

Road Corridor Operations Procurement Strategy

Purpose

The purpose of this report is to seek Board endorsement of the Road Corridor Operations (RCO) Procurement Strategy and Contract Model, and delegation to the Chief Executive to implement the Strategy.

Background

Auckland Transport (AT) is responsible for all traffic operations and road safety related projects within the Auckland Region. RCO is responsible for identifying, prioritising and developing projects to improve road safety, analysing crash data to identify trends, crash black spots, and focus areas for activities on the network, providing a road safety engineering input into projects undertaken by AT, and liaison and co-ordination of activities with internal and external partners.

It is proposed that AT revisit the market to ensure that AT is receiving best value for money, and to replace and formalise the engagement of external professional services under a proposed Supplier Panel arrangement for Auckland.

AT identified that road safety engineering has been neglected across the region and it is considered that a specialist resource will demonstrate greater commitment and deliver more focus on achievement of the region's road safety goals. It is for this reason that a Supplier Panel is proposed to focus solely on traffic and road safety. The Supplier Panel will also be available to provide specialist resources to the traffic operations unit.

Relative to the road safety improvement portfolio, the Road Safety Unit (RSU) is responsible for the development of a Minor Safety Works Programme and Safety Around Schools Programme. This involves identification, evaluation and prioritisation of road safety improvement projects.

To ensure that the RSU can deliver on their objectives for AT, there is an immediate need to commence the harmonisation and consolidation of the legacy programmes into one regional portfolio management plan.

The RCO Procurement Strategy outlined in this report is consistent with the Road Corridor Maintenance (RCM) Procurement Strategy approach approved by the Board in May.

The proposed RCO Procurement Strategy is based on the following objectives and principles:

Objectives

- Stronger customer focus;
- Simplicity and consistency;
- Integrated and proactive safety improvement activities;
- Collaborative partnerships;
- Value for money; and
- A sustainable professional services supplier environment.

Principles

- Region wide focus and consistency on traffic and road safety to meet crash reduction targets;
- The transition period will be as short as possible, without incurring additional costs from terminating existing contracts early;
- Consistency with AT procurement strategy; and
- The suppliers will work collaboratively to ensure that all future services meet AT requirements, are compatible, complimentary and incentivise best practice. AT will lead the restructuring of framework contracts including specifying contract form, delivery models.
- To assist Parks, Sports and Recreation of Auckland Council with contract administration and governance two professional service contracts are proposed
- To maximise the use of AT capability and use external professional advice in specialist areas, managing work peaks and providing independent peer review

Key Features of the Model

This Strategy proposes an approach that will support the transition to a new contract environment that will balance region wide focus on safety, market demand, sustainable competition and AT’s own capability and capacity. Key features of the proposed RCO contract model are set out in Table 1 below:

Table 1: Key Features of Proposed RCO Contract Model

Issue	Findings
Contract Form	<ul style="list-style-type: none"> • CCCS 3rd Edition, 2009 (Conditions of Contract for Consultancy Services)
Contract Philosophy	<ul style="list-style-type: none"> • Collaborative – governed by a ‘Supplier Panel Framework Agreement and Performance Measurement Framework’
Boundary Philosophy	<ul style="list-style-type: none"> • Region wide
Number of Contracts	<ul style="list-style-type: none"> • 1 x Supplier Panel (technical support) – up to six suppliers • 1 x Regional Portfolio Management Contract
Safe Systems Approach	<ul style="list-style-type: none"> • Integrate national and regional road safety outcomes with a focus on designing a transport system to ensure that crashed do not result in death or serious injury
Scope of Professional Services	<ul style="list-style-type: none"> • Six technical support framework contracts and one regional portfolio management contract
Roll-Out Programme	<p style="text-align: center;">Supplier Panel: Design Support</p> <ul style="list-style-type: none"> • Urban North, West, Central & South (Papakura): 2011 • Rural North, South (Manukau & Franklin): 2012 <p style="text-align: center;">Regional Portfolio Management: Project Prioritisation</p> <ul style="list-style-type: none"> • 2011(800 proposals reviewed per annum)
Contract Terms	<ul style="list-style-type: none"> • 3+1+1
Contract Value	<ul style="list-style-type: none"> • The anticipated value of the contracts is approximately \$5 million in year one (2011/12) and \$10 million thereafter. Approximately \$1m in portfolio management and the balance addressing professional services in road safety.

