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Marlborough Transport Activity Procurement Strategy

June 2022

Executive Summary

This document sets out the strategy for the procurement of services to manage the Marlborough District Council (MDC/Council) Transport Assets and the key objectives and outcomes sought by Council of value for money, maintaining a fair and competitive market, by utilising appropriate and effective procurement processes.

Council currently engages Waka Kotahi NZ Transport Agency (Waka Kotahi) through a Local Roads Asset Management Agreement (LRAMA) to manage and maintain its road network. Under this contractual arrangement all procurement is managed by the Agency using its purchasing framework as prescribed by the Agency Procurement Manual.

Under this arrangement all procurement will continue to be managed by Waka Kotahi under the Marlborough Roads brand and utilising their standard procurement framework.

Marlborough Roads has maintenance contracts in place for the duration of this Procurement Strategy that includes the majority of Council's transport infrastructure needs. Other miscellaneous contracts are used to deliver any remaining works or services.

Council will continue to rely on audits completed by Waka Kotahi and other industry reporting such as industry benchmarking completed by the Road Efficiency Group to ensure compliance with funding requirements and performance with other Road Controlling Authorities.

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1. Policy Context

1.1. Strategic Objectives and Outcomes

This document sets out the strategy for the procurement of services to manage the Marlborough District Council Transport Assets.

Section 4 of the Agency's Procurement Manual requires a Procurement Strategy to detail the organisation's procurement strategy for the activities funded under s20 of the Land Transport Management Act 2003 (LTMA).

In addition, s17A of the Local Government Act (LGA) requires local authorities to conduct service delivery reviews which should not be inconsistent with the procurement strategy.

Marlborough District Council undertook its latest review on 13 June 2017. Referenced in Council minute A.16/17.441

Where the approved organisation is a local authority or Council-controlled organisation, consistency should be achieved with the principles of its enabling legislation (the LGA 2002) when procuring goods, works or services. The key principles within this legislation that are relevant to procurement require local authorities to:

- Act in an open, transparent, and democratically accountable manner,
- Act effectively and efficiently,
- Undertake commercial transactions in accordance with sound business practice,
- Resolve any conflicts in an open, transparent, and democratically accountable manner,
- Comply with the requirements of Part Six of the Local Government Act 2002 in respect of decision making, consultation may also be required.

Approved organisations must ensure that selection processes are robust and that any evaluations and decisions follow strict process and are therefore defensible if contested, so consideration should be given at all times to equity, ethics and legal considerations.

1.2. Objectives and outcomes for the procurement strategy

Council's objectives need to align with s25 of the LTMA and the LG Act. Key objectives and outcomes sought by Council are:

- Procure services in accordance with Councils Procurement Policy,
- Promote the four wellbeing's in Council's procurement processes as mandated by Council,
- Promote, monitor, and measure Health and Safety for service delivery,
- Continuous improvement through procurement decisions to strengthen Councils smart buying capability,
- Being able to demonstrate to their constituents that the "whole of life" costs are demonstrably minimised and are completed in an open, transparent, and democratically accountable manner,
- Ensure that risk is appropriately managed, and that all procurement remains legal, ethical, and transparent and embodies Council's vision and priorities,
- Reduce the cost of the procurement process and obtain best value for money on all procured goods and services,
- Deliver the best public value from all procurements by considering the total costs and benefits across the whole life of the contract
- Promote the development and use of performance measures,
- Promote procurement practices and policies that contribute to government priorities on sustainable procurement,
- Encourage the development of a range of suppliers and providers that will contribute to the local economy,
- Manage the Council's supply chains, develop better relationships, and promote cooperative procurement arrangements.

