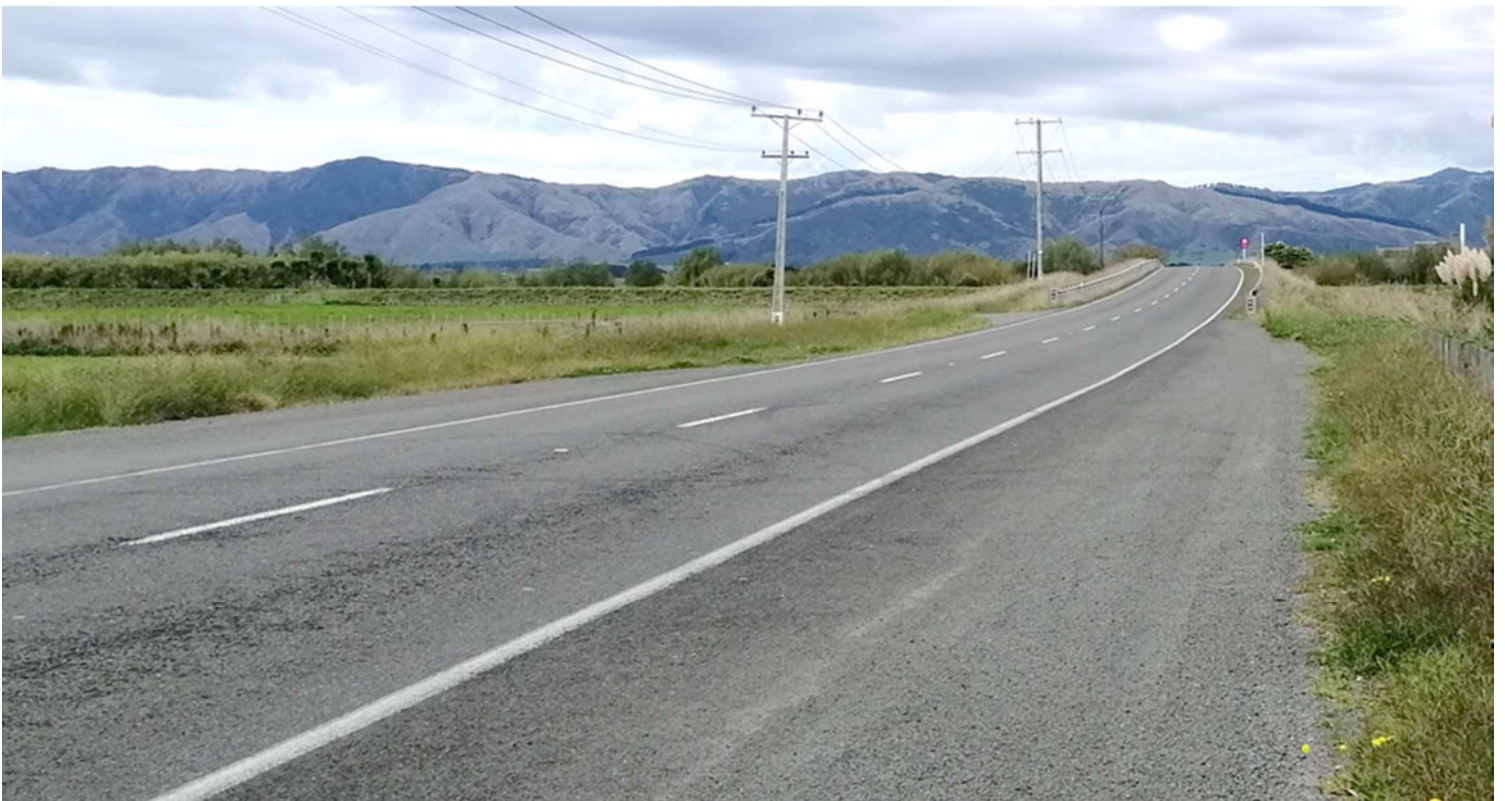


Land Transport Procurement Strategy

June 2023



June 2023	J8146	Land Transport Procurement Strategy	Resolve Group
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Document Control

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Every attempt has been made to ensure that the information in this document is correct at the time of publication. Any errors should be reported as soon as possible so that corrections can be issued. Comments and suggestions for future editions are welcomed.

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1 Executive Summary

This Procurement Strategy has been developed to maximise value for money opportunities in the delivery of Transport Services for Horowhenua District Council (HDC). It has been developed in compliance with the requirements of Waka Kotahi¹, and contains outline procurement planning information that enables alignment with neighbouring Councils' procurement approaches.

1.1 Summary Statements and Key Opportunities

The main opportunities are seen as:

- a) The encouragement of local roading contractors to expand their operations so that they can deliver roading maintenance for their local communities and help retain staff locally;
- b) the encouragement of at least one national roading contractor to remain within the Horowhenua region;
- c) the sharing of expertise, and knowledge, across neighbouring roading authorities and Waka Kotahi; and
- d) the procurement of:
 - › roading maintenance services via contracts that attract healthy competition; and
 - › aggregated and coordinated road re-sealing and renewal works via the same contract.

Three councils (Horowhenua, Manawātū and Rangitīkei District Councils) currently engage the same contractor for roading maintenance, under separate contracts, with all three contracts due for replacement in mid-2024. Where possible the three councils will continue to work together to share expertise and costs in order to procure new contractors to serve each district.

Working together to tender similar contracts will provide mutual benefits for the staff of all three councils, as well as improved value for money through better supply chain resource utilisation and economies of scale.

1.2 Procurement Strategy – Key Recommendations

The current Road Network Maintenance contract for council has most of the road maintenance and renewal activities included within the main maintenance contract. It is proposed, under this procurement strategy, that the scope of the new Road Network Maintenance contract will remain covering the same range of roading activities.

Some of the activities will be provisional and subject to performance considerations during the life of the contract (e.g. some renewal activities). Others will be separately tendered to test market pricing and to give opportunities to other suppliers not involved in the main road network maintenance, ensuring a sustainable market continues to operate.

The scope of work being considered to remain within the road network maintenance contract comprises:

- › Reactive maintenance – clearing blocked catchpits and culverts

¹ NZTA Procurement Manual – Amendment 6 – April 2022

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- › Programmed maintenance – Culvert, catchpit, kerb and channel; and open drain inspections, cleaning and repairs
- › Drainage renewals – replacing aging or damaged culverts, catchpits etc.
- › Drainage improvements – Installing new culverts, upsizing culverts, new drains for servicing the road
- Emergency Response – providing traffic management for unplanned road closures, flood response, debris clearing and general emergency response support.

The new Road Maintenance Contract will not cover the procurement of the following activities which will be contracted out separately:

- › Streetlighting power, maintenance and renewals
- › Specialist professional services, such as condition assessments, design or technical assistance where the Land Transport Team require assistance
- › New footpath construction – intended to be procured separately
- › Minor Road Safety Improvements - intended to be procured separately
- › Urban mowing
- › Urban Tree Maintenance – however urban trees may be removed and replaced if required by a Contract project design

In addition, a proportion of the renewals including kerb and channel, rehabilitation and area wide treatment works, and capital new works comprising low cost, low risk and safety improvements may be included within the scope of the works of the main road maintenance contract. The proportion of these renewals and capital new works would be decided at the discretion of the Council and subject to both the on-going performance of the Contractor and the value for money offered.

HDC currently contract street lighting and vegetation maintenance under separate contracts, and this is intended to remain the same. Other works excluded from the roading maintenance contract, that will be managed through separate contracts and procurement processes, include structural bridge repairs, bridge inspection and professional services.

The key recommendations within this Procurement Strategy are:

1. That a single separate tender process, for the contract covering the Council's Road Maintenance works will proceed mid-late 2023, with tender evaluation and all required approvals obtained not later than end-March 2024.
2. The new contract will commence on 1 July 2024 in replacement of the existing general road maintenance contract for the council.
3. That a Registration of Interest and interactive tender process be used to ensure effective engagement with the market and to maintain a healthy and competitive tension in the procurement process.
4. That any lessons learnt from the previous contracts be incorporated into the new contract, with improved specification of key work items, and a review of the scheduling approach for cyclic work and other lump sum deliverables.
5. That contract documentation is updated to incorporate the latest legislative requirements (e.g. Health and Safety in Employment), the requirements of the One Network Framework (ONF) and performance measures aimed at achieving targets relating to broader outcomes and the Waka Kotahi Road to Zero policy.
6. That sustainable market evaluation criteria are included within the contract to encourage the Contractor to consider succession planning and training, together with the incorporation of broader outcome requirements in line with the respective council's broader outcomes policy and requirements.

1.3 Endorsement of the Procurement Strategy.

This procurement strategy has been updated from a joint procurement strategy developed in 2020 where Manawātū, Rangitīkei and Horowhenua District Councils worked together with Palmerston North City Council. This strategy has been developed to assist with the procurement of the major road maintenance contract for the District.

The procurement strategy will help the preparation of the contract documents for the roading maintenance contract.

This updated strategy has been discussed and endorsed by HDC and Waka Kotahi to ensure agreement with both council's and the Waka Kotahi procurement principles.

This procurement strategy has been developed to comply with the requirements of Waka Kotahi and to promote good procurement practice. It is recommended that Waka Kotahi:

- 1) endorses the HDC Roding Network Procurement Strategy dated June 2023;
- 2) approves the continued use of in-house professional services by HDC, in accordance with s.26 of the Land Transport Management Act, with the same scope and scale as previously engaged;
- 3) approves the use of a variation to the rules in the Procurement manual, section 10.21 Maximum term of a term service contract for infrastructure or planning and advice, allowing HDC to use a maximum term of eight years (3+3+2 years) for the term service contracts for road network maintenance. Note that the extension of the contract beyond the initial term of 3 years is at the sole discretion of HDC and is subject to satisfactory performance.

The relevant aspects of this procurement strategy will be approved and adopted by HDC at the appropriate governance forum, before this procurement strategy is implemented.

2 Network Characteristics

The Horowhenua district covers a land area of just over one thousand square kilometres. It is bounded by the Tasman Sea to the west and the Tararua ranges to the east. It extends from north of Ōtaki (Kapiti Coast district) to just south of Palmerston North, bordering both Manawātū district and Palmerston North city.

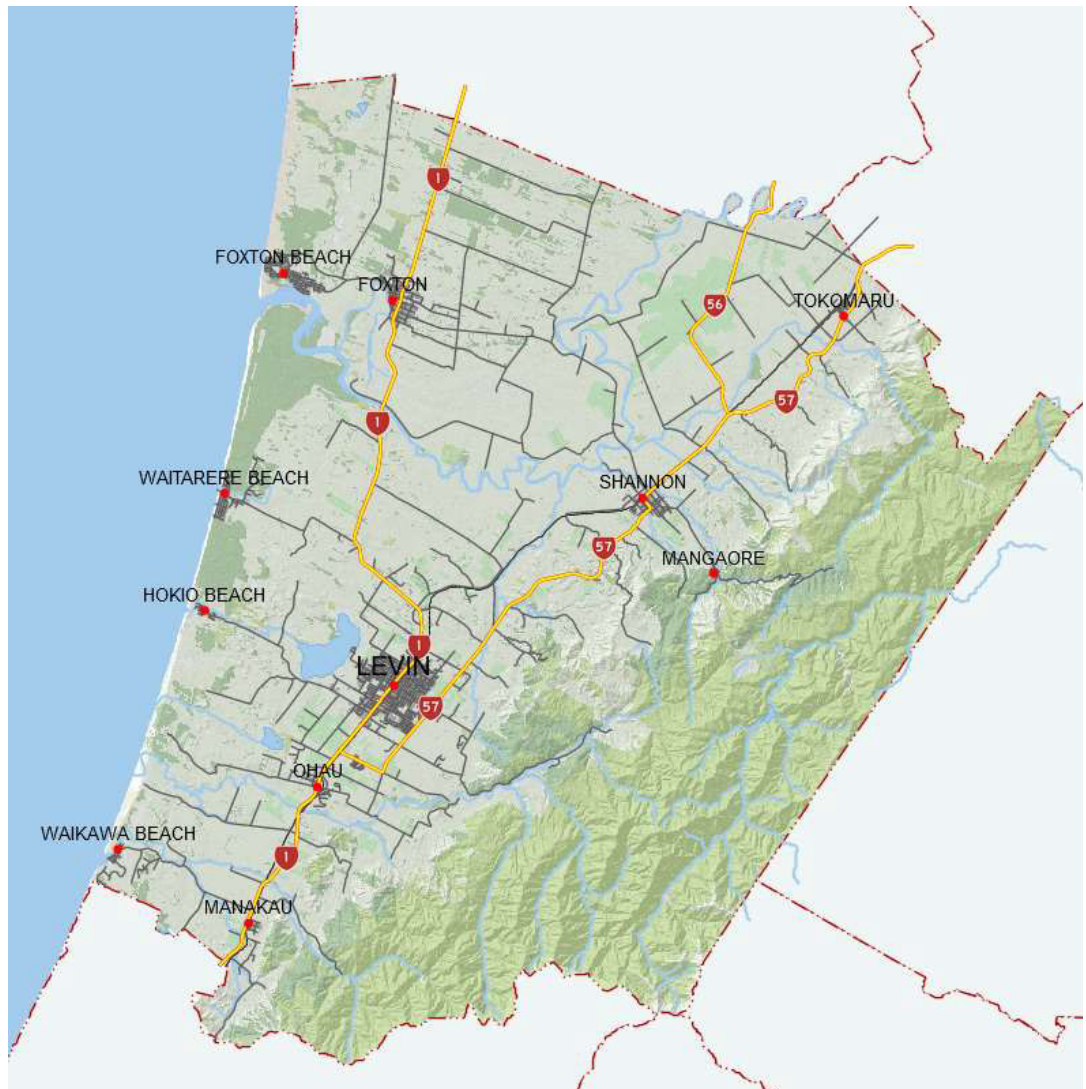


Figure 1: Horowhenua District Map - from mapit.horowhenua.govt.nz

The topography of the District is generally low lying, with free draining dunes. There are a number of rivers and drainage channels running through the District which are prone to flooding, including the Manawātū River and associated drainage schemes. Horizons Regional Council manage the drainage and flood defences to help protect towns, but this means that at times large areas of farmland and neighbouring roads are flooded.

