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Requests for Proposals for Privatization

Ms. Linda L. Eggerth
CalRecovery, Inc.
725C Alfred Nobel Drive
Hercules, CA 94547-1806
Tel: 510-724-0220
Fax: 510-724-1774
E-mail: LEggerth@calrecovery.com

ABSTRACT

Since the 1970s, there has been a trend toward the privatization of solid waste management services in many parts of the world. Before a decision is made to privatize services, a thorough analysis of the privatization option should be conducted. Goals and objectives need to be established, the scope of services defined, and the advantages and disadvantages carefully weighed. Typically, the following types of issues need to be addressed during the process: political, management, financial, contractual, service-related, competition, human resources, and public support.

Once a decision has been made to privatize one or more solid waste services, the next key step is the preparation of the Request for Proposals (RFP) document. Preparation of a comprehensive and carefully-written RFP is essential to minimize risk to the municipality during the procurement process and to ensure the implementation of services that meet the needs of the community. A comprehensive RFP generally addresses the following topic areas: summary, project background information, description of the procurement process, instructions for preparation of proposal, scope of services, and business arrangements. It would also include technical, cost, and contract-related forms to be completed by proposers, as well as a draft of the contract agreement, both of which serve to streamline the contract negotiation process.

INTRODUCTION

Solid waste management is a service which is essential to public health and environmental protection. Because it is an essential service, the responsibility for solid waste management falls within the public domain, usually upon local government agencies. The delivery of solid waste services can be provided by the public sector, or the private sector can be utilized to provide some or all of the services. Since the 1970s, there has been a trend towards the privatization of solid waste management services in many parts of the world.

The intent of privatizing solid waste services is to provide a solution to existing problems and relieve the public sector of some burdens -- without creating new problems. Minimization of problems requires a

careful evaluation of the privatization option, a comprehensive solicitation document, and a carefully conducted evaluation process.

PREPARATORY STEPS

Establishment of Objectives

The primary objective of any solid waste program is to improve public health. Secondary objectives, which serve to accomplish the primary objective, need to be established based on the needs of the individual area. Key requirements of any privatized service are: reasonable costs, sustainable quality of service, and address of the needs of service recipients.

In establishing objectives, it is important that existing problems be identified. Problems that may be encountered by local authorities in providing solid waste services may include: lack of political or public support, lack of financial resources, inadequate infrastructure, demand for services by the public, difficult-to-service areas, inefficient service provision, unreliable or unsuitable equipment, and illegal scavenging.

Once existing problems have been identified, objectives for privatizing solid waste services can be defined. Often, objectives are too broadly stated, i.e., “to improve efficiency and lower costs.” More specific objectives may be, for example, to provide collection and disposal services to an specific geographical area, to minimize cost to residents, to optimize the life of the local landfill by improving its operations, or to offer recycling services to residents and businesses.

Issues to be Considered

An evaluation of relevant issues is needed before choosing to privatize solid waste services. Such issues can generally be grouped into the following categories: political, management, financial, contractual, service-related, competition, human resources, and public support. An extensive, although not exhaustive, listing of issues that may need to be considered is provided in Table 1.

The relevancy of each of the issues is unique to the circumstances of the community, as is their relative importance. For example, in some communities the infrastructure to monitor a private sector contract may not exist and would need to be developed. In other areas, the willingness of participants to pay may be an issue, or there may not be an adequate number of businesses able to compete for the services. Any number of issues may impact the feasibility of privatizing solid waste services.

