

### Full Council

31 July 2025

#### Report for Agenda Item | Rīpoata moto e Rāraki take [8]

**Department: Property & Infrastructure**

**Title | Taitara: Procurement Plan Approval, New Materials Recovery Facility**

#### Purpose of the Report | Te Take mō te Pūroko

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The purpose of this report is to seek Council approval of the attached procurement plan for a new Materials Recovery Facility solution.

#### Executive Summary | Whakarāpopototaka Matua

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Council owns a Materials Recovery Facility (MRF) for the processing of mixed recyclables collected from residents and businesses throughout the district. The MRF is located at 110 Glenda Drive, Frankton. The facility is at end of life and no longer fit for purpose and a new processing solution is required which is reliable, flexible, and adaptable to future demands.

Council has a wide range of available sourcing options and recognises that the potential solutions may also vary significantly. The solutions may include a Council-owned facility, a leased operation, an out-of-district arrangement, or a combination of these models.

This report seeks Council approval to proceed to the open market using a two-stage procurement process comprising of an Expression of Interest (EOI) followed by a Request for Proposal (RFP). As part of the proposed process, Council will develop and provide detailed User Needs specifications, along with relevant background information, to assist prospective bidders in formulating informed and responsive proposals. This approach is designed to ensure that the market has a clear understanding of Council's requirements and the rationale underpinning them.

#### Recommendation | Kā Tūtohuka

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That the Council:

1. **Note** the contents of this report;
2. **Approve** the attached Procurement Plan for a new Materials Recovery Facility; and
3. **Delegate** to the Chief Executive the authority to execute a contract up to a maximum capital expenditure of \$50M and/or a total Whole of Life Cost (over a maximum term of 20 years) of \$130M.

**Prepared by:**



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9 July 2025

**Reviewed and Authorised by:**



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**Title:** General Manager, Property & Infrastructure  
10 July 2025

### Context | Horopaki

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#### Background

1. The current Materials Recovery Facility (MRF) at Glenda Drive is at end of life and no longer fit for purpose. As a result, Queenstown Lakes District Council (QLDC) is required to procure a new Materials Recovery Facility (MRF) solution to meet current and future recycling needs.
2. An initial business case recommended the development of a new facility on land adjacent to the Shotover wastewater treatment plant. While a concept design was prepared, this site was subsequently ruled out due to its future role in wastewater infrastructure planning.
3. In 2019, a new solid waste services contract was awarded to WM New Zealand for an initial term of 7.5 years, with extension options of up to 15 years. This contract included the operation of the Glenda Drive MRF until a new facility became available, which at the time was expected within two to three years.
4. Changes to kerbside collection adopted in 2019, including the separation of glass from mixed recyclables, reduced wear on MRF equipment and helped extend its operational life. However, due to the deteriorating condition of the facility and increased demand from QLDC and commercial users, the MRF is no longer able to process recyclables from the Central Otago District Council (CODC). As a result, CODC now sends its materials to the Timaru MRF via EnviroNZ.
5. The Glenda Drive MRF continues to process QLDC's kerbside and commercial recyclables. However, operating costs have increased from \$540,000 in 2018/19 to \$880,000 in 2023/24 (a 60% rise). Additionally, QLDC has invested \$1.3 million in maintenance and equipment replacements over the last five years. Despite this, the facility remains at significant risk of failure. In the event of a prolonged outage, recyclables would be landfilled at a current cost of approximately \$200 per tonne, as no alternative MRFs in the lower South Island have available capacity.
6. In 2024, an options assessment prepared by Morrison Low considered future demand for recyclables processing from both QLDC and CODC, which is projected to double by 2044/45. Several potential sites for a new MRF were evaluated, including out-of-district options that would not require significant capital investment by Council.
7. The scores across the short listed options were close. The evaluation was based on information available at the time and is subject to change as new data or developments emerge.
8. The options assessment and recommendations were presented to the Infrastructure Committee on 28 November 2024. Due to the close ranking of options, the Committee discussed widening the solution catchment to the open market to allow any interested parties to propose viable solutions. The Committee resolved that officers, amongst other recommendations, "*prepare a detailed procurement strategy for local MRF and out-of-district MRF solutions*". As the report

noted, this would allow an approach that ensures a fair, transparent, and competitive process and consideration of all suitable proposals before making a final decision on the solution.

