

Item No: 5.21.2.10

File No: 16.1

Date: 19 March 2018

Attachment: A, B

Meeting: Council

Title: Extension of Waste Disposal Contract

Responsible Manager: Chief Executive Officer, Kiki Magro

Author: Chief Executive Officer, Kiki Magro

Key Focus Area 3: Transparent and accountable local tier of Government that is respected for its forward thinking approaches and cross-Council collaborations

Type of Report: **Decision Required**

Pursuant to Section 83(5) of the *Local Government Act 1999*, the Chief Executive Officer indicates that the matter contained in this report may, if the Council so determines, be considered in confidence pursuant to Section 90(2) of the *Local Government Act 1999* on the basis that the information contained in the attached report is information of the nature specified in subsections 90(3)(k) of the Act being the provision of services and the carrying out of works as it applies to Councils waste disposal contract.

Recommendation (Public)

Pursuant to s90 (3) (k)

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all exclude members of the public except, the Chief Executive Officer, Kiki Magro, Group Manager Assets & Infrastructure, Joshua Bowen and the Acting Council Secretariat, Jo Biskup from attendance at the meeting for Agenda Item **16.1** Extension of Waste Disposal Contract report.

The Council is satisfied that, pursuant to section 90(3)(k) of the Act, the information to be received, discussed or considered in relation to this Agenda Item are for the provision of services and the carrying out of works as it applies to Councils waste disposal contract.

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be disclosed and discussed is commercial in confidence.

Recommendation (Public)

That Council:

1. agree to exercise its right of renewal to extend the existing contract for the receipt and disposal of Council's kerbside collected residual waste with Integrated Waste Services until 31 December 2024; *and*
2. authorises the Chief Executive Officer to sign the contract documentation.

Recommendation (Public)

Pursuant to s.91(7)

That having considered Agenda Item 16.1 'Extension of Waste Disposal Contract' report in confidence under section 90(2) and (3)(k) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of the Act orders that the report relative to this Agenda Item be retained in confidence until the contract has been signed, excepting that Council authorises the release of the minutes and that pursuant to Section 91(9)(c) of the *Local Government Act 1999* the Council delegates to the Chief Executive Officer the power to review and revoke this Order.

and

That Council resolves to end its confidential deliberations pursuant to Section 90(2) of the *Local Government Act 1999* and re-admit the public.

Summary

Council's waste disposal contract for residual waste is due to be reviewed / renewed in December 2019. The Town of Walkerville jointly with the City of Campbelltown awarded the contract to Integrated Waste Services (IWS) on 15 September 2014 (Attachment A). The current contract allows other Councils to take advantage of the contracted disposal rate. The City of Prospect has agreed to join Campbelltown and Walkerville in order to take advantage of our disposal rate. This now gives Walkerville and Campbelltown the opportunity to seek further savings from IWS by renewing the contract by a further 5 years.

Campbelltown at its meeting held on 6 March 2018 (in confidence) resolved to extend the current IWS contract by a further 5 years, recognising that the City of Prospect has agreed to join Walkerville and Campbelltown, which will realise further savings for the Councils.

Background

In March 2014 the seven Constituent Councils of Waste Care South Australia undertook a joint tender for waste disposal services of their residual waste.

Because of that tender evaluation, Council in conjunction with the City of Campbelltown awarded the contract to IWS (Integrated Waste Services) for a period up to 10 years (i.e. 5-year contract with a right of renewal at Council's discretion) at the rate tendered for the 10-year option, effective 1 January 2015.

To provide a detailed account of the tender process, the report that was considered by Council at its meeting on 15 September 2014 appears as Attachment A to this report.

Discussion/Issues for Consideration

The existing contract runs until December 2019, however as the contract enables other Councils to take advantage of Council's disposal rate, the City of Campbelltown Chief Executive Officer (on Walkerville's behalf) opened up conversations with IWS regarding the current tender rates and the opportunity for other ERA Councils to be part of the tendered rate.

In these discussions and subsequent correspondence (Attachment B) IWS are prepared to offer Council a reduction in its rate from \$44.50/tonne to \$42/tonne (excluding the Solid Waste Levy) if it extended its contract through the right of renewal clause to 31 December 2024. Furthermore, the new rate would come into effect from 1 April 2018 and present an annual savings on the current contract of approximately \$5,000 for the 2018/2019 financial year for waste disposal (based on an average of 2,000 tonne).

As stated in the Attachment B, Council will receive an additional reduction to \$40/tonne (excluding the Solid Waste Levy) if either Prospect or NPSP (Norwood, Payneham & St Peters) Councils committed to be part of the existing contract. Prospect Council considered this matter at their meeting on Tuesday 27 February 2018. The CEO has verbally been advised that Prospect Council agreed to join this contractual arrangement. As a result Council will now only be required to pay \$40/tonne (excluding the Solid Waste Levy), a further \$2/tonne saving, which represents approximately \$9,000 savings for the 2018/2019 financial year for waste disposal.

As there are additional cost savings to be made if all ERA Councils participate, the matter was raised with the ERA CEOs at their meeting dated 22 February 2018. Burnside Council's contract with IWS expires on 30 June 2018, which would require them to extend their existing contract by 6 months. Unley Council's contract with IWS expires on 31 December 2021, which would require them to extend their contract by 3 years. In speaking with the respective Chief Executive Officers, there seemed to be genuine support to consider this proposal seriously, as all Councils would benefit immediately.

In order to provide the largest financial benefit, namely a disposal rate of \$39/tonne (excluding the Solid Waste Levy), NPSP Council would also need to commit to this contract with IWS. Like Prospect Council, NPSP Council is in the unique position of coming out of their contract on 31 March 2018 and therefore could easily resolve to be part of this wider based initiative that will generate savings for all ERA Councils. It is hopeful that Burnside, Unley and NPSP Councils will agree to this proposal, which would deliver a disposal rate of \$39/tonne (excluding the Solid Waste Levy) which would equate to further savings to Council of approximately \$11,000 for the 2018/2019 financial year for waste disposal.

In summary, the advantages to Council in taking up the right of renewal early is that Council:

- Receives an immediate cost savings (i.e. commencing 1 April 2018)
- Secures its maximum disposal rates (excluding the Solid Waste Levy) until 31 December 2024
- Has the opportunity to exercise a new right of renewal option to 31 December 2029 if beneficial in 5 years' time.

It should be noted that when Council first entered into the contract with IWS it was paying Waste Care \$52/tonne (excluding the Solid Waste Levy) for disposal of its residual waste, so on the basis of either the \$39 or \$40/tonne rate, there will continue to be a significant cost saving to Council. In the event that CPI remains relatively low, then the rate that Council will be paying in 2024 will be less than the rate it was paying Waste Care in 2014.

In addition to the abovementioned benefits, IWS are also offering the opportunity for Council to become a Foundation Investor in the event they build a Waste to Energy Plant. This simply provides Council with a potential benefit without any commitment until a business case is developed and considered by Council.

Options for Consideration

Option 1

That Council:

1. agree to exercise its right of renewal to extend the existing contract for the receipt and disposal of Council's kerbside collected residual waste with Integrated Waste Services until 31 December 2024; *and*

2. authorises the Chief Executive Officer to sign the contract documentation.

Option 2

That Council consider the renewal of the existing contract for the receipt and disposal of Council's kerbside collected residual waste with Integrated Waste Services during 2019, acknowledging that the current 5 year contract is due to expire on 31 December 2019.

Option 3

That Council allow the current 5-year contract for the receipt and disposal of Council's kerbside collected residual waste with Integrated Waste Services to expire on 31 December 2019 and instructs administration to undertake the requirement procurement of waste disposal services in line with Council's procurement policy.

Analysis of Options

Option 1

This option provides Council with immediate (from 1 April 2018) savings in the order of \$2.50/tonne, for simply exercising its right to renew its existing contract with IWS, and therefore realising savings in the order of \$5,000 for the last quarter of 2017/18 and 2018/19 financial year.

With the City of Prospect joining Campbelltown and Walkerville, this saving will equate to a further \$2/tonne (total saving of \$4.50/tonne or \$9,000 savings in 2018/19 financial year).

Option 2

This option will essentially maintain the status quo. We will continue to pay in the order of \$44.50/tonne (excluding the Solid Waste Levy) + an additional 3% for the 2018/19 financial year. Council will not realise any further savings.

Option 3

Given our size and the average tonnage of residual waste we dispose on average per annum, it is highly unlikely that we will realise these sort of costs. Walkerville simply does not produce enough waste to make us an attractive client and / or attract competitive rates. We would need to collaborate with other Councils to ensure we were getting a competitive deal. On that basis, going to tender for an average of 2,000 tonne, would be costly and not produce an equitable outcome to match our current arrangements.

Financial Implications

There are immediate and ongoing savings to Council by exercising its right of renewal early. With Prospect Council, along with City of Campbelltown agreeing to be part of this arrangement, the new disposal rate will be \$40/tonne (excluding the Solid Waste Levy) and will only increase by 3% or CPI, whichever is higher, over the next 6 years.

Community Implications

There are no known community implications because of this report and / or Council decision.

Governance Implications

There are no known governance / risk management implications in relation to this report as Council is simply exercising its right of renewal under the existing contract.

Preferred Option & Reasoning

Option 1 is the preferred option. Council will realise immediate savings in the order of \$2.50/tonne, from 1 April 2018 for simply exercising its right to renew its current contract. Further savings in the order of an additional \$2/tonne are to be realised once City of Prospect piggybacks the Campbelltown / Walkerville IWS contract.

Attachments

Attachment A	Council report dated 15 September 2014
Attachment B	Letter from IWS to City of Campbelltown dated 21 February 2018

Released



Meeting: Council

Title: Evaluation Report
– Kerbside Waste Disposal

Responsible Manager: Chief Executive Officer, Kiki Magro

Author: Property and Contracts Officer,
Ganesh Krishnan

Type of Report: **Decision Required**

Item No: 16.1.1

File No: 5.64.2.6

Date: 15 September 2014

Attachments: A & B

Recommendation

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except Chief Executive Officer, Kiki Magro, General Manager, Katrina Marton, Financial Controller, Manna Montu Abraham, Marketing and Communications Manager, Sonia DeNicola, Manager, Community Services, Fiona Deckert, Team Leader Assets and Infrastructure, Property and Contracts Officer Jil Chhoy and Protocol and Compliance Officer, Deb Bria, be excluded from attendance at the meeting for Agenda Item 16.1.1

The Council is satisfied that, pursuant to section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is:

* **conducting business;**

or

* **would prejudice the commercial position of the Council.**

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because

The said information relates to the terms of the Evaluation Report for Kerbside Waste Disposal.

