

# NOC – Network Outcomes Contract

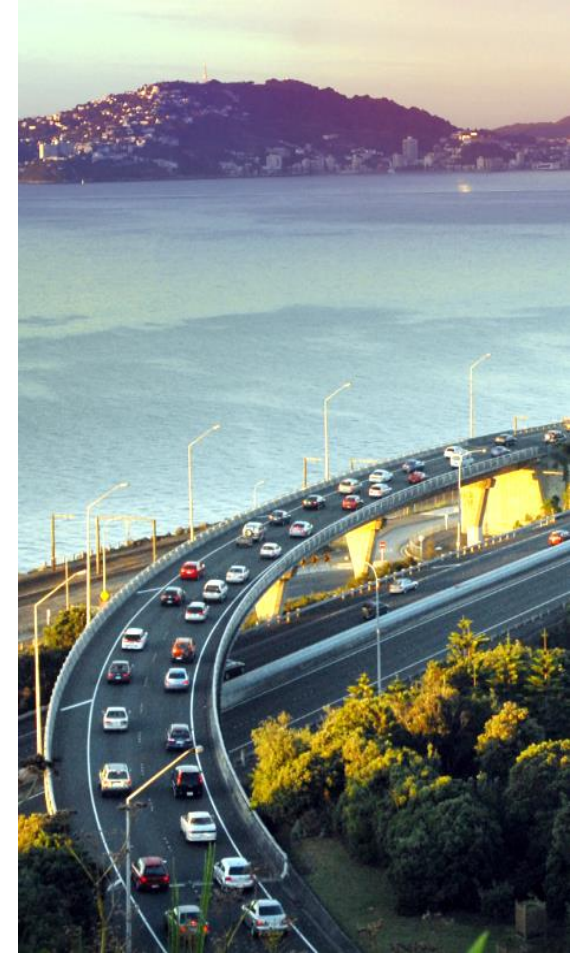
## State Highway Asset Management

Where are we at?  
What are the findings?



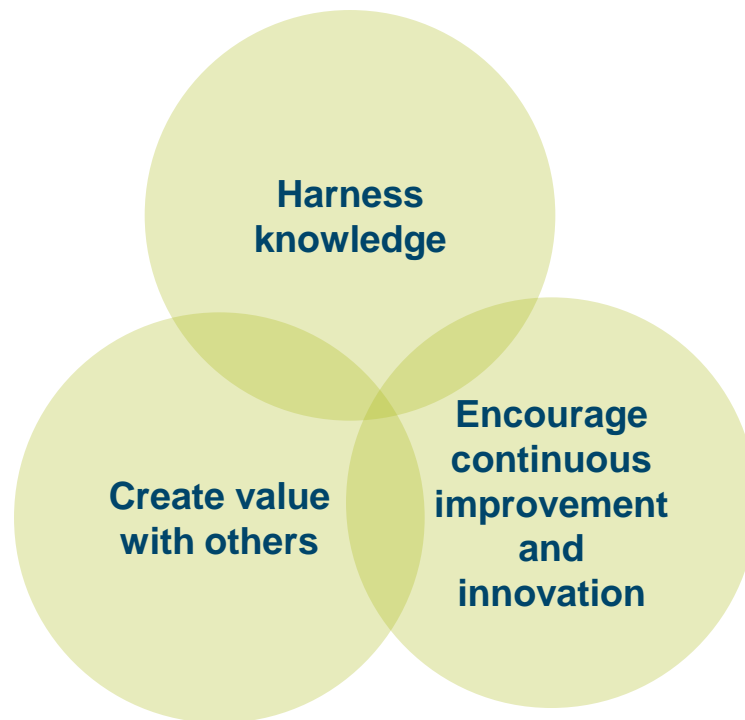
# Background; Project Drivers

- Constrained budget, increasing asset base
- Road Maintenance Taskforce (now REG)
- Agency strategic priority - Efficient Investment
- State highway portfolio procurement strategy
- Office of Auditor General's recommendations



# Key Opportunities

- Smarter asset management
- New service delivery model
- Greater collaboration
- Relationships and capability





# Big Questions...

## Asset Management

- How do we improve optimisation of service levels?
- How do we determine the optimum renewal rate?
- How do we bridge the capability gap?
- Can we collaborate more with local authorities?

