

NUMBER THREE, PREFERRED SUPPLIER STATUS, BROOK'S LAW AND WEIGHTED ATTRIBUTES

This is very hard for most companies to believe as it is totally absurd and foreign to their thinking. Why would they not want to be confident in the belief that since they have worked for the principal for 25 years, they know it all? Does this not sound logical and reasonable? Well of course, so therefore they do not need to change anything do they? Wrong! They do not know what they do not know. Most bureaucrats will never admit that there are two lists of suppliers or contractors. (a) the preferred / qualified ones, and (b) those that think they are qualified and preferred. What this means is that there is a counting system for things other than the price. In technical language it is called Brook's Law or weighted attributes. There are usually seven factors that are considered - just one of them is the price. In some cases the price is only 10% of the final decision – believe it or not!

NUMBER FOUR, LIQUIDATED DAMAGES

Our goal always has been to deliver results and cost benefit. In other words, to make sure that all clients gain a financial advantage out of their compliance and quality assurance experience with us. They deserve respect and must be regarded as enterprises that are indeed quality assured.

Liquidated damages is a financial calculation for the daily rate that will be incurred in the event that the selected contractor goes into liquidation or cannot complete the works. This sum is usually larger than the basic contract amount as it allows for the actual restart of a contract if it breaks down.

SUMMARY – SO WHAT DOES ALL OF THIS MEAN?

Well in plain language it means that there are four additional sums that can be attached to the ordinary contract price believe it or not. We would be delighted to help clients gain the best price for the best jobs and the best profits. Call us now!

Consultant Name _____

Telephone/Fax _____

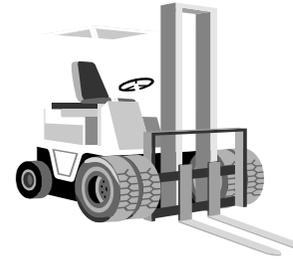
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4. **CHANGES TO EMPLOYMENT LAW LIKELY.** We are informed that the current Government thinks that there only about 2,000 claims against employers per annum. Our research indicates that the figure is much closer to 45,000. There are many employers who reluctantly budget annually for employment claims at the ratio of about \$1,000 per employee. This is one of the most punishing aspects of running a business in NZ and is a major deterrent to growth. A former Prime Minister of Australia introduced legislation to prevent diffident employees bringing personal grievance claims in any organisation with less than 100 employees.
5. **INFRASTRUCTURE WILL BE OF PARAMOUNT IMPORTANCE.** Instead of having a goal of one million surplus houses there will be a goal of building roads, power generators, power networks, bridges, ports, airports, tunnels, schools, hospitals, major industries to facilitate future growth instead of putting most of the population into a poverty trap caused by loose financial policies that have trapped the majority of homeowners / landowners into a huge capital loss on their properties and failure of many of their investments. If we do not move into major projects to produce our own fuel, we will end up with an impossible external balance of payments in the near future when oil gets on track for \$150 to \$200 USD per barrel.
6. **ACCOUNTABILITY WILL ACTUALLY MATTER.** The current systems of accountability are grossly inadequate. The Auditor General recently decided, about four months prior to a general election, to sound off loud and hard about the corrupt financial practices and inadequacies of performance management in Government Departments. Who did it take him so long to realise the gravity of the problems? Why did he not make strenuous submissions for the powers of his department to be extended beyond the nuts and bolts of just validation of financial transactions? There has been an intolerable situation where Local Governments have been able to act without any serious accountability and the current legislation has encouraged them to have long term plans or wish lists that they have been able to impose on the local community. Further, there are major inadequacies in relationship to the accounting of depreciation for underground services. The Local Govt Act must be amended to ensure that there are strict requirements for Local Governments to have Audit Committees to adopt Corporate Governance. They must set key performance indicators for managers so that we do not have a situation where the executive has unfettered powers in terms of financial control, executive powers over the Council plus unchallengeable authority for personnel management.

ACCIDENT COVER MAY CHANGE DRAMATICALLY

If there is a change of Government, it may become essential for all businesses to consider the cost benefit of implementing quality assurance and high quality compliance. It is possible that insurers will follow the example of Victoria Australia when Workcover was made to face competition. The premiums quickly moved to a scale of 1% to 15% of payroll depending on the industry and standards of injury prevention. Under this scenario, it will be very attractive to have risk management systems to ensure that accidents are controlled as far as possible.

3.



COMPLIANCE IS COSTLY – FACT OR FICTION?

We have been informed again and again that the cost of compliance for business is crippling to small enterprises. What we have not been told is that the cost of taxation systems in NZ is 100 times more crippling than the costs of compliance. In fact, the investment in compliance and qualifications is likely to help our indigenous industries become internationally competitive – but only if they want to.

EVEN MORE ON QUALITY ASSURANCE IN NEW ZEALAND SUMMIT SYSTEMS NZ LTD CAN HELP YOU SUCCEED!

We need to be very specific in what we say about gaining business in NZ. For about 100 years we have been spoon fed the wonderful logic that the lowest price will always win the work. This sounds fair enough, does it not? Well, actually it is a load of monkeys that you can either believe or disbelieve. If you wish to believe it then you will run your business for the benefit of the Govt and the employees but never make a handsome profit. We would however, like you to disbelieve it, beginning to understand that there are additional margins or profits for those who wish to become quality assured, then enjoy on-going preferred supplier status.

NUMBER ONE, YES THERE ARE PERFORMANCE BONUSES

Nearly all employers think that the lowest price will always win. This is the thinking of decades but will never produce a significant profit for the owners. For example, large organisations such as Transit NZ offer lump sum bonuses for early completion of capital works. To give you an illustration, if a major highway improvement is scheduled for near to Xmas it is not uncommon for a bonus of \$200,000 to be offered for the work to be completed 1-2 weeks prior to the contract finish date.

NUMBER TWO, AGREED CONTINGENT SUMS

This means that the contract price can be extended by an additional sum if the contractor is prepared to arrange for the coverage of contingencies or things that could go wrong. They might be underground springs, labour strikes, sickness epidemic, serious harm, sabotage of machinery, failure of electricity, extra hard rock, unavailability of fuel, and a host of other things.

If you wish to obtain an extensive list from our office then please do so. The additional sum for contingencies can be anywhere between 5% and 15%. It can even be increased when a contractor accepts the risk for extra items.