

15.2 Contract 13008 Collection and processing of kerbside recyclables and organics

This report seeks council approval to award contracts for the collection and processing of kerbside recyclables and organics

This is an update on a previously reported subject, concept or issue.

Director: Kirk Richardson, Director City Operations

Report Author: Ben Calder, Senior Strategic Planner

Garry Herdegen, Manager Fleet and Waste

Contact Number: 8384 0686 (Ben) 83840142 (Garry)

Attachments: 1 Tender process and tender evaluation summary (5 pages)
2. Statement from Probitry Advisor (1 page)

1. Recommendations

1. That:

- a) Under the provisions of Section 90(2) of the *Local Government Act 1999* an order be made that the public be excluded from attendance at the meeting in order to consider in confidence this item.
- b) The Council is satisfied that it is necessary that the public be excluded to enable the Council to consider the report at the meeting on the following grounds:

Section 90(3)(k) tenders for the supply of goods, the provision of services or the carrying out of works.

The Council is satisfied that it is reasonably foreseeable that the public disclosure or discussion of the information at the meeting may:

- prejudice the commercial position of the companies that supplied the information; or
- confer a commercial advantage on a third party; or
- prejudice any ongoing negotiations with the preferred supplier potentially causing damage to the interests of the Council.

- c) Accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or discussion confidential.

2. That for the collection of kerbside organics and recyclables and processing of kerbside organics Council award the tender proposed by Solo Resource Recovery, Contract 13008 as:
 - *it passed mandatory criteria;*
 - *it presented a commercially acceptable offer.*
3. That the offer proposed by Solo Resource Recovery at a cost of \$21 million over the seven year term is accepted.
4. That for the processing of kerbside recyclables Council award the tender proposed by SKM Recycling, Contract 13008 as:

- *it passed mandatory criteria;*
 - *it presented a commercially acceptable offer.*
5. **That the offer proposed by SKM Recycling with an estimated income to Council of \$1 million over the 7 year contract term is accepted.**
 6. **That Council give the Chief Executive Officer approval to negotiate any further issues on this tender.**
 7. **That Council authorise the Chief Executive Officer to sign all documentation to finalise and award contract number 13008 as outlined in the recommendation above.**
 8. **That Council authorise the Chief Executive Officer to engage in negotiations with SKM Recycling and Zero Waste SA in relation to opportunities to:**
 - **secure commitment for the future development of a full materials recovery facility (MRF) to be located within Onkaparinga;**
 - **bring forward/accelerate the development of the MRF;**
 - **support related development within the City of Onkaparinga.**
 9. **That the matter of the Contract 13008 Collection and processing of kerbside recyclables and organics having been considered in confidence under Section 90(3)(k) of the Local Government Act 1999 an order be made under the provisions of Section 91(7) and (9) of the *Local Government Act 1999* that the Contract 13008 Collection and processing of kerbside recyclables and organics and the minutes and the report of the council relating to discussion of the subject matter be kept confidential with the exception of parts 2 and 4 of the recommendation and resolution, until the contract is signed.**
 10. **That, pursuant to section 91(9)(a) of the *Local Government Act 1999*, Council delegates the duty to conduct an annual review of the confidentiality order to the Chief Executive Officer, or their sub-delegate.**
 11. **That, pursuant to section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke the confidentiality order to the Chief Executive Officer, or their sub-delegate.**

2. **Background**

Tenders were received through an open tender process and assessed through Council's Tender Management System (TMS) Contract No. 13008.

A separate non-confidential report has been included in this agenda that provides background information.

A confidential presentation was provided to Elected Members at the Strategic Directions Committee meeting on 17 September 2013.

3. **Financial Implications**

The 2013/14 budget for the delivery of our kerbside recycling and green waste services is approximately \$4.05 million.

This figure includes collection and processing of kerbside recyclables and organics, the delivery of new bins and the capital purchase of organics bins for the initial service rollout in 2006.

The new contracts will involve a fixed base fee for the collection of organics and recyclables and bin maintenance and unit rates for bin supply, organics and recyclables processing. This structure has been designed to provide best value for council over the course of the contract.

