



Supplying New Zealand Government

A guide for suppliers on how to bid for government contracts

Acknowledgement and thanks – development of this Guide

This guide is part of a Government initiative to help suppliers better engage with government and support good procurement practice. It has been developed under the New Zealand Government Procurement Reform Programme after consultation and discussion with the following stakeholders:

- **Business Reference Group:** Input and guidance were received from an advisory group comprising representatives of New Zealand businesses: Fulton Hogan, Westpac, Emendo, Wade Engineering, Gen-i, the Aviation Industry Organisation, Te Arahanga o Nga Iwi, Finewood Furniture, Westlake Consulting, the New Zealand Contractors' Federation and Starfish Consulting.
- **Procurement Development Technical Advisory Group:** Input and guidance were received from an advisory group comprising senior procurement advisers from government agencies: the Ministry of Foreign Affairs and Trade, the Ministry of Social Development, the Auckland District Health Board, the Ministry of Agriculture and Forestry, the Ministry of Justice, Inland Revenue and Public Trust.
- **Specialist adviser:** Specialist advice was provided by **Ron Stuart**.

First Published July 2010

Government Procurement Development Group | Ministry of Economic Development
PO Box 1473 | Wellington 6140 | New Zealand | www.med.govt.nz | www.procurement.govt.nz

Crown
Copyright



This work is licensed under the Creative Commons Attribution-NonCommercial-Share Alike 3.0 New Zealand License. In essence you are free to copy, distribute and adapt the work non-commercially, as long as you attribute the work to the Crown and abide by the other licence terms. To view a copy of this licence, visit <http://www.creativecommons.org.nz>. Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way that infringes any provision of the Flags, Emblems, and Names Protection Act 1981. Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

Contents page

Introduction	4
The size and complexity of the New Zealand government market	5
How government agencies buy goods and services	6
All agencies have procurement standards they must meet	6
Procurement options – competitive or direct	7
How agencies approach the market	8
Procurement options – acronyms	9
A typical process	10
Where do I start?	11
Hunting for opportunities	12
Where to find opportunities to tender	12
Check out where government spending is heading.....	12
Other places to look.....	12
Tips for successful bidding	13
Preparing and submitting your response	14
The language of procurement	15
Continuous improvement	16
Useful contact information	16

Introduction

What does 'procurement' mean?

In this guide, we often use the term 'procurement'. Procurement is another term for buying goods and services. It covers all steps in the process, from developing a business case to selecting a supplier and delivering the product or service. It can involve inviting suppliers to tender for work through a tender process, which is explained on pages 6 to 11 of this guide.

Who is this guide for?

This guide is for suppliers who are delivering or interested in delivering goods or services to the New Zealand government. It'll help you better understand the specific demands and processes that apply when the government buys goods and services.

What does the guide cover?

The guide:

- provides an overview of the government market
- describes the rules and processes that government agencies follow to buy goods and services
- outlines where to look for government opportunities
- provides tips on preparing and submitting a tender, to help you improve your chances of being chosen to provide goods or services to the government
- explains the common jargon you'll encounter during the tender process.

Enhancing business participation

The participation of highly capable, cost-competitive and innovative suppliers is a vital ingredient to our market. By having a diverse and active supply chain, government agencies can deliver efficiently, stimulate innovation and help develop a sustainable and competitive economy.

Through opening doors for business and creating competition, the government aims to deliver better value for money to New Zealand taxpayers and ensure quality in the provision of goods, services and public works.

What is the State sector?

The New Zealand State sector is all agencies that represent the government. It comprises central government departments and ministries, Crown entities, district health boards, tertiary institutions, state-owned enterprises and other organisations. The State sector is split into three tiers: central Public Service agencies, other State Services agencies and wider State sector agencies.

More information:
www.ssc.govt.nz.

The size and complexity of the New Zealand government market

The government's procurement needs are huge

The New Zealand government's procurement programme is a multi-billion-dollar operation. The New Zealand State sector spends approximately \$30 billion on goods and services, including infrastructure, each year.

