

4.2 METROPOLITAN WASTE AND RESOURCE RECOVERY GROUP (MWRRG) LANDFILL SERVICE TENDER

(SH ENV 17)

Responsible Director: Ossie Martinz

EXECUTIVE SUMMARY

PURPOSE

The purpose of this report is to:

- Detail the tender process conducted by the MWRRG for a collective procurement for the Provision of Landfill Services on behalf of Council and 29 other metropolitan Councils.

KEY CONSIDERATIONS/ISSUES

- The offers by Cleanaway and Suez are the only suitable offers to meet the current needs and interests of the City of Monash.
- Had Council continued with direct hauling to Melbourne's west this is expected to come with significant extra collections costs, social impacts, and extra greenhouse emissions when compared with options in the south east.
- Common Gate fee provides a balanced solution.

FINANCIAL IMPLICATIONS

- An increase in expenditure of approximately \$93,960 for the April-June 2021 quarter.
- The 2021/22 budget for putrescible waste disposal gate fees will increase by approximately \$985,865 however this is partly offset by savings in collection costs and road tolls for a net impact on budget of \$385,319 or \$477,101 depending on disposal, locations.
- Please note that the increase in costs have been included in the 21/22 draft budget and the long term financial plan updated accordingly.
- It is worth noting the impact of the EPA Landfill Levy increase of \$40/tonne for our estimated 36,500 tonnes is \$1.46M for 2021/22 (which is irrespective of disposal location). This will be subject to a review of the Recycling & Waste charge (currently \$27 per rateable property).

CONCLUSION/RECOMMENDATION

It is recommended that Council enter into guaranteed contract disposal and transfer arrangements with Cleanaway Pty Ltd and Suez Recycling and Recovery Pty Ltd Suez, using a common gate fee to be administered by MWRRG.

4.2 METROPOLITAN WASTE AND RESOURCE RECOVERY GROUP (MWRRG) LANDFILL SERVICE TENDER

(SH ENV 17)

Responsible Director: Ossie Martinz

RECOMMENDATION

- 1. That Council enter into guaranteed contract arrangements with Cleanaway Pty Ltd and Suez Recycling and Recovery Pty Ltd Suez, using a common gate fee to be administered by MWRRG, for an estimated annual cost of \$2.263 million dollars, with an annual C.P.I. increase.*
- 2. That the CEO be delegated authority to execute Agreements with Metropolitan Waste and Resource Recovery Group, Cleanaway Pty Ltd and Suez Recycling and Recovery Pty Ltd for the provision of Landfill and Transfer Services under a common gate fee arrangement on a 4-year guaranteed basis for a four-year term commencing on April 1, 2021.*
- 3. That the CEO be delegated authority to execute extension options under the contract in the event that migration to an Alternative Waste Treatment disposal contract is delayed beyond April 1, 2025.*

INTRODUCTION

Council currently disposes of its putrescible kerbside waste at Wyndham Landfill in Werribee but has options to dispose at Melbourne Regional Landfill (MRL) in Ravenhall, Suez in Hallam or Hanson's in Wollert after entering into contracts through the MWRRG and the landfill operators.

This arrangement is under a MWRRG collective contract which concludes on 31 March 2021. Council needs to enter into a new contract arrangement beyond 1 April 2021 to secure landfill disposal for its kerbside garbage collection. Council approved the execution of an MOU with the MWRRG for the procurement of residual waste disposal services at the 26 March 2019 Council Meeting.

Council will be able to migrate into a new contract for Alternate Waste Processing (AWP) at some stage during the course of this contract (most likely in 2025).

It is considered the best option for Monash is to discontinue direct hauling of putrescible waste to landfills in Melbourne's west, and instead enter into an arrangement with MWRRG whereby waste is disposed of at either one Cleanaway's waste transfer stations in Dandenong South and Lysterfield, or at the SUEZ landfill in Hallam.

