

Contracting out weed control

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Management strategies for contracting weed control

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Introduction

The City Parks section of the ACT Parks and Conservation Service is the ACT Governments organization responsible for looking after nearly all of the public landscape in Canberra. This includes local government responsibilities as well as main roads, schools, Housing Commission areas and National areas. These are the Commonwealth funded landscapes in the centre of Canberra and around major office blocks. There are approximately 4000 hectares of non-irrigated landscapes and 1000 hectares of irrigated ovals and prestige landscapes in Canberra.

Before self government in 1988 City Parks were part of a Commonwealth Department and were required to use contracts as part of their resource to manage the landscapes in Canberra. City Parks uses a variety of contracts to perform between 20–25% of the total work. City Parks has experimented with a wide range of contracts and so have lots of experience with both success and failure in the use of contracts.

The following information should be considered to help with obtaining the right mix of contract versus day labour in local government and similar organizations. There is no doubt that some work, properly tendered, is cost effective and will not lead to a lowering of standards. Achieving this is the difficult part.

Contract policy

City Parks has developed the following policies to help guide decisions in relation to contracts. Broadly these are:

- i. To use contracts to cope with increases in areas under City Parks management.
- ii. To achieve a reasonable staffing mix of permanent day labour, seasonal workers and contractors.
- iii. To maintain industrial harmony by carefully placing work out to contract. The policy is to spread contracts geographically across the City so there are permanent staff in all areas of the City.
- iv. To enable field supervisors to participate in the decisions on placing and managing contracts.

- v. To avoid completely contracting out specialist functions requiring particular skills essential to horticultural management.
- vi. To meet Government objectives in relation to employment of contractors. The final decision is heavily determined by the attitude of politicians and unions to the use of contractors.

Going to contract?

The following questions must be asked:

- i. There must be value for money—can contractors do the work more cheaply?
- ii. It must be able to be justified—could work be done 'in house', could a contractor do it better, and will staff skills be maintained?
- iii. The cost of supervision needs to be included—what will be the cost of supervision, who will supervise and how will it be done?

For contracting to be successful there needs to be an existing competitive contract industry. City Parks used to buy and then spread fertilizer with our own staff. There were already agricultural contractors using specialized large equipment operating near Canberra. With competitive tendering City Parks were able to have fertilizer on the ground at the correct time of year in a couple of days at less cost than the fertilizer could be bought for. This contract has been fine tuned and now specially blended fertilizers are applied exactly to the desired horticultural specifications.

Advantages and disadvantages of using contracts

The following issues need to be carefully considered when decisions on going to contract are made. Some of the advantages include:

- Enables the organization to compare its costs and efficiency to that of private enterprise and other organizations.
- Allows a better prediction of yearly costs as you have firm contract costs. This is especially useful when working for clients that require firm quotes for

budget preparation.

- Competitive tendering may keep prices down.
- Allows the organization to avoid some significant capital outlays.
- Permanent staff morale may improve if routine, repetitive or uninteresting work is done by contract.
- Contractors can more readily adjust staff levels to meet short term variations in changed work loads.
- Contractors can often take quicker advantage of improvements in equipment as they are not necessarily constrained by predetermined budgets and organizations tender requirements.

Disadvantages include:

- Strong competition for work can lead to unrealistically low prices giving rise to poor workmanship or contract failure, which then requires extra funds to restore.
- Reduction in the number and diversity of 'in house' activities can have an adverse effect on staff morale and skills.
- Reduction of direct control over all aspects of work being performed.
- Over reliance on contracting could leave management without the capacity to handle unforeseen situations.
- Contractors may be less aware or sensitive to clients requirements and public expectations. It can be difficult to specify time schedules acceptable to contractors that do not conflict with user requirements.
- Perceived cost savings may offset by contract administration costs.
- The cost of supervision may be much higher than estimated.

Assessment of potential contractors

It is important to spend time to select the correct contractor for the work. The following check list is generally used by a panel of three staff to assess potential contractors. This assessment is done by assessing submitted tenders and then interviewing the most competitive tenderers.

The tenderers are required to outline their experience, qualifications and physical and financial resources. It is important to ascertain their current workload and commitments, and their performance doing similar work. The reputation of tenderers can be taken into account when assessing bids. Finally, the tendered price needs to be assessed against the estimated or known cost of doing the same work by day labour, and the panel needs to be confident that the selected tender will be 'best value for money'.

General types of contracts

City Parks has used four main types of contracts:

- i. Provision of materials which works well. Materials such as soil, grass seed and chemicals are purchased either

under period contracts or on a quote for particular quantities. It is important that these be as competitive as possible by regularly calling for tenders or quotes and by being flexible by allowing both large and small possible suppliers to bid. These are not considered further in this paper.

ii. Hourly rate contracts. Historically, City Parks used hourly rate contracts for quite a lot of work where contract machinery, including weedicide vehicles, hired with drivers and operators were engaged on an hourly rate. These were regarded as being reasonably successful but required a lot of supervision. The incentive was for most contractors try to spin the work out to make the job last longer—in other words 'do as little as possible for as long as possible.'