Recommendation

That Council:

1. approves the awarding of the contract for the receipt and disposal of kerbside-collected residual waste to Acquista Investments Pty Ltd and Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services effective from 1 January 2015 for a period up to 10 years (ie 5 year contract with a right of renewal at Council's discretion) at the rate tendered for the 10 year option
2. approves the awarding of the contract for the receipt and processing of kerbside-collected hard waste materials to Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd effective from 1 January 2015 for a period of up to 10 years
3. authorises the Chief Executive Officer to negotiate with Integrated Waste Services and Transpacific Cleanaway Pty Ltd the right of renewal, finalise the tender process and execute the contracts on behalf of Council
4. notes the option for additional Councils who were not part of the tender process to participate in the negotiations with a view to also entering a contract to leverage improved volumes and rates.

Pursuant to s.91(7)

That having considered Agenda Item 16.1.1 Evaluation Report – Kerbside Waste Disposal in confidence under section 90(2) and (3)(b) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of that Act orders that the report, attachments and minutes relevant to Agenda Item 16.1.1 Evaluation Report – Kerbside Waste Disposal be retained in confidence until the matter has been finalised and that pursuant to Section 91(9)(c) of the *Local Government Act 1999* the Council delegates to the Chief Executive the review and power to revoke this Order

and

That Council resolves to end its confidential deliberations pursuant to Section 90(2) of the Local Government Act 1999 Council and re-admit the public.

Purpose of Report

To advise Council of the outcome of the procurement process for the receipt and disposal of kerbside-collected residual waste and the receipt and processing of kerbside-collected hard waste materials (Waste Services).

Background

In March 2014, the Elected Members of the Participating Councils (Adelaide City Council, City of Charles Sturt, Campbelltown City Council, City of Prospect, Town of Walkerville and City of Norwood Payneham & St Peters) resolved to participate in a joint tender, to be coordinated by WCSA (Waste Care South Australia) on behalf of the Participating Councils, for the Waste Disposal Services to be provided to the Participating Councils on and from 1 January 2015.

On behalf of the Participating Councils, the procurement was facilitated and managed by the Procurement team from the ACC (Corporation of the City of Adelaide).

The tender document was prepared by utilising assumptions from all of the participating Councils (eg total tonnages of kerbside waste and hard waste from each participating Council).

RFT (Request for Tender) to the open market was released on the SA Tenders & Contracts website (www.tenders.sa.gov.au) on 15 July 2014.

On the afternoon of 14 July 2014, ACC Procurement team made a courtesy phone call to each of the following prospective tenderers advising the release date of the RFT:

- Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd
- Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services
- SITA-ResourceCo Alternative Fuels Pty Ltd trading as SITA-ResourceCo, and
- Adelaide Resource Recovery Pty Ltd.

The four companies contacted, submitted their tender proposals and no other tender submissions from other companies were received. It is also noted that no late tenders were received.

To provide further flexibility to the participating Councils, the following criteria were included as part of the tender specifications:

- The tender document provides no guarantee that each of participating Councils will enter into and be bound by a contract with the successful tenderer
- Participating Council will provide no guarantee on the minimum tonnages of waste per year
- Provides flexibility to participating Council to choose at their discretion to enter either 3, 5 or longer term contract (10 years) or not to participate at all
- Flexibility to enter only part of the services (eg receipt and disposal of kerbside waste to Company A and disposal of hard waste to company B).

Tenders were assessed by representatives of each of the participating Councils. The tender evaluation report was prepared by the ACC procurement team and is attached separately for Members' information. This tender evaluation report provides detailed information including cost analysis and recommendations.

For this matter to move forward in a timely manner, the member councils need to reply to WasteCare as soon as possible. WasteCare will then be able to co-ordinate a meeting of those councils that have made similar decisions, so that negotiations to finalise the contract can be facilitated between those councils and the successful tenderer. Administration understands that the Campbelltown City Council has already passed a confidential resolution approving Option 3 (the same preferred option of this report).

Options for decision:

The following recommendations are provided as per the attached report:

Option 1 – Award of Contract for a 3-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 3 year term, it is recommended that Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd is awarded the Contract for the whole of the services associated with the receipt and disposal of kerbside-collected residual waste and the receipt and processing of kerbside-collected hard waste materials.

Option 2 – Award of Contract for a 5-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 5 year term, it is recommended that:

- (a) Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services is awarded the Contract for the receipt and disposal of kerbside-collected residual waste;
- (b) Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd is awarded the Contract for the receipt and processing of kerbside- collected hard waste materials.

Option 3 – Award of Contract for a 10-year Term (Preferred Option)

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 10 year term, it is recommended that:

- (a) Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services is awarded the Contract for the receipt and disposal of kerbside-collected residual waste;
- (b) Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd is awarded the Contract for the receipt and processing of kerbside-collected hard waste materials.

Option 4 – No Award of Contract

Tenders were assessed by representatives of each of the participating Councils. The tender evaluation report was prepared by the ACC procurement team and is attached separately for Members' information. This tender evaluation report provides detailed information including cost analysis and recommendations.

For this matter to move forward in a timely manner, the member councils need to reply to WasteCare as soon as possible. WasteCare will then be able to co-ordinate a meeting of those councils that have made similar decisions, so that negotiations to finalise the contract can be facilitated between those councils and the successful tenderer. Administration understands that the Campbelltown City Council has already passed a confidential resolution approving Option 3 (the same preferred option of this report).

Options for decision:

The following recommendations are provided as per the attached report:

Option 1 – Award of Contract for a 3-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 3 year term, it is recommended that Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd is awarded the Contract for the whole of the services associated with the receipt and disposal of kerbside-collected residual waste and the receipt and processing of kerbside-collected hard waste materials.

Option 2 – Award of Contract for a 5-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 5 year term, it is recommended that:

- (a) Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services is awarded the Contract for the receipt and disposal of kerbside-collected residual waste;
- (b) Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd is awarded the Contract for the receipt and processing of kerbside- collected hard waste materials.

Option 3 – Award of Contract for a 10-year Term (Preferred Option)

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 10 year term, it is recommended that:

- (a) Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services is awarded the Contract for the receipt and disposal of kerbside-collected residual waste;
- (b) Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd is awarded the Contract for the receipt and processing of kerbside-collected hard waste materials.

Option 4 – No Award of Contract

Any Participating Council that wishes to opt out of the Tender Process and accede to a separate contract arrangement has the ability to do so if that Participating Council determines that the separate contract arrangement provides a better 'value for money' outcome.

Analysis of Options

Option 1

Administration considers that Option 1 poses a higher risk when compared to other options as there is a risk that prices for the relevant services may increase after 3 years. By not taking up a longer term arrangement, the participating Councils may not be able to achieve better pricing and other benefits when approaching the market in 3 to 5 years.

Two other participating Councils (City of Adelaide, and the City of Charles Sturt) are constituent Councils of the Council Solutions subsidiary. Council Solutions is investigating a large aggregated tender for waste services. If these Councils choose to participate in that co-operative arrangement, the other Participating Councils may lose the benefit of aggregated volumes (which were presented with this RFT) in any future tender processes (should we go with three years option). The risks are highlighted in the attached Tender Evaluation Report.

Option 2

Option 2 provides savings compared to the current rate that Council pays to WCSA. Similar to Option 1, the risk of this option would be Council may not be able to achieve a better pricing and other benefits when approaching the market in 5 years. The benefit of this Option is in five years' time, there is a potential that new technology may have emerged in the industry.

The potential saving to Council for Year 1 for Option 2 is approximately \$15,500. The cost for the life of the contract (five years) is shown in the attached financial modelling.

Option 3

Option 3 provides the best saving to Council and a certainty on the expenditure over the next 10 years period. The preferred tenderer for Option 3 indicated in their submission that their price will be adjusted by 3% each year over the life of the contract. The potential saving for Year 1 of this Option is approximately \$18,600 which represents \$3,000 additional saving compared to Option 2. The financial modelling also shows that Council would pay approximately the same amount as the current 2014 rate (approximately \$52 per tonne) in Year 10 or in 2024 by choosing this option.

The preferred company for Option 3 has also indicated that they are willing to enter into further contract negotiation should a new technology be developed and emerge to reduce the amount of waste being disposed to landfill. However the timing of this new technology is still unknown and still depending on a lot of factors including demand and cost to invest the technology.

Therefore, from the options above, Administration recommends Council endorse Option 3 as the preferred option. This option is the most cost effective and also provides greater financial certainty to Council.

Furthermore, Administration has commenced discussions with the preferred contractor to provide an alternative contract option derived from Option 3 which is for a five year contract term with a right of renewal at Council's discretion for a further five years at the rate of a ten year contract. The preferred contractor has indicated that they are willing to enter into this variation to Option 3. By having this option, it provides Council with greater flexibility to review its contract in five years should new technology emerge. However if the status quo remains Council would have secured a very competitive rate for the long term.

In regard to the hardwaste, it is recommended (for all options) that the hardwaste be disposed at Waste Management Pacific facility. By entering to the new contract Council may gain a slight saving of approximately \$3 per tonne.

Option 4 – No Award of Contract

By choosing this option, there will be no benefit of saving money for Council.

Social Implications

There are no direct social implications associated with this tender report. However, the contract has the potential to identify social benefits through the provision of improved waste services.

Environmental Implications

All tenderers were required to submit their Environmental Management System as part of the tender criteria which has formed an integral part of the assessment process.

Asset Management Implications

Not applicable.

Governance / Risk Management

The risk is detailed in the tender evaluation report attached separately.

Community Engagement

Not applicable.

Financial Implications

Council currently pay \$52 per tonne excluding the EPA levy to dispose of its waste to Waste Care SA facility. By entering to a new contract, Council will gain a significant cost saving which is detailed in the attached financial modelling.

Preferred Option and Reasoning

Option 3 is the preferred option, taking into consideration the option to review the contract at the 5 year mark. This option provides Council with greater flexibility to review its contract in five years should new technology emerge. However if the status quo remains Council would have secured a very competitive rate for the long term.

