

NOTICE OF MEETING

TENDERS SUBCOMMITTEE

I hereby give notice that an Ordinary Meeting of the Tenders Subcommittee will be held on:-

DATE: **Friday** **26 September 2003** **TIME:** **9.00 am**

VENUE: **Civic Centre, 6 Waipareira Avenue, Lincoln, Waitakere City**

to consider the business as set out herein and to take any necessary action connected therewith.

19 September 2003

Sharon Simiona
COMMITTEE SECRETARY

Telephone (09) 836 8000 extn 8820

MEMBERSHIP:

Councillors JM Clews, QSO, JP (Chairperson)
 GB Presland (Deputy Chairperson)

Chief Executive

Director: City Services

Director: Corporate & Civic Services

Director: Strategy & Development

Director: Quality & Assurance

Director: Finance

Maori Issues Manager

Mayor Bob Harvey, QSO, JP (ex officio)

Deputy Mayor CA Stone (ex officio)

(Quorum 4 members)

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(The reports and recommendations contained in all agendas are reports and recommendations only and are not to be construed, in any way, as Council policy until adopted.)

**AGENDA FOR AN ORDINARY MEETING OF THE TENDERS SUBCOMMITTEE TO BE HELD
IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY,
ON FRIDAY, 26 SEPTEMBER 2003, COMMENCING AT 9.00 AM.**

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1	APOLOGIES	1
2	URGENT BUSINESS	1
3	CONFIRMATION OF MINUTES	1
4	CONTRACT LS 03 512 LEISURE STRATEGY DEVELOPMENT	2
5	CONTRACT NO. EW03 648C: 259-303 HENDERSON VALLEY ROAD WASTEWATER RENEWAL	5
6	SUPPLEMENTARY REPORT TO TENDER EVALUATION REPORTS FOR WASTEWATER CONTRACTS NOS. EW03 633C, EW03 634C AND EW03 635C	8

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1 APOLOGIES



2 URGENT BUSINESS

Section 46A(7) and (7A) of the Local Government Official Information Act and Meetings Act 1987 provides that where an item of business is not on the agenda, it may only be dealt with at the meeting if:

- (i) the item is a minor matter; and
- (ii) the Chairperson has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting; and
- (iii) the Committee resolves to deal with the item.

No resolution, decision, or recommendation may be made in respect of the item except to refer the item to a subsequent meeting for further discussion.

NOTE: Urgent Business need not be dealt with now and may be delayed until later in the meeting.



3 CONFIRMATION OF MINUTES

Ordinary - 12 September 2003

RECOMMENDATION

That the minutes of the Ordinary Meeting of the Tenders Subcommittee held on Friday, 12 September 2003, as circulated, be taken as read and now be confirmed.



4 **CONTRACT LS 03 512 LEISURE STRATEGY DEVELOPMENT**

PURPOSE OF THE REPORT

The purpose of the report is to seek approval from the Committee to enter into a two-year contract, for the 2003/2004 to 2004/2005 financial years, with a consultant for the development of the Leisure Strategy.

BACKGROUND

The Council's Leisure Strategy is the framework for the development of leisure facilities, services and activities to ensure that they are available to all residents, responsive to changing demands and provided efficiently.

Council adopted the current Leisure Strategy in 1994 making the document and its content, direction and policy almost ten years old.

A review of the current Leisure Strategy has identified several gaps that have occurred due to the progression and developments in the leisure industry over recent times.

New trends such as a decrease in volunteerism, new and different leisure opportunities, and a value change from a community focus to a self-focus need to be considered.

A new Leisure Strategy is to be developed to ensure that relevant policy and framework is produced to provide direction to Waitakere City Council.

STRATEGIC CONTEXT

Leisure facilities, services and activities contribute to the well being of the City's residents, by providing opportunities that promote health and social cohesion.

Council's strategic objective for leisure is that a comprehensive range of leisure, recreation and sports services and facilities are provided.

To improve the well-being of the City's people and communities, Council provides and supports a diverse range of leisure opportunities through facility operation and development, direct funding, assistance to access other funding and support of activity initiatives.