State highway 1 runs the length of the District and cuts through the middle of Levin. State highway 57 starts south of Levin and runs to the east of Levin to connect to Palmerston North.

The North Island main trunk railway line runs through the District, running roughly parallel to State highways 1 and 57. (Dotted line in figure 2).

The Horowhenua District experiences a higher than average number of road deaths or serious injuries than similar sized districts. It is considered that this is due, in part, to the high traffic volumes along the state highways and the fact that the state highway runs through the Levin CBD.

The construction of the Ōtaki to North of Levin (Ō2NL) bypass is designed to move most of the heavy traffic away from the Levin CBD, providing a safer and faster route for through traffic. Once the bypass is completed, the 21 km of old road through the centre of Levin will become a local road and will be added to the HDC roading network.

The Ōtaki to North of Levin Expressway will transform the traffic demand across the local road network. The main entrances into Levin will be relocated, creating dramatic traffic movement changes. The existing local road network is not appropriately developed to cater for these changes and increases in traffic movements. Significant transport planning is required to determine the most appropriate network improvements required to provide an acceptable level of service when Ō2NL is expected to be opened in 2030.



Figure 2: Ō2NL
Overview Map - Waka
Kotahi

3 Policy Context

The goal of this Procurement Strategy is to achieve value for money by receiving healthy competitive tenders, maximising efficiency, and sharing and optimising the use of resources (where appropriate).

3.1 Strategic Objectives and Outcomes

Horowhenua District Council has current purchasing guidelines that are required to be followed in the procurement of goods and services. The goals align with and are generally as set out in the Local Government Act 2002, Waka Kotahi procedures and MBIE's Procurement Rules.

In addition, HDC is committed to providing an open and competitive marketplace in the region, and to delivering broader outcomes that improve the community, environmental and social outcomes. This is essential to allow HDC to demonstrate to ratepayers that it is delivering the best value for money, in delivering services possible.

HDC recognises that successful contracts are based around strong relationships and can involve two, three or more parties jointly contracted to deliver a single outcome. Strong relationships involve a sharing of skills, risk, and jointly promoting innovation to improve value of the service delivery. This is relevant from the smallest of contracts to the largest performance based, long term contracts.

Strong contractual relationships with the supply chain:

- › Promote stability in the marketplace;
- › Provide confidence to both HDC and the contracting industry;
- › Encourage investment in systems, training and equipment; and
- › Place a value on local knowledge and skills.

The objectives of adopting this procurement strategy are to create:

- › A system that enables HDC to satisfy the Office of the Auditor General and Waka Kotahi requirements in order to protect its ability to receive subsidies from Waka Kotahi;
- › A system that facilitates, rather than stifles, the delegation of appropriate procurement authority to staff;
- › A system that gives appropriate control to senior HDC management allowing them to consider large items of expenditure, before they happen; and
- › A system that has a minimum of bureaucracy.

HDC's goals in co-ordinating and managing the procuring of goods and services are to:

- › Conform with any statutory provisions;
- › Protect HDC in an effective business-like manner;
- › Maximise ratepayer benefit from expenditure of public funds; and
- › Contribute to the economic and social well-being of the District.

The main objective for this procurement strategy is to aid the improvement of the quality and consistency of road management and maintenance in the region. This will achieve increased road asset longevity, reduce traffic accidents caused by inconsistent road conditions, and promote increased economic growth in the region.

3.2 Waka Kotahi Procurement Requirements

Waka Kotahi is committed to the concepts of:

- a) Best value for money;
- b) Maintaining competitive and efficient markets; and
- c) Fair competition among suppliers.

Through its “Road to Zero” programme it also seeks a significant reduction in road deaths and serious injuries (via its road safety programme), and a significant reduction in the greenhouse gases produced across the transport network.

The Waka Kotahi Procurement Manual contains procurement procedures approved by Waka Kotahi under section 25(1) 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 section 20 of the LTMA.

This procurement strategy has been developed in full compliance with the requirements of the Waka Kotahi Procurement Manual and recognised good practice. This procurement strategy uses the same terminology and approach to describing the procurement processes proposed, and to addressing the associated key issues.

The diagram below, extracted from the Waka Kotahi’s Procurement Manual, which identifies the key aspects of a fully comprehensive procurement procedure, has been used in the development of this procurement strategy.

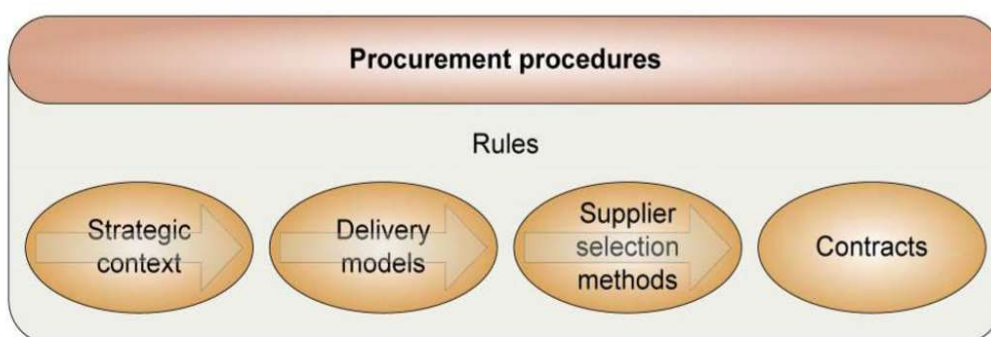


Figure 3: Procurement Procedures

The three aspects of the Waka Kotahi procurement requirements that are considered key to this procurement strategy, along with the mechanism for achieving them, are noted as follows:

- › Best value for money – sharing of expertise and improved consistency and longevity of road maintenance.
- › Competitive and efficient markets – achieve economies of scale and ensure contracts remain attractive in order to maintain competitive interest with the other large projects in the region that are competing for suppliers.
- › Fair competition among suppliers – encourage wider interest and local resource development through larger contracts where contractors from outside the region are encouraged to tender and establish in the region. Such contracts, with a longer tenure will allow contractors to plan their resources to meet expectations. This may include, for example, the establishment of quarries or batching plant resource to service the contracts.

3.3 Other Relevant Factors

3.3.1 Regional Land Transport Plan

Manawatu-Whanganui Regional Council (Horizons) has produced its own guidance document “Regional Land Transport Plan 2021 – 2031.” Under changes to the Land Transport Management Act 2003, introduced in 2013, regional transport committees are required to develop a regional land transport plan, in consultation with their community and stakeholders, every six years. These plans are required to be reviewed every three years.

The Horizons’ plan is a 10-year document. It sets out the strategic direction for land transport in the Horizons region. It states the regional priorities for the duration of the plan and outlines the proposed land transport activities that seek to contribute to these priorities and secure and guide investment in the region.

Key objectives include:

1. Travel choice – improved access is available to sustainable and affordable transport modes;
2. Connectivity and efficiency - the regional transport network connecting central New Zealand is efficient, reliable, and resilient;
3. Safety - the transport network is safe for all users;
4. Environment - the impact of transport on the environment, and the transport system’s vulnerability to climate change, is minimised;
5. Land Use Integration - transport and land use are integrated to support well-connected communities that promote a strong regional economy and liveable region.

Horizons’ strategic priorities are;

- › Connectivity and Access: Provide better transport connections and options to enable efficient and safe movement of people and freight, and improved access to health, social and economic opportunities.
- › Safety: Improve the transport network to create a safe transport system for all users.
- › Better Travel Options: Make active and public transport, and alternative freight modes, safe, attractive, and viable options for more trips throughout the region.
- › Environment: Reduce environmental impacts and carbon emissions from the transport system.
- › Resilience: Build resilience into the region’s transport network by strengthening priority transport lifelines.

Horizons is targeting the following:

- › Mode Share – 15% of travel in the region to be by active or public transport modes by 2030;
- › Safety – 40% reduction in deaths and serious injuries on the region’s roads by 2030;
- › Resilience – 20% reduction in road closures on priority routes associated with natural hazards or unplanned events;
- › Carbon Emissions – 30% reduction in regional carbon emissions from land transport by 2030.

To achieve these targets, Horizons has produced a list of its priorities for transport initiatives affecting the region. The list shows those works directly affecting transportation. Items of particular relevance to this strategy with highest priority are:

- › State highway 1 extension of the dual carriageway - Ōtaki to North of Levin (Ō2NL);
- › Local road upgrade projects relating to the Ōtaki to North of Levin projects;
- › Palmerston North Integrated Transport Initiative (PNITI);

- › State highway 1 and 57 intersection upgrades;
- › Capital Connection passenger rail service (procurement of new rolling stock and increased service frequency).

Other major work in the region is discussed in the Market Analysis Report completed prior to the completion of this procurement strategy, which report informs aspects of the procurement strategy.

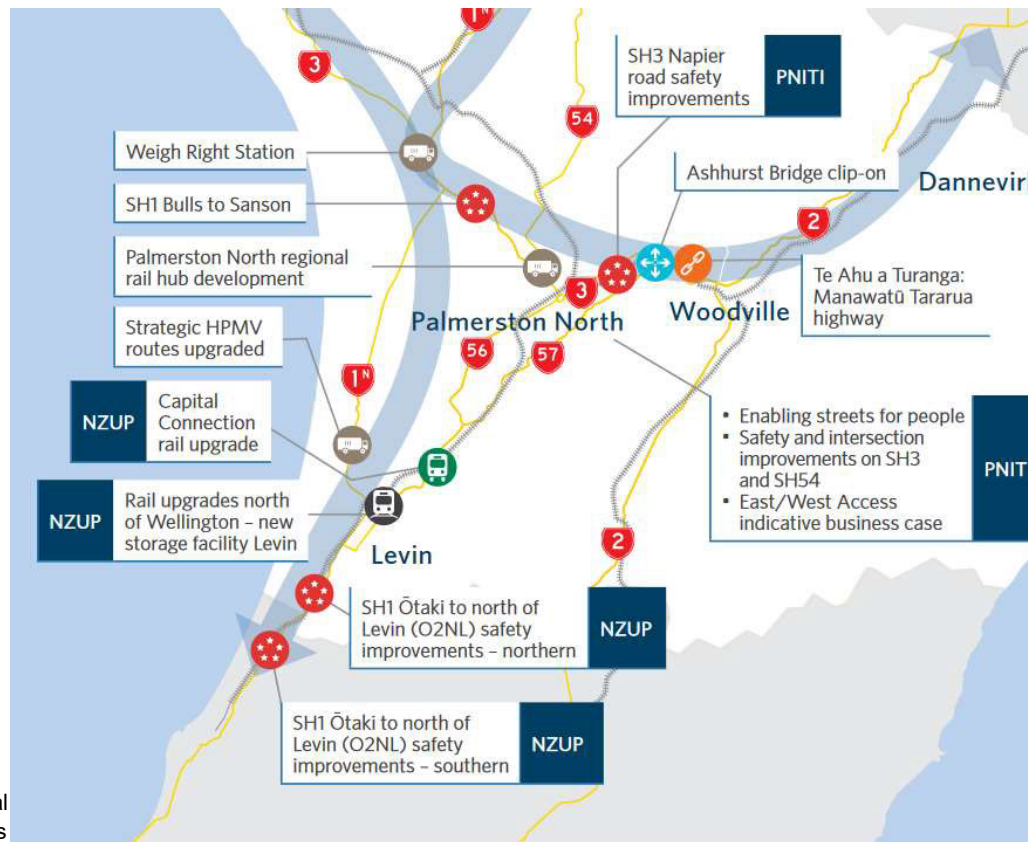


Figure 4: Major Regional Transport Improvements

This procurement strategy for road maintenance has been developed in consideration of the Regional Land Transport Plan, and the potential impacts this Plan may have on the future of land transport across the region.

