



Statement of Issues

29 November 2018

Bingo – proposed acquisition of Dial-a-Dump

Purpose

1. Bingo Industries Limited (**Bingo**) proposes to acquire Dial-a-Dump Industries Pty Ltd (**Dial-a-Dump**) (the proposed acquisition).
2. This Statement of Issues:
 - gives the Australian Competition and Consumer Commission's (**ACCC**) preliminary views of the competition issues arising from the proposed acquisition
 - identifies areas of further inquiry, and
 - invites interested parties to submit comments and information to assist our assessment of the issues.

Overview of ACCC's preliminary views

3. The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.
4. The ACCC divides its preliminary views into three categories, 'issues of concern', 'issues that may raise concerns' and 'issues unlikely to raise concerns'.

Issues that may raise concerns

5. The ACCC is considering potential competition issues at three different levels of the industry: processing, landfill and collections. However, these three levels in the supply chain are closely linked, as competition in landfill can affect competition at the processing level, and competition at the processing level can affect competition at the collections level.

6. In relation to building and demolition (**B&D**) waste processing services in Sydney, the ACCC has preliminary concerns that the proposed acquisition may substantially lessen competition by removing Bingo's most substantial competitor, leading to increased waste processing rates, particularly in the Eastern Suburbs and Western Sydney. The ACCC is also assessing whether the acquisition will increase Bingo's ability to impose exclusive processing contracts to the detriment of competition in processing.
7. In relation to landfill, the ACCC has preliminary concerns that the proposed acquisition may substantially lessen competition in the market for the supply of non-putrescible landfill services in Sydney, leading to higher prices. The proposed acquisition would remove future competition between Dial-a-Dump's Eastern Creek landfill and Bingo's proposed Patons Lane landfill. The introduction of the Queensland landfill levy may mean that transporting residual waste to Queensland will no longer be viable, increasing the importance of competition amongst Sydney landfill providers. Furthermore, if rivals have limited alternative options for non-putrescible landfill, the proposed acquisition may also lessen competition in B&D processing services, as processors need access to landfill.
8. The ACCC also has preliminary concerns in relation to B&D waste collection services in Sydney. The ACCC's preliminary view is that competing B&D waste collectors require access to processing facilities at competitive rates in order to be able to compete with Bingo. Therefore, if rivals have limited options in the acquisition of B&D waste processing services, the proposed acquisition may also substantially lessen competition in the supply of B&D waste collection services.
9. Finally, the ACCC also has preliminary concerns about the increased vertical integration that would result from the proposed acquisition. If there are limited alternatives to a combined Bingo-Dial-a-Dump at the landfill level, the proposed acquisition may substantially lessen competition at the processing level. If there are limited alternatives at the processing level, the proposed acquisition may substantially lessen competition at the collections level.

Making a submission

10. The ACCC is seeking submissions from interested parties, particularly on the following key issues:
 - the availability of other competitive options for B&D waste processing services for customers in Sydney
 - the availability of other competitive options for non-putrescible landfill services in Sydney (including alternatives such as waste to energy), and
 - the extent to which competition in collection is dependent on competition in processing.
11. Detailed discussion of these and other issues, along with specific questions, is contained in this Statement of Issues.
12. Interested parties should provide submissions by no later than 5pm on Thursday, 13 December 2018. Responses may be emailed to mergers@acc.gov.au with the title: Submission re: Bingo/Dial-a-Dump - attention Elizabeth Elias/Janet Li. If

you would like to discuss the matter with ACCC officers over the telephone or in person, or have any questions about this Statement of Issues, please contact Elizabeth Elias on 02 6243 1104 or Janet Li on 02 9102 4024.

13. The ACCC anticipates making a final decision on Thursday, 21 February 2019, however, this timeline can change. To keep abreast of possible changes in relation to timing and to find relevant documents, interested parties should visit the Mergers Register on the ACCC's website at www.accc.gov.au/mergersregister.

Confidentiality of submissions

14. The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

About ACCC 'Statements of Issues'

15. A Statement of Issues published by the ACCC is not a final decision about a proposed acquisition, but provides the ACCC's preliminary views, drawing attention to particular issues of varying degrees of competition concern, as well as identifying the lines of further inquiry that the ACCC wishes to undertake.
16. A Statement of Issues provides an opportunity for all interested parties (including customers, competitors, shareholders and other stakeholders) to ascertain and consider the primary issues identified by the ACCC. It is also intended to provide the merger parties and other interested parties with the basis for making further submissions should they consider it necessary.

Timeline

Date	Event
13 September 2018	ACCC commenced review of the proposed acquisition
29 November 2018	ACCC publication of Statement of Issues
13 December 2018	Deadline for submissions from interested parties in response to this Statement of Issues
21 February 2019	Anticipated date for ACCC final decision

Industry background

17. The ACCC understands that the waste management industry comprises three main categories of activities:

- Collections which involves collecting and transporting the waste to post-collection facilities for processing or landfilling,
- Processing which involves the sorting, processing and recycling of waste, and the sale of some recycled products, and
- Landfilling which involves disposal of the waste material that remains after recyclable material has been removed (referred to as residual waste). There are also alternatives to landfill, such as the processing of residual waste for use in waste-to-energy plants.

Types of waste

18. The three major streams in the waste industry are:

- B&D waste: produced by the demolition and construction of residential and commercial buildings, civil projects, infrastructure development and household renovations. B&D waste is non-putrescible. Putrescible waste contains putrescible organics, such as food waste. Non-putrescible waste is primarily non-organic waste that is composed of materials such as bricks, concrete, soil, timber, glass, plastic, rubber, plasterboard, ceramics, metal, paper and cardboard. Non-putrescible waste may be recyclable or non-recyclable. Non-putrescible waste is also referred to as solid waste.
- Commercial and Industrial (C&I) waste: mainly generated from commercial buildings and businesses, government facilities, educational institutions and industrial sites. C&I waste is generally a mixture of putrescible and non-putrescible materials (typically collected in different bin types to segregate the recyclable materials).
- Municipal waste: a mixture of putrescible and non-putrescible waste collected from households through curb side collection (typically collected in different bin types to segregate the recyclable materials).

19. In this matter, the most relevant waste stream is B&D waste.

20. The composition of B&D waste varies and may include a mix of light and heavy materials:

- Light B&D waste includes cardboard, paper, plastics and plasterboard.
- Heavy B&D waste includes bricks, concrete, timber and soils.

Collections

21. Waste collection services comprise the delivery of bins or skips to customers, picking up and transporting waste from the point of generation to post-collection facilities.

22. Typically, there are variations between collections of the different waste streams:
- C&I waste is typically collected using either a front or rear lift truck. Collections companies usually provide bins to their customers that are typically hoppers on wheels with a lid or wheelie bins, like those used for household collections.
 - B&D waste is typically collected using a hook lift or Marrell truck. Customers are provided with steel, open-faced skips that are typically more durable than the bins used in C&I due to the heavy waste they are designed to collect.
23. B&D waste is typically collected from building and construction sites. Depending on the stage of the project, the types of B&D waste generated may vary:
- Demolition: the principal types of waste generated during the demolition of an existing structure are bricks, concrete, steel and timber. Specialist demolition companies will generally also provide B&D collection services as part of the demolition service.
 - Excavation: during the excavation phase of the project, soils are the principal form of B&D waste generated.
 - Construction: during the construction phase of a project, a mixture of light and heavy B&D waste is generated.

