

Item 5.**Tender - T2020-09 - SSROC - Sustainable Pavements - Road Construction Materials and Related Services**

File No: X080459

Tender No: T2020-09

Summary

This report provides details of the tenders received by Southern Sydney Regional Organisation of Councils (SSROC) for Sustainable Pavements - Road Construction Materials and Related Services.

SSROC is an association of 11 councils in the southern region of Sydney. SSROC provides a forum for the councils to deal with common issues, particularly those that cross boundaries and achieve economies of scale. Key issues include procurement, planning, environment, transport, sustainability and waste management.

In late 2020, SSROC conducted a tender for sustainable road construction materials. In addition to the 11 SSROC member Councils, up to five non-member Sydney region Councils have also participated in the tender, making it the largest council-led procurement of its kind in NSW.

The objective of the tender was to maximise the use of recycled content in the manufacture of asphalt and concrete used in road making and repairs and to ensure competitive pricing through the scale and opportunities offered in the delivery of the City's capital works and maintenance programs.

The tender has been evaluated and awarded by SSROC for an initial three-year period. There are two options, each of a period of one year available under the agreement subject to satisfactory performance.

This report recommends that Council accept the tender offer of Tenderers 5, 11, 12 and 24 for Road Construction Materials and Related Services under this contract.

Recommendation

It is resolved that:

- (A) Council accept the tender offer of Tenderers 5, 11, 12 and 24 from the list of Tenderers in Table 2 of Attachment B to the subject report for the provision of Sustainable Pavements - Road Construction Materials and Related Services for the schedule of rates outlined in Confidential Attachment C to the subject report for a period of three years, with the option of a further two extensions of one year each, subject to satisfactory performance;
- (B) Council note that the quantity and value of works undertaken will be subject to the maintenance and individual project funding included in the City's Operating and Capital Works budgets and future year forward estimates;
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the tender; and
- (D) authority be delegated to the Chief Executive Officer to exercise the options referred to in clause (A), if appropriate, and negotiate the price to extend the contract accordingly.

Attachments

- Attachment A.** SSROC Regional Glass Flow Analysis
- Attachment B.** SSROC T2020-09 Paving the Way Program Procurement Report - Sustainable Pavements (Confidential)
- Attachment C.** SSROC Tender T2020-09 - Price and Schedule of Rates (Confidential)
- Attachment D.** City of Sydney Tender Evaluation Summary (Confidential)

Background

1. The City of Sydney is a member of the Southern Sydney Regional Organisation of Councils (SSROC), an association of 11 Councils, established in 1986.
2. SSROC provides a forum for the councils to deal with common issues, particularly those that cross boundaries and achieve economies of scale. Areas of common interest include procurement, planning, environment, transport, sustainability and waste management.
3. One of SSROC's roles is to act as a facilitator of joint procurement activities to enable individual councils to benefit from economies of scale.
4. SSROC councils also recognise their strategic position to drive end markets for Australian-recycled content, stimulating infrastructure investment and job growth.
5. China's 2017 National Sword policy and the subsequent Council of Australian Governments' (COAG) decision in 2019 to ban exports of a range of unprocessed recyclable materials revealed a critical shortage of domestic markets and infrastructure to process materials for use in a circular economy.
6. The lack of viable end markets for recyclable materials threatens the continuity of kerbside recycling services, increases price pressure for councils and residents, and threatens to lose valuable resources to landfill.
7. Commencing in 2018, SSROC ran a series of forums bringing together key stakeholders in government and industry to explore challenges and opportunities to increase the use of recycled glass in common materials used in civil works.
8. Value chain and material flow analysis, undertaken by SSROC, confirmed that the use of Recycled Crushed Glass (RCG) in the manufacture of civil works materials will not reduce feedstock for bottle manufacturing, and that there is no local market for about 35 per cent of recoverable kerbside glass collections in the Sydney region. This has reduced the value of kerbside glass, leading to stockpiling and interstate transport where civil works applications are more developed.
9. A working group was formed, including representation from City staff. The working group worked closely with NATSPEC - a national not-for-profit organisation that seeks to improve the construction quality and productivity of the built environment through leadership of information. The working group supported NATSPEC in the development of their AUS-SPEC specification for recycled materials in civil works, as well as with Roads and Maritime Services (RMS) and Transport for NSW to strategically align parallel approaches to the market and increase government and industry confidence in Recycled Crushed Glass. Both NATSPEC and Transport for NSW released updated specifications in 2019 establishing Recycled Crushed Glass as a safe and high-performing alternative to natural sand in civil works.
10. The Lord Mayor of Sydney signed a Memorandum of Understanding in March 2020 to prioritise recycled materials in procurement, where cost and quality requirements are met. The Memorandum of Understanding was also signed by the other 10 SSROC member councils and has since been joined by Northern Beaches Council, Willoughby City Council, Ryde City Council and Hornsby Shire Council.