BACKGROUND

In 2010 MWRRG conducted a collective procurement process for landfill services and contracts were awarded to each of the major putrescible landfill sites across Melbourne:

- City of Wyndham – Werribee
- Melbourne Regional Landfill (Cleanaway formerly Boral) – Ravenhall
- Hanson – Wollert
- Suez – Hallam
- Suez – Lyndhurst (Contingency site)
- Cleanaway- Clayton (Now closed)

All available contract extensions have now been exercised; the final contract extension expires on **31 March 2021**. Twenty-six of the 31 metropolitan Councils are currently a party to one or more of the MWRRG contracts delivering approximately 865,000 tonnes of waste to the landfill operators per year.

DISCUSSION**MWRRG Procurement Objectives**

The overall objective of this procurement is to enable metropolitan Councils to access services for the disposal and transfer of waste that cannot be recovered or reused through other means.

In order to achieve this objective, the collective procurement has been structured to:

- a) Provide a bridging period for the disposal of waste until an Alternative Waste Processing (AWP) contract is available;
- b) Enable the appointment of more than one provider;
- c) Ensure consistency across the metropolitan area;
- d) Integrate with other household waste services;
- e) Achieve a robust contract model that is based on:
 - Best Value;
 - Pricing transparency;
 - Appropriate risk allocation;
 - Flexible contract terms;
 - Reduced tender costs; and
 - Ensure workable contingency arrangements.

Contract Framework

Prior to the commencement of this procurement, all metropolitan Councils were invited to participate in the procurement process. Thirty Councils executed MOUs recognising that MWRRG and Council would benefit in MWRRG:

- working with clusters of Councils that have common needs to be met;
- seeking the provision of Landfill Services for the benefit of Council clusters;
- partially administering and facilitating, on behalf of Council, the contractual arrangements in relation to the provision of these Landfill Services.

Attachments to the MOU included the following documents that will need to be executed at the conclusion of the tender process:

1. A **Participation Agreement** between MWRRG and Council.
2. A **Landfill Services Deed** for the provision of Landfill Services to be executed by successful tenderers and the MWRRG.
3. A **Direct Deed** to be executed by successful tenderers and Councils.

MWRRG will administer the contracts on behalf of Councils in line with Participation Agreements, Direct Deeds and Landfill Services Deeds.

The MWRRG procurement process is outlined below.

1. The Tender Process

The *Environment Protection Act 1970*, formalises MWRRG's role in collective procurement to:

- Facilitate waste and resource recovery infrastructure and services by Councils;
- Facilitate the development of joint procurement contracts for waste and resource recovery facilities and services;
- Manage contracts in the performance of these objectives and functions;
- Ensure consistency across the metropolitan area;
- Integrate with other household waste services; and
- Ensure workable contingency arrangements.

This tender process has been resourced by MWRRG on behalf of Councils using the support of municipalities and external legal, probity, negotiation and financial advisors.

This collaborative procurement is consistent with the requirements of s.186 of the *Local Government Act 1989* and with the future requirements of ss 108/109 of the *Local Government Act 2020* (the Act).

The contract documents allow Council to enter into contracts with providers on either a 4-year guaranteed basis or a 12-month guaranteed basis and/or one or more contractors on a non-guaranteed basis. Penalties will apply for the early termination of a guaranteed agreement.

This report recommends that Council execute agreements with more than one provider to ensure that contingency arrangements are in place if a landfill site is not available during the contract term.

2. Transfer

Council has previously advised MWRRG that it wishes to seek prices for waste transfer as part of the landfill services contract as an alternative to direct hauling to a disposal facility.

3. Contract Term

Council will continue to rely on some form of landfilling in the future, however should Council transition to alternative waste technology for the treatment of residual waste, the volume of material sent to landfill may reduce significantly.

The initial contract term is for a four-year period commencing on 1 April 2021. There is an option to extend the contract for two further terms of 2 years. Any extension will need to be agreed by Council and the service provider.

Contractors will be invited to resubmit pricing in 2023, for the 1 April 2025 extension, to enable Council to determine if it wishes to exercise an extension option or commence a new procurement. A similar process will be conducted in 2025

4. Reponses Received

A total of eight (8) responses were received to MWRRG's Invitation to Supply:

4.1. Landfill

- 1. Cleanaway Pty Ltd** - a national company, owns and operates the Melbourne Regional Landfill (MRL) at Ravenhall. Cleanaway takes waste from nine metropolitan Councils under the current MWRRG Landfill Services contract.
- 2. Suez Recycling and Recovery Pty Ltd** - a multi-national company, owns and operates a landfill in Hampton Park that currently provides services for nine metropolitan Councils under an MWRRG contract.
- 3. Hanson Landfill Services Limited** -has been providing landfilling services to Councils at their Wollert Landfill for two decades. Hanson's Wollert landfill currently provides services to five metropolitan Councils under an MWRRG contract.

