

A grayscale photograph of a construction site at night. In the foreground, a worker in a hard hat and safety vest stands on a metal platform, holding a rope. In the background, a large concrete structure is being lifted or positioned by a crane. The scene is illuminated by bright work lights, creating a high-contrast, industrial atmosphere.

Roading New Zealand

Presentation to the RCA Forum

By
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23rd April 2010

Overview

- State of Contracting Industry
- Productivity and Procurement
- Technical Progress

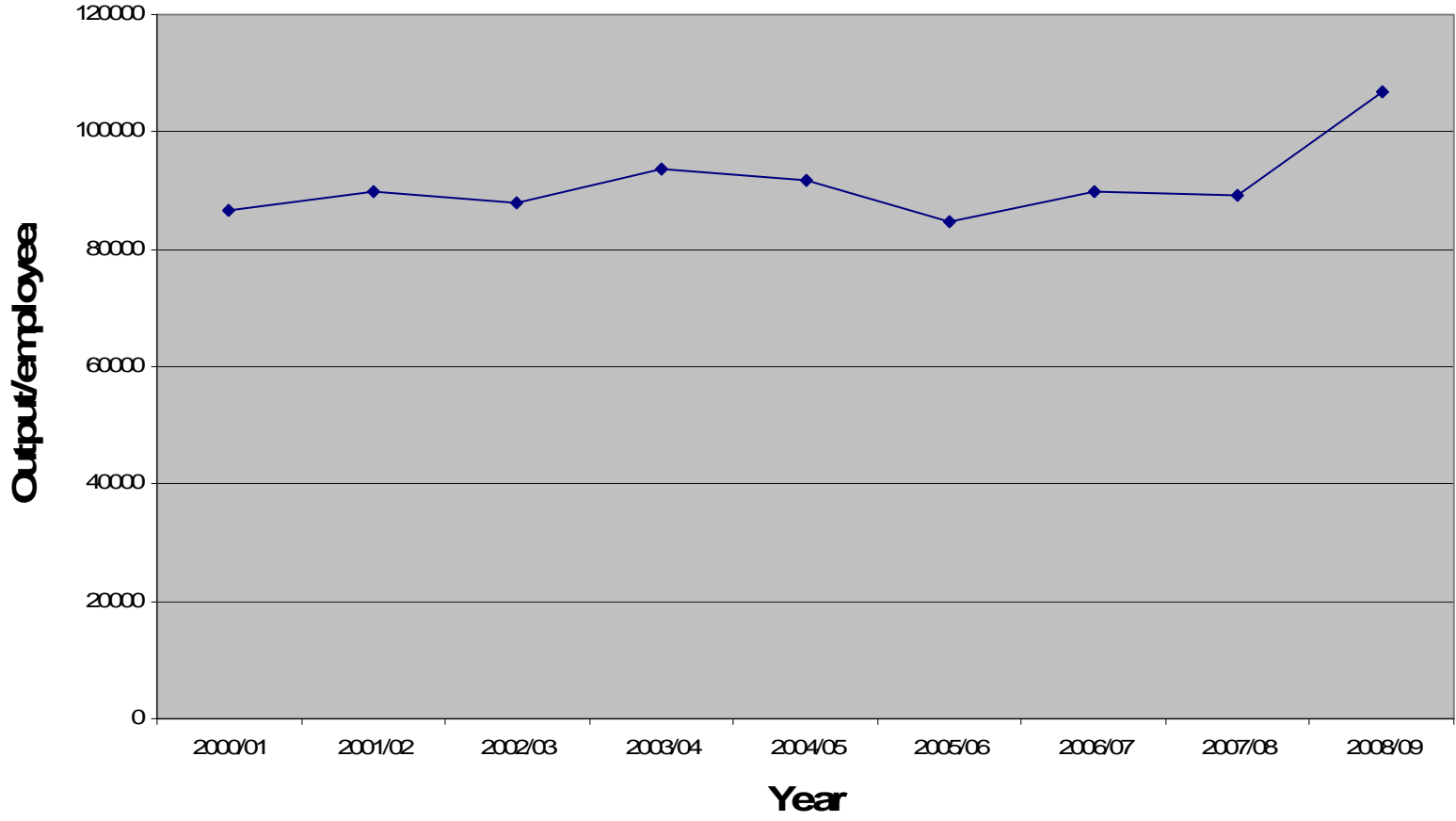
State of the Industry

- 1500 people made redundant last year
- 950 more predicted for 2010
- Disappointing given big increase in construction in 2012
- Industry would appreciate bringing any work forward
- NZTA has made \$50M available for projects brought forward prior to June 2010