Further significant investments in capital works are planned to commence within the next 10-year window. These are outlined in the Market Analysis, the location of significant works being given in **Error! Reference source not found.:**

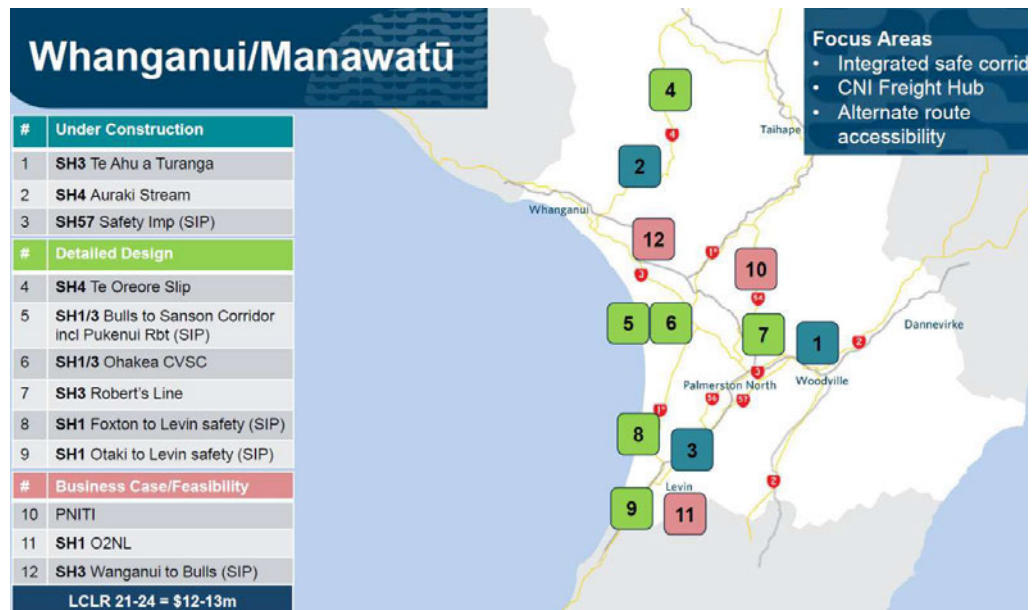


Figure 5: Waka Kotahi
Forward works

3.3.2 One Network Framework (ONF)

The One Network Framework is the new national classification system. It will be used to determine the function of roads and streets and inform decision making.

The new ONF acknowledges the transport network has a 'Place' function. This means roads and streets are destinations for people, as well as transport corridors. The new framework also introduces classifications for different modes of transport, recognising that our roads and streets have different functions for different modes.

The ONF builds on the One Network Roading Classification system, which divides New Zealand's roads into six categories based on how busy they are, whether they connect to important destinations, or are the only available route.

The ONF provides more focus on movement and place to provide integrated planning approaches to transport and land-use. Its function may best be explained by reference to Figures 6 to 8 below:



Figure 6: The function of the ONF

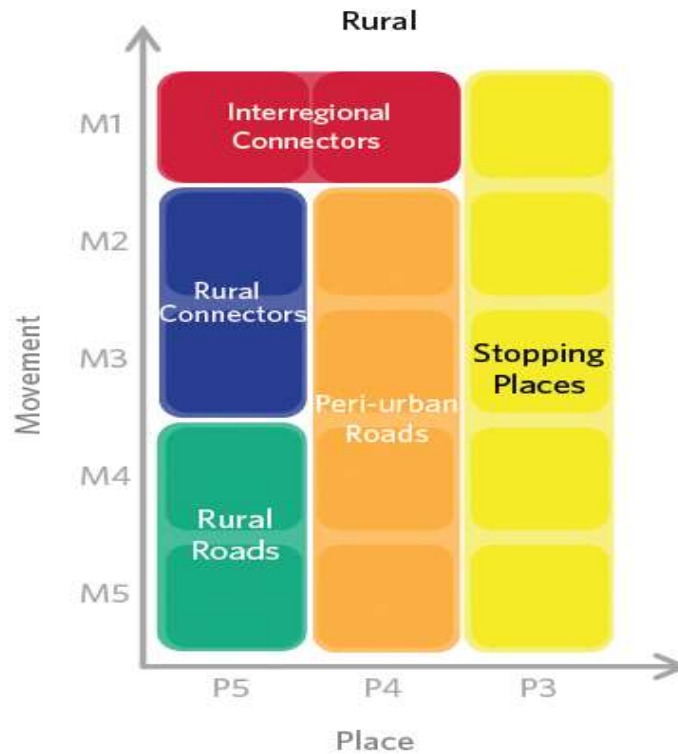


Figure 7: Figure
Movement vs. Place—
Rural Roads

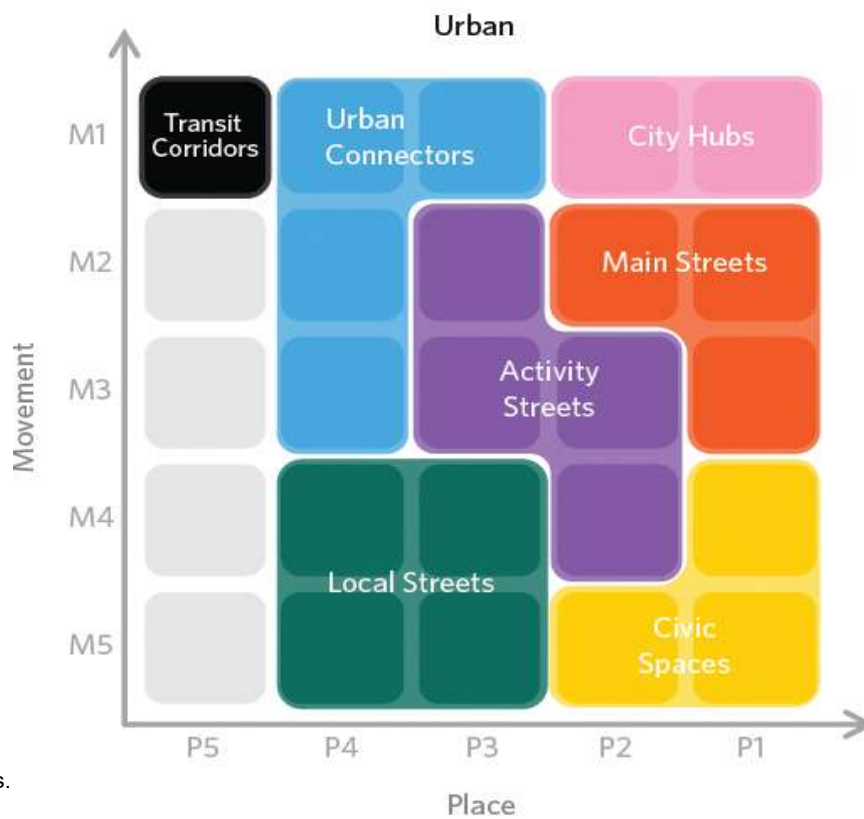


Figure 8: Movement vs.
Place – Urban Roads

Using the ONF, local authorities and Waka Kotahi can compare the state of roads across the country, and direct investment where it is needed most. The ONF classification aims to

deliver the right level of road infrastructure where it is needed, determined by a robust, impartial, nationally consistent tool.

HDC uses the ONF classification in its asset management system for roading and RAMM, and it records condition and performance measures.

An example of the different types of roads included in the database is shown on the map (Figure 9) below:

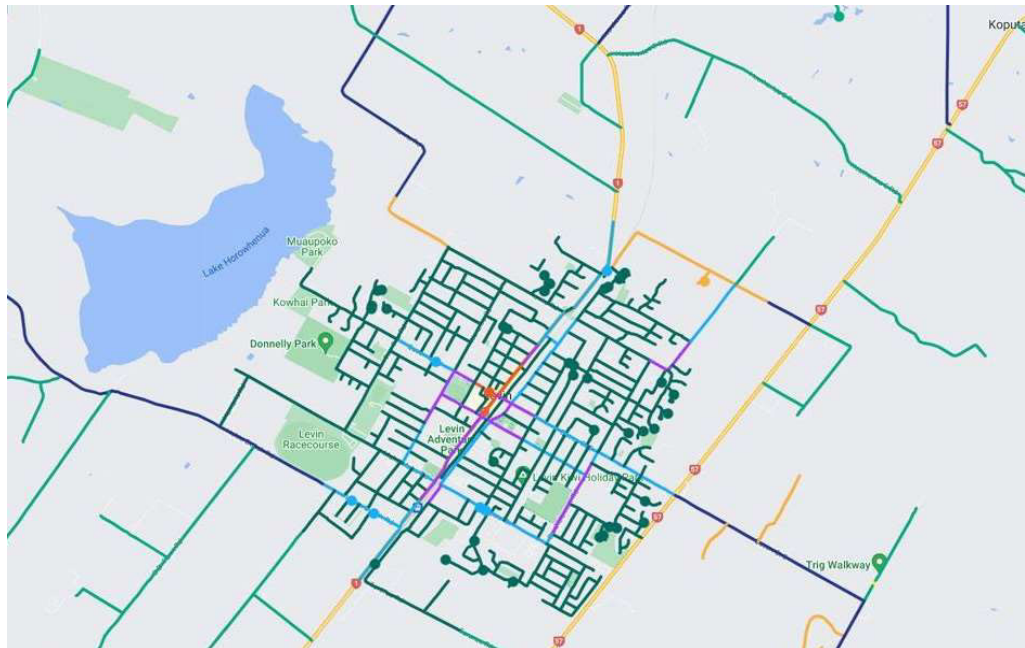


Figure 9: Colour coded road hierarchy

The ONF is currently being enhanced to better include people walking, riding a bike, taking public transport, or using other transport modes. The changes are intended to better reflect that transport corridors are not just for facilitating travel but are also places where people live, socialise, recreate, and do business.

3.3.3 Section 17A Delivery of Services

The Local Government Act states that:

“(1) A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.”²

(2) Subject to subsection (3), a review under subsection (1) must be undertaken—

(a) in conjunction with consideration of any significant change to relevant service levels; and

(b) within 2 years before the expiry of any contract or other binding agreement relating to the delivery of that infrastructure, service, or regulatory function; and

(c) at such other times as the local authority considers desirable, but not later than 6 years following the last review under subsection (1).

(3) Despite subsection (2)(c), a local authority is not required to undertake a review under subsection (1) in relation to the governance, funding, and delivery of any infrastructure, service, or regulatory function—

² Local Government Act 2002

(a) to the extent that the delivery of that infrastructure, service, or regulatory function is governed by legislation, contract, or other binding agreement such that it cannot reasonably be altered within the following 2 years; or

(b) if the local authority is satisfied that the potential benefits of undertaking a review in relation to that infrastructure, service, or regulatory function do not justify the costs of undertaking the review.

Therefore, as part of this procurement strategy, the requirements for a Section 17A review for the roading maintenance contract for HDC was discussed with council at a workshop. The delivery of transport services is being assessed to determine if it needs to be reviewed in terms of the Local Government Act, particularly as council are not considering any significant change to the service levels (criteria 2(a) above).

Council would prefer that the responsibility for governance and funding will remain with HDC. Responsibility for delivery of roading management (and the bulk of professional services) will remain in-house, under the Transport team within Council.

Responsibility for delivery of the physical maintenance of the road and resealing operations will be contracted to another person or agency under a contract or set of contracts in accordance with this procurement strategy. HDC do not want to bring the physical maintenance in-house.

A Council can decide not to undertake a S17a review if the Council is satisfied that the potential benefits of undertaking a review do not justify the costs of undertaking the review.

3.3.4 Broader Outcomes

HDC recognises the need to ensure outcomes achieved through the procurement processes give appropriate consideration to all relevant social, economic and environmental factors. The achievement of best value for money includes consideration of the wider public or community value that can be obtained through the delivery of all services.

It is recognised that the inclusion within contract requirements of broader outcomes requirements, including sustainable market criteria (as described later in this strategy) and other relevant social and environmental measures, could lead to better overall outcomes. Ideally the results from the inclusions will be closely aligned with the strategic objectives of the HDC and the legislative imperative of the Land Transport Management Act.

HDC's Procurement Policy requires that staff conducting procurement should be aware of the secondary benefits available with the implementation of broader outcomes. Broader outcomes should be realistic, based on the type of service being provided and on a contractual value.

Staff should incorporate broader outcomes as education and encouragement for small - medium contracts (<\$1,000,000) and as requirements for larger contracts (>\$1,000,000). The broader outcomes HDC is committed to are:

- › Smaller businesses inclusion, e.g. by making it a priority that they are included as sub-contractors and/or suppliers; and
- › Cultural awareness, e.g. that suppliers understand HDC's obligations to Te Tiriti o Waitangi and knowledge of tikanga relating to the procurement.

Other broader outcomes to be considered are:

- › Environmental improvement, e.g. a supplier's approach to the environment relating to the procurement including steps/initiatives to improve or sustain a clean environment and
- › Community engagement, e.g. how the supplier plans to engage with Iwi, Hapū and the community for the duration of the procurement (if applicable).

This aspect is discussed further in section 7.5.6.

3.3.5 Health and Safety

All existing and proposed council contracts contain detailed requirements associated with the Health and Safety measures required for the works, and the associated traffic management provisions. These are discussed more fully in section 7.5.6.

However, given the changes in legislation (Health and Safety at Work Act 2015), amendments to the Code of Practice for Temporary Traffic Management (CoPTTM), and the increased trend in the occurrence of crashes around the country on road maintenance worksites, these requirements are regularly reviewed to ensure all parties are fully satisfied that there is appropriate planning, appropriate understanding of risk mitigation and good levels of training, monitoring and compliance of Health and Safety and Traffic Management.

It is also recognised that poorly maintained roads can contribute to road accidents and therefore improved monitoring and timely interventions are required to ensure that roads remain safe for all users.

