Public Private Partnership in the Waste Sector

Climate and Clean Air Coalition Meeting
Vancouver, 11 March 2013
Veolia Environmental Services

- The waste branch of Veolia Environnement
  Providing for the whole chain of Waste management for Local Authorities & industrial/commercial companies.
- Collection, transfer, sorting, treatment & recycling of municipal & industrial (haz & non-haz) waste by biological, thermal & physico-chemical valorisation & landfilling
- Provider of industrial services (high pressure cleaning, decommissioning, marine services)
- World reference in waste management services
  
  **2011 Key Figures**
  - 36.2 million tonnes collected
  - 60 million tonnes treated
  - Of which, 12.1 million tonnes recycled
  - 763 treatment units worldwide
  - 7.5 million MWh energy sold
    - 2.7M MWh thermal
    - 4.8M MWh electrical

*Turning waste into a resource*
Public Private Partnership (PPP)

A PPP is a partnership between the public sector and the private sector for the purpose of delivering a project or service traditionally provided by the public sector. It recognises that both sides have certain advantages, and by allowing each to do what it does best, public services and infrastructure can be provided in the most efficient manner.

Source:
European Commission
PFI/PPP in the UK
PFI/PPP in the UK

- Conservative government pioneered this concept in the UK in the 1990’s
- Well established Government policy, regulations and structure for PPP.
- Government decided to encourage investment in new waste treatment infrastructure by employing the PFI (Private Finance Initiative) concept

*PFI: A type of PPP = Concession agreement + Government Grant*

- There are currently 33 operational waste PFI projects in the UK and 3 at preferred bidder status.
- Since 2008, a change in Government and a revised government fiscal approach has resulted in severe austerity measures and the flow of new PFI contracts was slowed considerably.
- Recently, PFI credits were withdrawn for several solid waste projects. Justification was that “on reasonable assumptions” these projects were not needed to meet the 2020 landfill diversion targets.
Veolia has 8 operational and preferred bidder status PFI contracts (19% of market share in terms of tonnage)

### Contracts and Services

**Integrated-PFI-PPP contracts**

<table>
<thead>
<tr>
<th>Contract Length</th>
<th>Start date</th>
<th>End date</th>
<th>People Served</th>
<th>Households Served</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham</td>
<td>Jul-93</td>
<td>Jul-18</td>
<td>1m</td>
<td>446,509</td>
</tr>
<tr>
<td>East Sussex</td>
<td>Apr-03</td>
<td>Apr-28</td>
<td>757,600</td>
<td>219,630</td>
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<tr>
<td>Hampshire</td>
<td>Apr-95</td>
<td>Apr-23</td>
<td>1.3m</td>
<td>520,810</td>
</tr>
<tr>
<td>Hertfordshire</td>
<td>Jul-11</td>
<td>Jul-36</td>
<td>1.1m</td>
<td>433,702</td>
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<tr>
<td>Leeds</td>
<td>Nov-11</td>
<td>Nov-36</td>
<td>798,800</td>
<td>311,579</td>
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<tr>
<td>Merseyside</td>
<td>Jun-09</td>
<td>Jun-29</td>
<td>1.3m</td>
<td>668,386</td>
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<tr>
<td>Nottinghamshire</td>
<td>Jun-06</td>
<td>Jun-32</td>
<td>779,900</td>
<td>324,904</td>
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<tr>
<td>Sheffield</td>
<td>Aug-01</td>
<td>Aug-36</td>
<td>555,500</td>
<td>238,450</td>
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<tr>
<td>Shropshire</td>
<td>Oct-07</td>
<td>Oct-34</td>
<td>293,400</td>
<td>147,590</td>
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<tr>
<td>Southwark</td>
<td>Feb-08</td>
<td>Feb-33</td>
<td>287,000</td>
<td>110,520</td>
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<tr>
<td>Staffordshire</td>
<td>Jul-10</td>
<td>Jul-35</td>
<td>831,300</td>
<td>415,143</td>
</tr>
<tr>
<td>West Berkshire</td>
<td>Mar-08</td>
<td>Mar-33</td>
<td>154,000</td>
<td>56,394</td>
</tr>
</tbody>
</table>
Hampshire

Working with Hampshire since 1996 in a 28 year partnership to deliver a recycling and waste management strategy

Numerous major developments in infrastructure with over £215m invested:

- Two Material Recovery Facilities
- Three Energy Recovery Facilities generating enough electricity to supply over 53,000 homes
- Two composting facilities
- Material Analysis Facility — analyses composition of waste streams from each authority in Hampshire to enable targeted education and communications campaigns to help improve recycling rates
- Hampshire now landfills less than 10% of municipal waste making it the leading county authority in the UK for landfill diversion

2012 Revenue: £99m
PFI/PPP benefits

- Local authority benefits from **resources and experience of private entity** (design, permitting, project management, and operations).

- The Local authority **transfers responsibilities** for permitting, construction, and operation under one entity. The Authority monitors the performance with the assistance of an Independent Certifier.

- Essential part of the **risks transferred** to private entity. Some risks may be shared on the basis of the Party that has best control (value for money).

- Does not require **local public authority funding** (if the Contractor takes the construction and availability risks then the Public Entity may can treat the CAPEX off balance sheet)

- **Obligation for Contractor to meet specific performance criteria and continuous improvement** over the **long-term service contract**. Satisfied customers – they get the results, for example:
  - Development of appropriate infrastructure that will help deliver the required levels of recycling and recovery (materials recycling, composting and energy recovery systems).
  - Reduced waste production.
  - Restricted volume of waste sent to landfill.
  - Progressively changed public attitudes and behaviour towards waste.
PPP procurement

- Capital and operating costs are paid for by the public sector, who take the risk of cost overruns and late delivery.

PPP procurement

- The public sector only pays over the long term as services are delivered. The private sector funds itself using a large portion of debt plus shareholder equity. The returns on their equity will depend on the quality of services.

Source: PricewaterhouseCoopers
Integrated Solid Waste Management Contract – Alexandria, Egypt
Integrated solid waste management contract: Alexandria example

Global waste management and city cleaning

- Service started 1st October 2001
- 15 years Contract (early termination in 2011)
- First PPP in Egypt covering global waste management
- Waste Collection and Treatment of 1.1 million tonnes of waste per year
- VES Alexandria served a population of 5 million people in winter and 8 million in summer
Integrated solid waste management contract: Alexandria example

The contract included:

STREET CLEANING

WASTE COLLECTION AND TRANSFER

WASTE TREATMENT at 2 new landfills

CDM Project

WASTE COMPOSTING at 3 composting plants
Integrated solid waste management: Alexandria example

Alexandria was recognised on an international level for its transformation and cleanliness:

✓ In **2003**, voted the cleanest city of the Arab world

✓ In **2005**, Winner in the « Environment » category of the Metropolis prize (awarded by the UN, WHO and the World Bank)

✓ In **2006**, the Habitat Scroll of Honour of the United Nations was jointly awarded to the Governate of Alexandria and VES

**Certifications:**

✓ Quality: ISO 9001:2000,
✓ Environment: ISO 14001
✓ Health & Safety: OHSAS 18001
Keys to Success / Lessons learned

- Need to work as Partners with mutual desire for a successful long-term relationship
- Need strong Political Leadership
- Support and co-operation of general public is essential
- Ensuring employees receive proper training
- Phased start should be considered for large projects
- Successful approaches in SWM require a good understanding of the local situation: cultural, socio-economic, employment, ...
- Informal sector integration must be considered in advance
Before

After
Before

After
Thank you for your attention!