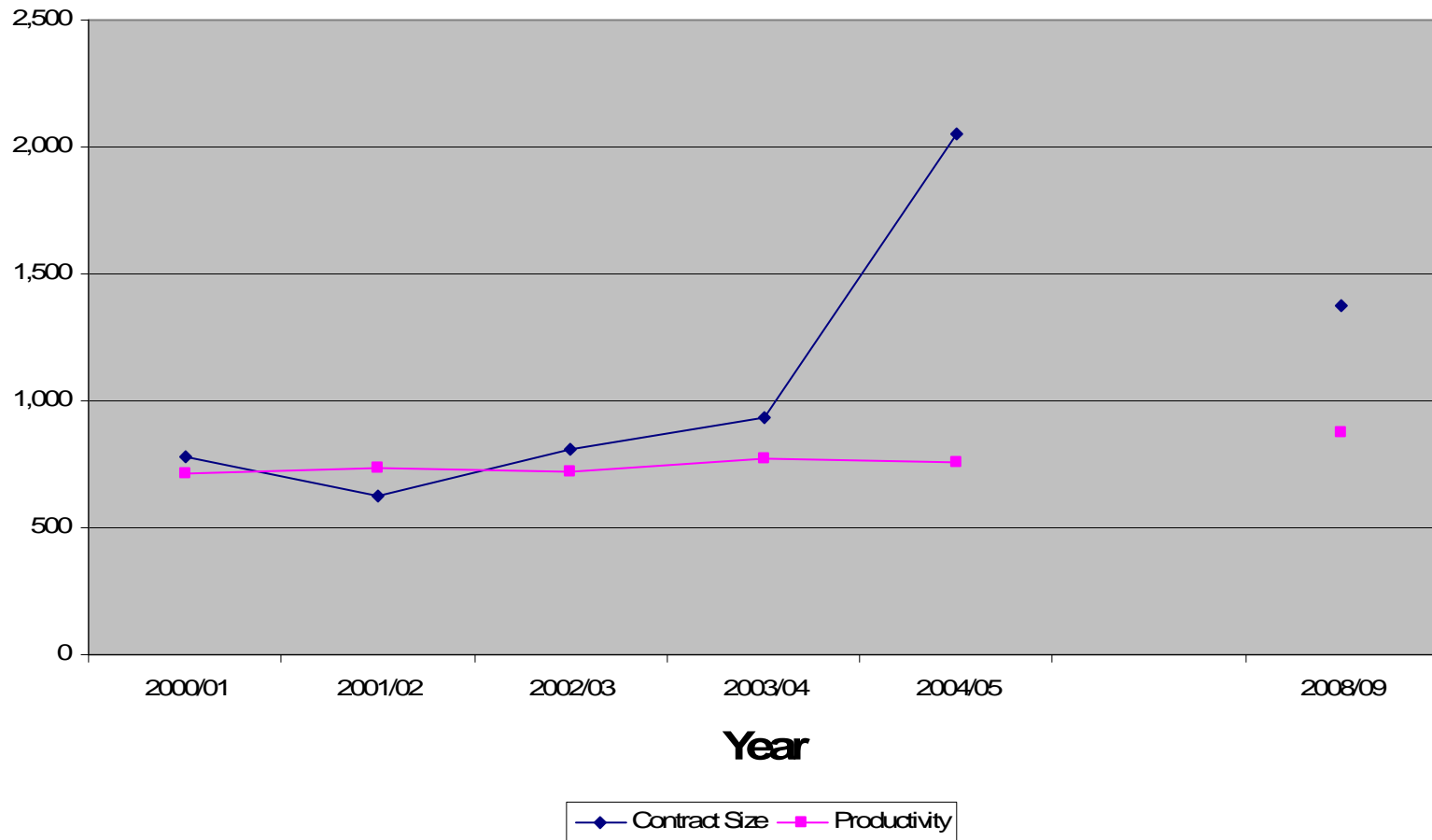
Sector Productivity and Procurement

- Productivity defined as “*Output per employee*” where
 - output is assumed to be GDP of the sector replicated by NZTA and Local Authority roading expenditure
 - this expenditure is adjusted for input cost inflation to a base year of 2000
 - this expenditure is then normalized to equivalent maintenance expenditure (maintenance twice as labour intensive as construction)
- Procurement information as supplied by NZTA “*Competition Monitoring Surveys*” from RCA annual returns
- Unfortunately NZTA competition data absent for 2005/06, 2006/07, 2007/08

Roading Sector Productivity



Productivity Vs Contract Size





Why do Bundled Contracts Improve Productivity ?

(interview with large metro LA Roading Manager)

- Reduced cost of tender process
- Improved value for money due to economies of scale (labour, plant, materials)
- Superior emergency management
- Superior communications and project management due to one point of contact
- Confidence that work will be delivered due to high quality management systems
- Better management of health and safety and environmental risk
- More direct communication and savings through removal of consultant layer

Conclusion/learning's

- From 1960s to 1980s profit was seen as a dirty word
- This caused a negative perception of contractors in some cases
- A negative perception of the Contracting Industry today could lead to the resetting up of Government workforces
- This is clearly not the case at present
- The scope of work for contractors has substantially increased (type and size)
