

**QUEENSTOWN LAKES DISTRICT COUNCIL
INFRASTRUCTURE SERVICES COMMITTEE**

ON 18 OCTOBER 2011

REPORT FOR AGENDA ITEM: 10

SUBMITTED BY: Stefan Borowy - Solid Waste Manager

REPORT DATED: 29 September 2011

WANAKA RECYCLING CONTRACTS PROCUREMENT

PURPOSE

To authorise the Chief Executive Officer to award the Wanaka recycling contracts to Smart Environmental Limited based on a 6 + 3 year contract using crates, colour sorted glass and environmental option with materials processed at the Wakatipu recycling centre for \$301,400 per annum plus \$61,200 start-up costs to fund additional crates in year one subject to the conclusion of negotiations

And to authorise the Solid Waste Manager to initiate dialogue with Wanaka Wastebusters to investigate services that it could provide to the community and bring back a report to the Infrastructure Services Committee with recommended options for consideration.

SIGNIFICANCE OF DECISION

The items discussed in the report are not significant.

CONFIDENTIALITY

This report contains an update on negotiations with the Wanaka Recycling Contract tenderers that is still being confirmed and is still open to negotiation. It is not appropriate for the discussions to be in the public domain given that this knowledge could affect tenderers. Accordingly it is recommended that this report is considered with the public excluded in accordance with the Local Government Official Information and Meetings Act 1987 Section 7 (2)(i) on the grounds that the withholding of information is necessary to enable Queenstown Lakes District Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

CONSULTATION - INTERESTED OR AFFECTED PERSONS

Consultation has been carried out with the evaluation team, Acting General Manager Infrastructure Services, Chair of Infrastructure Services Committee and Tenders Board regarding the recommendation contained in this report.

MacTodd solicitors have provided probity over the procurement process.

RELEVANT COUNCIL POLICIES

The following policy documents have been considered in the preparation of this report:

- Waste Management Strategy 2003
- Queenstown Lakes District Council Solid Waste Asset Management Plan
- The Council's 'Significance Policy'
- The Council's 'Procurement Policy'

BACKGROUND

Contracts for kerbside recycling collections and processing of recyclables in Wanaka have been carried out by Remarkable Recyclers Limited (Wanaka Wastebusters) since 2005. On 8 June 2010 the Utilities Committee approved the extension of contract 461 - kerbside recycling collection service in Wanaka for an additional one year and five months and contract 469 - processing of specified recyclable materials in Wanaka for an additional two months, both to expire on 29 February 2012.

The table below show the current levels of service.

Table 1.

Kerbside Recycling Collection Service		
Item	Service level name	Current service level
1	Frequency of kerbside collection	Once a week
2	Frequency of drop-off point collection	Once a week (two or three times a week at peak times) from three collection points (Dublin Bay Road, Maungawera Road, Domain Road in Lake Hawea)
3	Frequency of recycling litter bin emptying	As and when required from 31 X 120 litre wheelie bins. Bins should have at least 25% capacity at all times.
4	Materials collected	Plastics 1-7, paper, cardboard, aluminium and steel cans, glass bottles and jars
5	Container type	60 litre crate
6	Additional material collection	Paper and cardboard bundled and placed next to the crate.
7	Type of collection	Kerbside sort
8	Days of operation	Monday to Thursday
9	Number of properties served	Approximately 5,400
10	Minimum Complaints	Less than 5 missed collections per week for a single property, less than 2 missed collections for a whole street in one month.
11	Crate deliveries	All crates delivered within 3 working days of receiving request.
Processing of Recyclables Service		
Item	Service level name	Current service level
12	Types of materials processed	Plastics 1-7, paper, cardboard, aluminium and steel cans, glass bottles and jars
13	Operating hours	9am – 4pm Monday to Friday
14	Recipient of revenue from sale of products	Contractor
15	Responsibility for quality of product	Contractor
16	Public drop-off	For all recyclable materials plus wet-cell batteries, dry-cell batteries and mineral oil
17	Minimum complaints	Less than 5 complaints per month which the Principal upholds

DISCUSSION

Procurement process

The Council's procurement policy has been followed throughout this procurement process.

