

Report to:	Council	Public Excluded
Date:	30 November 2022	
Subject:	Procurement of Rocks for Clarence Valley Project	
Prepared by:	Dave Clibbery – Senior Manager Operations	
Input sought from:		
Authorised by:	Will Doughty – Chief Executive Officer	

1. SUMMARY

A procurement process is proposed for the acquisition of the rocks required for the construction of the proposed Waiau Toa / Clarence River bridge.

2. RECOMMENDATION

- a) That subject to approval being received from Waka Kotahi, Council authorises staff to enter into negotiations with Road Metals Ltd in respect of the acquisition of the rocks required for the construction of the Waiau Toa / Clarence bridge and associated works
- b) Delegates the Chief Executive Officer to determine the release of this public excluded report.

3. ROCK REQUIREMENTS AND SOURCES

The Waiau Toa / Clarence is a very large and dynamic river and a key requirement for the construction of the proposed Waiau Toa / Clarence Bridge is the acquisition of a substantial quantity (in the order of 20,000 cubic metres) of large (around 100cm centimetre diameter) rocks for use in the formation of the erosion resistant structures required for the abutments of the bridge and immediately downstream.

Such large rocks are only likely to be generated in any quantity in steep and powerful streams and rivers, and even in such environments these larger rocks will only make up a limited proportion of the ground, requiring large volumes of waste material to be excavated to find and extract them.

Site investigations has been conducted by Beca consultants of potential sources for suitable rocks, the key estimated results of which are summarised in the following table.

Description of Works	Gravel Extraction			Off-site Existing Quarry Supply
	Wharekiri Stream	George Stream	Gledhill Farmland	Road Metals
Available Material (m ³)	20,000	15,900	15,470	20,000
Waste Volumes for reinstatement (m ³)	245,000	137,000	104,000	N/A
Transport distance (km)	4	2	1.8	12
Road access requirements	<i>Stream bed – existing tracks. Widening/ flattening of full length required</i>	<i>Create access track along streambed</i>	<i>Create access track along streambed</i>	<i>Allow flattening / widening / maintenance of the existing gravel road</i>
Consenting	\$40,000 allowance included ¹			N/A
Cost/m ³	\$198	\$140	\$113	\$118

Note: ¹ Per consent and based on previous experience and assuming that the consent is non-notified. Price will increase if consent requires notification.

In addition to the 4 options identified in the table, enquiries were also made to SOL Ltd, who like Road Metals also hold existing consents for extraction of rocks had previously supplied rocks to NCTIR. SOL did however not respond to these recent enquiries and do not have a strong previous track record and have therefore been discounted from consideration.

Of the 4 source options, all have some challenges or uncertainties. Extraction from the Wharekiri or George Streams would require new resource consents, the acquisition of which has potential to take considerable time (in part because ECan are currently overwhelmed by consent applications resulting in very long delays for processing) and is also likely to face opposition from both Te Rūnanga o Kaikōura (TRoK) and in the case of the Wharekiri from local landowners who are concerned that extraction could destabilise the stream and result in the loss of farmland and degrade accessibility.

Investigations to date have also suggested that the George Stream may not be able to produce the 20,000 m³ of large rock that is estimated to be required for the project, and that as such extraction from the George could only be a part of a multi-source solution.

The option of obtaining rock from Road Metals has the advantage that these rocks are either already stockpiled and available or could be sourced under existing resource consents held by that company. Whilst it is believed that Road Metals could provide 20,000 m³ of large rock some questions do however remain regarding whether the proportion of very large (>100 centimetre diameter) rock available would be adequate.

The other remaining source – the Gledhill Farmland – differs from the other sources in that in this case the rock is not being taken from an active river bed and as such may not require any resource consent to be obtained. This advantage is however to some degree offset by the fact that these rocks are from ancient river beds and their long exposure to the elements has resulted in them being more weathered and therefore likely to be less resistant to erosion if again placed in a dynamic flow environment. The relative weakness of these rocks could however potentially be accommodated by utilising them in positions within structures where they are less exposed to the erosive forces of the river.

4. PROCUREMENT PROCESS

The design and construction of the bridge and approach roads is to be procured through an open multi-stage tender process. Flexibility is being left in this process for tenderers to propose different types of bridge and are required to present details of the proposed design as part of the tender. This design requirement, combined with a broad range of other factors that need to be considered by tenderers makes preparation of a tender a significant exercise, and in this context it is believed that it would be preferable to not further add to this burden by including the supply of the required large rock in the bridge contract.

