

Full Council

26 June 2025

Report for Agenda Item | Rīpoata moto e Rāraki take [11]

Department: Property & Infrastructure

Title | Taitara: Roothing Maintenance Contract 2027 Procurement Plan

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to present the procurement plan for Queenstown Lakes District Council's (QLDC) next Road Maintenance Contract for Council's approval. QLDC owns a 905km long land transport network which requires regular maintenance that is outsourced. The current road maintenance contract commenced in 2016 and expires on 31 March 2027.

This report presents the procurement plan, which if approved will enable development of tender documentation, sourcing of a contractor and continuity of these services from 1 April 2027.

Recommendation | Kā Tūtohu

That the Council:

1. **Note** the contents of this report;
2. **Approve** the attached Roothing Maintenance Contract 2027 Procurement Plan.
3. **Delegate** authority to the Chief Executive to enter into a contract up to a maximum value, term, and scope as defined within the procurement plan.
4. **Authorise** the Chief Executive to negotiate final terms with the successful party and execute the contract for the initial term of 5 years, and award either of the extensions.

Prepared by:



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26 May 2025

Reviewed and Authorised by:



Name: Tony Avery
Title: GM – Property & Infrastructure
5 June 2025

Context | Horopaki

1. QLDC uses external contracting services to maintain its roading network, which spans approximately 905km of roads within the Queenstown Lakes District (580km sealed and 325km unsealed).
2. At a high level, the existing contract scope covers asset data collection and input, and the inspection, programming and maintenance of assets such as road and footpath pavements, markings, drainage, signage, vegetation, and structures. Some other key aspects include renewals, emergency response and winter maintenance. Further detail on the scope is included in the attached procurement plan.
3. The principal objectives of the proposed contract are to provide a safe, functional and sustainable road network that is well maintained in an efficient and cost-effective manner.
4. The existing supplier is Downer New Zealand, under CT16-007, which commenced on 1 October 2016 and expires on 31 March 2027. The annual value of this contract is currently \$7.8m for operational maintenance and \$2.5m for renewals. There is uncertainty in emergency works costs, with a mean annual cost since commencement of the contract of \$897k, varying between \$263k in 2022/23, and a projection of \$2m for 2024/25.
5. A new contract is required to ensure continuity of these services. In accordance with QLDC's Procurement Policy, to determine the financial threshold, the whole of life cost must be considered, and because of the value estimated at \$17.5m per annum and up to \$176.5m over the life of the contract, this procurement plan requires Full Council approval. A breakdown of these costs is included in the procurement plan, with the increase compared to the existing costs being predominantly related to the recommended inclusion of district-wide resealing, which currently costs \$4.5m per annum.
6. A series of market engagement exercises have progressed so far, including with New Zealand Transport Agency/Waka Kotahi (NZTA) and neighbouring councils, workshops with staff and the Infrastructure Committee, and feedback sought from the incumbent supplier and prospective suppliers, to inform factors such as Council's preferred contract model, term and scope. This has been completed in the Road Efficiency Group (REG) contract model selection tool format, informing the recommended option.
7. It is the Council's intention to procure the services of a maintenance contractor who can demonstrate that they understand road network asset management in a rural and urban setting, have the ability to recognise infrastructure faults, and determine and carry out the appropriate interventions in a timely manner to protect the infrastructure and provide a safe, reliable and cost-effective road network now and in the future.
8. Council envisages awarding a contract with an initial five year term, with potential for two further terms of three years each, depending on performance. This initial term allows for a return on the investment period required for the contract establishment leading to greater market interest

and competitive pricing, while the three year potential extensions provide efficiencies from long term relationships and network knowledge. This approach has been included in Council's Strategy for Procurement of Transport Infrastructure which NZTA must also approve as a funding requirement for the 51% Funding Assistance Rate that Council receives, particularly because the possible term sought exceeds five years. While the proposed overall term is at the upper end of typical contract durations, the approval process will not delay procurement as the initial five year term complies with NZTA's funding rules. The strategy is awaiting NZTA's approval and would be published on Council's website once approved.

9. The existing contract is a traditional model, based on the NZS3917:2013 standard. The contract allocates risk and responsibilities, enables price certainty for Council via a schedule of prices and a target cost. The contract includes some performance-based aspects, introducing an incentive for contractor innovation within lump sum components.
10. Alternative models such as alliancing, encourage collaboration and incentivise innovation. They share risks and decisions jointly. They require strong adherence to alliance principles to see success, requiring a high level of client involvement. The risks such as exposure to cost overruns and lack of price tension were not seen as outweighing the benefits for a relatively well prescribed maintenance contract.
11. Officers have concluded that the existing contract model is delivering effectively and recommend that the new contract take a similar form. Various opportunities identified through the market engagement exercises will be explored and concluded through the detailed tender documentation, with a desire to ensure the contract facilitates innovation and collaboration as appropriate within a traditional model, through mechanisms like the Key Performance Indicators (KPIs).
12. An external subject matter expert has been engaged through an open tender process to complete the detailed tender documentation on this basis. They commenced some initial work in May 2025, however the majority of document preparation will occur following approval of the procurement plan and is scheduled to occur between July and December 2025.
13. Procurement would commence early in 2026 with a view to awarding a contract mid-2026 allowing for at least six months lead time before the new contract commences.
14. The benefits are being assessed of including various services that are currently delivered under separate arrangements by QLDC but are often part of roading maintenance contracts. These are resealing, pavement rehabilitations, minor improvements, streetlighting, traffic signals and more strategic asset data management services. The procurement plan, which contains further rationale, recommends including traffic signals in the new road maintenance contract, along with resealing and minor aspects of QLDC's pavement rehabilitation and minor improvements programmes as provisional items, with a final decision on inclusion to be made post-tender, based on value for money and market analysis. Streetlighting is recommended to remain a standalone contract. Strategic asset data management capability is being built in-house through QLDC's Strategic Asset Management team. The scope of what is delivered by either Council or

the contractor will be explored in the tender document development, with a key focus of the new contract to ensure good asset data collection and use.

