



11.1 **COLLABORATIVE PROCUREMENT FOR SORTING OF KERBSIDE RECYCLABLE MATERIAL & ADVANCED WASTE PROCESSING**

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1. PURPOSE

- 1.1 To update Council on the north-west collaborative procurement for Advanced Waste Processing (AWP) and endorse Council's participation in the Memorandum of Understanding (MOU) for this procurement process (attachment 1).
- 1.2 To update Council on the long-term collaborative procurement for the sorting of kerbside recyclable material (SKRM) and seek Council endorsement for the forthcoming MOU for this procurement process.

2. EXECUTIVE SUMMARY

- 2.1 Over the last three years, Council has made a strong commitment to transforming waste management within the city to achieve more sustainable outcomes. This is outlined in direction three of the integrated Council Plan 2017-27 'We will provide smart solutions for a sustainable future'.
- 2.2 Council's 'Don't Waste it!' Waste Management Strategy (2018-28) further affirms this commitment in three of its four key outcomes:
 - Outcome 1: A city that reduces waste
 - Outcome 2: A city that maximises reuse and recycling
 - Outcome 4: A city that uses new technology to process waste better and reduce environmental impacts
- 2.3 Since adoption of this strategy, there have been numerous incidents and policy developments within the waste and recycling sectors which have reinforced the need for solutions that offer both innovation and long-term security.
- 2.4 Contractual timing complicates this situation further for local councils with numerous key service contracts, both stand-alone and collaborative, due for renewal/review over the next two years (including kerbside collection, landfill and recyclable processing).
- 2.5 This report addresses two collaborative procurement opportunities, Advanced Waste Processing (AWP) and the Sorting of Kerbside Recyclable Material (SKRM) Both will help deliver on Council's strategic outcomes and community expectations regarding waste diversion, while improving the sustainability and reliability of service delivery.



- 2.6 The first of these procurement opportunities focuses on AWP which relates to sophisticated technologies that recover more resources (materials, energy, etc.) from waste compared to landfill or basic recycling. These technologies can range from simple composting and mechanical sorting solutions through to advanced thermal treatment processes.
- 2.7 Currently in the state of Victoria, there are two group procurement processes being led by the Metropolitan Waste and Resource Recovery Group (MWRRG) that focus on AWP. A group for south-west metropolitan councils and a group for north-west metropolitan councils.
- 2.8 A summary of key information concerning these two processes is available in attachment 2. Initial work has highlighted the need for a technology agnostic approach in order to deliver a best value solution that maximises waste diversion from landfill, while minimising impacts on service delivery and the environment (in particular avoiding the incentivising of waste generation).
- 2.9 The south-east procurement process is currently underway with an expression of interest (EOI) to be released to industry in around March 2020.
- 2.10 The north-west group process, which included the City of Port Phillip and 11 other local government authorities (LGAs), is due to commence in 2020 with participating councils asked to commit to the MOU by 17 February 2020.
- 2.11 The procurement process is designed to be technology agnostic, industry led and will maintain flexibility by containing several decision/exit points for participants. At an Officer level, involvement in this process will be have an outcomes-based focus, to further promote the technology agnostic approach.
- 2.12 The second procurement opportunity concerns the sorting of kerbside recyclable materials (SKRM). This, while technically still a form of AWP, concerns the sorting and processing of Council's kerbside recycling only.
- 2.13 The SKRM process, initiated in August 2019 currently has provisional involvement from the vast majority of metropolitan councils. The process has been delayed due to the imminent release of the State Government's circular economy Policy, however must aim to award a contract for a solution (or solutions) by July 2021. This date aligns with the ending of the current ministerial exemption applied to waste and recycling service contracts as well as the review period of the contract with Council's current recycling processor, Cleanaway P/L.
- 2.14 In light of the volatile state of the recycling sector, there will be a strong emphasis during this procurement on the creation of not only best value and innovation, but of sustainable market solutions for recyclable material and increased diversity of suppliers (and therefore market stability) within the sector. Material chain of custody and support for local reuse and reprocessing will also be key considerations and will continue to alignment with the principles of a circular economy.
- 2.15 This process represents an opportunity for Council, on behalf of the community, to not only investigate potential innovations in the recycling of kerbside materials but, perhaps



more importantly, improve the sustainability and stability of the recycling sector as a whole.

