



**Procurement outcomes for waste collection
systems in the UK market
April 2008 – February 2012**

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Controversy over the relative merits of different recycling collection systems has raged for around two decades and is now a focus for the DEFRA consultation on whether co-mingling is an acceptable substitute for separate collection of recyclates. This work examines the results of tenders over the past four years to throw light on the actual, rather than theoretical, results when systems are tested in open competition situations.

Theoretical modelling work by WRAP, in 2008 'Kerbside Recycling: Indicative Costs and Performance' and the Welsh Government (WG) in 2011 'Kerbside Collections Options: Wales report' (commissioned by WRAP), provide evidence that kerbside sort systems outperform single-stream co-mingled systems on cost.

Two reports, commissioned by Biffa, outline the trend of local authorities switching from kerbside sort systems (principally, as this report will demonstrate, by DSOs outside of a competitive environment). The most recent report published in May 2011, 'Review of Kerbside Recycling Collection Schemes in the UK in 2009/10', undertaken by White Young Green (WYG), has challenged the WRAP reports in some regards, by principally focusing on the yields captured by single stream systems compared to alternative methods. WYG suggested that higher yields would result in lower disposal costs and that this would indicate that this system would provide better value for money, but they provide no supporting evidence apart from indicating that kerb sort and co-mingled systems have both recently won on price without stating in what proportion.

The usefulness of the main findings of the WYG report have been questioned by WG and others in its ability to predict the difference between the best approaches of various systems if all other factors are alike. The view of WG and others is that there is little or no difference between systems in tonnage terms where optimal systems are introduced in like

for like scenarios and wastage from contamination encapsulates the whole process (MRF to reprocessor).

What has been striking in the conduct of the argument is the lack of any systematic analysis of market place results. This report intends to fill that gap, and in so doing points to a remarkable dichotomy between tenders that are placed without restriction to system types, and the decisions made by local authorities outside of true competition situations, a finding that should question the true application of Best Value in these circumstances.

Procurement in the UK market – the evidence

In order to secure the most comprehensive picture of how differing recycling systems have performed in the market, research has been undertaken on all the procurement information available from the EU journal, council reports and published outcomes with award dates since April 2008.

The research looked at the type of procurement: restricted or dialogue; whether there was a prescribed system in the process or whether alternative systems were sought or could be bid; what the outcome was; and who won what, where and when. In very few cases results could not be established, and these have been excluded from the analysis. The source information table can be viewed in the Appendix of this report.

In total, 65 procurements are included. In more than half, the system outcomes were largely predetermined by the procurement itself. In 29 cases there was a genuine opportunity for alternative options to be explored and a contract award resulted. The outcome of these should be of most interest to local authorities contemplating their procurement options.

Systems head to head

Of the 29 cases where there was an opportunity for genuine competition between systems, the most likely result is a kerb-sort system, representing 59 per cent (17 of the 29) procurements. The next most likely outcome at 31 per cent (9 of the 29) procurements is a two-stream system where fibres (usually paper and card) are kept separate or alternatively where glass is collected separately in the collection system with other materials co-mingled. Single stream co-mingled secured just 3 of the 29 contracts representing 10 per cent of outcomes. Kerb sort is the most likely system to be precluded by the procurement but remains the most successful system.

Looking at the wider picture, 51 per cent of all procurements resulted in kerb-sort systems prevailing, but this system was permissible in only 45 of the 65 procurements tracked. Where the system is allowed, it won on 73 per cent of occasions. This contrasts with single-stream co-mingled systems, which prevailed in 28 per cent of all procurements but are noticeably less likely to win when exposed to kerb sort competition (only 10 per cent). Where kerbside sort was excluded, single stream co-mingled systems still only manage a success rate of 38 per cent in the 52 procurements. Indeed, two stream variant bids performed well in this group.

Sensitivity

Three procurements identified have been excluded from the head-to-head analysis due to ambiguity about the outcome or whether there was a genuine competition between systems. On balance, these are more likely to have improved the percentage of wins attributed to kerb sort and could not have reversed the conclusion that the single stream co-mingled is the least likely system to prevail when exposed to competition.

Proxy for cost

Most procurement seeks the most advantageous economic outcomes, and whilst cost is not the only determinant, it is most likely that as a whole the winning systems generally proved to be the most financially competitive. Many of the Council reports reviewed indicate that this was indeed the case. Where other services have been part of the procurements, for example, residual refuse collections and sometimes street cleansing, these might have been a determining factor in any individual case but overall the biggest defining differences are related to collection systems for recycling and it is inconceivable that “special factors” resulted in the poor performance of single stream co-mingled systems in almost every single case. Indeed, the small number of co-mingled wins includes examples where an argument that special factors may have influenced the decision, could also be cogently made.

