



Hurstville
City Council



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24 January, 2007,

Mr David Hatfield
Acting General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON
ACT 2602

Attention:- Ms Nadia Cooke

Dear Madam,

Re:- Interim Authorisation
Proposed Joint Regional Waste Contract – St. George (Sydney) Region of Councils

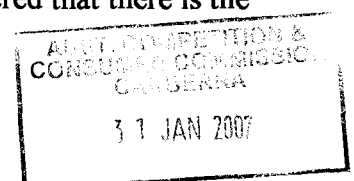
I refer to the above and to your letter dated 23rd November, 2006 informing the Councils' that an Interim Authorisation had been granted to proceed to Tender. It is noted that in granting this interim authorisation the Commission enables the Councils to:-

- prepare documentation to invite tenders from parties wishing to provide waste collection services;
- evaluate tender submissions;
- prepare tender recommendations to the Councils' executives; and,
- allow the Councils' executives to endorse the recommendations of the tender panel and seek to enter into contractual arrangements pending the final determination of the ACCC.

In your letter it was also advised that final submissions were to be made by 1st December 2006. It is the Councils' understanding that no further submissions have been received since the granting of the Interim Authorisation and a total of three (3) were received prior to the 1st December, two (2) of which were supportive of this initiative.

In terms of the submission by Veolia Environmental Services which was not supportive of our proposal, please find attached to this letter a report (see ATTACHMENT 1 – 'RESPONSE TO SUBMISSION BY VEOLIA ENVIRONMENTAL SERVICES APPLICATION FOR AUTHORISATION') that the Councils' contend adequately addresses and counteracts all of the issues raised in their submission.

Whilst the Councils' acknowledge that there is no impediment to proceed through to the determination of the Tender and the selection of a Contractor, it is considered that there is the



possibility of a substantial risk in proceeding only to have the application formally rejected at the very end. This would not be in the best interests of the Councils' nor the communities that we represent.

As the Tender documents are in the final stage of completion with a view to advertising the Tender on or around 13th April, 2007 it is the Councils' contention that this project has reached a critical stage in terms of its future direction.

The Councils' acknowledge the support and promptness of the Commission in dealing with this application, and understands that there may be time constraints imposed on the Commission in terms of its other activities and functions. Notwithstanding, the Councils' would be most appreciative if a final decision on this application could be made prior to the 13th April, 2007.

Should you require any additional information or wish to clarify any aspect of this request, please do not hesitate to contact Mr. Garry Dickens, Manager – Environmental Services, Hurstville City Council on telephone 02 9330 6170 , Facsimile 02 9330 6223

Yours faithfully

Garry Dickens
Manager – Environmental Services
Hurstville City Council
for and on behalf of the St. George Councils

ATTACHMENT 1

RESPONSE TO SUBMISSION BY VEOLIA ENVIRONMENTAL SERVICES APPLICATION FOR AUTHORISATION

This report is presented in response to the communication received by the Australian Competition and Consumer Commission (ACCC) from Veolia Environmental Services dated 14th November 2006.

1. Introduction

The St George Region (Sydney) of Councils are generally pleased that Veolia Environmental Services see the benefits to local communities of group tendering by local councils. Substantial evidence is now available from the outcomes of previous applications to the ACCC indicating that such group tendering is in the public interest. However, it is disappointing that Veolia Environmental Services' response to this application appears to have made several misplaced assumptions about the intended arrangements which the Councils will undertake. In addition, Veolia Environmental Services make a number of claims without providing any evidence, specific to this region, to substantiate their statements of objection.

This response will counter each of the claims and assumptions made by Veolia Environmental Services. Such claims reflect poorly and wrongly on this important initiative.

2. Scheduled Collection Days

The Councils agree with the first paragraph of Veolia's submission. The Councils also agree that problems can occur if '*not handled correctly*'. It is self-evident that most projects are fraught with problems if not handled correctly. However, there is little evidence to suggest that this initiative will not be handled correctly. Any problems which arise are likely to be minimised for the following reasons:

1. In the past 15 years there has been a general transformation in how local government carries out its duties. Since the introduction of the NSW Local Government Act 1993, councils are much more accountable to their communities in how they deliver services. As a result, much of councils' activities are approached in a more businesslike and professional manner and this includes the delivery of their waste services. Significantly, better management systems across council services are generally in place to minimise such problems occurring
2. The Councils will be monitoring this initiative through risk management practices and ensure that strong governance, transparency and due process are key parts of this regional approach
3. The Councils have developed a high level of skill and expertise in community education programming to ensure that residents receiving waste services are fully informed about any changes in services, to minimise the types of problems which Veolia infer will occur.

Veolia is correct in assuming that a few collection runs may need to be adjusted as the regional service is rolled out. It is most likely that a small proportion of collection runs will need to be adjusted as each contract is phased in. During the tender process for selecting a collection contractor, the Councils are likely to study with particular care the proposals put forward by the tenderers for maximising logistical efficiencies by ensuring the minimal disruption of service changes as new contracts from adjacent councils come on stream. However, the Councils strongly believe that a phased introduction of a regionalised collection

service will provide more certainty and lead to a smoother transition, creating fewer problems. This is discussed in more detailed later in this response.