Processing

24. After the B&D waste is collected, it is then transported to a processing facility. The stages of processing include:
- Sorting material into its component parts. Some facilities do not have the machinery to sort material by an automated process and will use equipment like excavators to sort manually. Even where a facility has equipment to sort the waste, it will often do an initial sort using an excavator to reduce the amount of light waste and soils going through the machinery.
 - Recycling reusable material, for example crushing bricks and concrete, and chipping timber. Some facilities have equipment to do this on site, while others will consolidate the sorted waste before transferring to other facilities that have the necessary equipment. There are a number of material-specific recyclers (i.e. facilities that recycle bricks and concrete only).
 - Selling reusable products:
 - Crushed brick and concrete is sold as road base and aggregate
 - Chipped timber is sold as mulch and woodchips
 - Metals are taken to scrap metal recyclers, and
 - Soils can be sold to landscapers.

25. The types of equipment needed to sort and process heavy B&D waste vary from the equipment used to sort light B&D or general household recyclable waste. Some processing facilities will not accept heavy B&D waste or will disincentivise B&D collectors from using their facilities (by charging high prices) as they do not have the equipment or space to sort the waste into the component parts efficiently.

Landfills

26. Landfill owners charge a fee for use of their landfill (often referred to as a 'gate fee').
27. In NSW, there are two types of landfill: putrescible and non-putrescible. A landfill that is licensed to receive non-putrescible waste cannot receive putrescible waste; a putrescible landfill is permitted to accept both putrescible and non-putrescible waste. However, sites that can accept putrescible waste are significantly more costly.
28. Currently, a large proportion of waste destined for landfill generated in NSW is taken to Queensland. The NSW Government applies landfill levies of \$141.20 per tonne for waste generated in metropolitan areas and \$81.30 per tonne for waste generated in regional areas. The NSW levy is calculated based on where the waste is generated, rather than where it is disposed.¹ The Queensland Government has proposed to introduce a landfill levy in July 2019 of \$75 per tonne for most waste.² When it commences, the Queensland levy will alter the incentives on New South Wales landfill customers to transport waste to Queensland.

The parties

Bingo

29. Bingo is a publicly listed waste management company (ASX: BIN) that provides waste collection and processing services in NSW and some parts of Victoria. Bingo primarily services B&D and C&I customers. Bingo also manufactures and supplies bins under the TORO brand, supplies soil and sand, and has a small presence in the liquid waste business.
30. Bingo operates 12 B&D waste processing facilities in NSW, ten of which are in the Greater Sydney area. Bingo is also developing a processing facility and landfill at Patons Lane in Western Sydney, and a processing facility at Silverwater in Western Sydney. Patons Lane is a 60 hectare site with approved annual recycling throughput of up to 350,000 tonnes per annum and landfill capacity of 4.3 million tonnes with a maximum operational life of approximately 25 years. The site has development approvals in place and is expected to become operational in FY20.³

¹ <https://www.epa.nsw.gov.au/your-environment/waste/waste-levy/scheduled-waste>

² <https://www.qld.gov.au/environment/pollution/management/waste/recovery/disposal-levy>

³ Bingo ASX announcement, 27 November 2017.

Dial-a-Dump

31. Dial-a-Dump is a privately owned company, providing waste collection and processing services in the Sydney area. Dial-a-Dump operates two waste processing facilities at Alexandria and Eastern Creek, which also has a landfill. Eastern Creek has a combined processing and landfill capacity of 2 million tonnes per annum. Dial-a-Dump also supplies woodchips/mulch, road base and aggregates, and soil and sand.

Other industry participants

32. Different companies operate at the collections, processing and landfill levels of the B&D waste industry in Sydney, although some operators are vertically integrated between levels.
33. The ACCC understands that there is a large number of other skip bin companies in Sydney which collect B&D waste, but all are significantly smaller than Bingo and Dial-a-Dump. These other skip bin companies include Aussie Skips, Grasshopper, Orange Bins, Just Skip Bins, Brown Brothers and Dump It Bins. Most of the competing skip bin companies do not have their own processing facilities and rely on third party processors to accept their waste.
34. At the processing level, competitors to Bingo and Dial-a-Dump include:
 - Benedict Recycling Pty Ltd, a recycling company that accepts mixed B&D waste at its facilities at Belrose and at Chipping Norton.
 - Brandown Pty Ltd, which operates a B&D waste processing facility and landfill at Kemps Creek.
 - Aussie Skip Bin Services Pty Ltd, a waste management company specialising in skip bin hire throughout the Sydney metropolitan area. In addition to its skip bin hire service, Aussie Skips operates a B&D processing facility at Strathfield South.
 - KLF Holdings Pty Ltd, a waste management company that currently operates two B&D waste processing facilities in Camellia and Asquith. It partners with Just Skip Bins.
 - Breen Resources Pty Ltd, which operates a B&D waste processing facility and landfill at Kurnell.
35. The following companies are providers of C&I and/or municipal waste collection services in Sydney, and operate C&I waste processing facilities which may accept some B&D waste:
 - Cleanaway Waste Management Limited (**Cleanaway**) is an Australian publicly listed company (ASX: CWY) with a range of waste operations across the country. It has a joint venture facility with ResourceCo at Wetherill Park in Sydney which is licensed to receive both C&I and B&D waste for conversion into process engineered fuel.
 - Veolia Environmental Services (Australia) Pty Ltd (**Veolia**) is a subsidiary of the French company Veolia Environment S.A., and has waste

operations across Australia. In Sydney, it provides municipal, C&I and B&D waste services. It has transfer stations at Port Botany and Greenacre and a non-putrescible landfill at Horsley Park. It also has rail transfer terminals at Banksmeadow and Clyde, which consolidate waste for transfer to its putrescible landfill at Woodlawn in southern NSW.

- Suez Recycling & Recovery Holdings Pty Limited (**Suez**) is a subsidiary of the French company SUEZ, and has waste operations across Australia. Suez has seven waste processing facilities in Sydney. It also has a non-putrescible landfill at Elizabeth Drive, Kemps Creek and a putrescible landfill at Lucas Heights.
 - Remondis Australia Pty Ltd (**Remondis**) is a subsidiary of the German company Remondis Group, and has various waste operations in Australia. Remondis has a processing facility at Taren Point in Sydney.
36. There is also a number of companies which compete with Dial-a-Dump in the supply of landfill disposal services. These companies are referred to in the relevant sections below.

The proposed transaction

37. Pursuant to an agreement entered into on 21 August 2018, Bingo proposes to acquire 100% of the shares in Alexandria Landfill Pty Ltd, the holding company of Dial-a-Dump, for \$577.5 million.⁴ The transaction is conditional on ACCC approval.

Areas of overlap

38. Bingo and Dial-a-Dump overlap in the supply of the following services in Sydney:
- B&D waste collection services
 - B&D waste processing services, and
 - Non-putrescible landfill services once Bingo's Patons Lane facility becomes operational.
39. Post-acquisition, Bingo would be the largest B&D waste collector in Sydney, with a fleet of trucks significantly larger than the next largest B&D waste collector. It would also be the largest supplier of B&D processing services, with a network of 14 processing facilities (including its development sites). The next largest B&D processing competitor owns three facilities in the Sydney area.
40. Bingo is also currently developing a facility at Patons Lane that would have landfill capacity of approximately 4.3 million tonnes or 25 years. It is expected to be operational in FY20.

