MEDIA RELEASE

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ACCC DELIVERS FOR ADELAIDE SMALL BUSINESSES IN THE WASTE INDUSTRY

The South Australian Small Business Commissioner has welcomed a decision by the Australian Competition and Consumer Commission (ACCC) to refuse to allow five Adelaide councils to form a cartel to tender out more than a third of Adelaide’s waste management.

“The decision by the ACCC shows there was no net public benefit from the proposal,” Small Business Commissioner John Chapman said.

“For nearly 12 months my office and many businesses in the waste management, collection and recycling sectors have been fighting the Councils’ anti-competitive plans to bulk up all the waste management services with a long term contract.”

“This proposal simply favoured a big multi-national coming in and taking a near monopoly position in the Adelaide waste management market for up to 14 years.”

Mr Chapman said the initial application by Council Solutions representing the five councils (Adelaide City Council and the Cities of Charles Sturt, Marion, Tea Tree Gully and Port Adelaide Enfield) was scant on detail, lacked a formal economic analysis, and, as a result, many questions were raised with the ACCC. The Small Business Commissioner provided two submissions which were critical of the approach being adopted by the Councils.

“This has been a process of attrition and information has had to be dragged out of the Councils by the ACCC.” Mr Chapman said.

In its decision, the ACCC said it was not satisfied that a joint procurement process would produce a public benefit that would outweigh the effects of a lessening of competition.

The ACCC also stated, given the size and scope of the proposed conduct and the uncertainty about the possible outcomes arising from the request for proposal process, the ACCC was not satisfied that net public benefits were likely.

The Small Business Commissioner said he was pleased at the ACCC’s decision to reject the Councils application to effectively form a cartel.

“Quite honestly the five Councils have treated participants in the waste industry with complete disrespect in this process,” Mr Chapman said.

“The Councils claimed motivation was that by bulking up waste management services, savings would be passed on to ratepayers.”

“I can’t remember the last time when rates went down in any of these council regions.”
“What is of more concern is that the councils could not quantify the expected savings, even in the broadest terms, they were going to get from such a long term contract.”

The Small Business Commissioner was critical of the long term arrangement proposed as it would have removed competition and the ability innovate from the market place.

Mr Chapman said the key concern about the proposal was that it would undoubtedly favour a large multinational company because none of the South Australian businesses would have the capital capacity to tender for such a large segment of Adelaide’s waste management services.

“Time and time again, I have seen these long term arrangements turn into a burden, or worse fail, because of poor specification and poor management.”

Organisation such as Scouts SA, which runs a container recycling operation, would have been severely affected as the profits from this business significantly subsidise fees for young South Australian scouts.

Further information:

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