3.3.6 Waters Reforms

The changes to governance of the three waters has potential to affect roading procurement in a number of ways. The most immediate effect could be the loss or transfer of water engineers from HDC or the Alliance to the new entities. This could leave HDC without in-house expertise in stormwater management to prevent roads flooding in extreme events.

Most councils manage water and drainage staff to attend to leaks, install service connections and service cover adjustments when required. This work will soon be handled by the new water entity as a separate service provider. With the creation of the new water entities, councils could lose control of their water assets and water asset renewal programme. HDC could be unaware of water leaks that are affecting the roading infrastructure until the road becomes substantially damaged.

The three waters reform also has the potential to change how services are delivered through the contracts tendered by Council. Latest discussions from the waters reform considered whether councils around the country might be best placed to retain the maintenance function of stormwater assets on their respective networks, but with the maintenance and operation function of other water assets being separately managed. If this were to transpire, there is good logic for the maintenance of stormwater assets to be included within the road maintenance contract. Provision for such an amendment to the road maintenance contract may need to be included.

4 Procurement Programme

The procurement programme is designed to ensure that a new contract is in place ready for the expiry of the current contract in June 2024.

4.1 Current Programme

The current Roding Maintenance Contract is due to expire in June 2024. In order to have a new contract in place at expiry, it is proposed to call for tenders in September 2023 so that tenders can be received before the end of 2023. These can then be evaluated, and the successful tenderer can be awarded the contract before the end of March 2024. This will give the tenderer three months to mobilise before starting the new contract in July 2024.

HDC is also considering renewal in 2025 of the term contract for parks and reserves maintenance of trees and vegetation. The current contract covers the maintenance of street trees and berms in urban areas which are not part of the Roding Maintenance Contract and are not co-funded in partnership with Waka Kotahi. HDC would prefer to leave the maintenance of urban trees and berms to the Parks and Reserves section.

Some vegetation and complete tree removal in rural areas may be required and this will be included in the Roding Maintenance Contract for use when required.

4.2 Largest Contract - Roding Maintenance Term Contract

The main procurement for HDC covered under this procurement strategy, is the road maintenance contract. This contract is estimated to cost around \$7-10 million per annum, or \$63 million over the life of the contract.

HDC has found that the contract term of up to nine years has worked well and has provided security to the contractor and Council in a time when availability of resources, particularly manpower, is scarce. It is proposed to reduce the overall term by one year to eight years to avoid renewing the contract during Long Term Plan deliberations.

Whilst not overly complex, the contract includes nearly all routine activities related to maintenance of the roads, with the exception of any particularly specialised work such as the maintenance of street lighting. Routine maintenance includes vegetation control, some pavement rehabilitation, signage and all street cleaning and drainage works, as well as road resealing and asset renewals.

It is proposed that approximately 80% (\$3.3M of \$4.2M total per annum) of the Land Transport renewal programme and 40% (\$1M of \$2.5M total per annum) of the improvements programme be delivered through the Road Maintenance Contract, with the remainder of these programmes delivered through competitive procurements outside the Maintenance Contract.

The total Contract value is estimated at \$6,909,025 for the 2024/25 financial year, and \$63M for the duration of the Contract's maximum term.

Some of the Low cost—low risk pavement renewals will be included in the main road maintenance contract, but will be considered on a case-by-case basis to ensure best value for money decisions continue to be made and to enable smaller contractors to bid for the work.

HDC has a number of bridges and culverts as part of its road network. The road maintenance contractor will assist with the routine inspection of bridges as part of the contract.

The preferred type of contract for this procurement is a traditional service delivery model. Potential tenderers will be invited to register their interest and will be required to demonstrate their capability as part of the procurement process.

The General Conditions of Contract will be the 2013³ version of NZS 3917.

4.2.1 Indicative Procurement Programme

The key aspect of the programme is the confirmation of the successful supplier at least four months in advance of the expiry of the existing general road maintenance contracts. This is to ensure continuity of service by providing the Contractor for this new contract with the opportunity to properly plan and mobilise its resources. To this end the following tender programme has been developed.

An indicative procurement programme for the procurement of the HDC road maintenance contract is suggested as follows:

Table 1: Procurement Programme

ACTIVITY	PROCUREMENT PROGRAMME
Complete HDC agreements to Procurement Strategy	August 2023
Waka Kotahi approval of Procurement Strategy	August 2023
Start Preparation of tender documentation	June 2023
Registration of Interest	August 2023
Industry Combined Briefing	August 2023
Issue Request for Tender	September 2023
Individual Interactive Tender Meetings	October 2023
Close of Tenders	November 2023
Complete evaluation and name preferred tenderer	November 2023
Pre-letting Meeting(s)	December 2023
Approvals and Award of Contract	February 2024
Contract Mobilisation and Establishment	March 2024
Contract Commencement	1 July 2024

This programme requires that the tender period commence early in September 2023, with any multi-party funding agreements and joint development of the tender documents completed in advance of the tender period.

4.3 Medium Sized Contracts

Major road rehabilitation projects, public transport related work or any specialised work to structures, including any bridge or main culvert replacements, will be procured under separate contracts when required. They will be project-specific contracts and will be considered as medium to large sized if their overall estimated value is over \$200,000 but under \$1,000,000.

Medium sized project specific contracts will use the All of Government suite of contracts or NZS 3910, for contract terms and conditions, and will be openly advertised. They will be subject to the retentions as specified in NZS 3910 and have a Defects Liability Period of at least twelve months.

It is possible that an extreme weather event or an earthquake could damage roads and structures in the network. Where the extent of damage is too great to be managed by the roading maintenance contractor, it may be expedient to contract extra assistance. This would need to be assessed at the time with the most practical procurement arrangements determined once the extent of damage is known.

³ Note that NZS 3917 is currently being revised but the revised version may not be available before tender documents need to be drafted.

The Transport section anticipate seeking open tenders from smaller suppliers for larger packages of works on an annual basis. This would enable more regular engagement with the market and promote competition.

HDC are currently considering the merits of establishing a multi-faceted Supplier Panel for suppliers with expertise in building, roading or water services to undertake projects or minor works for council, or provide professional services. Establishing and maintaining a supplier panel is a significant undertaking so is reliant on a relatively large and ongoing work programme. HDC's long term plan and the determination of three waters requirements still need to be established to determine if a supplier panel could be justified.

The form of the supplier panel would need to be agreed with Waka Kotahi for any land transport work to be included, so it is only mentioned here as a possible option for the future that would need to be approved by Waka Kotahi at that time.

4.4 Smaller Sized Contracts

Contracts for professional services and specialised minor works may be tendered to a selected group of up to three companies which are invited to tender.

A consultant or company that wins one tender may be invited to undertake additional similar work for similar fees without the need to tender and subject to satisfactory and timely performance up to a total of \$200,000 in any one year, noting that any direct appointments on this basis shall not exceed \$100,000.

Engineering firms tendering for professional services shall be bound by the ACENZ Conditions of Engagement.

The specific approach to the procurement of services for both small and medium sized contracts is covered in more detail later in this document.

5 Procurement Environment

The procurement will coincide with the completion of one major roading contract in Manawatū and the procurement of roading maintenance contracts for two neighbouring councils.

Resources in the region are in high demand with suppliers indicating a particular shortage of skilled workers.

5.1 Analysis of Supplier Market

Three years ago, the current supplier market for local roading construction and maintenance marketplace was dominated by just one national, tier one, contracting firm, Higgins Contractors Ltd., with the capability to undertake the necessary full-service work. It was noted that in some cases the available level of resource for some nearby councils was constrained resulting in high levels of programmed works being incomplete.

Fulton Hogan Limited, secured a substantial contract at Ohakea and are a part of the Alliance currently engaged to deliver the Manawatū Gorge Replacement (Te Ahu a Turanga) project, together with HEB Construction. In 2021, Fulton Hogan were also awarded the roading maintenance contract for Palmerston North City Council.

Downers Limited have been managing Alliance contracts for roading maintenance for Whanganui District Council and Tararua District Council for a number of years.

This means that there are three to four national tier one roading contractors (including HEB who are part of the Te Ahu a Turanga alliance) now based in the region.

There is currently a very high demand for construction staff across the region. Whilst demand for staff for building and housing developments is predicted to decline slightly, the demand for roading resources in the region is anticipated to reach peak demand in late 2024, when Te Ahu a Turanga is nearing completion (currently anticipated completion is in 2025), with the Ōtaki to North of Levin project scheduled to start shortly afterwards. It is hoped that the national contractors will be keen to tender for the roading maintenance contracts so that they maintain a presence in the region and won't be too busy trying to finish major capital projects at the time of tender.

Demand for infrastructure for housing developments is high at present but is predicted to decline over the next few years, as the demand for new housing has slowed. Investment in water projects is likely to decline in 2024 for a few of years until the new water entities are properly established.

There are a few local contracting firms, currently working on housing developments, with the capability to undertake physical components of the road maintenance work required, but they may lack the developed management systems and available resources to undertake the full-service contracts in accordance with expected roading industry standards. These local firms are able to subcontract to the head contractors if required. These local firms can be provided for in this procurement strategy by requiring the primary contractor to demonstrate how they will work sustainably with the market to support and develop their capability, by setting aside a percentage of contract works ultimately required to be delivered by locally based subcontractors. See section 5.6 Broader Outcomes.

Some of the larger local contractors have undertaken roading projects for Council and may be interested in tendering for the term maintenance contract. The request for suppliers to register an interest in the roading maintenance tender will also encourage potential sub-contractors to indicate their interest in being involved.

To achieve the best value in the long term for all Council's procurement, the contracts need to be flexible, collaborative and encourage development of the local contracting market. This will benefit local businesses and the local economy. These goals have been incorporated into consideration of procurement options, and the approach to be taken to contracting roading services in general.

Resolve Group have completed a study of the wider supply market, to ensure there is a good understanding of the supply market in setting this procurement strategy.

The type of contract and tender selection process needs to be designed to encourage the best contractors to tender, noting that local contractors may not have the same experience and track record as the national companies but may have more local knowledge and access to resources.

Key recommendations for procurement from the Market Analysis include:

- › Consider opportunities to engage local contractors in the tender process.
- › Maintain interest from national suppliers, provide opportunities for Council's contracts to be tendered and accepted together if this provides economies of scale and where this is not possible, consider increasing the size of each contract to include more capital works.
- › Start the procurement process as early as possible to book capacity and enable the successful tenderer(s) to manage their other workloads and balance their resources.
- › Use the Broader Outcomes part of Weighted Attributes to encourage local employment and training where possible.
- › Provide assistance and training to tenderers or sub-contractors (if required) to combat the perception of increased paperwork and other administration.
- › Look for opportunities for co-location or staff secondments to help with training and share workload.
- › Consider opportunities to share the management of contract risks by including provisions for:
 - price escalation (worldwide fuel prices may drop but wages and the cost of imported goods may increase);
 - extreme weather events or other civil defence emergencies; and
 - changes in government policy and legislation that have cost or programme implications.

5.2 Current Procurement Spend and Profile

The budgets for Land Transport are contained within the Council's 2021 LTP. An indication of the level of planned expenditure in the 2024/25 – 2026/27 years is included below as these are the first three years of the proposed roading maintenance contract. Note that these budgets are currently being reviewed for the 2024-2034 LTP.

Table 2: Estimated Transportation Budgets⁴

Year	24/25 \$000	25/26 \$000	26/27 \$000
Operating Expenditure			
Payments to staff and suppliers	3,337	3,435	3,535
Finance costs	668	735	876
Internal charges and overheads applied	1,081	1,103	1,130
Other operating funding applications	-		
Total Operating Funding Application	5,086	5,273	5,541
Capital Funding			
Capital Expenditure:			
• to meet additional demand	2,972	3,549	2,308
• to improve the level of service	4,112	4,760	3,596
• to replace existing assets	5,651	6,197	5,948
Total Application of Capital Funding	12,735	14,506	11,852

Essentially the Roding Maintenance Contract could comprise approximately \$2,500,000 of operating expenses (OPEX) and \$6,000,000 to \$14,500,000 of capital expenditure (CAPEX) per annum, subject to performance and the portion of work that will go to smaller suppliers. Operating costs could increase substantially once the Ōtaki to North of Levin project is underway, due to increased construction traffic or traffic taking alternative routes to avoid congestion.

Table 3: Annual Maintenance and Operations Activities by Value⁵

Activity	Budget	Main Contract share
Sealed Pavement Maintenance - General	\$532,125	\$532,125
Unsealed Pavement Maintenance - General	\$107,500	\$107,500
Routine Drainage Maintenance	\$301,000	\$301,000
Structures Maintenance (bridges, retaining walls, large culverts)	\$86,000	\$86,000
Environmental Maintenance (Rural mowing, spraying, high vegetation control, tree felling)	\$494,500	\$494,500
Network Service Maintenance (signs, street lighting maintenance and power) (main roading contract excludes street lighting maintenance and power)	\$349,375	\$172,000
Cycle Path Maintenance	\$16,125	\$16,125
Footpath Maintenance	\$69,875	\$69,875
Level Crossing Warning Devices (delivered and invoiced by KiwiRail)	\$23,650	\$0.00 (excl)

⁴ Based on 2021-31 LTP so may change in the 2024-34 LTP

⁵ Budgets are indicative, based on 2022/23 FY. Increased by 3.75% annual cost increase to estimate 24/25 budgets

Minor Events	\$107,500	\$107,500
Network and Asset Management (includes internal staff opex costs, and specialist asset management services)	\$1,182,500	\$430,000
Total	\$3,270,150	\$2,340,275

5.3 Impact of the Procurement Programmes of Other Organisations

5.3.1 Waka Kotahi

The major Waka Kotahi projects in the area include Te Ahu a Turanga (Manawatū to Taranua Highway), which is now scheduled for completion in mid-2025, and the extension of the Ōtaki expressway to north of Levin (Ō2NL), which is scheduled to start construction in 2025, subject to any delays as a result of recent storm events. This means that there is a high likelihood that national contractors will be interested in tendering to keep their workers employed and so that they can maintain their presence in the area ready for the next capital project.

