

Greenhill Quarry – Lease and Contract Award

Meeting: Kaipara District Council
Date of meeting: 26 August 2020
Reporting officer: Jim Sephton, GM Infrastructure Services

Purpose/Ngā whāinga

To seek Council approval to enter into a Deed of Lease to operate the Council-owned Greenhill Quarry, and to award a contract to quarry and supply aggregate material from the Greenhill Quarry for use on Council's roading network.

Executive summary/Whakarāpopototanga

Significant quantities of aggregate material (metal) are required for use on the Poutō Road seal extension project, and also for maintenance of Council roads on the Poutō peninsula.

Tender submissions have been received to occupy and quarry the Council-owned Greenhill Quarry which is located approximately six kilometres south of Te Kopuru.

Entering into a new lease agreement to occupy the Greenhill Quarry, and, due to its value, to award a contract to quarry the site and provide the metal both require the approval of Council.

Recommendation/Ngā tūtohunga

That the Kaipara District Council:

- a) Approves that a Deed of Lease – Greenhill Quarry, between Kaipara District Council and Broadspectrum NZ Ltd, be prepared by Council's legal advisors with an ability for Council to terminate the lease on six months notice, which notice can be given at any time under section 8(6) of the Public Bodies Leases Act 1969, but with an end date no later than 30 June 2026 to coincide with the final expiry date of Contract 888.
- b) Delegates authority to the Chief Executive to execute the Deed of Lease – Greenhill Quarry subject to the necessary resource consents being acquired prior to executing the Lease.
- c) Approves the award of Contract CON961 – Greenhill Quarry Operation to Broadspectrum NZ Ltd for the contract price of \$1,406,500 + GST subject to the Deed of Lease – Greenhill Quarry being executed by both parties to the Lease.

Context/Horopaki

The Kaipara KickStart (KKS) Programme includes the widening and sealing of approximately 21km of Poutō Road (100% Provincial Growth Fund funded). It is estimated that approximately 96,000m³ of crushed aggregate material (metal) will be required for the seal extension project.

Usually Council would require tenderers to submit a rate to both purchase and supply the aggregate metal for roading construction contracts i.e. under this scenario the tenderers' rates would also include the purchase cost of the metal supplied by a commercial quarry.

Council owns Greenhill Quarry which is located on the east side of Poutō Road approximately six kilometres south of Te Kopuru. Metal from the quarry has previously been used for maintenance on Council roads on the Poutō Peninsula with an annual volume of 5,000m³ (this was the volume that could be quarried annually as a permitted activity at the time). The metal is not sold commercially.

The next closest commercial quarry that could supply the metal to the Poutō peninsular is approximately 24km further away from the Greenhill Quarry (i.e. a 48km round trip) at Arapohue.

Utilising Council's Greenhill Quarry to provide the metal for the seal extension project would result in direct savings by reducing transportation costs. Council would however require a quarry operator to quarry the raw material and provide the aggregate metal.

Discussion/Ngā kōrerorero

Tenders were invited under *CON961 – Greenhill Quarry Operation* from local suppliers to quarry the Greenhill Quarry to supply the metal for the Poutō Road seal extension project. Tendered prices were received from Broadspectrum NZ Ltd, and Huband Contractors Ltd ranging from \$1,406,500 + GST to \$1,648,157.70 + GST respectively.

Under this scenario, Council would provide the aggregate metal (ex Greenhill Quarry) to the successful contractor of the Poutō Road seal extension contract. This would result in the tendered price being approximately \$1.2m less than if the contractor was required to purchase the metal from a commercial quarry.

The direct nett savings as a result of reduced transportation distances by utilising Council's Greenhill Quarry are estimated to be in the order of \$750,000.

In summary:

- i. Council would pay Broadspectrum approximately \$1.4m to quarry the Greenhill Quarry to produce the aggregate material required for the Poutō Road seal extension project.
- ii. The Poutō Road seal extension contractor's tendered price is estimated to be \$2.15m less than if the contractor was required to purchase and transport the metal from the next closest commercial quarry at Arapohue.
- iii. Nett direct cost saving estimated to be in the order of \$750,000 (\$2.15m less \$1.4m).

Utilising Council's Greenhill Quarry would also reduce nuisance to the adjacent residents and road users, possibly reduce the risk of accidents, as well as mitigating carbon emissions and significant heavy vehicle movements on Council's roading network that would otherwise exacerbate the affected roads' rate of deterioration and bring forward their rehabilitation.