Actual contract costs will be the product of unit rate elements and these are subject to a number of external influences. For example organics yields vary each year with seasonal and climatic variations.

The estimated cost of the new arrangement is shown in the table below.

Recommended tenderer		Estimated annual cost (Year 0)
Collection	Solo	\$2.6 million
Organics processing	Peats Soils (as subcontractor to Solo)	\$420,000
Recyclables processing	SKM Recycling	(\$150,000)
Total cost of new contract year 0		\$2.87 million
Current collection and processing total 2013/14		\$4.05 million
Estimated gross saving (recurrent) from 2014/15		(\$1.18) million

The above figures include estimates in relation to the unit rate costs components of the contracts. These estimates will be updated as part of the 2014/15 budget process. The contract places greater emphasis on data management and reporting and some additional costs will be required for waste auditing and contract management over the life of the contract.

The new contract will create a significant financial incentive to divert recyclables from the residual waste stream to the recycling stream. Over recent years we increased investment in education and service promotion. However further investment in education may be warranted in view of the potential returns.

The incentive to divert recyclables from residual waste has now become much greater now that we will be receiving income for recyclables. Council disposes of 38,000 tonnes of waste to landfill per annum, a 5% reduction in landfill disposal would represent a \$190,000 net saving to the operational costs of waste provision for the city.

SKM Recycling's tender includes a payment of \$2 per tonne for education which is not included in the above figures. Council currently diverts 15,000 tonnes pa. of recyclables through kerbside collections. The proposed contract provides for \$30,000 of additional income for mutually agreed waste education.

4. Risk and Opportunity

Key risks	Risk details and analysis
Probity	Brenton Ellery of Edwards Marshall has provided probity advice for the tender evaluation. A letter regarding the process forms Attachment 2.
Various	A comprehensive review of risks with each tender has been undertaken as part of the evaluation process. Specialist waste management, legal and commercial advisers have assisted with this process.

5. Discussion

In accordance with Council's Procurement Policy and procedures tender invitations were issued through SA Tenders and Contracts.

The Directors Group approved the Procurement Strategy and the Tender Evaluation Plan.

Number of tenders received

Eight tenders were received from:

- Solo Resource Recovery - collection and processing with Visy and Peats as processing subcontractors
- Veolia - collection only
- Sita – collection and processing with Visy and Peats as processing subcontractors
- Visy - recycling processing only
- SKM Recycling - recycling processing only
- Jeffries – organics processing only
- Peats Soils – organics processing only
- Southern Recycling Centre (Integrated Waste Services) – organics and recycling processing.

Tender Management System (TMS)

The TMS tender evaluation summary (refer Attachment 1) reflects the following assessment guidelines:

- compliance with the mandatory criteria is determined by consensus opinion of the tender evaluation panel
- all evaluation scores are determined by the tender evaluation panel based on the weighted criteria selected for this tender
- all risk assessments are determined based on a consensus opinion of the tender evaluation panel.

Tender Assessment

The tender assessment was carried out across three areas. They were:

- compliance with mandatory criteria
- rankings based on the following weighted criteria:
 - price (collection and processing)
 - customer service (collection only)
 - relationship and collaboration (collection only)
 - collection vehicle emissions (collection only)
 - resource recovery (organics and recyclables processing)
 - economic development (recyclables processing only)
- risk and opportunity assessment.

The tender evaluation panel evaluated the tenders in accordance with the agreed selection criteria, which were made available in the tender document. The outcomes of all three areas of assessment were combined to identify the preferred tenderers.

In order to allow accurate comparison of total contract cost, tender prices were extrapolated over the 7 year term of the contract. This included assumptions in relation to the rise and fall provisions with the contract and unit rate items.

A representative of Edwards Marshall was present at all evaluation meetings to provide probity advice to and audit the tender process. This role ensures that the award of contracts process is fair and transparent. A copy of the preliminary probity report for the tender process is contained in attachment 2.

The evaluation panel was assisted by specialist advisers in relation to waste management, commercial and legal issues.