Te Ahu a Turanga is likely to require additional paving contractors and machinery over the 2024/25 construction season as it aims for completion in 2025. This may affect the first year of the new maintenance contract.

If the Ōtaki to North of Levin project is to remain on track to start physical works in mid-2025, the procurement for the physical works needs to start in the 2023/24 year. The bypass is currently programmed for completion in 2029. This significant procurement is likely to affect the availability of resources and labour at critical times during construction. Thus, the forward works programme for renewals, reseals and any safety improvements, to cater for changed traffic requirements, needs to remain flexible.

[REDACTED]



[REDACTED]

Both Manawātū (MDC) and Horowhenua District Councils have similar spending profiles. All three district councils spend approximately \$10 to 12 million overall on maintenance and renewals.

Horowhenua District Council's roading maintenance contract is due for renewal at the same time as Rangitikei (RDC) and Manawātū. Nine years ago, all three were tendered at the same time and the three councils worked together to prepare and evaluate the tenders.

There may be an advantage to another national contractor if all three district councils go to market together as they may be able share the cost of establishing in the area across all three councils. If all three councils approach the market at the same time with similar contract conditions and schedules, it is easier for suppliers to tender for all three should they wish. However, a local contractor, with access to local resources, could still be competitive.

5.3.2.1 Network Data

The following table provides an indication of the relative network lengths for the three district councils and other key asset inventory data:

Table 4: Relative Assets

	HDC	MDC	RDC
Sealed Urban Streets (km)	140	126.97	84.71
Sealed rural roads (km)	366	880.19	716.34
Unsealed urban roads (km)	0	11.5	2.67
Unsealed rural roads (km)	60	355.29	422.17
Total length of roads (km)	566	1373.95	1225.89
Bridges/large culverts (No.)	71/690	373	267
Footpaths (km)	210	132	88
Land Area of District (km ²)	1,064	2,567	4,484
Population (2018 census)	33,261	30,165	15,027

Clearly, HDC have a more compact district with considerably fewer unsealed rural roads and more urban streets.

The land area and population has been included to give an idea of the challenges of ensuring people remain connected.

Three, potentially four if HEB is included, of the national contractors are already well established in the area, so there should be enough of the national contractors to provide competition for the three roading contracts.

5.4 Service Delivery Model

When considering the service delivery models for the different types of procurement it is worth considering the advantages or disadvantages of joint or separate contracts.

The current approach to delivery of general road maintenance services in the region is separate contracts, each managed by their respective councils, albeit that the current roading maintenance contracts for Rangitikei and Manawātū are managed through the existing Shared Service Agreement between the two councils. All three contracts use similar contract conditions and have the same contract tenure. The current Contractor for these three contracts is Higgins Contractors Limited.

This approach to the general road maintenance contracts provided the ability to share the cost of contract preparation and even tender evaluation across the three councils if required. Each council contract had its own separate schedule of rates and so maintained its own autonomy in terms of the contract spend.

Separate contracts and separate contract management ensure that the costs are transparent and any issues with meeting specific performance criteria for each contract can be addressed.

Most professional services or management tasks that are essentially the same for all councils can be more efficient if undertaken on a shared basis.

The advantages of joint delivery versus separate autonomy are summarised below.

Table 5: Advantages of Separate or Collective Procurement

	Advantage of Joint Procurement/Delivery	Advantage of Separate Procurement/Delivery
Preparation of Contract documents and tender evaluation	Costs of preparation are shared so costs to individual councils are considerably less. Contractors are able to assess conditions for all contracts at once which should speed up tender process and enable them to offer similar prices across all councils	Individually tailored contract can take account of physical characteristics of the network and specialised performance criteria. No pressure from other councils to accept a lower scoring tenderer so that they can gain an advantage from a group discount.
Contracts	Some savings in management costs for both contractor and council. Main contract is large enough to attract national providers who may be able to provide additional resources from outside the region in an emergency. Bulk discounts may be possible for combined contracts, e.g. electricity supply or street lighting.	Knowledge that all costs are related to a particular council. Smaller contractors may be encouraged to bid if they have enough capacity for only one council's work. Can help create market tension if different contractors win different council contracts.
In House Services	Savings in duplication. Shared management tasks. Expertise shared across councils. More opportunities for staff training and development in the roading section.	Reporting can align with specific council requirements, e.g. annual reports. Staff are closely aligned with particular council culture and other sections of council such as finance, or parks and reserves.
Professional Services	Cost sharing for joint reporting or similar types of activity, e.g. asset management plan preparation.	Exclusive job-specific contracts. Able to build relationships with trusted providers via repeat business, e.g. structural designers.

Delivery models can impact 'value for money' significantly as some models are better suited to different market conditions and client objectives.

Research into contract types and their management across eleven case studies in 2016, and recent research by John Jones of Manawatu District Council, noted the advantages and disadvantage of each service delivery model. In the 2016 study the majority of cases indicated that they would choose a different service delivery model type for their next procurement irrespective of the current service delivery model. This was not explained in the 2016 study but appeared to be attributed to poor relationships between key parties.

Recent research of contract types identified 80% of councils use traditional contracts, 8% have some form of hybrid contract (using a performance bond), and 12% of councils are using the alliance type contract as they have limited in-house resources and have struggled to get staff.

None of the councils surveyed were using the NOC performance-based contract, as they did not think that they had the resources to apply the measures required to hold the contractor to account under this delivery model.

Many councils using the alliance contracts found that they work best for complex networks where there is a need for flexibility and risk sharing.

A range of delivery models was considered. This included the full range of contract models, from a fully relationship contract such as an Alliance, a Performance Specified Maintenance contract (PSMC), a Framework or Network Outcomes Contract (NOC) and the more traditional, NZS3917:2013, contract approach.

An analysis of costs per kilometre of road maintained per council identified that the Ruamāhanga Roads alliance contract (an alliance with Fulton Hogan, South Wairarapa District Council and Carterton District Council) and the Manawatu and Rangitikei District Councils' traditional contracts appeared the most successful in meeting performance targets and providing the best value.

It appears that successful contracts promote and encourage a good working relationship between council staff and the contractors' managers. They are very much dependent on the attitudes and personalities of the key people and how risks are managed within the contract.

The determination matrix from the Waka Kotahi Procurement Manual is included below showing how the contract type was chosen by HDC. The different contracts were assessed on their perceived ability to deliver the outcomes sought for each of the drivers.

Based on a simple rating of 1 to 4, with 4 being the best and no weighting applied. HDC favoured a traditional contract based on the preferences given in the matrix below.

Table 6: Determination of Preferred Contract Type

Driver	Alliance	Performance	Traditional	Framework
Capability and Capacity Development	3	4	2	1
Appetite for Collaboration	3	1	3	2
Client Programme Control	2	1	3	4
Client Risk Allocation	2	4	3	1
Desired Involvement / Resource Input	1	2	4	2
Flexibility	3	1	4	3
Commercial Tension and Sustainable Pricing	1	3	4	2
Continuous improvement, Network data, Customer care	4	2	3	1

TOTAL SCORE	19	18	26	16
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This analysis shows a strong preference for a traditional service delivery model. It is seen to perform well across the broad range of drivers identified, it is well known and widely understood, and Council's current experience working with this service delivery model has been positive.

6 Approach to Delivering the Work Programme

The majority of the roading maintenance and capital works programme will be included in the Roding Maintenance term contract.

6.1 Confirmation of Specific Strategic Objectives

The Council will be guided by the Government Procurement Rules when planning, sourcing and managing procurement.

The Council will apply the approach best suited to the individual procurement, within the framework of the Rules.⁶

All procurement must meet Public Value requirements to get the best possible results, using resources effectively, economically and without waste, and taking into account:

- › the total costs and benefits of a procurement (total cost of ownership), and
- › its contribution to the desirable results.

Delivering better public value includes securing Broader Outcomes so that the procurements help reduce negative environmental impacts, develop suppliers and promote regional and economic outcomes.

Council is committed to open, transparent and competitive procurement that:

- › delivers best value for money (which isn't necessarily the cheapest price);
- › does not discriminate against suppliers (whether local, national or international);
- › meets agreed OAG standards.

Early market engagement and continued open dialogue with suppliers are essential to the results that can be achieved. There are sound commercial reasons why building stronger relationships with business is important. The Rules aim to encourage better commercial practice by promoting these types of behaviours and achieving greater value for money.

To ensure maximum value for money expenditure the procurement rules aim:

- › to provide open and fair competition that supports innovation and helps create a competitive, productive and sustainable marketplace; and
- › for Council to be valued as a desirable principal / client organisation – which demonstrates professional practice and has a reputation for integrity.

The specific strategic outcomes sought from the various procurement classes within Roding are well maintained roads that enable our communities to travel safely, stay connected and have access to all parts of our District so that we can maintain our social and economic well-being.

Contractor's contributions to Broader Outcomes that are of benefit to the industry or wider community demonstrate the contractor's engagement and are considered desirable qualities to be included in tender evaluation.

HDC have a strong commitment to health and safety, and environmental protection. The strategic objectives include improvements to achieve road safety targets and reduced carbon emissions, wherever possible working alongside Waka Kotahi to achieve Road to Zero targets.

⁶ Horowhenua District Council Procurement Policy 2022,

6.1.1 Sustainable Market Criteria

The new road maintenance contracts will cover the majority of the services required on the road network throughout the District (other than those on the State Highway). Therefore, it is important that the procurement approach utilises sustainable market principles, encouraging the supplier to use good practices to enable a sustainable and competitive market to be retained in the region.

This will be done in two ways through the procurement approach:

- › Tenderers will be required to describe in their methodology their approach to working with the subcontracting market, training and succession of employees, and how they will incorporate social procurement and broader outcome philosophies in undertaking the contract works.
- › HDC will separately tender a minimum of 20% of the roading maintenance works to other financially separate entities, in order to develop capability within the contractor market. Smaller contractors will be encouraged to separately tender for low value work, such as low cost low risk renewals. The overall percentage of maintenance works that will be undertaken in this way will depend on the performance of the main contractor and any limits relating to open and closed tender procedures.

6.1.2 Cost Fluctuations

Cost fluctuations will be paid under the maintenance contracts. The approach used will be the Waka Kotahi standard cost fluctuation payment formula, using the quarterly index structure with the Statistics NZ produced indices as the basis for the cost fluctuation payments.

6.2 Procurement Approach and Shared Opportunities

In 2019 and 2020, through a series of joint workshops with representatives of PNCC (Palmerston North City Council), HDC, MDC and RDC and Waka Kotahi, a range of options in relation to the delivery of roading services was considered.

Considerations in these workshops extended to both the best client organisational structure to deliver roading services across the region, as well as the best approach to externally contracting with the supplier market. It was considered critically important by the group that they work together to find both internal and external opportunities that would improve the collective value for money achieved, leveraging the best skills of all parties. The knowledge and experience gained in this collective work between the councils and Waka Kotahi are, where relevant, incorporated in this procurement strategy to provide HDC enhanced value for money.

Since we understand MDC / RDC will continue to operate under their existing shared service arrangement for road maintenance with a separate contract for each of the respective networks, this procurement strategy proposes that HDC advertises its roading maintenance contract at the same time as MDC and RDC. With the initial best practice sharing that has already taken place between the respective councils, HDC should now be well placed to continue the lines of communication with its neighbouring councils while yet operating its own separate road maintenance contract.

Under this procurement strategy, governance will continue to be provided at a chief executive level through the existing Manawātū-Whanganui Shared Services (MW LASS) group, which covers a broader range of services. The procurement strategy will seek to:

- › Continue senior management meetings across the councils included within the region.
- › Continue, where practicable, implementing those opportunities explored in sharing best practice solutions, experiences and resource across the councils. These include:

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- Staff secondment, mentoring and training;
- Asset management;
- Shared works surveillance;
- Management plans, processes and systems;
- Delivery programme alignment and smoothing.

