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DATE                                19 May 1998

TO/DEST.                         The Chair and Members of Council

FROM/EXP.                        Director, Solid Waste Division  
                                      Environment and Transportation Department

SUBJECT/OBJET                 **RESPONSE TO INQUIRIES AND MOTION NO. 1-98 -  
SOLID WASTE COLLECTION CONTRACT -  
COMPETITIVE ELEMENTS REPORT**

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#### BACKGROUND

At the Planning and Environment Committee meeting of 28 April 1998, two reports regarding the forthcoming Solid Waste Collection Contract Tender were presented. The Levels of Service report was approved without amendment while the Competitive Elements report was approved with several amendments as follows: the number of curbside collection zones be changed from the proposed five to nine; the Region may operate a minimum of one zone but the maximum number would be limited; and Regional staff will provide estimates of its costs for each zone at the time of tender opening.

The Committee also asked staff to look into the following:

1. Assess the implications of having nine curbside collection zones versus three;
2. Review the advantages and disadvantages of various waste collection scheduling options for holiday weeks;
3. List other areas where managed competition is being used.

Since the timeline for award of the next collection contract is critical, a revised schedule is also included with this report.

## DISCUSSION

### 1. Nine, Five or Three Curbside Collection Zones

The current solid waste collection contract includes three curbside zones. In order to foster increased competition among local haulers, Solid Waste Division staff proposed five curbside zones be established for the next collection contract. In December 1997, Regional staff met with waste haulers to determine how the current contract could be changed to increase competition, improve efficiencies and facilitate technical innovation. All but one firm advocated that zones of approximately 40,000 households would be suitable for their operations, one firm advocated larger zones. The Planning and Environment Committee asked Regional staff to assess the implications of implementing nine zones. An estimate of the number of households in nine zones and the required number of Tender bid sheets compared with the current three zones and proposed five zones are shown below:

Curbside Collection Zones  
Number of Households and Contract Bid Sheets Per Zone

Zone	Current Contract (Households per Zone)	Zone	Proposed Contract (Households per Zone)	P&E Committee Motion
A	50,000	C1	28,920	9 Zones
B	70,000	C2	48,290	
C	85,000	C3	46,140	
		C4	47,290	
		C5	41,860	
Impact on Contract	7 bid sheets		31 bid sheets	511 bid sheets

#### Pros of Nine Zones:

- smaller zones for smaller players;
- more zones may lead to more competition;
- larger firms can still bid on as many combined zones as they want (economies of scale still preserved).

#### Cons of Nine Zones:

- higher overall cost expected;
- higher tendering effort and cost for all vendors;
- very complicated bid evaluation process;
- higher ongoing administrative cost with more contractors;
- vendors will find it difficult to complete complicated tender document.

Five zones would require the bidders who want to compete for all zone combinations to complete 31 bid sheets (bid sheet example - Annex A; Zone Combinations - Annex B); whereas bidders competing for all zone combinations in the nine-zone scenario would have to complete 511 bid sheets. Each combination is unique and may entail a different approach to handle the variable fixed and overhead costs.

Staff anticipate two significant drawbacks with a nine-zone scenario: excessive efforts on behalf of bidders in the tender process, and the potential of multiple firms trying to recover overhead costs (more route supervisors, more maintenance facilities, etc.) resulting in higher tender prices.

## 2. Collection Schedule

Currently, when a collection day falls on a statutory holiday, there is no collection service provided on that day. The collection schedule for the remaining days of the week is delayed by one day, with Saturday making up for the missed day. One drawback of the current schedule is that residents may not be home on Saturdays to retrieve their reusable containers. This problem could be easily resolved by requesting residents who plan to be away for the weekend to set out their garbage in plastic bags and not set out a blue box. Also, Saturday collection requires the contractor to pay overtime, which represents an estimated cost to the Region of approximately \$50,000. Other scheduling options are as follows:

### a) Rolling Collection

For a rolling collection schedule, the residents' collection day changes every time there is a holiday. For instance, if collection day is on a Tuesday and there is a holiday Monday, the new collection day will be Wednesday until the next holiday week. A version of this schedule is currently being used in the City of London, Ontario.

