

WASTE AND RECYCLING PROCUREMENT AND CONTRACTS



Government
of South Australia
Green Industries SA

The cost of waste and recycling services is often overlooked. Many organisations are unaware that changes can be made to contracts and services to reduce costs and improve recycling rates - a competitive tender process can help.

These guidelines provide information on how and when to consider changes to waste and recycling collection services and contracts, and guidance on preparing tender documents that encourage positive financial, contractual, and environmental outcomes. This document is intended to support any existing tender processes your organisation may have.

South Australian public authorities subject to the *Public Finance and Audit Act 1987* should read this guidance in conjunction with Treasurer's Instruction 18 Procurement, the South Australian Government Procurement Framework and their own internal procurement frameworks prior to procuring waste and recycling services. For more information on the SA Government Procurement Framework, visit www.procurement.sa.gov.au

It includes advice on:

1. Reviewing current contract and services
2. Methods for procuring services
3. Key steps and indicative timelines for tendering
4. Developing specifications
5. Steps involved in the tender process.

1. Review current contract and services

Before making any decisions, review your current commercial waste and recycling contract[s].

Consider:

- who is the provider[s], what streams they currently collect and how often
- when the contract expires
- how much notice needs to be given for cancellation/ non-renewal.

If you are uncertain about the contract documentation, talk to your service provider, procurement team if you have one and/or seek legal advice.

If your organisation doesn't have a formal written contract for waste and recycling services (noting some businesses do not), consider establishing one. Having a written agreement (in the form of contract) is a mechanism for ensuring service delivery levels are met, while providing transparency in the way fees are charged, the frequency of bin collections, and how changes may be negotiated for altering service provision.

Council waste and recycling services

Smaller sites may be entitled to some collection services provided by their local council. These services are generally more cost effective than commercial providers but have fewer service options (limited to the frequency of collection and bin types provided by council) and may not be available in all areas.

2. Methods for procuring services

The best method to procure waste and recycling services depends on the size, complexity and scope of the services required. Consider what is right for your organisation and decide which method is best:

- **Seeking quotes** — involves requesting quotes from one or more service providers and is generally used by individual sites or small organisations [e.g. 2-3 sites].
- **Competitive tender** — usually an open, publicly advertised [but may also be a selective] invitation that invites suppliers to offer, at their best price, services to meet the particular requirement. Competitive tendering is often used by larger organisations [or public authorities with higher spend]. Competitive tendering will usually return the best result for the organisation.

You should refer to your organisation's procurement framework for rules in approaching the market. For example, some organisations may mandate a competitive tender for services valued above a certain threshold.

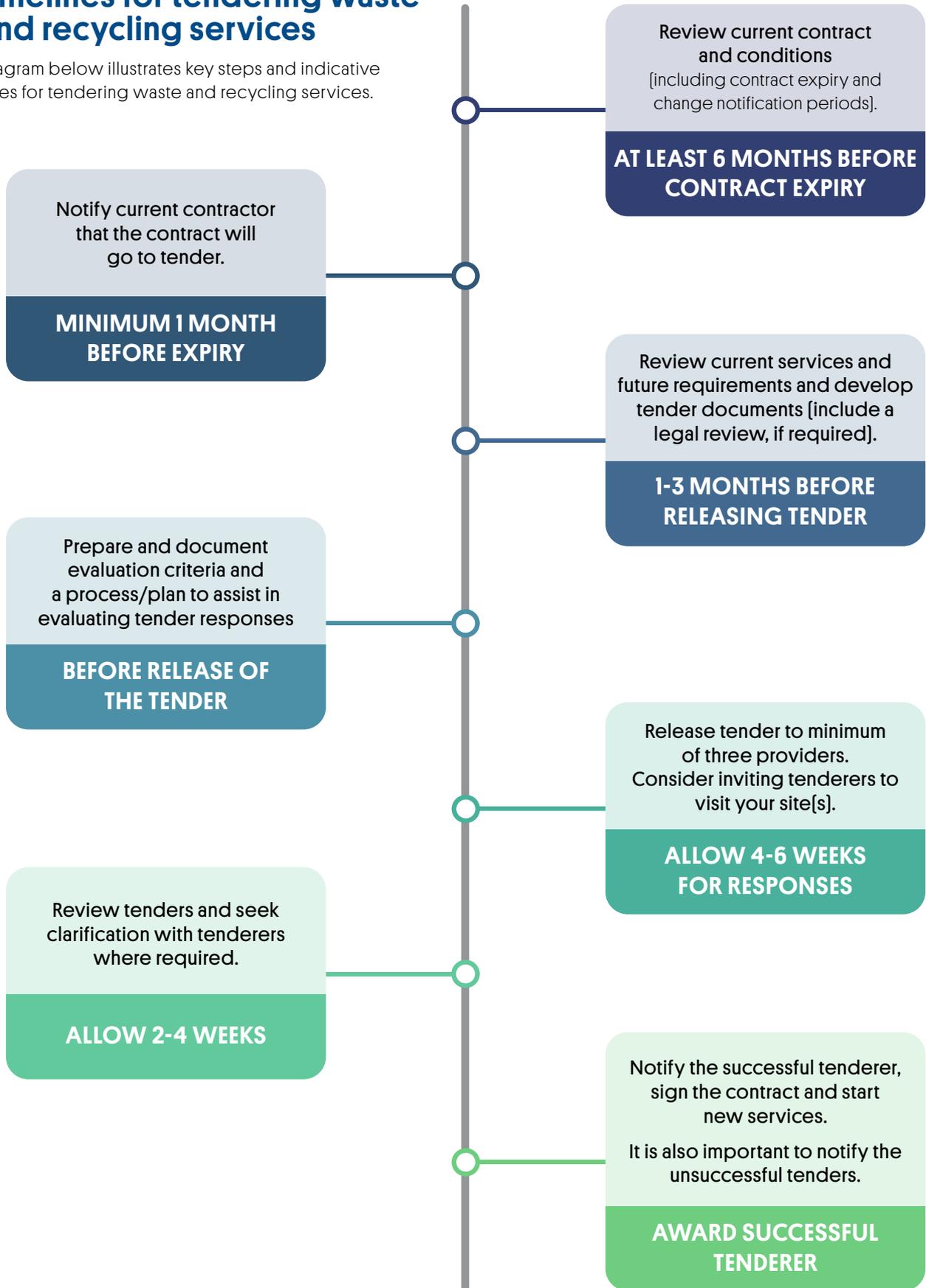
If the business has multiple sites, consider procuring services collaboratively or at the same time [i.e. 'aggregating spend']. This could lead to:

