

**8.13 CCL 23/05/23 - TENDER REPORT - MATERIAL RECOVERY FACILITY - CONTRACT 2023/049T**

**REPORT BY: WASTE SERVICES**  
**CONTACT: DIRECTOR & INTERIM MANAGER WASTE SERVICES / COMMERCIAL & RECYCLABLES DELIVERY MANAGER**

**PURPOSE**

To accept a tender for design, construct, operation and maintenance of the Summerhill Material Recovery Facility (MRF) in accordance with Contact 2023/049T.

As the value of the contract exceeds \$1 Million, the *Local Government (General) Regulation 2005* (the Regulation) and the Chief Executive Officer's delegation require that a Council resolution is passed accepting the tender.

**REASON FOR CONFIDENTIALITY**

This report has been classified confidential in accordance with the provisions of the *Local Government Act 1993* (the Act) as follows:

- Section 10A(2)(d) of the Act provides that Council can close a meeting to consider commercial information of a confidential nature that would if disclosed prejudice the commercial position of the person who supplied it.
- Section 10B(1)(a) and (b) of the Act provides that the discussion of the item in a closed meeting must only:
  - (a) include as much of the discussion as is necessary to preserve the relevant confidentiality, privilege or security; and
  - (b) occur if the Council is satisfied that discussion of the matter in an open meeting would, on balance, be contrary to the public interest.

**GROUND FOR CLOSING PART OF THE MEETING**

In respect to section 10D (2) of the Act, the grounds on which part of a meeting is to be closed for the discussion of the particular item must be stated in the decision to close that part of the meeting and must be recorded in the minutes of the meeting. Accordingly, an appropriate resolution to proceed is required first.

**MOTION TO PROCEED**

The discussion of the confidential report take place in a closed session, with the press and public excluded, for the following reasons:

- A The matter relates to tenders for Design, Construct, Operate and Maintain a Material Recovery Facility for Contract No.: 2023/049T.
- B It is contrary to the public interest to discuss tenders in an open meeting because the information provided to City of Newcastle (CN) by tenderers is provided on the basis that it will be treated as commercial-in-confidence. A practice of disclosing sensitive commercial information to the public, including competitors, could result in the

withholding of such information by tenderers. This would lead to a reduction in the supply of information relevant to Council's decision. A disclosure of confidential information by Council could result in CN being the subject of litigation for breach of confidence.

- C The closed session involves only as much of the discussion as is necessary to preserve the relevant confidentiality, privilege, or security.
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## **RECOMMENDATION**

- 1 At **Attachment A**.

## **KEY ISSUES**

### **Tender**

- 2 The Design, Construction, and Operation and Maintenance of a Material Recovery Facility (MRF) at Summerhill Waste Management Centre (SWMC).

### **Contract Term**

- 3 For the Design and Construct phase, the contract terms is estimated to be up to 3 years. For the Operation and Maintenance phase, the contract term is 8 years (with an option to extend for a further 8 years).

### **Advertising of Tenders**

- 4 Following an open expression of interest process, a selective tender was advertised to three tenderers via Tenderlink on 18 November 2022 as follows:

- i) Regroup Pty Ltd
- ii) Veolia Environmental Services Pty Ltd
- iii) iQ Renew Pty Ltd

### **Tenders Received**

- 5 Tenders closed on 14 March 2023.

Of the three selective tenderers, one conforming tender submission was received, one non-conforming tender was received, and one tenderer did not submit a tender submission.

### **Evaluation Process**

- 6 The tenders were assessed against the following criteria:

- |   |     |
|---|-----|
| i) Capability – Past Experience & commitments | 5%  |
| ii) Capability – Project Management           | 10% |
| iii) Methodology – Design and Commissioning   | 10% |
| iv) Methodology – Operations & Maintenance    | 10% |
| v) Methodology – End markets, Innovation      | 5%  |
| vi) Performance Management                    | 10% |
| vii) Management Systems                       | 5%  |
| viii) WHS                                     | 10% |
| ix) Supplier Diversity                        | 5%  |
| x) Price                                      | 30% |

- 7 The tenders were assessed by a Tender Assessment Panel consisting of four City of Newcastle (CN) officers with expertise and knowledge of the project - Commercial & Recyclables Delivery Manager, Senior Project Manager MRF, Senior Finance Business Partner, and Post Collection – Client-Side Organics Delivery Manager.
- 8 Probity oversight was provided by an independent probity advisor who was present during all panel meetings and included in all relevant correspondence in accordance with CN's Procurement Policy.

