

PUBLIC VERSION – RESTRICTION OF PUBLICATION OF PART CLAIMED

Clause 4.2 – Table of recycling volumes

- Annexure A – Current Service Providers
- Annexure B – Potential Competitors to Current Suppliers
- Annexure C – Memorandum of Understanding

20 August 2021

Gippsland Waste and Resource Recovery Group

**Application for Authorisation – Collaborative
Procurement of Glass and Mixed Recycling
Processing**

PUBLIC VERSION

Declaration by Applicant

The undersigned declares that, to the best of his knowledge and belief, the information given in this Application is correct and complete, that complete copies of documents required have been supplied, that all estimates are identified as such and are his best estimates of the underlying facts, and that all the opinions expressed are sincere.

The undersigned undertakes to advise the Australian Competition and Consumer Commission immediately of any material change in circumstances relating to this Application.

The undersigned is aware of the provisions of section 137.1 and 149.1 of the *Criminal Code* (Cth).



Matthew Duncan Peake
Executive Officer, Gippsland Waste and Resource Recovery Group

This 20 day of AUGUST 2021

1. Applicant

1.1 Name of the Applicant

This application is made by Gippsland Waste and Resource Recovery Group (**GWRRG**) on behalf of itself and the following councils:

- (a) **Bass Coast Shire Council**
76 McBride Avenue
Wonthaggi, Victoria 3995
- (b) **Baw Baw Shire Council**
33 Young Street,
Drouin, Victoria 3818
- (c) **East Gippsland Shire Council**
273 Main Street
Bairnsdale, Victoria 3875
- (d) **Latrobe City Council**
141 Commercial Road
Morwell, Victoria 3840
- (e) **South Gippsland Shire Council**
9 Smith Street
Leongatha, Victoria 3953
- (f) **Wellington Shire Council**
18 Desailly Street
Sale, Victoria 3850

(collectively, the **Councils**).

1.2 Address in Australia for service of documents on the Applicant

Holding Redlich
Level 8, 555 Bourke Street
Melbourne, Victoria 3000

Attention: Dan Pearce

Tel: [REDACTED]
[REDACTED]

2. Proposed Conduct

2.1 Description

The Councils are intending to investigate and potentially jointly procure the provision of processing services for glass and mixed recycling aggregated through the region's domestic collection services (including kerbside collection and alternative collection points such as transfer stations where kerbside services are not available, such as in some country areas) (the **Services**).

The purpose of the Services is to enhance the recovery of resources from, and to decrease the quantity of, recyclable material that would otherwise be sent to landfill. Due to the increasing

population in the Gippsland region, and the substantial projected increase in associated waste, GWRRG and the Councils will seek to implement measures to increase recovery of recyclable material and preserve the use of existing landfills for managing waste that cannot be recycled or otherwise captured.

For the purposes of this application, examples of recyclable materials that, without the Services, might go to landfill, are largely household post-consumer packaging. The aggregation of more materials may result in an ability to receive a greater variety of materials, including processing of plastic film, expanded polystyrene and the improved separation and grading of paper and cardboard. These innovations will ultimately improve the volume of materials that are useable for further manufacturing of recycled products.

Currently, there are recyclables from the Councils that are unnecessarily going to landfill. While specifying what percentage of recyclables that would no longer go to landfill as a result of the Services is difficult, a coordinated approach to kerbside glass and mixed recyclables processing can be expected to substantially improve the commercial viability of recovering more material presented to the facilities. This will be achieved through improved business conditions for purchase of more sophisticated recovery equipment resulting in a more commercially attractive end-product. In addition, a cleaner product will enable material to be exported to international markets despite the more stringent standards now required by China and other nations.

In particular, GWRRG and the Councils seek authorisation for:

- (a) GWRRG, on behalf of the Councils, to conduct a collaborative competitive tender process for the Services, to evaluate the responses in collaboration with the Councils and to negotiate the contractual framework on behalf of the Councils;
- (b) the Councils to enter into contract(s) with the successful supplier(s) (where the Councils will take a flexible approach as to the manner in which the Councils may ultimately contract, but the more likely approach expected is that the Councils will contract separately with the successful supplier(s));
- (c) ongoing administration and management of the resultant contract(s) to be undertaken by the Councils,

(the **Proposed Conduct**).