Evaluation outcomes

Two collectors, two organics processors and two recyclables processors were shortlisted by the evaluation team, namely Solo Resource Recovery, Veolia, SKM Recycling, Visy, Peats Soils and Jeffries.

Financial performance assessment checks have also been undertaken on shortlisted tenderers.

Commercial alignment sessions were held with each of the shortlisted tenderers. These involved a structured negotiation process designed to optimise value for council. These sessions were conducted in accordance with a Commercial Alignment Negotiation Plan that was approved in advance by the Director's Group.

Presentations were also sought from shortlisted tenderers.

The results of the tender evaluation are described in Attachment 1. The key aspects of the selected tenderers are described below:

Collection - Solo Resource Recovery

- lowest collection price
- strong customer service systems and processes
- satisfactory referee checks results
- use of 20% Biodiesel blend to reduce vehicle tail pipe emissions
- collection operations to be certified carbon neutral.

Organics processing - Peat Soils (as subcontractor to Solo)

- lowest processing unit rate
- well established markets and systems to manage contamination.

Note: Peats Soils were a subcontractor for the above Solo Resource Recovery tender and also submitted a standalone tender for organics processing. For ease of contract management it is recommended that they be engaged via the Solo tender.

Recycling processing – SKM Recycling

- payment to Council (lowest processing unit rate)
- additional payment of \$2 per tonne for Council to spend on mutually agreed recycling education
- very high recovery rates via a high performing material recovery facility (Coolaroo, Victoria)
- able to accept broader range of materials for recycling (rigid plastics, kitchen pots and pans and potentially soft plastics in the future)
- initial establishment of a transfer station in southern Adelaide, with possible future development of a full materials recovery facility (subject to winning additional Adelaide contracts).

Service Review Outcomes

Our service review framework provides a systemic approach to reviewing our services with a view to:

- critically assessing what services we provide and who is best placed to provide those services
- identifying improvements in the delivery of services (ie efficiency gains and improved effectiveness)
- seeking to leverage opportunities in whatever we do.

Consistent with our organisational values, the framework looks to ensure we challenge the status quo in all aspects of our business and explore innovative solutions to derive the best outcome for both the organisation and our communities.

Waste and recycling was identified as a priority service for review following a high level assessment using the service alignment model. At a Council workshop on 26 March 2013 the results of the service alignment assessment were discussed and it was recommended that the costs associated with the delivery of the kerbside organics and recycling services (including the possibility of undertaking these collections in-house) be reviewed as part of this tender.

The innovative approach and manner in which we engaged the market throughout this tender process has resulted in an extremely successful outcome that realises considerable financial savings and wider economic development outcomes that have potential state-wide implications.

The market was challenged with providing a response that sought not only a cost effective submission but also identified our economic development objectives. It also communicated our intention to compare this to our costs of service provision while reserving our right to not necessarily accept any tender and undertake the services internally if deemed appropriate. By inviting the FRWA to participate in tender we increased the tonnages of recyclables offered and the attractiveness of

the tender to the market. In addition the commercial alignment process with short listed tenderers has resulted in further improvements in the offers while ensuring parties are clear on all aspects of the tender.

Detailed analysis of our estimated costs of providing the collection services in-house has identified they are comparable with the lowest tenderer.

In considering the preferred strategic model and associated risks it is recommended that the kerbside organics and recycling collections continue to be undertaken via external provider. A mix of in-house and external service delivery for our kerbside collections provides a number of strategic advantages including risk mitigation, the opportunity to benchmark costs and competitive pressures to drive efficiency. The ability to compare tender prices with in-house costs greatly assisted the commercial alignment process by providing accurate pricing benchmarks and increased competitive pressure on tenderers.

Economic development discussions

As described above SKM Recycling tender involves establishment of a transfer station within southern Adelaide. It is proposed that the Chief Executive Officer engage in negotiations with SKM Recycling and Zero Waste SA with regard of opportunities to:

- secure commitment for the future development of a full materials recovery facility (MRF) to be located within Onkaparinga
- bring forward/accelerate the development of the MRF
- support related development within the city.

