

25 September 2018

Tessa Cramond
Senior Analyst | Adjudication | Merger and Authorisation Review Division
Australian Competition & Consumer Commission
Level 17/2 Lonsdale Street
MELBOURNE VIC 3000

Dear Tessa,

Response to AA1000419 - Council Solutions & Ors - After Draft Decision Submission by MRA Consulting, 24 August 2018

I am writing to respond publicly to the After Draft Decision Submission by MRA Consulting in response to AA1000419 - Council Solutions & Ors. East Waste consents for this submission to be placed in its entirety, including the attachment on the public register. It must be noted upfront that East Waste has followed the Council Solutions process with interest, but remains agnostic on the approach.

The submission by MRA Consulting asserts that East Waste collection costs are 32% higher than Councils that tender individually. While we accept the source data and explanation that the data may reflect other charges, unfortunately the simplistic nature of the assessment does not reflect fact or reality and unfairly portrays East Waste as inefficient.

The source data contains a number of inconsistencies in the way in which Councils report, including Waste Management charges. The majority of East Waste Member Councils have included additional items separate to their waste collection and disposal charges, such as illegal dumping (noting East Waste does not manage waste disposal charges on behalf of the Councils – this is undertaken **individually** by the Councils). Furthermore the data includes figures from Adelaide Hills Council, where waste collection costs are significantly higher, due to the larger distances travelled. This further distorts the figures as presented. I would contend the transparent manner in which subsidiaries operate, allow Member Councils a greater insight and understanding of the actual costs of undertaking collections and waste management. Therefore when it comes to reporting they can be more holistic and fulsome.

It is important to note that East Waste Member Councils **have never** procured waste collection services collectively. East Waste has evolved over a number of years and Councils individually have made the decision to become a member. East Waste have however undertaken joint tendering for recyclables and green organics processing and asset procurement and can demonstrate that these delivered for our Member Councils, equal to or the most attractive financial outcome in the state.

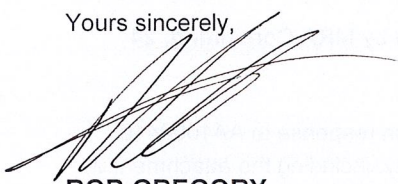
With respect to collection costs East Waste engaged Hyder Consulting to undertake a benchmarking study in 2015 study. The summary report (by Arcadis) is attached and clearly demonstrates that for the then four metropolitan Council which East Waste provided a waste collection service for (City of Mitcham undertake their own collections), East Waste was below the metropolitan benchmark (refer page 2). While recycling and organics were not as consistent with some Councils being higher than the metropolitan average, since this assessment was undertaken we have further improved our efficiency and are confident that the results would now be even more favorable. This is supported by the fact that collection costs for Member Councils rose less than 1.3% this financial year, on the back of a nil fee increase in 2017/18. This does not factor in the significant returns provided to Member Council over this time due to efficiency of service.

This is further supported by the outcome of actual tenders with East Waste being highly competitive in the financial results of the City of Unley 2014 Tender and successful in the City of Prospect 2017 Tender. If our costs were indeed 32% higher we simply would have been priced out of the City of Prospect tender, regardless of the holistic waste collection service including waste education and a flexibility that doesn't exist inside normal commercial arrangements, which we offer all Member Councils. Other Member Councils have also tested the market at various stages, yet retained membership.

In closing we find it disappointing that East Waste has been used unfairly and in such a basic manner to try and support an argument. East Waste delivers an efficient, effective and transparent service to all Member Councils and is continually striving for further efficiencies and can actively demonstrate this.

Should you wish to discuss this further or if there is any further information you require, please do not hesitate to contact me on 08 8347 5111 or robg@eastwaste.com.

Yours sincerely,



ROB GREGORY
GENERAL MANAGER

EASTERN WASTE MANAGEMENT AUTHORITY

Collection Service Analysis and Benchmarking Study
Summary Report

23 SEPTEMBER 2015



Incorporating



COLLECTION SERVICE ANALYSIS AND BENCHMARKING STUDY

Introduction

East Waste (the Eastern Waste Management Authority) is a local government subsidiary that provides waste collection services to its six member councils: Adelaide Hills Council, City of Burnside, Campbelltown City Council, City of Norwood, Payneham & St Peters, City of Mitcham and, Corporation of the Town of Walkerville (Town of Walkerville). East Waste constantly strives to provide superior customer service, whilst enabling flexibility of service delivery due to its modern large fleet size and shared services model. In addition, East Waste is committed to regularly reviewing its operations and service efficiencies to ensure it is providing value for money for its member Councils.