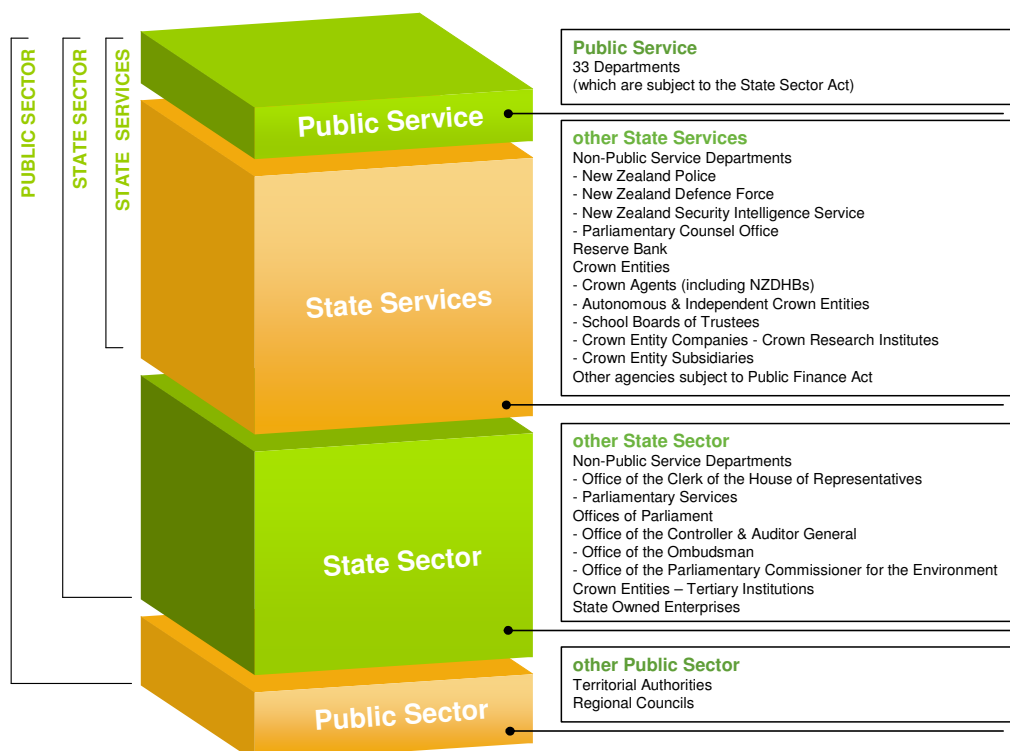
As you can imagine, the government's 'shopping list' is varied. It ranges from simple, one-off purchases to multi-million-dollar technology projects and construction programmes.

Nearly 200 agencies buy goods and services

The New Zealand government is made up of nearly 200 separate government agencies.

Each agency is responsible for its own day-to-day operations, including business decisions about buying goods and services. Sometimes agencies join forces and buy goods or services through collaborative contracts, such as all-of-government or syndicated contracts (see page 15).

State sector agencies aim to spend taxpayers' money responsibly by making sure they get value for money and high quality in everything they buy. They also aim to treat their suppliers fairly and consistently.



Large and small companies can be government suppliers

Suppliers are the businesses that provide goods and services to the New Zealand government. Each year, the government deals with the full spectrum of businesses, from the world's largest corporates to New Zealand's smallest operators. If you're in business, small or large, opportunities exist for you to become a government supplier.

How government agencies buy goods and services

All agencies have procurement standards they must meet

The Office of the Auditor-General and the Ministry of Economic Development have issued several policies that inform government procurement. In addition to these government-wide policies, each agency has its own procurement policy that governs its day-to-day operations.

Good public services depend on good procurement. Six core policy principles support the government in buying goods and services:

- Best value for money over the whole life of the product or service
- Open and effective competition
- Full and fair opportunities for domestic suppliers
- Improved business capabilities, including in e-commerce
- Recognition of New Zealand's international trade obligations and interests
- Sustainably produced goods and services, where possible.

