

6.4.5 Provision of Landfill Services

Responsible GM: Peter Benazic
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Recommendation(s)

That Council:

1. Delegate authority to the CEO to execute Agreements with Metropolitan Waste and Resource Recovery Group, Cleanaway Pty Ltd and Suez Recycling and Recovery Pty Ltd for the provision of Landfill Services under a common gate fee arrangement on a 4-year guaranteed basis for a four-year term commencing on April 1, 2021.
2. Execute agreements with more than one provider to ensure that contingency arrangements are in place if a landfill site is not available during the contract term.

Attachments

1. CONFIDENTIAL - Confidential Memorandum Procurement of Landfill Services [6.4.5.1 - 2 pages]

Executive Summary

The purpose of this report is to:

- Detail the tender process conducted by the Metropolitan Waste and Resource Recovery Group (MWRRG) for a collective procurement for the Provision of Landfill Services on behalf of Council and 29 other metropolitan councils.
- Provide a summary of tender bids received and future cost implications
- Recommend that Council enter into guaranteed contract arrangements with Cleanaway Pty Ltd and Suez Recycling and Recovery Pty Ltd Suez using a common gate fee to be administered by MWRRG

Background

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

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

All available contract extensions have now been exercised; the final contract extension expires on 31st March 2021. 26 of the 31 metropolitan councils are currently a party to one or more of the MWRRG contracts delivering approximately 865,000 tonnes of waste to the landfill operators per year. Cardinia Shire is party to this group contract arrangement and sends approximately 22,000 tonnes of waste to landfill per year. This landfill disposal cost Council approximately \$2,984,000 in 2019/20.

Procurement Objectives

The overall objective of this procurement is to enable metropolitan councils to access services for the disposal and transfer of waste that cannot be recovered or reused through other means. In order to achieve this objective, the collective procurement has been structured to:

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

Contract Framework

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

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

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

- A Participation Agreement between MWRRG and Council.
- A Landfill Services Deed for the provision of Landfill Services to be executed by successful tenderers and the MWRRG
- A Direct Deed to be executed by successful tenderers and councils

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

The Tender Process

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

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

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

This collaborative procurement is consistent with the requirements of s186 and with the future requirements of s108/109 of the LGA2020.

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

(i) Transfer

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

(ii) Contract Term

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

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

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

Responses Received

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

(i) Landfill

Cleanaway Pty Ltd - a national company, owns and operates the Melbourne Regional Landfill (MRL) at Ravenhall. Cleanaway takes waste from 9 metropolitan councils under the current MWRRG Landfill Services contract.

Suez Recycling and Recovery Pty Ltd - a multi-national company, owns and operates a landfill in Hampton Park that currently provides services for 9 metropolitan councils under an MWRRG contract.

Hanson Landfill Services Limited - has been providing landfilling services to councils at their Wollert Landfill for two decades. Hanson's Wollert landfill currently provides services to 5 metropolitan Councils under an MWRRG contract.

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

(ii) Transfer

Cleanaway Pty Ltd - a national company, operates a network of transfer stations that provides councils with potential collection efficiencies and transport cost savings. Cleanaway has provided pricing for three sites; the South East Melbourne Transfer Station (SEMTS) and Lysterfield Transfer Stations are established facilities. Cleanaway has indicated that the Northern Transfer Station in Coolaroo will be available at the commencement of the contract.

KTS Recycling - has managed and operated waste transfer stations since 2007. KTS proposes two sites:

- Coldstream - for putrescible waste transfer.
- Knox - limited to the transfer of inert waste.

Citywide Service Solutions - has 25 years' experience in providing transfer services from its Dynon Road facility in West Melbourne.

(iii) Alternative Offers

Wyndham City Council – submitted an offer based on; receiving waste in an enclosed facility, mechanical separation to recover metals, baling of waste and anaerobic digestion of recovered organics.

Recovered Energy Australia (REA) and Solo Resource Recovery (Solo) - propose to jointly provide a service based on the high temperature destruction of waste to generate energy (gasification) at a facility to be constructed at Laverton North.