As part of their overall goal of continually evolving and enhancing the outcomes for their Member Councils, East Waste recently engaged Hyder Consulting (Hyder) to undertake a benchmarking study to provide a review of East Waste operational performance costs and relevant performance measures, and to compare East Waste's performance to industry benchmarks. This report provides a summary of the findings of the study.

What is Benchmarking?

The process of benchmarking is an evaluation tool that can help organisations determine what constitutes best practice in their industry. It is commonly undertaken by a third party and essentially shows whether an organisation's performance is stronger or weaker than that of competitors. The current Benchmarking study provides a review of East Waste's operational performance, costs and relevant performance measures against industry benchmarks, which were formed through consultation with other Council's and Hyder's industry knowledge.

It is difficult to make like-for-like comparisons between council waste collections at a whole service level because of the variation in the collection services provided by different councils. However, by breaking down the total collection costs into various performance measures, such as costs per household and bin lift rates, meaningful comparisons can be made between Councils. In addition, Hyder attempted to source benchmarking data from Councils which were similar to East Waste member Councils, in terms of Local Government Area (LGA) size, population size and/ or number of households serviced. Priority was also given to Councils in a similar remoteness setting (i.e. metropolitan, or outer metropolitan Councils). The benchmarks established by Hyder for this study are not intended to represent the entire industry, but are average values from selected similar councils, which were somewhat limited by the availability of data from those councils that were contacted by Hyder.

Background

East Waste provides a relatively consistent service offering across the region, with fortnightly collection of recyclables and fortnightly collection of organics (food and garden organics) across all Councils. Weekly collection of general waste is provided to all Councils except City of Mitcham, which operates its own service in-house. East Waste operates a total of 32 trucks, with 29 of these dedicated to kerbside collections of general waste, recyclables and organics.

Five key performance measures were identified for this benchmarking study, which included:

- Annual cost of collection per household serviced;
- Bin lift cost rates;
- Bin lifts per hour;
- Maintenance costs; and
- Maintenance time per truck.

East Waste is also committed to a number of non-financial metrics, including at least 90% bins returned upright with lids shut and resolving any missed bins within 48 hours, and resolving any customer interactions within 48 hours. However the impacts of these quality metrics on performance was not assessed as part of the current Benchmarking study.

A number of key factors including the size of the council area, the proximity of the council area to the collection depot, the population density and, the number of households serviced; were considered prior to approaching councils to source data to make comparisons. Each of these factors are known to have a significant influence on the cost and efficiency of delivering waste collection services. For the current study, the results for each performance measure were ranked by population density which is a key differentiator between East Waste member councils. In particular, Adelaide Hills Council is located the furthest from East Waste's depot and is the largest geographically, with the lowest population density. This enabled meaningful comparisons to be made between member councils and other select councils, and allowed for an assessment of the degree of influence that population density might be having on service costs and efficiencies in the Adelaide Hills region.

Summary of findings

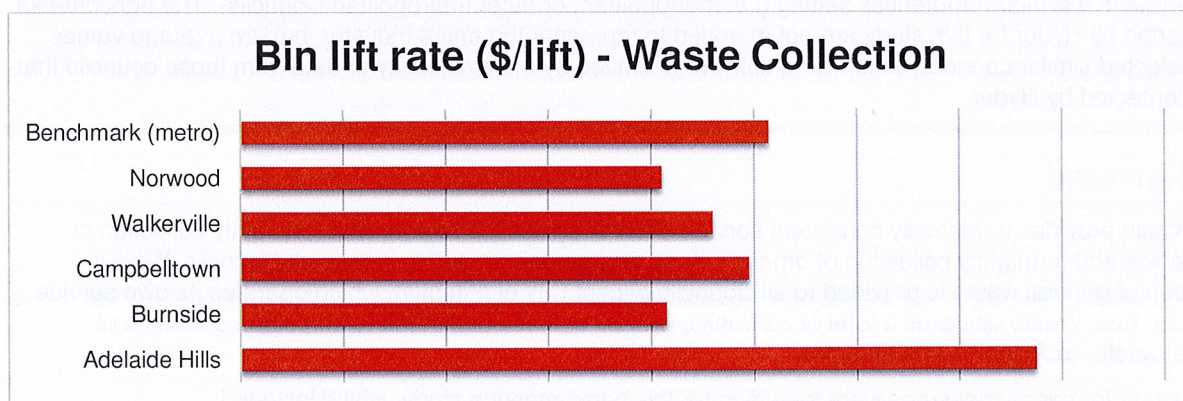
The findings of this benchmarking study indicate that overall East Waste is achieving a good level of performance against industry benchmarks in most areas. Specific costs are not presented in the graphs below in order to protect commercially sensitive data from East Waste and the many council's which assisted with the study.