1.3. Alignment with Government's Broader Outcomes

Government's Broader Outcomes are required to be incorporated where possible within the Council's procurement strategy and practice. These broader outcomes can be environmental, social, economic, or cultural benefits that are generated from procurement activity. The Government has identified four priority outcomes for agencies to focus on:

- Increasing access for New Zealand businesses
- Increasing the size and skill of the construction sector workforce
- Improving conditions for New Zealand workers
- Reducing emissions and waste

The Council's procurement policy principles are aligned to these outcomes, with considerations to providing fair opportunity for all suppliers, compliance with health and safety obligations, and sustainable business practices.

This procurement strategy will contribute to Government's Broader Outcomes by:

- Procuring and enabling a prosperous local workforce. Although the road construction market is dominated by national firms, local suppliers have the capability to deliver the physical works needed. The uptake of local resources will be measured by the percentage of the supplier's workforce (and any sub-contractors) sourced from the local region.
- Engaging with fair and equitable suppliers, measured by the percentage of suppliers who can demonstrate compliance with employment and health and safety standards
- Encouraging sustainable business practices such as managing resources use and waste, two of the largest sources of carbon emissions for road construction and maintenance. This will be measured by the number of resource efficiency and waste minimisation initiatives suppliers have implemented within their operational activities.

It is intended that reporting against these measures will be undertaken at the start and end of the life of this Procurement Strategy to measure the progress against the broader outcomes. Making positive progress towards these outcomes ensures that any procurement of services to manage the Council's transport assets delivers long term public value for the region.

1.4. Transport Agency's Procurement Requirements

Council currently engages Waka Kotahi NZ Transport Agency branded as Marlborough Roads to manage and maintain its road network. Under this contractual arrangement all procurement is managed by Waka Kotahi using its purchasing framework as prescribed by its Procurement Manual.

Waka Kotahi is committed to the concepts of value for money, maintaining competitive and efficient markets, and fair competition among suppliers. The Agency's Procurement Manual contains procurement procedures approved by the Agency under s25 of the Land Transport Management Act 2003 (LTMA).

The procurement procedures contained in the manual are approved for use to purchase the goods and services required to deliver the activities that have been funded under s20 of the LTMA.

Council and its suppliers contracted to procure services on its behalf (i.e., Marlborough Roads office of Waka Kotahi), have policies which include handling conflicts of interest in procuring services. Issues that arise are dealt with on an individual basis in line with those policies.

1.5. Councils Procurement Strategies

Marlborough District Council has current purchasing policy and guidelines that are required to be followed in the procurement of goods and services. Its goals align and are those generally set out in the Local Government Act 2002 as detailed above.

Council recognises that successful contracts are relationship based and can have two, three and even more parties contracted to deliver a single outcome.

Council has completed a LGA s17A review of all its activities including the delivery of its transport function in **June 2017** (Council Minute ref. **A.16/17.441**). This references a comprehensive review of

the Local Roads Asset Management Agreement (LRAMA) between the Council and the Agency (Council Minute ref. R800-007-14).

1.6. Health and Safety

This Procurement Strategy recognises the need to give effect to Council's responsibilities within the Health and Safety at Work Act 2015. In particular:

- Clarifying Councils duties as a Person Conducting a Business or Undertaking (PCBU) and understanding the relationship with other PCBU's
- Formalising Councils approach to pre-qualification and performance management
- Clarifying Councils safety expectations with our suppliers
- Risk management

Councils Health and Safety Policies require all contractors/suppliers working for the Council to be Health & Safety Approved by that Council before any works can commence. These aspects must be incorporated within Council's procurement approach, and which will be set out in the specific procurement and project plans.

All contractors/suppliers engaged by Marlborough Roads must meet Waka Kotahi's Health and Safety.

2. Procurement Programme

The current LRAMA is in place until 30 June 2026. It is currently anticipated that a further LRAMA will be negotiated with Waka Kotahi for a further term to be determined, considering:

- the performance and benefits accrued to date and anticipated to follow, and
- the alternatives for programme delivery,

all as identified in the last review (ref. R800-007-14).