Table 1. Privatization Issues

Political Issues	<ol style="list-style-type: none"> 1 Political commitment 2 Development and enforcement of applicable regulations 3 Governmental willingness to privatize (loss of jobs, reduction in power) 4 Stability of political environment 5 Public attitude toward private sector participation 6 Retaining municipal responsibility for waste management services 7 Trends in the use of service providers (other privatization initiatives) 8 Integration of privatized services into overall waste management system 9 Ability to conduct a fair and impartial procurement process 10 Legal framework to conduct privatization procurement and to enter into agreements
Management Issues	<ol style="list-style-type: none"> 1 Financial control and supervision of services provided by private entity 2 Institutional framework to conduct a competitive procurement process, manage contracts and payments, monitor performance 3 Ability to integrate services into a comprehensive solid waste management strategy 4 Ability to provide technical assistance to service providers 5 Cost of management
Financial Issues	<ol style="list-style-type: none"> 1 Economic condition of the country or region 2 Consistent sources of revenue 3 Cost of privately- vs. publicly-provided services 4 Availability of funding to private vs. public sector 5 Cost recovery/disbursements 6 Implementation of full cost accounting 7 Implementation of recordkeeping practices 8 Funding of services to low-income areas 9 Willingness of users to pay
Contractual Issues	<ol style="list-style-type: none"> 1 Type of contractual arrangement 2 Development of a fair and reliable contract 3 Clearly defined scope 4 Authority to provide solid waste services 5 Ownership of wastes 6 Protection of service providers 7 Guarantee of payment to service provider 8 Well-defined performance measures 9 Payment or other incentives based on performance 10 Duration of contract 11 Recordkeeping requirements

Table 1. Privatization Issues (cont.)

Service-Related Issues	<ol style="list-style-type: none"> 1 Need for background information: <ul style="list-style-type: none"> -1 number of residential, commercial, industrial service recipients -2 number and types of containers -3 quantity and composition of waste generated -4 appropriate types of vehicles and equipment -5 appropriate crew size -6 size of route (e.g., number of stops, mileage) 2 Clearly defined services: <ul style="list-style-type: none"> -1 scope -2 service area (single vs. multiple) -3 frequency 3 Methods to optimize services 4 Providing services to difficult-to-serve areas 5 Equipment uniformity, functionality, maintenance requirements
Competition	<ol style="list-style-type: none"> 1 Importance of competition 2 Availability of private firms willing to provide the services: <ul style="list-style-type: none"> -1 qualifications and experience -2 long-term stability -3 financial capability -4 financial incentives needed -5 well-versed with local laws and business practices 3 Consideration of multiple service providers: <ul style="list-style-type: none"> -1 risk reduction -2 economies of scale -3 effect on management 4 Means to encourage competition: <ul style="list-style-type: none"> -1 division of services -2 establishing multiple service territories -3 providing equipment for lease -4 providing training/assistance to small companies -5 establishing appropriate bonding requirements for smaller firms
Human Resources	<ol style="list-style-type: none"> 1 Effect on existing public sector employees 2 Availability of qualified personnel in private sector
Public Support	<ol style="list-style-type: none"> 1 Existence/extent of public support 2 Demand for improvement in environmental condition 3 Willingness to cooperate 4 Willingness to pay

RFP PREPARATION PROCESS

The preparation of an RFP is a complex undertaking. Frequent communication between the parties involved is important throughout the process.

- 1) Define Scope of Services - Solid waste services often privatized are collection, transfer, processing, disposal, and street sweeping. A detailed, unambiguous description of the desired services is necessary. The topics addressed in the scope will vary depending upon the type of services being solicited. For example, for collection services, the scope would address, geographical service area, types of service recipients (households, businesses, institutions, etc.), types of materials (garbage, recyclables, yard waste), allowable set-out methods, collection frequency, operating schedule, destination, vehicle requirements, recordkeeping and reporting requirements, and others. At this stage, a number of decisions will need to be made regarding the specifics of the services being procured, such as:
 - 1 Waste collection -- curbside vs. depots, frequency, types of containers
 - 2 Recyclables collection -- curbside vs. depots or drop-off centers, separate vs. commingled, type of materials included, types of containers
 - 3 Street sweeping -- frequency, manual vs. mechanical, types of equipment
 - 4 Composting -- types of feedstock, windrow vs. in-vessel, enclosed vs. open-air, end use for compost product
 - 5 Materials recovery facility (MRF) -- public vs. private ownership, types of feedstocks, manual vs. mechanized processing, end use for recovered materials
 - 6 Incineration -- raw waste vs. pre-processed waste
 - 7 Landfilling -- upgrade of existing dump, siting a modern sanitary landfill, type of liner and gas and leachate management system, if any
 - 8 Public education -- targeted audience(s), types of outreach efforts
 - 9 Source reduction -- method of implementing (e.g., regulation vs. public education)
- 2) Collect Background Information - The inclusion of accurate and complete background information in the RFP is important for a number of reasons. It serves to ensure that the proposals received will address the needs of the community. It also minimizes risk to the private sector, often resulting in a lower proposed cost. The specific background information needed will vary depending upon the types of services being solicited, but may include demographics of the service area, waste characteristics, waste quantities, etc.
- 3) Prepare Annotated Outline - A detailed outline of the RFP should be prepared, containing notes regarding the content of each section. This step will result in the identification of issues that need to be addressed or questions that need to be answered.
- 4) Prepare Draft RFP - The next step in the procurement process is to begin the writing of the RFP. The contents of a typical RFP are described in Table 2. The RFP will form the basis of the subsequent contract with the vendor, and thus should be considered a legal document. It is critical that the RFP be clearly and

