

Frequently asked questions

Frequently asked questions on the *Procurement manual* and procedures.

Physical works, professional services and public transport **How do you define value for money?**

The manual contains a definition of value for money in the context of the procurement process. It sets out a process which, when followed, will increase the likelihood of maintaining or enhancing value for money outcomes through the procurement process.

The manual provides guidance on what you might value, or how you might value it. However, this is a subjective process and may vary between approved organisations.

What you might value will be determined at the funding application and assessment stage, in consideration of the outcomes identified through the LTCCP process and your organisational policies and goals regarding such things as health and safety and sustainability issues. For example, the LTCCP process may have identified some particular community requirements regarding economic, social or environmental sustainability, and your organisation may have policies requiring that suppliers have a minimum level of health and safety accreditation.

The tools in the *Economic evaluation manual* will help you set a value on these things. In time, examples and case studies will be provided to illustrate these matters.

How is achieving value for money under what you are describing any different from what we are currently doing?

Strategic thinking about value for money in procurement is already happening in many approved organisations. What is new is that the NZTA now requires documented evidence of this strategic, value for money thinking. The first component of an approved procurement procedure as defined by the manual is to consider the strategic context for the procurement as set out in the approved organisation's NZTA endorsed procurement strategy. A procurement strategy is therefore required in order for an approved organisation to be able to comply with approved procurement procedures.

Requiring approved organisations to develop, document and maintain a procurement strategy for their NLTP expenditure ensures that they take a longer term view of their procurement activities and consider the whole of life costs of an activity or event in relation to their entire procurement programme. This will ensure that AOs reduce any likelihood of undermining value for money outcomes by making procurement decisions based only on the short-term, up-front costs of an activity.

Given that value for money can be difficult to assess, how can we ensure that we assess value fairly in the context of procurement procedures?

Value for money from procurement means delivering a contract or a project on time, to budget and to the expected quality outcomes. The manual includes performance measurement requirements capturing any differences between the estimated time, budget and quality outcomes against the actual time, budget and quality outcomes. These will provide an immediate feedback mechanism for the approved organisation and identify whether contracts generally are being managed to expectations.

The economic evaluation tools in the EEM can be used when considering wider value for money issues. You will also determine what things you value - this might be different from AO to AO.

How can the value for money message be better communicated to local authorities and in particular the elected members as primary decision-makers? **What tools are available to help with this message?**

It should be noted that local authorities have been required to operate in a 'value for money' environment for some time and what is being proposed through the *Procurement manual* is consistent with this requirement. The new manual will help maintain or enhance the value for money outcomes being sought. The development of a procurement strategy will also assist with the process of getting elected officials on board. The bottom line is that the intention is to obtain better value for money from public funds.

In relation to community outcomes, especially environmental ones, will sustainability and green initiatives be counted as part of value for money?

It is likely that these sorts of major outcomes will be considered and included in economic evaluation conducted at the funding application and assessment stage. Section 20 of the LTMA is the key driver of value for money. It is the role of procurement to preserve or improve the intended 'value' identified at the funding stage.

In relation to the procurement phase, if your organisation values particular sustainability issues, it might look to value certain attributes in its suppliers. For example, an AO may decide that it will only accept tenders from suppliers that have good processes in place for minimising noise pollution, ensuring run-off is managed appropriately etc. It is up to each AO to determine what it values, and to reflect that in the activities for which it seeks funding and in its procurement decisions.

A price driven model can undermine value. How do we address the rogue and low tender?

AOs can develop processes for interrogating rogue and low tenders and, providing the process used is fair, AOs could reject a tender that failed to meet a criterion specified in the RFP. The NZTA expects any criteria used to be fair and rational. For example, it would not be rational to reject a tender simply because it was the lowest price tender received. Where a rogue tender results from illegal practice on the part of a tenderer or tenderers then the AO will need to use the law to address the issue. For example, where a tenderer or group of tenderers act in a way that lessens competition in a market then the provisions of the Commerce Act 1986 would be relevant.

The manual does not advise AOs on what it should value, and that to a certain extent this will be determined by organisational goals. How is this consistent with government values and documents like the new Government Policy Statement?