An initial 'Request for Expressions of Interest' was sought through the GETS website and the Council website open to any interested party. Initially expressions of interest were received from eight interested parties for the kerbside recycling collection service contract and from six interested parties for the processing of recyclables contract. A 'Request for Proposal' was sent to each of those interested parties expressing an interest in the services as this allowed for innovation from interested parties. Levels of service were outlined based on the current levels of service, but included some enhancements such as maximising the quality of products collected and processed and pricing for colour separated glass to be on-sold to Ohio Illinois glass manufacturers in Auckland. Interested parties were given the opportunity to provide innovation and additional levels of service in their proposals if they could show the benefits to the ratepayer.

The table below shows the timetable for delivery of the project.

Table 2.

Item	Description	Key milestone	Notes
1	Send out request for expressions of interest	24/02/11	Complete
2	Deadline for receipt of expressions of interest	18/03/11	Complete
3	Send out request for proposal documents	06/05/11	Complete
4	Deadline for interested parties to submit questions to Principle	16/05/11	Complete
5	Deadline for Principle to answer questions from interested parties	27/05/11	Complete
6	Deadline for receipt of proposals	24/06/11	Complete
7	Deadline for principle's questions to interested parties	08/07/11	Complete
8	Deadline for answers to questions	29/07/11	Complete
9	Interviews with preferred suppliers	01/09/11	Complete
10	Workshop with Councillors	19/09/11	Informal discussion with Chair of Infrastructure Services Committee complete.
11	Award of contract(s)	18/10/11	ISC meeting. 4 month period allows contractor to purchase new equipment and vehicles.
12	Start of contract(s)	01/03/12	

Final proposals were received from four interested parties with two bidding for both kerbside recycling collection and processing and two bidding for only the kerbside recycling collection part. [REDACTED]

[REDACTED]

[REDACTED]		[REDACTED]		[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Evaluation team and criteria for selection

The evaluation team consisted of:

[REDACTED]

The table below shows the evaluation criteria which were set out prior to the request for proposal being issued and based on 35% price attributes and 65% non-price attributes as suggested by one of the interested parties in their initial expression of interest and agreed by the Infrastructure Services Committee in ~~May~~April 2011. The table below shows the evaluation criteria.

Table 4

Non-price attributes (65%)			
Attribute	Kerbside recycling collection contract (%)	Processing of Recyclables Contract (%)	Reason for difference in weighting
Relevant experience and track record	35	30	Highly visible collections contract requires more experience and better track record. Front of house rather than back of house.
Technical skills and capacity	5	10	More technical skills are required for the processing contract in order to achieve better quality products that receive better prices.
Resources	15	15	Equally as important for both contracts.
Management: Support, skills and systems	10	10	Equally as important for both contracts.
Proposed methodology	30	25	Highly visible collections contract requires a more robust methodology. How the processing is carried out is less important than how it is collected.
Environmental Management	5	10	Processing the products relies on good environmental practices especially in terms of what happens to the products after sale.
Total	100	100	

- Two vehicle contract. One vehicle to collect kerbside material (glass colour separated at kerbside) and one vehicle to empty recycling litter bins and collect from drop-off points
- All materials delivered to Wakatipu recycling centre. Glass may be stored in Wanaka and delivered directly to Auckland
- SEL require contract 466 (processing of recyclables in Queenstown) to be extended in line with this contract.
- SEL responsible for sale of products and collect all revenue associated with products
- Environmental option results in plastics being separated into different grades prior to sale, all products being sold to local and national markets operating to proven environmental and humanitarian standards. This will also benefit product from Queenstown.
- SEL would operate a drop-off facility on the current WWB site if WWB did not want to continue to provide this service.

FINANCIAL

The highest scoring proposals from SEL and [REDACTED] benefit from the Council's investment in a semi-automated recycling plant built in Wakatipu in 2007. [REDACTED]

[REDACTED]

	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Financial summary of options

[REDACTED]

The [REDACTED] highest scoring proposal achieved a high environmental score due to the glass being colour separated and plastics being separated into different grades for baling and sold to local and national markets operating to

proven environmental and humanitarian standards. This will also benefit product from Queenstown.

It is recommended that the highest scoring proposal of SEL 6 + 3 year, colour separated glass and environmental option be approved for award. The recommended option has the following financial benefits:

- Start-up costs of \$61,200 in year one and \$301,400 annual contract costs
- Cost saving of \$421,372 per annum against budget or approximately \$28 per residentially rated property per annum across the district (based on 14,679 residentially rated properties).

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- Saving of \$3,998,598 over nine years against budget

OPTIONS

It is recommended that the highest scoring proposal presented in option 1 below be awarded the contract, but for the purposes of comparison, other options are presented below.

