

Future Roads

Roading procurement survey results and findings

October 2023

'Clients need to objectively differentiate their non-price scoring. It's not good enough for the rules to be laid out when suppliers put in the effort and then for the client to score in such a way as to negate proper non-price differentiation and effectively bring lowest price back as the deciding factor'

– selected comment from the survey

'Local government procurement processes have too much of a time-wasting probity focus (to protect potential lack of procurement knowledge/skills) and less focus on actual accountability'

– selected comment from the survey

Future Roads is a conference for the New Zealand roading industry operated by Freeman Media Ltd

www.futureroads.co.nz

www.freemanmedia.co.nz

About the survey

Date launched	6 August 2023
Date concluded	31 August 2023
Survey platform	SurveyMonkey
Survey type	Matrix/Rating Scale

Two different surveys were provided to different audiences who work in the procurement side of roading services at both suppliers and clients:

Survey 1 – suppliers and tenderers

Targeting	Roading contractors and service providers
Typically completed by	Contractors
Completion rate	100%
Typical time spent	7 min 50 sec
Responses	41

Survey 2 – clients and agencies

Targeting	Road owners – councils, road controlling authorities, roading alliances, Waka Kotahi
Typically completed by	Councils
Completion rate	100%
Typical time spent	5 min 2 sec
Responses	59

Summary

The Future Roads procurement survey is an independent survey into the constraints impacting the procurement of roading services in New Zealand.

It attracted close to 100 participants across two surveys and has provided valuable insights into some of the constraints faced in roading procurement.

The first survey targeted the client side and the second the supplier side. Survey participants included road controlling authorities and members of the contracting and consulting community.

Of the 13 constraints put to clients, the two that were graded the highest were *time pressure for awarding contracts*, and *prices coming in over budget*. For the suppliers it was the *emphasis on lowest price and allocation of risk* that were the most dominant constraints.

Across both surveys the concept of broader outcomes in roading services received a diverse and interesting range of responses, that we will discuss at the conference.

Procurement expertise on the client-side is seen as an area where the industry can improve.

Survey advisory panel

The survey was prepared by Freeman Media Ltd – owners of the Future Roads conference – and used a sub-committee from the conference advisory panel including:

Kelsey Townsend - Senior Bid Writer, HEB Construction

Scott Ford - General Manager, Isaac Construction

Lynette Ellis - Head of Transport & Waste Management, Christchurch City Council

Caroline Boot – Director, NZ Procurement and Probity Services

The Procurement Workshop

The results of the survey will be used at this year's Future Roads conference (November 8-9, Claudelands, Hamilton).

Clients and suppliers attend the conference and will be allocated to tables at the workshop to explore some of the constraints to best-practice procurement in the roading construction and maintenance space.

Tables will contain a roughly equal mix of clients, contractors and consultants. Some tables will contain larger clients, others smaller. Each table will be asked to discuss the survey results and will be allocated a few actions to come up with for moving towards best-practice procurement. We ask table attendees – is there any connection between some of these constraints?

We're hoping that the outputs from the workshop will lead to tangible actions to benefit procurement practices across the board. We will then monitor and report on these actions through the coming year and at next year's Future Roads conference.

Facilitators

The conference workshop will utilise the services of constraint resolution experts Graham Scott and Vicky Mabin.

Graham Scott

Graham studied agriculture and accounting at university and started his own accounting practice in 1996. He discovered and implemented Theory of Constraints thinking into the business about 10 years later. He has also implemented TOC into many client businesses and taught a 6-day Theory of Constraints (TOC) Thinking Tools course internationally.

Graham completed a Master of Commerce degree in 2020, applying TOC thinking to the traditional budgeting process to find out why people behave the way they do around budgeting and how it causes waste.

Prof. Vicky Mabin - Victoria University

Vicky is Professor Emeritus at Wellington School of Business and Government, Victoria University of Wellington.

She has been an advocate of Theory of Constraints since 1986 when, as an OR consultant/scientist, she first read *The Goal*, and applied it at Expozay International with exceptional results.

