Confidential Item

CAMPBELLTOWN CITY COUNCIL

150 YEARS 1868-2018

# 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.**

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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.



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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**

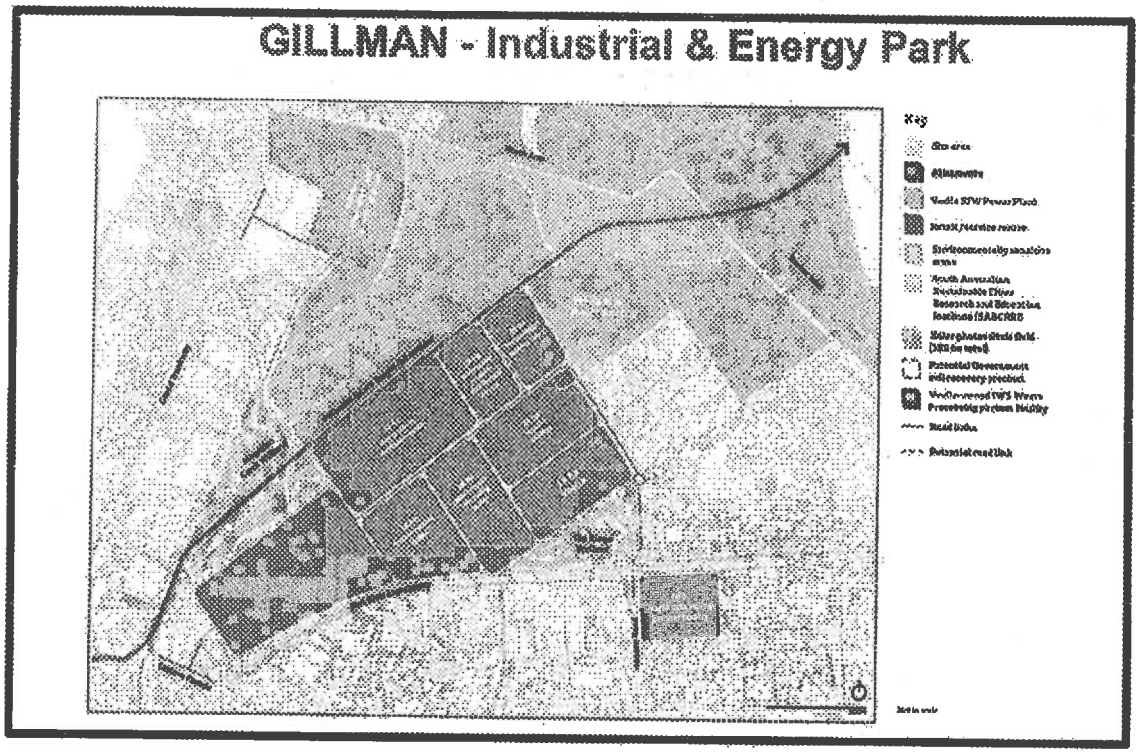
Revised Gate Rate Effective 1/4/2018 : $39 / tonne *

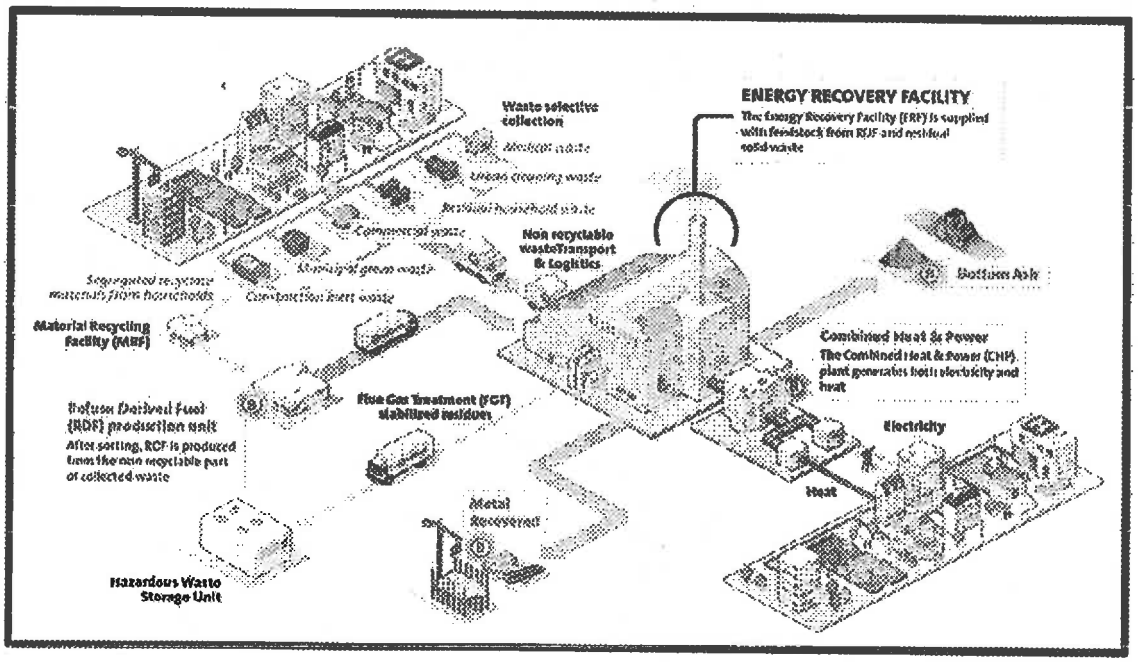
*Conditions to the above Proposed Variation

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 )

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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**