

# BITUMEN COST ADJUSTMENT SERIES FURTHER CHANGE TO NOVEMBER VALUE

## General Circular No° 19/05

Circulation	All road controlling authorities Local Government New Zealand (LGNZ) Civil Contractors NZ (CCNZ) Association of Consulting Engineers NZ (ACENZ) Ministry of Business, Innovation and Employment (MBIE) Office of the Auditor General
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## PURPOSE

This general circular advises a further change to the bitumen cost adjustment series value already published by Waka Kotahi NZ Transport Agency for the month of November 2019. The bitumen cost adjustment series is used with the bitumen volume based method of contract price adjustment, which is described in the [instructions for infrastructure contract price adjustment](#).

**The bitumen cost adjustment series value for November has been increased to 0.6979 \$/litre.** This value differs from that first published on 5 November and then amended on 29 November. How to manage the fact that contract payments for work completed during November, which were based the earlier (now superseded) series value is discussed below.

This general circular needs to be read in conjunction with [general circular 19/04](#) entitled *Bitumen Cost Adjustment Series Change* which described how changes are being made to the way in which monthly values for the bitumen cost adjustment series are calculated. It also advised that the value already published for November had been changed.

Approved organisation 'purchasers' and their suppliers who have ongoing contracts affected by this change do not need to take any specific action in response, providing they are using the [Adjuster](#) to calculate the cumulative cost fluctuation adjustment figure to the end of each month, and are following the advice in section 7. in the above [instructions](#) when preparing contract progress payment claims.

## EFFECTIVE DATE OF THIS CHANGE

The change is effective immediately. The amended November value has been added to the [Adjuster](#) and published on the Transport Agency web site.

## WHY HAS A FURTHER CHANGE BEEN NECESSARY?

The reasons for having to find an alternative to the Platts Singapore high sulphur fuel oil (HSFO 180) price, as the basis for the bitumen cost adjustment series, was outlined in [general circular 19/04](#). The fact that we have been working with industry stakeholders, bitumen suppliers and contractors, was similarly explained. Finding a fair and reasonable way to calculate future series values remains a challenge, but an interim solution has been found which has included amending the already published November series value a second time. The previously published November series values both left contractors carrying a significant portion of the cost caused by the rise in the price of bitumen from October to November.

How to ensure that contract payments already made account for this second change to the November series value is explained below.

Finding a permanent replacement for HSFO is likely to take some months. The Transport Agency will continue to work with industry stakeholders to achieve that.

## MAKING CONTRACT PAYMENTS THAT ACCOUNT FOR THIS FURTHER CHANGE

As stated above, if a contract is ongoing, that is to say a progress payment for work to the end of November has been made and more monthly progress payments are anticipated, then no specific action in response to this general circular is required. This assumes that the [Adjuster](#) is being used to calculate monthly contract price adjustments for cost fluctuation and the advice in section 7 in the above [instructions](#) is being followed when preparing contract progress payment claims.

However, the situation will be different if the 'final' payment under a contract was for work to the end of November. If this is the case then an examination of the output from the [Adjuster](#) will show that the cumulative cost fluctuation adjustment figure to the end of November will have changed, from the amount it would have been showing on say 20 December. This change will reflect the increase in the November bitumen cost adjustment series value advised through this general circular. An additional contract payment will be needed.

## FURTHER UPDATES

A link to this general circular has been emailed to all who are registered as [Procurement Manual](#) users. Further updates on how the bitumen cost adjustment series is being calculated and managed will similarly be sent to registered manual users. To register use this [link](#) to add your name and email address to the list of users.

## ENQUIRIES

All enquiries relating to this circular should be directed to [procurement@nzta.govt.nz](mailto:procurement@nzta.govt.nz).

Nga mihi,

**Tara Macmillan**



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