- 2.16 Both of these MOUs represent the beginning of their processes and do not commit Council to an end result but rather allow investigation into smart solutions for a sustainable future and, in the case of SKRM, a more stable environment in which to deliver existing recycling services to the community.
- 2.17 As with any group procurement there are risks involved however these are limited at this early state of the processes and must be balanced against the opportunities these processes present to investigate future options.
- 2.18 In addition to participating in these MOU's Council will maintain, concurrent investigations into both smaller scale and direct engagement opportunities concerning organics processing, recycling and advanced waste processing.

3. RECOMMENDATION

That Council:

- 3.1 Notes the upcoming key dates for these procurement processes:

NW AWP collaborative procurement:

- MOU to be signed and returned February 17, 2020
- Develop draft business case March-May 2020
- Approve developed business case August 2020 (decision/exit point)

SKRM collaborative procurement

- MOU to be signed March 2020 (date TBC)
- Tender process to commence June 2020 (decision/exit point)

- 3.2 Notes that both processes are in the early stages of development, contain numerous decision/exit points and are focused on investigating and testing the market for future waste and resource recovery solutions in a manner that is as technology agnostic as practicable.

- 3.3 Notes that the outcomes currently driving officer level involvement for Council in pursuit of AWP are for solutions that:

- Provide maximum resource recovery (highest resource recovery before thermal treatment or landfill)
- Work best towards achieving DWI targets (100% diversion by 2028) to respect community expectations
- Minimise, as much as possible, the logistic impact (and therefore cost impact) on collection services
- Provide the overall best value (fiscal) option to Council
- Promote Circular Economy principles



- Limit Carbon/Greenhouse gas emissions generated from the process
 - Must not incentivise volume of waste (i.e. create a need to 'feed the machine')
- 3.4 Authorises the CEO to sign the Memorandum of Understanding (MOU) for the North Western Advanced Waste Processing
- 3.5 Authorises the CEO to sign the Memorandum of Understanding (MOU) Sorting of Kerbside Recyclable Material collaborative procurement processes.

4. KEY POINTS/ISSUES

- 4.1 In the last three years Council has made a strong commitment to transforming waste management within the city to achieve more sustainable outcomes.
- 4.2 This commitment is outlined in direction 3 of the integrated Council plan 2017-27 'We will provide smart solutions for a sustainable future'
- 4.3 Council's 'Don't waste it!' Waste management strategy (2018 – 28) was endorsed in October 2018 and reviewed in December 2019 and clarified this commitment to transformation via 3 of its four key outcomes. Specifically, it committed to:
- Outcome 1: A city that reduces waste
- Outcome 2: A city that maximises reuse and recycling
- Outcome 4: A city that uses new technology to process waste better and reduce environmental impacts
- 4.4 In measuring success against these outcomes the strategy sets ambitious targets for 2028 including:
- Diverting 50% of food waste from landfill within houses, apartments council and Commercial buildings
- Diverting 85% of all waste from landfill within houses, apartments, Council Buildings and Council bins
- Treating 100% of all waste to maximise its value prior to landfill
- 4.5 It is recognised that achieving the above targets will require investigation and use of a variety of new service contracts and technologies (along with behaviour changes programs) and that this will precipitate a transformation in current waste management practices. To that end the strategy lists the following priority actions, targeted at recycling processing and advanced waste processing, to focus Council's efforts and achieve these targets:
- Priority Action 12. We will make sure Council's waste collection contracts and services maximise recycling



Priority action 22. We will investigate advanced waste treatment options, comparing the benefits and costs of different technologies available to inform our future service decisions

- 4.6 Since the strategy's adoption, there have been numerous incidents and policy developments within the waste sector which have reinforced the need for both innovation and long-term security. Key events have included:

The impact of the China National Sword Policy, which saw China raise the quality requirements for imported recyclate.

The subsequent impact on SKM (Council's kerbside recycling processor) resulting in its eventual insolvency in August 2019.

The eventual purchase of SKM assisted by Cleanaway Waste Management Limited and establishment of a contract with Council to receive and process kerbside recycling.

The State Government's response to these events including gazetting, in 2018, the Waste Management Policy (Combustible Recyclable and Waste Materials), release of the Recycling Industry Strategic Plan in 2018, overhaul of the Environment Protection Amendment Act 2018, which will come into effect on 1 July 2020 and the release of the Circular Economy Policy in early 2020.

