

# Procurement – Are we getting value for money?

**Paul Buetow, Kensington Swan infrastructure specialist discusses how a holistic approach to procurement could secure the best value for some of New Zealand’s infrastructure projects.**

Just under two years ago Stephen Selwood (Chief Executive, New Zealand Council for Infrastructure Development) and I produced a report on Infrastructure Development in New Zealand. A copy of this report can be obtained from [www.kensingtonswan.com/publications/infrastructure](http://www.kensingtonswan.com/publications/infrastructure). The report sets out six key steps that need to be undertaken to ensure that New Zealand has the infrastructure it desperately needs. These steps were:

1. Government leadership and commitment
2. A long term integrated plan
3. A streamlined planning and consent process
4. Integrated planning and governance
5. Adoption of a wider range of procurement and financing options
6. Legislative change

There have been developments over the last two years in each of these areas. The focus of this article is on the fifth step – adoption of a wider range of procurement and financing options which links, and overlaps with the other factors.

A holistic approach is needed for procurement which examines how we obtain infrastructure on a best value basis. This requires an end-to-end analysis rather than focussing on a small part of the process.

Countries similar to New Zealand, such as the United Kingdom, Ireland and Australia, have taken a holistic approach to procurement. These countries adopt a long-term strategic approach, led in each at the highest level, and with considerable encouragement being given to procurement entities to think ‘outside-the-box’ in order to secure maximum value. As a consequence, infrastructure is scoped, planned and undertaken in a structured way, ensuring that delays in delivery and cost are minimised and that a detailed best value analysis is used to identify the most appropriate option.

The table below provides a comparison between three major roading projects in Auckland, Sydney and Melbourne.

	Western Ring Route	Sydney Westlink M7	Melbourne Eastlink
Length	48km	40km	40km
Value to date*1	\$2.1b	A\$1.5b	A\$2.5b
Start	2000	2002	2005
Finish*2	2015	2006	2008
Number of stages	6	1	1

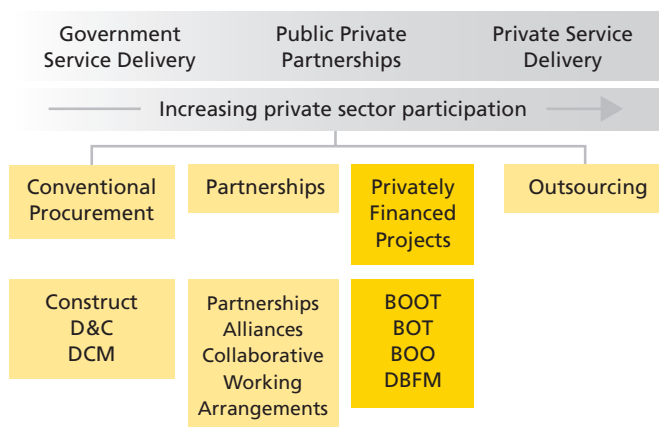
\*1 ignoring Waterview

\*2 depends on Waterview commencing within next few years

One of the key differences between the three projects is that the Australian projects were built in one stage, funded once and, consented once. In comparison, Auckland’s State Highway 20 is built in a number of stages, each being separately funded, consented and built. Sydney and Melbourne identified that a single procurement was best value for money, and used the procurement tools that are available to achieve this. If this approach had been considered in Auckland, potential time and cost savings could have been achieved.

Considering procurement in narrow terms means many public bodies miss out on the wider procurement options that are available. Figure 1 shows the full breadth of public delivery options that can be considered.

**Figure 1 – Public sector service delivery spectrum**



Most projects in New Zealand will be undertaken using conventional procurement models and in many cases this will remain the most effective approach, especially for simple projects. However, if New Zealand is going to realise the value that can be obtained by considering procurement on a holistic basis, it needs to follow the lead of other countries and consider which service delivery method offers best value for money.

Whilst this is an easy goal to state, it requires a shift in thinking. It is good to see that some procuring agencies are embracing this approach, but progress is required at all levels. A road map is required to ensure that all procuring bodies can find their way to the best value outcome.



Paul Buetow PARTNER  
Kensington Swan  
[paul.buetow@kensingtonswan.com](mailto:paul.buetow@kensingtonswan.com)