Since joining Victoria University in 1991, she has conducted and supervised many projects using TOC, alongside other management/OR methods.

Dr Mabin is a leading author of TOC articles, co-author of *The World of TOC* (2000), a chapter in the *TOC Handbook* (2010), bibliographical articles on TOC, and co-creator of the TOC articles database.

The survey

Precis text sent to target participants ...

“Procurement is hard ... how do we make it easier?”

Procurement in the roading sector is a vast area with a relatively large number of clients and variety of contract approaches. Successful projects start and finish with sound procurement practices.

At this year’s Future Roads conference (November 8-9, Claudelands, Hamilton) we are running a workshop-style session within a procurement stream to discuss some of the constraints that apply to best-practice procurement in the roading sector, between client and supplier.

Our aim is to facilitate a valuable discussion and come up with some findings for communication back to the sector. We will then provide a list of action items and follow this up in between, and at subsequent Future Roads conferences.

By improving procurement practices in the roading sector the aim is to deliver better value and outcomes to clients, while providing a commercially sustainable and efficient model for suppliers.

To inform the workshop sessions we are surveying clients and suppliers in the roading sector around constraints they are experiencing. Subjects such as procurement timeframes, tender documentation, allocation of risk, focus on lowest price, are all included in the survey.

The Theory of Constraints

The Theory of Constraints is a methodology for identifying the most important limiting factor (ie constraint) that stands in the way of achieving a goal and then systematically improving that constraint until it is no longer the limiting factor.

Survey questions

Survey 1 - suppliers and tenderers

1. Grade the following constraints as experienced by your organisation when engaging in a procurement process for roading services

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	N/A
It's too time-consuming and demanding to respond to public sector tenders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Procurement documentation is poor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk is unfairly allocated onto suppliers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
SME companies can't compete on public sector tenders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tender response timeframes are too short	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public sector tendering is not worth the effort	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is too much emphasis on progressive procurement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is too much emphasis on Broader Outcomes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contract compliance requirements are often unrealistic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Procurement timeframes are uncertain and change frequently	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tender evaluation scoring is not clear or objective	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is too much emphasis on lowest price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Procurement processes are not appropriately tailored to the risk and complexity of the project being procured	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Desired outcomes aren't properly defined at the start of the procurement process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Please identify any other constraints experienced not mentioned in the choices above

3. Feel free to make any other comments around procurement in the roading services area from a supplier or tenderer perspective

4. Which best describes your organisation

- Tier 1 contractor
- Tier 2 contractor
- Tier 3 contractor
- Professional services firm
- Consultancy
- Other

Survey questions

Survey 2 - clients and agencies

1. Grade the following constraints as experienced in your organisation when procuring roading services

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	N/A
We are under major time pressure to get contracts awarded	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We are short-staffed, with little access to knowledgeable procurement support	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We are getting fewer and fewer tender responses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Some contracts are awarded based on personal relationships rather than supplier capability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tender submissions have too many tags/exclusions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Suppliers do not answer the questions meaningfully	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Too much time is spent evaluating poor responses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is too much emphasis on progressive procurement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is too much emphasis on Broader Outcomes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Submitted prices are higher than our budget	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Often, there are big differences in evaluators' methods and scoring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is not enough meaningful engagement between clients and suppliers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Procurement processes are not appropriately tailored to the risk and complexity of the project being procured	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Please identify any other constraints experienced not mentioned in the choices above