Through the Strategic Plan Council has adopted a platform of 'Strong Communities' stating that in the next 10 years Council will develop the City as a renowned hub of social activity, arts, leisure, sports and recreation.

ISSUES

A consultant is required to provide expert advice and knowledge in specific areas to assist with the development of the Leisure Strategy.

Currently, Leisure Services do not have the required expertise and it is not practical to employ a resource on a full time basis. This is due to a significant portion of the work being focussed on the Development Contributions Policy with regards to community and leisure facility development.

Extensive consultation and work shops within the leisure sector will also be required of the consultant due to limited resources from within the Leisure Services team to complete this task in full.

The scope of works will take approximately 18 to 24 months to complete and include, but not limited to, the following:

- development of guidelines for leisure facility models at a city wide, principal community, and local community level. These models will assist in the development of the 'Development Contributions Policy', which includes leisure facilities;
- development of Leisure Facility Models at a city wide, principal community, and local community level;
- vertically integrate and align itself with Council's Long Term Council Community Plan, and the Auckland Regional Physical Activity and Sports Strategy;
- external analysis of non-leisure factors such as demographic, technological, political, legal, cultural and economic that would affect the leisure sector. Identify the issues and determine the key strategies;
- internal analysis of leisure factors such as local, regional, national and international leisure trends and identifying issues and determine strategies;
- identifying principal markets by geography, age, ethnicity etc and identifying issues and determine strategies;
- completion of an action and implementation plan.

The letting of a two-year contract would involve committing funding from the 2003/2004 and 2004/2005 financial years.

The estimate of cost for this contract is outlined in table one below:

	Year 2003/2004	Year 2004/2005
Leisure Services contribution to Leisure Strategy Development	\$50,000.00	\$35,000.00
Strategic Groups contribution to Leisure Strategy Development	\$15,000.00	
Total	\$65,000.00	\$35,000.00

Table One

The total estimate of the two-year contract for the development of the Leisure Strategy is \$100,000.00.

The proposed contract will include performance measures through a variety of key performance indicators (KPI's). The KPI's will include:

- completion of the guidelines for leisure facility models at a city wide, principal community, and local community level;
- completion and the development of leisure facility models at a city wide, principal community, and local community level;
- completion of an action and implementation plan;
- baseline direction and strategies determined and approved by Council.

RESOURCES

The Leisure Services Budget has \$50,000.00 approved in the 2003/2004 financial year, and \$35,000.00 forecasted in the 2004/2005 Long Term Council Community Plan for the development of the Leisure Strategy.

A commitment is required to fund \$35,000.00 from the Leisure Services Budget for the development of the Leisure Strategy in the 2004/2005 financial year.

The Strategic Group Budget has \$15,000.00 approved in the 2003/2004 financial year for the development of the Leisure Strategy.

CONCLUSION

The Council's Leisure Strategy is the framework for the development of leisure facilities, services and activities in the city.

Council adopted the current Leisure Strategy in 1994 making the document and its content, direction and policy almost ten years old. New trends such as a decrease in volunteerism, new and different leisure opportunities, and a value change from a community focus to a self-focus need to be considered.

A new Leisure Strategy is to be developed to ensure that relevant policy and framework is produced to provide direction to Waitakere City Council.

A consultant is required to provide expert advice and knowledge in specific areas to assist with the development of the Leisure Strategy that is envisioned to take approximately 18 to 24 months to complete.

The report is seeking approval to enter into a two-year contract, for the 2003/2004 to 2004/2005 financial years, with a consultant for the development of the Leisure Strategy.

RECOMMENDATIONS

1. That the information be received.
2. That approval be given to enter into a two-year contract, for the 2003/2004 to 2004/2005 financial years, with a consultant for the development of the Leisure Strategy.
3. That approval be given to commit funding of \$35,000.00 plus GST of \$4,375.00 totalling \$39,375.00 against 2004/2005 financial year for the development of the Leisure Strategy.
4. That authority be given to the Director of City Services to enter into a contract for a two year term for the development of the Leisure Strategy.