- 4.7 There are also many other plans underway or being considered by State and Federal Governments such as the National Waste Policy, the State-wide Waste and Resource Recovery Infrastructure Plan, a Parliamentary Inquiry into Recycling and Waste Management, Advice on Waste Infrastructure in Victoria (led by Infrastructure Victoria), the Essential Services Commission's Review of Victorian Waste Services, and the House of Representatives' Inquiry into Australia's Waste Management and Recycling Industries.
- 4.8 These events and policy changes are taking place in a dynamic service delivery environment for local councils with key service contracts, both stand-alone and collaborative, due for renewal over the next 2 years (including kerbside collection, landfill and recycling processing).
- 4.9 This report addresses two opportunities that will deliver on Council targets, as well as Community expectations regarding waste diversion, while maintaining reliable service delivery. These are 2 collaborative procurement opportunities concerning Advanced Waste Processing (AWP) and Sorting of Kerbside recyclable material (SKRM). Both processes are being led by the Metropolitan Waste and Resource Recovery Group (MWRRG) and are seeking Council's initial commitment, via a memorandum of understanding, to proceed to development of a business case for collaborative procurement of AWP and SKRM options.
- 4.10 The first of these procurement options focuses on AWP, which relates to sophisticated technologies that recover more resources (Materials and Energy) from waste compared to landfill or basic recycling. These technologies can range from simple composting and mechanical sorting solutions through to advanced thermal treatment processes.



- 4.11 The deployment of these types of technologies over the next decade will be crucial to achieving sustainable waste management and the principles of a circular economy at both a local and state level.
- 4.12 While well utilised both within Australia and internationally, AWP technologies are currently underrepresented in Victoria, with relatively immature local policy and product markets.
- 4.13 The Victorian Government's pending Circular Economy Policy, is designed to address this immaturity and promote a more solid policy framework through which to investigate these technologies and establish supporting local markets.
- 4.14 Establishing AWP technologies can require significant capital outlay and coordination of resource inputs from users and as such, sits well within a group procurement process at a regional level.
- 4.15 Currently in Victoria there are two such group procurement processes being led by the Metropolitan Waste and Resource Recovery group:
- The South-Eastern group (currently underway), and
 - North-Western group (due for formal commencement February 2020).
- 4.16 A summary of key information concerning these two processes is available in attachment 2. Initial work has highlighted the need for a technology agnostic approach in order to deliver a best value solution that maximises waste diversion from landfill, while minimising impacts on service delivery and the environment (in particular avoiding the incentivising of waste generation).
- 4.17 In light of this volatility and the long lead times associated with these types of facility the Metropolitan Waste and resource recovery group (group procurement lead) has recognised the need for these processes to proceed at pace to ensure a smooth transition from landfill to AWP.
- 4.18 The South-Eastern procurement stream is currently underway with an expression of interest scheduled to be released to industry March 2020
- 4.19 The North-Western group stream, which includes the City of Port Phillip and 11 other LGAs, is due to commence in 2020 with participating Councils being asked to commit to the MOU by February 17 2020
- 4.20 The procurement process is designed to be technology agnostic, industry led and will maintain flexibility by containing several decision/exit points for participants.
- 4.21 To ensure delivery of the process as outlined above, Officer level involvement for Council will be driven by an outcomes-based approach. The outcomes currently driving officer level involvement for Council in pursuit of AWP are for solutions that:
- Provide maximum resource recovery (highest resource recovery before thermal treatment or landfill)

