

9. REFUSE BAG TENDERS

Officer responsible City Water & Waste Manager	Author Dave Harris, Refuse Operations Manager DDI 941-8272
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The purpose of this report is to seek approval to enter into an agreement for the manufacture and supply of refuse bags for the April 2003 delivery.

BACKGROUND

The manufacture and supply of refuse bags was last tendered in 1999 and was awarded to Chequer Packaging Ltd, a Christchurch based manufacturing company. In accordance with the contract documents, and following satisfactory supply during 2000/01, the contract was extended for the 2002/03 bag supply. A further three months extension was made for the supply of 5 packs of bags until end November 2002.

In view of the size of the contract and in order test the market, it was therefore considered appropriate that the bag supply should again go to tender for the supply of bags for 2003/04 for the April 2003 delivery with the possibility of a further two years rollover should it be required.

Tenders for bags, to slightly altered specifications, and with an option for an alternative type of bags were therefore invited.

WASTER PAYS REFUSE BAGS

Councillors are aware that the 2002/03 Annual Plan already proposes that waster pays refuse bags are introduced in the 2004/05 financial year. The extra revenue so generated is already included in the Council's budget. Waster pays bags will be further subject to the 2003/04 Annual Plan consultation process in April/May/June of 2003 and the Council will make its final decision at its meeting in July 2003. It is to be noted that regardless of the outcome of the Council's discussion there will be a delivery of bags required in April 2003. It is this delivery that this tender will fulfil. The rollover clause for a subsequent two annual deliveries may or may not be eventually activated depending upon a variety of yet undecided factors (eg waster pays refuse bags).

TENDERS RECEIVED

A request for the supply and delivery of rubbish bags was prepared by Corporate Services and advertised.

Four companies submitted proposals for the supply of the 7.8 million bags in packs of either 26 or 52, and a further 1.25 million bags in packs of 5, (the latter to satisfy the extra bag demand).

Details of tenders received and the total price for 300,000 packs of 26 bags and 225,000 packs of 5 bags are set out in the following table:

Company	Location	Price	Comments
Bio-Bags New Zealand	Auckland	\$967,867	Biodegradable bag. No 26 bag/pack price submitted.
Chequer Packaging	Christchurch	\$916,445	Bags manufactured in Christchurch. Additional cost for supply 26 bags/pack \$37,128 (included)supplier.
Hi Tech Packaging Option A	Auckland	\$801,825	Smaller and lighter bag than specified. Imported bag. Additional cost for supply 26 bags/pack \$18,000 (included).
Hi Tech Packaging Option B	Auckland	\$856,750	Imported bag. Additional cost for supply 26 bags/pack \$19,500 (included).
Elldex (SI) Limited	Christchurch	\$563,104	Bags manufactured in Auckland by parent company. Additional cost for supply 26 bags/pack \$10,140 (included).
Elldex (SI) Limited Amended price	Christchurch	\$615,630	Nominal thickness of bag increased to 25 microns. Additional cost for supply 26 bags/pack \$10,140 (included).

Budget provision for the purchase of bags this financial year is \$910,000.

EVALUATION OF TENDERS

Samples of all bags were tested by Imtest Laboratory Limited for compliance with the specification. Bags were tested for dimensions, impact resistance, bursting strength, drop strength, tear resistance, seal strength and lifting strength.

The specification had been amended after the bags supplied by Chequer Packaging Limited for the 2000/01 issue caused a significant number of complaints about bags splitting in the longitudinal direction. This problem was overcome by Chequers for the 2001/2002 years bag issue by altering the formulation of the plastic and the manufacturing process. As a result of this the specification was altered to require improved tear strength in two directions.

The specification for the bags also called for a nominal thickness of 25 micron, the same as the current bags, with a maximum of 30 micron and minimum of 20 micron.

To gauge the performance of the bag in cold weather the 'drop test' was carried out at -7 degrees. This test proved difficult to conduct and accuracy of results was uncertain.

In addition to the Imtest tests, Council staff contacted other council's where the tendered bags were used and did some informal tests to gauge the strength and robustness of the bags.

- **BioBag NZ Limited**

The tenderer, BioBags NZ Limited, is a subsidiary of Valpak (Aust) Co Ltd and is a New Zealand company based in Auckland.

Bags failed all tests other than burst strength and seal strength. Also the price did not include an option for packs of 26 bags.

Being a compostable bag would be a benefit if a suitable composting operation, able to deal with mixed waste, was available. However, the availability of this type of plant is still a number of years away and the biodegradability of the bag is not a significant advantage at this time.

There are no examples of other Council's using these bags in New Zealand.

The BioBags tender, \$967,867 was the highest tender received. For this reason and the reasons set out above the BioBags tender was not considered further.

- **Hi Tech NZ Limited trading as Hi Tech Packaging**

The tenderer, Hi Tech NZ Limited trading as Hi Tech Packaging, is a New Zealand company based in Auckland. The bags would be manufactured in Malaysia.