Other strategic benefits that could accrue from the inter-council cooperation proposed include:

- › All three councils (MDC, RDC and HDC) have high levels of housing development underway at present which may benefit from a sharing of capacity for resource consent processing and inspections.
- › PNCC has developed and successfully tendered a road maintenance contract which included sufficient capital works items to ensure the healthy competition that that Council had sought. The physical presence of competing contractors in Palmerston North could thus also be expected to provide tendering benefits through market tension to the surrounding district councils, including HDC.
- › The Waka Kotahi will continue to operate the State Highway network through their Network Outcome Contract (NOC).
- › Potential refinements to the hard boundaries of the contract structure can be explored. Specific opportunities include:
 - Foxton / Himatangi Beach road maintenance – develop a better coordinated approach to the delivery of this road maintenance at the far extent of the HDC and MDC networks respectively.
 - Assistance with DOC owned and managed road maintenance.
- › All councils will work together to progress opportunities for increased efficiency in other roading services. This will be through one of two ways. Either through a joint contract, with all councils assisting in the administration and management of the contract. Or it will be through a “syndicated” type arrangement where one council takes a lead in the establishment of the contract, with provision of the services to which it relates to be extended to one or more other councils as required.
- › Potential specific opportunities to have collective contracts were noted in the previous work as follows:

Professional Services

- › Structural bridge design and inspections
- › Surveying
- › Database management
- › Asset management / RAMM inventory maintenance
- › GIS management
- › Review and auditing

Physical Works

- › Renewal work not included within road maintenance contracts
- › Traffic counting
- › Lighting
- › Low cost low risk, and safety improvement works
- › Footpaths (renewal and extensions)
- › Seal extension

- › Mowing
- › Linemarking
- › Vegetation or tree removal

6.3 HDC Contract Attributes and Best Value Strategy

6.3.1 Roothing Maintenance Contract

The roading maintenance contract for council will comprise approximately \$2.34 million of maintenance works, plus at least \$4.3-6.7 million of capital works per annum. This should ensure that the contract is sufficiently large to attract interest from both local and national suppliers.

The key benefit is that it is a long-term contract with work throughout the year. The value of work is enough to pay for the maintenance of a works depot in the district and for full time staff as appropriate to provide the required response times to service requests.

The first three-year programme of work will be known at the start of the contract so the contractor will be able to schedule the work to accord with work force and equipment availability, allowing for other projects in the area.

HDC has found that the current 3+3+3 contract term has worked well. The first few years of any new term contract can be challenging as the new contractor becomes familiar with the network, the geology of the region, and the required performance levels. The longer contract term provides security for the contractor to invest in training staff and buying any specialised equipment needed.

The Procurement manual, section 10.21 "Maximum term of a term service contract for infrastructure or planning and advice" stipulates a maximum term service contract of five years, including any initial term plus any term extensions. Horowhenua District Council would like to continue to use an extended term for a maximum term of eight years (3+3+2 years) for the term service contract for road network maintenance, so have requested approval to a variation to the Procurement Manual in this respect.

The maintenance part of the contract is not particularly complex with most tasks being of a routine nature. However, innovation should be possible when considering appropriate interventions and availability of materials. The contract will contain a number of performance targets that need to be achieved rather than everything being prescribed.

HDC propose to use Waka Kotahi's Price Quality Method for evaluation of tenders. The proposed weighting is 60% Price and 40% Quality. The weighted attributes for quality will include scores for methodology, resources, track record and broader outcomes.

6.3.1.1 Conditions of Contract

The conditions of contract to be used for the new Contract are NZS 3917:2013. The previously used conditions of contract will be reviewed and updated to ensure they remain relevant with current requirements and legislation.

The Engineer to Contract, and Engineers Representative are yet to be confirmed. This will be discussed and agreed by the Council prior to the commencement of the procurement process.

No retentions will be required for the contract. A performance bond was previously provided, but will not be required in this contract.

6.3.2 Reseals, Renewals and Improvements

Under the proposed contract, 80% of the reseal and renewal programme will be completed through the main general road maintenance supplier and 40% of the improvements programme.

However, the contract will allow for the remainder of the works to be completed outside of this. This provides the opportunity for Council to consider specific sites where there could be benefit in working with other councils to form joint delivery contracts, or alternatively, it allows Council to engage alternative suppliers if the work programme is falling behind.

Such works will be considered in the review of the HDC works programme, with attributes such as size, type, location and duration taken into account in decisions made around the optimal packaging of the works.

Table 7: Annual Renewals and Improvements by Value

Activity	Budget	Main Contract share (remainder to be competitively tendered outside the new Contract)
Unsealed Roads Metaling	\$48,375	\$48,375
Sealed Roads Resurfacing	\$1,612,500	\$1,612,500
Drainage Renewal (open drains, culverts and kerb and channel replacement)	\$295,625	\$295,625
Sealed Pavement Rehabilitation	\$1,290,000	\$752,000
Structures component Replacements (partial replacement of bridges, guard rails, retaining walls)	\$102,125	\$102,125
Traffic Services Renewals (signs, line marking and streetlights)	\$413,875	\$306,375
Footpath Renewals	\$430,000	\$430,000
Bridge and Structures renewals	Varies	\$0
Road Improvements (road drainage improvements, road widening, LOS improvements)	\$1,075,000	\$860,000
Minor Safety Improvements – (allowance for minor works associated with other Contract projects))	\$564,375	\$53,750
Footpath Improvements (new footpaths and improving existing)	\$268,750 (currently unsubsidized)	\$53,755 (allowance for minor works associated with other Contract projects)
Cycle Facilities	\$537,200 (currently unsubsidized)	\$53,750
Total	\$6,638,125	\$4,568,750

6.3.3 Professional Services, Bridge and Culvert Renewals and Replacements

Some of the councils have in house structural expertise to conduct detailed bridge inspections, but when it comes to structural design of improvements or remedial works, structural engineering consultants are often employed. Often the consultant resource required is from outside the region.

There are numerous road bridges throughout the region, particularly in Rangitikei and Manawātū due to the geology of the region.

It is considered there is merit in joint procurement of professional structural engineering services across the region. This will enable continuity of work for a structural engineering firm and so that it can maintain an understanding of the region's geology and existing technical challenges. It could also leverage the collective buying power of all councils, and reduce the administrative costs associated with individual procurement and contract management processes.

Similarly, contractors that develop the necessary skills to maintain bridges can be hard to find so a consolidated delivery programme, better managed through a single engineering consultant, will assist in the planning for the delivery of such work, and the retention of skills.

Part of the assessments of bridges and culverts will include estimates of their current capacity and whether or not they can meet requirements when climate change is taken into account in flow modelling.

6.4 Risks

The following key risks have been identified and have been taken into account in the development of this procurement strategy:

- › **Health and Safety** – Nearly all decisions relating to roading are aimed at improving the health and safety of all road users. Therefore, health and safety is one of the main risks taken into account in this strategy. Risks to health and safety increase if the roads are poorly maintained or hazards are not assessed and remedied where necessary. Repairs to structures and the design of new works all need to ensure the safety of workers during construction, the safety of users, the ability for the works to be inspected and maintained in the future and the ability for the works to be demolished or removed safely if no longer required.
- › **Internal Resourcing** – There is a risk that HDC may be unable to retain sufficient skilled resource for the management and delivery of its roading services. This is not an issue at present but external resources are available in neighbouring councils or from consultancies.
- › **Competitiveness** – There is a risk that a single supplier dominates the market, but this has been partly mitigated through the letting of a large contract for PNCC's roading maintenance to a different supplier. There are now three to four national roading maintenance suppliers available within the region which should encourage a better utilisation of resource and improve the attractiveness to the supplier market of this works. Performance measures introduced will require the Contractor to continue to demonstrate effective performance in order to secure on-going works.
- › **One Council feeling pressured by the other councils to accept a tender from a national supplier to obtain a group discount** - tenderers will be required to provide pricing for each network as a standalone price. If any one tenderer is successful in more than one network, then the respective Councils could seek to negotiate a price reduction based on the economies of scale. However, the overall group discount might need to be substantial to encourage another council to accept an alternative tender to the otherwise highest scoring standalone bid. There are a few local contractors who have indicated a willingness to be considered for the maintenance contract for HDC who would be reluctant to tender for neighbouring council work. Whilst it is expected the procurement for all three councils' maintenance contracts will go to market at the same time, the HDC contract will be awarded on the basis of a standalone contract that offers the best value for HDC, so that local and national contractors can compete on an equal basis.

- › **External Resourcing** – There is a risk that other competing work opportunities in the region will make it difficult to retain the skilled workforce required to deliver on the roading works programmes of the Council. The market analysis found that the construction workforce in the region needed to increase by 30-50% over the 2018 figures in order to undertake the region's construction programme. The peak is anticipated in 2022/23 with the high building and housing construction underway in the region. However, the July 2024 start to the new contract is scheduled to be towards the end of the Ta Ahu a Turanga road construction and before work starts on the Ōtaki to North of Levin project so there are likely to be construction staff available at that time.
- › **Loss of in-house stormwater design expertise and separation of water management from Council core activities** – the potential creation of the new Water Entities could mean the loss of valuable expertise in terms of stormwater management, particularly in the design of new roads, up-graded bridges or culverts or in civil defence emergencies. Mitigation could include the transfer of staff with stormwater expertise to the roading team when the entities are formed.
- › **Lack of alignment of water projects with roading renewals so potential for damage to newly rehabilitated surfaces** – Currently MDC and RDC plan water service renewals and roading renewals to a 10-year programme so that any replacement of water services happens before roads are resurfaced. Ideally the new water entities will work to a similar programme.
- › **Price escalation and imported material shortages** – New Zealand is currently experiencing high inflation due to world events. This has already affected fuel prices. The closure of Marsden Point has also meant that all bitumen has to be imported. Overseas processed or manufactured goods are experiencing supply disruptions due to the ongoing effects of the pandemic. Allowing for price escalation in term contracts will help to manage this risk but may make it difficult to budget effectively.
- › **Climate change** – Extreme weather events over the past few years have increased the risks of flooding, slips and wash-out in many parts of the District. Many drainage systems, particularly culverts, are undersized as they were designed for lower intensity storms, thirty or more years ago. Sea level rise has the potential to increase damage to low lying parts of the District. The procurement will need to include a larger allowance for clean-up and remedial works following extreme events. Bridge and culvert inspections will need to include assessments of capacity to cope with higher intensity storm events.
- › **Ō2NL Construction (Damage)** – Damage to local roads during construction. The construction of the Levin bypass is designed to minimise the effects on the existing state highways as much as possible. However, construction traffic will need to access the works at various places along the length of construction and they will do some of this via the local road network. It would seem appropriate that any local roads used by construction traffic are maintained by the O2NL contractor for the duration of their use for construction work traffic.
- › **Ō2NL Construction (Resources)** – Limitations on resources at key times in the construction. As an example, at certain times during the construction of the bypass there may be a high demand for paving. This could affect the renewals programme if the roading maintenance contractor is unable to source sufficient quantities of material. This risk could be mitigated by providing two or three-year forward works programmes so that the contractor can adjust his programmes to suit. Ideally the contractors working on the bypass and the roading maintenance contractor should meet regularly to ensure there are no resourcing difficulties.

6.5 Professional Services

It is expected many of the management and planning services required to support road maintenance within the District will be provided by the internal Council resource.

There will be requirements for both general support and specialist services, such as bridge engineering and safety improvement design works, asset management support, and the design and management of capital improvement projects, where Professional Services will be required.

The procurement approach adopted for engaging external Professional Services will utilise either an open or closed procurement process, depending on the contract values, and in compliance with the requirements of the Waka Kotahi procurement manual and Council Procurement Policy.



Figure 11: Bridge Assessments

7 Procurement Strategy Implementation

7.1 Capability and Capacity

With a clear Procurement Strategy, the Council will have the capability and capacity to manage whichever type of contract is preferred. However, it is suggested that an allowance be made for training and succession planning within Council in relation to managing contracts. Risks can be addressed by:

- › Ensuring an open environment where ideas are shared;
- › Ensuring professional training is available to all members to develop their skill sets;
- › 'Growing our own' engineers from cadet level up; and
- › Ensuring that succession planning occurs.

7.1.1 Contract Model Match

HDC is capable of administering its own road maintenance contracts. The roading asset management team or resources within Council will help with the identification of forward works programmes and the understanding of the roading assets.

HDC staff have experience with the Traditional contract model and have the staff required for managing delivery under this model.

Assessment of optimal technical / support resourcing levels and development of necessary skills to service each contract model (including the current Traditional contract), will be a consideration for model selection.

7.1.2 In-House Professional Services HDC

Currently Horowhenua District Council staff provide professional services in the following areas:

- › The delivery of the community programmes. This activity includes road safety and travel safe initiatives.
- › Planning, management and quality assurance of maintenance, operational and renewal activities.
- › Planning, management and quality assurance of capital works projects including minor improvements.
- › Activity Management Plan development, improvement and updating.
- › Transport Planning activities.
- › Asset data management
- › Transport Investment Online (TIO) Programme Management –Financial services

The in-house shared professional services roading department, supported by external resources (consultants) as necessary, has adequate capacity to procure the services and works included in this strategy.

The current Transport activities organisation structure for Horowhenua District Council is shown in the Appendix A.

7.2 Procurement Processes

7.2.1 Rooding Maintenance Contract

The largest part of this procurement strategy relates to the procurement of the long-term rooding maintenance supplier for HDC.

Workshops have been held with HDC staff and the analysis of the contract matrix has determined that the preferred contract is a traditional form as this provides the level of control that the Council considers appropriate (see Section 4.4 for the Service Delivery Model matrix).

The tender will be an open tender process with potential tenderers invited to register their interest.

Tenders will be evaluated using the Price Quality Method, a two-envelope process where the tenderer's capability and expertise are evaluated and scored prior to opening their prices. The attributes and prices are weighted so that best value for money tenders can be determined. How tenderers demonstrate that they can deliver broader outcomes will be one of the weighted attributes.