Report prepared by: Danny O'Donnell, Leisure Services Manager.



5 CONTRACT NO. EW03 648C: 259-303 HENDERSON VALLEY ROAD WASTEWATER RENEWAL

PURPOSE OF THE REPORT

The purpose of this report is to seek approval to award Contract No. EW03 648C: 259-303 Henderson Valley Road Wastewater Renewal.

BACKGROUND

The existing wastewater drain along 259 and 303 Henderson Valley Road has deteriorated with frequent surcharge attributed to sagging in the line. The wastewater drain is in poor condition and serves a major catchment. The risk of failure is high with consequential effects of public health and safety and damage of public property and the environment.

The existing drain is very deep in sections making maintenance difficult. It is proposed to rationalise the route of the pipeline to reduce the depth, improve its alignment and to service planned development at 225 Henderson Valley Road. The developer will contribute \$67,803.00 towards the cost of the new drain.

SCOPE OF WORK

The contract is for the replacement of the existing 225 mm diameter public wastewater drains. The scope of the work includes:

- construction of approximately 320 metres of 160mm and 200mm diameter wastewater drain by open cut construction technique;
- construction of approximately 295 metres of 160mm and 200mm diameter wastewater drain by trenchless construction techniques;
- reinstatement of existing service connections.

TENDERS RECEIVED

Tenders were publicly advertised with seven sets of documents being uplifted. Three tenders were received by the closing date of Tuesday, 2 September 2003. These are summarised in Table 1 below:

TENDERER	REG OFFICE	TENDER PRICE (excl. GST)
Civil Construction Group Limited	PO Box 46009, Herne Bay	\$286,197.00
JB Pipeline Services Limited	PO Box 13 447, Onehunga	\$343,188.00
H & H Contractors Limited	PO Box 15 084, New Lynn	\$467,167.00
Pre-tender contract estimate		\$350,897.00¹

1. Includes developer contribution of \$67,803.00

Table 1 - Summary of Tender Prices

TENDER EVALUATION

In accordance with the conditions of tendering, tenders were evaluated in line with the Weighted Attribute Method contained in Transfund New Zealand's "Competitive Pricing Procedures Manual".

These procedures require that where the tender includes Provisional Sums they be deducted from the tender sum prior to evaluating each tender. The value of Provisional Sums in this contract is \$1,900.00.

A summary of the evaluation results is shown in Table 2:

Tender Evaluation	Attributes	Exper	Track Record	Tech Skills	Resour.	Mang. Skill	Method.	Price	Contract No. EW03 648C
									Total Weights
	Weights	10	5	10	10	5	10	50	100
Tenderer	Tender Sum	Grades							Index
Civil Construction Group Limited	\$284,297.00	70	65	65	60	65	65	67	66
JB Pipeline Services Limited	\$341,288.00	75	70	75	65	75	75	50	61
H & H Contractors Limited	\$465,267.00	75	65	70	65	70	85	14	43
Median Tender Price	\$341,288.00								

Table 2 - Summary of Tender Evaluation

The median tender price is within 2.5% of the Engineer's Estimate. The lowest tender price is some 18% lower than the Engineer's estimate and this is attributed to lower than anticipated rates in the following areas:

- Open Cut Construction (\$33,500.00)
- Service Junctions (\$16,800.00)
- Manhole connectors (\$12,000.00)
- General Reinstatement (\$4,500.00)

Civil Construction Group Limited has proposed a team with the necessary resources and expertise to manage and undertake the work. Civil Construction Group Limited has successfully undertaken works of a similar nature for other local authorities in the region, and has recently completed wastewater contracts satisfactorily for Waitakere City Council.

TAGS, ERRORS OR OMISSIONS

The tender from H & H Contractors Limited contained tags. This was not taken up with H & H Contractors Limited since its tender price is the highest and the resolution of the tags and error would not affect the tender ranking.

The tender from Civil Construction Group Limited contained an arithmetic error. When contacted over this, Civil Construction Group Limited confirmed that their tender price remains firm at \$286,197.00.

