

Attachment 10





Jack McKerchar
 Kaipara District Council
 Private Bag 1001
 Dargaville
 NORTHLAND

23 January 2006
 Our Ref: 4241479
 K1:64445-EBJ61L04.DOC

Dear Jack

Mangawhai Ecocare Project - Implementation Phase

Further to discussions over the last few months, we are pleased to submit this proposal for services during the implementation phase of the Mangawhai Ecocare Project.

Overview

Council has now entered into a contract with Earth Tech Engineering (ETE) for the design, construction and 10/15 year operation of a sewerage scheme for the town of Mangawhai. The contract incorporates a Project Deed approach (Design/Build/Finance/Operate) with significant risk transfer to ETE for both the construction and operating periods.

The use of a Project Deed and a non prescriptive approach to tenders, has required considerable investment from a Council perspective in the preparation, bidding, and negotiation of a contract. Now the contract is in place, significantly less supervision and construction management will be required than that which applies under a traditional standard form contract approach. This is due to ETE's warranty and liability obligations that continue for the full operating (concession) period, and the use of abatement regimes for payments under the contract which are applicable for the total concession period where service failures occur. This risk transfer places ETE in a position where it must design and construct the works in a manner which focuses on achievement of performance over the longer term. Close day to day monitoring of the works by a Council consultant is not therefore required.

Council has now requested a proposal for services during the construction period. This includes:

- Administration of the DBFO contract;
- Provision of a periodic technical auditing service;
- Secondment of a person to act in a Council Representative role; and
- Provision of statutory planning advice in relation to a subsidy application and developer contributions.

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Contract Administration Service

The design and consents period is expected to take some six months minimum and has been underway since mid November 2005.

It is hoped that ETE will have obtained a Resource Consent by the end of June 2006. During this period, contract administration requirements remain at a significant level, particularly due to the "Guaranteed Maximum Price" approach to the contract. Council has the potential to reduce costs during this period and share in any savings. In addition, during this period it is important for Council to establish By Laws and procedures for managing a range of issues, if those arrangements are not already in place.

Services during this period will include:

- Receipt and processing of all proposals from ETE including any modifications to the agreed Project Plan, proposed subcontractor pricing, proposed disposal options, and any other matter that might impact on Council;
- Advice on cost and commercial matters effecting the outturn cost of the project;
- Receipt (and commentary as appropriate) on reports received from ETE in relation to project progress, and design and consenting activities; and
- Liaison with ETE Project Director.

The construction period is expected to take some 15 months starting in July 2006. During the construction period, the focus will be on reporting physical progress and any interface issues with landowners regarding access for works. Services during this period will be similar to those described above except that it is expected that any work associated with design proposals and the like will be minimal.

Technical Auditing Service

The nature of delivery mechanism for this project requires ETE to establish its own quality management systems and inspection/monitoring procedures to ensure the project is completed in accordance with agreed Project Plan including any agreed modifications to this plan.

The technical auditing service is targeted at providing Council with confidence that ETE is following its own quality management system and is generally constructing the project to comply with contracted quality standards.

The service during the design and consenting period will include:

- Provision of advice and recommendation in relation to any proposed modification to the Project Plan; and

- Overview of design documentation to determine general compliance with the Project Plan.

Services during the construction period will include periodic (at least quarterly) audit visits to the project to assess whether ETE is implementing agreed quality management systems. Sampling inspections will also be made of critical "as constructed" elements of the project. On completion of each audit visit, summarised audit reports will be produced identifying any non-conformances and providing a general technical assessment of the status of the project.

Council Representative Role

It is recognised that Council has an obligation to maintain clear and open communication with residents and other effected parties during the project implementation phase. During the design and consenting process this will be largely achieved through the Resource Consent application process and a Special Consultative Procedure under the Local Government Act 2002. During the construction phase however Council wishes to be represented within the Mangawhai community. The Council Representative role would include:

- Liaison with residents and other affected parties, and the contractor's local representative;
- Being a referral point for all enquiries passed to Council;
- Provision of feedback and reporting to Council staff in Dargaville;
- Provision of current information to the Project Director administering the contract; and
- Meeting with residents as required to explain the construction of the scheme.

The Council Representative would be based full time in Mangawhai, and would be available to Council for other tasks/other projects.

Planning Support

Council may require support from time to time with statutory planning matters including such things as determination of developer contributions, a Special Consultative Procedure and the Sanitary Works Subsidy Scheme. Support has been provided in the past and resource will be made available in the future as needs arise.