3. Are there any other comments you would like to make around procurement from a client or agency perspective.

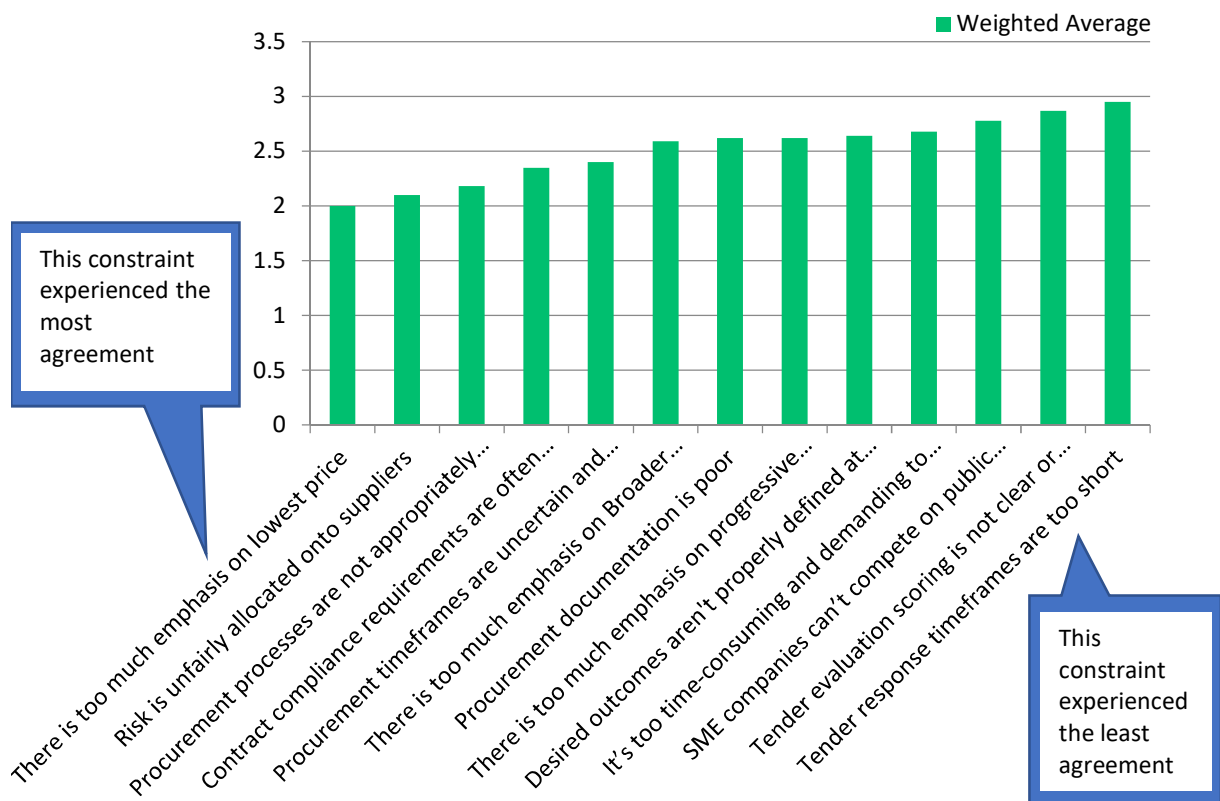
4. Which best describes your organisation

- National transport agency
- Large city council - population > 150,000
- Small city council - population < 150,000
- Roading alliance
- Procurement agency
- Other

Survey results

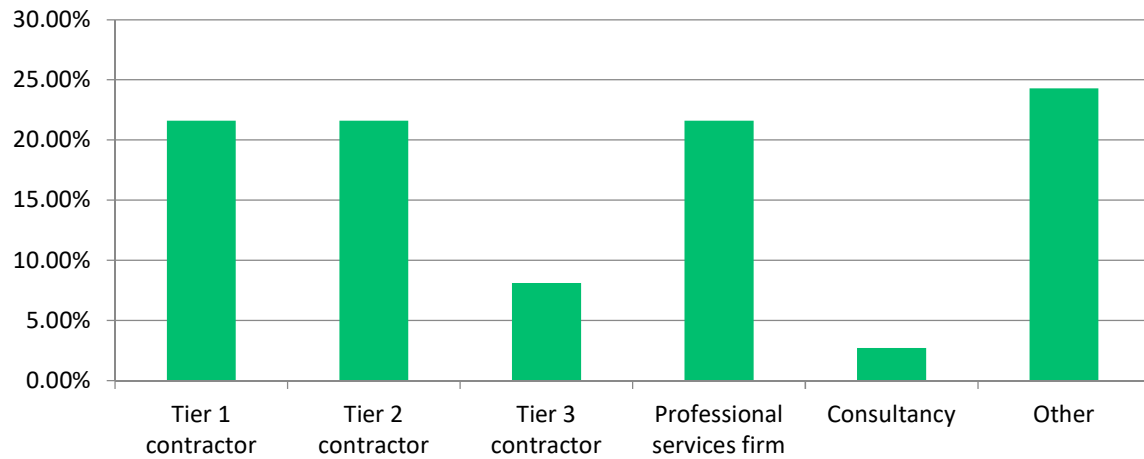
Survey 1 - suppliers and tenderers

Grade the following constraints as experienced by your organisation when engaging in a procurement process for roading services