ATTACHMENT A



Evaluation Report

Tender No. T2014/0120

Receipt and disposal of kerbside-collected residual waste and the receipt and processing of kerbside-collected hard waste materials

Date: 13 August 2014

Prepared by: Merryn Cossey, Senior Strategic Procurement Business Partner & Brett Kahland, Senior Consultant Business Improvement – Adelaide City Council

1. Background

This Evaluation Report (**Report**) details the procurement and evaluation processes followed in respect of the receipt and disposal of kerbside-collected residual waste and the receipt and processing of kerbside-collected hard waste materials (**Waste Services**). The procurement was facilitated and managed by senior members of the Procurement team from the Corporation of the City of Adelaide (**ACC**) on behalf of the following local government entities:

- ACC;
- The City of Charles Sturt;
- Campbelltown City Council;
- City of Prospect;
- The Corporation of the Town of Walkerville; and
- City of Norwood Payneham and St. Peters,

together the **Participating Councils**.

The Participating Councils are the Constituent Councils of Waste Care SA, a subsidiary established pursuant to section 43 of the *Local Government Act 1999* (SA) (**WCSA**).

This Report has been prepared in accordance with section 4.7 of the Tender Evaluation and Probity Plan dated 8 July 2014 (**Plan**). This Report provides a reasoned recommendation as to the preferred Tenderer to be considered by each Participating Council in respect of an award of Contract to provide the Waste Services. Each Board Member of WCSA is asked to endorse this Report and the recommendation as to the preferred Tenderer.

2. Procurement Process

2.1 Open Tender Process

In March 2014, the Elected Members of the Participating Councils resolved to participate in a joint tender, to be co-ordinated by WCSA on behalf of the Participating Councils, for the Waste Services to be provided to the Participating Councils on and from 1 January 2015.

On behalf of the Participating Councils, ACC Procurement issued a Request for Tender (**RFT**) on 15 July 2014 to the open market. The RFT was released on the SA Tenders & Contracts website (www.tenders.sa.gov.au).

On the afternoon of 14 July 2014, ACC Procurement made a courtesy phone call to each of the following prospective Tenderers to advise them of the RFT and the release date:

- Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd;
- Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services;
- SITA-ResourceCo Alternative Fuels Pty Ltd trading as SITA-ResourceCo; and
- Adelaide Resource Recovery Pty Ltd.

2.2 Documents Issued

The documents issued included ACC's standard RFT package, detailed specifications and a proposed 'Conditions of Contract' document.

Although ACC's standard RFT document was used, a significant amount of work was carried out to ensure that the RFT contained clear and comprehensive Tender Response Schedules

and Conditions of Tendering. The specifications were prepared by Trevor Hockley (Executive Officer of WCSA) with input from Fiona Jenkins (Coordinator, Waste & Sustainability, City of Charles Sturt). A draft Conditions of Contract document was prepared by Kelledy Jones Lawyers and reviewed and revised by Merryn Cossey and Brett Kahland to ensure that the Participating Councils' requirements were addressed (**Contract**).

2.3 Tenderer Enquiries

On 28 July 2014, an employee of Integrated Waste Services emailed ACC's Tenders Online email address requesting the right to submit that company's tender in seven parts (i.e. one original and six copies). The request was due to the size of the tender and the company's concern that it would be difficult to post. A response was issued by ACC Procurement on the same day through the Tenders Online email address, approving the proposed method of submission. It was determined that the method of submission would still be in accordance with the Plan.

On 29 July 2014, Transpacific Cleanaway Pty Ltd requested an extension to the Tender Period of two weeks. The request was considered by ACC Procurement, Trevor Hockley and Fiona Jenkins. It was determined that the request should be denied due to the time constraints faced by the Participating Councils and the reasonable opinion that the Tender Period was sufficient to enable all Tenderers to prepare and submit tenders. A written response was provided to Transpacific Cleanaway Pty Ltd through the Tenders Online email address, advising of the decision.

2.4 Tender Briefing & Site Visits

No tender briefing sessions or site visits were conducted.

3. Receipt of Tenders & Evaluation

3.1 Receipt of Tenders

Tender submissions were received from all four companies who were given prior notice of the RFT. The Tenderers are as follows:

- Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd (ABN 94 097 829 644) (**Transpacific**);
- Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services (ABN 23 043 564 833) (**IWS**);
- Adelaide Resource Recovery Pty Ltd (ABN 30 090 727 638) (**ARR**); and
- SITA-ResourceCo Alternative Fuels Pty Ltd trading as SITA-ResourceCo (ABN 21 097 250 032) (**ResourceCo**).

No late tenders were received. Tenders were opened shortly after the Closing Time by two ACC Procurement Administration representatives who signed and documented the receipt of each tender.

3.2 Evaluation Panel

The Evaluation Panel consisted of:

Name	Council
Fiona Jenkins	The City of Charles Sturt
David Bland	The Corporation of the City of Adelaide
Greg Georgopoulos	City of Prospect
Ganesh Krishnan	The Corporation of the Town of Walkerville
Andrian Wiguna	Corporation of the City of Campbelltown
Mark Draper	City of Norwood Payneham and St. Peters

Members of the Evaluation Panel and other staff directly involved in the tender and evaluation process were provided with the list of Tenderers for consideration. Each declared 'No Conflict of Interest' and agreed to keep confidential the contents of each tender. Tender submissions were then provided to individual Evaluation Panel members. This process was facilitated by ACC Procurement.

3.3 Evaluation Criteria

The tender submissions were evaluated in accordance with the following agreed criteria and weightings:

3.3.1 Mandatory Criteria:

- (a) Insurances;
- (b) Registration and licences (site appropriately licensed by the EPA to receive and process kerbside residual and hard waste);
- (c) Signing of tender declarations;
- (d) Work Health and Safety Management System incorporating Risk/Hazard Identification and any proposed controls (shortlisted Tenderer(s) only); and
- (e) Achievement of a "satisfactory" or better ranking in respect of financial stability and viability, with the shortlisted Tenderer(s) to be assessed further in respect of financial viability through a detailed independent credit and financial viability check.

3.3.2 Qualitative criteria:

- (a) Tendered price(s) (90% weighting) – the most competitive price offered.
- (b) Value adds (10% weighting) – post collection methods used to maximise resource recovery prior to disposal of residual waste to landfill.

The evaluation process was facilitated by ACC Procurement.

3.4 Evaluation of Tenders & Rankings

Evaluations were carried out independently and in accordance with sections 2.2 and 2.3 of the Plan. The Evaluation Panel met on 11 August 2014 to discuss their independent evaluations and to finalise scores. The relevant pages of the Evaluation Matrix are attached to this Report. Key points to note from the evaluation are set out in this section 3.4.

3.4.1 Mandatory Criteria

Insurances:

All Tenderers received a 'pass' mark in respect of this criterion.

Registrations & Licences:

The information presented in ARR's submission indicated that ARR was only submitting to provide the services relating to receipt and processing of kerbside-collected residual waste. The submission was unclear with regard to the hard waste materials stream and clarification was sought. However, even if ARR submitted to provide services associated with receipt and disposal of hard waste materials, it is not appropriately licensed to provide residual waste services. As stated above, ARR received a 'fail' in respect of this criterion for the residual waste services and has been assessed as non-conforming in this regard. The evaluation panel held a consensus view that ARR could not be considered for the kerbside collected residual waste services on the basis that ARR's proposal relies on commissioning the AnaeCo plant which is not yet in operation. Operation is due to commence on 1 January 2018.

All other Tenderers received a 'pass' mark in respect of this criterion.

Signing of Tender Declarations:

All Tenderers received a 'pass' mark in respect of this criterion.

3.4.2 Qualitative Criteria

Tendered Prices:

Tenderers submitted pricing as per the below summary table:

Supplier	Residual Waste	Hard Waste
Transpacific Cleanaway Pty Ltd	Pricing based on volume bands Up to 30,000 tonnes p.a. \$43.70 (all years) Up to 48,000 tonnes p.a. 3 Years = \$39.00 5 Years & 10 Years = \$43.70 Over 48,000 tonnes p.a. 3 Years = \$37.00 5 Years = \$39.00 10 Years = \$43.70	\$23.00
Integrated Waste Services	Pricing based on contract duration - 3% increase p.a. 3 Year Contract = \$44.00 5 Years Contract = \$42.00 10 Year Contract = \$40.00	Pricing based on contract duration - 3% increase p.a. 3 Year Contract = \$44.00 5 Years Contract = \$42.00 10 Year Contract = \$40.00
Adelaide Resource Recovery Pty Ltd	\$85.00 per tonne Current price adjusted for CPI and any EPA waste levy increase to 1 Jan 2018	N/A
SITA-ResourceCo	N/A	\$80.00 *No EPA waste levy charged in addition to the rate

Note: ARR's submission was assessed as non-conforming for residual waste and therefore not considered. The following table represents a summary of conforming rates that were used to calculate the cost criterion.

Residual Waste	3 Year	5 Year	10 Year
Up to 30,000 Tonnes			
Transpacific Cleanaway Pty Ltd	\$43.70	\$43.70	\$43.70
Integrated Waste Services	\$44.00	\$42.00	\$40.00
Up to 48,000 Tonnes			
Transpacific Cleanaway Pty Ltd	\$39.00	\$43.70	\$43.70
Integrated Waste Services	\$44.00	\$42.00	\$40.00
Over 48,000 Tonnes			
Transpacific Cleanaway Pty Ltd	\$37.00	\$39.00	\$43.70
Integrated Waste Services	\$44.00	\$42.00	\$40.00
Hard Waste	3 Year	5 Year	10 Year
Transpacific Cleanaway Pty Ltd	\$23.00	\$23.00	\$23.00
Integrated Waste Services	\$44.00	\$42.00	\$40.00
Sita-ResourceCo	\$80.00	\$80.00	\$80.00

1. Pricing Methodology and Assumptions:

Refer to **Appendix 1** for application of Net Present Value.

2. Estimated Total Value

Each Tenderer's per tonne unit prices were multiplied by the volumes for residual waste and hard waste to arrive at an estimated cost. The figures presented in the Specification at Table 1 for the 2012/2013 year were used for residual waste. The estimates of hard waste outlined in section 5.5 of the Specification were used for calculating hard waste volumes. This cost exercise was completed at a total aggregated level and at an individual Participating Council level.

3. Total Whole of Life Costs

To evaluate total whole of life costs under any Contract, it was necessary to assess the impact of the application of the Rise and Fall (**R&F**) formula. Participating Councils provided the R&F formula in the RFT. The method of calculation was to apply the average of the last 5 years' percentage increase of the R&F formula provided in the RFT and multiply by the estimated total value at each of 3, 5 and 10 year intervals (noting the price for the first 12 months of the Contract is not subject to rise and fall). The estimated total prices were used to convert into a point score by a mathematical formula specified in the Plan (refer to **Appendix 1** "Matrix Method").