Option 1 – award contract to the highest scoring proposal SEL based on 6 + 3 year contract using crates, colour sorted glass + environmental option for \$301,400 per annum plus \$61,200 start-up costs for additional crates in year one. This option provides the best environmental option for the best price. It results in a cost saving of \$421,372 per annum against budget or approximately \$28 per residentially rated property per annum across the district (based on 14,679 residentially rated properties) (**recommended option**).

Option 2 – do not award any contract through this procurement process and extend the current WWB contracts for a further year or longer for approximately \$690,000 per annum plus additional costs of approximately \$30,000 for carrying out another procurement exercise. This option would be a deviation from the Council's procurement policy and would result in significantly less value to the community as glass would continue to be crushed and put in the road base and the costs of continuing with the current services are more than double the costs of the recommended option as this will not achieve the financial and environmental advantages. (not recommended).

VALUE OF WANAKA WASTEBUSTERS

Senior managers and the Chair of Infrastructure Services have highlighted that there are intangible benefits that Wanaka Wastebusters have provided to the community for the past ten years and that there may be further value to the community in the Council supporting this organisation in the future.

Wanaka Wastebusters has been in existence for over ten years. The Wanaka community had a vision to divert as much recyclable material from landfill when the unlined landfills were closed in 1999 and the Victoria Flats Landfill was opened. With funding from Otago Regional Council and Queenstown Lakes District Council, plus significant man hours from volunteers a building and a sorting area was constructed to process recyclable material that was collected from businesses and from residents who dropped off recyclable materials. Following an open tender process in 2005/06, two contracts to provide kerbside recycling to residents and process recyclable materials were formally awarded to Wanaka Wastebusters in 2006 and have been provided to a high standard to date. In addition, Wanaka Wastebusters have been providing the waste education contract across the district for the past three years and have secured funding from Ministry for Environment for a number of nationwide projects since the

Waste Minimisation Fund was made available in June 2010, most of which provide additional benefit to this District due to the geographical location of Wanaka Wastebusters.

Wanaka Wastebusters currently employs 35 people part or full time across all of its business areas. The loss of the kerbside recycling and processing of recyclables contracts will have a significant effect on the viability of their business which may result in loss of value to this district. There are a number of things that the Council could do to assist Wanaka Wastebusters to continue to exist. These include:

- Assistance with the transition period between award of contract to another party and contract start-up
- Assistance with reemployment of staff
- Offer the opportunity to bid for additional contracts such as:
 - Household recycling drop-off area at Wanaka Wastebusters including batteries and mineral oil. Wanaka Wastebusters provided a price of \$48,000 to provide this service in their proposal if they were awarded the Wanaka recycling contracts.
 - Biennial waste surveys (\$15,000 budget in 2011/12)
 - Extend the waste education contract from schools, home composting to include general public, businesses and building contractors across the district. Additional budget would need to be allocated for this.
- Provide funding to change the traffic flow at the Ballantyne Road facilities so that users drive through Wanaka Wastebusters first, then to any of the other sites. The benefit of this would be to divert more recyclable material from landfill and provide Wanaka Wastebusters with more recyclable products. Additional budget would need to be allocated for this.
- Work with Wanaka Wastebusters to seek joint funding from Waste Minimisation Fund for future projects such as:
 - Construction and demolition waste diversion and processing
 - Food and green waste collection and composting

Dialogue would need to be initiated with Wanaka Wastebusters about how they wish to proceed. Any decisions to award services to Wanaka Wastebusters would need to be approved by Infrastructure Services Committee.

DELEGATIONS REGISTER REFERENCE

The Infrastructure Services Committee has delegated authority for awarding contracts for solid waste services.

RECOMMENDATION

1. ***That this report be received; and***
2. ***That the Infrastructure Services Committee authorise the Chief Executive Officer to award the Wanaka recycling contracts to Smart Environmental Limited ~~on the basis~~ based on a 6 + 3 year contract using crates, colour sorted glass + environmental option for \$301,400 per annum plus \$61,200 start-up costs for additional crates in year one ~~subject to the conclusion of negotiations and~~***
3. ***That the Solid Waste Manager initiates dialogue with Wanaka Wastebusters to provide additional services to the community funded by the Council and bring back a report to Infrastructure Services Committee with recommended options.***
4. ***That the CEO be authorised to make a public statement at the appropriate time***