

The following submission is provided to address any false or misleading statements made by Interested Parties during the ACCC Pre-decision Conference for Council Solutions Application AA1000414 (collection), and also responses to interested party submissions posted on the ACCC website since the pre-decision conference.

Further, no new information has been provided by any interested party that counters the ACCC Draft Determination finding that the proposed conduct would result or be likely to result in public benefit that would outweigh any detriment to the public.

This submission will address:

1. Council Solutions structure, objectives and operational framework.
2. The concern that Council Solutions lacks waste management experience and will be underfunded due to waiving administration fee.
3. The perception that Council Solutions is seeking to achieve the same result as ACCC denied in 2016.
4. The timing and order in the release of RFT's.
5. In the future City of Tea Tree Gully and City of Onkaparinga will accede to the contract.
6. The notion that tender pricing will be complex with a large number of pricing combinations and high degree of unquantifiable risk to be priced.
7. Identified Savings Opportunities in Kerbside Collections
8. The risk associated with the RFT and inability to raise capital and inability for some organisations to secure a bank guarantee to cover the contract performance.
9. Response to MRA submission.
10. Resource recovery and scale of collections.
11. That Council Solutions and Participating Councils cannot relinquish responsibility for bin replacement.
12. Current Collection Contractors Market Share
13. Response to Interested Parties Submissions

**1. Council Solutions structure, objectives and operational and framework.**

Council Solutions is a Regional Subsidiary established under s43 of the *Local Government Act 1999 (SA) (LG Act)* by the Constituent Councils in December 2012 (but has been undertaking collaborative procurements for these councils since 1994, under the name G6). Council Solutions' primary purpose is to improve the financial sustainability of the Constituent Councils through collaborative strategic

procurement, contract negotiation and contract management. This service can also be provided to other Councils within South Australia under the Council Solutions charter.

Council Solutions is owned by the Constituent Councils and governed by the Board of Management (**Board**), formed by the Chief Executive Officers of each of the six Constituent Councils and an Independent Chair.

### **Objects and Purposes**

Council Solutions is established with the following purposes:

- To meet and exceed a level of efficiency gains that achieves a benchmark for SA councils;
- To improve financial sustainability of the Constituent Councils by improvement of operational efficiency in procurement and process management;
- To provide opportunities for staff of the Constituent Councils to learn and develop new skills in working beyond their Council boundaries in the pursuit of professional development and collaborative working relationships with staff of other Constituent Councils;
- To promote the pursuit by the Constituent Councils of a procurement centre of excellence in securing best value and value for money in procurement activities and the delivery of services;
- To source, negotiate and enter into contracts for the provision of services or works and/or the delivery of goods for the benefit of councils other than the Constituent Councils;
- To achieve optimum outcomes through the benefits of collaborative procurement through procurement policies, practices and procedures directed towards obtaining value in the expenditure of public funds, the ethical and fair treatment of participants in such processes and ensuring probity, accountability and transparency in procurement processes;
- To operate as a central purchasing body to procure services, works and/or goods on behalf of the Constituent Councils through joint procurement activities;
- To investigate and to provide for any two or more of the Constituent Councils to undertake other service activities through the pooling of resources, people, assets and equipment for the purpose of maximising efficiency, effectiveness or reducing resources and the reduction of cost and risk.

The collaborative approach to procurement not only provides significant purchasing power to attain the best value for the community, but it also optimises the financial sustainability of each of the Constituent Councils by reducing administrative costs, the number of tender processes and replicated contract management activities.

The goal of Council Solutions is to improve community prosperity and wellbeing by undertaking local government procurement and collaborative services that:

- Deliver best value for money
- Explore innovative ways of delivering infrastructure and services
- Value partnership between councils and suppliers

### **Governance and Operating Framework**

Led by the Chief Executive Officer, Council Solutions works in partnership with its Constituent Councils to deliver value outcomes.

This is supported by the expertise of staff at Constituent Councils, applied through a structured operating management framework providing the oversight, advisory and/or operational input to the Council Solutions team.

The operating framework comprises the following groups:

- Council Solutions Board; and
- Procurement & Project Committee.

This framework enables Council Solutions to:

- Develop and maintain a strong collaborative culture that is the key to its ongoing success;
- Solicit strategic input, influence and hands-on involvement from its Constituent Councils; and
- Provide a service that delivers value to its Constituent Councils

### **Council Solutions Governance and Organisation Structure**



### Procurement and Contract Management

The total combined procurement expenditure by Constituent Councils is approximately \$415 million per annum, providing a compelling opportunity for collaboration to drive best value for the Constituent Councils.