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- Work best towards achieving DWI targets (100% diversion by 2028) to respect community expectations
 - Minimise, as much as possible, the logistic impact (and therefore cost impact) on collection services
 - Provide the overall best value (fiscal) option to Council
 - Promote Circular Economy principles
 - Limit Carbon/Greenhouse gas emissions generated from the process
 - Must not incentivise volume of waste (i.e. create a need to 'feed the machine')
- 4.22 Pending endorsement of the MOU by Council the next stage on the procurement process will be to proceed with development of a business case and to simultaneously commence a thorough Council engagement process as senior officer and Councillor understanding and leadership on this issue will be vital.
- 4.23 It is worth noting that this MoU is not an agency letter for the establishment of a procurement process nor a commitment of funds from Council, but rather a commitment for participating Councils and MWRRG to work collaboratively to explore AWP procurement options via the writing of a business case by MWRRG, in conjunction with the signing Councils.
- 4.24 This process represents an opportunity for Council to explore options for improved waste and recycling processing facilities that will, either as standalone facilities or as part of a suite of AWP solutions, maximise diversion from landfill and promote resource recovery and the principles of a circular economy
- 4.25 The second procurement opportunity concerns the Sorting of Kerbside Recycling Materials (SKRM). This, while technically still a form of AWP, concerns the sorting and processing of Council's kerbside recycling waste only.
- 4.26 The SKRM process, initiated in August 2019 currently has provisional involvement from the vast majority of metropolitan Councils. The process has been delayed allowing for the release of the Victorian Government's circular economy policy, however must still aim to award a contract to a solution (or solutions) by July 2021. This date aligns with the ending of the current ministerial exemption applied to waste and recycling service contracts as well as the review period of the contract with Council's current recycling processor, Cleanaway P/L at Laverton North.
- 4.27 In light of the volatile state of the recycling sector there will be a strong emphasis during this procurement on the creation of not only best value and innovation but of sustainable market solutions for recyclable material and increased diversity of suppliers (and therefore market stability) within the sector. Material change of custody and support for local reuse and reprocessing will also be key and will contribute to alignment with the principles of a circular economy



- 4.28 Council is represented on the current working group for this process and will play a role in influencing not only the aspects above but also the logistic and operational requirements necessary for efficient service delivery at the local level.
- 4.29 Pending Council endorsement of the MOU for this process, Council officers, via the working group, will help progress development of both a procurement model and service specifications for SKRM.
- 4.30 This process represents an opportunity for Council, on behalf of the community, to not only investigate potential innovations in the recycling of kerbside materials but, perhaps more importantly, improve the sustainability and stability of the recycling sector as a whole.
- 4.31 A timeline for both processes, in conjunction with other relevant procurement and policy events can be found in attachment 4
- 4.32 Provisional ACCC approval has been granted for both procurement processes.
- 4.33 Both of these MOUs represent the beginning of the process and do not commit Council to an end result but rather allow investigation into smart solutions for a sustainable future and, in the case of SKRM, a more stable environment in which to deliver existing recycling services.
- 4.34 Furthermore, Council will maintain, as per its commitment in the 'Don't waste it!' strategy (2018), concurrent investigations into both smaller scale and direct engagement opportunities around organics processing, recycling and advanced waste processing while involved in these processes.

5. CONSULTATION AND STAKEHOLDERS

- 5.1 External Stakeholders include the Victorian government and associated departments/bodies including Sustainability Victoria, Department of Land use, Water and Planning (DELWP) and the Metropolitan Waste and Resource Recovery group (MWRRG) as well as the Municipal Association of Victoria (MAV), the commercial waste and recycling sector and industry bodies and local Councillors and the community.
- 5.2 Internal Stakeholders include the Sustainability, Waste Futures, Street and Beach and procurement teams directly as well as ASSIST teams which will be a vital link to the community as the procurements progress
- 5.3 Adoption of any solution (in particular AWP) will require extensive buy-in from the local community and as such comprehensive consultation and community education will be delivered.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 Council's strategic targets and key outcomes are at risk if Council does not investigate new recycling and advanced waste processing solutions or find other ways of improving resource recovery at kerbside.



- 6.2 These two procurement processes represent a viable opportunity to fulfil this obligation and as such non-participation carries a risk of failure regarding strategic waste and resource recovery outcomes.
- 6.3 Conversely it is well known that group procurement processes, particularly those involving state government bodies and region wide Council involvement, have historically encountered issues including running overtime and have at times suffered from the difficulties of achieving consensus within a large stakeholder group. This poses a risk to timely contract completion but can best be managed by early engagement of senior leadership and strong lines of communication
- 6.4 A lack of certainty on the direction of State policy on these matters, in particular AWP, poses a risk to the viability of solutions identified through these processes. As the Victorian Government releases further clarification, such as it's circular economy policy, this risk will be reduced.
- 6.5 While it is highly unlikely, due to the high cost and low availability of local real-estate, that Council will host any infrastructure associated with the procurement, officers will need to be acutely aware of the updated EPA legislation (particularly addressing stockpiling), chain of responsibility and OHS requirements and any other potential risks to operational continuity.
- 6.6 Given the early stage of these processes, several of the above risks sit at a relatively low level due to the minimal commitment required and the non-limiting nature of the agreements.

