

NabarroNathanson

Issues facing the competitive market

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Is it time to panic?

- EU Landfill Directive
- LATS
- Defra review of Waste Strategy 2000
- OFT Report “More Competition Less Waste”
- Defra “New Criteria for Waste PFI Contracts”
- New Public Procurement Rules
- Imminent local government bill

Waste Projects in Procurement

Project	Total Capex £m	Total Contract Val £m
Central Berkshire (in procurement)	48.4	468.6
Gloucester (Cancelled due to affordability concerns)	46.0	686.4
West Berkshire (in procurement)	26.8	296.5
Cornwall (in procurement)	76.7	572.0
Nottinghamshire (closed June 2006)	67.7	531.3
Lancashire (closed July 2006)	117.3	823.4
Northumberland (in procurement)	73.2	516.6
Totals	1,050.9	9,509.5

Waste Projects in Procurement

Local Authority	Tonnage Arisings KTPA	Due to complete
Greater Manchester	1,400	early 07
Southwark	140	early 08
Wakefield	200	?
Cambridgeshire	280	late 06/early 07
Dorset	200	No longer pursuing PFI
Norfolk	440	?
Cheshire	134	Late 07
Derbyshire	520	?
Essex	877	?
North Yorkshire	379	end 07/early 08
Merseyside	776	early 08
Kirklees, Calderdale & Bradford	556	Late 08

Who are the main players

- Veolia – 6-8 PPP Contracts
- SITA – 6-9 PPP Contracts
- Viridor – 3 PPP Contracts
- Biffa – 2-3 PPP Contracts
- Shanks – 2 PPP Contracts
- Cory – 1 PPP Contract
- Focsa – 1 PPP Contract
- WRG
- Cleanaway

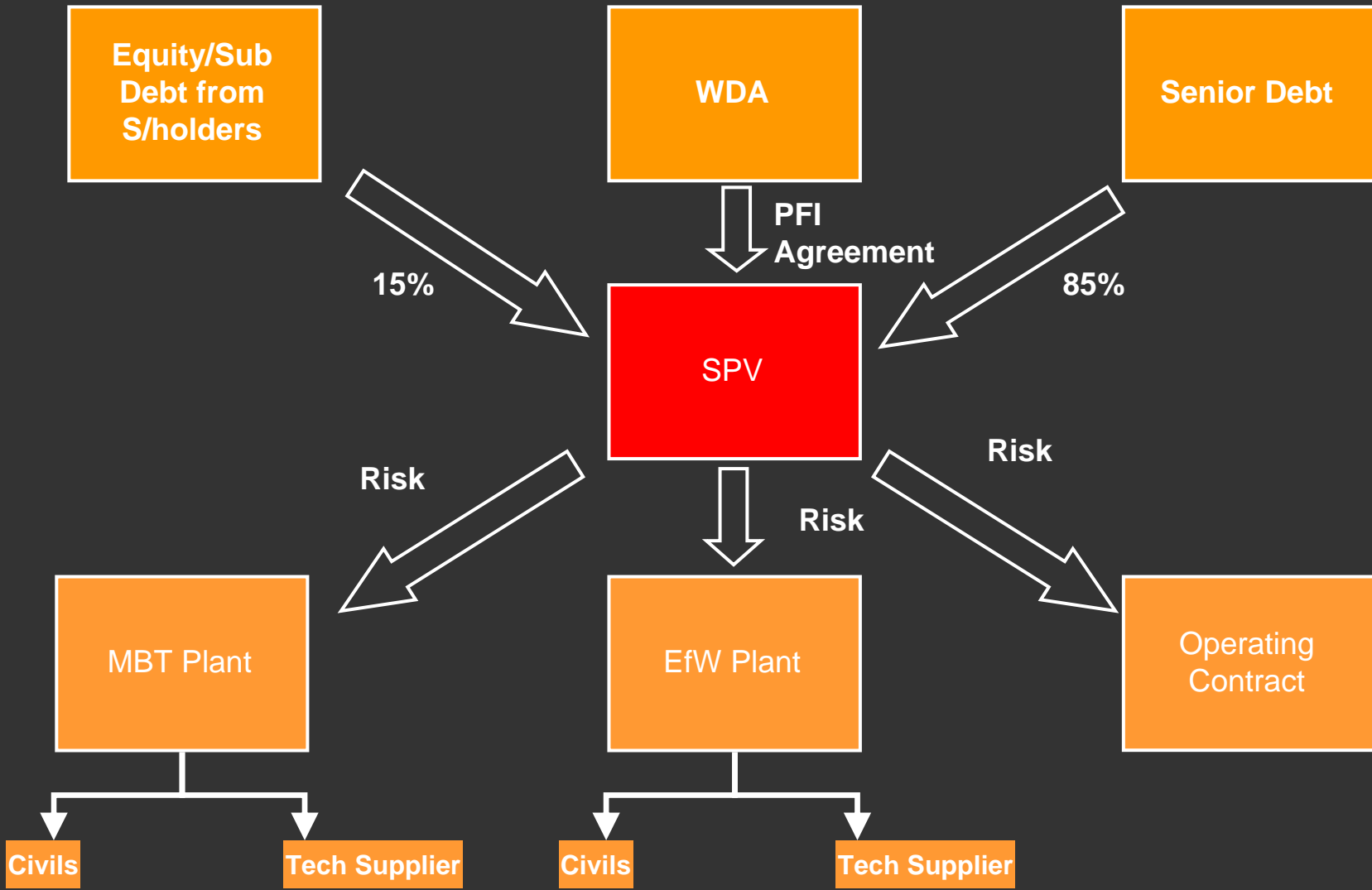
Who are the new players?

