

SOUTH WAIRARAPA DISTRICT COUNCIL

17 APRIL 2019
PUBLIC EXCLUDED

AGENDA ITEM C1

TENDER REPORT CONTRACT NO. C124101/2019 ROADING CONTRACT

Purpose of Report

To inform Councillors of the Tender Evaluation Report CONTRACT NO. C1241-01/2019 10 April 2019 a joint contract between Carterton and South Wairarapa District Councils.

Recommendations

Officers recommend that the Council:

- 1. Receive the TENDER REPORT CONTRACT NO. C124101/2019 ROADING CONTRACT Report.*
- 2. Receive the information for preferred tenderer and price in confidence.*
- 3. Accept the recommendation of Fulton Hogan Ltd as preferred tenderer.*
- 4. Grant approval for officers to negotiate and enter into contract with Fulton Hogan Ltd.*
- 5. That the minutes be confirmed in the open section of the meeting on the 15th of May 2019 and that this report (with the exception of Table 1 – Table of Prices and Appendix 1) is subsequently released.*

1. Executive Summary

After sustained discussions between South Wairarapa District Council (SWDC), Carterton District Council (CDC) and Masterton District Council (MDC) it was determined that SWDC and CDC would combine its roading contracts into one with the name Ruamahunga Roads as a combined single contract.

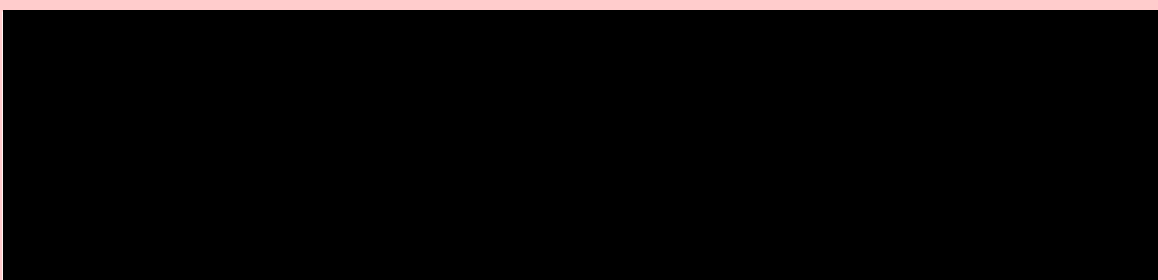
Department of Conservation roads have also been incorporated into the contract and involved through the procurement process. While the network is exceptionally small it is considered easier to administer and maintain through one contract.

The contract encompasses all works including resealing, lighting and footpaths to provide an economy of scale to the contractors bidding for the contract. The contract term is a 5 plus 3 plus 2 contract that is, 5 years with

a renewal option of a further 3 years and an option of a final 2 years. Renewals are based on performance with the option also to not renew the last 2 years if alignment with MDC is considered an option at that time.

Having completed the tender process a preferred contractor has been determined as Fulton Hogan Ltd for the price of \$38,812,324.56 for the initial first 5 years.

Table 1 – Table of Prices



The expectation was for a rise against previous pricing on which the estimate was based. This rise is higher than expectation however in line with other contracts let recently.

2. Background

Carterton and South Wairarapa District Councils commenced procurement for their General Road Maintenance contract and confirmed their procurement approach across all roading services.

As discussed in the Transport Services Delivery Report to the 20th March Assets and Services Committee SWDC and CDC are embarking on a joint service for transport services. Once the tender is accepted implementation of the service delivery will begin inclusive of the final contract negotiation, shared services unit establishment and contract transition.

The new Contract will start as of the 1st July 2019.

2.1 Collaboration

The contract document was been prepared in collaboration between the two District Councils (NZTA Approved Organisations) of the Wairarapa, namely:

- Carterton District Council (CDC)
- South Wairarapa District Council (SWDC).

Through this collaboration the goal is to maximise efficiency, share and optimise the use of internal resources, and achieve increased regional consistency and value for money.

Masterton District Council elected not to work together in a joint process for the procurement of services for road maintenance. It was noted however that there was a need to coordinate activities with Masterton District Council to ensure the market is able to respond to both procurement processes and that best value for money is obtained.

Accordingly key dates associated with the procurement and contracting were aligned to ensure best value for money was achieved by all Councils.

A section 17a review was completed, together with a review of the supply market within the region. The recommendations in these reviews were accepted and the procurement process for the general road maintenance contract commenced.

A traditional contract service model was used for the renewal of this contract. Each of the Wairarapa DC's maintenance service delivery team's is characterised by its strong relationship approach to administration of its general maintenance contract and has successfully developed an informal collaborative culture within the current contracts.

Each of the Wairarapa DC's is largely satisfied with the contract outcomes resulting from this approach but can see opportunities for greater efficiency and improved supplier resourcing through a more collaborative and shared approach to service delivery.

