

NATIONAL OFFICE

14 November 2006

The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Sir/Madam,

Application for Authorisation A91019 lodged by St. George (Sydney) Region of Councils – Interested Party Consultation

I refer to your invitation for comments in relation to joint tendering arrangements by the St. George Region (Sydney) of Councils in relation to domestic waste collection services.

Veolia Environmental Services (Veolia) is supportive of regional waste management initiatives that contribute to tangible and sustained benefits for constituents. However, it is Veolia's view that the proposed arrangements may not necessarily result in the most efficient and effective provision of services. More specifically, a staged implementation of services across three (3) local government areas between 2008 and 2010 may act as a significant barrier to entry for service providers. Further, It is considered that adopting a staged contract commencement would result in a sub-optimal economic outcome for participating Councils thereby eroding any benefits arising from a joint competitive process.

In summary, Veolia has no objection with joint tendering practices of Councils. However, we have some concerns with such a staged contract implementation and believe this maybe a sub-optimal service provision model which may distort the workings of a competitive market. We have summarised potential issues below which participating Councils need to be mindful of in their deliberations on this matter.

Scheduled Collection Days

There are many advantages to combining three (3) council areas into a single collection contract. The ability to be able to schedule collection days across the entire region to suit collection logistics is an enormous benefit that will provide tangible savings to all concerned including the environment.





However, the issue of changing collection days for residents is fraught with problems if not handled correctly. To attempt to change collection days 2 or 3 times as each contract comes on line will create added costs, service problems and contamination and missed service issues

Equipment Utilization

The most optimal approach in allocating resources to commence contract services is to purchase all plant and equipment at the one time. Frequently, service providers are able to negotiate significant discounts on plant/vehicles based on the order size. Clearly, a three (3) staged contract implementation works against these potential benefits.

Further, servicing of problem areas such as lower underground car parks, narrow laneways and school areas can be effectively addressed if the correct vehicle or system is put in place. To underutilize such a vehicle or vehicles is a cost to councils, the environment and the contractor supplying such vehicles or systems. A suitable vehicle or system designed to provide specialized services needs to be fully utilized so the operators can become accustomed to the work required.

Commencing a regional contract with only one participating Council in 2008, increasing to three (3) by 2010 will result in significant underutilization of plant and equipment.

Labour Utilization

Provision of labour for the servicing of municipal waste collections is an issue that has the potential to create long term problems if not handled correctly in the first instance. To attempt to modify collection routes, increase work loads and significantly alter requirements by adding new contracts may have a negative effect on contract servicing.

Being able to provide a total service from commencement allows for the most efficient service planning and provision.

Capital Requirements and Utilization

One of the issues with tendering for a contract of this size is the requirement of finding a site suitable to garage and operate the vehicle fleet from. If the contract has a staggered commencement date, then a suitable site would be grossly underutilized for the first two (2) years of its operation.

There would be an unacceptable level of cost incurred for the councils in paying for this. There is no offset available for this.

Provision of Receptacles (Bin Rollout)

To prevent confusion in collection timings and bin roll outs it has been shown that an efficient roll out program done once, has the ability to provide the most cost effective program to those councils requiring new bins. With the idea of providing a combined collection service, it is imperative that cross council services be provided. Streets with





different councils on either side are only a small part of a combined service. In many instances, major parts of vehicle runs will need to cross into adjoining council areas.

The bins provided, need to be compatible with each other. A roll out for the entire area is the best way to do this which also gives better purchase prices due to the volumes involved/economies of scale.

As previously stated, Veolia is supportive of regional initiatives that afford constituencies with economic and environmental benefits. We believe that a 'deferred' implementation contract model will lead to :

- Sub-optimal service planning and scheduling
- Underutilised plant, equipment and labour
- Inefficient use of capital (eg. Depot resources)
- Compromised purchasing benefits (eg bins)

The combination of the above issues will impair service providers ability to prepare and submit an optimal service proposition and will ultimately result in the participating Council's not receiving a cost competitive service relative to other collection service models.

Veolia recommends the pursuit of the option of extending both Rockdale and Kogarah contracts upto 2010. At this time, a single contract could be applied across all three (3) local government areas. Not only would the successful tenderer be able to implement the most efficient service collection days, routes and systems, but the cost savings would be in the best interests of all councils.

Should you have any questions in relation to this matter please feel free to contact Mr Tony Morrissey on 02 8571 0000.

Yours sincerely,

Tony Cade
Group General Manager – Marketing & Development