4. **SBI Landfill Pty Ltd** - The offer is for a solid inert landfill in Botanic Ridge, the site is unable to accept residual municipal waste.

4.2. Transfer

1. **Cleanaway Pty Ltd**- a national company, operates a network of transfer stations that provides Councils with potential collection efficiencies and transport cost savings. Cleanaway has provided pricing for three sites; the South East Melbourne Transfer Station (SEMTS) and Lysterfield Transfer Stations are established facilities. Cleanaway has indicated that the Northern Transfer Station in Coolaroo will be available at the commencement of the contract.
2. **KTS Recycling** - has managed and operated waste transfer stations since 2007. KTS proposes two sites:
 - a. Coldstream - for putrescible waste transfer; and
 - b. Knox - limited to the transfer of inert waste.
3. **Citywide Service Solutions** - has 25 years' experience in providing transfer services from its Dynon Road facility in West Melbourne.

4.3. Alternative Offers

1. **Wyndham City Council** – submitted an offer based on; receiving waste in an enclosed facility, mechanical separation to recover metals, baling of waste and anaerobic digestion of recovered organics.
2. **Recovered Energy Australia (REA) and Solo Resource Recovery (Solo)** - propose to jointly provide a service based on the high temperature destruction of waste to generate energy (gasification) at a facility to be constructed at Laverton North.

5. Evaluation Criteria

A Tender Evaluation Panel comprising two Council representatives and an MWRRG Procurement Team member has assessed tender responses, the panel was supported by:

- **Probity Advisor** – is responsible for ensuring that the evaluation process is conducted in accordance with probity principles and adherence to the approved evaluation plan.
- **MWRRG Subject Matter Experts and Project Managers** – responsible for providing expert advice as required to confirm tenderer's submissions compliance to the specification and compliance with procurement policies.

- **Legal Advice** - provide legal advice and support throughout the tender process on an 'as needs' basis.

Confidential Attachments detail the findings of the Evaluation Panel against the following evaluation key criteria:

- ✓ Mandatory requirements;
- ✓ Professional competence;
- ✓ Quality Systems for Deliverables;
- ✓ Commercial;
- ✓ Social Procurement; and
- ✓ Local Jobs First Policy.

6. Mandatory Criteria

Responses which did not comply with a Mandatory Criteria were not considered.

7. Professional Competence

Professional capability, capacity to process waste and scope of services was based on evidence supplied in the tender documents.

The technical capability of the tenderer is critical to the final value for money score provided by the Tender Evaluation Team. Technical capability was assessed through consideration of the solution proposed, combined with verifiable evidence of current/past performance in providing services of a similar nature.

8. Quality Systems for Deliverables

The Quality Systems for Deliverables assessment was based on the level of best practice accreditations Invitees hold or able to demonstrate progress towards achieving certifications in OHS, QMS and Risk Management and any Strategic Innovations that could add value or continuous improvement strategy.

9. Commercial

The commercial assessment focused on each Invitee's risk, degree of compliance with the proposed contract, demonstrated financial viability, levels of insurance cover offered, and a comparison of the prices offered.

10. Social Procurement Framework (SPF)

The Social Procurement Framework is a 'whole of government' procurement policy that embodies the Victorian Government's commitment to social procurement. Social and sustainable procurement are defined as a key value-for-money component. Tenderers were required to demonstrate how they can make a difference to our communities.

11. Local Jobs First Policy Scoring

Under the Local Jobs First Act 2003 the Minister for Industry and Employment is responsible for setting local content requirements for government procurements. This criterion assessed the level of local job content proposed for each proposal.

Only the offers by Cleanaway and Suez are suitable to meet the current needs and interests of the City of Monash, and are consistent with a planned transition to an Alternative Waste Treatment arrangement from 2025.

