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CASE STUDY

Taranaki Solid Waste Shared Services

New Plymouth, South Taranaki and
Stratford District Councils

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Taranaki Solid Waste Shared Services

Executive Summary

The three district councils in Taranaki have jointly let a contract for the kerbside collection of solid wastes, the operation of transfer stations and the disposal of solid wastes. This initiative was taken to achieve significant economies of scale yet allow each council to select its own level of service. The contract has been in operation since October last year and has achieved cost saving of at least 5% for each council, with savings as high as 20% for some.

The key lessons learnt are that councils can achieve significant savings from a joint contract yet retain the ability to set their own specific levels of service. However, careful planning is needed to obtain and co-ordinate individual council requirements and give sufficient lead time for the contractor to mobilise.

The Problem or Issue / Initial Environment

Four years ago senior staff from the three district councils in Taranaki met to discuss the future of landfills in the region. At that time Taranaki had six landfills to serve a population of 100,000 people. The consents for all but one of those landfills were about to expire.

Lack of available space, rising environmental standards, and economic issues were seen as reasons to permanently close them. This left one Class A landfill in the region and a partially consented site that had the potential to accommodate the region's residual solid wastes once that remaining landfill was full.

The three district councils then formed a working party (comprised of councillors and senior staff) to obtain all agreements and consents necessary for the long-term provision of regional landfill facilities. This group became known as the Regional Solid Waste Working Party (RSWWP).

Soon after the working party was formed it became apparent that further initiatives could be taken regionally that would be of greater benefit than districts acting alone. At that stage the regional council joined the working party and a regional waste strategy was developed. Each district council then produced their own waste strategy as a 'subset' of the regional strategy, providing common objectives and a single monitoring regime.

The working party decided that it was worth examining whether economies of scale could be achieved by way of a region-wide contract for the provision of solid waste services with disposal of residual wastes to the regional landfill. At that time the three district councils had a total of twelve separate contracts to operate thirteen transfer stations and landfills. They also had separate kerbside collection contracts which were soon to expire.

The three councils had very different levels of service and were about to determine whether these should be retained or changed through the 2006 Long Term Council Community Planning (LTCCP) process.

In June 2005 the working party (with the full support of the participating councils) agreed to investigate a joint contract for:

- kerbside collection of solid wastes in urban areas
- kerbside collection of recyclables
- gate collection along selected rural roads
- collection of recyclables from schools
- management and operation of transfer stations
- transport of residual wastes to the regional landfill
- green waste collection

Elected members of the councils were kept informed of these investigations with no decision needed from them until the contract was let.

The tender documents allowed each council to choose whether they wanted to opt out of the joint contract after tenders had been received. Those councils that decided to join would set its level of service through the LTCCP process.

Description of the Project / Response

The initiative to investigate the regional contract for solid waste services was taken through the RSWWP. The prime goals were to deliver levels of service determined by the three councils separately, and achieve financial savings. The working party decided that the best way of meeting these goals was to let the industry tell it if and how this might be done i.e. test the market.

The process to test the market was as follows:

- All existing contracts were extended to provide a common end date.
- Registrations of interest were invited from 10 contractors experienced in solid waste management for a regional contract for the:
 - Kerbside/ gate collection of residual solid wastes
 - Kerbside/ gate collection of and ownership of recyclables
 - Operation of transfer stations
 - Transport of residual solid wastes to the Colson Rd landfill.

Each council (New Plymouth, Stratford and South Taranaki) would retain the responsibility for, and right to select the service provided within its district. The outcome could involve different services and levels of service for each district.

All 10 contractors registered their interest in tendering for this contract.

- Four of the ten contractors were selected to submit comprehensive tenders for a region wide contract for the solid waste services described above. In order to encourage good quality tenders, and in recognition of the cost of preparing tenders for a range of levels of service, each of these selected tenderers were offered \$10,000 for bone fide tenders that met set criteria. By that stage the three district councils had determined the levels of service options that would be included in the draft 2006 LTCCP. Each option could therefore be priced by the selected tenderers.
- In October 2005 tenders closed. Only one was received. However the tender met all the non-price attributes and offered considerable savings (see below).
- In early 2006 all three councils confirmed (by council resolution) that they would be party to the contract and the contract was let with a seven year term. The contract was let subject to confirmation of the level of service through the LTCCP process.
- Each local authority consulted with its community on a range of levels of service options through the LTCCP process and determined its level of service by 30 June 2006.
- The contract commenced on 1 October 2006, with the chosen (and in one case substantially different) levels of service.