Fleurieu Regional Waste Authority

The Fleurieu Regional Waste Authority (FRWA) participated in the tender process with regard to the processing of recyclables only. Each party will enter into a separate contract with the successful processor. Prior to going to tender a memorandum of understanding was signed with the FRWA to clarify the obligations of each party.

The FRWA has also selected SKM Recycling as their recycling processor.

Next Steps

Subject to Council's endorsement of this report regarding the award of contract, works on the tender/contract components will commence immediately to ensure a smooth transition for the commencement of new contracts on 1 April 2014.

Council will be kept informed of the status of this element of the Project via Weekly News and the Project Register.



Tender evaluation summary

Contract No: 13008

Contract Name: Kerbside Recyclables and Organics Collection and Processing Services

Tenders were invited by open tender process.

Tenders closed at 2.00pm on Tuesday 11 June 2013 at which time eight tenders were received from the tenderers who are listed in table 1 (below):

Table 1 – Tenders received from:

Name of Tenderer	ABN
<i>The Trustee for Rico Family Trust, trading as:</i> Solo Resource Recovery	62 398 515 816
Veolia Environmental Services (Australia) Pty Ltd	20 051 316 584
SITA Australia Pty Ltd	70 002 902 650
<i>The Trustee for Southern Paper Converters Trust, trading as</i> Visy Recycling	49 984 541 896
SKM Industries Pty Ltd	15 130 864 621
<i>The Trustee for LF Jeffries Family Trust, trading as</i> Jeffries Garden Soils	38 498 297 669
Peats Soil & Garden Supplies Pty Ltd	40 099 625 555
<i>Integrated Waste Services & Southern Region Waste Resource Authority,</i> <i>trading as:</i> Southern Recycling Services	66 359 195 426

The Tenders were assessed in accordance with Council's Administration Procedure 'Procurement', and in compliance with the Evaluation Plan that had been prepared for this tender requirement. The procedure requires that tenders are assessed by an evaluation panel using a weighted matrix to rank the tenderers in order of preference.

The Evaluation Panel comprised the people listed as recommended by in table 2 (below):

Table 2 – Evaluation Panel Members

Name	Position Title
Kirk Richardson	Director City Operations
Garry Herdegen	Manager Fleet & Waste
Darren Styler	Manager Finance
Ben Calder	Senior Strategic Planner
Norm Bergman	Team Leader Waste & Recycling
Marina Wagner	Executive Officer, FRWA

The Evaluation Panel engaged the services of the following specialist consultants, to offer expert advice in the tender evaluation process:

Table 3 – Evaluation Panel Advisors

Name	Organisation	responsibility
Peter Fisher	Norman Waterhouse	specialist legal advice
Trevor Hockley	TJH Management Services	specialist advice on waste management and recycling matters
Heath Colebatch Kym Williams	BRS	specialist commercial advice
Brenton Ellery Brett Morkunas	Edwards Marshall	probity advice
Olaf Nippierd Peter Cobiac	Corporate Scorecard	financial performance / credit rating advice/ referee checks
Mark Rawson	Rawtec	advice regarding recycling processing

The tender and evaluation process has been observed by Kathryn Kuchel, Contracts Engineer, Procurement Services.

The scores for Price were calculated by the Tender Management System using the formula adopted from Association Consulting Engineers Australia (ACEA) as follows:

$$S = 5 + 10 \times \frac{(\$M - \$T)}{\$M}$$

Where: S = Score (Max 10), \$M = Median Price, \$T = Tendered Price

Scores for the remaining criteria were allocated qualitatively by agreement of the evaluation panel using standard procedure based on scoring in the range of 0 to 10, with 5 being acceptable. A full summary of the evaluation criteria, weightings and allocated scores is provided as table 4 (next page). The scores within the tables reflect the outcome of the staged tender evaluation process, including tenderer presentations and commercial alignment sessions.