⁴ Bingo ASX announcement, 21 August 2018.

Previous ACCC decisions

41. The ACCC has considered a number of acquisitions in the waste industry, the most recent being Cleanaway's proposed acquisition of Tox Free.
42. On 24 April 2018, the ACCC announced that it would not oppose Cleanaway's proposed acquisition of Tox Free. Cleanaway and Tox Free were both active in a number of different waste streams. The ACCC considered that Cleanaway's acquisition was unlikely to substantially lessen competition in regional or local council area markets for C&I and/or B&D waste collections in Queensland due to the number of existing competitors that were likely to constrain Cleanaway post-acquisition. The ACCC noted the growing consolidation in the waste industry and that any future merger or acquisition involving any large suppliers of waste management services would be closely investigated.

Market definition

43. The ACCC's starting point for defining relevant markets, to assess the competitive effects of the proposed acquisition, involves identifying the products and geographic regions actually or potentially supplied by the parties to the transaction. The ACCC then focuses on areas of activity where competitive harm could occur as a result of the proposed acquisition.
44. The ACCC's preliminary view is that there are likely to be separate markets for each of:
 - B&D waste collection
 - B&D waste processing, and
 - Landfilling of residual B&D waste. The ACCC's preliminary view is that this market is not likely to include putrescible landfill sites due to the higher price charged for non-putrescible waste at these sites.

Product dimension

B&D versus C&I

45. The ACCC's preliminary view is that B&D collections and processing are distinct from C&I collections and processing.
46. The ACCC understands that B&D collections customers typically have different requirements from C&I collections customers. B&D customers are generally companies or individuals undertaking some type of construction work and require open-faced skip bins with on demand collection. C&I customers mainly include corporate and government offices, supermarkets and other retail outlets. As these customers often generate putrescible waste, they require bins with lids to minimise odours and vermin. C&I collections are generally scheduled weekly or more frequently. Customers that acquire both C&I and B&D services tend to tender for these services separately. The ACCC also understands that there is a limited number of competitors tendering for both B&D and C&I collections contracts.

47. The ACCC considers the potential for supply side substitution by C&I collectors into B&D waste collections is limited. The trucks and bins used for C&I collections are not typically used for B&D collections, and so a C&I collector seeking to expand into B&D collections would need to expand its fleet of trucks and skips.
48. At the processing level, the ACCC understands that there is some overlap between C&I and B&D waste: for example, C&I facilities may accept light B&D waste. However, B&D waste collectors will typically not take mixed or heavy B&D waste to C&I processing facilities as some facilities will not accept the waste or will charge significantly more than a facility that primarily accepts B&D waste.
49. While the ACCC considers C&I collections and processing are likely to be in separate markets from B&D collections and processing, the ACCC will consider C&I collectors and processors as potential entrants into B&D collections and processing (see 'likelihood of entry or expansion' below).

Collections, processing and landfill

50. The ACCC considers that B&D waste collection is likely to be in a separate market from processing and landfilling, as many skip bin collectors do not own their own processing facilities or landfill, and rely on third parties for processing and landfill. As such, there are likely to be different competitive conditions for waste collection and post-collections.
51. In relation to waste processing, the ACCC is focusing on the processing facilities that accept mixed B&D waste. Market feedback suggests that while some collections customers will attempt to sort their waste by material type, many customers do not. B&D collectors therefore typically require a processing facility that is capable of sorting mixed B&D waste. Facilities that only accept one type of material (for example, only brick/concrete) are not likely to be a significant constraint on Bingo post-acquisition.
52. The ACCC considers that B&D processing is likely to be in a separate market from landfill. The ACCC notes that B&D processing and landfill facilities are sometimes co-located and some companies do both. However, processing facilities in the inner suburbs of Sydney do not have landfills. Processing facilities and landfills require different types of licences issued by the NSW Environmental Protection Authority (**EPA**) and development approvals from the NSW Department of Planning & Environment, and so processors cannot commence landfilling without obtaining the relevant approvals, and vice versa.
53. In some cases, for example where a skip bin load contains a high proportion of non-recyclable waste (such as gyprock), it may be cost-effective to transport it directly to landfill. However, typically landfill is not an alternative to processing for most collectors because the cost of disposal would be significantly higher.
54. The ACCC understands that landfills licensed to accept putrescible waste are also permitted to accept non-putrescible waste (such as B&D waste) and therefore compete with non-putrescible landfills to some extent. However, market feedback has indicated that the rate putrescible landfills charge for non-putrescible waste is significantly higher than that charged by most non-putrescible landfills. Further, the ACCC understands that putrescible landfill space in Sydney is also scarce and Suez's Lucas Heights facility is the only

putrescible landfill located in Sydney. Accordingly, the ACCC's preliminary view is that putrescible landfills are not likely to impose a significant competitive constraint on Bingo post-acquisition.

Geographic dimension

55. The ACCC's starting point to consider the geographic dimension of the relevant markets is Sydney, as Bingo and Dial-a-Dump only overlap in the provision of B&D collections and processing in the Sydney area.
56. However, for processing, information available to the ACCC indicates that it is not viable for B&D waste collectors to transport waste long distances from the customer premises (particularly in inner Sydney) due to traffic congestion, relatively small loads which result in high transport costs per tonne and opportunity costs incurred if a collector travels longer distances to a processing facility (i.e. the lost profits from other loads that the truck could be collecting). Therefore, skip bin collectors will typically transport waste to a processing facility that is near to the collection site, or on the route to their next pick-up location, or where the driver drops the truck off at the end of their shift and prices competitively. As such, the ACCC is considering whether the geographic dimension for B&D waste processing is narrower than Sydney, for example a separate market for the Eastern Suburbs and a separate market for Western Sydney. This is discussed further under the heading 'Issue that may raise concerns: B&D waste processing' below.
57. In relation to landfill, the ACCC is still considering the relevant geographic dimension of the market. A large amount of residual B&D waste, which may include material that is capable of being recycled, is currently transported to Queensland in order to avoid the NSW landfill levy, although this may change after introduction of a Queensland landfill levy in July 2019.⁵ The ACCC is also considering whether landfills in other parts of NSW are an alternative to landfills in Sydney, noting that the NSW metropolitan landfill levy would apply as well as higher transport costs (compared to disposing of landfill within Sydney).
58. The ACCC is also considering the extent to which the geographic market for landfill may be broader than for collections and processing because landfill waste appears to be consolidated onto larger trucks and can therefore travel further.

