



DIRECTOR SHIRE SERVICES REPORT

14 June 2005

DSS3 PROCESSING OF DRY RECYCLABLES
FILE: G1-12 WJL

SUMMARY:

Reporting on a proposal for processing of recycled material.



Kempsey Shire Council has been asked to sign a Memorandum of Agreement between Hastings Council and Kempsey Shire Council, committing Kempsey Shire Council to provide a minimum of 2,200 tonnes per annum of dry recycle for processing at the proposed Materials Recovery Facility (MRF) to be built at Cairncross.

At its meeting conducted in January 2005, Hastings Council endorsed the process of tendering for the processing of dry recyclables, the establishment of a Materials Recovery Facility (MRF) at the Cairncross Waste Management site and for the processing of recyclables at the facility as received from Kempsey Shire Council.

Tender documents were prepared and tenders called for a build, own, operate and transfer (BOOT) processing facility where the tender document would:

- guarantee the supply of 9,900 tonnes per annum to the facility (2,200 tonne pa from Kempsey Shire Council and 7,700 tonne pa from Hastings Council)
- seek prices per tonne for processing without risk sharing
- seek prices per tonne including risk sharing
- seek prices per tonne for contract periods of 10 years plus 2 year option and 12 years plus 2 year option.

To oversee the process, a Procurement Officer was appointed to perform the role of Probit Officer and a comprehensive probity plan was prepared by Hastings Council.

A Memorandum of Agreement has been drafted between Kempsey Shire Council and Hastings Council whereby the total minimum quantities of recyclables (9,900 tonnes per annum) would be guaranteed during the term of the processing contract.

In order for the MOA to be signed, Council would need to be advised as to the identity of the successful tenderer and the processing rate per tonne. The probity plan required confidentiality agreements to be signed by all parties to whom restricted information may be given. This included all relevant council staff that will have input and access to the tender information.

At the close of the tendering period, three conforming tenders and one non-conforming tender were received. The conforming tenders were submitted by Thiess Services, Remondis (formally Rethmanns) and J R Richards & Sons. The non-conforming tender was received from Cleanaway.

The tender evaluation panel met for its first meeting within a week of the close of tenders and provided conditional scoring to the weighted criteria for each conforming tender. Clarification was needed for some elements of the various tenders and questions were subsequently issued to the tenderers. J R Richards & Sons were invited to attend the next evaluation panel meeting, as greater detail was sought from the Richards tender.

Subsequent to the first evaluation panel meeting and prior to the second panel meeting, Mr Ken Richards representing J R Richards & Sons contacted Hastings Council advising of a mistake in their pricing schedules that has become evident from a review of their pricing spreadsheets.

Hastings Council advised Mr Richards that this matter should be presented to the next meeting of the evaluation panel where Mr Richards was to appear in relation to clarification of the J R Richards tender. At that evaluation panel meeting, Mr Richards explained the circumstances of the error and subsequently sent a letter of explanation to Hastings Council, including the revised schedule of rates.

Legal opinion - the matter of the pricing error and revised schedule of rates was discussed with solicitor Mr Justin Levido of Donovan Oates Hannaford. Mr Levido offered the opinion that Council can accept revised schedule of rates during the tender evaluation period if it believes a genuine error has occurred, or can request the tender be withdrawn and not considered.

In his written advice of the pricing error, Mr Richards explained that the same mistake had occurred in his MRF tenders for Orange City Council and for Coffs Harbour City Council, which had been prepared at the same time as the Hastings tender. Confirmation has been received from representatives of Orange City Council and Coffs Harbour City Council that this was indeed the case. The

evaluation panel was satisfied that a genuine mistake had occurred and included the J R Richards tender for further consideration.

Evaluation panel members have inspected MRFs at Sommersby and Thornton that were promoted by the tenderers as similar facilities to that which would be constructed at Cairncross. The panel has also taken into account the responses from tenderers to questions resulting from the examination of their tenders.

Final scores have now been given to the weighted selection criteria and these appear in the attachment.

The J R Richards & Sons tender received the highest score and was consequently recommended to Hastings Council for acceptance.

REPORT IMPLICATIONS:

▪ ***Environmental***

The implementation of "Best Practice" waste management services to Kempsey will assist in assuring environmentally sustainable practices in relation to waste collection and disposal within the Shire. With the introduction of a kerbside recycling program, much material (estimated at over 2000 tonnes per year) can be diverted from landfill, increasing the tipping life at KWR&DF and reducing the effect of land-filling on the neighboring environment.

The collection and processing of recyclates will increase the amount of materials available for reuse and recycling, reducing the amount of virgin feedstock and energy required for the manufacture of new goods.

▪ ***Social***

In the Community Satisfaction Survey conducted in March 2004, priority scores were developed for the 34 Council services or facilities. Of these, the provision of recycling facilities was identified as the highest priority due to the high importance but low satisfaction rate of the community surveyed.

The community's expectation would be to receive a waste service of a standard similar to that received in other council's, particularly the neighbouring one of Hastings. There would also be an expectation that an increase in the level of waste services being offered would come at an increased cost. The cheapest option would be to continue with the current service levels. However this is not seen as being in the best interests of the community and does not assist in the promotion of State and Federal programs of waste reduction and increased resource recovery.

▪ ***Economic (Financial)***

In considering the financial implications of the tenders, the evaluation panel examined the combination of options involving the term of the contract, risk sharing or non-risk sharing and on site glass fines processing. The most cost advantaged combination was for a 12 year contract with risk sharing and including on-site glass fines processing.

The attachment provides a comparison of J R Richards & Sons and Thiess Services annual cost of services based upon the aforementioned combination. The cumulative cost comparison over the term of the contract is substantial and has been determined including materials input growth over the contract term.

** Note: Risk sharing refers to the establishment of benchmark \$ values for a range of recycled commodities and the gain or loss be shared between Council and the Contractor should the marketable value of the commodity vary from the benchmark.*

▪ *Policy or Statutory*

There are no planning and policy considerations.

▪ *Director's Review*

Council needs to commit to the introduction of kerbside recycling collection in 2006 and to commit now to join Hastings Council in its new Materials Recovery Facility (MRF) to be constructed at Cairncross.

Should Council not commit, it risks the loss of the opportunity to join with Hastings and will then need to establish its own MRF, at considerable cost.

RECOMMENDATION:

1. That kerbside recycling be introduced in Kempsey Shire in July 2006.
2. That a Memorandum of Agreement committing Kempsey Shire Council to providing a minimum of 2,200 tonnes of recyclables per annum during the term of the processing contract be approved.
3. That Tender price part B (with risk sharing and including on site glass fines processing) as tendered by J R Richards & Sons for a period of twelve (12) years at a price of \$70.7023 per tonne (based on 5-10% contamination) be accepted for Kempsey Shire.

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DIRECTOR SHIRE SERVICES
K J Finnie