## Service Delivery

- How can we improve consistency of delivery?
- How can we incentivise supplier performance?
- How do we improve and maintain a healthy market?
- How do we become more customer centric?



# Looking For a New Way

## Old approach

- focus on looking after the network asset

## New approach

- focus on the customer journey **and** optimising asset investment



# Smarter Asset Management

- 10% reduction in renewals yields \$20m/yr
- Right intervention at the right time
- ‘Right first time’ construction yields more dollars
- Better alignment between dollars invested and customer network demand will improve overall customer experience

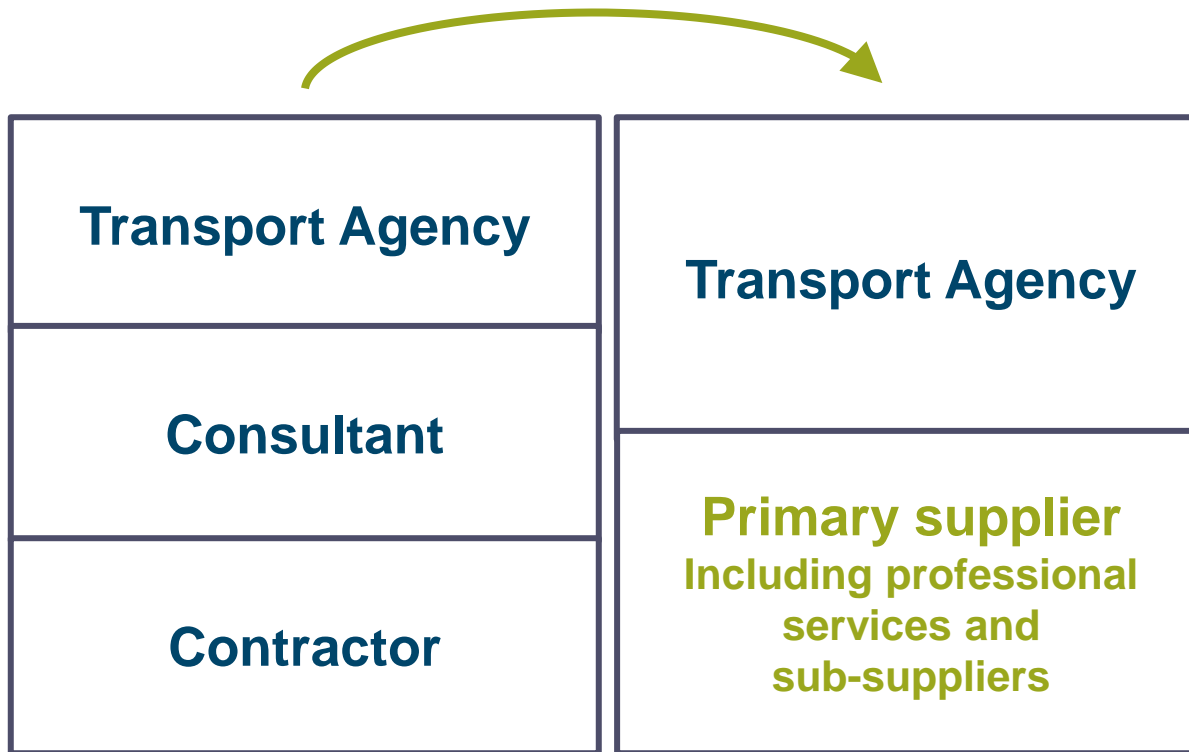


# Renewal Quantities

- Flexible approach to quantity of work and risk
- Contracts have tight minimum ‘base preservation’ quantities
- Mechanism for increasing or reducing work quantity with cost and risk consequences in the contract
- Review and prioritisation teams moderate each renewals program for:
  - Consistent intervention timing
  - Treatment selection
- Programmes have been reduced by 10% or more on most networks

