

12 October 2018

Commissioner Sarah Court  
Australian Competition & Consumer Commission  
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Dear Commissioner Court

**LETTER OF SUPPORT - Council Solutions applications for authorisation AA1000419 (processing) and AA1000420 (ancillary) — conferences**

Thank you for your recent advice (dated 5 October 2018) of the pre-decision conference associated with Council Solutions applications for authorisation AA1000419 (processing) and AA1000420 (ancillary) to be held on the 22 October 2018. A representative from our Council will be attending.

The City of Marion strongly agree with the ACCC Draft Determinations for both applications that there will be net public benefit resulting from these collaborative procurements.

As advised in our previous advice to the ACCC in support of these (and the additional application AA1000414) we consider:

- Council Solutions does not add a layer of bureaucracy but has streamlined the tendering process and removed process duplication costs.
- Collaboration between Councils has proven to be beneficial in standardising waste service stream specifications and reporting requirements and hasn't required more work, time or added complexity to reach agreement.
- Contract Management led by Council Solutions is likely to provide benefits and streamline Council involvement as experienced in other Council Solutions procurements by:
  - reducing duplication of effort across the Participating Councils.
  - improving reporting from better data collection, monitoring and analysis.
  - managing contractual compliance and contractor conformance.
- Councils refute WRASA's accusation that joint tendering does not reduce administration costs; joint tendering frees Council resources allowing labour to be redirected to important operational functions and reduces administrative duplication.
- This procurement has facilitated resource sharing that will continue to be solidified more than if this procurement did not take place, for example, benefits from collaboration in community education resourcing through sharing costs, delivering a consistent message and targeting identified common issues.

The City of Marion acknowledges it is part of Kaurna land and recognises the Kaurna people as the traditional and continuing custodians of the land.

- Councils are confident that their combined volumes and common objective will bring about improved environmental outcomes, increasing diversion from landfill to resource recovery and/or waste to energy.

I would also like to reiterate the benefits that would be achieved from the proposed Processing and Ancillary collaborative procurements.

Benefits of the proposed conduct:

As the CEO of the City of Marion I have a responsibility under the Local Government Act to ensure that Council decisions are implemented and that the Council acts within the law. This includes, but not limited to:

- ensuring that the Council maintains a sustainable long-term financial performance and position; and
- participate with other Councils, State and National Governments to achieve regional (local), state and national objectives.

The participation in these activities have been subject to Council reports and is an endorsed position of the City of Marion.

The proposed conduct has been developed to positively stimulate competition and innovation.

Financial Benefits

The City of Marion is committed to working in close collaboration with other Councils, the State Government and businesses to deliver better and more cost effective services for our community.

One of the arguments put forward by the industry was that collaborative procurement does not provide any financial benefit and, in their minds, comes at a higher cost to the Councils. This has not been our experience and it should be noted there has been significant financial savings and non-financial benefits achieved through our collaborative approach.

Some examples of the larger contracts with Council Solutions are:

- Bituminous Road Works annual expenditure \$29,350,000
  - Significant savings achieved
- Temporary Labour Hire annual expenditure \$14,940,00
  - Significant savings achieved
- Legal Services annual expenditure \$3,380,000
  - Reduced hourly rates
  - Volume discount is realised as a collective group
- Cleaning Contract
  - Significant savings achieved

At Marion, as with all other Councils, we are committed to reducing the cost of services to our community, recognising our residents are faced with cost of living pressures on the family budget. They expect (and we strive to deliver) efficiencies in how their local Council operates and their rates are spent.

This is challenging for any level of government as well as for businesses in an environment where costs are increasing. Local government is faced with the additional burden of cost-shifting from other tiers of government while the introduction of rate capping in South Australia will place further pressure on Council budgets.

However, we are hopeful that with strategic initiatives to collaborate in service provision across Council boundaries, and with initiatives such as what Council Solutions is proposing, we will be able to continue to do more with less. We firmly believe that the Proposed Conduct will deliver resident-value through:

- increased service efficiencies
- cost savings in tendering / procuring waste services through reducing the replication of work for both participating Councils and potential suppliers through alignment of specifications and service standards and the administration of a single tender process
- environmental benefits from the increased diversion of waste from landfill
- lower costs for participating Councils through improved purchasing power
- increased competition from the stimulation of the market that this will bring
- infrastructure investment and increased service efficiencies, leading to further environmental benefits.

Marion is aware of the impact China's National Sword position has had on the recyclables commodity markets nationally. Council Solutions and the Participating Councils:

- are committed to ensuring commercial and risk sharing mechanisms (such as appropriate rise and fall provisions) are utilised in the contracts so that fair, sustainable and transparent contract arrangements are established.
- have given consideration to appropriate operating terms in this market, which has been reflected in the differing initial terms outlined in Table 3 of AA1000419, combining flexibility with commercial certainty to underpin any innovation in response to National Sword or other market changes.

Marion also notes that:

- contracts are due to commence from 2020, providing two years for the market to settle and implement the solutions they generate now to National Sword
- we will be required to go to market to establish new contracts for the provision of recyclables processing irrespective of the Proposed Conduct. By collaborating with

the other Participating Councils we will be reinforcing and supporting the changes that occur in the market, which will be more effective with our combined volume than if we were to go to market separately.

Marion's procurement policy requires us to seek the best value for money via open and transparent competition for services to ensure the optimal outcomes for our residents and fair and equitable treatment of suppliers. The Proposed Conduct, we believe, supports this important, high-level objective. In addition, Council has a long-term vision that we will reduce waste to landfill and continually improve our environment, which the Proposed Conduct supports.

Finally, we are fully committed to working in close collaboration with other Councils, the State Government and businesses to deliver better services to our community.

Evidence of this commitment is our involvement in the Southern Region Waste Resource Authority (SRWRA) with the cities of Holdfast Bay and Onkaparinga, Council's 20-year history with the G6 Procurement Group and now Council Solutions along with supporting local government procurement on a broader scale. All these have delivered benefits for our residents that will be built-upon should the submission be successful.

Marion has directed Council Solutions to act on our behalf and facilitate the procurement of the processing service streams, and accordingly unreservedly support the Proposed Conduct.

Yours faithfully



Adrian Skull  
Chief Executive Officer