9. A MRF Procurement Strategy was developed and presented to the Infrastructure Committee in workshop on the 5 June 2025. Feedback from elected members was incorporated into the attached MRF Procurement Plan.
10. The whole of life costs for the range of new build MRF options and/or out-of-district (existing) options were estimated in the Morrison Low options assessment 2024 and are presented in the table below. This shows the difference in cost structure for the two different types of options (new build and existing MRF solutions):

<b>Estimated 20-year whole of life costs (\$'000)</b>	<b>New build option (across range of options)</b>	<b>Existing out-of-district facility/services contract (e.g. Timaru/Dunedin MRF)</b>
Operational cost (opex)	\$42,600 - \$52,000	\$123,200
Capital investment (capex)	\$38,500 - \$48,800	\$4,800
<b>Combined 20-year whole of life costs</b>	<b>\$81,100 - \$100,800</b>	<b>\$128,000</b>

11. The report seeks approval of delegated authority for the following scenarios:
  - Build only contract: \$50M (capex)
  - Build and operate contract (up to 20 year term): \$50M (capex), \$55M (opex)
  - Services contract (up to 20 year term): \$130M (opex)
12. Following tender negotiations a Procurement Recommendation Report (PRR) will be developed for consideration by delegated authority. The PRR must be approved by the delegated authority before the associated contract can be awarded.
13. In accordance with QLDC's Procurement Policy, the procurement process must consider whole-of-life costs. For this purpose, a 20-year term has been assumed. Based on the estimates presented in the options assessment, this report seeks approval to delegate to the Chief Executive the authority to execute a contract up to a maximum capital expenditure of \$50M and/or a total Whole of Life Cost (over a maximum term of 20 years) of \$130M.

### **Procurement Approach**

14. Council officers have undertaken an in-depth review and scoping exercise to identify an optimised sourcing model. This is detailed in the attached MRF Procurement Strategy (Attachment A) and attached MRF Procurement Plan (Attachment B).

15. At the May 2025 workshop, Council's Infrastructure Committee considered the proposed Procurement Strategy.
16. Based on feedback received on the procurement approach, the MRF Procurement Plan was developed and includes a full description of the two stage procurement approach, methodology and workflow.
17. QLDC proposes to undertake a two-stage procurement process comprising an Expression of Interest (EOI) followed by a Request for Proposal (RFP).
18. The purpose of the EOI process is to identify and shortlist the top three to four suppliers who are best suited to deliver the required solution. This initial selection is based entirely on the assessment of non-price factors, referred to as 'attributes,' which may include the suppliers' relevant experience, capability, proposed approach, and ability to meet the project objectives. No pricing information is considered at this stage.
19. The EOI and RFP stages will both utilise the MoSCoW ('must have,' 'should have,' 'could have,' 'won't have') framework to communicate to the bidders what is most important to QLDC and to guide the evaluators.
20. The procurement is intended to be released to the open market via the Government Electronic Tender Service (GETS) with a Notice of Intention (NOI) in August 2025, with the process expected to conclude in February 2026.
21. Evaluation of proposals will include both price and non-price attributes, as outlined in the Procurement Plan, to ensure value for money is achieved.
22. The two stage process is described in full in the attached Procurement Plan and summarised below.
23. **EOI Criteria:** The EOI objective is to select the top 3-4 shortlisted suppliers based on 100% attributes, comprising:
  - a. Pass/Fail. All 'Must Have' Criteria (modelled on the 'Proposed Solution') must be met (Passed)
  - b. 40% Proposed Solution
  - c. 60% Relevant Experience & Track Record (demonstrated experience in MRF operations)
24. The suppliers who are successful at the EOI stage are then invited to participate in the Request for Proposal (RFP) phase. During the RFP stage, each shortlisted supplier is asked to submit a detailed proposal outlining their solution, approach, and pricing. These proposals are evaluated using a set of criteria that considers both the quality of the proposed solution and the total cost

of delivering it over its entire lifespan. This process helps identify the supplier offering the best overall value for the project.