Hourly rate contracts have now almost been completely phased out, due to the supervision problems as the time was spent supervising the process rather than the desired result. It is very difficult to build performance clauses into these types of contracts.

iii. The main type of contract widely used in City Parks is a contract over a period of time, usually three years with two one year options, for a range of work to be done in that time. These are usually for complete horticultural services for maintaining a facility or group of facilities. These are performance based, where the contractor is responsible for maintaining agreed standards for the duration of the contract. Weedicide work is included in these contracts.

Supervision is relatively easy as one is inspecting the standard achieved on the ground, not the process involved in achieving this. For example we really are not that interested how a contractor cuts the grass. Providing it is cut to the correct height and the grass is maintained to the defined horticultural standard the contractor will get paid. Twelve equal monthly payments are made throughout the year.

iv. Specific task or 'job lot' contract. We have not used this type extensively except for tree surgery work. A panel of acceptable contractors is kept and contractors are asked to quote for specific work to be done over a short time—usually less than four weeks. Payment is made when work is completed or as agreed in the tender.

The panel can be added to at any time and poor performers can be removed from the panel. Contractors have to prove their ability to carry out the work promptly in a professional manner.

Most pest and weed control work is done in private enterprise in this manner and City Parks believes there is scope to use this type of contract more extensively for Local Government

weed control work. This type of contract combines the flexibility of hourly rate work with the performance standards of the long term maintenance contracts. The main disadvantage is that considerable time is spent showing prospective bidders the work and for them, the time to prepare quotes. Inspection of completed work and processing payments is also time consuming.

Specifications

This leads to the next important part of contracting—the specifications. Other speakers will be addressing this in detail as it relates to weedicide work. Examples of City Parks specifications for different types of weedicide contracts are available.

To prepare a contract specification you must know the following:

- i. What you want to achieve. It must be able to be described in plain English. There is no point calling tenders that impossible to meet. This can lead to ridiculous prices.
- ii. You must talk to prospective contractors to find out what they presently do and seek their input into their preferred method of tendering. Contractors need to be able to price work accurately and quickly. It has to be attractive to a number of prospective contractors to ensure they bid seriously for the work.
- iii. You must have the contract prepared by people well experienced in contract law. It is important to include legislative, occupational health and safety, and any other requirements that apply to your own operation in the contract documents.
- iv. Your own staff have to have input into the whole process if you are to have a proper consultative process in the work place. If the proposed contract is to work it will need the support of staff.
- v. City Parks is required to seek input from the relevant unions. If the unions are not consulted in advance then it is quite likely industrial disputes will arise. Being pro-active seems to achieve better results. In addition the unions with the staff, may adopt a position to try and keep the work 'in house' and agree to changed work practices to increase efficiency to compete with prospective contractors.

Weedicide contracting

City Parks has used various types of weedicide contracts for many years. The most important sections of these contracts are considered below.

Hourly rate weedicide contracts

The basis of these contracts is that vehicles with staff and spray equipment are offered to spray our chemical in nominated areas around the City. Payment is made for actual hours worked. As this is

solely weedicide work tenders will only be considered from contractors experienced in the handling and application of horticultural chemicals.

The contract period is usually two years but there is no guarantee of more than two weeks work in the contract. Contractors can be engaged and stood down according to the need for their services. There is a clause to ensure sensible minimum periods of work are offered. Half of the tender details relate to general contract requirements like rise and fall details, sub-contracting restrictions, sales tax requirements, insurance requirements and documentation required to be available or presented.

The specifications are very detailed. The equipment offered is carefully specified. Safety is paramount and all vehicles and equipment have to be checked annually for safety and efficiency checks.

The contractor is responsible for all materials and costs, except the supply of chemicals, that may be incurred in the work. Working times, wet weather payments, travelling time and stand down provisions are all clearly defined in the specification. The contractor has to comply with all State and Local Pesticide Acts and has to supply and launder specified protective clothing. City Parks provides a short training and induction course to all contractors staff.

The spray equipment must always be in good working order and operated according to the specification. Spray warning signs are to be attached to the front and back of the vehicle. The contract lists the chemicals that may be used, how they are to be kept on the vehicle, and details restrictions on transferring from one vehicle to another etc. Protective equipment to be used by staff is detailed clearly in the contract.

General safety precautions are described. These include adhering to contract requirements, personal hygiene matters such as no smoking or eating while spraying, washing before eating, showering at the end of the day, and only carrying food in air tight containers in the vehicle are defined. The contractor is required to keep records of all activities, submit a daily report and to carry a mobile phone so immediate contact can be made.