This schedule avoids Saturday collection and could save the Region about \$50,000 (net of estimated communication/inspection costs). Staff is of the opinion, however, that the constant changing collection day would be less convenient and more confusing for residents than the current schedule where the collection day remains the same for 43 out of 52 weeks.

### b) Double-Up Collection

For this schedule, there is no collection on a Monday holiday. Monday and Tuesday materials are collected on Tuesday and the collection schedule for the rest of the week does not change. This collection schedule was in place in the City of Kanata until 31 December 1997 when the RMOC assumed waste management jurisdiction.

In order to provide a double-up collection schedule, it is necessary to have enough spare collection capacity on Tuesdays so that two days may be collected in one. Staff has estimated that this schedule may add about \$ 500,000 per year in additional vehicle costs and may increase operating costs should additional staff be required.

c) Permanent Monday to Friday Collection

For this schedule, there is collection service on holidays with the result that the collection day never changes. This option is estimated to be cost neutral; however, the main problem is that residents who are not at home during a holiday Monday would miss out on that week's collection. Alternatively, residents may choose to put waste out on Friday night for Monday morning collection, which would prove unsightly and may result in scattered waste and related litter problems. Similar to the current practices, one group of householders is still inconvenienced if away for the long weekend. This scenario offers no service disruption for the balance of the week; however, haulers have indicated that with this practice their staff cannot take advantage of the three-day weekends.

Annex C shows a comparison of the different collection schedules.

A related problem involves missed/late set outs on Friday or Saturday that are often not collected until Monday, although there is a late pick-up service where collection areas are missed. For the next collection contract, the Solid Waste Division is proposing to have a Friday/Saturday late collection service where the contractor will be obligated to keep a service truck on standby until 8:00 p.m. to collect missed calls.

3. Managed Competition

The Solid Waste Association of North America (SWANA) was contacted for information related to managed competition and public/private sector roles. Information provided indicates that 62 percent of the 100 largest municipalities still use public sector staff solely for collection, 18 percent private sector, 14 percent use a combination, and 6 percent use private sector where the residents contract for their own service. SWANA also provided several well-known managed competition examples such as those outlined in the original staff report: Charlotte, North Carolina; Indianapolis, Indiana; and Phoenix, Arizona. In addition, they noted a recent change in Cicero, Illinois, where municipal crews have recently taken over residential pick-up previously contracted completely to the private sector.

With respect to specific examples where the public sector has entered into the direct delivery of services previously provided by the private sector, a number of recent examples exist within the Region.

1. In the early 1990's, in an effort to find more cost-effective methods of providing Household Special Waste (HSW) services, the Region commenced operation of a permanent depot at the Trail Road Landfill Site to replace the mobile depots previously handled by contract with the private sector. Bulking and disposal continues to be a service provided by the contractors.
2. The biosolids operation at the Robert O. Pickard Environmental Centre was initially contracted to the private sector, but eventually brought "*in-house*" with substantial cost-savings to the rate payers.

3. In Ottawa-Carleton, two private sector firms initially indicated a willingness to provide services for the composting of organic waste in response to a solid waste pilot project initiative. One of the private sector firms never did become operational and the second shut down after a year. To support the infrastructure that had developed, the Region obtained temporary approval to operate an organics transfer station at the Trail Road Landfill Site.

The concept of managed competition should not be considered a public versus private issue. In this forthcoming contract, as in the previous contracts, staff has tried to manage and promote competition using many different approaches. In 1995, the Region attempted to *manage competition* by dividing the contract award to encourage more local competition. In developing the next contract, some aspects were modified to promote more competition and better pricing in an industry that is rapidly consolidating. The nature of the public sector's role in the provision of services continues to change and evolve to suit the times and needs. The goals stated in the original report - fiscal responsibility, customer convenience, and waste diversion - cannot be met without ongoing changes.

