Confidential Item

CAMPBELLTOWN CITY COUNCIL

Confidential Item

For Council meeting to be held on

Tuesday 20 April 2021 at 7.00 pm

Refer Item 11.6

Confidential Item

11.6 Waste Residual Contract

General Manager Infrastructure Services, Andrian Wiguna's Report

Purpose of Report

To confirm the extension and variation of Council's existing Agreement for the Receipt and Processing of Residual Waste with Integrated Waste Services (Waste Residual Contract) subject to Council's Green Organics collection also being disposed of at IWS (Integrated Waste Services).

Strategic Plan Link

Focus Area 2.3.2 Expand and implement waste management and recycling programs

Background

In 2014 the seven Constituent Councils of Waste Care South Australia undertook a joint tender for the disposal of their residual waste.

As a result of that tender evaluation, Council awarded its Waste Residual Contract to IWS for a period of 10 years (ie 5-year initial term with a 5-year right of renewal at Council's discretion), as per the below Council resolution of 2 September 2014:

'that Council:

1. approves the awarding of the contract for the receipt and disposal of kerbside-collected residual waste to Acquista Investments Pty Ltd and Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services effective from 1 January 2015 for a period up to 10 years (ie 5 year contract with a right of renewal at Council's discretion) at the rate tendered for the 10 year option

2. approves the awarding of the contract for the receipt and processing of kerbside-collected hard waste materials to Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd effective from 1 January 2015 for a period of up to 10 years

3. authorises the Chief Executive Officer to negotiate with Integrated Waste Services and Transpacific Cleanaway Pty Ltd the right of renewal, finalise the tender process and execute the contracts on behalf of Council

4. notes the option for additional Councils who were not part of the tender process to participate in the negotiations with a view to also entering a contract to leverage improved volumes and rates.'

As per the attached report, prior to the completion of the first 5-year term under that contract, Staff commenced discussions with IWS on how Council could further minimise its waste disposal costs. As a result of those discussions, Council was able to benefit from a reduced rate if it enacted its renewal clause and agreed to the potential of an additional 5 year renewal clause. As the savings to Council at that time were approximately $95,000 per year, at its meeting on 6 March 2018 Council agreed to the new arrangement as per the following resolution:

> ‘1. That the Council is satisfied that it is reasonably foreseeable that the public disclosure or discussion of the report, attachment and discussion at the meeting could reasonably be expected to confer commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party, as contained in Section 90 (3)(d)(i) and (ii).
>
> 2. That an order be made under the provisions of Section 91(7) of the Local Government Act 1999, that the report, attachment and discussion of the subject matter, having been dealt with on a confidential basis under Section 90(3) of the Act, should be kept confidential on the grounds that disclosure of information could confer commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party as contained in Section 90 (3)(b)(i) until the matter is finalised
>
> 3. That Council agree to exercise its right of renewal to extend the existing contract for the receipt and disposal of Council’s kerbside collected residual waste with Integrated Waste Services until 31 December 2024 and that the Chief Executive Officer be authorised to finalise the negotiations and sign the contract documentation.’

It should be noted that this offer was also offered to the other ERA (Eastern Region Alliance) Councils and all but one agreed to this new arrangement.

As residual waste disposal is a significant, ongoing cost to Council, it is an area that Staff continually look to review in an effort to minimise the ongoing costs to Council. Therefore, considering the financial challenges of the past two years, Staff have held discussions with IWS about the possibility of restructuring the existing contract which expires on 31 December 2024 subject to a further right of extension of 5 years.

Furthermore, although the Chief Executive Officer initiated the discussions, due to a perceived conflict of interest with IWS being a sponsor of the Norwood Football Club, the subsequent substantive and ongoing discussions were undertaken by the General Manager Infrastructure Services.

Discussion

As detailed in the attached correspondence, IWS have invested significantly into their waste management business and have been able to increase their resource recovery. As a result of this investment and the partnerships they are forging with third parties (eg Red Centre Enterprises), they are now in a position to offer a very substantial, immediate and ongoing saving to Council in return for a renewed and varied contractual commitment by the Council.

As from 1 July 2021, under the Council's current IWS contract terms, the cost to Council to dispose of its residual waste will be $43.71/tonne (excluding Solid Waste Levy). Due to the aforementioned improvements in their business model, under a renewed and varied contract (the Revised IWS Contract), IWS are prepared to offer a residual waste disposal rate of $35/tonne (excluding Solid Waste Levy) to the Council. Like the Current IWS Contract, the residual waste disposal rate under the Revised IWS Contract is adjusted each year by 3% or CPI (whichever is higher). This new offer is subject to the following two main conditions:

1. The current contract term which ends on 31 December 2024 with a 5-year extension to 31 December 2029, becomes a 10-year term commencing 1 July 2021 and expiring 30 June 2031; and

2. That Council also dispose of their Green Organics material at IWS for the same, revised contract term.

In addition to these conditions Council would have an option to extend the contract term under the Revised IWS Contract in 2031 for a further 10 years if it wished at its discretion.

The proposal represented by the Revised IWS Contract provides a significant saving to Council, especially when considering that prior to 2014, through Waste Care, Council was paying $52/tonne (excluding Solid Waste Levy) for residual waste disposal. If Council agrees to the Revised IWS Contract proposal, it will be paying $35/tonne (excluding Solid Waste Levy and subject to indexation) for residual waste disposal. Furthermore, IWS are offering a further, additional saving to Council of between $15-$20/tonne, if and once their new initiative of manufacturing High Grade Fuel (which uses material recovered from Council's waste stream to replace the use of Natural Gas), is implemented. IWS have indicated that this initiative, which is estimated will cost them $20 million in investment, should be completed and be able to be implemented in early 2023 (the New Initiative). However, being conservative, Staff have only modelled this additional saving from 1 July 2024 and also modelled scenarios where the additional saving is not realised. The attached modelling confirms that the savings to Council on residual waste disposal over a 10-year period (excluding Solid Waste Levy), compared to the existing Current IWS Contract rate is:

1. Approximately $1 million (without the New Initiative)
2. Approximately $2.15 million (with the New Initiative and a $15 reduction)
3. Approximately $2.53 million (with the New Initiative and a $20 reduction).

