

**Mayor and Councillors**  
COUNCIL

7 MAY 2015

Meeting Status: Public

Purpose of Report: For Decision

## **CONTRACT C026 ROAD MAINTENANCE 2015-2018: TENDER EVALUATION REPORT**

### **PURPOSE OF REPORT**

- 1 The purpose of this report is to seek Kāpiti Coast District Council (the Council) approval to award Contract C026 Road Maintenance 2015–2018 to Downer New Zealand Limited.

### **DELEGATION**

- 2 The Council has the authority to make this decision.
- 3 To gain financial approval to award Contract C026 Road Maintenance 2015 – 2018 to Downer New Zealand Limited. As this contract value is in excess of the Chief Executive’s delegation it requires Council approval.

### **BACKGROUND**

- 4 The current Road Maintenance Contract expires on 30 June 2015. The new contract incorporates a number of individual contracts merged into one, including vegetation control, linemarking, chipseal resurfacing and footpath upgrades.
- 5 The new Road Maintenance Contract is a combination of measure and value and monthly lump sums for the maintenance of all roads within the Kāpiti District excluding the carriageway pavement on State Highway 1 and private roads.
- 6 The Contract has an initial term commencing on 1 July 2015 until 30 June 2018 and may be extended twice at the sole discretion of Council for 12 months to a maximum term of 5 years ending on 30 June 2020. Extension of the Contract will depend on the contractor’s performance among other factors.
- 7 The scope of works as set out in the contract documents and specifications include:
  - Receipt of customer enquiries, investigation and proposal of appropriate solutions
  - Hazard and other enquiry response service
  - Fault finding to identify work needs
  - Maintenance works for roading and pedestrian network assets
  - Carriageway paving and sealing operations
  - Kerb and channel maintenance and renewal
  - Footpath maintenance and renewal
  - Road markings and raised pavement marker maintenance and renewal

- Traffic sign maintenance and renewal
- Road corridor vegetation cutting (rural)
- Road corridor chemical vegetation control
- Sump and other surface drainage facilities emptying and cleaning, including swales, culverts, enviropods and soakpits
- Street sweeping and segmental paver cleaning
- Bridge maintenance

## ISSUES

### Tenders Received

- 8 Tenders were advertised on Tuesday 3 March 2015 and closed at 12.00pm on Tuesday, 7 April 2015 at the offices of Kāpiti Coast District Council.
- 9 Tender submissions were received from:
- Downer New Zealand Limited
  - Fulton Hogan Limited
  - Higgins Contractors Limited
  - Leighton Contractors Limited

### Tender Evaluation

- 10 Tenders were evaluated at the offices of Kāpiti Coast District Council on the 15 April 2015 in accordance with the New Zealand Transport Agency Procurement Manual, using the Price Quality Method.
- 11 The first stage of this evaluation involved grading each submission's non-price attributes between 35 (completely inadequate and no longer considered) to 100 (excellent). The attribute gradings set out in the contract were as follows:

<b>Attribute</b>	<b>Weighting (%)</b>
<i>Relevant Experience</i>	7
<i>Track Record</i>	5
<i>Relevant Skills(personnel)</i>	5
<i>Relevant Skills (systems)</i>	3
<i>Resources</i>	4
<i>Methodology</i>	6
<i>Price</i>	70

- 12 Downer New Zealand Limited had the highest points score, with Fulton Hogan Limited second, Higgins Contractors Limited third and Leighton's Contractors Limited fourth.
- 13 Upon completion of the steps above, price envelopes were opened on Friday 24 April 2015, with a range of prices between \$8,824,047 and \$15,188,577.

## CONSIDERATIONS

### Policy considerations

- 14 There are no policy considerations.

### Legal considerations

- 15 To be eligible for financial assistance the New Zealand Transport Agency (NZTA) requires that the selection of physical works contractors complies with the requirements of the New Zealand Transport Agency Procurement Manual. These procedures have been used in preparing the tender document and evaluating the tender.