Subject to the size of the potential contract, the two-three highest scoring tenderers for the contract could be invited to present to the evaluation team. This will enable the evaluation team to explore any differences and determine whether the successful contractor will work well with the rooding team.

7.2.2 Small to Medium Rooding Works

A range of small to medium sized rooding related works will be procured separately from the general road maintenance contract. These contracts are likely to be procured through a mix of individual contracts for HDC or as combined contracts including two, three or all four of the Councils (HDC, MDC, RDC and PNCC). The procurement approach for each of these works will be assessed on its own merit, and in consideration of whichever approach will deliver the best value for money, and how they will continue to contribute to a healthy and sustainable market in the region.

In addition, where the main general road maintenance contractor is not performing well, and has not sufficiently progressed the forward works programme, the Council will have rights reserved under the contract to tender works in the open market.

Table 8: Procurement Categories

Category	Criteria	Default Selection Method	Tender Evaluation
A	• Low-medium risk and less than \$50,000	Direct award or three quotes	
B	• Low-medium risk and between \$50,000 and \$200,000 ⁷	Three quotes or closed tender	Quality/Price as a weighted attribute up to 100%
C	• Low-medium risk and between \$200,000 and \$1,000,000; or • High risk and less than \$200,000	Open Tender	Quality/Price as a weighted attribute between 40-60%

⁷ \$200,000 is currently the maximum contract value that Waka Kotahi will permit procurement under a closed contest.

D	<ul style="list-style-type: none"> • High risk and above \$200,000; or • Above \$1,000,000 	Open Tender	Quality/Price as a weighted attribute between 40-60%
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The general approach that will be followed for the range of procurement activities, as per Council's procurement policy is as follows:

- › **Low value procurement (Category A)** – this is where there is little, or no risk and the value of the procurement is less than \$50,000. In most cases the goods or services will be provided by a selected supplier in a closed contest process as determined by the relevant delegated authority on a best value for money basis.
- › **Simple procurement (Category B)** – this is where there is some risk, and the value is estimated to be between \$50,000 to \$200,000. In this case the standard procedure is a minimum of three quotes from invited suppliers (closed contest), but managers may recommend another model (e.g. an open tender or direct award to a high performing supplier) where permitted under the Council's Procurement Policy.
- › **Medium procurement (Category C)** – low to medium risk and between \$200,000 and \$1,000,000 or high risk and less than \$200,000. Waka Kotahi has a requirement for any project in excess of \$200,000 to be openly advertised and procured via a competitive procurement process. Therefore, this value must be adhered to when Council is procuring roading related goods and services which attract a Waka Kotahi subsidy.
- › **Complex procurement (D)** – this is for high risk and/or procurement valued at over \$1,000,000 for roading related goods or services. This is a full process starting with a procurement plan approved by the Council, the Chief Executive or General Manager with appropriate delegated authority. Such complex procurement processes will require an open supplier selection process, through a tender or proposal process that provides an opportunity to the supply market.
- › **Direct Negotiation for Subsequent Stage of Work** – Council Policy may allow to negotiate a contract directly with a supplier provided that:
 - the supplier has won a Stage One contract via an openly advertised procurement or closed competitive process;
 - the quoted price for the subsequent stage(s) of the project is reflective of the initial competitively tendered rates;
 - the quality of the Stage One works was delivered at or above the required standard; and
 - the health and safety and environmental management of the Stage One works was delivered at or above the required standard.

Note: Council should declare its intention or willingness to negotiate a subsequent stage of works in the Notice of Procurement of the initial stage of the contract.

Note – the value is the total potential value of the contract, i.e. if it is valued at \$50,000 per annum and it is a three-year contract then the procurement value is \$150,000.

The general philosophy of seeking best value for money will always be followed regardless of the supplier selection method used. All selection processes will be documented, and decisions made will be in accordance with the Council's delegated financial authority.

7.2.3 Contract Development

The documentation to support the request for tender (RFT) for the maintenance contracts will be developed in full compliance with this procurement strategy. The document will be

based on the previous general road maintenance contract, with updates for key items such as:

- › ONF requirements such as:
 - Response times related to the Road Classification (a table of response times against Classification and a table of Roads with their Classification).
 - Data collection as required for producing the Programme Business Cases in the Asset Plans for the different funding categories.
- › Incorporation of new Traffic Management guidelines or requirements, currently being developed by Waka Kotahi.
- › Revised schedule of prices to capture preferences in terms of management and incentives to achieve performance, and in particular the approach for cyclic items and the best scheduling of the works across each district.
- › Revised quantities to match the future expected routine maintenance needs.
- › Rationalisation of reporting requirements and alignment to support internal Council reports that will simplify reporting processes for all.
- › Clear liaison requirements with Waka Kotahi and their NOC supplier.
- › Ensuring the unique network specific issues across the District are well captured in the new contract requirements.
- › Consideration of likely issues on the contract such as:
 - Increased asset deterioration due to forestry vehicle movements.
 - Prioritisation of routine maintenance works, and emergency works during, for example, large storm events.
 - Maintaining good asset data inventories.
- › The inclusion of sustainable market criteria and succession and training requirements in the contract specification.
- › The inclusion of a performance assessment process (based on the PACE process)
- › Other changes from the latest Waka Kotahi Contract Manual pro forma where relevant.

Additional updates over and above those listed will be considered by the Tender Evaluation Team (TET) as they are encountered.

7.2.4 Prequalification

As a prerequisite to tendering for the road maintenance contract, tenderers will be required to demonstrate their current (at the time tenders close) prequalification to Waka Kotahi physical works prequalification process.

7.2.5 Registration of Interest

A registration of interest (ROI) process will be advertised on GETS to gauge the level of interest from the supply market in tendering for the HDC contract.

Interested parties will be required to respond with a simple letter confirming their interest in participating in the process, and their point of contact for enquiries.

Only parties registered through this process will be invited to attend the industry briefing and will be communicated with in the tender period.

Where either a large or very small number of responses is received to this ROI, additional measures may be considered in order to ensure sufficient levels of competition in the tender process are maintained.

7.2.6 Supplier Selection Method

A Price Quality method (PQM) supplier selection process will be used for the evaluation of tenders for the HDC road maintenance contract. The process will follow Waka Kotahi approved process for PQM supplier selection. This is considered to provide the best value for money approach to the market, with other options such as Lowest Price and Quality based supplier selection considered to provide lesser value for money with their over-emphasis on price and quality respectively.

The PQM process will incorporate non-price attributes in the evaluation of tenders, with an overall weighting of 40% non-price, and 60% price.

The specific non-price attributes and their weightings will be developed and approved through a separate procurement plan.

7.2.7 Interactive Tender Process

An interactive tender process will be used to tender all general road maintenance works. This will include the following key steps:

- › An industry briefing will be held to outline the key aspects of the process, and to respond to any initial questions from the industry on the contract documents.
- › An individual interactive meeting will be held with each tenderer to allow them the opportunity to discuss in confidence any aspect of their developing tender submission.
- › A traditional query and notice process will be used to provide for written formal responses and updates to contract documentation through the process.

The aim of the interactive process is to ensure a high standard of tenders are received, well aligned to the collective requirements of the Council. If required, the top two or three tenderers may be invited for an interview.

A pre-letting meeting will be held with the preferred tenderer(s) to confirm and finalise aspects of their tender submission and ensure good alignment with the client expectations across the road network.

7.2.8 Detailed Procurement Plans

A detailed procurement plan will be developed and agreed for each procurement activity undertaken under this procurement strategy.

This procurement plan will detail the specific weightings and attributes to be used in the procurement process, as well as the allocation of risk, the procurement programme, and the resources to be used in the evaluation of tenders and the management of procurement and delivery.

7.2.9 Contract Approvals

The approving managers and processes for approvals relating to this procurement process are to be determined in advance of the commencement of the procurement process. This will ensure clarity of expectations and expediency in obtaining all necessary approvals.

It is the responsibility of the HDC's TET members to ensure that the approval processes are in place such that all necessary approvals can be obtained without delay to the procurement programme.

7.3 Performance Measures and Monitoring

A need for increased supplier collaboration has been identified and for a forum where both supplier and Council representatives can discuss performance issues in an open and positive environment. There is also the opportunity for a more targeted assessment of performance, and the provision of greater performance incentives to continue to meet the required response times and comply with the contracted level of service.

Accordingly, HDC intends to utilise the Waka Kotahi PACE system for the recording of performance assessments. The Waka Kotahi standard processes will be modified to suit the needs of the road network maintenance contract, and the specific outcomes of greatest importance to the Council.

Aspects of the contract process, such as tender pledges included within the non-price attributes and sustainable market minimum thresholds, will be checked periodically (at a minimum annually) and included within the Council PACE system.

The Council PACE scores recorded will be an important input into decision making around additional works that the Contractor will be asked to price, as well as a key input into consideration of the tenure extension.

7.4 Communication Plan

7.4.1 Internal Stakeholders

This Procurement Strategy has been prepared in accordance with the requirements of the Transportation team in the Council and has been discussed and approved by the Executive team of the HDC.

7.4.2 Other Approved Organisations or Entities

A draft of this Procurement Strategy was sent to Waka Kotahi for comment and approval prior to finalisation.

7.4.3 Supplier Market

The suppliers identified in the Supply Market Analysis will be invited to meetings to register their interest in tendering whilst the final tender documentation is being prepared.

7.5 Implementation Plan - General Road Maintenance Contract

An indicative procurement plan for the Roothing Maintenance procurement is given in the above section. The aim is to replace the current contract on 1 July 2024.

If required, roading renewals and rehabilitation that is outside the maintenance procurement will be advertised as closely as possible to the start of each financial year, once the works and budgets are approved, so that the work can be completed well before the end of the construction season.

Bridge and culverts will continue to be inspected by Council staff. Any professional services required for additional works will be tendered in accordance with the expected scope and this procurement strategy.

7.5.1 Contract Tenure

Whilst the Procurement rules suggest that a maximum contract term of five years is preferable, the additional time and costs of more frequent procurement appear to outweigh the advantages. The main risk with a longer contract term is that the key people will change over that time. Therefore, there is a need to maintain a good culture within the management team that allows good relationships to be maintained. Co-location of client and contractor management teams appears to work well in promoting this (e.g. Ruamāhanga Roads in the Wairarapa, and the Whanganui Alliance).

The previous contracts for each of Manawātū, Rangitīkei and Horowhenua District Councils were for an initial period of three years, with provision for two further three-year extensions. Palmerston North City Council's contract was for 4 years with an expiry date selected to align with that of the other councils.

The possible contract term was discussed with council, and it was decided that the longer overall term was worthwhile repeating this time in the new contract but that renewing such a large contract at the same time as developing the Long Term Plan (LTP) (which also has a three year cycle) could be particularly onerous on staff time. This total contract period of nine years has worked well for the three district councils but HDC would prefer a slightly

shorter period to avoid conflict with future LTP's. It is considered that this provides tenderers with a good incentive to compete for the work, but still give some flexibility to the council should there be future changes to the way in which they wish to engage with the supply market in the later years of the contract.

The eight - year contract term gives a measure of certainty to Council when developing its Long-Term Plan; it also helps spread the costs of procurement over eight years rather than five, resulting in a saving of 37% of the procurement costs. Similarly, the successful contractor's establishment costs would also be apportioned over eight years rather than five, giving similar savings. Noting that the procurement costs and establishment costs tend to be similar regardless of the size of the council, so are a higher proportion of the overall maintenance budgets for smaller councils.

The overall contract value for Council could be up to \$63 million over the eight years. This is large enough to be of interest to the national contractors and also long enough for larger local contractors to consider tendering.

Had the councils selected a five-year contract term for the current contract, they would have needed to call for tenders in 2019. At that time there were fewer national contractors established in the region and many local contractors were extremely busy working on land development for private clients. Obtaining a reasonable selection of competitive tenders at that time would have been challenging. The proposed eight-year term for this new contract should mean that by the end of the contract term, the main roading projects in the region (Te ahu a Turanga, Ōtaki to North of Levin, and the Palmerston North ring road) are either completed or well underway.

7.5.2 Engineers Estimate

As required by the Price Quality Method (PQM) of supplier selection, an updated engineer's estimate will be used in the formula for selecting tenderers. This will incorporate an updated Engineer's estimate for the initial period. The Engineer's estimate will be completed once a schedule of prices has been developed for the tender process.

The Engineers estimate will be published in the tender documentation to provide tenderers with transparency of the estimated contract amount, giving them a good indication of the level of resource and commitment required to comply with the contract requirements.

7.5.3 Schedule of Prices

The approach to scheduling of the works is an important consideration in ensuring a clear allocation of risk, and good value for money can be obtained from the Contractor. It also signals the extent of works to be completed, preferences for different treatment types, and the type and quantity of resource that will be required to achieve the specified requirements.

The previous contracts contained similar works schedules which creates a good starting point to develop the new schedule of prices.

The schedule of prices will use a combination of lump sum, unit rates and daywork type items, with a basis of payment describing the performance criteria under which progress payments will be assessed.

To ensure alignment with current contracting industry expectations, additional preliminary and general items will be included to ensure the overheads are clearly determined within the contract pricing.