Comments: City Parks was supplying chemical to keep control on the type of chemicals used and application rates. There were incidents of contractors taking home mixed chemical at the end of the day and returning empty the next. It was also difficult to control stealing of concentrate. Hourly rate contractors were paid by the hour and there was no way of tying payment to effective weed control. Obviously, excessive supervision was required. These were all good reasons for discontinuing this type of contract.

Weedicide work as part of horticultural maintenance contracts

Most contract weedicide work in City Parks areas in Canberra is included in horticultural maintenance contracts. The contractor still has to meet all the requirements outlined for the hourly rate contracts. The main difference is that the contractor has to supply specified chemicals and that payment is made for producing a specified standard of horticultural work.

As mentioned earlier supervision is relatively easy as the standard of landscape maintenance is being inspected and not the different operations that go to achieving the standard. The first clause under the Weed and Pest Control Section is, 'The contractor shall, through good horticultural practice, maintain the area free of weeds and pests and adopt control measures to eliminate infestations'. This clause is the basis for the management of this section of the contract and it has been City Parks experience that most of our staff can supervise the contractor according to the clause.

The contractor can plan the different operations to best suit the time of year and the weather conditions. This is important as often weather conditions prohibit the safe application of chemicals and the contractor can divert staff to other activities.

City Parks has been able to achieve long term, cost effective contract maintained landscapes using the above type of contracts.

Specific area or 'job lot' contracts

City Parks has rarely used this type of contract for weedicide work. The contract is very similar to the hourly rate contract except the contractor is paid for effective weed control and not by the hour. Payment is divided into two equal payments. Fifty per cent is paid after the work has been completed and the remainder after an agreed period of time when the effect of the chemical should be obvious. This ensures that the contractor applies the chemical correctly as the contract requires the contractor to respray if satisfactory

results are not obtained at his own cost or that City Parks will do the work and costs deleted from the contractors payment.

In our region variations of this type of contract are used in private enterprise and in rural and forestry areas. It is very suitable for jobs like kerb, road and drain spraying, woody vegetation control under power lines, and larger 'one off' projects in landscape development.

Conclusion

Experience in Canberra has shown that contractors can provide very cost effective services for weed control work. However, all of the points made in this paper need to be taken into account, as using chemicals in the urban area requires complete control of all aspects of the operation. This is difficult enough with your own trained staff and if contractors are to do work to the same standard the contract needs to be well prepared, and the contractors need to be experienced, trained and well supervised.

Contract documentation

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Introduction

Contracts establish a legal relationship between two or more parties and contract documents describe this relationship. Contracting for the supply of works, services, consultancies or equipment and supplies can appear to involve a snowstorm of pieces of paper. The questions to ask are:

- Do I have all of them?
- How do they relate to each other?

This paper describes a contract and indicates what is required for putting together the necessary documentation for one.

A contract

A contract can be described in the simplest manner as an offer to do or provide something for or to someone else, acceptance of that offer and involvement of consideration.

Consideration is 'the conferring of benefit on, or the incurring of a detriment on behalf of, the other party to the agreement or the giving of a promise to do so at a future time' (Competitive Tendering Procedures Manual, MAV, August 1994). Consideration might be more graphically described as the glue that cements the offer and acceptance. Consideration is often simply identified as the money and associated intentions involved.

There must be an intention to enter into a contractual arrangement and some other items that pop up in the courts when things go wrong. For the non-lawyer, the offer, acceptance, consideration and intent suffice to describe a contract.

Types of contract

Current focus inside and outside local government (i.e. those considering tendering to local government) is on forms of contract that satisfy the conditions of CCT (compulsory competitive tendering).

There are a number of different types of contract. Basically they are defined and described in relation to how work is done or the product acquired and how it is paid for. Some types of contract are:

- lump sum (fixed or rise and fall),
- schedule of rates,
- cost plus,
- hourly,
- percentage of revenue,
- turn key/design construct and
- annual supply.

An explanation of lump sum and schedule of rates follows.

Lump sum means that something will be done for some amount of money that is identified and agreed on at the time that the contract agreement is struck. There may be variations in more work being

done for proportionally more money. There may also be rise and fall which is again in an agreement relating to negating the effects of inflation etc. which is agreed on at the time of striking the agreement.

A schedule of rates contract means that a list of activities has been priced. Contractors perform the activities as directed and invoice for their service or product at the rate accepted.

There can be contractual arrangements that appear to be hybrids of these forms. A lump sum contract may have a schedule of rates attached to it. It may also have a bill or schedule of quantities attached. The latter form can be seen as a schedule of rates which is extended to include quantities.

Administration

The process of utilizing contracts once they have been prepared is known as administering. It includes the tender process and is followed by ensuring that the works are done or the product delivered as per the documents and that the contractor or supplier is paid.

Tendering

Tendering consists of giving sources of work or supply an opportunity to make an offer to do the works or supply the goods or services as detailed in the contract documents. Tendering is the asking for, receiving and evaluating of bids to perform some service in response to and in the framework of the documentation. One or more of those making the offer may have their offer accepted and a contract arrangement is formed.