There is no evidence to suggest that a phased introduction of a regionalised collection service will be more costly. There is also an assumption by Veolia that a waste service remains static during the period of a contract. This is clearly not the case. We live in a dynamic environment which is constantly changing. Most councils in Sydney are experiencing significant population increases at the present time. As a result, their waste services have to accommodate these increases, on an ongoing basis, resulting in modifications to service runs to reflect these changes.

There is no explanation why changing collection days would lead to increased contamination in garbage bins. Contamination is primarily caused by residents misunderstanding what type of waste or recyclables goes into which particular bins. This misunderstanding has nothing to do with collection days. The final point which Veolia makes relating to missed services are likely to be as much a product of the contractor failing to service a bin at the time required, as to the resident failing to present the bin at kerbside in a timely way.

3. Equipment Utilisation

The Councils would counter the simplistic claim by Veolia that the most optimal approach in allocating resources to commence contract services is to purchase all plant and equipment at one time. It is not necessarily in the interests of all collection contractors to purchase plant and equipment at one time. Some contractors may find such single and very large purchases difficult to co-ordinate with the cash-flow of their business.

Conversely, the Councils intend to let all three collection contracts simultaneously, despite the phased introduction. As a result, the winning contractor will have the security of the three contracts to negotiate competitively with a range of equipment suppliers for the services. This approach will allow a phasing in of the purchases which will create fewer logistical problems for the supplier in the provision of the orders and similarly allow the successful collector to absorb the contracts within its current business commitments.

The phasing in of services will benefit the supplier by avoiding the mass manufacture of the orders of a very short timeframe, and for the contractor to ensure a longer lead in time for the phased commencement of the services.

Veolia implies that servicing underground car parks narrow laneways and school areas are a major part of a collection run. Such collection runs form a relatively small part of the logistical challenges of a collection service within the St George region. Schools are unlikely to be serviced from these contracts. Narrow laneways are much more predominant in the council areas of the Sydney eastern suburbs, than in the more spacious lower density suburbs of the St George region.

On the general question of vehicle or system utilisation, collection contractors need to be flexible to the dynamic changes in the urban environment, as mentioned earlier. Experienced collectors provide that flexibility by working closely with councils to respond to the seasonal, or logistical changes, such as planning for road closures, to maintain a regular service. It is not unusual for collectors to bring in vehicles from out of area to provide for these variations.

There is no reason to believe that such an approach could not be negotiated into these new arrangements and used during the transitional stages of the phased-in services.

4. Labour Utilisation

Veolia provides no explanation as to why modified collection runs should create long-term problems for the provision of labour. An experienced and skilled collection contractor would be expected to have well-established systems in place to deal with the fluctuating cycles in their business activities, and for this to be reflected in their HR policies and activities. The Councils would be concerned if such matters were not successfully addressed in any tender submission.

5. Capital Requirements and Utilisation

All waste collection companies are faced with the dilemma of providing suitably located sites for the garaging and maintenance of their vehicles when tendering for new contracts. Such uncertainty in the individual letting of separate contracts makes these decisions even harder to make. However, when a group of councils provide the industry with advanced warning of a group of collection contracts becoming available over a staged time-frame, such a proposal allows the potential tenderers an opportunity to make strategic decisions in the structuring of current and future commitments. The Councils would question the statement by Veolia that *'there is no offset for this'*.

Clearly the staging of operations may require the successful contractor to purchase or lease a significant site within the region. However, this extra capacity can be separately leased on a short-term basis, or otherwise used by the company for other commercial activities. There is no evidence put forward to justify the statement of *'unacceptable level of cost incurred for the councils'* put forward by Veolia. This situation will clearly be tested by the competitive tendering process and not by the claims of one waste collection business.

6. Provision of Receptacles (Bin Rollout)

Veolia assumes that there will be one regional contract for the Services. This is not the case. Each council will continue to hold separate contracts with a (likely) single service provider. More importantly, each will continue to maintain individual contact with their residents, and be responsible for their own bin rollout in close co-ordination with the contractor.

Veolia should not confuse a bin rollout programme, which is carried out once with their statement *'major parts of vehicle runs will need to cross into adjoining council areas'*. In fact, the significant cross boundary routing of vehicles may not necessarily be the case. This is an unhelpful and misguided generalisation. Such routing will very much depend on the specific geographical and logistical patterning of the region, which can only be established, if and when the regional service is tendered.

7. Contractual Commitment

The Councils have provided several good reasons why a phased introduction of a group collection service across the St George region would be in the interests of the residents, the collection contractor and to the manufacturers and suppliers of the plant and equipment for the services.

A remaining reason for such an approach, is the current terms of the contracts which the councils hold with their existing collectors. As stated in the Application, the current contracts expire across a two to three year period. Rockdale City Council is not in a position to extend its current contract a further two years to 2010. The council needs to re-tender the service prior to the current contract expiring, and more importantly is looking to align the new

services more closely with their partnering councils. Managing the introduction of new service bins and a type of new collection, should this occur, will clearly be better managed with an early phased process for introducing a regional service.

8. Conclusion

In conclusion, the Councils generally refute the objections expressed by Veolia Environmental Service for the reasons outlined in this response. However, the Councils hope that such misplaced concerns by Veolia do not deter the company from tendering for the services, should the ACCC provide authorisation for the Councils to proceed.

Garry Dickens
Manager – Environmental Services
Hurstville City Council
for and on behalf of the St. George Councils