Analysis and Advice | Tatāritaka me kā Tohutohu

15. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.

16. Option 1 Approve the procurement plan as proposed

Advantages:

- Allows contract procurement to proceed per programme, ensuring adequate time for document preparation, tendering, evaluation and mobilisation of contractors before commencement.
- Provides increased certainty of a positive tender response and enhances market confidence via early clarity on the contract model.
- Reduces delivery risk maintaining continuity of roading services when the current contract expires in 2027.
- Builds on a proven contract model, with refinements to address lessons learned and opportunities identified through market engagement.

Disadvantages:

- None identified.

17. Option 2 do not approve the current procurement plan and direct staff to undertake further investigation of alternative contract models

Advantages:

- Allows time to explore alternative delivery models if Council has an appetite to shift away from a traditional contract model.

Disadvantages:

- Delays progress and will compress timeframes for document preparation, tendering, evaluation and mobilisation of contractors before commencement.
- Introduces uncertainty around the future contract model, taking time and resources to resolve and increasing the risk of failure to award before the current contract expires.

18. This report recommends **Option 1** for addressing the matter because it provides timely assurance of the contract model in turn maximising time available for officers to develop quality tender documentation, and for the supplier market to submit bids and the appointed contractor to establish.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

19. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy 2024. Although the contract value is significant, it is consistent with existing strategy and service levels, and budget has already been allocated through the 10-year Plan.
20. The persons who are affected by or interested in this matter are the residents/ratepayers of the Queenstown Lakes district community, and any visitors that may use the roads.
21. The Council will undertake informal engagement with the supplier market and will also issue an advance notice on Government Electronic Tender Service (GETS) to build supplier interest and encourage market readiness to bid.

Māori Consultation | Iwi Rūnaka

22. The Council has not undertaken any specific iwi consultation on this matter.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

23. This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK10021 Ineffective operations and maintenance of property or infrastructure assets and RISK10028 Ineffective procurement within the QLDC Risk Register. This risk has been assessed as having a very high residual risk rating.
24. The approval of the recommended option will allow Council to retain the risk at its current level. This will be achieved by engaging appropriately qualified contractors with sufficient lead in time to ensure uninterrupted delivery of service.

Financial Implications | Kā Riteka ā-Pūtea

25. The table below provides the budget available and is aligned to the adopted 2024-34 Long Term Plan (LTP).
26. As the contract spans LTP periods with plans not yet adopted, it is anticipated that the value will be amended over time to account for cost fluctuations and district growth. Both of these are managed under established mechanisms aligned to industry within the existing contract and will feature in the proposed contract. For example, cost fluctuations are managed in accordance with

NZTA's maintenance index, and network growth is accounted for through annual updates to the schedule of quantities accounting for adjustments to cyclic maintenance such as street sweeping, road marking or unsealed road grading. The funding profile in the table below is uninflated, in today's dollars and does not account for these factors beyond an estimate to 2027 as they are unknown at this point in time. As a result, future budget costs may be higher than shown below.

Financial year	Amount	Funding type
2026/27 (3 months)	\$3.5m	Capex \$1m Opex \$2.5m
2027/28	\$17.5m	Capex \$8.5m Opex \$9m
2028/29	\$17.5m	Capex \$8.5m Opex \$9m
2029/30	\$17.5m	Capex \$8.5m Opex \$9m
2030/31	\$17.5m	Capex \$8.5m Opex \$9m
2031/32	\$17.5m	Capex \$8.5m Opex \$9m
2032/33	\$17.5m	Capex \$8.5m Opex \$9m
2033/34	\$17.5m	Capex \$8.5m Opex \$9m
2034/35	\$17.5m	Capex \$8.5m Opex \$9m
2035/36	\$17.5m	Capex \$8.5m Opex \$9m
2036/37 (9 mo)	\$15.5m	Capex \$8.5m Opex \$7m
Opex total	\$90.5m	
Capex total	\$86m	

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

27. The following Council policies, strategies and bylaws were considered:

- Alignment with and consideration of the principles of the Strategic Framework including the Vision Beyond 2050: Our Strategic Framework | Queenstown Lakes District Council by Directly investing in infrastructure and services.
- QLDC Strategy for the Procurement of Transport Infrastructure
- QLDC Land Transport Asset & Activity Management Plan
- QLDC Procurement Policy

- QLDC Climate and Biodiversity Plan

28. The recommended option is consistent with the principles set out in the named policies.

29. This matter is included in the Long Term Plan/Annual Plan

Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

30. Section 17A of the Local Government Act 2002 requires that a local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services and performance of regulatory functions.

31. This has been completed, and the outcome concluded that QLDC would continue to procure its own roading maintenance contract but there are opportunities for efficiency to be explored.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

32. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. Well maintained roads are essential to all of these factors. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

33. The recommended option:

- Can be implemented through current funding under the Long Term Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

A	Procurement plan
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