The ACCC invites comments from market participants on its preliminary views about the definition of the relevant markets. In particular, market participants may wish to comment on:

- The likelihood of C&I collectors such as Suez, Cleanaway and Veolia expanding into B&D waste collection, or into B&D waste processing
- The cost of transporting B&D waste to a processing facility, including the effect on a collector's ability to meet customer service level requirements
- The furthest distance that a B&D collector would travel to an alternative processing facility if the price charged by a processor increased by 5 to 10%

⁵ <https://www.qld.gov.au/environment/pollution/management/waste/recovery/disposal-levy>

- The cost of transporting B&D waste to landfills in Queensland per tonne per km

Issue that may raise concerns: B&D waste processing

59. Post-acquisition, Bingo will have an increased network of B&D waste processing sites around Sydney. Market feedback has indicated that B&D waste collectors are limited in the distance they can viably transport their skip bins to a processing facility. Therefore, the ACCC is focussing its review on the parts of Sydney where Bingo's and Dial-a-Dump's processing facilities overlap.
60. Based upon its inquiries to date, the ACCC's preliminary view is that the proposed acquisition may be likely to substantially lessen competition in the supply of B&D waste processing services in:
 - the Eastern Suburbs/inner city, where Bingo's Banksmeadow processing facility currently competes with Dial-a-Dump's Alexandria facility, and
 - Western Sydney/Penrith, where Bingo's St Marys and proposed Patons Lane processing facilities compete (or are likely to compete) with Dial-a-Dump's Eastern Creek facility.
61. However, the ACCC is also considering whether the proposed acquisition may affect competition in B&D waste processing across Sydney more broadly. In particular, the ACCC is considering whether the proposed acquisition is likely to increase Bingo's ability to impose exclusive waste processing agreements on B&D waste collectors (discussed further below).

Competition between B&D processing facilities

62. The ACCC's preliminary view is that Bingo and Dial-a-Dump compete closely in the supply of B&D processing services in Sydney, particularly in the Eastern Suburbs/inner city and Western Sydney/Penrith.
63. Bingo has a network of 12 processing facilities around Sydney, including its development sites at Patons Lane and Silverwater. Dial-a-Dump has two processing sites at Alexandria (Eastern Suburbs) and Eastern Creek (Western Sydney/Penrith).
64. As noted in the market definition section above, collectors will choose a processing facility that accepts mixed B&D waste based on price and location relative to the collection site and the location they are travelling to next. Many competing B&D waste collectors considered that the longest distance they would travel to a B&D waste processing facility was approximately 20km (or shorter distances in the inner city areas due to traffic) or an hour return before the increased transportation costs could make them uncompetitive for collections contracts.
65. The ACCC understands that while there are circumstances where large loads of waste are transported long distances (such as the residual B&D waste which is currently sent to Queensland in B-double trucks or via rail), B&D waste collectors generally carry relatively small loads (typically a few tonnes at a time) and therefore the transport costs per tonne per kilometre are relatively high.

66. Market participants also suggested that an additional hour in travel time to and from a processing facility was likely to have a significant impact on the number of collections jobs a truck could do in a day, or significantly increase their costs by requiring them to operate additional trucks to service the same number of customers.
67. As identified in the market definition section above, the ACCC's preliminary view is that material-specific recyclers (for example, those that accept only brick and concrete) are generally not a good alternative to facilities that accept mixed B&D waste, and as such are likely to, at most, impose a weak constraint on a combined Bingo-Dial-a-Dump.
68. The map and table below identifies the B&D processing facilities that the ACCC is aware of that may accept third party mixed B&D waste volumes in the Sydney area.

Figure 1: Map of mixed B&D waste processing facilities in Greater Sydney Region

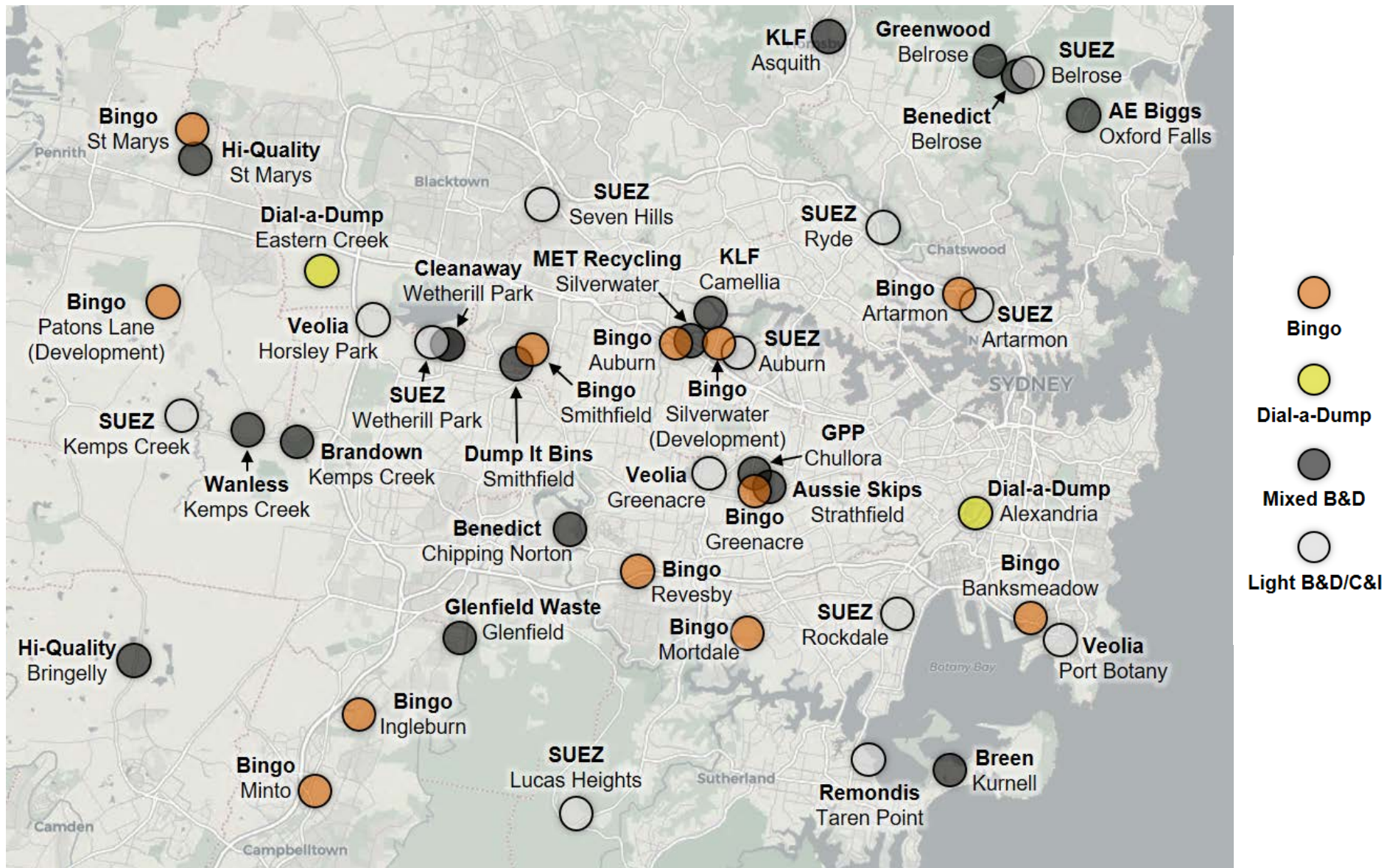


Table 1: Mixed B&D waste processing facilities in Sydney Region

No.	Company	Location
1.	Bingo	Artarmon, Northern Suburbs
		Auburn, Western Sydney
		Banksmeadow, South East Sydney
		Greenacre, South-West Sydney
		Ingleburn, South-West Sydney
		Minto (redevelopment), South West Sydney
		Mortdale (redevelopment), Southern Districts
		Patons Lane (development), Western Sydney
		Revesby, South West Sydney
		Silverwater (development), Western Sydney
		Smithfield, Western Sydney
St Marys, outer west		
2.	AE Biggs	Oxford Falls, Upper North Sydney
3.	Aussie Skips	Strathfield South, Inner West
4.	Benedict Recycling	Chipping Norton, Western Sydney
		Belrose, Northern Beaches
5.	Brandown	Kemps Creek, Western Sydney
6.	Breen Holdings	Kurnell, Sutherland Shire
7.	Cleanaway	Wetherill Park
8.	Dump It Bins	Smithfield
9.	Glenfield Waste Services	Glenfield

