
 Adelaide Plains Council	21.3 Confidential Item
22 July 2019	

21.3 Rubble Supply

RECOMMENDATION

“that:-

- 1. Pursuant to section 90(2) of the *Local Government Act 1999*, Council orders that all members of the public, except Chief Executive Officer, General Manager – Governance and Communications, General Manager – Development and Community, General Manager – Finance and Economic Development, General Manager – Infrastructure and Environment, Governance Officer and Executive Assistant be excluded from attendance at the meeting of Council for Agenda Item 21.3 – *Rubble Supply*;**
- 2. Council is satisfied that pursuant to section 90(3)(b) of the *Local Government Act 1999*, Item 21.3 – *Rubble Supply* concerns commercial information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting business, or to prejudice the commercial position of Council, being information relating to ongoing negotiations; and**
- 3. Council is satisfied that the principle that Committee meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”**

 Adelaide Plains Council	21.3	Rubble Supply
	Department: Report Author:	Infrastructure and Environment General Manager – Infrastructure and Environment
Date: 22 July 2019	Document Ref:	D19/37293

EXECUTIVE SUMMARY

- The purpose of this report is for Council to consider a request by Light Regional Council (LRC) for Adelaide Plains Council to supply limestone rubble to LRC.
- To accommodate LRC’s request, the cost to rip and raise, crush, stockpile and load 30,000 tonne rubble is estimated to be \$9.34/tonne.
- Council’s 2019/2019 Capital Works Program will require 110,000tonne, therefore reducing the life of borrow pit one (1) to expire 30 June 2021. The additional 30,000 requested by LRC will further reduce the life of the borrow pit 2 (two) to expire 30 June 2024.
- Within the 2019/2020 financial year Council will dispose of one (1) surplus front end loader which was previously utilised to feed the crusher. LRC’s request includes ripping, raising, crushing and loading rubble into haulage trucks. This proposal raises some risks, and other issues that need to be considered.
- It is recommended that Council engage a suitably qualified consultant to investigate limestone rubble borrow pit opportunities within APC region. An indicative cost for a consultant to carry out the body of work is \$15,000, which will require a budget revision in Q1.

RECOMMENDATION 1

“that Council, having considered Item 21.3 – *Rubble Supply*, dated 22 July 2019, receives and notes the report and in doing so instructs the Chief Executive Officer to formally write to Light Regional Council (LRC) to:-

- 1. Thank LRC for their offer of securing rubble for the 2019/2020 financial year;**
- 2. Advise that, at this juncture, Council is unable to entertain the request, primarily on grounds of insufficient rubble supply remaining at the Carslake Road Quarry site to service Council’s operation in the short to medium term; and**
- 3. Advise that, notwithstanding point 2 above, Council does see an opportunity to work with neighbouring councils, including LRC, in strategically planning for, and securing, rubble supplies for the medium to long term mutual benefit of both councils.”**

RECOMMENDATION 2

“that Council, having considered Item 21.3 – *Rubble Supply*, dated 22 July 2019, instructs the Chief Executive Officer to engage a suitably qualified consultant to investigate limestone mining opportunities within Adelaide Plains Council region, and make an appropriate provision in the first budget update.”

BUDGET IMPACT

Estimated Cost:	\$15,000 (consultant)
Future ongoing operating costs:	Nil
Is this Budgeted?	No

RISK ASSESSMENT

Council currently contracts out ripping and raising, and crushing services and accordingly, has addressed significant financial risk associated with continuing to operate plant and equipment at the borrow pit site. Should Council consider accepting LRC’s request, risks associated with owning and operating the front end loader exist. Furthermore the risk of depleting current borrow pits prior to securing additional borrow pits exists.

Attachments

1. Letter from Light Regional Council to Adelaide Plains Council dated 21 June 2019.
2. Borrow Pit Location Map.

DETAILED REPORT

Purpose

The purpose of this report is for Council to consider a proposal by Light Regional Council (LRC) for Adelaide Plains Council to supply limestone rubble to LRC.

Background/History

Council currently operates two (2) borrow pits which are located on privately owned land situated off Carslake Road. The borrow pits are used to provide limestone rubble material used in the construction and maintenance of Council's local roads network.