**25. RFP Criteria:** Pass/Fail Commercial Pre-Conditions

- a. 50% Final Developed Solution and 'Should Have' and 'Could Have' criteria.
- b. 50% Whole of Life Cost

**Market Analysis**

26. The size and scale of this project is anticipated to generate significant market interest from regional and out of region suppliers. The range of recycling and MRF suppliers identified to date include (but are not limited) to the following:

- a. WM NZ
- b. Enviro NZ
- c. WasteCo Group Ltd
- d. Green Gorilla Recycling
- e. JJ Richards New Zealand
- f. Smart Environmental
- g. EcoCentral
- h. Wastebusters
- i. Recycle South
- j. Reclaim
- k. AllWaste

27. The list outlines known existing suppliers of MRF and recycling service operations. However, opportunities for consortia to be formed around different permutations of landowners, service providers, plant supply etc are encouraged.

28. The demand side of the Otago regional market is narrow. Some of the following identified facilities may also demonstrate interest in supplying QLDC with MRF functions. The following South Island MRFs have been identified:

- a. Christchurch City Council (operated by EcoCentral)
- b. Timaru District (operated by EnviroNZ)
- c. Dunedin City Council (planned new facility)
- d. Queenstown Lakes District Council (operated by WMNZ)
- e. WasteNet (operated by Recycle South)

**Programme Dates**

29. The following procurement timeline has been developed:

Task	Duration	Start	Finish
Approval to proceed to open Market for the MRF Facility solution	25 days	5 June 2025	31 July 2025
EOI Phase (complete - release to market - evaluation)	90 - 120 days	1 August 2025	In Market by 1 September 2025. Close mid-October 2025. Evaluate and determine RFP short list by November 2025.
RFP Phase (complete - release to market - evaluation)	120 - 150 days	November 2025	In Market by 1 December 2025. Close mid-February 2025. Evaluate and have preferred Supplier, end March 2026. Appoint Supplier from 1 July 2026.

#### Analysis and Advice | Tatāritaka me kā Tohutohu

30. This report identifies and assesses the following reasonably practicable option for assessing the matter as required by section 77 of the Local Government Act 2002.

31. Option 1: Approve MRF Procurement Plan.

##### *Advantages:*

- Council progresses the sourcing of the new MRF solution.
- A new solution mitigates the risk associated with the current MRF at Glenda Drive failing.
- The proposed approach is broad and does not guide the market to a particular solution, maximising opportunity to identify the best value solution.

##### *Disadvantages:*

- The proposed two stage procurement process will take longer than a single stage, more directive approach.

32. Option 2: Reject the MRF Procurement Plan and direct officers to undertake further work to refine or adjust market approach based on Councillor feedback.



### *Advantages:*

- Potential added features and value could be included in the Procurement Plan.
- Additional features, more targeted features, and additional requirements may generate a better MRF solution.
- A solution could be implemented in a shorter timeframe if Council narrowed the nature of the approach and undertook procurement via a single market approach.

### *Disadvantages:*

- More directive procurement approach may preclude high value solutions from being presented.
- Potential delay in timeframes to get to market.

### 33. Option 3: Reject the MRF Procurement Plan and take no further action.

### *Advantages:*

- No further costs associated with procurement.

### *Disadvantages:*

- Retains the risk of the current MRF failing.
- No ability to expand and grow MRF functionality, capacity, and capability.
- Increased risk of landfilling of recyclable materials in the medium term (in the event of existing MRF failing).

