Subject Amendment 4 to the NZ Transport Agency Procurement Manual

Circulation All Approved Organisations
Local Government New Zealand (LGNZ)
EquiP
CCNZ
ACENZ
Ministry of Business, Innovation and Employment (MBIE)
Office of the Auditor General

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Purpose
This general circular advises of an amendment to the NZ Transport Agency’s Procurement manual: for activities funded through the national land transport programme.

Effective date of this Procurement manual amendment
Approved organisations are encouraged to change their internal systems as necessary as soon as is practicable and adopt the changes to procurement procedure requirements presented in this Procurement Manual Amendment 4. The changes will require some approved organisations to significantly alter their current practices and may take time to implement.

The Transport Agency expects that from 1 March 2018 all approved organisations will fully comply with the amended Procurement Manual.

Summary
The impact of the Procurement manual amendment described in this general circular are summarised as follows:

1. The manual has been amended so as to be equivalent to the Government Rules of Sourcing in so far as is required to ensure that the Transport Agency and approved organisations procure in a way that will be consistent with New Zealand’s free trade agreements – in particular the World Trade Organisation Agreement on Government Procurement, the GPA.

2. A new section 10.12A Use of standard documents has been added. Standard documents are defined in Appendix M – they include New Zealand standards published by Standards NZ and many of the standards, specifications, etc published by the Transport Agency. The new requirements are intended to reduce the inefficiencies created when a standard document is modified unnecessarily. Where and how a standard document has been modified will need to be clearly communicated. Approved organisations will also need to be able to justify any modifications made.
Procurement strategies rules and guidelines have been amended to clarify Transport Agency policy intent and simplify its application. Additional guidance based on experience in assisting and advising approved organisation is included.

Miscellaneous errata have been corrected. Out-of-date information has been either removed or updated plus various minor additions and amendments have been made to improve clarity.

Attachment 1 presents the list of amendments to the Procurement manual found on pages (ii) to (iv) of the amended Procurement manual.

Publication of this amended Procurement Manual

Procurement Manual Amendment 4 has been published on the web as a PDF file. Before 1 March 2018, the date on which this amendment becomes effective, an HTML version of the amended manual will be added. The current version of the Procurement manual is published as an HTML file and individual chapters are also available as PDF files.

Further improvements to the amended Procurement manual may be made before 1 March 2018. Any feedback received on the amended manual will be considered and if appropriate changes will be made. Any feedback should be sent to procurement@nzta.govt.nz.

Procurement manual users who have ‘subscribed’ to the Procurement manual update service will be advised when the HTML version of the manual has been published, and advised of any further changes made to the manual. If you currently receive advice of quarterly updates to the Transport Agency indexes for contract price adjustment then you are already a ‘subscriber’. If not then use this link to add your name and email address to the list of subscribers.

Why make the Procurement Manual ‘equivalent’ to the Government Rules of Sourcing?

The Government Rules of Sourcing are managed by the Ministry of Business, Innovation and Employment (MBIE) as government’s procurement functional lead. They were created to play a part in lifting procurement practice across government agencies to a consistently high level, but also to strengthen accountability for public expenditure and support economic development, including meeting our international free trade agreement requirements.

The Rules of Sourcing represent the government’s standards of good practice for the sourcing stages of the procurement lifecycle. They are aligned to international good practice standards for procurement and can be found on the government procurement website, along with other procurement resources.

In respect of the procurement covered by the Transport Agency Procurement manual the Transport Agency has agreed to apply the Rules of Sourcing so that there is consistency in its approach to procurement procedures for both itself and for the procurement undertaken when using the national land transport fund (NLTFF).

As a result of this, New Zealand was able to include the Transport Agency’s spend on state highways plus other NLTFF spend on transport activity as part of a total package that enabled New Zealand to conclude its accession to the World Trade Organisation Agreement on Government Procurement (the GPA). This has had the effect of giving NZ firms access to (i.e. the right to bid for) government contracts in over 40 countries that are also members of the GPA. In turn suppliers in those same countries have similar access to NZ government contracts plus NLTFF funded contracts.
The Procurement manual and the Government Rules of Sourcing are already aligned in principle

The procurement procedures contained in the Procurement manual are designed to obtain best value for money having regard to the impact of the procurement on competitive markets, and to be consistent with modern procurement best practice.