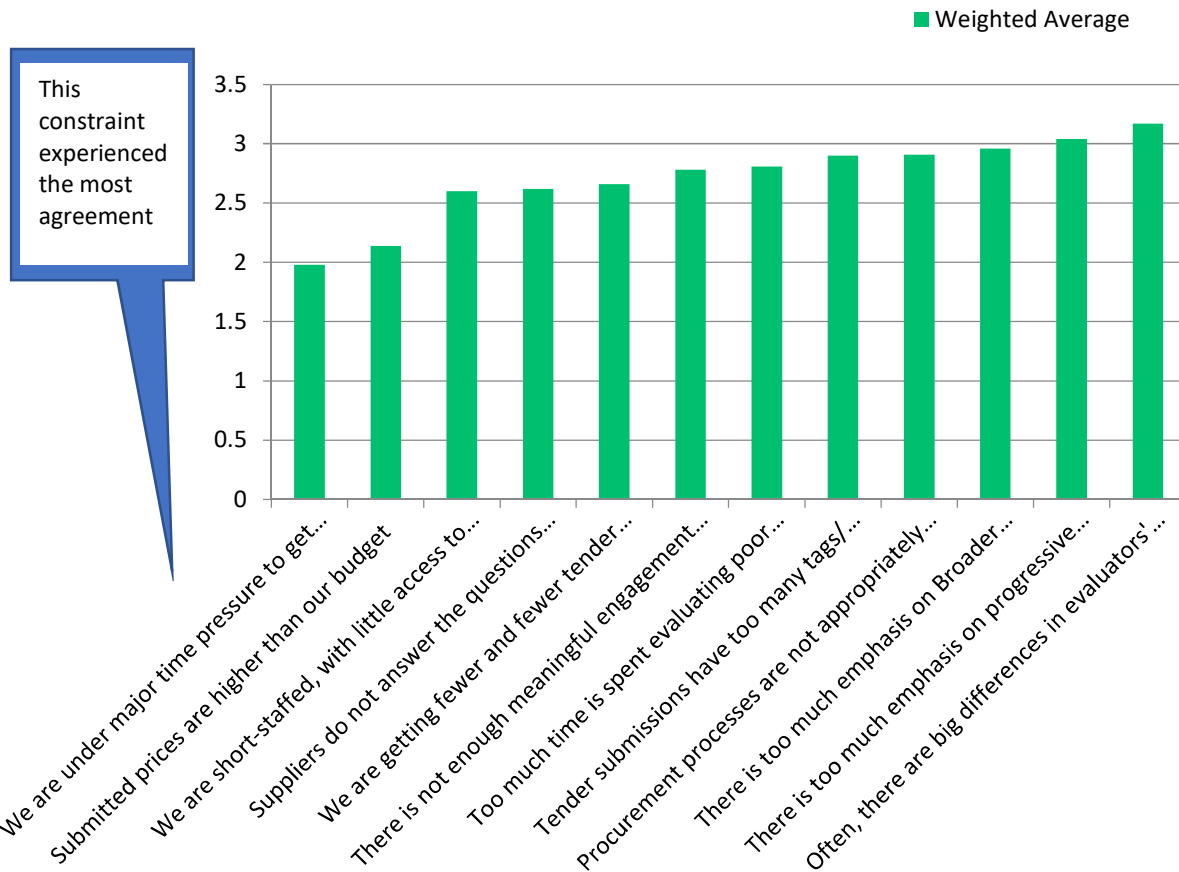
[Full question text is shown on page 6]

