

Quick read - Waka Kotahi land transport infrastructure procurement strategy 2023

Introduction and scope

The Waka Kotahi infrastructure procurement strategy (IPS) 2023 focuses on 5 key strategic areas to enhance the planning and delivery of our infrastructure procurement portfolio. This strategy aims to strengthen procurement practices, foster strategic partnerships, and introduce innovative approaches to achieve improved outcomes.

Waka Kotahi is the largest government procuring agency in New Zealand with an approximate \$4-6 billion annual spend through procured infrastructure activities. We are subject to and influenced by several internal and external requirements that shape our procurement approaches. Alongside this, the infrastructure sector faces a growing number of challenges as well as opportunities.

The scope of the IPS includes all infrastructure procurement and contract requirements under the Waka Kotahi infrastructure portfolio, including infrastructure activities funded by the National Land Transport Fund (NLTF) and from other funding sources. It covers infrastructure design and professional services, physical works, and ongoing network operations and maintenance activities. The IPS is a strategic document and does not contain operational material, which sits below this strategic level.

The IPS has direct line of sight to Te kāpehu, our compass, and to Kāhui Whetū, our guiding stars which are the 4 strategic priorities for Waka Kotahi. These are: Culture and Leadership, Future Focus, Delivery Excellence and Accelerating Digital.

This first part of this strategy describes our procurement context, how Waka Kotahi undertakes its approach to market and an overview of the infrastructure markets that serve us. The second part focuses on our strategic intent for infrastructure procurement through 5 strategic focus areas.

We are focused on evolving our strategic procurement setting

The well-known Plan-Source-Manage framework is a useful way of describing the 3 key lifecycle phases of procuring activities. While Plan-Source-Manage framework includes some strategic activities, in particular the up-front strategic planning and later lessons learnt feedbacks, it encapsulates procurement and delivery activities at the transaction level. Waka Kotahi recognises that these transaction activities take place within a wider strategic procurement setting. This setting is the strategic focus of the IPS.

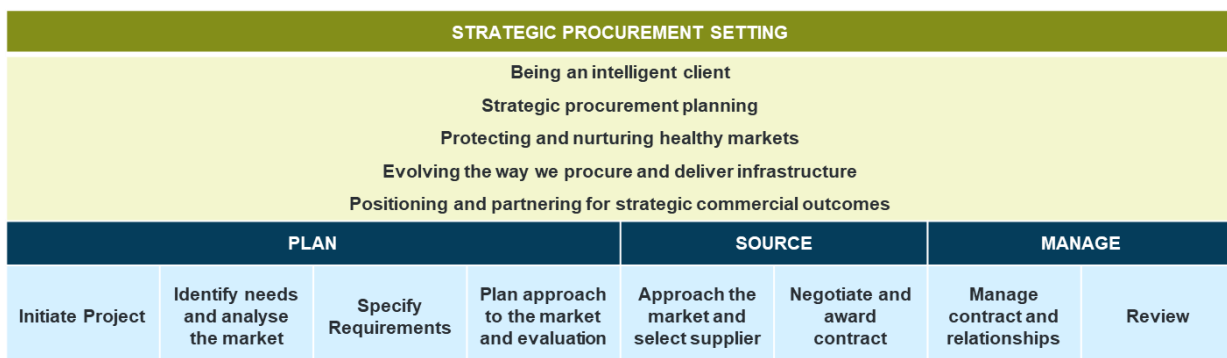


Figure 1 Waka Kotahi strategic procurement setting

Without a strong focus on the strategic procurement setting, we risk stifling innovation, hindering productivity, shrinking our supply chains and impeding the financial sustainability of the market. Taking this strategic approach to how we plan to shift infrastructure procurement forward will also enable us to realise commercial value from Waka Kotahi activities as a key element of our value for money drive.

The wider strategic setting includes:

- The environment in which procurement takes place - the market, supply chain, and cost environment)
- The way in which procurement is done - the development and continued evolution of the procurement methods and approaches themselves
- Waka Kotahi position within and as a member of the supply chain
- The commercial partnerships, relationships and collaborations between Waka Kotahi and our suppliers and other clients and entities.