- lower prices due to economies of scale
- greater availability of recycling services
- administrative cost savings as it removes multiple submissions and assessments of tenders, and may streamline ongoing administration processes across sites.

Public authorities can refer to the *Procurement Planning Policy and Sourcing Policy* under the South Australian Government Procurement Framework

3. Key steps and indicative timelines for tendering waste and recycling services

The diagram below illustrates key steps and indicative timelines for tendering waste and recycling services.



Seeking quotes directly from service providers may be done at any stage, and should be timed in accordance with the expiry of any current contract[s]. Once quotes are received, a decision can be made on which service provider[s] to engage as per the final two stages shown in the diagram above.

4. Developing specifications

When developing specifications consider the following:

- Provide accurate and detailed data on what is required [based on past, current and future/predicted service requirements]. Include for each waste/recycling stream the size and number of bins and how often they need to be collected [also add total tonnes of materials collected per year if available].
- Provide detailed information on collection locations [where the trucks need to go], access and current bin types, including photos.
- Outline whether the contractor needs to supply bins, or whether you will provide them. Also specify who will be responsible for maintaining bins in serviceable condition [the selected tenderer(s) or you].
- Outline the proposed contract term, performance standards and reporting requirements [if any].

Providing these items allows potential providers to assess the service delivery to each site accurately and to tailor their response.

WHAT TO ASK FOR IN A CONTRACT/TENDER

It is important to ask for specific things from a service provider. These can be built into quotation/tender documentation and finalised in written contracts with selected service providers.

- A breakdown of what is included in the offer and the charges for each cost component [e.g. bin lift cost, disposal/processing costs, landfill levy].
- Where each stream will be taken [disposal facility] and the method of disposal/processing. [e.g. recycling, landfill, waste-to-energy/recovery]

- Correct bin colours and signage [consistent with Australian Standards], and other assistance [e.g. education, training].
- A plan to transition to the new services to minimise service disruptions.
- Monthly reports and invoices that provide information on waste services and associated charges, including total tonnes collected and how tonnes are calculated [e.g. assumed bin densities or actual weights] and environmental metrics [e.g. landfill diversion, CO2 emissions avoided by recycling].

Key considerations

- 3 - 4 year contracts with the option to extend typically provide good outcomes [such as 3 + 2 or 4 + 1 + 1].
- Ask contractors to charge for materials collected by weight using National Measurement Institute-approved scales.
- If it is needed, ask for bin rental to be included in lift prices [to avoid provision of unnecessary bins].
- Price rises must be justified and based on agreed price rise and fall clauses [e.g. increase in transport inflation index or landfill levy].
- Specify that all or only some services from the tender responses can be awarded and that additional services from other providers may be added during the term of the contract if required. This helps avoid being locked into a contract with a single service provider that may not offer competitive prices for some services.
- All bin colours and signage must meet Australian Standards 4123.7-2006.

