



MEDIA RELEASE

Ruapehu District Council

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COUNCIL GRANTS EXTENSIONS TO STRONGLY PERFORMING CONTRACTORS

Ruapehu District Council (RDC) has decided to extend the contracts of two of their major suppliers, United Water and Downer, rather than seeking new tenders for these services.

Downer carry out the District parks, reserves, cemeteries and gardens maintenance contract that was due to expire at the end of November while United Water has the District water, wastewater and stormwater operations and maintenance contract that was due to expire at the end of October next year.

RDC Group Manager Environmental Services, Margaret Hawthorne, said that both Downer and United Water have successfully delivered for Council and District ratepayers over their current contract period and developed into true collaborative partners that bring considerable added value to Council operations.

"Based on this success both contractors had put proposals to Council seeking contract extensions rather than Council seeking new tenders from the market," she said.

"Despite the success of both Downer and United Water in delivering for Council, the decision to extend these contracts rather than seeking new tenders on the open market was only undertaken following an exhaustive review undertaken by an independent consultant Morrison Low Associates."

"The independent review evaluated the proposals against 12 key performance criteria and whether the existing contractors provided a better option for ratepayers than going through a new competitive tendering process and establishing new contracts."

"The criteria included; cost, overall performance, value for money, customer service, community impact, alignment with community outcomes, reputation, opportunities for cost efficiencies, performance improvements, loss of local knowledge, transition costs and risks and the cost of tendering."

Mrs Hawthorne said that the review process found that the contract extension proposals provided better value to ratepayers than re-tendering on the open market by some margin.

"In some areas the differences were significant for example the cost of the independent review was around \$20,000 while the cost to produce and evaluate new tenders would be between \$90,000 and \$100,000 each," she said.

Mrs Hawthorne added that the independent review also took into account market considerations and price comparisons.

"The pricing in Downer's extension proposal reflects an adjustment for inflation since their original contract tender but no base increase."

She said it should be noted that Downer had the best pricing in the original tender round by a significant margin.

"The pricing in United Water's extension proposal has a minimal increase reflecting the addition of another employee on the side of engineering design and planning as Council needs this for its future capital programme."

"Another consideration in the contract extension to United Water was the added value and savings returned to Ruapehu valued in excess of \$800,000 over the life of the contract."

RDC Chief Executive, David Hammond, believes that the extensions are a bold move and were not taken lightly.

"The performance of both contractors and their pricing are an endorsement of Council's commitment to a contracting partnership model," he said.

"It also rewards strong contractor performance and pricing."

Mr Hammond stated that further transparency of the evaluation process was provided by Councillors joining the Tenders Group for consideration of the final report on the contract extension proposals.

"The United Water contract has been given two rights of renewal of five years for a maximum of 15 years, and the Downer one right of renewal for a maximum of 10 years."

"Both contract extensions include new provisions that the renewal of the contracts in 2016 will be performance and price based and that both contractors must retain key personnel at an operational level to Council's satisfaction for the duration of their contract."

Mr Hammond said that that the extension of the contracts provides the best value to District ratepayers while being a win-win for Council, United Water and Downer.

DAVID HAMMOND
CHIEF EXECUTIVE

CJH : PRW