During 2016/17 more than \$63.5 million of Council expenditure was undertaken utilising Council Solutions collaborative contract arrangements. This represents an increase of 23% on the previous year. The suite of contracts cover a diverse and comprehensive range of goods and services utilised by Councils including Finance & Professional Services, Human Resources, Roads Infrastructure, Facilities Management and Parks & Gardens. The strong focus on contract management is key to extracting value from the contracts for both Councils and suppliers.

Council Solutions Contract Management List: as at 30 June 2017

Contract	Contract Value \$ 2016/17 expenditure
Bituminous Treatments for Various Roadworks	29,350,000
Temporary Labour Hire	14,940,000
Legal Services	3,380,000
Cleaning Services	3,470,000
Tree Removal, Pruning & Ancillary Services	2,800,000
Supply or Supply & Install of Segmental Pavers	2,730,000
Supply & Installation of Irrigation Systems	1,620,000
Leasing Finance of IT Equipment	1,460,000
Manufacture, Supply & Delivery of Concrete	1,230,000
Supply, Supply & Delivery of Quarry Materials	1,040,000
Roadworks – Crack Sealing	513,000
Supply, Installation and Repair of Fencing	380,000
Provision of a Printing and Mailing Service for Rate & Dog Notices	230,000
Arboricultural Consultancy Advice Services	190,000
Design Consultancy of Irrigation Systems	160,000
Maintenance & Repair of Irrigation Systems	21,000
Provision of Pest Control Services - European Wasps	13,800

### Ongoing administration of waste service contracts

As part of the ongoing contract management and administration Council Solutions and representatives from each Participating Council will participate in joint decisions, activities (including the sharing of information) and discussions which may include, but are not limited to:

- contamination management;
- community education;
- reporting waste audits; and
- assessment of supplier performance.

A central contract management role will also be established which Council Solutions will take the lead and be primarily responsible for:

- pricing reviews;
- exercising contract options;
- reviewing and verifying data; and
- measurement and monitoring of Key Performance Indicators.

Each Participating Council will retain some contract management responsibility, such as:

- maintenance of bin and Service Entitled Premises register;
- internal reporting;
- approval of new and removal of expired services; and
- providing the customer interface to their communities.

### **Roles and responsibilities**

For clarity, the roles and responsibilities of the Applicants in the Waste Management Services Project are summarised as follows:

<b>Party</b>	<b>Role</b>
<b>Council Solutions</b>	Primary responsibility for:  Design and implementation of the procurement process, including all administrative tasks and ensuring good governance and probity;  Coordination and consolidation of specifications, characteristics, objectives and preferences of each Participating Council;  Leading the tender evaluation, including undertaking negotiations and administrative tasks associated with contract award; and  Contract management tasks
<b>Participating Councils</b>	Contributes through:  Endorsement of procurement process;  Supply of characteristics, objectives and preferences for consolidation by Council Solutions;  Providing a team member for the evaluation panel;  Evaluating tenders received against designated criteria;  Endorsement of recommendation report; and  Designated contract management tasks

**2. The concern that Council Solutions lacks waste management experience and will be underfunded due to waiving administration fee.**

The Council Solutions Board determined that the usual 2% Administration Fee would be waived in favour of a cost recovery methodology whereby each Participating Council would be charged in equal portions the cost to conduct the procurement, including:

- Procurement Officer time
- Portion of Council Solution overheads
- External technical, legal, probity and financial adviser costs

Council Solutions provides procurement expertise and project manages the procurement process, engaging with Participating Council technical and operational personnel, external technical experts, legal, probity and financial advisers to work with the project team when developing tender specifications, conditions of contract, evaluating tenders and managing contracts.

***External Waste Industry experts have been used extensively for this procurement to help ensure tender specifications can be satisfied by current industry capability and capacity and where service delivery opportunities exist for improvement and innovation.***

Council collaboration with each other and with industry experts has enabled kerbside collection specifications to be standardised across the Participating Councils and identified how contractor reporting capability can be significantly improved to assist in the monitoring and analysis of contractor collection performance and waste contamination management.

Council Solutions' experience and funding model is irrelevant to the question of public benefit v's public detriment. The Participating Councils are in the best position to determine:

- Who they trust to provide contract management services
- What will save them money and deliver most benefit to their rate payers.