Transpacific complied with the R&F formula set out in the RFT whereas IWS proposed a fixed 3% increase per annum.

4. Baseline Costs

ResourceCo and ARR provided costs inclusive of the EPA levy (**Levy**).

It was not viewed as appropriate to compare ResourceCo's pricing (effectively absorbing the Levy in its recycling practices) of \$80 per tonne against the IWS and Transpacific prices for hard waste expressed exclusive of the Levy. The proposed method to make comparable is expressed below:

The impact of the Levy post 1 July 2017 is unknown. The table set out below represents the published Levy increases by the EPA.

Financial year	Solid waste – non metropolitan (per tonne)	Solid waste – metropolitan (per tonne)	Liquid waste (per kilolitre)
2013-14	\$23.50	\$47.00	\$17.95
2014-15	\$26.00	\$52.00	\$24.00
2015-16	\$28.50	\$57.00	\$29.00
2016-17	\$31.00	\$62.00	\$35.00

To ascertain the impact post 1 July 2017, the average of the last 5 years' dollar increase to the Levy has been determined and used to forecast the Levy each year up to ten years as set out below.

Actual average increase of EPA Waste Levy over last 5 years		
South Australia (Metropolitan Adelaide)		
Period	Price	Increase
2009-10	\$25.20	
2010-11	\$26.00	\$0.80
2011-12	\$35.00	\$9.00
2012-13	\$42.00	\$7.00
2013-14	\$47.00	\$5.00
2014-15	\$52.00	\$5.00
Avg Increase		\$5.36

NB: the Levy has been in place since the 2004/2005 financial year (FY) and has had unpredictable movement since implementation. For example, when Zero Waste was introduced (with the aim to reduce waste to landfill) the Levy increased from \$11.20 per tonne in the 2006/2007 FY to \$23.40 per tonne in the 2007/2008 FY. In other periods, the Levy has only increased marginally in line with Adelaide CPI.

The Levy increases (both published and forecasted) were then deducted from the \$80 per tonne price quoted over each year to arrive at an estimated base cost that was then used to compare across Tenderers in respect of hard waste services.

This exercise was not undertaken for ARR as that Tenderer's submission was not conforming for the residual waste stream and ARR did not submit a price for the hard waste stream.

5. *Build out functionality on Transpacific's submission for that Tenderer's different prices for different volumes*

The Evaluation Panel considered the issue of how to assess Transpacific's submission with respect to the volume thresholds. In order to attract the highest volume and lowest price (over 48 thousand tonnes per annum) the majority of Participating Councils (including the City of Charles Sturt and Campbelltown City Council) would be required to award the Contract to Transpacific. Discussion identified the possibility that not all Participating Councils would award a Contract pursuant to the RFT and on this basis a risk management approach was to be adopted. Here, the Evaluation Panel members were of the consensus view that it is likely the mid-range volume threshold would be satisfied if the City of Charles Sturt participated. If not, the lowest volume range would be achieved. On balance, it was considered the most likely scenario was that the Participating Councils would achieve the mid-range volume threshold of between 30,000 tonnes and 48,000 tonnes.

Table 1 sets out the totals of residual waste received from each Participating Council for the 2012/2013 year.

Table 1

Council	Tonnes
Corporation of the City of Adelaide	6,251
Campbelltown City Council	9,969
The City of Charles Sturt	27,070
City of Norwood Payneham and St. Peters	7,134
City of Prospect	4,125
The Corporation of the Town of Walkerville	1,737
Total	56,286

NB: for the 2013/ 2014 year the volumes are in parity with Table 1 as extracted below (reported up to May 2014).

Table 2

Council	Tonnes to May
Corporation of the City of Adelaide	5794
Campbelltown City Council	9152
The City of Charles Sturt	26790
City of Norwood Payneham and St. Peters	6760
City of Prospect	3740
The Corporation of the Town of Walkerville	1457
Total	53,693

6. Contract Term

The Evaluation Panel discussed an appropriate Contract term. The majority of Participating Councils indicated a strong preference for a shorter period of 3 to 5 years due to market uncertainty. In particular, the introduction of new technologies and the possibility of increased competition (i.e. new market entrants) were given as strong reasons for engaging under a short term Contract. A minority of Participating Councils expressed a preference for a longer term of ten years for budget certainty.

In accordance with the RFT, Contracts set up with an initial term of three years or five years may include options for the relevant Participating Council to renew the term for further periods up to a maximum term of ten years. Such renewal options will be at the relevant Participating Council's absolute discretion. The term of the Contract is to be negotiated between the relevant Participating Council (as Principal under the Contract) and the relevant successful Tenderer.

Value Adds:

All Tenderers submitted information in respect of post collection methods used to maximise resource recovery prior to disposal of residual waste to landfill. IWS received the highest score overall from the Evaluation Panel, followed by Transpacific and ResourceCo. ARR received the lowest score.

1. IWS

IWS' submission provided for educational services to the waste industry and general public (i.e. Council ratepayers). IWS has an ongoing commitment to educate the community on waste management. IWS currently invests in onsite facilities enabling site tours and information sessions. This was considered a strong 'value add' by the Evaluation Panel. IWS also provided information about 'recovery/waste to energy' to produce fuel. IWS is part of a joint venture with Veolia Environmental Services.

2. Transpacific

Transpacific committed to engage an Education Officer if Transpacific is identified as the preferred Tenderer and is engaged by majority of the Participating Councils. The proposal is such that the Education Officer would work directly with the Participating Councils to prepare a targeted and agreed education plan. This was considered a strong 'value add' by the Evaluation Panel. Transpacific was also awarded points for its proposal that Participating Council residents would be given the opportunity to access a discounted waste disposal rate at the Wingfield Resource Recovery & Waste Transfer Station. This was likely to be beneficial to the residents of Norwood Payneham & St. Peters, Prospect and Charles Sturt Councils.

3. ResourceCo

The 'value add' information provided by ResourceCo was considered lacking in information and detail. In particular, ResourceCo did not provide clear details about its 'pre-picking' process in respect of hard waste. The Evaluation Panel also queried how ResourceCo can adequately measure the reduction in air pollution resulting from its processes. Further, there was no long-term proposal for waste recovery. Some members of the Evaluation Panel gave slightly higher scores to ResourceCo for this criterion

4. ARR

ARR received low scores for this criterion because it is not currently licensed to carry out its proposed alternative waste treatment method. Further, ARR has not yet submitted a Development Application for the project. The Participating Councils would be unable to accept the proposal if ARR were identified as the preferred Tenderer. However, the Evaluation Panel did find the proposal very interesting and considered.

3.4.3 Final Rankings

The Tenderers were ranked as follows:

Receipt and disposal of kerbside-collected residual waste:

Residual Waste 3 Year Offer	Mandatory Criteria	Value Add Score	Price Score			Total		
			Up to 30,000 Tonnes	Up to 48,000 Tonnes	Over 48,000 Tonnes	Up to 30,000 Tonnes	Up to 48,000 Tonnes	Over 48,000 Tonnes
Transpacific Cleanaway	Pass	7.25	45.82	50.94	53.29	53.07	58.19	60.54
Integrated Waste Services	Pass	7.75	44.18	39.06	36.71	51.93	46.81	44.46
Residual Waste 5 Year Offer	Mandatory Criteria	Value Add Score	Price Score			Total		
			Up to 30,000 Tonnes	Up to 48,000 Tonnes	Over 48,000 Tonnes	Up to 30,000 Tonnes	Up to 48,000 Tonnes	Over 48,000 Tonnes
Transpacific Cleanaway	Pass	7.25	44.23	44.23	49.35	51.48	51.48	56.60
Integrated Waste Services	Pass	7.75	45.77	45.77	40.65	53.52	53.52	48.40
Residual Waste 10 Year Offer	Mandatory Criteria	Value Add Score	Price Score			Total		
			Up to 30,000 Tonnes	Up to 48,000 Tonnes	Over 48,000 Tonnes	Up to 30,000 Tonnes	Up to 48,000 Tonnes	Over 48,000 Tonnes
Transpacific Cleanaway	Pass	7.25	43.21	43.21	43.21	50.46	50.46	50.46
Integrated Waste Services	Pass	7.75	46.79	46.79	46.79	54.54	54.54	54.54

Receipt and processing of kerbside-collected hard waste materials:

Hard Waste 3 Year Offer	Mandatory Criteria	Valude Add Score	Price Score	Total
Transpacific Cleanaway	Pass	7.25	63.13	70.38
SITA-ResourceCo	Pass	7.17	45.00	52.17
Integrated Waste Services	Pass	7.75	-4.07	3.68
Hard Waste 5 Year Offer	Mandatory Criteria	Valude Add Score	Price Score	Total
Transpacific Cleanaway	Pass	7.25	56.08	63.33
SITA-ResourceCo	Pass	7.17	33.92	41.08
Integrated Waste Services	Pass	7.75	-12.39	-4.64
Hard Waste 10 Year Offer	Mandatory Criteria	Valude Add Score	Price Score	Total
Transpacific Cleanaway	Pass	7.25	56.61	63.86
SITA-ResourceCo	Pass	7.17	33.39	40.56
Integrated Waste Services	Pass	7.75	-8.13	-0.38

4. Further Assessment of Preferred Tenderers**4.1 Financial Viability Assessment**

Both Transpacific and IWS received a 'pass' in respect of this criterion. Both Tenderers provided the financial information requested in the RFT. At the date of this Evaluation Report, an independent financial viability assessment of each Tenderer had been sought with authorised credit rating company, Corporate Scorecard. This Evaluation Report has been prepared and submitted due to tight timeframes for completion. Award of Contracts will be subject to Transpacific and/or IWS receiving a rating of 'satisfactory' or higher in respect of the assessment.

4.2 Work Health & Safety Management System

Transpacific received a 'pass' in respect of this criterion. Transpacific has current confirmed management systems accredited through SAI Global for OHS/Environment/Quality which expire on 30 June 2016.

IWS received a 'pass' in respect of this criterion. IWS has a current OHS Management System accredited through JAS ANZ (via TQCSI) which expires on 30 June 2015.

ACC's WH&S team assessed Transpacific and IWS as having Class 1 level of WH&S management systems. Class 1 is the highest level of WH&S classification that can be achieved.