The strategic importance of infrastructure to Waka Kotahi goals, the relative high cost of infrastructure interventions, and the expansion and increase in complexity of our infrastructure portfolio and markets require us to continually evolve our strategic approach to infrastructure procurement.

We have 5 strategic focus areas for infrastructure procurement

Our 5 strategic focus areas seek to respond to the infrastructure sector procurement and delivery challenges and to drive continuous improvement through all aspects of our procurement function at Waka Kotahi. Each of the focus areas is connected to and supports the others.

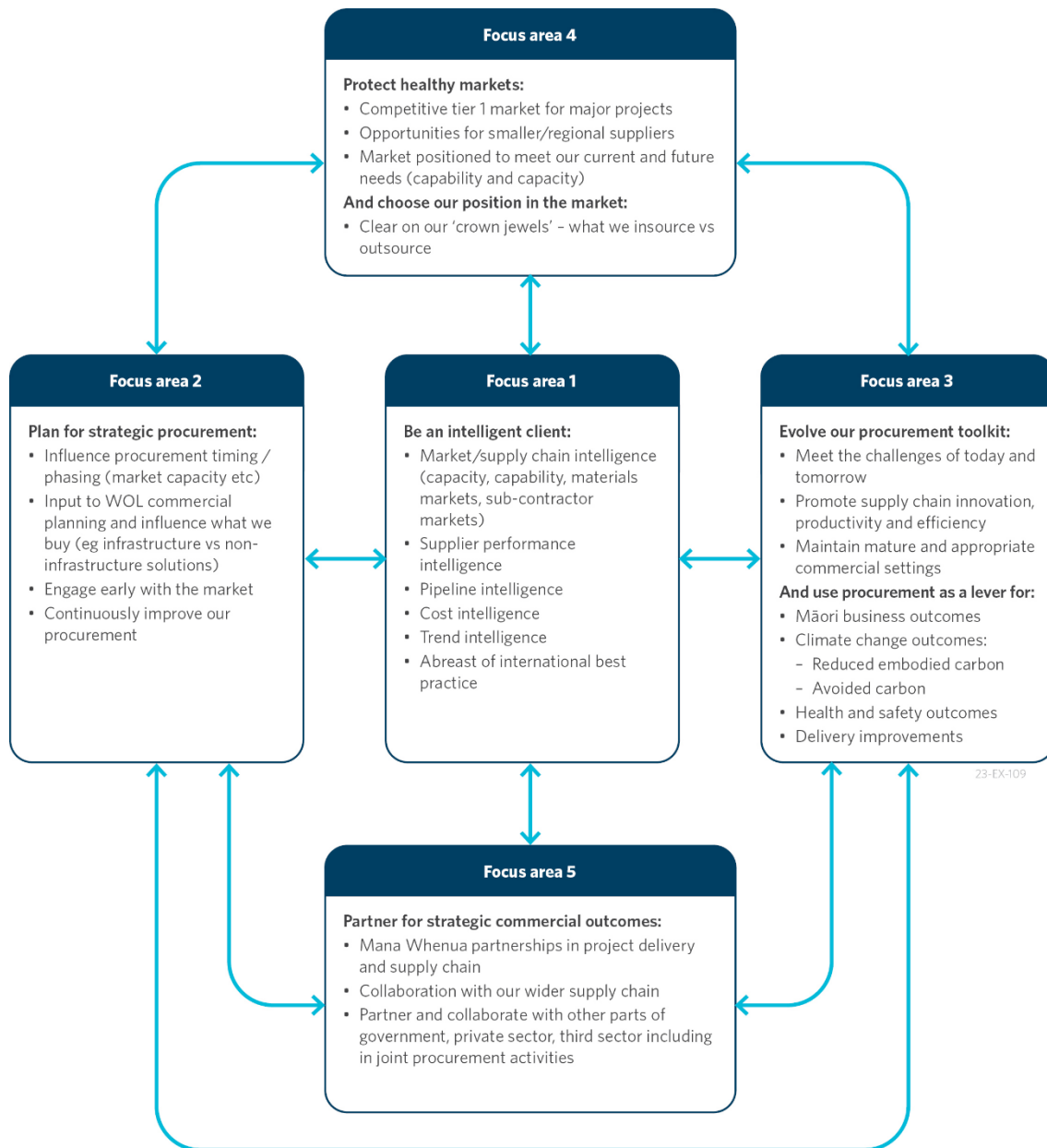


Figure 2 Our 5 strategic focus areas for infrastructure procurement

Focus area 1: Be an intelligent client

Connection to our challenges and opportunities:

