

Best Practice in Procurement and Delivery of Construction Services

MINUTES OF STEERING GROUP MEETING

**Thursday 22nd May 2003 at 10:00 a.m.
In 24 Princes Street University of Auckland Campus**

Attendees

John Hood, Auckland University (Chair)
Francis Small, Meridian Energy
Gavin Cormack, Beca Group Ltd
Martin Gummer, ARTNL
Don Elder, Solid Energy NZ Ltd
Mike Geale, Mainzeal Construction
Sandro Aduso, Downer Construction
John Boon, Unitec
Dan Ashby, Multiplex Construction
David Jewell, Fletcher Construction
George Hooper, CAE
Jason Le Masurier, CAE

Apologies

Neil Ranford, Mainzeal Construction
Steve Reindler, Auck Int Airport Ltd
Robin Dunlop, Transit NZ Ltd
Clive Tilby, Downer Construction
Ian Parton, Meritec Ltd

1. Welcome

John Hood welcomed the group to the University and invited all present to introduce themselves.

2. Introduction

Francis Small introduced CAE and its role in the initiative.

3. Outline of progress to date

Jason Le Masurier introduced the concept behind the initiative, modelled on the UK Rethinking Construction initiative, and described progress to date. The strategy has focussed on two areas: top-down – engaging with key decision makers and bottom-up – setting up a programme of demonstration projects.

4. General discussion and overview

The following is a summary of the points made in general discussions. Fundamentally the initiative is promoting cultural change. Case studies of recent successful projects are powerful. The sector needs to learn from what works and how it works. Demonstration projects provide a focus for others to follow. Successful examples will give people the confidence to do similarly.

It is important that the proposed forum represents the whole supply chain - identifying the strategies, needs and gaps in the sector. In terms of procurement clients are key and the focus should be on public sector and major corporate and

institutional private sector construction; we are not going to affect the ‘rump end’ of the private sector. It is hard to generalise and one can find in NZ every example of procurement from world-class best practice through to examples of draconian risk allocation.

There is a need to differentiate between the public and private sector but it is not useful to label government ‘as a whole’ as being poor procurers of construction – there are public sector clients who are ‘smart purchasers’. With respect to public infrastructure, it can be hard to find the ‘levers’ for change in NZ due to the diffuse nature of decision-making. Responsibility for procurement is not entirely with clients; in Canada for example, contractors stymied clients trying to use alternative procurement approaches.

There is a need to ensure that the major ‘influencers’ are engaged in the process, i.e. Board Directors who ultimately sign-off on the procurement process. Board decisions filter down and below board level we need to engage with champions for change within an organisation.

A second identified influencing group are lawyers, who may stand in the way of change unless they are involved and can see a role for themselves. The legal and financial sectors should be brought into both the forum and the improvement process through the demonstration projects. The legal profession may have initiatives in this area and we need to identify the innovative lawyers e.g. those involved in alliancing projects. Francis Small and Dave Jewell will follow up for Project Aqua and Freeflow alliance respectively.

The person that advises / leads the client through the procurement process is key. Lawyers are often a client’s first point of contact when considering a project. Lawyers see a fee for themselves and once the client has received legal advice they are bound to take it. In contrast key features of alliances are the non-contractual relationships and the use of a facilitator.

5 Planning for the Forum

- a) The Industry Sector Strategy Models of tourism and timber industry provide a model for a joint Government / industry initiative. It was agreed that this model is the preferred way forward and we should take the proposal to Government to set up a Construction Industry Sector Strategy Model.
- b) The key to success will be in scoping the opportunity. Once accepted within Government, such a strategy will provide the ‘lever’ for industry culture change at the highest level.
- c) The relevant point of contact was identified as Cabinet Infrastructure Committee, along with MED as the delivery agency. The initial approach should be at a high level and it was agreed to take the proposal to Michael Cullen. Once the initiative has a high level of credibility then the key decision makers / influencers will get involved.
- d) We need to be aware of other issues in the sector and avoid getting trapped in these. The Steering Group will take the high level lead and engage with other industry bodies as appropriate.

- e) It was agreed that a briefing paper will be produced and be taken to the Minister by a sub-set of the group. This should contain hard evidence of potential savings and benefits to the economy. This paper will be circulated within the group for comment before finalising (CAE to arrange).

6 Forum scope

The opportunity to achieve better integrated processes and improved business performance was reinforced as a key theme. A culture change needs to be promoted through the forum, from adversarial to collaborative relationships and 'smart' procurement. The framework for the Forum should be the Government's GIF strategy.

Forum conference. Critical for success will be ensuring that attendance at the conference is seen as essential for key decision makers. A prior communication process will be implemented. Two levels of interaction are envisaged:

- The GIF-framework interaction with Government
- Interaction with industry and influencer groups to showcase NZ and international best practice

7 Actions

- Draft briefing paper – George/Jason
- Finalise briefing paper – all
- Meet with Michael Cullen – John Hood, Francis Small, Gavin Cormack & Don Elder
- Engage lawyers - David Jewell / Francis Small
- Develop conference business plan – CAE