The Infrastructure and Environment Committee, at its Meeting on 4 July 2019, resolved the following:-

8.1 Committee Resolution

Moved Councillor Lush Seconded Councillor Keen 2019/ 025

“that the Infrastructure & Environment Committee, having considered Item 8.1 – Rubble Supply, dated 4 July 2019, receives and notes report and in doing so instructs the Chief Executive Officer to bring a report back to Council in relation to the request of Light Regional Council to source rubble that explores:-

- 1. Unit rates and comparative data;***
- 2. Useful life of the quarry remaining and impact of the request on Council's quarry shelf life; and***
- 3. Short, medium and long term strategy on sourcing and securing rubble supplies for our region;***
- 4. Operational impediments as a result of the acceding to the request;***
- 5. Legal frameworks associated with affording rubble to a neighbouring council.”***

CARRIED

Discussion

For many local councils, particularly in rural areas, obtaining suitable materials for the effective construction and maintenance of roads is a continual challenge. As better quality materials become scarce or inaccessible, using locally made and readily available materials is often required and in most instances difficult to obtain and not appropriate for effective construction and maintenance of roads, as highlighted in LRC letter (**Attachment 1**).

Council should have regard for the following matter, in considering LRC's request.

Unit rates and comparative data

Council recently resolved to contract out rip raise and crushing service, and by doing so Council reduced its risks performing a relatively hazardous activity.

The cost to rip and raise, crush and stockpile rubble via contractor is estimated to be: -

- To rip and raise rubble is \$2.40/tonne (based on current contract ending 2021)
- To crush and stockpile rubble is \$3.75/tonne (based on current contract ending 2021)
- Associated royalties and sundries is \$0.85/tonne
- Above combined is **\$7.0/tonne**

To accommodate LRC's request, the cost to rip and raise, crush, stockpile and load 30,000 tonne rubble is estimated to be: -

- To rip and raise rubble is \$2.40/tonne (based on current contract ending 2021)
- To crush and stockpile rubble is \$3.75/tonne (based on current contract ending 2021)
- Load rubble into LRC contractor trucks (utilising Council loader and resource) is \$0.5/tonne
- Associated royalties, sundries and contingency is \$2.69/tonne
- Above combined is **\$9.34/tonne**

A profit of \$49,800 is estimated using the LRC offer of \$11.00/tonne (ex GST) for the supply of rubble material.

The above however does not take into consideration cost associated to road dilapidation occurring with the transport of material across Councils local road network, nor is the future cost associated with acquisition or leasing of subsequent land once current stock is depleted. The following should be considered when Council seek to establish borrow pits in future or consider request such as LRC:-

- Suitability of material for construction and maintenance of roads
- Close to the road job site reduces the damage to the roads caused by haulage trucks. Short haulage distances also reduce maintenance costs for roads and in particular, for unsealed roads.
- Close to sealed road network to reduce maintenance costs

Useful life of the quarry remaining and impact of the request on Council's quarry shelf life

The Council operates two (2) borrow pits which are located on privately owned land situated off Carlslake road. Refer to **Attachment 2** for location map.

- Borrow pit one (1) expected life at average extraction rate 70,000tonne annually is forecast to be 2 years and dependent on the necessity to extract material for Council road building and maintenance.
- Borrow pit two (2) expected life at average extraction rate 70,000tonne annually is forecast to be 5 years and dependent on the necessity to extract material for Council road building and maintenance.

The 2019/2019 capital works program will require 110,000tonne, therefore reducing the life of borrow pit one (1) to expire 30 June 2021. The additional 30,000 requested by LRC will further reduce the life of the borrow pit 2 (two) to expire 30 June 2024.

Operational impediments as a result of the acceding to the request

Council currently owns and operates a front end loader which is utilised to load rubble into haulage trucks. Within the 2019/2020 financial year Council will dispose of one (1) surplus front end loader which was previously utilised to feed the crusher. Now that the crushing component of quarry operations is contracted to Southern Contracting Group Pty Ltd (3 June 2019 to 31 October 2021).