**3. The perception that Council Solutions is seeking to achieve the same result as ACCC denied in 2016.**

AA1000414 is a new Application seeking ACCC authorisation of a new conduct that has been scoped specifically:

- To address the concerns of the market and the ACCC primary concerns set out in the 2016 Final Determination; and
- To ensure Participating Councils can continue to collaborate in an effective manner and achieve public benefit.

This has been addressed by proposing:

- Separate tenders for Kerbside Collection, Processing & Disposal and Ancillary Services.
- Being a Request for Tender (RFT) process rather than Request for Proposal(RFP), with a common specification across the 4 Participating Councils.
- Reduced complexity of the procurement process by simplifying the bidding process for suppliers and the tender evaluation process for the Participating Councils.

- Group the waste services to align with the supply market capabilities and specialisations.
- There are more tendering opportunities specifically for small business, allowing small to medium enterprises, who typically deliver the Ancillary Service Streams the opportunity to more easily tender by releasing a discrete RFT for these services, namely:
  - Bulk Bin Collection and Processing or Disposal
  - Hard Waste Collection and Processing or Disposal
  - Street Litter Bin Collection and Processing or Disposal

Running the 3 tenders concurrently is to allow tenderers to assess the whole opportunity, but each tender will have a different service scope, its own evaluation criteria and will be assessed separately. This simplifies the process and provides certainty for each service stream.

#### 4. The timing and order in the release of RFT's.

There are a number of reasons behind the release of the three RFT's to the market at the same time for tender, including – practical necessity, strategic necessity, economic efficiency, and equity. These are discussed below.

- a) **Practical Necessity** – the lead time for a successful tenderer in RFT1 to procure collection vehicles and have truck bodies built and fitted is typically 12 months in advance of commencement of services. With the intention of commencing the new collection services in May 2020, this would mean that the latest award date for RFT1 would be May 2019. It is not feasible to complete the tender and award process for RFT2 before commencing the tender process for RFT1 and still meet the timeframe for preparing collection vehicles.
- b) **Strategic Necessity** – waste processing facilities for recyclables and organics that service metropolitan Adelaide are, broadly speaking, found to the north and to the south of the metropolitan area, hence the use of centroid locations to the north and south.

With the final locations of drop-off facilities undecided at the time the collections are being tendered, tenderers for RFT1 will be compelled to prepare competitive prices for both drop-off in the north and drop-off in the south, irrespective of the disposition of the tenderers' depots and other facilities (see Equity below), and without any advantage that may arise had the actual drop-off locations been known during tendering.

- c) **Economic Efficiency** – of the three RFT's, the collections contract (RFT1) is likely to represent over 60% of the total value. On this basis alone, it is most appropriate to consider the collections contract first as this will be the main driver of total cost.

Maintaining equitable neutrality with respect to the location of facilities of the collection tenderers (see Equity below) is most likely to result in the most competitive tenders for the collections.

In addition, with the final cost to Participating Councils being the combined value of the accepted tenders for all three RFT's it will be important during tender evaluation to compare

the various offers for delivery to both centroids by the collector and receipt from both centroids by the processors, to identify the most attractive total cost to the Participating Councils.

- d) **Equity** – the likely tenderers for the collections (RFT1) have existing garaging and servicing depots for their vehicles variously to the north and the south of the collection areas. If the actual drop-off locations are known (either the north centroid or the south centroid) then tenderers for RFT1 would not be tendering on a level playing field basis and comparable, competitive tenders are less likely. Retaining the actual drop-off locations undecided while the collections tender is in progress will provide equity across the whole tendering market and the most competitive environment for fair and balanced tendering.

For similar reasons, for the tenderers for processing (RFT2), the most equitable and competitive tendering situation arises when they offer tenders for the receival centroid that best suits their competitive position and are not influenced by a pre-determined knowledge of the preferred drop-off centroid from the collections tender.

***On this basis, equity and competition is most enhanced when all tenders are prepared in parallel, assessed individually and determined on collective value.***

**5. In the future City Tea Tree Gully and City of Onkaparinga will accede to the contract.**

Accession to this conduct is not permissible without future ACCC authorisation.

**6. The notion that tender pricing will be complex with a large number of pricing combinations and high degree of unquantifiable risk to be priced.**

RFT1, the subject of this Application, requires straight forward tendering input on the part of tenderers, without complexities, and without the pricing in of unquantifiable risks on the part of tenderers.