There were several issues to resolve both during the tender period and after the contract was let. The main issues were:

- Concern that local contractors would be cut out of the tender process.
There were several very small contractors who held existing solid waste contracts with the three councils. They campaigned to continue serving the councils yet were individually far too small for the new regional contract. They were invited to form a consortium to tender for the contract but chose not to do so.
- Only one tender was received.
An extension of time to the original three month tender period was given but industry restructuring was taking place at that time. Anecdotal evidence suggests some contractors may therefore have not been well placed to tender. The single tender that was received however did meet all the requirements and was price competitive with existing contracts.
- Concern that a single big contractor would squeeze the little guys out of the solid waste business.
There was concern that the contractor would gain an unfair advantage operating all transfer stations yet at the same time competing for private business. The contract was written to ensure that the chosen contractor would not use any transfer station as their depot or gain access advantage for the disposal of any privately collected waste.

- Consistent pricing at transfer stations.
The councils set their own kerbside collection rates, and the same landfill gate charge applied to all. To avoid cost boundary refuse transfer similar pricing at all transfer stations in the region was introduced. This discourages any distortion caused by people hauling their refuse long distances to pay cheaper fees.
- Concern that a monopoly situation could be created with the incumbent having considerable advantage when the contract came due for renewal.
The councils deliberately decided to retain ownership of the regional landfill. They have considered this to be the single biggest asset in the control of waste management pricing. The advantages of the regional contract were otherwise seen as outweighing any potential monopoly concerns and don't preclude any number of future service delivery options.
- Lack of lead time to implement a new level of service.
One of the councils adopted a completely new level of service. Not only was the size, type and frequency of collection for residual waste and recyclables changed but a new voluntary green waste service was introduced. There was a three month lead time from adoption of the LTCCP to the time the new service had to operate. This was insufficient and caused delays in the implementation of some services due to resourcing problems encountered by the contractor. A better lead time would have been six months from the time all contract criteria are set (in this case levels of service) to the time the service started.

Note that several of these issues were of political interest. Councillors were kept informed throughout the process of establishing the joint contract.

Results – Financial and Service Level Impacts

The tender price was:

- less than the estimate for all three councils (based on the existing contract rates and assuming existing levels service) by up to 10%.
- less than a renewal contract price offered by one of the incumbents - by 20% when compared with the existing price.
- discounted by a further 5% offered in the tender should all three councils agree to accept the contract – which they did. The contractor has stated that the long length of the contract (seven years) and economies of scale from three councils combining for the service allowed him to offer the discount.

The contract is a 'joint principals' contract with one of the principals providing the Engineer to the Contract and each of the councils providing an Engineer's Representative for their respective area. A separate agreement between the councils ensures that each pays their appropriate share of each monthly claim.

The three Engineer's Representatives meet jointly with the contactor on a monthly basis to manage any contractual issues. The contractor invoices each council separately in terms of the contract pricing schedules. These are reviewed by each representative then forwarded to the Engineer for final approval. Overall contract issues (bonds, insurance etc.) are managed by the council providing the Engineer to the Contract. Each local authority holds an original set of contract documents.

Apart from teething troubles with the change in levels of service with one of the councils (now largely overcome) the levels of service have been delivered.

Prospects / the Future

The joint contract has been a success. Cost savings have resulted. The region's wastes are now managed in an integrated way and it is a simple process to monitor waste volumes against regional waste targets.

The delivery of solid waste services has now been successfully established for the next seven years.

One part of the joint contract that could change by agreed contract variation is the level of service for kerbside/ gate collection of residual wastes, recyclables and green waste. For example the South Taranaki District Council has introduced a voluntary fortnightly 240 litre "wheelie" bin green waste collection service. 20% of its urban residents have chosen to purchase this service. The other two councils will be judging the success of a voluntary green waste collection and will decide whether to adopt it as well. It will be a comparatively simple variation to the regional contract if they elect to do so.

Adaptability / Transferability

The authors believe that the joint contract approach is suitable for adoption by other local authorities. It is well suited to, but not predicated by having common goals. In Taranaki's case the three district councils agreed they wanted cost savings, and had formed a working party to jointly explore other solid waste initiatives. Cost savings can result without compromising the individual council's ability to select their own levels of service by such an arrangement.

Conclusions

Our experience is that the joint contract between the three district councils in Taranaki has been successful. It has produced cost savings when compared with previous arrangements. It also has reinforced a common approach to solid waste management (meeting regional strategy targets, public education etc). Each council has set its own levels of service so has retained the autonomy to meet its community's aspirations. Timing is a crucial factor when establishing such a contract. Careful planning is needed to ensure sufficient time is allowed for the various steps necessary to establish the contract.

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