This brings into focus the question of why so many authorities restrict the systems they permit when procuring, especially now in times of financial constraints. The answer may be a little uncomfortable but restricting competition has always been a feature in avoiding outcomes that might not suit perceived interests, and by far the largest number of co-mingled collection systems are operated by Direct Labour Organisations where there was no competition between either systems or providers. Although not exclusive, the majority of private sector providers state a preference for commingled or two stream systems and the most ardent single stream advocates also own the largest proportions of UK Material Reclamation Facility (MRF) capacity. The bold claims by proponents of single stream co-mingled systems about its unrivalled competitiveness are not supported by this evidence, as indeed they have not been formerly by the major studies conducted by WRAP and those commissioned on behalf of WG.

The fact remains that where competition occurs, kerbside sort wins most often, and the more open the competition the more likely this is the result. The mean number of households covered by the kerb-sort winning ‘system competitions’ is also larger than the average - 1.74M (64 per cent) households of the 2.72M households covered by the 29 competitive procurements listed resulted in kerb sort systems, perhaps indicating that

unitary authorities are likely to make whole system choices which they more fully control. Examples could include where a disposal authority precept is based on population for disposal costs rather than a per tonne rate recharged to a collection authority. or where MRF or processing infrastructure is supported by a disposal authority contract.

Holistic research

In addition to a possible unitary versus collection authority divide, there are two areas where further analysis may assist in furthering understanding of the dynamics that influence system outcomes in the procurement of collection services. One is the relationship of food waste collections to system choice. Some of the most significant large scale procurements not included in this analysis included food waste collections as a key component, such as the Somerset Waste Partnership (over 220,000 households) which did allow competing systems. It was awarded in 2007 and resulted in a kerb sort system. Food waste, especially where it is collected separately, is now so closely associated with low residual waste to disposal that it may be the most important determinant of a truly sustainable and cost-effective collection system. Finally, the interaction between the move to alternative weekly collection of residual waste and the choice of single stream co-mingled systems by many authorities, particularly those involving Direct Labour providers is of interest. Improved recycling rates have resulted but how does the cost-benefit stack up against the most likely outcomes resulting from an open competition? Almost all the change was untested in like for like procurements.

The second issue is in relation to the value of pursuing high recycling rates rather than low tonnages to disposal or recovery. The Welsh Assembly Government has stated that systems that result in lower absolute volumes of waste to disposal are intrinsically more sustainable than systems that capture high yields but may also have higher volumes of disposal. The classic argument about the role of garden waste collections in meeting our recycling targets is a case in point. Many local authorities with high recycling rates collect garden waste universally and this often represents the majority of “recycling” tonnage used to calculate the “percentage” recycling rate reported. In fact recent dismay expressed by Councils in the South East of England that the current drought will result in lower tonnages of garden waste, and therefore lower recycling rates, rather points to the absurdity of this situation). Most environmentalists question the value of this approach and have advocated systems that discourage the communal collection of garden waste, and have also stated a preference for food waste separately collected.

The WG commissioned a report that underpins its 'Municipal Sector Plan - collections blueprint' and it stated that the cost advantage of kerb sort increases in the highest diversion and most sustainable scenarios. The numbers presented above certainly do not undermine this claim and there are now a significant number of procurements that have tested high diversion systems, including alternate weekly refuse and separate food waste collections, single stream, kerb sort and indeed two stream systems.

Detailed cost comparisons can be seen in many of the council reports reviewed in compiling the summary data in this research and would certainly be of wider interest. Indeed, most of that which has been more publicly reported, for example Bridgend, leads to the conclusion that open competition works very well for the taxpayer and the environment.