Table 2. Example of Contents of a Request for Proposals

Summary	Provides a concise overview of the proposal requirements including a brief description of the project, general requirements for submitting a proposal, date and time of the pre-proposal conference if any, and deadline for submitting proposals.
Project Background	Contains detailed information about the project area including: demographics, description of existing solid waste management practices, and quantities and characteristics of the waste stream.
Procurement Process	Presents the time schedule of the procurement process, the procedure for submitting questions, information on the pre-proposal conference, instructions for proposal submittal, a discussion of the proposal evaluation process, and general terms and requirements.
Instructions for Proposal Preparation	Describes in detail the content of each section of the proposal submission, including description of proposed services, project organization and qualifications of proposer, proposer's financial data, cost proposal, and proposal forms. A list of the proposal forms to be completed would be included in this section.
Scope of Services and Requirements	Describes the experience requirements for proposers, a description of the services that are to be provided, the number of contracts to be awarded, the term of contract, customer service requirements, and reporting requirements
Business Arrangements	Describes the method for compensating the contractor, billing of customers, any special fees, and the compensation structure.
APPENDICES	
Background Documents	Contains pertinent background documents such as information on existing routes, siting and permitting requirements, etc.
Draft Agreement or Contract Terms	Contains draft agreement (preferable) or general contract terms to be included in the agreement. Proposers are instructed to list any exceptions they would take to the agreement. This enables the agency to obtain the contractor's exceptions in the context of a competitive process and to consider the exceptions as part of the evaluation process.
Proposal Forms	Contains forms to be completed by each proposer. Forms will address experience, corporate structure, financial statements, personnel and equipment, exceptions taken to the contract terms, and the costs/rates proposed. Forms are designed such that key forms will become exhibits to the final agreement.

concisely written and absent of any contradictions or ambiguities. Dual references to the same information(e.g., proposal due date) should be kept to a minimum in order to avoid contradictions. Although the various sections of the RFP may be written by different parties, it is important that one individual be responsible for overseeing the process and reviewing the document.

- 1) Circulate Draft RFP for Comments - After a draft of the RFP is completed, it should be distributed to appropriate reviewers for comment. The reviewers would include individuals from various departments, including the legal department. It is preferable that comments be provided in writing, and then discussed in a meeting with all of the reviewers to resolve any conflicting comments or new issues raised through the review and comment process.
- 2) Finalize and Issue RFP - This step would involve incorporating comments from reviewers into the RFP. After the document is complete, it should be reviewed by a minimum of two people, paying particular attention to inconsistencies or ambiguities. The final RFP would be reproduced and distributed to potential proposers.

CONCLUSION

A clearly-written, comprehensive Request for Proposals is critical to the successful procurement for solid waste services and efficient implementation of those services. The process requires consideration of the objectives of the solicitation, an analysis of the issues relevant to the area, development of a detailed scope of services, and collection of accurate background information. The RFP should be designed to solicit unambiguous proposals that would result in a smooth negotiation process and the provision of services that meet the needs of the community.