- Even handed NZS 3910 has reduced disputes and stopped contractors going bust
- The contracting industry has matured and upskilled substantially



Conclusion/learning's *continued*

- Since 1990 the sector has moved away from
 - lowest price conforming tender evaluation to more quality based
 - prescriptive specifications to performance based
 - many, many small contracts to bundled contracts
 - fierce cut throat competition to competition on attributes as well as price
 - focussing on its legal obligations to getting the best project outcome
 - minimal training and compliance to proactive training, health and safety and environmental performance
- The number of competing roading contractors has remained about the same (160 to 180) from 1995 to 2009

Conclusion/learning's *continued*

- Over the last decade productivity has increased by 23%
 - increased contract size (bundling) appears to be the main driver of this
 - increasing sector expenditure, appears to be the main driver of increased contract size
 - despite this increase in size competition remains strong in the roading sector and has recently increased
- Competition for bus routes is barely adequate

Technical Progress

Roading NZ Work

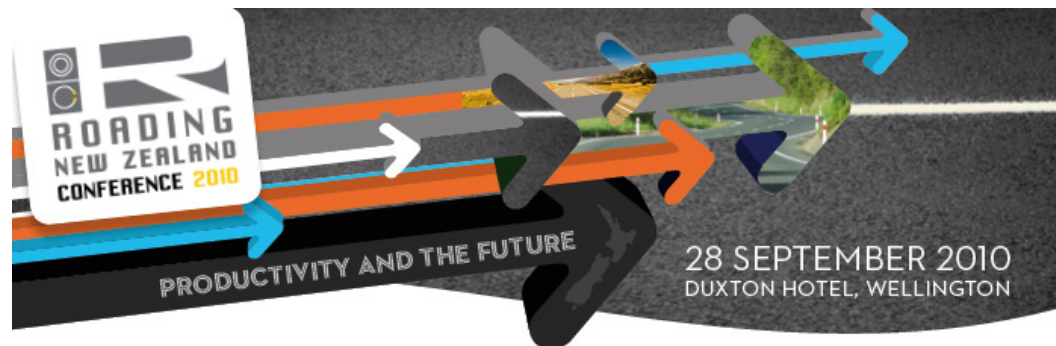
- Accredited asphalt
- Quality Assurance of Aggregates in NZ, 2010
- Slurry Seal Specification – Update 2010
- NZ Aggregates Study - *FORST Project using Auckland University*
- Health & Safety and Environmental Work



Mark your Diary now!



27 SEPTEMBER 2010
2010 Awards Dinner & Presentations (evening)
Duxton Hotel, Wellington



Any questions

www.roadingnz.org.nz