2.2 Relevant provisions of the Act

Authorisation is sought to:

- (a) make a contract or arrangement, or arrive at an understanding, a provision of which would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of the *Competition and Consumer Act 2010* (Cth) (the **Act**);
- (b) give effect to a provision of a contract, arrangement or understanding that is, or may be, a cartel provision within the meaning of Division 1 of Part IV of the Act;
- (c) make a contract or arrangement, or arrive at an understanding, where a provision of the proposed contract, arrangement or understanding would or might restrict dealings or affect competition within the meaning of section 45(1)(a) and (b) of the Act;

- (d) give effect to a provision of a contract, arrangement or understanding where the provision would or might restrict dealings or affect competition within the meaning of section 45 of the Act; and
- (e) engage in concerted practices which would or might restrict dealings or affect competition within the meaning of section 45(1)(c) of the Act.

2.3 Term of Authorisation

GWRRG seeks authorisation for:

- (a) ten months to complete the initial joint procurement process (including the Request for Tender process, selection of invitees to proceed to tender and Council approval to proceed) (**Initial Procurement**);
- (b) fifteen years from the conclusion of the Initial Procurement for the provision of the Services.

The rationale for the time periods proposed above (specifically the contract terms) with respect to the Services is to promote competitive tender submissions that allow service providers to realise a return on any capital investments undertaken with respect to the Services. GWRRG and the Councils expect that service providers will make capital investments in processing infrastructure and may upgrade existing waste and resource recovery facilities and/or construct new facilities.

As discussed in more detail below, increasing the recovery of recyclable material from landfills is an important activity to deliver community environmental and social imperatives. Furthermore, ensuring ongoing business viability and marketable outputs requires secure sources of sufficient volumes of input material, together with increased investment in technology to underpin market demand through a consistent, quality product.

3. Confidentiality

The public version of this document excludes information provided to the Australian Competition and Consumer Commission (**ACCC or Commission**) on a confidential basis. Confidential information has been removed and replaced with the word '**CONFIDENTIAL**'. GWRRG consents to disclosure of confidential information to the ACCC's external advisors on a confidential basis or otherwise in accordance with section 155AAA of the Act.

4. Background

This submission is made by GWRRG on behalf of itself and the Councils. The broader context for the proposed approach is discussed in more detail below but reflects the increased importance of addressing waste quantities in an area with a rapidly growing population, against the backdrop of a changed global market for certain waste streams.

4.1 GWRRG

GWRRG is a regional waste and resource recovery body established under section 49C of the *Environment Protection Act 1970* (Vic) (the **EP Act**).

GWRRG is responsible for planning, coordinating and facilitating the delivery of waste management and resource recovery across the Gippsland region. In this capacity, GWRRG works with the Councils to minimise waste, maximise resource recovery and reduce litter.

More specifically, GWRRG's objectives are set out in section 49G of the EP Act, and include:

- (a) facilitating efficient procurement of waste and resource recovery infrastructure and services through collective procurement;
- (b) undertaking waste and resource recovery infrastructure planning;
- (c) integrating regional and local knowledge into State-wide waste and resource recovery market development strategies;
- (d) educating businesses and communities to reduce waste going to landfill by using waste and resource recovery infrastructure and services efficiently; and
- (e) ensuring that the regional waste and resource recovery implementation plans required to be prepared under section 50B of the EP Act, are informed by local government, business and community, and are used to inform State-wide waste and resource recovery planning and programs.

In 2020, the Victorian Government released the "Waste and recycling legislation and governance options paper" (**Options Paper**). The Options Paper outlines the Victorian Government's proposal to introduce a new Waste Act and a new waste authority that is intended to perform the functions of the seven existing Waste and Resource Recovery Groups (**WRRGs**) throughout Victoria. Nonetheless, the Options Paper makes clear that existing local connections and partnerships with councils, which are currently facilitated by the WRRGs, are to be maintained by the proposed new waste authority. Therefore, it is requested that any authorisation of the collaborative procurement referred to in this application be granted so as to extend to any new waste authority or other successor entity of GWRRG.

