

**STAFF REPORT**

**TO:** Mayor and Councillors

**FROM:** Peter Thomson, Engineering Manager

**REFERENCE:** C757 and C758

**DATE:** 2 June 2009

**SUBJECT:** **ROAD MAINTENANCE BUDGETS**

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**1 PURPOSE**

The purpose of this report is to detail the issues relating to the recently awarded Road Maintenance Contracts 757 and 758, and impacts on the transportation maintenance budgets. The discussion in this report considers the implications of the competitive prices received for both contracts and suggests possible expenditure reallocations to the road network in the Ten Year Plan budget.

**2 BACKGROUND**

The contracts for Tasman and Waimea were previously under one contract namely Contract 591. Fulton Hogan is the current contractor for this contract which will expire at the end of June 2009. The new contracts have been set up with a performance payment component which is equivalent to 30% of the value of the contracts. This provides Council with the ability to reward and/or penalise for performance.

As Councillors are aware Downer EDi Works were successful in bidding for the Tasman (757) and Waimea (758) Road Maintenance contracts. The table below sets out the tenders received and the estimate prepared for the Ten Year Plan process.

<b>Contract 757 - Tasman</b>		<b>Contract 758 - Waimea</b>	
<b>Tenderer</b>	<b>Tender Price</b>	<b>Tenderer</b>	<b>Tender Price</b>
1. Fulton Hogan	\$4,953,041.68	1. Fulton Hogan	\$4,949,555.11
2. Downer EDi Works	\$4,271,353.64	2. Downer EDi Works	\$3,826,591.20
3. Oldfields	\$5,514,777.00	3. Oldfields	\$6,148,418.05
4. HEB Construction	\$4,539,490.51	4. HEB Construction	\$5,117,116.95
		5. Tasman Civil	\$5,631,416.00

As shown, the lowest tender price for both contracts was received and awarded to Downer EDi Works. The Tasman contract was \$4,271,353.64 and the Waimea contract was \$3,826,591.20. The contract provided indicative quantities for day works which include removal of fallen trees, traffic signs and some escalation. The total potential reallocation from the two contracts is expected to be around \$850,000 per year after adjustments for the quantities to keep the same level of services currently provided to the road network. It is important to note that this difference includes the NZTA funding and accordingly the potential changes to the Ten Year Plan would be around \$425,000 per year (NZTA share removed).

### **3 COMMENT**

The noticeable reduction in the tender prices provides some excellent opportunities to reallocate budgets to bring forward planned roading projects in the Ten Year Plan. Other engineering projects are also experiencing competitive quotes which allows for more work to be done and saving Council in the long term. Many of the tender prices coming in for projects at the moment are below our estimates. This is likely due to the current economic conditions.

The reduced tender prices could be also be used to used to lessen the Ten Year Plan future spending. While this would seem to provide some relief in terms of rate increases, it is important to note that the total savings are only around half the tender price savings due to the NZTA subsidy component. Also Council has already got approval from NZTA for funding for the next three years at the current budget estimates. Therefore the local share of \$425,000 will allow approximately \$850,000 of transportation works to be carried out. This is an excellent return on our local share. As noted above, under the current economic climate there are some significant benefits in investing in road infrastructure at the present time. This will allow potential savings in overall costs for the Ten Year Plan with some infrastructure projects being completed sooner with no change in rates as already proposed.

There are a number of projects that are currently in Years 2 and 3 that could be shifted to Year 1. Three of these projects are cycle underpass facilities integrated with the SH60 Ruby Bay Bypass. The Ruby Bay Bypass is expected (based on current good progress) to be completed in late 2010 at the latest. The proposed cycle connections to the Bypass currently sit in the Ten Year Plan in Year 2 for \$100,000 and Year 3 for \$88,000 (no adjustment for inflation). It should also be noted that the proposed connection at Dominion Road is not in the Ten Year Plan. It is suggested that all of these projects are moved forward in the programme to allow the completion of the connections concurrent with the new Bypass. In addition constructing these works in Year 1 will allow projects to be built at current cheaper rates we are experiencing. Earlier completion of the projects also removes the inflation component.

Two seal extension projects are also proposed to be brought forward in the Ten Year Plan. The Eighty-Eight Valley Road project could be moved from year 3 to year 1, and the Gibbs Valley Road project from years 9,10 to years 2,3.