There were no omissions identified in any of the tenders received.

CREDIT CHECK

A credit check dated 4 September 2003 carried out on Civil Construction Group Limited revealed no adverse information.

SUMMARY

The results of the tender evaluation as summarised in Table 2 show that the tender submitted by Civil Construction Group Limited achieved the highest overall index of 66. This tender is also the lowest priced tender received.

It is considered that Civil Construction Group Limited has the necessary expertise and resources to carry out the works satisfactorily.

As part of City Services vision "Quality and Health and Safety is not negotiable" all contractors have had this focus clearly reinforced through the contract documents and this will be strongly reiterated at the subsequent pre-start meeting and imposed during the contract period.

JOB COSTS

EXCL. GST

Tender sum - Civil Construction Group Limited	\$286,197.00
Contingency	\$28,500.00
Engineering & Supervision	<u>\$9,395.00</u>
Total Job Cost	<u>\$324,092.00</u>

SOURCE OF FUNDING

Budget Description (from Annual Budget line item)	Codes	Budget	Committe d to Other Projects	Allocation to This Project	Unallocat ed Balance
Wastewater Renewal	85-9835-60000- 999	\$1,941,50 0	\$1,013,65 8	\$324,092.0 0 ¹	\$603,750

1. This amount will be offset by a developer contribution of \$67,803.00 that will be recovered prior to the commencement of the proposed development at 225 Henderson Valley Road.

RECOMMENDATIONS

1. That the information be received.
2. That the tender from Civil Construction Group Limited for Contract No. EW03 648C: 259-303 Henderson Valley Road Wastewater Renewal in the sum of \$286,197.00 plus \$35,774.63 GST, totalling \$321,971.63 be accepted.
3. That authority to enter into Contract No. EW03 648C: 259-303 Henderson Valley Road Wastewater Renewal on behalf of Council be delegated to the Director of City Services.

Report prepared by: Richard Taylor, Assets & Network Manager.



6 SUPPLEMENTARY REPORT TO TENDER EVALUATION REPORTS FOR WASTEWATER CONTRACTS NOS. EW03 633C, EW03 634C AND EW03 635C

PURPOSE OF THE REPORT

The purpose of this report is to provide the Tenders Subcommittee with additional information for consideration in approving the award of Contracts Nos.

- EW03 633C: MC2 - 4 Pleasant Road - 24 Eastglen Road Wastewater Replacement,
- EW03 634C: MC2 - Rua Road/Eastglen Road Wastewater Re-route, and
- EW03 635C: MC2 - 38 Pleasant Road - 5 Eastglen Road Wastewater Replacement.

BACKGROUND

The three contracts for which approval to award contracts is being sought form part of the on-going Infiltration/Inflow (I/I) control programme within the New Lynn area of Waitakere City. The programme is designed to minimise flows to Watercare's Western Interceptor and to provide greater dry weather and wet weather capacity in the network. The result of this is to improve the local environment by minimising overflows and also provide additional capacity for wastewater flows.

Note: Wastewater upgrading contributions are currently payable for this area of New Lynn, but these contributions relate to pipeline upgrading, not rehabilitation work. The Local Government Act 2002 has introduced comprehensive new provisions relating to developer contributions, and Council is currently developing new policies for recovering capital expenditure related to growth wherever this is deemed to be fair and reasonable. The infiltration programme is one area of expenditure being considered in this regard.

The contract work comprises a mixture of pipe-bursting and other construction techniques, together with the relocation and diversion of a number of pipelines all of 150 mm nominal diameter. The tendered prices for the three contracts all came in significantly above the pre-tender estimates. Table 1 below shows the differences between the prices recommended for award and the pre-tender estimates.

