

# Waste & Recycling Association of South Australia Inc.

11 March 2016

Ms Lyn Camilleri  
ACCC Adjudications  
GPO Box 3131  
CANBERRA ACT 2601

Dear Ms Camilleri

## **Re: A91520 Council Solutions & Ors - Submission**

In relation to the recent ACCC draft approval for Council Solutions Waste Services combined tender, please find below the submission of the Waste and Recycling Association of South Australia Incorporated.

Due to the negative impact on the small business community and concern for overall industry competition, our members oppose the application and request the ACCC reject the application. We also note that the South Australian Small Business Commissioner has raised serious concerns relating to the negative impacts of the Council Solutions proposal on small family businesses, and we wish to provide some evidence in support.

Unlike other larger markets in Australia, South Australia is a State that is reliant upon and nurtures small business, and as a result the small business sector has a higher share of industries compared to the larger East Coast markets. The small business sector in South Australia is a critical component of the economy, that ensures jobs and job creation in a State that is looking for job opportunities to ensure its ongoing economic viability. The waste industry is no different.

In Council Solutions' application, a key stated aim is to encourage new service providers to enter the Adelaide market. As the Council Solutions application does not in any way seek to increase the services provided to Adelaide ratepayers, it is clear they are blatantly seeking to move current waste contracts from current service providers to new market entrants. If there is no gain in waste services for the ratepayer one would hope they are looking to pass savings onto the ratepayer, but this is not stated in their application. Based on this alone, there is no public benefit for the ratepayer.

Council Solutions list three international waste service providers they hope to entice to enter the Adelaide market. However, Remondis, Veolia and J.J. Richards already operate in the market, but they have not been successful in past municipal tenders. If Council Solutions' aim of enticing them to cut margins to win a large tender eventuates, then they will not be competitive if they enter into sub-contract arrangements with smaller specialised waste service companies as this will duplicate margins rendering their tenders uncompetitive (see examples below). The result will be multinational companies expanding into non-core specialised areas at discounted rates- hence pushing small operators out of the market.

As stated above, the Council Solutions application seeks to entice new waste service providers to the Adelaide market using the size of their contract as the drawcard. Council Solution claims their organisation would represent 35.25% of the population of Adelaide.

1/159 Walkerville Terrace (PO Box 442) Walkerville South Australia 5081

Telephone 0448 067 638

E-mail [johnfitzpatrick5081@gmail.com](mailto:johnfitzpatrick5081@gmail.com)

However, the inclusion of Onkaparinga Council in 2021 will increase this to 48.5% of the total metropolitan Adelaide market.

Also, as East Waste is not open to tender, this reduces the size of the tenderable market by 19.5% or 246,207 people.

The net result is Council Solutions member Councils have a population of 612,135. The market that is available for businesses to tender is 1,014,826. This gives Council Solutions a 60.3% market share (See table 1). It is our firm belief that a single customer holding market share of this magnitude will be detrimental to the competition.

| Table 1   Source: <a href="http://profile.id.com.au/">http://profile.id.com.au/</a> |              |
|-------------------------------------------------------------------------------------|--------------|
| Total Adelaide Metro Population                                                     | 1,261,033    |
| <b>East Waste Group</b>                                                             |              |
| Adelaide Hills CC                                                                   | 39,873       |
| City of Burnside                                                                    | 44,734       |
| Campbelltown CC                                                                     | 51,344       |
| City of Mitcham                                                                     | 66,182       |
| Norwood, Payneham & St Peters                                                       | 37,074       |
| Town of Walkerville                                                                 | 7,000        |
| Total Tenderable Market                                                             | 246,207      |
|                                                                                     | 1,014,826    |
| <b>Council Solution Group</b>                                                       |              |
| Adelaide CC                                                                         | 22,690       |
| Charles Sturt CC                                                                    | 112,714      |
| Marion CC                                                                           | 88,292       |
| Tea Tree Gully                                                                      | 98,575       |
| Port Adel.Enfield                                                                   | 122,205      |
| Onkaparinga CC                                                                      | 167,659      |
|                                                                                     | 612,135      |
| <b>Council Solution Group Market Share</b>                                          | <b>60.3%</b> |

The size of the collective Council Solutions tender will also have a dramatic and negative impact on the viability of small businesses.

As the majority of small businesses do not have separate operations and administration departments, the owners perform both roles. Their scenario is likely to be: driving trucks or running facilities during the day; managing their administration and record keeping at night and tendering when time permits.

Due to the size of the Council Solutions tender, many small Australian owned businesses simply will not have the resources and time to dedicate to completing a tender of this scale without negatively impacting the operations and service to their existing customers. It seems to the Association's members that contemplating a large scale tender is biased, and is designed to suit large multinational organisations exclusively with their large administration capabilities.

Additionally, due to the size of the Council Solutions collective tender, the contracts will be beyond the financial scope of most, if not all, small businesses. A prerequisite to tendering is that all businesses must be able to (1) finance the capital requirements, and (2) obtain bank guarantees. As most small business run on bank overdrafts secured by family homes, and - unlike large national and multinational businesses - do not have a large asset base, our members fear that financial institutions will not grant many (if any) WRASA members the required bank guarantees. This will preclude many of our members from tendering.

Rather than provide an incentive for small businesses to expand into larger waste contracts, the opposite will occur. In the current scenario, where small businesses can tender for a small individual Council contract and obtain the required bank finance and bank guarantees, and slowly build their business in a sustainable manner, the Council Solutions contract is simply out of reach. For example, the capital and bank guarantees required for the collection services alone are estimated to be \$2,000,000 and \$30,000,000 respectively. This results in three undesirable outcomes:

1. New multinational organisations will win tenders currently serviced by numerous small businesses and set up their own infrastructure in Adelaide. This loss of volume results in the underutilisation of assets being financed by bank overdrafts. Ultimately, business closure and **job losses** will result.



Finally, as shown above, our members believe that the potential impact of the Council Solutions proposal will be the failure and closure of small to medium waste businesses in Adelaide resulting in further job losses. If Council Solutions decide to dispose of the waste at fewer disposal and processing sites due to alleged lower pricing, business closures will occur. This has an additional impact on collection service providers as they will need to travel further to dispose of the waste, hence adding needless incremental costs. Additionally, as facilities close, competition is reduced and ultimately prices will increase adding further cost to small businesses. If these businesses are then sub-contracted to multinational organisations the duplication of margins will see costs to Councils and Ratepayers rise.

On behalf of our members, we urge the ACCC to consider the impact on local small businesses and their employees in making your determination on whether the Council Solutions collective tender will produce a public benefit or detriment to the residents of metropolitan Adelaide. As stated in the introduction of our submission, as the Council Solutions proposal fails to identify any specific additional waste services that will be provided to the ratepayer combined with the risk of small business closures business closures and job losses, we ask the ACCC to reject the application.

Please note that our Association requests to have the opportunity to meet with ACCC and to participate in any public meetings which may be convened in respect to the Council Solutions application.

Yours sincerely

**John Fitzpatrick**  
**Public Officer**  
**Waste and Recycling Association of South Australia Inc.**