



NZ TRANSPORT AGENCY
WAKA KOTAHI

Cost Adjustments for Bitumen - a new cost effective approach for contracts

**Presentation to RCA Forum – Friday – 16
September 2011**



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Outline

Describe the proposal – for a new mechanism

- The process so far
- The problems with the current indexation method
- The proposed solution
- Study the effect & seek feedback - 2011/12
- Go live – 2012/13



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The process so far

A working group comprising:

- Rounding NZ / Contractors Federation
- Consultants
- NZTA – Highways + Planning and investment
- A local government representative



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Problems with the current mechanism

- Indexation method uses a fixed weight for bitumen
- Can over or under compensate
- Method is interpreted in a variety of ways
- Often it is perceived as unfairly allocating risk



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The proposed solution

- Take bitumen out / treat it separately
- Pay monthly for bitumen cost fluctuation per litre
- Index all costs other than bitumen (new index)
- NZTA to provide a web based tool
- Test in 2011/12
- Go live in 2012/13



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Studying the likely affects / seek feedback

- NZTA contracts being identified for testing
- Will test on historical data
- Need to test on local authority contracts
- New index being built (for non-bitumen costs)
- Web based tool to be built
- Go live once the methodology is proven