

Report No:	RESC11-12-03
File No:	
Date:	28 November 2011
Decision Required	

REPORT SUMMARY

Report to: Engineering Services Committee
Meeting Date: 8 December 2011
Report Author David Stephenson
Subject: **Solid Waste Contract Extensions**

EXECUTIVE SUMMARY

Council operates four Resource Recovery Centres (RRCs) and conducts kerbside recycling and rubbish collection through Contract 613 with Smart Environmental Limited. Council operates a fifth Resource Recovery Centre in Murchison through Contract 652 with Fulton Hogan Limited. Both these contracts expire in October 2012.

This paper seeks delegated authority for the Engineering Manager to formalise arrangements to extend each of these contracts for a period of two years (to 27 September 2014) so that investigations into improved solid waste services may be investigated (in conjunction with Nelson City Council).

RECOMMENDATION/S

Staff recommend that Contract 613 with Smart Environmental Limited for kerbside collections and RRC operations be extended for a period of two years to 27 September 2014 and that the Engineering Manager be given delegated authority to agree this extension.

Staff recommend that Contract 652 with Fulton Hogan Ltd for kerbside Murchison RRC operations be extended for a period of two years to 27 September 2014 and that the Engineering Manager be given delegated authority to agree this extension.

DRAFT RESOLUTION

THAT the Engineering Services Committee receives the report Solid Waste Contract Extension RESC11-12-03 and;

Gives delegated authority for the Engineering Manager to reach agreement with Smart Environmental Limited for a two year extension of Contract 613 from 1 October 2012 to 27 September 2014 and;

Gives delegated authority for the Engineering Manager to reach agreement with Fulton Hogan Limited for a two year extension of Contract 652 from 1 October 2012 to 27 September 2014.

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1. Purpose

- 1.1 This report seeks delegated authority for the Engineering Manager to extend two existing kerbside collection and Resource Recovery Centre (RRC) contracts from October 2012 to September 2014.
- 1.2 The purpose of this extension is for Tasman District and Nelson City Councils to review the extent and shape of Council's kerbside and RRC services prior to committing to new long term contracts. It also allows time for arrangements for shared landfill operations to be progressed with Nelson City Council.
- 1.3 This review of services has been indicated in the proposed Joint Waste Management and Minimisation Plan (JWMMP) adopted at the last meeting of the Committee. In the JWMMP the Councils are proposing to review services with a view to increasing the recovery of resources from the waste stream and to consider shared services in some instances. These activities are detailed in the JWMMP, in particular in Methods 1.1.1.3, 1.3.3.1, 1.3.3.2, 2.1.2.3, 2.2.1.2, 2.2.3.1, and 2.2.4.2.

2. Background

2.1 Contract 613 - Smart Environmental Limited

Council's kerbside collections and four of five RRC operations are contracted to Smart Environmental Limited (formerly Streetsmart Limited). The contract was awarded in 2004 following a joint tender with Nelson City Council. Operations commenced on 14 November 2004.

- 2.2 The contract term was for a period of three years with a right of extension of a further three years, which was subsequently granted on 4 July 2007 (to 13 November 2010).
- 2.3 A further extension was granted in 2009 to conclude the contract on 30 June 2011 (to avoid commencement of any subsequent contract over the busiest summer period and to align contracts with the Council's financial year). In September 2010 the Committee granted delegated authority to the Engineering Manager to negotiate a further extension to October 2012.

2.4 Contract 652 – Fulton Hogan Limited

The Murchison RRC is located on the former Murchison landfill site (Matakitaki West Bank Road). The site operation has been contracted to Fulton Hogan Ltd since July 2005. Contract 652 was initially for a period of two years with an extension of three years granted in 2007.

2.5 The site initially operated as a small landfill operation but in 2006 Council considered construction of a further landfill cell or closure of the site and transport of waste to the Eves Valley landfill. Tenders were called for both options and on 13 September 2007 the Committee resolved for the landfill to be closed and for a transfer facility to be constructed.

2.6 Contract 706 was awarded on 29 November 2007 to Fulton Hogan and Contract 652 was amended to reflect the changes in operation. Waste haulage from the site has since been incorporated into Contract 781 (landfill operations and waste haulage).

2.7 Contract 652 has since been extended to 30 September 2012 through delegated authority given to the Engineering Manager by the Committee on 8 July 2010.

2.8 Contract 781 – Landfill operations

Landfill operations and waste haulage from four RRCs has been provided through Contract 781 with Fulton Hogan since October 2010. The contract is for a two year term to 30 September 2012, with two one-year extensions (at Council's discretion). The contract extensions provide for either the ongoing operation of the Eves Valley landfill or for closure and haulage of waste to the York Valley landfill.

2.9 Nelson City Council contractual arrangements

Staff have recently discussed the proposed extension to Contracts 613 and 652 with Nelson City Council. Nelson City Council staff have confirmed that extension of these contracts would not preclude future cooperation in solid waste.

3. Present Situation/Matters to be Considered

3.1 As reported in the Utilities Report at the last meeting of the Committee, Council staff have recently opened contractual correspondence with Smart Environmental and Fulton Hogan to discuss the extension of Contracts 613 and 652 respectively.

3.2 In parallel with this process a Registration of Interest document was prepared in the instance that negotiations with one or both of the incumbent contractors failed or became protracted. This was necessary because of the relatively short period before the end of the current contracts.