Two options for bags were submitted. The first option was for a bag based on the companies assessment of the sample of the current bags supplied by the Council. The second was for a bag that would comply fully with the specification.

The only bags supplied as a sample were for the first option, as bags for the second option were not available. There were insufficient sample bags to carry out the drop test and the bags failed all the remaining tests other than the burst test. Tests by staff on the bags also indicated bags would split more easily when compared to the current bags.

The company did not provide any details of other Council's where the bags were used.

In view of the poor test results and price, the Hi Tech tenders were not considered further.

- **Chequer Packaging Limited**

Chequer Packaging is a New Zealand company with a branch in Christchurch. Bags would be manufactured at their Christchurch plant.

Sample bags tested by Imtest failed in all but the burst test and the seal test. However, it must be noted the sample bags were part of the current issue bags that are performing satisfactorily. The improvement to the bags provided for this years issue have, in the opinion of staff and as judged by the level of public complaints, resulted in a bag which is entirely satisfactory, even though it does not meet the latest specification fully. From this, it must be concluded that the tests detailed in the specification can only provide an indication of the quality and practical tests together with user feedback, probably provide a better indication of bag performance.

Even though the bags have not performed well in the tests, it is known the bags have proved satisfactorily and cost becomes the key factor in assessing the Chequer Packaging tender.

- **Eldex Packaging**

Eldex Packaging Limited is an Auckland company and has a Christchurch branch and distribution centre, Eldex Packaging South Island. Bags for this contract would be manufactured at their plant in Albany.

Bags supplied by the company as samples were tested by Imtest and failed the dimensions, tear strength and lift tests. The dimensions of the bag failed in respect to film thickness where the film thickness ranged between 15 micron and 22 micron. Simple tear tests on sample bags carried out by Council staff also indicated that the tear strength of the bag was below that of the current Chequers bags.

Eldex representatives advised that they had manufactured the bag to a similar quality and dimensions to the sample bag supplied by the Council and not to the standard specified. They advised that they could produce a satisfactory bag that would improve the tear strength and meet the specified dimensions but only at a higher price. As it was considered that there had been some confusion generated by including a sample bag that did not fully comply with the specification with the tender documents, it was agreed Eldex could submit a price for a complying 25 micron bag. Eldex has now advised the price for the bags would be \$615,630. for a bag with a nominal thickness of 25 microns and improved tear strength. Samples of the new bag have been provided and are currently being tested.

Eldex has not supplied refuse bags to the Council before, but have current rubbish bag contracts with:

- Hutt City Council On going (6 years)
- Porirua City Council 2 years including 2002
- Rangitikei On going (2 years)

Porirua City Council Solid Waste staff have been contacted and they had no problems with the Eldex bags and can not recollect any public complaints about the bags.

Eldex advises that they can manufacture the bags within the required time frame.

ENVIRONMENTAL CONSIDERATIONS

The Council Environmental Policy Statement, adopted in November 1997, states that the Council will:

"minimise the environmental effects of the Council's activities", "be committed to the internationally recognised waste management practice of source reduction, reuse, recycling, resource recovery and environmentally safe residue disposal".

"implement where appropriate a 'Buy Recycled' policy as part of an overall purchasing strategy that includes the choice of environmentally sound manufacturers and that utilises to the maximum extent practicable, New Zealand manufactured, reusable products, products made with recycled materials, products designed to be recycled and products with minimal or returnable packaging."

Both Chequer Packaging and Elldex Packaging would use between 25% and 30% of recycled plastic in their bags. Using more recycled plastic in the bags is not a realistic option as the variable quality of the material would require the bag thickness to be increased significantly, which would result in significant additional cost.

SUMMARY

For the reasons set out above, it is considered the BioBags and the Hi Tech Packaging bags are not suitable for this contract.

The Elldex Packaging and Chequer Packaging bags supplied did not pass the specified tests completely. However, experience with the Chequer Packaging bags have shown the tests can only be indicative of the quality of the bags. Feedback from other Councils indicates the Elldex Packaging bags perform satisfactorily.

A further sample of Elldex bags is being supplied and providing they perform as expected, there appears no reason why they would not be acceptable.

With a difference of \$300,815 between the cost of the Elldex bags and the Chequers bags, it is considered the amended Elldex tender price should be accepted, subject to satisfactory performance of the new bags.

Staff

- Recommendation:**
1. That subject to satisfactory performance of sample bags Elldex Packaging (SI) Limited's price of \$615,630 for 300,000 packs of 26 bags and 225,000 packs of 5 bags, be accepted.
 2. That the term of the contract be for one year with a further two rights of renewal for a period of 12 months each, at the sole discretion of the Council.
 3. That subject to all terms and conditions being acceptable to the Corporate Services Manager that the Council authorise the Corporate Services Manager to enter into an agreement for the supply and delivery of rubbish bags with Elldex Packaging (SI) Ltd.

Chairman's

Recommendation: That the above recommendation be adopted.