

REGION OF OTTAWA CARLETON  
 RÉGION D'OTTAWA CARLETON

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REPORT  
 RAPPORT

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Our File/N/Réf.           **50 16-98-0028-H**  
 Your File/V/Réf.

DATE                       04 September 1998

TO/DEST.                 Co-ordinators  
 Planning & Environment and Corporate Services and Economic  
 Development Committees

FROM/EXP.               Environment and Transportation Commissioner

SUBJECT/OBJET         **RECYCLABLE MATERIAL PROCESSING**  
**CONTRACT CC - 8017F AND CC-8017C**

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### **DEPARTMENTAL RECOMMENDATIONS**

**That the Planning and Environment Committee and Corporate Services and Economic Development Committee recommend and Council approve:**

- 1. That Contract CC-8017F be awarded to Waste Recycling (Ottawa/Hull) Inc., Ottawa, Ontario for a five year period commencing 01 June 1999 to process the Region of Ottawa-Carleton's mixed fibre stream at an estimated cost of \$9,930,000 (GST not included);**
- 2. That Contract CC-8017C be awarded to Halton Recycling Limited, Burlington, Ontario for a five year period commencing 01 June 1999 to process the Region of Ottawa-Carleton's co-mingled containers at an estimated cost of \$8,320,000 (GST not included).**

### **INTRODUCTION**

The current Solid Waste Collections and Recyclable Materials Processing contracts will expire 31 May 1999. At the 27 May 1998 Council meeting, the Solid Waste Collection Contract Development - *Competitive Elements* report was considered. The report had three common objectives; waste diversion, customer convenience and fiscal responsibility. Specifically, this report discussed competitive elements designed to increase competition in the local market and the splitting of recyclable material collections component from the processing component. Council approved the report which included the following components:

- a) recyclable material two stream processing as a separate stand alone contract;
- b) inclusion of a pre-qualification process; and an
- c) alternate fibre and container recycling collection program.

## DISCUSSION

On 12 June 1998, the Region of Ottawa-Carleton (ROC) released a request for proposals (RFP) for the 1999 Recyclable Material Processing Contract. As part of the evaluation process, companies were required to respond first to a request for qualifications (RFQ) (see Annex A for specific requirements). Six companies responded to the RFQ and five companies qualified to submit a proposal.

The RFP closed on 04 August 1998 and the following five firms submitted a proposal for consideration:

- 1) Canadian Waste Services Inc.(CWS);
- 2) Halton Recycling Limited (HRL);
- 3) Miller Waste Systems (MWS);
- 4) Rebut Solides Canadiens (RSC); and
- 5) Waste Recycling (Ottawa/Hull) Inc. (WRI).

## Contract Options and Overview of Results

Respondents were requested to bid on a contract of five and ten years, full material tonnage for both fibre and containers, fibre only, container only, and the same combinations for half material tonnage. In addition to this base bid, respondents were allowed to provide innovative options that could reduce the overall contract costs. The evaluation of the contract options was conducted by staff and MacViro Consultants Inc. which was retained to assist with the development of the RFP and evaluation of the proposals.

The five and ten year prices were solicited to determine if lower processing costs could be realized by committing to a longer term. The responses received revealed there is very little price difference between the five and ten year price per tonne. A small premium of 2.3% will be incurred for choosing a five year term over a ten year term. However, recycling technology is continually evolving and there are processing research and development (R&D) advantages and possibly future cost savings associated with a five year term over a ten year term.

In order to encourage competition, the prices to process full tonnage and half tonnage were requested. By splitting available material tonnage, processing competition will be encouraged. However, the financial analysis of this scenario reveals there is an additional cost of approximately one million dollars per year (21%) to award the contract in this fashion. As such, it is not economically feasible to award a contract based on half tonnage.

Prices for processing specific material streams ( fibre and containers) was requested to determine if there is a cost efficiency in having a contractor specialize in a particular material stream. The

financial analysis shows that splitting material streams is the most cost effective award. In addition, it achieves the goal of promoting processing competition in the region.

### RFP Evaluation

Requests for proposals were evaluated on seven criteria and price. The criteria included facility location, facility description, marketing ability, timeline, processing contingency plan, innovative features and acceptance and ability to meet specifications and conditions.

The following table outlines each respondents average unit costs per tonne to process materials in Ottawa-Carleton for the five year, full material stream. Respondents were requested to provide the price exclusive of GST.

Table 1 Overview of Responses for Five Year Contract and Full Tonnage

Company	All Materials	Containers	Fibre
CWS	no bid	\$191.00	\$52.00
HRL	\$63.75	\$130.00	\$55.25
MWS	\$87.86	\$227.27	\$82.83
RSC	no bid	no bid	no bid
WRI	\$65.22	\$171.70	\$43.93

Notes: The fibre to container ratio is approximately 3<sup>1</sup>/<sub>2</sub>: 1 by weight.

The lowest price combinations for five and ten years, full and half tonnage are shown in Table 2.