#### 4. Contract Timeline

Assuming that Council approves the Levels of Service and Competitive Elements Reports, the contract timeline has been revised as follows:

Contract Task	Target Date
Reports to Council	27 May 1998
Release Request for Qualifications (RFQ)	29 May 1998
Release Curbside Tender	29 May 1998
Release Apartment Tender	29 May 1998
Release Processing Tender	29 May 1998
Bidder's meeting	4 June 1998
RFQ closes	17 June 1998
Tender closes	28 July 1998
Award contract	9 September 1998
Contract begins	1 June 1999

#### CONCLUSION

As the number of curbside collection zones increases, the effort required to complete the tender submissions and to assess the bids rises exponentially for the vendors. In addition, as a special effort was made to consult with all potential vendors on the size of the zones and as the majority of these firms supported a minimum zone size of 40,000 households, staff recommend that the five-zone scenario be maintained as proposed.

With respect to the collection schedule, staff recommends that the current schedule be continued for the next collection contract. The residents and collection firms are familiar with the current collection schedule, and collection day changes with the resulting confusion are kept to a minimum. Adjustments for holidays are problematic, but steps can be taken to reduce problems in the next contract.

Contract structure and the use of managed competition are key elements to meeting the goals of the next collection contract. As industry consolidation is resulting in the reduction of competition, the emergence or re-emergence of the public sector will assist in developing the competitive environment.

The contract timeline has been updated and tightened where possible. Vendors have a total of forty-one days to respond to the Request for Qualifications and the Tender. A contract award date of 9 September 1998 will allow vendors thirty-seven weeks to complete their fleet requirements and establish a material recovery facility. A shorter capitalization period may prove to be a disadvantage to smaller, less established vendors.

*Approved by*  
*P. McNally, P.Eng.*

RS/KHW/PM

Attach. (3)

**SAMPLE BID SHEET**

**REGIONAL MUNICIPALITY OF OTTAWA-CARLETON  
5 YEAR TENDER**

**FT-4.2 SCHEDULE OF PRICES: CURBSIDE ZONE C1**

**CONTRACT NUMBER CE XXXX**

Item	Years	Estimated Tonnes (a)	Unit Price	Amount
			\$/tonne (b)	\$/year (a x b)
I. Waste	1	18,710		
	2	28,310		
	3	34,080		
	4	34,370		
	5	34,660		
			<i>waste sub-total =</i>	(c)

II. Leaf & Yard Waste & Organic Material & Christmas Trees	1	2,670		
	2	4,190		
	3	5,230		
	4	5,470		
	5	5,730		
			<i>L&amp;Y, OM &amp; CT sub-total =</i>	(d)

III. Blue Box	1	5,580		
	2	8,750		
	3	10,920		
	4	11,420		
	5	11,950		
			<i>blue box sub-total =</i>	(e)

V.

**ZONE C1: 5 Year Totals**

System Bid A1:  (c + d + e)

ZONE COMBINATIONS

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31

3 Zone Combinations		
A	B	C
X		
	X	
		X
X	X	
X		X
	X	X
X	X	X

5 Zone Combinations				
C1	C2	C3	C4	C5
X				
	X			
		X		
			X	
				X
X	X			
X		X		
X			X	
X				X
	X	X		
	X		X	
	X			X
		X	X	
		X		X
		X	X	X
X	X	X	X	
X	X	X		X
X	X		X	X
X		X	X	X
	X	X	X	X
X	X	X	X	X

9 Zones produce 511 combinations



## COLLECTION SCHEDULE COMPARISON

ANNUAL COST ( x \$1,000)

Schedule Type	Incremental Contract Savings or < Costs >	Incremental Communication Savings or < Costs >	Net Savings or < Costs >	Comments
Current Schedule	Base	Base	Base	Current practice and public expectation. (Estimate base overtime at \$50)
Permanent Monday to Friday	0	0	0	Change to current practice, does not solve “ <i>away-for the weekend</i> ” problem.
Five-Day Rolling	450	<400>	50	Significant ongoing communications requirement.
Double-Up	<500>	0	<500>	Ineffective use of contractors’ resources.