

**AGENDA FOR A SPECIAL MEETING OF THE TENDERS SUBCOMMITTEE TO BE HELD
IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY,
ON FRIDAY, 6 JUNE 2003, COMMENCING AT 9.00 AM.**

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1 APOLOGIES



**2 SW02003A - MANUFACTURE, SUPPLY AND DISTRIBUTION OF OFFICIAL COUNCIL
REFUSE BAGS**

PURPOSE OF THE REPORT

The purpose of this report is to seek approval to award Contract SW02003A - Manufacture, Supply and Distribution of Official Council Refuse Bags.

BACKGROUND

As the current contract for the manufacture, warehousing, supply, marketing and distribution of official Council refuse bags is expiring, the City has invited tenders from interested parties. Tenderers were requested to submit prices for three term options, being loosely defined as 1+1+1, 3+1+1, and 5+1+1, being one, three or five year initial term contracts with rights of renewal for up to an additional two years.

SCOPE OF WORK

The Services to be provided are:

- Manufacturing, supplying, warehousing, marketing and distribution to all potential resellers and retailers of official Council refuse bags.
- Ensuring a continuous supply of official Council refuse bags is available to the City and resellers and retailers servicing the City and its consumers.
- Ensuring at all times that the official Council refuse bags meet the acceptance standards by continually testing and monitoring the manufacturing process and components used therein.
- And, negotiating with retailers and resellers appropriate shelf or checkout space for marketing and displaying the official council refuse bags and ensuring stock levels are maintained.

TENDERS RECEIVED

Tenders were publicly advertised with two sets of documents being uplifted. Two tenders were received by the closing date of 18 March 2003. These are summarised in Table 1 below:

TENDERER	BAG OFFERED	REG OFFICE	TENDER PRICE (per 1,000 bags) (excl. GST)
Elldex Packaging Limited	25 micron, 60 litre, current gusset	11 Parkhead Place Albany North Shore	\$82.90
Elldex Packaging Limited	30 micron, 60 litre, current gusset	11 Parkhead Place Albany North Shore	\$99.00
Elldex Packaging Limited	25 micron, 60 litre, large gusset	11 Parkhead Place Albany North Shore	\$85.60
Elldex Packaging Limited	30 micron, 60 litre, large gusset	11 Parkhead Place Albany North Shore	\$102.20
Elldex Packaging Limited	25 micron, biodegradable	11 Parkhead Place Albany North Shore	\$94.70
Elldex Packaging Limited	30 micron, biodegradable	11 Parkhead Place Albany North Shore	\$113.10
Chequer Packaging	30 micron, 60 litre, current gusset	77 Sturocks Road Redwood Christchurch	\$115.88
Chequer Packaging	30 micron, 65 litre, current gusset	77 Sturocks Road Redwood Christchurch	\$120.81
Pre-tender contract estimate			\$130.00

Table 1 - Summary of Tender Prices

The pre-tender estimate is less than the current pricing due to competitiveness, favourable exchange rates, and a less prescriptive requirement for recyclable content. The prices received from each tenderer for each proposed refuse bag were the same irrespective of the period of the contract, with bag prices remaining at \$1.00.

TENDER EVALUATION

In accordance with the conditions of tendering, tenders were evaluated in line with the Weighted Attribute Method contained in Transfund New Zealand's "Competitive Pricing Procedures Manual".

The 30 micron, 60 litre, current gusset bag was chosen for evaluation as being equivalent to the current official Council refuse bag which is of this design and has performed adequately. At a later date a trial may be conducted using the 25 micron refuse bag or a biodegradable refuse bag, however, it is not appropriate to enter into a contract with an unproven bag.

A summary of the evaluation results is shown in Table 2:

Tender Evaluation	Attributes	Experience/ Track Record	Bag Quality	Management Skill	Methodology	Price	Contract Number SW02003A
							Total Weights
	Weights	15	15	5	15	50	100
Tenderer	Tender Sum	Grades					INDEX
Elldex Packaging	\$ 99.00	67	70	44	69	58	62
Chequer Packaging	\$115.88	72	60	58	69	42	54
Median Tender Price	\$107.44						

Table 2 - Summary of Tender Evaluation

Tenders were evaluated by a five member panel consisting of staff from City Services, Consultancy Services and Solid Waste selected for their expertise in finances, solid waste and contract management.

The highest scoring index is that of Elldex Packaging, whose tender price is lower than both the pre-tender estimate and the median price.

