

6.2.5 Extension of Landfill Services Contract

Responsible GM: Peter Benazic
Author: Jacqui Kelly

Recommendation(s)

That Council:

- Advise the Department of Environment Energy and Climate Action (DEECA) that Cardinia Shire Council wishes to exercise a contract option for the provision of Landfill Services (Contract number 2020/23 (Cardinia Shire contract number 21-10)) under the common gate fee arrangement with Cleanaway Pty Ltd and Veolia Environmental Services (Australia) Pty Ltd for the period 1/4/2025 to 31/3/2027.
- Agree that the CEO be delegated authority to negotiate and sign documentation associated with the contract extension for the period of 1/4/2025 to 31/3/2027

Attachments

1. Confidential landfill contract extension tendered rates 2025 2027 [6.2.5.1 - 1 page]

Executive Summary

In 2021 the former Metropolitan Waste & Resource Recovery Group conducted a collective procurement process for landfill services on behalf of 26 metropolitan councils.

The objective of the procurement was to enable metropolitan councils to access services for the disposal and transfer of waste that cannot be recovered or reused through other means.

The initial four-year contract term commenced on the **1st of April 2021**, with options to extend the contract for **two further terms of 2 years each**.

Extensions are agreed on by Council and the service provider at the appropriate time with enough advance notice for budget and service planning. The methodology for the pricing of extension options was set out in the original tender documentation and is to be considered by Council through a recommendation report (this report).

Contracts were awarded to:

- Melbourne Regional Landfill (Cleanaway Pty Ltd) – Ravenhall
- Hanson Landfill Services Ptd Ltd – Wollert
- Suez Recycling and Recovery Pty Ltd (now Veolia Environmental Services (Australia) Pty Ltd) – Hallam

As a result of legislative changes, the contracts are now administered by DEECA in line with Participation Agreements, Direct Deeds and Landfill Services Deeds.

While Councils seek alternative options for managing landfill waste, we need to ensure continuity of service for the disposal of this material. Sending material to landfill under the current contract is still a viable option in the southeast for the length of the first 2-year extension.

Background

Previous endorsed resolutions (21 February 2021):

- 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.
- That Council 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.

Common Gate Fee Arrangement

The most favourable pricing option, in the 2021 tender, for councils in Melbourne's southeast, was Cleanaway Pty Ltd (Cleanaway) proposal to accept waste at the Dandenong South and Lysterfield transfer stations to be bulk hauled to MRL (Melbourne Regional Landfill), Ravenhall.

As Cleanaway did not have sufficient capacity to accept all the waste generated in the southeast, 12 councils agreed to enter a Common Gate Fee arrangement whereby waste would be distributed between Cleanaway and SUEZ (now Veolia Environmental Services (Australia) Pty Ltd) (Veolia) in the most efficient manner and the costs apportioned between councils on an equitable basis.

Cardinia Shire's waste is currently directed to Cleanaway MRL via SEMTS (Southeast Melbourne Transfer Station), Dandenong and Lysterfield Transfer Station.

The Common Gate Fee is administered by DEECA and has the additional benefit of enabling Council to have access to alternative landfills should any issues arise with access to SEMTS.

Contract Extension

In 2023, Veolia and Cleanaway were invited to submit revised pricing 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 to ensure prices are the most up-to-date.

Both companies have indicated that they wish to continue to provide landfill services and their tendered rates can be found in the confidential attachment to this report.

Options

The contract is structured so that Council can access a cheaper landfill rate by guaranteeing to provide its waste for the entire 2-year extension period or alternatively accept a non-guaranteed rate and have the flexibility to engage another provider during the two-year term. Penalties will apply for the early termination of a guaranteed agreement.

Alternatively, council could withdraw from the common gate fee arrangement and conduct its own procurement for landfill services.

Due to the limited options available in the south east for providing landfill services, and the financial benefits gained by approaching the market as a group of Councils with a higher guaranteed tonnage, it is beneficial for Cardinia Shire to continue to participate in the current arrangement and extend for a further 2 years, guaranteeing our tonnage to the contract for that period.

Policy Implications

The group procurement process for the Provision of Landfill Services for the Cardinia Shire community aligns with the objectives of Councils 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 Landfill Services highlights that there needs to be more value placed in, and investment in regional infrastructure to manage waste, which Council recognises and supports. While we seek alternatives to landfill; it is within our interests to seek the best value for landfill services via the current contract extension.

Relevance to Council Plan

2.1 We support the creation of liveable spaces and places

2.1.1 Advocate, plan for and deliver accessible community infrastructure and services that address community need.

3.1 We value our natural assets and support our biodiversity to thrive

3.1.2 Actively move towards zero waste through increasing waste recovery and reuse.

5.1 We practise responsible leadership

5.1.2 Manage our finances responsibly and leave a positive legacy for future generations.

5.1.4 Maximise value for our community through efficient service delivery, innovation, strategic partnerships and advocacy.

Consultation/Communication

DEECA and the Contract User Group keep regular contact with all Councils involved in the group procurement process and Council will continue to stay 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 22,800 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 \$4,700,000 (+GST) per year at current prices.

The landfill levy in Victoria has an adjusted model, introduced in 2022/23, for determining the price per tonne. The price is now determined by an adjustable fee value and number of units set by the EPA on annual basis. The consistently high cost of the levy will significantly impact the price of landfill for the foreseeable future.

Transfer/Direct Access: it is within Cardinia Shire's best interests to have a transfer arrangement continue to be in the contract. The transfer site located in Dandenong (Cleanaway, Southeast Melbourne Transfer Station) is currently utilised by Cardinia Shire and prevents the need to have kerbside waste vehicles travelling to Melbourne Regional Landfill (160km+ round trip). The residential material is instead delivered to SEMTS by kerbside collection vehicles 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 Veolia 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 extension and as such have not been considered. It is reasonable and within Councils best interests for Cardinia Shire to guarantee tonnages for the next 2-year contract period.

Contingency Arrangements: It is within Councils best interest to maintain this multiple-party arrangement so that Cardinia Shire can ensure continuity of service for our community in the event that a facility is not available.

Environmental Considerations: Landfilling non-recoverable waste is a necessary process however is not considered the most environmentally sustainable option, therefore alternatives to landfill are currently being sought.

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. Additionally, once landfill in the south-east of Melbourne no longer becomes an option the only landfill alternative is to transport our material across to the Western side of Melbourne, this is not a socially (or environmentally) considerate option and as such alternative processing options are being considered.

Conclusion

The initial four-year contract term for Landfill Services (CT (2020/23 (and Cardinia Shire CT 21-10)) commenced on the 1st of April 2021, with options to extend the contract for two further terms of 2 years each with Cleanaway Pty Ltd and Veolia Environmental Services (Australia) Pty Ltd providing landfill services. This initial contract period will end 31 March 2025. This report recommends a 2-year extension of this contract.