LRC request includes ripping raising crushing and loading rubble into haulage trucks. This proposal has a few risks and other issues that need to be considered:-

1. APC cannot accommodate LRC request utilising 1 (one) existing front end loader,
2. APC does not have the resource available for the 40 days required to load LRC haulage trucks
3. APC will internalise the risk (operating cost, maintenance costs and any unforeseen major mechanical costs) if the surplus front end loader is utilised for the 40 days required to truck out 30,000 tonne, and not disposed as previously indicated to Council
4. There would be value left in the existing front end loader if sold. Estimated independent valuation indicate value \$140K-\$150
5. Should Council consider accepting LRC request to supply 30,000tonne of rubble material, Council could reduce its risks by excluding the loading haulage truck component and negotiate a revised offer with LRC.

Legal frameworks associated with affording rubble to a neighbouring council

Councils have certain powers under the *Local Government Act 1999* to enter and occupy land for the purposes of its operations, including for the purposes of obtaining road making materials. Council will, at all times, adhere to the requirements of the Act and subsequently is prohibited to sell material at Council borrow pit one (1).

Council's borrow pit two (2) land is however entered and occupied under an extractive mining lease. This extractive mining lease allows for sale of rubble material.

Importance of borrow pit and future strategy

Council has historically utilised limestone rubble from borrow pits within Carslake Road area. Whereas this has served Council well in the past it is prudent to examine Councils needs in the future.

Management consider borrow pits an integral part of sustainable long term asset management, and recognise that resourcing material for construction and maintenance of roads can increase road costs substantially where material has to be transported long distance from the material supply point, and/or purchased from commercial quarries. It is critical Council begin to investigate short, medium and long term strategy on sourcing and securing rubble for construction and maintenance of roads within APC region.

Management recommend engaging a suitably qualified consultant to investigate limestone rubble borrow pit opportunities within APC region. An indicative cost for a consultant to carry out the body of work is \$15,000, which will require a budget revision in Q1.

Furthermore, as part of the consultants scope of works, consideration should be given to investigate borrow pit opportunities on eastern side of APC to allow partnership with LRC.

Conclusion

It is recommended that, due to the lack of future strategy of Councils borrow pits and that supplying to LRC will further reduce the life of the borrow pit, Council engages a suitably qualified consultant to investigate limestone rubble borrow pit opportunities within APC region.

References

Legislation

Local Government Act 1999

Council Policies/Plans



Our Ref: File Ref:

21 June 2019

Mr James Miller
Chief Executive Officer
Adelaide Plains Council
2a Wasleys Road
MALLALA SA 5502

By email: jmiller@apc.sa.gov.au

Dear James

Re: Potential to Supply Rubble for Road Making

As you are aware Light Regional Council has been struggling for a number of years to source suitable quarry material for its unsealed road network. There were a number of farmed properties in Council's western area where it had taken material from but with the changing farming practices now being adopted gaining access to paddocks has become harder and harder.

Given the above, and following on from our recent discussions regarding this topic, I write to explore the potential for Adelaide Plains Council (APC) to supply limestone rubble to Light Regional Council. For 2019/2020 Council will require some 30,000 tonnes of rubble as a minimum to undertake its road resheeting program. Council is willing to offer \$11.00/tonne (ex GST) for the supply of the material.

Should APC accept this offer, Council is also willing to explore a long-term supply arrangement at a similar rate for a period of up to 10 years.

Light Regional Council looks forward to your council supporting this arrangement and continuing its collaborative working arrangements into the future.

Yours sincerely



Richard Dodson
General Manager, Infrastructure and Environment

RECOMMENDATION

“that Council, having considered the matter of Item 21.3 – *Rubble Supply* in confidence under sections 90(2) and 90(3)(b) of the *Local Government Act 1999*, resolves that:-

- 1. The agenda item, report, Attachment 1, Attachment 2 and any other associated information pertaining to Agenda Item 21.3 – *Rubble Supply* remain confidential and not available for public inspection until further order of Council;**
- 2. Pursuant to section 91(9)(a) of the *Local Government Act 1999*, the confidentiality of the matter will be reviewed every 12 months; and**
- 3. Pursuant to section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke this confidentiality order to the Chief Executive Officer.”**