

22 July 2015

File No: **WM Planning BCC Regional Investigation**
Contact: Paula Kemplay 3829 8597

Australian Competition and Consumer Competition
23 Marcus Clarke Street
Canberra ACT 2601

Dear Sir/Madam

REQUEST FOR AUTHORISATION: A91500 - WASTE MANAGEMENT: POTENTIAL REGIONAL COLLABORATION OPPORTUNITY BETWEEN BRISBANE CITY COUNCIL (BCC) AND REDLAND CITY COUNCIL (RCC)

Redland City Council (RCC) and Brisbane City Council (BCC) have been invited to respond to the submissions from interested parties regarding their application for authorisation to jointly tender for collection services.

This response addresses the comments made by an interested party dated 26 June 2015, which have been referenced to their nominated paragraph headings for ease of reading.

1 Form B - 2(a), (b) and (c). Supporting Information 3.2 and 4.2

- a) There are acknowledged to be unique aspects of each individual LGA area as described. However it must also be acknowledged that the majority of services are outside the CBD and islands areas, and are within the suburbs, where there are common service standards and similarities across each LGA.
- b) The structuring of a tender into three separable portions allows an opportunity for creative thinking from the market around optimising logistics and shared depot infrastructure in a new combined service area. It is understood there is sophisticated run mapping software used by waste collection companies that can accurately model and ensure efficient transportation logistics. The actual benefits can therefore be quantified in a meaningful and transparent way, and compared with a business as usual scenario of two separate serviced LGA areas.
- c) If there are no benefits realised from a combined service area as a result of this proposed tender, then it would be reasonable to assume each LGA would agree not to proceed with accepting any such tender. This decision would be based on known facts at that time. The consumer will therefore not be disadvantaged.
- d) RCC and BCC believe that having the three separable portions will attract interest from the whole of the market ranging from those who are interested in one, two or three or a combination thereof. The last time RCC tendered for these collection services in 2004/5 there were two tenders received. RCC is hoping to attract increased competition through this joint tendering process as these types of contracts are worth significant multi-million dollars in annual value.

- e) There have been two industry briefings and various one-on-one meetings with market providers run by BCC regarding the deliverables, complexities and intricacies of such a collection contract. There is no information to suggest there will be reduced competition in this tender process based on discussions held to date.

2 Form B - 2(d) Supporting Information 3.5

- a) It is important to note that no decision has been made relating to the period of any contract to be offered. Although 16 years is one of the many options, it would be a maximum term for consideration. All contract term options, including suggestions from the industry, are yet to be considered.
- b) It is acknowledged that a 16 year term is typically beyond the expected working life of each truck. As mentioned in the application, a longer contract could allow the staggered replacement of trucks and a "smoothing" of prices for the consumer. Running 8-12 year contracts as suggested by the interested party, would likely see a significant "step-up" in rates upon contract renewal. Consumers might then face a significant increase in prices to align with the new capital cost increases of the whole fleet. It is recognised that operating and capital costs do increase over time regardless of contract length. The contract period offered will be decided giving consideration to overall consumer benefit.
- c) All contracts whether in a single or joint LGA area need to cater for population growth and an associated increase in trucks to service new properties. This is not considered to be a unique factor to this application and all tenders have to allow for forecast growth. These contracts are priced per bin lift service and so as the population base grows so does the revenue base.
- d) The south-east Queensland market as a whole is a large area with a total of 12 local governments. Only two of these are proposing to jointly tender. There is considered to be a rolling program of waste and recyclables contract renewals within this region so this should not be a barrier to new market entrants.
- e) The length of the contract should not stifle access to new technology and innovation as these benefits can flow through the contract as the vehicles are replaced or as stand-alone considerations based on merit.

3 Supporting Information 4.1

- a) Whilst RCC and BCC will both be involved in the joint tender process it is considered to be a more resource efficient process overall than separate tendering for each LGA area. Any subsequent contract administration is also expected to be more efficient for all involved.

4 Supporting Information 4.2

- a) With the forecast population growth in the south-east Queensland region it is considered that this will open up opportunities for increased investment in the region as a whole. This can only benefit local communities and economic development in general. As stated in the application, a joint tendering process is expected to offer both Councils a stronger bargaining position, attract increased competition and provide an incentive for new investment where required.
- b) The application is made for joint tendering only between RCC and BCC. There is no application before the ACCC involving joint tendering between other SEQ Councils.

4 Supporting Information 4.3

- a) As stated in point 1 (b) and (c) and 3 (a) above the tender process will allow the benefits to be accurately quantified.

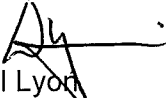
5 Supporting Information 5

- a) Same comments as for 4(a)

6 Supporting Information 6

- a) As stated in the application this joint tender will be competitively tendered in the open market as per the requirements of the applicable legislation. The Councils are providing an opportunity for all private companies to bid for work through the three separable portions.
- b) Councils have a significant governance role in managing municipal waste for the wider benefit of the communities they serve including public health, amenity and financial aspects. As also stated in the application, Councils have been instrumental in growing the recycling industry firstly with specifying collection of kerbside co-mingled recyclables and more recently with green waste collections.
- c) The application before the ACCC is for joint tendering only between RCC and BCC and should be considered on that basis.

Yours faithfully


Bill Lyon
Chief Executive Officer
Redland City Council