Bin Lift Cost Rates

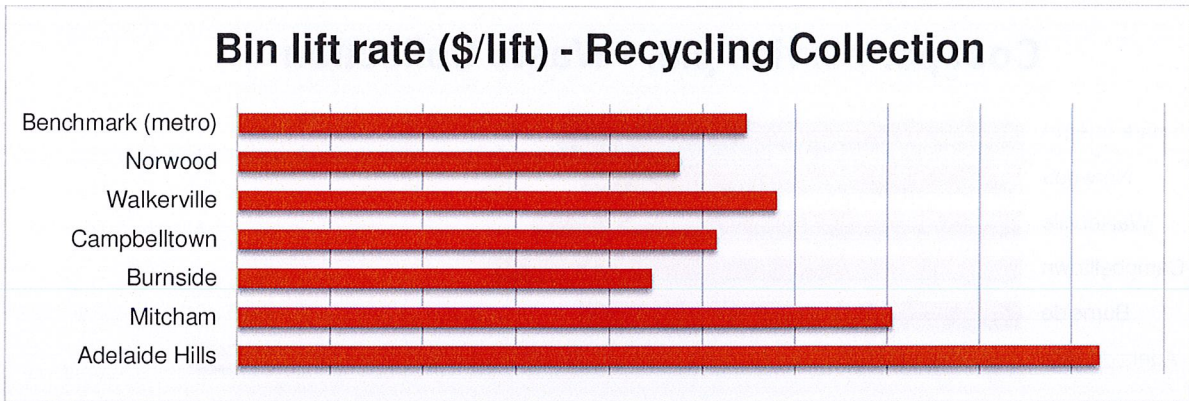
Bin lift rates are a common performance measure within the waste industry, and arguably one of the better indicators of operational efficiency. The collection costs considered in the study included labour and plant costs only; disposal and processing costs were excluded.

East Waste's average bin lift cost rate for general waste was consistent with the industry benchmark established by Hyder, and East Waste achieved particularly competitive rates for the inner metro Councils, as shown in the graph below. The bin lift rate for Adelaide Hills Shire is higher than other Council's, which is mainly due to the lower population density of the shire, which means that bins are simply further apart, and East Waste trucks must travel greater distances to collect waste in the region. This leads to a higher cost per bin lift for the region, however East Waste is investigating measures to help reduce this, as discussed below.

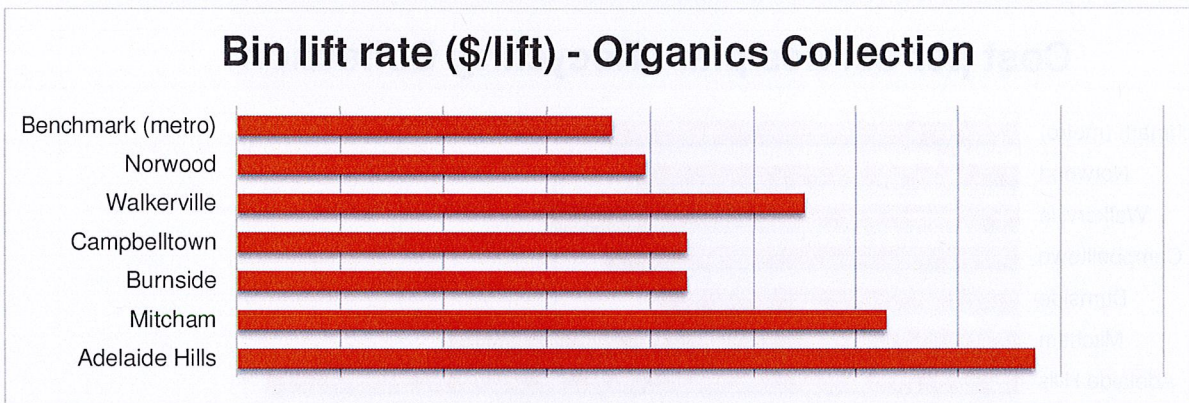
City of Mitcham provides a waste collection service in-house, and did not wish to participate in this Benchmarking Study.