The two District Councils have agreed to work together through the joint procurement and contracting of services for Road Maintenance across the region.

2.2 New Structure

This is a significant but positive development in the region, with benefits to this approach likely to accrue to both CDC and SWDC, as well as NZTA as the funding partner.

For it to be successful it requires the current collaborative spirit to be maintained at all levels within the two District Councils. Documenting the principles under which this approach will operate, the governance structure for the joint clients, and the specific roles each District Council will perform is paramount to ensuring good engagement and continued buy-in to this new structure.

2.3 Procurement Strategy

The key aspects contained within the Procurement Strategy was:

1. That a tender for a single contract covering the two District Council's Road Maintenance works will proceed relatively early in the New Year, with tender evaluation and all required approvals obtained not later than mid-April 2019.
2. This new single contract will commence on 1 July 2019 in replacement of the two existing general road maintenance contracts in the region.
3. That a Registration of Interest and interactive tender process be used to ensure good engagement with the market and to maintain a healthy and competitive tension in the bids.

4. That the lessons learnt from the previous contract be incorporated into the new contract, with an improved specification, and a review of the scheduling approach for cyclic work and other work items.
5. That contract documentation is updated to incorporate the latest legislative requirements (e.g. Health and Safety in Employment), and the requirements of the One Network Road Classification (ONRC).
6. That sustainable market evaluation criteria are included within the contract to encourage the Contractor to consider succession planning and training.
7. Professional services will be provided by a mix of internal and external specialist resources to ensure a good value, and well balanced capability that includes local knowledge and connection to the client's strategic objectives, together with ready access to specialist technical expertise.

The road network asset within the CDC and SWDC networks and maintained through the road maintenance contracts consists of:

Table 2 – Road Lengths

	Urban Sealed	Rural Sealed	Urban Unsealed	Rural Unsealed	Total Length
Carterton DC	60.6 km	262.6 km	0.1 km	159.9 km	467.3 km
South Wairarapa DC	67.8 km	333.1 km	0.6 km	267.4 km	668.9 km

The operational and capital funding for land transport services across the councils comprise:

Table 3 – Contract Values

2016/17			
	Operating funding	Capital funding	Total Funding
Carterton DC	\$2,627,000	\$879,000	\$3,506,000
South Wairarapa DC	\$4,350,000	\$1,142,000	\$5,492,000
Total	\$6,977,000	\$2,021,000	\$8,998,000

Source: 2016/17 Annual Reports

The scope of the main Road Network Maintenance contact was extended to incorporate a broader range of roading activities.

Some of these will be provisional and subject to performance considerations during the life of the contract. Others will be separately tendered to test the

market pricing and to give opportunities to other suppliers not involved in the main road network maintenance.

The scope of work included within the road network maintenance contract includes:

- a. General pavement maintenance
- b. Routine maintenance including pothole repair, drain clearing, litter and detritus removal, vegetation control, traffic signs and services
- c. Pavement marking
- d. Pre-reseal repairs
- e. Reseals
- f. Street lighting
- g. Footpaths
- h. Minor bridge repair works

3. Discussion

3.1 Legal Implications

Once the contract acceptance is complete the contract will need to be signed by both councils and have the common seals applied. This will form a binding contract with the successful tenderer for the contract term (5 years) and the extensions (3 and 2 years respectively) if offered and accepted.

3.2 Financial Considerations

The contract is over estimate as expected throughout the process. All measures were taken in the procurement process to ensure the contract was procured to achieve the best pricing possible.

As the quantities in the tender schedule of rates is able to be adjusted the quantum of works can be used to adjust the final pricing.

At the next LTP or AP process the quantum of work and the levels of service can be adjusted to reflect the value and the budget implications resolved.

4. Conclusion

After following due process and looking at the best options of contact and procurement methods the process is concluded and council is ready to enter into contract with the preferred contractor.

Officers request that council accept the recommendation of preferred tenderer as tabled and grant approval for officers to negotiate and enter into contract with the preferred tenderer.

5. Supporting Information

5.1 Existing Policy

The procurement process was done in accordance with councils "Procuring Goods & Services Policy" and Councils NZTA procurement strategy.

The Procurement Strategy lists the methods as below.

Table 4 – Procurement Methods

Supplier Selection Method	Expected Usage	Typical Value	Price weight [%]
Direct Appointment	Generally	Up to \$100k	NA
Closed Contest (LPC & PQ)	Generally	Up to \$200k	See below
Lowest Price Conforming	Generally	All	100
Price quality (physical works)	Occasionally	>\$100k	50-70
Price quality (professional services)	Rarely	>\$100k	30-50
Purchaser Nominated Price	Rarely	NA	0
Quality Based	Rarely	>\$1M	0
Prequalification	Occasionally	All	N/A

6. Appendices

Appendix 1 - Tender Evaluation Report CONTRACT NO. C1241-01/2019 10 April 2019 (Redacted)

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