Summary table of procurement outcomes April 2008 to February 2012

- Competition between systems
- System predetermined
- Unknown or ambiguous

CONTRACT	Date	Procurement Type	Kerbside Sort Bid Allowed	Single stream commingling allowed	2 Stream allowed	Competition between systems	Kerbside sort bid won	Single stream won	Two stream won
Barnet	Apr-08	Dialogue	Yes	Yes	Yes	Yes	Yes		
Calderdale	Apr-08	Restricted	Yes	yes	yes	yes	Yes	No	No
Kingston upon Thames	Apr-08	Restricted	Yes	No	No	No	Yes	N/A	N/A
LB Hammersmith & Fulham	May-08	Restricted	No	Yes	No	No	N/A	Yes	N/A
LB Hounslow	Jul-08	Dialogue	Yes	No	Yes	Yes	Yes		
Milton Keynes	Jul-08	Restricted	No	No	Yes	No	N/a	N/a	Yes
Chorley	Aug-08	Restricted	Yes	Yes	Yes	Yes	No	No	Yes
Harborough District Council	Nov-08	Dialogue	Yes	Yes	Yes	Yes			Yes
Tunbridge Wells	Nov-08	Restricted	Yes	Yes	Yes	Yes			Yes
South Derbyshire	Jan-09	Restricted	?	?		?	?		
Doncaster	Mar-09	Restricted	Yes	Yes		Yes	Yes		
Harlow DC	Mar-09	Restricted	Yes	Yes	Yes	Yes		Yes	
Herefordshire	Apr-09	Restricted	No	Yes		No	N/a	Yes	
Woking	May-09	Restricted	No	Yes		No	N/a	Yes	
Selby	May-09	Restricted	Yes	Yes		Yes			Yes
Newcastle-under-Lyme	May-09	Restricted	Yes	Yes		Yes	Yes		
Bexley	Jul-09	Restricted	Yes	Yes		Yes	Yes		
Bridgend	Sep-09	Dialogue	Yes	Yes		Yes	Yes		
North Somerset	Oct-09	Restricted	Yes	Yes		Yes	Yes		
Wycombe	Oct-09	Open	No	No	Yes	No	N/a	N/a	Yes
Norwich	Nov-09	Restricted	No	Yes		No	N/a	Yes	
West Devon	Dec-09	Dialogue	Yes	Yes	Yes	Yes	Yes		
West Oxfordshire	Dec-09	Dialogue	Yes	Yes	Yes	Yes	Yes		
Oxford City	Dec-09	Dialogue	No	Yes		No	N/a	Yes	
Torbay	Feb-10	Dialogue	Yes	Yes		Yes	Yes		
Blackburn and Darwen	Feb-10	Open	No	Yes		No	N/a	Yes	
Falkirk and Clacks	Mar-10	Open		No					
Eden	Mar-10	Restricted	Yes	No		No	Yes	N/a	
Carlisle	Mar-10	Restricted	Yes	No		No	Yes	N/a	

Runnymede	Mar-10	Restricted	Yes	No		No	Yes	N/a		
West Ox restricted	Apr-10	Restricted	Yes	No* (see note)		Yes	Yes	N/a		
South Lakeland (and Barrow)	Apr-10	Restricted	Yes	No	No	No	Yes	N/a		
Barrow	Apr-10	Restricted					No			
Medway	May-10	Restricted	Yes	Yes	Yes	Yes			Yes	
Kerrier	May-10	Restricted	Yes	No		No	Yes	N/a		
Thurrock	May-10	Restricted	No	Yes		No	N/a	Yes		
East Lothian	Jul-10	Restricted	Yes	Yes	Yes	Yes	Yes		Yes	
Westminster	Sep-10	Dialogue	No	Yes		No	N/a	Yes		
Sandwell	Oct-10	Dialogue	No	Yes		No	N/a	Yes		
Bracknell	Oct-10	Restricted	No	Yes		No	N/a	Yes		
North Norfolk & Kings Lynn	Oct-10	Dialogue	No	Yes		No	N/a	Yes		
Haringey	Nov-10	Dialogue	Yes	Yes		Yes		Yes		
East Kent	Nov-10	Dialogue	No	Yes	Yes	Yes			Yes	
East Hertfordshire	Nov-10	Restricted	Yes	Yes		Yes	Yes			
Edinburgh	Dec-10	Open	Yes			No	Yes	N/a		
East Northamptonshire	Feb-11	Dialogue	Yes	Yes		Yes		Yes		
Daventry	Mar-11	Dialogue	Yes	Yes		Yes	Yes			
Northampton	Mar-11	Dialogue	Yes	Yes		Yes	Yes			
Peterborough	Mar-11	Dialogue	No	Yes		No	N/a	Yes		
Portsmouth	Mar-11	Restricted	No	Yes		No	N/a	Yes		
Sefton	May-11	Acc Restricted	Yes	No	No	No	Yes			
Basingstoke & Dean/Hart	May-11	Restricted	No	No		No	N/a		Yes	
Waltham Forest	Jun-11	Restricted	No	Yes		No	N/a	Yes		
East Hampshire & Winchester	Jun-11	Restricted	NO	No		No	N/a	Yes		
Castlereagh	Jun-11	Open	Yes	No	No	No	Yes			
Maldon	Jul-11	Restricted	Yes	Yes		Yes	Yes			
Ealing	Jul-11	Restricted	Yes	No		partial	Yes			
Bristol	Jul-11	Dialogue	Yes	Yes	Yes	Yes	Yes			
Newtownabbey	Jul-11	Open	Yes	No	No	No	Yes			
Wandsworth	Jul-11	Restricted	No	Yes		No	N/a	Yes		
City of London	Jul-11	Dialogue	No	Yes		No	N/a	Yes		
Wyre	Sep-11	Restricted	Yes	Yes	Yes	Yes			Yes	
Tendring	Sep-11	Restircted	Yes	Yes	Yes	Yes			Yes	
Cornwall	Nov-11	Restricted	Yes	no		No	Yes			
CWAC	Nov-11	Dialogue	Yes	Yes		Yes	Yes			
Torridge	Jan-12	Restricted	Yes	Yes		Yes	Yes			
						TOTALS	29	33	20	12
						65		50.77%		