In addition to modelling these projected savings, Staff have also modelled the additional cost to Council from the Council's new Green Organics disposal rates under the Revised IWS Contract. Over the 10-year period, assuming the current contractor does not increase their cost beyond a 2% adjustment each year, the disposal of Green Organics at IWS will be approximately $57,000 more expensive over the 10-year period.

Therefore, taking that additional cost into account, the savings to Council over the next 10 years (excluding Solid Waste Levy) to proceed with the IWS offer would be:

1. Approximately $940,000 (without the New Initiative)
2. Approximately $2.1 million (with the New Initiative and a $15 reduction)
3. Approximately $2.47 million (with the New Initiative and a $20 reduction).

These are significant savings to Council which will have a significant impact on the Long Term Financial Plan over the next 10 years.

In addition to the financial benefits to the Council from the Revised IWS Contract, the delivery of Councils Green Organics to IWS will enable them to revegetate their Dublin dump site, which in turn will support Red Centre Enterprises harvest the native plants and produce products such as bush tucker and soaps.

Furthermore, as part of the Revised IWS Contract, IWS are also offering Council mulch free of charge that can be utilised on its Parks and Reserves. Staff have already been using this mulch on a trial basis for certain applications and therefore believe that this will represent a further, ongoing cost saving to Council.

As Council would be committing for a 10 year contract period, Staff believe that it would be prudent to insert a clause in the Revised IWS Contract that protects the Council's financial exposure over the 10 year period. Future technology or practices may significantly reduce waste disposal costs, so Council should negotiate with IWS to ensure that it will not be disadvantaged over the contract term should these new practices emerge and IWS does not adopt these new practices and further reduce residual waste disposal and green waste recycling costs.

Staff recommend that Council negotiate to insert a clause in the Revised IWS Contract that considers the aggregate cost to Council over the 10 year term and requires that IWS adjust its pricing to ensure that the Council is not financially disadvantaged through having entered into the 10 year contract. The onus will be on the Council to prove to IWS that it could have secured a better financial outcome by disposing of its residual waste and/or green organics with other parties during the Revised IWS Contract term but at least there is this 'protection mechanism' for the Council should things evolve and change drastically over the next 10 years.

Furthermore, as previously this offer was more broadly offered to ERA Councils, Staff believe that considering all the ERA Councils (except Norwood, Payneham & St Peters) are currently benefitting from the conditions Campbelltown negotiated in 2017/2018, that it also be offered to the other ERA Councils.

In summary, the advantages to Council in agreeing to this contract variation is that Council:

- Receives an immediate cost saving of approximately $94,000 in the 2021/2022 budget
- Locks in its maximum residual waste disposal rates (excluding Solid Waste Levy) for the next 10 years
- Has the opportunity on expiry of the Revised IWS Contract to renew the contract for another 10 years at its sole discretion
- Enables IWS to foster their partnerships with Red Centre Enterprises to support Aboriginal and Torres Strait Islander Communities and continue to invest in the New Initiative which could potentially further reduce the Council's residual waste disposal costs over the contract term and any further term
- Receives free mulch to use on its Parks and Reserves.

Social Implications

There are no social implications in relation to this report.

Environmental / Climate Change Implications

If Council endorse this proposal, its Green Organics would be used to revegetate a dump facility at Dublin, facilitate the planting of native plants and enable Council to receive free mulch for its Parks and Reserves

Furthermore, with the new initiative that IWS are heavily investing in, there could be an additional diversion of waste from landfill.

Asset Management Implications

There are no asset management implications in relation to this report.

Governance / Risk Management

While this is an amendment to an existing contract to realise significant savings for Council, the Council is extending the overall contract term by 18 months and the minimum contract term by 6 and a half years.

The Council is not approaching the broader market because it is dealing with an existing supplier, it has improved the contract value for Council against the existing contract and it will require a clause in Revised IWS Contract that ensures the Council will not be disadvantaged by taking up the offer over the contract term.

The residual waste disposal market is a very limited market and by being a first-mover the Council is securing a better deal than the current market rates on offer - with further potential for further upside against current market rates - but building in flexibility and protections should market rates change radically over the contract term.

Having regard therefore to the limited market for residual waste disposal, the fact that that the Council is dealing with an existing, long term supplier and extending and varying an existing contract, that the market for the procurement is well known and that the risks associated with the procurement will be mitigated by the new contract terms, it is recommended that the Council deals directly with IWS in terms of this procurement.

There is not requirement for a Section 48 prudential report as a result of Council entering into this contract as the relevant thresholds and criteria are not met by the Council entering into the Revised IWS Contract.

Staff has had legal input to the issues discussed in this report and will use legal advisers to support the documentation of the Revised IWS Contract consistent with the matters resolved by Council.

Community Engagement

There is no Community engagement required to be undertaken as a result of this report.

Regional Implications

Staff believe it would be appropriate and beneficial for this offer to also be made to all ERA Councils, as the savings achieved previously by Council were maximised by their involvement.

