

SOLE SUPPLIER – AERIAL APPLICATION OF MOSQUITO TREATMENTS

Objective Reference:	A2594809 Reports and Attachments (Archives)
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Responsible Officer:	Graham Simpson Group Manager Environment and Regulation
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PURPOSE

The purpose of this report is to seek resolution from Council to invite a potential sole supplier to enter into a contractual arrangement without first inviting written quotes or tenders pursuant to section 235 of the *Local Government Regulation 2012* for a period of three years with the option to extend for an additional two years (in two 12 month periods).

Section 235 provides several exceptions for when a local government may enter into a medium-sized contractual arrangement or large-sized contractual arrangement without first inviting written quotes or tenders. For the purposes of this report the following exceptions are considered relevant:

- The local government resolves it is satisfied that there is only 1 supplier who is reasonably available.
- The local government resolves that, because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous for the local government to invite quotes or tenders.

Council's Pest Management Team requires specialised services provided by the supplier to conduct aerial treatments for mosquito management. Currently there is only one supplier that can meet the specific requirements for this particular type of service.

Council has recently invited tenders for the mosquito management aerial treatment contract and only one supplier submitted an application to Council. During the assessment process a deficiency in insurance was identified and as a result the tender process was extinguished due to the withdrawal of the supplier from the process.

To ensure Council's ability to address the public health risk associated with mosquitoes a supplier for aerial treatment is required, and as the potential sole supplier is the only reasonably available supplier and has agreed to re-enter negotiations, a sole-supplier arrangement is necessary.

BACKGROUND

Mosquito management is an essential service for the health and wellbeing of the community. Council is committed to deliver year round mosquito management

services to support strong healthy communities. Aerial treatments are undertaken to treat areas that are inaccessible by ground and to cover large areas where mosquito breeding has been identified. To ensure effective treatments, specific timeframes must be met in order to appropriately inhibit the mosquito's lifecycle. Aerial treatments are absolutely necessary to deliver the public health intervention, which is physically impossible to be conducted by hand.

The Pest Management Team currently utilise the services of the potential sole supplier, McDermott's Aviation to conduct aerial treatments. The supplier is able to be contacted by Council with treatments arranged within a 24 hour period. Due to these strict timeframes, McDermott's Aviation remains the only supplier able to meet these requirements. Alternative suppliers are unable to meet the requirements for this specialised service which was reflected in the last tender application process conducted earlier this year, whereby McDermott's Aviation was the only applicant.

McDermott's Aviation has held long term contracts with various Councils across South East Queensland. As such the work is often performed in tandem with our surrounding Local Governments, leading to efficiencies and contributing to their ability to meet the needs of Redland City Council. The current value of the McDermott's services fall within the definition of a large-sized contract (\$200,000 or more in a financial year).

ISSUES

In consideration of this sole supplier report, the following Sound Contracting Principles have been considered:

Open, Effective and Efficient Competition:

Council recently conducted a tendering process for the mosquito control aerial treatment services in July 2017. McDermott's Aviation was the only supplier who applied for the contract with no other applications received during this process.

Value for money:

Currently, McDermott's Aviation remains the only contractor capable of delivering the necessary and specialised services for Redland City Council mosquito management. Value for Money has been considered including the costs of associated environmental insurances which are discussed further in "Financial".

Enhancement of the capabilities of local business and industry:

Whilst located outside of the Redlands, McDermott's Aviation, one of Australia's largest privately owned companies, is based within South East Queensland.

Environmental Protection:

Environmental protection is addressed through McDermott's Aviation Environmental Management Plan and Council's Mosquito Management Program. Please refer to "Environmental" section for further information.

Ethical Behaviour and fair dealing:

McDermott's Aviation is the preferred supplier for mosquito management services and has established a strong working relationship with Council's Pest Management Team. To ensure Council conducted business in an open and fair manner, a tendering process was undertaken in July 2017 to invite other suppliers

to offer their services for mosquito management aerial treatments, however, no other suppliers applied for consideration

STRATEGIC IMPLICATIONS

Legislative Requirements

In accordance with Section 235(a) and (b) of LGR2012, a local government may enter into a medium-sized contractual arrangement or large-sized contractual arrangement without first inviting written quotes or tenders if:

- a) The local government resolves it is satisfied that there is only one supplier who is reasonably available; or
- b) The local government resolves that, because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous for the local government to invite written quotes or tenders.

Council also has a legislative obligation under Chapter 2 of the *Public Health Act 2005* to prevent and control public health risks in relation to mosquitoes. The resolution, if made, will allow Council to continue delivering this essential service and meet its legislative obligation.