## FINANCIAL IMPACT

- 9 The cost of the recommended tender is detailed at **Attachment A**. The total cost of this project, including the proposed contract amount, allowances for contingency and other project costs has been evaluated and is considered to be within estimates for the project.
- 10 Subject to approval of the tender, funds will be allocated through the annual budget process. CN will explore options to borrow funds for the construction components of the project.
- 11 It is estimated that the MRF project has the potential to return between 6% and 15% on funds invested over a 25-year period, based on reasonable assumptions about gate fees and tonnages. A summary of revenue and cost assumptions are detailed in Table 2 in **Attachment A**.

## Third Party Funding

- 12 In 2021 a NSW Environmental Trust Grant was awarded to CN for \$5M (6% of the project capital cost) under the Remanufacture NSW Stream 1 for the design and construction of a MRF at the SWMC.

## IMPLICATIONS

### Policy Implications

- 13 The construction of a MRF ensures the continuity of CN's yellow bin recycling service.
- 14 The MRF enables the implementation of CN's strategic objective to reduce waste to landfill in accordance with the unanimously adopted 'Our Sustainable Waste Strategy' by Council in November 2022.
- 15 CN has committed to the construction of an onsite MRF at the SWMC, to process its recyclables. Locating a MRF at CN's existing waste management facility benefits the development, planning and licensing processes and could encourage synergies with other resource recovery activities.
- 16 The Newcastle 2040 Community Strategic Plan (CSP) references the processing of recyclables within the *Sustainable Newcastle* theme as well as a focus on the

Circular Economy by prioritising designing out waste. This will be achieved by establishing resource recovery industries and circular economy precincts that benefit both the Newcastle Local Government Area (LGA) and the Hunter region.

### **MRF Recyclables Processing**

- 17 The MRF will separate and prepare single-stream recycling materials to be sold to end buyers and the initial design is for capacity per annum that takes account of both local and regional source feedstock. The MRF will sort a wide array of recyclable materials, including, but not limited to plastics, cardboard, newspapers, paper, mixed paper, glass bottles and jars, metal containers (including aluminium and steel cans). The design of the MRF under the recommended tender involves technology such as advanced optical sorting to ensure the CN facility produces sufficient quality levels to realise production of an exportable product in each waste stream. This is important to ensure that the MRF has the widest possible end market potential for its product, enabling revenue to be maximised.

### **Regional capacity**

- 18 Whilst the proposed MRF will primarily exist to service the needs of recyclable waste within the Newcastle LGA, the MRF has the capacity to also service the wider region. SWMC's location and proximity to the Hunter Expressway and M1 make the MRF a valuable and essential piece of regional infrastructure (Australian Economic Advocacy Solutions, 2021).

### **Development Approval**

- 19 CN lodged a development application for the MRF in December 2022 and following approval the project will move to immediate design and construction with funding for design and construction included in the draft 2023/24 budget and forward capital works programs.

### **Non-Financial Benefits**

- 20 The MRF will deliver significant non-financial as shown in the table below.

Table 1: Environmental and social benefits from the MRF project

Environmental and social element	Project benefit/outcome
Diversion from landfill	An estimated 187,513 tonnes of domestic recyclables from within the Newcastle LGA will be diverted from landfill over a period of 25 years.
Reduced greenhouse gas (GHG) emissions	Approximately 5,990 tonnes of GHG (CO <sub>2-e</sub> ) will be avoided from diesel travel avoided over a period of 25 years.
Production of reusable commodity	The MRF will produce approximately 178,154t of recyclable material that will be able to be used in downstream processing to create circular economy outcomes over a period of 25 years.
Community expectation	Community surveys conducted between 2019 and 2022 show strong support for waste diversion projects. 98% of residents surveyed supported the development of a MRF at SWMC.

## RISK ASSESSMENT AND MITIGATION

- 21 Project risk is mitigated via the principal contractor also being the operator. This ensures that the design is focused on value and outcomes for CN regarding the future operational costs and aims to ensure that the final operator has oversight over design elements to ensure operational aspects are optimised. For a facility of this nature, at optimal tonnages, the lifetime operating costs substantially exceed upfront capital delivery costs.
- 22 Financial risks have been assessed and are outlined in **Attachment A**.
- 23 An external probity advisor was engaged for the tender process. The probity report is included at **Attachment B**.

## ECOLOGICAL SUSTAINABILITY

- 24 The recommended tenderer has a proven level of management systems to manage Ecological Sustainability in their current business. All contractors are required to comply with CN's work health safety and environmental requirements during the project delivery.

