

Network Outcomes Contract Governance & Management Group

Reference Number:	NOCC No.5
Subject Title:	Pavement Rehabilitation – what is included in the tendered rates?
Issue Date:	23 rd November 2015
Clarification Purpose	Clarification is provided to ensure the NOC is being interpreted consistently. The clarification does not remove or supersede the Network Outcomes Contract documentation.

SUBJECT

There has been a query regarding whether the measure and value rates for rehabilitation, when applied outside the BPQs, include design, investigation and supervision or whether these items would be an additional cost?

RESPONSE

The Maintenance Specification Section 6.1.2 and Basis of Payment 6.2.1 are quite clear in that the schedule rates must fully compensate for completely constructing the pavement rehabilitation. While a Contractor acknowledges they have allowed sufficient funds to cover the full costs of completely constructing the pavement rehabilitation quantities within the contract. Their issue is where they have spread this cost between two items being the rehabilitation rates and contract management and supervision.

As the NOC is an outcomes based contract it seeks to get a quality outcome. The NOC does not prescribe how the outcome is achieved rather it prescribes a set of performance measures to demonstrate that a quality outcome has been achieved.

The Contractor owns the risk, of their supply chain to construct a quality pavement. This will likely require varying degrees of MSQA dependent on the Contractors confidence to achieve the desired outcome and be in line with their Quality Plan.

How the Contractor has priced the risk of achieving a quality outcome is up to them. It is the Principals expectation that the Contractor will have provided a rehabilitation rate which fully compensates them for constructing a quality pavement.

The Principal does not wish to seek a credit if the Contractor can achieve the desired outcome at a cost less than that tendered nor should they be charged more if the final cost exceed the tendered rate.

NZS3910 does allow the Contractor to seek a variation to the rate if the quantities vary significantly from those listed in the Schedule of Prices, provided they can sufficiently demonstrate a material effect from the quantity change.

The test then is for the Contractor to demonstrate that the quantity has changed significantly and the change has had a material effect, otherwise the rates as tendered stand for the increase in quantity.