

Procurement Reform

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About Roads Australia

[Roads Australia](#) (RA) is the peak body for roads within an integrated transport system, representing an industry that contributes \$236 billion annually to the economy and supports 1.4 million jobs.

RA brings industry, government, and communities together to lead the evolution of Australia's roads, integrated transport and mobility.

RA's members include all of Australia's state transport agencies, road operators, major contractors, technical and strategic consultants, material suppliers, service and technology providers, and other relevant industry groups.

Event Summary

The speakers for this webinar included:

- Corey Hannett - Director General at Major Transport Infrastructure Authority, Victoria.
- Neil Scales OBE – Director-General, Department of Transport and Main Roads, Queensland.
- James Sherrard - Head of Commercial, Performance and Strategy, Transport for New South Wales

The webinar was hosted and moderated by RA's Vice President and CEO of Fredon, Scott Olsen.

Key Points

- Queensland, Victoria and NSW have infrastructure delivery capabilities that are at their peak
- The current delivery pace is likely to continue for another 3 to 5 years
- Cooperation is a main strategy of all states to overcome current price, skills and diversity challenges
- Innovation in procurement will continue to occur, particularly during contract design and risk allocation.

Questions to take away

- What are the opportunities to minimise the need to move large capabilities between states?
- How could organisations implement proposed procurement cooperation models and support their future development?
- What are accelerators to have more diverse teams ready to be deployed?



Transport infrastructure delivery is today more complex than ever

The post-pandemic environment for transport infrastructure development and operation has been very complex. In the road building space, multiple disruptive factors have impacted the ability of the industry to access the appropriate capabilities and materials for its construction.

From an operating perspective, travel patterns before the pandemic have not fully recovered and, new trends are creating complex operational challenges.

The global supply chain for materials suffered significant disruptions during COVID and has not fully recovered. As a result, transport agencies and contractors must deal with large price increases and material supply uncertainty.

States are committed to building the infrastructure required to bolster economic development and create more sustainable cities. In addition, Queensland is hosting the Olympics in 2032 while Melbourne is getting ready for the Commonwealth Games in 2026.

Never in the history of the nation has the pipeline of transport projects at the state and national level been larger in terms of investment, volume and skills required.

As Corey Hannett described it when talking about Victoria's transport project pipeline:

"I think they are becoming more complex especially when you are delivering city-shaping jobs where you are doing a lot more tunnelling because it's not acceptable to go through residential areas and have mass land acquisitions."

On top of this, today solutions are not easy and very few transport projects are being developed on empty land.

Post-COVID transport infrastructure development and its challenges are occurring on top of existing pre-covid challenges including:

- increasing pressures on wage and labour costs
- unreliable timeframes for the tendering process and inconsistent approaches to bid cost reimbursement
- lack of skilled resources with near-full employment
- low skilled-migration levels
- difficulty in adopting innovation, including the use of new methods and recycled materials within existing contracting approaches.

RA has been working with the industry throughout these challenges with a dedicated policy stream that has delivered events and publications, such as the [Procurement Reform Report Update in December 2022](#).

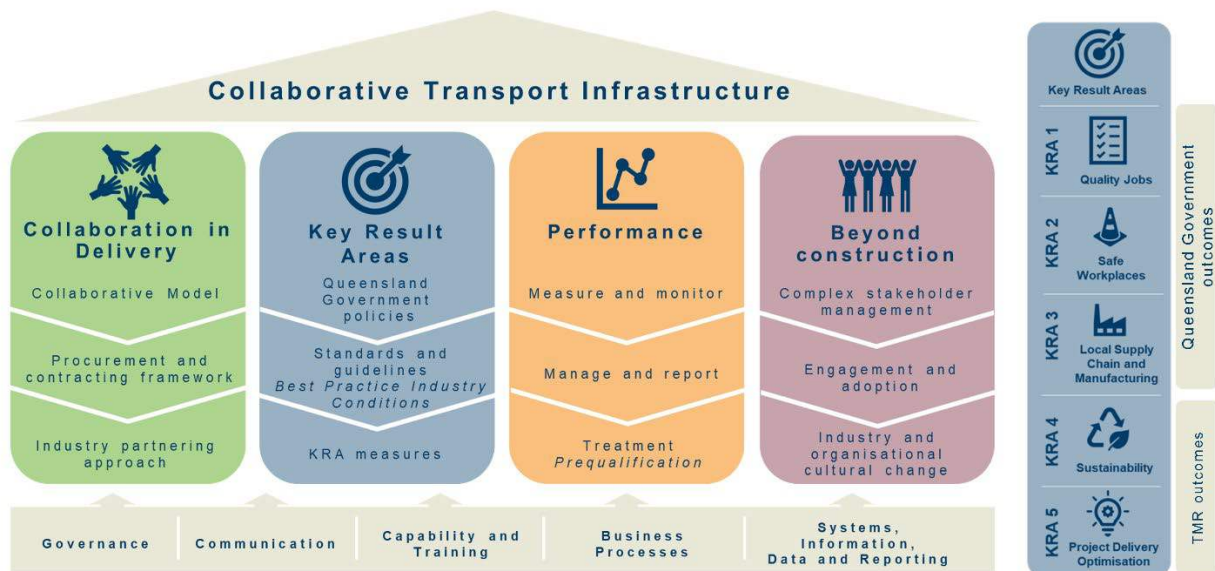
Transport agencies have not stood still - and the next section presents some of the changes that have occurred in procurement highlighted by the presenters during the webinar.

