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## CASE STUDY

# Combined Tendering for Roading Contracts

Hauraki District Council  
Thames Coromandel District Council

### Presenter

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# Combined Tendering for Roothing Contracts

## Executive Summary

The Roothing Professional Services and Roothing Physical Works contracts currently serving Hauraki and Thames Coromandel District Councils were put in place using a combined tender procedure. This procedure resulted in separate contracts between each local authority and the successful tenderers.

Tender timing and documentation was co-ordinated in order to present for tendering a combined package of work offering attractions of scale and potential for operational efficiencies. The tender and contract award procedure for the Roothing Professional Services contracts was completed one financial year ahead of the Roothing Physical Works contracts in order to use these professional services to assist in the tender and contract award procedure for the Roothing Physical Works contracts. Similar procedures were used for both types of contract.

Tenderers were invited to submit tenders to each local authority and if applicable offer a discount to each tender price in the event that the same tenderer was successful in both tenders. Land Transport New Zealand were consulted and responded positively on the acceptability of this process in terms of Competitive Price Procedures requirements.

The tender evaluations teams were comprised of one member from each local authority with an independent team leader for the Professional Services Team and a common team leader for the Physical Work Team. Tender evaluations were carried out jointly for all tenders submitted to both local authorities. Tenders were evaluated using the method of Weighted Attributes method for Professional services and Price Quality Method for the physical work.

For each contract the number of tenders received was sufficient to provide reasonable assurance that the process had delivered competitive prices. Tender prices compared well with estimates and previous contract prices. Both professional services contracts were successfully tendered by the same tenderer, in the case of the physical works contracts it was advantageous for each local authority to accept the tenders of different contractors demonstrating the flexibility to select the best individual bid for each organisation.

The contracts are delivering the requirements of the local authorities at competitive prices.

It is believed that the combined tender procedure achieved better results for the two local authorities than would have been the case if each local authority proceeded independently. The benefit has been achieved with no reduction in the ability of each local authority to manage its own contracts independently. The procedure does not require very specialised or intensive inputs and offers some economies of input.

## **The Issue**

Historically, limited response had been received to invitations to tender for professional roading services and roading physical works. Roading costs per kilometre for both authorities tended towards the high side in published national figures and a perception existed that a more competitive procurement process could be a factor in improving the situation.

The council (councillors) were keen to have a process that would deliver improved market interest and hence a competitive bid. They were not keen on committing to a system that would be experimental of “leading edge” technology. The vehicle chosen would need to provide a low risk option for testing the market and the inter-council relationship.

Several meetings including roading and engineering staff from a number of road controlling authorities had been held where the topic of co-operative procurement of services was discussed. It became apparent as existing roading contracts moved towards completion that Hauraki and Thames Coromandel District Councils had similar aims and requirements as well as neighbouring locations, providing an incentive to pursue some type of co-operative arrangement aimed at securing the services at a competitive price. There was also the possibility of a joint contract that included Transit NZ and another neighbour Matamata Piako District Council. To take advantage of the potential future opportunity it was considered prudent to trial the joint tendering model gauging the response from the industry while noting the pros and cons of working together

Discussions at staff level led to recommendations to both councils to follow a combined tender procedure, initially for roading professional services and later for roading physical works.

## **Description of the Project**

### **1. Introduction**

Neighbouring Thames Coromandel (TCDC) and Hauraki (HDC) District Councils have a degree of shared interest in each other’s roading networks. Both local authorities have been using a similar arrangement, employing consulting firms and contractors respectively to deliver roading professional services and roading physical works. Discussions aimed at exploring possible benefits of co-operation had been under way for some time, for part of which Transit New Zealand had taken a leading role. The approaching completion date of the contracts of both local authorities provided the incentive to look at ways of applying the principles in practice.

Current HDC and TCDC Roading Professional Services Contracts and Roading Physical works Contracts were put in place using a combined tender procedure that resulted in separate contracts for each local authority. This section describes what led to the decision to undertake the joint procedure, the advance preparations, the joint tendering procedure itself and the outcomes.

## 2. Aims of co-operative tender procedure

- To set up a tender environment that encouraged competitive pricing
- To offer the contract work in the most attractive package achievable
- To offer opportunities for work team rationalization
- To offer potential benefits of scale

The response received to the previous round of tendering for these contracts had resulted in successful contracts from the point of view of service delivery. However the limited response at the time left some concerns as to the degree of competitiveness that the tender process had achieved.

## 3. Considerations

- Geographical location
- Differing nature of networks
- Similar way of delivering service
- Timing of existing contracts

All road traffic into Thames Coromandel district uses some of the road network in Hauraki district, whether state highways or district council roads. For Hauraki district the network of local roads is more extensive and the state highway network forms a smaller proportion of the total road network within the district than for Thames Coromandel district. The Thames Coromandel network contains important through routes still unsealed, the unsealed proportion of the Hauraki network consists almost entirely of no exit roads.

The similar contracts used by the local authorities had slightly differing completion dates. Bringing these into alignment was accomplished without difficulty by agreement with contractors, involving an extension to two of the contracts.