Government agencies are expected to keep to these core principles of good procurement practice. By applying these principles sensibly, agencies can demonstrate they're spending public money wisely and properly managing the processes for spending it.

In addition to this principles-based guidance, the government introduced the Mandatory Rules for Procurement by Government Departments. These Rules set out the requirements that Public Service agencies, Police and Defence Force must meet. Other government agencies are encouraged to comply with the Rules.

The Rules apply to contracts with the following values:

- Goods and services – \$100,000 or more
- Construction services – \$10 million or more.

Good public services depend on good procurement practices

Agencies are expected to apply good procurement practices. They must be able to show:

- accountability
- openness
- value for money
- fairness
- lawful behaviour
- integrity.

Procurement options – competitive or direct

An open and competitive process is the preferred approach when the government buys goods and services. However, this isn't always the most appropriate process for all types of procurement. In deciding which approach is best, each agency needs to consider every procurement case by case and assess it against a number of factors, including the:

- total value of the procurement
- overall risk to the agency's business if the contract performs poorly
- nature and complexity of the product or service.

The Competitive approach:

The approach	Used for	Method
<p>Closed Invitation to suitable suppliers to tender.</p>	Low-value, low-risk goods and services.	<ul style="list-style-type: none"> • Verbal quote. • Written quote. • Request for tender (RFT) or proposal (RFP).
<p>Open Invitation for all interested suppliers to tender.</p>	Higher-value, higher-risk goods and services.	<ul style="list-style-type: none"> • Request for quotation (RFQ). • RFT or RFP.
<p>Multi-stage Open invitation for all interested suppliers to respond. Agency assesses all responses and invites shortlisted suppliers to submit tenders.</p>	Higher-value, higher-risk, complex or unique goods and services.	<ul style="list-style-type: none"> • Open call for registrations of interest (ROIs) or expressions of interest (EOIs). • Closed request to shortlisted suppliers for proposals or tenders.

The Direct Approach:

The approach	Used for	Method
<p>Buy directly from any suitable supplier. Agency must be able to demonstrate price is consistent with market rates.</p>	Very low-value, low-risk purchases; typically goods.	<ul style="list-style-type: none"> • One-off purchase. • Procurement card. • Emergency situation, for example responding to a natural disaster.
<p>Buy directly from pool of suppliers through a standing arrangement. A group of eligible suppliers is established through an open, competitive process. Agency has ability to purchase from these suppliers for an agreed time at fixed rates or based on quotations.</p>	High-value, low-risk goods or services.	<ul style="list-style-type: none"> • Syndicated contract. • All-of-government contract. • Panel contract. • Standing offer. • Collaborative or cluster arrangement.

The approach	Used for	Method
<p>Buy selectively from a specific supplier.</p> <p>Agency must be able to demonstrate price is consistent with market rates.</p> <p>Agency must be able to justify the decision not to use the open, competitive option.</p>	<p>Higher-value, higher-risk procurements where there are special circumstances, for example:</p> <ul style="list-style-type: none"> the agency needs highly specialist skills, or the contract involves very complex goods or services with a limited number of qualified suppliers there's only one source and this can be verified only one supplier has the capacity to deliver on time and this can be verified a product or service needs to be compatible with existing equipment or services and the agency must use the same supplier. 	<ul style="list-style-type: none"> Contract with individual supplier.

How agencies approach the market

Sometimes an agency will approach the market for the purposes of pre-purchase market analysis or research. Typically this is through a request for information to establish the number of suppliers and range of goods or services available.

Once the agency is ready to purchase, it has several options available to approach potential suppliers. It can use a simple one-stage process for low-value, low-risk procurements, or a two-stage process for higher-value, higher-risk procurements that may also be complex or unique.