NATIONALLY PLANNED REGIONALLY DELIVERED

# Changing Service Delivery Model



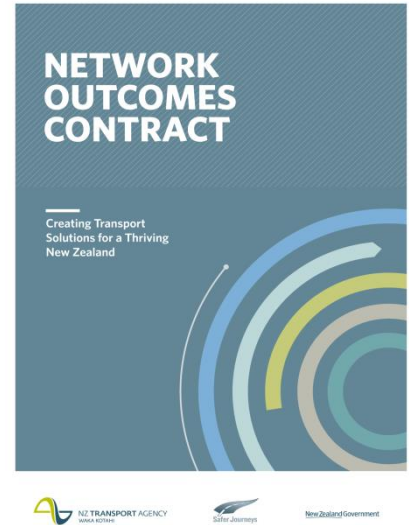
LEARNING FROM PAST EXPERIENCE

OWNERSHIP



# Network Outcomes Contract

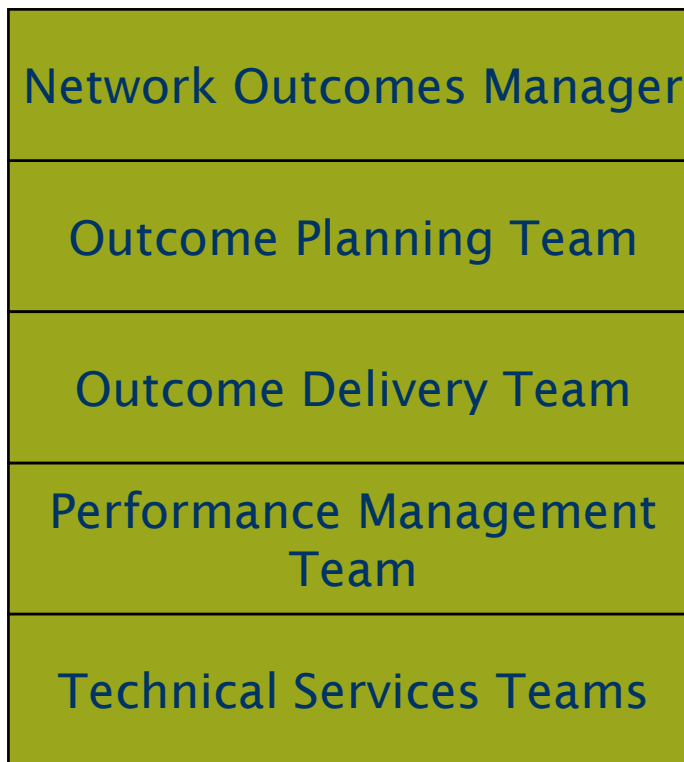
- 23 networks replacing 37 over three years
- Based on our contract standard NZS 3910
- Output and outcome performance management
- Fixed price for most operations and maintenance work
- Defined ownership of contract risks
- Tight default resurfacing and pavement rehabilitation program
- Unit rates for each renewal type
- Additional renewal works can be justified and funded



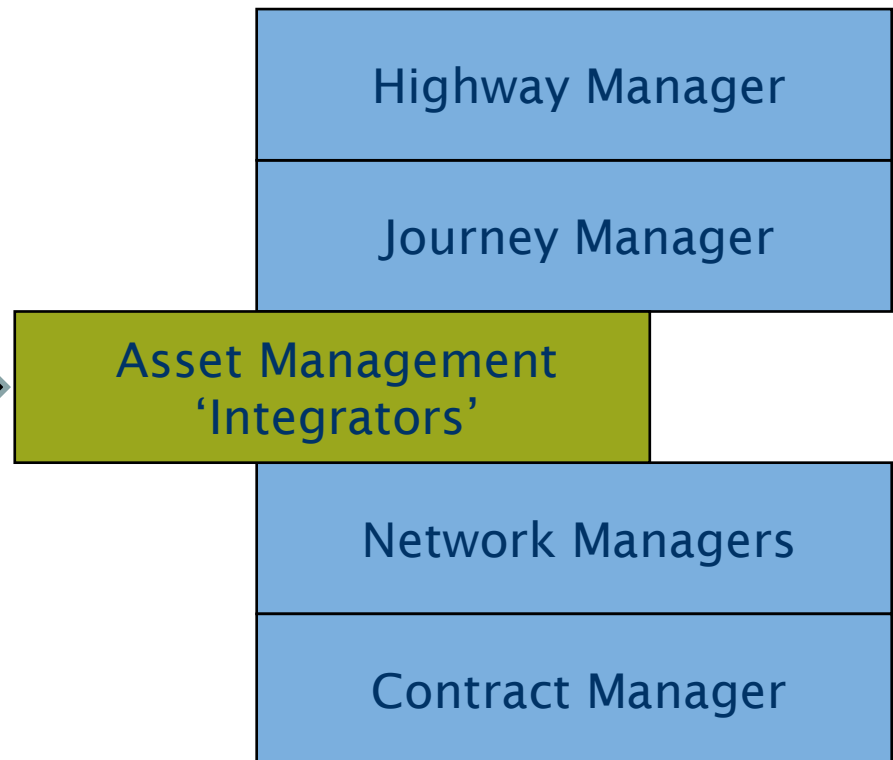
# Nationally Planned Regionally Delivered

