



PAR Recycling Services

13 Lucca Rd
Wyong, NSW 2259
ABN: 79 306 910 157

Wednesday 22 August 2018

ATTENTION: The Australian Competition and Consumer Commission adjudication@accc.gov.au

Council Solutions Application AA1000414

Dear Sir/Madam

I write in relation to Council Solutions applications to the ACCC for permission to conduct joint Council tenders for various waste services including recyclables processing.

PAR is a recycling company based in Somersby NSW with extensive experience in the waste and recycling industry specialising in the design, manufacture and operation of recycling equipment and facilities including materials recovery facilities (MRF's) and secondary processing systems eg. Glass washing and crushing. As an operator of MRF's for our customers including Councils we also have extensive experience in marketing recyclables domestically and internationally and in the development of new markets.

Growth for any company is important. Ours is no different and its important Governments and Statutory Authorities get the settings right to provide the opportunities for all companies and individuals to participate in their respective markets including maximising opportunities to tender for Government and Council contracts. This leads to more participants in respective industries, more competition, better economic outcomes and the delivery of new cost-effective innovation to end customers.

We are concerned with the ACCC's interim approval of the above application by Council Solutions and the other 2 applications on foot with the ACCC. Whichever way you look at it, the applications represent a concentration in the market as they are effectively reducing 4 individual tendering opportunities from the 4 individual Councils down to 1 opportunity only. That's a 75% reduction in opportunity. If that concept was applied across the waste and recycling Industry, there will only be a small minority of large multi national companies that survive with the obvious results being increased prices and reduced service quality over time due to the reduced number of participants in the market.

We understand the proposed tender comprises 180,000 tenements which will make it one of the largest tenders in Australia.

Bigger is not always better to encourage competition. In fact, bigger often has the opposite effect.

We recently re-tendered for the Central Coast (Gosford and Wyong Councils in NSW) recycling processing contract. Notwithstanding the Council's high profile, close proximity to Sydney and comprising 150,000 households and more than 500,000 people, PAR was the only tenderer.

With regard to the Central Coast collection contract which is also one of the largest in Australia due to the vast number of waste services required by Council, only 3 companies tendered.

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Large contracts present much higher risk for prospective tenderers. Small to medium size Council tenders which are most common in Australia due to the size structure of most Councils in Australia, have laid the platform for a multitude of Industry participants in all forms of waste management – collection, processing and disposal.

As a company with growth aspirations, we see Council Solutions proposal for a 180,000 tenement tender and associated processing and disposal applications as being a deterrent to enter the Adelaide market. Given the impact on the Australian recycling market arising from China's Sword Policy, the proposed large tonnage recycling processing contract presents a huge risk and is not necessary to entice participants like ourselves into the Adelaide market. Whichever company does win the proposed tender, it will have a stranglehold on the Adelaide market which will be a further deterrent for future entry by other participants. I understand the proposed market concentration in Council Solutions application combined with similar concentrated groups East Waste and NAWMA will leave approximately 30% of individual Councils available for tender. If that is the case that is another obvious barrier to entry.

The proposed order of tenders and the long lead time between when tenders are called, and contracts commence are also concerns. If the collection tender is to be called before the recyclables processing tender, that is unusual and certainly not the preferred order from a processing point of view. The best contractual, economic and environmental outcomes are achieved when collection tenderers have certainty about where the recyclables are to be delivered and the conditions eg. acceptable materials, compaction rates, etc of the successful processor is known to the collection tenderers. We understand the proposed lead time between tender close date and contract commencement date is long. If that's the case this increases uncertainty and risk which will have to be factored into tender prices.

Finally, the spread of the proposed participating Councils is unusual in that they do not all have common boundaries. This could lead to operational issues with the recyclables in terms of collection vehicles meeting the recycling facility's opening times with recyclables being collected from such a large area. This can lead to higher compaction and contamination levels due to drivers over compacting recyclables and being less diligent enforcing contamination rules.

In summary we believe the proposed Council Solutions tenders represent a barrier to entry and reduced opportunities and competition in addition to the other concerns raised.

Would you please register us for the Pre Decision Conference on Monday 27 August 2018.

Yours faithfully

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