7. FINANCIAL IMPACT

- 7.1 With the South East procurement process underway but confidential and the North Western procurement yet to commence, it is not possible to comment on financial impacts of any potential outcome from this process with certainty.
- 7.2 Indicative market figures have pointed to processing or gate fees ranging from \$150-\$250 per tonne for AWP and \$100-\$170 for SKRM. Landfill gate fees in Victoria currently range from \$110-\$140.
- 7.3 These figures themselves may well be subject to distinct change should the Circular economy paper recommend pursuit of legislative/punitive measures to promote resource recovery and discourage landfilling.
- 7.4 It is clear however, that there will be a cost impact, especially in regard to pursuit of AWP. The size of this impact however could vary widely based on the type and number of solutions chosen and the amount of material sent to any one facility for processing.
- 7.5 A key element of procurement process will be pursuit of best value and strong and transparent involvement of Councils procurement department in option assessment.
- 7.6 Management of Council's involvement within this procurement process is currently satisfactorily resourced within the Maintenance and Operations department. However, monitoring of resource demand will be conducted as the processes progress to ensure an optimum outcome for Council with minimal service disruption.



8. ENVIRONMENTAL IMPACT

- 8.1 While the AWP procurement process itself is technology agnostic – Council officers will maintain a strong outcomes-based approach with minimising environmental impact a pivotal focus.
- 8.2 As outlined in the briefing to Council on November 5 – attachment 3, Council officers will focus on outcomes that:
- limit carbon/greenhouse gas emissions generated from the process and
 - must not incentivise volumes of waste.
- 8.3 By their nature AWP technologies are designed to manage waste for an improved environmental outcome but due to different methods and market drivers these processes can also carry differing environmental costs. These will need to be thoroughly assessed and communicated to Council as the process progresses.
- 8.4 Similarly, to AWP, the SKRM procurement will focus on improved environmental outcomes via increased efficiency and resource recovery within the kerbside recycling sector. This will further reduce environmental impact via a reduction in virgin resource use.
- 8.5 Further to this, increased chain of responsibility and the end use of products will be a key driver in assessing SKRM solutions. This has been lacking in the recycling processing industry to date and has implications for both environmental and social outcomes. This will be addressed by the procurement working group during specification development.

9. COMMUNITY IMPACT

- 9.1 The community expect Council to show leadership and provide suitable options for waste and recycling services. This procurement processes will allow council to present the community with options to ensure the services meet their needs.
- 9.2 A key element in either process will be ensuring the community has trust and engagement with the chosen solutions. For AWP this may include an understanding of the technology, its safety compliance and its environmental cost / benefit. For the SKRM process there will likely be needing to be able to present a clear chain of custody of materials, methods to avoid stockpiling risks as well as reliability of the services.
- 9.3 Should Councils involvement in the procurement process progress to engaging a preferred supplier, involving either new technology or different sorting requirements at kerbside, extensive community engagement will be crucial to its success.
- 9.4 Council's own communications and engagement plan will also need to incorporate the broader groups procurement communication and engagement plan during the awarding and construction commissioning stage.



10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 The processes outlined in this report align with strategic direction three of the Council Plan 2017-27: We have smart solutions for a sustainable future, specifically the Waste Management Transformation.
- 10.2 The report considers the changing landscape of waste in Victoria and aims to offer the Port Phillip community with new options for waste management and recycling.
- 10.3 Pending the type and scale of the solutions resulting from the process Council may need to develop a formal policy position on AWP.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 Attachment 3 sets out the current proposed timeline for North Western AWP procurement process and the SKRM process in relation to other key policy and contract dates.

11.2 COMMUNICATION

- 11.2.1 The current state of these processes does not require a specific communications plan. As the processes progress however a communications and engagement plan which will enable substantial promotion, education and behaviour change campaigns to support their successful implementation of the new solutions, will be required.
- 11.2.2 In the short and mid-term, Officers will ensure that Council is kept up to date and that all relevant staff and stakeholders are engaged in a transparent and consistent manner.

12. OFFICER DIRECT OR INDIRECT INTEREST

- 12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

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ATTACHMENTS

- 1. MOU AWP NW group
- 2. AWP collaborative procurement summary
- 3. Procurement timeline NAWP and SKRM group procurements