### Financial considerations

- 16 The initial Engineer's estimate was \$11,420,080 excluding GST and inclusive of all items fixed by the Principal, and this is the amount included in the tender documentation.
- 17 The Downer New Zealand Limited tender price for the contract, including contingencies but excluding GST, is \$8,824,047. The pricing schedule was arithmetically checked with no issues identified. A meeting was held with Downer New Zealand Limited on Tuesday 28 April 2015 to confirm their submitted price and their ability to fulfil all contractual requirements. This was confirmed and accepted.

#### Additional costs

- 18 The initial tender estimate did not include an allowance for specific work items associated with bridge and structural maintenance, as the nature of these works are not easily scheduled and can vary on a case by case basis. To accommodate these works an additional allowance of \$300,000 is required over the 3 year term of the contract.
- 19 There is also a need to allow for network growth and to allow for potential variations in the amount of scheduled work items required. To accommodate these risks an additional allowance of \$225,000 is required over the 3 year term of the contract.

Tender value	\$8,824,047
Additional items	\$525,000
<b>Total</b>	<b>\$9,349,047</b>

- 20 Including the allowance for additional works the Downer tender offers a potential saving of \$2,071,033 to Council based on our initial estimate of costs over the 3 year term of the contract.

#### Levels of service

- 21 As highlighted through the Long Term Plan (LTP) workshops Council's Funding Assistance Rate (FAR) provided by NZTA have changed from two separate rates (Capex 53%, Opex 43%) to a single rate of 51%. This change is to be

phased in over the next 4 years starting at 47% in 2015/16. This change will ultimately result in an improved level of subsidy but in the interim there is a funding shortfall of \$480,000 over the 3 year term of the contract.

- 22 To accommodate the FAR shortfall it is proposed to utilise some of the savings from the Downers tender to offset the \$480,000. This would result in a potential saving of \$1,591,033 to Council over the 3 year term of the contract. If these savings were not available then a reduction in levels of service would have been required to remain within budget.
- 23 The potential saving of \$1,591,033 is made up of \$513,503 of operating expenditure and \$1,077,530 capital expenditure over the 3 years. The Long Term Plan budgets will be updated to reflect the projected savings, noting that capital expenditure savings will result in associated savings in operating expenditure.
- 24 In addition to the potential savings the Downer tender also offers:
- Reduction of contract management supervision.
  - Improved programming alignment considerations through smart asset management.
  - Better RAMM asset data capture, management and protection, leading into robust Council asset valuation;
  - Alignment with the One Network Roding Classification levels of service requirements and reporting mechanisms.

### Tāngata whenua considerations

- 25 There are no Tāngata Whenua considerations.

## **SIGNIFICANCE AND ENGAGEMENT**

### Degree of significance

- 26 This matter has a medium level of significance under Council policy. The Council has the authority to make this decision.

### Consultation already undertaken

- 27 No consultation was required.

### Engagement planning

- 28 A pre-commencement meeting will be undertaken to outline contract requirements, including contract insurances, traffic management plan, quality plan, health and safety plan, and environmental plan.

### Publicity

- 29 A media release should be developed to inform the public of the successful contract award and contractor engagement.

Other considerations

30 There are no other considerations.

**RECOMMENDATIONS**

31 That the Council accepts the tender of Downer New Zealand Limited for the sum of \$8,824,047 plus GST and notes that the Contract is partially a measure and value contract meaning that payments under the Contract will depend on the amount of work done, but will be in accordance with Long Term Plan and Annual Plan budgets.

**Report prepared by**

**Approved for submission**

**Approved for submission**

**Neil Williams  
NETWORK CONTRACTS  
ENGINEER**

**Sean Mallon  
GROUP MANAGER  
INFRASTRUCTURE  
SERVICES**

**Wayne Maxwell  
GROUP MANAGER  
CORPORATE SERVICES**