4.3 Reference Checks

Transpacific provided details of four referees. All referees are regional South Australian local government entities. Given that Transpacific is the current provider of residual and hard waste services to the Participating Councils under the WCSA arrangement, each Participating Council has and an existing commercial relationship and experience with Transpacific. As such, it was determined that reference checks were unnecessary.

IWS provided details of three referees. All referees are metropolitan South Australian local government entities. Given the experience of IWS in providing waste services to local government within South Australia (including to the City of Charles Sturt), it was determined that reference checks were unnecessary.

Receipt and processing of kerbside-collected hard waste materials:

Hard Waste 3 Year Offer	Mandatory Criteria	Valude Add Score	Price Score	Total
Transpacific Cleanaway	Pass	7.25	63.13	70.38
SITA-ResourceCo	Pass	7.17	45.00	52.17
Integrated Waste Services	Pass	7.75	-4.07	3.68
Hard Waste 5 Year Offer	Mandatory Criteria	Valude Add Score	Price Score	Total
Transpacific Cleanaway	Pass	7.25	56.08	63.33
SITA-ResourceCo	Pass	7.17	33.92	41.08
Integrated Waste Services	Pass	7.75	-12.39	-4.64
Hard Waste 10 Year Offer	Mandatory Criteria	Valude Add Score	Price Score	Total
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ACC's WH&S team assessed Transpacific and IWS as having Class 1 level of WH&S management systems. Class 1 is the highest level of WH&S classification that can be achieved.

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IWS provided details of three referees. All referees are metropolitan South Australian local government entities. Given the experience of IWS in providing waste services to local government within South Australia (including to the City of Charles Sturt), it was determined that reference checks were unnecessary.

5. Clarification

Schedule 14 of the RFT 'Pricing Schedule' requested pricing on a unit tonne basis exclusive of any Levy applicable to the services. The successful Tenderer(s) will be responsible for paying the Levy. The Levy will be on-charged at cost to each Participating Council that enters a Contract with a successful Tenderer.

Two Tenderers did not lodge a conforming price expressed to be exclusive of the Levy. On 5 August 2014, clarification requests were sought.

5.1 Clarification of ResourceCo:

The clarification response from ResourceCo dated 5 August 2014 stated:

"Per the query below the SITA-ResourceCo rate of \$80.00 p/t ex GST for the receipt and processing of Hard Waste does not include the EPA Solid Waste Levy. SITA-ResourceCo is a recycling and processing facility and does not incur the EPA Solid Waste Levy for waste received at this site."

The Evaluation Panel held the view that it would unreasonable to not consider this submission on the basis of the above justification. In accordance with clause 3.5.1.4 of the Conditions of Tendering in the RFT:

"Corporation of the City of Adelaide is not required to, but may at its sole discretion consider an incomplete, informal or a Non-Conforming Tender."

5.2 Methodology

In undertaking the cost analysis it was not considered appropriate to compare ResourceCo's pricing (effectively absorbing the Levy in its recycling practices) of \$80 per tonne against the pricing submitted by IWS and Transpacific for hard waste that is exclusive of the Levy. The method employed to allow a fair comparison is expressed above.

ARR also submitted pricing inclusive of the Levy. The initial clarification response dated 6 August 2014 was unclear and subject to interpretation. Further clarification was sought from ARR on 7 August 2014 and no response was provided in the timeframe requested.

ARR's submitted pricing was non-conforming. Consistent with the treatment of ResourceCo, the ARR pricing submission was considered as the inclusion of the Levy was not considered a substantive departure. The same methodology as applied to ResourceCo was adopted to arrive at an estimate base cost for ARR's residual waste. This was subsequently removed from consideration as ARR failed to meet the mandatory criteria, in that ARR does not have a current EPA licence to perform the services for residual waste.

On 11 August 2014, ARR was asked to clarify if its submission included provision of services associated with hard waste materials. ARR responded:

"I do not know how to respond as my response needs an explanation. Happy to meet with you and/or your panel to explain the proposal."

It was the view of ACC Procurement that the question required a simple "yes" or "no" answer and reasonable opportunity was provided to ARR to provide the response. Further, ARR left the pricing form blank for hard waste services indicating that ARR did not wish to submit for this component of the RFT. On this basis, ARR was not considered for the hard waste services.

6. Probity and Ethics

In accordance with the Plan, ACC Procurement engaged Kelledy Jones lawyers to provide probity advice to the Evaluation Panel during the evaluation process.

Variations in the pricing models submitted by Tenderers resulted in the application of assumptions in undertaking the cost analysis. This was done to ensure that Tenderers' pricing was assessed fairly, uniformly and transparently.

On 7 August 2014, ACC's Senior Consultant Business Improvement requested consideration of the pricing challenges.

The following three key matters were put to Kelledy Jones for consideration in readiness for the Evaluation Panel meeting:

1. Arriving at a baseline cost for comparison purposes;
2. Build out functionality on the Transpacific submission for that Tenderer's different prices for different volumes; and
3. Factoring in Net Present Value.

Further information with regard to the above is provided at **Appendix 2** (email dated 7 August 2014 titled "Cost Assumptions and Probity Considerations").

In summary, the advice from Kelledy Jones to the Evaluation Panel was that:

1. the method to arrive at a baseline cost for comparison purposes is objective; and
2. it is appropriate to take a risk management based approach with regard to the Transpacific volume-based price model; and
3. it is entirely reasonable for the Evaluation Panel to have regard to Net Present Value in the cost analysis.

7. Risk Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • The preferred Tenderers submitted comprehensive and competitive pricing. • The Participating Councils undertook a fair and equitable RFT process, facilitated by ACC. Any grievances or complaints from unsuccessful Tenderers are likely to be mitigated by the equitable and defensible decision-making process that was carried out. • In respect of Transpacific, it is the current incumbent in respect of the WCSA arrangement. Where a Participating Council chooses to engage Transpacific for hard waste services and/or under a 3-year Contract for residual waste services, there should be ease of Contract administration for the Participating Councils. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • A 3 to 5 year Contract term does not provide security for any Participating Councils seeking a long term Contract arrangement of 10 years. However, there is the ability for a Participating Council to engage IWS under a 10-year arrangement. • Further to the above, Campbelltown and Prospect Councils indicated the possibility of acceding to the arrangement established by Port Adelaide Enfield Council. This would allow those Councils to gain the benefit of secure, fixed pricing and allow more certainty in relation to budget planning.
<p>Opportunities</p> <ul style="list-style-type: none"> • The waste market appears to be undergoing changes and a 3-5 year Contract term allows for the Participating Councils to again approach the market and possibly gain the benefit of improved technologies and increased competition in the market. 	<p>Threats</p> <ul style="list-style-type: none"> • In the event that one or more Participating Councils opt out of this process (i.e. to accede to the Port Adelaide Enfield contract), remaining Participating Councils may not achieve the minimum volumes required to attract the lowest price points. • There is a risk that prices for the relevant services increase after the 3 to 5 year Contract term. By not taking up a longer term arrangement, the Participating Councils may not achieve improved pricing and other benefits when approaching the market in 3 to 5 years. • ACC and Charles Sturt are constituent Councils of the Council Solutions subsidiary. Council Solutions is investigating a large aggregated tender for waste services. If ACC and Charles Sturt choose to participate in that co-operative arrangement, the other Participating Councils may lose the benefit of aggregated volumes (which were presented with this RFT) in any future tender process.

8. Recommendations

8.1 Award of Contract for a 3-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 3 year term, it is recommended that **Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd** is awarded the Contract for the whole of the services associated with the receipt and disposal of kerbside-collected residual waste and the receipt and processing of kerbside-collected hard waste materials.

8.2 Award of Contract for a 5-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 5 year term, it is recommended that:

- (a) **Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services** is awarded the Contract for the receipt and disposal of kerbside-collected residual waste; and



Meeting: Council

Title: Evaluation Report
– Kerbside Waste Disposal

Responsible Manager: Chief Executive Officer, Kiki Magro

Author: Property and Contracts Officer,
Ganesh Krishnan

Type of Report: **Decision Required**

Item No: 16.1.1

File No: 5.64.2.6

Date: 15 September 2014

Attachments: A & B

Recommendation

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except Chief Executive Officer, Kiki Magro, General Manager, Katrina Marton, Financial Controller, Manna Montu Abraham, Marketing and Communications Manager, Sonia DeNicola, Manager, Community Services, Fiona Deckert, Team Leader Assets and Infrastructure, Property and Contracts Officer Jil Chhoy and Protocol and Compliance Officer, Deb Bria, be excluded from attendance at the meeting for Agenda Item 16.1.1

The Council is satisfied that, pursuant to section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is:

* **conducting business;**

or

* **would prejudice the commercial position of the Council.**

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because

The said information relates to the terms of the Evaluation Report for Kerbside Waste Disposal.

- (b) **Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd** is awarded the Contract for the receipt and processing of kerbside-collected hard waste materials.

8.3 Award of Contract for a 10-year Term

If a Participating Council determines that it will award a Contract pursuant to the RFT for a 10 year term, it is recommended that:

- (a) **Acquista Investments Pty Ltd & Veolia Environmental Services (Australia) Pty Ltd trading as Integrated Waste Services** is awarded the Contract for the receipt and disposal of kerbside-collected residual waste; and
- (b) **Waste Management Pacific (SA) Pty Ltd trading as Transpacific Cleanaway Pty Ltd** is awarded the Contract for the receipt and processing of kerbside-collected hard waste materials.

8.4 No Award of Contract

Any Participating Council that wishes to opt out of the Tender Process and accede to a separate contract arrangement has the ability to do so if that Participating Council determines that the separate contract arrangement provides a better 'value for money' outcome.

9. Next Steps

This Evaluation Report is to be presented in confidence to the WCSA Board for its information only. The WCSA Board is meeting on Thursday 21 August. Following that meeting, each Participating Council will prepare a Council Report to present to its Elected Members requesting approval of a recommendation in respect of award of Contract. Where an award of Contract pursuant to the RFT and the recommendations set out above is endorsed, the relevant Participating Council will negotiate directly a Contract between that Participating Council (as Principal under the Contract) and the successful Tenderer.

Appendix 1 – Price Summary (Net Present Value)

This table represents the net present value (**NPV**) of the expected cash flows that would arise from choosing each Tender. The cash flows are based on the projected forward curve and projected waste volumes for each tenderer as specified in their individual tender submissions. These cash flows have been discounted back at 5%. In this instance, the NPV analysis does not change the relative ranking of submissions compared with a nominal sum methodology.