East Waste's average lift rate for recycling collections, shown in the graph below, was slightly less competitive than the general waste collection when compared to the industry benchmark, however East Waste is cheaper than the industry benchmark for three of its member Councils, and within 6% of the benchmark for the Town of Walkerville.



Similarly, East Waste’s bin lift rate for organics collections, shown in the graph below, were close to the benchmark for three of the member Councils, Norwood, Campbelltown and Burnside, however the study has found that less efficient services in the Adelaide Hills Council, and City of Mitcham to a lesser extent, are having a strong influence on East Waste’s overall performance.



The higher costs associated with the Adelaide Hills Council are unsurprising, given its lower population density and distance from East Waste’s depot and waste disposal / processing locations. The study has confirmed the expectation that the population density of an LGA has a high propensity to impact collection efficiency and costs, this trend was fairly consistent across the study. Collection costs for Adelaide Hills Council were consistently higher across all collections, even the organics service which is only offered to townships, was nearly double the rate charged to other member Councils, both on an annual cost per bin and cost per bin lift basis. This suggests that it is not merely the lower population density in Adelaide Hills Council that is affecting costs, but the time spent travelling to the Council area. When travel time is compared to collection time, an average of 21% of labour hours are spent travelling to the Adelaide Hills region, which is much higher than in most other LGAs serviced by East Waste. For example, only 13-14% is spent on travel time in the City of Burnside and Campbelltown City Council.

Total Collection Cost per Bin

One of East Waste’s proposed operational KPIs is the “Total Collection Cost per Bin”, defined as the Total Allocated Cost for all collections divided by the total number of households (or bins) serviced.

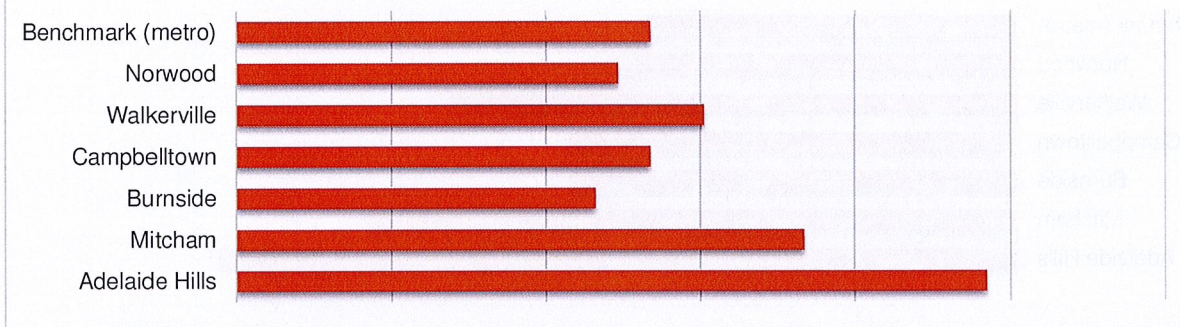
East Waste’s average annual costs per bin for waste collections were higher than the established benchmark average across all collections, by around \$3-\$5, although it is noted that these benchmarks were based on data from a limited number of Councils (a number of Councils had to be excluded from this performance measure due to differences in service frequency). In Hyder’s view, the costs per bin charged by East Waste are very competitive, particularly for the inner-metropolitan City of Burnside and City of Norwood, Payneham & St Peters.

Cost per service p.a. - Waste Collection



East Waste’s performance, in terms of annual costs per bin, for recycling collections were similar, costs for the inner metro Councils were on average within 95 cents of the benchmark. As shown on the graph below, the costs for Adelaide Hills Shire were moderately higher.

