

**LOCAL GOVERNMENT
ASSOCIATION
OF QUEENSLAND INC.**

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08 May 2008

Susan Philp
Director
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
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FILE No:

DOC:

MARS/PRISM:

Dear Ms Philp

Central Queensland Local Government Association application for authorisation A91087 - interested party consultation

The Association is in receipt of your letter dated 18 April, regarding the consultation on the proposed arrangements for waste management in a number of Councils within the Central Queensland region.

The following comments are provided based on the issues raised in your letter:

- ❖ A standard set of Conditions for Tendering and Conditions of Contract and other supporting documents will provide consistency across the Councils involved in the tendering process. It would be unacceptable to combine the contracts for all Councils but then offer different tendering and contract documents. The confusion created in this scenario would far outweigh any potential benefits of the system as proposed.
- ❖ If the proposed arrangement is not authorised, each Council will call a separate tender. This may result in a number of different contractors operating within the region or the retention of the status quo with one contractor separately servicing each council area. This will ultimately be at a greater financial and environmental cost to the Councils and communities involved as no economies of scale will be achieved.
- ❖ With regards to the impact of the proposed arrangements on competition, in particular the potential for new entry and/or investment in this type of service, theoretically it is possible that new entry to the market could be restricted.

However, at present, a single national waste management provider services the needs of the Councils via separate contracts. There is no local contractor currently operating in the area. The CQLGA proposal will no doubt generate increased interest from other national operators and hence promote competition.

Also, these contracts, in the scheme of the size of the waste management contracts in Local Government in Queensland, are quite small. Ultimately, this restricts the contractors that will establish solely to operate these contracts. The capital involved in purchasing bins and trucks alone to service these type of contracts is significant.

- ❖ There is definite potential for the proposed arrangement to result in cost savings to the Councils involved in the provision of waste services. The Queensland Government recently undertook significant reform of Local Government across the State, with a large number of Council amalgamations carried out. One of the reasons quoted for these amalgamations was concerns over the long term viability and financial sustainability of Councils.

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Some of the key principles of the reform process in Queensland Local Government were listed by the State Government as:

- o Creating financially stronger Councils with stronger resource bases
- o Achieving operating cost savings from economies of scale
- o Providing better service delivery and reducing operating costs in core Council functions such as water supply, sewerage, roads and waste management
- o Creating more opportunities for regional economic development
- o Aligning communities of interest that are currently divided by outdated Council boundaries

The reason CQLGA have recommended this proposed strategy is to attain the economies of scale. It can also be seen that the proposal aligns with a number of the other principles listed by the Government on the benefits of reform.

❖ The public benefits that are likely to result from the proposed arrangements are:

- o Potential reduced costs to ratepayers by one contractor provide the service across the Councils involved
- o Councils only have to deal with one contractor in the region facilitating better contract management
- o Consistency of service levels across the region facilitating better environmental outcomes
- o Operation of waste management contracts requires substantial plant and equipment investment. By operating one contract across a number of Councils, there are savings in areas such as the requirement to have spare vehicles and bins (one contractor may have one spare vehicle where three contractors may have a spare vehicle each, ultimately leading to increased contract costs).

It should be noted that the CQLGA Regional Waste Management Strategy involves a number of Councils across the Central Queensland region and seeks to develop strategies to reduce waste, increase recycling and recovery, and to better manage solid waste and secondary resources within the region. The strategy and its associated implementation plan aim to provide economic benefits for the region through cost savings, increased employment and business generation, better management or risk, sharing of resources among member councils, higher levels of efficiency of service, and an increase in waste management awareness within the community.

Based on the principles provided by the State Government as the basis for Local Government reform, the proposed arrangements are strongly endorsed. The benefit to the wider community of one contractor and potential cost savings are potentially significant and cannot be ignored.

The Local Government Association of Queensland supports the initiative taken by CQLGA to regionalise these contracts as it is considered that the benefits to Councils and ultimately ratepayers, far outweigh the risks.

If you require further information, please contact Christine Blanchard, Environment and Health Policy Advisor, telephone 07 3000 2243 or email christine_blanchard@lgaq.asn.au.

Yours sincerely

Greg Hoffman PSM
DIRECTOR
POLICY AND REPRESENTATION

cb:sm