

**4. BURWOOD LANDFILL/PITRUN
AND PLANT HIRE CONTRACTS**

RR 10352

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Corporate Plan Output: Solid Waste Residue Disposal	

The purpose of this report is to recommend acceptance of a reduced rate for supply of pit run to Burwood Landfill offered by K B Quarries Ltd., and an extension of the existing plant hire and operating contract at Burwood also to K B Quarries Ltd.

BACKGROUND

Operations at Burwood require a steady supply of cover material, for use as daily cover over the refuse, and as part of the final capping process. In the early life of Burwood sand won from the site was used, mostly for daily cover. This source was exhausted some time ago, and recently larger amounts of material have been required to cap completed stages of the landfill.

The cheapest suitable material is river gravel extracted directly from the Waimakariri River. Since November 1991 this material has been supplied by K B Quarries Ltd (Kevin Blair) at a rate of \$5.95 per m³ (excl GST), the rate having been established by negotiation.

There is also a requirement for clay type material which goes over the pitrun in the final capping process. This material is more difficult to come by, but contractors have been aware of our need for it and when it has become available from subdivision development and the like, they have notified Council staff who have negotiated a suitable rate.

CURRENT SITUATION

(a) **Clay**

The expected need for clay cover material for the next three years from 1999/2000 up until Burwood closes in mid 2002, is approximately 9,000m³ per annum. Interest has been expressed by a number of contractors in supplying this material for Burwood. It seems then that there is a reasonable supply of clay available at present. Tender documents are therefore being prepared and tenders will be invited from those contractors known to be interested in tendering.

(b) **River Gravels** (currently supplied by K B Quarries Ltd)

The requirement for this material is also in the order of 10,000m³ for 1999/2000, but is expected to increase to about 25,000m³ per annum for the following two years as the landfill is rehabilitated. Earlier this year another contractor (Paul Stemmer & Co Ltd) also expressed an interest in supplying gravel for the landfill. Discussions were held with Kevin Blair (owner of K B Quarries) about both gravel supply and the possible extension of the plant hire and operating contract until Burwood closes. Discussions have also been held with the other Contractor, Paul Stemmer Ltd whose main interest is in supplying the gravel to K B Quarries at the Waimakariri River, where he has a Resource Consent to extract gravels.

(c) **Plant Hire and Operating Contract**

The plant hire operating contract for Burwood Landfill was last tendered in 1996 with a contract for three years and the option for extending it until the landfill closes. At that time the tendered price from K B Quarries (almost \$1.0m/annum) was 28% lower than the second lowest tender. In fact the performance of this contractor has been very good for the twelve year period that they have successively won the contract. It is considered that tendering this contract for the short two remaining years life of Burwood is most unlikely to reap any financial benefits. This is because alternative contractors prices would be boosted by the need to recover all establishment costs and cover the losses associated with acquiring equipment for a short two year period. It is proposed therefore to extend K B Quarries Plant Hire and Operating Contract from the date its current period expires (ie February 2000) up until the time Burwood closes, all in accordance with the contract specifications and all at the existing plant hire rates.

FINAL PROPOSAL

The contractors Paul Stemmer Ltd and K B Quarries Ltd have now reached an agreement between themselves. The result is that K B Quarries has now provided the Council with a proposal for gravel supply and plant hire rates until Burwood closes as follows:

- Extension of existing plant hire contract from February 2000 until landfill closure with no change to plant hourly rates.
- Supply rate of gravels from July 1999 until February 2000 \$5.20/m³.
- Supply rate of gravels after February 2000 \$5.15/m³.

These rates represent a substantial reduction over what was already a good rate (\$5.95/m³). While it may seem attractive to tender the pitrun supply and gain further reductions, this approach is not recommended for the following reasons:

- \$5.20 is already a very good rate. Typical river gravel bulk supply rates for roading and drainage jobs in the City are in the order of \$10.00/m³.
- Even if a small reduction is 'gained', the total amount 'saved' will be quite small, eg. If a \$5.00 rate was achieved the savings would be \$12,000 spread over three years.
- K B Quarries is under no obligation to accept an extension to the contract and the Council could well be forced into an undesirable position of having to tender for the plant hire and operations. As explained above this is highly unlikely to reduce the costs to the Council and is almost certain to increase costs, thus more than cancelling out any possible gains referred to in the bullet point above.

SUMMARY

Burwood Landfill has an ongoing need for river gravels to be supplied to the site for both daily and final cover. This is currently supplied by the contractor (K B Quarries) who supplies the plant and its operation for Burwood. This plant contract is due for renewal or extension in February 2000.

Following interest from an alternative supplier of gravel (Paul Stemmer) to the current contractor (K B Quarries), Council staff have negotiated a proposal with both contractors that reduces the current supply rate for the gravel, and extends the existing contract for plant hire and operating contract at the same competitive rates tendered in 1996 until the landfill closes.

Staff do not consider there is any significant benefit to be gained by tendering either of these contracts. For the plant hire and operating contract, tendering is in fact more likely to lead to increased costs.

- Recommendation:**
1. That K B Quarries Ltd proposal for supply of river gravel at \$5.20/m³ from July 1999 until February 2000, and \$5.15/m³ thereafter be accepted, (a reduction from \$5.95/m³ current).
 2. That the plant supply contract with K B Quarries Ltd be extended from February 2000 until Burwood closes, at the same rates as tendered in 1996.