4.2 The Councils

The Councils are responsible for providing community services and facilities and making and enforcing local rules and regulations.

The Councils have responsibility for management of waste in their respective local government areas and have a general commitment to minimising disposal of waste to landfill. The Councils wish to explore solutions for the recovery and processing of glass and mixed recyclable materials which may benefit their communities.

The below table shows the estimated annual weight of glass and mixed recycling that would be available from each of the Councils.

Council	Estimated annual tonnage		
	Average	Low	High
Bass Coast Shire Council			
Baw Baw Shire Council			
East Gippsland Shire Council			
Latrobe City Council			
South Gippsland Shire Council			
Wellington Shire Council			
TOTAL			

The current capacity for recycling processing within the region is limited. Over the past 15 years, the number of locally based operators has reduced to two, running small facilities. These facilities are only capable of processing less than half of the material generated in the region. This has led to a small number of larger operators located in Melbourne receiving the majority of the material generated in Gippsland. Each of the Councils procures recycling processing as part of existing contracts. However, the scale of material currently managed by the each of the Council's individual contracts limits the degree of this activity due to constrained commercial viability. The Services are expected to improve this. The Proposed Conduct will allow for the existing and possibly new operators to expand their capacity in the region.

4.3 Rationale

1. Increased waste and changing markets

By way of background, by 2031, the population of Gippsland is expected to increase from 270,000 people to 330,000 people. With this, the amount of municipal waste is also expected to increase from 450,000 tonnes of waste per annum to 550,000 tonnes of waste per annum, which will result in additional waste going to landfill each year unless an alternative solution is found.

If alternative waste management is not pursued, it is likely that the increasing cost of landfills will result in pressure on the overall number or size of landfills, and access becoming increasingly difficult.

Additionally, as the global market for recyclable waste has changed dramatically in recent years, the need for innovation in dealing with this waste stream has accelerated, including the need for improved processing closer to the point of origin. The alternative, of sending recyclables to landfill, is the least preferable outcome. However, to be viable, such commitments depend on larger volumes of waste. Accordingly, aggregation of waste from councils is required.

The recent global changes in the way post-consumer recyclables is managed in Australia has impacted the Victorian recycling sector. During the past two and a half years councils have been subject to rising costs and in some cases faced with re-directing recyclable materials to landfill due to a lack of capacity to manage the volume and breadth of materials presented at kerbside.

As a consequence, some sectors of the community have lost trust in the recycling services and need to be convinced the material is genuinely being made available to the market. An emphasis on a local (onshore) response has come from community and all tiers of government.

2. Government response

The National Waste Policy (**National Policy**) was established in light of these changes and focusses on:

- (a) waste avoidance, including by encouraging efficient use, re-use and repair of recycled materials; and
- (b) improved material recovery, including by improved collection systems, processes for recycling and the quality of recycled material produced.

The Victorian Government has established a coordinated State-wide strategy for tackling the issue of increasing waste quantities and the need to decrease reliance on landfills, the Statewide Waste and Resource Recovery Infrastructure Plan (the **Statewide Plan**). The purpose of the Statewide Plan is to develop a coordinated approach to waste and resource recovery infrastructure that (among other things):

- (a) manages the expected mix and volumes of waste;
- (b) protects the community and the environment;
- (c) supports a viable resource recovery industry;
- (d) reduces the amount of valuable materials going to landfill; and
- (e) minimises long term costs to households, the industry and the government.

To facilitate this coordinated approach to waste and resource recovery, GWRRG has been tasked with leading, on behalf of the Councils, the investigation, development and implementation of waste and resource recovery infrastructure within the Gippsland region.

In accordance with its obligations outlined above, in 2017 the GWRRG established the Gippsland Waste and Resource Recovery Implementation Plan (the **Gippsland Plan**), which identifies the needs, challenges and opportunities for waste and resource recovery services for a period of ten years.