Greenhill Quarry has also traditionally been offered to the successful tenderer of Council's Roothing Maintenance contract. This contract (Contract 888) was awarded to Broadspectrum NZ Ltd and commenced on the 01 July 2018. The contract expires on the 30 June 2022, with provision for three renewals with final expiry being 30 June 2026.

Council has in the past entered into a lease agreement with the operator of the quarry and it is proposed to continue on this bases and enter into a lease agreement with Broadspectrum NZ Ltd to occupy and quarry the site. The lease agreement would be prepared by Council's legal advisors to ensure compliance with the relevant acts and would have an ability for Council to terminate the lease on six months notice, which notice can be given at any time under section 8(6) of the Public Bodies Leases Act 1969, but with an end date no later than 30 June 2026 to coincide with the final expiry date of Contract 888.

Under Council's delegations, staff do not have authority as property owner, lessor or licensor to assign and surrender leases and licenses. A resolution of Council is required in order for Council to enter into any new lease agreement.

A lease agreement would allow Broadspectrum NZ Ltd to occupy and quarry the site to provide the metal for both the Poutō Road seal extension project, and also for maintenance of Council roads on the Poutō peninsula.

As the aggregate metal would be made available at no cost to all parties tendering on the Poutō Road seal extension contract, Broadspectrum NZ Ltd would not have any commercial advantage as the lessee of the Greenhill Quarry.

Due to the relatively large volumes of metal required, resource consents are required from both the regional and district councils. Applications are being prepared and will be lodged shortly. The lease would not be finalised until these consents have been acquired.

Council has commenced engagement with representatives of the local Ripia Marae regarding the use of the Greenhill Quarry and the associated resource consent application. The site is of significant cultural importance to the marae however, the marae acknowledges the benefits sealing of the road would bring to the people on the Poutō peninsular. Further discussions will be undertaken with the marae on how to address any concerns raised such as ensuring a blessing of the site is undertaken prior to the commencement of any works, and also options to remediate the used quarry to provide a community asset on the reserve (refer Attachment A). This would be best achieved through a Cultural Impact Assessment. Discussions will also be progressed with Te Uri O Hau to ensure any environmental concerns are addressed.

Options

Option A – Council resolves to award Contract *CON961 – Greenhill Quarry Operation* to Broadspectrum NZ Ltd for the contract price of \$1,406,500 + GST, and to enter into a lease agreement with Broadspectrum NZ Ltd to occupy and quarry its Greenhill Quarry site with an ability for Council to terminate the lease on six months notice, but with an end date no later than 30 June 2026 to coincide with the final expiry date of Contract 888:

This option provides significant savings by reducing transportation costs estimated to be in the order of \$750,000, reduces nuisance to the adjacent residents and road users, possibly reduces the risk of accidents, as well as mitigating carbon emissions and significant heavy vehicle movements on Council's roading network that would otherwise exacerbate the affected roads' rate of deterioration and bring forward their rehabilitation.

Option B – Council declines to award Contract *CON961 – Greenhill Quarry Operation* to Broadspectrum NZ Ltd for the contract price of \$1,406,500 + GST, and/or to enter into a lease agreement with Broadspectrum NZ Ltd to occupy and quarry its Greenhill Quarry site with an ability for Council to terminate the lease on six months notice, but with an end date no later than 30 June 2026 to coincide with the final expiry date of Contract 888:

This option would require the metal to be purchased from a commercial quarry further away resulting in significant additional costs estimated at \$750,000, nuisance to the adjacent residents and road users, possibly increase the risk of accidents, increase carbon emissions and significant heavy vehicle movements on Council's roading network exacerbating the affected roads' rate of deterioration requiring earlier rehabilitation.

Option A is the recommended option.

Policy and planning implications

Resource consents to quarry the site are required from both the regional and district councils.

Financial implications

Utilising Council's Greenhill Quarry to provide the metal for the seal extension project would result in direct savings by reducing transportation costs estimated to be in the order of \$750,000.

Risks and mitigations

The lease agreement would be prepared by Council's legal advisors to ensure compliance with the relevant acts.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

Following the acquisition of the resource consents, finalise the Deed of Lease for execution, and then award Contract 961.

Attachments/Ngā tapiritanga

	Title
A	Notes of meeting with Ripia Marae