Residual Waste									
3 Years				5 Years			10 Years		
Up to 30,000 Tonnes									
	Transpacific Cleanaway Pty Ltd	Integrated Waste Services	Difference	Transpacific Cleanaway Pty Ltd	Integrated Waste Services	Difference	Transpacific Cleanaway Pty Ltd	Integrated Waste Services	Difference
Adelaide City Council	\$792,873.38	\$807,518.80	\$14,645.42	\$1,279,201.00	\$1,257,464.08	\$21,736.92	\$2,364,164.72	\$2,271,847.40	\$92,317.32
Campbelltown City Council	\$1,264,462.44	\$1,287,818.74	\$23,356.30	\$2,040,050.36	\$2,005,384.65	\$34,665.71	\$3,770,334.04	\$3,623,107.77	\$147,226.27
City of Charles Sturt	\$3,433,543.80	\$3,496,965.92	\$63,422.11	\$5,539,589.05	\$5,445,457.15	\$94,131.90	\$10,238,032.14	\$9,838,251.32	\$399,780.82
Norwood, Payneham and St. Peters	\$904,872.61	\$921,586.81	\$16,714.20	\$1,459,897.61	\$1,435,090.19	\$24,807.42	\$2,698,120.48	\$2,592,762.65	\$105,357.83
Prospect	\$523,212.71	\$532,877.15	\$9,664.43	\$844,137.60	\$829,793.53	\$14,344.07	\$1,560,099.10	\$1,499,179.41	\$60,919.69
Walkerville	\$220,320.12	\$224,389.72	\$4,069.61	\$355,458.67	\$349,418.51	\$6,040.16	\$656,943.55	\$631,290.82	\$25,652.73
Total	\$7,139,285.06	\$7,271,157.13	\$131,872.07	\$11,518,334.29	\$11,322,608.10	\$195,726.19	\$21,287,694.03	\$20,456,439.37	\$831,254.65
Up to 48,000 Tonnes									
	Transpacific Cleanaway Pty Ltd	Integrated Waste Services	Difference	Transpacific Cleanaway Pty Ltd	Integrated Waste Services	Difference	Transpacific Cleanaway Pty Ltd	Integrated Waste Services	Difference
Adelaide City Council	\$707,598.67	\$807,518.80	\$99,920.14	\$1,279,201.00	\$1,257,464.08	\$21,736.92	\$2,364,164.72	\$2,271,847.40	\$92,317.32
Campbelltown City Council	\$1,128,467.62	\$1,287,818.74	\$159,351.12	\$2,040,050.36	\$2,005,384.65	\$34,665.71	\$3,770,334.04	\$3,623,107.77	\$147,226.27
City of Charles Sturt	\$3,064,261.06	\$3,496,965.92	\$432,704.86	\$5,539,589.05	\$5,445,457.15	\$94,131.90	\$10,238,032.14	\$9,838,251.32	\$399,780.82
Norwood, Payneham and St. Peters	\$807,552.21	\$921,586.81	\$114,034.59	\$1,459,897.61	\$1,435,090.19	\$24,807.42	\$2,698,120.48	\$2,592,762.65	\$105,357.83
Prospect	\$466,940.41	\$532,877.15	\$65,936.74	\$844,137.60	\$829,793.53	\$14,344.07	\$1,560,099.10	\$1,499,179.41	\$60,919.69
Walkerville	\$196,624.36	\$224,389.72	\$27,765.36	\$355,458.67	\$349,418.51	\$6,040.16	\$656,943.55	\$631,290.82	\$25,652.73
Total	\$6,371,444.33	\$7,271,157.13	\$899,712.80	\$11,518,334.29	\$11,322,608.10	\$195,726.19	\$21,287,694.03	\$20,456,439.37	\$831,254.65
Over 48,000 Tonnes									
	Transpacific Cleanaway Pty Ltd	Integrated Waste Services	Difference	Transpacific Cleanaway Pty Ltd	Integrated Waste Services	Difference	Transpacific Cleanaway Pty Ltd	Integrated Waste Services	Difference
Adelaide City Council	\$671,311.55	\$807,518.80	\$136,207.25	\$1,141,621.03	\$1,257,464.08	\$115,843.05	\$2,364,164.72	\$2,271,847.40	\$92,317.32
Campbelltown City Council	\$1,070,597.49	\$1,287,818.74	\$217,221.25	\$1,820,639.91	\$2,005,384.65	\$184,744.74	\$3,770,334.04	\$3,623,107.77	\$147,226.27
City of Charles Sturt	\$2,907,119.47	\$3,496,965.92	\$589,846.45	\$4,943,798.01	\$5,445,457.15	\$501,659.14	\$10,238,032.14	\$9,838,251.32	\$399,780.82
Norwood, Payneham and St. Peters	\$766,139.28	\$921,586.81	\$155,447.53	\$1,302,883.45	\$1,435,090.19	\$132,206.74	\$2,698,120.48	\$2,592,762.65	\$105,357.83
Prospect	\$442,994.75	\$532,877.15	\$89,882.40	\$753,349.35	\$829,793.53	\$76,444.18	\$1,560,099.10	\$1,499,179.41	\$60,919.69
Walkerville	\$186,541.06	\$224,389.72	\$37,848.66	\$317,228.56	\$349,418.51	\$32,189.95	\$656,943.55	\$631,290.82	\$25,652.73
Total	\$6,044,703.60	\$7,271,157.13	\$1,226,453.54	\$10,279,520.30	\$11,322,608.10	\$1,043,087.80	\$21,287,694.03	\$20,456,439.37	\$831,254.65

Hard Waste

	Transpacific Cleanaway Pty Ltd	Sita-ResourceCo	Difference	Integrated Waste Services	Difference	Combined Difference
Adelaide City Council	\$10,681.22	\$13,376.20	\$2,694.99	\$20,669.17	\$7,292.97	\$9,987.96
Campbelltown City Council	\$53,406.08	\$66,881.01	\$13,474.93	\$103,345.87	\$36,464.86	\$49,939.79
City of Charles Sturt	\$123,635.08	\$154,829.54	\$31,194.46	\$239,245.69	\$84,416.15	\$115,610.61
Norwood, Payneham and St. Peters	\$34,046.38	\$42,636.64	\$8,590.27	\$65,882.99	\$23,246.35	\$31,836.62
Prospect	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Walkerville	\$6,008.18	\$7,524.11	\$1,515.93	\$11,626.41	\$4,102.30	\$5,618.23

	Transpacific Cleanaway Pty Ltd	Sita-ResourceCo	Difference	Integrated Waste Services	Difference	Combined Difference
Adelaide City Council	\$17,232.79	\$22,073.71	\$4,840.92	\$32,185.93	\$10,112.22	\$14,953.14
Campbelltown City Council	\$86,163.97	\$110,368.56	\$24,204.60	\$160,929.65	\$50,561.09	\$74,765.69
City of Charles Sturt	\$199,469.58	\$255,503.22	\$56,033.64	\$372,552.15	\$117,048.93	\$173,082.57
Norwood, Payneham and St. Peters	\$54,929.53	\$70,359.96	\$15,430.43	\$102,592.65	\$32,232.70	\$47,663.13
Prospect	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Walkerville	\$9,693.45	\$12,416.46	\$2,723.02	\$18,104.59	\$5,688.12	\$8,411.14

	Transpacific Cleanaway Pty Ltd	Sita-ResourceCo	Difference	Integrated Waste Services	Difference	Combined Difference
Adelaide City Council	\$31,848.91	\$41,280.90	\$9,431.98	\$58,149.99	\$16,869.09	\$26,301.08
Campbelltown City Council	\$159,244.57	\$206,404.48	\$47,159.91	\$290,749.95	\$84,345.47	\$131,505.38
City of Charles Sturt	\$368,651.17	\$477,826.36	\$109,175.20	\$673,086.13	\$195,259.76	\$304,434.96
Norwood, Payneham and St. Peters	\$101,518.41	\$131,582.85	\$30,064.44	\$185,353.09	\$53,770.24	\$83,834.68
Prospect	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Walkerville	\$17,915.01	\$23,220.50	\$5,305.49	\$32,709.37	\$9,488.87	\$14,794.36

Price Criterion

Matrix Method: the price is converted into a point score by a mathematical formula for ease and accuracy of comparison.

Example Calculations for Matrix Method:

Tenderer		A		B		C		D	
Tendered Price (\$)		2,762,590		3,182,540		2,901,550		4,196,230	
	WEIGHTING (%)	Point Score	Weighted	Point Score	Weighted	Point Score	Weighted	Point Score	Weighted
		(out of 10)	Score	(out of 10)	Score	(out of 10)	Score	(out of 10)	Score
Price *	60	6.0	36.0	4.6	27.8	5.6	33.3	1.3	8.0

Median Price =\$3,042,045

In summary:

- 10 excellent
- 8 very good
- 6 average – good
- 4 acceptable, some shortcomings
- 2 marginal, successful completion uncertain
- 0 will fail to satisfy required standards (disqualification)

* Point score for price = $5 + 10 (\$M - \$T) / \$M$ where \$M = median price & \$T = tendered price

Appendix 2 – Email dated 7 August 2014 titled “Cost Assumptions and Probity Considerations”

Brett Kahland

Subject: Cost Assumptions and Probity Considerations - Waste Tender
Attachments: T2014 0120 Request for Tender Package - Waste Tender.docx; Clean version - Final Tender Evaluation and Probity Plan.DOCX.DOCX; T2014 0120 - Response to Request for Clarification from SITA-ResourceCoeml; T2014 0120 - Further Request for Clarification Issued To Adelaide Resour....eml

From: Brett Kahland
Sent: Thursday, 7 August 2014 6:45 PM
To: 'VShute@kelledyjones.com.au'
Cc: 'mkelledy@kelledyjones.com.au'; Nick Wells; Sam Schreiner
Subject: Cost Assumptions and Probity Considerations - Waste Tender

Hi Victoria,

Further to our conversations, Nick Wells is available tomorrow to support any clarifications you may with respect to the below. Nick's contact details as follows:

Nick Wells
Senior Commercial Development Consultant
T. +61882037347
E. N.Wells@adelaidecitycouncil.com

Summary

I provide the published Tender Package (RFT) and Evaluation and Probity Plan for reference. Three key matters require consideration as set out below:

1. Arriving at a baseline cost for comparison purposes
2. Build out functionality on the Transpacific Cleanaway bid for their different prices for different volumes
3. Factoring in Net Present Value