How Will The Model Deliver?

Table 2 below identifies how the proposed contract model will deliver against the Strategy objectives described above.

Table 2: Delivery Against Objectives

Objective	Delivery
Customer Focus	<ul style="list-style-type: none"> • Ready access to specialist services to respond to customer requests and support peak loading; • New region wide focus on road and traffic safety rather than as-required basis arrangement; • KPI's focused on customer service with robust consultation and engagement; • Harmonised level of service and road safety response across region.
Simplicity and Consistency	<ul style="list-style-type: none"> • 1 x Supplier Panel with up to 6 suppliers; • 1 x Regional Portfolio Management contract; • Consistent framework contract form and performance framework which is aligned with Road Corridor Maintenance procurement; • Improved cost consistency; • Harmonised level of service across region.
Integrated and Proactive safety improvement	<ul style="list-style-type: none"> • Adopt a region wide focus on road and traffic safety; • Design integrity arising from capable and skilled suppliers; • Simplified contract structure frees up capacity and enables greater focus on road safety delivery; • Provision of portfolio level management; • Flexibility to move resources to urgent tasks and to fast-track activities as required.
Collaborative Partnerships	<ul style="list-style-type: none"> • Procurement model promotes collaborative behaviour and innovation; • Suppliers will build long term relationships within AT; • Increased efficiencies through familiarity with each organisation's capabilities and expectations; • Flexibility to move resources to urgent tasks and to fast-track activities as required.
Value for Money	<ul style="list-style-type: none"> • Fewer contracts to manage; • 3+1+1 term and performance measurement incentivise improved performance; • Reduced number of contracts and consistent form enable greater focus on delivery; • Significantly less administration – for all parties; • Maintains competitive tension between suppliers; • Reduced operational costs by the reduction of duplication.
Sustainable Professional Services Environment	<ul style="list-style-type: none"> • Supports the professional services market with multiple consultants and sub-consultants; • Simplified contractual arrangements; • Number of contracts awarded to any one consultant is limited; • Industry consultation indicates good support to the proposed approach.

Existing contracts have been tendered in a variety of market conditions. Between four and six suppliers are able to provide the required services at the expected level of experience and competency that also provides for the ability for a number of small suppliers to have the opportunity to provide the same services.

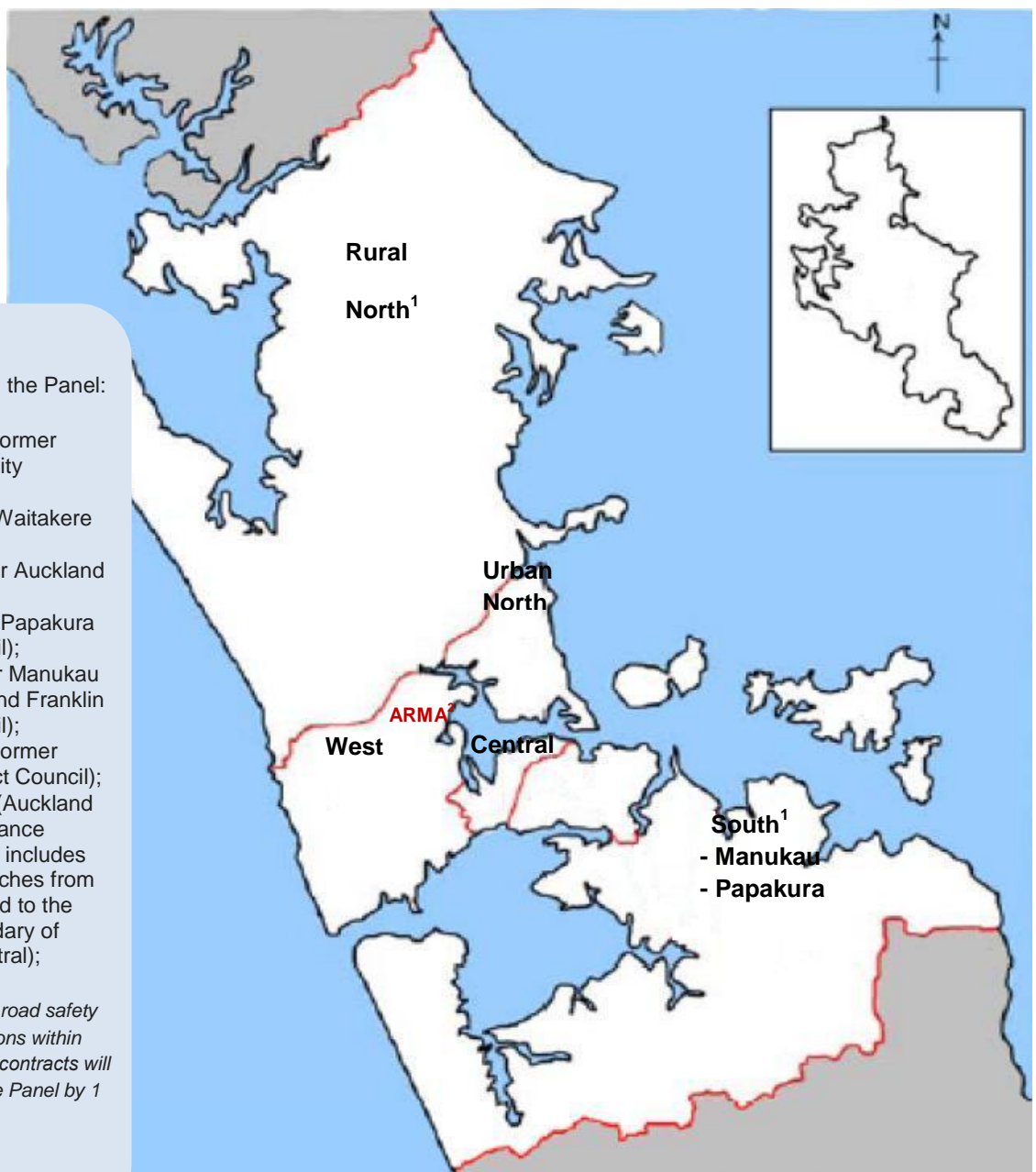
There is strong capability and capacity within the professional services market which has not changed substantially over the last two years, with no emerging market trends or instability with prices relevant to this delivery model.