RFT1 is for the collection in MGBs of three kerbside waste streams (mixed waste, recyclables and organics) and the delivery of those waste streams to facilities located within 5 km radii of two nominated centroids. Tenderers will be invited to tender collection prices for each Participating Council for the following:

- mixed waste – one tendered price to each of a facility within a 5km radius of the northern centroid and a facility within a 5 km radius of the southern centroid,
- recyclables – one tendered price to each of a facility within a 5 km radius of the northern centroid and a facility within a 5 km radius of the southern centroid, and
- organics – one tendered price to each of a facility within a 5 km radius of the northern centroid and a facility within a 5 km radius of the southern centroid.

On this basis tenderers are invited to submit 6 prices for collection and delivery for each Participating Council. In addition, a price will be provided for a drop-off location outside the centroids, this price will be a rate for \$/tonne/km for haulage only from the centroid perimeter boundary to the drop-off location.



Tenderers will not be required to tender for risks that are either unquantifiable and/or outside the normal quantifiable range of assumptions that are typical for a collection tender, i.e. tenderers will be advised that:

- waiting times at facilities to be allowed for in tenders will be as per the industry norm, after which compensation will be claimable, and
- the value of the maximum compaction level that must not be exceeded in the case of recyclables, and
- typical historical rates of contamination for recyclables and organics waste streams.

In respect of the third point, as collection contractors have no contractual relationship with the processing contractors, and no financial penalties for the actual rate of contamination of the recyclables and organics waste streams collected and delivered, tenderers for the collections contract do not have to price in any risk relating to contamination rates.

Further, to put into perspective the overall likely number of tendered prices a proponent might be inclined to submit across all three RFT packages, in RFTs 2 & 3 tenderers will be invited to submit prices to manage only those waste streams or services of their choice, with no obligation to tender for all services in either package.

And, due to specialisations in the market and the location of facilities owned or accessible by individual tenderers it is important to note that, aside from any sub-contract tender collaborations, there will be only a few instances where:

- tenderers for RFT1 also tender for RFT2,
- tenderers for RFT2 also tender for either of RFT1 or RFT3
- tenderers for RFT3 also tender for RFT2.

***On this basis, the claims of in-numerable permutations and combinations for the number of tender prices being requested across the three RFT packages is grossly over exaggerated and very misleading.***

## **7. Identified Savings Opportunities in Kerbside Collections**

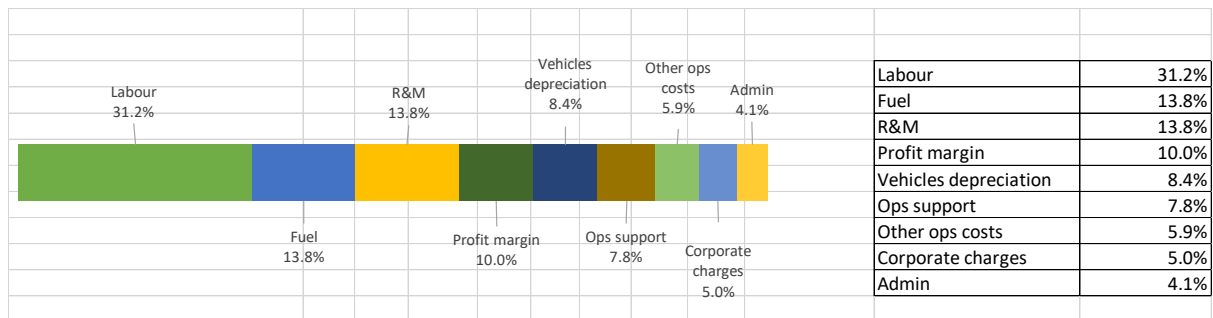
There are innumerable challenges in estimating what might be the savings that collaborative procurement of kerbside collection services might deliver – not the least of which will be the competitive tension that exists at the time of tender and the degree to which the competing participants share the market and aspire to change that share.

In the following discourse an attempt is made to demonstrate where underlying cost in kerbside collection lie, where savings might be achieved, and what might be the quantum of those savings. And in conclusion, the theoretical (but experienced-based) estimate of notional savings is compared with the savings that are known to have been delivered by the St George collaborative procurement.

### 7.1 Kerbside Collection Costs

Kerbside collection costs represent more than 50 percent of the total cost for the suite of waste management contracts that cover all waste services and deliverables for the community. It therefore follows, that savings in the delivery of the kerbside collections will yield significant savings against the overall supply of services.