Whilst Cleanaway offered the greatest value for all south eastern Councils with its transfer option at either SEMPTS in Dandenong or the transfer station in Lysterfield, there is insufficient capacity to service all the Councils. Therefore the total tonnes need to be shared between the two options.

It is also important to retain the Suez landfill as a viable option to ensure continuity of access to a local disposal option should a contingency be required.

12. Capacity limit to SE Councils preference to go to Cleanaway transfer stations

Preliminary discussions with south east Councils indicate a preference to redirect material to the Cleanaway Transfer facilities in Dandenong South and Lysterfield under a new collective contract commencing on 1 April 2021.

As the total volume of waste generated from these municipalities will exceed the combined capacity of the two transfer stations, Councils will need to direct some material to the Suez landfill site at Hallam Rd.

Councils have also indicated that from a social and environmental perspective it is not desirable to transport all waste generated in the south east of Melbourne to the MRL landfill.

Councils in Melbourne's south east are currently generating in excess of 330,000t of municipal waste per annum. It is expected that during the first four-year term the annual tonnage will grow to in excess of 380,000tpa. The capacity of the Cleanaway SEMTS transfer station for municipal waste is 250,000tpa and Lysterfield 50,000tpa, a total of 300,000tpa available to be utilised by Councils.

The amount of material directed to Suez will increase over the four-year contract term with growth and the potential of Mornington Peninsula Shire joining the contract in 2022.

Whilst the Cleanaway gate fees, to receive, transfer and dispose of waste via SEMTS and Lysterfield, are substantially lower than the gate fees at Suez it is not possible for all Councils in the south east to direct all their waste to Cleanaway sites.

There are two potential solutions that Councils can adopt.

Option 1- Enter a relationship with both Cleanaway and Suez

Under this scenario individual Councils will enter contract arrangements with both Cleanaway and Suez to ensure that the combined overall volume of waste delivered to the Cleanaway sites does not exceed capacity and limit the amount of material directed to MRL.

All Councils will potentially need to allocate a minimum of one to two days per week to Suez. This option may provide some logistical challenges for some Councils.

Option 2- Enter into an agreement with MWRRG for a common gate fee arrangement. (Recommended Option)

Enter into an arrangement with MWRRG to administer a Common Gate Fee (CGF) for south east Councils. Under this scenario individual Councils will enter into an agreement with MWRRG to administer the allocation of waste across the two sites in accordance with a proportion agreed between participating Councils.

13. Common Gate Fee

Councils would generally be directed to utilise the most convenient site but would pay a gate fee rate that is the average cost that all Councils incurred for waste delivered to Cleanaway and Suez for the billing period.

The process would involve:

1. Participating Councils would deliver to Suez or a Cleanaway site.
2. Suez and Cleanaway would invoice MWRRG for waste delivered.
3. MWRRG would determine a CGF and invoice each of the participating Councils.
4. MWRRG would receive payments from Councils and then pay Suez and Cleanaway.

The contractual model would be similar to the SE Organics contract, of which Monash is a party. MWRRG would recover the costs involved in administering this arrangement by charging an administration fee on a per tonne basis.

MWRRG has received legal confirmation that it complies with the ACCC approvals for this contract.

How will waste be allocated?

The objectives of a CGF is to minimise the gate fee for participating Councils and where possible ensure that waste is transported to the most convenient location for individual Councils. The allocation of waste would be determined by the South East Councils User Group.

Under the terms of the contract Councils are required to nominate a volume of waste to a provider to access the four-year guaranteed rate. It is proposed that south east Councils guarantee a minimum of 90,000 tonnes per annum to Suez and a minimum of 180,000 tonne per annum to Cleanaway. Such an arrangement would ensure all Councils have access to both sites and the minimum guaranteed tonnage is below the current 330,000 level.

MWRRG has provided a report detailing the cost implications of a common gate fee and agreements that would need to be varied to facilitate a common gate fee arrangement.

How is the CGF calculated?