34. This report recommends adopting **Option 1** as it best enables Council to pursue a robust and compliant procurement process, ensuring the selection of the most effective MRF solution that is reliable, flexible, and capable of adapting to future needs and reduces the risks associated with the continued operation of the existing MRF.

## Consultation Process | Hātepe Matapaki

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### Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

35. This matter is of high significance, as determined by the importance placed on the collection and sorting of recyclables. This is in alignment with the criteria described in the Significance and Engagement Policy 2024.



36. The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown Lakes District community. We have identified the following key stakeholder groups that may be affected:

- Businesses and industry that generate significant quantities of waste and material types (such as recyclables, construction material and organic wastes).
- The waste sector that collect, transfer, and handle waste and resources for the district and wider region.
- Non-profits, community, and sector groups that support waste minimisation and management through other service provision such as advisory services, waste recovery and minimisation facilities, and education.

### Māori Consultation | Iwi Rūnaka

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37. Informal discussion was held with QLDC Māori Strategy and Partnerships Manager and iwi reps from Aukaha and Te Ao Mārama Inc during the stakeholder engagement phase of the MRF Options Assessment. Feedback received related to:

- QLDC's responsibilities to land and water.
- Positive response to a joint approach with Central Otago District Council.
- Potential emissions reductions.
- Requirement to check any potential sites for cultural significance.
- Potential investment interest from Ngāi Tahu Holdings Corporation.

### Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

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38. This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK10006 Ineffective planning for property and infrastructure within the QLDC Risk Register. This risk has been assessed as having a high residual risk rating.

39. The approval of the recommended option will allow Council to implement additional controls for this risk. This will be achieved by engaging appropriate contractors while taking into consideration QLDC business requirements in relation to the delivery of waste management and minimisation assets and service delivery requirements.

### Financial Implications | Kā Riteka ā-Pūtea

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40. QLDC has allocated \$70 million in the 2024-2034 Long Term Plan for development of waste facilities in Wānaka and Queenstown, with the majority of this investment allocated to the construction of a new MRF.

41. QLDC have yearly budgets associated with operational expenditure for the provision of recycling services (including the operation of the current MRF).
42. Financial modelling will be undertaken as part of the evaluation of the bids to understand any implications on projected rates, and/or fees and charges.

### Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

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43. The following Council policies, strategies and bylaws were considered:
  - Procurement Policy
  - Procurement Guidelines
  - Alignment with the principles of “Vision Beyond 2025” including the Wellbeing Outcomes Framework
  - Climate and Biodiversity Plan
  - Long Term Plan 2024/34
  - 30 Year Infrastructure Strategy
  - 2018 Waste Management and Minimisation Plan
  - Draft 2025 Waste Management and Minimisation Plan
  - Destination Management Plan – Regenerative Tourism
  - Waste Management and Minimisation Asset Management Plan (2021)
44. The recommended option is consistent with the principles set out in the named policies.
45. This matter is included in the Long Term Plan/Annual Plan

### Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

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46. Officers have considered the requirements of LGA2002 s17A paragraphs 1 and 2(a) in the development of the procurement approach. The desired outcome is a facility that services both the Queenstown Lakes and Central Otago districts. However, Suppliers are also encouraged to consider solutions that could service a larger geographic area where value can be demonstrated.
47. Under the New Zealand Waste Minimisation Act 2008 (WMA), councils have a number of statutory responsibilities related to waste minimisation, including provision of recycling services. While the Act does not prescribe specific recycling services that councils must provide, it establishes a legislative framework within which councils must act. Section 45 includes requirements for Councils to provide for collection and management of waste in their district, which may include the provision of recycling services if identified in their respective Waste Management and Minimisation Plan (WMMP). Councils are expected to align their services with their community’s needs (and the principles of the Act), including minimising harm to the environment and improving resource efficiency.

### Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

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48. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

49. The recommended option:

- Can be implemented through current funding under the Long Term Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

### Attachments | Kā Tāpirihaka

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A	Materials Recovery Facility Procurement Strategy
B	Materials Recovery Facility Procurement Plan

Attachments are circulated separately.