Procurement changes

Presenters described their respective project pipelines in Victoria, Queensland and NSW. As Neil Scales described it, the main procurement effort all states are undertaking is:

"... having a clear vision of where we're trying to go".

COLLABORATIVE TRANSPORT INFRASTRUCTURE (CTI) PROGRAM



For Queensland, there is a particular focus on investing in the north of the state, delivering their infrastructure with more onshore capabilities, greater support for indigenous businesses and creating new opportunities for small and medium enterprises.

Queensland is also promoting innovative solutions to ensure work-life balance in transport jobs is improved with measures such as encouraging the taking of RDOs in all trades and not running tenders over the Christmas period.

NSW has been leading in ensuring projects have “whole of government” executive support that is reviewed periodically by their state leadership team. Victoria has developed multiple innovations in the design of contracts, particularly around strategies for collaborative models where uncertainties and complex stakeholder interfaces exist.

As a result, many tenders today in Australia are improving the consideration of risk, ensuring

they are assigned to the party that can best manage them.

Examples include cases in Queensland where the government participates actively in the provision of insurance, or in Victoria where contractors are invited to participate in preliminary discussions during the early stages of project development.

For post-COVID challenges around hyperinflation of costs for construction materials, NSW has taken steps to ensure these conversations are transparent with all contractors and risk mitigation is undertaken at early stages. James Sherrard explained NSW strategy:

“We have regular health checks on our tier-one projects. As we proceed through the tendering process, we have set up an executive health check process where we don’t discuss the tender per se, but we discuss the challenges that the organizations are facing. We’ve had some great innovation come out of that.”

Although there is no quick fix to the massive price increases being seen across the sector, all presenters acknowledged the significance of this problem and that emphasised that a continued focus on managing these cost pressures is needed in future projects to help ensure the sustainability of the construction industry.

As an overall theme, cooperation appears as a fundamental piece of the solution to hyperinflation of materials and other challenges. This topic is developed further in the next section.

Collaboration: a long-term proposition

Procurement is a very complex undertaking for governments, as they are tasked with investing public resources transparently and efficiently while ensuring infrastructure is developed as quickly as possible.

For transport, this is particularly important as many of our existing urban corridors suffer from congestion and the need to decarbonise their construction and operation is imperative.

The demand to deliver value for money promptly has required transport agencies to use all their resources at their disposal to accomplish these objectives.

The invitation today to the industry by governments is to approach tenders and all procurement processes as a collaborative exercise.

Delivery agencies in NSW, Victoria and Queensland have focused on ensuring cooperation happens not just at the design stage, but during all phases of the infrastructure lifecycle, including operation and decommissioning when appropriate.

Queensland has developed a long-term plan for this cooperation, seeking to institutionalise

it. Cooperation means more transparency, value for money and better social outcomes. The image on page 5 represents their cooperation model.

The proposition for the future, in which all agencies expect to maintain their current delivery pace, is for the transport industry to build its procurement capabilities around cooperation. These capabilities should encourage real prices, attract and retain good people during all project phases and a focus on outcomes that deliver value (as opposed to simply the best price).

So, what does the future look like? The presenters highlighted the likely future context and challenges for the next 5 years. They are explored in the next section.

Future Context and Challenges

Even though public procurements are affected by political changes at the state and federal levels, the current pace of investment in transport infrastructure appears to be stable, at least for the next 3 to 5 years.

Therefore, agencies are already mapping how they can smooth the pipeline and better align the completion of projects with the commencement of other projects. This is the case in Victoria where the tunnelling capability finishing in the Metro Tunnel project and the West Gate Tunnel project can shift to the North-East Link project.

All states are needing similar teams and equipment and long-term plans of how they are used will be a parameter for decision-making in the future.

Most procurement processes, particularly in the future, are likely to have an additional focus on developing local capabilities and strengthening supply chains onshore. All agencies would like to see smaller and medium size companies as participants in larger

projects. Groups such as indigenous enterprises, women and culturally diverse communities are important stakeholders when agencies decide on delivery mechanisms.

Additionally, the industry recognises the need to achieve greater diversity in the workforce, particularly the attraction and retention of women. Contractors will be increasingly asked to ensure gender diversity is happening on the ground. Therefore, long-term strategies for forming and deploying gender-balanced teams should be a priority today.

Finally, geopolitical stability is not guaranteed. Therefore, the strategy of cooperation and onshore capabilities for procurement that has been implemented today by all state agencies is likely to continue and grow in the future. Companies should ask themselves if they have internal mechanisms for this cooperation and onshore capabilities to happen transparently and efficiently.

While co-creation during design is common, openness and frank teamwork between parties during construction and operation is likely to be more of the norm in future procurement processes.