The Gippsland Plan identifies as a priority action achieving greater material recovery through development of well-sited infrastructure. It also aims to *stimulate the introduction of innovative waste and resource recovery services, and infrastructure by driving collaboration between local government, the waste industry and community to meet the diverse needs of Gippsland.*

This outcome is to be achieved through:

- Attracting greater private sector investment and social enterprise involvement in the development and operation of resource recovery activity in Gippsland by identifying, progressing and supporting viable initiatives.
- Improving local resource recovery by identifying innovative and viable recycling initiatives to improve the convenience, scope and consistency of recycling.

The Recycling Industry Strategic Plan (**Strategic Plan**), has also been developed by the Victorian Government in light of the changes to the global market for recyclable waste, and focusses specifically on kerbside recycling, with the purpose of:

- (a) stabilising the recycling sector, including by the introduction of new and consistent contractual approaches which are more flexible and resilient to market changes;
- (b) increasing the quality of recycled materials;
- (c) improving the diversity and productivity of the recycling sector so that it is competitive, agile, transparent and has appropriate risk dispersal to respond to market challenges and opportunities; and
- (d) developing markets for recycled materials.

The policy *Recycling Victoria-a new economy*, introduced in February 2020, (**Recycling Victoria policy**) requires segregation of glass collection by 2027. The introduction of this fourth service will also require processing capability as it is introduced. More generally, its targets include to divert 80% of waste from landfill by 2030. This target has an interim goal of a 72% reduction by 2025. The goals of the policy include improving the separation of recyclable materials, developing markets for recovered materials and boosting investment in recycling infrastructure. The policy also outlines the Victorian Government's Recycling Markets Acceleration Package which looks to focus on increasing the use of recycled materials.

To deliver on commitments made in the National Policy, in 2021 the first **National Plastics Plan** was published and sets out actions to deliver against recycling targets for plastics. Included in these actions is the assessment and identification of regional solutions to reprocess packaging waste in remote and regional areas through partnerships.

3. Collaborative procurement to assist in meeting these issues

Collaborative procurement has been the primary mechanism used (within Victoria and interstate) to move away from landfill as a means of dealing with residual waste and encouraging innovation in processing. On its own, a single regional council is substantially reliant on landfill for waste disposal, as the volumes of waste generated are not great enough to encourage investment in more advanced solutions. However, when several councils aggregate kerbside waste volumes, economies of scale are improved and avenues for capital investment, including in advanced processing technologies, are opened up.

The joint procurement arrangements are intended to encourage resource sharing and efficiencies, and to support the current "best value principles" for the Councils set out in section 208B of the *Local Government Act 1989 (Vic)* (**LG Act**) and "the overarching governance principles" that apply from July 2021 under section 9 of the *Local Government Act 2020*. In accordance with the best value principles, the Councils must (amongst other things) meet certain quality and cost standards, and achieve continuous improvement in the provision of municipal services, and may seek partnerships with other councils and/or the State government in order to do so.

Similarly, the overarching governance principles require Councils to pursue innovation and continuous improvement, promote the economic, social and environmental sustainability of the municipal district (including mitigation and planning for climate change risks) and, in order to do so, collaboration with other Councils and Governments and statutory bodies is to be sought. Collaborative procurement of the Services will allow the Councils to comply with these

obligations, including through the sharing of costs and respective experience and expertise in waste and resource recovery in the Gippsland region.

The focus of the joint procurement is to explore options aimed at delivering triple bottom line benefits for the Gippsland and broader community. The Councils are interested in further exploring glass and mixed recycling collection services that will transition in order to remove this material from residual waste.

4.4 The Services

GWRRG and the Councils propose to collaboratively investigate and potentially procure the provision of the Services.

The collaborative procurement of the Services will ensure that a sufficient quantity of recyclable waste is aggregated to support increased investment required from the private sector. Commercial viability for expansion is currently limited under the traditional contract models used by the Councils.

Recyclable waste includes domestic post-consumer plastic, paper and cardboard, steel, aluminium and glass materials that are collected through kerbside and other domestic collection services. This waste is either sent to landfill or reprocessed at a reprocessing facility known as a Material Recovery Facility (**MRF**). Currently, glass and mixed recyclable material is reprocessed within and outside of the Gippsland region. Following reprocessing, individual material streams are made available as commodities for re-manufacture or as additives to products.