Contract No.	Pre-tender Estimate	Tender Price Recommended for Award	Difference	Name of Tenderer Recommended for Award
EW03 633C	\$162,810.00	\$245,495.00	(\$82,685.00)	JB Pipeline Services Ltd
EW03 634C	\$232,765.00	\$277,791.00	(\$45,026.00)	Horizontal Earth Drilling Ltd
EW03 635C	\$99,185.00	\$153,025.00	(\$53,840.00)	JB Pipeline Services Ltd
Totals	\$494,760.00	\$676,311.00	(\$181,551.00)	

Table 1 - Summary of Estimated and Recommended Award Prices

A1-A9

The tender evaluation reports for the three contracts were considered by the Tenders Subcommittee at the meeting of 29 August 2003. Copies of these reports are attached at pages A1 to A9. At the meeting on 29 August 2003, the Subcommittee resolved that:

CONTRACT NO EW03 633C: MC2 - 4 PLEASANT ROAD - 24 EASTGLEN ROAD WASTEWATER REPLACEMENT

“That item 4: Contract No EW03 633C: MC2 - 4 Pleasant Road - 24 Eastglen Road Wastewater Replacement; and item 5: Contract No EW03 634C: MC2 - Rua Road/Eastglen Road Wastewater Re-route and item 6: Contract No EW03 635C: MC2 - 38 Pleasant Road - 5 Eastglen Road Wastewater Replacement, be deferred to a future meeting of the tenders subcommittee and that a report be bought back in relation to these items to address the difference between the engineers estimates and the tendered job cost. Such reports to include comment on the accuracy of the engineers estimate compared with the current contract market rates, commentary on current market conditions, the reasons for undertaking risk associated with deferment and commentary on any job specific factors that may be driving cost increases.”

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These points are addressed in the next section.

ADDITIONAL TENDER ANALYSES

1. Accuracy of the Pre-tender Estimates

The Council's pre-tender estimates for all three contracts were significantly lower than the tendered prices. The reasons for this are examined below.

The pre-tender estimates were calculated using costs and rates for similar works undertaken for the Council during the 2001/2002 and 2002/2003 financial years. Because the work undertaken in 2002/2003 was for upgrading (involving an increase in pipe size) whereas the work being undertaken in the current financial year is renewal (replacement of similar sized pipe), it was necessary to refer back to the 2001/2002 rates for renewal work. For this purpose, the 2001/2002 rates were adjusted for inflation.

Table 2 below gives a comparison of the rates for significant scheduled items of work. A comparison is made between the Council's historical rates, the rates in the 3 tenders received, and rates for similar work obtained from the North Shore City Council.

Scheduled Activity	Rate		
	WCC Rates		NSCC 02/03 Rate
	Historical*	2003/2004 Tendered	
Establishment	5%	8%	Not provided
Burst 160 mm dia	\$150/m	\$200/m	\$240/m
Thrust 160 mm dia	\$150/m	\$250/m	\$165/m
Open cut 150 mm dia, 1.5 m deep	\$207/m	\$270/m	\$185/m
1050 mm dia manhole 1.5 m deep	\$1500	\$1600	\$5500
General Reinstatement	10%	12.2%	Not provided

* Based on combination of '01/02 and 02/03 rates

Table 2 - Comparison of Scheduled Rates

It may be seen that while the rates tendered this year are consistently higher than the historical rates, there is no correlation with the North Shore City Council rates, which are significantly higher on some items and lower on others.

It should be noted that the nature of the works to be implemented this financial year is essentially the same as the works undertaken by Waitakere City Council during the preceding 2 financial years. The pre-tender estimates for the work undertaken last financial year (2002/2003) were based on the rates obtained during 2001/2002. In 3 out of the 4 projects undertaken by Consultancy Services last financial year the Engineer's Estimate was higher than the actual tendered price (see table below). There was therefore no reason to believe that an Engineer's Estimate, based on a combination of rates drawn from the contracts undertaken during the 2001/2002 and 2002/2003 financial year, should differ significantly from actual tender prices received.