No.	Company	Location
10.	Greenwood Waste Recovery	Belrose
11.	GPP Excavation and Demolition	Chullora
12.	Hi-Quality Waste Management	St Marys
		Bringelly
13.	KLF Holdings / Just Skip Bins	Camellia, Western Sydney
		Asquith, Upper Northern Suburbs
14.	MET Recycling	Silverwater
15.	Remondis	Taren Point
16.	Suez	Artarmon, Northern Suburbs
		Auburn
		Belrose
		Kemps Creek
		Lucas Heights
		Rockdale, Southern Districts
		Ryde
		Seven Hills
Wetherill Park		
17.	Veolia	Greenacre, South Western Sydney
		Horsley Park, Western Sydney
		Port Botany/Matrville, South East Sydney
18.	Wanless Recycling	Kemps Creek

69. The ACCC has included on this map seven facilities operated by Suez and three operated by Veolia.
70. However, market feedback indicates that Suez and Veolia are not a good alternative for most B&D waste loads as their facilities are not capable of processing heavy B&D waste and therefore do not charge competitive rates for a typical mixed B&D waste load. They are likely to only be a viable alternative for light loads.
71. The ACCC therefore considers that Suez and Veolia may not impose a significant competitive constraint on Bingo post-acquisition.

Eastern Suburbs and CBD

72. The ACCC considers that Dial-a-Dump and Bingo are likely to be each other's most substantial competitor for B&D waste processing in the Eastern Suburbs.
73. In the Eastern Suburbs of Sydney, Dial-a-Dump operates a B&D waste processing facility at Alexandria and Bingo operates a facility at Banksmeadow. These facilities are located south of the Sydney CBD and there are limited alternative processing facilities that accept third party B&D waste in that area. The ACCC understands that these facilities are likely to attract a large volume of the waste collected in the CBD and the Eastern Suburbs of Sydney.
74. Some market participants have identified that when processing prices increased at Bingo Banksmeadow, they were able to avoid the price increase by increasing the volume of waste tipped at Dial-a-Dump Alexandria. Following the loss of processing volume, Bingo reduced its prices. Market participants are concerned that if the proposed acquisition went ahead, Bingo would be able to sustain future price increases.
75. Veolia has a processing facility at Port Botany but, as noted above, market feedback indicates that this is primarily a C&I facility and the rates charged mean that it is only likely to be a viable option for B&D waste collectors when they have a particularly light load of waste to dispose of. The closest Suez facility is at Rockdale. While the ACCC understands that the sign outside this facility states that it does not accept mixed B&D waste, it may still be an option for very light loads of B&D waste (e.g. those comprised mainly of materials such as plastic and cardboard). Market participants have provided similar feedback about Suez's facility at Rockdale.
76. Based on the ACCC's current information, the closest competing mixed B&D processor is Aussie Skips at Strathfield South. Market feedback indicates that the location of the Aussie Skips site may impact on its suitability for delivering waste collected from the CBD or Eastern Suburbs due to heavy traffic conditions at certain times on a typical business day. Further afield are Benedict at Belrose, MET Recycling at Silverwater and KLF Holdings at Camellia. There are significant increases in travel times to these facilities from the CBD or Eastern Suburbs compared to the time it takes to transport waste to either of Alexandria and Banksmeadow. There may be additional costs incurred such as tolls, and the indicative travel times also may not reflect the difficulties a truck driver may encounter, such as road weight limits, height restrictions and congestion.
77. The ACCC is still considering the degree of constraint these facilities are likely to impose on Bingo post-acquisition. The ACCC notes that processors located

further away will still impose a *degree* of constraint on Bingo, depending on how high the additional transport costs are, but may not impose a strong competitive constraint.

Western Suburbs/Penrith areas

78. In Western Sydney, Bingo and Dial-a-Dump are also likely to be close competitors. The Dial-a-Dump facility located at Eastern Creek is close to Bingo's processing facilities at St Marys, Auburn, Silverwater and Bingo's future site at Patons Lane. Market feedback suggests that Dial-a-Dump's Eastern Creek facility is a significant facility due to its large processing capacity and location, with ease of access to the M7 highway.
79. As seen in the map above, there are some alternative processors to Bingo and Dial-a-Dump in the area. These facilities include Brandown at Kemps Creek, Hi-Quality Waste Management at St Marys and Kemps Creek, and KLF Holdings at Camellia. These alternate processors are likely to impose some constraint on Bingo in the Western Suburbs post-acquisition. Collectors may incur additional transportation costs and time to travel to these facilities depending on the area in which the waste is generated. However, the ACCC notes that travel times in this part of Sydney are likely to be less than in the Eastern Suburbs. The ACCC is still considering whether these alternative facilities are likely to constrain any attempted price increase by Bingo.

Ability to impose exclusivity or minimum volume requirements

80. The ACCC is also considering whether the proposed acquisition may increase Bingo's ability to impose exclusivity or minimum volume conditions on its customers, for example requiring B&D collectors to exclusively use Bingo's processing facilities. Bingo may be able to require B&D collectors who wish to use its processing facilities in areas where there are few alternative processors, such as the Eastern Suburbs, to also use its facilities in other areas of Sydney where there are alternative processors. This may have the effect of reducing volumes available to alternative processors, increasing their operating costs and reducing their ability to compete.
81. Market inquiries have indicated that Bingo has already imposed, or attempted to impose, exclusivity or minimum volume requirements in certain cases. This conduct only raises possible concerns if B&D collectors have insufficient options available to them for processing and are therefore obliged to accept such terms.
82. While Dial-a-Dump only has two processing facilities, the proposed acquisition may still remove an important alternative to Bingo's network in areas where there are limited alternatives.

Likelihood of entry or expansion

83. The ACCC's preliminary view is that barriers to entry or expansion are high, especially in the inner suburbs of Sydney, and the threat of new entry or expansion in these areas is unlikely to constrain a combined Bingo-Dial-a-Dump.
84. There is likely to be limited suitable land available for new entry or expansion of existing facilities in the inner suburbs of Sydney. Even where land is available, the cost of purchasing or renting land is likely to be prohibitive in the inner suburbs. Costs may still be considerable in locations further out from the city.