Which best describes your organisation



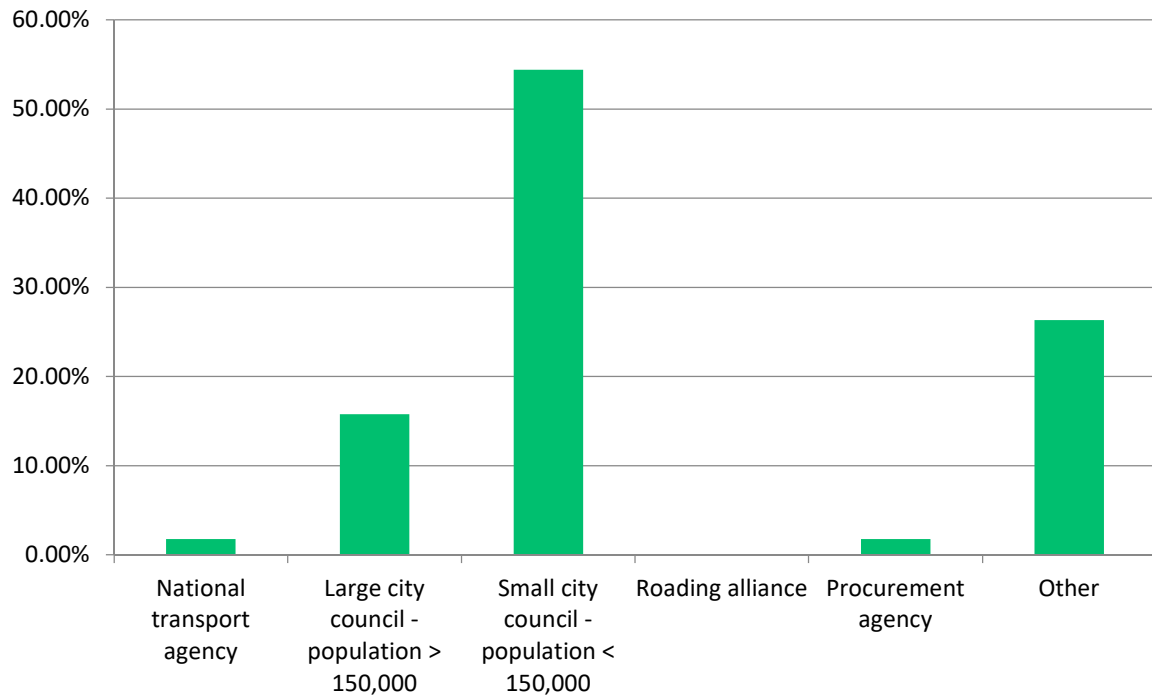
Survey 2 - clients and agencies

Grade the following constraints as experienced in your organisation when procuring roading services



[Full question text is shown on page 8]

Which best describes your organisation



Commentary from survey participants

The surveys received a large amount of feedback about roading procurement in general. Here is a selection of some of the comments we received, grouped by sub-heading ...

Broader outcomes. Non-price attributes

- Clients need to objectively differentiate their non-price scoring. It's not good enough for the rules to be laid out when suppliers put in the effort and then for the client to score in such a way as to negate proper non-price differentiation and effectively bring lowest price back as the deciding factor.
- Diversity is not marked explicitly (despite it being a key client goal) and it's not clear to me why.
- Broader outcomes are essential going forward. The industry cannot stand still, the industry has a responsibility to procure the right suppliers to pursue big picture goals, not short-term parochial outcomes. Climate change is the single biggest global challenge and clients and suppliers need to properly understand and commit to their part in supporting the aims - increasing broader outcomes is needed not marginalisation of them.
- There is little benefit for us to develop our non-price attributes/methodologies etc as we get played off with price against suppliers who don't have the same thing in play.
- While I fully support the desire to achieve broader outcomes with our construction contracts, we appear to be moving towards a scenario where these are more important than having a contractor with the right skills and expertise to construct the job safely and to the required quality and cost.
- Broader outcomes are also often left up to the contractor to identify and propose. This leads me to believe the clients don't know what they want.
- More work is required to embed Broader Outcomes - particularly with a localism lens.