Economic Development Implications

The commitment of Council to this proposal will assist IWS strengthen their partnership with Red Centre Enterprises which in turn will support Aboriginal and Torres Strait Islanders. Furthermore, the guaranteed supply of Council's waste material for the next 10 years will assist in IWS continuing to invest in technology to recover non-organic two dimensional material from the waste stream to manufacture high grade fuel.

Financial Implications

The offer that has been proposed will provide immediate savings of approximately $94,000 in the 2021/2022 budget and aggregate savings of between $1 million and $2.47 million dollars over the next 10 years, conditional on the Green Organics material also being disposed of at IWS.

Recommendation

That:

1. **Council agrees to exercise its right of renewal to extend the existing contract for the receipt and disposal of Council's kerbside collected residual waste with IWS (Integrated Waste Services), subject to and in accordance with the following contract variations:**

    - **the contract term is an initial term 10 years commencing 1 July 2021 with a 10 year right of renewal at the Council's absolute discretion after the expiry of the initial term and the waste disposal rate (Gate Fee) being $35/tonne (excluding Solid Waste Levy) commencing 1 July 2021 subject to an annual 3% or CPI (whichever is the greater) increase**

    - **the contract being expanded to include the disposal of Council's Green Organics at a rate of $33/tonne commencing 1 July 2021 subject to an annual 3% or CPI (whichever is the greater) increase**

    - **a clause being inserted in the contract so that if future technology/innovations significantly reduce the costs of waste disposal, Council will not be disadvantaged by entering into this contract and that IWS is required to adjust its pricing to ensure that the Council is not financially disadvantaged through having entered into the 10-year contract.**

2. **the Council General Manager Infrastructure Services is delegated authority to negotiate and document such variations and to execute the varied contract on behalf of Council and if possible secure the following further undertakings on the part of IWS:**

    - **Council receiving a reduction in the waste disposal rate (Gate Fee) of between $15 and $20 (excluding Solid Waste Levy)/tonne from no later than 1 July 2024 if IWS implements the New Initiative described in this report, and**

    - **IWS providing a similar offer to all Eastern Region Alliance Councils.**

CAMPBELLTOWN CITY COUNCIL

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Confidential Item

For Council meeting to be held on

Tuesday 6 March 2018 at 7.30 pm

Refer Item 11.11

Confidential Item

11.11 Extension of Waste Disposal Contract

TRIM Reference: B29 Chief Executive Officer, Paul Di Iulio's Report

Purpose of Report

To extend Council's Receipt and Processing Residual Waste Contract for a further 5 years.

Strategic Plan Link

Strategy 3.2.6 Effective waste collection services and programs including hard rubbish collection, e-waste, food waste, with aim to reduce littering, illegal dumping and waste to landfill

Background

In early 2014 the seven Constituent Councils of Waste Care South Australia undertook a joint tender for the disposal of their residual waste.

As a result of that tender evaluation Council awarded the contract to IWS (Integrated Waste Services) for a period of 10 years (ie 5 year contract with a right of renewal at Council's discretion) at the rate tendered for the 10 year option, effective 1 January 2015. To provide a detailed account of the tender process, the report that was considered by Council at its meeting on 2 September 2014 has been attached for Members' information.

Discussion

The existing contract runs until December 2019 however as the agreement enables other Councils to take advantage of Council's disposal rate, the Chief Executive Officer opened up conversations with IWS regarding the current tender rates and the opportunity for other ERA Councils to be part of the tendered rate.

In these discussions and subsequent correspondence (attached) it became evident that IWS had made some significant improvements to their processing through innovative technology and are prepared to offer Council a reduction in its rate to $42/tonne (excluding the Solid Waste Levy) if it extended its contract through the right of renewal clause to 31 December 2024. Furthermore, the new rate would come into effect from 1 April 2018 and present an annual savings on the current contract of approximately $25,000 for the 2018/2019 financial year for waste disposal.

As highlighted in the attached correspondence, Council will receive an additional reduction to $40/tonne (excluding the Solid Waste Levy) if either Prospect or NPSP (Norwood, Payneham & St Peters) Councils committed to be part of the existing contract. Prospect Council considered this matter at their meeting on Tuesday 27 February 2018. If they agree (which indications are that they will) to join this contractual arrangement, Council will only be required to pay $40/tonne (excluding the Solid Waste Levy) which would represent a savings of approximately $45,000 for the 2018/2019 financial year for waste disposal.

As there are additional cost savings if all ERA Councils participate, the Chief Executive Officer raised this opportunity at the ERA CEOs meeting and requested that all the Councils seriously consider either being part of Council's waste contract or extending their existing contract with IWS until 31 December 2024. At this stage Burnside Council's contract with IWS expires on 30 June 2018 so it would require them to extend their existing contract by 6 months and Unley Council's contract with IWS expires on 31 December 2021 which would require them to extend their contract by 3 years. In speaking with their respective Chief Executive Officers, there seemed to be genuine support to seriously consider this proposal as all Councils would benefit immediately.

Therefore to maximise the largest financial benefit, that being a disposal rate of $39/tonne (excluding the Solid Waste Levy), it would require NPSP Council to also commit to this contract with IWS. Like Prospect Council, NPSP Council is in the unique position of coming out of contract on 31 March 2018 and therefore could relatively easily resolve to be part of this wider based initiative that will generate savings for all ERA Councils. It is hopeful that Burnside, Unley and NPSP Councils will agree to this proposal which would deliver a disposal rate of $39/tonne (excluding the Solid Waste Levy) which would equate in a savings to Council of approximately $55,000 for the 2018/2019 financial year for waste disposal.

In summary, the advantages to Council in taking up the right of renewal early is that Council:

- Receives an immediate cost savings (ie commencing 1 April 2018)
- Secures its maximum disposal rates (excluding the Solid Waste Levy) until 31 December 2024
- Has the opportunity to exercise a new right of renewal option to 31 December 2029 if beneficial in 5 years time.