Comparison of Eng Est vs. Tender Price (for similar work in 02/03)			
Contract	Name	Price	Type
EW02 628C	Kasmir/Withers Road	Eng Est : \$230,000 Tender : \$197,263	Open cut & thrust 250mm dia
EW02 629C	Hindmarsh / Henderson Valley Road	Eng Est : \$165,000 Tender : \$159,403	Bursting 225mm dia
EW02 630C	Reynella Drive	Eng Est : \$71,357 Tender : \$86,753	Thrust 225 & 250mm dia
EW02 631C	Kotuku	Eng Est : \$111,949 Tender : \$99,450	Burst 300mm dia

Table 3 - Comparison of Engineer's Estimate vs. Tender Price (02/03)

2. Changes in Price Ranking of Tenderers across Different Tenders

Out of the three contracts advertised, two received tenders submitted by three firms and the other attracted four firms. Thus, three firms tendered on all three contracts, while one firm tendered on only one. However, the ranking of the tendered prices of the three firms that tendered for all 3 contracts is different for each contract. The reasons for this difference are examined below.

Across the three contracts, there is some general consistency in rates in the tenders from JB Pipeline Services Limited. Where the rates for similar work varies, the variation is not great and this probably reflects the different site conditions. This is in contrast to the tenders from Hughes Civil Limited where, for instance, in the matter of bursting 160 mm diameter pipe, the unit rate of JB Pipeline Services Limited decreases with increased volume (which is expected) while the unit rate of Hughes Civil Limited increases with volume. Hughes Civil Limited also seems to front load its tenders with comparatively high establishment costs. As a general trend, the prices of H & H Contractors Limited tend to be consistently high.

Price differences between firms for different contracts can also reflect the different construction techniques to be employed in the rehabilitation of the existing pipelines. In two of the contracts, the pipe bursting method is required whilst in the third a range of techniques is required (thrusting, open cut and slip lining).

These differences are summarised in Table 3 below.

Contract No.	Nature of Contract	Length of Pipe
EW03 633C	Pipe bursting and joint repairs; site located on private property; access reasonable; low risk of damage to property.	285 m
EW03 634C	Open cut (331m), thrusting (145m), slip lining (30m); access reasonable; site located in open parkland and in private property.	506 m
EW03 635C	Pipe bursting; site located on private property; access difficult; risk of damage to property.	160 m

Table 4 - Comparison of Construction Techniques for Each Contract

Because of the high capital investment of plant and equipment, contractors tend to specialise in one type of construction technique only. Where another technique is required then sub-contractors are usually taken on to do this work.

Therefore, contractors are generally more competitive in their own area of expertise and it is normal to expect that a specialist pipe bursting contractor may price lower for a pipe bursting contract than for a contract involving other construction techniques. This explains why JB Pipeline Services Limited has the lowest price for Contract No. EW03 633C (involving bursting only) but is only second lowest for Contract No. EW03 634C (requiring thrusting, open cutting and slip lining).

In the case of the two pipe bursting contracts JB Pipeline Services Limited was lowest in one case and second lowest in the other. For Hughes Civil Limited, the opposite is true. The main difference between these two contracts is in the ease of access to the site. The housing layout and density associated with Contract EW03 635C makes access to the site difficult and increases the risk of damage to private property. Being the more experienced pipe bursting contractor, JB Pipeline Services Limited has inspected the site, assessed the risks and priced the increased risk into his tender price for this contract, whereas Hughes Civil Ltd has not. Also, Contract No. EW03 633C has an element of joint repair work in it, an area in which JB Pipeline Services Limited specialises (and so the JB Pipeline Services Limited tender was lowest in this case).

3. Project Specific Influences

The project specific influences have already been noted in Table 3 above, and are repeated in Table 4 below. Table 4 shows that the Council's estimates did take project specific influences into account as evidenced by the average construction rate per metre of pipeline. The trend in the Council's rates is reflected in the average tendered rates, even though the absolute values of the tendered rates are higher.