11. It is estimated that the aggregated quantities on offer through this joint procurement initiative will double the demand for Recycled Crushed Glass within NSW. The aggregated demand provides a signal to drive end markets for recycled materials, creates a favourable environment to invest in critical reprocessing infrastructure, and secures the cost-effective provision of sustainable materials and services for councils without compromising performance or safety.
12. SSROC publicly invited Tenders for various categories of work for an initial contract period of three years and, subject to satisfactory performance, an option to extend for up to two 12-month extensions.
13. Tenderers had the option of tendering for inclusion on a panel to provide services for one or more of the following categories of work:
 - (a) Category 1 – Supply of Asphalt - Ex bin/delivery
 - (b) Category 2 – Supply and Lay Asphalt
 - (c) Category 3 – Pavement Profiling and Reinstatement (Mill & Fill)
 - (d) Category 4 – Asphalt Pavement Patching
 - (e) Category 5 – Concrete Pavement Patching
 - (f) Category 6 – Pavement Stabilisation
 - (g) Category 7 – Pavement Rejuvenation Treatments

Invitation to Tender

14. A Request for Tenders was advertised in The Sydney Morning Herald and hosted by Bayside City Council via Tenderlink 1 September 2020, and closed 13 October 2020.

Tender Submissions

15. There were 27 submissions, as follows:
 - All Pavement Solutions Pty Ltd;
 - ANJ Paving Pty Ltd;
 - Asphalt Laying Services;
 - Bigeni Pty Ltd;
 - Bitupave / Boral Asphalt;
 - Citywide Civil Works;
 - Civeco Pty Ltd;
 - Colas Australia - (later withdrawn as duplicate submission with Colas Solutions);

- Colas Solutions Pty Ltd;
- D & M Excavations;
- Downer EDI Works;
- Fulton Hogan;
- Hiway Stabilizers;
- Mack Civil;
- NA Group;
- New South Wales Kerbing;
- Northshore Paving Co P/L;
- Ozpave Aust Pty Ltd;
- Planet Civil Pty Ltd;
- RL Civil Works Pty Ltd;
- Roadworx;
- SAF Group;
- Stabilised Pavements of Australia SPA;
- State Asphalt Services Pty Ltd;
- State Civil Pty Ltd;
- Stateline Asphalt Pty Ltd; and
- T L Excavations Asphalting Pty Ltd.

16. No late submissions were received.

Tender Evaluation

17. The Tender Evaluation Panel was chaired by a technical consultant engaged by SSROC and comprised City of Sydney staff, representatives from five other SSROC member councils, an independent probity consultant and SSROC's Strategic Procurement and Contracts Manager.
18. All members of the Tender Evaluation Panel signed Pecuniary Interest Declarations. No pecuniary interests were noted.