## 4. Alternatives considered

- Single contract combining the work of both local authorities
- Separate contracts for each local authority
- Type of contract : performance specified, hybrid or conventional

A number of options for the contract type were considered. The officers from both councils and their respective consultants viewed the Western BOPDC Performance Based Contract, the Transit NZ Performance Specified Contract, Marlborough Roads model and others. The preferred option was to combine the document presentation, tendering and selection processes while maintaining individual contracts. This option was seen as a low risk first step toward clustering/alliancing.

These findings were collated, discussed and reported to the respective Councils. requesting authorization to proceed. Councillors had concerns about governance boards and maintaining control of local programmes as they relate to local issues. These issues were not part of the selected option.

#### 5. Course selected and reasons for the selection

- Separate contracts
- Parallel tender procedure
- Tenders invited for one or both contracts
- Tenders could offer savings if successful in both tenders
- Tender procedure to be as inclusive as possible
- Joint tender evaluation
- Joint tender reporting if needed

Reasons:

Each client wished to preserve a contractual relationship with its own service provider and to be able to award to different service providers. It was perceived at the time that incorporation of the differing nature of the two road networks into a single contract document could create concerns regarding cross-subsidisation between authorities.

The separate contracts were formatted similarly and offered in parallel by co-ordinating the tender timelines. The tender process was kept as inclusive as possible by allowing tenderers to submit tenders for one or both contracts for each local authority, potential benefits of scale due to the larger package of work being recognized by the opportunity to offer in the tenders savings if the tenders to both local authorities succeeded.

Joint tender evaluation was integral to the procedure and realized some economy of effort. Joint tender reporting between councils would be necessary to accept tenders which offered savings in the case of success by a single tenderer in the tenders to both local authorities.

#### 6. Preparations

- Alignment of contract renewal dates
- Council support gained
- Similar format of contract documents
- Risk Mitigation
  - Evaluation process for discounted price – approved Land Transport New Zealand
  - Tender evaluation documents peer reviewed
- Tender evaluation team appointed
- Contact person for tender enquiries appointed

The alignment of renewal dates required the agreement of all parties including Land Transport New Zealand. The extension of existing contract period was limited by the Land Transport New Zealand rules and the reduction of the contract period required the consultant's economic consideration and agreement. This hurdle was negotiated with the contractor by agreement.

The contract documents for both Councils were written by one consultant who also tendered the contract. A legal opinion was secured to confirm that no conflict of interest against the consultant could be sustained

Meritec consultants who were confirmed to be outside the tender process, were commissioned to independently peer review the contract document

Audit NZ were commissioned to review section B of the contract which was "Instruction to Tenderers". The contract wording that alerted the tenderers to the acceptability of a "discounted price" if both contracts were successfully won - "The HDC and TCDC are interested in exploring economies of scale....the price would be discounted to allow for economies of scale....", while excluding alternative tenders, required very careful consideration. This process and definition was considered by both Audit NZ, and Land Transport NZ.

## 7. How it ran

- Interest in tenders was at least at a satisfactory level and there seemed to be no difficulty in acceptance of the procedure by intending tenderers
- No large number of enquiries about the combined tender procedure was received
- At least three tenders were received for each contract
- Tender evaluation provided clear outcomes. In the case of professional services the bid of a single tenderer was successful in securing both local authority contracts. Tenders from two different contractors were accepted in the case of the physical works contracts.

## 8. Outcomes

- TCDC
  - Tender prices which compared favorably with estimates were received
  - A good number of tenders continued to be submitted – reasonable assurance of competitive environment
  - Reduced tender administration costs
  - Possible to make appointments with reasonable confidence
- HDC
  - The number of tenders submitted provided reasonable assurance that a competitive environment had been created
  - Tender prices which compared favorably with estimates were received
  - It was possible to make appointments with reasonable confidence

9. What worked well? What didn't work well? What would we do differently?

- Both Councils - What worked well:
  - Synchronization of contract start dates
  - Council approval of joint tender arrangement
  - Preparation of tender documents
  - Tender evaluation
  - Appointment co-ordinated between Councils
  - Principal objectives achieved
- Both Councils - What didn't work well:
  - No problems worth reporting on
- Both Councils - What would we do differently?
  - Co-operation at this level would not need to be much different than what was done

**Results – Financial and Service Level Impacts**

The contracts have enabled roading levels of service to be maintained in both districts, at a cost equivalent to or less than that provided for in the long term financial plan.

Contracts that have been aggressively bid can sometimes be expected to need management time in ensuring that performance criteria are met and in considering claims for extras. These contracts probably follow the norm in this regard.

**Prospects**

Generally it is felt that the procedure has been successful.

The terms of the contracts provide for an initial contract period with the option of either two or three annual extensions by mutual agreement. To the present time these options have been exercised, which provides an indication as to the success of the individual contracts.

Both local authorities perceive that the combined tendering arrangement provides good value for the input required, and intend to sustain the arrangement at least for the next cycle of tendering.

## **Adaptability / Transferability**

It is thought that the procedure may be worth replicating where similar needs and objectives apply, and where geographic or some other type of proximity or common interest exists for increasing the size and attractiveness of a work package offered for tender.

Council to date have only tendered together for Roothing services which is most likely due to the common standards, funding rules and similar network requirements

## **Conclusions**

The procedure achieved its objectives with a modest input requirement. The savings made by rationalising document format and combined tender evaluation probably compensate for this additional input.

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