



# PPP procurement processes in New Zealand

A review for the New Zealand Treasury

**Consultation questions for  
PPP market participants**

24 March 2017

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# Purpose of this consultation

## Purpose

KPMG has been asked by the New Zealand Treasury (“Treasury”) to undertake a review of the New Zealand PPP procurement process in light of the experience gained since the approach was adopted. Further, the review will consider international developments in PPP procurement processes in comparable countries and whether any recent international developments should be considered for New Zealand.

This consultation process is to inform the development of Treasury’s guidance and processes for future PPP procurements, and ensure that the perspectives and observations of key participants in the PPP market can be considered as part of the review.

The intention is that the review will consider changes that contribute towards achieving:

- greater participation in and more competitive procurement of PPP projects in New Zealand.
- improvements to the standard of responses received as part of PPP procurement processes.
- reducing unnecessary costs for both procuring agencies and bidding parties.

Ultimately, the goal is to improve the value for money and outcomes from services and infrastructure projects delivered to New Zealanders

## Scope

The scope of this consultation is to consider the procurement process from Expressions of Interest (EOI) to Financial Close (FC). The following areas are out of scope for the purpose of this consultation:

- The Standard Form PPP Project Agreement, which will be subject to a separate consultation.
- Business case stage for PPP projects.
- The merits of PPP procurement relative to other procurement options.

## Deadline for response

We are seeking your responses to the questions set out on pages 4-6 by **1:00pm Friday 7 April 2017**.

Please email your responses and any queries to: [pppreview@kpmg.co.nz](mailto:pppreview@kpmg.co.nz). You may also contact us by phone at the numbers on the back cover.

Following the receipt of responses, we may contact selected participants to further discuss and clarify the feedback provided as part of this consultation. We anticipate that we will contact those we wish to follow-up with in April.

KPMG is expecting to report to Treasury on the findings of this review in May 2017. It is expected that the outcome of the process will be made public following appropriate consideration by the Treasury.

## Confidentiality

Your responses may be shared with the Treasury to enable us to conduct follow up discussions with selected participants but will otherwise be kept confidential. When completed, the review will aggregate all feedback received. Individual participants will not be identified, or identifiable, in the documentation produced. Any personal information collected will remain subject to KPMG’s privacy policy.

# Overview of New Zealand's approach to PPPs

## Background

The New Zealand PPP programme was established in 2009, with the first transaction, Hobsonville Schools PPP, completed in April 2012. Six PPP projects have now reached FC, with another two currently in various stages of the procurement phase (see table 1).

The introduction of PPP procurement in New Zealand was intended to improve the focus on, and delivery of, service outcomes from major infrastructure assets. In addition, the approach brings a whole of life perspective to asset management that provides greater cost certainty, an optimal risk allocation and a payment regime for good performance.

## New Zealand PPP procurement process

The New Zealand PPP procurement process typically involves the following stages:

- **EOI stage:** The procuring agency conducts an open process to short list respondents who will be invited to participate in the Request for Proposals (RFP) stage.
- **RFP stage:** The short listed respondents develop detailed Proposals for delivering the outcomes sought by the project. Proposals include asset designs, a service solution, a fully developed financing solution and set out governance and management arrangements.
- **Preferred Bidder (PB) stage:** The procuring agency selects and negotiates with the PB, including resolving any legal, financial and/or design issues with the Proposal identified during the RFP evaluation.
- **Commercial and Financial Close stage:** The completion of negotiations, including signing the project agreement and completion of the financing arrangements, as well as the final determination of the price.

**Table 1:** New Zealand PPP projects

Project	Procuring agency	Status
<b>Hobsonville Schools PPP</b>	Ministry of Education	Completed and operational
<b>Auckland South Correctional Facility (Wiri)</b>	Department of Corrections	Completed and operational
<b>Transmission Gully expressway</b>	New Zealand Transport Agency	Under construction (opening 2020)
<b>Schools 2 PPP</b>	Ministry of Education	Partially operational
<b>Auckland East Prison PPP</b>	Department of Corrections	Under construction (opening 2018)
<b>Pūhoi to Warkworth highway</b>	New Zealand Transport Agency	Under construction (opening 2022)
<b>Schools PPP3</b>	Ministry of Education	PB stage (contractual close expected April 2017)
<b>Waikeria Prison</b>	Department of Corrections	EOI stage (contractual close expected 2018)

# Areas of focus

We are seeking your views on all aspects of the PPP procurement process in New Zealand within the scope of our review. Pages 4-6 set out the questions we would like your feedback on, categorised under each stage of the procurement process. Without intending to restrict any areas that you wish to address, we have drafted the questions with the objectives below in mind. The issues for consideration are based on our own observations, previous informal feedback from market participants or issues that have been considered in overseas markets.