Proposed Personnel

As with the previous commission for the Ecocare Project, Beca will engage EPS Consultants to provide specialist advice in relation to delivery methodology for the project and also to assist with production of documentation associated with the project.

Brent Johnston will be responsible for the overall delivery of the services. He will generally be available to attend to key issues that may arise from time to time. Brent will source and co-ordinate Beca resources on the project.

Peter Elliot of EPS Consultants will provide the Project Director service as nominated in the Project Deed. Mike Ritchie will continue as a documentation specialist.

Technical support for the project is currently being provided by Alan Campbell of Beca who is currently located in Melbourne. Alan was involved with review of the original proposals when he was located in Auckland. Ash Deshpande who is located in Auckland will take over this work including the technical auditing role.

We have interviewed several candidates, both internal and external, for the secondment role of Council Representative. We now offer Melanie Smith for this position. Melanie is a full time Beca employee, having returned to us in November last year. You will see from the attached curriculum vitae that she has site based experience both in New Zealand and overseas and is used to communicating with contractors and other project stakeholders. Melanie has a house in Mangawhai and will be based there for the duration of the project. She will also be available to assist Council on projects, as required, including the Coastal Care project.

Graeme Roberts who is known to Council through previous involvement with the Mangawhai Ecocare and through other work for Council, will lead the provision of any planning services associated with the project.

Fees

We propose the following fee structure for the proposed services.

The administration of the DBFO contract will be charged on a time and disbursement basis up to the completion of the design and consenting phase. We estimate this will require a budget of \$100,000 to 30 June 2006. This budget allows for four trips to New Zealand for the Project Director, the cost of which will be reduced or shared with the Coastal Care project if work can be coordinated. Once the consent is received we propose to bill at a fixed monthly rate of \$7,750 with trips to New Zealand being charged at a flat rate of \$3,000 per trip in addition to the monthly rate. At this stage it is expected the construction duration will be 15 months.

Technical advice on proposed options during the design and consenting phase will be charged on a time and disbursement basis. We recommend that you allow a budget of \$10,000 for this work. Technical audits during the construction phase will be charged at a flat rate of \$3,500 per audit.

We propose to charge the Client Representative at a flat monthly rate of \$16,000 for every month or part month while on full time secondment to the Council. This rate is fully

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inclusive of all costs except for mileage and mobile phone charges that will be charged extra to the monthly rate. Taking into account annual leave and sick leave we would expect the to charge for 13.5 months over the 15 month construction period. In calculating this rate, we have applied close to a 30% discount on our standard rates to recognise the reduced overhead for a full time secondment.

We propose to charge planning support on a time and disbursement basis. At this stage it is not possible to estimate a budget for this work and we will advise a budget on a task basis as you request work to be done.

All time charges will be discounted by 15% from our standard rates to recognise the continuing engagement with Council.

Our proposed fees are summarised as follows

Description	Type	Rate	Quantity	Value
DBFO Administration				
Design and consenting phase	Time	Budget		100,000
Construction phase	Monthly rate	7,750	15	116,250
	Trips	3,000	5	15,000
Technical Audits				
Design and consenting phase	Time	Budget		10,000
Construction phase	Per audit	3,500	5	17,500
Client Representative				
Construction phase	Monthly Rate	16,000	13.5	216,000
TOTAL				\$474,750

Conditions of Engagement

As with the previous commission, our offer of service is based on adopting the IPENZ/ ACENZ Model Conditions of Engagement, June 1997 as the conditions of engagement for this work. Specific Provisions are:

- i. Item 4.1 (ii) Interest on overdue payments shall be 15%.
- ii. Item 5.4 Delete second option.
- iii. Item 5.5 Delete second option.

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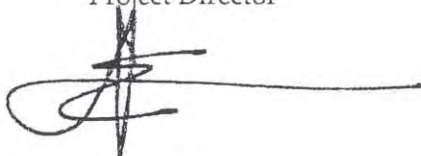
Alternatively, we can offer to contract under the Conditions of Contract for Consultancy Services 2005 if you prefer.

Thank you for your continued support. We look forward to being of service again and to being part of the team for the completion of this important project.

Yours sincerely

Brent Johnston

Project Director

A handwritten signature in black ink, appearing to be 'Brent Johnston', with a long horizontal flourish extending to the right.

on behalf of

Beca Carter Hollings & Ferner Ltd

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