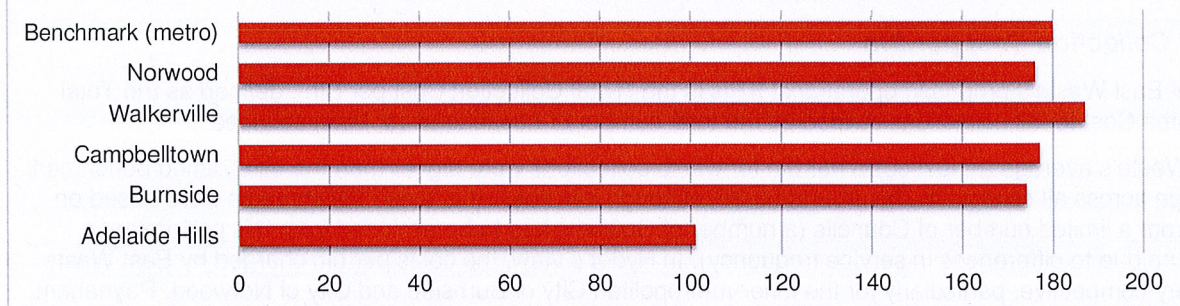
Cost per service p.a. - Recycling Collection



Bin Lifts per Hour

In terms of service efficiency, performance on general waste collections is particularly competitive, where East Waste averages 163 lifts per hour, or 178 per hour for the East Waste metro Councils, compared to the common industry benchmark of 180 lifts per hour. As shown in the graph below, bin lifts per hour achieved in the inner metro region are all very close to the industry benchmark, East Waste trucks manage between 174 and 187 lifts per hour, which is around 3 lifts a minute.

Bin lifts per hour - Waste Collections



The data suggests that there may be scope for improvements in the recycling and organics collections, as these are only achieving 122 and 117 lifts per hour. It is not unexpected to achieve a lower number of bin lifts per hour for recycling collections, due to a number of factors including lower presentation rates for recycling

collections; or reduced payloads in the recycling trucks due to lower density and compaction of the material, leading to shorter runs and increased travel time. Distance to processing facilities is also a major factor.

There was insufficient data to form a reliable industry benchmark for recycling and organics collections, however data from one other Council showed that an average of 144 lifts per hour is achievable for recycling collections.

Again, the overall lifts per hour were affected by the less efficient servicing of Adelaide Hills LGA. Hyder understands that East Waste is investigating options for improving service delivery for Adelaide Hills Council, and one option under consideration is the potential to store collection vehicles at a depot within the Council LGA to reduce travel time. It is anticipated that this would reduce truck travels times and improve collection times considerably.

Maintenance Costs and Maintenance Time per Truck

Fleet maintenance is an important consideration for operational efficiency, given this is a major cost element of East Waste's budget (12% of operational expenditure 2015-16). There was limited data available for benchmarking, however a comparison to data from two other councils indicated that East Waste may be spending more labour hours on maintenance (on a per truck basis) than other councils, although at a lesser cost. One of the comparison Councils is understood to service their fleet more frequently than usual, which would result in higher costs but reduced unplanned maintenance time.

What next?

East Waste is pleased with the results of the benchmarking study, which has shown that East Waste is performing strongly on several key aspects, especially bin lift rates and bin lifts per hour for the inner metropolitan member Councils.

The study has highlighted some key areas for improvement, particularly service delivery performance and costs for Adelaide Hills Council. It has been acknowledged that, while some challenges in that region may be unavoidable, there is certainly scope for improvement through a more tailored approach for that member. East Waste is currently investigating options for storing collection vehicles within the LGA to reduce travel time and improve overall collection times.

In addition, East Waste recently negotiated a new recyclables contract, and is now receiving rebates on recyclables. This will reduce overall collection costs, across all member Councils, and East Waste plans to update this benchmarking study in at least a year's time, in order to track the impact of these changes to East Waste's performance.

East Waste is also looking to improve collection speed for recycling and organics collections, through analysis of East Waste's state-of-the-art GPS tracking technology, which enables route efficiencies to be identified and improved. East Waste will also be reviewing maintenance times and workshop activities, to understand the proportion of time that is spent on planned servicing versus unplanned maintenance and repairs.

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