Approach	Options
One-stage process	<ul style="list-style-type: none"> Ask for information. Get a quote. Request a tender or proposal.
Two-stage process	<p>Stage One: Open invitation for all interested suppliers to respond. This can be simply asking for information to register interest in the opportunity or to meet initial qualification conditions (ROI, EOI or Qualified Supplier List).</p> <p>Stage Two: The agency assesses all responses and through a closed request invites only shortlisted suppliers to submit full tenders or proposals (RFT or RFP).</p>

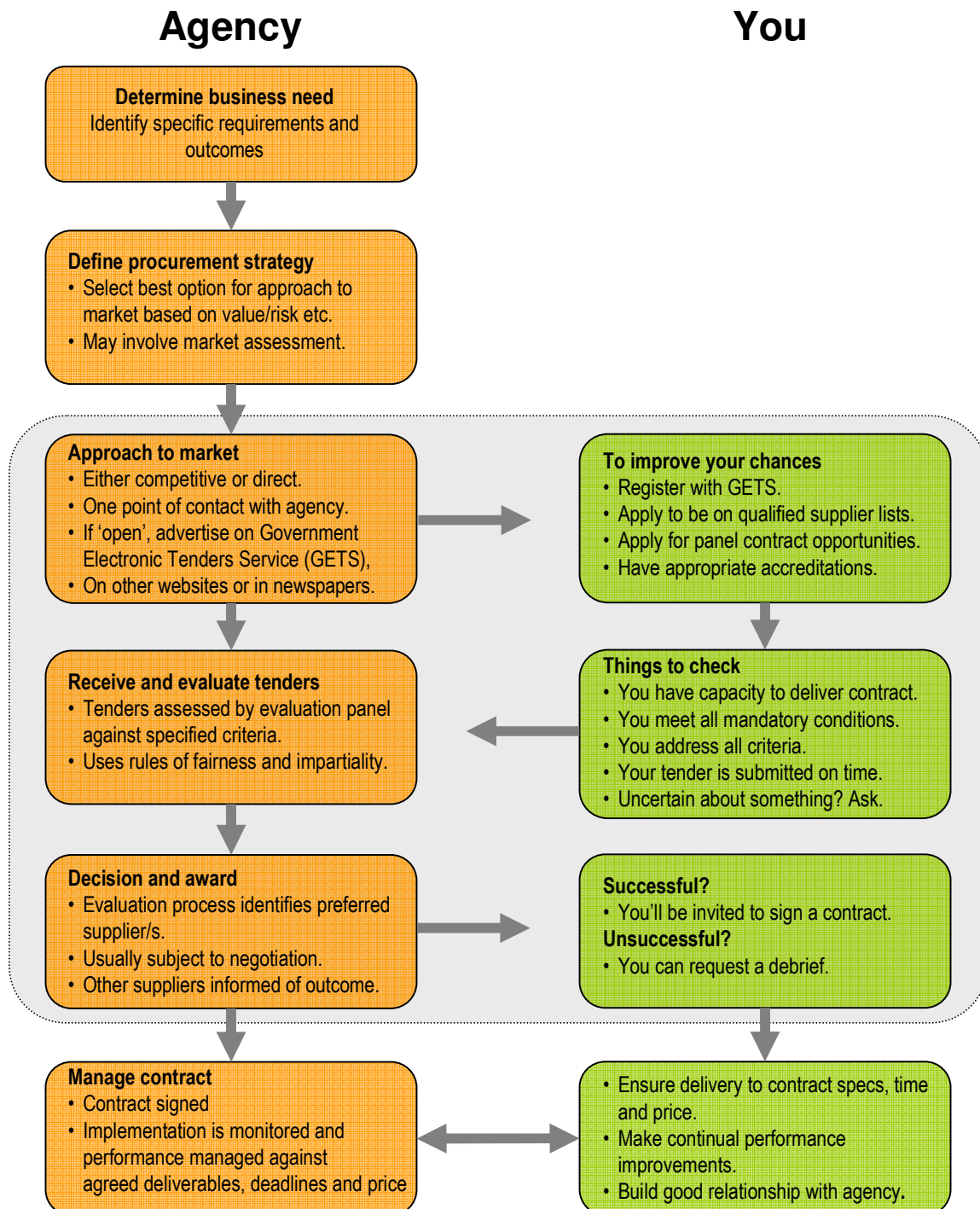
Procurement acronyms

Procurement is full of acronyms and jargon. Here are explanations of the documents that you're most likely to come across when bidding to be a government supplier.

