

Revamping Waste Management in Selangor: A Working Paper

THIS DOCUMENT IS PREPARED BY THE MEMBER OF PARLIAMENT FOR KELANA JAYA



1.0 INTRODUCTION

- 1.1 This concept paper is triggered by my meeting in late December 2014 with YAB Azmin Ali, the Selangor Menteri Besar in the presence of several Pakatan Rakyat MPs and ADUNs. In the meeting, I presented a skeletal format of re-consolidating waste management via open tender to two major operators and at the same time encourage competition between them.
- 1.2 Prior to that meeting, I had instructed my staff and interns to interview authorities from MBPJ, current contractors and also the public procurement experts from IDEAS. Desktop studies were also conducted.

2.0 CURRENT SITUATION

- 2.1 The current waste management services in Selangor is far from perfect. As the most populous state in Malaysia, efficient waste management is vital to ensuring city cleanliness and hygiene. Inefficient services can lead to devastating health implications, such as dengue and rat infestations.
- 2.2 In 2007, the Federal Government passed a new Act on solid waste and public cleansing management, transferring executive authority from the Local Authorities to the Federal Government.¹ The procurement of waste management services in Peninsular Malaysia were thus limited to large companies who were given long-term concessions by the Federal Government. Large concessionaries such as SVM Environment dealt in the South, E-IDAMAN dealt in the North and Alam Flora in the Central Region.² These companies are monitored by the *Perbadanan Pengurusan Sisa Pepejal dan Pembersihan Awam* (PPSPPA), a corporation set up to manage all operational issues at the Federal, State and Local levels. When the Selangor Government opted out of this centralisation of waste management, Local Councils were tasked once again with the procurement of such services.

¹ The Solid Waste Management and Public Cleansing Act (2007)

² http://www.ecoideal.com.my/danidaurban/swmc/download/SWMC_TEC_03-123-Federalising%20SWM%20Peninsular%20M'sia.pdf

- 2.3 Federal, State and Local Council procurement policies are all the same. The methods of procurement, procedures and the guiding principles are laid down in the Treasury Instructions and Circulars. In addition, the Local Councils are allowed to make bylaws on waste management, determining the requirement for contractors.³
- 2.4 Following numerous complaints from residents and other stakeholders on the rubbish problem in Kelana Jaya, our office conducted a meeting between rubbish contractors of different PJ zones and representatives of MBPJ. From that meeting, we were able to identify the procurement policy for waste management in MBPJ.
- 2.5 The results of the meeting were then corroborated and supplemented with consultations with other stakeholders. Summaries of these meetings can be found in the Appendix.

3.0 FINDINGS

- 3.1 A whole range of issues concerning waste management in Kelana Jaya were identified, including illegal dumping of wastes, congestion at landfills and gangsterism preventing waste collection in certain areas. Whilst we took note of these issues, we focused instead on understanding the procurement process in MBPJ. The following procurement issues were identified:
- 3.2 Winning criteria too rigid
- Contracts are awarded to the lowest bidder.
 - The sole criteria to be satisfied by contractors is the frequency of trips made to designated zones for collection of wastes. This varies according to zone types i.e. residential or commercial.

³ The Local Government Act (Act 171), s73.1.a.

- The onus is shifted to the contractor to estimate the amount of waste collectible for each zone up for tender. If not cross-checked with Local Council research on viability, contractors are likely to quote a smaller amount of collectible waste so as to reduce costs and thus reduce the contract sum.

3.3 Department estimates not published

- Following the previous point, it is vital for Local Councils to conduct its own research on amount of wastes collectible for each designated area.
- Local Councils must ensure that the work to be carried out is quantified accurately e.g. premise count, waste type, tonnage, disposal rate at landfill, before awarding waste management contracts.
- This research should be compared to contract quotations in the evaluative stages of the procurement process in order to weed out quotations that are not viable.

3.4 Lack of scrutiny

- There is little evidence showing that commercial evaluation is well supplemented with technical evaluation of waste management services procurement.
- Technical evaluation is complex and must include consideration of various factors including vehicle type, availability of compactors, roll on roll off bin trucks, distance to landfill, availability of transfer stations, travel time per truck to landfills, vehicle technologies and many others.

3.5 Our research also showed that transferring authority back to Local Councils to procure waste management services places a relatively heavy burden on local authorities, at least according to one source. Because an alternative arrangement exists, that is the concessionaire arrangement with the Federal Government and monitoring by the PPSPPA, the Deputy Head of Procurement in MBPJ believes that Local Council would be better off opting for that arrangement instead of procuring those services on their own.

- 3.6 MBPJ authorities believe that by transferring authority on waste management, Local Councils can then focus on repair works (*penyelenggaraan*), an issue that is also often subject to complaints and criticism from residents.
- 3.7 Despite these findings, a proper cost-benefit analysis must be prepared in order to continue our understanding and analysis on the best way to procure waste management services for Selangor. Research must be conducted on whether a municipal level concession would be big enough to justify the internal economies of scale for one concessionaire, or if several municipalities should be grouped together instead for the purpose of waste management.

