

Exemption from Tender and Contract Variation - Bulky Organics and Cleansing Waste Processing

File No: X011992.001

Contract No: 2812

Summary

This report seeks an exemption from tender for the provision of processing organics, bulky waste and non-putrescible cleansing waste due to extenuating circumstances and requests Council approve a contract variation to extend the Organics, Bulky Waste and Cleansing Waste (Non-Putrescible) Receipt and Processing Contract (contract number 2812) for a further 3 years.

The City has a combined contract for processing 4 council waste streams, bulky household clean up, food organics, garden organics and non-putrescible cleansing waste. The contract is with Veolia Environmental Services (Australia) Pty Ltd - ABN: 20 051 316 584 (Veolia) and will expire on 30 June 2025 with no further options for extension. Under the existing contract Veolia manages transfer and processing of each waste stream, either directly or through a sub-contract arrangement.

At present, the development of new and improved facilities to better manage more unconventional waste streams such as mixed bulky household waste, non-putrescible cleansing waste and food organics is immature in Sydney and only one operator can offer such services that achieve our stated environmental objectives and operational requirements. Extending the existing contract will secure service continuation for processing of residential food organics, garden organics, bulky and non-putrescible cleansing waste services that:

- meet the City's regulatory requirements for responsible management of waste
- meet the City's sustainability targets and maintain our high landfill diversion rate
- deliver surety of processing for our collected streams
- offer contingency arrangements for food waste processing while the City tests and develops its long-term food waste treatment solutions
- are operationally feasible through the availability of existing transfer infrastructure.

This report recommends that Council grant an exemption from tender for the provision of Organics, Bulky Waste and Cleansing Waste (Non-Putrescible) Receipt and Processing services as a satisfactory result would not be achieved by inviting tenders and that Council approve a contract variation to extend the contract for a further 3 years.

Recommendation

It is resolved that:

- (A) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993 for the provision of Organics, Bulky Waste and Cleansing Waste (Non-Putrescible) Receipt and Processing services as a satisfactory result would not be achieved by inviting tenders;
- (B) Council note that a satisfactory result would not be achieved by inviting tenders for this work because:
 - (i) the City's current supplier for bulky material processing is the only suitably licensed supplier in the Greater Sydney area that can process material that delivers high rates of diversion from landfill;
 - (ii) the City's current supplier for street sweeping processing is the only suitably licensed supplier in the Greater Sydney area that can process material that delivers high rates of diversion from landfill;
 - (iii) the market settings for food and garden waste processing are currently impacted by several pending changes that include legislation, planning approvals and construction timelines;
 - (iv) it is not anticipated that any meaningful new processing facilities will be established during the term of the proposed extension;
 - (v) the extension will allow time to test and evaluate the 12-month food organics insect processing trial due to commence in 2025; and
 - (vi) Veolia as the head contractor has confirmed that it can continue to provide capacity at its transfer stations for all existing services at an acceptable distance for our collection trucks to access;
- (C) Council approve a variation to the existing contract with Veolia Environmental Services (Australia) Pty Ltd to extend the contract for a further 3 years, with a revised expiry date of 30 June 2028;
- (D) Council note the revised contract sum for the extended term is set out in the Confidential Attachment A to the subject report; and
- (E) authority be delegated to the Chief Executive Officer to negotiate and finalise the contract extension with Veolia Environmental Services (Australia) Pty Ltd for the provision of Organics, Bulky Waste and Cleansing Waste (Non-Putrescible) Receipt and Processing services.

Attachments

Attachment A. Financial Implications (Confidential)

Background

1. The absence of processing infrastructure close to the City means that we are wholly reliant on the availability of waste transfer stations to aggregate and transport materials to processing facilities out of our area. Currently there are only 2 providers with appropriately licensed waste transfer stations to cover all material streams under this contract, Veolia and Cleanaway.
2. The City has a combined contract for processing 4 council waste streams, bulky household clean up, garden organics, food organics and non-putrescible cleansing waste. The contract is with Veolia and will expire in June 2025 with no further options for extension. Under the existing contract Veolia is engaged to provide waste transportation from their transfer facilities in Banksmeadow and Port Botany to the contracted processing facilities located in Woodlawn, Badgery's Creek, Rosehill and Wetherill Park.
3. To prepare for the upcoming contract renewal, the City staff undertook market analysis to assess the industry's capacity to offer competitive tendering and innovative solutions that enhance both operational efficiency and environmental outcomes. A detailed overview of current waste stream processing providers and the market analysis findings is provided below.