Procurement practice and tender evaluation processes

- Not appropriately differentiating between tenderers on track record and relevant experience undermines the call made by a council to put a higher weighting on non-price, turning it back into a race to the bottom lowest price battle, and just encourages some suppliers to continue to bid low, win work, underperform but make money, deteriorate clients' networks, get booted, then move to the next client, and start the cycle again. If clients want to lift performance across industry, start by looking at the way you procure work out, and the over-empowerment you give external consultants with no skin in the game.
- There is no clear process around reviewing alternative proposals. Quite often the method specified is simply wrong, and therefore not worthwhile pricing a conforming tender. There is usually a vague statement around maybe reviewing alternatives, but my experience is they are rarely followed up on or explored.
- The marking schedules reward experience and encourage bidders to offer the same faces to maximize scores.
- Many clients do not nominate the TET (Tender Evaluation Team) or provide detail around how items are scored. My understanding is that this is contrary to the government rules of sourcing and yet there appears to be no consequences or change. Do the organisations get audited against the government rules?

- Tender scoring needs more accountability and transparency, with full and accurate debriefs for unsuccessful and successful suppliers. How does the industry learn and improve if there is no accountability or consistency on both sides of the equation?
- The procurement process is still open to subjectivity and "screwing of the scrum" to determine/contrive the outcome.
- Public sector organisations effectively look for the same information but always request it in a different way. A huge amount of time is spent reworking the same content to fit their templates or questions. There must be a more efficient way to consolidate information that can be provided across the entire public sector.
- Some TETs are not bothering to phone referees to confirm track record performance, which undermines the whole process. This results in tenderers all being marked very close for track record and relevance experience, despite some of the track record projects being used by clients who have just terminated that supplier based on poor delivery, yet the next council marks them highly for track record based on what the supplier writes, as they can't be bothered checking referees despite it being up to a 10yr contract, and up to \$500m of public money. To ask for referees, but not bother checking with them, is lazy at best, bordering on unethical and negligent.
- Sometimes relevant experience is heavily weighted to specifically working for the client you are bidding work for, and until you have actually worked for them you are potentially disadvantaged.
- Procurement 'project by project' is shortsighted and wasteful compared to progressive additional projects given to high performing teams.
- It is not clear that TETs understand the effort required to produce a bid and seem reluctant to spend time in a meaningful de-brief with bidders. We often get the TET reading the evaluation report and have very limited time for our questions. That does not allow thoughtful conversation and a real learning opportunity.
- I believe that the methodology sections in large bids are too broad and require bidders to focus on a range of issues - a shopping list - many of which don't allow differentiation. I would like to see clients identify on the three or four maximum areas of real concern and ask bidders to just address them in detail and encourage new thinking.
- As a supplier to the contractors, there is very little time between tenders being awarded and start dates.
- Those tasked with providing procurement assistance have come from other agencies (e.g. MBIE) where they stick to the weighted average system and will not budge from it.
- Local government procurement processes have too much of a time-wasting probity focus (to protect potential lack of procurement knowledge/skills) and less focus on actual accountability
- People often don't understand how to do the risk and opportunity analysis in the procurement plan which helps you identify your criteria and questions. All too often people are not using anchored scoring which is invaluable.
- There is a real driver in local authority procurement plans to go the whole hog and make suppliers submit RE/TR etc for work that they are already prequalified by Waka Kotahi to undertake. They aren't flexible enough to just ask for what they need, who is doing the work, and how and what your price is. In the constrained supplier market, if you ask for all this information, they are more likely to not tender or put in a poor tender as they can make more money as a subbie on many other projects. If we keep asking for all the attributes, all you are

doing is annoying your local suppliers who want to support you. Agree for those high risk or high value projects, say \$5M plus you may want all the attributes, but make it scalable.

- Very specific procurement questions would go a long way to making evaluation shorter and more certain.