Evaluation Criteria

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

- **Probity Advisor** – is responsible for ensuring that the evaluation process is conducted in accordance with probity principles and adherence to the approved evaluation plan.
- **MWRRG Subject Matter Experts and Project Managers** – responsible for providing expert advice as required to confirm tenderer's submissions compliance to the specification and compliance with procurement policies.
- **Legal Advice** - provide legal advice and support throughout the tender process on an 'as needs' basis.
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Common Gate Fee

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

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

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

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

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

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

There are two potential solutions that councils can adopt:

Option 1- Enter a relationship with both Cleanaway and Suez

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

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

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

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

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

The process would involve:

- Participating councils would deliver to Suez or a Cleanaway site.
- Suez and Cleanaway would invoice MWRRG for waste delivered.
- MWRRG would determine a CGF and invoice each of the participating councils
- MWRRG would receive payments from councils and then pay Suez and Cleanaway
- The contractual model would be like the SE Organics contract. MWRRG would recover the costs involved in administering this arrangement by charging an administration fee on a per tonne basis.

How will waste be allocated?

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

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

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

Policy Implications

The group procurement process for the Provision of Landfill Services for the Cardinia Shire community aligns with the objectives of the Waste and Resource Recovery Strategy and the Liveability Plan, which fall under the Council Plan.

Councils work and role in this area is also partly determined by relevant Victorian and Australian government policies, many of which have also been updated in recent years. The Victorian

Government policies - 'Getting Full Value' and 'Recycling Victoria' have turned the focus to thinking of waste as a resource to be extracted and reused or recycled where possible, bringing not just environmental benefits, but also financial and social.

Being part of a group procurement process for this Landfill Services tender highlights that there needs to be more value placed in, and investment in regional infrastructure, which Council recognises and supports.

Relevance to Council Plan

3.3.4 Promote practices that result in the reduction per household of the amount of waste going to landfill, particularly food waste.

Collaborate on regional projects with South East Councils and MWRRG to procure landfill and alternate to landfill services.

Also meets a number of actions in the Waste and Resource Recovery Strategy (2017-26).

Consultation/Communication

The MWRRG have been in regular contact with all Councils involved in the group procurement process and will continue to keep us informed of the progress made.

Financial and Resource Implications

Financial implications: Cardinia Shire population is growing at a rate of 4.6%, with this growth in population comes an increase in waste, even with the consideration of alternatives to landfill which are becoming available. The current tonnage to landfill of 22,000 tonnes is anticipated to grow for the short term until alternative arrangements can become viable after which, a noticeable decrease in landfill should occur. A predicted growth in landfill tonnages of 2% would result in landfill costing Cardinia Shire approximately \$3,200,000 per year at current prices.

The landfill levy in Victoria has planned increases from the current rate of \$65.90 per tonne to \$105.90 in 2021/22 and a further increase to \$125.90 in 2022/23 this will significantly impact the price of landfill for the foreseeable future.

Transfer/Direct Access: it is within Cardinia Shires best interests to have a transfer arrangement included in the contract. The transfer site located in Dandenong (Cleanaway, South East Melbourne Transfer Station) is currently utilised by Cardinia Shire and prevents the need to have kerbside vehicles from travelling to Melbourne Regional Landfill (160km+ round trip). The residential material is instead delivered to SEMTS by kerbside collection vehicle and long-hauled in more efficient transport options to MRL at Ravenhall.

Collection contractor: As the current Kerbside collections contract allows for both a nominated site and alternative site (already suggested as Cleanaway SEMTS and SEUZ Hampton Park) there are no foreseeable implications on collection arrangements for Cardinia Shire

Non-guaranteed v Guaranteed: The prices supplied for non-guaranteed tonnages are not a viable option for this contract and as such have not been considered.

Contingency Arrangements: It is within Councils best interest to enter into multiple arrangements so that Cardinia Shire is able to ensure continuity of service for our community in the event that a facility is not available.

Environmental Considerations: The length of the contract (4 years plus extensions) allows for the introduction of the planned Alternative Waste Processing option by acting as a bridging period until more sustainable options become viable in the management of waste in Victoria.

Social Considerations: participating in the group contract arrangement outlined above allows Cardinia Shire to maintain strong working relationships with the State Government of Victoria

and our Local Government counterparts. These relationships help to build a stronger and more sustainable waste management industry in Victoria.

Conclusion

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