“We had to change to”

## National Office



## Regional Offices



# Definitive Achievements to Date

- Part-way through three-year tender programme
- Four contracts awarded, one has been negotiated and 2 are under negotiation
- Reduced renewals cost
- Wider range of suppliers now bidding
- Increased competition for each area to date....
- Greater understanding of 'whole of life' approach
- Performance management measures developing

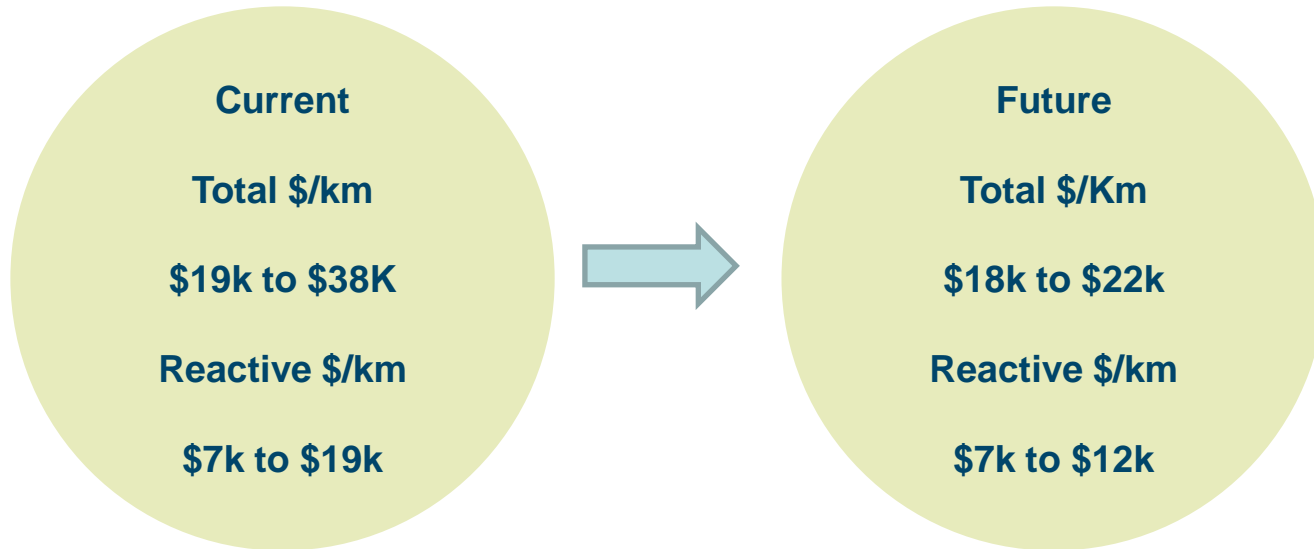


# Indicative Achievements to Date

- Up-skilling based on tender pledges
- Meeting our targets at primary- and smaller supplier levels
- Three bids for each tender, competition and keen interest.
- New players in the market
- New teams developing
- More commitment from 1st tier to smaller suppliers
- The trend is a cost reduction. Early data available.



# Performance Measurement



# Reflections - Looking Forward - Risks

- Behaviours
- Market; smaller suppliers and consultants
- What will market look like in 7-10 years?
- Transition will take time, what are the consequences?
- Head room to future proof? Graduates and cadets.
- Need to monitor pledge of offer.
- Loss of knowledge?
- Inflating costs by driving sub percentage, and managing subs? Trade-off of above.
- Resources



# Reflections - Looking Forward - Risks

- Clear vision and strong leadership vital for success
- Relationships key to leading sector change
- Collaborative approach yields better results
- Commitment to performance management needed
- Maintaining a sustainable market critical
- Ensure aligned goals nationwide
- Changing behaviours ~~may be~~ is necessary
- Keep growing capability and leadership