It should be noted that when Council first entered into the contract with IWS it was paying Waste Care $52/tonne (excluding the Solid Waste Levy) for disposal of its residual waste, so on the basis of either the $39 or $40/tonne rate, there will continue to be a significant cost saving to Council. In the event that CPI remains relatively low, then the rate that Council will be paying in 2024 will be less than the rate it was paying Waste Care in 2014.

In addition to the abovementioned benefits, IWS are also offering the opportunity for Council to become a Foundation Investor in the event they build a Waste to Energy Plant. This option simply provides Council with a potential benefit without any commitment from Council until a business case is developed and considered thoroughly by Council.

Furthermore, the extension of this contract to 2024 also provides a great platform for Council and IWS to develop a long term partnership at the Newton Transfer Station with the security that the waste disposal stream is committed until the end of 2024 and possibly December 2029 should the proposed additional renewal option being beneficial to Council.

Social Implications

There are no social implications in relation to this report.

Environmental Implications

IWS has a sophisticated Environmental Management System which has proven to operate effectively for many years.

Asset Management Implications

There are no asset management implications in relation to this report.

Governance / Risk Management

There are no governance / risk management implications in relation to this report as Council is simply exercising its right of renewal under the existing contract.

Community Engagement

There are no Community engagements required as a result of this report.

Financial Implications

There are immediate and ongoing savings to Council by exercising its right of renewal early. With Prospect Council agreeing to be part of this arrangement, the new disposal rate will be $40/tonne (excluding the Solid Waste Levy) and will only increase by 3% or CPI, whichever is higher, over the the next 6 years.

Recommendation

That Council agree to exercise its right of renewal to extend the existing contract for the receipt and disposal of Council's kerbside collected residual waste with Integrated Waste Services until 31 December 2024 and that the Chief Executive Officer be authorised to finalise the negotiations and sign the contract documentation.

Confidential Item

11.12 Tender Report – Kerbside Waste Disposal

TRIM Reference: B29 General Manager Infrastructure Services, Andrian Wiguna's Report

Purpose of Report

To advise Council of the outcome of the procurement process for the receipt and disposal of kerbside-collected residual waste and the receipt and processing of kerbside-collected hard waste materials (Waste Services).

Strategic Plan Link

Strategy 3.2.6 Effective waste collection services and programs including hard rubbish collection, e-waste, food waste, with aim to reduce littering, illegal dumping and waste to landfill

Background

In March 2014, the Elected Members of the Participating Councils (Adelaide City Council, City of Charles Sturt, Campbelltown City Council, City of Prospect, Town of Walkerville and City of Norwood Payneham & St Peters) resolved to participate in a joint tender, to be coordinated by WCSA (Waste Care South Australia) on behalf of the Participating Councils, for the Waste Disposal Services to be provided to the Participating Councils on and from 1 January 2015.

On behalf of the Participating Councils, the procurement was facilitated and managed by the Procurement team from the ACC (Corporation of the City of Adelaide).

The tender document was prepared by utilising assumptions from all of the participating Councils (eg total tonnages of kerbside waste and hard waste from each participating Council).

RFT (Request for Tender) to the open market was released on the SA Tenders & Contracts website (www.tenders.sa.gov.au) on 15 July 2014.

On the afternoon of 14 July 2014, ACC Procurement team made a courtesy phone call to each of the following prospective tenderers advising the release date of the RFT:

- Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd
- Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services
- SITA-ResourceCo Alternative Fuels Pty Ltd trading as SITA-ResourceCo, and
- Adelaide Resource Recovery Pty Ltd.

The four companies contacted, submitted their tender proposals and no other tender submissions from other companies were received. It is also noted that no late tenders were received.

To provide further flexibility to the participating Councils, the following criteria were included as part of the tender specifications:

- The tender document provides no guarantee that each of participating Councils will enter into and be bound by a contract with the successful tenderer
- Participating Council will provide no guarantee on the minimum tonnages of waste per year
- Provides flexibility to participating Council to choose at their discretion to enter either 3, 5 or longer term contract (10 years) or not to participate at all
- Flexibility to enter only part of the services (eg receive and disposal of kerbside waste to Company A and disposal of hard waste to company B).

Discussion

Tenders were assessed by representatives of each of the participating Councils. The tender evaluation report was prepared by the ACC procurement team and is attached separately for Members' information. This tender evaluation report provides detailed information including cost analysis and recommendations.

The following recommendations are provided as per the attached report:

Option 1 Award of Contract for a 3-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 3 year term, it is recommended that Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd is awarded the Contract for the whole of the services associated with the receipt and disposal of kerbside-collected residual waste and the receipt and processing of kerbside-collected hard waste materials.

Option 2 Award of Contract for a 5-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 5 year term, it is recommended that:

(a) Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services is awarded the Contract for the receipt and disposal of kerbside-collected residual waste;

(b) Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd is awarded the Contract for the receipt and processing of kerbside-collected hard waste materials.

Option 3 Award of Contract for a 10-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 10 year term, it is recommended that:

(a) Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services is awarded the Contract for the receipt and disposal of kerbside-collected residual waste;

(b) Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd is awarded the Contract for the receipt and processing of kerbside-collected hard waste materials.

Option 4 No Award of Contract

Any Participating Council that wishes to opt out of the Tender Process and accede to a separate contract arrangement has the ability to do so if that Participating Council determines that the separate contract arrangement provides a better 'value for money' outcome.

Summary

It is in Staff opinion that Option 1 poses higher risk when compared to other options as there is a risk that prices for the relevant services may increase after 3 years. By not taking up a longer term arrangement, the participating Councils may not be able to achieve better pricing and other benefits when approaching the market in 3 to 5 years.

