



Subject **Increase in the Dollar Limits on ‘Expedited’
Procurement Procedures for Professional Services**

Circulation All Territorial Authorities
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Circulated by Simon Whiteley, General Manager Policy and Planning

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Purpose

To advise a change to the professional services procurement procedures published in Land Transport New Zealand’s Competitive Pricing Procedures Manual Volume: 1 Physical Works & Professional Services (the manual).

Procurement procedure change

The dollar limit on the expedited procurement procedure referred to as ‘negotiation’ has been raised from \$50,000 to \$100,000 and the dollar limit on all the other expedited procedures (i.e. the ‘simplified’ procedures) has been raised from \$100,000 to \$200,000.

Please note that this change affects the professional services procurement procedures only.

Effective date

This change to the professional services procurement procedures became effective on 1 July 2005.

Amendment to the manual

To incorporate this change into the manual, the eight references to \$50,000 in Chapter 4 will be changed to \$100,000 and the seven references to \$100,000 in Chapter 4 will be changed to \$200,000.

When the manual is re-issued as a Land Transport NZ document this change will be incorporated.

Using a register of consultants

The manual requires that if you do not have an up to date register of consultants and the contract estimate is over \$100,000, then you must advertise every request for tenders.

If you have a register and the contract estimate is \$200,000 or less you may select 'three or more independent consultants' from the register, invite them to tender and evaluate those tenders using a 'simplified' method. Attachment 1 summarises the tendering rules in chapter 4 of the manual and summarises these 'simplifications'.

If you have a register and the contract estimate is over \$200,000, then you may choose not to advertise but to advise all the consultants registered for the particular class of work of the request for tender.

Maintaining competition

The increase in the dollar limits for the expedited (negotiation and simplified) procedures will reduce the use of open tender competitions for supplier selection and will give approved organisations opportunities to choose to engage new competent suppliers.

Land Transport NZ expects approved organisations to use this greater freedom in a way that is encouraging of competition. If this freedom to select suppliers is not used wisely (for example if it is repeatedly used to select the same supplier) it will be discouraging of competition and will reduce the number of available suppliers.

A register of consultants, used in a fair and transparent way, will help sustain a competitive supply market. It will give all potential suppliers an equal opportunity to advise that they wish to be considered as possible suppliers and to advise their particular areas of expertise.

We encourage approved organisations to consider establishing a register, either on their own or in partnership with others, and to use that register with both the 'negotiation' and 'simplified' expedited procurement procedures.

Monitoring the impact of this change

Land Transport NZ will monitor the impact of this change through both audits and feedback, including feedback from industry associations. In particular we will monitor the impact on competition.

Land Transport NZ will also monitor processes used to negotiate prices. If the price of a contract is not subject to competitive tension, but is negotiated, Land Transport NZ expects the approved organisation to check that the price is reasonable. This can be done by comparing the negotiated price with one set in a competitive environment.

If this change in the dollar limits for the expedited procurement procedures for professional services has an adverse impact on value for money or competition then Land Transport NZ will reconsider its decision to raise the limits.

Attachment

Attachment 1 entitled 'Choosing the supplier selection procedure - professional services' summarises the professional services supplier selection (tendering) rules in chapter 4 of the manual.

Enquiries

For further information contact Bernard Cuttance at Land Transport NZ's National Office in Wellington, Ph (04) 931 8790 or <mailto:bernie.cuttance@landtransport.govt.nz>

Simon Whiteley

General Manager Policy and Planning

Attachment 1 - Choosing the supplier selection procedure - professional services

The following table summarises the supplier selection (tendering) rules described in chapter 4 of the procurement procedures manual.¹

When the estimated contract value \$100,000 or less ...	When the estimated contract value \$200,000 or less ...	When the estimated contract value is more than \$200,000 ...
The preferred supplier selection procedure is 'negotiation' - that is 'any procedure (including negotiation) that minimises administration cost and effort but still assures a satisfactory and competitive contract price'. <i>Refer section 4.3.</i>	One of the 'simplified' supplier selection procedures may be used. <i>See additional notes below on the simplified procedures.</i>	One of the full tender evaluation procedures must be used. Either the Brook's law, price quality (PQM), weighted attribute, target price or QPTO method. <i>Note that the full tender evaluation procedures may be used for contracts of any value.</i>

Additional notes on the simplified procurement procedures

- 1 Seek tenders from a minimum of three independent consultants listed on the tendering authority's register of consultants. Note that if an up to date register of consultants² is not available then the approved organisation must seek tenders by advertising.
- 2 When tenders are sought from consultants on the register less onerous attribute rules apply. A subset of the attributes may be used and the attribute weight rules (refer section 4.5.2) do not apply. For example, the tendering authority can choose not to distinguish between suppliers on track record and the tenderer will not have to submit information on that attribute. Note that this simplification also removes the price weight restriction that normally applies to the price quality (PQM) and weighted attributes methods. Refer sections 4.3.3 to 4.3.7.
- 3 The **lowest price conforming** method is able to be used but only for a limited, defined list of work types (refer section 4.3.7). It should only be used where it is possible to absolutely define (in the RFT) what the contract requirements and deliverables are and what minimum quality standards the supplier must meet.
- 4 The **target price method** is not an expedited (simplified) procedure but is available for any value of work. If the work is a strategy study, feasibility study, transportation study or an investigation then this method should be considered. Refer section 4.9.

¹ The Competitive Pricing Procedures Manual Volume 1 - Physical Works and Professional Services

² The manual (section 4.1.5) requires tendering authorities (that maintain a register) to advertise at least annually, inviting consultants to register.