

STAFF REPORT

TO: Chairman and Members, Engineering Services Committee

FROM: Jeff Cuthbertson, Utilities Manager

DATE: 6 April 2010

REFERENCE: Contract 688

SUBJECT: **WATER UTILITIES OPERATIONS & MAINTENANCE
CONTRACT 688 – SECOND OPERATING PERIOD
– RESC10-04-06** Report prepared for meeting of 15 April 2010

1. PURPOSE

The purpose of this report is to provide information to the Engineering Services Committee on the rollover of the second operational period for the contract for Water Utilities Operations and Maintenance (Contract 688).

2. BACKGROUND

Council publicly tendered for the Water Utilities Operations and Maintenance contract in 2006. Works Infrastructure (now Downer EDi Works) were the successful tenderer with the contract awarded on 30 March 2007 and commencing on 1 July 2007. The contract period is a three year plus three year plus four one-year rollovers. The last four rollover periods are solely based on performance. The contract has two main review periods, ie years two and five of the contract.

These review periods provide the opportunity for the contractor and Council to revise any costs for the next three year period, ie years 3-6 of the contract. The costs for the first period (years 1-3) were agreed at the time the contract was awarded.

The review period also provides Council with the opportunity to re-tender the works if agreement on costs between the parties cannot be reached.

It should be noted that all costs are subject to the contractor's price index review.

3. ROLLOVER REVIEW

Meetings were held between Council staff, MWH and Downer EDi Works in February 2010. A summary of the points discussed are as follows:

Amendments to current schedule of rates

Amended rates had been submitted by Downer EDi Works which were then assessed and accepted by all parties. These amended rates will be applicable from July 2010 and will not be subject to further cost fluctuation until July 2011 onwards.

Performance measurement standards for contract 688 – July 2007 to present

Downer EDI's performance was discussed and the consensus was that on the whole their performance had been of a high standard throughout the four measured disciplines of:

- *Contract management*
- *Water*
- *Wastewater, and*
- *Stormwater*

It was noted however that there had been some isolated incidents where Downer EDi Works failed to achieve the relevant measured standards and these failures have been identified and explained in more detail to Downer EDi Works.

Customer Services

Downer EDi Work's performance in relation to customer service was discussed and it was agreed that this had been of a high standard with the contractor performing consistently well. This area had been continually assessed throughout the duration of the contract by MWH. It was noted that Downer EDi Work's communication with and focus on the customer had been good and that they had done very well in completing jobs associated with service requests on time.

Graphs showing job completion rates are attached.

Additional work undertaken within contract 688

Downer EDi Work's performance in respect to the volume and quality of the additional work over and above the normal proactive work in the contract was discussed.

It was recognised that there had been a significant volume of additional work authorised which in general the contractor had undertaken promptly and efficiently. However there were also a few incidents where the contractor had failed to manage their on-site staff or sub-contractors adequately. There were also occasions when the quality of the work undertaken was of an unacceptable standard.

In general it was felt that Downer EDi Works had made some in-roads to address these issues by having experienced and qualified staff dedicate more time on-site to supervising and monitoring projects.

It was agreed that this topic would be put on the agenda to be discussed in the proposed "Contract 688 Partnering Meeting" planned for mid to late April 2010.

As-built data

The discussion concentrated on the volume and quality of as-built data provided through contract 688. It was agreed that the quality of the data was acceptable and that it was generally in accordance with the requirements specified within the contract.

However it was noted that there is certainly room for improvement from Downer EDi Works on this aspect. This was especially in relation to the quality of the finder diagrams and GPS data provided with the monthly claim. It was agreed that this is another item that will be discussed at the partnering meeting.

Hand-held Workbooks

It was noted that Downer EDi Works are looking at changing their existing hand-held workbook units (SETI) to another system. The other systems that Downer EDi Works proposed were either RAMM or Confirm. Tasman District Council and MWH staff were strongly in favour of the contractor changing to Confirm since this is utilised by Council as their asset management system. While SETI had generally proved successful as a work management system for Downer EDi Works there had been some issues with its flexibility and integration with Council's Confirm system.

These issues and the potential migration to an alternative system would be an appropriate discussion topic at the partnering meeting.

4. FINANCIAL

Contract 688 has approximately 450 separate schedule rates covering wastewater, stormwater and water supply operations and maintenance. All rates are able to be reviewed as part of the rollover. The contractor identified a number of scheduled rates that they wish to review (approximately 45). Following discussion the total number of scheduled rates they wished to review was reduced to 33. All of the increases to these rates were well justified before the review team gave their approval.

The overall increase to Council's operations and maintenance budget is within the budget as set out in the 2009-2019 Ten Year Plan.

5. RECOMMENDATION

THAT the report be received.

Jeff Cuthbertson
Utilities Asset Manager