* This was a two staged process that started with a non prescriptive dialogue process that was abandoned. Based on the results of the earlier dialogue process which showed comingling options could not compete on cost, the concluding process (restricted) omitted comingling as an option. The previous procurement is excluded from the competition analysis as it was abandoned.

Contracts that excluded kerbsort

CONTRACT	Date	Procurement Type	Kerbside Sort Bid Allowed	Single stream commingling allowed	2 Stream allowed	Competition between systems	Kerbside sort bid won	Single stream won	Two stream won
LB Hammersmith & Fulham	May-08	Restricted	No	Yes	No	No	N/a	Yes	N/A
Milton Keynes	Jul-08	Restricted	No	No	Yes	No	N/a		Yes
Herefordshire	Apr-09	Restricted	No	Yes		No	N/a	Yes	
Woking	May-09	Restricted	No	Yes		No	N/a	Yes	
Wycombe	Oct-09	Open	No	No	Yes	No	N/a		Yes
Norwich	Nov-09	Restricted	No	Yes		No	N/a	Yes	
Oxford City	Dec-09	Dialogue	Not practical	Yes		No	N/a	Yes	
Blackburn and Darwen	Feb-10	Open	No	Yes		No	N/a	Yes	
Thurrock	May-10	Restricted	No	Yes		No	N/a	Yes	
Westminster	Sep-10	Dialogue	No	Yes		No	N/a	Yes	
Bracknell	Oct-10	Restricted	No	Yes		No	N/a	Yes	
North Norfolk & Kings Lynn	Oct-10	Dialogue	No	Yes		No	N/a	Yes	
Sandwell	Oct-10	Dialogue	No	Yes		No	N/a	Yes	
Portsmouth	Mar-11	Restricted	No	Yes		No	N/a	Yes	
Peterborough	Mar-11	Dialogue	No	Yes		No	N/a	Yes	
Basingstoke & Dean/Hart	May-11	Restricted	No	No	Yes	No	N/a		Yes
Waltham Forest	Jun-11	Restricted	No	Yes		No	N/a	Yes	
East Hampshire & Winchester	Jun-11	Restricted	NO	No	Yes	No	N/a		Yes
Wandsworth	Jul-11	Restricted	No	Yes		No	N/a	Yes	
City of London	Jul-11	Dialogue	No	Yes		No	N/a	Yes	
							20	16	4

Contracts that excluded Single Stream

CONTRACT	Date	Procurement Type	Kerbside Sort Bid Allowed	Single stream commingling allowed	2 Stream allowed	Competition between systems	Kerbside sort bid won	Single stream won	Two stream won
Kingston upon Thames	Apr-08	Restricted	Yes	No	No	No	Yes	N/a	N/A
Wycombe	Oct-09	Open	No	No	Yes	No		N/a	Yes
Eden	Mar-10	Restricted	Yes	No		No	Yes	N/a	
Carlisle	Mar-10	Restricted	Yes	No		No	Yes	N/a	
Runnymede	Mar-10	Restrcted	Yes	No		No	Yes	N/a	
South Lakeland (and Barrow)	Apr-10	Restricted	Yes	No	No	No	Yes	N/a	
West Ox restricted	Apr-10	Restricted	Yes	No		Yes	Yes	N/a	
Kerrier	May-10	Restricted	Yes	No		No	Yes	N/a	
Sefton	May-11	Acc Restricted	Yes	No	No	No	Yes	N/a	
East Hampshire & Winchester	Jun-11	Restricted	NO	No		No		N/a	Yes
Newtownabbey	Jul-11	Open	Yes	No	No	No	Yes	N/a	
Cornwall	Nov-11	Restricted	Yes	no		No	Yes	N/a	
Castlereagh	Jun-11	Open	Yes	No	No	No	Yes	N/a	
							11	13	2



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