## IMPLEMENTATION

- 25 Refer to **Attachment A**

## CONSULTATION/COMMUNICATION

- 26 CN conducted two community surveys in 2020 and 2022 that related directly to the need for MRF.
- i) 2020 survey (Micromex Research, 2020)

- a. The yellow lid bin recycling service received the highest importance and satisfaction rating.
  - b. 68% of respondents are concerned with the amount of waste landfilled.
  - c. 99% of residents support infrastructure to add value to disposed materials.
- ii) The "Have your say" page survey in 2022 for the MRF development application (DA) recorded 98% support, similar to 2020 survey results. Residents highlighted the increased opportunity it will provide to increase recycling tonnage and to reduce waste to landfill, as well as the benefits to the local area in terms of job creation and the economy.
- 27 A Councillor workshop was held on 10 May 2022 to discuss the community engagement program for the MRF project. A second workshop was held on 16 August 2022 to report on the results of the community engagement program and the proposed tendering process. An update on the MRF project and tendering status was provided to Council on 21 March 2023. A final briefing was provided to Council on 16 May 2023 to present the business case and tendering outcomes.
- 28 Early consultation was undertaken prior to lodgment of the DA which was lodged in December 2022, and has been publicly notified.

### **Tender Process**

- 29 The calling of tenders was in accordance with the requirements of section 55 of the Act. The process followed was in accordance with Part 7 of the Regulation. Council is required to accept tenders in accordance with clause 178 of the Regulation.
- 30 The tender process followed an exhaustive expression of interest process, and was conducted as follows:
- i) **Tender documents and pricing schedules** were drafted by external technical consultants. External legal advisors reviewed and finalised the tender documents.
  - ii) **An Evaluation Plan** was prepared by consultants. This was reviewed by the Tender Evaluation Panel, both scoring and non-scoring advisors as well as probity advisors and the CN Contracts team. The latter provided the final review of the evaluation plan. All Tender Evaluation Panel members signed the evaluation plan, as well as conflict of interest declarations and confidentiality agreements.
  - iii) **Non price evaluation** was conducted by the Tender Evaluation Panel after reading all tender documents. A site visit was conducted to inform the non-price evaluation. The Probity Advisor and the CN Contracts team were present at all evaluation meetings. Site visits were attended by the Probity Advisor.
  - iv) **A pricing summary** including conforming and non-conforming submissions was prepared by consultants and presented to the Tender Evaluation Panel. As there was only one conforming tender, tender pricing was compared to the business case financial model. The business case model was based on quantity surveyor costings for civil and shed design and construction and industry expert knowledge for equipment design and construction. The

- business case model was updated as part of the pricing evaluation process. Conforming price scores were entered into the evaluation matrix and a total score was reviewed by the Tender Evaluation Panel.
- v) **Reference checks** were conducted for the conforming tender. A standard set of interview questions were prepared, and all interviews were conducted via Microsoft Teams, recorded, and provided to the Tender Evaluation Panel members. The Panel then reviewed the results from the reference checks and modified, where appropriate, the non-price scores.
  - vi) **Clarifying questions** were developed by the Panel. This included information about departures and questions regarding design, timeframes, management systems, fire prevention and management, commissioning and testing, contract management and pricing schedule.
  - vii) The Tender Evaluation Panel **reviewed the responses** to the clarifying questions. Qualitative scores were not required to be modified, however revised pricing was entered into the CN pricing template and included in the final scoring matrix based on the responses to the clarifying questions. A final score was agreed by the Tender Evaluation Panel.

## BACKGROUND

- 31 Approximately 66,000 domestic households throughout the Newcastle LGA are provided with a 240 litre recyclables bin (yellow lid) for the fortnightly collection of recyclable materials.
- 32 CN's recyclable material is currently self-hauled to a temporary transfer station at the SWMC and transferred to a MRF operated by iQRenew on the Central Coast. During 2021/22, a total of 13,268 tonnes of recyclables from CN kerbside collections were received at SWMC. It is estimated that this tonnage will increase to 15,311 tonnes per annum by 2026 when the proposed MRF comes online.
- 33 The cost of this existing recyclables contract, (excluding collections costs) is \$3.01M for 2022/23. This arrangement and therefore cost will cease once the MRF is operational. Recyclable waste from Port Stephens Council is also transported to the Central Coast while remaining local councils deliver material to a Gateshead site, where it is 'bulked up' and transferred to Sydney for processing at a MRF.

## OPTIONS

### Option 1

- 34 The recommendation as at **Attachment A**. This is the recommended option.

### Option 2

- 35 Council defers a decision at this time to allow further consideration of the tenders received. This is not the recommended option.

### Option 3

- 36 Council resolves not to accept any tender and invite fresh tenders. This is not the recommended option.

**Option 4**

37 Council resolves not to accept any tender and enter negotiations with any party with a view to entering a contract. Council must state a reason for this in its resolution. This is not the recommended option.

**Option 5**

38 Council resolves not to accept any tender and not proceed with the contract. Council must state a reason for this in its resolution. This is not the recommended option.

**ATTACHMENTS**

**Attachment A:** Tender Evaluation Matrix & Background (Confidential)

**Attachment B:** External Auditors Report (by Regional Procurement) (Confidential)