19. All submissions were assessed in accordance with the approved evaluation criteria being:
 - (a) proven capacity to meet the requested requirements including:
 - (i) past performance; and
 - (ii) capacity to meet current service commitments;
 - (b) service standards including:
 - (i) methodology; and
 - (ii) Implementation Plan;
 - (c) Work Health & Safety;
 - (d) demonstrated environmental management, sustainability and social success;
 - (e) quality assurance systems;
 - (f) references; and
 - (g) Schedule of Rates for the services.
20. Tenderers 16 and 22 from the list of Tenderers in Table 2 of Confidential Attachment B did not meet the threshold of 70 per cent for their responses to qualitative criteria (a) to (f) and were not progressed further.
21. The relative ranking of Tenders for each category, as determined from the total weighted score, is provided in the SSROC Paving the Way Procurement Report for Tender T2020-09 (Confidential Attachment B).
22. The SSROC Paving the Way Procurement Report for Tender T2020-09 (Confidential Attachment B) was endorsed by the SSROC Councils General Managers Group in February 2021.

City of Sydney Working Group

23. An internal City of Sydney working group was formed to select preferred suppliers for delivery of services to the City. All members of the working group signed Pecuniary Interest Declarations. No pecuniary interests were noted.
24. The working group agreed to select four tenderers as preferred suppliers from the approved tenderer list. The selection of four tenderers provides the City with both the capacity and flexibility to deliver services. Tenderers will be awarded work based on pricing and capacity to meet program delivery needs. Confidential Attachment D contains the City's evaluation and selection of the four recommended Tenderers.
25. It was also agreed that accepting the offers of Tenderers 5, 11, 12 and 24 for all categories would provide future service delivery opportunities for the City throughout the term of the contract.

Performance Measurement

26. The City will ensure that the successful tenderers meet the required performance standards by:
 - (a) conducting regular meetings with the contractor;
 - (b) carrying out regular reviews and monitoring key outputs to ensure the contractor remains on track with regards to the program and the quality of works; and
 - (c) ensuring the delivery of outputs in accordance with the specification and program, including the reporting on environmental performance and recycled material use.

Financial Implications

27. It is estimated that there will be approximately \$10 million of services procured using this contract during the initial three year contract term, with a further \$5 million estimated for each year of the two options to extend.
28. The rates on offer through this Tender compare favourably to rates available in previous contracts on which works programs are based.
29. There are sufficient funds allocated for these works within the draft 2021/22 Road Renewal capital works budget and road maintenance operating budgets and future years' forward estimates.
30. The quantity of work awarded each year is subject to approved capital works programs and maintenance activities required to achieve desired service levels for the City.
31. The City does not guarantee any minimum quantity of works in any year.
32. The procurement of services under this tender will require the payment of a 0.75 per cent Management Fee to SSROC. A comparison of the tender schedule of rates to the most recent procurement of similar services confirm that this fee will be comfortably accommodated within the savings achieved.

Relevant Legislation

33. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Procurement and Contract Management Policy.
34. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

35. Attachments B, C and D contain confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
36. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

37. The SSROC Preferred Supplier Master Agreement (PSMA) contract period is for three years with two optional 12-month extensions, based on performance. The Preferred Supplier Master Agreement commencement date is 1 July 2021.
38. The initial contract term will end on 30 June 2024.

Options

39. An alternative option is for the City to conduct its own Request for Tender process to procure asphalt and road pavement construction services. This option is not recommended as:
 - (a) The volumes on offer to industries through this joint procurement initiative provides the driver for private sector investment into the processing of recyclable materials suitable for road construction and leads to considerable environmental benefits.
 - (b) The City would not benefit from the available economies of scale received by SSROC.

40. Another alternative option is to use the Bitumen, Emulsions and Asphalt Materials and Services tender through Local Government Procurement (LGP). This option is not recommended as:
- (a) The volumes on offer to industries through this joint procurement initiative provides the driver for private sector investment into the processing of recyclable materials suitable for road construction and leads to considerable environmental benefits.
 - (b) The rates on offer through the SSROC tender compare favourably to rates for services recently procured through the LGP contract.
 - (c) The LGP contract is due to expire on 30 June 2021. LGP may exercise options to extend the contract for up to two further years. At the expiry of this contract, the City's option would be to conduct its own Request for Tender process for these services.

VERONICA LEE

Director City Services

Stephen Audet, Acting Chief Engineer