## **Greater participation in and more competitive procurement of PPP projects in New Zealand**

The PPP procurement process should encourage participation from credible market participants to ensure there is sufficient competitive tension between bidders and value for money is achieved for procuring agencies. Some of the issues to consider may include:

- The extent to which there are disproportionate barriers to entry for market participants.
- Reimbursement of bid costs.
- The process by which the perception of a fair playing field between bidders is created.

## **Improve the standard of responses received as part of PPP procurement processes**

It is important that the procurement process supports market participants to develop high quality responses. This allows participants to best demonstrate their skills and expertise, extracts optimal benefit from the competitive process, and ultimately improves the quality of services delivered to New Zealanders. Some of the issues to consider may include:

- Clarity of the information requirements at each stage of the process.

- Appropriateness of the timeframes for each stage of the process.
- The phasing of information required during each stage.
- How procuring agencies seek and evaluate value added innovations.
- The skillsets of procuring agency staff.
- The effective use of the Interactive Tender Process (ITP), including:
  - format and topic areas, including the presentation of new/unique features of the PPP at the outset of the RFP.
  - the quality of discussion between the bidder and procuring agency, including how probity rules are enforced.
  - timetabling of ITP sessions.
- The evaluation criteria, including the use of mathematical scoring and weightings.

## **Reduce unnecessary costs for procuring agencies and bidders**

The tender process should not impose unnecessary costs on procuring agencies and bidders, and should not seek information that is not necessary for evaluation purposes. Some of the issues to consider may include:

- The level of documentation required at each stage of the process.
- The format required for EOI and RFP responses, including any further standardisation of project documents or other changes (e.g. response templates, page limits).
- The merits of the procuring agency undertaking due diligence on behalf of all bidders.
- The level of commitment required by financiers at the RFP stage.

# Questions for consultation

## Instructions

Based on your experience in the New Zealand PPP market, please provide your views on the following questions. Where you have specific comments or concerns, we would particularly welcome suggested solutions to any issues raised.

Please complete the answers to the questions in the attached word document and email your responses to: [pppreview@kpmg.co.nz](mailto:pppreview@kpmg.co.nz) by **1:00pm Friday 7 April 2017**.

## QUESTIONS

### EOI stage

1

What are your views on the appropriateness of the typical timeframe for responding to an Invitation for EOI?

2

Do you consider that the briefings and information provided to market participants at the outset of the EOI stage have been adequate? If not, what are examples of good practice that you have seen and what improvements would you suggest?

3

Do you consider that the level of information typically requested during the EOI stage is appropriate? If not, what improvements would you suggest that would still enable the procuring agency to adequately evaluate responses?

4

What are your views on the transparency and methodology (e.g. weightings, criteria, quantitative vs. qualitative evaluation) of the EOI evaluation process and the feedback received from procuring agencies following evaluation?

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# Questions for consultation (continued)

## QUESTIONS

### RFP stage

5

What are your views on the appropriateness of the typical timeframes for responding to the RFPs in which you have participated?

6

Do you consider that the briefings and information provided to market participants at the outset of the RFP stage have been adequate? If not, what are examples of good practice that you have seen and what improvements would you suggest?

7

Do you consider that the level of information typically requested during the RFP stage has been appropriate (e.g. level of design required, level of financier commitment)? If not, what improvements would you suggest that would still enable the procuring agency to adequately evaluate responses?

8

Are there potential improvements with regard to the quality and content of RFP documentation provided by procuring agencies that would increase the standard of responses and/or reduce bid costs for market participants?

9

Are there any improvements to the due diligence provided by procuring agencies that would reduce bid costs for bidders and/or improve value for money for the procuring agency?

10

Do you consider that the ITPs in relation to design operate effectively? If not, what improvements would you suggest?

11

Do you consider that the ITPs in relation to commercial, financial and legal issues operate effectively? If not, what improvements would you suggest?

12

What are your views on how procuring agencies seek and evaluate value added innovation through the RFP process? What improvements would you suggest?

13

Other than in relation to innovation, what are your views on the transparency and methodology of the RFP evaluation process (e.g. weightings, criteria, quantitative vs. qualitative evaluation) and the feedback received from procuring agencies following evaluation?

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# Questions for consultation (continued)

## QUESTIONS

### PB and FC stage

14

For market participants that have not previously been through a PB stage, is there additional information that could be provided that would be of assistance?

15

Are there any further improvements to the PB appointment and negotiation process that would improve the process for market participants?

### Further comments

16

Other than issues already raised in previous questions, do you consider there to be any other unnecessary barriers to participation in the New Zealand PPP market, and if so, what do you believe are the causes of these barriers?

17

Are there any other potential changes, including initiatives from international jurisdictions, that you believe would improve the New Zealand PPP procurement process?

## Contact us

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