Two other participating Councils are constituent Councils of the Council Solutions subsidiary. Council Solutions is investigating a large aggregated tender for waste services. If these Councils choose to participate in that co-operative arrangement, the other Participating Councils may lose the benefit of aggregated volumes (which were presented with this RFT) in any future tender processes (should we go with three years option). The risks are highlighted in the attached Tender Evaluation Report.

Option 2 provides savings compared to the current rate that Council pays to WCSA. Similar to Option 1, the risk of this option would be Council may not be able to achieve a better pricing and other benefits when approaching the market in 5 years. The benefit of this Option is in five years time, there is a potential that new technology may have emerged in the industry.

The potential saving to Council for Year 1 for Option 2 is approximately $99,000. The cost for the life of the contract (five years) is shown in the attached financial modelling.

Option 3 provides the best saving to Council and a certainty on the expenditure over the next 10 years period. The preferred tenderer for Option 3 indicated in their submission that their price will be adjusted by 3% each year over the life of the contract. The potential saving for Year 1 of this Option is approximately $119,000 which represents $20,000 additional saving compared to Option 2. The financial modelling also shows that Council would pay approximately the same amount as the current 2014 rate (approximately $52 per tonne) in Year 10 or in 2024 by choosing this option.

The preferred company for Option 3 has also indicated that they are willing to enter into further contract negotiation should a new technology be developed and emerge to reduce the amount of waste being disposed to landfill. However the timing of this new technology is still unknown and still depending on a lot of factors including demand and cost to invest the technology.

Therefore, from the options above, Staff would recommend Council consider Option 3 as the preferred option. This option provides the most cost effective option and also provides a better financial certainty to Council.

Furthermore, Staff have commenced discussions with the preferred contractor to provide an alternative contract option derived from Option 3 which is for a five year contract term with a right of renewal at Council's discretion for a further five years at the rate of a ten year contract. The preferred contractor has indicated that they are willing to enter into this variation to Option 3. By having this option, it provides Council with greater flexibility to review its contract in five years should new technology emerge. However if the status quo remains Council would have secured a very competitive rate for the long term.

In regard to the hardwaste, it is recommended (for all options) that the hardwaste be disposed at Waste Management Pacific facility. By entering to the new contract Council may gain a slight saving of approximately $3 per tonne.

Social Implications

There are no direct social implications associated with this tender report. However, the contract has the potential to identify social benefits through the provision of improved waste services.

Environmental Implications

All tenderers were required to submit their Environmental Management System as part of the tender criteria which has formed an integral part of the assessment process.

Asset Management Implications

There are no asset management implications in relation to this report.

Governance / Risk Management

The risk is detailed in the tender evaluation report attached separately.

Community Engagement

There are no Community engagements required to this report.

Financial Implications

Council currently pay $52 per tonne excluding the EPA levy to dispose of its waste to Waste Care SA facility. By entering to a new contract, Council will gain a significant cost saving which is detailed in the attached financial modelling.

Recommendation

That Council:

1. **approves the awarding of the contract for the receipt and disposal of kerbside-collected residual waste to Acquista Investments Pty Ltd and Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services effective from 1 January 2015 for a period up to 10 years (ie 5 year contract with a right of renewal at Council's discretion) at the rate tendered for the 10 year option**

2. **approves the awarding of the contract for the receipt and processing of kerbside-collected hard waste materials to Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd effective from 1 January 2015 for a period of up to 10 years**

3. **authorises the Chief Executive Officer to negotiate with Integrated Waste Services and Transpacific Cleanaway Pty Ltd the right of renewal, finalise the tender process and execute the contracts on behalf of Council**

4. **notes the option for additional Councils who were not part of the tender process to participate in the negotiations with a view to also entering a contract to leverage improved volumes and rates.**

Integrated Waste Services

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ABN 33 065 561 630

21th February 2018

Mr Paul Di Lulio

CEO – Campbelltown Council

Dear Paul

Thank you for your time in discussing the option to extend to the City of Campbelltown and City of Walkerville - Receipt and Processing of Residual Waste Contract for a further 5 years. (T2014/0210)

This contract extension would extend the current contract period until 31st December 2024.

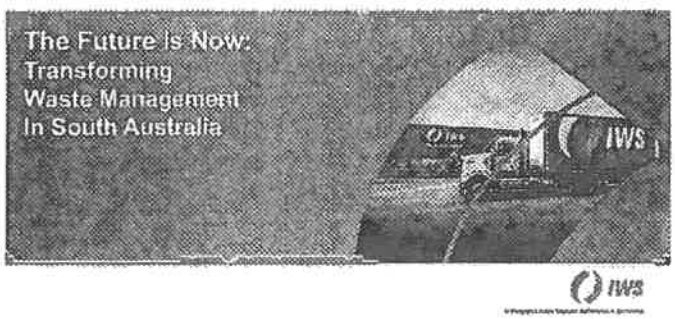
Integrated Waste Services (IWS) would like to take the opportunity to provide the following proposal to the Eastern Regional Authority for the Receipt and Processing of Kerbside Collected Residual and Hard Waste.

Integrated Waste Services are at the forefront of waste disposal and recycling in South Australia. IWS's invested in MSW processing infrastructure in recent years setting the industry standard in environmental sustainable solutions for waste management.

Our innovative technology for the recycling of organics from MSW resulting in IWS being in a unique position to offer a number of processes that allows for the maximum diversion of resources from historic landfill disposal and subsequent cost benefits.

IWS would like to offer the City of Prospect and the City of Norwood, Payneham and St Peters to piggy back onto the Contract T2014/0210 extension as per the following conditions.