Under this arrangement all procurement will continue to be managed by Waka Kotahi under the Marlborough Roads brand and purchasing framework contained in the Waka Kotahi procurement manual.

Marlborough Roads has a current NOC for road maintenance that includes Council's transport infrastructure which is due to expire on 31st March 2027 and can be extended for a further 2 years. As part of the review of the revised NOC other service delivery contracts were considered to be rolled-up into the NOC. However, these were not considered to achieve best value as they are not core service (e.g., street lighting) for the potential providers and these are to be retendered separately.

The current street lighting contract expires on 30 June 2026. The local service provider is a monopoly provider arrangement so unless the services procured no longer meet Council's objectives under this Procurement Strategy, it is likely this will be negotiated for a further term.

Generally, all other contracts are minor term contracts or one-off supply contracts which are tendered individually in accordance with the relevant procurement manual requirements.

3. Procurement Environment

3.1. Supplier Market

The local road construction and maintenance marketplace is dominated by 2 national contracting firms with the capability to undertake the necessary full-service work. There are about six local

contracting firms with the capability to undertake physical components of the work required, but they do not have the management systems and resources available to undertake the full-service contracts currently tendered. Several sub-contractors fall below these six contractors in terms of systems and capabilities. There is considerable competition at present, and this is encouraged and expected to continue.

Generally, there is a good mix of suppliers in the region with some limitations in the specialist service provider areas, such as bitumen surfacing. Council will continue to foster relationships with other suppliers who can demonstrate value for money to Council.

Council has over a period of years, experimented with various models for delivering the relevant services relating to the road assets. This has transitioned from 'own-forces' delivery in the 1980's, through a multitude of individual contracts for various services in the 1990's, Total Maintenance Management packaged contracts, to Hybrid contracts from 2001 and then the Network Outcome Contract from 2013. The Agency has engaged with the major suppliers nationally on the NOC contract arrangements and the industry is supportive of the current model.

Significant savings were realised by Council with the contracting of the management of the road network to Transit New Zealand (now the Waka Kotahi NZ Transport Agency) in 2000. The current contracting arrangement is based on Council contracting all road management to the Transport Agency with an office established in Blenheim, branded as "Marlborough Roads".

Service of the asset is primarily delivered through;

- A seven-year term Network Outcome Contract physical maintenance contract, which encompass the whole of Marlborough including both local roads and state highways,
- A five-year street lighting maintenance contract.

A large component of the total physical work is included in the NOC contract, with a few other contracts required to complete delivery of all works required. These include the following:

- Regulated parking management contract,
- Traffic count service contract,
- Various individual bridge replacement contracts,
- Various miscellaneous seal widening, seal extension, footpath resurfacing and rehabilitation contracts.
- Low-Cost Low Risk Projects, both Improvements and Safety.

Council also recognises the intrinsic value received from some of its existing suppliers with their intimate local knowledge and excellent service delivery. This is particularly relevant to cyclical contracts, where the incumbent contractor's value needs to be correctly recognised. This is valued at tender time with quality-price considered, not only lowest price.

At present, Council has imbedded long term maintenance contracts and with the procurement of the physical works for flood recovery through the Marlborough Roads Recovery Programme.

In the short term, and anticipating Council's procurement reviews, it is not expected that this procurement programme will change significantly. Consideration is given to separating specialist areas from the NOC contract, which are not a road maintenance contractor's main focus, to ensure that the correct level of service is achieved. There is a continuing programme of bridge renewals, seal extensions and safety projects planned in Councils Long Term Plan (LTP) to maintain interest in, and the capability of, the local contracting industry and hence competition.

3.2. Expenditure Profile

Outside of extraordinary natural events, the expenditure profile is expected to remain static and has been budgeted by Council.

The current analysis of the savings generated from the NOC contract demonstrate that overall, the best value is being delivered with the current contract arrangements.