85. The ACCC understands that to establish a new B&D processing facility with a processing or stockpiling capacity above 6,000tpa requires development approvals from the NSW Department of Planning & Environment and EPA licences. Market feedback indicates that these approvals can take 18 – 24 months to obtain with no certainty that approval will be granted, and will often require reports from consultants which can cost between \$100,000 and \$500,000. The ACCC is aware of proposed regulatory reforms by the EPA in relation to management and use of materials recovered from construction waste⁶ which may increase operational costs for some B&D processing facilities or require their redevelopment.
86. Market feedback suggests that the costs of equipment to sort mixed waste and recycle materials are also relatively high. Automated sorting equipment can cost \$2 - \$10 million. Recycling equipment, for example bricks/concrete crushers and timber chippers, may cost around \$2 million each.
87. The ACCC also considers that the threat of entry or expansion by existing C&I and light B&D waste processors into processing of mixed and/or heavy B&D waste is unlikely to significantly constrain Bingo. A C&I processing facility would need to invest in specialised equipment to sort mixed or heavy B&D waste. Due to the bulky nature of some types of B&D waste, a facility would also require sufficient space allocated to consolidate materials for recycling, which may mean the facility would need to cease C&I processing if the facility does not have additional space to process both types of waste. For processors that also collect C&I waste, there may be insufficient incentive to do so.

Countervailing power

88. The ACCC considers that most B&D collectors are unlikely to be able to commence their own sorting or recycling operations in response to an exercise of market power by a combined Bingo-Dial-a-Dump due to the costs and time involved in establishing a new facility even outside of inner city suburbs. Even where a collector establishes its own processing facility, it may still be reliant upon Bingo's processing facilities in other geographic areas due to the issue of travel costs discussed above.

ACCC's preliminary view

89. In summary, the ACCC is concerned that the proposed acquisition may be likely to substantially lessen competition in the market for the supply of B&D waste processing services in Sydney for the following reasons:
- The proposed acquisition would remove an important alternative to Bingo's processing facilities and its closest competitor, particularly in the Eastern Suburbs and Western Sydney. The ACCC is particularly concerned about the closeness of competition between Bingo's processing facility at Banksmeadow and Dial-a-Dump's facility at Alexandria.
 - The likelihood of new entry or expansion may not be sufficient to constrain Bingo, especially in the Eastern Suburbs of Sydney.

⁶<https://www.epa.nsw.gov.au/your-environment/waste/industrial-waste/construction-demolition/construction-and-demolition-waste>

90. The ACCC is also considering vertical integration issues, which may increase the level of concern in relation to processing. These issues are discussed in the last section of this Statement of Issues.

The ACCC invites comments from market participants on its concerns in relation to the issues identified above. In particular, market participants may wish to comment on the following:

- Which of the facilities identified on the map and in the table above are viable alternatives to Bingo and Dial-a-Dump for B&D waste collectors and why
- Details of any additional processing facility that accepts B&D waste not identified above
- The closeness of competition between Bingo and Dial-a-Dump in the Eastern Suburbs and Western Sydney. For example, have customers been able to obtain better rates due to the competition between these two facilities?
- Examples of customers switching between Bingo, Dial-a-Dump and other B&D waste processors in response to an increase in processing prices
- Transportation costs and time, and how those affect collectors' ability to win customers and meet service level requirements
- How far in distance and travel time collectors would transport waste to an alternative processing facility if Bingo increased prices by 10%

Issue that may raise concerns: Landfills

91. The ACCC's preliminary view is that the proposed acquisition may substantially lessen competition in the supply of landfill disposal services in Sydney by removing future competition between Dial-a-Dump's Eastern Creek landfill and Bingo's proposed Patons Lane landfill, leading to higher gate fees than would be likely in the future without the proposed acquisition.

Market participants and shares

92. Dial-a-Dump's Eastern Creek landfill in Western Sydney is one of the largest in Sydney. It has an estimated remaining useful life of approximately 15 years and a combined recycling and landfill capacity of up to 2 million tonnes per annum.⁷
93. Bingo's proposed Patons Lane landfill, which is due to open in FY20, is located approximately 16km from Eastern Creek. It will have a total landfill capacity of 4.3 million tonnes with a maximum operational life of approximately 25 years.⁸ Although Patons Lane will be significantly smaller than Dial-a-Dump's Eastern Creek facility, the ACCC understands that it will be still one of the largest non-putrescible landfills in Sydney in terms of remaining usable space.

⁷ Bingo ASX announcement, 21 August 2018.

⁸ Bingo ASX announcement, 27 November 2017.

94. The ACCC has considered the alternate landfills that would compete with Bingo if it acquired Dial-a-Dump's Eastern Creek landfill. If sufficient alternate landfill options are available, the proposed acquisition is not likely to enable Bingo to profitably increase landfill gate fees.
95. The ACCC is aware of the following non-putrescible landfills in the Sydney metropolitan area. As explained in the market definition section above, the ACCC does not consider that putrescible landfills are significant competitors for non-putrescible waste due to their significantly higher gate fees.

Table 2: Non-putrescible landfills in the Sydney metropolitan area

Owner/operator	Location (area)
Dial-a-Dump	Eastern Creek (West)
Bingo	Patons Lane (West) – <i>Proposed new facility</i>
Suez	Kemps Creek (West)
Veolia	Horsley Park (West)
Cleanaway	Erskine Park (West)
Brandown	Kemps Creek (West)
Glenfield Waste Services	Glenfield (West)
Breen Holdings	Kurnell (South)
Blacktown Waste Services	Marsden Park (West)
Penrith Waste Services	Mulgoa (West)
Wanless Recycling	Kemps Creek (West)
Kimbriki Environmental Enterprises	Terrey Hills (North)
Greenwood Landfill & Waste Recovery Facility	St Ives (North)

96. However, the ACCC does not consider that all of these landfills are likely to be a significant constraint on Bingo post-acquisition. This is because the ACCC understands that:
- several of the larger landfills are likely to reach capacity within the next few years, and
 - some of these landfills charge considerably more than Dial-a-Dump for B&D waste.
97. When considering the nature of competition and relevant measures of market share in relation to landfills, a number of factors need to be taken into account:
- Maximum annual capacity (which may be based on the operator's licence conditions) may differ significantly from actual annual throughput
 - Landfills with large annual capacity may have limited total remaining capacity, and therefore may only remain operational for a short period of time

- Total remaining capacity may vary depending on decisions such as how much additional space is dug (some landfills have large areas potentially available but only a portion of this is dug at a time)
 - Some operators quote their remaining capacity in tonnes and some use cubic metres. The conversion rate from tonnes to cubic metres varies depending on the mix of waste accepted, and
 - Estimates as to the remaining lifespan of a landfill (in years) may vary significantly depending on the assumptions made as to how much residual waste will be accepted per annum.
98. The ACCC's current view is that Bingo's market share of Sydney non-putrescible landfill post-acquisition (including Patons Lane) would be in the order of:
- between 15 and 25% of annual capacity; and
 - around half of total remaining capacity.
99. For the reasons set out above, these figures should be treated as a rough estimate only.