The Experience/Track Record category was broken into three sub-categories, experience, management and distribution, and each given equal importance weighting. Chequer Packaging and Elldex Packaging were given low to average scores in the management and distribution categories, however, Chequer Packaging was awarded a slightly higher score in experience as they have direct experience with Waitakere City as the contractor for this contract for the past five years. Chequer Packaging scored low due to past deficiencies in the management of the marketing & distribution Waitakere City Official Refuse Bags – although they responded to this later by applying additional resources to improve this situation. Elldex Packaging were scored down on Management on the basis of a slightly negative reference from North Shore City.

Elldex Packaging was awarded a slightly higher score in Bag Quality as their supplied bag tested more consistently for high-density polyethylene content.

The Management Skills category was broken into three sub-categories, management, marketing and community support, weighted 45%, 35% and 20% respectively. Elldex Packaging was awarded a slightly lower score than Chequer Packaging as their outlined management and marketing systems were viewed as marginally less comprehensive. Additionally, some negative comments were raised by North Shore City Council regarding Elldex Packaging. This resulted in a lower overall score. Additionally, Elldex Packaging was given a nil score for community support as none was listed. As a result, Chequer Packaging scored higher overall in this attribute.

The Methodology category was divided into four sub-categories, location, security, time and stock run, each given equal weighting. Both Chequer Packaging and Elldex Packaging were given equal scores in each sub-category.

TAGS, ERRORS OR OMISSIONS

The tender submitted by Elldex Packaging was tagged with the statement “the assumption is made that compliance with NSCC bylaws, permits, etc is compliance with Waitakere City Council permits, bylaws, consents and regulations.” This was deemed an unacceptable tag and has been removed by the Tenderer in writing.

There were no other tags, errors or omissions identified in either the Elldex Packaging or Chequer Packaging submissions.

CREDIT CHECK

A credit check on Elldex Packaging dated 21 March 2003 revealed no adverse information.

TERM OF CONTRACT

A three year contract with rights of renewal for up to an additional two years is recommended as the contractor providing the services is unknown to Council and the cost of retendering is considered prohibitive given the relatively low risks associated with an unknown contractor. The cost per annum of the various term options is no different between the one, three and five years options.

SUMMARY

The lowest priced tender was submitted by Elldex Packaging Limited. This tender has achieved a pass in all the non-price attributes and the highest overall index and is therefore recommended for award. Waitakere City Council should be significantly better off with the new price as value of this contract is substantially lower than the current price being charged for official Council refuse bags while the overall costs to the city of collection and disposal remain substantially the same.

JOB COSTS

	<u>Excl. GST</u>
Tender Sum- Elledex Packaging Limited	\$99.00 per 1,000 bags
Sale Price of Refuse Bags (excluding GST)	\$0.88 per 1 bag
Of which:	
Elldex Recovery from Bag Sales	\$0.099 per 1 bag
The Retailers' Recovery from Sales	\$0.13 per 1 bag
And	
Waitakere City Council Recovery from Bag Sales	\$0.6599 per 1 bag
Thus	
Waitakere City Council Recovery per 1,000 bags	\$659.89 per 1,000 bags

SOURCE OF FUNDING

The contract is based on a user pays system, with Council recovering a percentage of the bag sale cost for use for waste collection and disposal services. Estimates on bags sales from the past three contract years indicated approximately three million bags sold per year, with a recovery by Waitakere City Council of approximately \$1,979,670 per annum. Currently the amount recovered from official council refuse bag sales covers approximately 90% of the waste collection and disposal costs, with the additional funding coming from the Uniform Annual Charge for Waste rates. The recoveries listed above are based on recovery percentages for the current contract. It is anticipated that the new contract will retain similar recovery percentages.

RECOMMENDATIONS

1. That the information be received.
2. That the tender from Elldex Packaging Limited for Contract SW02003A in the sum of \$99.00 plus \$12.38 GST per 1,000 bags, totalling \$111.38 per 1,000 bags be accepted.
3. That the commitment as provided within the Draft Annual Plan 2003/2004 financial year for Contract SW02003A totalling \$99.00 plus GST per 1,000 bags be approved.
4. That the commitment to 2004/2005 financial year for Contract SW02003A totalling \$99.00 plus GST per 1,000 bags be approved.
5. That the commitment as provided 2005/2006 financial year for Contract SW02003A totalling \$99.00 plus GST per 1,000 bags be approved.

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