Risk Management

Should Council decide not to enter into the sole supplier arrangement, there is a risk that Council will be unable to engage a suitable supplier to perform aerial treatments and effectively treat mosquitoes, leading to the increased risk of vector borne disease in the community, or Council will need to increase staff, equipment and resources to attempt to treat mosquitoes by hand, which even if it was possible to deliver the service to the same quality, the cost of this will outstrip the cost of entering the sole supplier arrangement.

Throughout the current contractual arrangement for aerial treatments McDermott's Aviation have delivered a high quality and reliable service. In addition to Council's Mosquito Management Plan and Mosquito Management Operational Plan, McDermott's Aviation has identified potential risks and management measures in an Environmental Management Plan. McDermott's have also provided an Occupational Health, Safety and Environmental Policy which outlines their commitment to managing risks and meeting their legislative obligations.

Financial

During the previous tender phase, it was noted that McDermott's do not hold environmental insurance in the event of an incident requiring clean up or remediation costs such as a potential fuel spill occurring in Moreton Bay, where the majority of this work is performed. It was highlighted that whilst previously Council have not required the supplier to hold this insurance, consultation with Council's Risk Management Team, identified that this was a risk. Advice was obtained that supplementary cover to Council's existing policy could be arranged which would cover mosquito management aerial treatments.

Based on the approximate contract value for the mosquito management program, Council would be charged an additional premium of \$11,000 net of the broker's commission/fee but including withholding tax.

The alternative option is for the supplier to hold their own environmental insurance, however the supplier has advised through negotiation that if required to obtain this insurance the cost of this insurance would be passed on to Council through service charges. The supplier has stated that a minimum treatment number would be required. It is estimated that this option may cost Council an additional \$35,000 on the existing contract value.

People

There are implications to community health and lifestyle should Council not be able to effectively control mosquitoes in the City.

Environmental

Environmental implications have been considered and will be managed through the following items:

- The supplier will be directed by Council staff for aerial treatment locations, supply and handling of chemicals.
- Mosquito control activities will continue to be conducted in accordance with the Mosquito Management Code of Practice, Mosquito Management Plan and the obligations under the *Environmental Protection Act 1994*, *Fisheries Act 1994* and *Marine Parks Act 2004*.
- The supplier will provide an Environmental Management Plan which will outline their key environmental obligations.

Social

There are no implications.

Alignment with Council's Policy and Plans

This report is consistent with Council's procurement policy and legislative requirements.

Allows Council to deliver upon Council's commitment in *POL 2710 – Mosquito Management* to deliver year round mosquito management services and aligns with Council's *Corporate Plan Strategy 7 – Strong and Connected Communities* to increase community safety, health and well-being by ensuring ongoing aerial treatments are undertaken to manage mosquito numbers in the Redlands.

CONSULTATION

- Risk Management Coordinator - Risk Management Team
- Pest Management Team Leader – Pest Management Team
- Procurement Services Unit
- Team Leader – Environmental Health Team

OPTIONS

Option One

That Council resolve as follows:

1. To invite the potential sole supplier to enter a contractual arrangement with Council as Sole Supplier, in accordance with section 235 of the *Local*

- Government Regulation 2012* for aerial treatments within the allocated budget in the 2017/2018 financial year;
2. To allow Council's Health & Environment Unit to finalise procurement negotiations with potential sole supplier noting any increase to costs will be subject to budget review processes; and
 3. To allow Council's Health & Environment Unit to work with Risk and Liability to procure appropriate environmental insurance to protect Council's liability in relation to the operational activity; and
 4. That this report remains confidential until the contract has been signed and awarded to the potential sole supplier.

Option Two

That Council resolve as follows:

1. To invite the potential sole supplier to enter a contractual arrangement with Council as Sole Supplier, in accordance with section 235 of the *Local Government Regulation 2012* for aerial treatments within the allocated budget in the 2017/2018 financial year;
2. To allow Redland City Council's Health & Environment Unit to finalise procurement negotiations with potential sole supplier including service costs added by the potential sole supplier to cover the costs of them obtaining the appropriate insurance, noting any increase to costs will be subject to budget review processes; and
3. That this report remains confidential until the contract has been signed and awarded to the potential sole supplier.

OFFICER'S RECOMMENDATION

That Council resolve as follows:

1. To invite the potential sole supplier to enter a contractual arrangement with Council as Sole Supplier, in accordance with section 235 of the *Local Government Regulation 2012* for aerial treatments within the allocated budget in the 2017/2018 financial year;
2. To allow Council's Health & Environment Unit to finalise procurement negotiations with potential sole supplier noting any increase to costs will be subject to budget review processes; and
3. To allow Council's Health & Environment Unit to work with Risk and Liability to procure appropriate environmental insurance to protect Council's liability in relation to the operational activity; and
4. That this report remains confidential until the contract has been signed and awarded to the potential sole supplier.