- Global Renewables – Australian
- Herhof/Helector – German
- Interserve – PFI Contractor
- VT Group – PPP Provider
- Compact power – Gasification/Pyrolysis
- Cyclerval/TIRU/EDF – French Utility
- Earth Tech – USA

Why isn't the market moving?

- Getting new entrants past the pre-qualification process
- Resources/Affordability
- Funding risk on new technology
- Planning risk
- Site ownership
- EA Consultation on changes to the Waste Licensing Regulations
- EA Guidance on testing outputs from MBT

Typical Structure of a Waste PFI Deal



How do we get it moving?

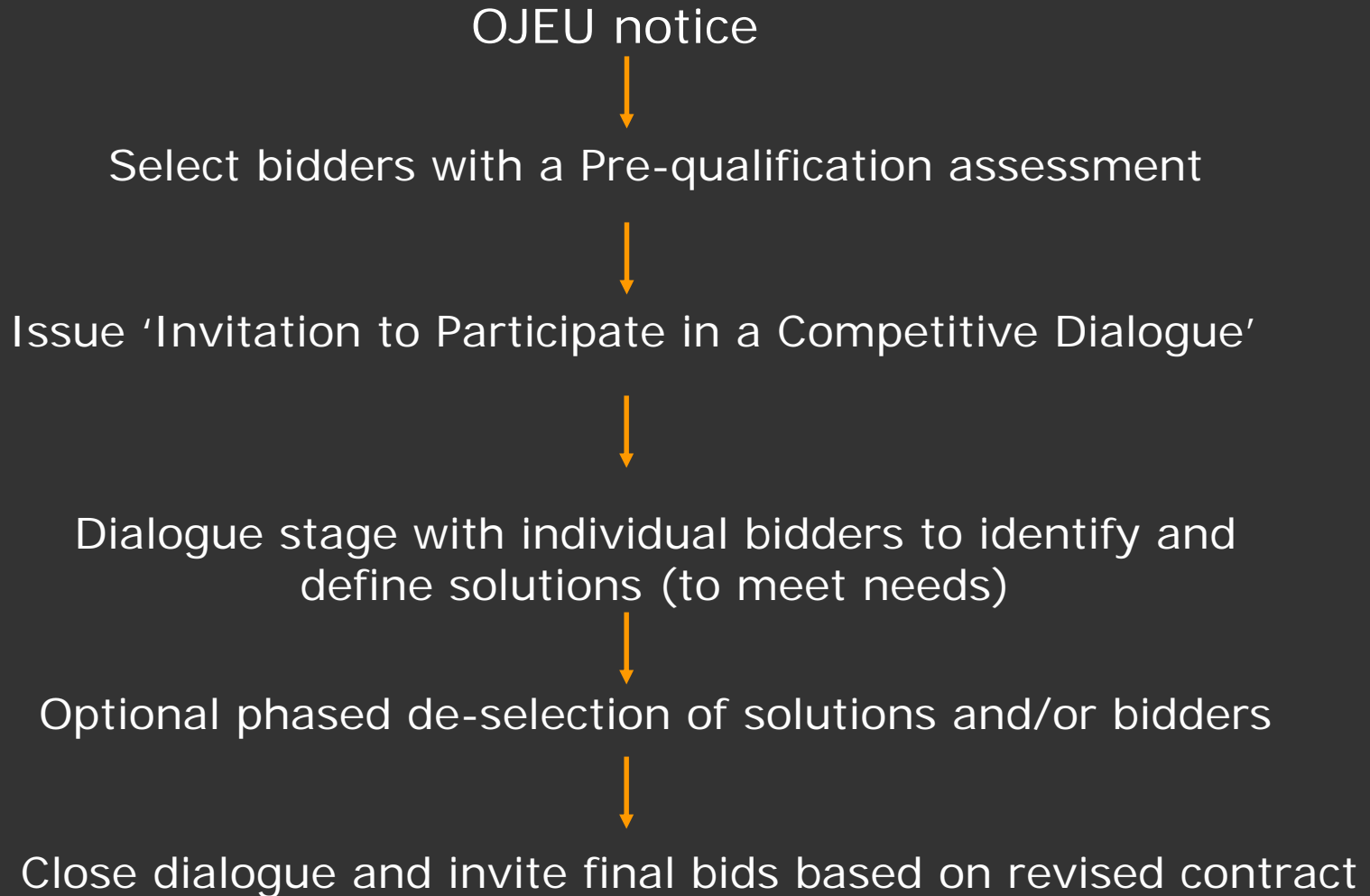
- Closer integration
 - WDA to WCA
 - WCA and WCA
- Joint procurement
- Encourage new entrants
- Use prudential borrowing to fund assets?
- Better preparation for procurement
- Understanding the price drivers for bidders consulting with the market

Communication - The need for a competitive dialogue?

- New Procurement Rules became law in the UK on 31 January 2006 (Public Contracts Regulations 2006)
- Reflects the need for a more flexible approach
- Aim is to allow authorities to engage in communication with bidders on all aspects of the contract pre-bid submission
- We are delivering one of the first CD procurements (Met Police) and first waste deal to use CD (Telford and Wrekin)



How does competitive dialogue work?



How does competitive dialogue work? cont/....



Clarification of bids



Identify Most Economically
Advantageous Tender



Further Clarification



Contract award

How can competitive dialogue work to councils advantage?

- Freedom on how to structure dialogue
- Promotes open communication with bidders at early stage
- Early identification of possible risk areas
- Phased de-selection
- Identify MEAT when all substantial Ts&Cs affecting price and project delivery are settled, while there is still competition
- Legal justification to avoid protracted discussions with bidders once dialogue is closed
- In line with OGC Guidance and 4Ps recommendation (easier to justify than negotiated procedure)
- European Commission's procedure of choice (greater legal certainty)

Questions?

- Any questions?



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