Six suppliers are considered to be the optimum size for the Panel, taking into account:

- The requirement for fair competition;
- That it will have little effect on the consultant market in the Auckland region;
- Performance and award of work is incentivised.

Map Showing Contract Boundaries

The boundary areas align with Police and NZTA reporting areas and closely match the boundaries used in both the maintenance contracts and asset management programme.



Areas included on the Panel:

- Urban North (former North Shore City Council);
- West (former Waitakere City Council);
- Central (former Auckland City Council);
- South (former Papakura District Council);
- South¹ (former Manukau City Council and Franklin District Council);
- Rural North¹ (former Rodney District Council);
- ARMA-West² (Auckland Road Maintenance Alliance which includes the CBD, stretches from Dominion Road to the western boundary of Auckland Central);

¹ Scopes related to road safety and traffic operations within these areas' term contracts will be included on the Panel by 1 July 2012.

The procurement approach outline here has been discussed with a number of suppliers. Based on our engagement (internal and external) we are confident that it will deliver contracts that balance the benefits of scale and collaboration with sustaining a robust and competitive supply market.

NZTA Approved Procurement Strategy

AT is required to develop an over-riding Procurement Strategy covering all its activities for NZTA endorsement. This strategy is currently under development and the RCO Procurement Strategy will be incorporated in the AT Procurement Strategy. The use of supplier panels is considered by NZTA to be an “advanced” procurement procedure. Use of the Supplier Panel delivery model requires NZTA approval who have indicated their support for the proposed approach. This approval will be obtained following the board’s endorsement

Proposed Programme

<p>April 2011 until September 2011</p>	<p>Prepare, tender, evaluate, appoint <u>six</u> suppliers by 30th September 2011</p> <p>1st October 2011: Supplier Panel (Design) framework contracts start</p>
<p>April 2011 until September 2011</p>	<p>Prepare, tender, evaluate, award <u>one</u> Regional Portfolio Management contract by 30th September 2011</p> <p>1st October 2011: Regional Portfolio Management contract start</p>

Recommendation

It is recommended that the Board:

- i) Receive this report;
- ii) Endorse the RCO Procurement Strategy and RCO Contract Model outlined in this paper;
- iii) Delegate to the Chief Executive responsibility to implement the RCO Procurement Strategy and execute the new contracts.

<p>WRITTEN BY</p>	<p>Andrew Allen Manager Road Corridor Operations</p>	
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<p>APPROVED FOR SUBMISSION by</p>	<p>David Warburton Chief Executive</p>	