5. Proposed Conduct

5.1 Tender process

The Councils and GWRRG have documented some preliminary plans in a Memorandum of Understanding (see Annexure C) to jointly investigate and explore the procurement of the Services and engagement with prospective service providers.

The Councils and GWRRG propose to collaborate in respect of certain aspects of the procurement process and encourage proposals from a broad variety of service providers.

Activities that are proposed to be conducted jointly between the Councils and GWRRG include the following:

- (a) development of a Request for Tender and advertising for the Services;
- (b) evaluation of proposals submitted by prospective service providers, and the preparation of recommendations to assist in evaluating proposals received;
- (c) evaluation of, and contribution to, the costs of conducting the joint procurement;
- (d) negotiations, including joint arrangements between the Councils; and
- (e) forming groups or committees between the Councils for the ongoing management of agreements with respect to the Services.

To facilitate these joint activities, a group of representatives from each of the Councils, as well as GWRRG, will be established (the **Working Group**). The Working Group will prepare and publish a

Request for Tender with input from the Councils, with each individually determining service requirements. The GWRRG will employ a project lead and supporting personnel, who will co-ordinate certain aspects of the procurement process (including the preparation of tender documentation), and act as the primary contact for administrative aspects of the joint procurement process.

The Working Group will be responsible for receiving and evaluating proposals submitted by service providers in response to the Request for Tender. The Working Group's consideration of these proposals will be documented in a report (**Joint Report**), to be circulated amongst the Councils that have opted into the joint process. The Joint Report may contain the recommendations of the Working Group regarding preferred bidders (based on the criteria in the tender) and will be used by the Councils in determining each Council's decision to proceed to formal contract with the service provider(s).

GWRRG will facilitate a collaborative procurement process for the Councils, including through:

- (a) co-ordinating and leading meetings between representatives of the Councils and/or any potential service providers;
- (b) developing and advertising the Request for Tender, as well as legal, peer review and probity services as needed by the Councils;
- (c) applying for funding to defray the costs incurred by the Councils in the joint procurement process;
- (d) assisting the Councils in the evaluation of proposals received from prospective service providers;
- (e) preparing a draft Joint Report for use by the Councils in decision making; and
- (f) assisting the Councils to develop a management model for contracts.

Once the proposals received under the Request for Tender are evaluated, and the Joint Report (including any relevant recommendations) has been submitted to the relevant Councils, should the Councils wish to proceed to formal contract, GWRRG may assume the role of contract negotiator in collaboration with the relevant Council representative.

The proposed joint arrangements will be voluntary for each of the Councils. A Council that does not opt-in to the Proposed Conduct may choose to proceed independently and continue to individually procure its own waste and resource recovery services.

Councils that opt-in to the joint procurement arrangements will not be required to accept the proposals recommended by the Working Group in the Joint Report, or to enter into any arrangements with service providers that submit bids in the joint process. Such Councils will also be free to withdraw from the joint procurement arrangements at any time following consideration of the Joint Report.

It is also proposed that service providers in the bidding process may bid for:

- (a) the provision of services to each participating Council individually; and
- (b) the provision of services to a cluster of the participating Councils (more than 2) determined by geographic proximity, volume or any other relevant factors.

If proposals are received for the provision of services to multiple participating Councils, those Councils may choose to jointly evaluate those proposals, with the assistance of GWRRG, and to jointly negotiate with the relevant service providers with a view to entering joint arrangements between them for the services.

Following the joint tender process, it is proposed that each participating Council will enter into an arrangement with the successful service provider(s). Those Councils will be responsible for managing arrangements with contracted service providers on an ongoing basis. GWRRG will not play a role in the ongoing administration or management of waste and resource recovery contracts on behalf of the participating Councils, however, it may assist in facilitating contract management meetings to ensure best outcomes for the services procured.

5.2 Parties potentially impacted

The proposed joint procurement may affect existing providers of waste and resource recovery services to the Councils, but these service providers will not be precluded from participating in the joint procurement. A list of the current service providers and their details is set out in Annexure A. Annexure B also sets out some potential competitors of these providers that could be said to make up the current market. All the businesses in Annexure B and the majority listed in Annexure A could be described as large providers (with a number being international in scale) with the exception of two smaller local facilities that are family owned.