The first driver of value for money is the decision about what to purchase and why. These decisions are made under section 20 of the LTMA and before the procurement process begins. The decision about what to purchase and why must be consistent with relevant Regional Land Transport Programmes and the GPS. If an AO puts forward an application for an activity that is not consistent with these overarching documents, then the NZTA is unlikely to fund it.

Once funding has been approved, the procurement process under section 25 begins. Procurement is about purchasing the goods and services required to deliver the activity already approved for funding. At this point, value for money in the procurement process is about preserving or improving on the 'value' that was envisaged at the time the activity was approved for funding. An AO's organisational goals may inform how it goes about procuring the activity. For example, if an AO values (or has an organisational goal related to) sustainability, it may require potential suppliers to have a demonstrable sustainability policy. Similarly, if an AO values safety on construction sites, it might require potential suppliers to have safety managements system which meet a particular standard.

How do we measure least whole-of-life cost?

In general, these matters will be considered more fully at the funding stage. The tools and guidance in the EEM will assist with measuring least whole-of-life cost and, for example, in comparing proposals from various suppliers which have different future maintenance or operation costs. An assessment of least whole-of-life cost must be consistent with the EEM and other NZTA funding policy.

Section 25 of the LTMA deals with the performance of procurement procedures; however, the proposed KPIs measure contracts. How will the performance monitoring system measure whether procurement procedures deliver value for money?

The key point at which 'value for money' in its broadest sense is determined is at the funding application level where the activity to be funded is determined. From this point on, the task of procurement is to preserve or improve the 'value' originally envisaged at the time funding was approved. In this sense, value for money in relation to the procurement phase will largely be driven by whether the output is delivered on time, to budget and to the client's satisfaction (quality).

Some projects will be managed under one contract; while other projects may have many contracts associated with them. By focusing on time, cost and quality at a contract level, the NZTA and the AOs will begin to get a picture of how well the procurement process is delivering the intended output. For some large projects, information from a number of contracts may need to be aggregated to assess the contribution to value for money from the entire procurement process.

Procurement strategies

How long do we have to develop a procurement strategy?

We expect that all AOs will have completed their strategies by October 2010. However, in order to be able to maximise the flexibility offered by the new manual, and to streamline the transition process, AOs should consider beginning the process as soon as possible.

Greater flexibility, through use of procurement procedure advanced components and variations to rules, require the specific approval of the NZTA before they can be used.

What do you mean by advanced components?

Advanced components are components of procurement procedures, specifically identified as such in the *Procurement manual*, which may only be used with the express permission of the NZTA. For example, some delivery models and some supplier selection methods are identified as advanced.

Advanced components are judged by the NZTA to be 'advanced' because there is a significant risk that they will reduce value for money if not used appropriately and used well. The NZTA will therefore seek assurance, through the approval process, that an AO wishing to use them has the capability and the capacity (and the need) to use them to deliver better value for money.

In relation to procurement programmes, what level of detail will the procurement strategy require? Some of the detail changes on a monthly basis.

We are seeking an indicative approach, with the work programme broken into large segments. The Transit NZ Long term procurement plan 2005 the LTPP – the current procurement strategy for the state highways, includes a very broad description of planned capital and maintenance works (Appendices A and B) which could be used as a model. The information on programmes needs to be presented in a way that is useful to those who have a particular interest in the procurement of the programme. Reference to sources would be preferable to repeating the content of those sources. AOs may wish to provide a web based programme list that can be readily updated if detail like the anticipated date for advertising the RFP changes.

What happens when we come across something that is not covered by the strategy or there are changes in the supplier market? Will we have to change the strategy and re-submit it for endorsement?

We expect procurement strategies to be reviewed and revised as appropriate on a regular basis; three yearly, in line with your LTP applications would seem logical but circumstances within your district or region may influence your review timeline. Timing and process may be dictated by such things as the complexity of your procurement programme, market conditions or contract duration.

Changes in the supplier market may not affect a recently awarded contract but may have an effect on contracts/proposals coming up for renewal. AOs are best placed to monitor how changing supply markets,

changes in regional demand for services or changes in internal/external capability will affect their procurement programme.