The terms and conditions of the following offer are to be strictly confidential.



IWS

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City of Campbelltown and City of Walkerville

Proposed Variation to Contract T2014/0210

Revised Gate Rate Effective 1/4/2018 : $42 / tonne *

*Conditions to the above Proposed Variation

1. Contract Extension to 31/12/2024
2. New Option for 5 Year Extension to 31/12/2029
3. EPA Levy passed on at Cost
4. Annual Price Review (Higher of 3% or CPI)

IWS would like to also offer the City of Campbelltown and City of Walkerville - Receipt and Processing of Residual Waste Contract (T2014/0210) the following discounts for increased volumes.

Proposed Rates for Additional Volumes

- **City of Campbelltown and City of Walkerville + City of Prospect or City of Norwood, Payneham and St Peters**
-

Revised Gate Rate Effective 1/4/2018 : $40 / tonne *

*Conditions to the above Proposed Variation

1. Contract Extension to 31/12/2024
2. New Option for 5 Year Extension to 31/12/2029
3. EPA Levy passed on at Cost
4. Annual Price Review (Higher of 3% or CPI)

- **City of Campbelltown and City of Walkerville + All Other ERA Councils**

Revised Gate Rate Effective 1/4/2018 : $39 / tonne *

*Conditions to the above Proposed Variation

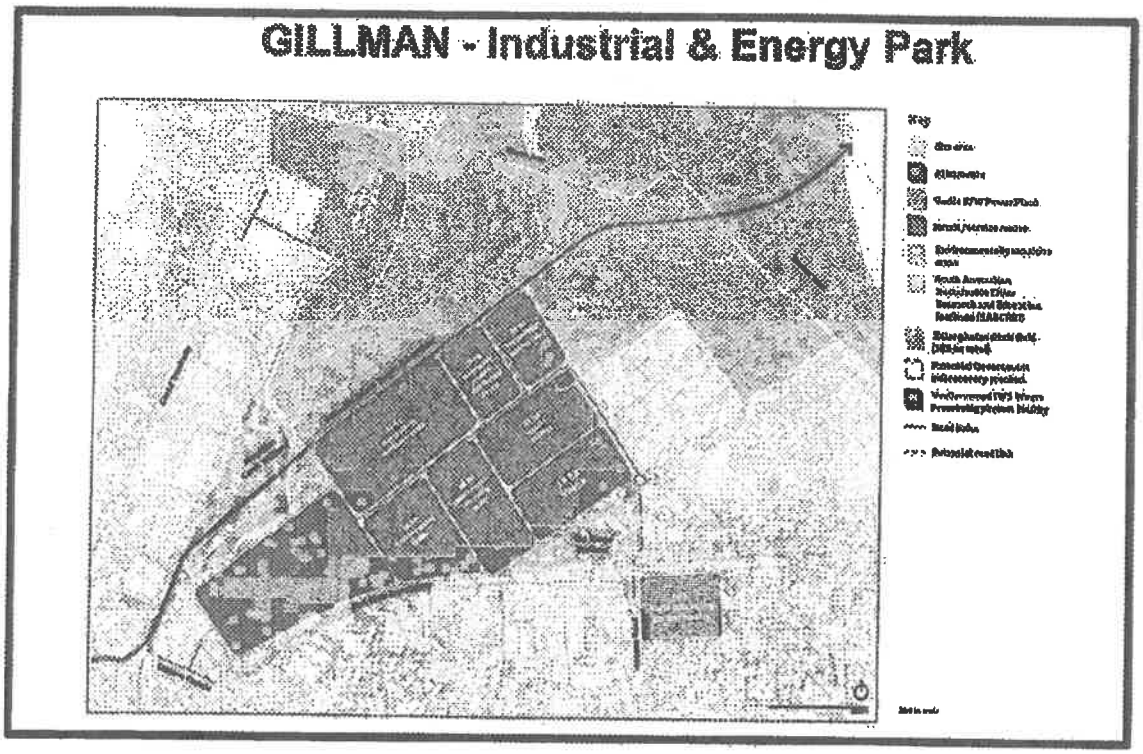
1. Contract Extension to 31/12/2024
2. New Option for 5 Year Extension to 31/12/2029
3. EPA Levy passed on at Cost
4. Annual Price Review (Higher of 3% or CPI)

