

From: Colin Tsang
Sent: Monday, 20 August 2018 5:17 PM
To: Adjudication
Subject: AA1000414 – Council Solutions – submission

Categories: PDC, Submission

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Dear Tessa,

I have recently become aware of a joint tendering application in South Australia incorporating recyclables processing. As a company looking for national growth opportunities we have reviewed the application and wish to provide some feedback to the ACCC as we feel this application presents several barriers to entry that would stop us from tendering.

Order of tenders

We note that the recycling tender will be released after the collection tender which is the opposite of standard practice. This will have a negative impact for the following reasons:

1. Collection companies will not be able to take into account our required compaction rates that are necessary to ensure product is received in good condition. If they estimate high compaction rates in order to win a collection contract (less trucks required), we will not be aware of this at the time of tendering & will receive poor quality material that will lower its market value. This in turn means we cannot accurately forecast product pricing in a tender submission. Due to the destination of processing remain open at the time we tender; the delivery distance will dictate the significant cost of operation. Further, the “agreed compaction rate” between council and processor will expose the collection company to disadvantage position in term of tender price.
2. In most cases where the recycling processor is selected prior to the collection tender, the processors contamination management procedures and requirements form a component of the collection specification so they can be costed into the collection price. This is a critical step to ensure product is received with low contamination as processors are reliant on collectors to manage this during kerbside collections. Again, due to this we could not accurately forecast product pricing in a tender submission. This would prevent us from tendering.

Global Recycling Crisis

Due to the global recycling crisis by the China Sword Policy, current global market pricing is at unprecedented low levels (currently zero for over 80% of commodities) making it difficult to estimate income levels. We note that the application mentions a rise and fall provision as a risk share measure; however this is offset with the option for Councils to terminate the contract after only 3 years.

The combination of the global recycling crisis reducing any income surety and the risk of a contract being terminated after 3 years makes it unviable to invest in the capital required to construct a MRF in the Adelaide region. This presents too great a risk and would prevent us from tendering.

Tender Size

We note the proposed tender comprises 180,000 tenements from 4 Councils which is extremely large and carries high risk. If we were not the successful tenderer for the contract, we are concerned that we would not be able to compete for other potential work given the stranglehold the successful tenderer would have on the market and limited future tendering opportunities.

Our experience shows a contract of this size is not required to attract competition due to the high number of recycling providers already competing for business in the Australian market. As an example, one of our competitors entered the Adelaide market on the basis of securing 1 Council Contract with Onkaparinga Council.

We also note that all 4 Councils are not located in the same region which is uncommon as it will increase transportation costs.

Due to the potential impact a tender of this size will have on the future of the recycling industry we would like to be kept informed of any developments for the collection and processing applications & would like to attend the Pre Decision Conference.

We appreciate the opportunity to provide feedback.

Best Regards.,

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