The endorsement process for any changes would be dependent on the degree of change required. Guidance on this will be distributed during the transition period from July 2009 to October 2010.

Please comment upon the application of the manual and procurement strategies to local authorities that are small, with overloaded staff. Is the procurement strategy likely to be a statement of practice, ie not a great imposition?

Procurement strategies should be useful, proportional documents that include a description of how the approved organisation intends to approach its procurement and evidence of the strategic thinking which supports the proposed approach. Where the procurement programme of a local authority is routine 'business as usual', with no real opportunity to increase value for money through innovation, the strategy is likely to simply make that point and the forward work plan is likely to look equally straight forward.

Procurement strategies will help local authorities to review all aspects of their NLTP expenditure and to identify where value for money can be improved. Some of the most innovative approaches to date have arisen out of novel approaches to routine works and we will highlight these as case studies.

In relation to the development of procurement strategies, you say that we have to outline our procurement programme. We will already have done this in the LTCCP and there will also be some crossover with our activity management plans. This looks like duplication - do we need to include it again in the procurement strategy?

This decision is up to you. It may be that your procurement strategy simply refers to these other documents. On the other hand, you might decide for the sake of completeness to put your procurement plan into your procurement strategy. Where the strategy will differ from documents like the LTCCP or activity management plan is that it is likely to more clearly identify risks associated with particular activities and set out your procurement approach. The strategy will address such things as what you want to buy, when and why you want to buy it and how this aligns with your organisational policies and plans as well as s25 of the LTMA. It will look at the state of the supplier market in your region and the impact of your and your neighbour's procurement programme on this market. It will set out the intended approach to procurement of activities including the scope of proposed contracts, how work will be aggregated and bundled, the term of term service contracts plus the delivery models and supplier selection methods to be used.

What will suppliers expect to find in our procurement strategy?

Your strategy should give potential suppliers the information they need about future opportunities to compete, including timing. It should provide for each activity, if possible, information on how the required outputs will be purchased; from delivery models and supplier selection methods to contract(s). Where it is not possible to make these decisions in advance, the strategy should indicate what decisions are still to be made.

What will NZTA staff look for in your procurement strategy when you seek funding approval for an activity under s20 of the LTMA?

Your strategy will allow NZTA staff (and the approved organisation staff who will implement the strategy) to determine how the outputs required to deliver the activities approved for funding under s20 of the LTMA are to be purchased, including identifying the contract(s) through which they will be purchased plus the delivery model and supplier selection method.

Can we use the Procurement manual to develop organisation-wide strategies?

Yes. The NZTA only has a mandate to require procurement strategies in relation to NLTP expenditure. However, if you wish to extend the manual procedures to other parts of the business, it is your decision

and one we would support. The guidelines of the Office of the Auditor-General (OAG) state that it is best practice to have an organisation-wide procurement strategy.

You have said that some AOs are working together to develop a regional procurement strategy. Can we do this too?

Yes, and we would encourage this approach. However, this is something that needs to be driven by the local AOs.

We believe there are lots of advantages to developing regional strategies, eg working together to clearly understand the supplier market and developing a regional procurement programme so that opportunities to collaborate or shift timing to avoid critical demand on suppliers can be managed. Working together on a regional approach will aid collaboration, pool resources and avoid duplication of effort.

Will some procurement strategies be made available for us to look at, or proformas that we could look at and use?

There is a requirement for all procurement strategies to be made publicly available. The *Procurement manual* provides a checklist for developing procurement strategies. We do not envisage that the process will be too onerous. There will be no 'model' procurement strategies from which content can be copy-and-pasted into other strategy documents since the strategic environment for each AO will be different.

Do you expect AOs to talk to suppliers when they develop their procurement strategies?

Yes. An important part of understanding your procurement environment is knowing the supplier market. The NZTA expects to see clear evidence that AOs have engaged with their suppliers in the development of the procurement strategy.

Could we hold an open forum to engage with our suppliers and neighbouring AOs and discuss our draft strategy?

We would encourage you to engage with both your neighbouring AOs and the supplier market. If an open forum would work best in your region then there is no reason why you couldn't hold such a meeting to do this.

Does ARTA have a role in relation to strategy endorsement?