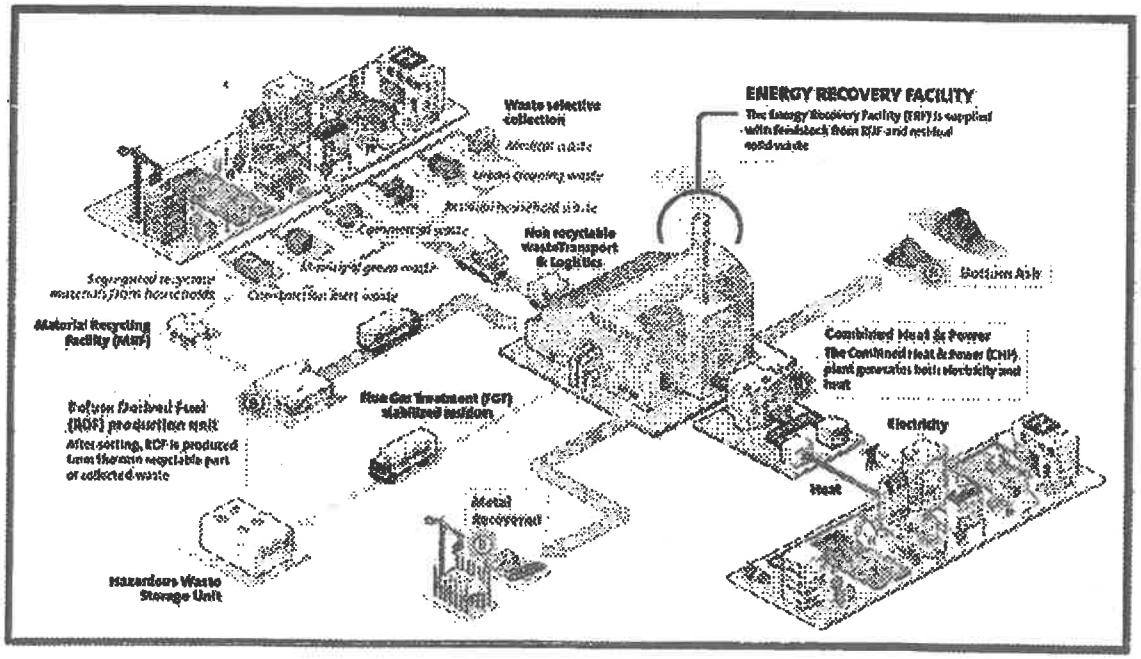
IWS

Integrated Waste Services

Lot 254 Hines & Wingfield Roads
Wingfield, South Australia, 5013
T +61 8 8343 2644
F +61 8 8243 1299
www.iwsgroup.com.au
ABN 23 049 884 888

IWS in conjunction with its partner Veolia is also in the initial stages developing a Waste to Energy Precinct (W2E) at Gillman with the State Government.





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As part of this proposal IWS will offer all councils who bring their volumes to IWS an option to be Foundation Investors in the proposed Waste to Energy Plant.

The option shall entitle councils to negotiate an investment in the facility and benefit in long term sustainable reduction of landfill and the generation of power from waste.

IWS looks forward to discussing this offer with you further and should you require any further information please don't hesitate to contact the undersigned.

Integrated Waste Services

Joe Borrelli
Chief Executive Officer

Integrated Waste Services

Lot 254 Hines & Wingfield Roads
Wingfield, South Australia, 5013
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www.iwsgroup.com.au
ABN 23 043 564 833

3rd March 2020

Campbelltown City Council
Mr Paul Di Iulio
172 Montacute Road
Rostrevor, SA 5073

PRIVATE & CONFIDENTIAL

Dear Paul,

Re: Contract No T2014/0210

I would like to thank you and the Campbelltown City Council for your continued support and partnership throughout the period of our existing contract.

As you are aware, the above contract is due to expire on 31st December 2024, with a further extension term of 5 years.

The past 18 months has seen Integrated Waste Services (IWS) invest significantly into our Waste Management business. The investment has successfully achieved IWS' objective in achieving increased diversion in Resource Recovery.

Due to this success, IWS is able to offer revised changes to Contract No T2014/0210 which we feel is beneficial to the Campbelltown City Council.

IWS Propose the following Variations to Contract T2014/0210:

1. Revised Gate Rate – Effective 1/7/2021 from $42.44 to $35.00 + EPA SWL* + GST per tonne (based on your current tonnes circa 10,000 per annum, this is a saving of approximately $74,400 per annum based on the current rate)

   *SWL – Solid Waste Levy

2. Green Organic tonnes generated from the Campbelltown City Council circa 6,000 tonnes per annum to be disposed of at IWS at a Gate Rate of $33.00 + GST per tonne.
3. Construction & Demolition (C&D) Waste – Roads, Footpaths & Other Civil Works from Campbelltown City Council at a Gate Rate of $20.00 + GST per tonne

The Proposed Variation is subject to the following:

- Revised Contract Start Date with a 10-year team (Revised Contract Date: 1/7/2021 – 30/6/2031) + 10 Year Extension Option, at the Councils discretion.
- MSW Annual Gate Rate – Increase by the greater of 3% or CPI.
- EPA SWL charges passed on to the Council.
- Green Organics Annual Gate Rate – Increase by the greater of 3% or CPI.
- C & D Annual Gate Rate – Increase by the greater of 3% or CPI.
- Amendment to Clause 25.1 of Original Contract, to include the words "the contract cannot be unreasonably withheld for assignment".

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Future Benefits

IWS is in the process of Investing a further $20 Million to undertake a new division of our business which uses the Non-Organic Two-Dimensional material that is recovered from the processing of MSW.
The recovered material will be used to manufacture High Grade Fuel, replacing Natural Gas in high use applications, such as Cement Kilns.
Upon implementation, (scheduled completion of early 2023) IWS will pass on further savings from the SWL to the Campbelltown City Council of between $15-$20 per tonne.

IWS & Organics

In 2020 IWS formed a partnership with a wholly owned First Nations Australians business - Red Centre Enterprises, with the focus to ethically, responsibly and respectfully commercialise resources of First Nations Australians.
IWS has partnered with Red Centre to use Organics that are both, recovered from the MSW Recovery process and collected from Council Kerb-side Green Organics, to revegetate our Dublin facility.
IWS will plant and grow Australian Native plants, for Red Centre to harvest and use to produce Native products such as bush tucker and soaps. Red Centre will commercially on sell these products to support the Aboriginal and Torres Strait Islander communities.

IWS prides itself on being at the forefront of the Waste Management Industry in both South Australia and Australia. We continue to expand and strengthen our Resource Recovery initiatives by investing in ways to ultimately ensure that we Minimise Waste sent to Landfill.

Additional Benefits

Mulch –

- IWS produce an A-Grade Mulch from trees and shrubs disposed of at IWS.
- Campbelltown City Council currently use this Mulch for their parks and gardens.
- IWS will continue to provide this benefit at no cost to the Council.

