

## **ENVIRONMENT, PLANNING AND TRANSPORT COMMITTEE**

**Date:** Wednesday 18 October 2000

**Venue:** Rhondda Heritage Park, Trehafod, Pontypridd

**Title:** Nantygwyddon: Paper by Amgen Rhondda Ltd

### **Nant-y-Gwyddon Landfill**

## **Preliminary Statement to Environment, Planning and Transport Committee of National Assembly for Wales**

### **1.0 Corporate Position**

1.1 This acquisition originated in a decision by the Board of Directors of Cynon Valley Waste Disposal Company Limited in early 1999. The Company is a LAWDC, being wholly owned by Rhondda Cynon Taff County Borough Council. In 1998, the company adopted AMGEN Cymru as its new trading name but did not change its registered name. Throughout this paper, Cynon Valley waste Disposal Company will be referred to as AMGEN Cymru.

1.2 AMGEN Cymru started trading in 1993 having been set up by the former Cynon Valley Borough Council. Its sole source of business was and is the management of Bryn Pica Landfill in Aberdare.

1.3 Although the bid to take over Nant-y-Gwyddon was originally put in by AMGEN Cymru, the Directors decided that for commercial reasons, a new company should be formed to manage the site and the associated contracts in the event of the bid being successful, and that company was named AMGEN Rhondda Ltd. It too is a LAWDC and is a wholly owned subsidiary of AMGEN Cymru.

1.4 Both companies have the same Board of Directors and senior managers, the Directors being:

Adrian Poller Managing Director

Alun Maddox Commercial Director and Chairman

Dennis Matthews Finance Director

Nigel Brinn Operations Director

Jim Davies Non-Executive Director and Councillor of RCT CBC

## 2.0 Acquisition History

2.1 The sale of the site was first drawn to the Directors attention via a newspaper advertisement in January 1999, but after a brief scrutiny, the Directors decided not to submit a bid. This was because a quick sale was being promoted and the Directors did not feel that there was sufficient time or information to allow the proper level of due diligence to be carried out.

2.2 The initial sale process did not yield an acceptable bid and the bidding process was reopened. The Directors therefore decided to carry out a detailed study.

2.3 In the process of compiling the bid, the Board of Directors took advice from various sources as well as drawing upon its own expertise. The main advisers were:

Osborne Clarke Legal

Kahn Thomas Shankland Financial

Golder Associates Engineering and Environmental

2.4 In order to prepare a successful bid, the company had to arrive at suitable arrangements with three main parties:

**The Administrator, Paul Clark of Clark and Lowman** - clearly the arrangements here were primarily commercial, and simply came down to how much the company was prepared to offer

**Environment Agency (EA)** - the difficulties the previous operator got into stemmed from an inability to meet the requirements of a forced modification to the Waste Management Licence imposed by the EA. AMGEN Cymru would not proceed with the bid unless it knew precisely what was required by way of remedial works (both in scale of works and times for completion), and had decided that the scale of works could be supported by a realistic assessment of the likely trading income.

**Rhondda Cynon Taff County Borough Council** - the local authority played several roles in this process. Firstly, they were the sole shareholder of AMGEN Cymru and would be the ultimate owner of AMGEN Rhondda; secondly, they were the landowner of the landfill and the four civic amenity sites that were bound up in the deal; thirdly, they were the client of three very important waste management contracts (waste from Taff Ely and the Rhondda and the management of the CA sites) which collectively supplied so much of the predicted income of the new company, the income, of course, that is destined to pay for the remedial works.

2.5 All of these negotiations were hard and very time consuming but all were ultimately successful.

2.6 The details of the commercial arrangement struck with the Administrator remain commercially confidential.

2.7 The agreement reached with the Environment Agency is covered in more detail in Section 4.

2.8 The main point to note about the arrangement struck with RCT CBC was the well publicised provision of £910,000 by way of working capital to AMGEN Rhondda. To put this in context, the Business Plan prepared for the acquisition by the Board of Directors showed a predicted bill of around £6 million to complete the remedial works and to establish an aftercare fund. That injection of early capital was absolutely vital to the success of the bid - and indeed the bid could not have been made without it - but it was the continued trading of the Company that was intended to supply the bulk of the funds to put the site right.

2.9 All of these negotiations were completed on 23rd September 1999 and AMGEN Rhondda took Nant-y-Gwyddon over the following day.

### **3.0 Acquisition Philosophy**

3.1 The Directors feel that it may help if the thinking behind the bid is explained, the most obvious question being why we wanted to take such a troubled site over in the first place. This was primarily a commercial decision, for a number of reasons.

a) Firstly, it gave AMGEN the opportunity to expand its business base, both geographically and in terms of turnover. In doing this, it gained control over valuable new waste streams that might form the basis for new business ventures in the future.

(b) Secondly, it was felt prudent to deny competitors the opportunity to expand their business base into an area that we saw as offering the most potential for our own development.