Acronym		Explanation
EOI	Expression of interest	<p>An EOI is used if a government agency needs to identify suppliers who may be interested in supplying and able to deliver a product or service.</p> <p>Through the EOI, the agency asks suppliers to provide overviews of their organisations and high-level information on their capabilities to do the work.</p> <p>An EOI is usually the first stage of a multi-stage tender process. It's typically followed by an RFP or RFT.</p> <p>The first stage is to shortlist potential suppliers from the EOI responses. Shortlisted suppliers are asked to submit full proposals or tenders providing more detailed information on their goods or services and prices.</p> <p>This process is similar to an ROI.</p>
QSL	Qualified Supplier List	A list of suppliers that an agency has assessed as suitable to deliver specific types of goods or service.
RFI	Request for information	An RFI is used if an agency needs to get more information on, or a better understanding of, the suppliers in the market. It helps the agency to determine the range of possible solutions, technologies and goods or services available.
RFP	Request for proposal	<p>An RFP is used if an agency wants to receive proposals for goods or services. Typically, the agency is open to innovation in the type of product or how the services are delivered. The outputs and outcomes are important, rather than the process that the supplier follows to deliver them.</p> <p>Interested suppliers are invited to submit proposals, giving details of how their goods or services will deliver the outputs and outcomes, along with the proposed prices.</p>
RFQ	Request for quotation	An RFQ is a formal way to ask suppliers to quote for supplying goods or services. It's usually used in low-risk procurement where price is the main factor and the goods or services are 'stock standard' or 'off the shelf'.
RFT	Request for tender	<p>An RFT is used if an agency wants to receive tenders for goods or services. Typically, the goods or services are easy to define clearly and there is little room for flexibility or innovation. RFTs are used mostly for goods and services with highly technical requirements.</p> <p>The agency invites interested suppliers to submit tenders, giving detailed information on how their goods or services meet the specific requirements, along with their proposed prices.</p>
ROI	Registration of interest	<p>An ROI is used if an agency needs to identify suppliers who may be interested in supplying and capable of delivering a product or service.</p> <p>This process is similar to that for an EOI.</p>

A typical process

Each approach to market will have a set of steps suitable for the type of procurement. A typical approach to market looks like this.



Where do I start?

Identify the right customer

Don't view the government as one customer. Each agency is a buyer. Sometimes an agency will have different buyers within it. Identify the agencies, or business units within agencies, whose needs are most relevant to what your business can offer. Check whether your unique selling point can add value to what they do.

Understand your customer

Do your research. Consider your potential customer's priorities and look at what drives their decision-making. Use the Strategic Procurement Output and Annual Procurement Plan (see page 12) to understand each agency's priorities and upcoming opportunities.

Find out what sort of government agency you're dealing with. Different types of agency, for example government departments, Crown entities and State-owned enterprises, have different procurement processes. Check out their websites. Ask them how they go about procuring goods and services.

Be selective

Don't take a scattergun approach by bidding for every possible opportunity. Focus your attention on the opportunities most relevant to your business.

Develop a good reputation

Build your reputation for delivering high-quality, cost-competitive goods or services. Work on developing a strong customer focus and delivering contracts reliably. Identify what sets you apart from your competitors and how you can substantiate this.

Play by the rules

When you're doing business with the government, everything and everybody is under the spotlight. Openness, fairness and transparency are vital. There are strict rules for agency staff governing conduct with suppliers. These rules prohibit staff from accepting gifts or hospitality that could be seen as inducements to use particular suppliers. You need to play your part. Don't put staff in a difficult position by offering gifts or hospitality.