Bulky household clean up and illegal dumping processing

4. The City collects and processes approximately 5,000 tonnes of bulky material annually, generated from household cleanup and illegal dumping, with ResourceCo Pty Ltd, a sub-contractor to Veolia, handling the processing. Their Wetherill Park facility accepts dry, non-recyclable waste, removing metals and aggregates for recycling. The remaining material is converted into Processed Engineered Fuel (PEF), which substitutes fossil fuels in cement kilns across Southeast Asia through ResourceCo's operations. This facility achieves an annual average of 94% of landfill diversion rate.
5. ResourceCo is currently the only supplier in Greater Sydney capable of handling bulky waste with high diversion rates, backed by end market agreements with reputable global partners. There is only one other supplier offering a bulky waste processing service. Their facility currently processes bulky waste alongside construction and demolition materials, focusing on recycling metals and aggregates. This facility is currently achieving approximately 75% recycling of the accepted materials with the remaining material ending up in dry landfills. This recycling rate is lower than the average 94% diversion rate we are achieving through our existing arrangement. We are informed that the other supplier is seeking to provide similar processing capability to create PEF from bulky waste in the future, however the timeline for this service availability is not known. Additionally, the City separately collects and recycles bulky items like metal, electronics, and mattresses and sends them to specialised processing facilities that deliver high recovery rates, making the use of the other processing facility inefficient.

Cleansing waste (non-putrescible)

6. Our cleansing services collect approximately 1,200 tonnes of cleansing waste annually, consisting of leaf litter, plastics, and inert particles. Downer, a sub-contractor to Veolia, processes this material at its Rosehill recycling facility, diverting an annual average of 96% from landfill. The recovered inert materials are repurposed within Downer's network to produce recycled asphalt. Importantly, Downer holds the necessary licenses to recycle organic components and manage complex chemicals, such as heavy metals. Other suppliers can only process a small portion of similar waste, typically aggregates, with the remainder sent to landfill. Engaging these providers could reduce the City's environmental outcomes.

Organics waste processing

7. The City currently collects approximately 1,800 tonnes of garden organics and 550 tonnes of food waste per year. Garden waste is processed by Australian Native Landscapes (ANL) at Badgery's Creek and food waste is currently going to Veolia's Woodlawn facility near Goulburn while the Earthpower anaerobic digestion facility is being commissioned. Currently, the processing for garden organics and food organics delivers an annual average diversion rate of 94% and 80% respectively.
8. As part of the City's commitment to seeking processing solutions that not only meet value for money and our operational needs but also deliver on our sustainability objectives the City has committed to a 12 month trial to process food waste using insect farming. The process is a relatively new and innovative process that can potentially deliver high landfill diversion and greater greenhouse gas reductions compared with other food waste processing technologies currently available on the market. The trial will test the ability of the technology to process household food waste at scale. The trial is due to start in 2025 and run for 12 months.
9. Other potential suppliers of food waste processing capacity to service Greater Sydney have been subjected to delays due to either planning and/or construction issues and are unlikely to be able to accept waste by 1 July 2025.
10. Extending the current agreement will ensure that the City has contingency processing for food waste throughout the trial period. Going to tender in 2025 would result in the City needing to separate this component of the service and without certainty of retaining the other existing arrangements that meet our operational and environmental objectives.

Performance Measurement

11. Performance measures are in place with the current provider under the current contract. The provider has met the contract requirements and will be required to meet similar requirements as part of a contract extension.

Financial Implications

12. Additional funds will be allocated for this service within the next iteration of the operating budget and future years' forward estimates.
13. The financial implications are outlined in Confidential Attachment A.

Risks

14. If this proposal is not approved, the City risks disruption to waste processing continuity, which could lead to some or all material being sent to landfill.

Relevant Legislation

15. The exemption from tender process has been conducted in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2021.
16. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
17. Attachment A contains confidential commercial information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
18. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

19. The existing contract ends on 30 June 2025. It is anticipated that if the recommendations set out in this report are adopted by Council, a contract variation to extend would be in place by that date to enable continuous services to be provided.

Options

20. Alternative options have been considered to ensure the continuity of the services provided under Contract 2812. These include:
 - (a) Initiating a tender for the ongoing provision of the processing services. This approach is not recommended as it will not achieve better outcomes than the current agreement. Additionally, it would require separating the food component of the service due to the planned insect processing trial creating uncertainty around maintaining the existing arrangements that support our operational and environmental objectives.
 - (b) The separation of each processing service into single contracts. This is not recommended as individual processing suppliers cannot provide their own waste transfer facilities that are critical to the City being able to provide services within our operational capacity.

Public Consultation

21. Extending the contract will maintain processing of the waste streams to achieve high landfill diversion. There will be no change to services to the community because of this contract and therefore public consultation is not required.

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