To appreciate where savings might be possible in the delivery of kerbside collections, it is informative to understand the typical breakdown of costs to deliver kerbside services as set out below:



### 7.2 Areas for Cost Savings

Council Solutions has previously submitted that cost savings in kerbside collection services might typically be generated through a collaborative procurement in the following areas:

- vehicle price discount
- fuel price discount
- vehicle maintenance fee discount
- consolidation of fleet
- consolidation of vehicle depots
- kerbside collection efficiencies (collection routes crossing council boundaries)
- customer service efficiencies (call centre, education and contamination minimisation strategy)
- administration efficiencies (data capture and reporting, contract management)
- profit margins.

In the following table, these areas of potential cost saving are aligned with the above cost analysis to demonstrate the relative significance of each possible savings area:

<b>Cost Element</b>	<b>Propn.</b>	<b>Savings Areas</b>
Labour	31.2%	consolidation of fleet; collection efficiencies
Fuel	13.8%	fuel price discount; consolidation of fleet; collection efficiencies
R&M	13.8%	vehicle maintenance discount; consolidation of fleet; consolidation of depots
Profit margin	10.0%	profit margin
Vehicles depreciation	8.4%	vehicle price discount; consolidation of fleet
Ops support	7.8%	collection efficiencies; customer service efficiencies
Other ops costs	5.9%	collection efficiencies
Corporate charges	5.0%	collection efficiencies
Admin	4.1%	collection efficiencies; customer service efficiencies; admin efficiencies

### 7.3 Estimating a Quantum for Savings

If the notional cost of a kerbside collections contract is \$12 million per annum, then a minor saving of 1% in each of these cost elements, as a result of the savings identified, has considerable impact, as the following table demonstrates:

Cost Element	Propn.	Contract Cost p.a.	Change	
			p.a.	10-years
Labour	31.2%	\$ 3,744,000	\$ 37,440	\$ 374,400
Fuel	13.8%	\$ 1,656,000	\$ 16,560	\$ 165,600
R&M	13.8%	\$ 1,656,000	\$ 16,560	\$ 165,600
Profit margin	10.0%	\$ 1,200,000	\$ 12,000	\$ 120,000
Vehicles depreciation	8.4%	\$ 1,008,000	\$ 10,080	\$ 100,800
Ops support	7.8%	\$ 936,000	\$ 9,360	\$ 93,600
Other ops costs	5.9%	\$ 708,000	\$ 7,080	\$ 70,800
Corporate charges	5.0%	\$ 600,000	\$ 6,000	\$ 60,000
Admin	4.1%	\$ 492,000	\$ 4,920	\$ 49,200
	100.0%	\$ 12,000,000	\$ 120,000	\$ 1,200,000

Independent analysis undertaken for Council Solutions indicates that for a contract with a notional cost of \$12 million per annum, the following range of savings might be reasonably expected:

Savings Area	Feasible Range of Savings
Vehicle price discount	0% to 12%
Fuel price discount	0% to 3%
Vehicle maintenance fee discount	3% to 5%
Consolidation of fleet	5% to 8%
Consolidation of vehicle depots	0% to 3%
Kerbside collection efficiencies	1% to 2%
Customer service efficiencies	5% to 8%
Administration efficiencies	5% to 8%
Profit margins	0% to 2%

Applying these ranges of possible savings to a notional \$12 million per annum collection contracts points to savings in the range of \$160,000 to \$800,000 per annum or \$1.6 million to \$8.0 million over the term – equivalent to a gross average saving in the range 1.4% to 6.8%.

#### **7.4 Comparison with St George Savings**

The actual savings will be very much related to the contract details and the circumstances of the individual tenderers. However, putting the foregoing into context with the St George collaborative procurement, where the notional value of the collections contract was \$10 million per annum and the stated saving was \$1.2 million per annum, or 12%.

On this basis, the foregoing estimate using a notional contract value of \$12 million must be considered very conservative.

#### **8. The risk associated with the RFT and inability to raise capital and inability for some organisations to secure a bank guarantee to cover the contract performance.**

In waste collection contracts the guarantee of supply of waste, and therefore payments from the Participating Councils to the contractor, provides a guarantee of cash flow with which a successful contractor can underwrite capital repayments. Given this guarantee of supply, collection contractors with a demonstrable record of successfully undertaking collection contracts rarely have difficulty arranging debt finance for the advance purchase of collection vehicles from traditional debt financing sources.

