



DIRECTOR SHIRE SERVICES REPORT

18th July 2006

**DSS8 JERSEYVILLE AND GREENHILLS LPGP
SEWERAGE SYSTEMS
FILE: 148 & 224 SLM {Folio No. * }**

SUMMARY:

Reporting on the tenders for the installation of the low pressure grinder pump sewerage system for Jerseyville and Greenhills.



DESCRIPTION:

Tenders were called for the installation of a low pressure grinder pump sewerage system at Jerseyville (Tender 874) and Greenhills (Tender 875) in early May.

Tenders closed 10:00am on Tuesday 30th May 2006. One (1) conforming tender was received for the Jerseyville project and one (1) for the Greenhills project. Two (2) further companies submitted tenders after the closing time (non-conforming) for both projects.

The tender prices of all the tenders received (both conforming and non-conforming) are higher than anticipated and are considered excessive. Following discussions with one tenderer, the reasons for the high tendered price are due to the recent increases in construction costs and the unforeseen variable costs for connecting the existing houses to the new system while upgrading to current standards.

Without the tenderers undertaking site visits to each property, it is thought that tender costs were increased to cover the unknown costs for alterations to the house plumbing and electrical connections. These are difficult to estimate without detailed site inspections due to the age, maintenance and original tradesperson's workmanship.

Construction costs have risen dramatically in the past couple of years. Hunter Water Australia has reported that overall the costs

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for construction in New South Wales have risen by approximately 30 - 50%, with some up to 200%. The increased costs can be attributed to be the worldwide mining boom, which has taken a large section of "skilled" labourers away from other projects. The remaining labourers are taking advantage of the additional demand by raising their labour costs.

In addition to the increased labour costs is the increased cost of fuel throughout Australia. This cost is incorporated into the cost of materials as well as the cost of construction, in the form of increased operational costs for vehicles and machinery.

The increases are evident in the tenders submitted for both Jerseyville and Greenhills. The estimated costs for both schemes were calculated in the past couple of years, and the tenders received are above the original estimates. It should be noted that the costs for other sewerage systems originally tabled as possible options, have also risen by similar amounts as they too are subject to the increased fuel and labour costs.

REPORT IMPLICATIONS:

- ***Environmental***

Failing septic systems present an unpleasant situation and a considerable environmental concern. These properties have septic waste surfacing on the ground across the backyards and into the properties behind and adjacent. The stench and health issues are occurring in their own and neighbouring property.

- ***Social***

Sewering these properties is the only way to properly address the health risks to the owners and the more general community. The improvement to the amenity of these properties would be significant.

- ***Economic (Financial)***

An amount of \$295,000 of the budget remains unexpended for the sewerage of Jerseyville.

An amount of \$867,000 of the budget remains unexpended for the sewerage of Greenhills and Aldavilla areas.

- ***Policy or Statutory***

There are no impacts at this time.

- ***Director's Review***

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The provision of a sewerage service to both Jerseyville and Greenhills should be undertaken to overcome existing environmental and health issues. It is anticipated that better value for money will be obtained by altering the scope of the work and by calling new tenders. This will however result in a delay in the delivery of the project.

RECOMMENDATION:

- 1 That the tenders for the installation of a low pressure grinder pump sewerage system at Jerseyville and Greenhills not be accepted.
- 2 That new tenders be called for the installation of a low pressure grinder pump sewerage system for Jerseyville and Greenhills which does not include the house connections.
- 3 That Expressions of Interest be sought from suitable plumbers and electricians for hourly rates for house connections contracts.

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