Issues such as increasing costs for works completed at a distance from depots and aggregate sources, and the cost impact of traffic management activities, are being considered so that no disincentive is introduced to provide good service to the extremities of the HDC road network.

7.5.4 Cost Fluctuations

Cost fluctuations will be paid under this contract. The approach used will be the Waka Kotahi standard cost fluctuation payment formula, using the quarterly index structure with the Statistics NZ produced indices as the basis for the cost fluctuation payments.

Council is aware of the current volatility in the pricing of bitumen, and the cost of a number of other inputs to the contract. Council will continue to watch these areas and others, to ensure the regime for cost fluctuation remains fair and appropriate.

7.5.5 Conditions of Contract

The conditions of contract to be used for the new Contract are the current version of NZS 3917:2013 Conditions of contract for building and civil engineering - Fixed term. The previously used conditions of contract will be reviewed and updated to ensure they remain relevant with current requirements and legislation.

The Engineer to Contract, and Engineer's Representative are yet to be confirmed. This will be discussed and agreed by the Council prior to the commencement of the procurement process.

No retentions will be required for the contract. A performance bond was previously provided but will not be required in this contract.

Subject to progress with the three waters reform it is suggested that an additional schedule be included as a separable portion for stormwater drainage works as it is unclear whether stormwater will form part of the reforms. Should stormwater remain within Council's responsibilities it would be appropriate and most cost efficient to include it with road drainage, in the Road Maintenance contract.

7.5.6 Broader Outcomes

Since the contract tenure could be for a period of up to eight years it is important that the Contractor is able to commit to and becomes part of the local communities in which it is working.

One of the attributes to be considered when reviewing tenders is the Broader Outcomes, which includes the overall wider benefits to the community from engaging the particular tenderer.

Broader outcomes are the secondary benefits that are generated by the way a good, service or works is produced or delivered (e.g. 'how' we deliver our projects, in addition to 'what' is being delivered). The 'how' can substantially impact the local community, workforce wellbeing, our construction sector, the environment, and many others. These outcomes are in addition to the core scope of the project or contract and can include social, environmental, cultural, or economic benefits, delivering long term public value locally, regionally or nationally⁸.

Consideration of broader outcomes requires Council to consider not only the whole-of-life cost of the activities, but also the costs and benefits to society, the environment and economy.

Tenderers will be asked to provide evidence showing their commitment to such things as:

- › Health and safety.
- › Community engagement, e.g. how the supplier plans to engage with Iwi, Hapū and the community for the duration of the procurement (if applicable).
- › Cultural awareness, e.g. that our suppliers understand Council's obligations to Te Tiriti o Waitangi and knowledge of tikanga relating to the procurement.

⁸ Taken from Waka Kotahi guidance on procurement.

- › Environmental improvement e.g. a supplier's approach to the environment relating to the procurement including steps/initiatives to improve or sustain a clean environment.
- › Training, succession planning and development of their staff.
- › Establishment of processing or batching plants to serve not only their needs but assist others in the community.
- › Employing local roading staff transferring from the outgoing Contractor in order to retain local knowledge of the road network.
- › Local businesses inclusion, e.g. by making it a priority that they are included as sub-contractors and/or suppliers.
- › Developing good working relationships with neighbouring roading contractors so that they can work together should there be a civil defence emergency.
- › Working together with a range of small to medium sized local suppliers and helping them sustain and positively develop their operations.

The main contract will include a requirement for the minimum amount of work that must be subcontracted to other suppliers, to ensure a sustainable market is maintained over the life of the contract.

7.5.6.1 Health and Safety

Council has developed rigorous health and safety practices with a strong requirement that all contractors comply with HDC policies in this regard. This is part of the Council's duty as a PCBU and helps ensure that all workers are protected. Compliance with Council's Health and Safety Procedures is a pre-condition on all contracts. How contractors will improve safety for all road users is part of the Broader Outcomes and is measured as part of their performance targets.

Ensuring the health and safety of workers and road users is a high priority with the aim of zero road deaths on Council's roads across the District. Not only will Contractors need to demonstrate that they are protecting their workers and members of the public who may be driving through work sites. They will also need to pro-actively assess the road network and suggest safety improvements or interventions.

Council favours a risk-based approach to Health and Safety rather than a prescriptive approach that may create more risks. For example, Traffic Management Plans need to assess the risks associated with the work proposed rather than relying on prescriptive options given in the Code of Practice for Temporary Traffic Management (CoPTTM), or any subsequent replacement.

Performance measures will include response and resolution times for urgent works such as reinstatement of safety features.

Contractors will be required to report any accidents or near misses for their staff at regular contract management meetings. They will also be required to assist the investigation and reporting of any traffic accidents on the network so that improvements can be discussed and agreed with the Land Transport Manager.

One of the mandatory performance measures for roading is the requirement to report the number of deaths or serious injuries on the District's road. This places the requirement on all parties to work together to reduce New Zealand's high road toll.

Working in rural areas can be isolating for some people, therefore measures to promote mental health and well-being of staff and members of local communities (e.g. via sponsorship of community groups) are considered beneficial. This will be an item that needs to be addressed under health and safety and the review of the contractor's H and S documentation and performance.

7.5.6.2 Environmental Measures and Sustainability

Tenderers will be asked what measures they have in place to help them reduce their carbon footprint. Examples could include the use of electric or hybrid vehicles, the establishment of local depots to reduce travelling, employment of local staff, access to quarried products, or investments they have made in green projects for carbon sequestering.

They will be asked what experience they have in reuse of materials (e.g. recycling pavement layers) and their waste management approaches. This will include how they propose to include these measures in their contract management.

The establishment of local batch processing plants may help reduce the overall carbon footprint for items that would otherwise have to be sourced from outside the region.

The contractor will be required to undertake a carbon audit at the start of the contract and at each review time and will be required to demonstrate a noticeable reduction in carbon emissions.

It is expected that the contractor (or contractors) will be aware of the number of local iwi in the area and their affinity for their local streams and rivers. The contractor will be expected to work with Horizons Regional Council, Council, landowners and local iwi to ensure that runoff from roads or construction areas does not adversely affect any streams or rivers.

Any complaints or abatement notices received regarding the contractor's work practices will be reviewed as part of the performance measures.

Some roads contain steep cuts that can become unstable in heavy rain, contributing a high soil loading to streams. The contractor will be expected to monitor cut batters and propose measures to reduce frittering where possible.

7.5.6.3 Training, succession planning and development of staff

It is hoped that the successful contractor will be able to employ most of the staff employed under the outgoing contract to retain local knowledge of the network, as well as providing continuity of local employment. They will be expected to recruit and train new staff to provide graduates, school leavers, or older members of the workforce with local employment and experience. The overall size of the workforce is likely to be small so diversity targets may be difficult to achieve.

Recruitment of staff from local iwi will be encouraged and will assist in communication with iwi and understanding of cultural issues and areas of cultural significance.

It is highly unlikely that all the staff will remain with the contractor throughout the nine-year term. Therefore, there will be a requirement in the contract for a minimum number of trainees as well as experienced staff to provide supervision and mentoring.

Inadequate training or lack of appropriately qualified staff will adversely affect overall performance and increase supervision costs for Council. Poor communication by the contractor with local communities will be noticeable in the number of complaints received.

HDC and MDC regularly survey ratepayers to assess customer satisfaction with services provided. The results of such surveys in HDC will be included in the assessment of the contractor's overall performance.

7.5.6.4 Establishment of Resources to help the wider community

The Horowhenua district is well served in terms of local quarries. It is expected that raw construction materials will be sourced locally. Nevertheless, a contractor that can offer batch processing plants for the production of concrete, bitumen, or other roading products that could also assist the wider community, would have an advantage.

Tenderers will need to state in their tenders whether they are already offering this service and if not, whether they are intending to offer the service.

Ideally, the selected supplier will have an established depot in the District. Whilst this will not be a specific requirement in the contract, the successful supplier will need to

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demonstrate that they can respond to requests for service in a timely manner and that they are minimising unnecessary travel to help reduce carbon emissions.

7.5.6.5 Maintaining a Sustainable Supply Market

There are a number of large construction projects underway in the region employing a number of civil staff with a wide range of experience and expertise. Attendance at local engineering or roading meetings or social gatherings enables the sharing of knowledge and promotes a spirit of co-operation should the region experience another civil emergency.

The widespread flooding of the region in 2015 occurred around the start of the current contract. The outgoing contractor, Fulton Hogan and the current contractor, Higgins, were able to work together to help the communities in Horowhenua, Rangitikei and Manawatū recover.

It is expected that the Roding Maintenance Contractor will be a key contributor to these types of meetings and will establish good connections with other civil contractors so that assistance is available or can be provided when there is an emergency.

The employment of subcontractors to complete aspects of the contract will be mandated through the contract requirements. A minimum subcontracting threshold will be required to be maintained, with the contractor required to demonstrate they have met this, and how they are contributing to a healthy and sustainable contracting market across the region.

8 Approvals

The purpose of this Procurement Strategy is to seek endorsement and approval of the key details of the proposed approach to procurement.

This Procurement Strategy has been reviewed and approved as per below:

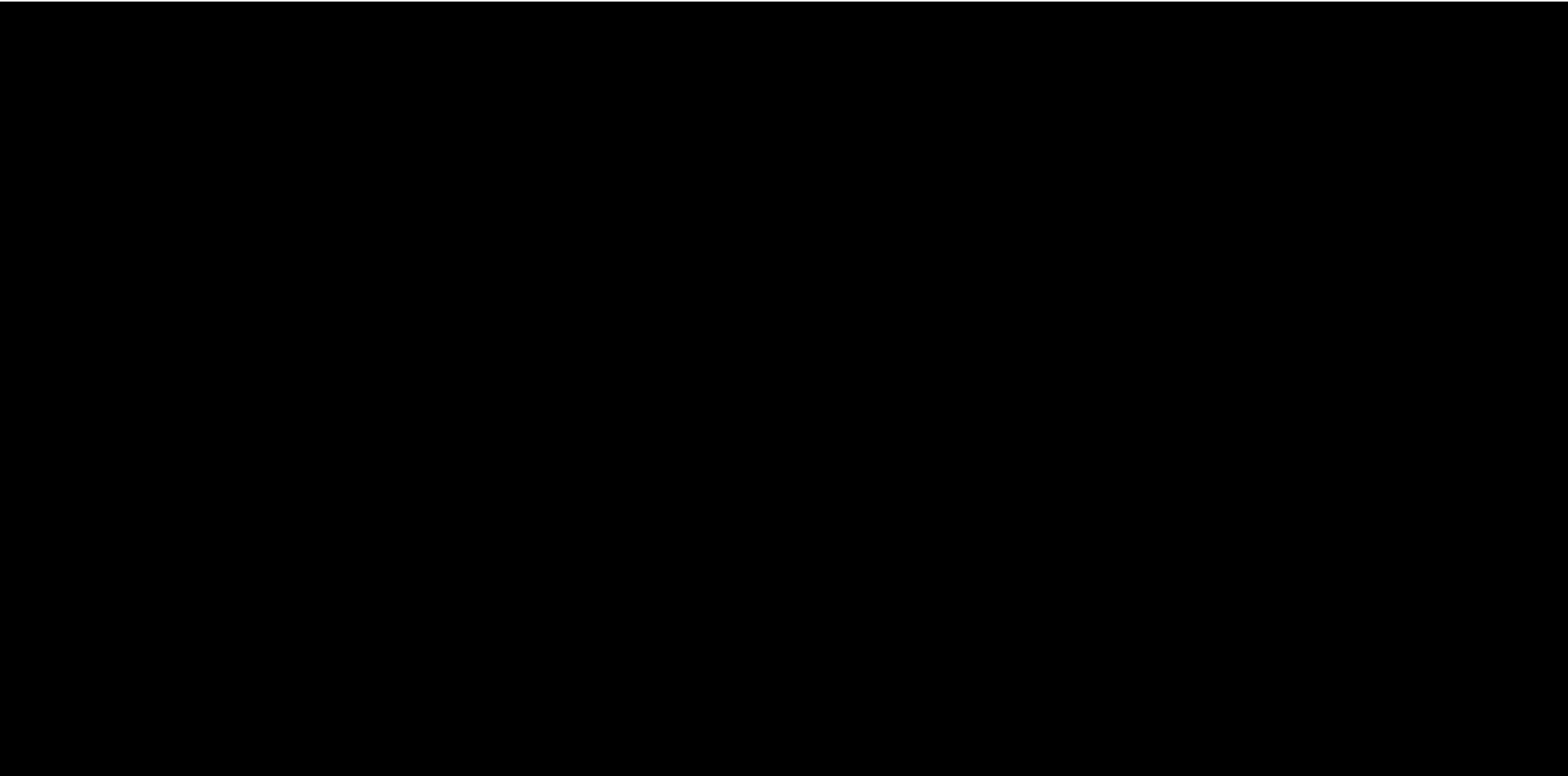
James Wallace Land Transport Manager Horowhenua District Council	
Signature:	Date:

9 Appendix A – Roading / Infrastructure Team Organisation Charts

The organisation structure of Infrastructure Group within HDC as at June 2023 is shown on the next page.

June 2023	J8146	Land Transport Procurement Strategy	Resolve Group
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HOROWHENUA DISTRICT COUNCIL
Land Transport Team



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