There are plenty of opportunities for the smaller contractors to sub-contract under the NOC arrangement and through the Emergency Works Recovery programme, and gain experience and provide future options under succession planning. The recent emergency response work has assisted several smaller sub-contractors to increase their scale of operations and improve quality management systems.

A deliverable of the NOC is that at least 25% of the works will be delivered by Local Subcontractors. The current NOC is providing in excess of 50% of its work through Local Subcontractors.

3.3. Adjoining Entities

NOC's operate on state highways in all provinces adjoining Marlborough, but only Tasman includes local roads under the NOC. There are good opportunities for synergies with the same contractors working with cross-border arrangements in times of emergency as previously demonstrated.

Previous discussions with adjoining councils have determined there are currently no other efficiencies to be gained from combining transport services. Department of Conservation (DoC) has 180km of roads within the region. The maintenance of these roads has been included in the Marlborough NOC contract to realise further savings for central government.

4. Approach to Delivering the Work Programme

4.1. Specific Strategic Objectives

Significant savings have been realised by combining the local road and state highway maintenance contracts through the LRAMA arrangement. The review of that agreement sets out the benefits to Council. The current operative road maintenance contract is known as NOC3 and given the benefits to date which have been detailed in separate procurement reviews it is sensible to continue to support and accrue the benefits from that arrangement.

4.2. Adopted Procurement Options

4.2.1. Major term road maintenance contract

Waka Kotahi has adopted the Network Outcome Contract (NOC) model nationally for the delivery of its Maintenance and Renewals contracts. The updated NOC3 model is currently in place with the Marlborough local roads inclusion.

A project specific Procurement Strategy was put in place for the procurement of the NOC3.

4.2.2. Emergency works

Anticipated increasing number of emergency repairs will be required as the country adapts to impacts of climate change and population and economic growth in vulnerable areas in the coming decades. As a result, there is a need for increased readiness for Council to respond to these events including the Marlborough Roads office. This has been demonstrated by the significant damage caused in the July 2021 storm event and previous natural disasters.

Procurement of emergency works will vary depending on scale and community impact. To accommodate future events, it is expected the following process will be adopted:

Immediate response (1 month):

- NOC will provide immediate response
- MR assesses scale of the event and determines delivery mechanism

Intermediate response (within 3 months of event):

Procure, mobilise, and establish agreed delivery mechanism (strategy A, B or C)

To be able to respond to Emergency Events in a timely manor Marlborough Roads will need to be able to bring in "Client Support". It is intended that this support will be brought in from Waka Kotahi pre- approved Professional Service Providers. This will initially be undertaking as a direct appointment using rates that had been supplied as part of the pre-qualification list.

Assessment of emergency response requirements

Procurement strategy	Delivery structure	Scale of impact	Resources required	\$scale
A	NOC BAU MR additional site assurance,	Small geographic area, small number of communities affected Mainly simple and minor repairs Only a few complex repairs Programme duration expected <12 months	MR able to resource management of response and some additional assurance support needed Existing supply panel capacity within NOC	<\$5M (<\$0.5M per month over 12 months)
B	NOC BAU with additional technical and project management support, possibly additional suppliers (PW)	Larger scale number of repairs across more than one localised area, small number of communities affected Manageable number of complex repairs Programme duration expected <12 months	MR able to resource management of response and some additional assurance support needed. This is to be resourced from pre-approved Professional Service Providers. Activate emergency response supplier panel (PW)	<\$20M (<\$1.5M per month averaged over 12-month period)
C	NOC PMO Dedicated delivery team of suppliers (PS and PW) Independent assurance team	Larger number of communities impacted Increased governance requirements and assurance from funders	MR will need to resource a separate management team and dedicated assurance team Activate emergency response supplier panel (PW and PS)	>\$20M

	Additional Client Support	Programme duration > 12 months Large number of repairs with varying complexity		
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Emergency works readiness

MDC supply list readiness:

- Professional services (Client support, assurance, design, MSQA, consenting, reporting, property):
 - 3 yearly market testing by Marlborough Roads of pre-qualifications demonstrating capacity and capability
- Physical works:
 - Annual report by NOC of available pre-qualified emergency works ready subcontractors confirming capacity and capability

4.2.3. Street lighting maintenance contract

Prior to the introduction of supply contracts for the maintenance of street lighting assets, Marlborough Lines (the local power reticulation owner) was the sole supplier for maintenance activities. This situation remains unchanged to date. The contract is like the road maintenance contract in that the contract has dual clients (Waka Kotahi and Council) with logistical savings to both parties from this arrangement.