Background

4 tender submissions have been received (per below table). Not all tenderers have submitted for both residual and hard waste. This is conforming in accordance with the RFT tender condition 3.5.2.4 extracted below:

*“Whilst Participating Councils have a preference for a single Contractor to provide all of the Services, the Corporation of the City of Adelaide advises that Participating Councils are prepared to consider Tenders for provision of part of the Services (the processing of domestic waste **or** hard waste processing which will be considered to be Conforming Tenders where they otherwise comply with clause 3.1.4.”*

Supplier	Residual Waste	Hard Waste
Transpacific Cleanaway Pty Ltd	Pricing based on volume bands	
	Up to 30,000 tonnes p.a.	
	\$43.70 (all years)	
	Up to 48,000 tonnes p.a.	
	3 Years = \$39.00	
	5 Years & 10 Years = \$43.70	
	Over 48,000 tonnes p.a.	
		\$23.00

	3 Years = \$37.00 5 Years = \$39.00 10 Years = \$43.70	
Integrated Waste Services	Pricing based on contract duration - 3% increase p.a. 3 Year Contract = \$44.00 5 Years Contract = \$42.00 10 Year Contract = \$40.00	Pricing based on contract duration - 3% increase p.a. 3 Year Contract = \$44.00 5 Years Contract = \$42.00 10 Year Contract = \$40.00
Adelaide Resource Recovery Pty Ltd	\$85.00 per tonne Current price adjusted for CPI and any EPA waste levy increase to 1 Jan 2018	N/A
SITA-ResourceCo	N/A	\$80.00 *No EPA waste levy charged in addition to the rate

In accordance with the RFT a Participating Council may enter a Contract with the successful Tenderer for a period of three years, five years or ten years. Any Contract will have a maximum term of ten years.

Challenges

1. Arriving at a baseline cost for comparison purposes

Schedule 14 of the RFT 'Pricing Schedule' (pages 36-37) requested pricing on a unit tonne basis exclusive of any EPA Waste Levy applicable to the Services. The successful Tenderer will be responsible for paying the EPA Waste Levy. The levy will be on-charged to each Participating Council that enters a Contract with the successful Tenderer at cost.

Two tenderers have not lodged a conforming price that is expressed to be exclusive of the levy. Clarification requests have been sought.

SITA- Resource CO (SITA): The clarification response (attached email "T2014 0120 Response to Request for Clarification from SITA-ResourceCO) states the below:

"Per the query below the SITA-ResourceCo rate of \$80.00p/t ex GST for the receipt and processing of Hard Waste does not include the EPA Solid Waste Levy. SITA-ResourceCo is a recycling and processing facility and does not incur the EPA Solid Waste Levy for waste received at this site."

In my view, it would unreasonable to not consider this submission on the basis of the above justification. In accordance with clause 3.5.1.4

"Corporation of the City of Adelaide is not required to, but may at its sole discretion, consider an incomplete, informal or a Non-Conforming Tender."

Methodology: In my view, it is not appropriate to compare SITA's pricing (effectively absorbing the levy in its recycling practices) of \$80 per tonne against Integrated Waste Services' and Transpacific Cleanaway's pricing for hardwaste that is exclusive of the levy. The proposed method to make comparable is expressed below:

The impact of the levy post 1 July 2017 is unknown. The below table represents the published levy increases by the EPA.

Financial year	Solid waste – non metropolitan (per tonne)	Solid waste – metropolitan (per tonne)	Liquid waste (per kilolitre)
2013-14	\$23.50	\$47.00	\$17.95
2014-15	\$26.00	\$52.00	\$24.00
2015-16	\$28.50	\$57.00	\$29.00
2016-17	\$31.00	\$62.00	\$35.00

To ascertain the impact post 1 July 2017, the average of the last 5 years dollar increase to the levy has been determined and used to forecast the levy each year up to ten years as set out below.

Actual average increase of EPA Waste Levy over last 5 years

South Australia (Metropolitan Adelaide)

Period	Price	Increase
2009-10	\$25.20	
2010-11	\$26.00	\$0.80
2011-12	\$35.00	\$9.00
2012-13	\$42.00	\$7.00
2013-14	\$47.00	\$5.00
2014-15	\$52.00	\$5.00
	Avg Increase	\$5.36

NB: the levy has been in place since the 2004/2005 FY and has had unpredictable movement since implementation. For example, when Zero Waste was introduced (with the aim to reduce waste to landfill) the levy increased from \$11.20 per tonne in the 2006/2007 FY to \$23.40 per tonne in the 2007/2008 FY. In other periods the levy has only increased marginally in line with Adelaide CPI.

The levy increases (both published and forecasted) are then deducted from the \$80 per tonne price quoted to arrive at an estimated base cost that is then used to compare with the other tenderers for hardwaste.

Adelaide Resource Recovery (ARR): does incur the levy. The pricing provided is subject to interpretation and clarification has been sought (per attached email T2014 0120 "Further Request for Clarification Issued to Adelaide Resource Recovery – pending response as at this time). This pricing is non-conforming. In my view, the ARR submission should be considered as this is not a substantive matter.

Methodology: we have adopted the same methodology as above to arrive at an estimate base cost for ARR's residual waste.

2. Build out functionality on the Transpacific Cleanaway (*Transpacific*) bid for their different prices for different volumes

Transpacific have provided a volume discount model. Here depending on how many Participating Councils opt in we may have different volumes attracting different price points. Here, we can prepare pricing tables for all three volume scenarios and determine if any of the scenarios impacts the final scores/rankings for price. If not, we can disregard. If yes, we would need to consider a fair method for determining which scenario to use. We could use a weighted method (i.e. 1/3 weighting per scenario to arrive at an average), the lowest volume band (as this has no volume requirements and is conservative) or the highest volume band attracting the highest discount rate. The highest volume band would likely only be realised if the majority of Participating Council's buy in. For example, if City of Charles Sturt opt out this will have a substantive impact.

We seek your guidance on the most appropriate way forward that does not advantage or disadvantage Transpacific.

Council	Tonnes
Adelaide City Council	6,251
Campbelltown City Council	9,969
City of Charles Sturt	27,070
Norwood, Payneham and St. Peters	7,134
Prospect	4,125
Walkerville	1,737
Total	56,286

3. Factoring in Net Present Value

Can the pricing analysis factor in Net Present Value analysis – not anticipated in the evaluation and probity plan? NPV compares the present value of money today to the present value of money in the future, taking inflation and returns into account. This is important to provide for real long term cost assessment? Here, this may change the scores and rankings. Here, if appropriate and fair to apply NPV analysis we would need to arrive at a discount rate / discounted cash methodology (degree of discretion involved). Clearly, if adopted and acceptable a conservative number would be applied.

Other Matters

Awarding to different tenderers under each stream

Please note the below draft/WIP example ranking/scores (yet to be reviewed by Nick and does not take into account the above issues re NPV and different volumes) to illustrate the challenge whereby tenderers rank differently for price depending on contract term. For example, is it appropriate for Council's seeking a 3 year contract to award to ARR, Council's seeking a 5 year term to Transpacific and so forth?

Point Score Conversion									
Residual Waste 3 Year Offer					Hard Waste 3 Year Offer				
Median Price:		\$6,360,551.36			Median Price:		\$301,079.10		
	Tendered Price	Point Score	Weighted Score	Rank		Tendered Price	Point Score	Weighted Score	Rank
Transpacific Cleanaway	\$6,360,551.36	5.00	45.00	2	Transpacific Cleanaway	\$239,678.74	7.04	63.35	1
Integrated Waste Services	\$7,654,873.49	2.97	26.69	3	Integrated Waste Services	\$464,030.64	-0.41	-3.71	3
Adelaide Resource Recovery	\$6,159,721.46	5.32	47.84	1	SITA-ResourceCo	\$301,079.10	5.00	45.00	2
Residual Waste 5 Year Offer					Hard Waste 3 Year Offer				
Median Price:		\$12,047,406.48			Median Price:		\$522,664.21		
	Tendered Price	Point Score	Weighted Score	Rank		Tendered Price	Point Score	Weighted Score	Rank
Transpacific Cleanaway	\$11,372,113.17	5.56	50.04	1	Transpacific Cleanaway	\$406,549.13	7.22	64.99	1
Integrated Waste Services	\$12,550,860.76	4.58	41.24	3	Integrated Waste Services	\$760,820.40	0.44	3.99	3
Adelaide Resource Recovery	\$12,047,406.48	5.00	45.00	2	SITA-ResourceCo	\$522,664.21	5.00	45.00	2

4

We seek your guidance on the most appropriate way forward that does not advantage or disadvantage Transpacific.

Council	Tonnes
Adelaide City Council	6,251
Campbelltown City Council	9,969
City of Charles Sturt	27,070
Norwood, Payneham and St. Peters	7,134
Prospect	4,125
Walkerville	1,737
Total	56,286

3. Factoring in Net Present Value

Can the pricing analysis factor in Net Present Value analysis – not anticipated in the evaluation and probity plan? NPV compares the present value of money today to the present value of money in the future, taking inflation and returns into account. This is important to provide for real long term cost assessment? Here, this may change the scores and rankings. Here, if appropriate and fair to apply NPV analysis we would need to arrive at a discount rate / discounted cash methodology (degree of discretion involved). Clearly, if adopted and acceptable a conservative number would be applied.

Other Matters

Awarding to different tenderers under each stream

Please note the below draft/WIP example ranking/scores (yet to be reviewed by Nick and does not take into account the above issues re NPV and different volumes) to illustrate the challenge whereby tenderers rank differently for price depending on contract term. For example, is it appropriate for Council's seeking a 3 year contract to award to ARR, Council's seeking a 5 year term to Transpacific and so forth?