(c) Thirdly, and crucially, it allowed efficiencies within the AMGEN group in terms of shared overheads. The waste industry has become increasingly competitive over the last few years and waste prices are now at their lowest for ten years. This has put particular pressure on AMGEN Cymru because a major competitor has a site only a few miles away, and the Directors had decided that action was needed on the level of overheads. The bid was therefore placed on the basis that the senior managers, namely the four executive directors and the site manager, would run both companies if the bid was successful but without any increase in pay or benefits. This is what in fact happened and this effectively halved the overheads at a stroke.

3.2 Before we were allowed to complete the bid, we were required to convince RCT CBC of our intentions and this was done through a formal presentation first to cabinet and then to full Council in open session in June and July 1999. The basis of our bid was briefly set out as:

(a) we would continue landfilling Nant-y-Gwyddon until the existing lined area was filled to what we perceived were the approved levels. In doing this, we would not greatly increase the amount of waste arriving at the site (assessed at about 100,000 tonnes per year), and would not seek to change the type of waste, i.e. we would continue to take non hazardous household, commercial and industrial wastes.

(b) this would provide about 8 years tipping to completion, and in that time, we would generate sufficient cash to be able to do all of the necessary remedial and other engineering works and establish a substantial fund for the long term aftercare of the site.

(c) at the time, the company was also actively pursuing energy from waste in the form of emerging technologies such as gasification and pyrolysis (but not incineration) and as an alternative, we raised the possibility of installing an Energy from Waste plant at Nant-y-Gwyddon if the technology was both proven and commercially attractive, and the necessary consents could be obtained. We expected this to take around 5 years however.

3.3 Following the council meeting, the Council voted overwhelmingly to accept our proposal for the site, subject, of course, to the various other agreements being concluded satisfactorily.

## 4.0 Remedial Works

4.1 An absolutely crucial part of the bid was the need to reach an agreement with the Environment Agency on what works were required and the timetable we needed to work to for completion of those works. The EA had originally issued a modification to the Waste Management Licence for the site, which included a requirement as Clause 121 that:

*Unless otherwise specified, all of the requirements of conditions 108 to 120 shall be completed within 6 months of the date of this notice*

4.2 It had been the failure of the previous operator, Rhondda Waste Disposal Company, to comply with that modification that had precipitated the crisis, and we were therefore determined to establish an effective and achievable programme of works. This was done in due course, the main terms being:

(a) we would establish some containment of the gases by carrying out a programme of intermediate and permanent capping - **we have recently completed the permanent capping of 30,000 square metres together with the intermediate capping of a further 30,000 square metres.**

(b) the landfill gas management and control system was to be improved and properly maintained - **we have carried out much needed work on the flares and gas field generally and have completed the installation of further extraction wells.**

(c) we were to establish an air quality monitoring programme both on site and in the adjacent communities based on an air quality monitoring plan that we were to submit within 2 months - **the plan was duly submitted and the monitoring is underway**

(d) we were to carry out improvements to the leachate control system in accordance with previous recommendations, and produce a leachate management plan - **the plan was produced within two months and the bulk of the disposal pipeline has been completely replaced; improvements have also been made in the on-site collection system**

(e) we were to carry out a risk assessment on the finer in the untipped part of the site before any tipping could take place there - **we did in fact do this during the bidding period, and the few tears that were discovered have already been repaired as part of the current capping contract**

4.3 Because we took the site over later than expected, there was no fixed timetable applied to every part of the agreed programme of works, but there was an informal understanding that we should complete all of the defined works in about a year. We are pleased to report that we have achieved that.

4.4 The last 12 months has been a period of frantic activity that has stretched our resources to breaking point at times, but we have stuck to the task and are proud to have achieved everything that we said we would. This of course is not the end by any means, and we are already planning the programme for the next 12 to 18 months. This should see:

- The provision of an updated leachate management plan, together with continuing work on the leachate extraction system; during this phase, we will also gather sufficient data to allow us to decide whether an on-site leachate treatment plant is required
- The agreement of a completely new Operational Working Plan and Licence with the EA (work has already started on this)
- The continuation of the air quality monitoring programme
- The design and construction of a further 20,000 square metres (roughly) of permanent capping (to be completed in summer 2001)
- The continued development of the gas extraction system; within 18 months, this should also include the installation of a scheme to run electricity generators from the gas collected

## 5.0 Conclusion

5.1 We knew we were taking on a large problem with the acquisition of Nant-y-Gwyddon, but, one year on, we still feel the decision was the right one. We have achieved much in that time, and know well how much is still to be done.

5.2 We have always said that we would co-operate with any form of enquiry or investigation that the National Assembly would choose to hold and confirmed that to the Cabinet Secretary for the Environment, Planning and Transport in some months ago. That remains our position today.

Adrian Poller

Managing Director, AMGEN Rhondda Ltd.

11 October 2000