In the Adelaide market, any contractor currently servicing a number of councils would be most likely to be able to demonstrate capacity to deliver on the services, and thus capacity to manage debt.

In addition, the quantum of capital required is nowhere near the exaggerated amount suggested by a number of parties making submissions to the ACCC (see points 8 and 10 below).

Notwithstanding this usual situation, if for any reason a tenderer believed the level of debt needed was outside their internal borrowing limit, or debt to equity limit, or any other internal financial performance metric, then the decision not to tender would rest entirely with that entity.

The Participating Councils requirement for security by way of a bank guarantee or surety bond is no different whether an individual council tender or a collaborative tender, security is related to the contract value and assessed risk. It has been assessed that the amount of bank guarantee for this conduct is likely to be no more than the combined total of individual bank guarantees currently held by each Participating Council for their current waste collection contracts.

#### **9. Response to MRA submission**

MRA & Associates stated they have been engaged by Solo to provide advice on this conduct and state that 72 trucks will be required. This is a gross exaggeration and would be known by Solo to be such, as Solo currently undertake waste collection services for 3 of the 4 Participating Council. Without pre-empting the tender and revealing Council Solutions' estimate of the exact number of trucks, Council Solutions has previously advised ACCC that it is between 30 and 50 trucks.

MRA & Associates have made many inaccurate statements in their submission, including:

- Capital requirement for 540,000 bins (\$24.3million) – not required (refer to point 8 & 11)
- 72 new trucks (\$23.7m) – significantly overestimated (refer above)
- Depot of sufficient scale to house 72 trucks (\$10m) – in our opinion is significantly overestimated, based on the number of trucks actually required and the fact that the likely tenderers already have a presence in Adelaide capable of accommodating the required fleet, or renting suitable accommodation is an option.
- Required bank guarantees will be beyond the capacity of most potential tenderers – an incorrect assumption made by MRA, Solo and WRASA et al, the amount of security required will be no more than is required by individual council contracts (see point 8 above).
- Inclusion of a ‘significant risk premium’ - there should be no additional risk premium as there are no unusual or unexpected unquantifiable risks, beyond the norm for kerbside collection tenders. The tender specification provides certainty of what services are to be provided and priced and there is certainty of cashflow generated by the contract for the defined term.
- MRA also discusses risk associated with not having knowledge/experience of the local geography and topography down to location of trees, on this basis MRA seem to imply that the incumbent is the best candidate to undertake the collection services because of their local experience – there is no secret that one contractor currently services 3 of the 4 Participating Councils and that MRA, by their own admission to the ACCC, is advising that contractor.
- *“MRA further contends that scale across four different and disparate Councils will not drive scale economies at all. In fact the argument that a truck could service multiple Councils on the same ‘run’ is not supported. There would be no plausible method to allocate the landfill (or processing) cost to the respective Council.”* This MRA statement is incorrect, bin collections are all charged by the collections contractor on a per lift rate, that is, the number of bins collected times a rate for each bin lift. It is a simple calculation to determine the exact collection charge applicable to each Council. Further, the processing cost has been agreed between councils to be a simple pro-rata calculation using lift counts and average bin weights determined from bin audits and weights of trucks at discharge depots.
- MRA contends the larger the contract the fewer tenders received but the conclusion that size and number of tenderers is directly (and uniquely) related is a gross mis-use of data. The number of tenderers for a collection contract will depend on multiple factors, including (but not limited to):
  - the location of the Council and the number of providers operating in the region;
  - the number of other tenders/contracts that are operative in the region (i.e. existing business commitments of local participants);
  - the complexity of the documentation;

- the complexity of the contract;
- the financial attractiveness of the prospective contract - i.e. the potential margin.

There is no doubt that large contracts of the size proposed by Council Solutions will limit the number of tenderers with the experience, capacity, balance sheet and risk appetite to tender for the works. Notwithstanding that, there is a reasonable expectation that a minimum of 3 and a maximum of 6 tenderers will be attracted to this tender.

In the data presented by MRA the mode (most common value) is evenly split between 3 and 4 tenderers and the average is 4 tenderers - quite in line with what Council Solutions reasonably expect to be the number of tenders for RFT1.