Table 4 – Evaluation Criteria, Weightings and Scores

Table 4a - Combined Tender – Collection & Processing of Organics & Recyclables

Criteria	Weighting %	Tenderer			
		Solo		SITA	
		Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %
Cost	45%	6.74	30.33	3.26	14.67
Collection	38.5%				
Customer Service Delivery	15	7	10.5	7	10.5
Relationship Management & Collaboration	15	6	9	7	10.5
Collection Vehicle Emissions	8.5	5	4.25	4	3.4
Recycling Processing	13.75%				
R/C Processing - Environment & Community	5	5	2.5	5	2.5
R/C Processing - Economic Development	8.75	1	0.875	1	0.875
Organics Processing	2.75%				
Organics Processing – Resource Recovery	2.75	6	1.65	6	1.65
Totals	100%		59.11%		44.1%

Table 4b - Tender – Collection Service Only

Criteria	Weighting %	Tenderer					
		Veolia		Solo		SITA	
		Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %
Cost	45%	5	22.5	6.42	28.89	2.64	11.88
Collection	55%						
Customer Service Delivery	21.75	7	15.225	7	15.225	7	15.225
Relationship Management & Collaboration	21.75	7	15.225	6	13.05	7	15.225
Collection Vehicle Emissions	11.5	4	4.6	5	5.75	4	4.6
Totals	100%		57.55%		62.92		46.93

Table 4c - Tender – Recycling Processing Only

Criteria	Weighting %	Tenderer					
		Southern Recycling Centre		Visy		SKM	
		Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %
Cost	45%	0	0	5	22.5	10	45
Recycling Processing	55%						
R/C Processing - Environment & Community	20	4	8	4	8	7	14
R/C Processing - Economic Development	35	5	17.5	1	3.5	7	24.5
Totals	100%		25.5%		34%		83.5%

Table 4d - Tender – Organics Processing Only

Criteria	Weighting %	Tenderer					
		Peats		Jeffries		SRC	
		Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %
Cost	70%	6.67	46.69	5	35	3.8	26.6
Organics Processing	30%						
Organics Processing – Resource Recovery	30	6	18	7	21	5	15
Totals	100%		64.69%		56%		41.6%

Table 4e - Risk Assessment

	Veolia	Solo	SITA	SRC	Visy	SKM	Peats	Jeffries
Conditions of contract & Conditions of tendering compliance	H	L	H	H	M	L	L	L
Specification Compliance	L	L	L	L	L	L	M	L
Environmental Harm	L	L	L					
Capability - Vehicle Fleet	L	L	L					
Capability - Depot Facilities & Workshop	M	L	M					
Human resources	L	L	L					
Infrastructure Establishment	L	L	L	H	L	M	L	M
Green Waste Processing Capability		L	L	M			L	L

U : Unacceptable

H : High

M : Medium

L : Low

Table 4f - Opportunity Assessment

	Veolia	Solo	SITA	SRC	Visy	SKM	Peats	Jeffries
Opportunity assessment	M	H	M	L	L	H	L	M

H : High

M : Medium

L : Low



BWE:TDT:CITY102

2 September 2013

Mr M Dowd
Chief Executive Officer
City of Onkaparinga
PO Box 1
NOARLUNGA CENTRE SA 5168

Dear Mr Dowd

**Kerbside Green Waste and Recycling Services
Probity Report**

I have acted as Probity Auditor in relation to the Tender process for the propped contractor in relation to collection and processing of green waste and recycling.

I provide the services personally except for several meetings attended by one of my partners in my absence.

The services I have provided are summarised below:

- Reviewed Tender documents prior to their issue to ensure that evaluation process and criteria were adequately disclosed and satisfactory
- Attended pre-tender briefing of respondents to advertisement for interested parties
- Attended further briefing of interested parties after issue of tender documents
- Ensured weighting of evaluation criteria was established prior to receipt of tenders
- Attended close of tenders and uploading from electronic tender box
- Attended all meetings of evaluation committee
- Attended all presentations by shortlisted tenderers
- Attended all commercial alignment meetings with tenderers
- Attended final evaluation panel meeting and reviewed draft reports and recommendations.

I am satisfied that no probity issues arose in relation to this tender that were not adequately dealt with at the time.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Brenton Ellery'.

Brenton Ellery
Partner
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