Hunting for opportunities

Where to find opportunities to tender

Check out the GETS (Government Electronic Tenders Service) website at www.GETS.govt.nz to see the latest government tenders. It's a free service run by the Ministry of Economic Development. It's designed to promote open and fair competition in government contract opportunities, as well as meet New Zealand's international trade agreement commitments.

Most government contract opportunities are advertised. For agencies that must comply with the Mandatory Rules, this means contracts worth \$100,000 or more for goods and services and \$10 million or more for construction work are advertised on GETS. The website also shows details of recent contracts awarded.



For more information, visit www.gets.govt.nz

Check out where government spending is heading

Government agencies are required to publish information about their procurements in two main documents:

- The **Strategic Procurement Outlook** provides a high-level summary of each agency's purpose, goals and objectives in procurement
- The **Annual Procurement Plan** is a rolling list of planned major procurements and provides suppliers with advance notice of upcoming tenders and opportunities.

These documents are published annually and updated every six months.



For the latest *Strategic Procurement Outlook* and *Annual Procurement Plan* documents, visit www.procurement.govt.nz.

Other places to look



Visit government-specific websites to find information about other opportunities, including Local Government Online at www.localgovt.co.nz.

Tips for successful bidding

Equip yourself by becoming accredited in your trade

Government agencies often require specific accreditations, particularly where the nature of the goods or services promotes industry or professional standards. For example, electrical suppliers will generally require certificates of compliance. Find out what accreditations are required for your industry or profession and apply for these in advance.

Understand the criteria

All RFTs and RFPs contain descriptions of the goods or services to be provided. Most also contain the criteria against which the agency will score each tender. You should read and understand the criteria before writing your tender. If you find the criteria unclear, ask the agency. When you write your tender, answer each criterion in turn and demonstrate how your tender will meet each requirement. Sometimes the criteria can be weighted, for example:

Criterion	Weighting
Supplier's capability, capacity and expertise	15%
Product meets all RFP requirements	60%
Price	25%

In the above example, you should provide the most detail on how your product meets the requirements, as this is worth 60% of the score.

Attend any briefings

Government agencies may invite you to pre-tender briefings. These briefings make sure all interested parties have all the necessary information about the contract opportunities. Make sure you attend these sessions or, if you can't, ask for copies of papers released at the briefings.

Demonstrate the value for money you can provide

You'll be assessed on the overall value for money of your offering. While price is important, government agencies are also looking for the quality, performance and total cost of ownership associated with each tender.

Use the right referees

Reference checks are comprehensive. Select referees for whom you've worked who can verify the claims you've made in your tender.

Consider sub-contracting or partnerships

Sometimes a potential contract opportunity will be simply too large for you to consider. You may lack the capacity or range of capabilities to meet the need. In these cases, you should consider joining a partner business to form a consortium or look to sub-contract for the successful supplier.

Preparing and submitting your response

- Read the tender document carefully. Make sure you understand what's being asked for and check that you agree with the terms and conditions.
- Understand the agency's expectations and the exact nature of the product or service it wants to buy.
- Make a list of the information the agency is looking for. Make a plan for how you intend to gather that information, and how you'll respond to each point.
- If you don't understand something, ask for clarification. The tender will normally say who you can contact to ask questions.
- Remember, the contact person named in the tender document is your only point of contact during the process. You mustn't contact any other staff member to discuss the tender.
- Follow all the instructions when preparing your tender.
- Organise the content of your tender so the information is in the order requested.
- Make sure you answer each point in turn and meet all tender requirements.
- Check you've covered each criterion and that your response fully demonstrates your ability to meet all criteria.
- Don't assume the government agency knows what you do, even if you've worked for it before. Fully explain what you do and how your product or service will meet the agency's needs in your tender. Your offer will be judged on the information contained in your tender.
- Ensure you've provided all the information requested. You may need to attach additional documents.
- Don't over-promise or over-commit. This could backfire.
- Make sure you provide your tender in the format requested. Normally, this is a fixed number of hard copies, but the agency may also ask for an electronic copy. Make sure your electronic copy is in a format the agency will be able to access and that you put your name on the disc.
- Respond on time. This is critical. If you're late, your tender can be rejected.