Contract No.	Nature of Contract	Average Construction Rate	
		WCC Estimate	2003/2004 Tender
EW03 633C	Pipe bursting and joint repairs; site located on private property; access reasonable; low risk of damage to property	\$571/m	\$860/m
EW03 634C	Open cut, thrusting, slip lining; access reasonable; site located in open parkland and in private property	\$460/m	\$550/m
EW03 635C	Pipe bursting; site located on private property; access difficult; risk of damage to property	\$618/m	\$956/m

Table 5 - Comparison of Construction Rates with Nature of Contract Works

4. Market Conditions

It is considered that the single most dramatic change in the wastewater pipework rehabilitation market in recent times has been the disappearance of Techscape Ltd from the market. Techscape Limited carried out a lot of rehabilitation work in Waitakere City and was the City's most versatile and experienced contractor in this type of work. Techscape Limited was well resourced and capable, and was successful in undertaking a wide variety of work at very reasonable cost to the Council. It is believed that Techscape Limited's presence in the market kept prices low especially for pipe bursting (the largest component of rehabilitation work in Waitakere City).

Until November 2002, it was not widely known that Techscape Limited was no longer a market competitor, and this is considered to be the reason for the relatively low prices received in the 2002/2003 financial year.

The wastewater pipe work rehabilitation market is growing each year. The North Shore City Council currently spends \$6.5M in this area (cf \$0.9M by Waitakere City Council this year). Set up costs for contractors are very high and there are only a limited number of contractors in this growing market. In time this may change as more contractors enter the market. However, the nature of the market is such that it cannot support large numbers of contractors, because the majority of the work is in North Shore City where the trend is to let a limited number of large contracts. Therefore, if one contractor picks up all the work, other contractors, especially the larger companies, can be seriously affected. This has been a major barrier to date for large construction companies from Australia wishing to establish in the New Zealand market.

Feedback from JB Pipeline Services Limited

JB Pipeline Services Limited have been recommended for award of two of the three tenders. A meeting was held with them to discuss the higher tender prices and establish the reasons behind this.

JB Pipeline Services successfully undertook two contracts of a similar nature for Council last financial year (2003/2003). During the early 1990's, JB Pipeline Services Limited undertook a number of wastewater pipeline renewal and upgrade contracts in Waitakere City but between 1997 and 2002, they were awarded very little work.

Their re-entry into the Waitakere City wastewater rehabilitation market (2002/2003) was at a time when the market was very competitive and they secured the projects by way of very low tender prices. During the course of implementing the contracts from 2002/2003, JB Pipeline Services found that Council's compliance levels (health and safety, environmental protection, owner management, documentation, reinstatement) have increased significantly (since the early 1990's) and this resulted in higher than expected costs on these contracts. JB Pipeline Services stated that they did not make any money on the contracts undertaken for Council last year. Nevertheless, the opportunity to undertake work for Council has given them improved knowledge and understanding of our local market and they have adjusted their rates to take cognisance of this and the increased compliance levels.

Another impact on their prices has been the change in the market. Whereas 18 months ago there was significant competition in the market with many contractors buying contracts, the situation has now changed with a reduction in the number of contractors able to undertake the specialised nature of the works and with an increase in the amount of work being tendered.

JB Pipeline Services Limited stated that their rates for work in Waitakere City are similar to rates used for work in North Shore City, but stated that the work in the latter case involved far more administrative paperwork and communication with other parties (auditors, Council staff and consultants). JB Pipeline Services are actively targeting Waitakere City for work and aim to develop an excellent reputation and relationship with Council.

JB Pipeline Services Limited stated that rehabilitation works are difficult and require specialist skills in a number of construction techniques, the ability to manage owners affected by the works and an appreciation of consent requirements. There are very few contractors in the market with all of these skills and the tough market conditions over the past 18 months has seen the disappearance of the smaller and less skilled of these. Prices are unlikely to fall and it is essential that clients such as Waitakere City time the advertising of tenders to coincide with conditions in the market that are conducive to lower prices.

In the case of the recent wastewater rehabilitation contracts, the timing of the tender process was optimal with the Waitakere City work being the first to reach the market and at a time when the supply of work is low. Other Councils are now putting work out to the market and JB Pipeline Services Limited is of the opinion that, if the Waitakere City work is re-tendered, the prices received will be higher.