No, ARTA has no endorsement role. The NZTA expects however that ARTA will take a lead role in ensuring that a region-wide view is taken of land transport procurement across the Auckland region.

Should procurement strategies include both Capex and Opex expenditure?

Yes. Procurement strategies are to cover all NZTA funded activities.

Is funding to help AOs develop procurement strategies available now and how do we apply for it?

Funding for developing procurement strategies is available. Procurement strategies are considered part of an activity management plan and are funded under in work category 003 - refer to the NZTA Planning, programming and funding manual, section F2.4. Applications for funding for activity management plans must include terms of reference for NZTA approval.

Does the NZTA's Highways and Network Operations Group (HNO) have a procurement strategy?

The HNO Group currently has a long-term procurement plan which it is updating to align with the *Procurement manual*.

Would territorial authorities (TAs) have to have an individual procurement strategy for each of the work types they are undertaking i.e. maintenance, reseals, construction, etc?

A procurement strategy must cover all procurement by an AO that is funded through the NLTP. A separate procurement strategy for each work type is not required. The strategy may, nevertheless, call for very different approaches to the procurement of different work types. For example, the delivery model for some renewals may be staged and for some improvement works, design and build. However, the total strategy must be coordinated to obtain value for money overall. Each individual procurement event must be managed as per the strategy to ensure it contributes to the long term, programme wide, value for money procurement objectives and organisational goals set out in the strategy.

Procurement procedures

Is the manual split into construction related and public transport related procurement procedures?

No, the manual is intended to have broad coverage and there is much in the way of guidelines and rules that relate to all procurement. It is also important to look at things in an integrated way, hence bringing public transport, physical works and professional services into one manual. However, the procurement procedures contained in the manual are functionally based; each covers a particular area of activity. The infrastructure procurement procedure (for example) covers expenditure on infrastructure, road and public transport related, capex and opex, professional services and physical works.

How does a supplier panel work?

There are two stages to establishing a supplier panel. In stage 1 an open contest is used to identify the suppliers you wish to appoint to the panel. The supplier selection method used would normally be 'quality based'. Stage 2 is about allocating work to the suppliers you have selected to be on the panel. The manual leaves design of this second stage up to the approved organisation. The NZTA expects that when approval to use a supplier panel is sought, the methodology for allocating work would be set out. There are various overseas models that you could look at, and supplier panels are in use in Hamilton City Council and Queenstown Lakes District Council.

A supplier panel is an advanced delivery model because its use can have an impact on the long term sustainability of the market. A supplier panel is usually project-based or for a specific term.

How does Central Otago District Council's Vanguard model fit with the manual?

The model derives from what is known as the 'lean' operating system approach, applied to manufacturing and subsequently to the construction and service industries. It is a means of removing waste and improving efficiency. In most applications it is a shared risk delivery model (highly collaborative, alliance-type model), where supplier selection has been based on the quality based method. Both the delivery model and supplier selection method require specific NZTA approval because they are deemed 'advanced'.

Procurement rules

What is the rationale behind removing the weighted attribute supplier section method?

Of the five supplier selection methods described in the *Procurement manual*, only the price quality method trades off price and quality. In the CPP manual (volume 1) for physical works and professional services, there were three such methods - weighted attribute, quality-price trade off (QPTO) and price quality. Price quality was the last of these three to be introduced and was derived from the other two. It brought together the best features of weighted attribute and QPTO. It is superior to both in terms of process transparency. When price quality was introduced about six years ago it was immediately adopted by Transit NZ, displacing the other methods. It has been progressively adopted by AOs.

The supplier selection methods included in the *Procurement manual* allow greater flexibility. Many of the supplier selection process rules from the CPP manuals have been eliminated and those that remain have been rewritten to provide more flexibility. In particular the rules around non-price attributes and attribute weights (including the price weight) will provide AOs with substantially greater flexibility than was the case

under the CPP manuals. Given the relative lack of process transparency with the weighted attribute method, it does not fit well with the flexibility that is offered in the manual. In particular it would not be appropriate to allow greater price weight flexibility with the weighted attribute method.

Is the purchaser nominated price method available to network maintenance?