Likelihood of entry/expansion

100. The ACCC is aware of some proposals to expand competing landfills in Sydney. The most substantial one is Suez's proposal to increase the height of its Elizabeth Drive (Kemps Creek) landfill by up to 15 metres, increasing its capacity by approximately 5 million cubic metres and extending the life of the landfill by approximately 6 years to 2030.⁹
101. The ACCC is not aware of any proposals for new landfills within the Sydney metropolitan area. Development of a new landfill would likely be difficult, expensive and slow due to the need to obtain suitable land, development approvals and an EPA licence.
102. Development of new landfills is more likely in parts of NSW outside Sydney. The issue of constraint from regional NSW landfills is discussed below.
103. Due to the cost and difficulty of finding an appropriate site and obtaining all the necessary approvals, the ACCC considers that the threat of new landfills is unlikely to constrain Bingo from increasing landfill gate fees.

Impact of Queensland levy

104. Most market participants have acknowledged that Sydney's landfill capacity is limited. As noted above, some existing landfills have only a small amount of remaining usable space. Some competing landfill operators explained to the ACCC that they wish to make their landfills last for a number of years, either because they wish to maintain a revenue stream over that period, or because they need landfill capacity to support a related business.

⁹ <https://www.suez.com.au/en-AU/news/elizabeth-drive-landfill-expansion-proposal>

105. Many Sydney landfill operators are currently putting only limited volumes into their landfills, as the NSW landfill levy means it is cheaper for them to transport their residual waste to Queensland. The Queensland government has estimated that approximately 900,000 tonnes of interstate waste was transported to Queensland in 2016-17.¹⁰ It is likely that a significant proportion of that came from NSW and Sydney in particular.
106. However, the Queensland government has announced that it will introduce a landfill levy, proposed to commence in July next year. The levy will initially be set at \$75 per tonne, which is significantly less than the NSW metropolitan levy of \$141.20 per tonne.¹¹
107. The effect of the Queensland landfill levy on demand for Sydney landfill is uncertain. Some market participants consider that it will make sending residual B&D waste to Queensland too expensive, so demand for Sydney landfills will significantly increase. Bingo has indicated that one of the reasons for its acquisition of the Patons Lane site was so that it would have its own landfill in light of the anticipated regulatory change in Queensland.¹²
108. It is also possible that the introduction of the Queensland levy will cause Sydney gate fees to rise and Queensland will remain the cheaper option for disposal of residual waste. Some Sydney landfill operators noted that if, following the introduction of the Queensland levy, volumes were to increase above the level they considered acceptable, they would increase their gate fees to reduce incoming volumes.
109. If the introduction of the Queensland landfill levy significantly increases demand for Sydney landfill, then Bingo's ownership of both the Eastern Creek and Patons Lane landfills may enable it to set significantly higher gate fees than it would be able to if it only owned Patons Lane. Competing landfills, most of which are significantly smaller than a combined Bingo/Dial-a-Dump in terms of remaining capacity, may be more likely to follow any price increases by Bingo rather than undercut them.

Regional and other interstate landfills as an alternative

110. The ACCC is still considering the extent to which landfills in regional NSW, the ACT and Victoria are likely to be an alternative for the disposal of B&D waste generated in Sydney.
111. The ACCC's preliminary view is that landfills in regional NSW may not be a significant constraint on Sydney landfill pricing. This is because there is effectively a penalty levy for dumping Sydney waste at regional NSW landfills. Although NSW imposes a lower levy on waste in regional areas, the levy is calculated based on where the waste is generated so (unlike transportation of residual waste to Queensland currently), the cost of transporting waste to regional NSW would not be offset by the avoided landfill levy.

¹⁰ <https://www.qld.gov.au/environment/pollution/management/waste/recovery/strategy>, p.6.

¹¹ <http://statements.qld.gov.au/Statement/2018/11/17/palaszczuk-government-announces-waste-levy-funding>

¹² Bingo ASX announcement, 27 November 2017.

112. However, the ACCC acknowledges that if gate fees for landfills in regional NSW are significantly lower than gate fees in Sydney, this would at least partially offset the transportation cost. The analysis is similar for the ACT and Victoria, for which transport costs would be likely higher, but the landfill levies are lower or non-existent.¹³ The ACCC will continue to consider this issue in the next stage of its review.

Refuse-derived fuel as an alternative to landfill

113. The ACCC also understands that certain non-recyclable waste types can be processed to produce material known as refuse-derived fuel (**RDF**) or process engineered fuel (**PEF**). The ACCC is considering how this could potentially constrain Bingo and other landfill operators in Sydney from raising prices post-acquisition.
114. Cleanaway and Resource Co have launched a joint venture at Wetherill Park in Sydney which will receive up to 250,000 tonnes per annum of C&I, residual recycling, and some B&D waste.¹⁴ The plant will convert non-recyclable waste into small solid material that is used to fuel kilns for cement manufacturing. The ACCC understands that Boral's cement kiln at Berrima is currently the only one in NSW that can accept PEF. PEF is also an internationally traded commodity and is currently being shipped to Malaysia for use in cement kilns there.
115. The ACCC understands that the RDF industry in Australia is in its infancy and is likely to grow, but faces significant hurdles. Proposals for new waste to energy facilities are likely to be controversial (such as Dial-a-Dump's RDF proposal at Eastern Creek, which was refused planning consent).¹⁵ There is also a risk of countries such as Malaysia making policy changes which limit the amount of PEF they will accept.
116. The ACCC's preliminary view is that the production of RDF is not likely to provide a significant constraint on Sydney landfill pricing in the short to medium term as the volumes are unlikely to be substantial. The ACCC also understands that there are limitations on the types of waste that are suitable for processing into fuel as the material must be of high calorific value.

Preliminary views

117. For the reasons set out above, the ACCC has preliminary concerns that the proposed acquisition may provide Bingo with market power in the supply of landfill services in Sydney, enabling it to charge higher gate fees than it could without the proposed acquisition.
118. As landfill prices are a significant component of the costs faced by B&D waste processors, any reduction in competition at the landfill level may also reduce competition at the processing level. These vertical integration issues are discussed further below.

¹³ The ACT government is considering introducing a waste levy. See Disposal of residual waste in landfill. Although the majority of B&D waste can be recycled and resold, the waste that cannot be recycled must be disposed of in landfill.

¹⁴ <https://resourceco.com.au/wp-content/uploads/Media-Release-Australias-Largest-Waste-to-Fuel-Plant-opens-in-NSW-Final.pdf>

¹⁵ <http://wastemanagementreview.com.au/soldiering-next-generation-proposal/>

The ACCC invites comments from market participants on its concerns in relation to the issues identified above. In particular market participants may wish to comment on the following:

- If you are a B&D waste processor in Sydney, what do you consider are the alternatives to Bingo and Dial-a-Dump's landfills?
- What effect do you consider the Queensland landfill levy is going to have on Sydney landfill prices? Will B&D waste continue to be sent to Queensland, or will significant volumes return to the market?
- Please identify any landfills in regional NSW that may be a viable alternative to Sydney landfills for B&D waste generated in Sydney