Education Program –

- IWS has recently completed a $500,000 purpose-built Education Centre to partner with KESAB to provide both Council Communities and Schools with the ability to undertake Waste Management Education Tours.
- We invite the Campbelltown City Council Staff and Community with the opportunity to be part of this Educational Program.

Bulk Green Organics Residents Program –

- The Council can offer their Residents a Service one similar to that offered by PAE Council, where Residents can drop off Green Waste at no charge to the Resident (up to 2 per year) with the charge covered by the Council's Green Organics Disposal Rate, invoiced to the Council.

IWS thank the Campbelltown City Council for its partnership and have no doubt that together we can continue to maintain our commitment to the Waste Management Industry.

I look forward to continuing to work together with you, if you would like IWS to present to council a presentation that accompanies this proposal, I would be delighted to present it to you.

Kind Regards,

Joe Borrelli

		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
As at 1 July		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL
General Waste - 10,000 tonnes per annum												
$ 42.44	3% index	$ 43.71	$ 45.02	$ 46.38	$ 47.77	$ 49.20	$ 50.68	$ 52.20	$ 53.76	$ 55.37	$ 57.04	$ 5,011,228
	from 2021	$ 437,132	$ 450,246	$ 463,753	$ 477,666	$ 491,996	$ 506,756	$ 521,958	$ 537,617	$ 553,746	$ 570,358	
$ 35.00	3% index	$ 35.00	$ 36.05	$ 37.13	$ 38.25	$ 39.39	$ 40.57	$ 41.79	$ 43.05	$ 44.34	$ 45.67	$ 4,012,358
	from 2022	$ 350,000	$ 360,500	$ 371,315	$ 382,454	$ 393,928	$ 405,746	$ 417,918	$ 430,456	$ 443,370	$ 456,671	
$42.44 vs $35.00		-$ 8.71	-$ 8.97	-$ 9.24	-$ 9.52	-$ 9.81	-$ 10.10	-$ 10.40	-$ 10.72	-$ 11.04	-$ 11.37	-$ 998,871
		-$ 87,132	-$ 89,746	-$ 92,438	-$ 95,211	-$ 98,068	-$ 101,010	-$ 104,040	-$ 107,161	-$ 110,376	-$ 113,687	
$ 35.00	Index, $15	$ 35.00	$ 36.05	$ 37.13	$ 23.25	$ 23.94	$ 24.66	$ 25.40	$ 26.16	$ 26.95	$ 27.76	$ 2,862,988
	drop in 2024	$ 350,000	$ 360,500	$ 371,315	$ 232,454	$ 239,428	$ 246,611	$ 254,009	$ 261,630	$ 269,478	$ 277,563	
$42.44 vs $35.00, then $15 reduction in 2024		-$ 8.71	-$ 8.97	-$ 9.24	-$ 24.52	-$ 25.26	-$ 26.01	-$ 26.79	-$ 27.60	-$ 28.43	-$ 29.28	-$ 2,148,240
		-$ 87,132	-$ 89,746	-$ 92,438	-$ 245,211	-$ 252,568	-$ 260,145	-$ 267,949	-$ 275,988	-$ 284,267	-$ 292,795	
$ 35.00	Index, $20	$ 35.00	$ 36.05	$ 37.13	$ 18.25	$ 18.79	$ 19.36	$ 19.94	$ 20.54	$ 21.15	$ 21.79	$ 2,479,865
	drop in 2024	$ 350,000	$ 360,500	$ 371,315	$ 182,454	$ 187,928	$ 193,566	$ 199,373	$ 205,354	$ 211,515	$ 217,860	
$42.44 vs $35.00, then $20 reduction in 2024		-$ 8.71	-$ 8.97	-$ 9.24	-$ 29.52	-$ 30.41	-$ 31.32	-$ 32.26	-$ 33.23	-$ 34.22	-$ 35.25	-$ 2,531,363
		-$ 87,132	-$ 89,746	-$ 92,438	-$ 295,211	-$ 304,068	-$ 313,190	-$ 322,586	-$ 332,263	-$ 342,231	-$ 352,498	

		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
As at 1 July		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL
Green Organics - 7,500 tonnes per annum												
$ 33.00	3% index	$ 33.00	$ 33.99	$ 35.01	$ 36.06	$ 37.14	$ 38.26	$ 39.40	$ 40.59	$ 41.80	$ 43.06	$ 2,837,310
	from 2022	$ 247,500	$ 254,925	$ 262,573	$ 270,450	$ 278,563	$ 286,920	$ 295,528	$ 304,394	$ 313,526	$ 322,931	
$ 33.19	2% index	$ 33.85	$ 34.53	$ 35.22	$ 35.93	$ 36.64	$ 37.38	$ 38.12	$ 38.89	$ 39.67	$ 40.46	$ 2,780,172
	from 2021	$ 253,904	$ 258,982	$ 264,161	$ 269,444	$ 274,833	$ 280,330	$ 285,937	$ 291,655	$ 297,488	$ 303,438	
$33.00 vs $33.19		-$ 0.85	-$ 0.54	-$ 0.21	$ 0.13	$ 0.50	$ 0.88	$ 1.28	$ 1.70	$ 2.14	$ 2.60	$ 57,138
		-$ 6,404	-$ 4,057	-$ 1,588	$ 1,006	$ 3,730	$ 6,590	$ 9,591	$ 12,738	$ 16,037	$ 19,493	

Including Green Organics Cost

$42.44 vs $35.00	-$ 941,733
$42.44 vs $35.00, then $15 reduction in 2024	-$ 2,091,102
$42.44 vs $35.00, then $20 reduction in 2024	-$ 2,474,226