The general approach of the manual is to make all supplier selection methods available for all contracts. However, some supplier selection methods are more appropriate than others and the manual provides guidance on this. Purchaser nominated price may be used with a maintenance contract but the detail of the procurement procedure would need to be very carefully thought through. Purchaser nominated price is not an obvious choice for a supplier selection method when physical works are being procured.

How does the Procurement manual deal with the relative importance of different non-price attributes?

The rules on non-price attributes have been significantly revised to provide AOs with more flexibility and allow them to give appropriate weight to those attributes seen as important. There are only three attributes that must be used, AOs may add as many other non-price attributes as they choose.

Where the supplier selection method requires one or more non-price attribute to be given a weight, AOs can choose not to weight some of the non-price attributes but to judge them on a pass/fail basis alone. To further assist, particularly when the supplier selection method is price quality, a weight setting is available.

In relation to price weight, has there been demand for greater flexibility?

Yes. We regularly receive requests to use a weight less than 70 for physical works supplier selection when the AO sees more value in employing a superior supplier than a weight of 70 reflects. Instances where a price weight more than 20 (for a professional services contract) would have been appropriate have also been brought to our attention.

The manual includes a number of safeguards to help those who would like to use a price weight of more than 20 or less than 70. Testing the proposed weight is required and the rationale for choosing the price weight must be documented. Tools to assist AOs choose a price weight (and to choose appropriate non-price attribute weights) is available.

Do the new procurement rules provide for contract term flexibility?

The rules in the *Procurement manual* allow a maximum term (for all terms service contracts other than public transport service contracts) of five years. The rules do not constrain the way the term is structured, for example, an AO can choose a simple five year term or an initial term of three years with two one year term extensions. The rules also allow extension by up to two years to align contract expiry dates for strategic purposes.

The term of term service contracts is a strategic issue. For all significant term service contracts the NZTA would expect to see discussion on proposed terms in the procurement strategy. Where an AO wishes to establish longer term contracts, it will be required to seek NZTA approval since this will be a variation to either rule 10.21 or 10.24. We would expect the rationale for the request to be clearly set out in a procurement strategy.

Rule 10.21 also addresses 'non tendered renewal of term service contracts' or proposals to extend a contract beyond the term originally advised in the RFP. Specific NZTA approval is required for a term extension of this type and the AOs procurement strategy should provide the strategic rationale for such a proposal.

The manual includes a specific rule covering the term of public transport term service contracts (see manual section 10.24). A maximum term of 12 years is permitted. Contracts with a term of more than six years must have an initial term plus optional term extension structure.

Are the thresholds for direct appointment too low?

Different stakeholder groups hold very different views on this subject. The NZTA must set the levels in a way that balances competition and efficiency having regard to the 'desirability of encouraging competitive and efficient markets' - refer LTMA s25. A simple dollar limit is a very blunt instrument. AOs may wish to

use a more sophisticated approach and manage this for themselves. If so they should put a case to the NZTA for approval, supported by their procurement strategy.

Is there guidance in the rules around information requirements and transparency to avoid legal challenges?

Rules 10.6 and 10.12 address documentation and publication requirements and RFP contents and conformity. In addition, there is a general rule (and reminder) that AOs must conform to all other legal requirements relevant to public entities.

General guidance on the supplier selection process is included in Chapter 5, including advice on process integrity, documenting the selection process and notification of the evaluation outcome.

What is the rationale for requiring publication of all contracts let, including direct appointments, in excess of \$50K?

The rationale is transparency. The relevant rule is 10.6. The manual will allow more direct appointment and appointment through a closed competition than has been the case under the CPP manuals and publicly advertised RFPs will reduce. It is important that transparency around the appointment of suppliers is not also reduced.

Rule 10.11 permits direct appointment where competition reduces value for money. Under this rule (and the monopoly supplier direct appointment rule - 10.10) large dollar value contracts will sometimes be established without RFPs and transparency is then particularly important.

General questions about suppliers

Can the Procurement manual help us support local suppliers?

