COUNCIL REPORT

Agenda Item 6.2
24 June 2008

INTEGRATED WASTE MANAGEMENT SERVICES CONTRACT

Division Sustainability and Regulatory Services

Presenter Geoff Robinson, Manager Engineering Services

Purpose

1. The Council’s current waste management service contracts expire concurrently on 2 April 2009. A tender renewal program will therefore be necessary to support the commencement of the new service from 3 April 2009.

2. This report seeks Council’s endorsement of the service scope and procurement plan for the provision of an integrated waste management service. The service will include the collection of residential waste and recyclable products, the collection of hard and green waste and street litter bins.

Recommendation from Management

3. That Council:

   3.1. approve the provision and scope of the integrated waste management service for the collection and transport of domestic waste and recyclable materials through a single service provider contract;

   3.2. endorse the contracting and procurement strategy as detailed in this report;

   3.3. note that the tender includes pricing options for the provision of a waste disposal solution which supports the State Government’s Towards Zero Waste Policy waste reduction to landfill targets; and

   3.4. note that the tender will include pricing options for the provision of a commercial waste and recycling collection service for small to medium commercial properties.

Background

4. Council’s current waste management services are provided under contract by a number of service providers: CityWide Service Solutions (majority of the municipality plus Docklands), JJ Richards (Docklands), TPI Cleanaway (Docklands), City of Moonee Valley (transferred areas of Kensington and North Melbourne) and Thiess Services (transport of waste from the Dynon Road transfer station to landfill). All of these contracts expire on 2 April 2009 except for residential recycling component of the City of Moonee Valley contract which will expire on 17 October 2009.

5. During the term of the current CityWide contract, a number of contract variations were negotiated including the provision of additional CBD commercial property cardboard collections and the change-over to a fully co-mingled residential recycling service using mobile recycle bins (MRB’s).
6. In accordance with Council’s procurement policy and the Corporate Contract Management System (CCMS), a strategic service review and the development of a procurement plan were undertaken. The Strategic Service Review (SSR) determined that the new waste management service be based on a fully integrated basis through a single service provider contract.

**Key Issues**

**Integrated Waste Management Service Scope**

7. The new waste management service contract will integrate the present multiple City of Melbourne contracts with the various companies providing waste management services and will consolidate the contract variations agreed over the life of the present contract.

8. The service requirements associated with the boundary change areas of Kensington and North Melbourne will be included in new contract. That is, the domestic waste collection service from 3 April 2009 and the recycling collection service from 18 October 2009. This follows the conclusion of the interim waste and recycling collection contract arrangements with the City of Moonee Valley which were approved by Council on 27 May 2008.

9. The new waste management service will include the following enhancements to provide a better level of service and improved performance standards:

   9.1. residential hard waste collections for single and low-rise tenements will be increased to two (2) “at call” collections per annum;

   9.2. residential hard waste collections for high-rise residential properties (where on site storage is limited) will be provided with a monthly “at call” collection service;

   9.3. the Key Performance Indicator for the collection of litter bins will be increased to improve city amenity through reduced incidence of over flowing litter bins; and

   9.4. customer service contacts and complaints will be initially received by the Council’s Customer Contract Centre.

10. The integrated waste management service is proposed to be provided through a single service provider contract with the tender to include optional pricing schedules for:

    10.1. the provision of a waste disposal solution for the recovery of the organic component of the domestic waste stream that will enable the Council to meets the State Government’s Towards Zero Waste Policy waste reduction to landfill targets; and

    10.2. the provision of a commercial waste and recycling collection service for small to medium commercial properties in the municipality.

11. The nominated landfill disposal location will remain as the City of Wyndham landfill, (as specified in the contract between Council and the Metropolitan Waste Management Group (MWMG) until 30 June 2010.

12. The landfill location for the disposal of residual domestic waste from 1 July 2010 will be determined through a public tender process to be arranged prior to this date by the MWMG.

13. The nominated dry Materials Recovery Facility for the receipt and processing of the Council’s domestic recyclables will remain with SKM Recycling located in Coolaroo. This is specified in the contract Council has with the MWMG until 30 April 2015.
14. The nominated location for the receipt and processing of the Council collected green waste will be the SITA Organics Recycling facility located in Brooklyn as specified in the contract Council has with the MWMG until 30 June 2009. The contract has a five (5) year extension option which can be exercised by the MWMG on behalf of the former Western Regional Waste Management Group Council members.

Contracting and Procurement Strategy

15. The proposed term of the integrated waste management service is seven (7) years with an option to extend the contract by a further three (3) years. The contract term of seven years has been determined as the necessary period for tenderers to best optimise the capital costs of the collection vehicles.