- MRA's assertion that the relative cost of waste services, as expressed in rates charges, and the cost of a collection contract are directly related, is wrong. The cost of rates to residents is calculated from a myriad of factors, which includes the cost of collection, but is not directly related to the collection cost. MRA goes on to state that collective procurements do not save money, this has been refuted by the Participating Councils who have first-hand experience and have expressed such to the ACCC at the pre-decision conference.
- MRA asserts that the collection contract will impact processors for organics, recyclables and residual waste markets. These markets are supplied from both the commercial and domestic sources in the Greater Adelaide Region and the loss of this tender by any one processor is highly unlikely to result in the unsuccessful operator(s) going out of business. MRA's market definition of potential suppliers and locations we believe is incorrect based on the consultations undertaken by Council Solutions.

#### **10. Resource recovery and scale of collections.**

At the Pre-decision Conference a claim was made by both WRASA and MRA that there was an inverse relationship between the size of a council (presumably the number of rateable tenements) and the level of resource recovery achieved, with the inference that small sized councils deliver higher levels of resource recovery, and thus if resource recovery is an objective from the collaborative tender this is unlikely to be achieved given the size of the combined group of Participating Councils.

This claim is disingenuous, mischievous and intentionally misleading and is refuted.

Resource recovery is related to behaviour, opportunity, motivation and a number of other human and demographic factors, of which the size of a council may possibly be a minor contributor.

Perhaps of more relevance is the correlation between size of council and the socio-economic demographics of the council. By and large, smaller councils are comprised of relatively wealthy and more tightly grouped socio-economic populations than is the case for larger councils. And those councils can survive as small entities because of the higher collective net worth of their communities to financially support the budgets of the smaller council. On this basis one might reasonably assume that in the smaller councils there is:

- greater potential for behaviours that are conducive to good resource recovery, and

- less diversity across the population thus yielding a more uniform behaviour trend in respect of resource recovery.

Council Solutions does not directly correlate the number of Rateable Properties to diversion rates. Diversion is achieved through effective education, community awareness and the behaviour of the ratepayer. The Proposed Conduct will assist in these education programs being more effective through consistent messaging, awareness of policy, strategies and targets and reinforcement. The data collection and reporting the collection contractor will provide is one of the strongest tools to measure the success of these programs.

**11. That Council Solutions and Participating Councils cannot relinquish responsibility for bin replacement.**

Council Solutions has previously advised that a full roll-out of new bins for any of the collection service streams is not required and does not form part of this conduct. What is included in RFT1 and forms part of this conduct is the replacement and/or maintenance of existing bins and supply of bins to new premises. This will amount to some thousands of bins not hundreds of thousand or even tens of thousands. Any bulk roll-out of new bins will be negotiated with the contractor where the bins will be paid for by the Council on delivery and ownership transfers to the Council.

Council Solutions agrees with the ACCC Draft Determination that the successful tenderer will make decisions about how to acquire bins and whether to enter into long term arrangements for the supply of bins with an arrangement that would not reduce competition in the longer term to ensure the availability of competitively priced bins continues into the future.

Council Solutions and the Participating Councils recognise the need for collection contractors to have some accountability for the handling of bins to ensure damage is minimised and use their influence on the manufacturer to ensure bins are strongly constructed so that the working life of a bin is maximised without needing hinge pins, lids and wheels periodically replaced.



## 12. Current Collection Contractors' Market Share

Council	Tenements		Collection Contractor	Market Share %
Tea Tree Gully	42000		Solo	7.0
West Torrens	28600		Solo	4.8
Unley	19400		Solo	3.2
Holdfast Bay	19300		Solo	3.2
Onkaparinga (Recycling & Organics)	37000	146300	Solo	6.2
Onkaparinga (Residual In-house)	37000	37000	In-house	6.2
Port Adelaide Enfield	61000		Cleanaway	10.2
Charles Sturt	55200		Solo	9.2
Adelaide	22500		Solo	3.7
Marion	41500	180200	Solo	6.9
Gawler	10500		Suez	1.8
Playford	37500		Suez	6.2
Salisbury	59000	107000	Suez	9.8
Burnside	22000		East Waste	3.7
Adelaide Hills	20000		East Waste	3.3
Campbelltown	25200		East Waste	4.2
Norwood, Payneham, St Peters	18200		East Waste	3.0
Walkerville	3500		East Waste	0.6
Prospect	8600		East Waste	1.4
Mitcham	32500	130000	East Waste	5.4
<b>Total Metropolitan Adelaide (19 Councils)</b>	<b>600500</b>	<b>600500</b>		<b>100.0</b>