The language of procurement

Here are further explanations of some of the jargon you're likely to come across.

Jargon	Explanation
All-of-government contract	<p>A type of contract established under the Government Procurement Reform programme. A lead agency is appointed on behalf of all government agencies to approach the market with a common set of requirements.</p> <p>Central government agencies are required to buy the specific goods or services offered exclusively under these contracts. Other agencies have the option to use these contracts. The first four all-of-government contracts were for office consumables, passenger vehicles, desktop and laptop computers, and multifunction devices that print, scan and copy.</p>
Contract value	<p>The maximum total estimated value of the procurement over its entire duration or 'whole of life'. The Mandatory Rules' thresholds of \$100,000 and \$10 million exclude Goods and Services Tax.</p>
Panel contract	<p>Where an agency establishes a pool of qualified suppliers to provide a product or service when needed. The agency can choose any supplier from the pool to provide the product or service. The agency must openly advertise the opportunity to be selected for the pool as a competitive process.</p> <p>The panel contract is between the agency and each individual supplier. It allows the agency to buy from these suppliers for an agreed time and under fixed rates, a schedule of rates, or by quotation. Suppliers can only apply to become panel contractors when the tender is advertised. A supplier cannot ask to join at any other time.</p>
Qualified supplier list	<p>A list of suppliers that an agency has assessed as suitable to deliver specific types of product or service. Having qualified to be on the list, these suppliers can be directly invited to tender for future opportunities.</p> <p>However, agencies that must apply the Mandatory Rules have to openly advertise opportunities to tender on GETS and give other interested suppliers the opportunity to tender.</p> <p>Unlike panel contracts, there is no contract between the agency and the listed suppliers. A contract happens only if a supplier has been successful in a tender. Agencies must publish their qualified supplier lists on the web. Suppliers can apply at any time to join the lists.</p>
Standing offer	<p>A contractual arrangement similar to a panel contract.</p>
Syndicated contracts	<p>Where a group of government agencies that need the same product or service join and approach the market with a common set of requirements. A group has greater buying power and can reduce the costs of managing the procurement process.</p> <p>Each agency can buy the product or service from the common contract. The group usually appoints one agency to lead the tender and establish the syndicated contract. Sometimes other agencies can join the contract after it has been established (if "common user provision" clause included).</p>
Value for money	<p>This is not just buying at the lowest price. It's the optimum combination of whole-of-life cost and quality that meets the government's requirements. This means buying the right quality and quantity at the right price, and at the right time and place.</p>
Whole-of-life cost	<p>The total cost of owning an asset over its whole life. It includes the costs of planning, design, construction, operation, maintenance and replacement or disposal.</p>



For more procurement language see *Jargon Buster: Common procurement words & expressions explained* at www.procurement.govt.nz

Continuous improvement

If you haven't been successful a few things can improve your chances in a future tender and our understanding of your needs as a supplier.

Seek a debrief

Take advantage of your right to a debrief. The government agency can write to you providing details of how your tender was evaluated, or sometimes you can arrange a meeting to discuss it. The debrief should outline the relative strengths and weaknesses of your tender when compared with the winning tender.

You can use the debrief to check any concerns you have about the process. Debriefs can also give you useful information on how to improve your future tenders.

Give us your thoughts

The Ministry of Economic Development operates a **Supplier Feedback Service** aimed at identifying issues that affect businesses participating in government procurement. Take advantage of this service and let us know about your experiences and ideas about how to improve our procurement practices.



To contact the Supplier Feedback Service, email procurement@med.govt.nz

Making a complaint

If you feel you have a genuine grievance about how you've been treated, you can raise your concerns or make a complaint about a process.



For more information and to get a copy of the *Supplier's Guide on How to Complain*, visit www.procurement.govt.nz.

Useful contact information



For more information about tendering to be a government supplier, visit www.procurement.govt.nz