

Working together is key

Laurence Pidcock General Manager New Zealand Government Procurement 25 September 2021



MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT HĪKINA WHAKATUTUKI

New Zealand Government

Today

- NZ Government Procurement
- Our All-of-Government contracts & SRM
- Industry partnerships & Construction Accord
- Social Commissioning
- Our Future of Government Procurement





Some facts and figures about government procurement in New Zealand

- Government spends approximately ~\$51.5 billion annually on buying goods and services
- Major areas of spend include construction, ICT, health care, education and transport services
- Over 200 government agencies approximately 97 percent of procurement activity (by value) is undertaken by individual agencies – Chief Executive accountability
- Initial Procurement Reform in 2009
- Government procurement framework consists of Government Procurement Rules, Principles and good practice guidance – is flexible, easy to understand and apply to any kind of procurement
- Decisions should be based on achieving best public value good quality, good outcomes, good price







Supply market

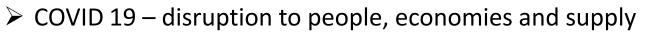
- Government procurement equates to about 20% of GDP
- Nation of small businesses ~97% of New Zealand companies have fewer than 20 employees
- Government procurement framework is open and transparent and enables decision making on the merits of the bid
- New Zealand is a long way from everywhere small domestic market and need to be able to trade with other countries
- Market is open to interested suppliers, domestic and foreign
- Member of World Trade Organisation GPA and have Free Trade Agreements with a number of countries – our approach to ensure access to other government markets





Challenges facing procurement (to name a few)

- A world in transition facing many global challenges
 - climate change and environmental degradation
 - social inequalities
 - demographic changes
 - technology disruption



- What does this all mean?
 - Change is being demanded
 - Golden opportunity to shape our future through Strategic and System leadership; Delivery and Talent management
 - We need to know and understand our future needs, markets and supply chains better





Role of New Zealand Government Procurement (NZGP)

- New Zealand operates a Procurement Functional Leadership model centre-led, not centralised
- NZGP system-wide sphere of influence
 - Building procurement capability across government
 - Harnessing government's collective buying power through collaborative contracts
 - > Making government easier to do business with
 - Providing assistance through a pool of readily deployable commercial and procurement experts
 - International links to procurement forums and trade agenda





Some of what we have now



- <u>Government Procurement Rules</u> encourage early market engagement to support and achieve priority outcomes
- <u>The Five Principles of Government Procurement</u> involve suppliers early; take the time to understand the market and effect on it
- <u>Government Procurement Charter</u> government's expectations of how agencies should conduct their procurement activity to achieve public value
- <u>Constructive Market Engagement guidance</u> pre-procurement, during and post tender
- <u>Future Procurement Opportunities</u> providing an early heads up to suppliers about upcoming opportunities
- <u>Government Model Templates</u> RFx; COI; procurement plan; evaluation, negotiation and due diligence; contracts
- <u>Government Electronic Tender Service</u> promote open, fair competition for New Zealand government contract opportunities





All-of-Government (AoG) contracts

- Currently 20 AoG contracts including travel, office supplies, electricity, vehicles etc – agencies must use these
- We engage early with agencies/suppliers/industry to help shape commercial strategy, specifications, contract terms and management approach
- Design contracts to drive government priorities
 - Contract for tomorrow e.g. can add new suppliers and models of electric vehicles any time, allows future proofing for what is not in the market yet
 - Office supplies designing waste out of the system through contracted targets to reduce non-recycling packaging
- System-wide approach consider best interests of wider supply market (avoid unnecessarily distorting market share and purchasing power etc)





All-of-Government (AoG) contracts

• Supplier Relationship Management



- Regular structured engagement with suppliers to identify opportunities to realise value, manage risk and evolve contracts for mutual benefit
 - Default booking of EV hire cars through booking system
 - Agreed remedial plans to resolve contractual issues
 - $\circ\,$ Clear line of commination for supply issues or service outages
- Engaging with agencies to help optimise outcomes
 - Optimising fleet by replacing combustion engine vehicles with EVs; publically report results
 - $\,\circ\,$ Produce online tools to assist agency secondary procurement process
- Provide information from reported data to agencies to improve contract outcomes
 - Air travel data to help change booking behaviours within agencies, dashboards provides most successful and average agency
 - $\,\circ\,$ Benchmarking of rates for different contractor roles





Partnering with industry

- <u>Industry Transformation Plans</u> bringing relevant parties together to
 - Agree long-term visions and identify the actions that can be taken by industry, government and others to realise this vision
 - Build on any existing work to support actions required to realise this vision, including investment, innovation and skills development
 - Plans underway with Agritech, Construction, ICT and Manufacturing
- <u>Construction Accord</u> a shared commitment between government and industry to establish building blocks for transforming construction
 - Identifying and promoting good procurement practices working with the sector to understand how procurement can deliver better outcomes
 - Fair and transparent contracts working with government agencies to promote fairer allocation of risk
 - Acknowledging and learning from contractors and clients that are innovating through 'Beacons' case studies





Using procurement to unlock 'Industry 2.0'

- <u>The Construction Accord Transformation Plan '2.0'</u> the first iteration of the plan is close to expiry, so what next?
 - Contractors have narrow margins, so struggle to invest in developing people, new products, implementing systems or integrating with others across the supply chain
 - If industry doesn't have the time, the incentives or the capability to transform itself, then what role does procurement have?
 - Construction across the world is still carried out in the same way but what does the next generation of the industry look like?
 - Can government create an environment where innovating, testing, and openly talking about failure is the norm?





Social Sector Commissioning

- Relational approach a model of collective system stewardship for the social sector
 - Placing relationships at the fore to promote wellbeing and support the aspirations of whānau and communities
 - Resetting relationships, expectations and behaviours so that the right people can work together on solutions
- System changes
 - > Agreements focus on shared outcomes and allow flexibility
 - Longer-term, collaborative and flexible resourcing
 - > Mutually agreed responsibility for outcomes in supporting whanau
 - Reporting that generates meaningful insights
 - Moving from transacting contracts and compliance to strong collaborative working relationships







It doesn't stop there – other work underway

- Resetting the government procurement system so that it delivers better outcomes for New Zealand
- To do this we will build on the foundations already in place
 - Data and Transparency
 - ➤ Working together as one
 - Unlocking value
- Establish a sector-based leadership model 'One Government' category leadership
 - This will be a significant change in the way we apply commercial expertise and leadership
- Strengthen Supplier Relationship and Contract Management
 - Implement cross-government supplier relationship management for strategic and critical suppliers to government
 - Identify opportunities and test through pilot programmes





A few final thoughts...

- We are in the middle of some very challenging but exciting times
- We can't do this alone need to understand our markets and engage early and continuously with suppliers and industry
- We are the membrane between within the organisation and the outside
- Learn and understand your markets to bring the best solutions to your organisation
- Make sure every \$ is working as hard as possible

"No matter how disruption manifests itself, we believe that procurement is getting smarter, smaller, and speedier and needs to grow into a new role as a big-thinking, proactive, integrated and service-orientated innovation scout for the enterprise"











Stay in touch

www.procurement.govt.nz procurement@mbie.govt.nz





New Zealand Government