add value , or could add more value) – hard to communicate that value if you don't know what it is

Be strongly positioned to win follow-on work

- 2 final thoughts: 1. Value conversations should be a 2-way exchange...so what would a Value Pyramid for Providers look like?
2. Could having Value Pyramids for both Buyers + Providers help promote modern procurement excellence?

A close-up photograph of a human eye, focusing on the iris and pupil. The iris has a complex, multi-colored pattern with shades of green, yellow, and orange. A solid black circle is superimposed over the center of the eye, covering the pupil and part of the iris. Inside this black circle, the words "Thank you" are written in a white, italicized serif font.

Thank you



Jonathan Barry

Partner | Frequency



Jenna Serfontien

**Senior Procurement
Manager | Rau Paenga
Limited**



Bruce Cullen

**General Manager
National | Downer**



Marc Fountain

**Chief Rainmaker |
Rainmaker**

Panel Discussion

Events Programme 2024

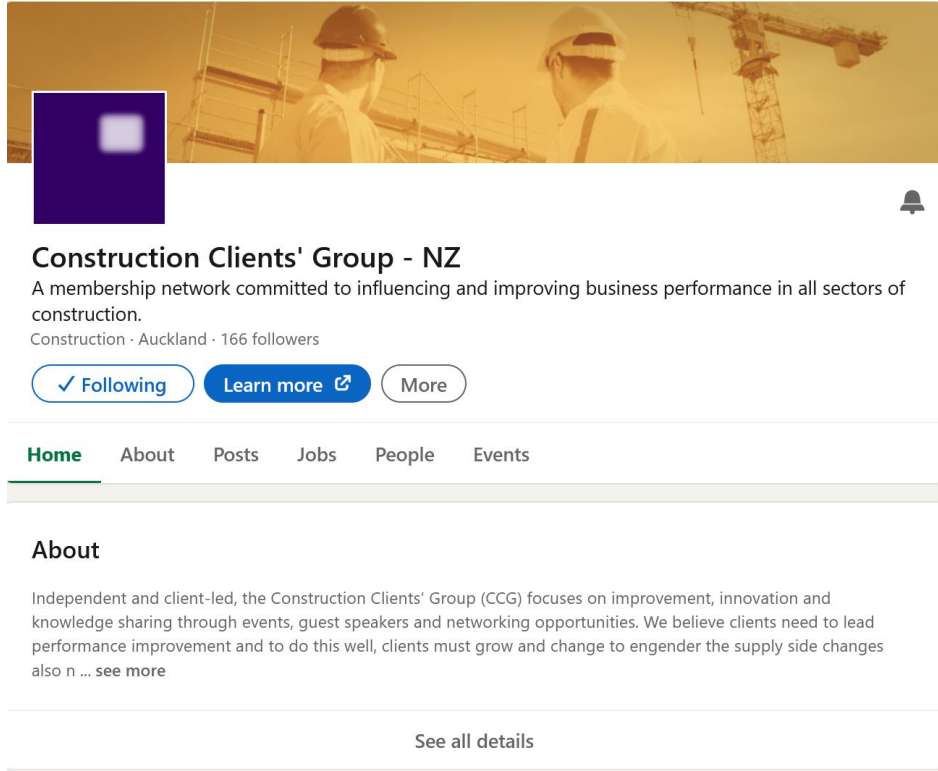
March	April	May	June	July	August	September	October	November
Northland Date: 6th Host:	Wellington Date: 3rd Host:	Event Date: 8th	Northland Date: 5th Host:	Wellington Date: 24th Host:	National Conference Date : TBC	Event Date: 4th	Wellington Date: 16th Host:	Northland Date: 6th Host:
Auckland Date: 13th Host: UoA	Christchurch Date: 10th Host:	Event Date: 22nd	Auckland Date: 12th Host:	Christchurch Date: 31st Host:		Event Date: 18th	Christchurch Date: 23rd Host:	Auckland Date: 13th Host:
Waikato Date: 20th Host:			Waikato Date: 19th Host:					Waikato Date: 20th Host:
Bay of Plenty Date: 21st Host:			Bay of Plenty Date: 20th Host:					Bay of Plenty Date: 21st Host:
CCG Regional Networking Events	CCG Regional Networking Events	CCG Regional Networking Events	CCG Regional Networking Events	CCG Regional Networking Events	CCG Regional Networking Events	CCG Regional Networking Events	CCG Regional Networking Events	CCG Regional Networking Events
		FMBP National Work stream Virtual			FMBP National Work stream Virtual			FMBP National Work stream Virtual
		Safety in Design Virtual			Safety in Design Virtual			Safety in Design Virtual

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Thank you
tēnā koutou



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