- Ensuring performance of our suppliers, both technically and in how they work with us
- Providing visibility of the pipeline of work to underpin supply chain investment
- Cost estimation and knowing what our infrastructure should cost
- Ensuring our market is healthy and able to meet our ongoing needs.

Our strategic responses:

We'll continue to build our foundations for strategic procurement activities and to position Waka Kotahi as an intelligent client by strengthening:

- Market and supply chain intelligence
- Procurement pipeline visibility, analysis and planning
- Utilising supplier performance histories from our delivery activities
- Building our 'Should cost' intelligence and price analysis
- Best practice environmental scans, research and awareness, including peer clients in New Zealand and internationally.

Focus area 2: Plan for strategic procurement

Connection to our challenges and opportunities:

- Ensuring early-stage commercial planning considers procurement, commercial and market considerations.

Our strategic responses:

- We'll continue to uplift the application of strategic planning, commercial decision-making and communications during business case and procurement planning activities.
- We'll strengthen the lessons learnt feedback loops from current 'Manage' activities back into future 'Planning' activities, to support our continuous improvement.

Focus area 3: Evolve our procurement toolkit and use procurement as a lever

Connection to our challenges and opportunities:

- Lifting productivity and efficiency in our supply chain
- Continuing to deliver broader outcomes, including for Māori
- Ensuring performance of our suppliers, both technically and in how they work with us
- Relieving capacity and capability constraints in the supply chain
- Making progress against system challenges like decarbonisation and waste minimisation
- Ensuring our procurement processes are able to respond to rapidly changing demands.

Our strategic responses:

Our diverse infrastructure portfolio requires a diverse procurement tool kit, and we'll continue to actively build our tool kit's maturity:

- Long-term, collaborative, programme-level engagements with suppliers
- Developing an enterprise approach within an integrated supply chain
- Continuing to take an active focus on procurement as a lever for delivery improvement and to advance our commercial objectives and deliver broader outcomes
- Ensuring our commercial settings position us as client of choice.

Focus area 4: Protect healthy markets and choose our position in the market

Connection to our challenges and opportunities:

- Ensuring our market is healthy and able to meet our ongoing needs
- Relieving capacity and capability constraints in our supply chain
- Ensuring efficiency and best value for money.

Our strategic responses:

- Influencing and protecting the health of our markets, across geographies, disciplines and scales
- Intentional supplier relationship management
- Strategic use of direct and insourced purchasing.

Focus area 5: Partnering for strategic commercial outcomes

Connection to our challenges and opportunities:

- Responding to increasingly complex and multi-faceted system challenges and shared outcomes.

Our strategic responses:

- Strategic collaborative partnering to solve shared problems and meet system-level challenges (eg decarbonisation, waste minimisation, broader and community outcomes).
- Working with Iwi, suppliers, other clients, community and the 'third sector' within and outside transport to establish mutually beneficial partnerships to drive innovation, deliver public value, and achieve shared outcomes and goals.

Our focus areas encourage a proactive and intentional approach to market participation and commercial strategy. By prioritising activities within these 5 focus areas, we'll continue to evolve our strategic procurement setting and support the advancement of our Plan-Source-Manage transaction activities. We'll enhance planning, leverage strategic intelligence, introduce innovative approaches, ensure healthy and sustainable markets, and foster fruitful partnerships.

Implementing this strategy will lead to improved procurement outcomes, increased efficiency, and enhanced value for money, ultimately contributing to the success of infrastructure outcomes in New Zealand.