- 3.3 Each contractor indicated a willingness to progress discussions and on 3 November 2011 each contractor was asked to price an extension of contract term to 27 September 2014. Contained in this request were small variations to the contract specifications to better manage Health and Safety, resource consent compliance and financial and operational matters.
- 3.4 Both contractors responded by 10 November 2011 confirming acceptance of the proposed amendments to the contracts and advising their price for contract extension. Meetings were held with the contractors on 11 November 2011 to discuss clarification of some aspects of their responses. Further submissions were received from the contractors on 18 November 2011.
- 3.5 Smart Environmental advised that they would continue to provide kerbside services and RRC operations for no additional cost over the period of the proposed extension (other than existing contractual price escalation provisions). Smart Environmental also offered to discuss ways in which they could offer savings to Council following the award of the extension; (it was agreed during discussions that this would best be considered following the agreement to extend the contract).
- 3.6 Fulton Hogan advised that they would continue to provide RRC operations in Murchison for no additional cost other than a one-off cost of \$1470 (to provide improved training in hazardous materials handling). Standard cost escalation provisions of this contract would also continue to apply.
- 3.7 The matter for consideration by the Committee is whether to accept the extension of Contracts 613 and 652 under the terms recently agreed by the contractors, or to seek competitive prices through a new procurement process.

4. Financial/Budgetary Considerations

- 4.1 The existing 2011/12 Solid Waste operational budgets provide for retendering of Contracts 613 and 652. While some portion of these budgets has been used in reviewing existing arrangements and in discussions with the existing contractors, it is expected that in excess of \$50,000 could be deferred by accepting the offers of the incumbents rather than going through a full procurement process.
- 4.2 Solid Waste operational budgets submitted recently through the Draft Long Term Plan (LTP) have been on a “business-as-usual” basis, using existing contract rates and agreement on the terms offered by the contractors could be accommodated within existing budgets. The LTP budgets submitted also provide for investigation of alternative collection services and resource recovery in Year 1 and Year 2.

5. Options

- 5.1 The first option offered is to accept the prices submitted by the incumbent contractors for ongoing services on a business-as-usual basis (and with potential for investigating savings on Contract 613).
- 5.2 The second option offered is to decline the offers of each incumbent contractor and to commence a competitive procurement process for the services (under single or multiple contracts).

6. Pros and Cons of Options

6.1 Option One

Accepting the offers of the incumbent contractors provides price and contract certainty through the first two years of the LTP and provides the same level of service to Council for no additional cost.

- 6.2 By opting to continue on a business-as-usual basis Council is able to let the Joint Waste Management and Minimisation Plan to continue through consultation and to incorporate the outcomes of an adopted plan into future contracts. A two-year extension provides a feasible timeframe for any shared services other collaboration to be considered by the two Councils.

6.3 Option Two

It is possible that Council could ensure it is receiving good value for money in solid waste contracts by entering into a new procurement process that would identify the market value of these services. In the instance that existing rates were high, then potential savings could be significant. It is likely however that (for any contractors other than the incumbent) a term of at least five years would be required for this value to be realised and that contracts would need to be signed by April 2012 to commence in October 2012.

- 6.4 Entering into a long-term contract at this stage in the planning process is not recommended. It is entirely possible that outcomes of the JWWMP process will identify significant changes in the structure and processes of the Councils' waste and resource recovery services. In the event that Council enters into a long-term agreement over the next four months it will likely stymie at least some of the initiatives in the JWWMP.

7. Evaluation of Options

- 7.1 It is considered that extension of the existing kerbside collection and RRC operations contracts offers the most flexible, low-cost and price-certain option for Council. Accepting this option allows for cooperation with Nelson City Council through the JWWMP process and allows for the consideration of joint initiatives and/or shared services. This option is recommended by staff.

8. Significance

- 8.1 This is not a significant decision according to the Council's Significance Policy because it does not does not breach any of the thresholds in Council's significance policy.

9. Recommendations

- 9.1 Staff recommend that Contract 613 with Smart Environmental Limited for kerbside collections and RRC operations be extended for a period of two years to 27 September 2014 and that the Engineering Manager be given delegated authority to agree this extension.
- 9.2 Staff recommend that Contract 652 with Fulton Hogan Limited for kerbside Murchison RRC operations be extended for a period of two years to 27 September 2014 and that the Engineering Manager be given delegated authority to agree this extension.

10. Timeline/Next Steps

- 10.1 Subject to the agreement of the Committee, staff will arrange for the contract extensions to be formalised prior to the summer holiday period. Staff are also proposing to meet with Smart Environmental to further discuss potential cost savings so that in the event that they are significant, that they may be presented to the Council for consideration in the LTP.
- 10.2 Following the consideration of submissions and finalisation of the JWMMP, staff will work with Nelson City Council staff to consider a work programme for further work. Staff will report these to the Committee.

11. Draft Resolution

- 11.1 THAT the Engineering Services Committee receives the report Solid Waste Contract Extension RESC11-12-03 and;**
- 11.2 Gives delegated authority for the Engineering Manager to reach agreement with Smart Environmental Limited for a two year extension of Contract 613 from 1 October 2012 to 27 September 2014 and;**
- 11.3 Gives delegated authority for the Engineering Manager to reach agreement with Fulton Hogan Limited for a two year extension of Contract 652 from 1 October 2012 to 27 September 2014.**