As discussed in more detail below, it is in fact hoped that the proposed procurement will provide opportunities for the local businesses currently providing services to find increased opportunities in an environment of aggregated waste quantities, either directly or in partnership with other suppliers. It is also recognised that certain activities, such as collection, may have an inherent appeal to the existing suppliers, given the geography of the Gippsland region.

6. Market

Identification of the market in this instance benefits from consideration of developments in the broader Victorian market for waste services. Whilst this project involves councils in the Gippsland area, there are important initiatives occurring more broadly in Victoria and indeed Australia.

There are a range of initiatives taking place in Victoria which involve the aggregation of volumes of municipal waste in order to attract investment in new facilities. Without such aggregation, it is likely that existing recycling arrangements will become untenable, and that existing landfills will have to cope with increasing volumes of material. Potential suppliers are therefore likely to approach the Gippsland initiative in light of the broader environment and so be drawn from beyond the Gippsland geographic area.

That said, there should still be scope for local suppliers to participate in the procurement. Those suppliers, including incumbent providers, can tender to service a sub-set of the Councils, and given the geography involved may be naturally competitive for a particular sub-region.

Further, it is likely that local providers of processing services will be well placed to partner with other providers where an existing presence “on the ground” will frequently be required to support an aggregated offering at a later stage in the waste cycle. An advantage of a collaborative procurement where there is transparency of available volumes is that it can facilitate the establishment of such partnerships, where all parties can develop their business plans on the

basis of a larger opportunity being available at a point in time (rather than seeking to secure economic efficiencies as individual councils offer up their waste one by one).

In summary, the aggregation of waste volumes should attract new entrants, and additional sources of private investment, whilst the transparent process should allow for local and regional suppliers to identify opportunities as part of a larger picture, and potentially with new partners.

Gippsland's success as a leading processor of recyclables is being achieved through the extraction and segregation of quality material streams that builds sustained market demand. It is recognised that there is substantial opportunity for local and overseas market growth provided this quality is maintained through appropriate processing methods. Conversely, attempting to market inferior products could be expected to cause sustained damage to the existing market confidence as well as any opportunities for market expansion. Furthermore, planned national export bans for particular material streams could in fact result in increased disposal to landfill if recyclables are not captured appropriately. Therefore, procurement selection criteria will be developed to ensure appropriate product quality control, leading to sustained market demand, can be achieved and maintained by successful bidders.

Finally, the proposed introduction of the Container Deposit Scheme (CDS) under the Recycling Victoria policy may provide a further impetus for suppliers to participate in the procurement here, as there could be scope for such suppliers to also participate in the CDS network and generate additional revenues from such activities (although it is not expected that such revenues would of themselves alleviate the need for an aggregation of volumes).

Importantly, the larger market for **commercial and industrial** waste remains separate from the proposed procurement, as do the markets for bulk haulage, organic waste, residual waste, waste from other regional areas of Victoria, the metropolitan area of Melbourne, and other states.

7. Counterfactual

If the proposed form of procurement does not proceed, the most likely counterfactual is that the Councils could individually develop their own tenders and negotiate for the supply of the relevant services.

Such an approach would likely diminish the substantial public benefits sought by the collaborative procurement. Indeed, the waste sector is at a critical juncture, with existing infrastructure and systems straining to cope with increasing volumes of waste, and significantly changed markets. If the Gippsland region ends up with a "business as usual" outcome, there is a real likelihood of substantial disruption to existing waste services as the business case for providing a service becomes increasingly less viable due to insufficient volumes of available material. Collaborative procurement, and aggregation of waste volumes, has been shown to assist in responding to these challenges.