5. Steps involved in tender process

1. IDENTIFY THE SERVICES REQUIRED

Define the service expectations and outcomes, such as the waste streams and number of bins required, and amount of waste and recycling collected the previous year. You can also outline new ways to manage waste and recycling and/or additional recycling streams you would like collected.

2. PREPARE TENDER SPECIFICATION AND CONTRACTUAL DOCUMENTS

Develop documents that ensure the requested services and tender responses meet your standards and expectations. It is recommended that documents include the following:

- length of contract
- frequency of collection
- collection and disposal/processing costs
- recording and reporting capabilities
- recycling/waste minimisation initiatives
- education/signage
- team experience
- quality and transition plans and costs.

A clear and simple response schedule helps streamline the tender evaluation process. A 'Tender Response Schedule' template is available for businesses to use. The excel spreadsheet format allows you to receive and compare responses in a standard format and understand the costs. Service providers should be familiar with this format and comfortable providing their response in this way.

3. ADVERTISE THE TENDER

Advertising the tender can be through directly informing potential suppliers or using a tender management company. SA Government organisations can use the SA Tenders and Contracts website: www.tenders.sa.gov.au

All tenders should be opened and advertised for a period that is sufficient for suppliers to prepare and submit a high-quality quote/offer.

4. RESPOND TO QUERIES

It is important to clarify any issues or questions. This may require negotiation which is a standard process. Any clarification sought, and the answers obtained, should be documented. In a public tender, it is important to provide an addendum for all answered queries from tenderers [via tender forum or email all tenderers].

Steps involved in tender process (cont.)

5. TENDER ASSESSMENT

Evaluating and awarding contracts needs to be equitable and transparent. Appoint a selection panel to review and evaluate tenders against key selection criteria.

Selection criteria may be included in the tender specification, and responses assessed against evidence provided in relation to the selection criteria. Responses should comply with all aspects of the tender.

6. CONTRACT AWARD AND NEGOTIATION

Award the contract to the most suitable tenderer/s [based on a formal evaluation against selection criteria]. Also notify unsuccessful tenderers, and provide feedback on why they were not selected [if requested]. Once awarded, the final details of the contract can be negotiated and then implemented.

7. ONGOING CONTRACT MANAGEMENT

Implementing a successful and effective contract includes regularly monitoring and reviewing contract performance, and identifying opportunities to improve service delivery and facility performance.

It is important to review the services and pricing against those included in the final contract. Do this early in the contract implementation [e.g. at the 3-month mark] to resolve any transition issues before they become significant.

The contract administrator should be able to manage most contract difficulties. However, independent assistance is sometimes required to negotiate contract issues unable to be resolved by staff.

Unfair contract clauses

The ACCC provides guidance on unfair contract clauses. Some examples include:

- Automatic renewal binding customers to ongoing contracts unless they cancel within a certain timeframe
- Terms to allow one-sided increases in prices or altering the terms/conditions
- Broad terms to limit liability of providers towards a business or provide broad indemnity
- Terms that allow providers to cancel or terminate an agreement without cause.

Cleaning Contractors

Cleaners are a key part of ensuring a waste and recycling system is consistent.

Consider:

- Documenting waste and recycling procedures for cleaning staff to follow. This includes updating job descriptions to outline expectations for managing each waste and recycling stream.
- Specifying the use of bin liners [certified compostable for food/organic waste, no bags or clear bags for collecting comingled recycling].
- Including Key Performance Indicators and incentives/penalties [such as those relating to contamination caused by cleaners].

Changing service requirements during a contract can be difficult and costly. Therefore, define waste and recycling management duties/procedures for both cleaners and service providers within tenders and in contracts before signing.

Sometimes waste and recycling is managed within cleaning contracts.

Make sure that tenders/contracts under this arrangement include:

- Minimum standard waste and recycling services, such as requesting collection and appropriate disposal of general waste, co-mingled/mixed recycling, and organics
- Information that outlines where waste and recycling streams are processed / disposed
- KPIs to ensure waste and recycling is collected separately and inspections take place to monitor performance
- Induction and training for cleaners
- Adequate equipment for sorting and transferring waste.

Building/Facility managers

In many leased buildings, building/facility managers are responsible for cleaning and waste and recycling services. Changes to services will need to be organised through them.

Other resources and support

Green Industries SA provides more resources and support for businesses to improve their waste and recycling practices. To find out more visit <http://www.greenindustries.sa.gov.au/BSP-overview>