Products and innovation

- There seems to be no incentive or very little at all for the contractor to try new products, mostly gets put in the too hard basket or the contractor puts it back on the asset owner who in turn puts it back onto the contractor. This is a real detriment to new and innovative products and services being trialed or used.
- Our (unique) raw materials have a considerable lead time (circa 3 months), so we must make an educated guess and invest in them before tenders are awarded. At times this has led to us holding over \$1 million of raw materials with the risk the tenders won't get awarded to our customers or worse still, delayed (or not awarded at all).

Procurement staff, skillsets and procurement consultants

- Procurement staff are inexperienced in the industry and are not able to discern value from cost. They often have little experience of construction contracts too.
- TETs are often not diverse themselves (gender, experience, background). Having a wider range of thinking would give better evaluation and interactions with bidders.
- Some consultants working in the procurement space are not independent as they claim, publicly campaigning for tier 2's/3's despite not understanding the complexity of road maintenance and asset maintenance, so doing a disservice to the client/ratepayers.
- Some procurement consultants are unethical in their business dealings, working on both sides of the fence, helping certain suppliers to write their tenders, and also working for clients as TET advisors, and hiding behind a weak excuse "they are different companies" despite having the same shareholders/directors, and even though there are known cases where they have blurred the lines and got their supplier-facing business to assist with carrying out referee checks for the TETs. NZ was once seen as one of the least corrupt countries in terms of procurement, but I would argue if people knew what has been going on in some places, they would be shocked.
- One constraint is the lack of commitment of client staff to commit to the procurement process to make it robust, leaving it dependent on an external procurement consultant who has no skin in the long-term game, so can introduce personal bias into evaluation, not thinking "best for local ratepayer". We need client staff taking ownership, committing senior people, and not passing the buck to a consultant, as this undermines the process and devalues the efforts put in by suppliers.

Client-specific

- Political pressures, be it the local level or the central level is a real constraint. Politicisation of engineering/technical issues make it harder to engage the community and deliver accordingly.
- Consulting services are well contested, but suppliers are overcommitted and frequently slow.
- There's not enough \$/budget in the system to do an excellent job. Procurement and contracts should not be used to make up for deficiencies in budgets to meet an appropriate level of service.

Waka Kotahi specific

- One of the biggest stumbling blocks we have is having to tender projects over \$300k thanks to Waka Kotahi, \$300k is not a lot of money now - relatively small projects. We should be able to do a shorter process for under \$1M.
- As an engineering project manager working on roading projects, I find the Waka Kotahi co-funding structure quite inconsistent and difficult to understand and apply. It seems to change from project to project and adds friction to the budget management process.
- Waka Kotahi has a number of procurement guidance documents that are not consistent with each other. They are also inconsistent with the GROS, when challenged they push us to use our own internal processes and controls.
- LTP funding periods: these constraints can significantly impact procurement outcomes.
- Procurement timelines are often being driven by other financial/contract constraints - including being accommodated in NLTP funding periods. These constraints can significantly impact procurement outcomes.
- While there are not many issues with the procurement process, it would be beneficial to be able to directly negotiate with the contractors that regularly tender for the work in our rural local authority. There is a good knowledge of what the cost is so there are few surprises at tender. For our rural road rehabilitation contracts for example, they tend to be spread amongst three contractors so rather than tendering for each we could assign contracts to each of the contractors at a set cost. Be a saving on time spent by both parties preparing and evaluating tenders. Waka Kotahi would likely say that can be done if it aligns with the approved procurement strategy but there has always seemed to be a reluctance to approve something that is different.
- Pace scores need to be undertaken more regularly and for roading activities, all local authorities should be using Waka Kotahi forms as it is a good percentage of their money that is being spent. The KPI's on some Pace scores are easy to achieve and skew the system. Pace must also have a justification for each score, the fields can't be left blank and can't be a standard "ok" or "good" comment.

For more information contact Matt Freeman, Managing Director, Freeman – 0274711113 – matt.freeman@freemanmedia.co.nz

Future Roads – www.futureroads.co.nz

Follow the conference on LinkedIn - <https://www.linkedin.com/company/futureroads>

This report and the survey is Copyright © 2023 Freeman Media Ltd