2015 NATIONAL PROCUREMENT SURVEY RESULTS

Respondents
- 132 responses. Consistent with previous years.
- Member type indicative of traditional RA membership with good national spread.

Pipeline
- Generally, national road agencies publish upcoming project pipeline well.
- Queensland and Victoria are front runners. New South Wales does this extremely well.

Pre-qualification methods
- There is divided opinion on effectiveness of pre-qualification methods.
- There is an opportunity to streamline pre-qualification processes, improve consistency, clarity of criteria, clearer delineation between tiers and to better enforce the system.

Procurement models (new)
- Market attractiveness:
  - The Alliance model stands out as the most market attractive procurement model.
  - ETI, DECI, Design only models rate significantly high.
  - The Construct only model rates high, though there are no significant differences above or below $150million project value.
- Risk profile:
  - Alliance model stands out as the model with the lowest perceived risk profile.
  - The PPP model has high perceived risk profile.
  - The Design & Construct model has a high level of market attractiveness and a high perceived risk profile.
  - Newer delivery models have generally good low risk profile rating.
  - The Managing Contractor model has a slightly higher perceived risk profile than the Delivery Partner model.
- Operational efficiency:
  - The Alliance model offers highest operational efficiency.
  - The Managing Contractor and Construct only (over $150m) models rate high.
  - There is possible room for improvement in this area for Delivery Partner Model.
- Project Delivery Performance:
  - The Alliance model stands out as very high in project delivery performance, followed by the Delivery Partner model.
  - Those models scoring low include lower value D&C, ETI and dECI models.
  - In higher value D&C and PPP models, there is potential room for improvement in this area.
  - Lowest scoring models include PPP, Design only, Managing Contractor and high value Construct only models.
The survey investigated participation, experience with different procurement models. Many opportunities and suggested improvements for each model are detailed in the slide pack.

- **Double Early Contractor Model**
  - 66% of respondents to this question have participated in a double early contractor involvement process.
  - Industry’s experience with a double early contractor involvement process is rated predominantly mid-range between 4 and 6.
  - WA achieved a significant excellent rating in this category.

- **Managing Contractor Model**
  - 80% of respondents to this question have participated in a managing contractor procurement process.
  - Industry’s experience with a managing contractor procurement process rates high across all states.

- **Delivery Partner Model**
  - 61% of respondents to this question have participated in delivery partner procurement process.
  - Industry’s experience with a delivery partner procurement process varied widely across all states.

- **Improvements to procurement models received from industry - key themes include:**
  - **Design only**
    - Clearer scope, design boundaries
    - Focus on whole of life, not only price
    - Better use of pre-qualification system
    - Closer and earlier engagement between contractors, designers and clients
  - **Construct only (<$150m)**
    - Consider previous performance
    - Flexibility in small design changes
    - More constructability
    - Better use of pre-qualification system to shortlist
  - **Construct only (>=$150m)**
    - Allow innovation
    - Request innovation, only if needed
    - Self-management proposals
    - Better use of pre-qualification system
  - **Design & Construct**
    - Allow innovation
    - Better apportion of risk
    - Be clear on scope, better early scoping of design
    - Minimise information requested from tenderers
- **Alliance**
  - Reduce documentation requirements
  - Shorter duration of process
  - User this model more often
  - Improve designer incentives for innovation/delivery performance
  - Payment of tender costs for dual TOC phase
  - Increase gain share for all parties
  - Better balance opportunities for new market entrants

- **Managing Contractor**
  - Clearer definition of role
  - Allow more room for innovation
  - Good for complex projects
  - Try to limit use of resources where possible
  - Define fee structure to ensure product delivered appropriately
  - Early Tender Involvement
  - Use to drive innovation as much as possible
  - Keep process short, with good client access
  - Cover or contribute to bid costs and IP
  - Achieve better technical result by engaging subcontractors early

- **Double Early Contractor Involvement**
  - Reduce bidding costs
  - Provide more incentive for innovation
  - Provide smaller, alternative project for unsuccessful bidder
  - Cover or contribute to bids costs

- **Public Private partnership**
  - Share risk appropriately
  - Should be driven by contractors, not just financier
  - Minimise information required by tenderers
  - Focus on whole of life, not just short term debt
  - Allocate risk where it can be best managed
  - Standardise a balanced risk profile and stick to it
  - Split the procurement of finance and the procurement of D&C contractor

- **Delivery Partner**
  - Limit to use on large programs for efficiency
  - Shorten engagement process
  - Ensure authority has adequate/appropriate internal resources (not relying on external consultants – very costly)
  - Embrace full UK model
  - Make selection process and scoring more transparent
  - Step back a bit more and allow private sector to deliver
Quality / timeliness of tender documentation - up to and after tender

Results from a quality and timeliness assessment of different procurement models vary broadly across each state. Refer to the slide pack for detailed analysis.