This is a strategic consideration. One of the things required under statute is that consideration is given to ensuring fair competition and encouraging competitive and efficient markets. Where an AO considers that the economic well-being of its community will be served by supporting local suppliers (i.e. it places a 'value' on favouring local suppliers), it will need to clearly set this out in its strategy. It will also need to clearly consider and demonstrate how it can be confident that value for money is being obtained, and it will need to consider the long term impact on the sustainability of the supplier market. In making such decisions, AOs should also be aware of general procurement and competition rules, as they would for any purchasing. If in doubt, AOs should seek legal advice to ensure that they do not contravene any laws.

How can the new system help us raise the quality of work from our suppliers?

Getting to understand the nature and capability of your suppliers and what does and does not motivate them is a strategic issue. You could therefore use the procurement strategy development process to better communicate to suppliers the aspects of quality that you value and discuss ways to ensure that you buy quality. You could then take a minimum standard approach (possibly in conjunction with neighbouring AOs) to raise the bar.

In a time of economic downturn, how does the manual help us manage suppliers?

This is an issue that needs to be addressed at the strategic level. Your procurement strategy should identify what risks you face with your supplier market and how you might mitigate those risks. For instance, your strategic analysis may identify that a particular set of your suppliers needs to be encouraged to continue to invest in and service your area. You might be able to assist this by, for example, varying the term of term service contracts to assure suppliers of work for a set period of time, thereby encouraging continued investment in your area, and providing suppliers with a firm basis on which they can plan. Alternatively, you might decide that establishing a supplier panel for a period of time, for specific types of work might achieve the same outcome. The *Procurement manual* contains guidelines for developing procurement strategies and aims to help you address and manage these issues at a local level and in a strategic manner.

The CPPs have arguably contributed to the loss of capability in the sector by favouring a lowest price approach. Does the manual address this and will it help rebuild capability in the sector?

One of the ways in which AOs can encourage supplier improvement is by valuing high-quality suppliers, e.g. an AO may insist that the suppliers it works with meet certain professional development goals. This is something we would expect to see set out in a procurement strategy.

Is NZTA's approach to encourage larger contracts and suppliers and will the manual give smaller players a chance to compete?

There are some rules in the manual on contract size for public transport service contracts. Otherwise the NZTA and the manual are neutral on the size of contracts or suppliers, but competition is clearly supported. This is again a strategic issue. One of the things we require AOs to consider is the long term sustainability of the market, including whether there is value in helping to develop and grow existing suppliers or in removing unnecessary barriers to entry. We expect AOs to consider the impact of their procurement practices on the market.

In relation to the rationalised supplier selection methods, are the various subtleties that were available in the CPPs still available?

Under the CPPs, there were many variations on the basic supplier selection methods which created a large number of 'sub-methods'. When these were analysed, it was clear that they all boiled down to those emphasising price, those emphasising price and quality, and those emphasising quality. The many different competitive methods were rationalised to four: lowest price conforming; price quality; purchaser nominated price and quality based (the old Brook's Law). These four capture the flexibility and variation of the many earlier methods, but without the level of complexity associated with them. Whilst there is no longer a 'weighted attribute' method, the ability to balance price and quality is captured by the 'price quality' method.

The quality based method is deemed an advanced component where the output being purchased is anything other than professional services.

Other general questions

Can we start using the Procurement manual now?

AOs can start using the manual to develop their procurement strategy any time they wish to. Each AO will need to agree to work with NZTA to develop a procurement strategy. From 1 October 2009 and once an AO has agreed with the NZTA a timeframe to develop its procurement strategy, it may, with the exception of the advanced components, use the procurement procedures in the manual. Where an AO wishes to use an advanced component but has not yet had its procurement strategy endorsed, it will need to provide NZTA with sufficient supporting evidence of strategic thinking before it will be permitted to use the advanced component.

The current CPP manuals will be completely phased out, but not until all AOs have had adequate time to develop a procurement strategy and have it endorsed.

What happens now that the Procurement manual is published? Is there a transition period and how long will it last?

Approved organisations have until October 2010 to transition to the new procurement environment and develop their procurement strategies. However, many approved organisations wanting to use the procurement procedures in the manual before this time will not have an NZTA endorsed procurement strategy. They will therefore not be able to comply with the procurement procedures in the manual. In order to make the manual and its procurement procedures generally available before October 2010, approved organisations will be able to comply with the procurement procedures and rules in the manual by:

- Documenting the strategic context for each procurement activity they undertake; and
- Providing written confirmation that they will develop a procurement strategy by October 2010.