More specifically, GWRRG considers that the alternate approach, of not proceeding with the Proposed Conduct, would result in:

- (a) higher transaction costs as each Council would have to evaluate and negotiate large parts of the proposals by service providers themselves, which would result in these costs ultimately being borne by residents and rate-payers of the communities in each municipality;

- (b) fewer service providers responding to tenders for the relevant services, given the reduced certainty of obtaining contracts for multiple councils;
- (c) reduced economic efficiencies through the smaller scale of potential contracts;
- (d) reduced opportunities to obtain expertise in evaluating and negotiating such tenders through the collaboration of GWRRG and the various Councils;
- (e) decreased investment in facilities and equipment which would be capable of enhanced processing of waste and recovery of resources, and an associated increase in the volume of waste going to landfill. This is a particularly pressing issue in the context of recycling, given the significant changes in that market in the last 18 months and the urgent need for investment in new technologies.

8. Public Benefit

Carrying out the joint procurement is expected to allow for an enhanced procurement and result in various public benefits, including as follows.

8.1 Procurement process benefits

- (a) **Long-term certainty for the Councils with respect to services to manage waste** – the Councils gain long term certainty of the Services to manage waste and will have a choice in how they manage and recover resources from waste. The alternative, of increasing reliance on landfill, will face increasing challenges given constraints on new landfill options.
- (b) **Standardisation of documents and services and cost benefits in conducting collaborative procurement** – the costs that would otherwise be incurred by each party in the procurement of the Services would be reduced significantly by conducting collaborative procurement, as each party would otherwise be solely responsible for the costs associated with the tender process, negotiating contracts and management of the service delivery. Efficiencies across all Councils would also be increased by reducing the replication of work through the alignment of service requirements and streamlining each Council's interests through a single tender process. For instance, instead of each Council preparing its own tender documents, GWRRG will undertake this task on behalf of all participating Councils.
- (c) **Regionalisation of infrastructure** – it is expected that provision of the Services will entail constructing new infrastructure or require significant upgrading to existing Gippsland infrastructure. By increasing the capability and capacity of Gippsland material recovery infrastructure it is expected to enable councils on the outer Melbourne rim to efficiently transport collected material to regional facilities thereby reducing Melbourne city traffic and generating regional employment.
- (d) **Expertise of GWRRG** - the opportunity for GWRRG's involvement allows for its considerable expertise on technical issues associated with recyclable waste management and procurement of solutions to be enjoyed by each Council, rather than individual Councils seeking such expertise elsewhere.

8.2 Environmental benefits

- (a) **A healthier environment and enhanced liveability** – sending less recyclable waste to landfill will reduce greenhouse gases, be less attractive to vermin, produce less leachate (contaminated water) and reduce local traffic movements and congestion.

- (b) **Recovery of resources** – the recovery of resources from waste would result in less pressure on existing (and new) landfills, which could predominately be used to manage waste that cannot be avoided or recycled. This will also incentivise investment in new waste processing technology and facilities to increase the capture of recovered material at the quantity and quality necessary to attract market demand for recovered materials and re-manufacturing, which is expected to lead to further environmental benefits.
- (c) **Increased efficiencies in waste processing and disposal** – aggregating waste processing across participating Councils will assist suppliers in maintaining efficiencies. With respect to waste disposal, increased processing efficiencies will decrease the volume of waste that would otherwise be disposed of throughout the participating Councils.
- (d) **Restoration of faith in recycling** – if community concern regarding existing recycling systems can be overcome, there should be scope for the level of recycling undertaken to increase, further enhancing the benefits in (a), (b) and (c) above.

8.3 Increase in competition

The joint procurement process will enhance competition for recyclable recovery services in the Gippsland region, as the combination of volumes and services by the Councils will incentivise additional service providers to bid and compete to provide the Services. An individual council on its own can only provide smaller waste quantities which would not attract the same level and type of service providers.