Both the procurement procedures in the Procurement manual and the Government Rules of Sourcing are built around the same basic principles – open competitive procurement processes, where contracts are awarded on the basis of best value for money, not the country of origin of the supplier.

There are, however, some differences in detailed requirements, comparing the current Procurement manual to the Rules of Sourcing. For example, the Procurement manual currently offers no guidance on what is a reasonable time to allow potential suppliers to respond to a request for proposals (RFP), whereas the Rules of Sourcing provide guidance on this as well as setting out minimum time frames. Similarly the Procurement manual requires that almost all RFPs be advertised publicly – the Rules of Sourcing require that this be on the GETS website.

In short, aligning the Procurement manual with the Rules of Sourcing is for the most part a matter of adding specific requirements which affect the supplier selection process.

These amendments to the Procurement manual will ensure that all approved organisations will be procuring, when spending NLTF funds on approved transport activities, in accordance with a common set of procedures that meet both the government’s minimum standards for procurement and the LTMA’s requirement for procedures that are designed to obtain best value for money.

Engagement with the sector to develop this Procurement Manual amendment

The Transport Agency began a Procurement Improvement Project last year. The project’s principal objective is to improve the Transport Agency’s procurement policies, including the Procurement Manual, to better support best value for money approved organisation procurement and align them with the Government Rules of Sourcing while continuing to be aligned with the Land Transport Management Act.

These amendments to the Procurement manual are the first significant output from the project. The project is ongoing and amongst other things is ensuring coordination with the work of the Road Efficiency Group (REG) which has a particular interest in improving procurement practice around road maintenance, operations and renewals.

A project governance group is in place plus a reference group. The reference group has assisted in developing the Procurement manual amendments. Local Government NZ (LGNZ) and a number of local authorities, contractors and consultants through their industry associations plus MBIE are represented on the reference group as is the Transport Agency.

The decision to introduced new requirements governing the use of standard documents came from the Road Maintenance Task Force. They have been further developed and refined with the help of REG and the Procurement Improvement Project reference group. The changes to Procurement Manual section 10.4 Procurement strategies have been developed with the help of the reference group – they do not impose any additional requirements on approved organisations.

Attachments

There is one attachment to this general circular – a list of the amendments to the Procurement manual.
Enquiries

All enquiries relating to this circular should be directed to procurement@nzta.govt.nz.

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Attachment 1 – List of amendments to the Procurement manual

Note that all significant Amendment 4 changes are identified by a vertical line in the left margin.

1. Removal of miscellaneous errata and out-of-date information plus various minor additions and amendments to update information.
2. Updates to section 1.3 include reference to LGA s17A and to collaborating with other purchasers plus specific reference to Government Rules of Sourcing.
3. Various minor additions referring to collaboration with other purchasers.
4. Section 3.2 definitions of value for money updated.
5. Section 4.2 reference added to link between procurement strategies and LGA s17A reviews.
6. Section 5.2 Prequalification systems and section 5.5 Evaluation of proposals amended to align with Government Rules of Sourcing.
7. Guidelines, and reference to new section 10.12A Use of standard documents, added to sections 6.6 and 7.6 Contracts.
8. Chapter 9 Procurement procedure 4 amended and title changed from Public transport fare subsidy schemes to Total Mobility scheme. Amendments reflect its narrower scope and clarify policy.
10. Section 10.4 Procurement strategies rules amended and guidelines added.
11. Section 10.6 Documentation and publication requirements amended to align with Government Rules of Sourcing.
12. New section 10.6A Supplier selection process requirements added – parts of section 10.6 moved to 10.6A.
13. Section 10.11 Direct appointment where competition will not help obtain best value for money guidelines amended, and aligned with Government Rules of Sourcing.
15. New section 10.12A Use of standard documents added.
16. Section 10.32 Total Mobility scheme amended to align with changes to Chapter 9.
17. Appendix C evaluation procedure description and guidelines amended for Price quality without disclosure of the estimate to clarify intended process.
18. Appendix I amended to reflect change in policy.
19. Additional text included in appendix H to illustrate how policy works.
20. Appendix M added