4.0 SOLUTION

- 4.1 A solution recommended by my office is to appoint two major operators for waste management via an open tender with added competitive incentives. The current practice of privatising to hundreds of small contractors is chaotic and has resulted in very poor garbage collection. This consolidation to two major operators will free up the municipalities to focus on bettering other services to the rakyat.
- 4.2 My office views that the Selangor state government should divide garbage management to two major regions; North Selangor and South Selangor. A request for proposal should be issued and pre-qualified companies be allowed to bid in an open tender for either North or South Selangor.
- 4.3 The two winning companies will then be given an eight year concession. To further enhance competition and performance between these two winners, on the ninth year, North and South Selangor will be recombined and the contract for the whole of Selangor will be given to the best performing of the two winners.
- 4.4 This incentive to win the combined Selangor waste management contract will ensure the delivery of best performances by the two winners during their concession period.

- 4.5 As an interim measure, we propose that a directive be issued to provide payment to contractors based on quantity of waste collected for the duration of three months. This creates a short-term free-for-all waste collection as a stopgap measure to the rubbish issue in Selangor.

Appendix

1. Meeting with Rubbish Contractors of PJS areas and MBPJ representatives (26/8/2014)

Attendees:

Wong Chen's Office	Contractors	MBPJ
Ho	Rafiq (Senja Setia/Teknitek)	Norliza (PA Councillor Halimey)
Leong	Nordin (Lembagung NMS)	Syed Hazmi (Services Dept)
Gillian	Shaiful (Emaddi Services)	Akmal (PJS Officer)
	Nur Atikah (Azhood services)	Low (Health Operations Director)
	Zohvrul, Liliwati and Suziana (ETAH ENT)	

- PJS 5
 - En Bila (Etah)
 - Cleaning and solid waste
 - 1 trip = 1 tonne of waste
 - Maximum of 3 trips per day
 - Take waste to Dengkil landfill

- PJS 5,6,8 &10
 - Rafiq (Senja Setia)
 - Domestic waste (no quota for domestic waste)
 - Contract = 2+1 years
 - Criteria for each contractor is frequency of trips made to contracted area =/= amount of waste collected
 - For Senja Setia, it is minimum 2 trips a day
 - Payment made based on photographic evidence and tipping sheet (acquired when dumping waste at landfill)
 - Issues for Senja Setia
 - Mentari Court, excessive amount of waste

- Suspected illegal dumping at site, possibly by scrap metal syndicate
- Blockage
 - Inaccessible for trucks due to cars parked by the roadside
- Landfill site often very busy
 - Difficult for trucks to frequent the landfill because time consuming (waiting for their turn to dump the waste and acquire tipping sheet) therefore, they minimise their trips, and therefore minimise the amount of waste they collect
 - Rafiq goes to Jeram/Shah Alam landfill
- Gangsters a problem
 - Restricting the waste collection sites and forcing contractors to pay patronage to do work
- Pengawas from MBPJ fine contractors if they find rubbish still in the area, although this is negated by evidence provided from the contractors through their tipping sheets
- Unlicensed stall operators also an issue
- PJS10
 - En Saiful (cleaning and solid waste)
 - Note that cleaning and solid waste contracted out together might not be a good idea – it forces contractors to do work they may not be good at – should split it up to foster competition – companies can bid to do both
 - Contract is 6+6+6+6 (up for review)
 - From my meeting with MBPJ procurement head, this can be an issue as loans taken up by contractors for capital may be hard to attain due to the short-term nature of the local council contract
 - From my meeting with MBPJ officers and En Saiful to hear complaints from residents in the PJS10 area, En Saiful had to attend to drain clogs that happen for various reasons – need a lot of coordination and close monitoring
 - Although En Saiful was contracted to only pick up 10 tonnes a month, he has had to collect 32.4 tonnes to avoid from getting fined by MBPJ for uncollected rubbish?
- Mr Low
 - MBPJ Operations Head (Kesihatan)
 - Domestic waste
 - Schedule is 1 week x 3 trips for residential and daily for shops and flats
 - Must collect amount as per contract
 - MBPJ launched residents monitoring project
 - Illegal dumping is acknowledged

- MBPJ admits that they understand the strain on contractors, and to prevent from pointing blame, they have employed inhouse rubbish collectors (this is clearly inefficient)
- MBPJ collects domestic and solid waste of all private low-cost housing areas
- Other comments
 - There is a department estimate for how much waste is produced for a specified area → **this should be used in the evaluation stages of the procurement process** (although we note MBPJ's point that the contractors should be deemed the experts and if they are unable to appropriately do the job they contracted to do, then they should be fired – whilst this is a good point, we note that this problem can be prevented through greater scrutiny in the evaluative stages of the procurement process – by undertaking market research and comparing that amount to the amount that was bid, it will become clear which contractor has the most experience in undertaking the works to be procured → going by lowest bid wins is too rigid to be used as winning criteria, anything less should be deemed as signs of corrupt behaviour)
 - Before 2012, Alam Flora was concessionaire in Selangor – system of internalising procurement for waste collection has been in use for the past 2 years
 - RM2,000 fine for illegal dumping – should increase this sum – in Singapore, it is SGD10,000 and plus jailtime
 - Note YB Ting is the local government exco (probably not in office anymore)

