



New Zealand Institute of Architects Incorporated

Government must fix its wasteful procurement process

The inefficient, inconsistent and ineffective ways in which the Government is procuring public buildings could be costing New Zealand many millions of dollars a year, according to a report commissioned by the New Zealand Institute of Architects.

The report, *Improving Government Procurement of Architectural Services*, by researcher Leah Singer, is based on interviews with scores of architects about their experiences with Government building procurement processes.

The report, compiled in conjunction with the University of Otago, suggests that “New Zealand public sector procurement of architectural services suffers from a multidimensional systemic failure that relates to weaknesses in culture, capability and accountability.”

“These weaknesses undermine not only the Government’s own procurement principles but also its own end – the maximisation of public value.”

Singer’s report finds that a concentration on driving down the costs of public projects and inappropriately managing the risks of delivering them often leads public sector agencies to ignore the whole-of-life performance of buildings and their wider economic, social and environmental value.

Immediate consequences of public sector “value engineering” can include the substitution of environmentally certified materials and energy-efficient systems in proposed buildings.

The wider effects of a commodity approach to the production of public buildings, the report suggests, are to dissuade talented architects from working on public projects and impede the development of a sustainable construction industry.

This approach, the report adds, discourages upskilling and innovation in an industry that is challenged by the scale and complexity of modern construction projects.

/2

Paradoxically, the fixation on immediate costs can have the effect of inflating the final cost of building projects.

Singer's research indicates that the present procurement regime imposes unnecessary time-consuming and costly demands on contractual partners, disregarding Treasury's instruction to state agencies to avoid "wasted time, effort and resources in achieving the Government's objectives."

Citing estimates from the Project Management Institute and the World Economic Forum Singer writes that "mismanagement and inefficiency" can account for 10% to 30% of project costs. Given the New Zealand Government's previously projected 2017–2020 project spend of \$32.5 billion, wastage could run into billions of dollars over that period.

Singer notes in her report that the Ministry of Business, Innovation and Employment sets out in the document *Government Rules of Sourcing* five 'Principles of Government Procurement': "plan and manage for great results; be fair to all suppliers; get the right supplier; get the best deal for everyone; play by the rules".

Singer's research suggests these principles do not seem to be governing the procurement practices of many public sector agencies.

Contrary to these procurement principles, respondents to Singer's survey report that state agencies often issue inadequate design briefs with insufficient information on budgets and timelines.

State agencies, the report finds, often request information irrelevant to a project's type or scale, and run a wasteful process in which changes are often made to the scope of project during tendering.

An especially onerous characteristic of Government procurement behaviour is an increasing resistance to the use of standard contracts for services.

A reported insistence by myriad public agencies on bespoke contracts with uninsurable and impractical requirements is imposing considerable unnecessary legal fees on architects, and causing them to lose productive time.

There are deeper concerns, too, about the lack of transparency in the Government procurement process, an absence of feedback to participants in public sector tenders, a mistrustful relationship between those setting and those replying to tenders, and a race-to-the-bottom focus on suppressing design fees.

Specific industry feedback cited by Singer is that "government employees don't know much about the building industry" and have "no real understanding about the design process and how it works."

/3

“In short,” Singer concludes, “the only constant within the procurement of architectural services is a high variability of skill attitude and compliance”.

One result of these shortcomings is a perceived reliance on tick-the-box tendering decision-making that favours factors such as company size and longevity over design creativity and innovation.

Singer notes such a procurement tendency contrasts with the Qualification-Based Selection process implemented in the United States.

A guiding principle of the U.S. procurement system is that “the most qualified firm should not be construed as the largest or longest-tenured firm, but the firm that is the best match for the project scope, size, location and other factors”.

The American system allows for “objective and subjective criteria such as innovation, unique design approaches, sustainable design and total life cost of the project,” and focuses procurement on “the value the building delivers”.

In contrast, Singer’s report suggests, New Zealand Government procurement focuses, at the expense of the greater societal benefit, to “delivering the building”.

There is hope in Singer’s report. Recent company failures in the construction industry, the scale of the Government’s infrastructure and housing programmes and the Office of the Auditor Generals’ interest in public sector procurement mean the time is right to implement adherence across the public sector to the ‘Five Principles of Government Procurement’.

“The Government should become what the World Economic Forum calls an ‘intelligent client’, that is a client that truly understands the market, their impact on it, and the huge amount of value that can be unlocked through adept project management, informed risk share and exemplary design.”

Improving Government Procurement of Architectural Services is available on the New Zealand Institute of Architects website [here](#).

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