Table 2 Calculated Lowest Price Combinations

	Company (material) Combination	\$/tonne
Full Tonnage		
5 Year	HRL(container) + WRI (fibre)	\$62.93
10 Year	HRL(container) + WRI (fibre)	\$61.48
Half Tonnage		
5 Year	WRI (both) + CWS (both)	\$79.99
10 Year	WRI (both) + HRL(both)	\$77.75

The overall low bid is a combination of Halton Recycling Limited to process the containers stream and Waste Recycling Inc. to process the fibre stream for a calculated unit price of \$62.93 per tonne (GST not included). Annex B provides a listing of all base price submissions.

### Innovative Options Evaluation

Innovative options were proposed by three of the five respondents, Halton Recycling Limited, Miller Waste Systems and Rebutts Solides Canadiens. During the interview process, RSC informed the Region it would not accept numerous specifications and conditions as required in the RFP. As such, the RSC proposal was rejected. Halton Recycling and Miller Waste suggested a form of revenue share with other variations. In these two cases a financial analysis, conducted by

MacViro Consultants Inc. using 1997 and 1998 market revenue information, showed that the Region should continue to retain 100% material revenues and market risk. Annex C provides a summary of these two firms innovative options and staff's comments.

#### FINANCIAL STATEMENT

Funding for this contract will come from the 1999 and subsequent operating budgets.

#### CONCLUSION

The benefits to award a five year contract based on material streams to two companies provides the Region with a competitive processing cost, an optimum time frame to encourage further innovation, and maintains competition. Therefore, it is recommended that the Planning and Environment Committee and the Corporate Services and Economic Development Committee recommend and Council approve the award of contract CC-8017F to Waste Recycling (Ottawa/Hull) Inc., Ottawa, Ontario, to process mixed fibre and the award of contract CC-8017C to Halton Recycling Limited, Burlington, Ontario, to process co-mingled containers.

*Approved by  
M.J.E. Sheflin, P.Eng.*

#### FINANCE DEPARTMENT COMMENT

Approval of this contract represents a pre-commitment against the 1999-2004 Operating Budgets.

*Approved by T. Fedec  
on behalf of the Finance Commissioner*

JRH/mm

REQUEST FOR QUALIFICATION REQUIREMENTS

A respondent to the RFQ had to submit and was reviewed on the following basis:

- (a) the Form of Submission;
- (b) in the case of a corporation responding, the Corporate Resolution and copy of the Incorporation Document;
- (c) the Contractor's Certificate of Approval;
- (d) the Regional Consent to operate a recycling facility;
- (e) the Competence and Experience schedules, Statements "A" through "D";
- (f) the Certificates of Insurance;
- (g) the Agreement to Bond;
- (h) the Commitment for the Unconditional Automatically Renewing Irrevocable Letter of Credit;
- (i) the Workers' Safety and Insurance Board of Ontario Clearance Certificate;
- (j) all Addenda issued by the Corporation with respect to this Contract.

## Proposed Unit Costs in Dollars per Tonne

		CWS	HRL	MWS	RSC	WRI
<b>Full Tonnage</b>						
5 year	All Materials		\$63.75	\$87.86		\$65.22
	Containers	\$191.00	\$130.00	\$227.27		\$171.70
	Fibre	\$52.00	\$55.25	\$82.83		\$43.93
10 year	All Materials		\$61.38	\$79.88	\$89.37	\$64.97
	Containers		\$125.00	\$208.84	\$160.00	\$169.70
	Fibre		\$53.62	\$75.31	\$120.00	\$43.89
<b>Half Tonnage</b>						
5 year	All Materials	\$86.00	\$89.00	\$140.71		\$73.97
	Containers	\$334.00	\$172.00	\$397.40		\$203.51
	Fibre	\$91.00	\$68.50	\$131.53		\$51.55
10 year	All Materials		\$85.00	\$123.07	\$150.00	\$70.50
	Containers		\$177.00	\$349.78	\$200.00	\$190.88
	Fibre		\$67.00	\$115.79	\$175.00	\$49.53

Note: When no price is presented, the company did not provide a bid.

**INNOVATIVE OPTIONS EVALUATION****Halton Recycling Limited**

Halton Recycling Limited has offered to do all processing at no cost in return for 100 percent revenue from the sale of recyclable material. The option applied to the processing of both the combined container and fibre streams and the fibre stream alone under both the 5 and 10 year terms.

This offer conditional that there was no change in: material quantities, material consumption, use of aluminium and deposit legislation. As well there were requirements for the management of broken glass under 2” in size.

The financial analysis conducted by MacViro Consultants compared Halton’s base bid with that of its option. Based on the last twelve months of revenue, the Region would have saved more money by retaining material revenues. In addition, the continued use of aluminium by the soft drink industry and possible changes to the deposit/return legislation are outside the ROC control. As such, Halton’s proposed option was rejected.

**Miller Waste Systems**

Miller Waste Systems has offered to pay the Region five percent of the revenue realized from the sale of commercial fibre when the price of cardboard exceeds \$70 per tonne.

Based on the assumptions provided by Miller Waste Systems, a financial analysis showed the processing fee would be reduced by \$6.12 per tonne. The processing fee reduction is not enough to make the proposal close to the low bids. Therefore, Miller’s proposed option was rejected.