

PLANNING AND ENVIRONMENT COMMITTEE	9
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13 JULY 2022

## **PREFERRED SUPPLIER ARRANGEMENT (PSA) 2822 – BITUMEN SEALING WORKS**

Neil Singleton | 63/1/332\* | #6969233

### **RECOMMENDATION:**

That Council:

1. Awards Preferred Supplier Arrangement (PSA) 2822 and appoints the following four contractors: Boral Resources (QLD) Pty Ltd, FGF Bitumen Pty Ltd, Koppen Construction Pty Ltd and Pioneer North Queensland Pty Ltd for a term of two years commencing 1 July 2022, with two extension options of up to 12 months each, available at Council's discretion.
2. Delegates authority to the Chief Executive Officer in accordance with the *Local Government Act 2009* to enter into contract, negotiate, finalise and execute any and all matters associated with or in relation to this contract subject to Council's normal procurement policies and practices.

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### **INTERESTED PARTIES:**

1. Boral Resources (QLD) Pty Ltd trading as Boral Asphalt Queensland
2. FGF Bitumen Pty Ltd
3. Koppen Construction Pty Ltd trading as Koppen Bitumen
4. Pioneer North Queensland Pty Ltd

### **EXECUTIVE SUMMARY:**

This report provides a summary of the tender process and various considerations for the establishment of a new Preferred Supplier Arrangement (PSA) for Bitumen Sealing Works. Council has a continuing obligation for bitumen spray and cover works. The prices of all work undertaken by Contractors include labour, plant, equipment, materials and everything necessary to undertake the bitumen sealing works as specified. Works are required to be undertaken in accordance with technical specifications from Department of Transport and Main Roads (TMR).

The PSA is for the purpose of supplying and delivering bitumen reseals on designated Council roads in accordance with the annual bitumen reseal program as well as other road construction and maintenance works including minor reseals.

The current PSA arrangement for Bitumen Sealing Work expires on 30 June 2022. Tenders were invited for the replacement PSA and four submissions were received. The recommendation is to appoint all four contractors including FGF Bitumen Pty Ltd, Koppen Bitumen, Pioneer North Queensland Pty Ltd and Boral Resources (Qld) Pty Ltd. Three

Contractors have previous experience with Council, are incumbents on the current PSA, are well-resourced and work to a satisfactory standard. The fourth contractor (Koppen Bitumen) is an unknown entity to Council, however their associated companies (Koppen Construction and NQ Asphalt) are well known to Council and are appointed on other Council arrangements. The proposed PSA term is for two years with two extension options of up to a further 12 months each at Council's discretion.

The expenditure over the last financial year (2020/21) was approximately \$2.5 Million excluding GST. The anticipated expenditure annually is expected to be approximately \$2.5 million to \$3 Million.

### **BACKGROUND:**

Council invited tenders pursuant to section 228 and section 233 of the *Local Government Regulation 2012* (Qld) (Regulation). The tender for PSA 2822 was released on 9 April 2022 and closed on 5 May 2022. A total of four submissions were received from the following Contractors:

1. Boral Resources (QLD) Pty Ltd – Trading as Boral Asphalt Queensland
2. FGF Bitumen Pty Ltd
3. Koppen Construction Pty Ltd – Trading as Koppen Bitumen
4. Pioneer North Queensland Pty Ltd

Each tender submission was checked for conformance and evaluated and scored by the evaluation panel based on standard qualitative criteria, which included the following:

- Criteria A – Relevant experience and past performance – 10%
- Criteria B – Key personnel and technical skills – 10%
- Criteria C – Resources and management systems – 15%
- Criteria D – Understanding and methodology – 15%
- Criteria E – Business profile – 10%
- Criteria F – Value for money – 40%

The evaluation panel consisted of the following members:

- Executive Manager Cairns Works Construction
- Bitumen and Asphalt Supervisor, Cairns Works Construction
- Construction Project Manager, Cairns Works Construction

### **COMMENT:**

Previously, approximately half of bitumen sealing works have also been undertaken under an FNQROC contract, FNQ020 – Regional Bitumen Reseal. However last year Council opted not to engage in the regional reseal program as the contractor appointed was not local.