8.4 Community

- (a) **Service delivery improvements** – the joint procurement is likely to facilitate improvements to waste and resource recovery services and establishment of necessary infrastructure in the region necessary for delivering outcomes consistent with the creation of a circular economy in the region. This is also likely to provide innovations to services, for example in the acceptance, sorting and reprocessing of materials in the region, as private service providers are better equipped to introduce technological improvements than some of the Councils.
- (b) **Efficiency** – the joint procurement will lead to efficiency improvements when combining volumes of waste and recyclables across the Councils. Existing small-scale facilities are recognised as less efficient and, while upgrading is an option, due to aging infrastructure it is likely that new technology and substantial renewal is required. In addition, joint procurement would reduce transport costs by allowing service providers to service multiple locations through combined programs.
- (c) **Improved waste management and recovery rates** – this will benefit the environment and public health in the affected communities by reducing the amount of recyclable waste that is sent to landfill, increasing the rates of recovery for recoverable waste and improving material quality to enable re-use, leading to better economic outcomes and certainty in the sustainability of future waste recovery and reprocessing.
- (d) **Market Growth and creation of jobs** – the increase in recovery and aggregation of glass and mixed recyclable material will build new markets for quality product. The joint procurement will maintain existing and lead to new local employment opportunities in resourcing and reprocessing, including employment opportunities for disadvantaged sectors of the community, which will also lead to improved social outcomes. The likely move to increased

processing in the region is expected to create jobs at new regional facilities, both during construction and in operation.

8.5 Achievement of government objectives

- (a) **Emissions reduction target** – reduction of greenhouse gases will contribute to the Victorian Government’s emissions reduction target.
- (b) **Viable resource recovery industry** – waste avoidance and increased use of resources will assist in achieving the goals set by the State and Federal Governments for a viable resource recovery industry in accordance with the Statewide Plan, Recycling Victoria policy, the National Policy and the Strategic Plan, and GWRRG’s objectives under the EP Act. Regional partnerships that deliver solutions to reprocess packaging waste will also assist to achieve the actions in the National Plastics Plan.
- (c) **Gippsland Plan** – increased use of resources will assist in improving the recyclable recovery system in Gippsland, increase the performance and sophistication of the recycling infrastructure and reduce dependence on landfills in accordance with the Gippsland Waste and Resource Recovery Implementation Plan.
- (d) **Strategic Plan** – The Recycling Industry Strategic Plan sets out the pathway to a safe, resilient and efficient recycling system in Victoria, where kerbside recycling services continue to be provided to households. With additional investment improved sorting will enhance the quality and value of recycled materials by producing more homogenous, uncontaminated material streams. Importantly, this can result in more end market options being established in the region and more revenue for these materials.

9. Public Detriment

GWRRG submits that the Proposed Conduct will not result in any discernible public detriments for the reasons set out below, and in any event, any potential detriment would nevertheless be outweighed by the benefit to the public set out above.

A potential perceived detriment of the proposed collaborative procurement may be a decrease in competition as suppliers which may have offered services to each Council individually would be restricted to supplying the Councils in an aggregated manner.

However, the tender process here will still allow for suppliers to submit for smaller areas, so there will remain scope for smaller suppliers to secure certain streams of work, and to also ensure that larger suppliers must remain competitive in their pricing.

The tender process will also be competitive and conducted in accordance with best practice probity standards, including transparency and audit requirements. Selected suppliers will not be in any way restricted from offering services to other Councils. The Working Group will have regard to objective criteria in evaluating proposals by service providers. GWRRG has engaged an independent probity auditor in this regard to oversee the joint procurement process. The probity auditor will also be tasked with reporting to the Working Group regarding compliance with certain protocols that are designed to support the objective evaluation of service provider proposals.

Service providers will remain free to compete for other waste and resource recovery services to customers other than the Councils. The Proposed Conduct only affects a maximum of six local councils in Victoria out of a total of 79, and it is possible that not all Gippsland Councils will opt-in

to the joint procurement process. In addition, service providers will be able to bid for a sub-set of the Councils.

Finally, the participation of each Council is voluntary. The Councils may choose to not opt-in to the joint procurement process or withdraw following the conclusion of the process. Councils may, after consideration of the Joint Report, or other issues arising from the joint procurement process, elect to determine their own arrangements with service providers separately.

10. Conclusion

For the reasons set out above, GWRRG submits that the substantial public benefit of the joint procurement significantly outweighs any public detriment, and that its application for authorisation should therefore be granted.

Annexure A Current Service Providers

Council	Contract	Service	Contractor	Sub Contractor	Expiry Date
Bass Coast SC					
Baw Baw SC					
East Gippsland SC					
Latrobe City					
South Gippsland SC					
Wellington SC					

Annexure C Memorandum of Understanding

