

CHAPTER 7 **COMPETITIVE PRICING PROCEDURES FOR PURCHASE OF SPECIALISED EQUIPMENT**

7.1 Introduction

7.1.1 Section 27(1) of the Act states that "no payment in respect of any output or capital project shall be made from the State Highways Account or the Land Transport Disbursement Account of any local authority, unless the payment relates to an approved output or capital project, the price of which has been determined by a competitive pricing procedure" (CPP). This CPP is for the procurement of specialised equipment.

G7.1 Introduction

Examples of specialised equipment are items such as electronic axle detection and weighing equipment for enforcement and traffic monitoring, and traffic signal co-ordination software and hardware.

The intention of this CPP is that a rigorous evaluation is not required for each new purchase of specialised equipment.

All that is required is one rigorous evaluation to determine the preferred equipment. Further purchases of this preferred equipment may be made for up to 5 years following the evaluation or until such time as a new evaluation is carried out, whichever is the sooner.

7.2 Purpose

7.2.1 The purpose of this alternative CPP is to simplify the purchase of specialised equipment.

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The benefit of this alternative CPP is that purchases of specialised equipment do not have to be subject to a detailed evaluation procedure if identical equipment has been purchased under a full CPP in the recent past and determined as the preferred equipment.

7.3 Components of this Competitive Pricing Procedure

7.3.1 The following components together form this CPP:

- (1) Part A, General, of this Manual;
- (2) The sections contained in this Chapter 7.
- (3) The Schedule of Specialised Equipment in Appendix G in this Manual.

- 7.3.2 This CPP requires that an evaluation be carried out before the initial purchase of specialised equipment, but allows the results of the evaluation to apply to further purchases of the same equipment made within 5 years of the initial evaluation.
- 7.3.3 This CPP shall only be used for the purchase of specialised equipment listed in the Schedule of Specialised Equipment in Appendix G in this Manual.

7.4 Evaluation Procedure

- 7.4.1 Before the initial purchase of any specialised equipment, a rigorous evaluation of all specialised equipment capable of performing the desired task shall be carried out to determine the preferred equipment. Each RFT shall describe the basis of tender evaluation including attribute weightings if they are to be used. Evaluation shall include the installation, calibration and likely maintenance costs in addition to the features, performance and price of the equipment.
- 7.4.2 A tendering authority is permitted to adopt an evaluation conducted in accordance with Section 7.4.1 above by any other tendering authority if it considers that the evaluation is appropriate for its requirements. If this approach is taken, a full copy of the evaluation details shall be obtained from the relevant tendering authority and retained on file.

G7.4 Evaluation Procedure

In conducting the evaluation, attributes such as the following may be examined and it may be decided to give an explicit weighting to each attribute in accordance with its importance:

- (1) Technical specifications*
- (2) User friendliness*
- (3) Compatibility with existing equipment and infrastructure*
- (4) Price*
- (5) Warranty provisions, and maintenance requirements and cost*
- (6) Previous track record of both the equipment and its supplier(s)*

Where there is more than one supplier of the preferred equipment, tendering authorities should obtain quotes from each supplier every time a new purchase of that equipment is to be made.

In the fields where technology is improving rapidly and new equipment is frequently becoming available, it may be advantageous to conduct rigorous evaluations at intervals of less than 5 years.

Sometimes an equipment supplier may only provide one New Zealand firm with the necessary technical documentation and spare parts to carry out installation and maintenance of the equipment. In such cases, it is necessary to take the likely quality and cost of future maintenance and repairs into account when evaluating the equipment.

A preferred equipment supplier may inform a tendering authority that it is only willing to authorise one New Zealand firm to maintain its equipment. If this is the case, the tendering authority should apply to Transfund New Zealand for the local firm to be added to the schedule of sole suppliers for supply of maintenance services of the equipment in question. In other cases, the maintenance of specialised equipment will need to be competitively tendered in accordance with the standard CPP for physical works or professional services, depending on the type of service.

The provision that enables a tendering authority to adopt another tendering authority's evaluation if appropriate is to avoid the need for every tendering authority to carry out its own evaluation of all suitable specialised equipment unless it considers this necessary.

7.5 Duration

- 7.5.1 The results of the evaluation shall stand until a further full evaluation is carried out which shall be no longer than 5 years from the date of the initial evaluation. Further purchases of the preferred equipment can be made while the evaluation stands without repeating the evaluation procedure.

7.6 Price Variations

- 7.6.1 The maximum allowable price change of the specialised equipment from the initial price on which it was evaluated, shall be based on an appropriate inflation index in the country of manufacture and exchange rate movement between New Zealand and that country.
- 7.6.2 Where an improvement has been made to the preferred specialised equipment, the new model may be purchased without a further full detailed evaluation in terms of Section 7.4.1 of this Manual providing the increase in price is not more than 10% greater than the allowable price change permissible under Section 7.6.1.