For many years, rates under the FNQROC arrangement have been equivalent to the rates submitted on Council's PSA. In consultation with key stakeholders, it was recommended that Council do not enter into a regional bitumen reseal arrangement with FNQROC for the next annual reseal program. This was also to ensure Council engages only local contractors where possible.

Due to very high demand during the term of this PSA and Council from time to time competing with Main Roads for bitumen reseal Contractors, it is advantageous to Council to appoint all four Tenderers onto this PSA, in no order of preference and contractors will be evaluated on performance and pricing. In the first instance, the most competitive contractors will be provided opportunities due to the quality of their responses and competitive pricing.

### **OPTIONS:**

#### **Option 1:** (Recommended)

It is recommended that Council:

Awards Preferred Supplier Arrangement (PSA) 2822 and appoints Boral Resources (QLD) Pty Ltd, (trading as Boral Asphalt Queensland), FGF Bitumen Pty Ltd, Koppen Construction Pty Ltd, (trading as Koppen Bitumen) and Pioneer North Queensland Pty Ltd onto PSA 2822, in no order of preference, for a term of two years commencing 1 July 2022, with two extension options of up to 12 months each, available at Council's discretion.

#### **Option 2:**

It is recommended that Council does not endorse PSA 2822 Bitumen Reseal Works and adopts an alternative course of action.

### **CONSIDERATIONS:**

#### **Risk Management:**

There are current delays and shortages in the supply chain of various products and materials, it is envisaged that the provision of a works program will enable contractors to plan accordingly to meet operational requirements. Fuel and bitumen pricing also continues to fluctuate, to mitigate and manage price increase requests in relation to these input costs the PSA documents requested information on the Rise and Fall component for fuel and bitumen, including what rate per litre of fuel was allowed for in the Contractors calculation (Brisbane Gate Rate) at time of submission and what percentage of the hourly rate is the fuel component. This will enable an accurate and equitable evaluation of potential price variation requests.

#### **Council Finance and the Local Economy:**

The annual spend over the last financial year (1 July 2020 to 30 June 2021) was approximately \$2.5 million excluding GST. Future expenditure is anticipated to be approximately \$2.5M to \$3M. The budget for PSA 2822 sits within the overall capital works budget.

All work will be undertaken by locally based contractors employing local employees and, in some instances, local sub-contractors. Quarry products used are also produced locally or within the region.

Corporate and Operational Plans:

The services forming the basis of this PSA relate to the following goals in Council's Corporate Plan 2021 to 2026:

- **Robust Economy:** Supporting a diversified and resilient economy that back business innovation, growth and jobs. The strategy relates to "Promote and protect the growth of diverse industries and small businesses".
- **Community and Culture:** Fostering a vibrant and healthy community where everyone feels they belong. The strategy relates to "Provide spaces and programs for the wellbeing of the community".
- **Focused Council:** Being a leader in local government. The strategy relates to "Ensure decision-making is collaborative, transparent and accountable".

Statutory:

This tender process has been conducted in accordance with legislative requirements under the *Local Government Act 2009* and the *Local Government Regulation 2012*.

Policy:

The tender process was undertaken in accordance with Council's adopted Procurement Policy.

**CONSULTATION:**

Procurement has consulted with the main stakeholders in Cairns Works Construction to identify and discuss the requirements and scope of this PSA. The Procurement Coordinator in FNQROC was also consulted to determine the future arrangements for the FNQROC regional bitumen sealing program and whether the existing contract will be extended for a further 12 months. If extended, this does not align to Council's program timelines.



Martin Perkowicz  
Executive Manager Cairns Works Construction



Gary Everson  
A/Director Cairns Infrastructure and Assets