2. IDEAS Meeting (28/8/14)

- Explanation of problem with waste management services in local council (within constituency)
- Sri Murniati:
 - Rigid on winning criteria
 - Cannot merely work on lowest price criteria
 - Most economically advantageous is better winning criteria
 - MBPJ Standards? Found out that it is the same as Treasury Circular
 - Request for proposal
 - Suggested workshops rather than consultants (because have to go through the procurement process as well)
 - Currently, no way non-civil servants can sit on procurement board
 - Suggested a citizens audit

- Class F balloting system works on rotation
- Below RM50,000
- Does not foster competitiveness (everyone gets a shot)
- No incentive to improve
- Had interview with someone from the Persatuan Kontraktor Melayu (PKMM), people said comfortable in Class F
- One issue is also that contracts are being broken up to smaller ones to bring them within the balloting system
- PEMUDAH (special government task force to facilitate business)
 - Proposal to reduce the margin of preference for bumiputra companies in supplies and services versus the proposal from government
 - PEMUDAH → no change for direct purchases or quotations below RM50,000 ; above 50,000 to be phased out to zero by 2020
 - MOF → no change for direct purchases or quotation at all;
 - Sri Murniati:
 - The threshold for direct purchase is too high → in Singapore, it is around SGD5,000
 - Balloting should be removed altogether
 - Government procurement always above market value
- 'Market value' is not defined
 - Is it merely comparison between prices offered on e.g. ePerolehan, or must undertake on research e.g. from the agency for each procurement?
- One of the big problems is that tender notices come out too late
 - 30 days for big projects is simply insufficient for companies
 - This is where cronyism happens, when you need to have connections to get the heads up on when a government body intends to procure services for a big project – need time to prepare your tender, need research
- ASEAN EC is a good opportunity for Malaysian companies to grow out → help SMEs build their marketability through more rigorous public procurement process
- Bidding outline needs to be made public.
 - This will help eradicate the need to have side relationships, as it is out in the open what services the local council or government department intends to procure for the year = TRANSPARENCY
- Direct quotation very different from open tender (tender more specialised, may be one company only that can carry out the works)
- Should we simply do away with the direct quotation process? Why do we need it? Is it competitive enough for local council?
- **Summary**
 - Too rigid on winning criteria

- Balloting system needs to be reviewed
- Procurement issue important to prevent corruption
- Define “market value”
- Possible solutions
 - Market research
 - 3rd party associations
 - Rid of balloting system
 - Online procurement to stem the relationship aspect of public procurement

3. Meeting with Ben Ng, former employee of SWM, one of three waste collection concessionaries around Malaysia (others are Alam Flora and E-IDAMAN) (9/9/2014)

- Concessionaries = 25-year concession to three companies (as per a Federal Act)
- PPSPPA = federal agency that monitors the work of these concessionaries e.g. schedules and routes and fines should there be non-compliance
- Recommended centralisation of waste management
- Waste Management Association apparently protects interests of concessionaries
- There are many things to consider in waste management itself:
 - Commercially:
 - Billing mechanism which quantifies the amount to be paid for premise type to landfill tonnage charges
 - Fair payments as well as noncompliance measures (fines)
 - Technically:
 - Operation mechanism; vehicle type, compactors, roll on roll off bin trucks, transfer stations, demanding high rates due to distance to landfill, transfer stations (due to distance to landfill), reducing travel time per truck to landfills, vehicle technologies
- Stresses that work to be carried out must be **quantified accurately** (e.g. premise count, waste type, tonnage, disposal rate at landfill)
- It will be very challenging to engage with the contractors to enhance their service level (collection method, frequency, timing schedule, vehicle suitability) as it will always be a question of whether the council is paying too much or too little to the contractors, and most critically with the high rate of new residential buildings, how do we gauge the increase in contractors annually and budgeting especially if we were to take into account the rate of occupancy?

4. Meeting with MBPJ Deputy Head of Procurement, En Ku Mustafa (11/9/2014)

- The entire process follows that in the Treasury Circular but it is approved by different Board
- 1. Board of Tender in MBPJ: anything RM5 mil and above goes to State Procurement Board
 - Datuk Bandar
 - Jawatankuasa kejuruteraan, pembendeharaan, legal office, timbalan,
 - Ahli majlis x 3 (party members)
- 2. Tender and Contract Department → evaluation
- 3. Procurement Department → provide ranking of contract worthiness to tender and contract department
- Each local council agency will prepare specifications after budget approval and provide it to the procurement department of mbpj
- Direct quotation → 20k-500k
- Tender >500k
 - 21 days tender on newspaper
- More than merely cost evaluation:
 - The completeness of tender document
 - Asset-holding
 - Cost (market price)
 - Work experience and company worthiness
- En Ku suggests that local council should use PPSPPA to monitor waste management services (fed government gives PPSPPA some RM60 million)
- DBKL is under PPSPPA
- En Ku feels as though the attention of local council should go into repair works (penyelenggaraan) rather than waste management