The CGF is calculated on the total gate and bulk transport fees divided by the total tonnes.

$$\text{CGF} = (A+B+C) \div D$$

A=Total gate fees for Suez

B= Total gate fees for Cleanaway

C= Total bulk transport fees to MRL by Cleanaway

D= Total tonnes delivered to both Suez and Cleanaway

14. Implications for Council

Financial implications:

- The new contract with a common gate fee (including the cost of transporting the allocated tonnes to MRL) will result in an increase to our cost per tonne of garbage of \$27.01. The impact on the final quarter of the 2020-21 financial year, inclusive of collection and toll savings, is an increase in expenditure of approximately \$93,960.
- The preferred disposal location of Lysterfield Transfer Station provides significant cost savings from the Collection Contract and additional collection cost savings due to the absence of tolls which would need to have been considered had Council pursued arrangements in the West

2020-21 budget (April to June)			
Kerbside Collection and Disposal Costs	Current	MRL via Lysterfield (Proposed)	Difference
Domestic and Commercial Garbage Collection	\$ 1,123,220	\$ 1,016,604	\$ 106,615
Tolls	\$ 45,891	\$ -	\$ 45,891
Landfill Disposal fee	\$ 319,284	\$ 565,750	-\$ 246,466
Total	\$ 1,488,394	\$ 1,582,354	-\$ 93,960

- The 2021/22 budget for putrescible waste collection and disposal gate fees is impacted by an increase of \$385,319 per annum when disposing at our preferred location of Lysterfield.

2021-22 budget (Proposed disposal location)			
Kerbside Collection and Disposal Costs	Current	MRL via Lysterfield (Proposed)	Difference
Domestic and Commercial Garbage Collection	\$ 4,507,349	\$ 4,090,366	\$ 416,982
Tolls	\$ 183,564	\$ -	\$ 183,564
Landfill Disposal Fee	\$ 1,277,135	\$ 2,263,000	-\$ 985,865
Total	\$ 5,968,048	\$ 6,353,366	-\$ 385,319

- In the unlikely event of being required to attend either of the two contingency locations of Suez (Hallam) or Cleanaway SEMTS (Dandenong), the extra expenditure would be approximately \$477,101 per annum.

2021-22 budget (Contingency disposal location)			
Kerbside Collection and Disposal Costs	Current	MRL via SEMTS/Hallam (Contingency)	Difference
Domestic and Commercial Garbage Collection	\$ 4,507,349	\$ 4,090,366	\$ 416,982
Tolls	\$ 183,564	\$ 91,782	\$ 91,782
Landfill Disposal Fee	\$ 1,277,135	\$ 2,263,000	-\$ 985,865
Total	\$ 5,968,048	\$ 6,445,148	-\$ 477,101

- It is worth noting the impact of the EPA Landfill Levy increase of \$40/tonne for our estimated 36,500 tonnes is \$1.46M for 2021/22 (which is irrespective of disposal location). Consideration can be given to increase Council's Recycling and Waste charge by approx. \$10 to \$37 per property to cover the increased EPA levy, with provision to provide a waiver to every eligible pensioner ratepayer.
- Note that the increase in costs have been included in the 21/22 draft budget and the long term financial plan updated accordingly.
- The potential for Council's disposal location to shift to the south east region was foreseen in preparing the current waste collection contract, delivered by Solo Resource Recovery. Approximate savings of \$416,982 per annum are expected as a result of alternative disposal location provisions in the current collection contract.
- There are no tolls for travelling to Lysterfield Transfer Station. This will provide savings of approximately \$183,564 per year. Tolls will be

encountered when occasionally diverted to Cleanaway SEMTS or Suez Landfill.

- It is also worth noting here that a potential collection frequency switch between the organics service and the garbage service (subject to community consultation) and the expected reduction in landfill tonnes, has the potential to deliver large savings on disposal costs from 2022/23 as the EPA Landfill Levy rate begins to exceed the gate fee for organics disposal.
- As per the CGF for the MWRRG South Eastern Organics Processing contract, a fully-refundable float of \$250,000 will be required from each council as security for the MWRRG to ensure funds are available to meet payments to contractors within payment timeframes.

Transfer/Direct Access:

- The City of Monash has been direct hauling to MRL and Wyndham Landfill in Melbourne's west since December 2015, following the early closure of Clayton Regional Landfill.
- Traffic hazards and roadworks have frequently impacted on service delivery, resulting in late collections. By entering into a transfer arrangement, our collection vehicles will only need to traverse to Dandenong, Lysterfield or Hallam, reducing the risk of service delays.