The alternative approach being proposed is that KDC organises and meets (with financial assistance at 95% from Waka Kotahi) the cost of providing the required rock on-site to the successful bridge contractor.

Whilst the primary objective of doing so would be to relieve the tenderers for the bridge contract of the complexity associated with sourcing large rock, it would also appear to make sense to extend this form of provision to the crushed aggregate required for the construction of the new roads required. Taking this approach would require selection of source(s), acquisition of any necessary resource consents and excavation and transport to site. Of these elements source selection and obtaining consents could lie directly with KDC, but it is believed that it may be advantageous for the latter to be instead undertaken by the contractor carrying out the earthworks, because of their potential to obtain a more favourable response from Te Rūnanga o Kaikōura.

This, together with some other factors has suggested to Council staff that the best approach may be to negotiate with Road Metals for them to provide such suitable rock as they hold from their existing consented sources and to make any arrangements needed (including acquisition of new consents) for supply of additional rock from other sources.

It is understood that Road Metals may have a relatively sound relationship with TRoK, and as such may get a more favourable response from the Rūnanga in a consent application.

Such a negotiation with a single party would however be a significant deviation from the general procurement policies of both KDC and Waka Kotahi, which are that for a works above a certain value threshold the achievement of best value should be demonstrated through an open procurement process.

In this case the cost of rock supply is likely to be in the order of \$2 million, far above the \$100,000 level at which the general requirement of both KDC and Waka Kotahi is for an open procurement process. The procurement policies of both these organisations do however recognise that there may be circumstances where goods or services can only be efficiently procured from a single supplier, and it is believed that this is one such case.

Whilst an open tender process for the supply of rock could be conducted Road Metals would have a significant pricing advantage because of their existing holdings of rock and resource consents, enabling them to supply the required quantities either directly or augmented with some material from the Gledhill Farm, the acquisition of which does not require a resource consent.

Other suppliers would have to obtain rock from either the Wharekiri or George Streams in addition to that available from the Gledhill Farm, requiring acquisition of resource consents which would create additional cost (and more importantly) the aforementioned delays and uncertainty.

Because of the relatively large scale of the works these factors constitute significant risks for tenderers, and particularly for the smaller local companies that might be interested. To compensate for these risks these other tenderers would be expected to incorporate substantial price premiums, with the likely result that their tender would be uncompetitive with that of Road Metals.

The works are also of a nature that is the core business of Road Metals and as such their existing experience and plant would be expected to advantage them.

As such there appears to be significant potential that other local tenderers could invest significant effort in preparing tenders in an open process, but with little prospect of success.

There is also a strong possibility that if an open tender process was to be conducted that Road Metals might be the only tenderer. Because of the significant value of the work a quite detailed tender document would be required, and previously experience suggests that most local contractors are not familiar or comfortable with responding to formal calls for detailed tenders.

Road Metals will almost certainly be aware of the strong position that they are in, and there is a risk that they might take greater advantage of this in an open tender where all of the interested parties present their best offers than they would in a direct negotiation process where the potential other offers of service are initially less clear to KDC.

Any form of procurement process (including a direct negotiation with Road Metals) would require preparation of a detailed work specification that included required rock quantities, qualities, destinations, delivery schedules and other operational, health and safety and environmental needs. Conducting an open tender would however require additional work and has potential to put further pressure on the broader project delivery schedule.

Despite these factors that do not favour an open tender process it is recognised that if the supply of rock is not openly tendered there is potential that some local contractors could feel aggrieved that they have not had the opportunity to secure the work.

On balance however it is believed that entering into direct negotiation with Road Metals is more appropriate than attempting an open procurement process, and that this can be justified by the advantages held by Road Metals in respect of existing rock stocks and consents. It would be hoped that most other local contractors would appreciate this.

It is however stressed that such a negotiation process cannot become a 'blank cheque' exercise for Road Metals, and the awarding of a contract to Road Metals for the supply of rock would have to be contingent upon agreement of a price that appears to represent fair value, preferably with a unit price below that estimated by Beca.

If a satisfactory price could not be achieved from such negotiation the open tender approach might have to be pursued and it would therefore be desirable to commence negotiation with Road Metals as soon as possible in case this situation eventuated.

It should also be recognised that approval would be required from Waka Kotahi for the awarding of the rock supply through such a direct negotiation with a single supplier, and should Council be agreeable to this approach a request would then be made to Waka Kotahi for such approval.

5. COMMUNITY OUTCOMES

The issue discussed in this report relate to the following community outcomes:



Community

We communicate, engage and inform our community



Services

Our services and infrastructure are cost effective, efficient and fit-for-purpose