Additional work is also required in meeting our minimum maintenance standards to reseal roads. Currently we carry out around 55 to 60 kms of reseal each year. The pavement model suggests we should be carrying out at least 65 kms of reseal per year to maintain our current roading stock. Any less than 65 kms per year may lead to an overall

deterioration of the sealed road surfaces in our district over time. The expected costs to meet the reseal component are estimated at \$150,000.

Passenger transport is another area that would benefit from some funding in Year 1. Currently Council has set aside funds in Year 3 of around \$437,932 to contribute towards a new improved public passenger transport service between Nelson and Richmond. Our preliminary discussions with Nelson City Council show a desire to provide improved services between the two areas in Year 1. This will be discussed in more detail in the Passenger Transport report also being provided to Council at this meeting. In summary there are minor cost implications over the first three years, instead of providing some \$430,000 at Year 3 it is recommended to spread out funds starting from Year 1. Year 1 will require around \$60,000 (local share only). Final costs are still be investigated for the following years with Nelson City Council carrying out surveys and costings over Year 1. These are expected to be around \$120,000 per annum from Year 2 onwards. It should be noted that this is significantly less than the budgets set out in the Draft Ten Year Plan from year 3 onwards. While the final investigations are yet to be completed, it is expected an overall saving to the Ten Year Plan for this item.

The "Rail Trail" concept is gaining some momentum and recently Government has announced an additional \$50 million for the provision of a National Cycle Trail. We have had a meeting with the project manager of this Government initiative and he was impressed with our work to date and the presentation by concept promoters. We have a great opportunity to obtain funding because of this current work on this project, our tourism focus and National Parks. It is expected that Government will fund feasibility studies and investigation work for cycle paths that could fall into the National Cycle Network. There is some benefit for Council and the District as a whole to get involved in this project both for new infrastructure and promoting tourism in the region. Accordingly it is suggested that some funds be set aside for carrying investigation and design for two routes that could fall into the National Cycle Network. These two routes are from Richmond to Mapua and Richmond to Tapawera. Some assistance is also expected from NZTA and final investigation and design costs will be provided to Council once the funding shares have been calculated.

There have been some changes to development contributions which will be discussed under a separate report from Environment and Planning. There are funding considerations as a result of these changes.

Finally other considerations with regard to possible uses of the tender price reduction could include improvements to the road markings, traffic signs and safety over the road network. In general there is a need to upgrade the roads to better reflect the needs of the District and provide a safer road network.

It is recommended that the difference in the tender price for Contracts 757 and 758 be reallocated to bring projects forward in the Ten Year Plan and funding new initiatives to promote economic growth and vitality to the District. In doing this it is expected that overall savings in the Ten Year Plan can be achieved by gaining advantages of a competitive tendering market and building infrastructure projects sooner.

#### **4 RECOMMENDATION**

- 4.1 THAT Council considers the report and its implications with regard to the reallocation of funds resulting from the tender prices for Contracts 757 and 758.**
- 4.2 THAT Council reallocates funds to move the Ruby Bay Bypass cycle connections from Years 2 and 3 into Year 1, and approves the funding needed for the Dominion Road connection and also fund this connection in Year 1.**
- 4.3 THAT Council reallocates funds to move forward the Eighty-Eight Valley Road Seal Extension project from Year 3 to Year 1 in the Ten Year Plan.**
- 4.4 THAT Council reallocates funds to move forward the Gibbs Valley Road Seal Extension project from Year 9 and 10 to Years 2 and 3 in the Ten Year Plan.**
- 4.5 THAT Council reallocates funds of \$60,000 (local share) in Year 1 for Passenger Transport services between Richmond and Nelson, and \$120,000 for Year 2.**
- 4.6 THAT Council reallocates funds for extending the annual reseal programme to the minimum of 65kms per year.**
- 4.7 THAT Council reallocates funds to accommodate the Development Contribution adjustment for Roothing within the transportation budget.**
- 4.8 THAT Council adjusts its roading expenditure budgets accordingly to accommodate the above changes so that the overall transportation budget does not require any additional general rate funding in Years 1, 2 and 3 of the Ten Year Plan.**

Peter Thomson  
**Engineering Manager**