Collection contractor:

- Direct hauling garbage trucks from our local streets to Melbourne's west is an extremely time-consuming, taxing and often frustrating activity for our contracted waste collection drivers.
- The avoidance of direct hauling to the west is anticipated to have a significant impact on the reliability of service by the collection contractor due to positive change this will represent for the drivers.
- It is anticipated that key aspects to service reliability will be enhanced such as reduced absenteeism, improved driver retention, and attracting quality drivers by being a contract of choice for drivers.

Non-guaranteed v Guaranteed:

- The Non-Guaranteed pricing offered by Suez was unviable. Committing a minimum of 100,000tpa as part of a Common Gate Fee gives:
 - Access to Suez at the Tier 1 price (lowest rate) rather than non-guaranteed; and
 - Provides a contingency option for all Councils.

Contingency Arrangements:

- It is important to retain the Suez landfill as a viable option to ensure continuity of access to a local disposal option should a contingency be required. High winds or rainfall can cause closures due to reasons of safety and environmental regulation compliance at landfills.

- Mechanical breakdowns can affect transfer stations and landfills alike, forcing temporary closures or extended delays.
- A future option remains to enter into an arrangement with the Hanson Landfill in Wollert should circumstances warrant.

Environmental Considerations:

- The waste will be bulk-hauled by Cleanaway to MRL, creating significant savings in transport related greenhouse gas emissions.
- Considerable savings will be achieved by our collection fleet in the consumption of diesel fuel with the roundtrip to the landfill reducing from 100km to 40km.
- Greenhouse gas emissions will be significantly reduced as a result of the 60% reduction in distance travelled to and from the landfill by our collection fleet. Some preliminary assessment of another SE Council suggests up to 20% reduction in GHG emissions is possible.

Social Considerations:

- The avoidance of direct hauling to the west will crucially reduce the risk to the drivers associated with the long and tedious drive to Wyndham landfill or MRL.
- Services have been delayed due to drivers having reached their legal limit of allowable driving hours due to traffic-related delays.
- This reduces the risk of vehicle collisions, but also provides additional health benefits from reduced shift time spent in vehicle cabins.

POLICY IMPLICATIONS

The provision of landfill services supports the following Council Objective:

A Liveable and Sustainable City – Delivering responsible and sustainable waste management services

It also aligns with the Waste Management Strategy 2017 for the provision of kerbside waste collection services:

Action - The Waste Management Strategy aims to reduce waste sent to landfill to minimise the costs of waste disposal to the community.

HUMAN RIGHTS CONSIDERATIONS

There are no Human Rights implications.

CONCLUSION

The choice to cease direct hauling our putrescible waste to Melbourne's west has several environmental, social, and financial benefits. The outcome of the MWRRG procurement process in tendering for landfill and transfer services has left the City of Monash, along with all other south eastern Councils, vying for a service provider that cannot accommodate us all. Not only is it unviable for all Councils to enter into guaranteed arrangements

only with Cleanaway, it is an unacceptable risk to be without an alternative and financially viable contingency site for such an essential service.

The application of a Common Gate Fee whereby all Councils agree to guaranteed tonnages to both Suez and Cleanaway, with those Councils that are logistically suited to sending material to Suez, the remaining to Cleanaway, provides an increased gate fee that is offset by lower collection costs, tolls and greenhouse emissions.

This is a balanced solution to ensuring access to two landfill disposal options over the next four years.

RECOMMENDATION

That Council enter into guaranteed contract arrangements with Cleanaway Pty Ltd and Suez Recycling and Recovery Pty Ltd, using a common gate fee to be administered by MWRRG, for an estimated annual cost of \$2.263 million dollars, with an annual C.P.I. increase.

That the CEO be delegated authority to execute Agreements with Metropolitan Waste and Resource Recovery Group, Cleanaway Pty Ltd and Suez Recycling and Recovery Pty Ltd for the provision of Landfill Services under a common gate fee arrangement on a 4-year guaranteed basis for a four-year term commencing on April 1, 2021.

That the CEO be delegated authority to execute extension options under the contract in the event that migration to an Alternative Waste Treatment disposal contract is delayed beyond April 1, 2025.