

15. CHEMICAL GROUTING OF SEWERS

Officer responsible City Water and Waste Manager	Author Neville Stewart, Senior Engineering Officer, DDI 941-8366
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The purpose of this report is to seek approval for a performance based variation to the Sewer Reticulation Maintenance contract that the Council has with City Care Ltd. This variation is to include chemical grouting of sewers in the current Sewer Maintenance Contract (CN 2000/01-78).

TENDERING OPTIONS

S247E(1) of the Local Government Act 1974 provides:

“Where any local authority is contemplating entering into any contract for the supply of goods or services that is likely to involve the local authority in expenditure or financial commitment that the local authority considers significant, the local authority shall consider whether or not the matter shall be put to tender.”

S247E provides that if the Council decides not to tender it shall put its reasons in writing.

The reason that this contract is not being competitively tendered is that price comparisons with other commercial suppliers of this service indicate that the Councils own company (City Care Ltd) can undertake the work at \$31 per metre compared with benchmarked rates (New Zealand and Australia) of \$42 to \$70. In addition it was intended that a negotiated contract would provide City Care Ltd with the opportunity to develop grouting experience to the benefit of the Council and themselves, ie a win/win partnering arrangement.

BACKGROUND

A report to this Committee in February 2000 outlined a strategy for sewer rehabilitation and control of ground water infiltration by chemical injection (grouting) of pipe joints in the sewer mains and laterals. This process has been established as the most cost effective method suitable for sewers that are structurally sound but have leaking joints. At that time the Committee resolved:

“That staff provide cost effective comparison between a Waste Management Unit (now City Water and Waste) developed and Canroad (now City Care Ltd) operated sewer grout rig operation and an operation provided by a private contractor.”

After a further report to the Committee in August 2000 and because of the very clear advantage, the Council entered into a negotiated contract with City Care Ltd to carry out sewer chemical grouting for a 12 month period for \$544,518 excluding GST.

City Care Ltd has now completed the initial negotiated contract. The negotiated contract required an extension of time of eight months to allow for initial start-up delays, training, and greater equipment maintenance downtime than originally envisaged by City Care or Council staff. This one-year contract was completed in December 2002 and the contract has been rolled over on a month to month basis since then.

The amount spent in the first 12 months was less than the contract price illustrating that a single grouting rig cannot achieve the desired full yearly programme. As a result City Care Ltd has subsequently purchased a second rig and now has the ability to achieve a much higher work rate.

During the initial contract period, the grouting process has been tested on its ability to seal sewers for infiltration control, which is the principal requirement, and also rubber ring sealing in New Brighton where biological attack has destroyed parts of the rings. In the Papanui area, the first area rehabilitated, sewer flows measured during two storms, one of which was of a five year return intensity, indicated a 70% reduction in storm induced inflow was achieved. This is very satisfactory result.

The overall cost for the first year has averaged \$29/metre (refer attachment) which is excellent compared with elsewhere in New Zealand or Australia where costs have been benchmarked at an average 30% to 150% higher.

CONTRACT VARIATION

City Care Ltd has submitted the price of \$631,095 for carrying out 18,000 metres (includes laterals etc) of sewer grouting and ancillary work in the next 12 month programme at the rate of \$31/metre - refer attachment. Note here that the increase from \$29/metre in the first contract to \$31/metre in the second contract arises from a change in pricing risk from 50/50 City Care/Council to 100% City Care (as the payment basis has changed from hourly charge-up to \$/m). This is considered a fair and reasonable increase especially taking into account the hugely lower cost in relation to other benchmarked commercial rates. The new programme is an increase of 50% over the amount of grouting in the previous 12 month's achievement. This is necessary to keep the sewer rehabilitation programme on track. The 2002/03 and draft 2003/04 budget allows for this work, as does the ten year financial plan.

The new rates offered by City Care Ltd are based on the previous contract's one year average. Some 20% of the work will remain on an hourly rate basis to enable flexibility in conducting trials on grouting corroded rubber rings and special repairs with different resins.

The existing Sewer Maintenance Contract with City Care has a further three and a half years to run with provision in the agreement for the rates to be reviewed on an annual basis. The sewer grouting programme will be ongoing for this period (and most likely longer). Due to the synergies of CCTV, high pressure cleaning and sewer repair methods (already included in the Sewer Maintenance Contract), it is recommended that the grouting work be added as a Contract Variation to City Care Ltd's existing Sewer Maintenance Contract.

Budget provision for this work until now, and including 2003/04 is with the Capital works renewal budget, but on advice from the Financial Services Unit, it is financed from operational expenditure from 2004/05

SUMMARY

The first trial City Care Sewer grouting contract has proved to be very successful and achieved at costs benchmarked at 30% to 150% lower than other commercial rates for similar work. It is recommended that a second ongoing annual package of work be added to the existing Sewer Maintenance Contract for the remainder of its term (around three and a half years) as a Contract Variation. There will be a defined amount of work done for a defined cost as outlined in this report.

Staff

Recommendation:

1. That for the reasons outlined in the report this work is not tendered.
2. That City Care Ltd's price of \$631,095 per annum for carrying out the sewer grouting programme be accepted and the appropriate items and rates be included as a Contract Variation to the ongoing Sewer Maintenance Contract (CN 2000/01-78).

Chairman's

Recommendation: That the above recommendation be adopted.