16. The proposed tender evaluation criteria and weightings are as follows:

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Cost</td>
<td>40%</td>
</tr>
<tr>
<td>Plan for the Proposed Service</td>
<td>35%</td>
</tr>
<tr>
<td>Experience, Capability and Cultural Fit</td>
<td>10%</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td>10%</td>
</tr>
<tr>
<td>Quality Management</td>
<td>5%</td>
</tr>
</tbody>
</table>

17. Key dates in the procurement strategy are:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
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<tbody>
<tr>
<td>Advertise tenders</td>
<td>12 July 2008</td>
</tr>
<tr>
<td>Tender close</td>
<td>9 September (8 weeks tender period)</td>
</tr>
<tr>
<td>Complete tender evaluation</td>
<td>17 October (6 weeks evaluation period)</td>
</tr>
<tr>
<td>Complete contract terms and conditions</td>
<td>21 November (5 weeks negotiation period)</td>
</tr>
<tr>
<td>negotiations with preferred tenderer</td>
<td></td>
</tr>
<tr>
<td>Council decision to award tender</td>
<td>December 2008</td>
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<tr>
<td>Contract commencement</td>
<td>3 April 2009</td>
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</tbody>
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18. An independent probity auditor will be appointed to oversee the tender evaluation process to ensure that procedural fairness and probity compliance are provided during the tender and evaluation phase.

Time Frame

19. The Council’s current waste management service contracts expire concurrently on 2 April 2009. A new service will commence on 3 April 2009 and a tender renewal program is required to be implemented.

Relation to Council Policy
20. The recommendations are consistent with the Council’s Procurement and Corporate Contract Management policies and procedures. The provision of an integrated waste management service will assist Council in achieving its strategic objectives to reduce waste to landfill as detailed in the Council’s Waste Management Strategy 2005 and meet its objectives in its Green House Gas 2020 strategy.

Consultation

21. In developing the procurement plan, the administration has consulted widely with various industry service providers in order to establish the level of market capability, level of competition and interest in submitting a tender for this significant municipal infrastructure and engineering service contract.

22. There is some hesitancy in the waste management industry regarding the specification of the commercial waste collection requirements in order to properly price the service.

Government Relations

23. The scope of the integrated waste management service has been discussed with The Metropolitan Waste Management Group and is consistent with the directions and outcomes of its draft Metropolitan Waste and Resource Recovery Strategic Plan.

Finance

24. The Council’s 2008/09 operating budget for the collection and transport of municipal waste and recyclables (excluding landfill gate fees) is $7.671 million comprises the following cost components:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste and recycling collection (CityWide)</td>
<td>$4.954 million</td>
</tr>
<tr>
<td>Transfer station management fee (CityWide)</td>
<td>$1.009 million</td>
</tr>
<tr>
<td>Docklands waste and recycling collection (CityWide)</td>
<td>$0.103 million</td>
</tr>
<tr>
<td>Docklands waste and recycling collection (JJ Richards)</td>
<td>$0.456 million</td>
</tr>
<tr>
<td>Docklands waste &amp; recycling collection (TPI Cleanaway)</td>
<td>$0.079 million</td>
</tr>
<tr>
<td>Transport of waste to landfill (Thiess Services)</td>
<td>$0.785 million</td>
</tr>
<tr>
<td>Kensington / North Melbourne waste and recycling collection</td>
<td>$0.285 million</td>
</tr>
</tbody>
</table>

25. It is anticipated that the consolidation of the various current collection and transport contracts will deliver costs savings to Council with the commencement of the new integrated waste management service. Savings cannot be fully quantified until after tenders for the service are received.

26. Council receives a small rebate from the sale of the collected recyclables. The 2008/09 revenue budget is $81,000. This revenue is expected to increase in 2009/10 once the recyclables from Docklands and the transferred Kensington / North Melbourne area are collected as part of the new integrated waste management collection service.
Legal

27. Legal Advice will be provided as required in the lead up to and during the tender process.

Sustainability

28. The integrated waste management service provider will be required to have an environmental management system which is consistent with the requirements of AS/NZ ISO 14000:2004. An approved environmental management plan is required to be completed by the integrated waste management service provider prior to the commencement of the contract.

Comments

29. The Council is required to provide a waste collection and disposal service and the proposed integrated waste management service as detailed in this report will achieve this obligation and provide flexibility to the Council in how the service is provided into the future given changing community and environmental expectations on this basic municipal service.
FINANCE ATTACHMENT

INTEGRATED WASTE MANAGEMENT SERVICES CONTRACT

The Council’s 2008/09 operating budget provides for the collection and transport of municipal waste and recyclables.

Joe Groher
Manager Financial Services
LEGAL ATTACHMENT

INTEGRATED WASTE MANAGEMENT SERVICES CONTRACT

Legal Advice will be provided as required in the lead up to and during the tender process.

When the Council intends to enter into a contract for the purchase of goods or services or the carrying out of works valued at $100,000 or more, section 186 of the *Local Government Act 1989* (“the Act”) imposes a duty on the Council by public notice either to invite tenders or to invite expressions of interest.

Where a Council seeks expressions of interest, the Council must, when ready to enter into the contract, invite tenders from some or all of those who registered their interest in undertaking the contract.

The Act does not require Council to accept the lowest tender.

**Kim Wood**
Manager Legal Services