

5.12. CONTRACTUAL MATTER - ULTRA FILTRATION CARTRIDGES FOR WATER QUALITY

REPORT AUTHOR	Sean O'Connor, Senior Procurement Officer
GENERAL MANAGER	Peter Tonkes, Manager Water and Wastewater
DEPARTMENT	Water and Wastewater
RECOMMENDATION	

That Council:

1. Resolves in accordance with section 235 of the *Local Government Regulation 2012* to accept a single source quotation from Akvotek Pty Ltd (ABN: 60 609 331 008) for an amount of A\$262,430.00 excluding GST for the purchase of 52 Koch Cartridges (Targa II 8072 PM50); and
2. Seeks Council's approval to award a contract for the purchase of Koch Cartridges from Akvotek Pty Ltd; and
3. Delegates authority to the Chief Executive Officer in accordance with *Local Government Act 2009* to negotiate, finalise and execute any and all matters in relation to this contractual arrangement.

EXECUTIVE SUMMARY

At the General Council meeting of 26 May 2020, Council did resolve to add the following supplier to the Register of Sole Source Suppliers.

Table 1 – Supplier

Supplier	Product	Rationale
Akvotek Pty Ltd ABN: 60 609 331 008	Koch Membrane Systems (filters, spares & ancillary parts)	Akvotek Pty Ltd is the sole Australian distributor for this OEM specialised system, currently used by council.

For operational requirements, Council wishes to purchase 52 Koch Targa II 8072 PM50 ultra filtration (UF) cartridges from supplier Akvotek Pty Ltd who are the sole Australian distributor for this specialised product as per quotation 200915. These cartridges are manufactured in the USA and are only available through one distributor in Australia (Akvotek Pty Ltd).

Douglas Shire Council operates three water filtration plants that were designed and built specifically to utilise Koch UF membrane technology. The UF plants have been intrinsically designed to utilise Koch 8-inch synthetic hollow fibre top mount UF cartridges.

Any departure from this specific type of UF cartridge would be cost prohibitive as it would involve extensive modifications and changes to the as built designs of the current UF plants.

To date, there are no known alternate manufacturers of identical specification 8-inch UF cartridges as supplied by Koch.

1. Council previously purchased 104 Koch UF Cartridges in FY 18/19. They were purchased for two Ultra Filtration racks at the Mossman Water Treatment Plant that were coming to their end of life. The 52 UF Cartridges that comprise this purchase are for an additional rack that requires replacing. Akvotek Pty Ltd has provided a quotation for the supply and shipment of 52 cartridges; price is subject to currency exchange rates, which may vary depending on order placement date. Currently the quote is based on a USD: AUD exchange rate of 0.70c.

BACKGROUND

Douglas Shire Council issued tender documents seeking suitability experienced and qualified contractors for UF cartridge renewals project. The legislative requirement for a sole source supplier requires Council to be satisfied that the supplier is the only supplier that can reasonably provide the required goods or services. The emphasis is on the word “reasonably” and advice from the Department of Infrastructure, Local Government and Planning is that this should be interpreted on a regional and operational basis.

Regional basis interpretation:

There is only one supplier in the rate paying or immediate region of Council and they are considered to be providing a competitive service, then they can be deemed a reasonable sole source of supply.

Operational basis interpretation:

The purchase of goods and services from a sole source to support existing assets in an original equipment manufacturer (OEM) or associated systems (AS) type situation may also be deemed a reasonable sole source of supply.

COMMENT

For the reasons provided above, staff are satisfied that legislative requirements for this supplier to be registered as sole source suppliers have been met. A single source quotation is the most appropriate procurement strategy in this instance to procure these items.

Table 2 – Evaluation Panel Members

Position	Department
Manager	Water and Wastewater
Project Manager	Water and Wastewater
Coordinator – Water & Wastewater	Water and Wastewater
Senior Procurement Officer	Finance

PROPOSAL

It is proposed that Council resolves to accept (from the Register of Sole Source Suppliers) Akvotek Pty Ltd ABN: 60 609 331 008 single source quotation to procure these items under section 235 of the *Local Government Regulation 2012*. However, it should be noted that this transaction is subject to currency exchange rates, which may vary depending on order placement date.

That Council:

1. Resolves in accordance with section 235 of the *Local Government Regulation 2012* to accept a single source quotation from Akvotek Pty Ltd (ABN: 60 609 331 008) for an amount of A\$262,430.00 excluding GST for the purchase of 52 Koch Cartridges (Targa II 8072 PM50); and
2. Seeks Council's approval to award a contract for the purchase of Koch Cartridges from Akvotek Pty Ltd; and
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FINANCIAL/RESOURCE IMPLICATIONS

Council has allocated the following amounts in the capital budget 2020/2021:

Table 3 – Budget/Expenditure

Description	Amount	Notes
CURRENT COMMITMENTS		
Expenditure to date (15/12/2020)	\$2,290.00	
Other Commitments	\$	
FUTURE COMMITMENTS		
Proposed Contract Price	\$262,430.00	
Project Management	\$	
Other Costs (detail)	\$TBA	
Contingency	\$	
Estimated Cost of Project	\$	
BUDGET		
Amended budget	\$300,000.00	
BALANCE	\$35,280.00	

RISK MANAGEMENT IMPLICATIONS

Council must plan and deliver a suitable capital works program to ensure that its assets are able to service the needs of the communities within Douglas Shire. Council's reputation and the community's amenity would suffer if it were unable to maintain assets and service levels at necessary standards. The consequence of inadequate maintenance and upgrade of capital assets will be increased costs in the future.

The water operators at Mossman Water Treatment Plant maintain the UF cartridges currently installed. As part of our Operational Management plan, the Mossman Water Treatment plant follow guidelines via an operational control point. Through these guidelines, we currently are prolonging the life of the UF cartridge up to five to seven years per cartridge.

If our sole supplier Akvotek were unable to supply us this product we would need to source it directly from the manufacturer in the USA.

SUSTAINABILITY IMPLICATIONS

- Economic:** Financial sustainability of the Council would be at risk if capital works programs are not kept within budget or are not undertaken.
- Environmental:** Failing to provide adequate and compliant water and wastewater services can lead to environmental harm and breaching of licence conditions.
- Social:** Communities expect fully operational and compliant Water and Wastewater services.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 3 - Leading Environmental Stewardship

Our visitors and residents deeply value the unparalleled environment in which we live. We recognise our responsibility in protecting and preserving our natural world for generations to come. We understand the strong link between the environment and the economy: they are interdependent. Douglas Shire will be at the forefront of environmental protection by developing strategies, setting policies, and working with all stakeholders to become the envy of and to inspire locations across Australia and the World.

Goal 3 - We will continue to build water infrastructure so that the Douglas Shire may enjoy water security and water quality.

Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

Goal 1 - We will conduct Council business in an open and transparent manner with strong oversight and open reporting.

Goal 3 - We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

- Builder/Owner** Council makes a significant investment every year in the infrastructure that underpins the Shire through its capital works program. Council will manage its assets with appropriate frameworks and deliver its projects through robust project management.

Regulator

Council has a number of statutory obligations detailed in numerous regulations and legislative Acts. Council also makes local laws to ensure that the Shire is well governed. In fulfilling its role as regulator, Council will utilise an outcomes based approach that balances the needs of the community with social and natural justice.

ATTACHMENTS

Nil