The current contract expires on 30 June 2026. There has been limited competition for this contract, but the Marlborough market does not offer serious alternative bids considering the scale, locality, health and safety and Temporary Traffic Management aspects.

Marlborough Roads, Council and the Waka Kotahi all receive excellent service and value from Marlborough Lines and enjoy the benefits of joint investment and contribution from Marlborough Lines, with improvements to the reticulation in the form of undergrounding as well as other advantages.

There will be reduced costs to all parties because of not requiring the preparation, evaluation and tender costs of contract documentation.

Council sees the advantages of a continuation of the very high level of service currently provided, as well as the community inputs by the company.

The current contract rates are very competitive when compared to national rates, however some negotiation of rates can be expected.

Marlborough Lines owns and maintains a significant asset data base. This is managed by skilled and experienced personnel. It is considered another supplier may not be able to supply these services to the same level. There would be significant costs if Marlborough Roads were required to establish and maintain their own databases.

Marlborough Lines is owned by a trust. The trust is owned by people within the Marlborough District who have an electricity connection.

The current contract was negotiated directly with Marlborough Lines as a monopoly provider, as allowed under the Transport Agency Procurement Strategy and it is intended to repeat this arrangement.

4.2.4. *Other contracts – street lighting energy supply*

Council is a significant purchaser of energy including street lighting and has historically tendered supply contracts for energy.

The current supplier is Genesis Energy. It is proposed the procurement strategy for energy supply will be a simple continuation of the current process of utilising Council's energy supply contract.

4.2.5. *Other contracts – passenger & public transport*

A separate stand-alone Public Transport Procurement Strategy has been developed by Council for the procurement of Public Transport.

4.2.6. *Other contracts – Low-Cost Low Risk and Capital Improvements*

Low-Cost Low Risk and Capital Improvement Projects up to \$500,000 for physical works will be offered through an MDC list of contractors who are pre-qualified contractors with Waka Kotahi. These projects will be tendered through a close contest procurement process, such as invited tender, with a minimum of two tenders requested from Waka Kotahi pre-qualified suppliers. This supports Council's objectives and outcomes for procurement.

4.2.7. *Other contracts – specialist services – including professional services.*

Other specialist physical works services including professional services outside of those allowed for in the NOC are undertaken using separate contracts. This includes specialist advice for transportation policy and strategy development, Low-Cost Low Risk & Capital Improvement projects. An MDC list of professional service providers will be established for providing these services by tendering through a closed contest procurement process, such as invited tender, with a minimum of two tenders for project scope up to \$200,000.

Traffic counting is currently committed through the NOC which is required to be sub-contracted local contractor under the NOC.

4.2.8. *Other matters relating to management of contracts*

There are no advanced or customised procurement procedures envisaged beyond those discussed in this strategy.

The majority of contracts are delivered utilising the NZS 3910:2013 Conditions of Contract for Building and Civil Engineering Construction as the basis of the contract, with conditions and specifications to standardise the work and realise savings.

5. Implementation

5.1. Capability and Capacity

All procurement related to management of the road asset is currently contracted to the Marlborough Roads office of Waka Kotahi. Marlborough Roads complies with procurement policies and current purchasing requirements of Waka Kotahi.

Project approvals, contract documentation, and tender management are carried out by approved Waka Kotahi staff or appropriately qualified contracted professional services. All tenders are managed by the Tender's Secretary and held in a secure location. Accredited tender evaluators are used as required by Agency procedures.