5. Risk of Deferring the Proposed Works

The proposed rehabilitation works covered by the three contracts is necessary because of deteriorating pipe condition resulting in high infiltration of storm water into the drainage network. If the work does not proceed then the risks and effects in the meantime are that;

- Infiltration into these old wastewater lines will continue resulting in continued wastewater overflows in the New Lynn catchment. Flow measurement in the MC2 catchment has confirmed that it is one of the worst performing catchments, and the work proposed is prioritised work based on detailed investigations. Network modelling indicates that for the current wastewater reticulation and a 1 in 1 year return period rainfall, there are three overflow points within the MC2 catchment and another eight points downstream of MC2. Once the rehabilitation work in MC2 is completed, these figures reduce to one overflow event in total and the quantity of this one event will be reduced from 21 m³ to 10 m³.
- Pipe failure may occur, with the associated risks of spillage and overflows causing damage to the environment, and also prosecution from the regional authority. In such an event, the cost of replacing the failed pipe will be high and the new pipeline may not necessarily be able to be placed in an optimal alignment that will cater for growth.

One of the drivers for obtaining tenders for the three contracts early in the financial year was the fact that North Shore City Council is tendering a large amount of similar work. The aim was to appoint contractors in advance of the North Shore City Council tender process and so commit them to work in Waitakere City and ensure that the works is completed by 31 March 2004. In the case of Council's water supply contracts, where the same strategy of early tendering is employed, benefit is gained by way of lower prices as contractors are generally not very busy at the start of each new financial year. It was felt that the early tendering of the wastewater rehabilitation contracts would have similar financial benefits.

It is not considered that there will be any benefit in re-tendering the three contracts. However, delays in the award of the contracts may result in the non-availability of recommended contractors (and their sub-contractors) due to the market pressures that will be imposed by the North Shore City Council works programme and others in the region (refer also to last paragraph of section 4 - comments from JB Pipelines Limited).

CONCLUSION

The pre-tender estimates for these three contracts are based on reasonable assumptions derived from earlier similar work. However the rate for pipe bursting, which is the predominant scheduled item for Contracts EW03 633C and EW03 635C, seems to have increased significantly over the past 12 months based on the information received from North Shore City Council, and this explains the higher tender prices for these two contracts.

The high level of the tender prices received would also appear to be a reflection of the current state of the market where contractors are pricing work to ensure they have a reasonable margin. The absence of Techscape Limited from the market is a significant factor in the higher prices.

Deferring the project could result in unnecessary maintenance expenditure, continued wastewater overflows due to infiltration, and similar or higher prices if the contracts are re-tendered.

RECOMMENDATIONS

1. That the information be received.
2. That the tender from JB Pipeline Services Ltd for Contract No. EW03 633C: MC2 - 4 Pleasant Road - 24 Eastglen Road Wastewater Replacement in the sum of \$245,495.00 plus \$30,686.87 GST, totalling \$276,181.87 be accepted.
3. That the tender from Horizontal Earth Drilling Limited for Contract No. EW03 634C: MC2 - Rua Road/Eastglen Road Wastewater Re-Route in the sum of \$277,791.00 plus \$34,723.87 GST, totalling \$312,514.87 be accepted.
4. That the tender from JB Pipeline Services Ltd for Contract No. EW03 635C: MC2 - 38 Pleasant Road - 5 Eastglen Road Wastewater Replacement in the sum of \$153,025.00 plus \$19,128.00 GST, totalling \$172,153.12 be accepted.
5. That the tender for Contract EW03 635C, MC2 - 38 Pleasant Road - 5 Eastglen Road Wastewater Replacement be awarded to other than the lowest priced tender because the weighted attributes tender evaluation method requires the tendering authority to enter into a contract only with the tender that scores the highest overall index.
6. That authority to enter into Contract No. EW03 633C: MC2 - 4 Pleasant Road - 24 Eastglen Road Wastewater Replacement; Contract No. EW03 634C: MC2 - Rua Road/Eastglen Road Wastewater Re-Route; Contract No. EW03 635C: MC2 - 38 Pleasant Road - 5 Eastglen Road Wastewater Replacement on behalf of Council be delegated to the Director of City Services.

Report prepared by: Richard Taylor, Assets and Network Manager.