Tender process

The majority of respondents suggest that the number of tenders short-listed for tenders in the last 12 months is about right. In earlier feedback comments, industry suggests no more than 3-4.

Across the nation, respondents suggest that about a fifth of industry participants are not bidding on approximately 20-30% of open tenders, because there are too many bidders.

Generally, respondents nationally indicate that there may be too much detail in documentation required by road agencies for tender submissions.

Generally, tender documents clearly identify project objectives and link them to selection criteria. There is an opportunity to strengthen the relationship between project objectives and the tender selection criteria to achieve an extremely well rating.

Respondents suggest that there is a trend towards providing addenda too late in the tender period. However, the ACT deal with addenda well, and perhaps the current NT trend is to be prescriptive.

There is a general trend towards a good length for tender periods allowed by each state road agency.

Approvals process

ENVIRONMENT - When rating the current environmental approval processes required by government agencies, generally the national trend appears too long. However, the Northern Territory have this right.

HERITAGE - When rating the current heritage approval processes as required by government agencies, the national trend suggests a balance between too long and about right.

UTILITY - When rating the current utility approval processes as required by government agencies, the national trend overwhelmingly suggests that it is too long.

Sustainability / Safety

Generally, tender documents do a good job of clearly identifying sustainability goals and expectations for a project. However, tender documents are rated only as either satisfactory or not well. There may be an opportunity to tighten/offer clarity around project sustainability definitions, goals and expectations in future.

Tender documents rate much higher than sustainability for clearly identifying safety goals and expectations for a project. There is room for improvement in the clarification of safety goals/expectations to enable contractors to price more effectively, and to offer more opportunities for innovation.
**Contracting methods (new)**

The survey welcomed input into how traditional contracting methods could be improved.

It also assessed industry’s appetite towards the harmonisation of common contracting models.

Key themes to improve traditional contracting process efficiency and effectiveness include:

- Relationship contracting – consult/collaborate more
- Better risk sharing
- Look at value, whole of life, engineering methods, not just price
- Increase transparency around weighting and marking criteria
- Encourage innovation
- Shorter assessment periods
- Reduce amount of documentation required
- Reduce duplication of information required

There is an overwhelming sense of support for the harmonisation of common contracting methods for standard delivery models.

Industry suggested key risks and contractual provisions (varying from jurisdiction to jurisdiction), and their possible effects on tendering/pricing. These include:

- Inflexible approach to risk profile
- Local conditions
- Understanding safety risk
- Insurance and liability clauses
- Bridge standards
- Barrier standards
- Limits of liability & PI insurance

The survey offered an indication of possible priority delivery models where to apply a harmonised common contracting arrangement. These priority models include:

- Design & Construct
- Design only
- Construct only (above and below $150m)
- Double Early Contractor Involvement

**Summary**

Key results from the 2015 RA National Procurement Survey include:

- National road agencies are publishing their upcoming project pipeline well.
- There is divided opinion on effectiveness of pre-qualification methods, with possible opportunity to streamline pre-qualification processes, improve consistency/clarity of criteria, clearer delineation between tiers and to better enforce the system.
- Of all procurement models surveyed, the Alliance model scores the highest across market attractiveness, risk profile, operational efficiency and project delivery performance.
- Industry’s experience with a double early contractor involvement process is rated predominantly mid-range between 4 and 6.
- Industry’s experience with a managing contractor procurement process rates high across all states.
- Industry’s experience with a delivery partner procurement process varied widely across all states.
- The majority of respondents suggest that the number of tenders short-listed for tenders in the last 12 months is about right. Industry suggest no more than 3 or 4 on a shortlist.
- Across the nation, respondents suggest that about a fifth of industry participants are not bidding on approximately 20-30% of open tenders, because there are too many bidders.
- Generally, respondents nationally indicate that there may be too much detail in documentation required by road agencies for tender submissions.
- Generally, tender documents clearly identify project objectives and link them to selection criteria. However, there is an opportunity to strengthen the relationship between project objectives and the tender selection criteria to achieve an extremely well rating.
- The national trend for environmental, heritage and utility approvals processes suggest these approval processes are taking too long, especially utility approvals.
- Tender documents do a satisfactory job of clearly identifying sustainability and safety goals and expectations for a project, however there is an opportunity to tighten/offer further clarity.
- Overwhelming support for the harmonisation of common contracting methods for standard delivery models, e.g. Design & Construct, Design only, Construct only, dECI – where allocating risk, liability clauses and local conditions may impact jurisdictions differently.

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