Point Score Conversion									
Residual Waste 3 Year Offer					Hard Waste 3 Year Offer				
Median Price:		\$6,360,551.36			Median Price:		\$301,079.10		
	Tendered Price	Point Score	Weighted Score	Rank		Tendered Price	Point Score	Weighted Score	Rank
Transpacific Cleanaway	\$6,360,551.36	5.00	45.00	2	Transpacific Cleanaway	\$239,678.74	7.04	63.35	1
Integrated Waste Services	\$7,654,873.49	2.97	26.69	3	Integrated Waste Services	\$464,030.64	-0.41	-3.71	3
Adelaide Resource Recovery	\$6,159,721.46	5.32	47.84	1	SITA-ResourceCo	\$301,079.10	5.00	45.00	2
Residual Waste 5 Year Offer					Hard Waste 3 Year Offer				
Median Price:		\$12,047,406.48			Median Price:		\$522,664.21		
	Tendered Price	Point Score	Weighted Score	Rank		Tendered Price	Point Score	Weighted Score	Rank
Transpacific Cleanaway	\$11,372,113.17	5.56	50.04	1	Transpacific Cleanaway	\$406,549.13	7.22	64.99	1
Integrated Waste Services	\$12,550,860.76	4.58	41.24	3	Integrated Waste Services	\$760,820.40	0.44	3.99	3
Adelaide Resource Recovery	\$12,047,406.48	5.00	45.00	2	SITA-ResourceCo	\$522,664.21	5.00	45.00	2
					4				

Residual Waste 10 Year Offer					Hard Waste 3 Year Offer				
Median Price: \$26,595,466.21					Median Price: \$1,104,118.21				
	Tendered Price	Point Score	Weighted Score	Rank		Tendered Price	Point Score	Weighted Score	Rank
Transpacific Cleanaway	\$26,595,466.21	5.00	45.00	2	Transpacific Cleanaway	\$848,521.09	7.31	65.83	1
Integrated Waste Services	\$25,810,236.44	5.30	47.66	1	Integrated Waste Services	\$1,564,590.25	0.83	7.47	3
Adelaide Resource Recovery	\$33,419,985.31	2.43	21.91	3	SITA-ResourceCo	\$1,104,118.21	5.00	45.00	2

Possible Non-conformance

Note: Adelaide Resource Recovery state in the tender submission Non-Conforming Schedule

Alternative Offer

"Proposed treatment plant to be operational for 1 January 2018 as an alternative to landfill producing biogas and compost for reuse in commercial markets. Refer to Appendix A"

Contingency Arrangements

"Current arrangements are to have an approval (both planning and environmental in place with detailed cost of disposal of residual by Jan 2016 – Dec 2017 build time and commissioning to be operational by Jan 1st 2018. This allows Participating Councils to review technology and final pricing prior to commitment without any financial commitment by Councils."

Here, the above statements make uncertain as to whether ARR is operational as at 1 January 2015. Clarification should be sought in this regard. In my view, if ARR are not ready for commencement 1 January 2015 the tender should be dismissed from assessment/consideration. I believe this matter can wait until discussion on Monday.

We look forward to your considered view with respect to the above.

Regards

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Think before you print!

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ATTACHMENT B

Financial Modelling for Kerbside Waste Disposal

Yearly increase - 3.0% (as per IWS tender submission)

Tonnages (2013/2014)	1,555.61
WCSA @ \$52.00	\$80,891.72

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
IWS (10 Years)	\$ 40.00	\$ 41.20	\$ 42.44	\$ 43.71	\$ 45.02	\$ 46.37	\$ 47.76	\$ 49.19	\$ 50.67	\$ 52.19
total cost	\$ 62,224.40	\$ 64,091.13	\$ 66,040.88	\$ 67,995.71	\$ 70,033.56	\$ 72,133.64	\$ 74,295.93	\$ 76,520.46	\$ 78,822.76	\$ 81,187.29
IWS (5 Years)	\$ 42.00	\$ 43.26	\$ 44.56	\$ 45.89	\$ 47.27					
total cost	\$ 65,335.62	\$ 67,295.69	\$ 69,317.98	\$ 71,386.94	\$ 73,533.68					
IWS (3 Years)	\$ 44.00	\$ 45.32	\$ 46.68							
total cost	\$ 68,446.84	\$ 70,500.25	\$ 72,615.87							

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$ 43.70	\$ 45.01	\$ 46.36	\$ 47.75	\$ 49.18					
TC (10 Years)	\$ 67,980.16	\$ 70,018.00	\$ 72,118.08	\$ 74,280.38	\$ 76,504.90					
TC (5 Years)	\$ 67,980.16	\$ 70,018.00	\$ 72,118.08	\$ 74,280.38	\$ 76,504.90					
TC (3 Years)	\$ 67,980.16	\$ 70,018.00	\$ 72,118.08							

TC (Transpacific Cleanaway) did provide a raise and fall formula, however the formula is difficult to use for the purpose of this modelling hence similar increases as IWS is applied

Assumption based on volume up to 30,000 tonnes

Potential Saving

	Year 1
IWS (10 Years)	\$ 18,667.32
IWS (5 Years)	\$ 15,556.10
IWS (3 Years)	\$ 12,444.88
TC (10 Years)	\$ 12,911.56
TC (5 Years)	\$ 12,911.56
TC (3 Years)	\$ 12,911.56

21th February 2018

Mr Paul Di Lulio

CEO – Campbelltown Council

Dear Paul

Thank you for your time in discussing the option to extend to the City of Campbelltown and City of Walkerville - Receipt and Processing of Residual Waste Contract for a further 5 years. (T2014/0210)

This contract extension would extend the current contract period until 31st December 2024.

Integrated Waste Services (IWS) would like to take the opportunity to provide the following proposal to the Eastern Regional Authority for the Receipt and Processing of Kerbside Collected Residual and Hard Waste.

Integrated Waste Services are at the forefront of waste disposal and recycling in South Australia. IWS's invested in MSW processing infrastructure in recent years setting the industry standard in environmental sustainable solutions for waste management.

Our innovative technology for the recycling of organics from MSW resulting in IWS being in a unique position to offer a number of processes that allows for the maximum diversion of resources from historic landfill disposal and subsequent cost benefits.

IWS would like to offer the City of Prospect and the City of Norwood, Payneham and St Peters to piggy back onto the Contract T2014/0210 extension as per the following conditions.

The terms and conditions of the following offer are to be strictly confidential.





City of Campbelltown and City of Walkerville

Proposed Variation to Contract T2014/0210

Revised Gate Rate Effective 1/4/2018 : \$42 / tonne *

***Conditions to the above Proposed Variation**

1. Contract Extension to 31/12/2024
2. New Option for 5 Year Extension to 31/12/2029
3. EPA Levy passed on at Cost
4. Annual Price Review (Higher of 3% or CPI)

IWS would like to also offer the City of Campbelltown and City of Walkerville - Receipt and Processing of Residual Waste Contract (T2014/0210) the following discounts for increased volumes.

Proposed Rates for Additional Volumes

- **City of Campbelltown and City of Walkerville + City of Prospect or City of Norwood, Payneham and St Peters**

Revised Gate Rate Effective 1/4/2018 : \$40 / tonne *

***Conditions to the above Proposed Variation**

1. Contract Extension to 31/12/2024
2. New Option for 5 Year Extension to 31/12/2029
3. EPA Levy passed on at Cost
4. Annual Price Review (Higher of 3% or CPI)

- **City of Campbelltown and City of Walkerville + All Other ERA Councils**

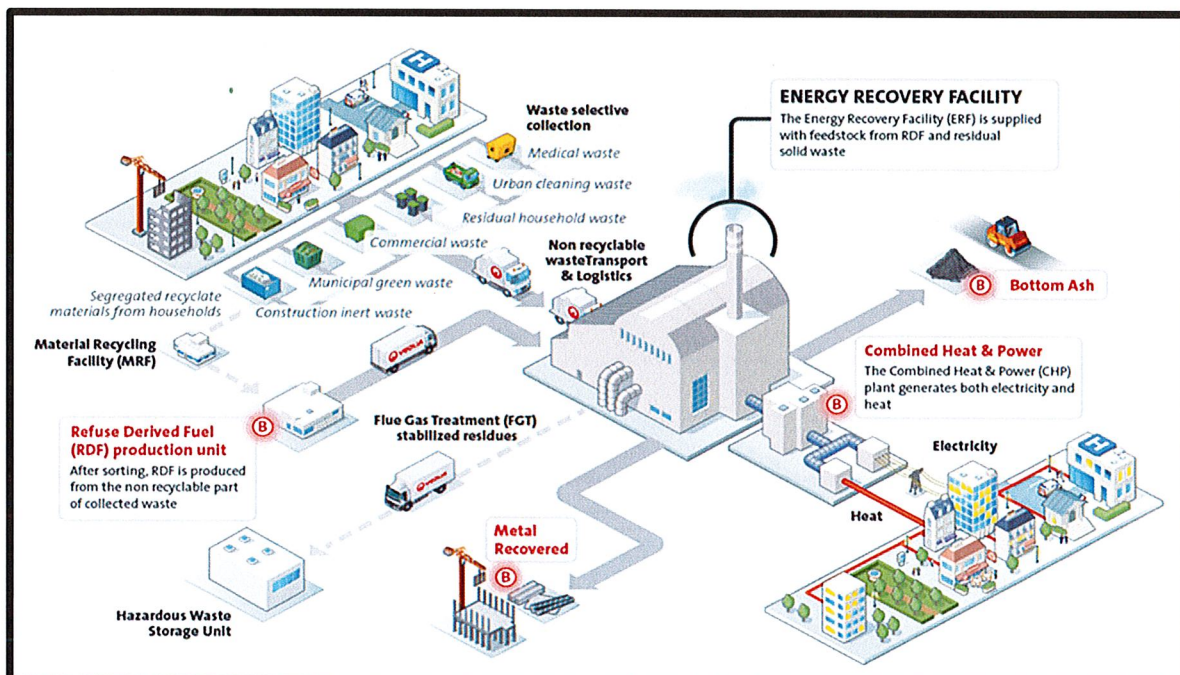
Revised Gate Rate Effective 1/4/2018 : \$39 / tonne *

***Conditions to the above Proposed Variation**

1. Contract Extension to 31/12/2024
2. New Option for 5 Year Extension to 31/12/2029
3. EPA Levy passed on at Cost
4. Annual Price Review (Higher of 3% or CPI)

IWS in conjunction with its partner Veolia is also in the initial stages developing a Waste to Energy Precinct (W2E) at Gillman with the State Government.

GILLMAN - Industrial & Energy Park





Integrated Waste Services

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As part of this proposal IWS will offer all councils who bring their volumes to IWS an option to be Foundation Investors in the proposed Waste to Energy Plant.

The option shall entitle councils to negotiate an investment in the facility and benefit in long term sustainable reduction of landfill and the generation of power from waste.

IWS looks forward to discussing this offer with you further and should you require any further information please don't hesitate to contact the undersigned.

Integrated Waste Services

A handwritten signature in dark ink, appearing to read "Joe Borrelli", is positioned above the printed name and title.

Joe Borrelli
Chief Executive Officer