- Solo metro market share: 44.2% (61.2% if exclude East Waste & Onkaparinga In-house)
- Suez metro market share: 17.8%
- Cleanaway metro market share: 10.2%
- East Waste metro market share: 21.6%
- Onkaparinga In-house: 6.2%

In Council Solutions Application the 68% market share for Solo was determined using the Greater Adelaide Region (GAR) councils but excluding those councils using East Waste and Fleurieu Regional Waste Collection Services. (the additional councils that make up GAR are listed below)

Council	Tenements		Collection Contractor
Adelaide Plains	4,600		Solo
Light Regional	7,700		Solo
Barossa	12,600	24,900	Solo
Mt Barker	16,000		Solo
Murray Bridge	11,500	27,500	Solo
Alexandrina	16,000		Fleurieu Regional Waste
Victor Harbor	10,000		Fleurieu Regional Waste
Yankalilla	5,000	31,000	Fleurieu Regional Waste
	83,400	83,400	

### 13. Response to Interested Parties Submissions

Council Solutions is concerned by the amount of mis-information that is being put forward as fact by many interested parties. It appears that many have not read or understand the proposed conduct for Kerbside Collection nor the two other separate conducts for Processing/Disposal of waste streams (Recyclables, Organics and Residual waste streams) and Ancillary Services (Bulk Bins, Street Litter Bins and Hard Waste Collection and/or Processing/disposal Services).

The Waste Management Services Collaborative Procurement groups the waste services to align with the supply market capabilities and specialisations and reduces complexity of the procurement process by simplifying the bidding process for suppliers.

The 3 separate tenders planned to be run concurrently are:

- RFT1: Kerbside Collection of the 3-bin system including the supply and maintenance of bins (this conduct) [1 contractor for all councils]
- RFT2: Processing Service Streams (separable portions):
  - Receipt & Processing of Co-Mingled Recyclables (up to 2 contractors)
  - Receipt & Processing of Food & Organics (FOGO) [up to 2 contractors]
  - Receipt & Processing or Disposal of Residual waste (1 contractor)
- RFT3: Ancillary Service Streams:
  - Bulk Bin Collection and Processing or Disposal (1 contractor for all councils)
  - Hard Waste Collection and Processing or Disposal (1 contractor for 3 councils, City of Marion has an in-house service)
  - Street Litter Bin Collection and Processing or Disposal (1 or more contractors)

Running the 3 tenders concurrently is to allow tenderers to assess the whole opportunity, but each tender will have a different service scope, its own evaluation criteria and will be assessed separately.

This simplifies the tender process and provides certainty for each service stream. Smaller operators are encouraged to tender individually for any of the service streams that matches their company's capabilities. There are more tendering opportunities specifically for small business.

Interstate organisations have also made ill-informed statements about this conduct by not having sound knowledge of the geographic spread of the Participating Councils and location of local waste facilities, in the words of Mike Ritchie & Associates, *"Tenderers typically need to have on-ground experience of truck runs, geography and topography to accurately predict run times....."* and *"Experience makes a significant difference."* For interstate organisations without a presence in and knowledge of the Adelaide metropolitan waste industry, commenting on local 'operational issues' and meeting 'opening times' impacting on compaction levels and contamination is mischievous. Also, making statements that this conduct will increase market concentration shows a lack of understanding of the degree of concentration that already exists in the Adelaide metropolitan area.

Council Solutions and the Participating Councils have no intention to restrict small operators access to residents for independent services nor an intent to expand council services into providing skip collection for domestic or business purposes. The Bulk Bin service is where larger bins (generally 660L, 1100L) replace 140L and 240L bins in multi-unit developments (MUDs) and creates the opportunity for smaller providers of front end/rear end collection to tender for this work to add to their existing commercial collection service.

The contracts on offer through the Ancillary Services Tender (RFT3) are of a size that companies currently in the market may have the capacity to service or could with some investment supported by the certainty of improved cashflow from the contract.

It has been suggested by an interested party that the Participating Council plan to change Hard Waste collection from the current 'scheduled service' to an 'at call' service, this is incorrect, Hard Waste is being tendered as per the current service arrangement where residents book a Hard Waste Collection by phone or online and given a scheduled date when collection will occur. Collection routes are scheduled over a full day, once that day's allocated collection slots are booked the next collection day is open for booking, this process optimises utilisation of vehicle and labour. None of the Participating Councils currently employ the method for hard waste where collections occur on advertised set days several times a year.