Issue that may raise concerns: B&D waste collection

119. The ACCC is assessing whether the proposed acquisition would be likely to substantially lessen competition in the market for the supply of B&D waste collection services in Sydney.
120. The ACCC's preliminary view is that Bingo and Dial-a-Dump are likely to be each other's closest competitor for B&D waste collection contracts. Bingo and Dial-a-Dump have the largest B&D collections fleets and a combined Bingo-Dial-a-Dump would be considerably larger than its next closest competitor.
121. Market feedback suggests that Bingo and Dial-a-Dump are two of only a small number of B&D collectors considered by large construction companies as having the fleet of trucks and bins able to meet their requirements.
122. There is limited publicly available information on market shares. Some market participants have estimated that Bingo and Dial-a-Dump's combined share of B&D waste collection volumes would be as high as 70%, although they did not provide evidence to support this. Bingo's 2017 prospectus estimated that Bingo's approximate market share at that time (prior to its acquisition of B&D collections competitor National Recycling Group/DATS in 2017) to be 24% of B&D waste collections revenue in NSW, with its share of the Greater Sydney market believed to be 'significantly higher' than this.¹⁶
123. While Veolia is a major waste company and has some presence in B&D waste collection in Sydney, it does not appear to be a major competitor to Bingo and Dial-a-Dump. The ACCC understands that Suez and Cleanaway also do not have any significant B&D collections operations in Sydney.
124. The ACCC understands that there is a large number of much smaller skip bin companies that would remain in the B&D collections market post-acquisition. However, a combined Bingo-Dial-a-Dump would have a fleet of trucks significantly larger than its next largest B&D waste collections competitor.

¹⁶ Bingo 2017 Prospectus, p9:
<https://investors.bingoindustries.com.au/FormBuilder/Resource/module/FF61BwhWykqL-ozmpY1yYg/file/Bingo-Prospectus.pdf>.

125. On the other hand, information available to the ACCC shows that competing collectors are able to and have won a number of tenders from Bingo and Dial-a-Dump in the past 24 months. This suggests that these competitors are currently providing a degree of competitive constraint.
126. The ACCC's preliminary view is that the barriers to entry or expansion are not likely to be substantial *if* access to competitively-priced processing and landfill is available.
127. The cost of individual trucks and skips are not prohibitive and are unlikely to be completely sunk as there is a market for second-hand vehicles and skips. The ACCC is aware of some existing B&D collectors expanding their fleets in order to compete for contracts with large construction companies. Further, there is potential for customers to disaggregate their collections contracts between a number of B&D collectors in order to promote competition.
128. In addition, C&I collectors may also be able to enter or expand their B&D collections. However, as with other potential entrants, they would need to have access to B&D processing facilities, as C&I processing facilities are generally unlikely to be able to sort the bulky waste generated by B&D customers.
129. The extent to which the threat of new entry or expansion may constrain a combined Bingo-Dial-a-Dump in collection depends on access to competitively-priced processing and, to a lesser degree, competitively-priced landfill. These issues arising from vertical integration and how a lessening of competition in one part of the supply chain may impact on the level of competition in other parts of the supply chain, are considered in the next section of this SOI.

ACCC's preliminary views

130. In summary, the ACCC has preliminary concerns in relation to horizontal aggregation of Bingo and Dial-a-Dump's B&D collection businesses. These concerns would be reduced if the rival collectors or potential entrants could obtain competitively priced access to processing and landfill. At this stage, the ACCC is concerned that competitively-priced access to processing and landfill may not be available, because of the significant market position that a combined Bingo-Dial-a-Dump would have in both processing and landfill after the proposed acquisition.

The ACCC invites comments from market participants on its concerns in relation to the issues identified above. In particular, market participants may wish to comment on the following:

- The alternative B&D collectors capable of servicing large construction customers in Sydney
- The ability of customers to sponsor the entry or expansion of other companies into B&D waste collection

Issue that may raise concerns: Vertical integration

131. Vertical integration, whereby businesses operating at different levels in a supply chain come together through a merger, can give rise to competition concerns in some circumstances. In particular, the ACCC may be concerned where rivals at

one level of the supply chain are foreclosed from competing effectively, by a rival denying access at competitive prices to their services/products at another level of the supply chain.

Vertical integration between collection and processing

132. The ACCC considers that alternative suppliers of B&D collection services will require processing services (for the full range of B&D waste) at competitive rates in order to be able to compete effectively with a combined Bingo-Dial-a-Dump for collection contracts. Therefore, if there are limited alternatives to a combined Bingo-Dial-a-Dump at the processing level, the proposed acquisition may substantially lessen competition in the supply of B&D waste collection services due to this vertical integration.
133. The combined Bingo-Dial-a-Dump might, for example, prevent rival collection companies from using its processing facilities, or may prevent them from using the facilities at a price that would allow them to compete for collection contracts. Alternatively, the combined Bingo-Dial-a-Dump could offer lower levels of service (e.g. restricted times for drop offs; or more restrictions on the mix of waste they will accept) that again would restrict the ability of those collection company rivals to compete. If a collection company is forced to drive further afield to find a processor other than Bingo-Dial-a-Dump, their costs will increase as their drivers will be able to undertake fewer jobs in a day, limiting their ability to be competitive in collections.
134. Such a vertical integration concern would not arise if there are sufficient alternative processing options for rival collection companies. Therefore, the level of competition in processing, and the impact of the acquisition on the level of competition in processing, is important to the assessment of competitive impacts at the collections level of the supply chain. The ACCC will also consider whether Bingo would have the incentive to engage in such conduct.

Vertical integration between processing and landfill

135. Similar competition concerns may arise from vertical integration between processing and landfill. The ACCC considers that to be competitive in processing, most processing facilities require access to competitively priced landfill services. This is so that residual waste post-processing can be efficiently disposed.
136. The ACCC will consider whether Bingo's incentives in operating landfills are likely to be different from Dial-a-Dump's. Given its substantially larger operations in B&D waste processing and collections, Bingo may have more incentive to favour its own operations (and provide less favourable terms to competing B&D waste processors) than Dial-a-Dump currently has.
137. Such a vertical integration concern would not arise if there are sufficient alternative landfill options for rival processing companies. Therefore, the level of competition in landfill services, and the impact of the acquisition on the level of competition in landfill services, is important to the assessment of competitive impacts at the processing level of the supply chain. The ACCC will also consider whether Bingo would have the incentive to engage in such conduct.

The ACCC invites comments from market participants on the issues arising from vertical integration. Many of the issues overlap with issues already raised in this SOI. In particular, market participants may wish to comment on the following:

- Whether Bingo is likely to have different incentives in operating the Eastern Creek landfill than Dial-a-Dump currently has and what effect this may have
- Whether it is likely that the combined Bingo-Dial-a-Dump will attempt to foreclose rival collection companies, by preventing access to processing facilities at a competitive price
- Whether it is likely that the combined Bingo-Dial-a-Dump will attempt to foreclose rival processing companies, by preventing access to landfill facilities at a competitive price

ACCC's future steps

138. As noted above, the ACCC now seeks submissions from market participants on each of the issues identified in this Statement of Issues and on any other issue that may be relevant to the ACCC's assessment of this matter. Submissions are to be received by the ACCC no later than Thursday, 13 December 2018 and should be emailed to mergers@acc.gov.au.
139. The ACCC will finalise its view on this matter after it considers submissions invited by this Statement of Issues.
140. The ACCC intends to publicly announce its final view by Thursday, 21 February 2019. However the anticipated timeline may change in line with the *Informal Merger Review Process Guidelines*. A Public Competition Assessment for the purpose of explaining the ACCC's final view may be published following the ACCC's public announcement to explain its final view.