Where major purchases are being considered these are referred to Council for consideration and approval as the client organisation. This includes the major NOC and any other significant projects. The Manager of the Assets and Services Department, and the Chairman of the Assets and Services Committee have certain delegated authorities to approve works.

Contract payments are authorised by the appropriate Engineer to Contract and vouchers prepared for payment and debited to the correct Council budget ledger item. It is a requirement that all evaluators

of tenders over \$200,000 hold the National Certificate in Civil Engineering – Asset Management (CPP).

5.2. Internal Procurement Processes

The Waka Kotahi NZ Transport Agency Procurement Manual contains considerable information on the process for correctly determining which procurement model should be utilised in each situation, ie; staged, design & build, shared risk, and supplier panels.

The Procurement Manual also has considerable detail on the process for correctly determining the supplier selection method;

- Direct appointment
- Lowest price conforming
- Target price
- Price quality
- Quality based

Waka Kotahi maintains pro-forma standard contract documentation that allows for efficient preparation of standardised documentation which supports consistency and value for money.

Marlborough Roads utilises the existing prequalification system managed by Waka Kotahi for the majority of its contract tenders which requires tenderers to have been pre-approved to a certain competence level. It is intended that this system continues to be utilised as part of this procurement strategy Performance Measurement and Monitoring

5.3. Performance Measuring and Monitoring

In line with the requirements of the Waka Kotahi NZ Transport Agency's Procurement Manual, Council intends to align its performance measures and monitor the following indicators to determine success of this strategy.

- Value for Money
 - This measures how well Council is complying with its requirement to achieve value for money. This will be measured by Waka Kotahi Transport Agency's KPI's on cost per unit for service delivery (e.g., \$/km for maintenance).
- Compliance with procedures
 - This measures how well the Council is complying with this strategy. This will be broadly measured by the number of complaints received in relation to procurement processes.
- Number of Conforming Tenders Received.
 - This measures the strength of the Local Supplier Market and the performance of Council measures to encourage that market.

Due to the length of time it takes to develop a sufficient sample size for these types of performance measures, it is intended that this analysis will be undertaken once, at the end of the life of this Procurement Strategy, and as part of the development of the next strategy to measure the success or otherwise of this procurement strategy.

Council will continue to rely on Waka Kotahi audits and data produced by the Road Efficiency Group (REG) to ensure compliance with funding requirements and performance with other RCA's.

Overall success is measured by achievement of the approved programme in the LTP. Council monitors a range of criteria through its LTP processes. These include performance measures in Health & Safety, Financial Performance, and Customer Satisfaction.

5.4. Communication Plan

Council's Assets and Services Department Manager is responsible for the overall management of the road network and its assets. Regular meetings and reviews are held with Council's agent, Waka Kotahi (Marlborough Roads), to provide Council with an assurance that it is receiving value for money as a "Smart Buyer" and that its assets are being preserved and managed appropriately.

Policies are routinely discussed with adjoining local authorities and Waka Kotahi offices. This assists in consistency throughout the greater region and nationally.

Waka Kotahi engages regularly with the major suppliers nationally on such matters as the NOC arrangements and seeks feedback. Local suppliers also are engaged primarily through the NOC arrangement with many involved to some degree as suppliers.

Once endorsed by Waka Kotahi and Council this plan will be publicly available on Council's website.

5.5. Implementation Plan

1. Prepare Procurement Strategy
2. Present draft Procurement Strategy to Assets and Services Manager
3. Submit draft Procurement Strategy to Waka Kotahi for assessment and endorsement
4. Review Procurement Strategy at least once every three years.

5.6. Corporate ownership and internal endorsement

The Strategy itself will be owned by Marlborough Roads who will maintain and review it.



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Steve Murrin
Marlborough Roads Manager



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Richard Coningham
Manager of Assets and Services