The NZTA is currently developing a programme to roll out the manual with appropriate training to help approved organisations familiarise themselves with its requirements. More information on the format for this will be provided during July.

The LTNZ/NZTA Board approval process for procurement procedure variations took a long time. Will this still be the case?

Once an AO has developed a procurement strategy and had it endorsed by the NZTA, they will be able to use the procurement procedures within the manual. These procurement procedures provide a greater level of flexibility and autonomy for AOs and will reduce the need for ad hoc variation approvals. Consequently the need for Board approval will be greatly reduced. Where variations to rules are required for strategic purposes, we envisage that on the whole these will be addressed (and approval sought) via the procurement strategy.

What will happen to the NZQA tender evaluation qualification?

This qualification will remain valid and we have been communicating with Infratrains on how to align it to the new manual. However, the unit standards (which make up the qualification) cover far more than the CPPs.

In the short-term we will provide bridging information where the CPP-based information in the unit standards is not consistent with the manual. That information will be made available to all people that have the qualification or are currently working towards it.

In the medium-term the unit standards will be reviewed to ensure they capture the new environment. This review will need to take account of the work that the Ministry of Economic Development is doing on developing a procurement capability framework.

Will the step-by-step processes and procedures in Transit NZ's Contract Procedures manual be put into the Procurement manual?

The manual does not contain this level of detail. The NZTA's Highways and Network Operations Group will review this manual to align it with the *Procurement manual*. However, it will remain a stand-alone manual and will continue to be available for people to use if they wish.

Has a benefit cost analysis been completed for the Procurement Review process?

The advice we have received indicates that the benefits of focusing on strategy and value for money, of giving approved organisations more flexibility (through less detailed rules) and of passing more responsibility for procurement procedure detail to approved organisations will allow innovation in a number of areas and reap considerable savings over time.

Does the manual only apply to NLTP expenditure?

Yes, it captures only those activities funded by the NZTA. However, the manual can be used to guide wider procurement processes.

What happens to all of the statistics you have gathered in the past?

They are not lost and we will continue to both collect and use statistics. They have been used to monitor market competition, including examining trends. Monitoring trends will continue to be important, especially given that the introduction of this new procurement environment is expected to have a significant positive impact on value for money.

The evaluation of tenders can sometimes be a subjective process. How can we ensure greater objectivity?

Tender documents need to state clearly how you will evaluate tenders, thus helping to make the process more objective. It is a legal requirement to evaluate in accordance with the tender documents. Transparent processes are a requirement for public entities. This will not eliminate all subjectivity but will help ensure that any subjective assessment has a basis in fact.

The PACE system used by the NZTA HNO Group is a useful tool. However, this tool only helps where a tenderer has been employed and appraised by the purchaser in the recent past.

Why is there no commentary in the manual on clients owning delivery?

Section 25 of the LTMA requires that, with some limited exceptions, outputs must be outsourced. Aside from these exceptions it is therefore a statutory requirement that AOs cannot own delivery.

Does the manual refer to the Office of the Auditor-General guidelines?

Yes, refer to chapter 1, section 1.3 for reference to the broader legislative and government policy framework including reference to the Officer of the Auditor-General's guidelines.

There seems to be a move towards more collaborative delivery models. Why are these sort of arrangements not approved for all?

More collaborative contractual arrangements can be used by all AOs - they can be established under the staged delivery model. AOs are encouraged to collaborate with suppliers wherever possible and whenever better value for money will result. Best value for money requires the optimal contribution from all parties. A shared risk delivery model uses a single integrated team comprising purchaser and supplier participants. It is a highly collaborative delivery model and requires all participants to be skilled in this way of working and committed to the process. Shared risk delivery models require careful and thoughtful application and consequently we have deemed them 'advanced'. The use of advanced components requires specific approval from the NZTA

What is an appropriate level of competition?

This will vary across the country. It is up to the AO to identify through its procurement strategy what is considered an optimal level of competition for the area.